

RADWARE LTD  
Form SC 13G/A  
February 13, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934  
(Amendment No. 1)\*

Radware Ltd.  
(Name of Issuer)

Ordinary Shares, NIS 0.05 par value per share  
(Title of Class of Securities)

M81873107  
(CUSIP Number)

December 31, 2016  
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

☒ Rule 13d-1(b)

☐ Rule 13d-1(c)

☐ Rule 13d-1(d)

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\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP  
No M81873107

NAME OF  
1. REPORTING  
PERSONS

Cadian  
Capital  
Management,  
LP

CHECK THE  
APPROPRIATE  
BOX IF A  
2. MEMBER OF A  
GROUP (SEE  
INSTRUCTIONS)

(a) ☐  
(b) ☐

3. SEC USE  
ONLY

CITIZENSHIP  
OR PLACE  
4. OF  
ORGANIZATION

Delaware

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY EACH  
REPORTING  
PERSON WITH

SOLE  
5. VOTING  
POWER

0

6. SHARED  
VOTING

POWER

4,192,301

SOLE

7. DISPOSITIVE  
POWER

0

SHARED

8. DISPOSITIVE  
POWER

4,192,301

AGGREGATE  
AMOUNT

9. BENEFICIALLY  
OWNED BY EACH  
REPORTING  
PERSON

4,192,301

CHECK  
BOX IF  
THE  
AGGREGATE  
AMOUNT

10. IN ROW (9)  
EXCLUDES  
CERTAIN  
SHARES  
(SEE  
INSTRUCTIONS)

☐

PERCENT  
OF CLASS  
REPRESENTED

11. BY  
AMOUNT  
IN ROW (9)

9.6%

12. TYPE OF  
REPORTING  
PERSON

(SEE  
INSTRUCTIONS)  
IA, PN

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CUSIP  
No M81873107

NAME OF  
1. REPORTING  
PERSONS

Cadian  
Capital  
Management  
GP, LLC

CHECK THE  
APPROPRIATE  
BOX IF A  
2. MEMBER OF A  
GROUP (SEE  
INSTRUCTIONS)

(a) ☐

(b) ☐

3. SEC USE  
ONLY

CITIZENSHIP  
OR PLACE  
4. OF  
ORGANIZATION

Delaware

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY EACH  
REPORTING  
PERSON WITH

SOLE  
5. VOTING  
POWER

0

6. SHARED  
VOTING

POWER

4,192,301

SOLE

7. DISPOSITIVE  
POWER

0

SHARED

8. DISPOSITIVE  
POWER

4,192,301

AGGREGATE  
AMOUNT

9. BENEFICIALLY  
OWNED BY EACH  
REPORTING  
PERSON

4,192,301

CHECK  
BOX IF  
THE  
AGGREGATE  
AMOUNT

10. IN ROW (9)  
EXCLUDES  
CERTAIN  
SHARES  
(SEE  
INSTRUCTIONS)

☐

PERCENT  
OF CLASS  
REPRESENTED

11. BY  
AMOUNT  
IN ROW (9)

9.6%

12. TYPE OF  
REPORTING  
PERSON

(SEE  
INSTRUCTIONS)  
OO, HC

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CUSIP  
No M81873107

NAME OF  
1. REPORTING  
PERSONS

Eric  
Bannasch

CHECK THE  
APPROPRIATE  
BOX IF A  
2. MEMBER OF A  
GROUP (SEE  
INSTRUCTIONS)

(a) ☐

(b) ☐

3. SEC USE  
ONLY

CITIZENSHIP  
OR PLACE  
4. OF  
ORGANIZATION

United  
States of  
America

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY EACH  
REPORTING  
PERSON WITH

SOLE  
5. VOTING  
POWER

0

SHARED  
6. VOTING  
POWER



4,192,301

SOLE

7. DISPOSITIVE  
POWER

0

SHARED

8. DISPOSITIVE  
POWER

4,192,301

AGGREGATE  
AMOUNT

9. BENEFICIALLY  
OWNED BY EACH  
REPORTING  
PERSON

4,192,301

CHECK  
BOX IF  
THE  
AGGREGATE  
AMOUNT

10. IN ROW (9)  
EXCLUDES  
CERTAIN  
SHARES  
(SEE  
INSTRUCTIONS)  
☐

PERCENT  
OF CLASS  
REPRESENTED

11. BY  
AMOUNT  
IN ROW (9)

9.6%

12. TYPE OF  
REPORTING  
PERSON  
(SEE  
INSTRUCTIONS)

IN, HC

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CUSIP No M81873107

Item 1. (a). Name of Issuer:

Radware Ltd. (the “Issuer”)

(b). Address of Issuer's Principal Executive Offices:

22 Raoul Wallenberg Street  
Tel Aviv 69710  
Israel

Item 2. (a). Name of Person Filing:

Cadian Capital Management, LP  
Cadian Capital Management GP, LLC  
Eric Bannasch

The filing persons named above are collectively referred to herein as the “Reporting Persons.”

(b). Address of Principal Business Office, or if None, Residence:

Cadian Capital Management, LP  
535 Madison Avenue  
36th Floor  
New York, NY 10022

Cadian Capital Management GP, LLC  
535 Madison Avenue  
36th Floor  
New York, NY 10022

Eric Bannasch  
535 Madison Avenue  
36th Floor  
New York, NY 10022

(c). Citizenship:

Cadian Capital Management, LP – Delaware  
Cadian Capital Management GP, LLC – Delaware  
Eric Bannasch – United States of America

(d). Title of Class of Securities:

Ordinary Shares, par value NIS 0.05 per share (“Ordinary Shares”)

(e). CUSIP Number:

M81873107

Item 3. If This Statement is filed pursuant to Rule 13d-1(b) or Rule 13d-2(b), or (c), check whether the person filing is  
a

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- (a) ☐ Broker or dealer registered under Section 15 of the Exchange Act (15 U.S.C. 78c).
- (b) ☐ Bank as defined in Section 3(a)(6) of the Exchange Act (15 U.S.C. 78c).
- (c) ☐ Insurance company as defined in Section 3(a)(19) of the Exchange Act (15 U.S.C. 78c).
- (d) ☐ Investment company registered under Section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).
- (e) ☒ An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);
- (f) ☐ An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);
- (g) ☒ A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);
- (h) ☐ A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C.1813);
- (i) ☐ A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) ☐ A non-U.S. institution in accordance with Rule 13d-1(b)(1)(ii)(J);
- (k) ☐ Group, in accordance with Rule 13d-1(b)(1)(ii)(K).

#### Item 4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount beneficially owned:

Cadian Capital Management, LP – 4,192,301  
Cadian Capital Management GP, LLC – 4,192,301  
Eric Bannasch – 4,192,301

(b) Percent of class:

Cadian Capital Management, LP – 9.6%  
Cadian Capital Management GP, LLC – 9.6%  
Eric Bannasch – 9.6%

Such percentages are based on 43,755,444 of the Issuer's Ordinary Shares outstanding as of August 22, 2016, as disclosed in the Issuer's Form 6-K filed with the SEC on August 29, 2016.

(c) Number of shares as to which the person has:

Cadian Capital Management, LP

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(i) Sole power to vote or to direct the vote	0	,
(ii) Shared power to vote or to direct the vote	4,192,301	,
(iii) Sole power to dispose or to direct the disposition of	0	,
(iv) Shared power to dispose or to direct the disposition of	4,192,301	.

Cadian Capital Management GP, LLC

(i) Sole power to vote or to direct the vote	0	,
(ii) Shared power to vote or to direct the vote	4,192,301	,
(iii) Sole power to dispose or to direct the disposition of	0	,
(iv) Shared power to dispose or to direct the disposition of	4,192,301	.

Eric Bannasch

(i) Sole power to vote or to direct the vote	0	,
(ii) Shared power to vote or to direct the vote	4,192,301	,
(iii) Sole power to dispose or to direct the disposition of	0	,
(iv) Shared power to dispose or to direct the disposition of	4,192,301	.

All securities reported in this Schedule 13G/A are directly held by advisory clients (the “Advisory Clients”) of Cadian Capital Management, LP (the “Adviser”). Pursuant to Investment Management Agreements, as amended, between the Advisory Clients and the Adviser, the Adviser exercises exclusive voting and investment power over securities directly held by the Advisory Clients. Cadian Capital Management GP, LLC is the general partner of the Adviser. Eric Bannasch is the sole managing member of Cadian Capital Management GP, LLC.

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [ ].

N/A

Item 6. Ownership of More Than Five Percent on Behalf of Another Person.

If any other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities, a statement to that effect should be included in response to this item and, if such interest relates to more than five percent of the class, such person should be identified. A listing of the shareholders of an investment company registered under the Investment Company Act of 1940 or the beneficiaries of

employee benefit plan, pension fund or endowment fund is not required.

All securities reported in this Schedule 13G/A are directly held by Advisory Clients. None of the Advisory Clients other than Cadian Fund LP individually directly holds more than 5% of the Ordinary Shares.

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Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company.

If a parent holding company has filed this schedule, pursuant to Rule 13d-1(b)(1)(ii)(G), so indicate under Item 3(g) and attach an exhibit stating the identity and the Item 3 classification of the relevant subsidiary. If a parent holding company has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identification of the relevant subsidiary.

The disclosure regarding the relationships among the Reporting Persons in Item 4 is incorporated by reference herein.

Item 8. Identification and Classification of Members of the Group.

If a group has filed this schedule pursuant to §240.13d-1(b)(1)(ii)(J), so indicate under Item 3(j) and attach an exhibit stating the identity and Item 3 classification of each member of the group. If a group has filed this schedule pursuant to §240.13d-1(c) or §240.13d-1(d), attach an exhibit stating the identity of each member of the group.

N/A

Item 9. Notice of Dissolution of Group.

Notice of dissolution of a group may be furnished as an exhibit stating the date of the dissolution and that all further filings with respect to transactions in the security reported on will be filed, if required, by members of the group, in their individual capacity. See Item 5.

N/A

Item 10. Certification.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

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SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

February 13, 2017

(Date)

Cadian Capital Management, LP

By: Cadian Capital Management GP, LLC, its General Partner

By: /s/ Eric Bannasch

Eric Bannasch

Managing Member

Cadian Capital Management GP, LLC

By: /s/ Eric Bannasch

Eric Bannasch

Managing Member

/s/ Eric Bannasch

Eric Bannasch

h the development or modification of modules for Toys "R" Us, including the use of higher cost outsource development services (subcontractors) for certain components of the overall project. These costs are neither capitalized nor included in application technology development expenses, but we consider them to be part of our overall application technology development program. APPLICATION DEVELOPMENT EXPENSE Application development expense for the fiscal year ended March 31, 2002 was \$4.2 million as most development expenditures were client funded compared to \$5.3 million for the fiscal year ended March 31, 2001, a decrease of 21%. The decrease reflects a shift toward customer-funded development expenses. 40 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES Selling, general and administrative expenses decreased by \$5.0 million, or 29%, to \$12.0 million compared to \$17.0 million in the fiscal year ended March 31, 2001. The decrease was due to the following: o Personnel reduction implemented in the fourth quarter of 2001 and third quarter of 2002 and control of expenditures. o A \$0.9 million reserve for bad debts in fiscal 2001. During the third quarter of 2002, we completed an analysis of our operations and concluded that it was necessary to restructure the composition of our management and personnel. We anticipated that the restructuring would result in an approximately \$3.0 million annual reduction in our expense levels compared to expenses prior to implementation of the plan. To the extent resources are available, we expect to slowly increase our expense levels in fiscal 2003 from the reduced level after the reductions in the third quarter of fiscal 2002. Additional planned expenditures are for the building of our sales force and for additions to our Professional Services group for US and UK retail operations as new licenses and services are sold. DEPRECIATION AND AMORTIZATION Depreciation and amortization decreased by \$1.6 million, or 19%, to \$6.7 million in the

fiscal year ended March 31, 2002 from \$8.3 million in the fiscal year ended March 31, 2001. The decrease reflected the reduction in the base amounts of goodwill and capitalized software assets resulting from the recognition of impairments of those assets in the fourth quarter of fiscal 2001.

**INTEREST INCOME AND EXPENSE** Interest expense was \$3.0 million in the fiscal years ended March 31, 2002 and 2001. Interest income decreased \$0.6 million to \$0.1 million in fiscal 2002, compared to \$0.7 million in fiscal 2001 due to cessation of the accrual of interest income on the note receivable received in connection with the sale of IBIS after the second quarter of fiscal 2001.

**DISCONTINUED OPERATIONS** Loss from discontinued operations in fiscal 2002 was \$4.3 million, which included \$1.4 million of net loss from Australian operations and \$3.2 million of loss on disposal of the Australian operations; offset in part by \$0.2 million of net income from the Training Products operations. Loss from discontinued operations in fiscal 2001 was \$3.8 million, which included \$3.7 million of net loss from the Australian operations and \$0.1 million of net loss from the Training Products operations. Our Training Products subsidiary was sold effective April 1, 2003 and our Australian operations were disposed in the fourth quarter of fiscal 2002.

**LIQUIDITY AND CAPITAL RESOURCES**

**CASH FLOWS FOR THE QUARTER ENDED JUNE 30, 2003** During the quarter ended June 30, 2003, we financed our operations using cash on hand, internally generated cash, proceeds from the sale of common stock and proceeds from sale of convertible debentures. At June 30, 2003 and March 31, 2003, we had cash of \$7.1 million and \$1.3 million, respectively. Operating activities used cash of \$1.3 million in the three months ended June 30, 2003 and \$1.4 million in the three months ended June 30, 2002. Cash used for operating activities in the three months ended June 30, 2003 resulted from \$3.3 million increase in accounts receivable and other receivables and \$0.9 million decrease in accounts payable and accrued expenses; offset in part by \$0.3 million net income, \$0.9 million of non-cash depreciation and amortization, \$0.2 million of non-cash amortization of debt discount related to the convertible debentures and \$1.5 million increase in deferred revenue. Investing activities used cash of \$0.9 million in the three months ended June 30, 2003 and \$0.2 million in the three months ended June 30, 2002. Cash used for investing activities in the current quarter was primarily for capitalization of software development costs. Financing activities provided cash of \$8.0 million and \$0.8 million in the three months ended June 30, 2003 and 2002, respectively. The 2003 financing activities included net proceeds of \$7.3 million from the sale of common stock and \$0.7 million from the issuance of convertible debentures. Accounts receivable increased to \$6.8 million at June 30, 2003 from \$4.0 million at March 31, 2003. The increase was due to \$1.5 million in semi-annual maintenance service billings for the period of July 2003 through December 2003 (with a balancing liability recorded for deferred revenue), \$0.7 million increase in current receivables from new sales and \$0.4 million increase in unbilled receivables.

**CASH FLOWS FOR THE FISCAL YEAR ENDED MARCH 31, 2003** During the fiscal year ended March 31, 2003, we financed our operations using cash on hand, internally generated cash, cash from the issuance of convertible note and debentures and loans from an entity affiliated with Donald S. Radcliffe, a director. During the fiscal year ended March 31, 2002, we financed our operations using cash on hand, internally generated cash, cash from the issuance of convertible notes and loans from an entity affiliated with Donald S. Radcliffe, a director. During the fiscal year ended March 31, 2001, we financed our operations using cash on hand, internally generated cash, cash from the sale of common stock, proceeds from the exercise of options, lines of credit and loans from each of Softline, a subsidiary of Softline and Barry M. Schechter, our former Chairman. At March 31, 2003 and 2002, we had cash from continuing operations of \$1.3 million. Operating activities used cash of \$1.1 million in the fiscal year ended March 31, 2003, provided cash of \$1.6 million in the fiscal year ended March 31, 2002 and used cash of \$2.4 million in the fiscal year ended March 31, 2001. Cash used in fiscal 2003 resulted primarily from \$2.7 million of net loss, \$1.5 million non-cash gain on debt forgiveness, \$2.0 million increase on accounts receivable and other receivable and \$2.0 million increase in deferred revenue; offset in part by non-cash charges of \$4.1 million in depreciation and amortization and \$0.6 million in a change in accounting principle, \$1.0 million increase in accounts payable and accrued expenses and \$0.9 million increase in accrued interest payable. Cash provided for operating activities in fiscal 2002 resulted primarily from \$2.5 million decrease in accounts receivable and other receivables, \$1.6 million increase in deferred revenue, \$7.1 million in non-cash depreciation and amortization, \$3.2 million of loss on disposal of Australian operations, \$2.3 million increase in interest payable and \$1.0 million in non-cash charges for stock-based compensation and interest related to convertible notes due stockholders; offset by \$14.7 million of net losses and \$1.9 million decrease in accounts payable and accrued expenses. Cash used for operating activities in fiscal 2001 resulted primarily from \$28.9 million of net loss, a \$4.4 million decrease in net deferred tax liability and a \$4.4 million decrease in deferred revenue; offset by \$16.5 million in non-cash impairments of assets, \$9.5 million in non-cash

depreciation and amortization, a \$5.1 million decrease in accounts receivable, and a \$4.4 million increase in accounts payable and accrued expenses. 42 Accounts receivable increased during fiscal year 2003 primarily due to \$2.5 million increase in unbilled receivables. The unbilled receivables represents license and services revenue fully earned at March 31, 2003 that will later be billed in accordance with the contract terms. Accounts receivable decreased during fiscal year 2002 primarily due to a write-off of \$367,000 in receivables in connection with the discontinuation of Australian operations in February 2002 and a significant improvement in collection efforts. Accounts receivable balances fluctuate significantly due to a number of factors including acquisitions and dispositions, seasonality, shifts in customer buying patterns, contractual payment terms, the underlying mix of applications and services sold, and geographic concentration of revenues. Investing activities used cash of \$0.2 million, \$0.7 million and \$3.0 million in the fiscal years ended March 31, 2003, 2002 and 2001. Investing activities during fiscal 2003 included \$0.1 million purchases of furniture and equipment and \$0.1 million capitalized development costs. Investing activities during fiscal 2002 included a \$0.4 million increase in capitalized software development costs and \$0.3 million in furniture and equipment purchases. Investing activities during fiscal year 2001 included a \$2.5 million increase in purchase of software and capitalized software development costs and \$0.5 million in furniture and equipment purchases.

Financing activities provided cash of \$1.3 million in the fiscal year ended March 31, 2003, used cash of \$0.8 million in the fiscal year ended March 31, 2002 and provided cash of \$1.9 million in the fiscal year ended March 31, 2001. Financing activities during fiscal 2003 included proceeds of \$3.5 million from the issuance of convertible debentures, \$1.4 million from issuance of convertible note to our major customer and \$0.1 million loan from an entity affiliated with Donald S. Radcliffe, a director; offset in part by payments of \$3.3 million on a term loan, \$0.3 million interest on stockholders' notes and \$0.1 million on loan from Mr. Radcliffe's affiliated entity. Financing activities during fiscal year 2002 included \$1.2 million in note payments and \$0.8 million decrease in amounts due to stockholders; offset in part by \$1.3 million in proceeds from issuance of convertible notes. Financing activities during fiscal year 2001 included \$3.8 million in proceeds from the sale of common stock, \$9.9 million increase in amounts due to stockholders and \$1.6 million in proceeds from lines of credit, offset by \$13.2 million in note payments. Changes in the currency exchange rates of our foreign operations had the effect of decreasing cash by an aggregate of \$0.1 million in the fiscal years ended March 31, 2003, 2002 and 2001. CONTRACTUAL OBLIGATIONS The following table summarizes our contractual obligations, including purchase commitments at June 30, 2003, and the effect such obligations are expected to have on our liquidity and cash flow in future periods. 43 For the fiscal years ending March 31, ----- Contractual Cash Obligations 2004 2005 2006 2007 Thereafter

----- (in thousands) Operating leases \$ 681 \$ 867 \$ 360 \$ 107 \$ 13 Capital  
leases 156 Convertible notes due stockholders 1,371 Convertible debentures 801 3,297 604 Payables aged over 90  
days 2,994 ----- Total contractual cash obligations \$6,003 \$4,164 \$ 964 \$ 107 \$ 13  
===== For the fiscal years ending March 31,

----- Other Commercial Commitments 2004 2005 2006 2007 Thereafter  
----- (in thousands) Guarantees \$ 187 -----

Total commercial commitments \$ 187 ===== NATIONAL

AUSTRALIA BANK LIMITED Our Australian subsidiary maintained an AUS\$1,000,000 (approximately US\$510,000) line of credit facility with National Australia Bank Limited. The facility was secured by substantially all of the assets of our Australian subsidiary, and we have guaranteed all amounts owing on the facility. In April 2001, we received a formal demand under our guarantee for the full AUS\$971,000 (approximately US\$495,000) then alleged by the bank to be due under the facility. Due to the declining performance of our Australian subsidiary, we decided in the third quarter of fiscal 2002 to sell certain assets of the Australian subsidiary to the former management of such subsidiary, and then cease Australian operations. Such sale was, however, subject to the approval of National Australia Bank, the subsidiary's secured lender. The bank did not approve the sale and the subsidiary ceased operations in February 2002. The bank caused a receiver to be appointed in February 2002 to sell substantially all of the assets of the Australian subsidiary and pursue collections on any outstanding receivables. The receiver proceeded to sell substantially all of the Australian subsidiary's assets for \$300,000 in May 2002 to the entity affiliated with former management, and is actively pursuing the collection of receivables. If the sale proceeds plus collections on receivables are insufficient to discharge the indebtedness to National Australia Bank, we may be called upon to pay the deficiency under our guarantee to the bank. We have accrued \$187,000 as the maximum amount of our potential exposure. The receiver has also claimed that we are obligated to it for inter-company balances of \$636,000, but we do

not believe any amounts are owed to the receiver, who has not as of the date of this report acknowledged the monthly corporate overhead recovery fees and other amounts charged by us to the Australian subsidiary offsetting the amount claimed to be due. **OTHER INDEBTEDNESS, INCLUDING RELATED PARTIES** We issued convertible notes to entities related to ICM Asset Management, Inc., which notes were amended in July 2002. See "Financing Transactions -- ICM Asset Management, Inc." above. In March 2003, we issued 9% convertible debentures to Midsummer, Omicron and Islandia for the total proceeds of \$3.5 million, of which \$500,000 of the debentures was converted into 488,472 shares of our common stock in July 2003. See "Financing Transactions - Midsummer/Omicron/Islandia" above. We have since notified these investors that we are exercising our right to convert these into an aggregate of 2,930,832 shares of common stock effective September 30, 2003; provided, however, the investors have agreed to cease accruing interest effective August 11, 2003 so long as they can elect to effectuate the conversion sooner. 44 In April 2003, we issued 9% convertible debentures to MBSJ Investors, LLC for proceeds of \$400,000. See "Financing Transactions - MBSJ" above. This debenture was converted into 390,777 shares of common stock effective August 11, 2003. In May 2003, we issued 9% convertible debentures to the Crestview Investors for proceeds of \$300,000. See "Financing Transactions - Crestview" above. These debentures were converted into an aggregate of 293,082 shares of common stock effective August 11, 2003. **CASH POSITION** As a result of our indebtedness and net losses for the past three years, we have experienced significant strains on our cash resources. In order to manage our cash resources, we reduced expenses and discontinued our Australian operations. We have also extended payment terms with many of our trade creditors wherever possible, and we have diligently focused our collection efforts on our accounts receivable. We had a working capital of \$3.4 million at June 30, 2003 and a negative working capital of \$5.2 million at June 30, 2002. We had a negative working capital of \$4.1 million and \$5.3 million at March 31, 2003 and 2002, respectively. We were unable to make timely, monthly rent payments due for our Irvine and Carlsbad facilities during fiscal 2003. We renegotiated rent terms with the landlords of our Irvine and Carlsbad facilities, and we are currently in compliance with the renegotiated terms. We have been actively engaged in attempts to resolve our liquidity problems. Under a Securities Purchase Agreement dated June 27, 2003, we issued 5,275,000 shares of our common stock for an aggregate amount of \$7.9 million, less expenses and placement fees. We believe we will have sufficient cash to remain in compliance with our debt obligations, and meet our critical operating obligations, for the next twelve months. We may continue to seek a private equity placement to help discharge aged payables, pursue growth initiatives and prepay bank indebtedness. We have no binding commitments for funding at this time. Financing may not be available on terms and conditions acceptable to us, or at all. **RECENT ACCOUNTING PRONOUNCEMENTS** In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145 ("SFAS 145"), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 updates, clarifies, and simplifies existing accounting pronouncements. This statement rescinds SFAS No. 4, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in APB No. 30 will now be used to classify those gains and losses. SFAS No. 64 amended SFAS No. 4 and is no longer necessary as SFAS No. 4 has been rescinded. SFAS No. 44 has been rescinded as it is no longer necessary. SFAS No. 145 amends SFAS No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions to be accounted for in the same manner as sale-lease transactions. This statement also makes technical corrections to existing pronouncements. While those corrections are not substantive in nature, in some instances, they may change accounting practice. The accounting prescribed in SFAS 145 was applied in connection with the gain from extinguishment of our debt to Union Bank of California. In November 2001, the FASB issued an Emerging Issues Task Force Issue No. 01-14 ("EITF No. 01-14"), "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred". EITF No. 01-14 establishes that reimbursements received for out-of-pocket expenses should be reported as revenue in the income statement. Currently, we classify reimbursed out-of-pocket expenses as a reduction in cost of consulting services. We are required to adopt the guidance of EITF No. 01-14 in the first quarter of fiscal year 2003 and our consolidated statements of operations for prior periods will be reclassified to conform to the new presentation. The adoption of EITF No. 01-14 results in an increase in reported net sales and cost of sales; however, it does not affect net income or loss in any past or future periods. 45 In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146 ("SFAS 146"), "Accounting for Costs Associated with Exit or Disposal Activities". SFAS 146 replaces current accounting standards and requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal

plan. The provisions of the SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. We do not expect adoption of SFAS No. 146 to have a significant effect on our results of operations or financial condition. In October 2002, the FASB issued Statement of Financial Accounting Standards No. 147 ("SFAS 147"), "Acquisition of certain Financial Institutions". SFAS 147 removes the requirement in SFAS 72 and Interpretation 9 thereto, to recognize and amortize any excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset. This statement requires that those transactions be accounted for in accordance with SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". In addition, this statement amends SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets, to include certain financial institution related intangibles. We do not expect SFAS 147 to have a material impact on our financial statements. In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 ("SFAS 148"), "Accounting for Stock-Based Compensation-Transition and Disclosure". This Statement amends SFAS 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions of SFAS 148 are effective for fiscal years ending after December 15, 2002, with earlier application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. We do not expect SFAS 148 to have a material impact on our financial statements. In November 2002, the Financial Accounting Standards Board issued FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accountings and disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others", which clarifies the requirement of SFAS No. 5, "Accounting for Contingencies", relating to a guarantor's accounting for and disclosures of certain guarantee issues. FIN 45 was applied to our guarantee of a line of credit facility from National Australia Bank Limited to our former Australian subsidiary. In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities". Variable interest entities are defined as entities with a level of invested equity that is not sufficient to fund future activities to permit it to operate on a stand-alone basis. We do not participate in variable interest entities and therefore have not applied FIN 46. In November 2002, the FASB reached consensus on Emerging Issues Task Force Issue No. 00-21 ("EITF No. 00-21"), "Accounting for Revenue Arrangements with Multiple Deliverables." In general, this issue addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Specifically, this issue addresses how to determine whether an arrangement involving multiple deliverables contains more than one earnings process and, if so, how to divide the arrangement into separate units of accounting consistent with the identified earnings processes for revenue recognition purposes. This issue also addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. EITF Issue 00-21 is applicable to arrangements entered into after June 15, 2003. We do not believe the application of EITF Issuer 00-21 will have any material impact on our consolidated financial statements. 46 In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149 ("SFAS 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 further clarifies accounting for derivative instruments. We believe the adoption of this statement will have no material impact on our consolidated financial statements. In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," ("SFAS 150"). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. We do not believe the adoption of SFAS 150 will have a material impact on our consolidated financial statements. EMPLOYEES At July 31, 2003, we had a total of 121 employees, 105 of which were based in the United States and 16 of which were based in the United Kingdom. Of the total, 12% were engaged in sales and marketing, 41% were engaged in application technology development projects, 27% were engaged in professional services, and 20% were in general and administrative. We believe our relations with our employees overall are good. We have

never had a work stoppage and none of our employees are subject to a collective bargaining agreement. **FACILITIES** Our principal corporate headquarters consists of 26,521 square feet in a building located at 19800 MacArthur Blvd. This facility is occupied under a lease that expires on June 30, 2005. The current monthly rent is \$56,148. We also occupy administrative offices in La Jolla, California. These offices are occupied under leases that expire in June 2007 and October 2005, and the monthly rent for these offices is \$12,859 in the aggregate. We also occupy premises in the United Kingdom located at The Old Building, Mill House Lane, Wendens Ambo, Essex, England. The lease for this office building expires August 31, 2003. Annual rent is \$43,646 (payable quarterly) plus common area maintenance charges and real estate taxes. **LEGAL PROCEEDINGS** In April of 2002, our former CEO, Thomas Dorosewicz, filed a demand with the California Labor Commissioner for \$256,250 in severance benefits allegedly due under a disputed employment agreement, plus attorney's fees and costs. Mr. Dorosewicz's demand was later increased to \$283,894. On June 18, 2002, we filed an action against Mr. Dorosewicz, Michelle Dorosewicz and an entity affiliated with him in San Diego Superior Court, Case No. GIC790833, alleging fraud and other causes of action relating to transactions Mr. Dorosewicz caused us to enter into with his affiliates and related parties without proper board approval. On July 31, 2002, Mr. Dorosewicz filed cross-complaints in that action alleging breach of statutory duty, breach of contract, fraud and other causes of action related to his employment with the Company and other transactions he entered into with the Company. These matters are still pending and the parties have agreed to resolve all claims in binding arbitrations, scheduled for September 2003. 47 Due to the declining performance of our Australian subsidiary, we decided in the third quarter of fiscal 2002 to sell certain assets of our Australian subsidiary to the former management of such subsidiary, and then cease Australian operations. Such sale was, however, subject to the approval of National Australia Bank, the subsidiary's secured lender. The bank did not approve the sale and the subsidiary ceased operations in February 2002. The bank caused a receiver to be appointed in February 2002 to sell substantially all of the assets of the Australian subsidiary and pursue collections on any outstanding receivables. The receiver proceeded to sell substantially all of the assets for \$300,000 in May 2002 to an entity affiliated with former management, and is actively pursuing the collection of receivables. If the sale proceeds plus collections on receivables are insufficient to discharge the indebtedness to National Australia Bank, we may be called upon to pay the deficiency under our guarantee to the bank. We have accrued \$187,000 as our potential exposure. The receiver has also claimed that we are obligated to it for inter-company balances of \$636,000, but we do not believe any amounts are owed to the receiver, who has not as of the date of this report acknowledged the monthly corporate overhead recovery fees and other amounts charged by us to the Australian subsidiary offsetting the amount claimed to be due. On May 15, 2002, an employee who is currently out on disability/worker's compensation leave, Debora Hintz, filed a claim with the California Labor Commissioner seeking \$41,000 in alleged unpaid commissions. In or about December of 2002, Ms. Hintz filed a discrimination claim against the Company with the Department of Fair Employment and Housing, alleging harassment and sexual orientation discrimination. The Company has responded appropriately to both the wage claim and the discrimination allegations, which the Company believes lack merit based on present information. On August 30, 2002, Cord Camera Centers, Inc., an Ohio corporation ("Cord Camera"), filed a lawsuit against one of our subsidiaries, SVI Retail, Inc. as the successor to Island Pacific Systems Corporation, in the United States District Court for the Southern District of Ohio, Eastern Division, Case No. C2 02 859. The lawsuit claims damages in excess of \$1.5 million, plus punitive damages of \$250,000, against SVI Retail for alleged fraud, negligent misrepresentation, breach of express warranties and breach of contract. These claims pertain to the following agreements between Cord Camera and Island Pacific: (i) a License Agreement, dated December 1999, as amended, for the use of certain software products, (ii) a Services Agreement for consulting, training and product support for the software products and (iii) a POS Software Support Agreement for the maintenance and support services for a certain software product. At this time, we cannot predict the merits of this case because it is in its preliminary state and discovery has not yet commence. However, SVI Retail intends to defend vigorously the action and possibly file one or more counter-claims. A trial is scheduled for May 2004. In mid-2002, we were the subject of an adverse judgment entered against it in favor of Randall's Family Golf Centers, ("Randall") in the approximate sum of \$61,000. The judgment was entered as a default judgment, and is based on allegations that the Company received a preferential transfer of funds within 90 days of the filing by Randall of a chapter 11 case in the United States Bankruptcy Court for the Southern District of New York. We and Randall have agreed to settle this claim for \$12,500, subject to the settlement receiving approval by the U.S. Bankruptcy Court. On December 16, 2002, Chapter 11 Debtors Natural Wonders, Inc. and World of Science, Inc. (collectively "Debtors") filed an adversary proceeding against our subsidiary SVI Retail, Inc. seeking to

avoid and recover preferential transfers. The Debtors sought recovery of approximately \$84,000, which it had previously paid to SVI Retail for goods and services rendered. On March 12, 2003, the Debtors and SVI Retail settled the adversary proceeding for \$18,000. On November 22, 2002, UDC Homes, Inc and UDC Corporation now known as Shea Homes, Inc. served Sabica Ventures, Inc. ("Sabica"), our wholly owned subsidiary and our then Island Pacific division (now are retail management solutions division) with a cross-complaint for indemnity on behalf of an entity identified in the summons as Pacific Cabinets. We filed a notice of motion and motion to quash service of summons on the grounds that we have never done business as Pacific Cabinets and have no other known relation to the construction project that is the subject of the cross-complaint and underlying complaint. A hearing on our motion to quash occurred on May 22, 2003 and was subsequently denied. 48 Except as set forth above, we are not involved in any material legal proceedings, other than ordinary routine litigation proceedings incidental to our business, none of which are expected to have a material adverse effect on our financial position or results of operations. However, litigation is subject to inherent uncertainties, and an adverse result in existing or other matters may arise from time to time which may harm our business.

**CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE** On November 30, 2001, Deloitte & Touche LLP notified us that they were resigning as our independent certified public accountants. On December 5, 2001, we engaged Singer Lewak Greenbaum & Goldstein LLP ("Singer Lewak") as our new independent auditors. Singer Lewak previously audited our financial statements for the fiscal years ended March 31, 1998 and September 30, 1997, 1996, 1995 and 1994. The decision to engage Singer Lewak was recommended by the Audit Committee of the Board of Directors and approved by the Board of Directors. Deloitte & Touche's reports on the financial statements for the fiscal years ended March 31, 2001 and 2000 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles, except as noted in the following sentence. Deloitte & Touche's audit report on the financial statements for the year ended March 31, 2001, dated July 13, 2001, expressed an unqualified opinion and included an explanatory paragraph relating to substantial doubt about our ability to continue as a going concern. Further, in connection with its audits of our financial statements for the past two fiscal years and the subsequent interim period immediately preceding the date of resignation of Deloitte & Touche, we had no disagreements with Deloitte & Touche on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Deloitte & Touche, would have caused them to make a reference to the subject matter of the disagreements in connection with their reports on our consolidated financial statements.

**DESCRIPTION OF BUSINESS GENERAL** We are a provider of software solutions and services to the retail industry. We provide solutions that help retailers understand, create, manage and fulfill consumer demand. Up until April 1, 2003, we also developed and distributed PC courseware and skills assessment products for both desktop and retail applications. Our solutions and services have been developed specifically to meet the needs of the retail industry. Our solutions help retailers improve the efficiency and effectiveness of their operations and build stronger, longer lasting relationships with their customers. We market our software solutions through direct and indirect sales channels primarily to retailers who sell to their customers through traditional retail stores, catalogs and/or Internet-enabled storefronts. To date, we have licensed our solutions to more than 200 retailers across a variety of retail sectors.

**ISLAND PACIFIC** Historically, retailers have relied upon custom-built systems, often self-developed, to manage business processes and business information with both trading partners and customers. These legacy systems are typically built on 1960's business models and 1970s technology. They are not Internet-enabled, and do not permit collaboration among a retailer's customers, partners, suppliers and other members of the supply/demand chain. Moreover, they reflect the thinking of a seller's market. Over the past few years, retailers have begun to purchase packaged solutions designed specifically for the retail industry. Most of these systems are very expensive to license, and very expensive, time-consuming and difficult to implement. They have been primarily positioned to the largest companies, who have enormous amounts of managerial, technical and financial resources at their disposal- organizations for which distraction and mistakes are affordable. 49 These solutions ignore the needs of the small to medium sized retailers, who have many of the same needs and face many of the same challenges as do the larger retailers, but lack the managerial, financial and technological capacity of the larger retailers. Our solutions serve the small to medium sized market. All retailers today face the challenge of operating in a very competitive environment, an environment that can be best described as over-stored and over-homogenized -- an environment in which power has shifted from the seller to the buyer. As retailers expand their businesses to include the Internet, catalog, kiosk and other distribution channels, the complexity of managing

inventory and meeting customer demands places tremendous pressure on their business processes and their technology infrastructure. To meet an ever more mobile and demanding consumer's expectations, retailers need to deliver on the customer's terms. This means having the right product, at the right time and in the right place across multi-channel touch points. To do this, retailers need valuable consumer insights, intelligence on external factors that shape consumer response such as how the weather, the economy and changing consumer attitudes will affect future buying patterns. This intelligence, augmented by powerful communications, comprehensive loss prevention, strong forecasting, planning, assortment planning, allocation, event planning, replenishment and merchandising functions are critical to profitably achieve this goal. These represent the content of our product offering. Small to medium sized retailers need a cost-effective, easily installed, affordable, comprehensive, integrated software infrastructure that spans supplier to consumer and gives the retailer visibility, flexibility and control of all business processes to meet all competitive challenges. We believe a market opportunity exists to provide these retailers with a software solution that is designed specifically for their needs. This solution should be easy-to-use, leverage a retailer's existing investments in information technology and be sufficiently flexible to meet the specific needs of a broad range of retail sectors, such as fashion, hard-lines, mass merchandise or food and drug. We have developed and deployed software solutions that enable retailers to manage the entire scope of their operations. These operations include point-of-sale, customer relationship management, vendor relationship management, merchandising, demand chain management, planning, and forecasting. Key areas, which differentiate our software solutions, include:

- o **VALUE** - Our integrated and modular architecture helps retailers meet return on investment (ROI) objectives by allowing them to implement the most critical and valuable applications first. This modular architecture decreases migration path risk for the replacement of legacy systems and increases the probability of an on-time, on-budget implementation project.
- o **PROVEN** - We are a leading provider of retail infrastructure software and services. We understand the complex needs of retailers and have designed our solutions specifically for the retail industry. We provide certain software products and services infrastructure for retailers with combined revenues of over \$200 billion annually.
- o **SCALABLE** - Our solutions are engineered to provide scalability to efficiently handle large volumes of transactions and users. Our solutions work in environments that span from one to five thousand stores.
- o **INNOVATIVE** - Our partnerships and our solutions include some of the most advanced technologies available to retailers.

**50 RECENT DEVELOPMENTS** In January 2003, we appointed Harvey Braun, a well-known and highly-respected retail industry veteran, to the position of Chief Executive Officer of Island Pacific, one of our business units. In April 2003, our Board of Directors appointed Mr. Braun to the position of Chief Executive Officer and director, and in July 2003 to the position of Chairman of the Board. Barry Schechter remains as a consultant. In October 2002, we appointed Steven Beck, a retail industry expert, to the position of President of our Island Pacific division. In April 2003, our Board of Directors appointed Mr. Beck to the position of President and Chief Operating Officer and director. We anticipate Mr. Braun and Mr. Beck will lead us through the next evolution of product and service offerings to meet the ever-changing needs of retailers worldwide. Mr. Beck's vision for our company is to become the dominant provider of "Thoughtware" to the retail industry. Mr. Beck's goals are to develop high value products and services to the retail industry; using breakthrough technologies and processes, and to provide these products and their associated services in partnership with major consulting organizations and other best of breed solution providers. These products and services will be offered to small and mid-size retailers. Our goal is to expand alternatives to retailers, matching innovative solutions to emerging industry complexities so retailers will realize ongoing successes. We will make available to retailers at what we believe to be affordable prices a "dashboard" of decision makers, and experienced minds in the industry, yielding a range of velocity management alternatives for review and actions that span merchandising and marketing activities from conception to consumption. In July 2003, we appointed Ran Furman to the position of Chief Financial Officer. We are strengthening our product offerings through strategic relationships with Planalytics, KMG Solutions, Raymark, Inc., Wazagua LLC, ANT USA, Inc. and IT Resources Inc. Under a partnership agreement with Planalytics Inc. ("Planalytics"), Island Pacific will market Impact LR, an internet-based application that measures the specific effects of future weather on consumer demand by product, location and time. Using Impact LR, our customers can plan the timing of in-season markdowns, as well as the season-to-season flow of merchandise into their stores with maximum effectiveness. Under a marketing license agreement with KMG Solutions ("KMG"), Island Pacific will integrate, market and support Traxion(TM) process management solutions. Traxion's business process management solution consists of three modules. Traxion ProcessEngine(TM) is the real-time process management platform that retailers use to actively manage and support their organizations' unique business processes. Traxion ProcessModeler(TM), includes



simulation functions such as same-time comparison of process variations and the use of actual cost data to produce process-based financial estimates. Traxion OrganizationModeler(TM) simplifies the creation of sophisticated models including inter-company workgroups, payroll information, and roles. Under an OEM agreement with Raymark, Inc., we will integrate, market and support Xpert Store point-of-sale ("POS") software solution under the Island Pacific brand. Raymark's full-featured POS solution streamlines the checkout process in order to increase sales associate efficiency and augment customer satisfaction. The software supports multi-channel, multi-language, multi-currency and multi-taxation requirements. 51 Under an agreement with Wazagua LLC ("Wazagua"), we will exclusively offer to retailers worldwide Wazagua's products and services including web-based Loss Prevention Case Management Package, ASP Data Hosting and POS Exception Reporting. WAZAGUA(TM) ASP Hosted Suite of Modules automates data management for the Loss Prevention, Operations, Human Resources, Safety & Risk Management community. These ASP-hosted productivity tools enable retailers to capture the power of the internet. Retailers can create efficiencies, manage and share information, make better use of their staff, eliminate redundant data entry - and work from virtually any point in the world. Under terms of a reseller agreement, we will market, sell, install, interface to, and support ANT USA Inc.'s ("ANT") products including Buyer's Toolbox(TM), a leading suite of merchandise and assortment planning software that has been successfully implemented by over 140 retailers worldwide. The software will extend Island Pacific's assortment and planning capabilities by providing a solid planning methodology accessed through an easy-to-use interface, in a cost-effective offering. A marketing license agreement with IT Resources Inc. enables Island Pacific to market, sell, install, support and integrate IT Resources' Buyer's WorkMate(r) Suite, an innovative decision support software platform developed for merchandising organizations. The software will bring mobility and other timesaving benefits to the buying process. Under a marketing alliance agreement with BIGresearch, we will provide retailers, suppliers and third party companies with an end-to-end information solution to forecast consumer demand, better utilize assets and merchandise, and develop strategy and market position. As of April 1, 2002, we refocused the company into three strategic business units each lead by experienced managers. The units were our retail management solutions unit (formerly known as Island Pacific division), our Store Solutions division (formerly known as our SVI Store Solutions division), and SVI Training Products, Inc. Effective April 1, 2003, we agreed to sell our shares of SVI Training Products, Inc., our wholly-owned subsidiary, to Arthur Klitofsky. Mr. Klitofsky resigned from the Board in March 2003. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Discontinued Operations" below. We issued a total of \$1.25 million in convertible notes to a limited number of accredited investors related to ICM Asset Management, Inc. of Spokane, Washington, a significant beneficial owner of our common stock in fiscal 2001. In July 2002, we amended the convertible notes to extend the maturity date to September 30, 2003 and we replaced the warrants issued to these investors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Liquidity and Capital Resources -- Indebtedness -- ICM Asset Management, Inc." below. In July 2002, we negotiated an extension of our senior bank lending facility to August 31, 2003, and then we subsequently satisfied this debt under the Discounted Loan Payoff Agreement dated March 31, 2003. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Liquidity and Capital Resources -- Indebtedness -- Union Bank" below. In May 2002, we completed a series of transactions with Softline Limited ("Softline") to repay our subordinated note to Softline, to transfer to Softline our note received in connection with the sale of IBIS Systems Limited, and to issue to Softline new preferred securities. Softline also returned to us 10,700,000 shares of our common stock. Steven Cohen, Softline's Chief Operating Officer, and Gerald Rubenstein, a director of Softline, resigned from our board of directors in May 2002. Ivan Epstein, Softline's Chief Executive Officer, continues to serve on our board, and in June 2002, Robert P. Wilkie, Softline's Chief Financial Officer, was appointed to our board of directors. For a further discussion of the terms of transactions with Softline during the 2002 fiscal year, see "Management's Discussion and Analysis of Financial Condition and Results of Operation" under the heading "Financing Transactions -- Softline." 52 In May 2002, we entered into a new two-year software development and services agreement with our largest customer, Toys. Toys also agreed to invest \$1.3 million for the purchase of a non-recourse convertible note and a warrant to purchase up to 2,500,000 common shares. For a further details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Liquidity and Capital Resources - Indebtedness -- Toys "R" Us" below. In March 2003, we issued a total of \$3.5 million in 9% convertible debentures to Midsummer Investment, Ltd., Omicron Master Trust and Islandia, L.P. Along with these debentures, warrants to purchase an aggregate of 1,572,858 shares of common stock were issued to these

investors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Financing Transactions - Midsummer/Omicron/Islandia". In July 2003, Omicron converted \$500,000 of its debenture into 488,472 shares of our common stock. We have since notified these investors that we are exercising our right to convert these debentures into an aggregate of 2,930,832 shares of common stock at the conversion rate of \$1.0236 pursuant to the terms of the debentures. This conversion has been deferred until September 30, 2003; however, the investors have agreed to cease accruing interest from August 11, 2003 so long as they can elect to effectuate the conversion sooner. In April 2003, we issued \$400,000 in a 9% convertible debenture to MBSJ Investors, LLC. Along with this debenture, a warrant to purchase 156,311 shares of common stock was issued to this investor. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Financing Transactions - MBSJ". Effective August 11, 2003, we exercised our right to convert this debenture into 390,777 shares of common stock at the conversion rate of \$1.0236 pursuant to the terms of the debenture. In March 2003, the Board adopted a resolution to change our name to "Island Pacific, Inc.", and the resolution was approved by our shareholders on July 9, 2003. In May 2003, we issued \$300,000 in 9% convertible debentures to Crestview Capital Fund I, L.P., Crestview Capital Fund II, L.P. and Crestview Capital Offshore Fund, Inc. Along with these debentures, warrants to purchase 101,112 shares of common stock were issued to these investors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Financing Transactions - Crestview". Effective August 11, 2003, we exercised our right to convert these debentures into an aggregate of 293,082 shares of common stock at the conversion rate of \$1.0236 pursuant to the terms of the debentures. In July 2003, our common stock began trading under the new ticker symbol "IPI" on the American Stock Exchange (our ticker symbol was previously "SVI"). Under a Securities Purchase Agreement dated June 27, 2003, we issued a total of 5,275,000 shares of common stock to various institutional investors for an aggregate purchase price of \$7,912,500. See "Financing Transactions - Common Stock Institutional Investors."

**STRATEGY** Our mission is to provide the small to medium sized retailer all the intelligence, tools and infrastructure necessary to success in a highly competitive environment. Our mission is to make this information and these tools and infrastructure useable, affordable and reliable for end-use in highly volatile environments. Our mission is to make our products and services easy to acquire, easy to install and easy to live with. Our mission is to create value for retailers by providing valuable intelligence and innovative technology solutions that help to understand, create, manage, and fulfill consumer demand. 53 Our strategies are as follows:

- o **INCREASE OUR MARKET SHARE.** We believe we can continue to build and expand our position of leadership within the retail packaged software applications market as the retail industry increasingly turns to packaged software applications as an alternative to expensive in-house and custom developed applications.
- o **PROVIDE HIGH LEVELS OF CUSTOMER SATISFACTION.** The retail industry is strongly influenced by formal and informal references. We believe we have the opportunity to expand market share by providing high levels of customer satisfaction with our current customers, thereby fostering strong customer references to support sales activities.
- o **DELIVER VALUE TO OUR CUSTOMERS.** We believe that maximizing our customers' return on investment will help us compete in our market space and increase our market share.
- o **BECAME THE PREFERRED APPLICATION AND TECHNOLOGY ARCHITECTURE FOR THE SMALL TO MEDIUM SIZED RETAILERS GLOBALLY.** By leveraging our 25 years of success, we believe we are uniquely positioned to become the preferred application and technology architecture provider for retail software and associated services to this market.

**PRODUCTS** We partner, develop and sell business intelligence and software solutions that support virtually all of the operational activities of a typical retailer. Our business intelligence is critical to sound strategy and execution. Our software solutions create value by applying innovative technology that helps our customers efficiently and effectively understand, create, manage and fulfill consumer demand. Our products can be deployed individually to meet specific business needs, or as part of a fully integrated, end-to-end solution. Our solution set consists of the following components: [IP INTEGRATOR GRAPHIC APPEARS HERE] **THE ISLAND PACIFIC RETAIL MANAGEMENT** suite of applications builds on our long history in retail software design and development and provides our customers with an extremely reliable, widely deployed, comprehensive and fully integrated retail management solution. Our complete enterprise-level offering of applications and services is designed to assist our customers in maximizing their business potential. Our offerings are a combination of collaborations with partner companies and solutions developed internally by us. They are all completely integrated. Our offerings include:

- o **IP GLADIATOR:** is a collaborative solution with Wazagua that orchestrates a myriad of processes across retail enterprise to deliver effective loss prevention. To do so, IP Gladiator enables an integrated asset protection workflow

spanning exception management, investigation management, case management and civil collection. The salient features of this solution include: (a) availability in ASP or in-house modes, (b) advanced data mining to recognize loss patterns, and (c) POS platform independence.

- o IP GLOBAL NETWORK: is an offering that cost-effectively enables retailer collaboration with vendors, including product design collaboration, and facilitates improved communication with stores. This will feature services such as teleconferencing, voice-over-IP, and instant messaging to deliver the collaboration capabilities.
- 54 o IP INTEGRATOR: is a common integration platform that seamlessly unifies all IP applications with partner applications as well as enables integrations to 3rd party and legacy applications of a retailer. It leverages an industry proven technology to deliver speed, reliability, maintainability and shorter implementation cycles in addressing integration needs. This solution is jointly developed with Bostech.
- o IP BUYER'S WORKMATE: features a suite of integrated modules that enable, automate and enforce best practices leading to sound merchandise purchase and allocation decisions, in compliance with the approved budgets. This suite, along with the range of capabilities provided through IP Consumer Research, IP Weather Impacts, IP Profiling and the IP Core Merchandising suite, enables the retailer to plan and execute consumer-sensitive merchandising, placement, pricing and promotion decisions. The suite consists of:
  - o IP DECISION SUPPORT: features an analytical processing tool designed to provide retailers with relevant, timely and detailed business information.
  - o IP ASSORTMENT PLANNING: enables retailer to arrive at a well-researched and sound buying decisions - yielding merchandise assortments that meet local consumer demand, minimize inventory investment, accelerate sales, lessen inter-store transfers and reduce markdowns.
  - o IP ALLOCATION: enables allocation of purchase order receipts, advanced shipping notices and warehouse back-stock in a manner sensitive to the assortment plan, merchandise performance, and store stocking levels.
  - o IP WEATHER IMPACTS: is a collaborative offering with Planalytics to enable retailers to understand and address the impact that weather has had and will have on their businesses, helping them to avoid surprises and improve bottom line profitability.
  - o IP BUSINESS PROCESS OPTIMIZATION: is a collaborative retail process management solution offered in partnership with KMG that enables the retailers to improve productivity and reduce inefficiencies through better control and management of business processes. The applications of interest to retailers can range from operational activities such as new store construction and opening, global sourcing, distribution center optimization and promotions management to fiduciary responsibilities and processes such tracking and control of financial reporting.
  - o IP CONSUMER RESEARCH: is a collaborative offering with BIGresearch to leverage syndicated consumer intelligence from over 8,000 shoppers each month to provide retailers a projected look at consumers demand. The deep and proven consumer research insights can enable retailers to anticipate consumer demand, correct market focus, develop strategy and market positioning, to understand simultaneous media usage and exposure to determine what they are actually receiving from their media expenditures.
  - o IP PROFILING: is a collaborative offering to develop Sales Profiles by recognizing common selling patterns from voluminous sales history. It features an advanced statistical pattern coupled with an interactive graphical approach to the creation, maintenance and monitoring of seasonal profiles.
- 55 o IP FORECASTING AND REPLENISHMENT: is a collaborative offering of a full feature forecasting and replenishment solution to address the needs of retailers seeking a higher end solution in this area.
- o IP OMNICARD: provides a loyalty card application, with advanced features such as secure authentication, data storage, and radio frequency identification, to retailers that enables them to provide consumers with reason to carry a retailer loyalty card.
- o IP STORE PEOPLE PRODUCTIVITY: application helps retailer analyze store, people and item and transaction level sales productivity. At the foundation of our application suite are the integrated modules that comprise our core-merchandising solution. They are:
  - o Merchandising Management -----
  - o The Island Pacific Merchandising module is a comprehensive solution for management of core retail processes, which optimizes workflow and provides the highest level of data integrity.
  - o This module supports all operational areas of the supply chain: Planning, Open-To-Buy, Purchase Order Management, Forecasting, Warehouse and Store Receiving, Distribution, Transfers, Price Management, Performance Analysis, and Physical Inventory.
  - o The Eye(TM) Analysis And Planning -----
  - o The Eye(TM), our datamart is a comprehensive analysis and planning tool that provides answers to retailer's merchandising questions. The specific "who, what, where, when and why" are defined in a multi-dimensional format. The Eye is completely integrated to IP Core Merchandising.
  - o This application enables the retailer to develop completely user-defined inquiries and reports. The capacity of The Eye to store, manipulate, and present information is limited only by the retailer's imagination.
  - o Replenishment and Forecasting -----
  - o The Island Pacific Replenishment module is a tool that ensures the retailer will have the right merchandise in the right stores at the right time by

dynamically forecasting accurate merchandise need, reducing lost sales, increasing stock turn, and reducing cost of sales.

- o Promotions and Events ----- o The Island Pacific Event and Promotion Management tool enables the retailer to manage, plan and track all promotional and event related activities including price management, in-store display, deal, and media related promotions. The promotions addressed through this module can include non-price promotions as well. The analysis includes actual to plan comparisons prior to, during and after the event.
- o Warehouse ----- o The Island Pacific Warehouse module provides enhanced control and visibility of product movement through the warehouse. Item, quantity and bin integrity is ensured through directed put away, task confirmation, RF procedures, automated cycle counts and carton control.
- 56 o Ticketing ----- o The Island Pacific Ticketing module supports both merchandise and warehouse location identification utilizing multiple printers and bar codes. User-configured tickets may include desired product characteristics, including but not limited to retail price, compare at pricing, item, style, color and size information.
- o Financials ----- o The Island Pacific Financials module incorporates a General Ledger that is synchronized with the Merchandising Stock Ledger.
- o This module also includes a robust Accounts Payable application, which supports 3-way automated matching of invoices, receipts, and purchase orders that streamline workflow to optimize operations.
- o Sales Audit ----- o This module is an integrated conduit between Point-of-Sale applications and the Island Pacific Host System, which manages the upload- and download- processes. The upload process manages all transactional information that occurs at H= the store such as Sales, Customer Returns, Physical Inventory, Transfers, Acknowledgements, Purchase Order Drop Ship Receipts, Layaway, and Special Order. The Download process manages all Store pricing including Price Look Up, Promotional pricing, Deal pricing, Event pricing, Price Changes, Markdowns, On Order to Stores, In-transit, Current Inventory, Company definitions (Hierarchy, Constants, Vendors, Stores)
- o This application is flexible relative to POS requirements, while featuring full integration to IP POS product, OnePointe. The ISLAND PACIFIC STORE SOLUTION suite of applications builds on our long history of providing multi-platform, client server in-store solutions. We market this set of applications under the name "OnePointe," and "OnePointe International" which is a full business to consumer software infrastructure encompassing a range of integrated store solutions. "OnePointe" is a complete application providing all point-of-sale ("POS") and in-store processor (server) functions for traditional "brick and mortar" retail operations. Our PROFESSIONAL SERVICES provide our customers with expert retail business consulting, project management, implementation, application training, technical and documentation services. This product offering ensures that our customers' technology selection and implementation projects are planned and implemented timely and effectively. We also provide development services to customize our applications to meet specific requirements of our customers and ongoing support and maintenance services. We market our applications and services through an experienced professional direct sales force in the United States and in the United Kingdom. We believe our knowledge of the complete needs of multi-channel retailers enables us to help our customers identify the optimal systems for their particular businesses. The customer relationships we develop build recurring support, maintenance and professional service revenues and position us to continuously recommend changes and upgrades to existing systems.

57 Up until April 1, 2003, we also developed and distributed retail system training products and general computer courseware and computer skills testing products through our SVI Training Products, Inc. subsidiary. Effective April 1, 2003, we sold the SVI Training Products, Inc. subsidiary and discontinued this line of business. Our executive offices are located at 19800 MacArthur Boulevard, Suite 1200, Irvine, California 92612, telephone number (949) 476-2212.

**MARKETS AND CUSTOMERS** Our software is installed in over 200 retailers worldwide. Our applications are used by the full spectrum of retailers including specialty goods sellers, mass merchants and department stores. Most of our U.S. customers are in the Tier 1 to Tier 3 retail market sectors. A sample of some of our active customers are listed below: Nike Limited Brands American Eagle Outfitters Disney Phillips-Van Heusen Signet (UK) Shoefayre (UK) Pacific Sunwear Toys "R" Us Timberland Vodaphone (UK) Academy Sports

**MARKETING AND SALES** We sell our applications and services primarily through a direct sales force that operates in the United States and the United Kingdom. Sales efforts involve comprehensive consultations with current and potential customers prior to completion of the sales process. Our Sales Executives, Retail Application Consultants (who operate as part of the sales force) and Marketing and Technology Management associates use their collective knowledge of the needs of multi-channel retailers to help our customers identify the optimal solutions for their individual businesses. We maintain a comprehensive web site describing our applications, services and company. We regularly engage in cooperative marketing programs with our strategic alliance partners. We annually host a Users Conference in which hundreds of our customers attend to network and to share experiences and ideas regarding their

business practices and implementation of our, and our partners' technology. This Users Conference also provides us with the opportunity to meet with many of our customers on a concentrated basis to provide training and insight into new developments and to gather valuable market requirements information. We are aggressively focusing on our Product Marketing and Product Management functions to better understand the needs of our markets in advance of required implementation, and to translate those needs into new applications, enhancements to existing applications and related services. These functions are also responsible for managing the process of market need identification through product or service launch and deployment. It is the goal of these functions to position Island Pacific optimally with customers and prospects in our target market. We have established a Product Direction Council, comprised of leading executives from our customers. The purpose of this Council is to help guide us in the future development of our applications and services, to maximize our opportunity to meet overall retail market trends and needs for a broad sector of the industry, and to do so well in advance of our competitors.

**COMPETITION** The markets for our application technology and services are highly competitive, subject to rapid change and sensitive to new product introductions or enhancements and marketing efforts by industry participants. We expect competition to increase in the future as open systems architecture becomes more common and as more companies compete in the emerging electronic commerce market. 58 The largest of our competitors offering end-to-end retail solutions is JDA Software Group, Inc. Other suppliers offer one or more of the components of our solutions. In addition, new competitors may enter our markets and offer merchandise management systems that target the retail industry. For enterprise solutions, our competitors include Retek Inc., SAP AG, nsb Retail Systems PLC, Essentus, Inc., GERS, Inc., Marketmax, Inc., Micro Strategies Incorporated and NONSTOP Solutions. For Store Solutions, our competitors include Datavantage, Inc., CRS Business Computers, nsb Retail Systems PLC, Triversity, ICL, NCR and IBM. Our Direct applications compete with Smith Gardner & Associates, Inc., and CommercialWare, Inc. Our professional services offerings compete with the professional service groups of our competitors, major consulting firms associated or formerly associated with the "Big 4" accounting firms, as well as locally based service providers in many of the territories in which we do business. Our strategic partners, including IBM, NCR and Fujitsu, represent potential competitors as well. We believe the principal competitive factors in the retail solutions industry are price, application features, performance, retail application expertise, availability of expert professional services, quality, reliability, reputation, timely introduction of new offerings, effective distribution networks, customer service, and quality of end-user interface. We believe we currently compete favorably with respect to these factors. In particular, we believe that our competitive advantages include:

- o Proven, single version technology, reducing implementation costs and risks and providing continued forward migration for our customers.
- o Extensive retail application experience for all elements of the customer's business, including Professional Services, Development, Customer Support, Sales and Marketing/Technology Management.
- o Ability to provide expert Professional Services.
- o Large and loyal customer base.
- o Hardware platform independent Store Solution (POS) application.
- o Breadth of our application technology suite including our multi-channel retailing capabilities.
- o Our corporate culture focusing on the customer.

Many of our current and potential competitors are more established, benefit from greater name recognition, have greater financial, technical, production and/or marketing resources, and have larger distribution networks, any or all of which could give them a competitive advantage over us. Moreover, our current financial condition has placed us at a competitive disadvantage to many of our larger competitors, as we are required to provide assurance to customers that we have the financial ability to support the products we sell. We believe strongly that we provide and will continue to provide excellent support to our customers, as demonstrated by the continuing upgrade purchases by our top-tier established customer base.

**PROPRIETARY RIGHTS** Our success and ability to compete depend in part on our ability to develop and maintain the proprietary aspects of our technologies. We rely on a combination of copyright, trade secret and trademark laws, and nondisclosure and other contractual provisions, to protect our various proprietary applications and technologies. We seek to protect our source code, documentation and other written materials under copyright and trade secret laws. We license our software under license agreements that impose restrictions on the ability of the customer to use and copy the software. These safeguards may not prevent competitors from imitating our applications and services or from independently developing competing applications and services, especially in foreign countries where legal protections of intellectual property may not be as strong or consistent as in the United States. 59 We hold no patents. Consequently, others may develop, market and sell applications substantially equivalent to our applications, or utilize technologies similar to those used by us, so long as they do not directly copy our applications or otherwise infringe our intellectual property rights. We integrate widely-available platform technology from third

parties for certain of our applications. These third-party licenses generally require us to pay royalties and fulfill confidentiality obligations. Any termination of, or significant disruption in, our ability to license these products could cause delays in the releases of our software until equivalent technology can be obtained and integrated into our applications. These delays, if they occur, could have a material adverse effect on our business, operating results and financial condition. Intellectual property rights are often the subject of large-scale litigation in the software and Internet industries. We may find it necessary to bring claims or litigation against third parties for infringement of our proprietary rights or to protect our trade secrets. These actions would likely be costly and divert management resources. These actions could also result in counterclaims challenging the validity of our proprietary rights or alleging infringement on our part. We cannot guarantee the success of any litigation we might bring to protect our proprietary rights. Although we believe that our application technology does not infringe on any third-party's patents or proprietary rights, we cannot be certain that we will not become involved in litigation involving patents or proprietary rights. Patent and proprietary rights litigation entails substantial legal and other costs, and we do not know if we will have the necessary financial resources to defend or prosecute our rights in connection with any such litigation. Responding to, defending or bringing claims related to our intellectual property rights may require our management to redirect our human and monetary resources to address these claims. In addition, these actions could cause delivery delays or require us to enter into royalty or license agreements. Royalty or license agreements, if required, may not be available on terms acceptable to us, if they are available at all. Any or all of these outcomes could have a material adverse effect on our business, operating results and financial condition.

**60 MANAGEMENT DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS NAME AGE POSITION ----**

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Operating and Financial Officer of World-Wide Business Centres, which is a privately held operator of shared office space facilities. Mr. Radcliffe is a director of Integrity Software, Inc. Mr. Radcliffe received a B.S. from Lehigh University and an M.B.A. from Dartmouth College. He is a certified public accountant and a member of the Audit Committee. Ivan M. Epstein became a director of the Company in May 1998. He is the Chief Executive Officer and Chairman of Softline Limited ("Softline"), which he co-founded in 1988. Softline is listed in the Information Technology sector of the Johannesburg Stock Exchange (JSE:SFT) and is one of the leading accounting software vendors in the world. Softline is deemed the beneficial owner of 49.3% of our outstanding common stock. Michael Silverman became a director in January 2001. Mr. Silverman founded Advanced Remote Communications Solutions, Inc. (formerly known as Boatracs, Inc.) in 1990 and serves on its board of directors. He previously served as its Chairman until May 2002, and as Chief Executive Officer and President until October 1997, and from November 1999 to May 2002. Mr. Silverman is a Chartered Accountant (South Africa) and has an M.B.A. from Stanford University. Mr. Silverman is a member of the Audit and Compensation Committees. Ian Bonner became a director in May 1998. He is President and Chief Executive Officer of Terraspring, Inc., a software and Internet infrastructure company. From 1993 until April 2001, he held various positions with IBM Corporation, including Vice President of Partner Marketing and Programs for the IBM/Lotus/Tivoli Software Group. His responsibilities included the development and implementation of marketing campaigns and programs designed to serve the business partners of IBM, Lotus and Tivoli, including major accounts, independent software vendors and global systems integrators. He also oversaw the IBM BESTeam and the Lotus Business Partner programs which are designed to provide enhanced opportunities, including education, marketing and training support, to qualified providers of IBM's and Lotus's portfolio of network solutions. Mr. Bonner received a Bachelor of Commerce from the University of the Witwatersrand in 1976 and a graduate degree in Marketing Management and Market Research and Advertising from the University of South Africa in 1978. Mr. Bonner is a member of the Audit and Compensation Committees. Robert P. Wilkie became a director in June 2002. He is the Group Financial Director and director of Softline, which he joined in 1997 as controller. Mr. Wilkie is responsible for operational fiscal discipline, group treasury and financial reporting across Softline. Mr. Wilkie received a Bachelor of Commerce from the University of Cape Town in 1989 and Bachelor of Accounting from the University of Witwatersrand in 1992. Mr. Wilkie is a Chartered Accountant (South Africa). Cheryl Valencia became Vice President of Management Services in October 2002. Prior to joining Island Pacific in September 2002, Ms. Valencia was Director of Product Management and Professional Services for eConnections since February 2002. From November 2001 to April 2002, Ms. Valencia was contracted as Director of Product Management and Professional Services for Hitech Systems, Inc. From September 2000 to September 2001, she served as Product Manager for iStarSystems. From June 1994 to October 2000, she held various positions including Product Manager and Global Education Director with System Software Associates. Ms. Valencia has a B.S. in Business Administration from Southeast Missouri State University. Kavindra Malik became Executive Vice President in May 2003. Mr. Malik served as Vice President from January 2003 to April 2003. Mr. Malik is responsible for the product vision and roadmap for Island Pacific unit. Prior to joining Island Pacific, Mr. Malik served as Vice President of Product Management for Spotlight Solutions from 2002. From 1997 to 2002, Mr. Malik was the Director of Retail and Consumer Goods Solutions Management for i2 Technologies. Mr. Malik received a Ph. D. in Decision Sciences from the University of Pennsylvania in 1988. Ronald Koren became Vice President in December 2002. Mr. Koren is responsible for marketing communications. Prior to joining Island Pacific, Mr. Koren was briefly in charge of Retail Solutions Marketing at Fujitsu. From April 2000 to May 2002, Mr. Koren was Director of Marketing for Raymark in Canada. His responsibilities included web development, direct and web-based mail campaigns as well as launching a branding strategy for newly developed hand-held products for point-of-sale and inventory. From November 1994 to May 2000, Mr. Koren was Director of Sales Support for Wincor Nixdorf. Mr. Koren received a B.A. in Communications from San Francisco State University. Mike Dotson became Managing Director of our United Kingdom Operations since April 2001. Prior to that appointment, Mr. Dotson held various positions with Island Pacific's United Kingdom office since January 1998. Mr. Dotson received a B.A. in Political Science and Economy from University of California at Irvine in May 1988. There are no family relationships among the directors. There are no arrangements or understandings between any director and any other person pursuant to which that director was or is to be elected. **BOARD COMMITTEES** We have established a Compensation Committee and an Audit Committee. The Board of Directors formed a Compensation Committee in April 1998. The Compensation Committee's primary function is to establish the compensation policies and recommend to the Board of Directors the compensation

arrangements for senior management and directors. The Compensation Committee also recommends the adoption of compensation plans in which officers and directors are eligible to participate and the granting of stock options or other benefits to executive officers. The Compensation Committee is composed entirely of independent directors (as "independence" is defined in Section 121(A) of the listing standards of the American Stock Exchange). Current members of the Compensation Committee are Ian Bonner and Michael Silverman. The Compensation Committee met three times during the fiscal year ended March 31, 2003. The Board of Directors also formed an Audit Committee in April 1998. The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities for our financial reporting. The Audit Committee recommends the engagement and discharge of independent auditors, reviews with independent auditors the audit plan and the results of the audit, reviews the independence of the independent auditors, reviews internal accounting procedures and discharges such other duties as may from time to time be assigned to it by the Board of Directors. Current members of the Audit Committee are Ian Bonner, Donald S. Radcliffe and Michael Silverman. The Audit Committee met four times during the fiscal year ended March 31, 2003.

