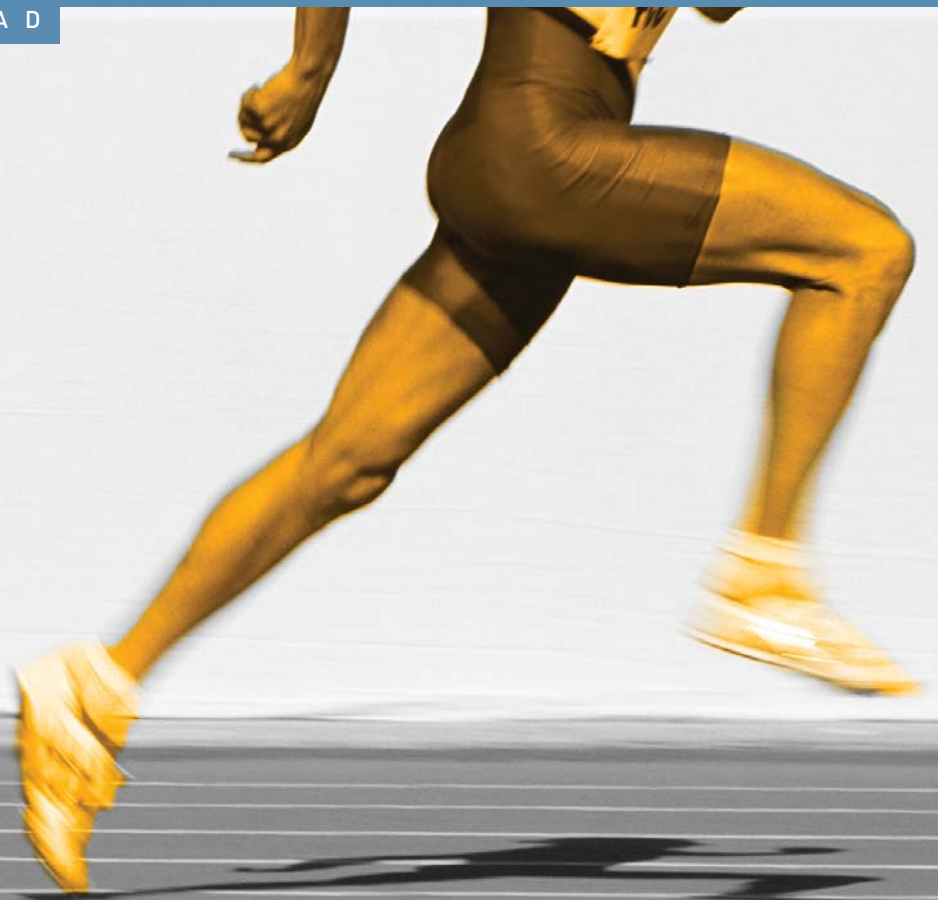




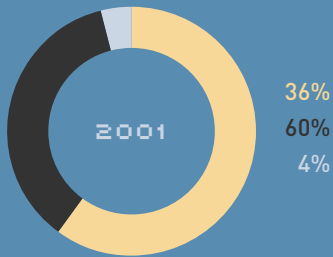
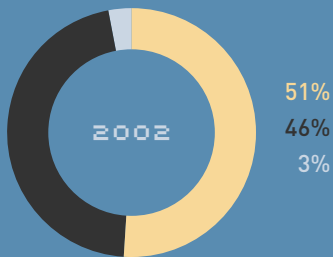
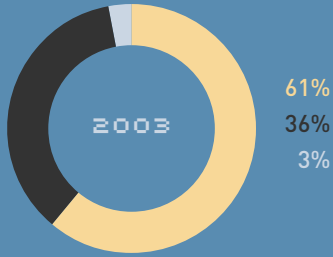
ONE STEP AHEAD

BOOMERANG TRACKING INC. 2003 ANNUAL REPORT



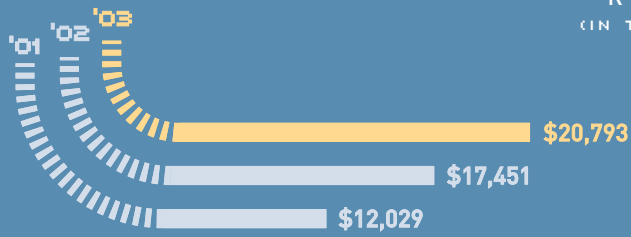
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REVENUE MIX

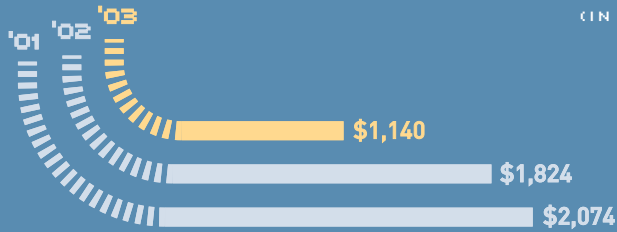


- Service Contracts
- Sales of Equipment
- Other

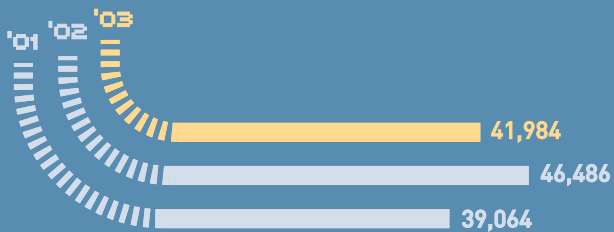
REVENUES
(IN THOUSANDS)



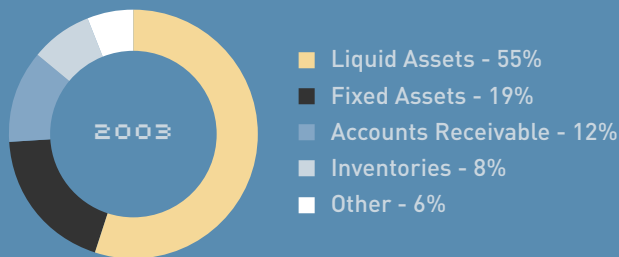
NET EARNINGS
(IN THOUSANDS)



ACTIVATIONS
(IN UNITS)



ASSETS



LIABILITIES AND EQUITY



BOOMERANG TRACKING AT A GLANCE

Founded in 1995 and a public company since 1999, Boomerang Tracking Inc. (TSX: BMG) markets and distributes the Boomerang® tracking devices, proprietary products using technology patented by the Company.

Capable of locating stolen automobiles, heavy equipment and valuable assets, the Boomerang Tracking System offers a seamless solution to the ever growing concern for the protection and recovery of stolen assets.

The Boomerang and Boomerang2™ units are the central devices in this asset tracking system, which utilizes the wireless systems of major telecommunications companies. A third-generation Boomerang device operating on the GSM (Global System for Mobile Communications) platform will soon be launched in California.

The Boomerang tracking devices are available and installed through a network of corporate-managed service centers and authorized dealers located throughout the provinces of Quebec and Ontario. The Company's head office, research and development, and corporate installation facilities are located in Montreal, Quebec, with regional facilities located in Mississauga, Ontario and Orange County, California.

To date, the Boomerang Tracking System has led to the recovery of over 2,400 stolen assets, representing a value of over \$122 million, including incidental recoveries. The Company's proven track record has received endorsement by members of the insurance industry and law enforcement authorities.

RECOGNITION



Ranked No. 1 in the Deloitte & Touche 2002 Canadian Technology Fast 50 Awards Program, becoming the first Quebec-based company to achieve this prestigious ranking.



Ranked No. 50 in the 2002 Deloitte & Touche Technology Fast 500, 500 of North America's fastest growing technology companies.



Recipient of the OCTAS 2003 Award by the Fédération de l'Informatique du Québec, Québec's highest recognition of IT excellence, in the category of "Transformation of Business Processes".



Ranked third on the Top 10 Canadian Security and Related Organizations by Branham300, the most comprehensive and trusted source on the health of the Canadian IT Industry.



PETER LASHCHUK
PRESIDENT AND CEO,
BOOMERANG TRACKING INC.

ONE STEP AHEAD

Over the past year, we took many steps forward. Create and leverage new products and services. Open new markets. Elevate quality.

High Ranking The result? Boomerang Tracking was ranked No. 1 – in light of our 9,000%+ five-year growth – in Deloitte & Touche's 2002 Canadian Technology Fast 50 Awards Program, becoming the first Quebec-based company to achieve this prestigious position. We also ranked No. 50 in Deloitte & Touche's Fast 500, 500 of North America's fastest growing technology companies.

