

**AUDIOTECH HEALTHCARE CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2000**

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

**AUDIOTECH HEALTHCARE CORPORATION**  
**CONSOLIDATED BALANCE SHEET**  
**December 31, 2000**  
(unaudited - prepared by Management)

	December 31 2000 (3 months)	December 31 1999 (3 months)
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$452,514	\$426,465
Accounts receivable	269,353	194,494
Inventory	62,257	48,334
Prepaid expenses	57,203	6,899
Income taxes refundable	4,078	-
	845,405	676,192
CAPITAL ASSETS	473,253	327,539
GOODWILL	855,289	849,896
	\$2,173,947	\$1,853,627
<b>LIABILITIES</b>		
CURRENT LIABILITIES:		
Operating Loan	\$70,000	\$ -
Accounts payable and accruals	413,049	258,661
Customer deposits	25,702	19,925
Income Taxes	352	5,463
Current portion of long-term debt	65,814	56,495
	574,917	340,544
LONG-TERM DEBT	502,425	575,975
	1,077,342	916,519
MINORITY INTEREST	44,095	55,038
<b>SHAREHOLDERS= EQUITY</b>		
SHARE CAPITAL	1,558,315	1,047,515
DEFICIT	(509,418)	(162,550)
FOREIGN EXCHANGE ADJUSTMENT	3,613	(2,895)
	1,052,510	882,070
	\$2,173,947	\$1,853,627

APPROVED BY THE DIRECTORS:

"Osvaldo (Ozzie) Iadarola" Director
"Daniel Allen" Director

**AUDIOTECH HEALTHCARE CORPORATION**  
**CONSOLIDATED STATEMENT OF INCOME AND DEFICIT**  
**Period ended December 31, 2000**  
(unaudited - prepared by Management)

	December 31, 2000 (3 months)	December 31, 1999 (3 months)
SALES		
Canada	\$479,805	\$422,753
United States	232,660	186,858
	<u>712,465</u>	<u>609,611</u>
COST OF SALES	<u>305,316</u>	<u>250,149</u>
GROSS PROFIT	<u>407,149</u>	<u>359,462</u>
EXPENSES:		
Advertising, e-commerce	18,741	29,547
Amortization	29,115	23,618
Bad debts	-	(400)
Corporate development, Investor relations	32,929	36,378
Equipment lease	2,990	2,034
Insurance	4,845	4,492
Interest and bank charges	5,193	3,894
Interest on long-term debt	9,674	10,092
Licences, dues and fees	5,736	3,551
Management salaries	20,073	20,073
Office and sundry	14,340	18,353
Professional and filing fees	24,943	20,454
Rent and utilities	58,533	41,978
Repairs and maintenance	2,817	1,117
Telephone and fax	15,922	16,692
Travel	14,639	14,296
Wages and benefits	259,052	198,832
	<u>519,541</u>	<u>455,001</u>
INCOME (LOSS) BEFORE MINORITY INTEREST	(112,392)	(85,539)
Minority interest	13,374	769
	<u>(99,018)</u>	<u>(84,770)</u>
NET INCOME (LOSS) FOR THE PERIOD	(125,766)	(86,308)
DEFICIT, beginning of period	<u>(383,651)</u>	<u>(76,242)</u>
DEFICIT, end of period	<u>\$(509,418)</u>	<u>\$(162,550)</u>
EARNING (LOSS), per share, basic	<u>\$(0.010)</u>	<u>\$(0.007)</u>
EARNING (LOSS), per share, fully diluted	<u>\$(0.009)</u>	<u>\$(0.007)</u>

**AUDIOTECH HEALTHCARE CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**Period ended December 31, 2000**  
(unaudited - prepared by Management)

	<b>December 31</b>	December 31
	<b>2000</b>	1999
	<b>(3 months)</b>	(3 months)
<b>OPERATING ACTIVITIES:</b>		
Loss for the period	<b>\$(125,766)</b>	\$(86,308)
Non-cash items:		
Amortization	<b>29,115</b>	23,618
Minority interest	<b>13,374</b>	769
	<b>(83,277)</b>	(61,921)
(Increase) decrease in:		
Accounts receivable	<b>(131,200)</b>	23,191
Inventory	<b>22,992</b>	10,224
Prepaid expenses	<b>(2,858)</b>	3,805
Increase (decrease) in:		
Operating Loan	<b>70,000</b>	-
Accounts payable and accruals	<b>66,559</b>	(92,723)
Customer deposits	<b>(1,845)</b>	2,282
Income taxes	<b>-</b>	(5,726)
Cash provided by (used in) operations	<b>(56,629)</b>	(120,868)
<b>FINANCING ACTIVITIES:</b>		
New borrowings/assumption of debt	<b>134,157</b>	59,055
Debt reduction	<b>(330,571)</b>	(25,644)
Issue of share capital	<b>325,500</b>	-
Cash provided by financing	<b>129,086</b>	33,411
<b>INVESTING ACTIVITIES:</b>		
Deferred development costs	<b>-</b>	-
Purchase of capital assets	<b>(152,780)</b>	(40,758)
Purchase of long-term investments	<b>76,000</b>	-
Acquisitions	<b>(27,889)</b>	-
Cash used in investing	<b>(104,669)</b>	(40,758)
<b>INCREASE (DECREASE) IN CASH</b>	<b>(35,212)</b>	(128,215)
<b>EFFECT OF FOREIGN EXCHANGE ADJUSTMENT</b>	<b>(663)</b>	(927)
<b>CASH, beginning of period</b>	<b>488,389</b>	555,607
<b>CASH, end of period</b>	<b>\$452,514</b>	\$426,465