Financial Statements of

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Years ended December 31, 2003 and 2002

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheet of E-Comm Emergency Communications for Southwest British Columbia Incorporated as at December 31, 2003 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants

Vancouver, Canada

March 16, 2004

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Balance Sheets

December 31, 2003 and 2002

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	$ 5,715,957	$ 4,175,476
Accounts receivable - net of allowance for doubtful accounts of $502,210 (2002 - $262,203)	2,997,262	3,439,026
Accrued interest receivable	14,121	654
Prepaid expenses	710,949	328,677
	9,438,289	7,943,833
Investment in TCM Telecare Management Inc. (note 4)	1	1
Investment in PRIME Corp (note 4)	1	-
Debt reserve fund (note 5)	1,862,754	1,713,381
Deferred financing costs	1,633,362	1,672,672
Deferred development costs (note 6)	11,276,422	12,254,500
Long-term portion of prepaid land lease	2,348,485	2,373,737
Long-term portion of prepaid expenses	92,250	99,602
Property, plant and equipment (note 7)	117,092,984	119,346,401
	$ 143,744,548	$ 145,404,127
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,301,655	$ 5,043,485
Accrued interest payable	2,192,691	1,850,217
Current portion of long-term debt (note 9)	12,740,459	18,629,881
	19,234,805	25,523,583
Deferred revenue and other (note 8)	2,512,413	2,252,610
Long-term debt (note 9)	133,414,660	123,009,119
Shareholders' deficiency:		
Share capital (note 10)	470	470
Deficit	(11,417,800)	(5,381,655)
	(11,417,330)	(5,381,185)
	$ 143,744,548	$ 145,404,127

Future operations (note 2)
Related party transactions (note 11)
Commitments (note 12)
Contingencies (note 13)
Subsequent event (note 14)

See accompanying notes to financial statements.

Approved on behalf of the Board:

______________________ Director ______________________ Director

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Statements of Operations and Deficit

Years ended December 31, 2003 and 2002 (Note 3)

	2003	2002
Revenue:		
Radio levies	$ 17,802,539	$ 11,486,362
CAD levies	491,160	-
Consolidated dispatch levies	11,750,422	6,317,835
9-1-1 call taking levies	2,300,004	1,762,499
Alarm monitoring fees	-	51,063
Records management system	740,700	528,044
Tenant recoveries and rental	454,389	357,224
Miscellaneous revenue	1,764,593	862,679
	35,303,807	21,365,706
Direct operating expenses:		
Salaries and benefits	17,481,464	11,129,901
Maintenance and technology	2,779,780	2,192,794
Premises	1,106,596	725,558
Office supplies and communication	510,451	463,297
Employee related	423,341	376,420
Professional fees	306,087	256,234
Net GST	(810)	114,486
Other	421,117	219,215
	23,028,026	15,477,905
Other expenses:		
Amortization	11,006,555	6,299,770
Interest expense	7,305,371	4,969,686
Total expenses	41,339,952	26,747,361
Loss for the year	6,036,145	5,381,655
Deficit, beginning of the year	5,381,655	-
Deficit, end of the year	$ 11,417,800	$ 5,381,655

See accompanying notes to financial statements.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Statements of Cash Flows

Years ended December 31, 2003 and 2002

	2003	2002
Cash provided by (used in):		
Operations:		
Loss for the year	$ (6,036,145)	$ (5,381,655)
Items not involving cash:		
Amortization	11,006,554	6,299,770
Amortization of deferred financing costs	96,940	94,731
Interest earned on debt reserve fund	(72,533)	(98,472)
Changes in non-cash operating working capital:		
Accounts receivable and accrued interest receivable	428,297	2,659,858
Prepaid expenses and land lease	(349,668)	(61,481)
Deferred development costs	-	(1,791,197)
Accounts payable and accrued liabilities	(399,356)	(3,397,366)
Deferred revenue and other	259,803	901,613
	4,933,892	(774,199)
Investments:		
Investment in PRIME Corp	(1)	-
Debt reserve fund contribution	(76,840)	(160,000)
Debt reserve fund repayment	-	124,585
Acquisition and construction of property, plant and equipment	(7,775,059)	(16,904,002)
	(7,851,900)	(16,939,417)
Financing:		
Issue of share capital	-	10
Financing costs	(57,630)	(120,005)
Proceeds from issuance of debt	5,000,000	23,684,000
Repayment of long-term debt	(483,881)	(9,941,000)
	4,458,489	13,623,005
Increase (decrease) in cash	1,540,481	(4,090,611)
Cash, beginning of year	4,175,476	8,266,087
Cash, end of year	$ 5,715,957	$ 4,175,476
Supplementary cash flow information:		
Interest paid	$ 7,374,928	$ 7,388,742

See accompanying notes to financial statements.

