

SCHEDULES B and C

ISSUER DETAILS

NAME OF ISSUER AUDIOTECH HEALTHCARE CORPORATION		FOR QUARTER ENDED MARCH 31, 2003	DATE OF REPORT Y M D 0 3 0 5 3 0	
ISSUER ADDRESS 760 – 175 Second Ave.				
CITY Kamloops	PROVINCE BC	POSTAL CODE V2C 5W1	ISSUER FAX NO. (250) 372-3859	ISSUER PHONE NO. (250) 372-5847
CONTACT PERSON Osvaldo Iadarola		CONTACT POSITION President	CONTACT PHONE NO. (250) 372-5847	
CONTACT E-MAIL ADDRESS info@audiotech.org		WEBSITE ADDRESS www.audiotech.org		

CERTIFICATE

The three schedules required to complete this Quarterly Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Quarterly Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE "Osvaldo Iadarola"	PRINT FULL NAME Osvaldo Iadarola	DATE SIGNED Y M D 0 3 0 5 3 0
DIRECTOR'S SIGNATURE "Grant Robertson"	PRINT FULL NAME Grant Robertson	DATE SIGNED Y M D 0 3 0 5 3 0

AUDIOTECH HEALTHCARE CORPORATION
ANNUAL REPORT - FORM 51-901F
MARCH 31, 2003

SCHEDULE A: FINANCIAL INFORMATION

See attached consolidated financial statements for the Quarter End period ended March 31, 2003

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. See attached consolidated financial statements for Quarter End period ended March 31, 2003.
2. During the period, the Company paid, under normal terms of trade, \$40,145 (March 31, 2002 \$40,145) in management salaries to a director of the Company and \$43,100 (March 31, 2002 \$41,751) in administrative salaries to a director of the Company.

3. **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	\$ Mar. 31. 2003	Number of Shares	\$ Sep. 2002
Balance, beginning of period	13,329,825	\$ 1,635,840	13,299,825	\$ 1,626,840
Issued during the year:				
Issued on Private	-	-	-	-
Placement for cash				
Issued on options	-	-	30,300	9,000
	-	-	30,300	9,000
Balance, end of period	13,329,825	\$ 1,635,840	13,329,825	\$ 1,635,840

The Company has the following options outstanding:

	Expiry	Exercise Price	Number
Director	15 July 2003	\$ 0.27	200,000
Employees	20 Sep. 2004	\$ 0.45	80,000
Directors	24 Feb. 2005	\$ 0.22	225,000
Employee	02 Feb. 2006	\$ 0.50	50,000
Employee	09 Jun. 2007	\$ 0.28	200,000
			<u>755,000</u>

The Company has no warrants outstanding:

SCHEDULE B: SUPPLEMENTARY INFORMATION Continued

- 4. a) See Note 8 to the March 31, 2003 financial statements attached as Schedule A.
- b) See Note 8 to the March 31, 2003 financial statements attached as Schedule A
- c) See Note 8 to the March 31, 2003 financial statements attached as Schedule A
- d) Escrow

Date:		Per Share	Escrow Sept. 30/02
31-Mar-98	O. Iadarola - performance	\$ 0.20	212,500
31-Mar-98	O. Iadarola - performance	\$ 0.20	<u>212,500</u>
			<u><u>425,000</u></u>

- 5. List of directors and officers:
 - Osvaldo Iadarola - President, CEO/Director
 - Daniel Allen - Vice President, COM/Director
 - Darryl Walker - Corporate Secretary
 - Dr. Gerry Mill - Director
 - Grant Robertson - Director
 - Glen Martin - Director

AUDIOTECH HEALTHCARE CORPORATION

Schedule C - MANAGEMENT DISCUSSION AND ANALYSIS

Management's discussions and analysis of Audiotech's operating results for the 6 months ended March 31, 2003, should be read in conjunction with the company's consolidated financial statements for the period.