**63 COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION** Ian Bonner and Michael Silverman served as the members of the Compensation Committee during the fiscal year ended March 31, 2003. No member of our Compensation Committee during the last completed fiscal year has ever been an officer of the Company or any of its subsidiaries. During the last completed fiscal year, no executive officer of the Company served as a member of a compensation committee or board of directors of any entity that had one or more of its executive officers serving as a member of our Compensation Committee. **COMPENSATION OF DIRECTORS** During fiscal 2003, we issued the following options to purchase shares of our common stock to our directors: (a) 5,000 options with exercise prices of \$0.35 per share to each of Barry Schechter, Arthur Klitofsky, Ian Bonner, Michael Silverman, Donald Radcliffe and Ivan Epstein, vesting immediately; (b) 20,000 options with exercise prices of \$0.28 to each of Arthur Klitofsky, Donald Radcliffe, Ian Bonner, Michael Silverman, Ivan Epstein, and Robert Wilkie, vesting 1/3 on the first anniversary date of the grant and 2/3 in 24 equal monthly installments; (c) 100,000 options with exercise prices of \$0.44 to Donald Radcliffe, vesting 1/3 on the first anniversary date of the grant and 2/3 in 24 equal monthly installments; (d) 5,000 options with exercise prices of \$0.85 to each of Donald Radcliffe, Ian Bonner, Michael Silverman, Ivan Epstein, and Robert Wilke, vesting immediately; (e) 25,000 options with exercise prices of \$0.85 to Donald Radcliffe, vesting immediately; (f) 50,000 options with exercise prices of \$0.85 to each of Michael Silverman and Ian Bonner, vesting immediately. On January 30, 2002, the Board adopted a plan to issue to each director who attends a Board meeting an option under the 1998 Incentive Stock Plan to purchase 5,000 shares at an exercise price equal to the fair market value on the date of the meeting. **COMPENSATION OF EXECUTIVE OFFICERS**

**SUMMARY COMPENSATION TABLE** The following table sets forth summary information concerning the compensation for the last three fiscal years received by each person who served as Chief Executive Officer during the last completed fiscal year, the four other most highly compensated persons serving as executive officers at the end of the last completed fiscal year who earned more than \$100,000 in salary and bonus in the last completed fiscal year, and two other persons who were executive officers during the last completed fiscal year and earned more than \$100,000 in salary and bonus, but who were not executive officers at the end of the last completed fiscal year. These individuals are referred to as the "named executive officers." **64 LONG TERM ANNUAL COMPENSATION**

COMPENSATION	SECURITIES	ALL OTHER NAME
AND OTHER ANNUAL UNDERLYING COMPENSATION	PRINCIPAL POSITION	YEAR SALARY(\$)
BONUS(\$)	COMPENSATION(\$)	OPTIONS/SARS (\$)
Barry M. Schechter 2003 369,314 -- -- 505,000 -- (Former Chairman of the 2002 337,486 -- -- 505,000 4,263 Board and Chief 2001 312,492 -- -- 321,429 4,995 Executive Officer)	Harvey Braun 2003 162,764 -- -- 2,000,000 -- (Chairman of the Board and Chief Executive Officer)	Steven Beck 2003 379,431 -- -- 2,000,000 -- (President and Chief Operating Officer)
Arthur S. Klitofsky 2003 201,755 -- -- 65,000 -- (Former Vice President 2002 168,000 14,700 -- 5,000 3,807 & Pres. of SVI Training)	2001 152,400 -- -- 90,000 4,572 Randy Pagnotta 2003 237,828 -- -- -- (Former Vice President) 2002 40,000 100,000 Mike Dotson 2003 154,410 -- -- -- 6,176 (Vice President) 2002 143,100 25,000 5,272 2003 148,290 14,000 2,723	

We also provide certain compensatory benefits and other non-cash compensation to the named executive officers. Except as set forth above, our incremental cost of all such benefits and other compensation paid in the years indicated to each such person was less than 10% of his or her reported compensation and also less than \$50,000. **65 STOCK OPTION GRANTS AND EXERCISES** The following table sets forth the information concerning individual grants of stock options during the last fiscal year to the named



executive officers. OPTION GRANTS IN LAST FISCAL YEAR POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION INDIVIDUAL GRANTS

TERM (\$)	EXERCISE OR DATE	OF OPTIONS	BASE PRICE	EXPIRATION	NAME	GRANT GRANTED(#)	% OF TOTAL (\$/SH.)	DATE	5%	10%				
09/03/02	500,000(1)	8.61%	0.28	09/03/12	88,045	223,124	Arthur S. Klitofsky	06/24/02	5,000(1)	0.09%	0.35	06/24/12	1,101	2,789
09/03/02	60,000(2)	1.03%	0.28	09/03/12	10,566	26,775	Harvey Braun	09/03/02	2,000,000(3)	34.42%	0.28	09/03/05	88,270	185,360
09/03/05	88,270	185,360	Steven Beck	09/03/02	2,000,000(3)	34.42%	0.28	09/03/05	88,270	185,360	(1) Options vest on the date of grant and subject to continuing service. (2) Options vest as to one-third of the shares on the first anniversary of the grant and the remaining two-thirds of the shares in 24 equal monthly installments after the first vesting date, subject to continuing service. (3) Options granted outside of the plan and vest on the date of grant. The potential realizable value is calculated based on the term of the option at its time of grant and the number of shares underlying the grant at fiscal year end. It is calculated based on assumed annualized rates of total price appreciation from the market price at the date of grant of 5% and 10% (compounded annually) over the full term of the grant with appreciation determined as of the expiration date. The 5% and 10% assumed rates of appreciation are mandated by SEC rules and do not represent our estimate or projections of future common stock prices. Actual gains, if any, on stock option exercises are dependent on the future performance of the common stock and overall stock market conditions. The amounts reflected in the table may not be achieved.			

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END VALUES The following table sets forth the information concerning the fiscal year end value of unexercised options held by the named executive officers. None of the named executive officers exercised options during the last fiscal year.

66 FISCAL YEAR END OPTION VALUES	NUMBER OF SECURITIES UNDERLYING UNEXERCISED VALUE OF UNEXERCISED IN-THE-MONEY	OPTIONS AT FY END (#)	OPTIONS AT FY END (\$)	NAME	EXERCISABLE/UNEXERCISABLE	
1,315,926/200,928	525,193/3,807	Arthur S. Klitofsky	162,549/122,151	3,867/46,783	Harvey Braun	2,000,000/0
1,540,000/0	Steven Beck	2,000,000/0	1,540,000/0	Randy Pagnotta	41,375/58,625	14,068/19,933
21,471/18,529	4,226/4,774	(1)	Based upon the market price of \$1.05 per share, determined on the basis of the closing sale price per share of our common stock on the American Stock Exchange on the last trading day of the 2003 fiscal year, less the option exercise price payable per share.			

EMPLOYMENT AGREEMENTS We entered into an employment agreement with Barry M. Schechter effective October 1, 2000. This agreement was terminated in July 2003 upon Mr. Schechter's resignation from the position of Chairman of the Board. Under the agreement Mr. Schechter had the right to annual compensation of \$325,000 for the first year of the agreement, \$350,000 for the second year of the agreement and \$375,000 for the third year of the agreement. In addition, Mr. Schechter was entitled to receive on each anniversary of the date of the agreement, an option to purchase the number of shares of common stock determined by dividing 150% of his base compensation for the prior year by the closing price of our common stock on the anniversary date. The agreement states that options will be fully vested when issued and exercisable for ten years after the date of the grant. Mr. Schechter remains a consultant to us. A consulting agreement with Mr. Schechter is currently being drafted. We entered into an employment agreement with Thomas A. Dorosewicz effective January 10, 2001. Under the agreement, Mr. Dorosewicz was paid base annual compensation of \$250,000. For fiscal year 2001, he was entitled to earn a guaranteed bonus of \$18,750 and an additional \$18,750 performance bonus. Mr. Dorosewicz earned the full \$37,500 bonus for fiscal 2001, and he agreed to accept payment in shares of common stock. We agreed to pay the withholding taxes which were due upon this stock grant and that Mr. Dorosewicz would be entitled to a cash bonus upon achievement of performance targets in fiscal 2002. We also agreed to issue Mr. Dorosewicz 250,000 options priced at fair market value on his start date, vesting over five years, and an additional 300,000 special stock options priced at 85% of fair market value, vesting 100,000 immediately, 100,000 after six months and 100,000 after 24 months. Furthermore, we agreed to issue additional options to Mr. Dorosewicz during fiscal 2002 based on various performance criteria and to pay Mr. Dorosewicz certain relocation expenses. If we terminated the agreement, the agreement provided that Mr. Dorosewicz would be entitled to severance equal to six months' base salary plus bonus. In addition, if we terminated the agreement after one year, the agreement provided that Mr. Dorosewicz would be entitled to additional severance of one month's base salary for each year of service completed, up to a maximum of six additional months. Effective October 21, 2001, Mr. Dorosewicz resigned from his

position. As a result of his resignation, we did not pay severance to Mr. Dorosewicz. Mr. Dorosewicz filed a demand with the California Labor Commissioner for \$256,250 in alleged unpaid severance benefits. His demand was later increase to \$283,893.43. On June 18, 2002, we filed a lawsuit against Mr. Dorosewicz and an entity affiliated with in the San Diego Superior Court alleging fraud and other causes of action. Mr. Dorosewicz filed cross-complaints alleging various causes of action. These matters are still pending and the parties have agreed to resolve all claims in arbitration. Mr. Dorosewicz received no bonuses or additional stock options for fiscal 2002.

**67 LONG TERM INCENTIVE PLANS** We do not have any long-term incentive plans, as those terms are defined in SEC regulations. During the fiscal years ended March 31, 2002 and 2003, we did not adjust or amend the exercise price of stock options awarded to the named executive officers. We have no defined benefit or actuarial plans covering any named executive officer.

**STOCK INCENTIVE PLANS** We have two stock incentive plans. Our Incentive Stock Option Plan ("1989 Plan") terminated in October 1999. It provided for issuance of incentive stock options to purchase up to 1,500,000 shares of common stock to employees. 580,735 of such shares remain subject to option as of April 11, 2003. The 1989 Plan was administered by the Board of Directors, which established the terms and conditions of each option grant. The 1998 Incentive Stock Plan ("1998 Plan") authorizes the issuance of shares of common stock through incentive stock options, non-statutory options, stock bonuses, stock appreciation rights and stock purchase agreements. The 1998 Plan was amended in August 2000 to increase the number of shares reserved from 3,500,000 to 4,000,000. The August 2000 amendments authorized a further automatic annual increase in reserved shares to take place on the first trading day of each fiscal year. The amount of the automatic annual increase is 2% of the total number of shares of common stock outstanding on the last trading day of the immediately prior fiscal year. The automatic annual increase cannot however be more than 600,000 shares, and the Board may in its discretion provide for a lesser increase. The 1998 Plan was further amended in August 2002 to increase the number of shares reserved from 4,600,000 to 5,600,000. The August 2000 amendments also implemented a limit on stock awards to any one person in excess of 500,000 shares in any calendar year, which limit was increased to 1,000,000 shares in August 2002. Our stockholders approved the August 2000 amendments at our annual meeting held November 16, 2000 and the August 2002 amendments at our annual meeting held September 19, 2002. On April 1, 2002 and April 1, 2003, the automatic increase of 565,872 and 600,000 shares, respectively, was effected, so that the total number of shares reserved under the 1998 Plan is currently 6,765,872. The exercise price of options is determined by the Board of Directors, but the exercise price may not be less than 100% of the fair market value on the date of the grant, in the case of incentive stock options, or 85% of the fair market value on the date of the grant, in the case of non-statutory stock options.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT** The following table shows beneficial ownership of shares of our common stock as of August 20, 2003 (except as otherwise stated below) (i) by all persons known by us to beneficially own more than 5% of such stock and (ii) by each director, each of the named executive officers, and all directors and executive officers as a group. Except as otherwise specified, the address for each person is 19800 MacArthur Boulevard, 12th Floor, Irvine, California 92612. As of August 20, 2003, there were 38,195,279 shares of common stock outstanding. Each of the named persons has sole voting and investment power with respect to the shares shown (subject to community property laws), except as stated below.

**68 NAME AND ADDRESS OF AMOUNT AND NATURE OF BENEFICIAL OWNER**

(1) BENEFICIAL OWNER	PERCENT OF CLASS
Softline Limited	27,896,607 (2) 48.8%
16 Commerce Crescent Eastgate Extension 13 Sandton 2148 South Africa Claudav Holdings Ltd. B.V.	3,895,368 (3) 9.9%
9 Rue Charles Humbert 1205 Geneva Switzerland The Ivanhoe Irrevocable Trust	3,895,368 (3) 9.9%
Barry M. Schechter	3,895,368 (3) 9.9%
ICM Asset Management, Inc.	6,342,627 (4) 15.2%
601 W. Main Ave., Suite 600 Spokane, WA 99201 Midsummer Investment	2,260,023 (8) 5.6%
c/o Midsummer Capital, LLC 485 Madison Avenue, 23rd Floor New York, NY 10022 Omnicron Master Trust	2,487,524 (10) 6.2%
c/o Omnicron Capital, LP 810 Seventh Avenue, 39th Floor New York, NY 10019 Steven Beck	2,000,000 (5) 5.0%
Harvey Braun	2,000,000 (5) 5.0%
Cheryl Valencia	16,700 (9) < 1%
Kavindra Malik	50,000 < 1%
Ronald Koren	3,085 < 1%
Mike Dotson	28,558 (5) < 1%
Donald S. Radcliffe	964,765 (6) 2.5%
575 Madison Avenue New York, NY 10022 Michael Silverman	161,590 (7) tain

conditions, if our common stock traded at a price above \$2.00 per share for thirty consecutive days. We also had the right to call the remaining 50% of the warrants, subject to certain conditions, if our common stock traded at a price above \$3.00 per share for thirty consecutive days. We also agreed to register all of the shares sold under the purchase agreement or upon exercise of the warrants with the SEC. The agreement with the investors provided that if a registration statement was not effective on or before April 21, 2001, we would be obligated to issue two-year warrants

to each investor, entitling the investor to purchase additional shares of our common stock at \$0.85 per share. We filed a registration statement in January 2001 to register these shares, but it did not become effective. As of June 28, 2002, we had issued the investors warrants to purchase 1,249,997 shares of common stock under this agreement. At the time of these investments, none of the investors were affiliated with us, but ICM and related persons became greater than 5% beneficial owners of our common stock as a result of such transactions. In May and June 2001, we issued a total of \$1.25 million in convertible notes to a limited number of accredited investors related to ICM. The notes were originally due August 30, 2001, and required interest at the rate of 12% per annum to be paid until maturity, with the interest rate increasing to 17% in the event of a default in payment of principal or interest. Any portion of the unpaid amount of principal and interest was convertible at any time by the investors into shares of common stock valued at \$1.35 per share. We also agreed to issue to the investors three-year warrants to purchase 250 common shares for each \$1,000 in notes purchased, at an exercise price of \$1.50 per share. In July 2002, the terms of the notes and warrants issued to the investors related to ICM were amended. The investors agreed to replace the existing notes with new notes having a maturity date of September 30, 2003. The interest rate on the new notes was reduced to 8% per annum, increasing to 13% in the event of a default in payment of principal or interest. We are required to pay accrued interest on the new notes calculated from July 19, 2002, in quarterly installments beginning September 30, 2002. In December 2002, the investors agreed to extend the accrued interest payments on the new notes to September 30, 2003. The investors agreed to reduce accrued interest and late charges on the original notes by \$16,000, and to accept the reduced amount in 527,286 shares of our common stock valued at \$0.41 per share, which was the average closing price of our shares on the American Stock Exchange for the ten trading days prior to July 19, 2002. The new notes are convertible at the option of the holders into shares of common stock valued at \$0.60 per share. We do not have a right to prepay the notes. We also agreed that the warrants previously issued to the investors to purchase an aggregate of 3,033,085 shares at exercise prices ranging from \$0.85 to \$1.50, and expiring on various dates between December 2002 and June 2004, would be replaced by new warrants to purchase an aggregate of 1,600,000 shares at \$0.60 per share, expiring July 19, 2007. The replacement warrants are not callable by us. We also agreed to file a registration statement for the resale of all shares held by or issuable to these investors. We filed a registration statement, which was declared effective by the SEC on July 18, 2003. 72 In May 2002 and September 2002, we borrowed \$70,000 and \$50,000 from World-Wide Business Centres, a company affiliated with Donald S. Radcliffe, to meet payroll expenses. These amounts were repaid together with interest at the then-effective prime rate, promptly as revenues were received, and had been paid in full as of November 2002. We began occupying its current principal executive offices in July 2001. At that time, the premises were owned by an affiliate of then Chief Executive Officer, Thomas A. Dorosewicz. Monthly rent for these premises was set at \$13,783. In April 2002, the premises were sold to an entity unrelated to Mr. Dorosewicz. We rented these premises under the new owner from May 2002 to July 2003. During fiscal 2003, we paid a total of \$122,959 in interest and principal to Claudav Holdings Ltd. B.V., which is deemed the beneficial owner of 10.0% of our outstanding common stock as of July 31, 2003. The original loan was in the amount of \$1.5 million, bore interest at the prime rate, and was used to pay a portion of the purchase price for Island Pacific in 1999. The loan was due on demand, and was paid in full as of July 31, 2002. In March 2003, we entered into a Securities Purchase Agreement dated March 31, 2003 with Midsummer, Omicron, and Islandia for the sale to these investors of 9% debentures, convertible into shares of our common stock, for an aggregate amount of up to \$5,500,000, to be sold in two separate closings. The debentures purchased are accompanied by a number of warrants to purchase shares of our common stock equal to 40% of (a) the dollar amount of debentures purchased by the Investors, (b) divided by the daily volume weighted average price of our common stock on the American Stock Exchange for the ten consecutive days immediately prior to the closing date the debentures were sold. At the first closing, the closing price was \$0.8901. The closing price for the second closing will be determined at that time. The first closing for the sale of debentures aggregating \$3,500,000 occurred on March 31, 2003. Additional debentures aggregating up to \$2,000,000 will be sold to these investors in a second closing if within one year after the date of first sale of debentures there occurs a period of 15 consecutive trading days during which the daily volume weighted average closing price of our common stock is maintained at a price at or above \$1.75 per share, subject to certain conditions. The debentures bear an interest rate of 9% per annum, and they provide for interest only payments on a quarterly basis, payable, at our option, in cash or shares of common stock. The debentures sold in the first closing for \$3,500,000 mature 26 months after that closing, and the additional debentures that may be sold for up to \$2,000,000 in the second closing mature 30 months after the first closing date. The debentures are convertible into shares of our common stock at a conversion

price equal to 115% of the daily volume weighed average price of the common stock on the American Stock Exchange on the date the debentures were sold. The debentures sold at the first closing have a conversion price of \$1.0236. If certain conditions are met, we have the option to redeem the debentures at 110% of their face value, plus accrued interest. We must redeem the debentures at the initial monthly amount of \$218,750, commencing on February 1, 2004. If the second closing occurs, this redemption amount will be increased to \$300,000, commencing on the later of February 1, 2004 or the fifth month following the second closing. Furthermore, if the daily volume weighed average price ("VWAP") of our common stock on the American Stock Exchange exceeds \$1.0236 by more than 200% for 15 consecutive trading days, we will have the option to convert the debentures into common stock at the conversion price then in effect. In July 2003, Omicron converted \$500,000 of its debenture into 488,472 shares of our common stock. The VWAP has also recently exceeded \$1.0236 by more than 200% for 15 consecutive trading days. Therefore, we have since notified these investors that we are exercising our right to convert these debentures into an aggregate of 2,930,832 shares of common stock at the conversion rate of \$1.0236. This conversion has been deferred until September 30, 2003; however, the investors have agreed to cease accruing interest from August 11, 2003 so long as they can elect to effectuate the conversion sooner. At the first closing, Midsummer was issued 629,143 warrants, Omicron was issued 674,082 warrants, and Islandia was issued 269,633 warrants. These warrants, as well as the warrants to be issued in the second closing, are for a 5-year term, with an exercise price equal to 115% of the daily volume weighed average price of our common stock on the American Stock Exchange on the date the accompanying debentures were sold. The warrants issued in the first closing have an exercise price of \$1.0236. 73 The investors were granted the right of first refusal to participate in our future offerings of common stock or equivalent securities so long as any one of them owns at least 5% of the debentures purchased on the first closing. The investors were also given registration rights under a registration rights agreement requiring us to file a registration statement respecting 130% of the common stock issuable upon the conversion of the debentures and the warrants within 30 days after the first closing, and to use best efforts to have the registration statement declared effective at the earliest date. If the registration statement was not filed within these timeframes or declared effective within 90 days following the closing date of the debentures sold in the first phase, or within 120 days in the event of a review by the Securities and Exchange Commission, we would have been obligated to pay liquidated damages to the investors equal to 2% of the sum of the amount of debentures subscribed to by the investors and the value of the warrants for each month until the registration statement became effective. We filed a registration statement covering 130% of the common stock issuable upon the conversion of the debentures and warrants sold at the first closing. The registration statement became effective on July 18, 2003. On April 1, 2003, we entered into a securities purchase agreement with MBSJ Investors, LLC for the sale to MBSJ of a 9% debenture, convertible to shares of our common stock at a conversion price of \$1.0236, for \$400,000. This debenture was accompanied by five-year warrants to purchase 156,311 shares of common stock with an exercise price of \$1.0236 per share. Interest was due on a quarterly basis, payable in cash or shares of common stock at or option. Commencing on February 1, 2004, we would have been obligated to redeem \$20,000 per month of the debenture. The debenture was to be matured in October 2005. MBSJ was also granted registration rights under a Registration Rights Agreement, and certain other rights similar to those granted to Midsummer, Omicron and Islandia. Effective August 11, 2003, we exercised our right to convert these debentures into 390,777 shares of common stock at the conversion rate of \$1.0236. On May 6, 2003, we entered into an agreement with Crestview Capital Fund I, L.P., Crestview Capital Fund II, L.P. and Crestview Capital Offshore Fund, Inc. (collectively, the "Crestview Investors") for the sale to the Crestview Investors of 9% debentures, convertible into shares of our common stock at a conversion price of \$1.0236, for \$300,000. These debentures were accompanied by five-year warrants to purchase an aggregate of 101,112 shares of common stock with an exercise price of \$1.0236 per share. Interest was due on a quarterly basis, payable in cash or shares of common stock at our option. Commencing on February 1, 2004, we would have been obligated to redeem \$18,750 per month of the debentures. The debentures were to be matured in October 2005. The Crestview Investors were also granted registration rights under a registration rights agreement, and certain other rights similar to those granted to Midsummer, Omnicron and Islandia. Additional debentures aggregating up to \$300,000 will be sold to the Crestview Investors in a second closing if within one year after the date of first sale of debentures there occurs a period of 15 consecutive trading days during which the daily volume weighted average closing price of our common stock is maintained at a price at or above \$1.75 per share, subject to certain conditions. Effective August 11, 2003, we exercised our right to convert these debentures into an aggregate of 293,082 shares of common stock at the conversion rate of \$1.0236. On June 27, 2003, we entered into an

agreement with various institutional investors ("Common Stock Institutional Investors") for the sale to these investors of 5,275,000 shares of common stock at a per share price of \$1.50 for an aggregate purchase price of \$7,912,500. We also granted the Common Stock Institutional Investors registration rights under a Registration Rights Agreement that obligates us to file a separate registration statement respecting their shares by July 31, 2003 or pay cash penalties of 2% per month based on the amount invested by the Common Stock Institutional Investors. In the event the registration statement is not declared effective by the SEC on or before September 29, 2003, or upon the occurrence of certain other events, we will be obligated to pay cash penalties at the rate of 2% per month as liquidated damages. 74 In connection with this financing, we paid Roth Capital Partners, LLC, as placement agent ("Roth Capital"), cash compensation of 8% of the proceeds and issued a five-year warrant to purchase 527,500 shares of common stock at an exercise price of \$1.65 per share. We also issued five-year warrants to purchase 375,000 shares of common stock at an exercise price of \$1.65 to certain holders of our 9% convertible debentures in order to obtain their requisite consents and waivers of rights they possessed to participate in the financing. These debenture holders are Midsummer, Omicron, Islandia, and the Crestview Investors. Roth Capital, Midsummer, Omicron, Islandia, and the Crestview Investors were given registration rights with respect to these warrants under our registration rights agreement with the Common Stock Institutional Investors. We incurred approximately \$29,000 in legal fees and costs to consummate these transactions with the Common Stock Institutional Investors. We retain Radcliffe & Associates, an entity affiliated with Donald S. Radcliffe, to perform financial advisory services. During the fiscal years ended March 31, 2003, we incurred \$36,000 in fees and costs to Radcliffe & Associates. In June 2002, we issued Mr. Radcliffe 75,000 shares of common stock to repay \$25,000 in obligations pursuant to these arrangements. Effective April 1, 2003, we sold our wholly-owned Training Products subsidiary to its president, Arthur Klitofsky, for the sale price of \$180,000 plus earn-out payments equal to 20% of the total gross revenues of Training Products in each of its next two fiscal years, to the extent the revenues in each of those years exceed certain targets. We received a promissory note for the amount of \$180,000 and the earn-out payments, if any, will be made in quarterly installments following each fiscal year, bearing an annual interest rate of 5%.

**DESCRIPTION OF CAPITAL STOCK** Our authorized capital stock consists of (1) 100,000,000 authorized shares of common stock, \$0.001 par value, and (2) 5,000,000 shares of preferred stock of which 141,000 are designated Series A Preferred Stock. As of August 20, 2003, there were 38,195,279 shares of common stock outstanding and 141,000 shares of Series A Preferred Stock outstanding. The following description of our capital stock is a summary and is qualified by the provisions of our amended and restated certificate of incorporation, as amended and our bylaws, as amended, copies of which have been filed as exhibits to the registration statement.

**COMMON STOCK** Holders of our common stock are entitled to one vote for each share on all matters submitted to a shareholder vote. Holders of our common stock have no conversion, preemptive or subscription rights and there are no redemption provisions applicable to our common stock. The rights of the holders of common stock are subject to the rights of holders of preferred stock. All outstanding shares of common stock are, and the shares underlying all options and warrants will be, duly authorized, validly issued, fully paid and non-assessable.

**WARRANTS** Warrants to purchase 905,000 shares of common stock that are being registered in this statement expire on July 1, 2008 and have an exercise price of \$1.65 per share. The exercise prices are subject to adjustment to reflect stock dividends, splits, reverse splits, and other similar events.

**REGISTRATION RIGHTS**

**GENERAL** The following is only a summary of the terms and conditions of the agreements involving parties which have registration rights. Copies of the actual agreements have been filed as exhibits to this registration statement. We will pay for all expenses incurred in connection with these registrations, other than underwriting discounts and commissions.

**75 GRANTED TO THE COMMON STOCK INSTITUTIONAL INVESTORS** We have granted MicroCapital Fund L.P., The Pinnacle Fund, L.P., Atlas Capital (Q.P.) L.P., Atlas Capital Master Fund, Ltd., Westpark Capital, L.P., Gruber & McBain International, Lagunitas Partners, L.P., Jon D. Gruber and Linda W. Gruber, J. Patterson McBaine, Bonanza Master Fund Ltd., Sandor Capital Master Fund, L.P., Southwell Partners, L.P. and Glacier Partners, L.P. certain registration rights with respect to 5,275,000 of our securities. We are registering all of these shares.

**GRANTED TO CERTAIN DEBENTURE HOLDERS** We granted to Midsummer Investment, Ltd., Omicron Master Trust, Islandia, L.P., Crestview Capital Fund I, L.P., Crestview Capital Fund II, L.P. and Crestview Capital Offshore Fund, Inc. registration rights with respect an aggregate of 375,000 Shares of common stock underlying warrants held by them. We are registering all of these shares.

**GRANTED TO ROTH CAPITAL PARTNERS, LLC** We granted Roth Capital Partners, LLC registration rights with respect to 527,500 shares of common stock underlying a warrant held by it. We are registering all of these shares.

