

Megadiamond Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS

Year ended April 30, 1980

Net sales	89,317,614
Cost of sales	5,399,157
Gross profit	83,918,457
Research and development expenses	2,384,829
Selling expenses	1,521,640
General and administrative expenses	1,268,883
Operating profit	79,743,105
Other income (deduction)	(330,103)
Interest expense	698
Miscellaneous - net	(329,402)
Earnings before income taxes and extraordinary credit	413,700
Income taxes (note A)	150,000
Federal	61,682
State	(2,000)
Deferred	196,682
Earnings before extraordinary credit	217,018
Extraordinary credit - utilization of net operating loss carry-forward (note J)	160,000
NET EARNINGS	\$ 377,018

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)	(3,987)
Retained earnings at May 1, 1979, as restated	150,631
Net earnings for the year ended April 30, 1980	377,018
Retained earnings at April 30, 1980	\$527,649
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Change in working capital	165,882
Investment in (associated) assets	299,516
Cash	32,763
Accounts receivable	494,490
Inventory	163,266
Prepaid expenses	(42,436)
Other assets	617,157
Current liabilities	(56,086)
Accounts payable	494,490
Notes payable - banks	163,266
Current liabilities under capital leases	(42,436)
Accounts payable	(6,967)
Notes payable	(19,389)
Accounts payable	(6,990)
Accounts payable	(84,770)
Accounts payable	62,417
Accounts payable	(312,471)
INCREASE IN WORKING CAPITAL	\$182,019

The accompanying notes are an integral part of this statement.