1. Operations:

E-Comm Emergency Communications for Southwest British Columbia Incorporated (the "Corporation" or "E-Comm") was incorporated September 22, 1997 under the Company Act (British Columbia). Prior to April 1, 2002, the Corporation was in the development stage. Effective April 1, 2002, the Corporation commenced principal operations. Effective July 1, 2003, the Corporation commenced operations of the PRC Computer Aided Dispatch System ("CAD"). Activities to date have included construction of a building to house the Corporation's administration and 9-1-1 call taking and dispatch centre, development of a radio infrastructure, dispatch and police records management software systems and 9-1-1 / call taking / dispatch systems.

The Corporation provides centralized emergency communications, disaster coordination and related public safety and public service to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout southwest British Columbia. Primary services are provided to shareholder members of the Corporation pursuant to the Members' Agreement, and to the Royal Canadian Mounted Police ("RCMP") pursuant to a Special User Agreement with the Corporation.

The Corporation is exempt from tax under the Income Tax Act.

2. Future operations:

These financial statements are prepared on a going concern basis, which assumes the Corporation will be able to realize assets and discharge liabilities in the normal course of operations. The long-term financial and operating viability of the Corporation is dependent on its ability to secure subscribers to generate revenue adequate to fund continuing operations. The financial statements do not reflect adjustments that may be necessary if the continued use of the going concern assumption is not appropriate.

3. Significant accounting policies:

(a) Basis of presentation:

The Corporation's 100% investment in TCM Telecare Management Inc. ("TCM") and PRIME Corp Police Records Information Management Environment Incorporated ("PRIME Corp"), are recorded at cost. The accounts of TCM and PRIME Corp are not consolidated with those of the Corporation as E-Comm does not control either TCM's or PRIME Corp's operations.

3. Significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand, cash held in banks and term deposits maturing within ninety days from the date of acquisition, net of bank overdrafts.

(c) Financial instruments:

The carrying values of cash and term deposits, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. Other financial instruments of a longer-term nature are impacted by changes in market yields which can result in differences between their carrying value and their market value. Management estimates that these differences are not material to the financial statements. The Corporation is subject to interest rate risk on certain components of its long-term debt. Management does not believe there to be a significant credit risk exposure relating to its accounts receivable.

(d) Financing costs:

Financing costs incurred for the issuance of debt have been deferred and are being amortized over the term of the debt.

(e) Development costs:

Development costs including salaries and other operating costs are being deferred through the pre-operating phase of the Corporation. These costs are being amortized over a 12.5 year period, approximating the period of their recovery, commencing April 1, 2002.

(f) Prepaid land lease:

The land on which the E-Comm building is located has been leased from the City of Vancouver for a period of 99 years. The prepaid amount is being amortized over the term of the lease.

(g) Property, plant and equipment:

Property, plant and equipment are stated at cost less related government assistance, net of accumulated amortization. Interest costs directly attributable to major projects are capitalized and, at project completion, are amortized over the estimated life of the underlying assets.

Amortization begins when assets are put into use and is provided for on a straight-line basis over the estimated useful lives of assets as follows:

3. Significant accounting policies (continued):

(g) Property, plant and equipment (continued):

Assets	Rate
Building	40.0 years
Building equipment	10.0 years to 25.0 years
Furniture, fixtures and equipment	3.0 years to 10.0 years
Radio	7.5 years to 25.0 years
Computer aided dispatch ("CAD")	10.5 years
Dispatch consoles and voice systems	5.0 years to 12.5 years
Remote dispatch	7.0 years to 10.5 years
Records management system	10.5 years
User equipment	7.5 years to 12.5 years

(h) Related party transactions:

Transactions with related parties are in the normal course of operations, and are recorded at the agreed upon exchange amount. Contractual arrangements and service agreements with related parties are subject to the Corporation's tendering and proposal processes.

(i) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Significant areas requiring the use of management estimates relate to the allowance for doubtful accounts, the useful lives of capital assets and deferred costs for amortization, and impairment of assets.