We are very proud of these achievements.

To support this important growth, we have completed many important stages of our development, putting us on the cutting edge of our industry.

In the span of a year, our new GSM-based product, developed specifically for the U.S. market, obtained FCC (Federal Communications Commission) certification. We also achieved new milestones in Ontario. What's more, we successfully implemented a state-of-the-art IT infrastructure to better manage the sophisticated demands and requirements of some 145,000 contracts activated to date as well as to support future growth.

Healthy Profits and Cash Flow Over the past two years, we have invested over \$5 million – excluding human resource costs – in these growth initiatives. While this represents over 13% of our revenues during this two-year period, we have maintained a healthy level of profits and cash flow.

Going forward, we are on the right track to the next phase of growth to ensure that we will always be one step ahead.

“We are on the right track to the next phase of growth to ensure that we will always be one step ahead.”

ON THE CUTTING EDGE

We are committed to providing cutting-edge technology and end-to-end service – dedicated completely to the recovery of valuable assets.

The Forefront of the Tracking Industry More than anything, our patented wireless technology and in-house tracking and security team have propelled us to the forefront of the tracking industry.

- Our patented wireless technology allows us to track assets anywhere – underground or in containers. It also enables us to conceal our devices from the sharp eyes of determined thieves.
- Our in-house tracking and security team does not just sit in front of a computer screen to track vehicles. We are active in the field, locating vehicles, then remaining at the recovery site until local authorities arrive.

Given more than 2,400 recoveries to date – representing a total value of \$122 million – we have brought the science of asset recovery to a new level.

Technological Leadership On the technology front, we continue to sustain our technological leadership in the marketplace through innovation and a strong commitment to research and development.

For our U.S. launch, we finalized the development of our new GSM-based Boomerang device and obtained FCC certification. This marks the first time the Boomerang Tracking System will be available over this type of infrastructure, the world’s most widely deployed wireless communications platform – opening the door to international expansion.

Service Excellence To maintain our high quality service standards, we have streamlined our distribution network, implementing our Total Quality Program, a training and certification process for all authorized dealers. At the same time, we also optimized our security task force by investing in state-of-the-art tools and resources.

Yesterday, today and tomorrow, we remain the forerunners in recovering valuable assets.

WHY OUR WIRELESS TECHNOLOGY IS SUPERIOR

	BOOMERANG TRACKING SYSTEM (WIRELESS TECHNOLOGY)	OTHER TRACKING DEVICES (GPS / GPS-WIRELESS TECHNOLOGY)
EFFECTIVENESS	Designed solely for tracking stolen vehicles.	Designed for fleet management, navigational and roadside assistance. The GPS-wireless unit only uses the wireless network to communicate with the call center, not to locate the vehicle.
SIGNAL STRENGTH	Only one cellular tower is required to locate a vehicle. Signal is not obstructed by underground parking lots or shipping containers.	A minimum of three satellites is required to locate a vehicle. Satellite signals cannot penetrate underground parking lots or shipping containers.
SERVICES PROVIDED	In-house tracking team, active in the field 24/7. Exchange of information with the insurance industry.	In general, a call center is available without in-house tracking services. n.a.
SECURITY	Device is difficult to locate as it is well hidden in the vehicle.	Receiving antennas are visible and easily disabled.

THE INDUSTRY PIONEER

Ours is a growth industry. Year after year, the rate of auto theft rises across Canada and the U.S. Year after year, the need for vehicle tracking systems grows.

According to recent statistics*, one vehicle is stolen in Canada every 4 minutes, amounting to more than 161,000 thefts annually. In the U.S., over 1.2 million vehicles are stolen each year.

And let's not forget the insurance problem. Canadian insurers report over \$1 billion in losses related to vehicle theft annually. This figure climbs to \$8.2 billion in the U.S. Because all motorists share the cost of auto theft – whether or not they've been victims themselves – the rise in insurance claims has ultimately led to increased insurance premiums.

*Source: Statistics Canada, National Insurance Crime Bureau, Insurance Bureau of Canada.

“Innovation is one of the cornerstones of Boomerang Tracking’s growth strategy, enabling us to develop and deliver products and services readily embraced by the marketplace.”

A Unique Combination of Strengths In response to the Canadian and U.S. vehicle theft problem, we have developed and applied a unique combination of strengths that no other companies in our industry possess. In the process, we have fulfilled the needs of over 145,000 contracts and have achieved a 40% increase compared to the total units installed as at April 30, 2002. Our established and loyal client base allows us to leverage our infrastructure and expertise to develop new markets.

We remain one step ahead of our competition, providing the highest quality and most affordable products and services through an extensive dealer network.

Solid Strategic Alliances Of course, our success is the result of strong, enduring relationships built on shared expectations and trust. Since our inception, we have formed solid strategic alliances with the insurance industry and law enforcement community.

For more than five years, we have worked closely with insurers to build support for our Boomerang products and prevent theft and fraud through information exchanges. During this period, we have been instrumental in improving their profit-to-loss ratios – by reducing vehicle losses and, in turn, their theft claims. The result? Broad endorsement of our tracking devices.

Quebec Dominance Our Boomerang Tracking System is recognized as Quebec’s premier vehicle recovery solution.

Today, we maintain our leadership position and competitive edge in this province through a current active base of 110,000 installed units – 92% of all active contracts are concentrated in this province.

In Quebec, our Boomerang2 device has captured the attention and support of Quebec insurers, becoming the product of choice for high-end luxury vehicles.

Ontario Potential During fiscal year 2003, we leveraged our Quebec-driven pioneering expertise to develop the Ontario market. This province represents an important opportunity – a market with untapped growth potential, few competitors and an increasing rate of vehicle theft. At the same time, the insurance industry is actively seeking a solution to this ever-growing problem and its byproduct, high insurance premiums.

In Ontario, though, the key word is patience. Before we can fully penetrate this market, we must define market standards, educate the public and insurers on the benefits and advantages of our cutting-edge solution, and work with major insurance industry players to assist them in their initiatives to amend the existing regulations. Why? Contrary to Quebec's situation, Ontario does not permit insurers to mandate the installation of Boomerang devices in personal vehicles.

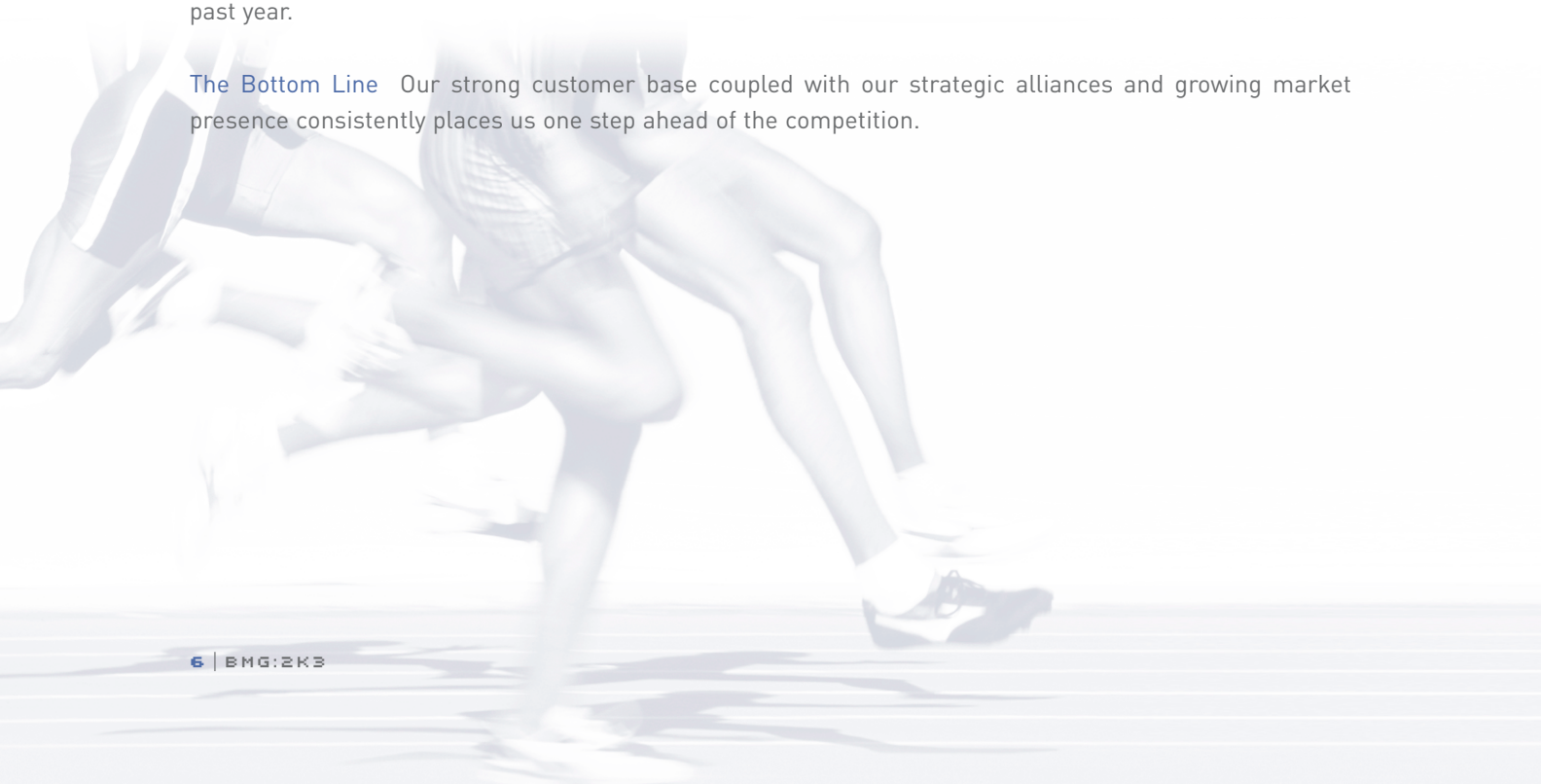
Meanwhile, we have developed a distribution network in Ontario, making the product also available to the public via new car dealers. We have also addressed the specific needs of vertical markets, such as the construction and transportation industries.

