

Financial Statements of

**E-COMM EMERGENCY
COMMUNICATIONS FOR SOUTHWEST
BRITISH COLUMBIA INCORPORATED**

Year ended December 31, 2008



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the statement of financial position of E-Comm Emergency Communications for Southwest British Columbia Incorporated (the "Corporation") as at December 31, 2008 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Burnaby, Canada

February 20, 2009

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents (note 4)	\$ 22,142,955	\$ 13,510,361
Accounts receivable - net of allowance for doubtful accounts of \$188,726 (2007 - \$188,610)	3,390,050	3,115,001
Prepaid expenses	751,341	800,984
	26,284,346	17,426,346
Investments (note 5)	1	2
Debt reserve fund (note 6)	1,316,078	2,225,452
Recoverable development costs	6,046,193	8,236,814
Long-term portion of prepaid land lease	2,222,222	2,247,475
Long-term portion of prepaid expenses	96,984	309,243
Long-term receivable (note 7)	1,634,461	-
Capital assets (note 7)	66,170,635	76,271,166
	\$ 103,770,920	\$ 106,716,498

Liabilities and Shareholders' Deficiency

Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,620,030	\$ 4,014,768
Accrued interest payable	1,260,890	1,517,194
Current portion of long-term debt (note 8)	8,256,903	6,421,496
	16,137,823	11,953,458
Deferred revenue and other liabilities (note 9)	5,902,627	6,684,790
Asset retirement obligation (note 10)	1,250,128	1,166,522
Long-term debt (note 8)	95,774,300	102,513,565
Shareholders' deficiency:		
Share capital (note 11)	480	480
Deficit	(15,294,438)	(15,602,317)
	(15,293,958)	(15,601,837)
Future operations (note 2)		
Commitments (note 14)		
Contingencies (note 15)		
	\$ 103,770,920	\$ 106,716,498

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Statement of Operations and Deficit

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Radio Levies	\$ 22,049,965	\$ 22,829,831
CAD levies	1,078,584	967,185
Consolidated dispatch levies	17,109,030	16,630,040
9-1-1 call taking levies	3,133,883	3,118,629
Records management system	678,967	236,629
Tenant recoveries rental	451,445	460,582
Contract service fees and miscellaneous revenue	3,025,341	3,901,386
	<u>47,527,215</u>	<u>48,144,282</u>
Direct operating expenses:		
Salaries and benefits	23,513,914	20,541,985
Maintenance and technology	2,709,850	2,408,574
Premises	1,409,093	1,484,003
Office supplies and communication	506,582	447,975
Employee related	662,584	558,951
Professional fees	644,692	311,100
Other	512,594	283,652
	<u>29,959,309</u>	<u>26,036,240</u>
Other expenses (income):		
Accretion of asset retirement obligation	59,716	54,966
Amortization	12,924,624	12,487,499
Interest expense	4,960,823	5,508,242
Loss on equipment writedown	207,074	132,087
Gain on conversion of asset to long-term receivable	(892,210)	-
	<u>47,219,336</u>	<u>44,219,034</u>
Excess of revenue over expenses	307,879	3,925,248
Deficit, beginning of year:	(15,602,317)	(19,527,565)
Deficit, end of year	<u>\$ (15,294,438)</u>	<u>\$ (15,602,317)</u>

See accompanying notes to financial statements.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Statement of Cash Flows

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 307,879	\$ 3,925,248
Cost of hedge settlement included in fair value adjustment on adoption of financial instruments standard	-	(3,959,179)
Items not involving cash:		
Amortization of capital assets	11,622,860	11,189,431
Amortization of prepaid land lease	25,253	25,252
Accretion of asset retirement obligation	83,606	51,632
Amortization of deferred financing costs	87,394	83,698
Interest earned on debt reserve fund	(63,028)	(91,877)
Loss on disposal of capital assets	207,074	137,258
Changes in non-cash operating working capital:		
Accounts receivable	(275,049)	(1,011,936)
Prepaid expenses	261,902	(205,506)
Accounts payable and accrued liabilities	2,348,958	751,270
Deferred revenue and other liabilities	2,212,808	2,645,451
	16,819,657	13,540,742
Financing:		
Financing costs	(522,000)	-
Repayment of long-term debt	(4,469,252)	(7,080,557)
	(4,991,252)	(7,080,557)
Investing:		
Investments	1	-
Debt reserve fund	972,403	-
Acquisition and construction of capital assets	(5,357,333)	(4,680,683)
Recoverable development costs	1,189,118	1,189,118
	(3,195,811)	(3,491,565)
Increase in cash and cash equivalents	8,632,594	2,968,620
Cash and cash equivalents, beginning of year	13,510,361	10,541,741
Cash and cash equivalents, end of year	\$ 22,142,955	\$ 13,510,361
Supplemental cash flow information:		
Interest paid	\$ 7,153,744	\$ 6,602,954
Non-cash transactions:		
Net amounts reclassified from deferred revenue on decommissioning of capital assets (note 7)	2,994,971	-
Conversion of capital assets to long-term receivables	3,627,929	-
Conversion of deferred development costs to long-term receivables	1,001,503	-

