
13. ACCOUNTANTS' REPORT (cont'd)

**6.0 SUMMARISED BALANCE SHEETS (CONTD.)****6.6 FOSO – Company level**

	As at 31 December
	2003 RM
Current assets	3,716,783
Current liabilities	(3,724,411)
Net current liabilities	(7,628)
	<hr style="border-top: 1px solid black;"/>
	(7,628)
Financed by:	
Share capital	2
Accumulated loss	(7,630)
Shareholders' deficit	<hr style="border-top: 1px solid black;"/> (7,628)

13. ACCOUNTANTS' REPORT (cont'd)

**6.0 SUMMARISED BALANCE SHEETS (CONTD.)****6.7 ICrest – Company level**

	As at 31 December
	2003 RM
Current assets	2
Current liabilities	(4,948)
Net current liabilities	(4,946)
	(4,946)
Financed by:	
Share capital	2
Accumulated loss	(4,948)
Shareholders' deficit	(4,946)

13. ACCOUNTANTS' REPORT (cont'd)

**6.0 SUMMARISED BALANCE SHEETS (CONTD.)****6.8 IRange – Company level**

	As at 31 December
	2003 RM
Current assets	2
Current liabilities	(5,126)
Net current liabilities	(5,124)
	(5,124)
Financed by:	
Share capital	2
Accumulated loss	(5,126)
Shareholders' deficit	(5,124)

13. ACCOUNTANTS' REPORT (cont'd)


ERNST & YOUNG (AF: 0039)
6.0 SUMMARISED BALANCE SHEETS (CONTD.)**6.9 IDawn – Company level**

	As at 31 December
	2003 RM
Current assets	2
Current liabilities	(5,126)
Net current liabilities	(5,124)
	(5,124)
Financed by:	
Share capital	2
Accumulated loss	(5,126)
Shareholders' deficit	(5,124)

13. ACCOUNTANTS' REPORT (cont'd)

**6.0 SUMMARISED BALANCE SHEETS (CONTD.)****6.10 IPeaks – Company level**

	As at 31 December
	2003 RM
Current assets	2
Current liabilities	(5,126)
Net current liabilities	(5,124)
	(5,124)
Financed by:	
Share capital	2
Accumulated loss	(5,126)
Shareholders' deficit	(5,124)

13. ACCOUNTANTS' REPORT (cont'd)

**6.0 SUMMARISED BALANCE SHEETS (CONTD.)****6.11 ISpectrum – Company level**

	As at 31 December
	2003 RM
Current assets	2
Current liabilities	(4,779)
Net current liabilities	(4,777)
	(4,777)
Financed by:	
Share capital	2
Accumulated loss	(4,779)
Shareholders' deficit	(4,777)

13. ACCOUNTANTS' REPORT (cont'd)

**6.0 SUMMARISED BALANCE SHEETS (CONTD.)****6.12 IShine – Company level**

	As at 31 December
	2003 RM
Current assets	2
Current liabilities	(5,126)
Net current liabilities	(5,124)
	(5,124)
Financed by:	
Share capital	2
Accumulated loss	(5,126)
Shareholders' deficit	(5,124)

13. ACCOUNTANTS' REPORT (cont'd)

**6.0 SUMMARISED BALANCE SHEETS (CONTD.)****6.13 IRise – Company level**

	As at 31 December
	2003 RM
Current assets	2
Current liabilities	(5,126)
Net current liabilities	(5,124)
	(5,124)
Financed by:	
Share capital	2
Accumulated loss	(5,126)
Shareholders' deficit	(5,124)

13. ACCOUNTANTS' REPORT (cont'd)

**6.0 SUMMARISED BALANCE SHEETS (CONTD.)****6.14 Infinity – Company level**

	As at 31 December
	2003 RM
Current assets	2
Current liabilities	(5,126)
Net current liabilities	(5,124)
	(5,124)
 Financed by:	
Share capital	2
Accumulated loss	(5,126)
Shareholders' deficit	(5,124)

13. ACCOUNTANTS' REPORT (cont'd)



7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

The following Pro forma Consolidated Statement of Assets and Liabilities has been prepared for illustrative purposes only, based on the audited balance sheets of IB and its subsidiary companies as at 31 December 2003 to show the effects of the Restructuring and Listing Scheme in Section 2.2, after making such adjustments as considered necessary:

	Note	Audited as at 31 December 2003 RM'000	Pro forma I RM'000	Pro forma I and Public Issue RM'000
Property, plant and equipment	7.2	3,193	3,193	3,193
Land and development expenditure	7.3	71,330	71,330	71,330
Investments in subsidiary companies	7.4	-	-	-
Current assets	7.5	107,938	107,938	107,938
Current liabilities	7.6	(59,622)	(59,622)	(43,067)
Net current assets		48,316	48,316	64,871
		<u>122,839</u>	<u>122,839</u>	<u>139,394</u>
Financed by:				
Share capital	7.7	65,338	74,121	90,000
Share premium	7.8	-	2,194	2,870
Reserve on consolidation	7.9	2,475	3,481	3,481
Revenue reserve		23,275	23,275	23,275
Shareholders' funds		91,088	103,071	119,626
Minority interest		11,977	-	-
Deferred and long term liabilities	7.10	19,774	19,768	19,768
		<u>122,839</u>	<u>122,839</u>	<u>139,394</u>
<i>Net Tangible Assets</i>		<u>91,088</u>	<u>103,071</u>	<u>119,626</u>
<i>Net Tangible Assets per share (RM)</i>		<u>1.39</u>	<u>1.39</u>	<u>1.33</u>

Pro forma I: After incorporating the effects of the Acquisitions of the remaining ordinary shares in SIP and ILCDA and issuance of ordinary shares.

Pro forma II: After incorporating the effects of Pro forma I, the Proposed Public Issue and utilisation of proceeds from public issue.

Note: The Pro Forma Balance Sheets do not incorporate the effects of the acquisition of the option land from IP as disclosed in Note 2.2 of this report as the purchase consideration and the number of ordinary shares to be issued to satisfy the acquisition have yet to be determined as at the date of our Accountants' Report.

13. ACCOUNTANTS' REPORT (cont'd)

**7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****7.1 Significant Accounting Policies****(a) Basis of preparation**

The Pro forma Consolidated Statement of Assets and Liabilities of the IB Group has been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies, and comply with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards in Malaysia.

(b) Basis of consolidation

The consolidated financial statement includes the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of net assets of the acquired subsidiary company at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

(c) Investments in subsidiary companies

The Company's investments in subsidiary companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 7.1 (f).

On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is charged or credited to the income statement.

13. ACCOUNTANTS' REPORT (cont'd)


7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)
7.1 Significant Accounting Policies (contd.)
(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the enterprise and the revenue can be reliably measured. The following specific recognition criteria must also be met before the revenue is recognised.

(i) Rental income

Revenue is recognised on an accrual basis unless collectibility is in doubt.

(ii) Service fees

Revenue is recognised on an accrual basis unless collectibility is in doubt.

(iii) Interest income

Revenue is recognised as the interest accrues unless collectibility is in doubt.

(iv) Development projects

Profits on long-term development projects are recognised in the financial statements using the percentage of completion method.

Profits on short-term projects are recorded on the substantial completion of each project.

At the time a loss on a project becomes known, the entire amount of the estimated ultimate loss on both short-term and long-term projects is accrued.

(e) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 7.1 (f).

Depreciation is calculated on the straight line basis to write off the cost of the assets over their estimated useful lives. The estimated useful lives are as follows:

Leasehold land	-	over the term of the lease
Buildings and renovation	-	5 years
Plant and machinery	-	10 to 20 years
Motor vehicle, office equipment, furniture and fittings	-	5 to 20 years

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is charged or credited to the income statement and the unutilised portion of the revaluation surplus is taken directly to retained profits.

13. ACCOUNTANTS' REPORT (cont'd)

**7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****7.1 Significant Accounting Policies (contd.)****(e) Property, plant and equipment and depreciation (contd.)**

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(f) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior periods is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(g) Development properties and land held for development

Land and development expenditure are classified as development properties when significant development work has been undertaken and is expected to be completed within the normal operating cycle. Development properties are stated at cost plus attributable profits less foreseeable losses and progress billings. Cost includes cost of land, all direct building costs, and other related development expenditure, including interest expenses incurred during the period of active development.

Land held for development consists of land held for future development where no significant development has been undertaken, and is stated at cost. Cost includes cost of land and attributable development expenditure. Such assets are classified as development properties when significant development work has been undertaken and the development is expected to be completed within the normal operating cycle.