(j) Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

The comparative figures for the statements of operations relate to the period April 1, 2002, when the Corporation commenced principal operations.

4. Investment in TCM Telecare Management Inc. and PRIME Corp:

In February 2001, E-Comm established a wholly owned company, TCM Telecare Management Inc. ("TCM"), to provide telephone call centre triage and self-care support services to residents of British Columbia. Known as "BC HealthGuide NurseLine", the initiative is funded, and the operations are controlled, by the Province of British Columbia Ministry of Health under the "BC HealthGuide" program. The service started April 2001 and is staffed by registered nurses on a 24-hour, 365 days per year basis.

In March 2003, E-Comm established a wholly owned company, PRIME Corp Police Records Information Management Environment Incorporated ("PRIME Corp") to roll out the Versaterm records management system throughout British Columbia. The initiative and operations are funded and controlled by the Province of British Columbia, Minister of Public Safety and Solicitor General.

5. Debt reserve fund:

E-Comm is required to maintain 1% of the borrowings outstanding through the Municipal Finance Authority of British Columbia ("MFA") in a debt reserve fund administered by the MFA. This amount was paid out of the original debt proceeds and is presented together with interest earned on the reserve fund investments. Demand notes in the aggregate amount of $7,917,700 (2002 - $7,694,893) are also provided by E-Comm to the MFA.

If at any time, E-Comm does not have sufficient funds to meet payment or contributions due on its obligations, the payments shall be made from the debt reserve fund. The demand notes payable by E-Comm are callable only if there are additional requirements to be met to maintain the debt reserve fund at a specified level. As management considers payment of the demand notes to be unlikely, no amount for the demand notes has been recorded in the financial statements. The amounts due to E-Comm from the debt reserve fund are repaid to E-Comm when the installments under the respective loan agreements have been made during the year. No debt installment payments were made during the year (2002 - $124,585). An additional $76,840 was paid into the debt reserve fund for debt incurred in the current year. Interest earned on the debt reserve fund amounts to $72,533 (2002 - $98,472).

6. Deferred development costs:

The balance of deferred development costs consists of the following cumulative amounts:

	2003	2002
Radio operating	$ 5,525,643	$ 5,525,643
Dispatch expenses	28,977,431	28,977,431
Finance and administration	16,215,382	16,215,382
Amortization	5,695,724	5,695,724
Interest expense	5,150,043	5,150,043
Dispatch training	523,657	523,657
Radio operating levies	(18,052,423)	(18,052,423)
Dispatch levies and fees	(27,993,528)	(27,993,528)
Tenant and other recoveries	(2,966,350)	(2,966,350)
	13,075,579	13,075,579
Accumulated amortization	1,799,157	821,079
	$ 11,276,422	$ 12,254,500

7. Property, plant and equipment:

2003	Cost	Accumulated amortization	Net book value
Building	$ 8,990,204	$ 1,140,727	$ 7,849,477
Furniture, fixtures and building equipment	5,593,622	1,870,012	3,723,610
Radio	65,689,080	6,900,590	58,788,490
Wireless equipment	469,279	50,056	419,223
Remote dispatch	2,546,583	380,786	2,165,797
Dispatch consoles and voice systems	4,903,873	998,646	3,905,227
CAD	13,937,374	616,960	13,320,414
User equipment	31,378,137	7,739,984	23,638,153
Records management system	4,362,496	1,079,903	3,282,593
	$ 137,870,648	$ 20,777,664	$ 117,092,984

2002	Cost	Accumulated amortization	Net book value
Building	$ 8,990,204	$ 895,665	$ 8,094,539
Furniture, fixtures and building equipment	4,783,882	1,179,520	3,604,362
Radio	64,274,000	2,557,886	61,716,114
Wireless equipment	469,279	12,515	456,764
Remote dispatch	2,181,560	138,523	2,043,037
Dispatch consoles and voice systems	5,071,238	545,498	4,525,740
CAD	13,220,482	-	13,220,482
User equipment	26,764,520	4,791,273	21,973,247

Records management system	4,365,676	653,560	3,712,116
	$ 130,120,841	$ 10,774,440	$ 119,346,401

7. Property, plant and equipment (continued):

Interest capitalized to CAD during the year amounts to $321,157 (2002 - $1,547,311). Amortization charged in the pre-operating phase is included in deferred development costs.

The radio and remote dispatch assets were put in use on April 1, 2002, and the CAD system was put into full use on July 1, 2003.