See accompanying notes to financial statements.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements

Year ended December 31, 2008

1. Operations:

E-Comm Emergency Communications for Southwest British Columbia Incorporated (the "Corporation" or "E-Comm") was incorporated on September 22, 1997 under the Business Corporations Act (British Columbia).

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 generate revenue adequate to fund continuing operations. The Corporation's strategic financial plan, updated for the approved 2009 budget, indicates net earnings for the year ending December 31, 2009 in the amount of \$328,595 and a recovery of the accumulated deficit by the end of 2018.

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:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit entities and incorporate the following significant accounting policies.

(a) Basis of presentation:

The Corporation's 100% investment in PRIMECorp Police Records Information Management Environment Incorporated ("PRIMECorp") is recorded at cost. The accounts of PRIMECorp are not consolidated with those of the Corporation as E-Comm does not control PRIMECorp's operations.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2008

3. Significant accounting policies (continued):

(b) Financial instruments:

The Corporation accounts for its financial instruments in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *Financial Instruments – Recognition and Measurement*. Under Section 3855, financial assets and financial liabilities are initially recognized at fair value. Measurement in subsequent periods is dependent upon the classification of each instrument. The standard requires that all financial assets be classified as either held for trading (HFT), available-for-sale (AFS), held-to-maturity (HTM) or loans and receivables. Financial liabilities are classified as either held for trading or other financial liabilities.

Financial assets and financial liabilities HFT are measured at fair value, with the changes in fair value reported in earnings. Financial assets HTM, loans and receivables and other financial liabilities other than those HFT are measured at amortized cost using the effective interest method. AFS financial assets are measured at fair value with unrealized gains and losses recognized as changes in net assets until the financial asset is disposed of or becomes impaired.

Derivative instruments are recorded on the balance sheet at fair value. Changes in the fair value of derivative instruments are recognized in earnings.

The Corporation classifies its financial assets and liabilities as follows:

Financial Assets

(i) Accounts receivable:

Accounts receivable are recorded at amortized cost less any impairment losses recognized and approximate their fair values due to the relatively short periods to maturity.

(ii) Debt reserve fund:

The Corporation classifies debt reserve funds as held-to-maturity recorded at their amortized costs as these assets are due when the related debt matures (note 6).

(iii) Recoverable development costs:

The Corporation classifies recoverable development costs as held-to-maturity recorded at amortized cost.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2008

3. Significant accounting policies (continued):

(b) Financial instruments:

Financial Assets (continued)

(iv) Long-term receivables:

The Corporation classifies long-term receivables as held-to-maturity recorded at amortized cost.

(v) Accounts payable and accrued liabilities:

The Corporation classifies accounts payable and accrued liabilities as other financial liabilities recorded at amortized cost.

(vi) Asset retirement obligations:

The Corporation classifies asset retirement obligations as held-to-maturity recorded at amortized cost.

(vii) Long term debt:

The Corporation classifies long term debt as held-to-maturity, and records long-term debt and related deferred financing costs at amortized costs.

Long-term debt transaction costs are recorded against the underlying debt and amortized at the effective interest rates.

The Corporation does not currently hold any financial assets classified as held for trading or available-for-sale.

The Corporation does not currently have any financial derivatives.