In Ontario, the Boomerang2 device has become the product of choice for consumers, representing over 50% of our sales in this market.

Our Entry into the U.S. In June 2003, we announced our upcoming entry in California, our gateway to the U.S. market.

To capitalize on this high-growth market, we will offer a superior product and service in a market where the awareness and need for a vehicle tracking solution already exists. This represents a major business opportunity, so much so that we invested 7% of our revenues in product and market development over the past year.

The Bottom Line Our strong customer base coupled with our strategic alliances and growing market presence consistently places us one step ahead of the competition.



“We can boast a debt-free balance sheet with a high percentage of liquid assets and continuous profitable growth, notwithstanding the significant investments that were made over the past year.”

UNRIVALED FINANCIAL PERFORMANCE

I'm proud to say that we have a debt-free balance sheet with a high percentage of liquid assets and continuous profitable growth, notwithstanding the significant investments that were made in fiscal year 2003.

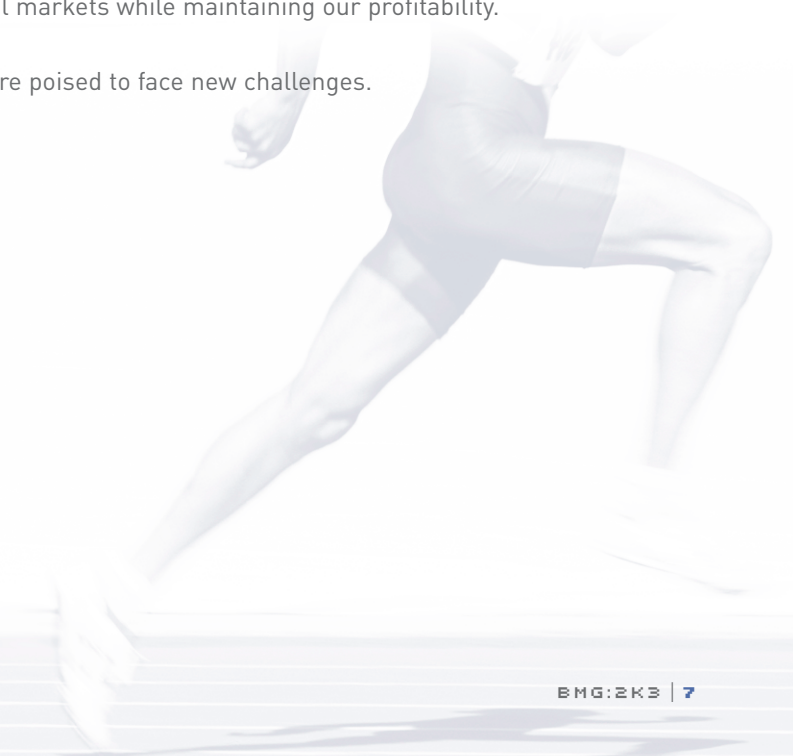
Healthy Balance Sheet and Profits With a liquid assets position of 55% and no external debt, we continued to invest in our core business areas, maintaining solid revenue growth, profitability and financial health.

Aside from considerable investments in our infrastructure in 2003 and 2002, we invested \$2.08 million, representing 44% of the combined earnings before taxes of these two years, in product and market development to build our presence in California, our entry into the U.S. market. At the same time, we invested \$2.79 million in a new IT infrastructure to better meet our client and growth expectations.

The Key to our Long-term Growth While these important investments reduced our earnings in the near term, they are the key to ensuring our long-term growth, our priority.

Since we opened our doors, we have been committed to a strategy of geographic expansion that increases our penetration of both existing and potential markets while maintaining our profitability.

Given profitable growth year after year, we are poised to face new challenges.



“For the coming year, we are committed to focusing on the development of new and existing markets.”

ONE STEP FORWARD

As we enter into a new phase of our development, the investments we have made in pursuing our growth objectives will enable Boomerang Tracking to maintain its leadership position in the market.

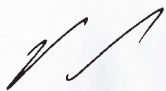
We will continue to capitalize on our cutting-edge technology, high-quality products and services, strategic alliances and our own enhanced operating capabilities to position ourselves for future growth into new and existing markets – while maintaining strong financial health.

What does this mean to you? A competitive edge. Greater value. Just what you expect from a leading-edge company.

In closing, I would like to thank our Board of Directors for their guidance during the past year.

On behalf of Boomerang Tracking, I would also like to thank our customers, who provide the inspiration for all we do, our employees, whose dedication and hard work are instrumental to the Company’s success, and our shareholders, whose commitment to and investment in this Company make higher standards an ideal worth expecting, worth demanding and worth striving for.

As always, thank you for your continued support.



PETER LASHCHUK
President and CEO,
Boomerang Tracking Inc.



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis explains the financial condition and results of operations of Boomerang Tracking Inc. (the "Company") for the fiscal year ended April 30, 2003. This discussion and analysis is intended to help shareholders and other users understand the dynamics of the Company's business and the key factors underlying its financial results. This section of the Annual Report should be read in conjunction with the financial statements and related notes. The financial information has been prepared in accordance with Canadian generally accepted accounting principles and is expressed in Canadian dollars.

ABOUT BOOMERANG TRACKING INC.

Boomerang Tracking Inc. markets and distributes the Boomerang[®] tracking devices, proprietary products using technology patented by the Company. The Boomerang, Boomerang2[™] and GSM-based units are central devices in a system that uses the wireless networks of large telecommunications companies for tracking stolen assets. The Boomerang Tracking System is capable of locating stolen vehicles, heavy equipment and valuable assets. As a result of its success, the Company has received the endorsement of members of the insurance industry. The Boomerang devices are available and installed through a network of authorized dealers in Quebec and Ontario. The Company's head office, research and development centre and manufacturing facilities are located in Montreal, Quebec, with regional facilities located in Mississauga, Ontario and Orange County, California. Boomerang is a registered trademark and Boomerang2 is a trademark of Boomerang Tracking Inc. Boomerang Tracking Inc. shares are listed on the Toronto Stock Exchange under the symbol BMG.

FINANCIAL HIGHLIGHTS

- Another consecutive year of profitable growth
- Record revenues of \$20.79 million and growth of 19%
- Revenues from service contracts up 43% to a record level of \$12.68 million
- In excess of 120,000 active contracts
- Net earnings of \$1.14 million, with diluted earnings per share (EPS) of \$0.05
- Expenses of \$1.45 million incurred to prepare for California launch
- Debt-free balance sheet with 55% in liquid assets
- Repurchase of 466,900 shares for a total of \$0.67 million
- Ranked No. 1 in the Deloitte & Touche 2002 Canadian Technology Fast 50 Awards Program, becoming the first Quebec-based company to achieve this prestigious ranking

EXPANSION STRATEGY

Several economic and financial factors have affected the technology and telecommunications industry over the past two years. Although the stolen asset tracking industry has been affected, it enjoys a privileged position. It benefits from the sale of new vehicles and the desire of owners to ensure the security of their valuable assets.

