

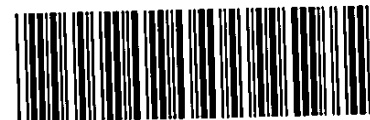
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Telestream, Inc  
Profit and Loss Statement  
Year Ended 31 December 2006, in US\$

	FY 2006	FY 2005	Increase/(Decrease)
NET REVENUE	<u>16,452,034</u>	<u>11,794,260</u>	<u>4,657,774</u>
TOTAL COST OF GOODS	3,146,349	2,341,121	805,228
GROSS PROFIT	<u>13,305,685</u> 80 9%	<u>9,453,139</u> 80 2%	<u>3,852,546</u>
OPERATING EXPENSES			
Admin Expense	1,792,421	1,357,982	434,439
Sales & Marketing	4,337,728	3,276,421	1,061,307
Engineering Expense	4,870,850	2,545,003	2,325,847
TOTAL OPERATING EXPENSES	<u>11,000,999</u>	<u>7,179,406</u>	<u>3,821,593</u>
OPERATING INCOME/(LOSS)	<u>2,304,686</u>	<u>2,273,733</u>	<u>30,953</u>
TOTAL OTHER INCOME/( EXPENSE )	94,406	(13,282)	107,688
NET INCOME/(LOSS)	<u><u>2,399,092</u></u>	<u><u>2,260,451</u></u>	<u><u>138,641</u></u>

Prepared by B J Fisher, Telestream, Inc  
Financial Controller

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Telestream Inc  
Consolidated Balance Sheet  
31 Dec 06

	December 31, 2006	December 31, 2005	Change
<b>ASSETS</b>			
Current Assets			
Cash	\$ 6,852,505	\$ 3,965,988	2,886,517
Accounts Receivable	2,803,685	1,314,482	1,489,203
Materials Inventory	570,479	571,113	(634)
Prepayments	175,188	91,701	83,487
TOTAL Current Assets	10,401,857	5,943,284	4,458,573
Equipment and Furniture	1,411,308	2,059,517	(648,209)
Accumulated Depreciation	(959,020)	(1,876,846)	917,826
NET Equipment and Furniture	452,289	182,671	269,618
Other Assets			
Deferred Taxes	6,201,237		6,201,237
Goodwill	151,138		
Development Licenses	70,520		70,520
TOTAL Other Assets	6,422,895	-	6,271,757
<b>TOTAL ASSETS</b>	<b>\$ 17,277,041</b>	<b>\$ 6,125,955</b>	<b>\$10,999,948</b>
<b>LIABILITIES</b>			
Current Liabilities			
Trade Accounts Payable	\$ 2,640,037	\$ 1,000,693	\$ 1,639,344
Other Accrued Liabilities	\$ 28,968	\$ 28,968	\$ -
Deferred Revenu	\$ 1,404,024		
Taxes Payable	\$ 466,463		
Notes Payable, Short Term			0
TOTAL Current Liabilities	4,539,492	1,029,661	1,639,344
Long Term Liabilities			
Stock Option Deposits			0
Lease Payable	10,808	3,148	7,660
TOTAL Long Term Liabilities	10,808	3,148	7,660
<b>TOTAL LIABILITIES</b>	<b>4,550,300</b>	<b>1,032,809</b>	<b>1,647,004</b>
<b>EQUITY</b>			
Common Stock	2,952	2,317	635
Preferred Stock	10,145	10,145	0
Paid in Capital in Excess of Par - Common	55,595	46,766	8,829
Paid in Capital in Excess of Par - Preferred	19,277,076	19,277,076	0
Foreign Exchange Translation	(3,248)		(3,248)
Accum. Deficit, Prior years	(8,867,828)	(16,503,609)	7,635,781
Retained Earnings	2,252,049	2,260,451	(8,402)
<b>TOTAL EQUITY</b>	<b>12,726,741</b>	<b>5,093,146</b>	<b>7,633,594</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 17,277,041</b>	<b>\$ 6,125,955</b>	<b>\$ 9,280,599</b>

Prepared by B J Fisher Telestream, Inc  
Financial Controller