STRATEGIC vista

SEE WHAT YOU'VE BEEN MISSING

ANNUAL REPORT 2005

A new vision for video security

Lorex IPSC network cameras offer wired and wireless video surveillance solutions for the "do it yourself" consumer.

Innovative Digimerge DHT series of DVRs offer integrated LCD panel for local viewing and easy setup. Advanced pentaplex operation provides full view and control capability both locally and over the network.

The Lorex MediaCam offers an integrated home security solution that is designed specifically with Microsoft Windows Media Center™ in mind. From a single hand held remote, home entertainment and video security are integrated in an easy to use consumer friendly application.

New generation of observation and combo systems integrate multiplexer, quad and digital video recorders with 15", 17" and 19" LCD monitors. View, record and playback surveillance video in 4 and 8 camera solutions for the residential and small business owner.

Content

ABOUT STRATEGIC VISTA INTERNATIONAL INC.

Strategic Vista International Inc. is a leading video security solutions developer, manufacturer and marketer. Our wired and wireless products and internet video monitoring solutions are purchased by businesses, retail consumers and commercial installers. Our distribution network includes security distributors such as ADI, Tri-Ed and AlarMax in the commercial market (DIGIMERGE brand), and mass-market retail focused partners including BJ's Warehouse Club, Costco, Fry's Electronics, Home Depot, Radio Shack, Rona, Sam's Club and Target (SYLVANIA, LOREX, HOME SENTINEL, SENTINEL CCTV brands).

OUR PURPOSE

Strategic Vista is in the business of developing video surveillance products to help make peoples' lives more secure at home, work and play.

OUR VISION

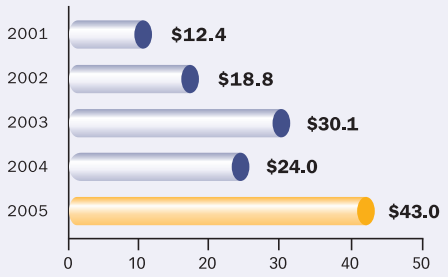
To become the dominant player in selected high growth video surveillance market niches by the year 2006.

Certain information included in this report contains statements that are forward-looking, such as statements relating to anticipated future revenues of the Company and the success of product offerings. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future, and, accordingly, such results may differ materially from those expressed in any forward-looking statements made by or on behalf of the Company.

Financial Overview

Revenue

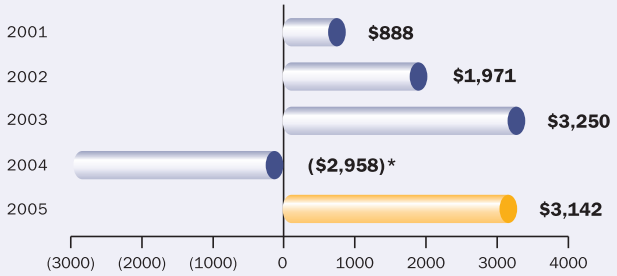
(in millions of U.S. Dollars)



EBITDA*

(in thousands of U.S. Dollars)

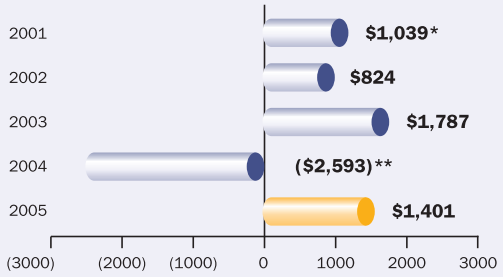
*Defined as Earnings (loss) before income taxes, interest expense, amortization of capital assets and amortization of deferred charges.



* includes pre-tax write-down of deferred development costs of $2,484

Net Earnings

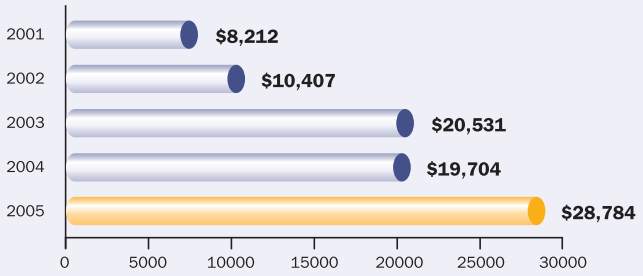
(in thousands of U.S. Dollars)



* includes tax loss realization of $477
** includes after tax write-down of deferred development costs of $1,787

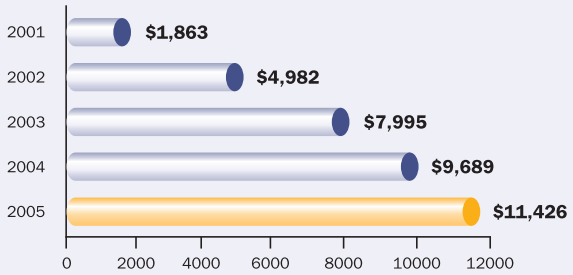
Total Assets

(in thousands of U.S. Dollars)



Shareholders' Equity

(in thousands of U.S. Dollars)



Message to Shareholders

I am pleased to report that in fiscal 2005 we succeeded in completing many of the goals we set out at this time last year. We increased our sales substantially, returned the Company to profitability and made significant strides towards achieving our *Vision 2006* objectives.

Our *Vision 2006* business strategy was established in 2003 and set a number of measurable performance benchmarks necessary to double our annual sales and increase our profit substantially over the three-year period from fiscal 2004 to fiscal 2006. Our unique business model has evolved over the past seven years and the substantial growth in revenue over this period serves to confirm that Strategic Vista International Inc. (SVII) will remain a market leader. The management team at SVII realized in 2003 that an aggressive review of our entire corporate structure was necessary to achieve the ambitious growth in revenue and profits that was necessary to support our role as an industry leader. At that time, we committed to move SVII into new channels of distribution, to develop new customer relationships for our substantial product offerings, to capitalize on industry trends by developing new digital products, to continually evaluate and improve our business model, to adapt to new opportunities and to build a strong operational infrastructure capable of sustaining consistent and continual growth. Of these initiatives, several have already contributed to our successful results in fiscal 2005 and others have longer time lines before they measurably contribute to revenue and profitability.

THE YEAR IN REVIEW

Revenue for the year ended September 30, 2005 was US$43.0 million compared with US$24.0 million for fiscal 2004. This represents an increase of 79% as SVII returned to profitability in fiscal 2005. We realized substantial increases in both EBITDA and net profit. EBITDA for fiscal 2005 was US$3,142,000 compared to a loss of US$(2,958,000) in fiscal 2004, an increase of 207%. For the year ended September 30, 2005 our earnings after tax increased to US$1,401,000 compared to a loss of US$(2,593,000), after accounting for a write-down of deferred development costs of US$2,484,000 in the same period last year – an increase of 154%.

> **"Revenue for the year ended September 30, 2005 was US$43.0 million compared with US$24.0 million for fiscal 2004."**

The rapid turn around in our business in fiscal 2005 confirms the strength of our unique business model that allows us to quickly adapt to changes in product technology and customer demand. We fully expect that our return to rapid growth in 2005 is a harbinger for 2006 and beyond. Our Vision 2006 strategy may be our current focus, but we are looking much further into the future with the goal of

building an organizational structure capable of sustaining our excellent growth record for many years to come.

Our return to positive revenue growth and profitability has brought several awards and recognitions to our company. SVII was named to the Profit 100 list of fastest growing companies for 2005 as we ranked 39th in Canada. This award recognizes Canada's ranking of high growth companies and celebrates the achievements of the best and brightest companies. SVII has also been named one of Canada's fastest growing technology companies based on sales growth and sales per employee. SVII ranked 13th in the Deloitte 2005 Canadian Technology Fast 50 program. This is an annual program that recognizes excellence, innovation and the fastest growing technology companies in Canada. Rankings are based on the percentage of growth in fiscal revenues over five years, from 2000 to 2004. SVII moved up from 46th position last year to 13th position this year. The introduction of new digital video products and our expansion into the commercial/professional security market has directly contributed to this rise in ranking.

> **"SVII was named to the Profit 100 list of fastest growing companies for 2005 as we ranked 39th in Canada."**

Our USA sales initiatives this past year have resulted in substantial increases in both product sales and distribution opportunities through newly established channels of distribution. The USA is our largest market and we realized exceptional growth through the efforts of Steve Gold and his excellent Sales Team. I am pleased to report that Steve's efforts has delivered growth of 76% in our sales volume. Our customer base now includes well known names such as Sam's Club, Pep Boys and PC Richards.

Digimerge Technologies Inc. was launched in 2003 to gain access to the commercial/professional security marketplace. Digimerge has focused on an emerging trend for the integration of digital video security with networked computer systems. Digimerge has established excellent relationships with its major customers and has successfully launched its brand. Digimerge fiscal 2005 sales of US$5,098,000 was an increase of 120% compared to revenues of US$2,327,000 in fiscal 2004. Digimerge should contribute positively to earnings in fiscal 2006 under the stewardship of Alan Bass, President and Wayne Hurd, Vice-President of Sales. Alan and Wayne have worked tirelessly to establish a strong customer position in North America. I am also pleased to announce that Digimerge in partnership with ADI has penetrated the security market of five European countries in 2005. We believe the European security and

surveillance market is larger than the USA market and Digimerge is just beginning to explore and establish new opportunities in this vast market.

