

**AUDIOTECH HEALTHCARE CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2001**

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

**AUDIOTECH HEALTHCARE CORPORATION**  
**CONSOLIDATED BALANCE SHEET**

**March 31, 2001**

(unaudited - prepared by Management)

	March 31 2001 (6 months)	March 31 2000 (6 months)
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$443,240	\$499,782
Accounts receivable	232,912	334,930
Inventory	73,774	60,080
Prepaid expenses	52,284	54,274
Income taxes refundable	4,078	-
	806,288	949,066
CAPITAL ASSETS	452,264	375,496
GOODWILL	849,536	844,316
	\$2,108,088	\$2,168,878
<b>LIABILITIES</b>		
CURRENT LIABILITIES:		
Accounts payable and accruals	469,477	367,774
Customer deposits	11,423	30,088
Income Taxes	296	-
Current portion of long-term debt	66,814	63,690
	548,010	461,552
LONG-TERM DEBT	562,509	679,619
	1,110,519	1,141,171
MINORITY INTEREST	53,419	60,529
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL	1,580,090	1,201,415
DEFICIT	(649,780)	(234,477)
FOREIGN EXCHANGE ADJUSTMENT	13,840	240
	944,150	967,178
	\$2,108,088	\$2,168,878

APPROVED BY THE DIRECTORS:

\_\_\_\_\_  
*"Osvaldo (Ozzie) Iadarola"* Director

\_\_\_\_\_  
*"Daniel Allen"* Director

**AUDIOTECH HEALTHCARE CORPORATION**  
**CONSOLIDATED STATEMENT OF INCOME AND DEFICIT**  
**Period ended March 31, 2001**  
(unaudited - prepared by Management)

	<b>March 31, 2001</b>	March 31, 2000
	<b>(6 months)</b>	(6 months)
SALES		
Canada	<b>\$966,457</b>	\$826,080
United States	<b>432,028</b>	444,560
	<b><u>1,398,485</u></b>	<u>1,270,640</u>
COST OF SALES	<b>595,603</b>	546,490
	<b><u>802,882</u></b>	<u>724,150</u>
GROSS PROFIT		
EXPENSES:		
Advertising and promotion	<b>44,053</b>	53,168
Amortization	<b>57,552</b>	51,279
Bad debts	-	(401)
Corporate development	<b>43,728</b>	46,149
Equipment lease	<b>5,971</b>	5,000
Insurance	<b>8,769</b>	8,288
Interest and bank charges	<b>11,210</b>	7,506
Interest on long-term debt	<b>17,364</b>	20,009
Investor relations	<b>23,375</b>	1,500
Licences, dues and fees	<b>9,514</b>	6,032
Management salaries	<b>40,145</b>	40,145
Office and sundry	<b>33,867</b>	32,414
Professional and filing fees	<b>41,166</b>	49,135
Rent and utilities	<b>122,511</b>	86,115
Repairs and maintenance	<b>8,011</b>	6,708
Telephone and fax	<b>30,009</b>	33,656
Travel	<b>28,429</b>	25,723
Wages and benefits	<b>520,638</b>	403,699
	<b><u>1,046,312</u></b>	<u>876,125</u>
INCOME (LOSS) BEFORE MINORITY INTEREST	<b>(243,431)</b>	(151,975)
Minority interest	<b>(22,698)</b>	6,260
	<b><u>(266,129)</u></b>	<u>(158,235)</u>
NET INCOME (LOSS) FOR THE PERIOD	<b>(266,129)</b>	(158,235)
DEFICIT, beginning of period	<b>(383,651)</b>	(76,242)
DEFICIT, end of period	<b><u>\$(649,780)</u></b>	<u>\$(234,477)</u>
EARNING (LOSS), per share, basic	<b><u>\$(0.020)</u></b>	<u>\$(0.013)</u>
EARNING (LOSS), per share, fully diluted	<b><u>\$(0.027)</u></b>	<u>\$(0.011)</u>

**AUDIOTECH HEALTHCARE CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**Period ended March 31, 2001**  
(unaudited - prepared by Management)

	<b>March 31 2001 (6 months)</b>	March 31 2000 (6 months)
<b>OPERATING ACTIVITIES:</b>		
Loss for the period	<b>\$(266,129)</b>	\$(158,235)
Non-cash items:		
Amortization	<b>57,552</b>	51,279
Minority interest	<b>22,698</b>	6,260
	<b>(185,879)</b>	(100,696)
(Increase) decrease in:		
Accounts receivable	<b>(94,759)</b>	(117,245)
Inventory	<b>11,475</b>	(1,522)
Prepaid expenses	<b>2,061</b>	(43,570)
Increase (decrease) in:		
Accounts payable and accruals	<b>122,988</b>	16,390
Customer deposits	<b>(16,124)</b>	12,445
Income taxes	<b>(56)</b>	(11,189)
Cash provided by (used in) operations	<b>(160,294)</b>	(245,387)
<b>FINANCING ACTIVITIES:</b>		
New borrowings/assumption of debt	<b>220,356</b>	191,976
Debt reduction	<b>(355,686)</b>	(47,726)
Issue of share capital	<b>347,275</b>	153,900
Cash provided by financing	<b>211,945</b>	298,150
<b>INVESTING ACTIVITIES:</b>		
Goodwill	-	-
Deferred development costs	-	-
Purchase of capital assets	<b>(154,475)</b>	(110,796)
Purchase of long-term investments	<b>76,000</b>	-
Acquisitions	<b>(27,889)</b>	-
Cash used in investing	<b>(106,364)</b>	(110,796)
<b>INCREASE (DECREASE) IN CASH</b>	<b>(54,713)</b>	(58,033)
<b>EFFECT OF FOREIGN EXCHANGE ADJUSTMENT</b>	<b>9,564</b>	2,208
<b>CASH, beginning of period</b>	<b>488,389</b>	555,607
<b>CASH, end of period</b>	<b>\$443,240</b>	\$499,782