Semco

INSTRUMENTS, INC.

ANNUAL
REPORT
1999

SEMCO INSTRUMENTS, INC. was founded in December 1965 as an engineering based aerospace manufacturer of precision sensors and electronic controls. Our primary market has been the gas turbine engine manufacturers and the related commercial aircraft industry. Company efforts continue to be directed toward the expansion of our market share of temperature sensors and speed sensors in the commercial and military markets.

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To Our Shareholders:

Sales achieved by your Company in 1999 were $6,376,818 as compared to 1998 sales of $6,791,165. In 1999, net income was $269,193 or $0.06 per share as compared to a 1998 net income of $285,262 or $0.06 per share.

In 1999 the Company experienced a 6.1% contraction in sales due primarily to the variable timing in major customer requirements. Still, the Company was able to participate in several new applications of our product technology outside of the gas turbine engine industry that will benefit the Company in future years. While our business operates in a very tight market wherein supplier-customer partnerships and long-term agreements have some limiting effect upon new business opportunities, the Company continues to position itself as a technology-rich, low-cost provider of quality products among the continuing consolidation in the aerospace market. In this environment, our Company has the opportunity to be very successful.

The Company continued multiple process-improvement efforts in 1999 and the Company benefited with a reduction in inventory and an improvement in product cycle-time. The Company also made several significant purchases of capital equipment with the intention of reducing the variability in processes, enhancing the process yield, and reducing overall costs. This dedication to process improvement and cycle-time reduction will continue with heightened attention in 2000 with the expectation of improved business performance.

The Company demonstrated its Year 2000 compliance with the absence of any effect whatsoever for the change in date. Our information systems will continue to evolve to more fully participate in the growing e-commerce opportunities.

We remain optimistic about the future of the Company. The Company continues to gain market share while distinguishing itself in the areas of technical expertise, quality, delivery, and customer support in a competitive market. In addition, the Company is focused on process improvement and cost reductions in order to enhance its earnings.

I am thankful for your continued interest and support.

Sincerely,

SEMCO INSTRUMENTS, INC.

Michael G. Moore
President

ISO 9001 Certified
Certificate No. FM 35623

Balance Sheets

ASSETS	December 31 1999	1998
Current Assets		
Cash	**$ 416,158**	$ 381,824
Trade receivables	**1,039,111**	945,934
Inventories	**2,161,376**	2,271,658
Prepaid expenses and other current assets	**88,754**	66,831
Deferred taxes	**118,000**	116,000
Total current assets	**3,823,399**	3,782,247
Property, Plant and Equipment		
Land	**898,993**	898,993
Building and improvements	**2,047,021**	2,022,397
Machinery and equipment	**1,893,022**	1,530,022
Automotive equipment	**69,675**	67,376
Furniture, fixtures and computers	**637,774**	656,067
	5,546,485	5,174,855
Less accumulated depreciation	**2,758,161**	2,588,691
	2,788,324	2,586,164
	$ 6,611,723	$ 6,368,411

LIABILITIES AND STOCKHOLDERS' EQUITY	1999	1998
Current Liabilities		
Current maturities of long-term debt	**$ 30,402**	$ 48,303
Accounts payable and accrued expenses	**688,765**	664,489
Total current liabilities	**719,167**	712,792
Long-term Debt, less current maturities	**1,814,143**	1,865,534
Deferred Taxes	**296,000**	253,000
Stockholders' Equity		
Common stock, $0.01 par value; 6,000,000 shares authorized	**43,905**	43,945
Additional paid-in capital	**867,785**	869,065
Treasury stock	**(39,599)**	(17,054)
Retained earnings	**2,910,322**	2,641,129
Total stockholders' equity	**3,782,413**	3,537,085
	$ 6,611,723	$ 6,368,411

See Notes to Financial Statements.