OPERATIONS AND INFRASTRUCTURE;

Growth brings operational challenges and the latter half of fiscal 2005 was spent in developing the groundwork for business excellence in product quality, on-time delivery, and product introduction. Dave Codack joined Strategic Vista in March of 2005 as President and COO and quickly embarked on a series of continuous improvement initiatives: assuring continuing supplier support, assuring quality standards, stressing greater systems utilization and reporting, developing the technology infrastructure and implementing a remodeled forecasting methodology to assure customer product fulfillment. The changes to-date have resulted in greater end-to-end visibility and transparency around information, which has improved the decision making capability. These accomplishments such as inventory reduction, customs clearance optimization, and refining the logistics process should result in increases in our profitability.

NEW TECHNOLOGY FOR 2005

SVII has continued its market leading role in developing network enabled observation systems for the home and small business, as well as advanced digital video recorders for the professional security market. In 2006, these product lines will expand to include a broad range of network cameras, DVRs that support high resolution real time video recording and a common user interface for all IP devices. At the CES trade show in Las Vegas in January 2006, SVII introduced home security software that is supported by Windows Media Center and security cameras that can be accessed via a cell phone.

> **"Digimerge fiscal 2005 sales of US$5,098,000 was an increase of 120 % compared to revenues of US$2,327,000 in fiscal 2004."**

We believe the future of security and specifically remote video surveillance is Anytime, Anywhere™ access: being able to connect to a host surveillance system from any capable device at any location. Cell phones are ubiquitous devices that open the market for remote video surveillance to tens of millions of new customers. SVII currently supports remote video surveillance access from any Windows CE Mobile Phone device for a segment of its product line. Windows CE Mobile Phone devices represents the high-end smart phone segment of the video-enabled cell phone market. SVII is currently under development to deliver remote video surveillance from most video-enabled Java phones over 2.5G networks, and providing

this as an add-on module to existing SVII monitoring and DVR systems. This will substantially implement the goal of Anytime, Anywhere™ access to a large segment of the potential market, and open new customer opportunities for the LOREX and Digimerge brand products.

> **"According to recent research the forecast for 2006 is a market value of US$65 billion with an expected growth to US$73 billion by 2008."**

IN CONCLUSION

Fiscal 2005 was a good year. The company returned to double-digit growth in revenue while achieving the highest level in sales in SVII's history as well as triple digit growth in both EBITDA and earnings before income taxes. Fiscal 2006 promises to be another year of solid growth built on the momentum of the past year.

The total worldwide market for security and surveillance products is expanding at a rapid rate. According to recent research the forecast for 2006 is a market value of US$65 billion with an expected growth to US$73 billion by 2008. Our target market continues to expand and will provide phenomenal opportunity for continued growth that Strategic Vista will vigorously pursue.

Our Digimerge branded products are rapidly gaining recognition for reliability and cost effectiveness amongst the commercial/professional installer marketplace in the USA and are now being acknowledged in continental Europe and the United Kingdom. We will continue to enhance our Digimerge product offerings and promote our Digimerge brand in the global marketplace. Our strategy going forward is to build brand recognition for Digimerge as a complete solutions provider while utilizing the most effective methods to support our products and customers.

Our LOREX consumer-branded products are selling well in the USA and Canada and we will continue to promote these products as we increase our market share in North America. Our LOREX branded products were introduced in Europe and Costco is now marketing the product in the United Kingdom. For fiscal 2006, we will be further developing our technology platforms and enhancing our product offerings within the LOREX brand. We are also focusing on further market penetration for continental Europe, Asia and India.

The Company plans to seek approval to change our corporate name to LOREX Corporation in fiscal 2006. We believe that

the LOREX brand will continue to gain global recognition in the security and surveillance markets and the name change should further assist in growing our corporate brand worldwide.

I would like to thank the management team, our employees, our partners and the Strategic Vista Board of Directors for their commitment and continued support. I would also like to thank our many business partners, customers and shareholders for their ongoing support. Strategic Vista has become a recognized leader in the rapidly growing market of wired and wireless video security in North America and we have begun to make inroads into the vast European markets.

With an experienced team dedicated to executing our business plans, I am confident that we will continue to capture market share and sustain future growth. Strategic Vista enters fiscal 2006 as a company expecting to realize its goals of rapid and profitable growth in the global video security and surveillance business sector. We believe through the changes in our management, facilities, people and technology, Strategic Vista should continue to grow and dominate in selected markets and product categories.

Bernard Klein
Chairman and CEO

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Year Ended September 30, 2005

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of Strategic Vista International Inc. ("SVII" or the "Company") and the financial performance for the years ended September 30, 2005, 2004 and 2003. This discussion should be read in conjunction with the Audited Consolidated Financial Statements and related notes which begin on page 23. All amounts are in U.S. dollars unless otherwise stated. As a result of rounding differences, certain figures in this MD&A may not total.

CAUTIONARY STATEMENTS REGARDING FORWARD LOOKING STATEMENTS

Certain information contained in this report may contain statements that are forward-looking, such as statements relating to anticipated future revenues of the Company and the success of product offerings. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future, and accordingly, such results may differ materially from those expressed in any forward-looking statements made by or on behalf of the Company. These risks and uncertainties include without limitation, changes in competition, changes in technologies that impact products being developed and sold by the Company, changes in customer demand and, the availability of raw materials required to manufacture the Company's products. Any of these risks and uncertainties could cause actual results to vary materially from current results or the Company's currently anticipated future results. The Company wishes to caution readers not to place undue reliance on such forward-looking statements that speak only as of the date made.

OVERVIEW OF THE COMPANY

Strategic Vista International Inc. is a leading video security solutions developer, manufacturer and marketer. SVII's analog and digital wired and wireless product lines are distributed via security distributors such as ADI, Tri-Ed and AlarMax in the commercial market (DIGIMERGE brand), and by mass-market retail partners including BJ's Warehouse Club, Costco, Fry's Electronics, Home Depot, Radio Shack, Rona, Sam's Club and Target (SYLVANIA, LOREX, HOME SENTINEL, SENTINEL CCTV brands).

SVII subsidiaries include Strategic Vista Technologies and Digimerge Technologies, as well as the international sales & distribution arms Strategic Vista (USA), Inc. and Strategic Vista Corporation Limited in Hong Kong.

REPORTING CURRENCY

The Company uses the U.S. dollar as its reporting currency for preparation of its consolidated financial statements. Under this method, the Company and its subsidiaries that use the Canadian dollar as the functional currency translate all assets and liabilities at the period end exchange rate and all revenue and expense items are translated at an average rate of exchange for the period for U.S. dollar reporting. Exchange rate differences arising on translation are deferred as a separate component of shareholders' equity.

Effective October 1, 2004, the U.S. dollar became the functional currency of certain of the Companies subsidiaries – Digimerge Technologies Inc., Strategic Vista (USA), Inc. and Strategic Vista Corporation Limited. For other U.S. subsidiaries that are considered fully integrated foreign operations, non-Canadian dollar monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing as at the consolidated balance sheet dates, while non-monetary assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated into Canadian dollars at the rate in effect at the date of transaction. Realized and unrealized foreign exchange gains and losses are included in net earnings for the period in which they occur.

BUSINESS DEVELOPMENTS

During the past year, a number of developments have taken place that have had and will have an impact on the Company's operations and financial results going forward, including:

- Dave Codack was appointed President and COO in February 2005 with a mandate to improve operational efficiencies.
- During the second quarter of fiscal 2005, the Company introduced an innovative line of advanced IP Video Cameras to the retail marketplace.
- Also in the second quarter, Digimerge Technologies Inc. was selected as a vendor by ADI, North America's largest distributor of professional security equipment, to support ADI's aggressive expansion into the European market.
- In April 2005, the Company opened its Hong Kong office to reduce product introduction cycle times and spearhead the Company's international sales expansion.
- In the third quarter, the Company began shipping its LOREX brand of digital video security products to approximately 250 SAM'S CLUB store locations across the U.S. This resulted in SAM'S CLUB becoming the Company's largest customer for fiscal 2005. The Company expects that SAM'S CLUB will continue to be one of its top five customers in fiscal 2006.
- In the fourth quarter, the Company announced its first sale to a major retailer outside of North America, Costco UK (United Kingdom). The Company will begin shipping products to this customer during its first quarter of fiscal 2006. The Company expects that revenue from its European expansion will grow over the years and expects moderate contribution to revenue in fiscal 2006.

SUMMARY FINANCIAL RESULTS

In fiscal 2005, the Company returned to profitabilty and revenue growth by achieving quarterly revenue growth of 35%, 44%, 154% and 94% compared with the prior year quarters. For the year, revenue growth was 79% compared to fiscal 2004 revenue. As a result of this growth in revenues, the Company achieved after-tax profits of $1.4 million compared to a loss in fiscal 2004 of $2.6 million and net earnings of $1.8 million in fiscal 2003. The results for 2004 included a write-down of deferred development costs of $1.8 million after-tax.

Further explanation of changes in revenue, gross margins and expenses are provided below in the comments on Consolidated Results of Operations.

The following table shows the Company's results from operations for the past three years.