The Company wishes to maintain its leadership in the stolen asset tracking industry as well as the competitive advantage it enjoys as a result of its leading-edge products, and is concentrating its efforts on the development of new markets and products. Moreover, the flexibility of wireless telecommunications technology enables it to introduce new applications and improve its products. As part of its development, the Company has adopted a philosophy of caution, profit maintenance, and tight expense control while financing its activities from the operating cash flows generated.

The province of Quebec, where the Company has taken on a leadership position, is a market in which the stolen asset tracking industry is well positioned in as much as the legal framework governing the vehicle insurance industry permits insurance companies to require the installation of a Boomerang device as a condition for taking out an insurance policy. The Company has adopted a marketing strategy that is essentially based on strategic alliances with the insurance companies, although there is no financial or contractual bond between them. Retail sales remain a secondary strategy. The sale of additional Boomerang devices depends on the sale of new high-end vehicles.

As a result of its proximity, the large number of high-end vehicles and the significance of the losses caused by vehicle theft, Ontario is a promising market. Over the last few quarters, the Company has demonstrated a pioneering role in that province as the tracking industry is very new. Unlike Quebec, the legal framework governing the insurance industry in Ontario does not permit insurance companies to require the installation of Boomerang devices in vehicles belonging to individuals. Therefore, the current marketing strategy is focused primarily on the distribution of products to automobile dealers and certain vertical markets. The Company is working with major insurance industry players in order to make them more aware of the advantages of tracking systems and is taking part in discussions of possible amendments to the legislative framework. Since the Company has no control over the legislative framework, possible amendments to the rules governing the insurance industry remain uncertain.

The size of the vehicle sale market in California is equivalent to that of Canada and the losses incurred as a result of vehicle theft are high in that state. Boomerang Tracking Corporation, a wholly-owned American subsidiary of the Company, has the mission to market the tracking system in the United States. Presently in its start-up stage, it will soon make an appearance as a new player on the California market, where both the competition and tracking systems are well-known. The GSM (Global System for Mobile Communications)-based Boomerang device, a result of major investments during fiscal 2003, was recently certified by the FCC (Federal Communications Commission) in the United States and is the technological cornerstone of the American business plan as it uses the most deployed wireless digital technology in the world. The initial marketing strategy will focus on establishing alliances with after-market expeditors servicing new car dealerships. Efforts to work with the insurance companies will also be coordinated.

During this period of development and expansion, the Company has continued to demonstrate its ability to:

- maintain its revenue growth;
- generate earnings quarter after quarter; and
- present a debt-free balance sheet, with 55 % in liquid assets.

The Company financed all of these activities from the cash flows generated by its operations, without incurring any external debt and while increasing its liquid assets by 30%.

OVERVIEW OF RESULTS

The tables provided below contain selected operating information expressed in thousands of dollars and as a percentage of revenues for the years indicated, with the exception of the EPS.

YEARS ENDED APRIL 30	2003	2002	2001
Revenues	100.0%	100.0%	100.0%
Expenses, except the following -	81.5%	77.1%	69.5%
Amortization	4.5%	3.1%	1.7%
Research and development	3.9%	4.2%	1.3%
Net interest income	-0.8%	-0.9%	-0.6%
Unusual items	2.2%		
Earnings Before Income Taxes	8.7%	16.5%	28.1%
Income Taxes	3.2%	6.0%	10.9%
Net Earnings	5.5%	10.5%	17.2%

Quarterly Information

	Revenues	Net Earnings	Diluted EPS
2003 – 1st quarter	\$5,035	\$534	\$0.024
2003 – 2nd quarter	\$4,869	\$349	\$0.015
2003 – 3rd quarter	\$5,261	\$124	\$0.006
2003 – 4th quarter	\$5,628	\$133	\$0.006
Total 2003	\$20,793	\$1,140	\$0.051
2002 – 1st quarter	\$4,068	\$593	\$0.026
2002 – 2nd quarter	\$4,109	\$606	\$0.027
2002 – 3rd quarter	\$4,444	\$168	\$0.007
2002 – 4th quarter	\$4,830	\$457	\$0.020
Total 2002	\$17,451	\$1,824	\$0.080

STOCK MARKET ACTIVITIES

During fiscal 2003, several major events had an impact on the Company's stock market activities.

Through insider reports, the Company was informed that an insider holding in excess of 10% of the shares of the Company as at April 30, 2002, but who is neither a director nor an officer, disposed of 1.3 million shares on the Toronto Stock Exchange during fiscal 2003. These transactions accounted for 29% of the volume of Company shares traded during the last fiscal year. This individual reduced his holdings below 10% as at April 30, 2003 and is no longer considered an insider. According to the insider reports, he still held 1.9 million shares as at April 30, 2003.

The Company repurchased, for the purposes of cancellation, a total of 466,900 common shares, namely 42% of the eligible maximum, by means of an issuer bid which took effect May 1, 2002. The value of the cancelled shares repurchased is \$0.67 million. On May 2, 2003, the Company announced its intention to renew this issuer bid since it is of the opinion that its performance and the underlying value were not fully reflected in the price of its Class "A" shares.

Consequently, the number of shares held by non-insiders increased by more than 2.7 million shares (26%).

The Company's stock market valuation was \$29.5 million as at April 30, 2003, namely \$1.35 per share. The price/earnings ratio of 27 is a poor indicator of the Company's value and potential. The earnings for the last fiscal year were affected by development expenses incurred to open the door to strong market potential, for which the benefits will only be reaped in future years, as well as certain unusual items. In order to take these items into account, the ratio should be adjusted to 13 from 27:

$$\frac{\text{Stock Market Valuation}}{\text{Adjusted Net Results}} = \frac{\$29,500,000}{\$2,337,000} = 13$$

NOTE: The adjusted net results are not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that this measure is useful supplemental information as it provides investors with an indication of the result of management's assessment attributable to normal operations. Investors should be cautioned however that the adjusted net results should not be confused with or used as an alternative for net earnings determined in accordance with GAAP.

(THOUSANDS OF DOLLARS)	2003
Net Earnings	\$ 1,140
Adjustments to net earnings :	
Costs for expansion in California	1,450
Unusual items	450
	<u>1,900</u>
Income Taxes on Adjustments	703
Adjustments Net of Taxes	<u>1,197</u>
Adjusted Net Results	\$ 2,337

The financial position of the Company is healthy and solid. A cautious financial analysis would require the use of more varied indicators.

PERFORMANCE BY BUSINESS LINE

The Company generates revenues from two main closely-linked sources representing 97% of total revenues: the subscription of service contracts and the sale of tracking devices. Those who own Boomerang devices can only use the tracking service provided by the Company, therefore excluding any competition. The other sources of revenues are generated from installation and tracking activities.

The consolidated revenues for fiscal 2003 of \$20.79 million set a record, for a 19% increase compared to 2002, namely an increase of \$3.34 million. This increase is, however, lower than the 45% increase recorded for 2002.

Subscription to Service Contracts The customer loyalty and retention programs, as well as the support to the insurance industry, has allowed the Company to maintain the growth of revenues generated by service contracts. These recurrent revenues are the key factor in revenue stability.

For fiscal 2003, revenues generated from service contracts totaled \$12.68 million, for an increase of 43% compared to 2002. The number of new service activations declined from 46,486 in 2002 to 41,984 in 2003. These new service activations were affected, amongst other things, by the increasing number of transfers, as further described in the "Sale of Tracking Devices" section.

A total of 120,000 contracts were active as at April 30, 2003. Since its inception, the Company has activated more than 145,000 tracking devices. The difference between the number of devices installed and those that are still active should not be viewed as a loss of clients. This number includes cancelled contracts, transfers and situations in which clients terminate their contract in order to take out another contract for a new vehicle, without taking advantage of the transfer policy.

Service contracts are available on a 12-, 24-, 36- or 48-month basis. Since payment in full is required when the service is activated or renewed, the revenues are collected in advance and recorded as liabilities in the balance sheet as deferred revenue. It is amortized over the term of each contract and then recognized as revenue.

Prospectively, the Company expects the revenues generated by the service contracts to grow for the 2004 fiscal year. These revenues will benefit \$7.83 million from the recognition of deferred revenue (\$6.40 million in 2003). An additional sum of \$1.57 million will be recognized in the following years. At the same time, in order to provide for the needs of a new extended guarantee program, the price of service contracts was increased in May 2003. This will enable the Company to generate additional revenues in excess of \$1 million for the coming fiscal year.