Statements of Income

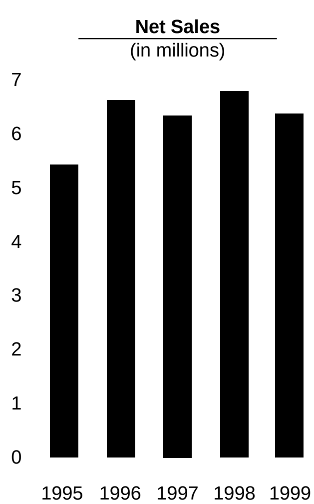
	Years Ended December 31		
	1999	**1998**	**1997**
Net sales	**$ 6,376,818**	$ 6,791,165	$ 6,374,961
Cost of sales	**4,720,789**	5,107,063	4,909,688
Gross profit	**1,656,029**	1,684,102	1,465,273
Selling, general and administrative expenses	**1,101,273**	1,021,394	914,927
Operating income	**554,756**	662,708	550,346
Financial (income) expense:			
Interest expense, net	**142,009**	232,446	219,534
Other	**(11,446)**		
	130,563	232,446	219,534
Income before income taxes	**424,193**	430,262	330,812
Federal and state income taxes	**155,000**	145,000	116,000
Net income before cumulative effect of change in accounting principle	**269,193**	285,262	214,812
Cumulative effect on prior years of changing to a different method of accounting for precontract costs, net of related tax effect	**–**	–	(123,951)
Net income	**$ 269,193**	$ 285,262	$ 90,861
Earnings per common share:			
Net income before cumulative effect of change in accounting principle	**$ 0.06**	$ 0.06	$ 0.05
Cumulative effect on prior years of change in accounting principle	**–**	–	(0.03)
Basic and diluted earnings per share	**$ 0.06**	$ 0.06	$ 0.02
Weighted average number of common shares outstanding	**4,322,386**	4,406,549	4,431,643
Weighted average number of common shares outstanding, assuming dilutive effect of stock options	**4,373,251**	4,406,549	4,431,643

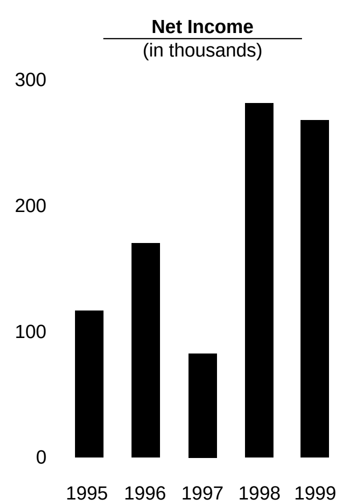
See Notes to Financial Statements.

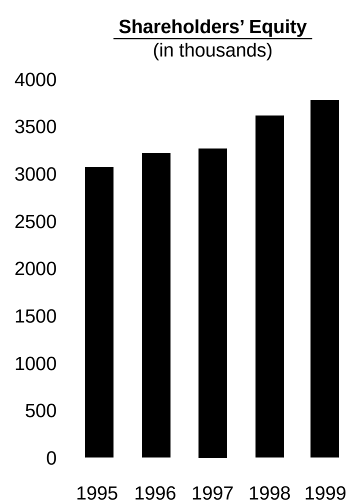
Statements of Shareholders' Equity

	Common Stock		Additional	Retained	Treasury Stock, at Cost		
	Shares Outstanding	Amount	Paid-in Capital	Earnings	Shares	Amount	Total
Balance, December 31, 1996	4,488,999	$ 44,890	$ 890,018	$ 2,265,006	–	$ –	$ 3,199,914
Net income	–	–	–	90,861	–	–	90,861
Repurchase of common stock	–	–	–	–	(79,000)	(18,960)	(18,960)
Balance, December 31, 1997	4,488,999	44,890	890,018	2,355,867	(79,000)	(18,960)	3,271,815
Net income	–	–	–	285,262	–	–	285,262
Retirement of previously repurchased treasury stock	(94,463)	(945)	(20,953)	–	94,463	21,898	–
Repurchase of common stock	–	–	–	–	(102,088)	(19,992)	(19,992)
Balance, December 31, 1998	4,394,536	43,945	869,065	2,641,129	(86,625)	(17,054)	3,537,085
Net income	–	–	–	269,193	–	–	269,193
Retirement of previously repurchased treasury stock	(3,960)	(40)	(1,280)	–	3,960	1,320	–
Repurchase of common stock	–	–	–	–	(68,960)	(23,865)	(23,865)
Balance, December 31, 1999	**4,390,576**	**$ 43,905**	**$ 867,785**	**$ 2,910,322**	**(151,625)**	**$ (39,599)**	**$ 3,782,413**

See Notes to Financial Statements.