($000's except per share amounts)	Year Ended Sept. 30 2005	2004	2003	Increase (Decrease) 2005 vs.2004	%	2004 vs. 2003	%
Revenue	$ 42,967	$ 23,987	$30,111	$ 18,980	79%	$(6,124)	(20)%
Cost of sales	28,132	15,640	20,646	12,492	80%	(5,006)	(24)%
Gross margin	14,835	8,347	9,465	6,488	78%	(1,118)	(12)%
Expenses:							
Marketing and selling	7,798	5,349	3,638	2,449	46%	1,711	47%
Administration	2,457	2,351	1,880	106	5%	471	25%
Research & development	1,733	1,138	862	595	52%	276	32%
Interest	392	147	256	245	167%	(109)	(43)%
Amortization	259	234	146	25	11%	88	60%
Loss on foreign exchange	212	397	125	(185)	(47)%	272	218%
Write-down of deferred development costs & investment	–	2,484	–	(2,484)	(100)%	2,484	100%
Operating expenses	12,852	12,009	6,907	843	7%	5,192	75%
Income taxes (recovery)	582	(1,160)	771	1,742	150%	(1,931)	(250)%
Net earnings (loss)	$ 1,401	$(2,593)	$ 1,787	3,994	154%	(4,380)	(245)%
Earnings (loss) per share							
Basic	$ 0.05	$ (0.10)	$ 0.09				
Diluted	$ 0.05	$ (0.10)	$ 0.08				
Gross margin %	34.5%	34.8%	31.4%		(0.3)%		3.4%
Marketing & selling as % of sales	18.2%	22.3%	12.1%		(4.1)%		10.2%
Administration as % of sales	5.7%	9.8%	6.2%		(4.1)%		3.6%
R&D as % of sales	4.0%	4.7%	2.9%		(0.7)%		1.8%
Total Assets	$ 28,784	$ 19,704	$20,531	$ 9,080	46%	$ (827)	(4)%

CONSOLIDATED RESULTS OF OPERATIONS

Revenue

($000)	Year ended September 30 2005	2004	2003
Revenue	42,967	23,987	30,111
Increase (decrease) over prior year	79%	(20)%	62%
Proportion of revenue from:			
United States	82%	84%	84%
Canada	13%	14%	11%
Other	5%	2%	5%
Proportion of revenue from top 5 customers	62%	45%	70%

2005 compared to 2004

Revenue increased in 2005 compared to 2004 as the result of the Company adding several new customers and introducing a number of new digital-based products, including IP (internet protocol) based observations systems and IP cameras and new lines of digital video recorders. The Company experienced revenue growth of 79% in fiscal 2005 compared to 2004. The addition of a major warehouse club during the third quarter had a significant impact on the Company's revenue in the second half of the year. The Company expects to grow its revenue by greater than 30% in fiscal 2006.

Sales of the Company's professional products under the Digimerge brand to security distributors in the commercial market increased to approximately $5.1 million in fiscal 2005 from $2.3 million in fiscal 2004, an increase of 122%. This increase in revenue resulted from the addition of several new customers in the United States and the commencement of shipping of Digimerge products to a major customer in Europe. The Company expects its revenue of professional products to grow by greater than 50% in fiscal 2006.

As at September 30, 2005, the Company adopted EIC 156 "Accounting by a vendor for consideration given to a customer" resulting in the reclassification of expenses relating to certain marketing programs being reclassified from marketing and selling expenses to a reduction in revenue. The amount of revenue reported in the table above reflects a reduction of $1,102,000 for 2005, $551,000 for 2004 and $316,000 for 2003, as a result of this change in accounting policy.

2004 compared to 2003

Revenue decreased in 2004 compared to 2003 as the loss of a product placement with a major customer announced in the Company's second quarter fiscal 2004 results negatively impacted revenue by $8.5 million for the year. In addition, revenue in 2003 was bolstered by a significant contract with a major U.S. retailer. Large quantities of a CCTV product were shipped to this retailer in the Company's third and fourth quarters of fiscal 2003 year to support special promotions undertaken by the customer. This customer continues to be one of the Company's top five customers and in addition to the special promotions noted above, the customer now stocks the Company's products on an ongoing basis.

Sales of Digimerge branded products increased from $2.3 million in fiscal 2004 from $770,000 in fiscal 2003, an increase of 200%. Digimerge commenced revenue earning activities in July 2003 and thus fiscal 2003 results include only three months of sales. During fiscal 2004, Digimerge added additional distributors and its product offerings were expanded.

Gross Profit

	Year ended September 30		
	2005	2004	2003
Gross Profit	34.5%	34.8%	31.4%

Cost of sales consists primarily of the cost of manufactured products based on FOB factory prices, freight and duty.

The Company outsources its manufacturing to third parties in Korea, Taiwan and China. The Company has a 50% joint venture interest in a monitor manufacturing facility in southern China.

Gross margins in 2005 were lower than 2004 as the result of increased international sales that are completed at lower overall gross margins. The Company negotiates lower prices on these international sales as it does not incur similar costs compared to its sales in North America. In addition, the Company recorded higher amounts for product rationalization expenses in 2005 as a result in transitioning certain products from analog to digital.

Gross margins in 2004 increased substantially from 2003 as the Company (i) introduced higher margin products to the market; (ii) was able to negotiate higher prices on certain product lines that had traditionally been at lower average margins; (iii) had reduced sales from lower margin products; and, (iv) was able to maintain product selling prices on existing products while obtaining cost reductions from its suppliers.

Marketing and selling expense

	Year ended September 30		
($000)	2005	2004	2003
Marketing and selling expense	7,798	5,349	3,638
As a percentage of Sales	18.2%	22.3%	12.1%

The principle components of marketing and selling expenses include freight and distribution costs associated with product shipments to customers, salary and commission expenses for internal sales and support personnel and external sales representatives, sales display and detailing costs to ensure the Company's products are properly displayed at its customer locations and warranty service costs.

As noted in the revenue section above, the amounts for 2004 and 2003 have been adjusted from the amounts previously reported as a result of the classification of certain marketing programs as a reduction of revenue. Previously, these program costs had been included as marketing expenses.

The increase in marketing and selling expenses in 2005 compared to 2004 resulted primarily from higher freight costs and sales commissions related to increased sales. Also, the addition of a major warehouse club customer in the third quarter resulted in increased sales display and detailing expenses.

The increase in marketing and selling expenses in 2004 compared to 2003 resulted primarily from costs associated with the Company's new U.S. office based in Baltimore and higher costs associated with expanding the Digimerge distribution network.

For fiscal 2006, the Company expects its marketing and selling expenses to increase as certain costs are variable based on revenue. However, as a percentage of revenue, the Company expects these costs to decrease.

Administration expense

	Year ended September 30		
($000)	2005	2004	2003
Administration expense	2,457	2,351	1,880
As a percentage of Sales	5.7%	9.8%	6.2%

The primary components of administrative expenses are wages and benefits, professional fees, general and office expenses and costs associated with the public company reporting requirements.

The increase in 2005 versus 2004 was due to higher salaries, including the addition of a new President and COO hired in the second quarter.

The increase in 2004 versus 2003 was due to additional staff costs. Severance payments were incurred in the third quarter of 2004 related to a reduction in headcount.

For fiscal 2006, the Company expects its administration expenses to increase moderately but should decline as a percentage of revenue.

Research and development expense

($000)	Year ended September 30 2005	2004	2003
Research and development	1,733	1,138	862
As a percentage of Sales	4.0%	4.7%	2.8%

Research and development expenses include the wages and benefits paid to individuals in the Company's product development group, sub-contractors and the amortization costs associated with capitalized tooling and product design costs.

The Company increased its expenditures in research and development during fiscal 2005, as it continues to invest in product development to support future sales growth. Several new products were introduced in fiscal 2005 including the introduction of new IP based products and digital video recorders. In 2004, the Company introduced its Digital Video Monitoring line for internet-based remote monitoring.

The Company expects to introduce several new products in fiscal 2006, including management application software, an expanded range of network cameras, digital video recorders that support high resolution real time video recording and security cameras that can be accessed via a cell phone.. While it is difficult to predict what the impact of revenue from these new products will be if fiscal 2006, the Company expects these products should have a positive long-term contribution to its revenue.

Interest expense

($000)	Year ended September 30 2005	2004	2003
Interest expense	393	147	256

The Company has a credit agreement with a Canadian chartered bank with a maximum credit facility of Cdn $15,000,000. The revolving credit loans bear interest at the bank's prime rate plus 0.45% for Canadian dollar denominated advances and the bank's U.S. dollar base rate plus 0.45% for U.S. dollar denominated advances. Interest is paid monthly. During the year the weighted average interest rate on the Company's borrowings was 5.6%.

The increase in interest expense in 2005 compared to 2004 resulted from higher bank borrowings during 2005. These bank borrowings were used to finance the Company's working capital growth requirements to support the higher revenue levels.

The decrease in interest expense in 2004 compared to 2003 was the result of reduced bank borrowings, as a significant portion of the proceeds from an October 2003 private placement of common shares were used to pay down the bank indebtedness at that time.

Amortization of Capital Assets

($000)	Year ended September 30 2005	2004	2003
Amortization of capital assets	259	234	146

The primary capital assets of the Company subject to amortization are – tooling and equipment, product and packaging design costs, patents and trademarks, furniture and equipment and computer hardware. The amortization expense pertaining to tooling and product design costs is included in research and development expense and amounted to $507,000 in 2005; $415,000 in 2004 and $290,000 in 2003.

During 2005 the Company purchased $810,000 of capital assets while $759,000 were purchased in 2004 and $612,000 were purchased in 2003.

Loss on foreign exchange

	Year ended September 30		
($000)	2005	2004	2003
Loss on foreign exchange	212	397	125

The Company purchases and sells a majority of its products in U.S. dollars and as a result the Company and certain of its Canadian subsidiaries have assets and liabilities that are denominated in U.S. dollars. In each of the years noted in the above table, the Canadian dollar strengthened in comparison with the U.S. dollar. As a result, the Company recognized a loss on foreign exchange on its net U.S. dollar monetary position.

Write-down of deferred development costs

During the fourth quarter of 2004, the Company recorded a write-down of $2,484,000 ($1,787,000 after tax) relating to deferred costs associated with the development of its two-way wireless security system. The Company determined it was appropriate to expense the development costs it had incurred to date, as it was unable to predict the potential financial returns that may be realized on this product.

