

# IBS Group Holding Limited

## Consolidated Balance Sheets

	2004	March 31, 2003
	<i>(In thousands of US Dollars, except share amounts)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 13,125	\$ 8,939
Restricted cash	-	2,967
Trade accounts receivable and accrued revenue, net of allowance for doubtful accounts of \$ 573 in 2004 and \$ 456 in 2003	29,397	19,562
Inventory	46,030	22,927
Due from related parties	1,109	359
VAT and other taxes receivable	10,163	2,357
Other current assets	5,065	3,449
Total current assets	<b>104,889</b>	60,560
Property and equipment, net	15,880	13,188
Intangible assets, net	1,960	1,995
Due from related parties	705	1,159
Other non-current assets	1,111	1,122
Total assets	<b>\$ 124,545</b>	<b>\$ 78,024</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Short-term borrowings	\$ 33,201	\$ 6,498
Long-term debt, current portion	439	531
Accounts payable	20,307	12,538
Advances received	10,956	7,032
Accrued liabilities	10,799	8,833
Deferred revenue	2,121	2,661
Due to related parties	2,719	2,164
Capital lease obligation, current portion	610	505
VAT and other taxes payable	5,704	4,079
Other current liabilities	3,380	2,259
Total current liabilities	<b>90,236</b>	47,100
Long-term loans, non-current portion	7,154	7,295
Deferred income taxes, non-current	554	525
Capital lease obligation, less current portion	535	89
Total liabilities	<b>98,479</b>	55,009
Minority interest	-	27
Shareholders' equity:		
Share capital (GBP 1 per share 2,250 and 2,250 shares authorized, 2,151 and 2,151 issued and outstanding as at March 31, 2004 and 2003, respectively)	4	4
Additional paid-in capital	27,977	27,977
Accumulated deficit	(1,915)	(4,993)
Total shareholders' equity	<b>26,066</b>	22,988
Total liabilities and shareholders' equity	<b>\$ 124,545</b>	<b>\$ 78,024</b>

# IBS Group Holding Limited

## Consolidated Statements of Operations

	<b>Years ended March 31,</b>	
	<b>2004</b>	<b>2003</b>
	<i>(In thousands of US Dollars)</i>	
<b>Operating revenues:</b>		
Sales of goods	\$ 357,564	\$ 193,748
Service revenues	51,551	39,711
Total operating revenues	<u>409,115</u>	<u>233,459</u>
<b>Cost of revenues:</b>		
Cost of goods sold	315,168	163,458
Cost of services	19,533	17,915
Total cost of revenues	<u>334,701</u>	<u>181,373</u>
<b>Gross margin</b>	<b>74,414</b>	<b>52,086</b>
<b>Operating expenses</b>		
Selling expenses	3,085	2,301
General and administrative expenses	65,695	43,483
Depreciation and amortization	3,981	3,764
<b>Operating income</b>	<u>1,653</u>	<u>2,538</u>
<b>Other income and expenses:</b>		
Interest income	209	165
Interest expense	(3,550)	(2,762)
Other gains and losses, net	7,001	3,915
Minority interest in net losses of subsidiaries	27	1,223
Net foreign exchange gain (loss)	454	(649)
<b>Income before income taxes</b>	<u>5,794</u>	<u>4,430</u>
Income tax expense	<u>(698)</u>	<u>(396)</u>
<b>Net income</b>	<u>\$ 5,096</u>	<u>\$ 4,034</u>

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Consolidated Statements of Shareholders' Equity

	<u>Common stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balances at March 31, 2002	2,151	4	26,847	(9,027)	17,824
Issuance of warrants	–	–	987	–	987
Effect of issuance of shares by a subsidiary	–	–	143	–	143
Net income for the year	–	–	–	4,034	4,034
Balances at March 31, 2003	2,151	\$ 4	\$ 27,977	\$ (4,993)	\$ 22,988
Dividends paid				(2,018)	(2,018)
Net income for the year				5,096	5,096
<b>Balances at March 31, 2004</b>	<b>2,151</b>	<b>\$ 4</b>	<b>\$ 27,977</b>	<b>\$ (1,915)</b>	<b>\$ 26,066</b>

# IBS Group Holding Limited

## Consolidated Statements of Cash Flows

	<b>Years ended March 31,</b>	
	<b>2004</b>	<b>2003</b>
	<i>(In thousands of US Dollars)</i>	
<b>Operating activities</b>		
Net income	\$ 5,096	\$ 4,034
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	3,459	3,534
Amortization	522	230
Provision for (benefit from) deferred taxes	29	(176)
Gain (loss) on foreign exchange	(454)	649
Provision for doubtful accounts	301	469
Minority interest in net losses of Subsidiaries	(27)	(1,223)
Losses on disposals and other	391	(7)
Changes in operating assets and liabilities:		
Trade accounts receivable	(10,136)	(9,693)
Inventory	(23,103)	1,087
Due to and from related parties	259	967
Accounts payable	7,769	2,270
Advances received	3,924	(1,983)
Accrued liabilities	1,966	583
Deferred revenue	(540)	587
Changes in other assets and liabilities	(3,203)	(2,810)
Net cash used in operating activities	(13,747)	(1,482)
<b>Investing activities</b>		
Purchases of property and equipment	(5,520)	(1,937)
Proceeds from disposal of property and equipment	511	630
Purchase of intangible assets	(494)	(692)
Short-term investments	(88)	1,441
Proceeds from issuance of common stock by a subsidiary	-	280
Net cash used in investing activities	(5,591)	(278)
<b>Financing activities</b>		
Proceeds from bank loans and promissory notes	39,572	3,980
Repayment of bank loans and promissory notes	(13,381)	(7,117)
Repayment of long-term debt	(233)	(544)
Proceeds from related party debt	-	7,804
Repayment of related party debt	-	(1,850)
Repayment of obligation under capital leases	(975)	(701)
Proceeds from (repayments of) overdraft facility, net	512	(42)
Dividends paid	(2,018)	-
Net cash provided by financing activities	23,477	1,530
Effect of exchange rate changes on cash and cash equivalents	47	(60)
<b>Net increase (decrease) in cash</b>	<b>4,186</b>	<b>(290)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>8,939</b>	<b>9,229</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 13,125</b>	<b>\$ 8,939</b>