In September 2008, the Accounting Standards Board agreed that non-publicly accountable enterprises such as the Corporation need not apply the new financial instrument standards CICA Handbook Section 3862, *Financial Instruments – Disclosures*, and CICA Handbook Section 3863, *Financial Instruments – Presentation*.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2008

3. Significant accounting policies (continued):

(c) Revenue recognition:

All sources of revenue are recognized on an accrual basis.

The Corporation follows the deferral method of accounting for contributions. Accordingly, funding received for specific purposes are deferred and recognized in the period in which the related expenses are incurred. Contributions received for the acquisition or construction of capital assets are deferred and amortized to revenue on the same basis as the amortization of the related capital asset.

(d) 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.

(e) Financing costs:

Financing costs incurred for the issuance of debt have been deferred and are being amortized on the effective interest rate method over the term of the debt.

(f) Recoverable development costs:

Development costs, including salaries and other operating costs incurred through the pre-operating phase of the Corporation, are being recovered through levies to member agencies over a 12.5 year period, commencing April 1, 2002 for radio, and January 1, 2003 for dispatch.

(g) 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 commencing 1999. The prepaid amount is being amortized over the term of the lease.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2008

3. Significant accounting policies (continued):

(h) Capital assets:

Capital assets 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 on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Rate
Building	40.0 years
Furniture, fixtures and building equipment	3.0 years to 25.0 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	7.5 years to 10.5 years
Records management system - Fire	4.0 years to 10.0 years
Fire CAD	4.0 years to 10.0 years
User equipment	4.0 years to 12.5 years

(i) 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.

(j) 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 financial statements. Significant areas requiring the use of management estimates relate to the allowance for doubtful accounts, the useful lives of capital assets and recoverable development costs for amortization, fair values of asset retirement obligations, and impairment of assets.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2008

3. Significant accounting policies (continued):

(k) Adoption of new accounting standard:

(i) Capital disclosures:

Effective January 1, 2008, the Corporation adopted CICA Handbook Section 1535, *Capital Disclosures*, which requires quantitative disclosure about what is regarded as capital and disclosure of information with respect to the objectives, policies and processes used by the Corporation to manage capital. These disclosures are included in note 16 to the financial statements.

(l) Future accounting changes:

(i) Intangible assets:

CICA Section 3064, *Goodwill and Intangible Assets*, will replace Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The standard will be effective for the Corporation's fiscal year ending December 31, 2009.

(ii) Accounting framework:

The not-for-profit accounting standards have been re-issued by the CICA providing further guidance relating to financial statement presentation, capital assets, reporting controlled and related entities and disclosure on related party transactions. The revisions to the standards will be effective for the Corporation's fiscal year ending December 31, 2009.

The Corporation is currently evaluating the impact of the above new accounting standards for the next fiscal year ending December 31, 2009.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2008

4. Cash and cash equivalents:

Included in cash and cash equivalents is \$3,815,828 held for HealthLink BC for the use of future expenditures to be made on its behalf by the Corporation.

5. Investments:

In March 2003, E-Comm established PRIME Corp, a wholly owned company, 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.

6. Debt reserve fund:

E-Comm is required to maintain 1% of the initial borrowings through the Municipal Finance Authority of British Columbia ("MFA") in a debt reserve fund administered by the MFA. The original amount is presented together with interest earned on the reserve fund investments. Demand notes in the aggregate amount of \$7,917,700 (2007 - \$7,917,700) are also provided by E-Comm to the MFA as a requirement of the borrowings. As the demand notes are contingent in nature, no amount is recorded in these financial statements.

If at any time, E-Comm does not have sufficient funds to meet payment 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 respective loan agreements mature. No debt reserve fund installment payments were made during the year (2007 - nil). Interest earned on the debt reserve fund amounts to \$63,029 (2007 - \$91,877).

