

ZTEST ELECTRONICS INC

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT (Unaudited)

For the Six Months Ended December 31

	1999	1998
Revenue		
Design services	\$ 52,019	\$ 55,780
Product sales	929,097	2,729,329
Other revenue	141,829	81,814
	1,122,945	2,866,923
Expenses		
Amortization	119,610	189,545
Cost of goods sold	727,362	1,116,049
Selling, general and administrative expenses	289,671	599,820
Interest expense	41,298	105,844
Dividends on preferred shares	17,828	-
	1,195,769	2,011,258
Net (loss) income before non-controlling interest and income taxes	(72,824)	855,665
Income taxes	-	-
Net (loss) income before non-controlling interest	(72,824)	855,665
Non-controlling interest in net loss (income) of subsidiary	(56,075)	(412,406)
Net (loss) income for the period	\$ (128,899)	\$ 443,259

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

For the Six Months Ended December 31

	1999	1998
Cash Provided by (used in)		
Operating Activities		
Net (loss) income for the period	\$ (128,899)	\$ 443,259
Items not involving cash		
Amortization of goodwill	58,472	58,472
Amortization of capital assets	38,619	46,736
Amortization of deferred development costs	22,519	84,337
Gain on sale of capital assets	-	4,194
Non-controlling interest in net (loss) income of subsidiary	56,075	412,406
Changes in non-cash working capital items:		
Accounts and investment tax credits receivable	(197,554)	(804,893)
Inventories	(117,199)	117,370
Prepaid expenses	(65,394)	(4,240)
Amounts receivable	(2,351,690)	(1,329,684)
Accounts payable and accrued liabilities	(327,743)	405,520
Deferred income	159,637	645,044
	(2,853,157)	78,521
Investing Activities		
Funds in trust	-	40,032
Purchase of capital assets	(186,354)	(34,057)
Investments and advances	174,415	(63,573)
	(11,939)	(57,598)
Financing Activities		
Capital lease obligation	23,391	(5,801)
Long-term debt	(87,063)	(496,397)
Notes payable and other advances	(242,062)	178,375
Issuance of preferred shares	2,555,755	-
Dividends on preferred shares	(3,143)	-
Issuance of common shares	1,899,492	226,100
	4,146,370	(97,723)
Increase (decrease) in cash	1,281,274	(76,800)
Cash, beginning of period	143,419	129,538
Cash, end of period	\$ 1,424,693	\$ 52,738