**GRANTED TO OTHER**

STOCKHOLDERS We granted 033 Growth Partners I, L.P., 033 Growth Partners II, L.P., Oyster Pond Partners, L.P., 033 Growth International Fund, LTD., Midsummer Investment, Ltd., Omicron Master Trust, Crestview Capital Fund I, LP, Crestview Capital Fund II, LP, Crestview Capital Offshore Fund, Inc. and Glacier Partners, LP registration rights with respect to an aggregate of 1,000,000 shares of common stock held by them. We are registering all of these shares. LEGAL MATTERS The validity of the shares of common stock offered hereby will be passed on for us by Solomon Ward Seidenwurm & Smith, LLP, 401 B Street, Suite 1200, San Diego, California 92101. EXPERTS The consolidated financial statements of Island Pacific, Inc. for the years ended March 31, 2003 and March 31, 2002 appearing in this Prospectus and Registration Statement have been audited by Singer Lewak Greenbaum Goldstein LLP, independent accountants and auditors as set forth in their report thereof appearing elsewhere herein and are included in reliance upon such report and given upon their authority of such firm as experts in accounting and auditing. The consolidated statements of operations, stockholders' equity and cash flows of Island Pacific, Inc. (formerly, SVI Solutions, Inc.) for the year ended March 31, 2001 included in this prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the Company's ability to continue as a going concern), and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing. 76 WHERE YOU CAN FIND MORE INFORMATION We have filed a registration statement on Form S-1 under the Act with the SEC with respect to the shares offered hereby. This prospectus filed as part of the registration statement does not contain all of the information contained in the registration statement and exhibits thereto and reference is hereby made to such omitted information. Statements made in this registration statement are summaries of the terms of such referenced contracts, agreements or documents and are not necessarily complete. Reference is made to each such exhibit for a more complete description of the matters involved and such statements shall be deemed qualified in their entirety by such reference. You can read the registration statement and our future SEC filings, over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file with the SEC at its public reference facility at 450 Fifth Street, N.W., Washington, DC 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, NW, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. 77 ISLAND PACIFIC, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands, except share amounts) JUNE 30, MARCH 31, 2003 2003

-----	-----	ASSETS	Current assets: Cash and cash equivalents \$ 7,053	\$ 1,319	Accounts receivable, net of allowance for doubtful accounts of \$382 and \$372, respectively 6,708	3,974	Income tax refund receivable 845	--	Other receivables, including \$0 and \$3 from related parties, respectively 79	97	Inventories 86	91	Current portion of non-compete agreements 917	917	Net assets from discontinued operations -- 309	Prepaid expenses and other current assets 293	225	-----	-----	Total current assets 15,981	6,932	Note receivable 180	--	Property and equipment, net 337	380	Purchased and capitalized software, net 15,121	14,804	Goodwill, net 14,795	14,795	Non-compete agreements, net 439	668	Other assets 64	58	-----	-----	Total assets \$ 46,917	\$ 37,637	=====	=====
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LIABILITIES AND STOCKHOLDERS' EQUITY Current Liabilities: Debt due to stockholders \$ 1,345 \$ 1,320 | Convertible note 500 | 500 | Current portion of long-term debts 951 | 149 | Accounts payable 2,211 | 2,941 | Accrued expenses 4,253 | 4,517 | Deferred revenue 3,044 | 1,561 | Income tax payable 271 | -- | ----- | ----- | Total current liabilities 12,575 | 10,988 | Convertible debentures, net of debt discount of \$645 and \$625, respectively 2,636 | 2,726 | Other long-term liabilities 72 | 81 | ----- | ----- | Total liabilities 15,283 | 13,795 | ----- | ----- | Commitments and contingencies | Stockholders' equity: Preferred Stock, \$.0001 par value; 5,000,000 shares authorized; Series A Convertible Preferred, 7.2% cumulative 141,100 shares authorized and outstanding with a stated value of \$100 per share, dividends in arrears of \$1,523 and \$1,269, respectively 14,100 | 14,100 | Committed common stock - 2,500,000 shares 1,383 | 1,383 | Common stock, \$.0001 par value; 100,000,000 shares authorized; 36,906,490 and 42,199,632 shares issued; and 36,906,490 and 31,499,632 shares outstanding 5 | 4 | Additional paid in capital 56,351 | 57,751 | Accumulated deficit (40,205) | (40,490) | Treasury stock, at cost; shares - 10,700,000 -- (8,906) | ----- | ----- | Total stockholders' equity 31,634 | 23,842 | ----- | ----- | Total liabilities and stockholders' equity \$ 46,917 | \$ 37,637 | ===== | ===== |

The accompanying notes are an integral part of these condensed consolidated financial statements. F-1 ISLAND PACIFIC, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share data) THREE MONTHS ENDED JUNE 30, 2003 2002 -----

-----	Net sales \$ 5,466	\$ 4,893	Cost of sales 1,654	2,053	-----	-----	Gross profit 3,812	2,840	Expenses:
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Application development 137 901 Depreciation and amortization 868 1,034 Selling, general and administrative 2,796 1,937 ----- Total expenses 3,801 3,872 ----- Operating income (loss) 11 (1,032) Other income (expense): Interest income 26 1 Other expense (11) (1) Interest expense (311) (408) ----- Total other expense (296) (408) ----- Loss before provision for income taxes (285) (1,440) Provision for income tax benefits 570 -- ----- Income (loss) before cumulative effect of a change in accounting principle 285 (1,440) Cumulative effect of changing accounting principle - goodwill valuation under SFAS 142 -- (627) ----- Income (loss) from continuing operations 285 (2,067) Income from discontinued operations of the SVI Training Products, Inc. subsidiary, net of applicable income taxes -- 50 ----- Net income (loss) \$ 285 \$ (2,017) ===== Basic income (loss) per share: Income (loss) before cumulative effect of a change in accounting principle \$ 0.01 \$ (0.05) Cumulative effect of a change in accounting principle - goodwill valuation under SFAS 142 -- (0.02) ----- Income (loss) from continuing operations 0.01 (0.07) Income from discontinued operations -- -- ----- Net income (loss) \$ 0.01 \$ (0.07) ===== Diluted income (loss) per share: Income (loss) before cumulative effect of a change in accounting principle \$ -- \$ (0.05) Cumulative effect of a change in accounting principle - goodwill valuation under SFAS 142 -- (0.02) ----- Income (loss) from continuing operations -- (0.07) Income from discontinued operations -- -- ----- Net income (loss) \$ -- \$ (0.07) ===== Weighted-average common shares outstanding: Basic 31,615 28,512 Diluted 64,743 28,512 The accompanying notes are an integral part of these condensed consolidated financial statements. F-2

**ISLAND PACIFIC, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS** (in thousands) **THREE MONTHS ENDED JUNE 30, 2003 2002** ----- Cash flows from operating activities: Net income (loss) \$ 285 \$ (2,017) Adjustments to reconcile net income (loss) to net cash used for operating activities: Depreciation and amortization 868 1,034 Cumulative effect of a change in accounting principle - goodwill valuation under SFAS 142 -- 627 Amortization of debt discount and conversion option 189 99 Common stock issued for services rendered 25 15 Changes in assets and liabilities net of effects from acquisitions: Accounts receivable and other receivables (2,716) (965) Income tax refund receivable (845) -- Inventories 5 4 Prepaid expenses and other assets (74) (59) Accounts payable and accrued expenses (866) (29) Income tax payable 271 (1) Accrued interest on stockholders' loans, convertible notes and term loan 57 271 Deferred revenue 1,483 (350) ----- Net cash used for operating activities (1,318) (1,371) ----- Cash flows from investing activities: Purchases of furniture and equipment (11) (26) Capitalized software development costs (900) (194) ----- Net cash used for investing activities (911) (220) ----- Cash flows from financing activities: Sale of common stock, net of offering costs 7,264 -- Decrease in amount due to stockholders, net -- (70) Proceeds from convertible debts 700 874 Proceeds from short-term loan from related party -- 70 Payments on short-term loan from related party -- (70) ----- Net cash provided by financing activities 7,964 804 ----- Effect of exchange rate changes on cash (1) (2) ----- Net increase (decrease) in cash and cash equivalents 5,734 (789) Cash and cash equivalents, beginning of period 1,319 1,309 ----- Cash and cash equivalents, end of period \$ 7,053 \$ 520 =====

Supplemental disclosure of cash flow information: Interest paid \$ 61 \$ 10 Supplemental schedule of non-cash investing and financing activities: Issued 100,000 shares of common stock for services in connection with an equity financing in December 2000 -- \$ 45 Issued 140,000 shares of common stock to pay for penalty for late effectiveness of the registration statement -- \$ 60 Received 262,500 shares of common stock related to early termination of a service contract -- \$ (210) Issued 9,849 and 151,666 shares of common stock as payments for bonuses and services rendered in prior periods \$ 8 \$ 66 The accompanying notes are an integral part of these condensed consolidated financial statements. F-3

**ISLAND PACIFIC, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS NOTE 1 - ORGANIZATION AND BASIS OF PREPARATION** The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to interim financial statements. Accordingly, they do not include all of the information and notes required for complete financial statements. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows at June 30, 2003 and for all the periods presented have been made. Certain amounts in the prior period have been reclassified to conform to the presentation for the three months ended June 30, 2003. The financial information included in this quarterly report should be read in conjunction with the consolidated financial statements and related notes thereto in our Form 10-K for the year ended March 31, 2003. The results of operations for the three months ended June 30, 2003 and 2002 are not necessarily indicative of the results to be expected for the full year. **NOTE 2 - DISCONTINUED OPERATIONS**

Effective April 1, 2003, we sold our wholly-owned subsidiary, SVI Training Products, Inc. ("Training Products"), to its former president for the sale price of \$180,000 plus earn-out payments equal to 20% of the total gross revenues of Training Products in each of its next two fiscal years, to the extent the revenues in each of those years exceed certain target. We received a promissory note for the amount of \$180,000 and the earn-out payments, if any, will be made in quarterly installments following each fiscal year, bearing an annual interest rate of 5%. The sale of the Training Products subsidiary resulted in a loss of \$129,000, net of estimated income taxes, which was accrued for at March 31, 2003. Accordingly, the operating results of the Training Products subsidiary for the three months ended June 30, 2002 are restated as discontinued operations.

**NOTE 3 - INVENTORIES** Inventories consist of finished goods and are stated at the lower of cost or market, on a first-in, first-out basis.

**NOTE 4 - CONVERTIBLE DEBTS**

**CONVERTIBLE NOTES DUE TO STOCKHOLDERS** During the quarter ended June 30, 2001, we entered into subscription agreements with a limited number of accredited investors related to existing stockholders for gross proceeds of \$1.3 million. Each unit consisted of a convertible promissory note to purchase 250 shares of our common stock for each \$1,000 borrowed by us. The holders of the notes have the option to convert the unpaid principal and interest to common stock at any time at a conversion price of \$0.60 per share. The notes mature on September 30, 2003 and earn interest at 8% per annum, increasing to 13% in the event of a default in payment of principal or interest, to be paid at maturity. We do not have a right to prepay the notes. We also issued to these investors warrants to purchase an aggregate of 1,600,000 shares at \$0.60 per share, expiring July 19, 2007. The warrants are not callable by us. We filed a registration statement for the resale of all shares held by or obtainable by these and other investors. The registration statement was declared effective on July 18, 2003.

**CONVERTIBLE NOTE DUE TO UNION BANK OF CALIFORNIA** Pursuant to the Discounted Loan Payoff Agreement dated March 31, 2003, we issued to Union Bank of California a \$500,000 unsecured, non-interest bearing convertible note payable in either cash or shares of common stock, at our option. If we elect to pay the principal amount or any portion thereof in shares of common stock, the shares will be computed on a price per share of 80% of the average share closing price of our common stock for the ten trading day period immediately preceding the payoff date. The maturity date is March 31, 2004.

**F-4 CONVERTIBLE DEBENTURES** In March 2003, we entered into a Securities Purchase Agreement for the sale of convertible debentures to a group of investors (the "March '03 Debenture Investors"). The debentures are convertible into shares of our common stock at a conversion price of \$1.02 per share, for the total proceeds of \$3.5 million. The debentures mature in May 2005 and bear an interest rate of 9% per annum. Interest is payable on a quarterly basis commencing on June 1, 2003, in cash or shares of common stock, at our option. If certain conditions are met, we have the right, but not the obligation, to redeem the debentures at 110% of their face value, plus accrued interest. Commencing in February 2004, we must redeem \$219,000 per month of the debentures. Furthermore, if the daily volume weighted average price of our common stock on the American Stock Exchange exceeds \$1.02 by more than 200% for 15 consecutive trading days, we will have the option to cause the investors to convert their debentures into common stock. Subsequent to June 30, 2003, one of the investors converted \$500,000 of its debenture into 488,472 shares of our common stock. The investors were granted the right of first refusal to participate in our future offerings of common stock or equivalent securities so long as any one of them owns at least 5% of the debentures purchased by them. Monthly redemptions should have been in cash, or, provided certain conditions were met, such as an effective registration statement, in shares of common stock. If we elected to pay in shares of common stock, the conversion price should have been the lessor of \$1.02 and 90% of the average of the daily volume weighted average price of the common stock for the 20 trading days immediately prior to the redemption date. We filed a registration statement covering 130% of the common stock issuable upon the conversion of the debentures and warrants. The registration statement was declared effective on July 18, 2003. Additional debentures, aggregating up to \$2 million, will be sold to these investors in a second closing, if within one year after the date of first sale of debentures there occurs a period of 15 consecutive trading days during which the daily volume weighted average closing price of our common stock is maintained at a price at or above \$1.75 per share, subject to certain conditions. The shares of common stock underlying these debentures and warrants were not included in the registration statement declared effective in July 2003. In accordance with generally accepted accounting principles, the difference between the conversion price of \$1.02 and our stock price on the date of issuance of the debentures was recorded as interest expense. It was recognized in the statement of operations during the period from the issuance of the debt to the time at which the debt first became convertible. We recognized this interest expense of \$715,000 in March 2003. The March '03 Debenture Investors also received warrants to purchase up to, in the aggregate, 1,572,858 shares of common stock with an



exercise price equal to \$1.02 per share. The warrants expire five years from the date of issuance. We allocated the proceeds received from debt or convertible debt with detachable warrants using the relative fair value of the individual elements at the time of issuance. The amount allocated to the warrants was \$625,000 and is being amortized as interest expense over the life of the convertible debentures. We recorded an interest expense of \$72,000 in the quarter ended June 30, 2003. In April 2003, we entered into a Securities Purchase Agreement with an investor (the "April '03 Debenture Investor") for the sale of a 9% debenture, convertible to shares of our common stock at a conversion price of \$1.02, for the gross proceeds of \$400,000. Interest is due on a quarterly basis commencing on June 1, 2003, payable in cash or shares of common stock at our option. Commencing on February 1, 2004, we must redeem \$20,000 per month of the debenture. The debenture matures in October 2005. The April '03 Debenture Investor was also granted registration rights under a registration rights agreement, and certain other rights similar to those granted to the March '03 Debenture Investors. In accordance with generally accepted accounting principles, the difference between the conversion price of \$1.02 and our stock price on the date of issuance of the debentures was recorded as interest expense. We recognized this interest expense of \$69,000 in the quarter ended June 30, 2003. F-5 The debenture issued to the April '03 Debenture investor was accompanied by a five-year warrant to purchase 156,311 shares of our common stock with an exercise price of \$1.02 per share. We allocated the proceeds received from debt or convertible debt with detachable warrants using the relative fair value of the individual elements at the time of issuance. The amount allocated to the warrants was determined to be \$63,000 and is being amortized as interest expense over the life of the convertible debentures. We recorded an interest expense of \$7,000 in the quarter ended June 30, 2003. In May 2003, we entered into an agreement with a group of investors (the "May '03 Debenture Investors") for the sale of 9% debentures, convertible into shares of our common stock at a conversion price of \$1.02 for the gross proceeds of \$300,000. Interest is due on a quarterly basis commencing on June 1, 2003, payable in cash or shares of common stock at our option. Commencing on February 1, 2004, we must redeem \$19,000 per month of the debentures. The debentures mature in May 2005. The May '03 Debenture Investors were also granted registration rights under a registration rights agreement, and certain other rights similar to those granted to the March '03 Debenture Investors. Additional debentures aggregating up to \$300,000 will be sold to the May '03 Debenture Investors in a second closing, if within one year after the date of first sale of debentures there occurs a period of 15 consecutive trading days during which the daily volume weighted average closing price of our common stock is maintained at a price at or above \$1.75 per share, subject to certain conditions. The shares of common stock underlying these debentures and warrants were not included in the registration statement declared effective in July 2003. In accordance with generally accepted accounting principles, the difference between the conversion price of \$1.02 and our stock price on the date of issuance of the debentures was recorded as interest expense. We recognized this interest expense of \$38,000 in the quarter ended June 30, 2003. These debentures were accompanied by five-year warrants to purchase an aggregate of 101,112 shares of common stock with an exercise price of \$1.02 per share. We allocated the proceeds received from debt or convertible debt with detachable warrants using the relative fair value of the individual elements at the time of issuance. The amount allocated to the warrants is \$39,000 and is being amortized as interest expense over the life of the convertible debentures. We recorded an interest expense of \$3,000 in the quarter ended June 30, 2003. In June 2003, we entered into an agreement with various institutional investors ("Common Stock Institutional Investors") for the sale of 5,275,000 shares of common stock at a per share price of \$1.50 for an aggregate purchase price of \$7.9 million. In connection with this financing, we paid Roth Capital Partners, LLC, as placement agent, cash compensation of 8% of the proceeds and issued a five-year warrant to purchase 527,500 shares of common stock at an exercise price of \$1.65 per share. We also issued five-year warrants to purchase 375,000 shares of common stock at an exercise price of \$1.65 to the March '04 Debenture Investors and May '04 Debenture Investors in order to obtain their requisite consents and waivers of rights they possessed to participate in the financing. As of June 30, 2003, the balance of all the 9% convertible debentures was as follows (in thousands):

Convertible debentures	\$ 4,231
Less: unamortized debt discount	644
-----	3,587
Current portion	951
-----	
Long-term portion	\$ 2,636

===== NOTE 5 - INCOME TAX BENEFITS Income tax benefits in the quarter ended June 30, 2003 include \$845,000 income tax refund receivable; offset in part by income tax payable relating to prior periods of \$271,000. The net amount of \$570,000 has been recorded as income under provision for income taxes in the consolidated statement of operations. The income tax refund results from carrying back net operating losses in the last three years to prior periods. F-6 NOTE 6 - CHANGE IN ACCOUNTING PRINCIPLE In July 2001, the FASB issued Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets," which

is effective for fiscal years beginning after December 15, 2001. SFAS 142 prohibits the amortization of goodwill and intangible assets with indefinite useful lives but requires that these assets be reviewed for impairment at least annually or on an interim basis if an event occurs or circumstances change that could indicate that their value has diminished or been impaired. Other intangible assets will continue to be amortized over their estimated useful lives. In addition, the standard includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. Effective April 1, 2002, we adopted SFAS 142 and ceased amortization of goodwill recorded in business combinations prior to June 30, 2001. We evaluate the remaining useful lives of these intangibles on an annual basis to determine whether events or circumstances warrant a revision to the remaining period of amortization. Pursuant to SFAS 142, we completed the transitional analysis of goodwill impairment as of April 1, 2002 and recorded an impairment of \$627,000 as a cumulative effect of a change in accounting principle in the quarter ended June 30, 2002.

**NOTE 7 - EARNINGS (LOSS) PER SHARE** Basic earnings (loss) per common share are calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per common shares ("diluted EPS") reflect the potential dilutive effect, determined by the treasury method, of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. Earnings per share for the quarter ended June 30, 2003 and 2002 is calculated as follows (in thousands):

Three months ended June 30, 2003	2002	-----	-----	Net income (loss)	\$ 285	\$ (2,017)
=====	=====			Basic weighted average shares	31,615	28,512
				Dilutive common stock equivalent	33,128	--
		-----	-----	Diluted weighted average shares	64,743	28,512
				Basic earnings (loss) per share	\$ 0.01	\$ (0.07)
				Diluted earnings (loss) per share	\$ --	\$ (0.07)

The following potential common shares have been excluded from the computation of diluted net loss per share for the quarter ended June 30, 2002, because the effect would have been anti-dilutive: Outstanding options under our stock option plans 4,318,346 Outstanding options granted outside our stock option plans 1,046,812 Warrants issued in conjunction with private placements 5,665,086 Warrants issued for services rendered 804,002 Convertible notes due to stockholders 1,098,047 Convertible note due to a major customer 2,500,000 Series A Convertible Preferred Stock 18,259,500 ----- Total 33,691,793 =====

**F-7 NOTE 8 - BUSINESS SEGMENTS AND GEOGRAPHIC DATA** We are a leading provider of software solutions and services to the retail industry. We provide high value innovative solutions that help retailers understand, create, manage and fulfill consumer demand. Our solutions and services have been developed specifically to meet the needs of the retail industry. Our solutions help retailers improve the efficiency and effectiveness of their operations and build stronger, longer lasting relationships with their customers. We currently operate in the United States and the United Kingdom. The geographic distribution of our net sales and long-lived assets are as follows (in thousands):

Quarters Ended June 30, 2003	2002	-----	-----	Net sales: United States	\$ 4,925	\$ 4,429
				United Kingdom	541	464
		-----	-----	Total net sales	\$ 5,466	\$ 4,893
		=====	=====	June 30, 2003	2002	-----
				-----	-----	Identifiable assets:
				United States	\$ 45,834	\$ 37,602
				United Kingdom	1,083	836
		-----	-----	Total identifiable assets	\$ 46,917	\$ 38,438

===== For the three months ended June 30, 2003 and 2002, net sales to one customer, Toys "R" Us, Inc., accounted for 24% and 42% of total net sales, respectively. We organized our business into two segments as follows:

- o **RETAIL MANAGEMENT SOLUTIONS** - offer suite of applications, which builds on our long history in retail software design and development. We provide our customers with an extremely reliable, widely deployed, comprehensive and fully integrated retail management solutions. Retail Management Solutions include merchandise management that optimizes workflow and provides the highest level of data integrity. This module supports all operational areas of the supply chain including planning, open-to-buy purchase order management, forecasting, warehouse and store receiving distribution, transfers, price management, performance analysis and physical inventory. In addition, Retail Management Solutions include a comprehensive set of tools for analysis and planning, replenishment and forecasting, event and promotion management, warehouse, ticketing, financials and sales audit. Through collaborations with strategic partners, Retail Management Solutions offer tools for loss prevention, communication with stores and vendors, integration needs, purchase and allocation decisions, analysis of weather impact, control and management of business processes, consumer research, tracking consumer shopping patterns, forecasting and replenishment, and analyzing store people productivity.
- o **STORE SOLUTIONS** - offer suite of applications builds on our long history of providing multi-platform, client server in-store solutions. We market this set of applications under the name "OnePointe," and "OnePointe International" which is a full business to consumer

software infrastructure encompassing a range of integrated store solutions. "OnePointe" is a complete application providing all point-of-sale ("POS") and in-store processor (server) functions for traditional "brick and mortar" retail operations. F-8 A summary of the revenues and operating income (loss), excluding depreciation and amortization, attributable to each of these business units and identifiable assets is as follows (in thousands): Three months ended June 30, 2003 2002 ----- Net sales: Retail Management Solutions \$ 5,064 \$ 4,445 Store Solutions 402 448 ----- Total net sales \$ 5,466 \$ 4,893 Operating income (loss): Retail Management Solutions \$ 1,596 \$ 784 Store Solutions -- (160) Other (see below) (1,585) (1,656) ----- Total operating income (loss) \$ 11 \$ (1,032) Depreciation: Retail Management Solutions \$ 30 \$ 49 Store Solutions 9 13 Other (see below) 17 25 ----- Total depreciation \$ 56 \$ 87 Other operating loss: Amortization of intangible assets \$ (812) \$ (947) Depreciation (56) (87) Administrative costs and other non-allocated expenses (717) (622) ----- Total other operating loss \$ (1,585) \$ (1,656) Identifiable assets: Retail Management Solutions \$ 34,151 \$ 32,971 Store Solutions 4,132 5,104 ----- Total identifiable assets \$ 38,283 \$ 38,075 Operating income (loss) in Retail Management Solutions and Store Solutions includes direct expenses for software licenses, maintenance services, programming and consulting services, sales and marketing expenses, product development expenses, and direct general and administrative expenses. The "Other" caption includes depreciation, amortization of intangible assets, non-allocated costs and other expenses that are not directly identified with a particular business unit and which management does not consider in evaluating the operating income of the business unit. NOTE 9 - RECENT ACCOUNTING PRONOUNCEMENTS In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149 ("SFAS 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 further clarifies accounting for derivative instruments. We believe the adoption of this statement will have no material impact on our consolidated financial statements. In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," ("SFAS 150"). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. We do not believe the adoption of SFAS 150 will have a material impact on our consolidated financial statements. F-9 NOTE 10 - COMMITMENTS AND CONTINGENCIES In April of 2002, our former CEO, Thomas Dorosewicz, filed a demand with the California Labor Commissioner for \$256,250 in severance benefits allegedly due under a disputed employment agreement, plus attorney's fees and costs. Mr. Dorosewicz's demand was later increased to \$283,894. On June 18, 2002, we filed an action against Mr. Dorosewicz, Michelle Dorosewicz and an entity affiliated with him in San Diego Superior Court, Case No. GIC790833, alleging fraud and other causes of action relating to transactions Mr. Dorosewicz caused us to enter into with his affiliates and related parties without proper board approval. On July 31, 2002, Mr. Dorosewicz filed cross-complaints in that action alleging breach of statutory duty, breach of contract, fraud and other causes of action related to his employment with us and other transactions he entered into with us. These matters are still pending and the parties have agreed to resolve all claims in binding arbitrations, scheduled for September 2003. We decided in the third quarter of fiscal 2002 to sell certain assets of our Australian subsidiary to the former management of such subsidiary, and then cease Australian operations. Such sale was, however, subject to the approval of National Australia Bank, the subsidiary's secured lender. The bank did not approve the sale and the subsidiary ceased operations in February 2002. The bank caused a receiver to be appointed in February 2002 to sell substantially all of the assets of the Australian subsidiary and pursue collections on any outstanding receivables. The receiver proceeded to sell substantially all of the assets for \$300,000 in May 2002 to an entity affiliated with former management, and is actively pursuing the collection of receivables. If the sale proceeds plus collections on receivables are insufficient to discharge the indebtedness to National Australia Bank, we may be called upon to pay the deficiency under our guarantee to the bank. We have reserved \$187,000 as our potential exposure. The receiver has also claimed that we are obligated to it for inter-company balances of \$636,000, but we do not believe any amounts are owed to the receiver, who has not as of the date of this report acknowledged the monthly corporate overhead recovery fees and other amounts charged by us to the Australian subsidiary offsetting the amount claimed to be due. On May 15, 2002, an employee who is currently out on disability/worker's compensation leave, Debora Hintz, filed a claim with the California Labor Commissioner seeking \$41,000 in alleged unpaid commissions. In or about December of 2002, Ms.

Hintz filed a discrimination claim against us with the Department of Fair Employment and Housing, alleging harassment and sexual orientation discrimination. We have responded appropriately to both the wage claim and the discrimination allegations, which we believe lack merit based on present information. On August 30, 2002, Cord Camera Centers, Inc., an Ohio corporation ("Cord Camera"), filed a lawsuit against one of our subsidiaries, SVI Retail, Inc. as the successor to Island Pacific Systems Corporation, in the United States District Court for the Southern District of Ohio, Eastern Division, Case No. C2 02 859. The lawsuit claims damages in excess of \$1.5 million, plus punitive damages of \$250,000, against SVI Retail for alleged fraud, negligent misrepresentation, breach of express warranties and breach of contract. These claims pertain to the following agreements between Cord Camera and Island Pacific: (i) a License Agreement, dated December 1999, as amended, for the use of certain software products, (ii) a Services Agreement for consulting, training and product support for the software products and (iii) a POS Software Support Agreement for the maintenance and support services for a certain software product. At this time, we cannot predict the merits of this case because it is in its preliminary state and discovery has not yet commenced. However, SVI Retail intends to defend vigorously the action and possibly file one or more counter-claims. The U.S. District Court of Ohio has proper jurisdiction over us, and a trial is scheduled for May 2004. In mid-2002, we were the subject of an adverse judgment entered against us in favor of Randall's Family Golf Centers, ("Randall") in the approximate sum of \$61,000. The judgment was entered as a default judgment, and is based on allegations that the Company received a preferential transfer of funds within 90 days of the filing by Randall of a chapter 11 case in the United States Bankruptcy Court for the Southern District of New York. We and Randall have agreed to settle this claim for \$12,500, subject to the settlement receiving approval by the U.S. Bankruptcy Court. On December 16, 2002, Chapter 11 Debtors Natural Wonders, Inc. and World of Science, Inc. (collectively "Debtors") filed an adversary proceeding against our subsidiary SVI Retail, Inc. seeking to avoid and recover preferential transfers. The Debtors sought recovery of approximately \$84,000, which it had previously paid to SVI Retail for goods and services rendered. On March 12, 2003, the Debtors and SVI Retail settled the adversary proceeding for \$18,000. F-10 On November 22, 2002, UDC Homes, Inc and UDC Corporation now known as Shea Homes, Inc. served Sabica Ventures, Inc. ("Sabica") and Island Pacific, an operating division of SVI Solutions, Inc. ("Island Pacific") with a cross-complaint for indemnity on behalf of an entity identified in the summons as Pacific Cabinets. Sabica and Island Pacific filed a notice of motion and motion to quash service of summons on the grounds that neither Sabica nor Island Pacific has ever done business as Pacific Cabinets and has no other known relation to the construction project that is the subject of the cross-complaint and underlying complaint. A hearing on Sabica's and Island Pacific's motion to quash occurred on May 22, 2003 which was subsequently denied. Except as set forth above, we are not involved in any material legal proceedings, other than ordinary routine litigation proceedings incidental to our business, none of which are expected to have a material adverse effect on our financial position or results of operations. However, litigation is subject to inherent uncertainties, and an adverse result in existing or other matters may arise from time to time which may harm our business. NOTE 11- SUBSEQUENT EVENTS On August 11, 2003, we notified all of the 9% convertible debenture holders that we exercise our right to convert the debentures into shares of common stock at the conversion price of \$1.02 pursuant to the terms of the debentures. Upon the conversion, we issued 390,777 shares of common stock to the April '03 Debenture investor and an aggregate of 293,082 shares of common stock to the May '03 Debenture Investors. We agreed to defer the conversion of \$3.0 million debentures issued to the March '03 Debenture Investors until September 30, 2003; however, these investors have agreed to cease accruing interest from August 11, 2003 so long as they can elect to effectuate the conversion sooner. F-11 INDEPENDENT AUDITOR'S REPORT Board of Directors and Shareholders Island Pacific, Inc. and subsidiaries We have audited the accompanying consolidated balance sheets of Island Pacific, Inc. (formerly, SVI Solutions, Inc.) and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the consolidated financial statements referred to above present

fairly, in all material respects, the consolidated financial position of Island Pacific, Inc. and subsidiaries as of March 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. As described in Note 7 to the consolidated financial statements, the Company adopted SFAS 142 effective April 1, 2002 and ceased amortization of goodwill. /s/ SINGER LEWAK GREENBAUM & GOLDSTEIN LLP Los Angeles, California May 30, 2003 F-12

INDEPENDENT AUDITORS' REPORT To the Board of Directors and Stockholders of Island Pacific, Inc.: We have audited the accompanying consolidated statements of operations, stockholders' equity, and cash flows of Island Pacific, Inc. (formerly, SVI Solutions, Inc.) and subsidiaries (collectively, the "Company") (a majority owned subsidiary of Softline Limited) for the year ended March 31, 2001. These statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. In our opinion, such consolidated statements present fairly, in all material respects, the results of the Company's operations and its cash flows for the year ended March 31, 2001 in conformity with accounting principles generally accepted in the United States of America. The accompanying statements have been prepared assuming that the Company will continue as a going concern. The Company's recurring losses from operations and negative working capital raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. /s/ DELOITTE & TOUCHE LLP San Diego, California July 13, 2001 F-13 ISLAND PACIFIC, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS MARCH 31, MARCH 31, 2003 2002 -----

----- (in thousands, except share amounts) ASSETS Current assets: Cash and cash equivalents \$ 1,319 \$ 1,309 Accounts receivable, net of allowance for doubtful accounts of \$372 and \$446, respectively 3,974 1,946 Other receivables, including \$3 and \$31 from related parties, respectively 97 255 Inventories 91 126 Current portion - non-compete agreements 917 917 Net assets from discontinued operations 309 -- Prepaid expenses and other current assets 225 150 ----- Total current assets 6,932 4,703 Property and equipment, net 380 641 Purchased and capitalized software, net 14,804 17,612 Goodwill, net 14,795 15,422 Non-compete agreements, net 668 1,585 Other assets 58 42 ----- Total assets \$ 37,637 \$ 40,005 =====

LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities: Debt due to stockholders \$ 1,320 \$ 618 Current portion of long-term debt 649 435 Accounts payable 2,941 1,497 Accrued expenses 4,517 3,864 Deferred revenue 1,561 3,528 Income tax payable -- 98 ----- Total current liabilities 10,988 10,040 Term loans refinanced in July 2002 -- 6,472 Convertible notes due to stockholders -- 1,421 Convertible debentures 2,726 -- Other long-term liabilities 81 120 ----- Total liabilities 13,795 18,053 ----- Commitments and contingencies (Note 12) Stockholders' equity: Preferred stock, \$.0001 par value; 5,000,000 shares authorized; Series A Convertible Preferred stock, 7.2% cumulative convertible 141,100 shares authorized and outstanding with a stated value of \$100 per share, dividends in arrears of \$1,269 and \$254 14,100 14,100 Committed common stock - 2,500,000 shares 1,383 -- Common stock, \$.0001 par value; 100,000,000 shares authorized; 42,199,632 and 38,993,609 shares issued and 31,499,632 and 28,293,609 shares outstanding 4 4 Additional paid-in capital 57,751 54,685 Retained (deficit) earnings (40,490) (37,772) Treasury stock, at cost - 10,700,000 shares (8,906) (8,580) Shares receivable -- (485) ----- Total stockholders' equity 23,842 21,952 ----- Total liabilities and stockholders' equity \$ 37,637 \$ 40,005 =====

The accompanying notes are an integral part of these consolidated financial statements. F-14 ISLAND PACIFIC, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS YEAR ENDED MARCH 31,

----- 2003 2002 2001 ----- (in thousands, except per share data) Net sales \$ 22,296 \$ 26,715 \$ 28,049 Cost of sales 8,045 11,003 10,815 ----- Gross profit 14,251 15,712 17,234 ----- Expenses: Application development 4,643 4,203 5,333 Depreciation and amortization 4,148 6,723 8,299 Selling, general and administrative 8,072 12,036 16,985 Impairment of capitalized software and goodwill -- -- 6,519 Impairment of note receivable received in connection with the sale of IBIS Systems Limited -- -- 7,647 ----- Total expenses 16,863 22,962 44,783

----- Loss from operations (2,612) (7,250) (27,549) Other income (expense): Interest income 1 7 620 Other income (expense) 24 (56) 74 Interest expense, including \$128, \$1,988 and \$1,391 to related parties (1,088) (3,018) (3,043) ----- Total other expense (1,063) (3,067) (2,349) ----- Loss before provision (benefit) for income taxes (3,675) (10,317) (29,898) Provision (benefit) for income taxes 11 2 (4,778) ----- Loss before extraordinary item and change in accounting principle (3,686) (10,319) (25,120) Extraordinary item - Gain on debt forgiveness, net of taxes 1,476 -- -- Cumulative effect of changing accounting principle - Goodwill valuation under SFAS 142 (627) -- -- ----- Loss from continuing operations (2,837) (10,319) (25,120) Discontinued operations: Income (loss) from operations of SVI Training Products, Inc., net of estimated income tax expense (benefit) of (\$57), \$37 and \$1 119 220 (79) Loss from Australian operations, net of estimated income taxes benefit of \$0 and (\$833) -- (4,559) (3,746) ----- Income (loss) from discontinued operations 119 (4,339) (3,825) ----- Net loss \$ (2,718) \$ (14,658) \$ (28,945) ===== Basic and diluted earnings (loss) per share: Loss before change in accounting principle \$ (0.12) \$ (0.29) \$ (0.72) Gain on debt forgiveness 0.05 -- -- Loss from change in accounting principle (0.02) -- -- ----- Loss from continuing operations (0.09) (0.29) (0.72) Discontinued operations -- (0.12) (0.11) ----- Net loss \$ (0.09) \$ (0.41) \$ (0.83) ===== Basic and diluted weighted average common shares outstanding 29,599 35,698 34,761 ===== The accompanying notes are an integral part of these consolidated financial statements. F-15 ISLAND PACIFIC, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY ACCUMULATED OTHER OTHER ADDITIONAL RETAINED COMPRE- COMPRE- PREFERRED COMMON PAID-IN TREASURY SHARES EARNINGS HENSIVE HENSIVE STOCK STOCK CAPITAL STOCK RECEIVABLE (DEFICIT) LOSS LOSS TOTAL ----- (in thousands, except share amounts) Balance, April 1, 2000 \$ 3 \$ 53,454 \$ (4,306) \$ 5,831 \$ (1,485) \$ 53,497 Exercise of stock options 792 792 Income tax benefit on stock options Exercised 84 84 Compensation expense for stock Options 28 28 Issuance of common stock warrants For services 6 6 Issuance of common stock (net of financing costs of \$40,035) 1 2,460 2,461 Issuance of common stock (net of \$286,000 late registration fees) 214 214 Issuance of common stock for Services 70 70 Comprehensive loss: Net loss (28,945) \$ (28,945) (28,945) Other comprehensive loss: Translation adjustment (1,214) (1,214) (1,214) ----- Comprehensive loss \$ (30,159) ----- Balance, March 31, 2001 \$ 4 \$ 57,108 \$ (4,306) \$ (23,114) \$ (2,699) \$ 26,993 Issuance of common stock for services and severance payments 441 441 Common stock to be returned 485 \$ (485) -- Compensation expense for warrants granted 579 579 Interest charges on convertible notes due to stockholders 438 438 Warrants issued for late effectiveness of the registration for common stock sold in a private placement in fiscal 2001 711 711 Offering costs (711) (711) Liquidated damages for late effectiveness of the registration statement (60) (60) Issuance of Series A Preferred stock in exchange for common stock, sale of IBIS note receivable and settlement of Softline note payable \$ 14,100 (8,580) 5,520 Retired treasury stock (4,306) 4,306 -- (Continued) The accompanying notes are an integral part of these consolidated financial statements. F-16 ISLAND PACIFIC, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED) ACCUMULATED OTHER OTHER ADDITIONAL RETAINED COMPRE- COMPRE- PREFERRED COMMITTED COMMON PAID-IN TREASURY SHARES EARNINGS HENSIVE HENSIVE STOCK STOCK STOCK CAPITAL STOCK RECEIVABLE (DEFICIT) LOSS LOSS TOTAL ----- (in thousands, except share amounts) Comprehensive loss: Net loss (14,658) \$ (14,658) (14,658) Other comprehensive loss: Disposal of Australian operation -- 2,699 2,699 ----- Comprehensive loss \$ (14,658) ----- Balance, March 31, 2002 \$ 14,100 \$ 4 \$ 54,685 \$(8,580) \$ (485) \$ (37,772) \$ -- \$ 21,952 Issuance of common stock for services and interest expense 761 761 Issuance of common stock to payoff a stockholder's note payable 388 388 Issuance of common stock and convertible note to payoff term loan 787 787 Issuance of common stock for liquidated damage charge for late effectiveness of the registration statement 60 60 Issuance of convertible note payable solely in common stock 1,383 1,383 Common stock returned (474) 485 11 Compensation expense for warrants and options granted 32 32 Interest charges on convertible notes due to major customer 879 879 Offering costs (708) (708) Interest charges on convertible debentures 1,341 1,341 Adjustment to cost of treasury stock (326) (326) Comprehensive loss: Net loss (2,718) \$ (2,718) (2,718) ----- Comprehensive

loss \$ (2,718) ----- Balance, March 31, 2003 \$ 14,100 \$ 1,383 \$ 4 \$ 57,751 \$(8,906) \$ -- \$ (40,490) \$ -- \$ 23,842 =====