Results of Operations

Audiotech achieved revenues of \$708,726 for the second quarter of fiscal 2003, compared with revenues of \$728,677 for the same quarter in fiscal 2002. Revenues from the company's US operations continued the pace of growth established in recent quarters, rising 22% to \$314,790 for the 3 months ended March 31, 2003, from \$258,808 during the same period last year. Audiotech's revenue growth in Canada continues to be stagnated by the current need for additional audiology staff. However, management is pleased to report that the company's Alberta operations, which have lagged the performance achieved at most BC clinics during the first 6 months of fiscal 2003, have demonstrated improved revenues during the months of April and May. Management expects that this trend towards higher revenues at its Alberta clinics will continue as newly instituted marketing initiatives continue.

For the 6 months ended March 31, 2003, revenues totaled \$1,499,673, an increase of 4% over the first two quarters of fiscal 2002.

Statement of Income

	3 Months ended March 31		6 Months Ended March 31	
	2003	2002	2003	2002
Canadian Revenues	\$ 393,936	\$ 469,869	\$ 816,305	\$951,181
U.S. Revenues	314,790	258,806	683,368	497,725
Total Revenues	\$ 708,726	\$ 728,677	\$ 1,499,673	\$1,448,906
Gross Profit	401,416	473,366	889,358	936,716
Net Earnings (Loss)	(56,899)	5,612	(77,828)	9,545
EPS - basic	(0.0043)	0.0004	(0.0058)	0.0007

Gross margins during the 3 month period ended March 31, 2003, were 56.6%. While down from the first quarter and the comparative period last year due to what management believes is a short-term unfavorable product mix, the gross margins were in line with historical averages. Management has recently negotiated improved pricing structures with certain hearing aid suppliers, and accordingly, believes that gross margins should rise in coming quarters.

General and administrative expenses totaled \$458,315 during the 3 month period ended March 31, 2003, a decrease of 2% from the same period in fiscal 2002 despite a significant increase in interest costs related to the corporation's long-term debt financing. Material cost reductions compared to the same quarter last year were achieved in most major expense categories. As expected, these reductions were largely offset by an increase in interest costs

as well as a small increase in wages at the clinic level. General and administrative expenses compare very favorably to the first quarter of fiscal 2003 when such costs totaled \$508,871.

The corporation reported a small loss of \$56,899 after non-cash amortization of \$19,777 during the quarter as compared to a profit of \$5,612 during the same quarter last year. Earnings before interest, taxes, depreciation, and amortization for the quarter was slightly negative at \$14,398.

It should be noted that as outlined in its fiscal 2002 year end Management Discussion & Analysis Report, that Audiotech has adopted a new accounting policy for the recognition and recording of goodwill amortization pursuant to a new disclosure policy recently pronounced by the Canadian Institute of Chartered Accountants. Under this new policy, goodwill is only expensed in the event of an impairment in value rather than on the basis of a subjective percentage per accounting period. Goodwill was previously amortized on a straight-line basis over 40 years. No impairments in value of the goodwill assets were recorded during the current quarter.

Liquidity and Financial Resources

As at March 31, 2003, Audiotech had a cash balance of \$415,160, including term deposits in the amount of \$60,000, compared to \$613,817 as at the beginning of fiscal 2003.

The corporation repaid approximately \$80,500 in long-term debt during the quarter. The debt repayment was financed through a corresponding reduction of the company's term deposits. During the first six months of fiscal 2003, Audiotech has repaid more than \$200,000 in long-term debt. Management's objective for fiscal 2003 remains to substantially reduce, or if market conditions are amenable, to eliminate the company's long-term debt. This will have a positive impact on profitability going forward by reducing interest costs. \$168,199 of Audiotech's present long-term debt is comprised of interest-free loans from a major North American hearing aid supplier. The remaining present debt consists primarily of convertible debentures and loans bearing interest at an average interest rate of 10%. A significant portion of this debt is included in current liabilities because the corresponding loans and debentures are maturing within the next year. Management has already received positive indications from a majority of the debenture holders that they will be renewing their debentures for an additional term under similar terms. As a result, management is confident that this debt will be reclassified as long-term in nature in upcoming financial statements.

No material capital purchases were made during the quarter.

Future Outlook

Management continues to examine acquisitions and other transactions and initiatives to maximize shareholder value and is optimistic that the company will return to profitability in upcoming quarters.