

AUDIOTECH HEALTHCARE CORPORATION
SCHEDULE A: CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003

CONSOLIDATED BALANCE SHEET
CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
NOTES TO CONSOLIDATED STATEMENTS

AUDIOTECH HEALTHCARE CORPORATION
CONSOLIDATED BALANCE SHEET
December 31, 2003
(Unaudited – prepared by Management)

	Dec. 31 2003	Sep. 30 2003
ASSETS		
CURRENT ASSETS:		
Cash	\$ 342,599	\$ 329,875
Term deposit	15,673	25,673
Accounts receivable	254,169	266,521
Inventory	34,861	64,002
Prepaid expenses	6,280	27,050
	653,582	713,121
 CAPITAL ASSETS	 299,175	 310,196
 GOODWILL	 942,775	 942,775
	\$1,895,532	\$1,966,092
 LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and accruals	\$ 386,871	\$ 425,802
Customer deposits	19,142	26,515
Current portion of long-term debt	-	-
	641,408	643,944
	1,047,421	1,096,261
 LONG-TERM DEBT	 340,057	 361,722
 SHAREHOLDERS EQUITY		
SHARE CAPITAL	1,635,840	1,635,840
DEFICIT	(1,103,041)	(1,111,714)
FOREIGN EXCHANGE ADJUSTMENT	(24,745)	(16,017)
	508,054	508,109
	\$1,895,532	\$1,966,092

APPROVED BY THE DIRECTORS:

"Oswaldo (Ozzie) Iadarola" Director

"Grant Robertson" Director "

AUDIOTECH HEALTHCARE CORPORATION
CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
Period Ended December 31, 2003
(Unaudited – prepared by Management)

	Dec. 31 2003 3 months	Dec. 31 2002 3 months
SALES	\$ 777,069	\$ 790,947
COST OF SALES		
Cost of products	351,217	303,005
GROSS PROFIT	428,852	487,942
EXPENSES		
Advertising and promotion	1,548	12,809
Amortization	17,837	19,624
Corporate development	-	30,778
Equipment lease	97	8,851
Insurance	6,938	5,687
Interest and bank charges	6,029	7,051
Interest and long-term debt	20,858	24,139
Licences, dues and fees	1,838	3,909
Office and sundry	9,491	14,401
Professional filing fees	7,176	2,138
Rent and utilities	55,666	63,983
Repairs and maintenance	2,653	3,717
Telephone and fax	12,391	13,514
Travel	11,809	8,903
Wages and benefits	262,848	289,367
	417,179	508,871
INCOME (LOSS) FOR THE PERIOD	8,673	(20,929)
DEFICIT, beginning of period	(1,111,714)	(1,006,348)
DEFICIT, end of period	\$(1,103,041)	\$(1,027,277)
Income (loss), per share, basic	\$0.0007	\$(0.0016)
Income (loss) per share, fully diluted	\$0.0006	\$(0.0014)

AUDIOTECH HEALTHCARE CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Period ended December 31, 2003
(Unaudited – prepared by Management)

	Dec. 31 2002 3 months	Dec. 31 2002 3 months
OPERATING ACTIVITIES:		
Income (loss) for the period	8,673	(20,929)
Non-cash items:		
Amortization	17,837	19,624
	26,510	(1,305)
(Increase) decrease in:		
Accounts receivable	12,352	33,047
Inventory	29,141	5,118
Prepaid expenses	20,770	702
Increase (decrease) in:		
Accounts payable and accruals	(38,931)	7,176
Customer deposits	(7,373)	(11,160)
Income taxes	-	(206)
Cash provided by (used in) operations	33,372	33,372
FINANCING ACTIVITIES:		
New borrowing/assumption of debt	-	-
Debt reduction	(24,201)	(121,079)
Issue of share capital	-	-
Cash proved by financing	(24,201)	(121,079)
INVESTING ACTIVITIES:		
Purchase of capital assets	(6,816)	(20,460)
Purchase of long-term investments	-	-
Cash used in investing	(6,816)	(20,460)
INCREASE (DECREASE) IN CASH	11,452	(108,167)
EFFECT OF FOREIGN EXCHANGE ADJUSTMENT	(8,728)	(10,794)
CASH, beginning of period	355,548	613,817
CASH, end of period	358,272	494,856