===== (Concluded) The accompanying notes are an integral part of these consolidated financial statements. F-17 ISLAND PACIFIC, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS YEAR ENDED MARCH 31,

	2003	2002	2001
(in thousands, except share amounts)			
Cash flows from operating activities: Net loss \$ (2,718) \$ (14,658) \$ (28,945)			
Adjustments to reconcile net loss to net cash provided by (used for) operating activities: Depreciation and amortization	4,148	7,069	9,540
Cumulative effect of a change in accounting principle - Goodwill valuation under SFAS 142 627 -- --			
Impairment of note receivable -- -- 7,647			
Impairment of intangible assets associated with discontinued operations -- -- 8,886			
Gain on debt forgiveness (1,476) -- --			
Loss on disposal of Training Products and Australian operations	129	3,171	--
Compensation expense for stock options and warrants	8	579	112
Interest charges on convertible debt	171	438	--
Common stock issued for services rendered, severance and interest payments	115	245	--
Deferred income tax provision -- (149) (4,396)			
Loss on sale of furniture and equipment -- 64 3			
Changes in assets and liabilities, net of effects of acquisitions: Accounts receivable and other receivables (2,046) 2,548 5,126			
Accrued interest on note receivable -- -- (555)			
Inventories 24 61 (8)			
Prepaid expenses and other current assets (286) 60 157			
Accounts payable and accrued expenses 1,394 (1,892) 3,506			
Accrued interest on stockholders' loans and note payable 853 2,295 944			
Deferred revenue (1,967) 1,642 (4,438)			
Income taxes payable (98) 98 --			
Net cash provided by (used for) operating activities (1,122) 1,571 (2,421)			
Cash flows from investing activities: Purchase of furniture and equipment (67) (301) (534)			
Proceeds from sale of furniture and equipment -- 13 --			
Purchase of software and capitalized software development costs (93) (409) (2,471)			
Net cash used for investing activities (160) (697) (3,005)			
Cash flows from financing activities: Proceeds from issuance of common stock -- -- 3,754			
Increase (decrease) in amounts due to stockholders, net (287) (844) 9,855			
Proceeds from lines of credit -- -- 1,555			
Proceeds from committed stock 1,383 -- --			
Proceeds from convertible notes due to stockholders -- 1,260 --			
Proceeds from convertible debentures 3,500 -- --			
Proceeds from short-term loan from related party 120 -- --			
Payments on term loans (3,303) (1,243) (13,231)			
Payments on short-term loan from related party (120) -- --			
Net cash provided by (used for) financing activities 1,293 (827) 1,933			

----- (Continued) The accompanying notes are an integral part of these consolidated financial statements. F-18 ISLAND PACIFIC, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) YEAR ENDED MARCH 31,

	2003	2002	2001
(in thousands, except share amounts)			
Effect of exchange rate changes on cash (1) (5) (78)			
Net increase (decrease) in cash and cash equivalents	10	42	(3,571)
Cash and cash equivalents, beginning of year	1,309	1,267	4,838
Cash and cash equivalents, end of year	\$ 1,319	\$ 1,309	\$ 1,267

===== Supplemental disclosure of non-cash information: Interest paid \$ 492 \$ 1,194 \$ 1,990

Income taxes paid \$ 40 -- \$ 665

Supplemental disclosure of non-cash investing and financing activities: Issued 1,000,000 shares of common stock for part of term loan payoff \$ 788 -- --

Issued 1,010,000 shares of common stock to payoff a shareholder's loan \$ 388 -- --

Issued 38,380 shares of common stock for services to be provided -- \$ 31 --

629,500 shares of common stock returned for service contract canceled after shares were issued \$ (474) \$ 485 --

Issuance of 141,000 shares of Series A Preferred Stock and Transfer of note receivable received from the sale of IBIS Systems Limited in exchange for 10,700,000 shares of common stock and settlement of Softline note payable -- \$ 5,520 --

Issued 1,223,580, 168,208 and 54,845 shares of common stock for services rendered and interest payments \$ 657 \$ 165 \$ 70

Issued 500,000 shares of common stock for \$214,000 in cash and \$286,000 in accrued costs related to penalty for late effectiveness of the registration statement -- -- \$ 286

Issued 140,000 shares of common stock for accrued liquidated damages for late effectiveness of the registration statement \$ 60 -- --

Issued 5,000 warrants in connection with an equity financing -- -- \$ 8

(Concluded) The accompanying notes are an integral part of these consolidated financial statements. F-19 ISLAND PACIFIC, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES BUSINESS CONDITIONS - We are a leading provider of software solutions and services to the retail industry. We provide high value innovative solutions that help retailers understand, create, manage and fulfill consumer demand. Up until April 1, 2003, we also developed and

distributed PC courseware and skills assessment products for both desktop and retail applications through our SVI Training Products subsidiary. Our solutions and services have been developed specifically to meet the needs of the retail industry. Our solutions help retailers improve the efficiency and effectiveness of their operations and build stronger, longer lasting relationships with their customers. Effective April 1, 2003, we discontinued this line of business.

**PRINCIPLES OF CONSOLIDATION AND FINANCIAL STATEMENT PRESENTATION** - The consolidated financial statements include the accounts of SVI Solutions, Inc. and our wholly-owned subsidiaries, SVI Retail, Inc., Sabica Ventures, Inc. and SVI Training Products, Inc. ("Training Products"), based in U.S., and SVI Retail (Pty) Limited based in Australia. The Australian subsidiary ceased operations effective February 2002 and the Training Products ceased operations effective April 1, 2003 (see Note 3). All material intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements are stated in U.S. dollars and are prepared under accounting principles generally accepted in the United States.

**RECLASSIFICATIONS** - Certain amounts in the prior periods have been reclassified to conform to the presentation for the fiscal year ended March 31, 2003. Such reclassifications did not have any effect on losses reported in prior periods.

**ESTIMATES** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS** - Cash and cash equivalents include cash and highly liquid investments with original maturities of not more than three months.

**FAIR VALUE OF FINANCIAL INSTRUMENTS** - The fair value of short-term financial instruments, including cash and cash equivalents, trade accounts receivable, other receivables, prepaid expenses, other assets, accounts payable, accrued expenses, lines of credit and demands due to stockholders approximate their carrying amounts in the financial statements due to the short maturity of and/or the variable nature of interest rates associated with such instruments. The fair value of the long-term note receivable is discussed in Note 5. The amounts shown for term loans and convertible notes due to stockholders approximate fair value because current interest rates offered to the Company for debt of similar maturity are substantially the same or the difference is immaterial.

**INVENTORIES** - Inventories consist of finished goods and are stated at the lower of cost or market, on a first-in, first-out basis.

**PROPERTY AND EQUIPMENT** - Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ranging from 4 to 10 years. Leasehold improvements are amortized using the straight-line method, over the shorter of the life of the improvement or lease term. Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized.

**F-20 GOODWILL** - Goodwill represents the excess of cost over the fair value of net assets acquired. Beginning April 1, 2002, we adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") and ceased amortization of goodwill recorded in business combinations prior to June 30, 2001 (see Note 8). We review goodwill for impairment at least annually or on an interim basis if an event occurs or circumstances change that could indicate that its value has diminished or been impaired. Goodwill was amortized using the straight-line method over various periods not exceeding 10 years. As described in Note 8 to the consolidated financial statements, effective April 1, 1999, we revised our estimate of the useful life of goodwill from twenty years to ten years.

**PURCHASED AND CAPITALIZED SOFTWARE COSTS** - Pursuant to the provisions of Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed," we capitalize internally developed software and software purchased from third parties if the related software product under development has reached technological feasibility or if there are alternative future uses for the purchased software. These costs are amortized on a product-by-product basis typically over three to ten years using the greater of the ratio that current gross revenue for a product bears to the total of current and anticipated future gross revenue for that product or the straight-line method over the remaining estimated economic life of the product. At each balance sheet date, we evaluate on a product-by-product basis the unamortized capitalized cost of computer software compared to the net realizable value of that product. The amount by which the unamortized capitalized costs of a computer software product exceed its net realizable value is written off (see Note 7).

**NON-COMPETE AGREEMENTS** - Non-compete agreements represent agreements to retain key employees of acquired subsidiaries for a certain period of time and prohibit those employees from competing with us within a stated period of time after terminating employment with us. The amounts incurred are capitalized and amortized over the life of the agreements, generally ranging from two to six years.

**IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF** - We adopted Statement of



Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets, and supercedes Statement Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS 144 applies to all long-lived assets (including discontinued operations) and consequently amends APB Opinion 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS 144 develops one accounting model for long-lived assets that are to be disposed of by sale. SFAS 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value cost to sell. Additionally SFAS 144 expands the scope of discontinued operations to include all components of an entity with operations that (1) can be distinguished from the rest of the entity and (2) will be eliminated from the ongoing operations of the entity in a disposal transaction. SFAS 144 is effective for fiscal years beginning after December 15, 2001. The accounting prescribed in SFAS 144 was applied in connection with the disposal of the Australian operations in fiscal 2002 and the Training Products subsidiary sold on April 1, 2003. Prior to the adoption of SFAS 144, we evaluated our long-lived assets for impairment whenever events or changes in circumstances indicated that the carrying amount of such assets or intangibles might not be recoverable. Recoverability of assets to be held and used was measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets were considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeded the fair value of the assets (see Notes 4, 7, 8 and 9). Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

**REVENUE RECOGNITION** - We license software under non-cancelable agreements and provide related services, including consulting and customer support. We recognize revenue in accordance with Statement of Position 97-2 (SOP 97-2), Software Revenue Recognition, as amended and interpreted by Statement of Position 98-9, Modification of SOP 97-2, Software Revenue Recognition, with respect to certain transactions, as well as Technical Practice Aids issued from time to time by the American Institute of Certified Public Accountants. F-21 Software license revenue is generally recognized when a license agreement has been signed, the software product has been delivered, there are no uncertainties surrounding product acceptance, the fees are fixed and determinable, and collection is considered probable. If a software license contains an undelivered element, the fair value of the undelivered element is deferred and the revenue recognized once the element is delivered. In addition, if a software license contains customer acceptance criteria or a cancellation right, the software revenue is recognized upon the earlier of customer acceptance or the expiration of the acceptance period or cancellation right. Typically, payments for our software licenses are due in installments within twelve months from the date of delivery. Where software license agreements call for payment terms of twelve months or more from the date of delivery, revenue is recognized as payments become due and all other conditions for revenue recognition have been satisfied. Deferred revenue consists primarily of deferred license, prepaid services revenue and maintenance support revenue. Consulting services are separately priced, are generally available from a number of suppliers, and are not essential to the functionality of our software products. Consulting services, which include project management, system planning, design and implementation, customer configurations, and training are billed on both an hourly basis and under fixed price contracts. Consulting services revenue billed on an hourly basis is recognized as the work is performed. On fixed price contracts, consulting services revenue is recognized using the percentage of completion method of accounting by relating hours incurred to date to total estimated hours at completion. We have from time to time provided software and consulting services under fixed price contracts that require the achievement of certain milestones. The revenue under such arrangements is recognized as the milestones are achieved. Customer support services include post contract support and the rights to unspecified upgrades and enhancements. Maintenance revenues from ongoing customer support services are billed on a monthly basis and recorded as revenue in the applicable month, or on an annual basis with the revenue being deferred and recognized ratably over the maintenance period. If an arrangement includes multiple elements, the fees are allocated to the various elements based upon vendor-specific objective evidence of fair value.

**REIMBURSABLE OUT-OF-POCKET EXPENSES** - We adopted Financial Accounting Standards Board Emerging Issues Task Force No. 01-14 ("EITF 01-14"), "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred". EITF 01-14 establishes that reimbursements received for out-of-pocket expenses should be reported as revenue in the income statement. Through March 31, 2002, we classified reimbursed out-of-pocket expenses as a reduction in cost of consulting services. The adoption of EITF

01-14 increased reported net sales and cost of sales; however, it did not affect the net income or loss in any past or future periods. Reimbursed expenses of \$615,000 have been classified in both net sales and cost of sales for the year ended March 31, 2003 and we have reclassified reimbursed expenses of \$1.1 million and \$1.9 million to net sales and cost of sales in the consolidated statements of operations for the years ended March 31, 2002 and 2001, respectively.

**NET INCOME (LOSS) PER SHARE** - As required by Statement of Financial Accounting Standards No. 128, "Earnings per Share," we have presented basic and diluted earnings per share amounts. Basic earnings per share is calculated based on the weighted-average number of shares outstanding during the year, while diluted earnings per share also gives effect to all potential dilutive common shares outstanding during the year such as stock options, warrants and contingently issuable shares.

**INCOME TAXES** - We utilize Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets and liabilities.

**F-22 TRANSLATION OF FOREIGN CURRENCY** - The financial position and results of operations of our foreign division are measured using local currency as the functional currency. Revenues and expenses of such division have been translated into U.S. dollars at average exchange rates prevailing during the period. Assets and liabilities have been translated at the rates of exchange at the balance sheet date. Transaction gains and losses are deferred as a separate component of stockholders' equity, unless there is a sale or complete liquidation of the underlying foreign investments. Aggregate foreign currency transaction gains and losses are included in determining net earnings.

**ADVERTISING AND PROMOTIONAL EXPENSES** - Advertising and promotional expenses are charged to expense as incurred and amounted to \$60,000, \$38,000 and \$198,000 for the years ended March 31, 2003, 2002 and 2001, respectively.

**COMPREHENSIVE INCOME** - We utilize Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." This statement establishes standards for reporting comprehensive income and its components in a financial statement. Comprehensive income as defined includes all changes in equity (net assets) during a period from non-owner sources. Examples of items to be included in comprehensive income, which are excluded from net income, include foreign currency translation adjustments and unrealized gains and losses on available-for-sale securities and are included as a component of stockholders' equity.

**STOCK-BASED COMPENSATION** - As permitted under Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation", we account for costs of stock based compensation in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and accordingly, discloses the pro forma effect on net income (loss) and related per share amounts using the fair-value method defined in SFAS No. 123. In April 2000, the FASB issued FASB Interpretation (FIN) No. 44, "Accounting for Certain Transactions Involving Stock Compensation and Interpretation of APB No. 25," which is effective July 1, 2000 except for certain conclusions which cover specific events after either December 15, 1998 or January 12, 2000. FIN No. 44 clarifies the application of APB No. 25 related to modifications of stock options, changes in grantee status, and options issued on a business combination, among other things. The adoption of FIN No. 44 did not have a significant impact on the consolidated financial position or results of operations.

**CONCENTRATIONS** - We maintain cash balances and short-term investments at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of March 31, 2003, the uninsured portion of these balances held at financial institutions aggregated to approximately \$1.2 million. We have not experienced any losses in such accounts and believe it is not exposed to any significant credit risk on cash and cash equivalents. For the fiscal years ended March 31, 2003, 2002 and 2001, sales to one customer accounted for 31%, 47% and 33%, respectively, of total consolidated net sales. As of March 31, 2003 and 2002, our trade receivables from this customer accounted for 43% and 40%, respectively, of total consolidated receivables. As of March 31, 2003 and 2002, deferred revenues from this customer accounted for 0% and 48%, respectively, of total consolidated deferred revenue.

**RECENT ACCOUNTING PRONOUNCEMENTS** - In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145 ("SFAS 145"), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145

updates, clarifies, and simplifies existing accounting pronouncements. This statement rescinds SFAS No. 4, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in APB No. 30 will now be used to classify those gains and losses. SFAS No. 64 amended SFAS No. 4 and is no longer necessary as SFAS No. 4 has been rescinded. SFAS No. 44 has been rescinded as it is no longer necessary. SFAS No. 145 amends SFAS No. 13 to require that F-23 certain lease modifications that have economic effects similar to sale-leaseback transactions to be accounted for in the same manner as sale-lease transactions. This statement also makes technical corrections to existing pronouncements. While those corrections are not substantive in nature, in some instances, they may change accounting practice. The accounting prescribed in SFAS 145 was applied in connection with the gain from extinguishment of our debt to Union Bank of California. In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146 ("SFAS 146"), "Accounting for Costs Associated with Exit or Disposal Activities". SFAS 146 replaces current accounting literature and requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. The provisions of the SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. We do not expect adoption of SFAS No. 146 to have a significant effect on our results of operations or financial condition. In October 2002, the FASB issued Statement of Financial Accounting Standards No. 147 ("SFAS 147"), "Acquisition of certain Financial Institutions". SFAS 147 removes the requirement in SFAS 72 and Interpretation 9 thereto, to recognize and amortize any excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset. This statement requires that those transactions be accounted for in accordance with SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". In addition, this statement amends SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets, to include certain financial institution related intangibles. This statement is not likely to have any impact on our consolidated financial statements. In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 ("SFAS 148"), "Accounting for Stock-Based Compensation-Transition and Disclosure". This Statement amends SFAS 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions of SFAS 148 are effective for fiscal years ending after December 15, 2002, with earlier application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. We will provide the comparative interim pro forma disclosures required by SFAS 148 beginning in first quarter ending June 30, 2003. SFAS 148 is not expected to have a material impact on the Company's financial statements. In November 2002, the Financial Accounting Standards Board issued FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accountings and disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others", which clarifies the requirement of SFAS No. 5, "Accounting for Contingencies", relating to a guarantor's accounting for and disclosures of certain guarantee issues. FIN 45 was applied to our guarantee of a line of credit facility from National Australia Bank Limited to our former Australian subsidiary (see Note 2). In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities". Variable interest entities are defined as entities with a level of invested equity that is not sufficient to fund future activities to permit it to operate on a stand alone basis. We do not participate in variable interest entities. F-24 In November 2002, the FASB reached consensus on Emerging Issues Task Force Issue No. 00-21 ("EITF No. 00-21"), "Accounting for Revenue Arrangements with Multiple Deliverables." In general, this issue addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Specifically, this issue addresses how to determine whether an arrangement involving multiple deliverables contains more than one earnings process and, if so, how to divide the arrangement into separate units of accounting consistent with the identified earnings processes for revenue recognition purposes. This issue also addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. EITF Issue 00-21 is applicable to arrangements entered into after June 15, 2003. We do not believe the application of EITF Issuer 00-21 will have any material impact on our consolidated financial statements. In April 2003, the FASB issued

statement of Financial Accounting Standards No. 149 ("SFAS 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS 149 further clarifies accounting for derivative instruments. We believe the adoption of this statement will have no material impact on our consolidated financial statements. In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for CERTAIN Financial Instruments with Characteristics of both Liabilities and Equity," ("SFAS 150"). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. We do not believe the adoption of SFAS 150 will have a material impact on our consolidated financial statements.

**2. DISCONTINUED OPERATIONS** Effective April 1, 2003, we sold our wholly-owned subsidiary, SVI Training Products, Inc. ("Training Products") to its former president for the sale price of \$180,000 plus earnout payments equal to 20% of the total gross revenues of Training Products in each of its next two fiscal years, to the extent the revenues in each of those years exceed certain target. We received a promissory note for the amount of \$180,000 and the earnout payments, if any, will be made in quarterly installments following each fiscal year, bearing an annual interest rate of 5%. The sale of the Training Products subsidiary resulted in a loss of \$129,000, net of estimated income taxes, which was accrued for at March 31, 2003. The operating results of Training Products are shown as discontinued operations with the prior period results restated. The operating results reflected in income (loss) from operations are summarized as follows:

	Year ended March 31, 2003	2002	2001	----	----	----
Net sales	\$ 1,517	\$ 1,537	\$ 1,516			
Income (loss) before taxes	\$ 191	\$ 257	\$ (80)			
Taxes (benefits) on loss	(57)	37	1			
Net income (loss)	\$ 248	\$ 220	\$ (79)			
Net income per share of common stock	\$ 0.01	\$ 0.01	\$ --			

Our Australian subsidiary maintained an AUS\$1,000,000 (approximately US\$510,000) line of credit facility with National Australia Bank Limited. The facility was secured by substantially all of the assets of the Australian subsidiary, and we have guaranteed all amounts owing on the facility. The facility became due in February of each year, but had renewed annually. In April 2001, we received a formal demand under the guarantee for the full AUS\$971,000 (approximately US\$495,000) then alleged by the bank to be due under the facility. Due to the declining performance of the Australian subsidiary, we decided in the third quarter of fiscal 2002 to sell certain assets of the Australian F-25 subsidiary to the former management of such subsidiary, and then cease Australian operations. Such sale was however subject to the approval of National Australia Bank, the subsidiary's secured lender. The bank did not approve the sale and the subsidiary ceased operations in February 2002. The bank caused a receiver to be appointed in April 2002 to sell substantially all of the assets of the Australian subsidiary and pursue collections on any outstanding receivables. The receiver proceeded to sell substantially all of the assets for \$300,000 in May 2002 to the entity affiliated with former management, and is actively pursuing the collection of receivables. If the sale proceeds plus collections on receivables are insufficient to discharge the indebtedness to National Australia Bank, we may be called upon to pay the deficiency under our guarantee to the bank. We have accrued \$187,000 as the maximum amount of our potential exposure. The receiver has also claimed that we are obligated to it for inter-company balances of \$636,000, but we do not believe any amounts are owed to the receiver, who has not as of the date of this report acknowledged the monthly corporate overhead recovery fees and other amounts charged by us to the Australian subsidiary offsetting the amount claimed to be due. The disposal of the Australian subsidiary resulted in a loss of \$3.2 million. The operating results of the Australian subsidiary are shown as discontinued operations with the prior period results restated. The operating results reflected in loss from discontinued operations are summarized as follows:

	Year ended March 31, 2002	2001	----	----
Net sales	\$ 2,363	\$ 4,959		
Income (loss) before taxes	\$(1,056)	\$ (4,580)		
Taxes (benefits) on loss	332	(833)		
Net income (loss)	\$(1,388)	\$ (3,746)		
Net income (loss) per share of common stock	\$ (0.04)	\$ (0.11)		

**3. ASSET IMPAIRMENT CHARGES** In the fiscal year ended March 31, 2001, we evaluated the recoverability of the long-lived assets in accordance with the evaluation of our long-lived assets as described in Note 1. In determining the amount of impairment, we compared the net book value of the long-lived assets associated with the Australian operations, primarily consisting of recorded goodwill and software intangibles, to their estimated fair values. Fair values were estimated based on anticipated future cash flows of our operations consistent with the assets' remaining useful lives. The anticipated future cash flows were then discounted at 13%, which approximates our interest rate on our amended and restated loan agreement in fiscal year ended March 31, 2001. Accordingly, we recorded impairment of goodwill of \$2.3 million and capitalized software of \$6.6 million, of which \$2.4 million was classified as discontinued

operations, in the fiscal year ended March 31, 2001. We also recorded an impairment charge to our note receivable in the fiscal year ended March 31, 2001 (See Note 4).

4. NOTE RECEIVABLE In connection with the sale of our United Kingdom subsidiary, IBIS Systems Limited ("IBIS") to Kielfuff Investments Limited ("Kielfuff") in the fourth quarter of fiscal 1999, we recorded a note receivable (the "Note") of \$13.6 million. The Note bore interest at 2% over the base prime rate for United States dollar deposits quoted by the Hong Kong Shanghai British Columbia Bank plc, and principal and interest were originally due October 1, 1999. In September 1999, the Note was extended to February 15, 2000 to allow Kielfuff sufficient time to complete a combination of several companies under a common name, Integrity Software, Inc. ("Integrity"), and register this newly formed entity for trading on a United States exchange. The Note was further extended to November 15, 2000 to accommodate the registration and underwriting process related to Integrity. In September 2000, we F-26 discontinued accruing interest on the Note. The Note was secured by approximately 11% of the outstanding shares of Integrity. We also had the right to convert all sums due from Kielfuff into shares of Integrity at our option. We did not exercise our option to convert any amount of the Note into shares of Integrity. Kielfuff did not pay the Note on the November 15, 2000 due date. Given our lack of ability to enforce collection on the due date, we classified the Note as long term. We engaged Business Valuation Services, Inc. ("BVS") to perform an analysis of the fair value of the Note's underlying collateral at each quarter during fiscal year 2001. After consideration of the BVS reports and other relevant data, we concluded that the fair value of the collateral underlying the Note was impaired. Thus, during the fiscal year ended March 31, 2001, we recorded an impairment of \$7.6 million. The carrying value of the Note at March 31, 2001 was \$7.0 million. Effective January 1, 2002, we transferred the Note to Softline Limited ("Softline"), a major stockholder, in connection with an integrated series of transactions with Softline (see Notes 10 and 13). The transactions with Softline were as follows: 1. We transferred to Softline the note received in connection with the sale of IBIS. 2. We issued to Softline 141,000 shares of newly-designated Series A Convertible Preferred Stock ("Series A Preferred"). 3. In consideration of the above, Softline released us from our obligations related to the note payable due to Softline. Softline also surrendered 10,700,000 shares of our common stock held by Softline. No gain or loss was recognized in connection with the disposition of the Note or the other components of the transactions.

5. PROPERTY AND EQUIPMENT Property and equipment at March 31, 2003 and 2002 consisted of the following (in thousands):

2003	2002	
Computer equipment and purchased software	\$ 2,321	\$ 2,299
Furniture and fixtures	474	473
Leasehold improvements	406	400
	3,201	3,172
Less accumulated depreciation and amortization	2,821	2,531
Total	\$ 380	\$ 641

Depreciation and amortization expense from continuing operations for the fiscal years ended March 31, 2003, 2002 and 2001 was \$330,000, \$520,000 and \$698,000, respectively. Depreciation and amortization expense from discontinued operations for the fiscal years ended March 31, 2003, 2002 and 2001 was \$0, \$46,000 and \$173,000, respectively.

6. CAPITALIZED SOFTWARE Capitalized software at March 31, 2003 and 2002 consisted of the following (in thousands):

2003	2002
Software	\$ 28,221
Less accumulated amortization	13,417
Total	\$ 14,804

Amortization expense from continuing operations for the fiscal years ended March 31, 2003, 2002 and 2001 was \$2.9 million, \$2.9 million and \$3.4 million, respectively. Amortization expense from discontinued operations for the fiscal years ended March 31, 2002 and 2001 was \$300,000 and \$751,000, respectively. We recorded an impairment of \$6.6 million to the capitalized software associated with our discontinued Australian subsidiary in fiscal 2001, of which \$2.4 million was classified as discontinued operations (see Note 2).

7. GOODWILL Effective April 1, 1999, in evaluating the economic benefit and useful lives of goodwill obtained in connection with our acquisition of Divergent Technologies Pty. Ltd., Chapman Computers Pty. Ltd., Applied Retail Solutions, Inc. and Island Pacific Systems Corporation, management determined that the period of amortization should be revised from twenty years to ten years. Accordingly, the unamortized cost of such assets at April 1, 1999 have been allocated to the reduced number of remaining periods in the revised useful life. We adopted SFAS 142 effective April 1, 2002 and ceased amortization of goodwill we recorded in business combinations prior to June 30, 2001. SFAS 142 prohibits the amortization of goodwill and certain other intangible assets with indefinite useful lives but requires that these assets be reviewed for impairment at least annually or on an interim basis if an event occurs or circumstances change that could indicate that their value has diminished or been impaired. Other intangible assets continue to be amortized over their useful lives. Pursuant to SFAS 142, we completed the transitional analysis of goodwill impairment as of April 1, 2002 and recorded an impairment of \$627,000 as a cumulative effect of a change in accounting principle in the quarter ended June 30, 2002.

We also completed our annual test for goodwill impairment during fourth quarter 2003 and found no indication of impairment of the goodwill allocated to the individual reporting units. Accordingly, absent future indications of impairment, the next annual impairment test will be performed in fourth quarter 2004. We also evaluated the remaining useful lives of our intangible assets in the quarter June 30, 2002 and during the fourth quarter 2003. No adjustments have been made to the useful lives of our intangible assets. Goodwill at March 31, 2003 and 2002 consisted of the following (in thousands):

2003	2002	-----	-----	Cost	\$ 21,288	\$ 21,915	Less
accumulated amortization	6,493	6,493	-----	Total	\$ 14,795	\$ 15,422	=====

===== The amortization expense for twelve months ended March 31, 2002 and 2001 was \$2.2 million, and \$2.6 million, respectively. We recorded an impairment to the goodwill associated with our discontinued Australian subsidiary of approximately \$2.3 million at March 31, 2001 (see Note 2).

**F-28** The following table reconciles net loss and loss per share as reported for the years ended March 31, 2003, 2002 and 2001 to net loss and loss per share as adjusted to exclude amortization expense, net of taxes, related to goodwill that are no longer being amortized (in thousands).

YEAR ENDED	YEAR ENDED	YEAR ENDED	MARCH 31,	MARCH 31,	MARCH 31,
2003	2002	2001	-----	-----	-----
Reported net loss	\$ (2,718)	\$ (14,658)	\$ (28,945)	Add back:	
Goodwill amortization --	2,220	2,618	-----	Adjusted net loss	\$ (2,718) \$ (12,438) \$ (26,327)
Basic and diluted loss per share: Reported net loss	\$ (0.09)	\$ (0.41)	\$ (0.83)	Goodwill amortization --	0.06 0.07
Adjusted net loss	\$ (0.09)	\$ (0.35)	\$ (0.76)	=====	=====
Basic and diluted weighted average common	shares outstanding	29,599	35,698	34,761	8.

**NON-COMPETE AGREEMENTS** Non-compete agreements as of March 31, 2003 and 2002 are as follows (in thousands):

2003	2002	-----	-----	Cost	\$ 6,986	\$ 6,986	Less
accumulated amortization	5,401	4,484	-----	Total	1,585	2,502	Current portion
Long-term portion	\$ 668	\$ 1,585	=====	=====	=====	=====	The amortization expense for

the twelve months ended March 31, 2003, 2002 and 2001 was \$917,000, \$1.1 million and \$1.6 million, respectively.

**9. TERM LOANS** **TERM LOAN DUE TO BANK** Our term loans at March 31, 2003 and 2002 consist of the following (in thousands):

2003	2002	-----	-----	Term loans payable to bank	\$ -- \$ 6,907	Less term loans
payable to bank classified as long-term as discussed below	-- 6,472	-----	-----	Current portion of term	loans \$ -- \$ 435	=====

**F-29** Effective June 29, 2001, the term loan was amended and restated. Under the restated term loan agreement, the Bank extended the maturity date to May 1, 2002. The restated agreement also provided for us, at our option, to receive a further extension of six months (i.e., until November 1, 2002), subject to certain conditions. Interest on the term loan accrued and was payable monthly at a rate per annum equal to the Bank's reference rate plus five percentage points. The restated agreement included affirmative covenants regarding our maintaining and obtaining certain financial ratios. We were required to make monthly principal payments of \$50,000 starting October 1, 2001. On March 18, 2002, the loan agreement was amended to release certain collateral from the pledge to the Bank, and to instead pledge to the Bank 10,700,000 shares of our common stock surrendered by Softline in the related recapitalization transactions with Softline described in Notes 4, 9 and 13. The release collateral consisted of shares of capital stock of our Australian subsidiary, and the IBIS note and related shares of Integrity Software. On May 21, 2002, the Bank further amended the loan agreement to extend the maturity date to May 1, 2003 and to revise other terms and conditions. We agreed to pay to the Bank \$100,000 as a loan extension fee, payable in four monthly installments of \$25,000 each commencing on June 30, 2002. If we failed to pay any installment when due, the loan extension fee increased to \$200,000, and the monthly payments increased accordingly. We also agreed to pay all overdue interest and principal by June 30, 2002, and to pay monthly installments of \$24,000 commencing on June 30, 2002 and ending April 30, 2003 for the Bank's legal fees. We were not able to make the payments required in June 2002. We were also out of compliance with certain financial covenants as of June 28, 2002. Effective July 15, 2002, the Bank further amended the restated term loan agreement, and waived the then existing defaults. Under this third amendment to the restated agreement, the Bank agreed to waive the application of the additional 2% interest rate for late payments of principal and interest, and to waive the additional \$100,000 refinance fee required by the second amendment. The Bank also agreed to convert \$361,000 in accrued and unpaid interest and fees to term loan principal, and we executed a new term note in total principal amount of \$7.2 million. We were required to make a principal payment of \$35,000 on October 15, 2002, principal payments of \$50,000 on each of November 15, 2002 and December 15, 2002, and consecutive monthly principal payments of \$100,000 each on the 15th day of each month thereafter through August 15, 2003. The entire amount of principal and

accrued interest was due August 31, 2003. The Bank also agreed to eliminate certain financial covenants and to ease others, and we were in compliance with the revised covenants. On January 2, 2003, we issued a warrant to an affiliate of the Bank to purchase up to 1.5 million shares of our common stock for \$0.01 per share. The warrant was exercisable for shares equal to 1% of our outstanding common stock on January 2, 2003, and would become exercisable for shares equal to an additional 0.5% of outstanding common stock on the first day of each month thereafter, until it was exercisable for the full 4.99% of the outstanding common stock. The warrant would not become exercisable to the extent that the Company discharged in full the Bank indebtedness prior to a vesting date. On March 31, 2003, we entered into a Discounted Loan Payoff Agreement with the Bank. Under this agreement, we paid the Bank \$2.8 million from the sale of 9% convertible debentures to certain investors (see Note 10). We also issued to the Bank 1 million shares of our common stock, valued at \$788,000, and a \$500,000 one-year unsecured, non-interest bearing convertible note payable in either cash or stock, at our option. The cash payment, shares and convertible note were accepted by the Bank in full satisfaction of our debt to the Bank. The Bank also canceled the warrant to purchase 1.5 million shares of our common stock and returned all collateral held, including 10.7 million shares of our common stock pledged as security. The 10.7 million shares were canceled and retired in May 2003. In March 2003, the Board decided that the \$500,000 convertible note will be converted solely for equity and will not be repaid in cash. However, as the conversion price cannot be determined at the date of this report; therefore, this convertible note has been reported as current liability as it becomes payable on March 31, 2004. In connection with the settlement of the debt to the Bank, we reported as extra-ordinary gain of \$1.5 million.