Income taxes

	Year ended September 30		
	2005	2004	2003
Income tax rate	29.4%	30.9%	30.1%

In 2005, the primary factor causing the income tax rate to be less than the Canadian statutory tax rate of 36.12% was the impact of its foreign operations being subject to different tax rates. This resulted in a reduction of approximately 10% from Canadian statutory tax rates. The tax rate was increased as a result of certain permanent tax differences, primarily the non-deductibility of stock option expenses.

In 2004, the primary factor causing the income tax rate to be less than the Canadian statutory tax rate of 36.25% was the tax impact of the non-deductible portion of the write-down of the deferred development costs and investment that reduced the rate by 4%.

In 2003, there were two primary factors causing the rate to be less than the Canadian statutory tax rate of 37.2%. The amount of income earned by the Company's Hong Kong subsidiary increased as a result of expanding sales by this subsidiary. As the tax rate in Hong Kong is substantially less than Canadian tax rates, the consolidated tax rate was reduced by over 3%. Also, as a result of a plan by the Company to revise its structure to take advantage of previously unrealized tax losses, the consolidated tax rate was further reduced by an additional 5%.

The Company expects it tax rate in fiscal 2006 to be between 30% and 33%.

QUARTERLY FINANCIAL RESULTS

(in thousands of dollars, except per share amounts)

	2005				2004			
For the quarters ending	**Dec. 31**	**Mar. 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Mar. 31**	**June 30**	**Sept. 30**
Revenue	9,216	8,173	13,537	12,040	6,797	5,657	5,331	6,202
Net income (loss)	141	148	561	550	202	(202)	(270)	(2,324)[1]
Per share basis	0.01	0.01	0.02	0.02	0.01	(0.01)	(0.01)	(0.09)

[1] Includes a write-down of deferred development costs of $2,484,000 ($1,787,000 after tax).

As a result of the Company's adoption of the EIC 156, the above revenue numbers may have been revised from the amounts previously disclosed in its quarterly financial statements. Certain other items in its quarterly financial statements may also have been reclassified to conform to the presentation followed in the Company's fourth quarter fiscal 2005 financial results.

Historically, the Company's revenues and net income in the second half of its fiscal year are stronger than revenue earned in the first six months of a fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended September 30, 2005, cash and cash equivalents increased by $464,000 compared to 2004. As the Company uses its banking facilities to partially finance its working capital requirement, the Company attempts to minimize the amount of its bank indebtedness by reducing borrowings on the credit facility by applying excess cash against the bank loans.

At September 30, 2005, the Company had a Cdn$15,000,000 credit facility for revolving credit loans that bore interest at the bank's prime rate plus 0.45% for Canadian dollar denominated advances and the bank's US dollar base rate plus 0.45% for U.S. dollar denominated advances. The credit line is secured by the accounts receivable and inventory of two of the Company's subsidiaries. At September 30, 2005, the available credit under this facility based on the security pledged was $10,080,000 and the amount of borrowings were $7,765,000, leaving an unused credit line balance of $2,315,000.

In addition, a separate credit facility of Cdn$750,000 has been established for Digimerge Technologies Inc. At September 30, 2005, borrowings outstanding under this facility were $446,000.

In October 2003 the Company completed a private placement offering of 4,000,000 common shares at a price of Cdn$1.25 per share resulting in net proceeds of approximately Cdn$4.7 million.

During 2004 the Company paid off a promissory note of approximately $985,000 resulting from the acquisition of MEI Inc. in September 2003.

As at September 30, 2005, the Company's principal sources of liquidity included unrestricted cash of $980,000, trade accounts receivable of $7.8 million and unutilized borrowing availability of $2.5 million under the Company's bank credit facilities. The Company believes these sources of liquidity are sufficient to finance its needs for fiscal 2006.

WORKING CAPITAL

As the Company's customer base includes some of North America's largest retailers, inventory and accounts receivable balances are high based on volume sales. Nonetheless, the Company plans to reduce its inventory investment as a percentage of its cost of goods sold in 2006 from new logistics arrangements implemented near the end of fiscal 2005 and from focused inventory management.

Accounts Receivable

The Company's accounts receivable balance increased from $5.1 million at September 30, 2004, to $7.8 million at September 30, 2005 due primarily to the increase in revenue (revenue for fourth quarter of fiscal 2005 was $12.0 million compared to revenue for the fourth quarter of fiscal 2004 of $6.2 million). Days sales outstanding were 55 days at September 30, 2005 versus 74 days at September 30, 2004. The decrease in days sales outstanding was due to improved collection efforts and a change in customer mix where certain new customers have trade terms that promote faster payments.

Inventory

The Company's inventory balance increased significantly during the year from $9.5 million at September 30, 2004 to $15.3 million at September 30, 2005. Inventory increased to support planned revenue growth projections and to provide additional inventory levels to support purchasers by its major customers. As the Company manufactures all of its products in the Far East, it maintains higher inventory to meet its customer purchase requirements. In addition, as a result of the delivery times to receive inventory in North America from ocean shipments from the Far East, the Company has a significant amount of inventory in transit. At September 30, 2005 the amount of inventory in transit was $2.9 million compared to $2.0 million at September 30, 2004.

Accounts Payable and Accrued Liabilities

The Company's accounts payable and accrued liabilities increased from $4.7 million at September 30, 2004 to $8.8 million at September 30, 2005. The increase is primarily due to the increase in inventory purchases and is consistent with the growth in revenue, which results in proportionate increases in purchases and accounts payable.

CAPITAL ASSETS AND EXPENDITURES

Capital assets, net of accumulated amortization, increased by $152,000 to $1.4 million at September 30, 2005. Additions to capital assets were $810, 000, marginally below management's expectations for the year.

For fiscal 2006, the Company anticipates spending approximately $1.0 million on capital asset purchases. This investment will be funded from cash flow from operations.

CAPITAL STOCK AND DIVIDENDS

As at September 30, 2005, the Company had 26,590,067 common shares outstanding, the same number as at December 19, 2005. During 2005, the Company issued 751,167 common shares through the exercise of stock options for proceeds of $174,000. In addition, the Company issued 2,000 common shares under its Employee Stock Purchase Plan. The Company has not declared any dividends on its common shares over the past three fiscal years and does not plan to declare or pay any dividends on its common shares in the next twelve months.

CONTRACTUAL OBLIGATIONS

The Company has entered into operating leases for office premises and equipment. The future minimum operating lease commitments for the next five years are as follows:

	Fiscal year ending September 30				
($000)	2006	2007	2008	2009	2010
	$142	$142	$134	$113	$ –

The Company is also committed to royalty payments on the sale of certain licensed products at a fixed percentage of revenue on those products. This license expires on December 31, 2009.

RELATED PARTY TRANSACTIONS

The Company has an agreement in place with a video-streaming development company (Core Video Inc.) in which the Company's Chief Executive Officer has a 40% equity interest. The agreement calls for equally sharing the development costs of new products based on Core Video's technology, and sharing the profit or paying royalties on the Company's sales of products utilizing the technology.

The Company shares premises with a company in which the Chief Executive Officer has a 33% equity interest. The Company has signed a sublease for the portion of space it occupies at a rate per square foot equal to the rate paid by the related company to the landlord. Payments made to the related company for shared resource costs were $107,000.

Related party transactions have been recorded at the exchange amount, which is the amount of consideration established and agreed by the related parties.

FOURTH QUARTER RESULTS

Revenue for the fourth quarter increased by $5.8 million compared to the same period last year, an increase of 94%. Contributing to the revenue increase were sales to a major warehouse club customer added by the Company in the third quarter of 2005 and higher sales by the Company's subsidiary in Hong Kong.

Gross margin was 32.7% compared to 26.9% in the prior year fourth quarter. As a result of the retroactive adoption of EIC 156 "Accounting by a vendor for consideration given to a customer", gross margin for the fourth quarter of fiscal 2004 was reduced by 4.1%. Also, gross margin increased in the fourth quarter of 2005 compared to 2004 as a result of lower inventory related provisions, including product rationalization costs.

Operating expenses were $3.2 million or 26.9% of revenue compared to $2.5 million, excluding a write-down of deferred development costs, or 40.5% in the prior year quarter. The increase in operating expenses resulted primarily from the increase in revenue in the current year.

During the fourth quarter of 2004, the Company recorded a write-down of its deferred development costs associated with its IntegrAlarm security product. The write-down amounted to $2.5 million ($1.8 million after tax).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepares its financial statements in accordance with generally accepted accounting principles ("GAAP") in Canada. Significant accounting policies and methods used in the preparation of the financial statements are described in note 1 to the Company's 2005 Audited Consolidated Financial Statements. Certain of the policies are more significant than others and are therefore considered critical accounting policies. Accounting policies are considered critical if they rely on a substantial amount of judgment in their

application or if they result from a choice between accounting alternatives and that choice has a material impact on reported results or financial position. The policies identified as critical to the Company are discussed below.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The Company evaluates its estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Significant estimates are used in determining, but not limited to, the allowance for doubtful accounts, the provision for returns, provision for inventory obsolescence, income tax valuation allowances, the useful lives and valuation of intangible assets and the fair values of reporting units for purposes of goodwill impairment tests. Actual results could differ materially from those estimates and assumptions.

Revenue recognition

The Company derives its revenue from direct sales to retail customers and end-users as well as through distributors and system integrators. Customers typically issue standard purchase orders to the Company. The Company recognizes product revenue when goods are received by the customer as performance has occurred, all specified acceptance criteria have been met, and the earnings process is considered complete. Product returns from customers are deducted from revenue along with a provision for anticipated returns pertaining to prior product sales.

