

Megadiamond Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS

Year ended April 30, 1980

Net sales		\$9,317,614
Cost of sales		<u>5,399,157</u>
Gross profit		3,918,457
Research and development expenses	\$ 384,829	
Selling expenses	1,521,640	
General and administrative expenses	<u>1,268,883</u>	<u>3,175,352</u>
Operating profit		743,105
Other income (deduction)		
Interest expense	(330,103)	
Miscellaneous - net	<u>698</u>	<u>(329,405)</u>
Earnings before income taxes and extraordinary credit		413,700
Income taxes (note A)		
Federal	160,000	
State	41,682	
Deferred	<u>(5,000)</u>	<u>196,682</u>
Earnings before extraordinary credit		217,018
Extraordinary credit - utilization of net operating loss carry-forward (note J)		<u>160,000</u>
NET EARNINGS		<u>\$ 377,018</u>
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The accompanying notes are an integral part of this statement.