PRISM EQUITIES INC.

SECOND QUARTERLY REPORT

2000 - 2001

Prism Equities Inc.
Management's Discussion & Analysis of Financial Condition &
Results of Operations
For Q2 Fiscal 2001

To The Shareholders:

Introduction

This discussion should be read in conjunction with the unaudited financial statements for the six months ending May 31, 2001 and the Management Discussion and Analysis contained in the annual report.

Financial Position

Share capital increases occurred in the second quarter as a result of the exercise of share purchase warrants that were part of the rights offering done in April 2000 as well as the conversion of a $300,000 note payable, due to the spouse of the Company's president, into 300,000 common shares. The authorized and issued share capital consists of the following:

	May 31, 2001	November 30, 2000
Issued and outstanding:		
Common shares	**3,275,280**	**2,833,887**
Share Capital	**$3,206,582**	**$2,685,139**

Results of Operations

Total revenue for the second quarter was $5.6 million compared to $2.6 million in the second quarter of fiscal 2000. This represents an increase of $3.0 million (111.2%) over the same period last year. Total revenue for the six months ending May 31, 2001 was $9.9 million compared to $4.6 million in fiscal 2000. While all subsidiaries experience increased demand for their products during the quarter, the majority of the increase in sales can be attributed to Westholme Limited. Westholme is a United Kingdom based distributor of homecare products, including ceiling lifts, acquired in August 2000.

Gross profit increased from $1.0 million in the second quarter of fiscal 2000 to $2.1 million in the second quarter of fiscal 2001. In the same period, gross profit as a percentage of sales increased slightly from 37.8% of sales to 37.9%, despite the impact of lower gross margin sales by Westholme Limited compared to the purely manufacturing gross margins experienced in the second quarter of fiscal 2000. Gross profit for the six months ending May 31, 2001 was $3.7 million compared to $1.8 million in fiscal 2000.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 72.0% to $811,221 in the second quarter of fiscal 2001 compared to the same quarter in 2000. EBITDA for the six months ending May 31, 2001 was $1.2 million or 46.5% higher compared to the same period in fiscal 2000 reflecting the impact of fixed selling and administrative expenses in a seasonally weaker first quarter sales period.

Selling and administrative expenses increased by $777,439 to $1,380,741 for the second quarter of fiscal 2001 compared to the same period last year. $558,090 of the increase relates to expenses incurred by Westholme Ltd. and the balance to the additional human resources required by Waverley Glen Systems Ltd. and Prism Equities Inc. Selling and administrative expenses increased by $1.5 million to $2.6 for the six months ending May 31, 2001 compared to the same period last year of which $1.2 million relates to Westholme Ltd.

Interest costs for the quarter were $201,191 for the quarter compared to $76,991 in the same period last year and $411,932 for the six months ending May 31, 2001 compared to $144,263 for the same period last year. This increase in interest costs reflects the cost of the new debt acquired to purchase Westholme Ltd. and to finance working capital growth in Waverley Glen Systems Ltd.

Amortization costs increased to $295,777 in this quarter compared to $96,052 in the same quarter last year. Amortization costs increased to $578,304 in the six months ending May 31, 2001 compared to $187,560 in the same period last year due to the increased depreciable and intangible asset base of the Company and its subsidiaries.

Prism reported a net income for the quarter of $206,065 or $0.06 per share on a fully diluted basis compared to a net income of $204,494 or $0.09 per share for the same period last year. Net income for the six months ending May 31, 2001 was $102,039 or $0.03 per share on a fully diluted basis compared to a net income of $304,739 or $0.14 per share for the same period last year.

I am pleased with the company's performance this quarter. All of our subsidiaries experienced significant growth in terms of sales and net income in the second quarter compared to the previous quarter. For the balance of the year all subsidiaries will strive to achieve further market share gains. In certain cases, this growth depends upon securing large institutional orders and completing the installation of lift products. The timing of these installations is beyond our control and may cause wide fluctuations in reported quarterly results. I remain confident that continued growth will result from our strategic plans.