**F-30 SUBORDINATED TERM LOAN DUE TO STOCKHOLDER** During the second quarter of fiscal 2001, Softline loaned us \$10 million for the purpose of making a \$10 million principal reduction on the Bank term loan. This loan was unsecured and was subordinated to the term loan. The loan bore interest at 14% per annum, payable monthly, and had a stated due date of August 1, 2001. We did not pay monthly interest and had accrued \$1.0 million interest as of March 31, 2001. There were no financial covenants or restrictions related to the Softline loan. Effective June 30, 2001, the terms of the loan with Softline were amended. Included in the amendment was an extension of the maturity date to November 1, 2002. We agreed to reimburse Softline for costs associated with this loan in the amount of \$326,000, which was fully accrued for as of March 31, 2001 and was paid off in fiscal 2003. These costs were to be amortized over the initial 13-month life of the loan. Effective January 1, 2002, we entered into an integrated series of transactions with Softline where Softline agreed to release our obligations relating to this loan. For further discussion of the transactions with Softline (see Notes 4 and 13). During the fiscal year ended March 31, 2001, we borrowed \$0.6 million from a subsidiary of Softline on a short-term basis (see Note 16). Interest expense included interest due to Softline and its subsidiary for the fiscal years ended March 31, 2003, 2002 and 2001 of \$0, \$1.3 million and \$1.0 million, respectively. Interest expense for the fiscal years ended March 31, 2003, 2002 and 2001 also included interest due to other stockholders in the amount of \$128,000, \$56,000 and \$130,000 respectively.

**10. CONVERTIBLE DEBT CONVERTIBLE NOTE DUE TO STOCKHOLDERS** In May and June 2001, we entered into Subscription Agreements with a limited number of accredited investors related to existing stockholders for gross proceeds of \$1.3 million. Each unit consisted of a convertible promissory note and warrants to purchase 250 shares of our common stock for each \$1,000 borrowed by us. The holders of the notes had the option to convert the unpaid principal and interest at any time at a conversion price of \$1.35. The notes matured on August 30, 2001 and earned interest at 12% per annum to be paid at maturity. The interest rate increased to 17% per annum on August 30, 2001 as a result of the non-payment on the maturity date. In accordance with generally accepted accounting principles, the difference between the conversion price of \$1.35 and our stock price on the date of issuance of the notes was considered to be interest expense. It was recognized in the statement of operations during the period from the issuance of the debt to the time at which the debt first became convertible. We recognized interest expense of \$191,000 in the accompanying statement of operations for the fiscal year ended March 31, 2002. Each warrant entitled the holder to purchase one share of our common stock at an exercise price of \$1.50. The warrants were to expire three years from the date of issuance. We allocated the proceeds received from debt or convertible debt with detachable warrants using the relative fair value of the individual elements at the time of issuance. The amount allocated to the warrants was determined to be \$247,000 and was included in interest expense in the accompanying statement of operations for the year ended March 31, 2002.

**F-31** In July 2002, we agreed to amend the terms of the notes and warrants issued to these investors. The investors agreed to replace the existing notes with new notes having a maturity date of September 30, 2003. The interest rate on the new notes was reduced to 8% per annum, increasing to 13% in the event of a default in payment of principal or interest. We are

required to pay accrued interest on the new notes calculated from July 19, 2002, in quarterly installments beginning September 30, 2002. The investors agreed to reduce accrued interest and late charges on the original notes by up to \$16,000, and to accept the reduced amount in 527,286 shares of our common stock valued at \$0.41 per share, which was the average closing price of the shares on the American Stock Exchange for the 10 trading days prior to July 19, 2002. The new notes are convertible at the option of the holders into shares of our common stock valued at \$0.60 per share. We do not have the right to prepay the notes. In December 2002, the investors agreed to extend the payments of accrued interest to September 30, 2003. We also agreed that the warrants previously issued to the investors to purchase an aggregate of 3,033,085 shares of common stock at exercise prices ranging from \$0.85 to \$1.50, and expiring on various dates between December 2002 and June 2004, would be replaced by new warrants to purchase an aggregate of 1,600,000 shares at \$0.60 per share, expiring July 19, 2007. We also agreed to file a registration statement with the Securities and Exchange Commission for the resale of all shares held by or obtainable by these investors. The registration statement was filed on May 12, 2003. In the event such registration statement is not declared effective by the SEC by June 30, 2003, we will be obligated to issue five-year penalty warrants for the purchase of 5% of the total number of registrable securities at an exercise price of \$0.60 per share. For the first and second 30 day periods after June 30, 2003 in which the registration statement is not effective, we will be obligated to issue additional warrants for the purchase of 5% of the total number of registrable securities at an exercise price of \$0.60 per share. For each 30 day period thereafter in which the registration statement is not effective, we will be obligated to issue additional penalty warrants for the purchase of 2.5% of total number of registrable securities at an exercise price of \$0.60 per share. No further penalty warrants will accrue from the original registration obligation to these investors (see Note 13). As of March 31, 2003 and 2002, the balance of these convertible notes was \$1.3 million and \$1.4 million, respectively, which included accrued interest of \$70,000 and \$171,000, respectively. Interest expense related to these convertible notes was \$115,000 and \$609,000 in the fiscal years ended March 31, 2003 and 2002, respectively.

**CONVERTIBLE DEBENTURES** On March 31, 2003, we entered into a Securities Purchase Agreement for the sale to a group of investors convertible debentures, convertible into shares of our common stock at a conversion price of \$1.02 per share, for the total proceeds of \$3.5 million. \$2.8 million of the proceeds were used to pay our debt to the Bank (see Note 9). The debentures mature in May 2005 and bear an interest rate of 9% per annum. Interest is payable on a quarterly basis beginning June 1, 2003, at our option, in cash or shares of common stock. If certain conditions are met, we have the right, but not the obligation, to redeem the debentures at 110% of their face value, plus accrued interest. Commencing in February 2004, we must redeem \$219,000 per month of the debentures. Furthermore, if the daily volume weighted average price of our common stock on the American Stock Exchange exceeds \$1.02 by more than 200% for 15 consecutive trading days, we will have the option to cause the investors to convert their debentures into common stock. In accordance with generally accepted accounting principles, the difference between the conversion price of \$1.02 and our stock price on the date of issuance of the notes was considered to be interest expense. It was recognized in the statement of operations during the period from the issuance of the debt to the time at which the debt first became convertible. We recognized interest expense of \$715,000 against the extra-ordinary gain of debt forgiveness, related to the payoff of our debt to the Bank, in the accompanying statement of operations for the fiscal year ended March 31, 2003.

**F-32** The investors also received a warrant to purchase up to, in the aggregate, 1,572,858 shares of common stock with an exercise price equal to \$1.02 per share. The warrants are to expire five years from the date of issuance. We allocated the proceeds received from debt or convertible debt with detachable warrants using the relative fair value of the individual elements at the time of issuance. The amount allocated to the warrants was determined to be \$625,000 and will be amortized as interest expense over the life of the convertible debentures. As of March 31, 2003, the balance of these convertible debentures was as follows (in thousands):

Convertible debentures	\$ 3,500	Less: unamortized debt discount	625	-----
2,875	Current portion	149	-----	Long-term portion
				\$ 2,726

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**11. COMMITTED STOCK**

In May 2002, Toys "R" Us, Inc. ("Toys"), our major customer, agreed to invest \$1.3 million for the purchase of a non-recourse convertible note and a warrant to purchase 2,500,000 shares of common stock. In connection with this transaction, Toys signed a two-year software development and services agreement (the "Development Agreement") that expires in February 2004. The purchase price is payable in installments through September 27, 2002. The note is non-interest bearing, and the face amount is either convertible into shares of common stock valued at \$0.553 per share or payable in cash at our option, at the end of the term. The note is due May 29, 2009, or if earlier than that date, three years after the completion of the development project contemplated in the Development Agreement. We do not have



the right to prepay the convertible note before the due date. The face amount of the note is 16% of the \$1.3 million purchase price as of May 29, 2002, and increases by 4% of the \$1.3 million purchase price on the last day of each succeeding month, until February 28, 2004, when the face amount is the full \$1.3 million purchase price. The face amount will cease to increase if Toys terminates the Development Agreement for a reason other than our breach. The face amount will be zero if we terminate the Development Agreement due to an uncured breach by Toys of the Development Agreement. At March 31, 2003, we had received the full proceeds of \$1.3 million and the face amount of the note is \$774,000. The warrant entitles Toys to purchase up to 2,500,000 of shares of our common stock at \$0.553 per share. The warrant is initially vested as to 400,000 shares as of May 29, 2002, and vests at the rate of 100,000 shares per month until February 28, 2004. The warrant will cease to vest if Toys terminates the Development Agreement for a reason other than our breach. The warrant will become entirely non-exercisable if we terminate the Development Agreement due to an uncured breach by Toys of the Development Agreement. Toys may elect a "cashless exercise" where a portion of the warrant is surrendered to pay the exercise price. At March 31, 2003, 1.4 million shares of the warrant are exercisable. The note conversion price and the warrant exercise price are each subject to a 10% reduction in the event of an uncured breach by us of certain covenants to Toys. These covenants do not include financial covenants. Conversion of the note and exercise of the warrant each require 75 days advance notice. We also granted Toys certain registration rights for the shares of common stock into which the note is convertible and the warrant is exercisable. In November 2002, the Board decided that this note will converted solely for equity and will not be repaid in cash. The note therefore has been classified as equity at March 31, 2003. In accordance with generally accepted accounting principles, the difference between the conversion price of the note of \$0.553 and our stock price on the date of issuance of the note was considered to be interest expense. For the year ended March 31, 2003, we recorded a charge of \$151,000 representing a proportion of the total debt discount. F-33 We have also allocated the proceeds received from debt or convertible debt with detachable warrants using the relative fair value of the individual elements at the time of issuance. For the year ended March 31, 2003, we recognized \$20,000 as interest expense. The remaining value of the detachable warrants of \$574,000 has been recorded as an offering cost and as such, there is no effect on our consolidated statement of operations.

**12. COMMITMENTS AND CONTINGENCIES**

**OPERATING LEASES** - We lease office space and various automobiles under non-cancelable operating leases that expire at various dates through the year 2006. Certain leases contain renewal options. Future annual minimum lease payments for non-cancelable operating leases at March 31, 2002 are summarized as follows (in thousands):

YEAR	ENDING MARCH 31:	2004	\$ 736	2005	708	2006	195	2007	7	-----	\$ 1,646	=====
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Rent expense was \$891,000, \$1.2 million and \$1.5 million for the fiscal years ended March 31, 2003, 2002 and 2001, respectively.

**EMPLOYEE BENEFIT PLAN** - Effective January 1, 1999, we adopted a defined contribution plan under Section 401(k) of the Internal Revenue Code covering all eligible employees employed in the United States ("401(k) Plan"). Eligible participants may contribute up to \$10,000 or 20% of their total compensation, whichever is lower. Up until July 1, 2000, we matched 50% of the employee's contributions, up to 3% of the employee's total compensation and made discretionary contributions to the plan. Participants will be immediately vested in their personal contributions and over a six year graded schedule for amounts contributed by us. Effective, July 1, 2000, we amended the 401(k) Plan to for the following items: (a) our matching contribution equal to 50% of the employee's contributions, up to 6% of the employee's total compensation and (b) eligible participants may defer up to \$12,000 or 18% of their total compensation, whichever is lower. Effective January 1, 2002, we ceased matching contributions. We made matching contributions to the 401(k) Plan of approximately \$125,000 and \$359,000 in the fiscal years ended March 31, 2002 and 2001, respectively.

**LITIGATION** -In April of 2002, our former CEO, Thomas Dorosewicz, filed a demand with the California Labor Commissioner for \$256,250 in severance benefits allegedly due under a disputed employment agreement, plus attorney's fees and costs. Mr. Dorosewicz's demand was later increased to \$283,894. On June 18, 2002, we filed an action against Mr. Dorosewicz and an entity affiliated with him in San Diego Superior Court, Case No. GIC790833, alleging fraud and other causes of action relating to transactions Mr. Dorosewicz caused us to enter into with his affiliates and related parties without proper board approval. On July 31, 2002, Mr. Dorosewicz filed cross-complaints in that action alleging breach of statutory duty, breach of contract, fraud and other causes of action related to his employment with us and other transactions he entered into with us. These matters are still pending and the parties have agreed to resolve all claims in binding arbitrations, scheduled for September 2003. We cannot at this time predict what will be the outcome of these matters. On May 15, 2002, an employee who is currently out on disability/worker's compensation leave filed a claim with the California Labor Commissioner seeking \$41,000 in

alleged unpaid commissions. In or about December of 2002, the employee filed a discrimination claim against us with the Department of Fair Employment and Housing, alleging harassment and sexual orientation discrimination. We have responded appropriately to both the wage claim and the discrimination allegations, which we believe lack merit based on present information. F-34 On August 30, 2002, Cord Camera Centers, Inc., an Ohio corporation ("Cord Camera"), filed a lawsuit against one of our subsidiaries, SVI Retail, Inc. ("SVI Retail") as the successor to Island Pacific Systems Corporation, in the United States District Court for the Southern District of Ohio, Eastern Division, Case No. C2 02 859. The lawsuit claims damages in excess of \$1.5 million, plus punitive damages of \$250,000, against SVI Retail for alleged fraud, negligent misrepresentation, breach of express warranties and breach of contract. These claims pertain to the following agreements between Cord Camera and Island Pacific: (i) a License Agreement, dated December 1999, as amended, for the use of certain software products, (ii) a Services Agreement for consulting, training and product support for the software products and (iii) a POS Software Support Agreement for the maintenance and support services for a certain software product. At this time, we cannot predict the merits of this case because it is in its preliminary state and discovery has not yet commenced. However, SVI Retail intends to defend vigorously the action and possibly file one or more counter-claims. The U.S. District Court of Ohio has proper jurisdiction over us, and a trial is scheduled for May 2004. In mid-2002, we were the subject of an adverse judgment entered against it in favor of Randall's Family Golf Centers, ("Randall") in the approximate sum of \$61,000. The judgment was entered as a default judgment, and is based on allegations that we received a preferential transfer of funds within 90 days of the filing by Randall of a chapter 11 case in the United States Bankruptcy Court for the Southern District of New York. We and Randall agreed to settle this claim for \$12,500 subject to the settlement receiving approval by the U.S. Bankruptcy Court. On December 16, 2002, Chapter 11 Debtors Natural Wonders, Inc. and World of Science, Inc. (collectively "Debtors") filed an adversary proceeding against our subsidiary SVI Retail, Inc. seeking to avoid and recover preferential transfers. The Debtors sought recovery of approximately \$84,000, which it had previously paid to SVI Retail for goods and services rendered. On March 12, 2003, the Debtors and SVI Retail settled the adversary proceeding for \$18,000. On November 22, 2002, UDC Homes, Inc and UDC Corporation now known as Shea Homes, Inc. served Sabica Ventures, Inc. ("Sabica"), our wholly-owned subsidiary, and Island Pacific, Inc., an operating division of SVI Solutions, Inc., ("Island Pacific") with a cross-complaint for indemnity on behalf of an entity identified in the summons as Pacific Cabinets. Sabica and Island Pacific filed a notice of motion and motion to quash service of summons on the grounds that neither Sabica nor Island Pacific has ever done business as Pacific Cabinets and has no other known relation to the construction project that is the subject of the cross-complaint and underlying complaint. A hearing on Sabica's and Island Pacific's motion to quash occurred on May 22, 2003 and was subsequently denied. Except as set forth above, we are not involved in any material legal proceedings, other than ordinary routine litigation proceedings incidental to our business, none of which are expected to have a material adverse effect on our financial position or results of operations. However, litigation is subject to inherent uncertainties, and an adverse result in existing or other matters may arise from time to time which may harm our business. 13.

**PREFERRED STOCK, COMMON STOCK, TREASURY STOCK, STOCK OPTIONS AND WARRANTS**

**PRIVATE PLACEMENTS** - In March 2000, we received \$2.9 million from the sale of common stock to an investor. We agreed to register the shares with the Securities and Exchange Commission ("SEC"). The shares carried a "repricing right" which entitled the investor to receive additional shares upon the occurrence of certain events. In October 2000, we issued 375,043 shares in satisfaction of the repricing right. In October 2000, the SEC declared effective the registration statement. We became obligated to pay to the investor liquidated damages for late effectiveness of the registration statement in the amount of \$286,000. The investor agreed in March 2001 to accept 286,000 shares of common stock in satisfaction of the liquidated damages and agreed to purchase an additional 214,000 shares of common stock for \$214,000. In connection with this agreement, we issued the investor a two-year warrant to purchase up to 107,000 shares of common stock at \$1.50 per share. This warrant had expired and was canceled at March 31, 2003. F-35 We agreed to register all of the shares sold in March 2001, and those that it may sell under the warrant, with the SEC. We became obligated to pay to the investor liquidated damages in the amount of \$60,000. In April 2002, we issued to the investor 140,000 shares of common stock in satisfaction of the liquidated damages. In December 2000, we received \$1.5 million from the sale of common stock and warrants to a limited number of accredited investors. As part of the same transaction, the investors purchased in January 2001 an additional \$0.5 million of common stock and warrants, and two of the investors purchased in February 2001 an additional \$0.5 million of common stock and warrants on the same terms and conditions. We issued a total of 2,941,176 shares of

common stock and 1,470,590 warrants to purchase common stock at an exercise price of \$1.50 as a result of the aforementioned transaction. We agreed to register the common shares purchased and the common shares issuable upon the exercise of warrants with the Securities and Exchange Commission. We filed a registration statement in January 2001 to register these shares, but it did not become effective. We issued 1,249,997 penalty warrants with a strike price of \$0.85 per share, with a fair value of \$740,000, as required under an agreement with the investors. We were obligated to issue to each investor a warrant for an additional 2.5% of the number of shares purchased by that investor in the private placement for each continuing 30-day period during which a registration statement is not effective. In July 2002, we and the investors agreed to revise the terms of the foregoing warrants and to cease accruing penalty warrants from the original obligation. We also agreed that the warrants previously issued to the investors to purchase an aggregate of 3,033,085 shares of common stock at exercise prices ranging from \$0.85 to \$1.50, and expiring on various dates between December 2002 and June 2004, would be replaced by new warrants to purchase an aggregate of 1,600,000 shares at \$0.60 per share, expiring July 19, 2007. We also agreed to file a registration statement with the Securities and Exchange Commission for the resale of all shares held by or obtainable by these investors. The registration statement was filed on May 12, 2003. In the event such registration statement is not declared effective by the SEC by June 30, 2003, we will be obligated to issue five-year penalty warrants for the purchase of 5% of the total number of registrable securities at an exercise price of \$0.60 per share. For the first and second 30 day periods after June 30, 2003 in which the registration statement is not effective, we will be obligated to issue additional warrants for the purchase of 5% of the total number of registrable securities at an exercise price of \$0.60 per share. For each 30 day period thereafter in which the registration statement is not effective, we will be obligated to issue additional penalty warrants for the purchase of 2.5% of total number of registrable securities at an exercise price of \$0.60 per share. No further penalty warrants will accrue from the original registration obligation to these investors (see Note 10).

**PREFERRED STOCK** - The Series A Preferred has a stated value of \$100 per share and is redeemed at our option any time prior to the maturity date of December 31, 2006 for 107% of the stated value and accrued and unpaid dividends. The shares are entitled to cumulative dividends of 7.2% per annum, payable semi-annually. At March 31, 2003 and 2002, dividends in arrears amount to \$1.3 million or \$9.00 per share and \$254,000 or \$1.80 per share, respectively. The holders may convert each share of Series A Preferred at any time into the number of shares of our common stock determined by dividing the stated value plus all accrued and unpaid dividends, by a conversion price initially equal to \$0.80. The conversion price will increase at an annual rate of 3.5% calculated on a semi-annual basis. The Series A Preferred is entitled upon liquidation to an amount equal to its stated value plus accrued and unpaid dividends in preference to any distributions to common stockholders. The Series A Preferred has no voting rights prior to conversion into common stock, except with respect to proposed impairments of the Series A Preferred rights and preferences, or as provided by law. We have the right of first refusal to purchase all but not less than all of any shares of Series A Preferred or shares of common stock received on conversion which the holder may propose to sell to a third party, upon the same price and terms as the proposed sale to a third party.

**F-36 COMMON STOCK** - During fiscal year ended March 31, 2003, we issued the following:

- o an aggregate of 91,666 shares of common stock totaling \$36,000 to consultants for services rendered in the prior periods.
- o an aggregate of 96,666 shares of common stock totaling \$26,000 to consultants for services rendered in the current year.
- o an aggregate of 120,000 shares of common stock totaling \$60,000 to our attorney for legal services rendered in prior periods.
- o 15,000 shares of common stock, with fair value of \$7,000 to an attorney for legal services provided in the current year.
- o 140,000 shares of common stock in satisfaction of the liquidated damages relating to late registration of the shares sold to AMRO International, S.A. in March 2001.
- o In conjunction with the recapitalization transactions with Softline Limited, we issued in May 2002 an aggregate of 141,000 shares of newly-designated Series A Preferred Stock at a deemed purchase price of \$100 per share in exchange for 10,700,000 of our common shares held by Softline and the discharge of a \$12.3 million note payable to Softline. We also transferred to Softline our note received in connection with the sale of IBIS Systems Limited. The transactions had an effective date of January 1, 2002 (see Note 4). The Series A Preferred Stock has a stated value of \$100 per share and is redeemable at our option any time prior to the maturity date of December 31, 2006 for 107% of the stated value and accrued and unpaid dividends. The shares are entitled to cumulative dividends of 7.2% per annum, payable semi-annually when, as and if declared by the board of directors in priority and preference to dividends declared on our common shares. Softline may convert each share of Series A Preferred Stock at any time into the number of common shares determined by dividing the stated value plus all accrued and unpaid dividends, by a conversion price initially equal to \$0.80. The

conversion price increases at an annual rate of 3.5% calculated on a semi-annual basis. The Series A Preferred Stock is entitled upon liquidation to an amount equal to its stated value plus accrued and unpaid dividends in preference to any distributions to our common stockholders. The Series A Preferred Stock has no voting rights prior to conversion into common stock, except with respect to proposed impairments of the Series A Preferred rights and preferences, or as provided by law. We have the right of first refusal to purchase all but not less than all of any shares of Series A Preferred Stock or common shares received on conversion which Softline may propose to sell to a third party, upon the same price and terms as the proposed sale to a third party. We also granted Softline certain registration rights for the common shares into which the Series A Preferred Stock is convertible, including the right to demand registration on Form S-3 if such form is available to us and Softline proposes to sell at least \$5 million of registrable common shares, and the right to include shares obtainable upon conversion of the Series A Preferred Stock in other registration statements we propose to file.

o an aggregate of 527,286 shares of common stock totaling \$217,000 to stockholders as payment of accrued interest on the convertible notes due to stockholders.

F-37 o an aggregate of 595,200 shares of common stock totaling \$390,000 to Softline Limited, our majority stockholder, as payments for past due loan refinancing fees and payables.

o 1,010,000 shares of common stock to a stockholder as repayment of a loan with the outstanding balance of \$388,000. This loan was acquired in connection with the acquisition of Island Pacific.

o 100,000 shares of common stock to an employee as bonus payment of \$25,000 earned in the current year.

o 1,000,000 shares of common stock with the fair market value of \$787,000, to Union Bank of California as partial payment of loan payoff (see Note 9). We also received 367,000 shares of our common stock returning from a consultant as a result of early termination of investor relations service contracts. These shares were recorded as share receivable component of stockholders' equity at March 31, 2002. These shares were canceled and retired at March 31, 2003.

**TREASURY STOCK** - In November 1998, the Board of Directors authorized us to purchase up to 1,000,000 shares of our common stock. As of March 31, 2001, we had repurchased 444,641 shares of our common stock at a cost of \$4.3 million. The purchased shares were canceled as of March 31, 2002. We received 10,700,000 shares of our common stock valued at \$8.6 million from Softline in connection with the transactions between us and Softline described in Notes 5, 10 and 13. Up until March 31, 2003, these shares were pledged to the Bank as collateral for the term loans (see Note 10). Subsequent to March 31, 2003, the 10.7 million treasury shares were canceled and retired.

**STOCK OPTION PLAN** - We adopted an incentive stock option plan during fiscal year 1990 (the "1989 Plan"). Options under this plan may be granted to our employees and officers. There were initially 1,000,000 shares of common stock reserved for issuance under this plan. Effective April 1, 1998, the board of directors approved an amendment to the 1989 Plan increasing the number of shares of common stock authorized under the 1989 Plan to 1,500,000. The exercise price of the options is determined by the board of directors, but the exercise price may not be less than the fair market value of the common stock on the date of grant. Options vest immediately and expire between three to ten years from the date of grant. The 1989 Plan terminated in October 1999. On October 5, 1998, the board of directors and stockholders approved a new plan entitled the 1998 Incentive Stock Plan (the "1998 Plan"). The 1998 Plan authorizes 3,500,000 shares to be issued pursuant to incentive stock options, non-statutory options, stock bonuses, stock appreciation rights or stock purchases agreements. The options may be granted at a price not less than the fair market value of the common stock at the date of grant. The options generally become exercisable over periods ranging from zero to five years, commencing at the date of grant, and expire in one to ten years from the date of grant. The 1998 Plan terminates in October 2008. On August 18, 2000, the Board approved certain amendments to the 1998 Plan. On November 16, 2000, the shareholders approved certain amendments. These amendments: (a) increased number of shares authorized in the Plan from 3,500,000 to 4,000,000, (b) authorized an "automatic" annual increase in the number of shares reserved for issuance by an amount equal to the lesser of 2% of total number of shares outstanding on the last day of the fiscal year, 600,000 shares, or an amount approved by the Board of Directors, and (c) to limit the number of stock awards of any one participant under the 1998 Plan to 500,000 shares in any calendar year. On September 19, 2002, the shareholders approved to increase the number of shares authorized in the 1998 Plan by 1,000,000 shares and to increase the number of stock awards that may be granted to any one participant in any calendar year under the 1998 Plan from 500,000 shares to 1,000,000 shares.

F-38 The following summarizes our stock option transactions under the stock option plans:

**WEIGHTED AVERAGE EXERCISE PRICE PER OPTIONS SHARE** ----- Options outstanding, April 1, 2000 1,790,260 \$ 5.44 Exercised (131,300) \$ 6.24 Granted 2,891,929 \$ 1.35 Expired/canceled (589,855) \$ 4.88 ----- Options outstanding, March 31, 2001 3,961,034 \$ 2.55 Granted 2,117,300 \$ 0.89 Expired/canceled (1,592,445) \$ 1.84 ----- Options outstanding, March 31, 2002 4,485,889 \$ 2.05 Exercised (150,000) \$ 0.50

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Granted 1,718,000 \$ 0.51 Expired/canceled (1,224,483) \$ 1.91 ----- Options outstanding March 31, 2003  
 4,829,406 \$ 1.56 ===== Exercisable, March 31, 2001 922,885 \$ 4.01 ===== Exercisable,  
 March 31, 2002 2,030,673 \$ 2.63 ===== Exercisable, March 31, 2003 3,096,559 \$ 1.84

===== In addition to options issued pursuant to the stock option plans described above, we issued  
 additional options outside the plans to employees, consultants, and third parties. The following summarizes our other  
 stock option transactions: WEIGHTED AVERAGE EXERCISE PRICE PER OPTIONS SHARE -----

----- Options outstanding, April 1, 2000 2,156,512 \$ 2.02 Exercised (289,700) \$ 1.82 Granted 300,000 \$ 0.95  
 Granted (800,000) \$ 1.25 ----- Options outstanding, March 31, 2001 1,366,812 \$ 2.28 Expired/Canceled  
 (320,000) \$ 1.08 ----- Options outstanding, March 31, 2002 1,046,812 \$ 2.61 Granted 4,132,500 \$ 0.32  
 Expired/Canceled (125,000) \$ 4.60 ----- Options outstanding, March 31, 2003 5,054,312 \$ 0.69

===== Exercisable, March 31, 2001 1,166,812 \$ 2.51 ===== Exercisable, March 31, 2002  
 1,046,812 \$ 2.61 ===== Exercisable, March 31, 2003 5,054,312 \$ 0.69 ===== F-39 During  
 the fiscal years ended March 31, 2003, 2002 and 2001, we recognized compensation expense of \$8,000, \$0 and  
 \$28,000, respectively, for stock options granted to non-employees for services provided to us. The following table  
 summarizes information as of March 31, 2003 concerning currently outstanding and exercisable options: Options

Outstanding	Options	Exercisable	Weighted Average
Prices	Outstanding	Life Price	Exercisable Price
Range	Of Number	Contractual	Exercise Number
Exercise	Exercise	Exercise	Exercise
Exercise	Exercise	Exercise	Exercise
\$0.28 - 0.30	4,835,000	3.64	\$ 0.28
4,500,000	\$ 0.28	\$0.30 - 1.00	2,157,819
7.68	\$ 0.79	1,420,202	\$ 0.79
\$1.01 - 3.00	2,150,454	6.38	\$ 1.62
1,527,984	\$ 1.72	\$3.01 - 7.00	438,175
4.36	\$ 4.74	433,175	\$ 4.72
\$7.01 - 11.75	302,270	3.80	\$ 7.87
269,510	\$ 7.88	9,883,718	5.04
\$ 0.87	8,150,871	\$ 0.87	

===== We have adopted the disclosure-only provision of SFAS No. 123. The  
 following pro forma information presents net income and basic and diluted earnings per share as if compensation  
 expense had been recognized for stock options granted in the fiscal years ended March 31, 2003, 2002 and 2001, as  
 determined under the fair value method prescribed by SFAS No. 123 (in thousands, except per share amounts): YEAR  
 ENDED YEAR ENDED YEAR ENDED MARCH 31, MARCH 31, MARCH 31, 2003 2002 2001 -----

----- Net loss: As reported \$ (2,718) \$ (14,658) \$ (28,954) Pro forma \$ (4,431) \$ (15,963) \$ (29,408) Basic and  
 diluted loss per share: As reported \$ (0.09) \$ (0.41) \$ (0.83) Pro forma \$ (0.15) \$ (0.45) \$ (0.85) Weighted average  
 assumptions: Dividend yield None None None Volatility 117% 77% 140% Risk free interest rate 2.25% 3.9% 5.8%  
 Expected life of options 4 years 4 years 10 years For options granted during the year ended March 31, 2003 where the  
 exercise price was equal to the stock price at the date of grant, the weighted average fair value of such options was  
 \$0.39, and the weighted-average exercise price of such options was \$0.51. No options granted during the year ended  
 March 31, 2003 where the exercise price was greater than or less than the stock price at the date of grant.

