

Consolidated Statements of Cash Flows

(In thousands)

	Years Ended October 31,		
	2003	2002 (Restated)	2001 (Restated)
Cash flows from operating activities:			
Net income (loss)	\$ 98,118	\$ 71,563	\$ (6,918)
Adjustment to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	12,516	10,829	12,641
(Gain) loss on disposal of fixed assets	(31)	126	219
Gain on sale of subsidiary	—	—	(651)
(Gain) loss on Internet investments	(39)	(181)	21,477
Impairment charge on Internet assets	—	—	4,187
Impairment of intellectual property and technology	7,892	—	—
Non-cash charges for consolidation of distribution facilities	5,474	—	—
Loss on early extinguishment of debt	—	—	3,165
Provision (benefit) for deferred taxes	8,203	6,726	(9,422)
Provision for returns	47,342	28,350	40,543
Provision for price concessions	45,919	29,513	25,757
Provision for doubtful accounts and sales allowances	31,390	16,638	5,528
Amortization of various expenses and discounts	9,301	6,262	1,168
Write-off of prepaid royalties and capitalized software	9,588	15,616	1,585
Tax benefit from exercise of stock options	20,858	10,700	—
Compensatory stock and stock options	3,445	3,052	5
Other	(2,190)	(840)	108
Changes in operating assets and liabilities, net of effects of acquisitions:			
Increase in accounts receivable	(185,611)	(87,100)	(51,505)
Increase in inventories	(25,146)	(12,852)	(2,821)
Increase in prepaid royalties	(10,764)	(8,157)	(8,174)
Increase in prepaid expenses and other current assets	(15,597)	(3,034)	(4,509)
Increase in capitalized software development costs	(5,152)	(895)	(3,099)
Decrease (increase) in other non-current assets	—	257	(455)
Increase in accounts payable	20,148	23,019	1,511
Increase (decrease) in accrued expenses and other current liabilities	4,445	33,835	(3,021)
Increase in income taxes payable	519	1,571	—
Net cash provided by operating activities	80,628	144,998	27,319
Cash flows from investing activities:			
Purchase of fixed assets	(15,464)	(10,466)	(8,568)
Sale of investments	114	6,170	—
Acquisitions, net of cash acquired	(27,973)	(3,788)	(1,769)
Acquisition of intangible assets	(2,075)	(10,000)	(3,105)
Proceeds from disposal of business	—	—	215
Other investing activities	(483)	—	(252)
Net cash used in investing activities	(45,881)	(18,084)	(13,479)
Cash flows from financing activities:			
Proceeds from private placements	—	—	20,892
Net repayments under lines of credit	—	(54,284)	(40,545)
Repayment of loan payable	—	—	(15,000)
Proceeds from exercise of stock options and warrants	44,865	23,308	22,931
Other financing activities	(303)	(1,012)	(68)
Net cash provided by (used in) financing activities	44,562	(31,988)	(11,790)
Effect of foreign exchange rates	(4,201)	7,387	(1,239)
Net increase in cash for the period	75,108	102,313	811
Cash and cash equivalents, beginning of the period	108,369	6,056	5,245
Cash and cash equivalents, end of the period	\$ 183,477	\$108,369	\$ 6,056

The accompanying notes are an integral part of these consolidated financial statements.