

Megadiamond Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS

Year ended April 30, 1980

Net sales	\$9,317,614
Cost of sales	<u>5,388,127</u>
Gross profit	3,929,487
Research and development expenses	<u>1,284,829</u>
Selling expenses	<u>1,221,810</u>
General and administrative expenses	<u>1,288,883</u>
Operating profit	743,165
Other income (deduction)	
Interest expense	<u>(230,103)</u>
Miscellaneous - net	<u>698</u>
Earnings before income taxes and extraordinary credit	413,760
Income taxes (note A)	
Federal	<u>168,000</u>
State	<u>81,882</u>
Deferred	<u>(2,000)</u>
Earnings before extraordinary credit	217,018
Extraordinary credit - utilization of net operating loss carry-forward (note J)	<u>169,000</u>
NET EARNINGS	<u>\$ 386,018</u>

The accompanying notes are an integral part of this statement.

Megadiamond Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended April 30, 1980

Retained earnings at May 1, 1979, as previously stated	\$412,470
Prior period adjustment - restatement of inventory (note B)	(257,852)
Change in accounting method for capital leases (note C)	<u>(3,987)</u>
Retained earnings at May 1, 1979, as restated	150,631
Net earnings for the year ended April 30, 1980	<u>377,018</u>
Retained earnings at April 30, 1980	<u>\$527,649</u>
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INCREASE IN WORKING CAPITAL	\$182,019
Retained earnings at May 1, 1979, as previously stated	\$412,470
Prior period adjustment - restatement of inventory (note B)	(257,852)
Change in accounting method for capital leases (note C)	<u>(3,987)</u>
Retained earnings at May 1, 1979, as restated	150,631
Net earnings for the year ended April 30, 1980	<u>377,018</u>
Retained earnings at April 30, 1980	<u>\$527,649</u>
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The accompanying notes are an integral part of this statement.