Inventory valuation

The Company values its inventory at the lower of cost and net realizable value. The Company performs a quarterly assessment of its inventory value taking into consideration factors such as inventory aging, future demand for the inventory, expected new product introductions, competitive pressures and numerous other factors. A change to these assumptions could impact the valuation of inventory and have a resulting impact on margins.

Income taxes

The Company records a valuation against future income tax assets when management believes it more likely than not that some portion or all of the future income tax assets will not be realized. Management considers factors such as the projected future taxable income in each jurisdiction, the nature of income tax assets and tax planning strategies. A change in these factors could impact the estimated valuation allowance and income tax expense.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

(i) Asset retirement obligations:

In March 2003, the CICA issued Handbook Section 3110, "Asset Retirement Obligations." This Section establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated retirement costs. This Section applies to legal obligations associated with the retirement of a tangible long-lived asset that result from its acquisition, construction, development or normal operation. This guideline is effective for the Company's 2005 fiscal year. The adoption of this standard did not have a material impact on the consolidated financial statements.

(ii) Consolidation of variable interest entities:

In June 2003, the CICA approved Accounting Guideline No. 15, "Consolidation of Variable Interest Entities," which provides guidance for determining when an enterprise includes the assets, liabilities and

results of activities of entities that are subject to control on a basis other than ownership of voting interests (a "variable interest entity"). This guideline was effective for the Company's 2005 second quarter. The adoption of this standard did not have a material impact on the consolidated financial statements.

(iii) Liabilities and equity:
In November 2003, the CICA approved amendments to Handbook Section 3860, "Financial Instruments—Presentation and Disclosure," to require obligations that may be settled, at the issuer's option, by a variable number of the issuer's own equity instruments to be presented as liabilities. Thus securities issued by an enterprise that give the issuer unrestricted rights to settle the principal amount in cash or in the equivalent value of its own equity instruments will no longer be presented as equity.

The CICA concluded that not all such obligations establish the type of relationship that exists between an entity and its owners, but rather they convey more of a debtor/creditor relationship because they require the issuer to convey a fixed amount of value to the holder that does not vary with changes in the fair value of the issuer's equity instruments. Therefore, these instruments should be presented as liabilities. The standard is effective for the Company's 2005 fiscal year. The adoption of this standard did not have a material impact on the consolidated financial statements.

(iv) Accounting for consideration given by a vendor to a customer:
EIC 156 addresses the income statement classification of sales incentives or other consideration given to a customer or reseller of a vendor's product. Any cash consideration (including a sales incentive) given by a vendor is to be considered as a reduction of the selling prices of a vendor's products or services and, therefore, characterized as a reduction of revenue when recognized in the vendor's income statement, unless certain conditions are met, in which case it would be characterized as a cost incurred. In addition, if the consideration consists of a "free" product or service, or anything other than cash or equity instruments, the consideration should be characterized as an expense (as opposed to a reduction of revenue). The expense associated with a "free" product or service delivered at the time of sale of another product or service should be classified as cost of sales if the income statement displays cost of sales. The Abstract also addresses various recognition and measurement issues. The Company adopted EIC 156 in fiscal 2005 and restated the comparative balances in its financial statements. The adoption of this accounting policy resulted in a reduction of revenue of $1,102,000 for 2005, $551,000 for 2004 and $316,000 for 2003.

(v) Determining whether an arrangement contains a lease:
An entity may enter into an arrangement comprising a transaction or a series of related transactions that does not take the legal form of a lease but conveys a right to use a tangible asset in return for a payment or series of payments. EIC 150 provides guidance for determining whether such arrangements are, or contain, leases that are within the scope of CICA 3065. The Company expects that the adoption of this guidance will have no material impact on its financial statements.

RISK FACTORS

The risks and uncertainties described below are not the only risk factors affecting the Company. Additional risks and uncertainties not presently known to the Company or that are currently deemed immaterial also may impair the Company's business operations. If any of the following risks actually occur, the business, results of operations and financial condition of the Company could be materially and adversely affected.

Business Risks

Although the market for the Company's products appears to be expanding, its ability to remain competitive is dependent upon assessing changing markets and providing new products and capabilities. The Company believes that its future success depends upon its ability to enhance current products and develop and

introduce new product offerings with enhanced performance and functionality at competitive prices. While there can be no assurances that the Company will be able to develop new products to meet changes in the marketplace or that the sale of such new products will be profitable, the Company pays close attention to and anticipates changes in the market. Management also meets regularly with its customers to identify current and anticipated end-user requirements.

The Company currently purchases its products from a number of select manufacturers in the Far East. The Company depends on these sources to meet its needs, and on their quality and reliability. If a supplier discontinued or restricted supplying a product, which the Company could not replace in a timely manner, the Company's business may be harmed by the resulting product manufacturing and delivery delays. In addition, the failure of the Company's products to perform to customer/consumer expectations could give rise to warranty claims or returns. To minimize this production risk, the Company contracts with a number of sources to perform its manufacturing requirements and performs quality assurance testing in the Far East and in North America.

Competitive and Industry Risks

The Company expects that additional competition will develop from existing companies in the security monitoring business and from new entrants as demand for similar products expands and the market for these products becomes more established. Certain of the Company's competitors have greater financial resources than the Company and may be able to sustain recurring losses to establish market share at the Company's expense. Competition could result in price reductions, fewer customer orders and reduced gross margins.

There can be no assurances that the market for the Company's existing products will continue to grow. If the markets in which the Company's products compete fail to grow, or grow more slowly than the Company currently anticipates, the Company's revenue and net income growth may be lower than expected.

Customer Concentration Risks

The Company is dependent on a small number of customers for the majority of its products. In the current year, ten customers accounted for approximately 79% of sales. If any significant customer discontinues its relationship with the Company for any reason, or significantly reduces expected purchase commitments for the Company's products, the business prospects and corresponding financial condition could be materially adversely affected. During the past year the Company has added to its customer base in order to reduce its customer concentration risk.

Foreign Exchange Risks

The Company generates approximately 90% of its revenues in U.S. dollars and most product purchases are transacted in U.S. dollars. As a result, beginning in fiscal 2004, the Company began to report its financial results in U.S. dollars. However, certain expenses incurred by the Company, primarily salaries to Canadian employees, are paid in Canadian dollars. Changes in the value of the Canadian dollar versus the U.S. dollar impacts the financial results reported by the Company. The Company does not currently enter into any foreign exchange contracts to hedge against currency risk.

Reliance on Key Employees and Third Party Relationships

The Company's ability to develop its products will depend, to a great extent, on its ability to attract and retain highly qualified personnel and to develop and maintain third party relationships for assistance in the conduct of research efforts, product development and manufacturing. Competition for such personnel and relationships is intense. The Company is highly dependent on the principal members of its management staff as well as its third party relationships, the loss of whose services might impede the achievement of development objectives. The persons working with the Company are affected by a number of influences

outside of the control of the Company. The loss of key employees and/or key collaborators may affect the speed and success of product development. Although the Company believes that its collaborative partners will have an economic motivation to commercialize the Company's product included in any collaborative agreement, the amount and timing of resources diverted to these activities generally is expected to be controlled by the third party. During the past year the Company hired a new President/ Chief Operating Officer to strengthen its management team.

Patents and Proprietary Technology

The Company's success will depend, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the rights of third parties. The Company has filed applications for patents in certain jurisdictions. There can be no assurance that the Company's existing patent applications will be allowed, that the Company will develop future proprietary products that are patentable, that any issued patents will provide the Company with any competitive advantages or will not be successfully challenged by any third parties, or that the patents of others will not have an adverse effect on the ability of the Company to do business. In addition, there can be no assurance that others will not independently develop similar products, duplicate some or all of the patent protection held by the Company. Furthermore, there can be no assurance that the confidentiality of the Company's trade secrets can be maintained or that such trade secrets will not or have already been independently discovered by others.

In addition, the Company may be required to obtain licenses under patents or other proprietary rights of third parties. No assurance can be given that any licenses required under such patents or proprietary rights will be available on terms acceptable to the Company. If the Company does not obtain such licenses, it could encounter delays in introducing one or more of its products to the market while it attempts to design around such patents, or could find that the development, manufacture or sale of products requiring such licenses could be foreclosed. In addition, the Company could incur substantial costs in defending itself in suits brought against the Company on such patents or in suits in which the Company attempts to enforce its own patents against other parties.

DISCLOSURE CONTROLS

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. They are assisted in this responsibility by the senior management team.

The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures at September 30, 2005, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

OUTLOOK

The Company's long-term outlook is unchanged. Management expects that the Company will achieve revenue growth in fiscal 2006 of over 30% as a result of the foundation that have been laid in the past two years. The Company also expects that its profitability will grow faster than its rate of revenue growth, as it expects each of its business units to contribute positively to its earnings.

The Company has not used off-balance sheet arrangements and does not expect to do so in the future. Management reviews its exposure to foreign exchange risk on an ongoing basis. While the Company purchases substantially all of its products from its third party manufactures in U.S. dollars and sells the majority of its products in U.S. dollars, the Company can be exposed to foreign currency risk from assets and liabilities denominated in U.S. dollars in its Canadian companies and from Canadian denominated asset and liabilities in its self-sustaining

subsidiaries that use the U.S. dollar as their functional currency. The Company has not entered into external hedging instruments, but may use such instruments in the future if management determines such instruments are the most effective manner to minimize its foreign currency exposure.

The Company continues to invest in product development as the cornerstone of its future. Strategic Vista International is committed to bring innovative products to market in a timely manner and with increasing margins.