8. Deferred revenue and other:

Deferred revenue and other consists of the following:

(a) Radio system levies from member agencies consisting of prepayments of user equipment capital costs. These amounts will be recognized as revenue over the useful lives of the related capital assets.

(b) Grants received by the Corporation from senior governments assist in funding certain development costs of the PRIME records management system (“RMS”). These grants are reflected as deferred revenue and are offset against the cost of the RMS development upon the completion of the system component to which the grants relate. As at December 31, 2003 grants aggregating $32,387 (2002 - $117,000) are deferred pending system completion.

(c) A grant of $7,140 (2002 - $84,000) was advanced to the corporation from the Vancouver Police for secure ID tokens.

(d) Unrecognized contracted services fee of $112,500 (2002 - nil) have been received as an advance for PRIME Corp operating costs (note 4) (January, 2004 to March, 2004).

(e) The Corporation received funding from the RCMP to be used towards the consolidation of the RCMP CIID’s platform. At the year end, $516,620 of this funding (included within cash and cash equivalents) remains to be spent on the CIID’s platform.

9. Long-term debt:

	2003	2002
5.46% unsecured note payable, maturing March 24, 2021(a)		
Original balance	$ 107,493,000	$ 117,955,000
Incremental principal balance	10,462,000	-
6.05% unsecured note payable, maturing June 1, 2022 (b)	15,516,119	16,000,000
4.775% unsecured note payable, maturing October 3, 2023 (c)	7,684,000	7,684,000
Demand promissory note, due December 12, 2008 (d)	5,000,000	-
Total long-term debt	146,155,119	141,639,000
Current portion of long-term debt	12,740,459	18,629,881
	$ 133,414,660	$ 123,009,119

9. Long-term debt (continued):

On March 24, 1998, the Corporation entered into an agreement with the MFA to borrow up to a maximum of $170 million.

(a) On March 24, 1998, E-Comm obtained $146,316,000 of debenture financing through the MFA. The loan is unsecured and has an initial ten year term with interest at 5.46% per annum and a further twelve year term at 6.47% per annum.

A debt restructuring proposal was presented and approved by the Board of Directors at the December 3, 2003 meeting. The MFA has agreed to a revised repayment schedule to March 24, 2021, to better align the timing of E-Comm's cash flows and operating needs, with a provision for refinancing at March 24, 2008. The balance of the debt under the original repayment schedule continues to be subject to the original fixed interest rate of 5.46%. The incremental principal balance resulting from the revised repayment schedule is subject until March 24, 2008 to the MFA's Interim Financing Program at a floating rate of approximately prime less 1.25% compounded monthly. Principal repayment amounts will vary from year to year in accordance with the revised payment schedule. Nominal cash payments for interest will be based on the fixed rate of 5.46% applied to the entire outstanding balance of the debt. Any cumulative difference between cash payments for interest and actual interest costs calculated as above will be recorded as an asset or liability of the Corporation depending on the floating rate. On March 24, 2008 the expected incremental principal balance amount of $36,186,000, adjusted for any deficiency or excess of actual interest cost over cash payments for interest, and any refinancing charges, will be subject to refinancing from March, 2008 to 2021 at the then market interest rate. The refinanced interest rate will then be a blend of the fixed rate of 6.47% on the originally scheduled March 24, 2008 balance of $54,769,000 and the market interest rate on the incremental principal balance amount.

(b) On April 9, 2002, E-Comm obtained an additional $16 million of financing through the MFA as a further drawdown to the $170 million. This loan has a term of 20 years with annual blended principal and interest payments of $1,453,481 and a final payment date of June 1, 2022 and bears interest at a rate of 6.06% with interest calculated and paid semi-annually each year of the loan.

(c) On September 23, 2002, E-Comm obtained an additional $7,684,000 of financing through the MFA as the final drawdown to the $170 million. The loan was originally established as a temporary borrowing, with interest accrued daily and paid quarterly, and was converted to long-term debenture debt on October 3, 2003. This loan has a term of 20 years with annual blended principal and interest payments of $599,295 and a final payment date of October 3, 2023 and bears interest at a rate of 4.775% with interest calculated and paid semi-annually each year of the loan. The first interest payment will be on April 3, 2004.