On March 24, 2008, \$972,403 was paid out from the debt reserve fund for issue costs related to the refinancing of the \$146 million loan, along with a partial payment of the principal.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2008

7. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 8,685,895	\$ 2,177,202	\$ 6,508,693	\$ 6,177,207
Furniture, fixtures and building equipment	8,846,169	5,845,260	3,000,909	3,684,402
Radio	66,244,897	30,569,501	35,675,396	40,037,584
Computer aided dispatch ("CAD")	239,525	125,466	114,059	3,777,328
Wireless equipment	-	-	-	269,055
Dispatch consoles and voice systems	5,482,166	3,443,985	2,038,181	2,543,005
Remote dispatch	2,799,466	1,717,692	1,081,774	1,271,247
Records management system - Fire	1,827,213	184,494	1,642,719	1,349,102
Fire CAD	2,808,029	21,773	2,786,256	998,159
User equipment	38,683,099	25,360,451	13,322,648	16,164,077
	\$ 135,616,459	\$ 69,445,824	\$ 66,170,635	\$ 76,271,166

PRC Altaris CAD is the software and hardware components that comprise the computer aided dispatch system. All current committed agencies on PRC Altaris CAD are responsible for the full capital costs of CAD; thus cash flows through levies ensure the recoverability of the committed portion of PRC CAD. In 2005 and 2006, the unfunded portion of PRC Altaris CAD (43.5%) due to non-participation was recognized as an impairment loss.

All agencies have transitioned off PRC Altaris CAD (except 2% for 911) on November 27, 2008, rendering the system substantially out of service. As the unamortized cost of the system is recoverable from all committed agencies, the carrying value at the out of service date has been reclassified as a long-term receivable.

Telesphere firehall alerting system is the computer hardware and software components that make up the firehall alerting system. All participating agencies transitioned off the system on November 27, 2008, thus, rendering the system substantially out of service. As the unamortized cost of the system is recoverable from all committed agencies, the carrying value at the out-of-service date has been reclassified as a long-term receivable.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2008

8. Long-term debt:

	2008	2007
4.65% unsecured note payable, maturing March 24, 2024 (a)	\$ 87,000,000	\$ -
6.06% unsecured note payable, maturing June 1, 2022(b)	12,612,647	13,248,235
4.775% unsecured note payable, maturing October 3, 2023 (c)	6,384,276	6,670,184
5.46% unsecured note payable, maturing March 24, 2021 (a):		
Original obligation	-	59,674,000
Incremental principal balance	-	32,281,000
Cumulative interest differential relating to incremental principal balance	-	(1,407,244)
	<u>105,996,923</u>	<u>110,466,175</u>
Less:		
Unamortized transaction costs	1,965,720	1,531,114
Current portion of long-term debt	8,256,903	6,421,496
	<u>10,222,623</u>	<u>7,952,610</u>
	<u>\$ 95,774,300</u>	<u>\$102,513,565</u>

On March 24, 1998, the Corporation entered into an agreement with the MFA to borrow up to a maximum of \$170 million. This amount has been drawn as follows:

- (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. This latter rate is the result of an interest rate swap entered into by the MFA on behalf of E-Comm to swap a variable interest rate for a fixed rate.

On November 23, 2007, pursuant to a resolution passed by E Comm's Board of Directors, the future interest swap rate contract that the MFA entered into on E Comm's behalf for \$52,769,000 of debt refinancing on March 24, 2008 at a fixed rate of 6.47% was terminated at a cost of \$3,867,900.

On March 24, 2008, E-Comm refinanced the then outstanding portion of the loan through the MFA with a partial payment from the debt reserve fund. The remaining debt amount of \$87 million was refinanced for a period of sixteen years, with an initial term of ten years at a rate of 4.65%, with the remaining six years subject to refinancing on March 24, 2018.

- (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.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2008

8. Long-term debt (continued):

- (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. This loan requires annual blended principal and interest payments of \$599,295, has 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 repayment requirements, net of estimated sinking fund asset balances representing payments made to date, 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:

2009	\$ 8,256,903
2010	3,443,644
2011	1,562,315
2012	9,957,188
2013	9,062,770
Thereafter	73,714,103
	\$105,996,923

9. Deferred revenue and other liabilities:

	2008	2007
(a) Prepayment of user equipment capital assets	\$ 573,740	\$ 899,839
(b) Vancouver Fire and Police CAD capital payout	-	3,182,974
(c) BCAS CAD capital payout	-	1,545,177
(d) Reserve - Radio Model	1,279,207	829,224
(e) HealthLink BC	3,861,115	-
(f) Other	188,565	227,576
Total deferred revenue and other liabilities	\$ 5,902,627	\$ 6,684,790

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2008

9. Deferred revenue and other liabilities (continued):

Deferred revenue and other liabilities consist of the following:

- (c) 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.
- (d) The Corporation received payment in advance from Vancouver Fire and Vancouver Police (\$385,236 and \$2,751,702 respectively) for their proportionate share of PRC Altaris CAD. As the PRC Altaris CAD system is substantially out of service, this prepaid amount has been applied against the long-term receivable (note 7).
- (e) The Corporation received payment in advance in the amount of \$2,293,485 from BC Ambulance Services ("BC Ambulance") for their proportionate share of the capital cost of PRC CAD. As the Altaris CAD system is substantially out of service, this prepaid amount has been applied against the long-term receivable (note 7).
- (f) The Corporation received annualized funding through radio levies from radio member agencies in 2006, 2007 and 2008 for future capital use. The annualized funds collected are recorded as deferred revenue until they are spent. In 2008, \$50,569 was drawn down for repairs to the roof.
- (g) The Corporation received funds from HealthLink BC for future expenditures. These amounts are recorded as deferred revenue until the funds are spent.

10. Asset retirement obligation:

The Corporation has recorded an asset retirement obligation for the estimated costs of restoring certain leased sites that the Corporation's radio towers are situated on to their original condition at the end of the lease terms. Changes in the asset retirement obligation during the year are as follows:

	2008	2007
Balance, beginning of year	\$ 1,166,522	\$ 1,114,890
Accretion expense, net of recovery	59,716	51,632
Additional site lease obligation	23,890	-
Balance, end of year	\$ 1,250,128	\$ 1,166,522

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2008

10. Asset retirement obligation (continued):

The undiscounted estimated cash flows required to settle the obligations range from \$10,000 to \$130,000 during the years 2008 to 2066. The cash flows are discounted using a credit adjusted risk-free rate of 4.75% to 5.25% (2007 - 4.75% to 5.25%).

Other assumptions used by management to determine the carrying amount of the asset retirement obligation include costs to restore the leased sites to their original condition and the rate of inflation over the expected years to settlement.

There are certain obligations with an indeterminable date, where adequate information is not available to estimate fair value. These amounts are not material.

11. 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 ongoing 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 ongoing operating costs.

(b) Issued:

	2008	2007
24 class A common voting shares (2007 - 24)	\$ 240	\$ 240
24 class B common restricted voting shares (2007 - 24)	240	240
	\$ 480	\$ 480

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2008

11. Share capital (continued):

(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 ongoing operating costs and any additional costs relating to capital assets (in accordance with a cost-sharing formula).

12. Fair value of financial instruments:

The fair value of long-term debt and debt reserve fund at December 31, 2008 is \$106,111,828 (2007 - \$104,985,801) and \$2,194,296 (2007 - \$2,194,296), respectively. The fair value of debt is determined using a weighted average of discount factors of similar debt issued by the MFA. The fair value of the debt reserve fund is based on the weighted average market value of securities held in the fund by the MFA.

13. Related party transactions:

Included in accounts receivable is an amount of \$45,382 (2007 - \$7,080) due from PRIMECorp.

14. Commitments:

- (a) The Corporation has entered into leases of land for radio tower sites. These leases expire in future years from 2009 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:		
2009	\$	451,159
2010		335,730
2011		300,974
2012		263,164
Thereafter		1,521,913
	\$	2,872,940

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2008

14. Commitments (continued):

- (b) In 2005, E-Comm entered into a software purchase agreement with FDM Software in the amount of \$1,790,821. The annual support and maintenance for this agreement is \$136,029.
- (c) In 2006, E-Comm entered into a software purchase agreement with Intergraph Canada Ltd. in the amount of \$1,529,552. The annual support and maintenance for this agreement is \$882,966.
- (d) Municipal pension plan:

The Corporation and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee pension plan. The Board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 150,000 active members and approximately 54,000 retired members. Active members include approximately 32,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the surplus to individual employers. The Corporation paid \$1,153,807 (2006 - \$1,052,380) for employer contributions to the plan in fiscal 2008.

15. Contingencies:

As at December 31, 2008, 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.

16. Capital disclosures:

The Corporation's capital currently consists of its share capital. As the Corporation is expected to recover its accumulated deficit by the end of 2018, future capital will consist of its accumulated surplus and share capital. The Corporation's objective when managing capital is to safeguard its assets and to ensure that adequate capital is managed for future requirements.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2008

17. Comparative figures:

Certain 2007 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.