Andrew A. McIntyre
Chief Executive Officer

PRISM EQUITIES INC.
CONSOLIDATED BALANCE SHEETS

	May 31 2001	November 30 2000
	(unaudited)	(audited)
ASSETS		
Current		
Accounts receivable	**$3,987,859**	$4,266,302
Inventory	**2,683,688**	2,307,893
Prepaid expenses	**700,285**	470,587
	7,371,832	7,044,782
Long-term		
Capital (note 1)	**5,019,070**	4,777,713
Notes receivable	**76,678**	78,429
Other investments	**235,011**	235,011
Deferred charges	**1,246,712**	940,991
Goodwill (note 1)	**2,872,019**	2,962,086
	9,449,490	8,994,230
	$ 16,821,322	$ 16,039,012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	**1,389,902**	653,748
Accounts payable and accrued liabilities	**2,604,029**	2,759,922
Income taxes payable	**275,765**	495,461
Current portion of long-term debt	**1,105,318**	758,515
	5,375,014	4,667,646
Long-term debt	**6,016,822**	6,804,784
Future income tax liability (note 1)	**687,029**	468,341
	12,078,865	11,940,771
Shareholders' equity		
Capital stock	**3,206,582**	2,685,139
Foreign exchange translation adjustment	**(15,554)**	(27,063)
Retained earnings	**1,484,626**	1,373,362
Contributed surplus	**66,803**	66,803
	4,742,457	4,098,241
	$ 16,821,322	$ 16,039,012

Approved by the Board:

"Signed - Robert Gibb"
Director

"Signed - Andrew A. McIntyre"
Director

PRISM EQUITIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended		Six months ended	
	May 31 2001	May 31 2000	**May 31 2001**	May 31 2000
Sales	**$ 5,585,905**	$ 2,644,657	**$ 9,868,974**	$4,560,186
Cost of goods sold				
Direct costs and manufacturing overhead	**3,393,943**	1,569,733	**6,052,606**	2,635,292
Amortization	**72,300**	75,199	**138,600**	146,832
	3,466,243	1,644,932	**6,191,206**	2,782,124
Gross profit	**2,119,662**	999,725	**3,677,768**	1,778,062
Selling and administrative expenses				
Selling and administrative expenses	**1,380,741**	603,302	**2,637,737**	1,120,626
Interest	**201,191**	76,991	**411,932**	144,263
Amortization	**142,395**	9,178	**277,538**	17,378
Amortization of Goodwill	**81,082**	11,675	**162,166**	23,350
	1,805,409	701,146	**3,489,373**	1,305,617
Income (loss) before provision for income taxes	**314,253**	298,579	**188,395**	472,445
Provision for income taxes				
Current	**120,657**	94,085	**111,294**	167,706
Future	**(12,469)**		**(24,938)**	0
	108,188	94,085	**86,356**	167,706
Net income (loss) for the period	**$206,065**	$204,494	**$ 102,039**	$ 304,739
Earnings (loss) per share				
Basic	**$0.07**	$0.10	**$0.03**	$0.15
Fully diluted	**$0.06**	$0.09	**$0.03**	$0.14

PRISM EQUITIES INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(unaudited)

	Six months ended May 31 2001	Six months ended May 31 2000
Retained earnings, beginning of period	$ 1,373,362	$ 917,225
Adjustment for changes in accounting policies	9,225	$ -
Net income for the period	102,039	304,740
Retained earnings, end of period	$ 1,484,626	$ 1,221,965

PRISM EQUITIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended		Six months ended	
	May 31 2001	May 31 2000	**May 31 2001**	May 31 2000
Cash was provided by (applied to):				
Operating activities				
Net income (loss) for the period	**$206,065**	$ 204,492	**$102,039**	$ 304,740
Items not affecting cash:				
Future income tax liability	**(12,469)**	(158,900)	**(24,937)**	(158,900)
Amortization	**295,777**	96,052	**578,304**	187,560
Net change in non-cash working capital	**110,441**	85,499	**(698,803)**	(144,750)
	599,814	227,143	**(43,397)**	188,650
Investing activities				
Proceeds on sale of capital assets			**9,967**	
Purchase of capital assets	**(180,783)**	(388,308)	**(455,813)**	(956,059)
Deferred costs	**(288,781)**	(115,870)	**(384,850)**	(158,267)
	(469,564)	(504,178)	**(830,696)**	(1,114,326)
Financing activities				
Issuance, net of repayment, of notes receivable	**1,213**	3,656	**1,752**	4,744
Advance, net of repayments of long-term debt	**(98,360)**	(80,025)	**(88,111)**	187,548
Issuance of capital stock	**221,443**	453,712	**221,443**	453,712
	124,296	377,343	**135,084**	646,004
Effect of exchange rate changes on cash	**1,386**	-	**2,855**	-
Increase (decrease) in cash balance for the period	**254,546**	100,308	**(739,009)**	(279,672)
Cash (bank indebtedness), beginning of the period	**(1,645,834)**	(637,126)	**(653,748)**	(257,146)
Cash (bank indebtedness), end of the period	**($1,389,902)**	($536,818)	**($1,389,902)**	($536,818)

