

19596 YUKON INC.  
FINANCIAL STATEMENTS  
December 31, 2002  
(unaudited)

## **Review Engagement Report**

**To the Directors of  
19596 Yukon Inc.**

We have reviewed the balance sheet of 19596 Yukon Inc. as at December 31, 2002 and the statements of operations and retained earnings and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

**Whitehorse, Yukon**

**January 31, 2003**

A handwritten signature in black ink that reads "Mackay LLP". The signature is written in a cursive, flowing style.

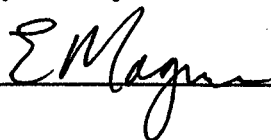
**Chartered Accountants**

**19596 Yukon Inc.**

**Balance Sheet  
(Unaudited - see Review Engagement Report)**

As at December 31,	2002	2001
<b>Assets</b>		
<b>Current</b>		
Bank	\$ 111,274	\$ 70,951
Accounts receivable	2,000	50,785
Income taxes receivable	200,810	61,210
	<b>314,084</b>	<b>182,946</b>
Restricted Cash (note 5)	<b>2,741,705</b>	<b>1,653,779</b>
Property and equipment (note 2)	<b>7,842,386</b>	<b>8,442,613</b>
	<b>\$ 10,898,175</b>	<b>10,279,338</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 80,198	\$ 153,074
Due to shareholders	66,000	346,500
	<b>146,198</b>	<b>499,574</b>
Due to Yukon Government Fund (note 3)	<b>10,500,000</b>	<b>9,275,000</b>
	<b>\$ 10,646,198</b>	<b>9,774,574</b>
<b>Shareholders' Equity</b>		
Share capital (note 6)	<b>200</b>	<b>200</b>
Retained earnings	<b>251,777</b>	<b>504,564</b>
	<b>251,977</b>	<b>504,764</b>
	<b>\$ 10,898,175</b>	<b>\$ 10,279,338</b>

Approved by the Directors

  
\_\_\_\_\_, Director

  
\_\_\_\_\_, Director  


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**19596 Yukon Inc.****Statement of Operations and Retained Earnings  
(Unaudited - see Review Engagement Report)**

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<b>For the year ended December 31,</b>	<b>2002</b>	<b>2001</b>
<b>Revenue</b>		
Equipment lease	\$ 1,700,000	\$ 1,700,000
Interest income	58,793	101,305
	<b>1,758,793</b>	<b>1,801,305</b>
<b>Expenses</b>		
Amortization	1,319,248	1,021,025
Bank charges and interest	85	10,332
Interest on long-term debt	793,776	547,236
Management fees	75,345	346,500
Professional fees	25,393	28,086
	<b>2,213,847</b>	<b>1,953,179</b>
<b>Loss before income taxes</b>	<b>(455,054)</b>	<b>(151,874)</b>
<b>Income taxes (recovery)</b>	<b>(202,267)</b>	<b>(61,210)</b>
<b>Net loss</b>	<b>(252,787)</b>	<b>(90,664)</b>
<b>Retained earnings, beginning of year</b>	<b>504,564</b>	<b>595,228</b>
<b>Retained earnings, end of year</b>	<b>\$ 251,777</b>	<b>\$ 504,564</b>

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**19596 Yukon Inc.****Statement of Cash Flows  
(Unaudited - see Review Engagement Report)**

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<b>For the year ended December 31,</b>	<b>2002</b>	<b>2001</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss	\$ (252,787)	\$ (90,664)
Item not affecting cash		
Amortization	1,319,248	1,021,025
Change in non-cash operating working capital		
Accounts receivable	48,785	132,250
Income taxes receivable	(139,600)	(61,210)
Accounts payable and accrued liabilities	(72,876)	(888,469)
Income taxes payable	-	(381,988)
Due to shareholders	(280,500)	346,500
	<b>622,270</b>	<b>77,444</b>
<b>Financing activities</b>		
Increase in long-term debt	<b>1,225,000</b>	<b>5,775,000</b>
<b>Investing activities</b>		
Property and equipment purchased	(719,021)	(5,837,803)
Increase in restricted cash	(1,087,926)	(395,307)
	<b>(1,806,947)</b>	<b>(6,233,110)</b>
<b>Increase (decrease) in cash</b>	<b>40,323</b>	<b>(380,666)</b>
<b>Cash, beginning of year</b>	<b>70,951</b>	<b>451,617</b>
<b>Cash, end of year</b>	<b>\$ 111,274</b>	<b>\$ 70,951</b>

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# 19596 Yukon Inc.

