Consolidated Statement of Source and Disposition of Funds

Years Ended December 31, 1966 and 1965

	1966	1965
SOURCE OF FUNDS		
Net earnings (less special item in 1965)	$12,827,047	$10,460,474
Depreciation and amortization of intangibles	11,113,521	10,532,612
Increase in long term liabilities	3,360,400	1,626,798
Retirement of property, plant, and equipment—net	555,377	4,144,496
TOTAL	27,856,345	26,764,380
DISPOSITION OF FUNDS		
Expenditures for property, plant, and equipment	15,223,993	11,363,599
Dividends paid	5,797,123	5,271,551
Common stock purchases less sales to employees	576,146	728,161
Retirement of long term liabilities	4,058,963	1,916,424
Increase in other assets	364,931	2,321,963
Increase in working capital, excluding cash and equivalent	4,043,685	2,462,982
TOTAL	30,064,841	24,064,680
INCREASE/*DECREASE* IN CASH AND EQUIVALENT	2,208,496	2,699,700
CASH AND EQUIVALENT		
Beginning of year	22,152,631	19,452,931
End of year	$19,944,135	$22,152,631

Accountants' Opinion

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF ABEX CORPORATION

We have examined the consolidated balance sheet of ABEX CORPORATION and its subsidiaries as of December 31, 1966, and the related statements of consolidated earnings and earnings reinvested in the business (note 8) for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Company and its subsidiaries for the year 1965.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of the Company and its subsidiaries at December 31, 1966 and 1965, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have also examined the consolidated statement of source and disposition of funds of the Company and its subsidiaries for the years ended December 31, 1966 and 1965. In our opinion, it fairly presents the

LYBRAND, ROSS BROS. & MONTGOMERY

New York, February 3, 1967

SC1 01698