13. ACCOUNTANTS' REPORT (cont'd)

**7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****7.1 Significant Accounting Policies (contd.)****(h) Financial instruments**

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(ii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use of sale. All other borrowings costs are charged to the income statement as an expense in the period in which they are incurred.

(iv) Redeemable cumulative preference shares

Redeemable cumulative preference shares which exhibit characteristics of liabilities are recognised as liabilities in the balance sheet. The corresponding dividends on those shares are recognised as finance costs in the income statement.

(v) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

13. ACCOUNTANTS' REPORT (cont'd)**7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****7.1 Significant Accounting Policies (contd.)****(i) Leases**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Finance leases

Assets acquired by way of hire purchase of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 7.1(e).

(j) Employee benefits**(i) Short term benefits**

Wages, salaries and bonuses are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. These benefits are allocated to the subsidiary companies in the Group by way of apportionment based on the average level of revenue of each of the company involved.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred. These contributions are also allocated to the subsidiary companies in the Group by way of apportionment based on the average level of revenue of each of the company involved.

13. ACCOUNTANTS' REPORT (cont'd)

**7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****7.1 Significant Accounting Policies (contd.)****(k) Income tax**

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB Standard 25 Income Taxes on 1 February 2003, deferred tax as provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for in the current period and has not given rise to any adjustments to the opening balances of the prior and current year or to changes in comparatives.

(l) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement represent short-term, highly liquid investments that are readily convertible to cash with an insignificant risk of changes in value less short-term borrowings repayable on demand. Cash and cash equivalents include cash and bank balances and fixed deposits with a licensed bank, not pledged, net of outstanding bank overdrafts.

13. ACCOUNTANTS' REPORT (cont'd)**7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****7.2 Property, plant and equipment**

	Buildings and renovation RM'000	Motor vehicles, office equipment, furniture and fittings RM'000	Plant and machineries RM'000	Capital work-in progress RM'000	Total RM'000
Cost					
As at 31.12.2003	979	5,341	979	278	7,577
Accumulated depreciation					
As at 31.12.2003	(716)	(3,206)	(462)	-	(4,384)
Net book value					
As at 31.12.2003	<u>263</u>	<u>2,135</u>	<u>517</u>	<u>278</u>	<u>3,193</u>

Included in property, plant and equipment of the Group are motor vehicles acquired under lease instalment plan with a net book value of RM1,115,000.

Certain leasehold land of the Group have charged for banking facilities.

7.3 Land and development expenditure

	Audited as at 31 December 2003 RM'000	Proforma I RM'000	Pro forma I and Public Issue RM'000
Land costs	69,584	69,584	69,584
Development expenditure	1,746	1,746	1,746
	<u>71,330</u>	<u>71,330</u>	<u>71,330</u>

Certain leasehold land and buildings of the Group have been charged as security for the bank facilities.

13. ACCOUNTANTS' REPORT (cont'd)**7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****7.4 Investments in Subsidiary Companies**

Details of subsidiary companies, all of which are incorporated and domiciled in Malaysia, and their principal activities are as set out below:

Name of company	Principal activities	Percentage of equity held	
		31.12.2003	31.1.2003
Syarikat Ibraco-Peremba Sdn. Bhd. ^	Land and property development	60.44%	60.44%
Ibraco-LCDA Sdn. Bhd. ^	Housing and property development	60%	60%
Foso One Sdn. Bhd.	Housing and property development	100%	-
Ibraco Construction Sdn. Bhd.	Housing and property development	100%	-
Ibraco Crest Sdn. Bhd.	Dormant	100%	-
Ibraco Dawn Sdn. Bhd.	Dormant	100%	-
Ibraco Infinity Sdn. Bhd.	Dormant	100%	-
Ibraco Peaks Sdn. Bhd.	Dormant	100%	-
Ibracorange Sdn. Bhd.	Dormant	100%	-
Ibraco Rise Sdn. Bhd.	Dormant	100%	-
Ibraco Shine Sdn. Bhd.	Dormant	100%	-
Ibraco Spectrum Sdn. Bhd.	Dormant	100%	-

^ On 27 February 2004, IB increased its equity interest in :-

- SIP from 60.44% to 100% by acquisition of 3,613,501 issued and fully paid up share capital of SIP satisfied by the issuance of 4,415,800 new ordinary shares of RM1.00 each in IB at RM1.25 per share.
- ILCDA from 60% to 100% by acquisition of 800,000 issued and fully paid up shares capital of ILCDA satisfied by the issuance of 4,361,100 new ordinary shares of RM1.00 each in IB at RM1.25 per share.