Supplemental information Note 6

PRISM EQUITIES INC.
Notes to Consolidated Financial Statements

1. Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared by the Corporation in accordance with accounting principles generally accepted in Canada on a basis consistent with those followed in the most recent audited financial statements, except for the method of accounting for income taxes and computing diluted earnings per common share as described in Note 2. These unaudited financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Corporation's Annual Report for the year ended November 30, 2000.

2. Change in accounting policies

Effective December 1, 2000, the Corporation adopted the liability method of accounting for income taxes as required by the new CICA section #3465.

Under the new accounting section future tax assets and liabilities are determined based on differences between the financial statement carrying amounts and the corresponding tax bases of assets and liabilities measured using the enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those differences are expected to reverse.

Prior to the new standard, income tax expense was determined using the deferral method of tax allocation. Future tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and measured at the tax rate in effect in the year the difference originated.

The change in accounting policy has been applied retroactively as at November 30, 2000 and resulted in increases in capital assets of $180,750, goodwill of $72,100 and future income tax liability of $243,625. The cumulative effect, of this change, as of December 1, 2000, was an increase in opening retained earnings of $9,225. Comparative financial statements have not been restated.

Effective March 1, 2001, the Corporation retroactively adopted the new recommendations of the CICA with respect to the computation of diluted earnings per common share. Under the new standards, the treasury stock method is used for calculating diluted earnings per share. Previously, the imputed earnings approach was used.

As a result of this change, diluted earnings per common share for the second quarter of 2000 and the six months ended May 31, 2000 were restated from $.07 to $.09 and from $.11 to $.14 respectively.

3. Share Capital

The authorized and issued share capital consists of the following:

	May 31 2001	**November 30 2000**
Issued and outstanding:		
Common shares	3,275,280	2,833,887
Share Capital	$3,206,582	$2,685,139

On April 26, 2000, a rights offering was completed with 322,238 common shares and 322,238 warrants issued pursuant to the offering. Two warrants entitled the holder to purchase one common share for $1.85 Canadian. The warrants expired April 25, 2001. On April 25, 2001, 292,791 share purchase warrants were exercised resulting in the issuance of 146,393 common shares for net proceeds of $221,443.

During the quarter, a $300,000 note payable due to the spouse of the company's president was converted, at the option of the holder, into common shares of the Corporation. The note was convertible at the rate of 1 common share for $1 of principal resulting in the issuance of 300,000 common shares.

4. Earnings per share

The following is a reconciliation of the numerator and denominator of the basic and diluted per share computations:

	Three months ended		**Six months ended**	
	May 31 2001	May 31 2000	**May 31 2001**	May 31 2000
Net income (loss)	**$206,065**	$204,494	**$102,039**	$304,740
After-tax income from convertible securities	**20,233**	5,161	**6,788**	10,153
Adjusted income for fully diluted earnings per share	**$226,298**	$209,655	**$108,827**	$314,893
Weighted average number of common shares outstanding	**3,088,128**	2,059,522	**2,962,404**	1,986,255
Effect of dilutive securities	**967,135**	342,902	**261,077**	341,211
Weighted average number of dilutive common shares outstanding	**4,055,263**	2,402,424	**3,223,481**	2,327,466
Basic earnings per share	**$0.07**	$0.10	**$0.03**	$0.15
Fully diluted earnings per share	**$0.06**	$0.09	**$0.03**	$0.14

