


Esmertec AG, Dübendorf

**Report of the Statutory Auditors
to the General Meeting**

Financial Statements 2002/2003

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Assurance

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Report of the Statutory Auditors to the General Meeting of

Esmertec AG, Dübendorf

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Esmertec AG for the year ended March 31.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

KPMG Fides Peat

Paul von Deschwanden
Auditor in Charge

ppa Urs Matter

Lucerne, June 4, 2003

Enclosure:

- Financial statements (balance sheet, income statement and notes)

Balance Sheet as of 31 March

2003

2002

	CHF	CHF
ASSETS		
Current assets		
Cash and cash equivalents	2,931,618	1,831,320
Trade accounts receivable	3,855,409	348,353
Other accounts receivable		
- from third parties	1,621,957	35,835
- from shareholders	173,752	0
Inventory	3,961,920	0
Deferred expenses and accrued income	154,112	100,656
	<u>12,698,768</u>	<u>2,316,164</u>
Non-current assets		
Financial assets		
- Equity investment	167,210	167,210
- Value adjustment on equity interests	-167,209	-167,209
- Loan to subsidiary	4,178,012	3,362,797
- Value adjustment on loan to group companies	-3,370,000	-3,000,000
- Other long-term investments to third parties	25,284	20,259
Property, plant and equipment	626,494	446,003
Intangible assets	4,967,114	48,000
	<u>6,426,905</u>	<u>877,060</u>
	<u>19,125,673</u>	<u>3,193,224</u>

Balance Sheet as of 31 March

2003

2002

	CHF	CHF
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
<i>Short term liabilities</i>		
Trade accounts payable	487,496	211,204
Other current accounts payable	6,053,470	142,076
Accrued expenses and deferred income	2,807,309	467,775
	(9,348,275)	(821,055)
<i>Long term liabilities</i>		
Long-term debt		
- to third parties	2,023,541	271,183
- to shareholders	4,405,474	2,410,781
Provisions	1,147,697	50,000
	(7,576,712)	(2,731,964)
	<u>16,924,987</u>	<u>3,553,019</u>
Shareholders' equity		
Share capital	500,090	232,710
Legal reserves (Agio)	250,045	116,355
Other reserves (Agio)	23,562,755	13,911,190
Accumulated deficit		
- Accumulated deficit brought forward	-14,620,050	-5,790,522
- Net loss for the period	-7,492,154	-8,829,528
	(-22,112,204)	(-14,620,050)
	<u>2,200,686</u>	<u>-359,795</u>
	<u>19,125,673</u>	<u>3,193,224</u>

Income Statement	2002/2003	2001/2002
	CHF	CHF
Revenues from goods and services	6,617,291	1,499,751
Total operating income	6,617,291	1,499,751
Cost of sales	-903,230	-331,465
Personnel expenses	-9,328,450	-4,827,845
Depreciation and amortization	-275,466	-174,760
Value adjustment on investments and loans to subsidiary	-370,000	-3,167,209
Other operating expenses	-2,405,264	-1,612,588
Operating loss	-6,665,119	-8,614,116
Financial income	327,795	227,891
Financial expenses	-1,155,139	-443,303
Gains on disposal of non-current assets	186	0
Non-operating income	200	0
Non-operating expenses	-77	0
Net loss	-7,492,154	-8,829,528

Notes to the Financial Statements as at March 31		2003	2002
		CHF	CHF
1 Lease obligations not recorded in the balance sheet			
Company cars		<u>17,077</u>	<u>46,464</u>
2 Fire insurance value of property, plant and equipment			
Insurance value (fire) of fixed assets		<u>200,000</u>	<u>200,000</u>
3 Details of significant investments			
<i>Company, domicile purpose</i>	<i>percentage held %</i>	<i>share capital</i>	
Esmertec Inc., San Jose, CA, USA	100	US\$ 100,000	
Esmertec Inc., San Jose, was founded to provide US Customers with embedded expertise, services and advanced Java technology (sales and support organization).			
4 Pension fund liabilities			
Amounts due to pension funds (total amount)		<u>118,210</u>	<u>0</u>
5 Authorized and conditional increase of share capital			
Unissued conditional authorized share capital		<u>95,230</u>	<u>95,230</u>

There are no further facts which would require disclosure in accordance with Art. 663b CO.