The Company believes that it can grow faster than its competitors by developing or acquiring products that address new and existing market needs, by being a low cost provider and by providing outstanding support to its customers and end-users.

ADDITIONAL INFORMATION

Further information on the Company, including its Annual Information Form, is available on SEDAR at www.sedar.com.

Bernard Klein
Chief Executive Officer

Ken MacKenzie
Chief Financial Officer

December 19, 2005

Financial Statement Responsibility

Management is responsible for the preparation of the accompanying consolidated financial statements and all other information contained in the Annual Report. The financial statements have been prepared in conformity with Canadian generally accepted accounting principles, which involve management's best estimates and judgements based on available information.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are reliable for preparing financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board. The Committee meets periodically with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged and to recommend approval of the consolidated financial statements to the Board.

KPMG, LLP were appointed as the Company's auditors in 2003. Their report on the accompanying consolidated financial statements follows. Their report outlines the extent of their examination as well as an opinion on the financial statements.

Bernard Klein
Chief Executive Officer

Ken MacKenzie
Chief Financial Officer

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Strategic Vista International Inc. as at September 30, 2005 and 2004 and the consolidated statements of earnings and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada
November 18, 2005

Consolidated Balance Sheets

September 30, 2005 and 2004
(in United States dollars)

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	$ 979,773	$ 515,923
Restricted cash *(note 4)*	400,000	400,000
Accounts receivable	7,826,018	5,141,686
Inventory *(note 2)*	15,292,908	9,539,283
Prepaid expenses and deposits	602,243	470,481
Future income taxes *(note 9)*	358,306	514,380
	25,459,248	16,581,753
Capital and intangible assets *(note 3)*	1,432,631	1,280,160
Future income taxes *(note 9)*	1,237,249	1,231,593
Deferred charges	–	6,735
Goodwill	654,913	603,277
	$ 28,784,041	$ 19,703,518
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness *(note 4)*	$ 7,882,356	$ 4,591,126
Accounts payable and accrued liabilities	8,812,636	4,726,017
Income taxes payable	457,485	591,017
	17,152,477	9,908,160
Future income taxes *(note 9)*	205,459	106,398
Shareholders' equity:		
Capital stock *(note 5)*	9,608,363	9,432,931
Contributed surplus	143,117	25,356
Currency translation account	1,330,607	1,287,260
Retained earnings (deficit)	344,018	(1,056,587)
	11,426,105	9,688,960
Commitments and contingencies *(note 15)*		
	$ 28,784,041	$ 19,703,518

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

Consolidated Statements of Earnings and Retained Earnings (Deficit)

Years ended September 30, 2005 and 2004
(in United States dollars)

	2005	2004
Revenue	$ 42,966,785	$ 23,987,498
Cost of sales	28,131,809	15,640,432
Gross profit	14,834,976	8,347,066
Expenses:		
Marketing and selling	7,798,494	5,349,301
Administration	2,456,683	2,351,210
Research and development *(note 7)*	1,732,738	1,138,469
Interest	392,895	146,515
Amortization	259,260	233,612
Loss on foreign exchange	212,156	397,129
Write-down of deferred development costs and investment *(note 8)*	–	2,483,594
	12,852,226	12,099,830
Earnings (loss) before income taxes	1,982,750	(3,752,764)
Income taxes (recovery) *(note 9)*:		
Current	257,276	191,307
Future	324,869	(1,350,889)
	582,145	(1,159,582)
Net earnings (loss) for the year	1,400,605	(2,593,182)
Retained earnings (deficit), beginning of year	(1,056,587)	1,609,877
Dividend on Class A special shares	–	(73,282)
Retained earnings (deficit), end of year	$ 344,018	$ (1,056,587)
Earnings (loss) per share *(note 10)*:		
Basic	$ 0.05	$ (0.10)
Diluted	$ 0.05	$ (0.10)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended September 30, 2005 and 2004
(in United States dollars)

	2005	2004
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	$ 1,400,605	$ (2,593,182)
Items not involving cash:		
Amortization of capital assets	759,135	571,853
Amortization of deferred charges	6,735	76,836
Shares issued in lieu of compensation	–	11,194
Stock option expense	127,007	25,356
Future income taxes	324,869	(1,350,889)
Write-down of deferred development costs and investment	–	2,483,594
Change in non-cash operating working capital:		
Accounts receivable	(2,058,307)	3,867,940
Inventory	(5,587,163)	(2,047,246)
Prepaid expenses and deposits	(111,215)	(33,052)
Accounts payable and accrued liabilities	3,252,851	(316,610)
Income taxes payable	(140,491)	(265,598)
	(2,025,974)	430,196
Financing activities:		
Issue of share capital	175,432	3,885,224
Increase (decrease) in bank indebtedness	2,935,788	(1,657,986)
Payments on promissory note	–	(984,697)
Redemption of Class A special shares	–	(153,846)
Dividend on Class A special shares	–	(73,282)
Shares repurchased for cancellation *(note 5(c))*	–	(19,193)
	3,111,220	996,220
Investing activities:		
Purchase of capital assets	(810,089)	(759,060)
Deferred development costs	–	(832,469)
	(810,089)	(1,591,529)
Effect of foreign currency translation on cash balances	188,693	115,429
Increase (decrease) in cash and cash equivalents	463,850	(49,684)
Cash and cash equivalents, beginning of year	515,923	565,607
Cash and cash equivalents, end of year	$ 979,773	$ 515,923
Supplemental cash flow information:		
Interest paid	$ 392,895	$ 146,551
Income taxes paid	$ 386,136	$ 457,845

See accompanying notes to consolidated financial statements.

Years ended September 30, 2005 and 2004
(in United States dollars)

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Strategic Vista Technologies Inc. (formerly Strategic Vista Corp.), Strategic Vista (USA), Inc., Strategic Vista Corporation Limited (a Hong Kong corporation), Digimerge Technologies Inc., XBL Solutions Inc., Strategic Vista Direct, Inc. (a U.S. corporation), and EMTS Incorporated (a U.S. corporation). Intercompany transactions and balances are eliminated on consolidation.

In fiscal 2004, Strategic Vista Corporation Limited entered into a joint venture to construct and operate a manufacturing facility in China. The company has invested $514,000 (2004 - $256,000) in the joint venture and accounts for its investment on the proportionate consolidation basis.

(b) Foreign currency translation:

The Company uses the U.S. dollar as its reporting currency for preparation of its consolidated financial statements. Under this method, the Company and its subsidiaries that use the Canadian dollar as the functional currency translate all assets and liabilities at the period end exchange rate and all revenue and expense items are translated at an average rate of exchange for the period for U.S. dollar reporting. Exchange rate differences arising on translation are deferred as a separate component of shareholders' equity.

Effective October 1, 2004, the U.S. dollar became the functional currency of certain of the Company's subsidiaries - Digimerge Technologies Inc, Strategic Vista (USA), Inc. and Strategic Vista Corporation Limited. For other U.S. subsidiaries that are considered fully integrated foreign operations, non-Canadian dollar monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing as at the consolidated balance sheet dates, while non-monetary assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated into Canadian dollars at the rate in effect at the date of transaction. Realized and unrealized foreign exchange gains and losses are included in net earnings for the period in which they occur.

(c) Cash and cash equivalents:

Cash and cash equivalents include bank balances and highly liquid short-term investments with terms to maturity of less than 90 days at the time of acquisition.

(d) Inventory:

Inventory is stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis.

(e) Capital and intangible assets:

Capital assets are stated at the lesser of cost, less accumulated amortization and net recoverable amount. Amortization is calculated on a straight-line basis over the following terms:

Property, plant and equipment:	
Furnishings and equipment	3 years
Computer hardware and software	3 years
Website	3 years
Leasehold improvements	3 years
Product development:	
Tooling	3 years
Product design	3 years

Intangibles:

Patents, trademarks and approvals	3 years
Purchased trademarks	5 years

(f) Impairment of long-lived assets:

The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using the discounted cash flows when quoted market prices are not available.

(g) Research and development costs:

Research costs are expensed as incurred. Development costs are expensed as incurred unless the development project meets the criteria for the deferral of costs incurred in accordance with generally accepted accounting principles. Deferred development costs are amortized on a straight-line basis over a three-year period commencing with commercial production or use of the products under development.

(h) Stock-based compensation:

The Company has two stock option plans for employees, directors and consultants that are accounted for using the fair market value based method, which is described in note 6.

(i) Revenue recognition:

The Company earns substantially all of its revenue from the sale and shipment of products to its customers. Revenue is recognized when title passes to customers, which is generally at the time goods are received by the customer, and that there is reasonable assurance of the consideration that will be received, taking into account the extent to which goods may be returned. Cash discounts, volume discounts and certain marketing programs provided to customers are deducted from revenue when earned. As at September 30, 2005, the Company early adopted EIC - 156 "Accounting by a vendor for consideration given to a customer" resulting in the reclassification of expenses relating to certain marketing programs being reclassified from marketing and selling expenses to a reduction in revenue. The recommendations of the EIC have been applied retroactively for all periods presented.

(j) Use of estimates:

The preparation of these consolidated financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Significant estimates are used in determining, but not limited to, the allowance for doubtful accounts, provision for returns, inventory valuation, income tax valuation allowances, the useful lives and valuation of intangible assets, and the fair value of the reporting units for purposes of goodwill impairment costs. Actual results could differ from those estimates.

(k) Income taxes:

The Company provides for income taxes using the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial statement values and tax values of assets and liabilities and are measured using substantively enacted income tax rates and laws expected to be in effect when the differences are expected to reverse. The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

(l) Earnings per share:

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the basic weighted average number of shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. The dilutive effect of warrants and stock options is determined using the treasury stock method.