Sale of Tracking Devices For fiscal 2003, the sale of devices generated revenues of \$7.43 million, down 7% from 2002. The number of new devices sold decreased from 47,279 in 2002 to 38,382 in 2003. Unlike past years, the insurance companies added few new categories of vehicles for which they require the installation of tracking devices, resulting in the stabilization of sales of Boomerang devices.

The maturity of the clientele must also be considered. Most new vehicles are financed by means of lease contracts for an average term of three years. Considering the increasing age of vehicles that are equipped with Boomerang devices, several clients took advantage of the program that allows them to transfer their tracking device from the original vehicle to a new vehicle or to a new owner, generating more than 5,000 transfers during the year. As a result of the increasing number of devices installed, the Company expects the number of transfers to increase in the coming years.

PERFORMANCE BY TERRITORY

Quebec This market accounts for 92% of the active contracts (approximately 110,000 contracts) of which 94% cover first-generation devices.

During fiscal 2003, 37,933 devices were activated, representing a decrease of 5,694 units (13%) compared to 2002. The 2002 fiscal year had generated an increase of 19%. Several factors have contributed to this decrease. The Company implemented its Total Quality program for dealers/installers in Summer 2002. The 50% reduction in their number led to the repurchase of the outstanding inventories and a temporary reduction in the sales of the devices. At the same time, since the average age of the client vehicles is increasing, virtually all of the transfers mentioned earlier concern clients located in Quebec. The Company remains vigilant with respect to certain competitors, but it is of the opinion that their market share is minor.

Ontario Ontario accounts for 8% of all active contracts (approximately 10,000 contracts). For fiscal 2003, 45% of the new installations involved Boomerang2 devices, compared to 14% for Quebec. This difference is primarily due to the fact that the consumers are prepared to pay more for a superior product in a retail market. Although modest, the revenues generated are constantly growing and now cover direct costs. During the 2003 fiscal year, 4,051 devices were activated, for an increase of 42% over the previous year. Fiscal 2002 resulted in a 21% increase compared to 2001. This new territory is barely affected by transfers.

California Expenses incurred for the launch in California totaled \$1.45 million during the 2003 fiscal year, including research and development expenses for the GSM device and costs incurred for the California team. These expenses totaled approximately \$2.08 million, including the amounts recorded in the previous year. This subsidiary generated no revenues during the 2003 fiscal year.

All of these development activities are financed by the operating cash flow generated, with no external financing.

EXPENSES

Tight cost management enabled the Company to maintain expenses incurred for sales, administration and research and development at a level similar to that of fiscal 2002 (45% of revenues), during a period when the Company's revenues increased 19%. Operating expenses increased from 83% of revenues in 2002 (\$14.57 million) to 89% for fiscal 2003 (\$18.53 million).

New items, some of which are unusual, affected expenses in fiscal 2003:

- \$1.45 million in expenses incurred to prepare for the California launch;
- increase of 11% in service user fees, including 3% which were unusual;
- increase of 72% in amortization expense; and
- unusual expenses of \$0.10 million incurred for reorganization.

The service fees charged by the wireless network operators make up the principal costs incurred for tracking assets and these services are covered by commercial agreements. The Company maintains an excellent business relationship with its principal supplier, which has been consolidated by the significant volume of services purchased and advantageous commercial agreements. During fiscal 2003, the Company experienced an 11% increase, primarily for taxes, including \$0.35 million in unusual charges. This amount also includes a new accounting reserve that covers a new extended warranty.

The amortization expense pertaining to the fixed assets increased by 72% compared to the previous year, as a result of the investments described in the section entitled "Capital Expenditures".

Since its inception, the Company has enjoyed the benefits of the retailer/installer distribution network established by its principal distributor. During fiscal 2003, the Company revised its distribution strategy and started to sell its products directly to dealers/installers served by that distributor. It did, however, continue to rely on that distributor for certain logistical services pertaining to the distribution of its products. During fiscal 2003, the expenses incurred for the services provided by that distributor totaled \$0.96 million. In order to ensure increased control of its costs and of its relations with its partners, the Company intends to start distributing its products directly as of September 1, 2003.

NET EARNINGS

The consolidated net earnings for fiscal 2003 totaled \$1.14 million (\$0.05 per share or 5% of revenues), compared to \$1.82 million for the previous year (\$0.08 per share or 10% of revenues).

This decrease is primarily caused by certain factors:

- The upcoming expansion in California and the development of the new GSM-based tracking device, for a total of \$1.45 million, account for 7% of revenues. Unusual items, for a total of \$0.45 million including taxes and reorganization expenses, account for 2% of revenues. These major expenses totaled \$1.90 million and represent more than 104% of the earnings before income taxes of \$1.82 million.
- Also, in Fall 2001, the Company marketed the second-generation tracking device, the Boomerang2 device. This high-end product is generating greater profits in dollars than the original Boomerang device, but has a lower profit margin in terms of percentage of revenues. The Boomerang2 device accounted for 5% of the units sold in 2002, compared to 20% in 2003. The overall profit margin decreased by 2% as a result of the new product mix. The Company is of the opinion that the proportion of Boomerang2 sales may increase in 2004.

The income tax expense for fiscal 2003 represents a similar effective tax rate as that for fiscal 2002 of approximately 37%.

LIQUIDITY AND CAPITAL RESOURCES

The Company's excellent financial health can be attributed to its solid debt-free balance sheet. Liquid assets account for 55% of the assets. As at April 30, 2003, the Company's cash resources totaled \$9.89 million or \$0.45 per share. This includes short-term investments of \$7.32 million, with maturity dates up to October 2003. During fiscal 2003, the Company's cash resources increased by \$2.27 million, or 30%.

For fiscal 2003, the net increase in liquid assets was attributable to operating cash flow generated, for a total of \$4.60 million (\$0.21 per share), disbursements for expenditures related to capital assets and intangible assets of \$1.67 million, and disbursements of \$0.67 million to repurchase and cancel shares. Advance payments from service contracts, tight management of accounts receivable and controls over operating costs ensured the growth in cash resources.

The Company's working capital (current assets less current liabilities) increased to \$3.49 million as at April 30, 2003, compared to \$3.06 million as at April 30, 2002. The working capital ratio is 1.32 for both years.

The successive positive cash flows reported since the Company's inception demonstrate the Company's effectiveness at generating profits while developing the necessary infrastructures. The Company believes that its cash resources as at April 30, 2003, together with cash flow from future operations, will provide it with sufficient funds to meet its needs for the upcoming year. The Company does not plan to declare any dividends during the upcoming year. Excess cash is invested in short-term instruments with financially sound institutions and these investments are readily available when the need for funds arises.

CAPITAL EXPENDITURES

The Company's capital expenditures for fiscal 2003 were \$1.67 million compared to \$2.21 million in fiscal 2002.

In order to compensate for the increasing complexity of its operations, the Company invested \$2.79 million in its information technology infrastructure over the past two years. These new management tools, which improve business processes, have helped to increase transactional volume substantially, with only a minor impact on human resources. Moreover, this undertaking earned the Company an OCTAS award from the Fédération de l'Informatique du Québec.

Capital expenditures planned for fiscal 2004, which are not expected to exceed 2003 levels, will be used to continue with the development of infrastructure and territorial expansion. The Company plans to finance these capital expenditures through the operating cash flow generated, without external financing.

OUTLOOK

Initiatives in Quebec will focus on customer loyalty and retention programs as well as support to the insurance industry. This will enable the Company to ensure continuity in growth and recurrent revenues generated by service contracts while enjoying the benefits of increased rates for service contracts.

The Company will continue to work with major insurance industry players in Ontario in order to ensure that they are fully familiar with the advantages of tracking systems and to assist them in their initiatives to amend the legislative framework. The Company will continue to develop vertical markets, including vehicle fleets, the construction industry and new distribution networks.

Launching its activities in California will be a major challenge. The steps to be taken in fiscal 2004 will include solidifying distribution networks, developing insurer relationships and creating logistical and operational standards. This will only require limited financial resources. Expanding outside of North America is not a priority.

RISKS AND UNCERTAINTIES

Technology The Boomerang Tracking System employs proprietary wireless-based tracking devices. Presently, there are no known direct competitors in the marketplace using similar technology and locating process as the Company. Competing products utilize other technologies, including Global Positioning System (GPS) technology, that are not as effective at locating assets enclosed within buildings or shipping containers or situated underground.

Although the Company is continuing to invest in research and development, there is no certainty that it will be able to maintain its current technological edge.