Statements of Cash Flows

	Years Ended December 31		
	1999	**1998**	**1997**
Cash Flows from Operating Activities			
Net income	**$ 269,193**	$ 285,262	$ 90,861
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect on prior years of changing to a different method of accounting for pre-contract costs	**–**	–	181,476
Depreciation and amortization	**248,447**	229,968	170,702
Gain on disposal of equipment	**(13,575)**	–	–
Deferred taxes	**41,000**	(1,500)	7,500
Changes in working capital components:			
(Increase) decrease in trade receivables	**(93,177)**	129,912	(183,340)
(Increase) decrease in inventories	**110,282**	8,925	(1,276)
(Increase) decrease in prepaid expenses and other current assets	**(21,923)**	9,374	(24,492)
Increase in accounts payable and accrued expenses	**24,276**	31,225	19,146
Net cash provided by operating activities	**564,523**	693,166	260,577
Cash Flows from Investing Activities			
Purchase of equipment	**(450,607)**	(72,213)	(283,424)
Proceeds on sale of equipment	**13,575**	–	–
Net cash (used in) investing activities	**(437,032)**	(72,213)	(283,424)
Cash Flows from Financing Activities			
Borrowings under lines of credit	**–**	380,000	1,540,000
Repayments on lines of credit	**–**	(800,000)	(1,410,000)
Borrowings on long-term debt	**–**	1,874,998	–
Principal repayments of long-term debt	**(69,292)**	(1,709,450)	(88,770)
Repurchase of common stock	**(23,865)**	(19,992)	(18,960)
Net cash provided by (used in) financing activities	**(93,157)**	(274,444)	22,270
Net increase (decrease) in cash	**34,334**	346,509	(577)
Cash			
Beginning	**381,824**	35,315	35,892
Ending	**$ 416,158**	$ 381,824	$ 35,315
Supplemental Disclosures of Cash Flow Information			
Cash payments for:			
Interest expense	**$ 168,440**	$ 240,255	$ 219,866
Income taxes	**$ 261,102**	$ 5,696	$ 100,966
Supplemental Schedule of Noncash Investing and Financing Activities			
Issuance of notes payable for vehicle	**$ –**	$ 26,139	$ –

See Notes to Financial Statements.

1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

Semco Instruments, Inc. (the Company) manufactures and sells precision sensors and systems for measurement and control, principally to original equipment manufacturers in aerospace and commercial industries primarily located in North America. All sales are denominated in U.S. dollars.

A summary of the Company's significant accounting policies follows:

Use of estimates in preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from those estimates and could materially affect the reported amount of assets, liabilities and future operating results.

Cash

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risk relative to its cash accounts.

Concentrations of credit risk

The Company's customers are concentrated in the commercial aviation industry. The Company performs periodic credit evaluations of its customers' financial condition and does not require collateral. Receivables are generally due within 30 days. Credit losses have historically been within management's expectations.

Fair value of financial instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and debt. The values reported in the financial statements approximate fair value due to their short-term nature and/or relative rates of interest.

Accounting for Stock-based Compensation

The Company follows Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, to measure stock-based employee compensation. Accordingly, stock compensation expense is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the exercise price. The Company also discloses the pro forma effects on net income and earnings per share as if compensation was measured in accordance with the requirements of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-based Compensation*.

NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of weighted average cost or market. The Company periodically reviews the age and turnover of its inventory to determine whether any inventory has become obsolete or has declined in value and records a charge to operations for known and anticipated inventory obsolescence.

Property, plant and equipment

Property, plant and equipment is recorded at cost. The Company uses the straight-line depreciation method for financial reporting purposes. The estimated useful lives by classes of assets used in computing depreciation are as follows:

	Years
Building and improvements	30
Machinery and equipment	5 – 10
Furniture and fixtures	7 – 8
Automotive equipment	5
Molds and tooling	5

Revenue and cost recognition

Revenue is primarily recognized as units are shipped. Any anticipated losses on contracts are charged to current operations as soon as they are determined.

Income taxes

Deferred taxes are provided on a liability method whereby deferred tax liabilities are recognized for taxable temporary differences and deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when it cannot be demonstrated that the deferred tax assets are more likely than not to be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Segment information

The Company operates as one segment, manufacturing and selling precision sensors and systems for measurement and control. For purposes of reporting and aggregating revenue to foreign countries, sales are attributed to the country of the headquarters of the customer.

NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic and diluted net earnings per common share

Basic earnings per share (EPS) excludes dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS is based upon the weighted average number of common shares outstanding during the period plus the additional weighted average common equivalent shares during the period, if any. Common equivalent shares are not included in the per-share calculations where the effect of their inclusion would be antidilutive. Common equivalent shares result from the assumed exercise of outstanding stock options, the proceeds of which are then assumed to have been used to repurchase outstanding stock using the treasury-stock method. For each of the years presented, basic earnings per common share was computed using the weighted average number of common shares outstanding during the period. For the year ended December 31, 1999, 600,000 common stock options had a dilutive effect and were included in the computation of diluted earnings per share and resulted in an increase in the weighted average number of common shares outstanding. Additionally, there were 300,000 common stock options which were antidilutive and were excluded from the computation of diluted earnings per share and the weighted average number of common shares outstanding during 1999. Common stock options were not included in the computation of diluted earnings per share for the years ended December 31, 1998 and 1997, because they had an antidilutive effect.

2 INVENTORIES

Inventories consist of the following at December 31:

	1999	1998
Raw materials and fabricated parts	**$ 1,441,295**	$ 1,373,693
Work in process	**347,799**	650,511
Finished goods	**372,282**	247,454
	$ 2,161,376	$ 2,271,658

3 LINES OF CREDIT

The Company has a revolving line-of-credit agreement with a bank for borrowings up to a maximum of $1,000,000. No amounts were outstanding at December 31, 1999 and 1998. The agreement provides for interest, payable monthly, at the bank's prime rate (8.50% at December 31, 1999). The line of credit is collateralized by all assets of the Company, including trade receivables, inventories, equipment and fixtures. The line of credit expires June 1, 2001.

Under the line-of-credit agreement, the Company agrees to maintain certain minimum financial ratios related to working capital, stockholders' equity and profitability. In addition, the Company is restricted from paying dividends and is limited in its purchases of treasury stock and fixed assets and entering into new lease obligations.

LINES OF CREDIT (continued)

The Company also has a $250,000 line-of-credit facility available for equipment purchases with terms similar to the revolving line of credit. Outstanding balances accrue interest at the bank's prime rate, and interest is payable monthly. The line of credit expires June 1, 2000, at which time any outstanding principal may be converted to a four-year term loan with principal and interest payable monthly. There was no balance outstanding under the equipment line of credit at December 31, 1999 and 1998.

4 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at December 31 consist of:

	1999	1998
Accounts payable	**$ 394,641**	$ 294,848
Compensation and related payroll taxes	**242,969**	220,446
Federal and state income taxes	**–**	113,717
Interest	**31,537**	27,178
Other	**19,618**	8,300
	$ 688,765	$ 664,489

5 LONG-TERM DEBT

Long-term debt at December 31 is as follows:

	1999	1998
Note payable, bank, secured by first deed of trust on real estate,payable in monthly installments of $14,045 including interest at 7.5%, maturing in September 2005	**$ 1,844,545**	$ 1,872,744
Other	**–**	41,093
	1,844,545	1,913,837
Less current portion	**30,402**	48,303
	$ 1,814,143	$ 1,865,534

LONG-TERM DEBT (continued)

Aggregate maturities of long-term debt as of December 31, 1999 are as follows:

Year	Amount
2000	$ 30,402
2001	32,777
2002	35,338
2003	38,098
2004	41,074
Thereafter	1,666,856
	$ 1,844,545

6 INCOME TAXES

Components of income tax expense for the years ended December 31 are as follows:

	1999	1998	1997
Currently paid or payable:			
Federal	**$ 106,000**	$ 119,000	$ 33,500
State	**8,000**	27,500	17,475
	114,000	146,500	50,975
Deferred	**41,000**	(1,500)	65,025
	$ 155,000	$ 145,000	$ 116,000

The following table presents a reconciliation of income tax determined by applying the U.S. federal income tax rate to pretax income.

	1999	1998	1997
Computed expected statutory rate	**35 %**	35 %	35 %
Increase (decrease) in rate resulting from:			
State taxes, net of federal benefit	**5**	5	4
Benefit of income taxed at lower rates	**(1)**	(1)	(2)
Other	**(2)**	(5)	(2)
	37 %	34 %	35 %

INCOME TAXES (continued)

Net deferred tax assets (liabilities) as of December 31 consist of the following components:

	1999	1998
Deferred tax liabilities:		
Property, Plant and Equipment	**$ (105,900)**	$ (93,000)
Undistributed DISC income	**(190,100)**	(158,600)
Other	**–**	(1,400)
	(296,000)	(253,000)
Deferred tax assets:		
Inventory	**56,800**	28,900
Other	**61,200**	87,100
	118,000	116,000
	$ (178,000)	$ (137,000)