AUDIOTECH HEALTHCARE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003
(Unaudited – prepared by Management)

NOTE 1. NATURE OF BUSINESS:

Corporately, our mission is to provide to our clients, shareholders and staff the benefits of our best direction in technology, training and financial administration to our hearing health care clinics so that our professionals can better care for the Hearing Needs of Tomorrow... Today.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES:

Basis of presentation:

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries Canadian Hearing Care (BC) Inc., Canadian Hearing Care (Alberta) Inc., HearingDepot Inc., Canadian Hearing Network Canada Inc., American hearing Care Corporation and Audiology and Hearing Aid Services, Inc.

All significant inter company balances and transactions have been eliminated on consolidation.

Inventory:

Inventory is recorded at the lower of cost as determined on a first-in first out basis, and net realizable value.

Foreign Currency:

The Company's investment in its foreign operations are of a self-sustaining nature. Accordingly, assets and liabilities of foreign operations are translated to Canadian dollars at the exchange rates in effect at the balance sheet date and revenues and expenses are translated at average rates for the period. Related foreign currency translation adjustments are recorded as a separate component of shareholder's equity and included in the cumulative translation account. The exchange rate between the Canadian dollar and the US dollar at December 31, 2003 was 1.2965 and averaged 1.3127 for the period October 1, 2003 to December 31, 2003.

Capital Assets and Amortization:

Capital assets are recorded at cost. Amortization is based on the estimated useful life of the assets and is recorded using the following annual rates (1/2 in year of acquisition):

Equipment	20%	declining balance
Computer equipment	30%	declining balance
Leasehold improvements	20%	straight-line basis

Goodwill and Amortization:

Goodwill is recorded at cost and was amortized using the straight-line basis over 40 years up until September 30, 2002 when the company adopted the policy to review annually for impairment.

AUDIOTECH HEALTHCARE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003
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NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued):

Income (loss) Per Share:

Income (loss) per share is calculated using the weighted average number of shares outstanding during the period, which are 13,329,825 (2002 13,329,825).

Use of Estimates:

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affects the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses disclosed during reporting periods. The actual amounts could differ from those estimates.

Cost of Goods Sold:

Cost of Goods Sold includes only the cost of the products. All wage costs are listed under "Wages and benefits".

NOTE 3. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash, accounts receivable, and accounts payable and long-term debt. Unless otherwise notes, it is management's opinion that the company is not exposed to significant interest or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

NOTE 4. CAPITAL ASSETS:

	Cost	Accumulated Amortization	Dec. 2003 Net	Sep. 2003 Net
Equipment	\$ 909,393	\$ 652,447	\$ 297,173	\$ 263,294
Computer equipment	41,351	268,217	12,670	16,685
Leasehold Improvements	78,538	51,443	34,,090	30,217
	<u>\$ 1,029,282</u>	<u>\$ 730,107</u>	<u>\$ 299,175</u>	<u>\$ 310,196</u>

NOTE 5. GOODWILL:

	Cost	Accumulated Amortization	Dec. 2003 Net	Sep. 2003 Net
Goodwill	<u>\$1,045,001</u>	<u>\$102,226</u>	<u>\$942,775</u>	<u>\$942,775</u>

AUDIOTECH HEALTHCARE CORPORATION
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NOTE 6. LONG-TERM DEBT:

	Dec. 2003	Sep. 2003
Promissory notes repayable in monthly instalments of \$3,190 including interest at 10% per annum. Secured by certain personal guarantees of the President. Due April, June and August 2005.	\$ 277,116	\$ 279,919
Equipment loans repayable based on thirteen instalments per annum of \$3,935, non-interest bearing. Unsecured. Due 2006	126,011	144,587
Convertible debentures, repayable in monthly instalments of \$5,643 including interest at 10% per annum, maturing March and May 2004. Debentures are convertible at the holder's option into common shares at prices of \$0.25 and \$0.30 per common share.	578,338	581,160
	981,465	1,005,666
Current portion of long-term debt	641,408	643,944
	\$ 340,057	\$ 361,722

The convertible debentures were issued in March and June 2002, at which time the fair value of the Company's obligation to make future payments of principal and interest was equal to the stated value as a market rate of interest was attach to the repayment of the convertible debentures.

