

ZTEST ELECTRONICS INC

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT (Unaudited)

For the Three Months Ended September 30

	1999	1998
Revenue		
Design services	\$ 2,308	\$ 42,397
Product sales	12,468	1,731,898
Other revenue	98,018	37,932
	112,794	1,812,227
Expenses		
Amortization	54,161	88,823
Cost of goods sold	41,647	498,128
Selling, general and administrative expenses	154,328	322,180
Interest expense	27,993	39,184
Dividends on preferred shares	10,485	-
	288,614	948,315
Net (loss) income before non-controlling interest and income taxes	(175,820)	863,912
Income taxes	-	-
Net (loss) income before non-controlling interest	(175,820)	863,912
Non-controlling interest in net loss (income) of subsidiary	28,304	(388,845)
Net (loss) income for the period	\$ (147,516)	\$ 475,067

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

For the Three Months Ended September 30

	1999	1998
Cash Provided by (used in)		
Operating Activities		
Net (loss) income	\$ (147,516)	\$ 475,067
Items not involving cash		
Amortization of goodwill	29,236	29,236
Amortization of capital assets	13,665	23,368
Amortization of deferred development costs	11,260	36,219
Gain on sale of capital assets	-	4,194
Non-controlling interest in net (loss) income of subsidiary	(28,304)	388,845
Changes in non-cash working capital items excluding cash		
Accounts receivable	47,339	(519,807)
Inventories	2,567	103,333
Prepaid expenses	(25,952)	3,155
Amounts receivable	(221,377)	(922,689)
Accounts payable and accrued liabilities	(182,074)	537,171
Deferred income	49,128	152,070
	(452,028)	310,162
Investing Activities		
Purchase of capital assets	(4,888)	(34,057)
Investments and advances	(261)	52,891
	(5,149)	18,834
Financing Activities		
Capital lease obligation	(3,200)	(2,859)
Long-term debt	(13,231)	(479,734)
Notes payable and other advances	59,844	113,212
Issuance of common shares	288,419	-
	331,832	(369,381)
Increase (decrease) in cash	(125,345)	(40,385)
Cash, beginning of period	143,419	129,538
Cash, end of period	\$ 18,074	\$ 89,153