Net deferred tax assets (liabilities) described above have been included in the accompanying balance sheets as follows:

	1999	1998
Current assets	**$ 118,000**	$ 116,000
Long-term liabilities	**(296,000)**	(253,000)
	$ (178,000)	$ (137,000)

7 STOCK OPTION PLAN

The Company has adopted certain stock option plans covering the Company's common shares. Nonqualified stock options may be issued to officers, directors or key employees of the Company. Qualified stock options may be issued to employees of the Company. Qualified and nonqualified stock options are exercisable at prices not less than the fair market value on the date of grant (not less than 110% of the fair market value for participating individuals who own more than 10% of the outstanding voting stock of the Company).

Options granted under the Company's stock option plans generally are exercisable beginning one year from the date of grant at the rate of 25% per year on a cumulative basis. The options expire at the earlier of five years from the date of grant or three months from the stock option holder's termination of employment.

STOCK OPTION PLAN (continued)

A summary of stock option activity is as follows:

	1999		1998		1997	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year:	**900,000**	**$0.23**	450,000	$ 0.27	450,000	$ 0.27
Granted	**–**	–	450,000	0.19	–	–
Canceled	**–**	–	–	–	–	–
Outstanding at end of year	**900,000**	**0.23**	900,000	0.23	450,000	0.27
Options exercisable, end of year	**562,500**	**0.26**	337,500	0.27	112,500	0.27
Options available for grant, end of year	**150,000**		150,000		600,000	
Weighted average fair value of options granted during the year	**$ –**		$ 0.04		$ –	

The following table summarizes information about stock options outstanding at December 31, 1999:

Exercise Price	**Number Outstanding**	**Remaining Contractual Life (in Years)**	**Number Exercisable**
$ 0.19	350,000	4	87,500
0.20	100,000	4	25,000
0.24	150,000	0.5	150,000
0.28	200,000	0.5	200,000
0.31	100,000	0.5	100,000
	900,000		562,500

STOCK OPTION PLAN (continued)

The Company applies APB Opinion 25 and related Interpretations in accounting for its grants to employees. Accordingly, no compensation cost has been recognized in the financial statements. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant dates for awards under this plan consistent with the provisions of FASB Statement No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	1999	1998	1997
Net income			
As reported	**$ 269,193**	$ 285,262	$ 90,861
Pro forma	**261,068**	281,252	87,111
Basic and diluted earnings per common share:			
As reported	**0.06**	0.06	0.02
Pro forma	**0.06**	0.06	0.02

The pro forma compensation cost was recognized for the fair value of the stock options granted, which was estimated using the Black-Scholes model with the following assumptions for 1998: expected volatility of 21%, risk-free interest rate of 4.75%, the options would be exercised at the end of the exercise period and the Company would declare and pay no dividends. There were no stock options granted during 1999 or 1997.

8 SALES CONCENTRATIONS

The Company derived 60% of its sales from three unrelated customers during 1999 (65% in 1998 and 67% in 1997). Individually, the three customers accounted for 36%, 13% and 11% of 1999 sales (36%, 16% and 13% in 1998 and 43%, 15% and 9% in 1997).

9 RELATED-PARTY TRANSACTIONS

The Company rents aircraft from its chairman on a month-to-month basis for development and certification of Company products. Such expenses were approximately $16,500, $19,500 and $18,000 in 1999, 1998 and 1997, respectively.

10 ACCOUNTING CHANGE

In 1998 the Accounting Standards Executive Committee issued Statement of Position (SOP) 98-5, Reporting on Costs of Start-up Activities, which provides guidance on accounting for start-up costs. The Company adopted this SOP for its year ended December 31, 1997. This SOP amends SOP 81-1 under which the Company previously deferred certain precontract costs. The unamortized portion of the costs at December 31, 1996 of $123,951, net of tax of $57,525, was recorded as cumulative effect of change in accounting principle.

Net income in 1997, before cumulative effect on prior years of accounting change, would have been lower by approximately $25,000 or $0.01 per share if the Company had used its previous method of accounting for precontract costs.

11 PROFIT SHARING PLANS

The Company has a 401(k) profit sharing plan for full-time employees who have completed 12 months of service and reached age 21. Eligible employees may contribute from 2% to 20% of their wages up to the allowable Internal Revenue Service limit. The plan allows for a discretionary matching contribution up to 5% of each employee's contributed salary deferral. The Company has made no matching contributions to the plan since its inception.

