

ZTEST ELECTRONICS INC.

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT (Unaudited)

For the Six Months Ended December 31

	2000	1999
Revenue		
Design services	\$ 53,495	\$ 52,019
Product sales	2,509,761	30,242
Other revenue	341,967	111,771
	2,905,223	194,032
Expenses		
Amortization	136,189	90,332
Cost of goods sold	1,723,832	8,135
Selling, general and administrative expenses	919,068	229,605
Interest expense	67,031	40,929
Dividends on preferred shares	5,481	17,828
	2,851,601	386,829
Net income (loss) from continuing operations	53,622	(192,797)
Net income from discontinued operations	-	63,898
Non-controlling interest in net income of subsidiaries	(29,873)	-
Net income (loss) for the period	\$ 23,749	\$ (128,899)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

For the Six Months Ended December 31

	2000	1999
Cash Provided by (used in)		
Operating Activities		
Net income (loss) for the period	\$ 23,749	\$ (128,899)
Items not involving cash		
Amortization of goodwill	59,757	58,472
Amortization of capital assets	76,432	38,619
Amortization of deferred development costs	-	22,519
Non-controlling interest in net income (loss) of subsidiaries	29,873	56,075
Changes in non-cash working capital items excluding cash		
Accounts receivable	(1,922,793)	(197,554)
Inventories	448,683	(117,199)
Prepaid expenses	(62,539)	(65,394)
Amounts receivable	181,487	(2,351,690)
Accounts payable and accrued liabilities	366,298	(327,743)
Customer deposits	(401,344)	159,637
	(1,200,397)	(2,853,157)
Investing Activities		
Bank indebtedness arising on acquisition of subsidiary	(73,346)	-
Purchase of capital assets	(203,406)	(186,354)
Investments and advances	(51,032)	174,415
Goodwill arising on acquisition of subsidiary	(214,085)	-
	(541,869)	(11,939)
Financing Activities		
Capital lease obligation	(14,536)	23,391
Long-term debt	390,639	(87,063)
Notes payable and other advances	-	(242,062)
Settlement of commitment	(300,000)	-
Issuance of preferred shares		2,555,755
Issuance of common shares	871,960	1,899,492
Dividends on preferred shares	(966)	(3,143)
	947,097	4,146,370
(Decrease) increase in cash	(795,169)	1,281,274
Cash, beginning of period	575,406	143,419
Cash (deficiency), end of period	\$ (219,763)	\$ 1,424,693