13. ACCOUNTANTS' REPORT (cont'd)


7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)
7.5 Current assets

	Note	Audited as at 31 December 2003 RM'000	Pro forma I RM'000	Pro forma I and Public Issue RM'000
Inventories and Work-in-progress	(a)	75,337	75,337	75,337
Trade receivables	(b)	2,349	2,349	2,349
Other receivables, prepayments and deposits	(c)	6,610	6,610	6,610
Amount due from deemed holding company	(d)	7,936	7,936	7,936
Fixed deposits, cash and bank balances	(e)	15,706	15,706	15,706
		<u>107,938</u>	<u>107,938</u>	<u>107,938</u>
(a) Inventories and work-in-progress				
Stock of completed properties		660	660	660
Land		115,627	115,627	115,627
Development expenditure		78,279	78,279	78,279
Attributable profit to date		37,731	37,731	37,731
		<u>232,297</u>	<u>232,297</u>	<u>232,297</u>
Non-current portion, classified as Land held for development		(71,330)	(71,330)	(71,330)
		<u>160,967</u>	<u>160,967</u>	<u>160,967</u>
Progress billings		(85,630)	(85,630)	(85,630)
		<u>75,337</u>	<u>75,337</u>	<u>75,337</u>

Certain leasehold land and buildings of the group have been charged as security for the bank facilities referred to in Notes 7.6.a and 7.10.b to this report.

(b) Trade receivables

The Pro forma Group's normal credit term is 14 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to group of debtors.

13. ACCOUNTANTS' REPORT (cont'd)**7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****7.5 Current assets (Contd.)****(c) Other receivables, deposits and prepayments**

	Audited as at 31 December 2003 RM'000	Pro forma I RM'000	Pro forma I and Public Issue RM'000
Other receivables	2,099	2,099	2,099
Prepayments	987	987	987
Deposits	1,443	1,443	1,443
Tax refundable	2,081	2,081	2,081
	<u>6,610</u>	<u>6,610</u>	<u>6,610</u>

[Other receivables of RM 2,080,000 were fully repaid subsequent to the financial period end.]

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

(d) Amount due from deemed holding company

	Audited as at 31 December 2003 RM'000	Pro forma I RM'000	Pro forma I and Public Issue RM'000
Amount due from deemed holding company	7,936	7,936	7,936

[The amounts due from deemed holding company is unsecured, interest-free and were fully settled subsequent to the financial period end.]

(e) Fixed deposits, cash and bank balances

	Audited as at 31 December 2003 RM'000	Pro forma I RM'000	Pro forma I and Public Issue RM'000
Cash and bank balances	14,661	14,661	14,661
Fixed deposits with licensed banks	1,045	1,045	1,045
	<u>15,706</u>	<u>15,706</u>	<u>15,706</u>

Fixed deposits with licensed banks of the Group amounting to RM1,016,000 is pledged to bank for credit facilities granted to the Group.

13. ACCOUNTANTS' REPORT (cont'd)


7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)
7.6 Current liabilities

	Note	Audited as at 31 December 2003 RM'000	Pro forma I RM'000	Pro forma I and Public Issue RM'000
Amount due to bankers	(a)	42,762	42,762	26,207
Trade payables	(b)	7,542	7,542	7,542
Other payables and accruals	(c)	5,634	5,634	5,634
Amount due to deemed holding company	(d)	3	3	3
Term loan	7.10(b)	3,419	3,419	3,419
Lease payables	7.10(c)	262	262	262
		59,622	59,622	43,067
		59,622	59,622	43,067

(a) Amount due to bankers

Bank overdrafts	19,757	19,757	3,202
Revolving credit	18,000	18,000	18,000
Banker's acceptance	5,005	5,005	5,005
	42,762	42,762	26,207
	42,762	42,762	26,207

The bank overdrafts of the Group are secured by fixed charges over certain development land and fixed deposits of the Group and bear interest of 1.15% - 1.50% per annum above bankers' base lending rate.

