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COMPANY NAME HERE

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COMPANY NAME HERE

**COMBINED FINANCIAL STATEMENTS FOR THE YEAR ENDED (INSERT DATES HERE), AND INDEPENDENT AUDITOR'S REPORT**

**COMPANY NAME HERE**

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FINANCIAL STATEMENTS FOR  
THE YEAR ENDED \_\_\_\_\_ AND  
INDEPENDENT AUDITOR'S REPORT

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Shareholders of \_\_\_\_\_ Inc.

We have audited the accompanying balance sheet of \_\_\_\_\_ Inc. as of December 31, 2004 and the related statements of income, retained earnings, and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of \_\_\_\_\_ Corporation as of \_\_\_\_\_, 200X and the results of its operations cash flows the year then ended in conformity with accounting principles generally accepted in the United States.

\_\_\_\_\_  
LLP

February 28, 2004

\_\_\_\_\_

**COMPANY NAME HERE**

COMBINED BALANCE SHEET  
(INSERT DATES HERE)

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ASSETS

CURRENT ASSETS:

- Cash and cash equivalents
- Accounts receivable:
  - Trade
  - Other
- Inventory
- Other

Total current assets 0

PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS, net

OTHER ASSETS

TOTAL ASSETS \$                     

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See independent accountants' review report  
and notes to consolidated financial statements.

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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable  
Accrued and Other expenses  
Note payable - stockholder

Total current liabilities 0

COMMITMENTS

STOCKHOLDERS' EQUITY:

Capital Stock  
Retained earnings  
Cumulative translation adjustment

Total stockholders' equity \_\_\_\_\_

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY \$

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**COMPANY NAME HERE**

COMBINED STATEMENT OF INCOME AND RETAINED EARNINGS  
YEAR ENDED (INSERT DATES HERE)

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OPERATING EXPENSES	
INCOME FROM OPERATIONS	0
OTHER INCOME (EXPENSE)	
Interest income	
Interest expense	
Other, net	
Total other income (expense)	<hr/>
INCOME BEFORE TAXES	0
PROVISION FOR FOREIGN INCOME TAXES	
NET INCOME	0
DIVIDENDS PAID	
RETAINED EARNINGS:	
Beginning of period	
End of period	<hr/> <hr/> \$

**COMPANY NAME HERE**

COMBINED STATEMENT OF CASH FLOWS  
YEAR ENDED (INSERT DATES HERE)

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INVESTING ACTIVITIES:

Purchases of property and equipment  
Additional deposits made

\_\_\_\_\_

FINANCING ACTIVITIES:

Dividends paid

NET INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS:

Beginning of period

End of period

\$ \_\_\_\_\_

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## COMPANY NAME HERE

### COMBINED STATEMENT OF SHAREHOLDERS' EQUITY (INSERT DATES HERE)

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<u>COMPANY</u>	<u>COMMON STOCK</u>		<u>RETAINED EARNINGS</u>	<u>CUMULATIVE TRANSLATION ADJUSTMENT</u>	<u>TOTAL EQUITY</u>
Company A	\$5,000	a	\$6,461,000	(\$5,000)	\$6,461,000
Company B	17,000	a	(14,000)		3,000
Company C	5,000	b	86,000		91,000
Company D	5,000	c	(4,000)		1,000
Company E	15,000	d	7,000	3,000	25,000
Company F	<u>16,000</u>	e	<u>132,000</u>	<u>(19,000)</u>	<u>129,000</u>
	<u>\$63,000</u>		<u>\$6,668,000</u>	<u>(\$21,000)</u>	<u>\$6,710,000</u>

- a. No par value, 100,000 shares authorized; 5,000 shares issued and outstanding  
b. No par value, 25,000 shares authorized; 5,000 shares issued and outstanding  
c. No par value, 5,000 shares authorized; 5,000 shares issued and outstanding  
d. Mexican Pesos \$NP10,000 par value; 50 shares issued and outstanding  
e. Italian Lire £1,000 par value; 20,000 shares issued and outstanding

**COMPANY NAME HERE**

COMBINED STATEMENT OF CASH FLOWS *(continued)*  
YEAR ENDED (INSERT DATES HERE)

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SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:

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# COMPANY NAME HERE

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
YEAR ENDED (INSERT DATES HERE)

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## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES:

**Nature of operations:** The \_\_\_\_\_ Group of Companies (the "Group") is involved in

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**Organization** - The Group is comprised of various domestic and international corporations that are related through both common ownership as well as through the similarity and inter-dependency of their operations. The commonality of ownership within the Group is through a single shareholder who directly or indirectly owns the majority, if not all, of the outstanding stock of the Group members. The combined financial statements include the accounts of the following entities:

COMPANY A - Formed in 1991, this Washington State Subchapter "S" corporation is involved in the design, import and distribution of the Group's products. COMPANY NAME' principal location is in Seattle, Washington, with a customer service office in Denver, Colorado. COMPANY NAME owns equipment located in Italy and Mexico that is utilized in the manufacturing and assembly operations of other members of the Group.

