

ZTEST ELECTRONICS INC

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT (Unaudited)

For the Nine Months Ended March 31

	2000	1999
Revenue		
Design services	\$ 480,778	\$ 83,920
Product sales	416,425	1,289,773
Other revenue	214,357	132,599
	1,111,560	1,506,292
Expenses		
Amortization	146,140	107,301
Cost of goods sold	676,142	993,208
Selling, general and administrative expenses	429,442	607,224
Interest expense	150,623	54,975
Dividends on preferred shares	26,622	-
	1,428,969	1,762,708
Net loss before the under-noted	(317,409)	(256,416)
Share of loss of significantly influenced investment	(435,796)	-
Operating net income from discontinued operations	55,171	616,146
Net loss from discontinuance of operations	(40,385)	-
Net (loss) income for the period	\$ (738,419)	\$ 359,730

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

For the Nine Months Ended March 31

	2000	1999
Cash Provided by (used in)		
Operating Activities		
Net (loss) income for the period	\$ (738,419)	\$ 359,730
Items not involving cash		
Amortization of goodwill	87,708	87,708
Amortization of capital assets	68,571	75,007
Amortization of deferred development costs	33,779	127,954
Loss from discontinuance of operations	40,385	-
Non-controlling interest in net income of discontinued operations	48,417	313,717
Share of loss of significantly influenced investment	435,796	-
Changes in non-cash working capital items:		
Accounts and investment tax credits receivable	(446,536)	(918,166)
Inventories	(381,416)	239,292
Prepaid expenses	(61,106)	27,096
Amounts receivable	188,193	(2,015,273)
Accounts payable and accrued liabilities	(194,427)	634,353
Deferred income and customer deposits	(42,134)	641,402
	(961,189)	(427,180)
Investing Activities		
Funds in trust	-	44,339
Purchase of capital assets	(325,035)	(171,003)
Investments and advances	(3,062,746)	537,820
	(3,387,781)	411,156
Financing Activities		
Capital lease obligation	18,310	(8,826)
Long-term debt	(102,064)	(511,168)
Notes payable and other advances	(2,304)	181,549
Issuance of preferred shares	2,555,755	-
Dividends on preferred shares	(4,692)	-
Issuance of common shares	1,893,892	226,100
	4,358,897	(112,345)
Increase (decrease) in cash	9,927	(128,369)
Cash, beginning of period	143,419	129,538
Cash, end of period	\$ 153,346	\$ 1,169