

Consolidated Financial Statements

**Income Statement**

(dollar figures are in thousands)	1997	1996
<b>Sales Revenue</b>		
Widget Sales	\$ 12,347	\$ 9,746
Services	6,912	5,688
<b>Total Sales Revenue</b>	<b>19,259</b>	<b>15,434</b>
	(E)	
<b>Sales Costs</b>		
Widget Sales	5,649	4,688
Services	3,166	2,712
<b>Total Sales Costs</b>	<b>8,815</b>	<b>7,400</b>
<b>Gross Profit</b>	<b>10,444</b>	<b>8,034</b>
Gross Margin	54 %	52 %
<b>Operating Expenses</b>		
Sales & Marketing	4,078	3,132
General & Administrative	916	705
Research & Development	2,364	1,831
<b>Total Operating Expenses</b>	<b>7,358</b>	<b>5,668</b>
<b>Operating Income</b>	<b>3,086</b>	<b>2,366</b>
Operating Margin	16 %	15 %
Interest Payments to Bondholders	147	253
Earnings Before Taxes	2,939	2,113
Provision for Taxes	1,028	739
<b>Earnings ("net income")</b>	<b>1,911</b>	<b>1,374</b>
Profit Margin	10 %	9 %
Dividends paid to Shareholders	10	-
<b>Earnings available to Shareholders</b>	<b>1,901</b>	<b>1,374</b>