The revolving credit facilities are secured by a first charge over leasehold land and buildings of the Group. During the period, interest was charged at rates ranging from 5.25% to 6.81% per annum.

(b) Trade payables

The normal trade credit term granted to the Group ranges from 30 to 60 days.

13. ACCOUNTANTS' REPORT (cont'd)**7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****7.6 Current liabilities (Contd.)****(c) Other payables and accruals**

	Audited as at 31 December 2003 RM'000	Pro forma I RM'000	Pro forma I and Public Issue RM'000
Other payables	4,420	4,420	4,420
Accruals	1,165	1,165	1,165
Deposits	49	49	49
	<u>5,634</u>	<u>5,634</u>	<u>5,634</u>

(d) Amount due to deemed holding company

Amount due to deemed holding company	<u>3</u>	<u>3</u>	<u>3</u>
--------------------------------------	----------	----------	----------

The amount due to deemed holding company is unsecured, interest-free and has no fixed terms of repayment.

7.7 Share capital

	Audited as at 31 December 2003 RM'000	Pro forma I RM'000	Pro forma I and Public Issue RM'000
Authorised			
Ordinary shares of RM1.00 each	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully-paid			
Ordinary shares of RM1.00 each	<u>65,338</u>	<u>74,121</u>	<u>90,000</u>

7.8 Share premium

	RM'000
As at 31 December 2003	-
Arising from the Acquisition of the remaining shares in SIP and ILCDA	2,194
Arising from the Public Issue	3,176
	<u>5,370</u>
Less: Estimated listing expenses	(2,500)
After Pro forma I & Public issue	<u>2,870</u>

13. ACCOUNTANTS' REPORT (cont'd)


7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)
7.9 Reserve on consolidation

	Note	Audited as at 31 December 2003 RM'000	Pro forma I RM'000	Pro forma I and Public Issue RM'000
As at beginning of year		2,475	2,475	2,475
Arising from acquisition of shares in subsidiary companies		-	1,006	1,006
As at end of year		<u>2,475</u>	<u>3,481</u>	<u>3,481</u>

7.10 Deferred and long term liabilities

Deferred taxation	(a)	297	297	297
Term Loan	(b)	19,121	19,121	19,121
Lease payables	(c)	350	350	350
Redeemable preference Shares		6	-	-
		<u>19,774</u>	<u>19,768</u>	<u>19,768</u>

(a) Deferred taxation

As at beginning of period	762	762	762
Recognised in income statement	86	86	86
Disposal of subsidiary company	(551)	(551)	(551)
As at end of period	<u>297</u>	<u>297</u>	<u>297</u>
Presented after appropriate offsetting as follows:			
Deferred tax assets	-	-	-
Deferred tax liabilities	297	297	297
	<u>297</u>	<u>297</u>	<u>297</u>

13. ACCOUNTANTS' REPORT (cont'd)



7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

7.10 Deferred and long term liabilities (Contd.)

(b) Term loan

	Audited as at 31 December 2003 RM'000	Pro forma I RM'000	Pro forma I and Public Issue RM'000
Due within twelve months(Note 7.6)	3,419	3,419	3,419
Due after twelve months	19,121	19,121	19,121
	<u>22,540</u>	<u>22,540</u>	<u>22,540</u>
Maturity of term loan:			
Within one year	3,419	3,419	3,419
More than 1 year and less than 2 years	4,121	4,121	4,121
More than 2 years and less than 5 years	15,000	15,000	15,000
	<u>22,540</u>	<u>22,540</u>	<u>22,540</u>

The above term loan is secured by a first charge over leasehold land and buildings of the Group. During the period, interest was charged at a rate ranging from 5.25% to 6.81% per annum.