(m) Financial instruments:

Financial instruments are initially recorded at cost. If subsequent circumstances indicate that a decline in the fair value is other than temporary, the financial asset is written down to its fair value. Unless otherwise indicated, the fair values of financial instruments approximate their recorded amounts.

(n) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. The amount of goodwill disclosed on the balance sheet has changed during the year due to the change in the foreign exchange rate.

Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of a reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line in the statement of earnings. The Company conducted its annual goodwill assessment in the fourth quarter of fiscal 2005 and concluded there was no impairment in the recorded value of the goodwill.

2. INVENTORY:

	2005	2004
Goods on hand	$ 12,343,636	$ 7,523,164
Goods in transit	2,949,272	2,016,119
	$ 15,292,908	$ 9,539,283

3. CAPITAL AND INTANGIBLE ASSETS:

2005	Cost	Accumulated amortization	Net book value
Property, plant and equipment:			
Furnishings and equipment	$ 180,709	$ 89,403	$ 91,306
Computer hardware and software	353,618	148,535	205,083
Website	34,968	6,277	28,691
Leasehold improvements	74,414	13,229	61,185
Displays	48,523	38,752	9,771
	692,232	296,196	396,036
Product development:			
Tooling	1,638,444	968,461	669,983
Product design	389,552	288,421	101,131
	2,027,996	1,256,882	771,114
Intangibles:			
Patents, trademarks and approvals	247,138	41,872	205,266
Purchased trademarks	180,645	120,430	60,215
	427,783	162,302	265,481
	$ 3,148,011	$ 1,715,380	$ 1,432,631

2004	Cost	Accumulated amortization	Net book value
Property, plant and equipment:			
Furnishings and equipment	$ 270,181	$ 75,530	$ 194,651
Computer hardware and software	302,846	102,981	199,865
Website	95,911	95,911	–
Leasehold improvements	50,000	–	50,000
Displays	48,523	14,938	33,585
	767,461	289,360	478,101
Product development:			
Tooling	1,106,209	677,287	428,922
Product design	443,444	255,064	188,380
	1,549,653	932,351	617,302
Intangibles:			
Patents, trademarks and approvals	94,463	35,853	58,610
Purchased trademarks	166,403	40,256	126,147
	260,866	76,109	184,757
	$ 2,577,980	$ 1,297,820	$ 1,280,160

4. BANK INDEBTEDNESS:

On October 22, 2004, the Company entered into a credit agreement with a Canadian chartered bank providing the Company with a maximum facility of Cdn $15,000,000. The amount available under the facility is subject to certain financial ratios, as defined in the agreement. Revolving credit loans bear interest at the bank's prime rate plus 0.45% for Canadian dollar denominated advances and the bank's U.S. dollar base rate plus 0.45% for U.S. dollar denominated advances. Interest is payable monthly. The facility is secured by an assignment of book debts, inventory, certain other assets and proceeds from insurance. At September 30, 2005, borrowings outstanding under this facility were US $3,285,000 and Cdn $4,976,000.

As at September 30, 2005, the weighted average interest rate on the Company's borrowings was 5.6% (2004 - 6.3%).

The Company also has a Cdn $750,000 credit facility to provide for borrowings by its subsidiary, Digimerge Technologies Inc. The facility is secured by an assignment of book debts, inventory and insurance proceeds and bears interest at the bank's prime rate plus 1% for Canadian dollar amounts and the bank's U.S. base rate plus 1% for U.S. dollar amounts. At September 30, 2005, borrowings outstanding under this facility were $446,000 (2004 - $347,000).

The Company has a credit line with another financial institution providing for the issuance of letters of credit up to $2,000,000. To support this facility, the Company has placed on deposit the equivalent of $400,000 with the financial institution. This deposit is reflected in the balance sheet as restricted cash.

5. CAPITAL STOCK:

	2005	2004
Authorized:		
200,000 Class A special shares with an 8% cumulative dividend accruing from January 1, 1998, redeemable at the option of the Company at $1 per share		
150,000 Class B special shares with an 8% cumulative dividend accruing from January 1, 1998, redeemable at the option of the Company at $1 per share		
Unlimited common shares		
Issued:		
150,000 Class B special shares	$ 104,895	$ 104,895
26,590,067 common shares (2004 – 25,830,900)(a)	9,503,468	9,328,036
	$ 9,608,363	$ 9,432,931

On January 9, 2004, the Company redeemed the 200,000 Class A special shares for $154,000 (Cdn $200,000) plus cumulative dividends of $73,000 (Cdn $96,000).

No dividends have been declared or paid on the common shares and Class B special shares. At September 30, 2005, there were $ 80,000 (Cdn $ 93,000) in unpaid cumulative dividends on the Class B special shares.

(a) Changes in common shares during the current and prior year are as follows:

	Number	Amount
Balance, as at September 30, 2003	20,940,293	$ 5,440,948
Issued in connection with private placement (b)	4,000,000	3,496,555
Issued on exercise of stock options	829,167	316,010
Issued on exercise of warrants	76,440	72,659
Issued in lieu of compensation	10,000	11,194
Repurchased under normal course issuer bid (c)	(25,000)	(9,330)
Balance, as at September 30, 2004	25,830,900	9,328,036
Issued on exercise of stock options	751,167	174,456
Issued under employee stock purchase plan (d)	2,000	976
Balance, as at September 30, 2005	26,584,067	$ 9,503,468

(b) Private placement

On October 3, 2003, the Company completed the private placement of 4,000,000 common shares at Cdn $1.25 per share for net proceeds of $3,496,555.

(c) Normal course issuer bid:

On June 27, 2004, the Company filed a Normal Course Issuer Bid with The Toronto Stock Exchange ("TSX"), which entitled the Company to purchase up to 500,000 common shares in its own capital stock for cancellation until June 26, 2005. During the year ended September 30, 2004, the Company purchased 25,000 common shares for cancellation at an average price of Cdn$1.05 per share, for total cash consideration of $19,193 (Cdn$26,295). The price paid for these purchases was based on the market price prevailing at the time of purchase.

(d) Employee stock purchase plan:

In January 2004, the Company adopted an Employee Stock Purchase Plan, allowing for the issue of up to 3,125,000 common shares. The maximum number of shares that may be allocated in any particular year will not exceed 2.5% of the issued and outstanding shares of the Company. The shares issued under the Plan vest equally, on an annual basis, at a rate of 25% per year.

In January 2005, the Company granted 8,000 common shares to one of its employees. 2,000 shares have been issued directly to the employee, while 6,000 shares remain in trust. The employee will be entitled to receive these shares over three years, at a rate of 2,000 shares per year.

6. STOCK-BASED COMPENSATION:

The Company's 1999 stock option plan has been established for the benefit of the members of the Board of Directors, officers, full-time employees and consultants of the Company and its subsidiaries. The Company has set aside an aggregate of 4,000,000 common shares for the issuance of common shares arising from the exercise of options under this plan. The exercise price of each option is determined by the Board of Directors but shall not be less than the closing market price on the last trading day prior to the grant date. New options issued under the current plan vest over a period determined by the Board of Directors but shall not exceed 10 years.

In 2005, the Company established its 2005 stock option plan and has set aside 2,500,000 common shares for issuance under the plan. No options have been issued under this plan.

A summary of the status of the Company's 1999 stock option plan as at September 30, 2005 and 2004, and changes during the year ended on those dates is presented below:

	2005		2004	
	Shares	Weighted average exercise price (Cdn$)	Shares	Weighted average exercise price (Cdn$)
Outstanding, beginning of year	2,149,667	$ 0.76	2,664,000	$ 0.61
Granted	470,000	0.96	360,000	1.33
Exercised	(751,167)	0.29	(829,167)	0.50
Cancelled	(196,000)	1.27	(45,166)	1.05
Outstanding, end of year	1,672,500	$ 0.97	2,149,667	$ 0.76
Options exercisable, end of year	982,833	$ 0.88	1,261,334	$ 0.52

The following table summarizes information about stock options outstanding at September 30, 2005:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (Cdn$)	Number exercisable	Weighted average exercise price (Cdn$)
$0.25	200,000	0.6	$0.25	200,000	$0.25
$0.30	93,500	0.9	0.30	93,500	0.30
$0.87	160,000	3.6	0.87	53,333	–
$0.93	300,000	4.4	0.93	100,000	0.93
$1.00	150,000	4.4	1.00	–	–
$1.10	317,500	2.1	1.10	298,333	1.10
$1.15	58,000	2.2	1.15	32,000	1.15
$1.28	233,500	2.9	1.28	155,667	1.28
$1.30	10,000	4.1	1.30	–	–
$1.68	150,000	4.1	1.68	50,000	1.68
Total	**1,672,500**		**$0.97**	**982,833**	**$0.88**

Effective October 1, 2002, the Company's stock based compensation expense was determined using the fair value-based method at the grant date of each option. The weighted average fair value of a stock option with an exercise price equal to the estimated market price of a common share on the date of grant was Cdn$0.35 (2004- Cdn $0.48). The fair value of the stock options was determined using the Black-Scholes option pricing model, based on the following assumptions:

	2005	2004
Risk-free interest rate	3.5%	4.0%
Expected life	4 years	4 years
Expected volatility	40%	25%
Expected dividends	–	–

7. RESEARCH AND DEVELOPMENT:

	2005	2004
Expenses attributable to employees	$ 708,348	$ 658,163
Materials	78,591	65,229
Sub contractor's costs	439,189	–
Amortization of tooling costs	339,346	264,929
Amortization of product design costs	167,264	150,148
	$ 1,732,738	$ 1,138,469

8. DEFERRED DEVELOPMENT COSTS AND INVESTMENT:

In 1999 the Company's subsidiary, EMTS Incorporated ("EMTS") began to incur costs pertaining to the development of a Wireless Emergency Telecommunications System. The Company continued to capitalize all development costs on this project up to September 30, 2004. Management completed an assessment of the cash flow anticipated to result from the sale of products resulting from this investment and, based on such assessment wrote off the deferred development cost of $2,483,594 in its September 30, 2004 financial statements.