WARRANTS - At March 31, 2003 and 2002, we had outstanding warrants to purchase 6,018,527 and 4,040,168  
 shares of common stock, respectively, at exercise prices ranging from \$0.55 to \$7.28 per share. The lives of the  
 warrants range from two to seven years from the grant date. During the fiscal year ended March 31, 2003 and 2002,  
 we recognized compensation expense of \$43,000 and \$579,000, respectively, for warrants granted to non-employees  
 for services provided to us. F-40 14. INCOME TAXES The provision (benefit) for income taxes consisted of the

following components (in thousands): YEAR ENDED YEAR ENDED YEAR ENDED MARCH 31, MARCH 31,  
 MARCH 31, 2003 2002 2001 ----- Current: Federal \$ -- \$ 39 \$ (1,261) State 4,000  
 -- 45 Foreign -- -- ----- Total 4,000 39 (1,216) -----

----- Deferred: Federal -- -- (3,523) State -- -- (774) Foreign -- -- (99) -----  
 Total -- -- (4,396) ----- Provision (benefit) for income taxes \$ -- \$ 39 \$ (5,612)

===== Significant components of our deferred tax assets  
 and liabilities at March 31, 2003 and 2002 are as follows (in thousands): MARCH 31, ----- 2003  
 2002 ----- Current deferred tax assets/(liabilities): State taxes \$ 300 \$ -- Accrued expenses 913  
 1,107 Related party interest -- 852 Prepaid services 92 284 Deferred revenue 669 -- Warrants for services 298 344  
 Allowance for bad debts 159 191 ----- Net current deferred tax assets 2,431 2,778 -----

----- Non-current deferred tax assets/(liabilities): Research and expenditure credits 2,005 -- Net operating loss  
 7,571 11,040 Fixed assets 117 -- Other credits -- -- Deferred rent 35 82 State taxes (575) -- Accrued expenses -- 84

----- Total non-current deferred tax assets 9,153 11,206 Intangible assets (6,415) (9,908)  
Accumulated capitalized research and development costs -- (749) Other -- (17) ----- Total  
non-current deferred tax liability (6,415) (10,674) ----- Net non-current deferred tax  
asset/(liability) 5,169 3,310 ----- Valuation allowance (5,169) (3,310) ----- Net  
deferred tax liability \$ -- \$ -- ===== F-41 The difference between the actual  
provision (benefit) and the amount computed at the statutory United States federal income tax rate of 34% for the  
fiscal years ended March 31, 2003, 2002 and 2001 is attributable to the following: YEAR YEAR YEAR ENDED  
ENDED ENDED MARCH 31, MARCH 31, MARCH 31, 2003 2002 2001 -----  
Provision (benefit) computed at statutory rate (34.0)% (34.0)% (34.0)% Nondeductible goodwill 7.9 5.1 4.8 Change in  
valuation allowance 73.9 20.4 9.1 Change in valuation allowance for NOL (20.8) -- -- Foreign income taxed at  
different rates (0.3) 9.7 5.0 Tax credits (24.2) (2.9) -- State income tax, net of federal tax benefit (2.5) (0.7) (1.4) Other  
-- 2.4 0.3 ----- Total provision (benefit) for income taxes ( --)% ( --)% (16.2)%  
===== At March 31, 2003 and 2002, we had Federal and  
California tax net operating loss carryforwards of approximately \$19.6 million and \$10.1 million, respectively. The  
Federal and California tax net operating loss carryforwards will begin expiring after 2008. We also have Federal and  
California research and development tax credit carryforwards of approximately \$1.2 million and \$696,000,  
respectively. The Federal credits will begin expiring after 2008. The California credits may be carried forward  
indefinitely. 15. EARNINGS (LOSS) PER SHARE Earnings (loss) per share for the fiscal years ended March 31,  
2003, 2002 and 2001, are as follows (in thousands, except share amounts and per share data): FISCAL YEAR  
ENDED MARCH 31, 2003 ----- LOSS SHARES PER SHARE  
(NUMERATOR) (DENOMINATOR) AMOUNT ----- Basic and diluted EPS: Loss  
available to common stockholders \$ (2,718) 29,598,518 \$ (0.09) =====  
===== FISCAL YEAR ENDED MARCH 31, 2002 -----  
INCOME SHARES PER SHARE (NUMERATOR) (DENOMINATOR) AMOUNT -----  
----- Basic and diluted EPS: Loss available to common stockholders \$ (14,658) 35,697,999 \$ (0.47)  
===== FISCAL YEAR ENDED MARCH 31, 2001  
----- INCOME SHARES PER SHARE (NUMERATOR)  
(DENOMINATOR) AMOUNT ----- Basic and Diluted EPS: Loss available to  
common stockholders \$ (28,945) 34,761,386 \$ (0.83) =====  
F-42 The following potential common shares have been excluded from the computation of diluted net loss per share  
for the periods presented because the effect would have been anti-dilutive: FOR THE YEARS ENDED MARCH 31,  
2003 2002 2001 ---- Options outstanding under our stock option plans 4,829,406 4,485,889 3,961,034 Options  
granted outside our stock option plans 5,054,312 1,046,812 1,366,812 Warrants issued in conjunction with private  
placements 1,625,000 2,944,499 1,602,590 Warrants issued for services rendered 320,669 1,095,669 12,336 Warrants  
issued in conjunction with convertible note due to major customer 2,500,000 -- -- Warrants issued in conjunction with  
convertible debentures 1,572,858 -- -- Convertible notes due to stockholders 2,200,338 1,037,037 -- Series A  
Convertible Preferred Stock 18,561,594 17,625,000 -- Convertible debentures 3,419,304 -- -- Committed Stock  
2,976,190 -- -- ----- Total 43,059,671 28,234,906 6,942,772 =====  
===== 16. RELATED PARTIES Included in other receivables at March 31, 2003  
and 2002 are amounts due from our officers and employees in the amount of \$3,000 and \$31,000, respectively. We  
began occupying our current principal executive offices in July 2001. At that time, the premises were owned by an  
affiliate of our Chief Executive Officer at that time. Monthly rent for these premises was set at \$13,783. In April,  
2002, the premises were sold to an entity unrelated to the former Chief Executive Officer. As of the date of this report,  
we are negotiating the terms of a written lease with the new owner. In November 2000, we borrowed \$600,000 from a  
wholly-owned subsidiary of Softline to help meet operating expenses. This loan called for interest at 10% per annum,  
and was discharged in full in February 2001. Interest expense under this loan was \$3,000 for the year ended March 31,  
2001. In order to discharge the remaining balance of that loan while meeting other critical operational expenses, we  
borrowed \$400,000 from Barry M. Schechter, our Chairman. We borrowed an additional \$164,000 from Mr.  
Schechter in March 2001, which funds were needed to meet operational requirements of our Australian subsidiary.  
The advances from Mr. Schechter bore interest at prime rate and were due on demand, subject to a limit on demand  
rights of \$50,000 per payment. Interest expense under the loans from Mr. Schechter was \$0, \$0 and \$7,000 for the

fiscal year ended March 31, 2003, 2002 and 2001, respectively. The loans were paid in full in June 2001. Included in loans due to stockholders totaling \$1.3 million and \$618,000 as of March 31, 2003 and 2002, respectively, was \$0 and \$122,000, respectively, owed to a stockholder who together with Barry M. Schechter and an irrevocable trust forms a beneficial ownership group. The original loan amounts totaling \$2.3 million (\$1.5 million of which was from the stockholder included in the group described above) were borrowed in June 1999 to fund the acquisition of Island Pacific Systems Corporation on April 1, 1999. These loans were repaid in full at March 31, 2003. Interest was calculated monthly at the current prime rate with no stated maturity date. Interest expense under these loans for the years ended March 31, 2003, 2002 and 2000 was \$12,000, \$26,000 and \$74,000, respectively. We retains an entity affiliated with a director of the board to provide financial advisory services. During the years ended March 31, 2003, 2002 and 2001, the expenses for these services were \$47,000, \$42,000 and \$112,000, respectively. We also incurred \$0, \$19,000 and \$25,000 in expenses to the same director for accounting services during the fiscal years ended March 31, 2003, 2002 and 2001, respectively. We borrowed \$50,000, \$125,000, \$70,000 and \$50,000 from another entity affiliated with this director in May 2001, December 2001, May 2002 and September 2002, respectively, to meet payroll expenses. These amounts were repaid together with interest at the then-effective prime rate, promptly as revenues were received, and are paid in full as of the date of this report.

**F-43 17. BUSINESS SEGMENTS AND GEOGRAPHIC DATA** We are a leading provider of software solutions and services to the retail industry. We provide high value innovative solutions that help retailers understand, create, manage and fulfill consumer demand. Up until April 1, 2003, we also developed and distributed PC courseware and skills assessment products for both desktop and retail applications. Our solutions and services have been developed specifically to meet the needs of the retail industry. Our solutions help retailers improve the efficiency and effectiveness of their operations and build stronger, longer lasting relationships with their customers. Up to March 31, 2002, we considered our business to consist of one reportable operating segment. Effective April 1, 2002, we reorganized our operations into three business units that have separate management teams and reporting infrastructures. Each unit is evaluated primarily based on total revenues and operating income excluding depreciation and amortization. Identifiable assets are also managed by business units. The units are as follows:

- o **RETAIL MANAGEMENT SOLUTIONS** - offers suite of applications, which builds on our long history in retail software design and development. We provide our customers with an extremely reliable, widely deployed, comprehensive and fully integrated retail management solutions. Island Pacific Retail Management solution includes merchandise management that optimizes workflow and provides the highest level of data integrity. This module supports all operational areas of the supply chain including planning, open-to-buy purchase order management, forecasting, warehouse and store receiving distribution, transfers, price management, performance analysis and physical inventory. In addition, Island Pacific Retail Management includes a comprehensive set of tools for analysis and planning, replenishment and forecasting, event and promotion management, warehouse, ticketing, financials and sales audit. Through collaborations with strategic partners, Island Pacific Retail Management offers tools for loss prevention, communication with stores and vendors, integration needs, purchase and allocation decisions, analysis of weather impact, control and management of business processes, consumer research, tracking consumer shopping patterns, forecasting and replenishment, and analyzing store people productivity.
- o **STORE SOLUTIONS** - offers suite of applications builds on our long history of providing multi-platform, client server in-store solutions. We market this set of applications under the name "OnePointe," and "one Pointe International" which is a full business to consumer software infrastructure encompassing a range of integrated store solutions. "OnePointe" is a complete application providing all point-of-sale ("POS") and in-store processor (server) functions for traditional "brick and mortar" retail operations.
- o **SVI TRAINING PRODUCTS, INC.** ("Training Products") - developed and distributed PC Courseware and skills assessment products for both desktop and retail applications. This unit was sold and discontinued effective April 1, 2003.

**F-44 A summary of the revenues and operating income (loss), excluding depreciation and amortization, attributable to each of these business units and identifiable assets is as follows (in thousands):**

Fiscal 2003 Net sales: Retail Management Solutions	\$ 20,390	Store Solutions	1,906	Training Products	1,517
Consolidated net sales	\$ 23,813	=====			
Operating income (loss): Retail Management Solutions	\$ 3,129	Store Solutions	129	Training Products	287
Other (see below)	(5,974)	-----			
Consolidated operating loss	\$ (2,429)	=====			
Depreciation: Retail Management Solutions	\$ 192	Store Solutions	47	Other	91
Consolidated depreciation	\$ 330	=====			
Other operating loss: Amortization of intangible assets	\$ (3,818)	Depreciation	(91)	Administrative costs and other non-allocated expenses	(2,065)
Consolidated other operating loss	\$ (5,974)	=====			
Identifiable assets: Retail					

Management Solutions \$ 31,953 Store Solutions 4,404 Training Products 381 ----- Consolidated identifiable assets \$ 36,738 ----- Operating income in Retail Management Solutions, Store Solutions and Training Products includes direct expenses for software licenses, maintenance services, programming and consulting services, sales and marketing expenses, product development expenses, and direct general, administrative and depreciation expenses. The "Other" caption includes amortization of intangible assets, non-allocated costs and other expenses that are not directly identified with a particular business unit and which we do not consider in evaluating the operating income of the business unit. We currently operate in the United States and the United Kingdom. In February 2002, the Australian subsidiary ceased operations after National Australian Bank, the subsidiary's secured lender, placed it in receivership (see Note 3). The following is a summary of local operations by geographic area (in thousands): F-45  
YEAR ENDED YEAR ENDED YEAR ENDED MARCH 31, MARCH 31, MARCH 31, 2003 2002 2001

----- (in thousands) Net Sales: Continuing operations: United States \$ 19,616 \$ 24,246 \$ 25,930 United Kingdom 2,680 2,469 2,119 ----- 22,296 26,715 28,049  
----- Discontinued operations: United States 1,370 1,390 1,300 Australia -- 2,363 4,959 United Kingdom 147 146 216 ----- 1,517 3,899 6,475 -----

----- Total net sales \$ 23,813 \$ 30,614 \$ 34,524 =====

===== Long-lived assets: United States \$ 31,595 \$ 36,154 \$ 48,270 Australia (discontinued operations) -- -- 1,370 United Kingdom 27 22 59 ----- Total long-lived assets \$ 31,622 \$ 36,176 \$ 49,699 ===== 18. SELECTED

QUARTERLY FINANCIAL DATA (UNAUDITED) MARCH 31, 2003 JUNE 30 SEPT. 30 DEC. 31 MAR. 31  
TOTAL ----- NET SALES \$ 5,321 \$ 4,205 \$ 7,391 \$ 6,896 \$ 23,813 GROSS PROFIT 3,209 2,538 5,173 4,646 15,566 NET INCOME (LOSS) (2,017) (2,259) 384 1,174 (2,718) DILUTED INCOME (LOSS) PER SHARE \$ (0.07) \$ (0.08) \$ 0.01 \$ 0.04 \$ (0.09)  
MARCH 31, 2002 JUNE 30 SEPT. 30 DEC. 31 MAR. 31 TOTAL

----- NET SALES \$ 7,509 \$ 7,966 \$ 5,971 \$ 6,806 \$ 28,252 GROSS PROFIT 3,914 4,666 3,619 4,874 17,073 NET INCOME (LOSS) (3,514) (3,588) (2,970) (4,586) (14,658) DILUTED (LOSS) PER SHARE \$ (0.09) \$ (0.09) \$ (0.08) \$ (0.16) \$ (0.41) The

summation of quarterly net income (loss) per share may not equate to the year-end calculation as quarterly calculations are performed on a discrete basis. F-46 20. SUBSEQUENT EVENTS In April 2003, we appointed Messrs. Harvey Braun and Steven Beck to the positions of Chief Executive Officer and Chief Operating Officer, respectively. Mr. Barry M. Schechter remains as Chairman of the Board. In April 2003, we entered into a Securities Purchase Agreement with an unrelated investor for the sale of a 9% debenture, convertible to shares of our common stock at a conversion price of \$1.02, for the proceeds of \$400,000. This debenture matures in October 2005 and was accompanied by a five-year warrant to purchase 156,311 shares of common stock with an exercise price of \$1.02 per share. Interest is due on a quarterly basis, payable in cash or shares of common stock at our option. In May 6, 2003, we entered into an agreement with another unrelated group of investors for the sale of 9% debentures, convertible into shares of our common stock at a conversion price of \$1.02, for the gross proceeds of \$300,000. These debentures mature in October 2005 and are accompanied by five-year warrants to purchase an aggregate of 101,112 shares of common stock with an exercise price of \$1.0236 per share. Interest is due on a quarterly basis, payable in cash or shares of our common stock at our option. 21. FINANCING (UNAUDITED) In June 2003, we entered into an agreement with various institutional investors (the "Institutional Investors") for the sale to these investors of 5,275,000 shares of common stock at a price of \$1.50 per share for an aggregate purchase price of \$7.9 million. We also granted the Institutional Investors registration rights under a registration rights agreement, we filed a separate registration statement covering their shares on July 31, 2003. If this registration statement is not declared effective by the SEC by September 29, 2003, we will be obligated to pay a cash penalty equal to the rate of 2% per month until such event is cured.. In connection with this financing, we paid the placement agent cash compensation of 8% of the proceeds and issued a five-year warrant to purchase 527,500 shares of common stock at an exercise price of \$1.65 per share. We also issued five-year warrants to purchase 375,000 shares of common stock at an exercise price of \$1.65 to certain holders of our 9% convertible debentures in order to obtain their requisite consent and waivers of rights they possessed to participate in the financing. F-47 PART II INFORMATION NOT REQUIRED IN PROSPECTUS ITEM

13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION The expenses in connection with the issuance and distribution of the securities being registered are set forth in the following table (all amounts except the registration



fee are estimated): SEC Registration Fee..... \$ 1,578 Legal fees and expenses..... \$ 15,000 Accounting fees and expenses..... \$ 20,000 Printing & Engraving..... \$ 1,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS Reference is made to Section 102(b)(7) of the Delaware General Corporation Law (the "DGCL"), which permits a corporation in its certificate of incorporation or an amendment thereto to eliminate or limit the personal liability of a director for violations of the director's fiduciary duty, except (i) for any breach of the director's fiduciary duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL (providing for liability of directors for unlawful payment of dividends or unlawful stock purchases or redemptions), or (iv) for any transaction from which the director derived an improper personal benefit. Our Restated Certificate of Incorporation contains provisions permitted by Section 102(b)(7) of the DGCL. Reference is made to Section 145 of the DGCL which provides that a corporation may indemnify any persons, including directors and officers, who are, or are threatened to be made, parties to any threatened, pending or completed legal action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such director, officer, employee or agent acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal actions or proceedings, had no reasonable cause to believe that his conduct was unlawful. A Delaware corporation may indemnify directors and/or officers in an action or suit by or in the right of the corporation under the same conditions, except that no indemnification is permitted without judicial approval if the director or officer is adjudged to be liable to the corporation. Where a director or officer is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses which such director or officer actually and reasonably incurred. Our Restated Certificate of Incorporation provides indemnification of our directors and officers to the fullest extent permitted by the DGCL. Our Restated Bylaws provides for indemnification by the Company of its directors, officers and certain non-officer employees under certain circumstances against expenses, including attorney's fees, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any threatened, pending or completed action, suit or proceeding, in which such person was or is a party or is threatened to be made a party by reason of the fact that such person is or was an employee or agent of the Company. We have obtained liability insurance for each of our directors and officers for certain losses arising from claims or charges made against them while acting in their capacities as our directors or officers. The above discussion of our Restated Certificate of Incorporation and Restated Bylaws and Sections 102(b)(7) and 145 of the DGCL is not intended to be exhaustive and is qualified in its entirety by such Restated Certificate of Incorporation, Restated Bylaws and statutes. At present, there is no pending litigation or proceeding involving our directors or officers as to which indemnification is being sought nor are we aware of any threatened litigation that may result in claims for indemnification by any officer or director.

II-1 ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES We have issued the following unregistered securities within the last three years. 1. In May 2002, we issued 141,000 shares of our Series A Convertible Preferred Stock to Softline Limited. The issuance of the Series A Convertible Preferred Stock was part of a series of transactions with Softline to (a) repay our subordinated note to Softline and (b) to transfer to Softline our note received in connection with the sale of IBIS Systems Limited, in exchange for 10,700,000 of our common shares. The foregoing securities were offered and sold without registration under the Securities Act to a sophisticated investor who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 2. In May 2002, Toys "R" Us agreed to invest \$1.3 million for the purchase of a non-recourse convertible note and a warrant to purchase 2,500,000 of our common shares. The note is non-interest bearing, and the face amount is payable in shares of our common stock valued at \$0.553 per share. The foregoing securities were offered and sold without registration under the Securities Act to a sophisticated investor who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 3. During the last three years, we granted 6,742,229 options to purchase shares of our common stock to employees and consultants pursuant to our 1998 Incentive Stock Plan, in reliance upon the

exemption provided by Section 4(2) under the Securities Act. 4. During the last three years, we issued an aggregate of 166,408 shares of our common stock to employees, at per share prices ranging from \$0.25 to \$1.25, in lieu of cash payments for bonuses totaling \$100,000, in reliance upon the exemption provided by Section 4(2) under the Securities Act. 5. During the last three years, we granted 174,845 shares to Norman Smith, at per share prices ranging from \$0.50 to \$1.61, as payment for past due legal fees totaling \$130,000. The foregoing securities were offered and sold without registration under the Securities Act to sophisticated investors who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 6. In March 2000, we sold 337,448 shares of common stock to AMRO International, S.A. ("AMRO") for gross proceeds of \$3 million and issued 7,500 shares of common stock to AMRO in lieu of \$85,000 commission payment. We agreed to register the shares with the Securities and Exchange Commission ("SEC") by June 30, 2000. The shares carried a "repricing right" which entitled the investor to receive additional shares upon the occurrence of certain events. In October 2000, we issued additional 375,043 shares of common stock to AMRO in satisfaction of the repricing right. The registration statement was declared effective in October 2000. We became obligated to pay to AMRO liquidated damages for late effectiveness of the registration statement in the amount of \$286,000. In March 2001, we issued 286,000 shares of common stock in satisfaction of the liquidated damages and sold additional 214,000 shares of common stock for gross proceeds of \$214,000 to AMRO. In connection with this sale of shares, we granted AMRO a two-year warrant to purchase 107,000 shares of common stock at \$1.50 per share. We may call warrants for \$0.001 per share upon the occurrence of certain events. AMRO will have thirty days after the call to exercise the warrant, after which time the warrant will expire. We agreed to register all of the shares sold in March 2001, and those that it may sell under the warrant, with the SEC. We became obligated to pay to AMRO liquidated damages in the amount of \$60,000. In April 2002, we issued 140,000 shares of common stock in satisfaction of the liquidated damages. The foregoing securities were offered and sold without registration under the Securities Act to sophisticated investors who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. II-2 7. In December 2000, we entered into an agreement to sell up to 2,941,176 common shares to a limited number of accredited investors related to ICM Asset Management, Inc. ("ICM") for cash at \$0.85 per share. We sold 1,764,706 of such shares in December 2000, for gross proceeds of \$1.5 million, and an additional 588,235 shares in January 2001, for additional gross proceeds of \$0.5 million. Two of the investors exercised a right to purchase an additional 588,235 shares in February 2001 for additional gross proceeds of \$0.5 million. The foregoing securities were offered and sold without registration under the Securities Act to an accredited investors who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 8. We also agreed to issue to each investor related to ICM a warrant to purchase one common share at \$1.50 for each two common shares purchased in the private placement (aggregate warrants exercisable for 1,470,590 shares). We had the right to call 50% of the warrants, subject to certain conditions, if our common shares traded at a price above \$2.00 per share for thirty consecutive days. We had the right to call the remaining 50% of the warrants, subject to certain conditions, if our common shares traded at a price above \$3.00 per share for thirty consecutive days. We agreed to register all of the shares sold under the purchase agreement or the warrants with the SEC. Our agreement with the investors provided that if a registration statement was not effective on or before April 21, 2001, we would be obligated to issue two-year warrants to each investor, entitling the investor to purchase additional shares of our common stock at \$0.85 per share. We filed a registration statement in January 2001 to register these shares, but it did not become effective. We had issued the investors warrants to purchase 1,249,997 common shares under this agreement. In July 2002, these warrants were cancelled and replaced by new warrants pursuant to the amended agreements. See Item 11. The foregoing securities were offered and sold without registration under the Securities Act to an accredited investors who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 9. In May and June 2001, we issued a total of \$1.25 million in convertible notes to a limited number of accredited investors related to ICM. The notes were originally due August 30, 2001, and required interest at the rate of 12% per annum to be paid until maturity, with the interest rate increasing to 17% in the event of a default in payment of principal or interest. Any portion of the unpaid amount of principal and interest was convertible at any time by the investors into common shares valued at \$1.35 per share. We also agreed to issue to the investors three-year warrants to purchase 250 common shares for each \$1,000 in

notes purchased, at an exercise price of \$1.50 per share. The foregoing securities were offered and sold without registration under the Securities Act to an accredited investors who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 10. In July 2002, we agreed to amend the terms of the notes and warrants issued to the investors related to ICM. The investors agreed to replace the existing notes with new notes having a maturity date of September 30, 2003. The interest rate on the new notes was reduced to 8% per annum, increasing to 13% in the event of a default in payment of principal or interest. We are required to pay accrued interest on the new notes calculated from July 19, 2002, in quarterly installments beginning September 30, 2002. In December 2002, the investors agreed to extend the accrued interest payments on the new notes to September 2003. The investors reduced accrued interest and late charges on the original notes by \$16,000, and accepted payment of the reduced amount with 527,286 shares of our common stock valued at \$0.41 per share, which was the average closing price of our shares on the American Stock Exchange for the 10 trading days prior to July 19, 2002. In July 2002, we issued 358,863 common shares to the investors as payment for \$147,493 in accrued interest. In August 2002, we issued 168,423 common shares to the investors as payment for \$69,222 in accrued interest. The new notes are convertible at the option of the holders into shares of our common stock valued at \$0.60 per share. We do not have a right to prepay the notes. The foregoing securities were offered and sold without registration under the Securities Act to accredited investors who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. II-3 11. We also agreed that the warrants previously issued to the investors related to ICM to purchase an aggregate of 3,033,085 shares at exercise prices ranging from \$0.85 to \$1.50, and expiring on various dates between December 2002 and June 2004, would be replaced by new warrants to purchase an aggregate of 1,600,000 shares at \$0.60 per share, expiring July 19, 2007. The replacement warrants are not callable by us. 12. We also agreed to file a registration statement for the resale of all shares held by or obtainable by the investors related to ICM. In the event such registration statement is not declared effective by the SEC by June 30, 2003, we will be obligated to issue five-year warrants for the purchase of 5% of the total number of registrable securities at an exercise price of \$0.60 per share. For the first 30 day period after June 30, 2003 in which the registration statement is not effective, we will be obligated to issue additional warrants for the purchase of 5% of the total number of registrable securities at an exercise price of \$0.60 per share. For each 30 day period thereafter in which the registration statement is not effective, we will be obligated to issue additional warrants for the purchase of 2.5% of the total number of registrable securities at an exercise price of \$0.60 per share. No further warrants will accrue from our original registration obligation. 13. In January 2000, we issued 5,000 shares of common stock to Tara Trust, an unrelated party, upon exercise of non-qualified option at an exercise price of \$5.00 per share. This option was granted outside of the option plans in reliance upon the exemption provided by Section 4(2) under the Securities Act. 14. During the period January 2000 through June 2000, we issued 300,000 shares of common stock to Gala Trust, an unrelated party, upon exercise of non-qualified option at an exercise price of \$1.75 per share. This option was granted outside of the option plan in reliance upon the exemption provided by Section 4(2) under the Securities Act. 15. In March 2000, we issued 93,023 shares to Jay Fisher, a former stockholder of MarketPlace Systems Corporation, valued at \$1 million, as partial consideration for the acquisition of the assets of that company. The foregoing securities were offered and sold without registration under the Securities Act to an accredited investor who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 16. In March 2000, we issued 46,774 shares of common stock, valued at \$213,000, to Softline Limited ("Softline"), our majority stockholder, as reimbursement for a portion of the purchase price for Triple-S Computers pursuant to our agreement with Softline dated May 27, 1998. We also issued 56,718 shares of common stock to Softline upon exercise of non-qualified option for an exercise price of \$113,000. This option was granted outside of the incentive stock option plans. In October 2002, we issued to Softline 500,000 shares of common stock, valued at \$325,000, for payment of past due refinancing fees related to a note payable to Softline and 95,200 shares of common stock, valued at \$64,000, for payment of past due services provided in prior periods by Softline's subsidiary. The foregoing securities were offered and sold without registration under the Securities Act to an accredited investor who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 17. In March 2000, we issued an aggregate of 10,000 shares of common stock to Donald Radcliffe, a Board director, upon exercise of non-qualified options at exercise prices of \$0.30 and \$2.00 per

share for an aggregate exercise price of \$11,500. In June 2002, we issued 75,000 shares of common stock to Mr. Radcliffe for payment of services provided in previous periods, valued at \$24,750. The foregoing securities were offered and sold without registration under the Securities Act to an accredited investor who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 18. In May 2000, we issued 5,000 shares of common stock to Gerald Bagg, an unrelated party, upon exercise of non-qualified option at an exercise price of \$0.75 per share. This option was granted outside of the incentive stock option plans in reliance upon the exemption provided by Section 4(2) under the Securities Act II-4 19. In July 2000, we issued 3,700 shares of common stock to Clive Klugman, a former employee, upon exercise of non-qualified option at an exercise price of \$2.75 per share. This option was granted outside of the incentive stock option plans in reliance upon the exemption provided by Section 4(2) under the Securities Act. 20. In September 2000, we issued 11,308, 22,918, 11,000 and 12,500 shares of common stock to Mr. A. Speck, Mr. R. Rosenblatt, Madison Leasing and Mr. J. Bloom, respectively, unrelated parties, upon exercise of non-qualified options at an exercise price of \$2.00 per share. These options were granted outside of the incentive stock option plans in reliance upon the exemption provided by Section 4(2) under the Securities Act. 21. In October 2002, we issued 1,010,000 shares of common stock, valued at \$389,000, to Stonehage S.A. as full settlement of a note payable acquired in connection with the acquisition of our business unit, Island Pacific. The foregoing securities were offered and sold without registration under the Securities Act to an accredited investor who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/ or Regulation D thereunder. 22. In May 2001 and July 2001, we issued 5,000 and 17,157 shares of common stock to Stephenson & Stephenson LLP for payments of past due invoices for recruiting fees, valued at \$8,000 and \$17,000, respectively, in reliance upon the exemption provided by Section 4(2) under the Securities Act. 23. In August 2001 and September 2001, we issued 5,000 shares of common stock each to Job Dr. for payments of past due invoices for recruiting fees, valued at \$4,000 and \$3,000, respectively, in reliance upon the exemption provided by Section 4(2) under the Securities Act. 24. In October 2001, we issued 10,000 shares of common stock to Donner Corp. International for payment of past due invoices for investor relation services, valued at \$10,000 in reliance upon the exemption provided by Section 4(2) under the Securities Act. 25. In October 2001, we issued 100,000 shares of common stock to Western Financial Communications, Inc. ("Western Financial") for payment of consulting services provided, valued at \$72,000. We also granted Western Financial a two-year warrant to purchase 100,000 shares of common stock at an exercise price of \$1.00 in reliance upon the exemption provided by Section 4(2) under the Securities Act. 26. In June 2003, we issued 59,838 shares of common stock to Western Financial upon exercise of this warrant. 27. In October 2001, we issued 31,575 shares of common stock to Research Works, Inc. for payment of past due invoices for recruiting fees, valued at \$24,000 in reliance upon the exemption provided by Section 4(2) under the Securities Act. 28. In December 2001, we issued 187,500 shares of common stock to KBK Ventures, Inc. for payment of public relation services provided, valued at \$150,000. We also granted KBK Ventures, Inc. a three-year warrant to purchase up to 208,333 shares of common stock at an exercise price of \$1.00 in reliance upon the exemption provided by Section 4(2) under the Securities Act. 29. In December 2001, we issued 30,000 shares of common stock to Roger Howland for payment of past due invoices for recruiting fees, valued at \$28,000 in reliance upon the exemption provided by Section 4(2) under the Securities Act. 30. In January 2002, we issued 40,000 shares of common stock to Displayworks for payment of past due invoices for tradeshow exhibit services, valued at \$36,000 in reliance upon the exemption provided by Section 4(2) under the Securities Act. 31. In January 2002, we issued 11,800 shares of common stock to Retail Search Group for payment of past due invoices for recruiting fees, valued at \$10,000 in reliance upon the exemption provided by Section 4(2) under the Securities Act. 32. In April 2002, we issued 33,332 shares of common stock to Richard Singer for payment of consulting fees provided, valued at \$19,000 in reliance upon the exemption provided by Section 4(2) under the Securities Act. II-5 33. In April 2002, we issued 100,000 shares of common stock, valued at \$45,000, to Aura (Pvt) Limited for investment relations services in reliance upon the exemption provided by Section 4(2) under the Securities Act. 34. In June 2002, we issued 15,000 shares of common stock to Robert Pomerantz for payment for legal services provided, valued at \$7,000 in reliance upon the exemption provided by Section 4(2) under the Securities Act. 35. In September 2002, we issued 5,000 shares of common stock to RCG Capital Markets Group, Inc. for payment of consulting services provided, valued at \$3,000 in reliance upon the exemption provided by Section 4(2) under the Securities Act. 36. In October 2002, we issued 50,000 shares of common stock to Tribe Communications, Inc. for payment of public

relation services provided, valued at \$8,000 in reliance upon the exemption provided by Section 4(2) under the Securities Act. 37. In January 2003 and April 2003, we issued 25,000 and 48,000, respectively, shares of common stock to CEOcast, Inc. for payment of investor relation services provided, valued at \$8,000 and \$25,000, respectively, in reliance upon the exemption provided by Section 4(2) under the Securities Act. CEOcast, Inc. assigned rights to 70,080 shares to Rachel Glicksman and 2,920 shares to Gary Nash. 38. In September 2002, we granted Steven Beck, President of Island Pacific, and Harvey Braun, CEO of Island Pacific, each a non-qualified option to purchase up to 2 million shares of common stock at an exercise price of \$0.28 per share. The option vests immediately and expires in September 2005. The option was granted outside of the incentive stock option plans. The foregoing securities were offered and sold without registration under the Securities Act to an accredited investor who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 39. In March 2003, we issued 1,000,000 shares of common stock to Union Bank of California as part of a settlement for a term loan acquired in June 1999. The foregoing securities were offered and sold without registration under the Securities Act to an accredited investor who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 40. In March 2003, we issued an aggregate of \$3.5 million in debentures convertible into shares of common stock and warrants to purchase an aggregate of 1,572,858 shares of common stock to Midsummer Investment, Ltd., Omicron Master Trust, and Islandia, L.P. The debentures have a conversion price of \$1.0236, and the warrants have an exercise price of \$1.0236. These debentures and warrants were offered and sold without registration under the Securities Act to accredited investors who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 41. In March 2003, we issued an unsecured note that is convertible into shares of common stock at a price per share of eighty percent (80%) of the average share closing price of Borrower's common stock for the ten trading day period immediately preceding the maturity date of the note, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 42. On April 1, 2003, we issued an aggregate of \$400,000 in debentures convertible into and warrants to purchase an aggregate of 547,089 shares of common stock to MBSJ Investors LLC. The debentures are have a conversion price of \$1.0236, and the warrants have an exercise price of \$1.0236. These debentures and warrants were offered and sold without registration under the Securities Act to an accredited investor who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. II-6 43. On May 6, 2003, we issued an aggregate of \$300,000 in debentures convertible into and warrants to purchase an aggregate of 394,195 shares of common stock to Crestview Capital Fund I, L.P., Crestview Capital Fund II, L.P. and Crestview Capital Offshore Fund, Inc. The debentures are have a conversion price of \$1.0236, and the warrants have an exercise price of \$1.0236. These debentures and warrants were offered and sold without registration under the Securities Act to an accredited investor who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 44. On June 27, 2003, we issued an aggregate of 5,275,000 shares of common stock to Bonanza Master Fund, Ltd., The Pinnacle Fund, L.P., Sandor Capital Master Fund, L.P., Southwell Partners, LP, Westpark Capital, L.P., Microcapital Fund LP, Atlas Capital (Q.P.) L.P., Atlas Capital Master Fund, Ltd., Gruber & McBain International, Lagunitas Partners, LP, Jon D. Gruber and Linda W. Gruber, J. Patterson McBaine and Glacier Partners. The foregoing securities were offered and sold without registration under the Securities Act to an accredited investor who had access to all information which would have been in a registration statement, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 45. On June 27, 2003, we issued to Roth Capital Partners, LLC a warrant to purchase 527,500 shares of common stock at an exercise price of \$1.65 per share. This warrant was offered and sold without registration under the Securities Act, in reliance upon the exemption provided by Section 4(2) under the Securities Act. 46. On June 27, 2003, we issued to the current holders of our 9% convertible debentures warrants to purchase an aggregate of 375,000 shares of common stock at an exercise price of \$1.65 per share. These warrants were offered and sold without registration under the Securities Act, in reliance upon the exemption provided by Section 4(2) under the Securities Act. 47. On March 31, 2003, we issued to Century Capital a warrant to purchase 50,000 shares of common stock for services rendered. In July 2003, we issued 35,428 to Century Capital upon cashless exercise of its warrant. This warrant was offered and sold without registration under the Securities Act, in

reliance upon the exemption provided by Section 4(2) under the Securities Act. 48. In May 2003 and July 2003, we issued an aggregate of 84,849 shares of common stock to our employees in lieu of cash payment for past due commissions totaling \$83,000, in reliance upon the exemption provided by Section 4(2) under the Securities Act. 49. In the quarter ended June 30, 2003, we issued an aggregate of 14,171 shares of common stock to our employees upon exercise of their incentive stock options with the exercise prices ranging from \$0.86 to \$1.75, in reliance upon exemption provided by Section 4(2) under the Securities Act. 50. In July 2003, we issued 1,914 shares of common stock to an employee upon exercise of his incentive stock options with the exercise prices of \$1.00 and \$1.61, in reliance upon the exemption provided by Section 4(2) of the Securities Act. 51. In July 2003, we issued 488,472 shares of common stock to Omicron Master Trust upon the conversion of \$500,000 of its debenture, in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 52. In August 2003, we issued 4,116 shares of common stock to a former employee upon exercise of his incentive stock options with the exercise prices of \$1.00 and \$1.61, in reliance upon the exemption provided by Section 4(2) of the Securities Act. 53. In August 2003, we issued 390,777 shares of common stock to MBSJ Investors pursuant to our right to convert a \$400,000 debenture in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. 54. In August 2003, we issued 293,082 shares of common stock to Crestview Capital Fund I, L.P., Crestview Capital Fund II, L.P. and Crestview Capital Offshore Fund, Inc. pursuant to our right to convert their \$300,000 debentures in reliance upon the exemption provided by Section 4(2) under the Securities Act and/or Regulation D thereunder. II-7