Financial Resources Although the Company is profitable and growing, there is no certainty that it will be able to compete with larger, more financially secure competitors in the marketplace.

Reliance on Strategic Alliances The Company is currently heavily dependent on its alliance with wireless carriers and insurance companies. Wireless carriers are an integral facet of its stolen asset tracking system. The continued availability and maintenance of the wireless telecommunications networks used by the Company is essential for operating the tracking system. In addition, many insurance companies are strong supporters and advocates of the Boomerang tracking system. The continued existence of these strategic alliances is important for the ongoing development of new and existing markets.

Reliance on Key Employees The Company's continued success will be dependent on the performance and continued service of its executive officers and certain key employees. The loss of any of these individuals could have a material adverse impact on the Company's business.

Risk Related to Territorial Expansion Certain risks are inherent to the entrance into and development of new markets. These risks include the development of strategic alliances and distribution networks, the acceptance by the automobile industry and consumers of the Boomerang tracking system, and the application of laws and regulations governing the vehicle insurance industry in each territory.

Tracking Risk Certain risks are inherent to tracking activities. These risks include the contingencies arising out of serious accidents and incidents. At the same time, as a result of various factors, the Company cannot guarantee the recovery of each of the vehicles stolen from its clients. Although the Company believes that its relationships with strategic partners are good, the confidence it receives from its partners depends on the continued success of its performance.

Credit Risk With respect to the holding of short-term investments, the Company may be exposed to a credit loss in the event of non-performance by the counterparties to these contracts, but does not anticipate such non-performance. The Company manages this credit risk by dealing only with financially sound counterparties.

The Company, in the normal course of business, monitors the financial condition of its customers. It does not have significant exposure to any individual customer or counterparty. The Company establishes an allowance for doubtful accounts that corresponds to the credit risk of its customers, historical trends and economic circumstances. The Company does not believe that it is exposed to an unusual level of customer credit risk.

STATEMENT REFLECTING OUTLOOK AND FORECASTS

Since the statements contained in this report refer to Company or management objectives, projections, estimates, expectations and forecasts for the future, they may be considered "prospective statements" and may be indicated as such by the use of verbs such as "believe", "predict", "estimate", "expect", "consider" as well as the use of the future or conditional verb tense, regardless of negative or positive tone or the variation used. The Company would like to remind readers that these prospective statements, given their nature, include risks and uncertainties and that the Company's actual actions or results may differ materially from those contained explicitly or implicitly in such prospective statements and could affect the degree to which a particular projection is achieved.

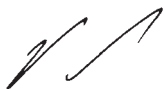
MANAGEMENT'S RESPONSIBILITY RELATED TO THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by the management of Boomerang Tracking Inc. in accordance with Canadian generally accepted accounting principles, reviewed by the Audit Committee and approved by the Board of Directors.

The Company's internal control systems and procedures are designed to provide reasonable assurance that accounting records are reliable and accurate and to safeguard the Company's assets. The financial statements include some amounts that are based on management's best estimate and judgement and, in their opinion, present fairly the Company's financial position, results of operations, and cash flows.

The Audit Committee, consisting of a majority of outside directors, is responsible for reviewing the financial statements and recommending their approval to the Board of Directors. To fulfill its responsibility, the Audit Committee meets with management and external auditors to discuss internal controls over the financial reporting process, significant accounting policies, other financial matters and the results of the examination by the external auditors.

The financial statements have been audited by Richter, Usher & Vineberg, the Company's auditors, whose report is included herein.



PETER LASHCHUK
President and CEO
Montreal, Quebec
June 6, 2003



SYLVAIN DUNN
Vice President, Finance and Operations
Montreal, Quebec
June 6, 2003

AUDITOR'S REPORT

To the Shareholders of
Boomerang Tracking Inc. -
Repérage Boomerang Inc.

We have audited the consolidated balance sheets of Boomerang Tracking Inc. - Repérage Boomerang Inc. as at April 30, 2003 and April 30, 2002 and the consolidated statements of earnings, retained earnings and cash flows for each of 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 April 30, 2003 and April 30, 2002 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
General Partnership
Montreal, Quebec
June 6, 2003

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

AS AT APRIL 30

	2003	2002
ASSETS		
Current		
Cash and cash equivalents	\$ 2,567,849	\$ 1,643,347
Short-term investments (NOTE 3)	7,316,904	5,972,149
Accounts receivable	2,074,770	3,231,998
Investment tax credits receivable	257,000	--
Income taxes recoverable	515,027	34,284
Inventories (NOTE 4)	1,404,106	1,321,926
Prepaid expenses	217,418	298,405
Future income taxes (NOTE 9)	10,482	13,336
	14,363,556	12,515,445
Fixed Assets (NOTE 5)	3,372,269	2,732,701
Patents and Trademarks	188,205	197,838
(NET OF ACCUMULATED AMORTIZATION OF: \$196,789; 2002 - \$117,504)		
	\$ 17,924,030	\$ 15,445,984
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,037,128	\$ 3,050,295
Deferred revenue	7,832,851	6,405,123
	10,869,979	9,455,418
Deferred Revenue	1,566,176	1,150,567
Future Income Taxes (NOTE 9)	301,155	127,009
	12,737,310	10,732,994
Contingencies and Commitments (NOTE 6)		
SHAREHOLDERS' EQUITY		
Capital Stock (NOTE 7)	769,527	785,961
Retained Earnings	4,417,193	3,927,029
	5,186,720	4,712,990
	\$ 17,924,030	\$ 15,445,984

SEE ACCOMPANYING NOTES

APPROVED ON BEHALF OF THE BOARD:



ANDRÉ BOULAY
Director



ROBERT NELSON
Director

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

FOR THE YEARS ENDED APRIL 30

	2003	2002
Balance - Beginning of Year	\$ 3,927,029	\$ 2,103,543
Net earnings	1,139,923	1,823,486
	5,066,952	3,927,029
Premium on repurchase of shares (NOTE 7)	649,759	--
Balance - End of Year	\$ 4,417,193	\$ 3,927,029

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED APRIL 30

	2003	2002
Revenues	\$ 20,792,817	\$ 17,450,989
Expenses		
except the following -	16,914,887	13,458,759
Amortization	932,478	541,893
Foreign exchange	40,862	(7,978)
Research and development	803,796	734,085
Interest expense	310	11,956
Interest income	(166,439)	(171,212)
	18,525,894	14,567,503
Income Before Undernoted Items	2,266,923	2,883,486
Unusual items (NOTE 13)	450,000	--
Earnings Before Income Taxes	1,816,923	2,883,486
Income taxes (NOTE 9)		
Current	500,000	950,000
Future	177,000	110,000
	677,000	1,060,000
Net Earnings	\$ 1,139,923	\$ 1,823,486
Earnings Per Share: (NOTE 10)		
Basic	\$ 0.05	\$ 0.08
Diluted	0.05	0.08

SEE ACCOMPANYING NOTES

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30

	2003	2002
Funds Provided (Used) -		
Operating Activities		
Net earnings	\$ 1,139,923	\$ 1,823,486
Amortization	932,478	541,893
Write-off of fixed assets	103,758	--
Future income taxes	177,000	110,000
	2,353,159	2,475,379
Changes in non-cash operating elements of working capital	2,248,462	3,348,118
	4,601,621	5,823,497
Financing Activities		
Issuance of Class "A" shares	--	233,310
Repurchase of Class "A" shares	(666,193)	--
	(666,193)	233,310
Investing Activities		
Increase in short-term investments	(1,344,755)	(3,508,904)
Additions to fixed assets	(1,596,519)	(2,103,576)
Additions to patents and trademarks	(69,652)	(108,341)
	(3,010,926)	(5,720,821)
Increase in Cash and Cash Equivalents	924,502	335,986
Cash and Cash Equivalents		
Beginning of Year	1,643,347	1,307,361
	End of Year	\$ 1,643,347
	\$ 2,567,849	\$ 1,643,347

SEE ACCOMPANYING NOTES

Additional Cash Flow Information

Interest paid	\$ 300	\$ 12,000
Income taxes paid	981,000	1,602,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2003 AND 2002

1. NATURE OF BUSINESS

The Company's business consists of the design, manufacture and sale of the BOOMERANG® tracking devices. These devices are an integral part of the Company's patented BOOMERANG® Tracking System which comprises after-sales recovery services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation The consolidated financial statements include the accounts of the Company and its subsidiary. On consolidation, all intercompany transactions and balances have been eliminated.