9. INCOME TAXES:

The Company's provision for income taxes is made up as follows:

	2005	2004
Income tax expense (recovery) based on statutory Canadian corporate tax rates	$ 716,169	$ (1,360,377)
Effect on provision (recovery) attributable to the following items:		
Foreign operations subject to different tax rates	(192,333)	(89,878)
Other	44,204	65,631
Change in valuation allowance	14,105	151,248
Non-deductible portion of write-down of investment	–	73,794
	$ 582,145	$ (1,159,582)

Future income taxes are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax basis.

Future tax assets and liabilities comprise the following as at September 30, 2005 and 2004:

	2005	2004
Future tax assets:		
Current:		
Provision for returns	$ 124,532	$ 45,355
Income tax effect of net operating losses carried forward	132,109	402,268
Government grant	62,142	57,242
Deferred finance charges	26,632	–
Other	12,891	9,515
	358,306	514,380
Long-term:		
Income tax effect of net operating losses carried forward	1,272,539	1,253,297
Deferred finance charges	–	32,740
Share issue costs	71,603	92,352
Loss on write-down of investment	83,966	77,345
Other	111,714	64,327
	1,539,822	1,520,061
Less valuation allowance	302,573	288,468
	1,237,249	1,231,593
Total future tax assets	$ 1,595,555	$ 1,745,973
Future tax liabilities:		
Long-term:		
Capital assets	$ 205,459	$ 106,398

At September 30, 2005, the Company has operating loss carry forwards for federal income tax purposes of approximately $1,587,000 in Canada and $2,483,000 in the U.S. The losses in Canada and the U.S. will begin to expire in 2006 and 2023 respectively.

10. EARNINGS (LOSS) PER SHARE:

The computation of basic and diluted earnings per share are as follows:

	2005	2004
Basic:		
Net earnings (loss)	$ 1,400,605	$ (2,593,182)
Less preferred shares dividends	9,809	9,040
Earnings (loss) attributable to common shareholders	$ 1,390,796	$ (2,584,142)
Weighted average common shares outstanding	26,225,234	25,401,574
Basic earnings (loss) per share	$ 0.05	$ (0.10)
Diluted earnings (loss) available to common shareholders	$ 1,390,796	$ (2,584,142)
Weighted average common shares outstanding	26,225,234	25,401,574
Assumed exercise of stock options, net of common shares assumed repurchased with the proceeds	225,847	1,126,372
Weighted average potential common shares outstanding	26,451,081	26,527,946
Diluted earnings (loss) per share*	$ 0.05	$ (0.10)

* excludes the effect of 536,000 options to purchase common shares that are anti-dilutive.

11. RELATED PARTY TRANSACTIONS AND BALANCES:

The following transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) The following expense transactions took place with a related company, in which a director and officer of the Company has an equity interest:

	2005	2004
Commissions paid	$ –	$ 14,580
Office rent and overhead expenses paid in respect of shared resources	107,489	202,282

Accounts payable and accrued liabilities at September 30, 2005 include $7,000 (2004 - $93,000) payable to this related party and accounts receivable includes $116,000 (2004 - $131,000) due from this related party. Leasehold improvements include $19,000 (2004 - $50,000) of reimbursed costs paid to this related party in respect of shared resources.

(b) Product development, design and support service fees of $212,000 (2004 - $94,000) were paid or accrued to a company in which one of the directors has an equity interest.

12. INTEREST IN JOINT VENTURE:

In fiscal 2004, the Company entered into a joint venture to construct and operate a manufacturing facility in China. These consolidated financial statements reflect the Company's proportionate interest in the joint venture's assets and liabilities.

The following amounts included in the consolidated financial statements represent the Company's 50% proportionate interest in the joint venture at the end of the year:

		2005
Current assets	$	637,892
Long term assets		89,794
Current liabilities		(413,912)
Long term liabilities		–
Net assets	$	313,774
Net loss	$	(199,048)
Cash Flows:		
From operating activities	$	(243,860)
From investing activities		37,334
Net Cash Flows	$	(206,526)
Due to Joint Venture Partner	$	79,482

13. FINANCIAL INSTRUMENTS:

(a) Credit risk:
Credit risk arises from the possibility that certain parties will be unable to discharge their obligations. The Company routinely assesses the financial strength of its customers and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

(b) Foreign exchange risk:
A substantial portion of the Company's Canadian subsidaries, purchases and borrowings is denominated in U.S. dollars. This results in cash and cash equivalents, accounts receivable, accounts payable and bank indebtedness balances being denominated in U.S. dollars.

Included in the undernoted accounts are the following balances denominated in U.S. dollars:

		2005		2004
Cash and cash equivalents	$	65,203	$	534,166
Restricted cash		–		400,000
Accounts receivable		15,284		4,750,102
Accounts payable and accrued liabilities		(57,906)		(4,095,076)
Bank indebtedness		(1,065,131)		(1,529,595)
Income taxes payable		–		(320,739)
Net U.S. dollar monetary position	$	(1,042,550)	$	(261,142)

(c) Fair values:
The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short-term maturity of these instruments. The carrying value of bank indebtedness approximates its fair value as the interest rate applied to the debt fluctuates with the bank's prime rate.

14. SEGMENTED INFORMATION:

The Company operates in a single business segment being the security surveillance and observation market and derives substantially all of its revenue from the sale of its products in the North American market.

At September 30, 2005 five customers account for approximately 64% of accounts receivable (2004 - five customers account for approximately 65% of accounts receivable).

For the year ended September 30, 2005, the Company had three customers (2004 - two customers), each contributing greater than 10% of the consolidated revenue. These customers accounted for approximately 49% of consolidated revenue (2004 - 23%). On a geographic basis, the Company's revenue was from the following regions:

	Revenue		Capital assets		Goodwill	
	2005	2004	2005	2004	2005	2004
United States	$ 34,843,532	$ 19,962,619	$ 4,932	$ 32,904	$ –	$ –
Canada	5,804,654	3,362,062	1,329,790	1,155,687	654,913	603,277
Other	2,318,599	662,817	97,909	91,569	–	–
	$ 42,966,785	$ 23,987,498	$ 1,432,631	$ 1,280,160	$ 654,913	$ 603,277

15. COMMITMENTS AND CONTINGENCIES:

The Company is committed to royalty payments on the sale of certain licensed products at a fixed percentage of revenue on those products, subject to the following minimum annual payments. The term of the agreement expires on December 31, 2009. The Company has paid $125,000 in 2005.

2006	$ 150,000
2007	$ 160,000
2008	$ 175,000
2009	$ 175,000

The Company is obligated under operating leases for office premises and equipment. The future minimum operating lease commitments for the next five years are as follows:

	Fiscal year ending September 30				
($000)	2006	2007	2008	2009	2010
	$142	$142	$134	$113	$ -

15. COMMITMENTS AND CONTINGENCIES (CONTINUED):

One of the Company's subsidiaries is eligible to receive financial assistance of Cdn $300,000 from the Canada-Israel Industrial Research and Development Foundation related to development activities. As at September 30, 2005, Cdn $200,000 has been received. These amounts are repayable based on gross sales of the Company's IntegrAlarm product, at a rate of 2.5% of annual sales, until fully repaid. Accordingly, accounts payable and accrued liabilities includes $172,000 (2004 - $158,000) relating to the first two payments received from the Foundation. No amounts have been repaid in 2005, as no products have been manufactured for sale.

The Company has outstanding letters of credit in the amount of $537,000 at September 30, 2005 (2004 - $175,000).

In September 2001, the Company purchased the minority interest of 34% of its subsidiary EMTS and promissory notes of $400,000 owing by EMTS to certain minority shareholders. The purchase price was based on future royalty payments resulting from the sale, lease or other disposition of products that incorporate the EMTS technology. Certain of the former shareholders continue to posses royalty rights from the sale of their interest, such that the Company is obligated to make the following payments on amounts received by either the Company or EMTS:

(a) 4.66% of any revenue received on sales, leases or other dispositions of products that incorporate EMTS technology to a maximum of $2,250,000;

(b) 24% of any royalties received from the licensing of EMTS technology to third parties;

(c) 24% of any revenue received on the sale or other dispositions of any EMTS intellectual property or technology.

To the extent that any additional amounts are paid in the future, the purchase price of the acquisition will be adjusted. Up to 12% of the shares of EMTS will be issued to the principals of the third party contractor that performed services in the development of the technology. During the years 2003, 2004 and 2005 no amounts have been paid with respect to these royalty rights.

16. COMPARATIVE FIGURES:

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year.

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Ian Giffen [1][2]
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[1] Member of the Audit Committee

[2] Member of the Compensation and Corporate Governance Committee

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Ken MacKenzie
Chief Financial Officer

Reuben Klein
Secretary

Joel Kligman
Manager Director
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Steven Gold
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Martin Worndl
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Annual Meeting of Shareholders

Strategic Vista's Annual Meeting will be held on Wednesday, February 15, 2006 at 4:30 pm at The Ontario Club, 5th Floor, Commerce Court South, Toronto, Ontario.

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