(c) Lease payables

	Audited as at 31 December 2003 RM'000	Pro forma I RM'000	Pro forma I and Public Issue RM'000
Minimum lease payments:			
Not later than 1 year	321	321	321
Later than 1 year and not later than 2 years	264	264	264
Later than 2 years and not later than 5 years	172	172	172
	<u>757</u>	<u>757</u>	<u>757</u>
Less: Future finance charges	(145)	(145)	(145)
	<u>612</u>	<u>612</u>	<u>612</u>
Present value of finance lease liabilities:			
Not later than 1 year	262	262	262
Later than 1 year and not later than 2 years	212	212	212
Later than 2 years and not later than 5 years	138	138	138
	<u>612</u>	<u>612</u>	<u>612</u>

13. ACCOUNTANTS' REPORT (cont'd)**7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****7.10 Deferred and long term liabilities (Contd.)****(c) Lease payables (Contd.)**

	Audited as at 31 December 2003 RM'000	Pro forma I RM'000	Pro forma I and Public Issue RM'000
Analysed as:			
Due within 12 months(Note 7.6)	262	262	262
Due after 12 months	350	350	350
	612	612	612
	612	612	612

The lease liabilities bore interest during the period of between 4.30% to 5.25% per annum.

7.11 Financial instruments**(a) Financial risk management objectives and policies**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

(b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest-bearing assets as at 31st December 2003. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits.

(c) Liquidity risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

13. ACCOUNTANTS' REPORT (cont'd)


7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)
7.11 Financial instruments (Contd.)
(d) Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(e) Fair values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Group as at 31st December 2003 are represented as follows:

	Note	Carrying amount RM'000	Fair value RM'000
Financial assets			
Amount due from deemed holding company	7.5(d)	7,936	*
Financial liabilities			
Amount due to deemed deemed holding company	7.6(d)	3	*
Term loans	7.10(b)	19,121	**
Lease payables	7.10(c)	350	**

* It is not practical to estimate the fair values of amounts due to/from deemed holding company, due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

13. ACCOUNTANTS' REPORT (cont'd)



7.0 PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

7.11 Financial instruments (Contd.)

(e) Fair values (Contd.)

** The fair value information pertaining to deferred liabilities is not disclosed as it is not practicable due to timeliness or cost to determine the fair value with sufficient reliability. Alternatively, the principal characteristics, namely the terms and conditions of the instruments have been disclosed in 7.10(b) and 7.10(c).

The following method and assumption are used to estimate the fair values of the following classes of financial instruments:

Cash and cash equivalents, trade and other receivables/payables and short term borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

13. ACCOUNTANTS' REPORT (cont'd)

**8.0 CASH FLOW STATEMENTS**

The Cash Flow Statements of the Group and of the Pro forma Group set out below are based on the audited cash flow statement of IB Group for the period ended 31 December 2003:

	Audited as at 31 December 2003 RM'000	Proforma I and Public Issue RM'000
Cash flows from operating activities		
Profit before taxation	32,047	32,047
Adjustments for:		
Depreciation of property, plant and equipment	839	839
Gain on disposal of property, plant and equipment	(791)	(791)
Gain on disposal of inventories and development properties	(400)	(400)
Loss on disposal of land held for development	38	38
Gain from disposal of subsidiary company	(15,484)	(15,484)
Interest income	(159)	(159)
Interest expenses	177	177
	<hr/>	<hr/>
Operating profit before working capital changes	16,267	16,267
Changes in working capital:		
Inventories and development properties	(16,838)	(16,838)
Receivables	(424)	(424)
Payables	7,565	7,565
Related companies	19,920	19,920
	<hr/>	<hr/>
Cash generated from operations	26,490	26,490
Income tax paid	(5,886)	(5,886)
Tax refunded	533	533
	<hr/>	<hr/>
Net cash generated from operating activities	21,137	21,137
	<hr/>	<hr/>
Cash flows from investing activities		
Interest income	159	159
Acquisition of property, plant and equipment	(693)	(693)
Net cash outflow from disposal of subsidiary company	(109)	(109)
Proceeds from disposal of inventories and development properties	529	529
Proceeds from disposal of land held for development	104	104
Proceeds from disposal of property, plant and equipment	2,598	2,598
Proceeds from issuance of preference shares	5	5
Land and development expenditure	(19,437)	(19,437)
	<hr/>	<hr/>
Net cash used in investing activities	(16,844)	(16,844)
	<hr/>	<hr/>