Cash and Cash Equivalents Cash and cash equivalents consist of cash and liquid investments with original maturities of less than three months from the date of acquisition.

Valuation of Inventories Inventories are stated at the lower of cost (first-in, first-out method) and net realizable value.

Amortization

On the declining balance method -

Computer	20-30%
Furniture and fixtures.	20%
Equipment	30%

On the straight-line method -

Leasehold improvements.	over the lease term
Patents	5 years

Trademarks The Canadian Institute of Chartered Accountants ("CICA") recently issued Handbook Section 3062, "Goodwill and Other Intangible Assets". Effective May 1st, 2002, the Company adopted the provisions of the new Handbook Section and accordingly is no longer amortizing intangible assets with an indefinite life. In accordance with the new standards, trademarks will be assessed for possible permanent impairment by evaluating undiscounted expected cash flows on an annual basis.

In 2002, the trademark amortization amounted to \$36,895. Accordingly, the 2002 adjusted net earnings if trademarks had not been amortized would have amounted to \$1,860,381. Such a change would have had no impact on basic and diluted earnings per share.

Revenue Recognition The Company derives revenue from the sale of vehicle tracking devices and after-sales vehicle tracking services. Product sales are recorded upon delivery. Revenue from service contracts is deferred and amortized over the life of each contract. An estimated provision for warranty costs and unsuccessful recoveries associated with these revenues is provided for at the time of recognition of related revenue.

Future Income Taxes The Company follows the liability method with respect to accounting for income taxes. Future tax assets and liabilities are determined based on differences between the carrying amount and the tax basis of assets and liabilities (temporary differences). Future income tax assets and liabilities are measured using the enacted (or substantively enacted) tax rates that will be in effect when these differences are expected to reverse. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the assets will be realized.

Investment Tax Credits Investment tax credits relating to qualifying expenditures are recognized in the accounts at the time at which they become reasonably determinable, as a reduction of research and development expenditures.

Stock-Based Compensation The CICA has issued a new accounting standard for stock-based compensation and other stock-based payments which is effective for fiscal year 2003. The new standard requires the use of a fair value-based method to account for certain stock-based compensation arrangements. Options granted by the Company to employees are not required under the new standard to be accounted for using a fair value-based method. When an enterprise does not use the fair value-based method for accounting, it must disclose pro forma net earnings and pro forma earnings per share as if the fair value-based accounting method had been used to account for stock-based compensation cost.

The Company will continue to use the settlement method to account for the employee stock options granted under the stock-based compensation plan described in note 7. As a result, no compensation expense is recognized when stock options are issued to employees. Any consideration paid by employees upon exercise of stock options is credited to share capital.

Grants to non-employees in payment of services rendered will be accounted for on a prospective basis, in accordance with the new standard, based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measured.

Earnings Per Share In 2002, the Company adopted the CICA's Handbook Section 3500 "Earnings Per Share". Under the new recommendations, the diluted earnings per share are calculated based on the weighted average number of Class "A" shares outstanding in each of the years, plus the effects of dilutive Class "A" share equivalents, such as options. This method requires that diluted earnings per share be calculated using the treasury stock method, under which method Class "A" share equivalents are treated as having been exercised at the beginning of the reporting period or at the date of issue as the case may be, and that the funds obtained thereby were used to purchase Class "A" shares of the Company at the average trading price of the Class "A" shares during the period.

Use of Estimates In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results may differ from these estimates.

Foreign Currency Translation The financial statements of integrated foreign operations and other foreign currency accounts have been translated into Canadian dollars as follows:

- Monetary items - at exchange rates in effect at the balance sheet date;
- Non-monetary items - at exchange rates in effect on the dates of the transactions;
- Revenues and expenses - at average exchange rates prevailing during the year.

Gains and losses arising from foreign currency translation are included in income.

3. SHORT-TERM INVESTMENTS

Short-term investments consist of commercial paper having a weighted average interest rate of 3.1% per annum (2002 - 2.8%) and mature on various dates up to October 2003.

The Company may be exposed to a credit loss in the event of non-performance by the counterparties to these financial instruments, but does not anticipate such non-performance.

4. INVENTORIES

	2003	2002
Raw materials	\$ 954,782	\$ 1,031,358
Work in process	144,934	219,361
Finished goods	304,390	71,207
	\$ 1,404,106	\$ 1,321,926

5. FIXED ASSETS

	Cost	Accumulated Amortization	2003 Net Carrying Amount
Computer	\$ 3,337,081	\$ 852,126	\$ 2,484,955
Furniture and fixtures	459,098	174,338	284,760
Equipment	280,333	143,541	136,792
Leasehold improvements	708,773	243,011	465,762
	\$ 4,785,285	\$ 1,413,016	\$ 3,372,269

	Cost	Accumulated Amortization	2002 Net Carrying Amount
Computer	\$ 2,301,027	\$ 419,940	\$ 1,881,087
Furniture and fixtures	427,165	106,992	320,173
Equipment	198,658	90,614	108,044
Leasehold improvements	553,187	129,790	423,397
	\$ 3,480,037	\$ 747,336	\$ 2,732,701

During 2002, included in "Computer" was approximately \$1,017,000 of hardware and software that was not yet in use, and as such, the Company had not taken any amortization on this amount.

6. CONTINGENCIES AND COMMITMENTS

The Company is subject to legal actions amounting to approximately \$350,000 that arose in the ordinary course of business and that are currently in the hands of the Company's insurers. It is not possible at this time to determine the outcome of these matters. Management believes that these claims are without merit and accordingly, no provision has been made in the accounts for these claims.

The minimum rental, exclusive of occupancy charges, under the leases for the Company's premises is approximately as follows:

	Payable to unrelated parties	Payable to company controlled by a principal shareholder
2004	\$ 83,000	\$ 534,000
2005	74,000	534,000
2006	5,000	499,000

Letters of guarantee outstanding at April 30, 2003 amount to \$143,000 (U.S.\$100,000) and are secured by a movable hypothec up to a maximum of \$155,000 on the Company's short-term investments.

7. CAPITAL STOCK

	2003	2002
Authorized without limit as to number and without par value - Class "A" participating, voting shares Class "B" shares, issuable in series, ranking in priority to Class "A" shares; attributes of each series to be determined by the Board of Directors at the time of issuance		
Issued -		
21,863,100 (2002 - 22,330,000) Class "A" shares	\$ 769,527	\$ 785,961

During 2003, the Company repurchased and cancelled 466,900 Class "A" shares for a total consideration of \$666,193. As a result, the capital stock of the shares has been reduced by \$16,434 representing the pro-rata stated capital of the shares and the excess of \$649,759 has been charged to retained earnings.

During 2002, the Company issued 264,000 Class "A" shares based upon the exercise of share options for cash consideration of \$233,310.

On May 2, 2003, the Company filed a notice of its intention to renew, for an additional twelve-month period, the normal course issuer bid made on April 29, 2002 and expiring on April 30, 2003 through the facilities of The Toronto Stock Exchange. The Company intends to purchase for cancellation up to a maximum of 1,093,155 Class "A" shares, representing approximately 5% of its issued and outstanding Class "A" shares. The renewed issuer bid will take effect on May 6, 2003 and expire no later than May 5, 2004.

Stock-Based Compensation The Company has a share option plan pursuant to which directors, officers, employees and service providers of the Company or its subsidiaries are granted options to purchase Class "A" shares. The total number of shares which may be issued under the share option plan cannot exceed 3,347,250 shares. The maximum number of Class "A" shares which may be reserved for issuance upon the exercise of options granted may not exceed 15% of the then issued and outstanding shares. Options have a maximum exercise period of five years and are granted at a price equal to the market price of the shares on the day preceding the day on which the options are granted. The options vest equally over three years commencing on the first anniversary of the grant date unless otherwise determined by the Board of Directors at time of grant.

FINANCIAL STATEMENTS

Share option transactions during the two year period ending April 30, 2003 were as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at April 30, 2001	859,000	\$ 1.42
Granted	407,500	2.90
Exercised	(264,000)	0.88
Forfeited	(120,000)	4.22
Outstanding at April 30, 2002	882,500	1.88
Granted	62,500	1.71
Exercised	--	--
Forfeited	(235,000)	3.31
Outstanding at April 30, 2003	710,000	\$ 1.44

The following table summarizes information about share options outstanding as at April 30, 2003:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted- Average Remaining Contractual Life <i>(in years)</i>	Weighted- Average Exercise Price	Number Exercisable	Weighted- Average Exercise Price
\$ 0.30 - \$ 0.77	345,000	1.2	\$ 0.36	345,000	\$ 0.36
\$ 1.20 - \$ 1.90	135,000	2.9	1.56	105,000	1.51
\$ 2.40 - \$ 2.75	140,000	3.3	2.69	56,666	2.70
\$ 3.00 - \$ 4.35	90,000	3.2	3.49	64,999	3.47
	710,000	2.2	\$ 1.44	571,665	\$ 1.16

As at April 30, 2002, 549,167 options were exercisable at a weighted average exercise price of \$1.23.