9. Long-term debt (continued):

(d) On December 12, 2003, E-Comm obtained an additional $5 million of financing through the MFA, under a December 3, 2003 board resolution that authorized the Company to re-borrow up to $28,361,000 that has been paid back by the Company to the MFA on the original loan of $146,316,000. This loan has been established as a temporary borrowing with interest at the Bank of Montreal 30-day Bankers Acceptance Rate accrued daily and paid quarterly. This loan is due on demand with no structured principal repayment plan, and is therefore classified as a current liability.

The repayment requirements under the existing borrowing agreements for long-term debt of the Corporation during the next five years and thereafter are as follows:

Year ending December 31:	
2004	$ 12,740,459
2005	7,777,482
2006	6,816,357
2007	6,857,174
2008	6,400,033
Thereafter	105,563,614
Total long-term debt	$ 146,155,119

10. Share capital:

(a) Authorized:

350 Class A common voting shares without par value. Following project completion, Class A shareholders are obligated to share in funding both the on-going operations and any additional costs relating to capital assets (in accordance with a cost-sharing formula). Upon a member acquiring a Class A share, that member shall have agreed to use the Corporation's wide area radio system network to which the Class A share relates.

150 Class B common restricted voting shares without par value. Following project completion, Class B shareholders can elect to become Class A shareholders on the condition that the member agrees to use the Corporation's wide area radio system network. Class B shareholders are not obligated to share in funding the on-going operating costs.

10. Share capital (continued):

(b) Issued:

		2003		2002
19 Class A common voting shares (2002 - 14)	$	190	$	140
28 Class B common restricted voting shares (2002 - 33)		280		330
	$	470	$	470

In June 2003, City of Surrey Fire, City of Surrey RCMP, and White Rock Fire each converted one (1) Class B restricted voting shares to one (1) Class A common voting shares.

In August 2003, Delta Police and Delta Fire each converted one (1) Class B restricted voting shares to one (1) Class A common voting shares.

(c) RCMP Special User Agreement:

Due to existing Federal restrictions, the RCMP cannot become a shareholder in the Corporation. Consequently, a Special User Agreement has been executed such that the RCMP has the right to participate in the E-Comm project on the same terms and conditions as the class A shareholders, including the obligation to fund both the on-going operating costs and any additional costs relating to capital assets (in accordance with a cost-sharing formula).

11. Related party transactions:

Included in accounts receivable is an amount of $264,288 due from TCM. During the year, the Corporation received an administrative fee of $856,278 from TCM. Included in accounts receivable is an amount of $8,241 due from PRIME Corp. The corporation received $450,000 from PRIME Corp as an advance on contracted services fees of which $337,500 was recognized as revenue during the year and $112,500 is included in deferred revenue.

During the year, $28,840 was paid to DJE Holdings Ltd., a company owned by an independent member of the Board of Directors, for GRID/Service Excellence training.

12. Commitments:

The Corporation has entered into leases of land for radio tower sites. These leases expire in future years from 2004 to 2066 and are renewable at the option of the Corporation. Future minimum payments under these leases, excluding option periods, are approximately as follows:

Year ending December 31:		
2004	$	423,856
2005		296,591
2006		206,000
2007		174,853
2008		174,853
Thereafter		348,778
	$	1,624,931

13. Contingencies:

As at December 31, 2003, there were various legal claims pending against the Corporation arising in the ordinary course of its operations. The Corporation has made provision for certain claims, based on the best estimate of the loss to be incurred, but has made no specific provision for those where the outcome is presently undeterminable. Management does not anticipate claims for which no provision has been made to result in material loss to the Corporation.

Uncertainty exists with respect to which agencies (Police, Fire, and Ambulance) will ultimately remain on the PRC CAD System and whether E-Comm is to continue on with the PRC CAD System. Should all or any of the agencies originally committed to using the PRC CAD System choose not to use this system, ultimate recoverability of the assets may result in an impairment loss being recorded. Until a recommendation is made by the CAD User Group, a sub-committee of the Board of Directors of the Corporation, as to the future of the PRC CAD System, it is not possible to determine the amount of any loss associated with the impairment of the asset.

14. Subsequent event:

Subsequent to the year end, E-Comm received a one-time Provincial Sales Tax ("PST") rebate of $2,854,037 from the Province of British Columbia, Consumer Taxation Branch relating to PST paid for capital expenditures from 1998 to 2002 to the extent that the expenditures related to RCMP activities and the RCMP would not have been subject to PST had it made the expenditures directly. As eventual receipt of the rebate was not determinable at December 31, 2003, the amount will be recorded in the financial statements in the year ending December 31, 2004.