ITEM 16. EXHIBITS. EXHIBIT DESCRIPTION ----- 2.1 Agreement of Merger and Plan of Reorganization dated as of July 1, 1998 among the Company and its wholly-owned subsidiary; Applied Retail Solutions, Inc., and the shareholders of Applied Retail Solutions, Inc., incorporated by reference to exhibit 2.1 to the Company's 8-K filed on September 16, 1998. 2.2 First Amendment to the Agreement and Plan of Reorganization dated January 28, 1999 among the Company and its wholly-owned subsidiary, Applied Retail Solutions, Inc., and the shareholders of Applied Retail Solutions, Inc., incorporated by reference to exhibit 2.1 to the Company's Form 10-QSB for the quarter ended December 31, 1998. 2.3 Second Amendment to the Agreement and Plan of Reorganization dated May 24, 1999 among the Company and its wholly-owned subsidiary, Applied Retail Solutions, Inc., and the shareholders of Applied Retail Solutions, Inc., incorporated by reference to exhibit 2.12 to the Company's 10-KSB for the fiscal year ended March 31, 1999. 2.4 Stock Purchase Agreement dated June 1, 1999 among the Company, Island Pacific Systems Corporation, and the shareholders of Island Pacific Systems Corporation, incorporated by reference to exhibit 2.1 to the Company's Form 8-K filed on June 18, 1999. 2.5 Asset Purchase Agreement dated March 16, 2000 among the Company, MarketPlace Systems Corporation and Jay Fisher, incorporated by reference to exhibit 2.15 to the Company's 10-K for the fiscal year ended March 31, 2000. 2.6 Agreement and Plan of Merger of Island Pacific, Inc. and SVI Holdings, Inc. dated February 20, 2001, incorporated by reference to exhibit 2.8 to the Company's 10-K for the fiscal year ended March 31, 2001. 2.7 Purchase and Exchange Agreement dated as of January 1, 2002 between the Company and Softline Limited, incorporated by reference to exhibit 2.1 to the Company's 8-K filed May 16, 2002. Exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K, but a copy will be furnished supplementally to the Securities and Exchange Commission upon request. 2.8 Deed of Appointment dated February 20, 2002 between the bank and the receivers of SVI Retail (Pty) Limited, incorporated by reference to exhibit 2.2 to the Company's 10-K filed July 16, 2002. Exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K, but a copy will be furnished supplementally to the Securities and Exchange Commission upon request. 2.9 Business Sale Agreement dated May 3, 2002 among the receivers and managers of the assets of SVI Retail (Pty) Limited and QQQ Systems PTY Limited, incorporated by reference to exhibit 2.3 to the Company's 10-K filed July 16, 2002. Exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K, but a copy will be furnished supplementally to the Securities and Exchange Commission upon request. 2.10 Securities Purchase Agreement dated March 31, 2003 by and among the Company, Midsummer Investment, Ltd., Omicron Master Trust, and Islandia, L.P., incorporated by reference to exhibit 2.1 to the Company's Form 8-K filed April 15, 2003. 2.11 Securities Purchase Agreement dated April 1, 2003 by and among the Company and MBSJ Investors, LLC, incorporated by reference to exhibit 2.2 to the Company's Form 8-K filed on April 15, 2003. 2.12 Agreement dated May 6, 2003 by and among the Company, Crestview Capital Fund I, L.P., Crestview Capital Fund II, L.P. and Crestview Capital Offshore Fund, Inc., incorporated by reference to exhibit 2.12 to the Company Form S-1 filed on May 12, 2003. II-8 2.13 Securities Purchase Agreement dated June 27, 2003 by and among the Company and the purchasers named therein, incorporated by reference to exhibit 2.1 to the

Company's Form 8-K filed on July 2, 2003. 3.1 Amended and Restated Certificate of Incorporation, incorporated by reference to exhibit 3.1 to the Company's 8-K filed on July 15, 2003. 3.2 Certificate of Designation, incorporated by reference to exhibit 4.1 of the Company's 8-K filed May 16, 2002. 3.3 Restated Bylaws, incorporated by reference to exhibit 3.2 to the Company's 10-K for the fiscal year ended March 31, 2001. 4.1 Registration Rights Agreement dated as of March 31, 2003 by and among the Company, Midsummer Investment, Ltd., Omicron Master Trust, and Islandia, L.P., incorporated by reference to exhibit 4.1 to the Company's Form 8-K filed April 15, 2003. 4.2 Registration Rights Agreement dated as of April 1, 2003 between the Company and MBSJ Investors LLC., incorporated by reference to exhibit 4.2 to the Company's Form 8-K filed April 15, 2003. 4.3 Registration Rights Agreement dated June 27, 2003 by and among the Company and the parties named therein, incorporated by reference to exhibit 4.1 to the Company's Form 8-K filed on July 2, 2003. 5.1 Opinion of Solomon Ward Seidenwurm & Smith, LLP (included herewith). 10.1 Incentive Stock Option Plan, as amended April 1, 1998, incorporated by reference to exhibit 10.1 to the Company's 10-QSB for the quarter ended September 30, 1998. 10.2 1998 Incentive Stock Plan, as amended, incorporated by reference to exhibit 10.4 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.3 Employment Agreement of Barry M. Schechter dated effective October 1, 2000, incorporated by reference to exhibit 10.2 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.4 Term Loan Agreement dated June 3, 1999 between the Company and Union Bank of California, N.A., incorporated by reference to exhibit 10.1 to the Company's 8-K filed on June 18, 1999. 10.5 Amendment No. 1 to Term Loan Agreement between the Company and Union Bank of California, N.A., dated May 31, 2000, incorporated by reference to exhibit 10.24 to the Company's 10-K for the fiscal year ended March 31, 2000. 10.6 Revolving Note between the Company and Union Bank of California, N.A., dated May 31, 2000, incorporated by reference to exhibit 10.25 to the Company's 10-K for the fiscal year ended March 31, 2000. 10.7 Amendment No. 2 to Term Loan Agreement between the Company and Union Bank of California, N.A., dated July 13, 2000, incorporated by reference to exhibit 10.26 to the Company's 10-K for the fiscal year ended March 31, 2000. 10.8 Term Loan Note of the Company in favor of Union Bank of California, N.A. dated July 13, 2000, incorporated by reference to exhibit 10.27 to the Company's 10-K for the fiscal year ended March 31, 2000. 10.9 Common Stock Purchase Agreement dated December 22, 2000 between the Company, Koyah Leverage Partners, L.P., Koyah Partners, L.P., Nigel Davey, and Brian Cathcart, incorporated by reference as exhibit 10.2 to the Company's 8-K filed on January 8, 2001. 10.10 Amendment No. 3 to Term Loan Agreement, incorporated by reference to exhibit 10.6 to the Company's 10-Q filed February 14, 2001. II-9 10.11 Letter Agreement between the Company and Union Bank of California, N.A. dated April 24, 2001, incorporated by reference to exhibit 10.18 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.12 Letter Agreement between the Company and Union Bank of California, N.A. dated June 22, 2001, incorporated by reference to exhibit 10.19 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.13 Amended and Restated Term Loan Agreement between the Company and Union Bank of California, N.A. dated as of June 29, 2001, incorporated by reference to exhibit 10.20 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.14 First Amendment to Amended and Restated Term Loan Agreement between the Company and Union Bank of California, N.A. dated as of March 18, 2002, and First Amendment to Amended and Restated Pledge Agreement between the Company, Sabica Ventures, Inc., SVI Retail, Inc., SVI Training Products, Inc., and Union Bank of California, N.A. dated as of March 18, 2002, each incorporated by reference to exhibit 10.4 to the Company's 10-K filed on July 16, 2002. 10.15 Second Amendment to Amended and Restated Term Loan Agreement between the Company and Union Bank of California, N.A. dated as of May 21, 2001, incorporated by reference to exhibit 10.5 to the Company's 10-K filed on July 16, 2002. 10.16 Third Amendment to Amended and Restated Term Loan Agreement between the Company and Union Bank of California, N.A. dated as of July 15, 2002, incorporated by reference to exhibit 10.6 to the Company's 10-K filed on July 16, 2002. 10.17 Fourth Amendment to Amended and Restated Term Loan Agreement between the Company and Union Bank of California, N.A. dated as of November 15, 2002, incorporated by reference to exhibit 10.3 to the Company's 10-Q filed on February 14, 2003. 10.18 Warrant in favor of UNIONBANCAL EQUITIES, Inc. dated January 2, 2003, incorporated by reference to exhibit 10.4 to the Company's 10-Q filed on February 14, 2003. 10.19 Common Stock Purchase Agreement between the Company and AMRO International, S.A. dated March 13, 2000, incorporated by reference to exhibit 10.28 to the Company's 10-K for the fiscal year ended March 31, 2000. 10.20 Registration Rights Agreement between the Company and AMRO International, S.A. dated March 13, 2000, incorporated by reference to exhibit 10.29 to the Company's 10-K for the fiscal year ended March 31, 2000. 10.21 Letter Agreement between the Company and AMRO International, S.A. dated March 1, 2000, incorporated by reference to exhibit 10.23 to the

Company's 10-K for the fiscal year ended March 31, 2001. 10.22 Common Stock Option Agreement dated May 24, 1999 between the Company and Softline Limited, incorporated by reference to exhibit 10.30 to the Company's 10-K for the fiscal year ended March 31, 2000. 10.23 Amended and Restated Subordinated Promissory Note of the Company in favor of Softline Limited dated June 30, 2001, incorporated by reference to exhibit 10.26 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.24 Investor Rights Agreement between the Company and Softline Limited dated as of January 1, 2002, incorporated by reference to exhibit 4.2 to the Company's 8-K filed May 16, 2002. 10.25 Investors' Rights Agreement among SVI Holdings, Inc., Koyah Leverage Partners, L.P. and Koyah Partners, L.P. dated July 19, 2002, incorporated by reference to exhibit 10.25 to the Company Form S-1 filed on May 12, 2003. 10.26 Investors' Rights Agreement among SVI Holdings, Inc., Koyah Leverage Partners, L.P. and Koyah Partners, L.P., dated December 22, 2000, incorporated by reference to exhibit 10.3 to the Company's 8-K filed January 8, 2001. II-10 10.27 Amendment Agreement between the Company, Koyah Leverage Partners, Koyah Partners, L.P., Raven Partners, L.P., Nigel Davey, and Brian Cathcart dated July 15, 2002, incorporated by reference to exhibit 10.11 to the Company's 10-K filed on July 16, 2002. 10.28 First Amendment to Amendment Agreement between the Company, Koyah Leverage Partners, Koyah Partners, L.P., Raven Partners, L.P., Nigel Davey, and Brian Cathcart dated December 5, 2002, incorporated by reference to exhibit 10.6 to the Company's 10-Q filed on February 14, 2003. 10.29 Second Amendment to Amendment Agreement between the Company, Koyah Leverage Partners, Koyah Partners, L.P., and Raven Partners, L.P. dated March 14, 2003, incorporated by reference to exhibit 10.29 to the Company Form S-1 filed on May 12, 2003. 10.30 Third Amendment to Amendment Agreement between the Company, Koyah Leverage Partners, Koyah Partners, L.P., and Raven Partners, L.P. dated March 28, 2003, incorporated by reference to exhibit 10.30 to the Company Form S-1 filed on May 12, 2003. 10.31 Fourth Amendment to Amendment Agreement between the Company, Koyah Leverage Partners, Koyah Partners, L.P., and Raven Partners, L.P. dated April 3, 2003, incorporated by reference to exhibit 2.12 to the Company Form S-1 filed on May 12, 2003. 10.32 Fifth Amendment to Amendment Agreement between the Company, Koyah Leverage Partners, Koyah Partners, L.P., and Raven Partners, L.P. dated June 27, 2003 (included herewith). 10.33 Convertible Promissory Note and Grant of Security Interest between SVI Holdings, Inc. and Koyah Leverage Partners L.P., dated December 14, 2000, incorporated by reference to exhibit 10.1 to the Company's 8-K filed January 8, 2001. 10.34 Form of Warrant To Purchase Common Stock, incorporated by reference to exhibit 10.4 to the Company's 8-K filed January 8, 2001. 10.35 Form of Convertible Promissory Note for entities related to ICM Asset Management, Inc., incorporated by reference to exhibit 10.31 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.36 Loan Note in Favor of Datafaction, as amended, incorporated by reference to exhibit 10.5 to the Company's 10-Q filed February 14, 2001. 10.37 Promissory Note in favor of Barry Schechter, dated February 13, 2001, incorporated by reference to exhibit 10.33 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.38 Umbrella Agreement with Toys `R Us, incorporated by reference to exhibit 10.34 to the Company's 10-K for the fiscal year ended March 31, 2001. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. 10.39 License Agreement for Software Products with Toys `R Us, incorporated by reference to exhibit 10.35 of the Company's 10-K for the fiscal year ended March 31, 2002. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. 10.40 Modification Agreement with Toys `R Us, as amended, incorporated by reference to exhibit 10.36 of the Company's 10-K for the fiscal year ended March 31, 2002. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. 10.41 Services Agreement with Toys 'R Us, incorporated by reference to exhibit 10.37 of the Company's 10-K for the fiscal year ended March 31, 2001. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. II-11 10.42 Professional Services Agreement between SVI Retail, Inc. and Toys 'R Us dated July 10, 2001, incorporated by reference to exhibit 10.2 to the Company's 10-Q for the quarter ended September 30, 2001. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. 10.43 Purchase Agreement between the Company and Toys 'R Us, Inc. dated May 29, 2002, incorporated by reference to exhibit 10. 14 to the Company's 10-K filed on July 16, 2002. 10.44 Convertible Note in favor of Toys "R" Us, Inc. dated May 29, 2002, incorporated by reference to exhibit 10.15 to the Company's 10-K filed on July 16, 2002. 10.45 Warrant in favor of Toys "R" Us, Inc. dated May 29, 2002,



incorporated by reference to exhibit 10.16 to the Company's 10-K filed on July 16, 2002. 10.46 Development Agreement between the Company and Toys "R" Us, Inc. dated May 29, 2002, incorporated by reference to exhibit 10.17 to the Company's 10-K filed on July 16, 2002. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934. 10.47 Discounted Loan Payoff Agreement dated March 31, 2003 by and among Union Bank of California, N.A., the Company, SVI Retail, Inc., Sabica Ventures, Inc., and SVI Training Products, Inc., incorporated by reference to exhibit 10.3 to the Company's Form 8-K filed April 15, 2003. 10.48 Unsecured Promissory Note dated March 31, 2003 in favor of Union Bank of California, incorporated by reference to exhibit 10.48 to the Company Form S-1 filed on May 12, 2003. 10.49 Summary of loan transactions between the Company and World Wide Business Centres, incorporated by reference to exhibit 10.12 to the Company's 10-K filed on July 16, 2002. 21.1 List of Subsidiaries (included herewith). 23.1 Consent of Deloitte & Touche LLP, independent auditors.\* 23.3 Consent of Singer Lewak Greenbaum & Goldstein LLP, independent auditors.\* 23.4 Consent of Solomon Ward Seidenwurm & Smith, LLP. Reference is made to Exhibit 5.1. 24.5 Power of Attorney. Reference is made to the signature page hereof. \*

Previously filed II-12 ITEM 17. UNDERTAKINGS We hereby undertake: (1) To file, during any period in which offers or sales are being made pursuant to this registration statement, a post-effective amendment to this registration statement: (i) to include any prospectus required by Section 10(a) (3) of the Securities Act of 1933; (ii) to reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in aggregate, represent a fundamental change in the information set forth in this registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in this registration statement as effective; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement; (2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering. We hereby undertake that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Insofar as indemnification by us for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions referenced above or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

II-13 SIGNATURES Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Irvine, State of California, on August 26, 2003. ISLAND PACIFIC, INC., A DELAWARE CORPORATION By: /s/ Harvey Braun ----- Harvey Braun, Chief Executive Officer and Chairman of the Board (Principal Executive Officer) By: /s/ Ran Furman ----- Ran Furman, Chief Financial Officer (Principal Financial and Accounting Officer) Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated. SIGNATURES CAPACITY DATE ----- /s/ Harvey Braun Chief Executive Officer and Chairman 8/26/03 ----- Harvey Braun /s/ Steven Beck President, Chief Operating Officer

8/26/03 ----- and Director Steven Beck /s/ Donald S. Radcliffe Director 8/26/03  
----- Donald S. Radcliffe /s/ Ivan M. Epstein Director 8/26/03 ----- Ivan M.  
Epstein /s/ Ian Bonner Director 8/26/03 ----- Ian Bonner /s/ Michael Silverman Director 8/26/03  
----- Michael Silverman /s/ Robert P. Wilkie Director 8/26/03 ----- Robert P.  
Wilkie

II-14 EXHIBIT INDEX EXHIBIT DESCRIPTION ----- 2.1 Agreement of Merger and Plan of  
Reorganization dated as of July 1, 1998 among the Company and its wholly-owned subsidiary; Applied Retail  
Solutions, Inc., and the shareholders of Applied Retail Solutions, Inc., incorporated by reference to exhibit 2.1 to the  
Company's 8-K filed on September 16, 1998. 2.2 First Amendment to the Agreement and Plan of Reorganization  
dated January 28, 1999 among the Company and its wholly- owned subsidiary, Applied Retail Solutions, Inc., and the  
shareholders of Applied Retail Solutions, Inc., incorporated by reference to exhibit 2.1 to the Company's Form  
10-QSB for the quarter ended December 31, 1998. 2.3 Second Amendment to the Agreement and Plan of  
Reorganization dated May 24, 1999 among the Company and its wholly-owned subsidiary, Applied Retail Solutions,  
Inc., and the shareholders of Applied Retail Solutions, Inc., incorporated by reference to exhibit 2.12 to the Company's  
10-KSB for the fiscal year ended March 31, 1999. 2.4 Stock Purchase Agreement dated June 1, 1999 among the  
Company, Island Pacific Systems Corporation, and the shareholders of Island Pacific Systems Corporation,  
incorporated by reference to exhibit 2.1 to the Company's Form 8-K filed on June 18, 1999. 2.5 Asset Purchase  
Agreement dated March 16, 2000 among the Company, MarketPlace Systems Corporation and Jay Fisher,  
incorporated by reference to exhibit 2.15 to the Company's 10-K for the fiscal year ended March 31, 2000. 2.6  
Agreement and Plan of Merger of Island Pacific, Inc. and SVI Holdings, Inc. dated February 20, 2001, incorporated  
by reference to exhibit 2.8 to the Company's 10-K for the fiscal year ended March 31, 2001. 2.7 Purchase and  
Exchange Agreement dated as of January 1, 2002 between the Company and Softline Limited, incorporated by  
reference to exhibit 2.1 to the Company's 8-K filed May 16, 2002. Exhibits and schedules have been omitted pursuant  
to Item 601(b)(2) of Regulation S-K, but a copy will be furnished supplementally to the Securities and Exchange  
Commission upon request. 2.8 Deed of Appointment dated February 20, 2002 between the bank and the receivers of  
SVI Retail (Pty) Limited, incorporated by reference to exhibit 2.2 to the Company's 10-K filed July 16, 2002. Exhibits  
and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K, but a copy will be furnished  
supplementally to the Securities and Exchange Commission upon request. 2.9 Business Sale Agreement dated May 3,  
2002 among the receivers and managers of the assets of SVI Retail (Pty) Limited and QQQ Systems PTY Limited,  
incorporated by reference to exhibit 2.3 to the Company's 10-K filed July 16, 2002. Exhibits and schedules have been  
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and Exchange Commission upon request. 2.10 Securities Purchase Agreement dated as of March 31, 2003 by and  
among the Company, Midsummer Investment, Ltd., Omicron Master Trust and Islandia, L.P., incorporated by  
reference to exhibit 2.1 to the Company's Form 8-K filed on April 15, 2003. 2.11 Securities Purchase Agreement  
dated as of March 31, 2003 between the Company and MBSJ Investors LLC, incorporated by reference to exhibit 2.2  
to the Company's Form 8-K filed on April 15, 2003. 2.12 Agreement dated May 6, 2003 by and among the Company,  
Crestview Capital Fund I, L.P., Crestview Capital Fund II, L.P. and Crestview Capital Offshore Fund, Inc.,  
incorporated by reference to exhibit 2.12 to the Company Form S-1 filed on May 12, 2003. II-15 2.13 Securities  
Purchase Agreement dated June 27, 2003 by and among the Company and the purchasers named therein, incorporated  
by reference to exhibit 2.1 to the Company's Form 8-K filed on July 2, 2003. 3.1 Amended and Restated Certificate of  
Incorporation, incorporated by reference to exhibit 3.1 to the Company's 10-K for the fiscal year ended March 31,  
2001. 3.2 Certificate of Designation, incorporated by reference to exhibit 4.1 of the Company's 8-K filed May 16,  
2002. 3.3 Restated Bylaws, incorporated by reference to exhibit 3.2 to the Company's 10-K for the fiscal year ended  
March 31, 2001. 4.1 Registration Rights Agreement dated as of March 31, 2003 by and among the Company,  
Midsummer Investment, Ltd., Omicron Master Trust and Islandia, L.P., incorporated by reference to exhibit 4.1 to the  
Company's Form 8-K filed April 15, 2003. 4.2 Registration Rights Agreement dated as of April 1, 2003 between the  
Company and MBSJ Investors LLC, incorporated by reference to exhibit 4.2 to the Company's Form 8-K filed April  
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therein, incorporated by reference to exhibit 4.1 to the Company's Form 8-K filed on July 2, 2003. 5.1 Opinion of  
Solomon Ward Seidenwurm & Smith, LLP (included herewith). 10.1 Incentive Stock Option Plan, as amended April  
1, 1998, incorporated by reference to exhibit 10.1 to the Company's 10-QSB for the quarter ended September 30,  
1998. 10.2 1998 Incentive Stock Plan, as amended, incorporated by reference to exhibit 10.4 to the Company's 10-K

for the fiscal year ended March 31, 2001. 10.3 Employment Agreement of Barry M. Schechter dated effective October 1, 2000, incorporated by reference to exhibit 10.2 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.4 Term Loan Agreement dated June 3, 1999 between the Company and Union Bank of California, N.A., incorporated by reference to exhibit 10.1 to the Company's 8-K filed on June 18, 1999. 10.5 Amendment No. 1 to Term Loan Agreement between the Company and Union Bank of California, N.A., dated May 31, 2000, incorporated by reference to exhibit 10.24 to the Company's 10-K for the fiscal year ended March 31, 2000. 10.6 Revolving Note between the Company and Union Bank of California, N.A., dated May 31, 2000, incorporated by reference to exhibit 10.25 to the Company's 10-K for the fiscal year ended March 31, 2000. 10.7 Amendment No. 2 to Term Loan Agreement between the Company and Union Bank of California, N.A., dated July 13, 2000, incorporated by reference to exhibit 10.26 to the Company's 10-K for the fiscal year ended March 31, 2000. 10.8 Term Loan Note of the Company in favor of Union Bank of California, N.A. dated July 13, 2000, incorporated by reference to exhibit 10.27 to the Company's 10-K for the fiscal year ended March 31, 2000. 10.9 Common Stock Purchase Agreement dated December 22, 2000 between the Company, Koyah Leverage Partners, L.P., Koyah Partners, L.P., Nigel Davey, and Brian Cathcart, incorporated by reference to exhibit 10.2 to the Company's 8-K filed on January 8, 2001. 10.10 Amendment No. 3 to Term Loan Agreement, incorporated by reference to exhibit 10.6 to the Company's 10-Q filed February 14, 2001. 10.11 Letter Agreement between the Company and Union Bank of California, N.A. dated April 24, 2001, incorporated by reference to exhibit 10.18 to the Company's 10-K for the fiscal year ended March 31, 2001. II-16 10.12 Letter Agreement between the Company and Union Bank of California, N.A. dated June 22, 2001, incorporated by reference to exhibit 10.19 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.13 Amended and Restated Term Loan Agreement between the Company and Union Bank of California, N.A. dated as of June 29, 2001, incorporated by reference to exhibit 10.20 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.14 First Amendment to Amended and Restated Term Loan Agreement between the Company and Union Bank of California, N.A. dated as of March 18, 2002, and First Amendment to Amended and Restated Pledge Agreement between the Company, Sabica Ventures, Inc., SVI Retail, Inc., SVI Training Products, Inc., and Union Bank of California, N.A. dated as of March 18, 2002, each incorporated by reference to exhibit 10.4 to the Company's 10-K filed on July 16, 2002. 10.15 Second Amendment to Amended and Restated Term Loan Agreement between the Company and Union Bank of California, N.A. dated as of May 21, 2001, incorporated by reference to exhibit 10.5 to the Company's 10-K filed on July 16, 2002. 10.16 Third Amendment to Amended and Restated Term Loan Agreement between the Company and Union Bank of California, N.A. dated as of July 15, 2002, incorporated by reference to exhibit 10.6 to the Company's 10-K filed on July 16, 2002. 10.17 Fourth Amendment to Amended and Restated Term Loan Agreement between the Company and Union Bank of California, N.A. dated as of November 15, 2002, incorporated by reference to exhibit 10.3 to the Company's 10-Q filed on February 14, 2003. 10.18 Warrant in favor of UNIONBANCAL EQUITIES, Inc. dated January 2, 2003, incorporated by reference to exhibit 10.4 to the Company's 10-Q filed on February 14, 2003. 10.19 Common Stock Purchase Agreement between the Company and AMRO International, S.A. dated March 13, 2000, incorporated by reference to exhibit 10.28 to the Company's 10-K for the fiscal year ended March 31, 2000. 10.20 Registration Rights Agreement between the Company and AMRO International, S.A. dated March 13, 2000, incorporated by reference to exhibit 10.29 to the Company's 10-K for the fiscal year ended March 31, 2000. 10.21 Letter Agreement between the Company and AMRO International, S.A. dated March 1, 2000, incorporated by reference to exhibit 10.23 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.22 Common Stock Option Agreement dated May 24, 1999 between the Company and Softline Limited, incorporated by reference to exhibit 10.30 to the Company's 10-K for the fiscal year ended March 31, 2000. 10.23 Amended and Restated Subordinated Promissory Note of the Company in favor of Softline Limited dated June 30, 2001, incorporated by reference to exhibit 10.26 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.24 Investor Rights Agreement between the Company and Softline Limited dated as of January 1, 2002, incorporated by reference to exhibit 4.2 to the Company's 8-K filed May 16, 2002. 10.25 Investors' Rights Agreement among SVI Holdings, Inc., Koyah Leverage Partners, L.P. and Koyah Partners, L.P. dated July 19, 2002, incorporated by reference to exhibit 10.25 to the Company Form S-1 filed on May 12, 2003. 10.26 Investors' Rights Agreement among SVI Holdings, Inc., Koyah Leverage Partners, L.P. and Koyah Partners, L.P., dated December 22, 2000, incorporated by reference to exhibit 10.3 to the Company's 8-K filed January 8, 2001. II-17 10.27 Amendment Agreement between the Company, Koyah Leverage Partners, Koyah Partners, L.P., Raven Partners, L.P., Nigel Davey, and Brian Cathcart dated July 15, 2002, incorporated by reference to exhibit 10.11 to the Company's 10-K

filed on July 16, 2002. 10.28 First Amendment to Amendment Agreement between the Company, Koyah Leverage Partners, Koyah Partners, L.P., Raven Partners, L.P., Nigel Davey, and Brian Cathcart dated December 5, 2002, incorporated by reference to exhibit 10.6 to the Company's 10-Q filed on February 14, 2003. 10.29 Second Amendment to Amendment Agreement between the Company, Koyah Leverage Partners, Koyah Partners, L.P., and Raven Partners, L.P. dated March 14, 2003, incorporated by reference to exhibit 10.29 to the Company Form S-1 filed on May 12, 2003. 10.30 Third Amendment to Amendment Agreement between the Company, Koyah Leverage Partners, Koyah Partners, L.P., and Raven Partners, L.P. dated March 28, 2003, incorporated by reference to exhibit 10.30 to the Company Form S-1 filed on May 12, 2003. 10.31 Fourth Amendment to Amendment Agreement between the Company, Koyah Leverage Partners, Koyah Partners, L.P., and Raven Partners, L.P. dated April 3, 2003, incorporated by reference to exhibit 10.31 to the Company Form S-1 filed on May 12, 2003. 10.32 Fifth Amendment to Amendment Agreement between the Company, Koyah Leverage Partners, Koyah Partners, L.P., and Raven Partners, L.P. dated June 27, 2003 (included herewith). 10.33 Convertible Promissory Note and Grant of Security Interest between SVI Holdings, Inc. and Koyah Leverage Partners L.P., dated December 14, 2000, incorporated by reference to exhibit 10.1 to the Company's 8-K filed January 8, 2001. 10.34 Form of Warrant To Purchase Common Stock, incorporated by reference to exhibit 10.4 to the Company's 8-K filed January 8, 2001. 10.35 Form of Convertible Promissory Note for entities affiliated with ICM Asset Management, Inc., incorporated by reference to exhibit 10.31 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.36 Loan Note in Favor of Datafaction, as amended, incorporated by reference to exhibit 10.5 to the Company's 10-Q filed February 14, 2001. 10.37 Promissory Note in favor of Barry Schechter, dated February 13, 2001, incorporated by reference to exhibit 10.33 to the Company's 10-K for the fiscal year ended March 31, 2001. 10.38 Umbrella Agreement with Toys 'R Us, incorporated by reference to exhibit 10.34 to the Company's 10-K for the fiscal year ended March 31, 2001. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. 10.39 License Agreement for Software Products with Toys 'R Us, incorporated by reference to exhibit 10.35 of the Company's 10-K for the fiscal year ended March 31, 2002. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. 10.40 Modification Agreement with Toys 'R Us, as amended, incorporated by reference to exhibit 10.36 of the Company's 10-K for the fiscal year ended March 31, 2002. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. 10.41 Services Agreement with Toys 'R Us, incorporated by reference to exhibit 10.37 of the Company's 10-K for the fiscal year ended March 31, 2001. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. II-18 10.42 Professional Services Agreement between SVI Retail, Inc. and Toys "R" Us dated July 10, 2001, incorporated by reference to exhibit 10.2 to the Company's 10-Q for the quarter ended September 30, 2001. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. 10.43 Purchase Agreement between the Company and Toys "R" Us, Inc. dated May 29, 2002, incorporated by reference to exhibit 10.14 to the Company's 10-K filed on July 16, 2002. 10.44 Convertible Note in favor of Toys "R" Us, Inc. dated May 29, 2002, incorporated by reference to exhibit 10.15 to the Company's 10-K filed on July 16, 2002. 10.45 Warrant in favor of Toys "R" Us, Inc. dated May 29, 2002, incorporated by reference to exhibit 10.16 to the Company's 10-K filed on July 16, 2002. 10.46 Development Agreement between the Company and Toys "R" Us, Inc. dated May 29, 2002, incorporated by reference to exhibit 10.17 to the Company's 10-K filed on July 16, 2002. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934. 10.47 Discounted Loan Payoff Agreement dated March 31, 2003 by and among Union Bank of California, N.A., the Company, SVI Retail, Inc., Sabica Ventures, Inc. and SVI Training Products, Inc. (attached herewith). 10.48 Unsecured Promissory Note dated March 31, 2003 in favor of Union Bank of California, incorporated by reference to exhibit 10.48 to the Company Form S-1 filed on May 12, 2003. 10.49 Summary of loan transactions between the Company and World Wide Business Centres, incorporated by reference to exhibit 10.12 to the Company's 10-K filed on July 16, 2002. 21.1 List of Subsidiaries (included herewith) 23.1 Consent of Deloitte & Touche LLP, independent auditors.\* 23.2 Consent of Singer Lewak Greenbaum & Goldstein LLP, independent auditors.\* 23.3 Consent of Solomon Ward Seidenwurm & Smith, LLP. Reference is made to Exhibit 5.1. 24.1 Power of Attorney. Reference is made to the signature page hereof. \* Previously filed II-18