12 SUBSEQUENT EVENT

The Company repurchased 105,200 shares of its common stock for $46,304 during the three-month period ended March 31, 2000.

Independent Auditor's Report

To the Board of Directors and Stockholders
Semco Instruments, Inc.
Valencia, California

We have audited the accompanying balance sheets of Semco Instruments, Inc. as of December 31, 1999 and 1998, and the related statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 audits 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 Semco Instruments, Inc. as of December 31, 1999 and 1998 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

As discussed in Note 10 to the financial statements, the Company changed its method of accounting for precontract costs during 1997.

McGladrey & Pullen, LLP

Pasadena, California
April 6, 2000

Suite 300
140 South Lake Avenue
Pasadena, California 91101-2651
(626) 795-7950 FAX (626)795-9820

Worldwide
Services
Through
RSM International

Financial Highlights

FIVE YEAR SUMMARY

	1999	1998	1997	1996	1995
Income Statement Data					
Net income before cumulative effect of change in accounting principle	269,193	285,262	214,812	162,023	120,574
Cumulative effect on prior years of changing to a different method of accounting for pre-contract costs, net of related tax effect	–	–	(123,951)	–	–
Net income	269,193	285,262	90,861	162,023	120,574
Return on sales before cumulative effect of change in accounting principle	4.2%	4.2%	3.4%	2.4%	2.2%
Earnings per share before cumulative effect of change in accounting principle	0.06	0.06	0.05	0.04	0.03
Cumulative effect on prior years of change in accounting principle	–	–	(0.03)	–	–
Earnings per share	0.06	0.06	0.02	0.04	0.03
Weighted average # of shares outstanding	4,322,386	4,406,549	4,431,643	4,488,999	4,522,169
Net sales	6,376,818	6,791,165	6,374,961	6,634,551	5,423,648
Cost of sales	4,720,789	5,107,063	4,909,688	5,188,712	4,151,824
Gross profit margin	26.0%	24.8%	23.0%	21.8%	23.4%
Selling & administrative expense	1,101,273	1,021,394	914,927	941,936	865,383
Selling & administrative % of sales	17.3%	15.0%	14.3%	14.2%	16.0%
Interest expense	142,009	232,446	219,534	261,880	243,814
EBITDA*	814,649	892,676	721,048	686,561	584,291
EBITDA margin*	12.8%	13.1%	11.3%	10.3%	10.8%
Working Capital					
Quick ratio	2.0	1.9	1.1	0.9	0.5
Current ratio	5.3	5.3	3.1	3.4	2.5
Debt/Equity	0.7	0.8	0.9	0.9	1.1
Liabilities/Assets	0.4	0.4	0.5	0.5	0.5
Days sales in receivables	59	51	62	49	53
Working capital as % of sales	48.7%	45.2%	37.4%	33.3%	41.4%
Inventory turnover	2.13	2.24	2.15	2.04	1.78
Leverage and Other					
Asset turnover	0.98	1.09	0.98	1.02	0.98
Shareholder’s equity	3,782,413	3,537,085	3,271,815	3,199,914	3,037,891
Return on shareholders’ equity*	7.1%	8.1%	6.6%	5.1%	4.0%
Debt/Equity	0.7	0.8	0.9	0.9	1.1
Liabilities/Assets	0.4	0.4	0.5	0.5	0.5

**The Company adopted SOP 98–5 for the year ended December 31,1997. The unamortized portion of pre–contract costs at December 31,1996, net of tax, was recorded as cumulative effect of change in accounting principle.*

DIRECTORS

M. S. Moore
Chairman/CEO
Semco Instruments, Inc.

Edwin H. Boyer
Principal – Ed Boyer Insurance Agency
Hollywood, California

Michael G. Moore
President
Semco Instruments, Inc.

Arnold Twersky
Certified Public Accountant
Northridge, California

Daniel C. de Brauwere
Senior Vice President
BankAmerica Business Credit, Inc.
Pasadena, California

OFFICERS

M.S. Moore – CEO
Michael G. Moore – President
Edwin H. Boyer – Secretary/Treasurer

COUNSEL

Whitman Breed Abbott & Morgan
Los Angeles, California

AUDITORS

McGladrey & Pullen, LLP
Pasadena, California

TRANSFER AGENT AND REGISTRAR

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016

25700 Rye Canyon Road, Valencia, California 91355

Telephone 661 257 2000
Facsimile 661 295 0044