13. ACCOUNTANTS' REPORT (cont'd)

**8.0 CASH FLOW STATEMENTS (CONTD.)**

	Audited as at 31 December 2003 RM'000	Proforma I and Public Issue RM'000
Cash flows from financing activities		
Interest paid	(177)	(177)
Net dividends paid	(11,500)	(11,500)
Dividends paid to minority shareholders	(415)	(415)
Net proceed from banker's acceptance and revolving credit obtained	9,190	9,190
Net proceed from Initial Public Offer (IPO)	-	16,555
Term loan obtained	20,500	20,500
Fixed deposits pledged to bank	(16)	(16)
Repayment of banker's acceptance and revolving credit	(5,232)	(5,232)
Repayment of term loan	(2,686)	(2,686)
Repayment of lease payables	(248)	(248)
	<hr/>	<hr/>
Net cash generated from financing activities	9,416	25,971
	<hr/>	<hr/>
Net increase in cash and cash equivalents	13,709	30,264
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period	(18,777)	(18,777)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	(5,068)	11,487
	<hr/> <hr/>	<hr/> <hr/>
 Analysis of cash and cash equivalents:		
Cash and bank balances	14,661	14,661
Fixed deposits with licensed banks	28	28
Bank overdrafts	(19,757)	(3,202)
	<hr/>	<hr/>
	(5,068)	11,487
	<hr/> <hr/>	<hr/> <hr/>
 Analysis of acquisition of property, plant and equipment:		
By cash	693	693
	<hr/> <hr/>	<hr/> <hr/>

13. ACCOUNTANTS' REPORT (cont'd)

**9.0 PRO FORMA GROUP NET TANGIBLE ASSETS COVER**

Based on the Pro Forma Consolidated Statement of Assets and Liabilities set out in Section 7 of this report, the pro forma consolidated Net Tangible Asset ("NTA") per ordinary share is as follows:

NTA (RM'000)	119,626
Number of ordinary shares of RM1.00 each assumed in issue ('000)	90,000
NTA per ordinary share of RM1.00 each of IB Group (RM)	1.33

10.0 AUDITED FINANCIAL STATEMENTS

No audited financial statements of the IB Group have been prepared in respect of any period subsequent to 31 December 2003.

11.0 SUBSEQUENT EVENTS*(a) Acquisition of the remaining equity interest in SIP*

On 24 July 2003, IB entered into a conditional sale and purchase agreement of shares with Permodalan Peremba Sdn. Bhd. for the acquisition of 3,613,501 shares or approximately 39.56% of the issued and paid-up share capital of SIP not already owned by IB for a purchase consideration of RM5,519,704 based on the adjusted Net Tangible Assets of SIP at 31 January 2003, adjusted for the gain on disposal arising from the disposal of its entire shareholding in IPH and dividend payment to shareholders.

The purchase consideration of RM5,519,704 will be satisfied by the issuance of 4,415,800 new shares in IB, at an issue price of approximately RM1.25 per share.

The acquisition of the remaining equity interest in SIP was completed on 27 February 2004, thereby making SIP a wholly-owned subsidiary company.

(b) Acquisition of the remaining equity interest in ILCDA

On 24 July 2003, IB entered into a conditional sale and purchase agreement of shares with Pelita Holdings Sdn. Bhd. for the acquisition of 800,000 shares or approximately 40.00% of the issued and paid-up share capital of ILCDA not already owned by IB for a purchase consideration of RM5,451,286 based on the adjusted Net Tangible Assets of ILCDA at 31 January 2003.

The purchase consideration of RM5,451,286 will be satisfied by the issuance of 4,361,100 new shares in IB, at an issue price of approximately RM1.25 per share.

The acquisition of the remaining equity interest in ILCDA was completed on 27 February 2004, thereby making ILCDA a wholly-owned subsidiary company.

13. ACCOUNTANTS' REPORT (cont'd)

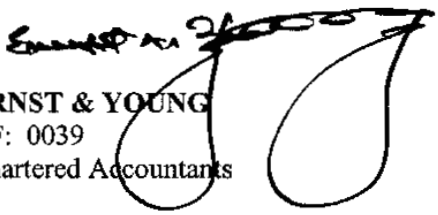
ERNST & YOUNG (AF: 0039)


11.0 SUBSEQUENT EVENTS (CONTD.)

(c) *Issue of shares*

On 3 March 2004, IB issued 5,500 shares to 55 employees of IB at an issue price of RM1.20 per share.

Yours faithfully


ERNST & YOUNG
AF: 0039
Chartered Accountants


YONG VOON KAR
1769/04/06 (J/PH)
Partner