No compensation expense has been recorded in the consolidated financial statements for stock options. Had the Company used a fair value-based method (Black-Scholes option-pricing model) to account for stock options granted to employees after April 30, 2002, the impact on the results would have been immaterial.

8. FINANCIAL INSTRUMENTS

Credit Risk The Company, in the normal course of business, monitors the financial condition of its customers. Except as mentioned in note 11, the Company does not have a significant exposure to any individual customer or counterparty. The Company establishes an allowance for doubtful accounts that corresponds to the credit risk of its specific customers, historical trends and economic circumstances.

The Company does not believe that it is exposed to an unusual level of customer credit risk.

Fair Value Cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities are all short-term in nature and as such their carrying values approximate fair values.

9. INCOME TAXES

Significant components of future income tax assets and liabilities at April 30 are as follows:

	2003	2002
Future income tax assets:		
Stock listing costs	\$ 20,964	\$ 36,340
Deferred revenue	--	1,244
Warranty and unsuccessful recovery provision	26,035	2,639
	46,999	40,223
Future income tax liabilities:		
Fixed assets	337,672	153,896
Future income tax liability, net	\$ (290,673)	\$ (113,673)
Balance sheet classification:		
Future income tax asset - current	10,482	13,336
Future income tax liability - non-current	301,155	127,009
	\$ (290,673)	\$ (113,673)

The provision for income taxes reported differs from the amount computed by applying the Federal and Provincial statutory income tax rates to earnings before income taxes. The reasons for these differences and their tax effects are as follows:

	2003	2002
Statutory Tax Rates	35.75%	37.52%
Statutory income tax on earnings before income taxes	\$ 650,000	\$ 1,082,000
Manufacturing tax rate reduction	(12,000)	(40,000)
Non-deductible expenses	24,000	33,000
Other	15,000	(15,000)
	\$ 677,000	\$ 1,060,000

10. EARNINGS PER SHARE

The calculation of basic earnings per share and diluted earnings per share is as follows:

	2003	2002
Basic earnings available to Class "A" shareholders	\$ 1,139,923	\$ 1,823,486
Weighted average number of Class "A" shares outstanding	22,219,059	22,307,889
Basic earnings per share	\$ 0.05	\$ 0.08
Weighted average number of Class "A" shares outstanding	22,219,059	22,307,889
Class "A" share equivalents:		
Assumed exercise of outstanding dilutive options	427,630	553,657
Shares repurchased from proceeds of assumed exercise of options	(136,018)	(244,924)
Weighted average number of Class "A" shares and Class "A" share equivalents outstanding	22,510,671	22,616,622
Diluted earnings per share	\$ 0.05	\$ 0.08

Options have a dilutive effect when the average market price of the Class "A" shares during the period exceeds the exercise price of the options. As a result, 282,370 (2002 - 328,843) anti-dilutive options have been excluded from the calculations of diluted earnings per share.

11. RELATED PARTY TRANSACTIONS

The following table summarizes the Company's related party transactions for the years and balances outstanding as at years end:

	2003	2002
Revenues		
Sales of products to:		
company jointly controlled by principal shareholders	\$ 2,451,000	\$ 6,752,000
company controlled by a principal shareholder	--	201,000
Costs and Expenses		
Purchases from:		
company jointly controlled by principal shareholders	--	79,000
company controlled by a principal shareholder	221,000	1,283,000
Rent paid to:		
company controlled by a principal shareholder	428,000	318,000
Distribution fees paid to:		
company jointly controlled by principal shareholders pursuant to a distribution agreement to expire on July 1, 2003, with a final extension, at the Company's directors' option to September 1, 2003	968,000	--
Accounts Receivable		
company jointly controlled by principal shareholders	207,000	2,466,000
company controlled by a principal shareholder	--	5,000
Accounts Payable		
company jointly controlled by principal shareholders	28,000	49,000
company controlled by a principal shareholder	--	72,000
principal shareholders	--	39,000

The above mentioned sales of products to and accounts receivable due from a company jointly controlled by principal shareholders represent 12% (2002 - 38%) of total revenues and 11% (2002 - 76%) of total accounts receivable respectively.

Purchases of products from a company controlled by a principal shareholder represent 3% (2002 - 22%) of total purchases.

The Company shares certain common overhead with a company controlled by a principal shareholder.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of the consideration established and agreed to by the related parties.

12. INVESTMENT TAX CREDITS

During the year, the Company recorded an amount of approximately \$257,000 (2002- \$118,000) as a reduction of research and development expenditures. The amount recorded represents the Company's 2002 investment tax credits.

13. UNUSUAL ITEMS

Unusual items represent severance costs incurred during the year resulting from an internal reorganization and a provision for a potential claim against the Company with regards to tax credits claimed. The provision has been included in accrued liabilities and is based on management's best estimate. The Company cannot predict the outcome of the claim at this time, but management is of the opinion that the potential liability will not exceed the amount provided for.

BMG:2K3



BOARD OF DIRECTORS

PETER LASHCHUK
Chairman of the Board

ANDRÉ BOULAY
Director

ROBERT NELSON
Director

RENÉ BRANCHAUD
Director

MICHEL BRÛLÉ
Director

PIERRE LAURIN
Director

CLAUDE ROUSSEAU
Director

**TRANSFER AGENT
AND REGISTRAR**

COMPUTERSHARE TRUST
COMPANY OF CANADA
1500 University Street,
7th Floor
Montreal, Quebec
Canada H3A 3S8
T 514.982.8994
F 514.982.7635

HEAD OFFICE

9280 de l'Acadie Boulevard
Montreal, Quebec
Canada H4N 3C5
T 514.234.8722
F 514.234.3050
info@boomerangtracking.com
www.boomerangtracking.com

**BOOMERANG
TRACKING INC.**

MANAGEMENT (CANADA)

PETER LASHCHUK
President and CEO

ANDRÉ BOULAY
Vice President, Technology

ROBERT NELSON
Vice President, Distribution

SYLVAIN DUNN
Vice President, Finance
and Operations

SERGE LAPORTE
Vice President, Sales and
Business Development

CLAUDE ARPIN
Director, Research and
Development

AUDITORS

RICHTER, USHER & VINEBERG
General Partnership
Montreal

**ANNUAL SHAREHOLDERS'
MEETING**

September 25, 2003
at 10:30 a.m.
Hotel Omni Mont-Royal
Salon Été
1050 Sherbrooke West
Montreal, Quebec
Canada H3A 2R6
T 514.284.1110

MANAGEMENT (CANADA)

GARY FINN
Director, Ontario Sales

GENEVIÈVE FOSTER
Director, Legal and Corporate
Affairs, and Corporate
Secretary

BRIGITTE GERMAIN
Controller

LISE LEFEBVRE
Director, Human Resources

ROSIE LUCIFERO
Director, Marketing and
Communications*

FRÉDÉRIC POITRAS
Director, Information
Technology

LEAD BANKERS

THE ROYAL BANK OF CANADA

**TORONTO STOCK
EXCHANGE LISTING**

Boomerang Tracking Inc.
shares are traded on the
Toronto Stock Exchange (TSX)
under the trading symbol
"BMG".

**BOOMERANG TRACKING
CORPORATION**

MANAGEMENT (USA)

TIMOTHY FLUSCHE
Managing Director

BEATE LYMANTAS
Executive Director

ED MEENAN
Director, Sales

STEVE NIEMI
Director, Technical Services

* As of July 2003.

Boomerang is a registered trademark and Boomerang2 is a trademark of Boomerang Tracking Inc. The Boomerang devices are sold and distributed in the provinces of Quebec and Ontario.

Unless otherwise indicated, all information given herein is as at April 30, 2003.

This Annual Report may contain forward-looking statements, which reflect the Company's current expectations regarding future events. The forward-looking statements involve risks and uncertainties. Actual events could differ materially from those projected herein and depend on a number of factors. The reader is cautioned to rely on these forward-looking statements with reserve, and the Company disclaims any obligation to update them.

BMG:2K3



BOOMERANG®