5. Information by Industry Segment

a) Industry segments:	Three months ended		Six months ended	
	May 31 2001	May 31 2000	**May 31 2001**	May 31 2000
Net revenues from customers outside the enterprise				
Industrial knitted fabrics	**$1,378,312**	$1,121,187	**$2,212,316**	$1,857,384
Medical products	**4,205,724**	1,493,470	**7,652,919**	2,642,802
Other	**1,870**	30,000	**3,739**	60,000
Total	**5,585,905**	2,644,657	**9,868,974**	4,560,186
Operating profit (loss) before interest and income tax				
Industrial knitted fabrics	**$324,587**	$204,977	**$412,819**	$272,366
Medical products	**336,829**	260,013	**425,074**	435,540
Other	**(145,972)**	(89,420)	**(237,566)**	(91,197)
Total	**$515,444**	$375,570	**$600,327**	$616,709
Total assets				
Industrial knitted fabrics	**$5,028,086**	$4,628,771	**$5,028,086**	$4,628,771
Medical products	**11,301,587**	3,157,091	**11,301,587**	3,157,091
Other	**491,650**	684,165	**491,650**	684,165
Total	**$16,821,322**	$8,470,027	**$16,821,322**	$8,470,027
Capital asset expenditures				
Industrial knitted fabrics	**$68,919**	$265,027	**$128,964**	$744,848
Medical products	**149,031**	83,658	**254,431**	167,476
Other	**15,882**	36,790	**17,610**	43,735
Total	**$233,832**	$385,475	**$401,005**	$956,059
Amortization				
Industrial knitted fabrics-amortization of deferred charges	**$2,632**	$0	**$2,632**	$0
Industrial knitted fabrics-amortization of capital assets	**77,900**	60,000	**149,600**	120,000
Medical products-amortization of capital assets	**93,701**	21,199	**181,650**	38,832
Medical products-amortization of deferred charges	**35,248**	0	**72,097**	0
Medical products-amortization of goodwill	**81,082**	11,675	**162,166**	23,350
Other - amortization of capital assets	**3,014**	978	**5,759**	978
Other - amortization of deferred charges	**2,200**	2,200	**4,400**	4,400
Total	**$295,777**	$96,052	**$578,304**	$187,560
Total industry segments				
Net revenue from customers outside the enterprise	**$5,585,905**	$2,644,657	**$9,868,974**	$4,560,186
Segmented operating profit before the following	**515,444**	375,570	**600,327**	616,709
Interest expense	**201,191**	76,991	**411,932**	144,263
Provision for income taxes	**108,188**	94,085	**86,356**	167,706
Net profit	**$206,065**	$204,494	**$102,039**	$304,740
Export sales				
Industrial knitted fabrics	**698,032**	578,835	**1,096,880**	937,195
Medical products	**656,040**	545,618	**1,011,711**	876,837
Total	**$1,354,072**	$1,124,453	**$2,108,591**	$1,814,032

b) Geographic segments:

Sales				
Canada	**$2,883,758**	$2,644,657	**$4,916,767**	$4,560,186
United Kingdom	**2,702,147**	0	**4,952,207**	0
Total	**$5,585,905**	$2,644,657	**$9,868,974**	$4,560,186
Capital assets				
Canada	**$4,052,552**	$3,618,574	**$4,052,552**	$3,618,574
United Kingdom	**966,518**	0	**966,518**	0
Total	**$5,019,070**	$3,618,574	**$5,019,070**	$3,618,574
Goodwill				
Canada	**$350,250**	$396,950	**$350,250**	$396,950
United Kingdom	**2,521,769**	0	**2,521,769**	0
Total	**$2,872,019**	$396,950	**$2,872,019**	$396,950

6. Supplementary Information to Consolidated Cash Flow

	Three months ended		**Six months ended**	
	May 31 2001	May 31 2000	**May 31 2001**	May 31 2000
Non-cash financing activities:				
Note payable conversion	**($300,000)**	$0	**($300,000)**	$0
Issuance of capital stock	**300,000**	0	**300,000**	0

7. Seasonal Nature of Business

The Corporation has historically experienced lower demand for its products and services in the first quarter of the fiscal year. This demand pattern is principally a result of the Christmas holidays when less medical equipment is prescribed and installed.