The Estimated principal repayments required in the next five years, assuming renewals on same or similar terms are as follows:

2004	\$74,632
2005	77,026
2006	51,862
2007	31,773
2008	34,632
Thereafter	711,540

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NOTE 7. SHARE CAPITAL:

Authorized:

- Unlimited number of first preferred shares
- Unlimited number of second preferred shares
- Unlimited number of common shares

Issued:

Common Shares

	Number of Shares	\$ Dec. 31. 2003	Number of Shares	\$ Sep. 2003
Balance, beginning of period	13,329,825	\$ 1,635,840	13,329,825	\$ 1,635,840
Issued during the year:				
Issued on Private Placement for cash	-	-	-	-
Issued on options	-	-	-	-
Balance, end of period	13,329,825	\$ 1,635,840	13,329,825	\$ 1,635,840

Details of the Company's outstanding options as follows:

	Expiry	Exercise Price	Number
Employee	10 Sep. 2004	\$ 0.45	20,000
Employee	10 Sep 2004	\$ 0.45	50,000
Employee	24 Feb. 2005	\$ 0.22	225,000
Employee	02 Feb. 2006	\$ 0.35	50,000
Employee	09 Jun. 2007	\$ 0.28	200,000
			<u>545,000</u>

The Company has no warrants outstanding:

NOTE 8. Commitments:

The Company leases premises at various locations throughout British Columbia, Alberta and Idaho. The expected annual minimum lease payments under the terms of these agreements over the next five years is as follows:

	<u>Sep. 30, 2003</u>
2004	\$ 151,310
2005	66,663
2006	54,742
2007	39,762
2008	27,538
	<u>\$ 340,015</u>

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NOTE 9. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory tax rates of 37.60% (2002 – 40.88%) to earnings before income taxes. The reasons for the differences and related tax effects are a follows:

	Sep. 2003	Sep. 2002
Loss before income taxes	\$ (105,366)	\$ (47,222)
Tax (recovery) at applicable tax rate	(39,618)	\$ (19,304)
Rate variance on self-sustaining foreign operation	(2,259)	(17,111)
Non-deductible items	3,296	6,534
Tax benefits of losses not recognized	38,581	39,637
Application of prior year losses	-	(9,772)
Other	-	16
	<u>\$ -</u>	<u>\$ -</u>

NOTE 10. RELATED PARTY TRANSACTIONS:

During the period the Company paid, under normal terms of trade, \$26,248 (December 31, 2002 \$20,073) in management salaries to a director of the Company and \$24,158 (December 31, 2002 \$21,550) in administrative salaries to a director of the Company, \$512 (December 31, 2002 \$712) in commissions to MediaWave Communications Corp., a company controlled by a Director of the Company.

NOTE 11. SEGMENTED INFORMATION:

Operations and identifiable assets by geographic segment are as follows:

	Dec. 2003	Dec. 2002
Revenue:		
Canada	\$ 442,832	\$ 422,369
United States	334,237	368,578
	<u>\$ 777,069</u>	<u>\$790,947</u>
Amortization		
Canada	\$ 14,855	\$ 17,584
United States	2,982	2,040
	<u>\$ 17,837</u>	<u>\$ 19,624</u>
Earnings before income taxes		
Canada	\$ (7,076)	\$ (56,209)
United States	15,748	35,280
	<u>\$ 8,673</u>	<u>\$ (20,929)</u>
Total assets:		
Canada	\$ 1,668,470	\$ 1,846,612
United States	227,062	195,495
	<u>\$1,895,532</u>	<u>\$2,042,107</u>