

AUDIOTECH HEALTHCARE CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

AUDIOTECH HEALTHCARE CORPORATION
CONSOLIDATED BALANCE SHEET
Period ended June 30, 2001
(unaudited - prepared by Management)

	June 30, 2001	June 30, 2000
ASSETS		
CURRENT ASSETS:		
Cash	297,626	492,932
Accounts receivable	247,793	179,727
Inventory	75,918	56,669
Prepaid expenses	48,462	58,265
Income taxes refundable	2,803	0
	<u>672,602</u>	<u>787,593</u>
 CAPITAL ASSETS	 375,707	 374,194
 GOODWILL	 990,397	 838,735
	<u>2,038,706</u>	<u>2,000,522</u>
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LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and accruals	363,878	234,473
Customer deposits	16,713	24,460
Current portion of long-term debt	69,709	64,013
	<u>450,300</u>	<u>322,946</u>
LONG-TERM DEBT	639,140	640,659
TOTAL LIABILITIES	<u>1,089,440</u>	<u>963,605</u>
MINORITY INTEREST	<u>30,721</u>	<u>87,219</u>
SHAREHOLDERS EQUITY		
SHARE CAPITAL	1,595,090	1,232,815
DEFICIT	-680,080	-282,867
FOREIGN EXCHANGE ADJUSTMENT	3,535	-250
	<u>918,545</u>	<u>949,698</u>
	<u>2,038,706</u>	<u>2,000,522</u>

APPROVED BY THE DIRECTORS:

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

AUDIOTECH HEALTHCARE CORPORATION
CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
Period Ended June 30, 2001
(unaudited - prepared by Management)

	June 30, 2,001 9 months	June 30, 2,000 9 months
SALES		
Canada	1,430,549	1,267,897
United States	668,792	684,328
	<u>2,099,341</u>	<u>1,952,225</u>
 COST OF SALES	 <u>837,127</u>	 <u>808,996</u>
 GROSS PROFIT	 <u>1,262,214</u>	 <u>1,143,229</u>
 EXPENSES:		
Advertising and promotion	62,126	82,799
Amortization	84,867	78,250
Bad debts	75	(400)
Corporate development	52,304	57,580
Equipment lease	10,551	8,127
Insurance	14,352	12,929
Interest and bank charges	15,968	12,011
Interest on long-term debt	25,392	31,594
Investor relations	38,883	6,000
Licences, dues and fees	10,714	7,648
Management salaries	60,218	60,218
Office and sundry	53,157	47,959
Professional and filing fees	58,091	64,384
Rent and utilities	181,412	133,907
Repairs and maintenance	14,657	5,913
Telephone and fax	41,835	51,121
Travel	40,679	37,712
Wages and benefits	793,364	619,152
	<u>1,558,645</u>	<u>1,316,904</u>
 LOSS BEFORE MINORITY INTEREST	 (296,431)	 (173,675)
Minority interest		32,950
		<u>32,950</u>
 LOSS FOR THE PERIOD	 (296,431)	 (206,625)
 DEFICIT, beginning of period	 <u>(383,652)</u>	 <u>(76,242)</u>
 DEFICIT, end of period	 <u>(680,083)</u>	 <u>(282,867)</u>
 LOSS, per share, basic	 <u>-\$ 0.0167</u>	 <u>-\$ 0.0167</u>
 LOSS, ,per share, fully diluted	 <u>-\$ 0.0147</u>	 <u>-\$ 0.0147</u>

AUDIOTECH HEALTHCARE CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Period ended June 30, 2001
(unaudited - prepared by Management)

	June 30, 2,001 9 months	June 30, 2,000 9 months
OPERATING ACTIVITIES:		
Loss for the period	(296,428)	(206,625)
Non-cash items:		
Amortization	84,867	78,250
Minority interest		32,950
	(211,561)	(95,425)
(Increase) decrease in:		
Accounts receivable	(109,640)	37,958
Inventory	9,331	1,889
Prepaid expenses	5,883	(47,561)
Increase (decrease) in:		
Accounts payable and accruals	17,388	(116,911)
Customer deposits	(10,834)	6,817
Income taxes	923	(11,189)
Cash provided by (used in) operations	(298,510)	(224,422)
FINANCING ACTIVITIES:		
New borrowing/assumption of debt	324,275	8,288
Debt reduction	(380,079)	97,325
Issuance of share capital	362,275	185,300
Cash provided by financing	306,471	290,913
INVESTING ACTIVITIES:		
Goodwill	(93,000)	
Purchase of capital assets	(153,094)	(130,884)
Purchase of long-term investments	76,000	
Acquisitions	(27,889)	
Cash used in investing	(197,983)	(130,884)
INCREASE (DECREASE) IN CASH	(190,022)	(64,393)
EFFECT OF FOREIGN EXCHANGE ADJUSTMENT	(741)	1,718
CASH, beginning of period	488,389	555,607
CASH, end of period	297,626	492,932