COMPANY A - Description

COMPANY B - Description

COMPANY C - The commonality of ownership among the Group as of (insert dates here) is as follows:

<u>Entity</u>	<u>% Owned by a Common Stockholder</u>	<u>Remainder Owned by:</u>
Company A	100%	-
Company B	100%	-
Company C	100%	-

**Principals of Combination:** The Combined statements of the Group include the balances and transactions of Company A, Company B, and Company C. Significant intercompany transactions and balances have been eliminated in consolidation.

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual results could differ from those estimates.

**Cash equivalents:** The Group considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Inventories:** Inventories are stated at the lower of cost (first-in, first-out basis) or market.

**Property and equipment:** Property and equipment are stated at cost and are depreciated primarily on a straight line basis over estimated useful lives ranging from \_\_\_\_\_ to \_\_\_\_\_ years.

**Significant customers:** The Group's outside sales are concentrated among a few large customers. For the year ended (insert dates here), the concentration, and the percentage of sales to these customers is as follows:

Largest customer	80 %
Next two largest customers	14
Sales to contract manufacturer	5
All other customers	<u>1</u>
	<u>100%</u>

The Group sells to its three largest customers under long-term supply contracts which are subject to renewal at various dates through 1999. Under these contracts, the customers are required to purchase certain minimum quantities that increase yearly throughout the contract period. The largest customer has a contract through 1999 which obligates it to purchase increases of at least 8% per year over the prior years minimum.

The Group has strong relationships with these customers and believes they are credit worthy. The accounts receivable balance at (insert dates here) and 1995, consists primarily of receivables from these significant customers. Sales are made without collateral and the Group's credit-related losses have been insignificant. Accordingly, there is no allowance for doubtful accounts at (insert dates here).

The Group also has long-term supply contracts with its next two largest customers. The minimum purchase quantities and contract durations vary by customer.

**Vendors:** The Group purchases substantially all of its finished goods for its two largest product lines from a Japanese contract manufacturer. Sales of these product lines accounted for 85% of total sales in both 1996 and 1995. The purchase arrangement is not covered by a formal manufacturing agreement. However, the relationship between the contract manufacturer and the Group has been ongoing for the past 14 years. The Group's purchases represent a significant portion of the output of the contract manufacturer's Southeast Asian production facilities. At (insert dates here) approximately \_\_\_\_\_ was owed to this supplier and included in accounts payable.

**Foreign currency translation:** Current assets and liabilities denominated in foreign currencies are translated to U.S. dollars at the exchange rate on the balance sheet date. Non-current assets and liabilities denominated in foreign currencies are translated to U.S. dollars at the exchange rate on the date the asset or liability was acquired or created. Revenues, costs, and expenses are translated at average rates of exchange prevailing during the year. The translation adjustment resulting from this process is presented separately in stockholders' equity.

## NOTE 2: INVENTORIES

Inventories consist of the following at (insert dates here):

Raw materials  
Work in progress  
Finished goods

\_\_\_\_\_  
\$ \_\_\_\_\_

## NOTE 3: PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Property, equipment, and leasehold improvements are physically located in various countries and consist of the following at (insert dates here):

	<u>Italy</u>	<u>Mexico</u>	<u>USA</u>	<u>Total</u>
Machinery and equipment	\$ 3,964,000	\$ 1,828,000	\$ 451,000	\$ 6,243,000
Furniture and fixtures	292,000	139,000	333,000	764,000
Leasehold improvements	191,000	1,110,000	149,000	1,450,000
Vehicles	15,000	13,000		28,000
Computers and software	318,000	189,000	789,000	1,296,000
Equipment under construction	<u>125,000</u>	<u>420,000</u>	<u>1,081,000</u>	<u>1,626,000</u>
	<u>\$ 4,905,000</u>	<u>\$ 3,699,000</u>	<u>\$ 2,803,000</u>	11,407,000
Less accumulated depreciation and amortization				(3,930,000)
Less valuation allowances				<u>(45,000)</u>
				<u>\$ 7,432,000</u>