## Notes to Financial Statements (Unaudited - see Review Engagement Report)

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December 31, 2002

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### 1. Accounting Policies

The company is incorporated under the laws of the Yukon Territory and its major activity is the leasing of communications equipment. The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) **Financial instruments**

All significant financial assets, financial liabilities and equity instruments of the company are either recognized or disclosed in the financial statements together with available information for a reasonable assessment of future cash flows, interest rate risk and credit risk.

(b) **Property and equipment**

Property and equipment are recorded at cost. Amortization is calculated by the declining balance method at the annual rates set out in note 2.

(c) **Income taxes**

Income taxes are accounted for using the future income tax method.

### 2. Property and Equipment

	Rate	Cost	2002 Accumulated Amortization	Net book Value	2001 Net book Value
Equipment	20%	\$ 2,240,948	\$ 680,892	\$ 1,560,056	\$ 1,696,282
Communication Equipment	20%	1,781,056	639,763	1,141,293	1,373,108
Satellite Structures & improvements	20%	1,123,596	342,688	780,908	837,173
Fiber Cable	4%	1,649,466	113,683	1,535,783	1,354,265
Roads	12%	3,046,820	606,888	2,439,932	2,739,314
Routers	8%	175,404	18,924	156,480	117,788
Computer Equipment	30%	482,238	257,085	225,153	321,016
Office Furniture	30%	2,568	1,498	1,070	1,528
	20%	2,971	1,260	1,711	2,139
		\$ 10,505,067	\$ 2,662,681	\$ 7,842,386	\$ 8,442,613

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**19596 Yukon Inc.****Notes to Financial Statements  
(Unaudited - see Review Engagement Report)**

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**December 31, 2002**

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**3. Due to Yukon Government Fund Limited** 2002 2001

Term loan bearing interest equal to 7.7% per annum, calculated and compounded semi-annually, not in advance, payable monthly. Repayable at maturity, maturing May 1, 2005. Secured by promissory notes and a security agreement over equipment.

**\$ 10,500,000**    **\$ 9,275,000**

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Estimated annual repayments of the loans payable are as follows:

2003	\$ -
2004	-
2005	10,500,000

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**\$ 10,500,000**

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**4. Related Party Transactions**

During the year, the Company borrowed \$1,225,000 (2001 - \$5,775,000) from Yukon Government Fund, a company with significant common influence.

**5. Restricted cash**

Restricted cash represents equipment lease funds deposited into a trust account with HSBC Bank Canada. These funds are to be used to pay amounts owing to Yukon Government Fund Limited, to pay GST to the appropriate government agency, and audit, legal, and other fees incurred by 19596 Yukon Inc. in connection with the transactions contemplated by the loan agreement with Yukon Government Fund Limited, the equipment lease and the procurement agreement.

**6. Share Capital****Authorized**

Unlimited number of shares without nominal or par value

**Issued**

200 common shares

2002	2001
<b>\$ 200</b>	<b>\$ 200</b>

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**7. Commitments**

The Company has entered into a procurement agreement for the purchase of fixed assets to a maximum of \$11,025,000. The balance of the commitment as at December 31, 2002 is estimated at \$115,000.

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**19596 Yukon Inc.**

**Notes to Financial Statements  
(Unaudited - see Review Engagement Report)**

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**December 31, 2002**

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**8. Change in Accounting Policy**

In the current year the company changed its method of accounting for income taxes from the deferred income taxes method to the future income taxes method. This change has been applied retroactively. There were no effects of the change on the financial statements.