

Consolidated Financial Statements
(unaudited)

Prism Equities Inc.

August 31, 2003

Prism Third Quarter Report 2003

Prism Equities Inc.

CONSOLIDATED BALANCE SHEET

As at August 31 (with comparative figures at November 30, 2002)	2003 (unaudited) \$	2002 audited \$
ASSETS		
Current		
Cash and cash equivalents	84,802	671,334
Accounts receivable	3,303,896	4,416,652
Inventory	3,607,427	2,940,167
Prepaid expenses	805,740	248,441
Income taxes recoverable	114,413	58,066
Current portion of note receivable	37,090	41,334
Total current assets	7,953,368	8,375,994
Capital assets, net	941,326	713,870
Deferred charges, net	2,025,598	1,588,225
Goodwill net of accumulated amortization	3,463,482	3,541,242
Note receivable	1,191,217	817,467
	15,574,991	15,036,798
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	2,942,706	1,444,057
Accounts payable and accrued liabilities	2,874,549	3,790,390
Current portion of long-term debt	282,273	589,368
Total current liabilities	6,099,528	5,823,815
Long-term debt	1,435,926	1,864,906
Future tax liabilities	421,597	344,666
Total liabilities	7,957,051	8,033,387
Shareholders' equity		
Share capital [Note 3]	3,628,207	3,433,207
Foreign exchange translation adjustment	(49,749)	220,457
Contributed surplus	66,803	66,803
Retained earnings	3,972,679	3,282,944
Total shareholders' equity	7,617,940	7,033,411
	15,574,991	15,036,798

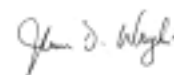
See accompanying notes

On behalf of the Board:

Director



Director



Prism Third Quarter Report 2003

Prism Equities Inc.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

(unaudited)	Three months ended		Nine months ended	
	August 31 2003 \$	August 31 2002 \$	August 31 2003 \$	August 31 2002 \$
		(restated – note 2)		(restated – note 2)
Sales	5,041,987	5,172,325	16,058,088	15,875,787
Cost of goods sold	3,153,902	3,291,089	9,712,500	9,888,935
Gross profit	1,888,085	2,881,236	6,345,588	5,986,852
Expenses				
Selling and administrative	1,627,879	1,621,762	4,978,588	4,771,487
Gain on sale of assets	—	25	—	1,959
	1,627,879	1,621,787	4,978,588	4,773,446
Income from continuing operations before depreciation and amortization, interest and provision for income taxes	260,206	259,449	1,367,000	1,213,406
Depreciation and amortization	100,293	93,745	231,879	275,265
Interest	67,240	105,040	196,130	312,254
Income from continuing operations before income taxes	92,673	60,664	938,991	625,887
Provision for income taxes				
Current	(19,065)	15,869	172,325	203,149
Future	17,303	(6,594)	76,931	(19,782)
	(1,762)	9,275	249,256	183,367
Income from continuing operations	94,435	51,389	689,735	442,520
Discontinued Operations [Note 2]	—	246,417	—	510,152
Net Income	94,435	297,806	689,735	952,672
Retained earnings, beginning of period	3,878,244	2,671,307	3,282,944	2,016,441
Retained earnings, end of the period	3,972,679	2,969,113	3,972,679	2,969,113
Earnings per share [Note 3]				
Basic – continuing operations	\$0.03	\$0.02	\$0.20	\$0.13
Basic – net income	\$0.03	\$0.09	\$0.20	\$0.28
Diluted – continuing operations	\$0.03	\$0.01	\$0.17	\$0.11
Diluted – net income	\$0.03	\$0.07	\$0.17	\$0.24

See accompanying notes

Prism Third Quarter Report 2003

Prism Equities Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)	Three months ended		Nine months ended	
	August 31 2003 \$	August 31 2002 \$	August 31 2003 \$	August 31 2002 \$
		(restated – Note 2)		(restated – Note 2)
OPERATING ACTIVITIES				
Income from continuing operations	94,435	51,389	689,735	442,520
Add (deduct) items not affecting cash				
Loss (gain) on sale of capital assets		25		1,959
Loss (gain) on sale of investments				
Future income taxes	17,303	(6,594)	76,931	(19,782)
Depreciation and amortization	160,782	131,673	386,334	379,717
	272,520	176,493	1,153,000	804,414
Net change in non-cash working capital balances related to operations	(216,293)	(215,397)	(1,368,206)	(208,870)
Cash provided by (used in) operating activities	56,227	(38,904)	(215,206)	595,544
INVESTING ACTIVITIES				
Proceeds on sale of capital assets		141		10,949
Proceeds on sale of investments				
Deferred charges	(113,818)	(52,166)	(619,360)	(400,665)
Acquisition of subsidiary	166		(7,970)	
Purchase of capital assets	(56,846)	(31,021)	(465,349)	(139,568)
Increase in notes receivable net of repayment	(290,937)	8,452	(383,698)	21,792
Cash used in investing activities	(461,435)	(74,594)	(1,476,377)	(507,492)
FINANCING ACTIVITIES				
Increase in bank indebtedness	371,542	234,935	1,635,585	11,238
Increase in long-term debt				
Repayment of long-term debt	(74,154)	(216,968)	(709,681)	(658,685)
Issuance of share capital [Note 3]			195,000	45,000
Cash provided by financing activities	297,388	17,967	1,120,904	(602,447)
Effect of exchange rate changes on cash	(7,249)	48,179	(15,853)	46,260
Cash provided by (used in) continuing operations	(115,069)	(47,352)	(586,532)	(468,135)
Cash provided by (used in) discontinued operations		60,037		501,894
Net increase (decrease) in cash during the period	(115,069)	12,685	(586,532)	33,759
Cash and cash equivalents, beginning of period	199,871	907,753	671,334	886,679
Cash and cash equivalents, end of period	84,802	920,438	84,802	920,438

See accompanying notes

Prism Third Quarter Report 2003

	Three months ended		Nine months ended	
	August 31 2003	August 31 2002	August 31 2003	August 31 2002
	\$	\$	\$	\$
		(restated – Note 2)		(restated – Note 2)
Supplemental cash flow information				
Interest paid	67,240	105,040	196,130	312,254
Early termination fee paid	—	—	650,000	—
Taxes paid	116,174	176,784	308,062	192,897

See accompanying notes

Prism Equities Inc.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2003

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in the most recent audited financial statements. These unaudited consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for the annual financial statements and therefore should be read in conjunction with the audited consolidated annual financial statements and notes included in the Company's Annual Report for the year ended November 30, 2002.

2. DISCONTINUED OPERATIONS

On November 1, 2002 the Company sold the shares of Zodiac Fabrics Inc.. Zodiac was a wholly owned subsidiary of the Company engaged in the manufacture of industrial knitted fabrics used for drainage tile, boot liners, wipes and other industrial applications. Consideration was received in the form of \$4.0 million cash and a collateralized note for \$700,000. A gain of \$1,184,457 net of tax of \$543,490 was realized on the sale.

Amounts included in the consolidated balance sheets relating to
Zodiac Fabrics Inc. are as follows:

	2003	2002
	\$	\$
Current assets	—	1,365,454
Non-current assets	—	3,624,458
Current liabilities	—	(986,185)
Non-current liabilities	—	(1,349,386)
Net assets of Zodiac Fabrics Inc.	—	2,654,341

The summarized statements of operations for the discontinued operation
(Zodiac Fabrics Inc.) are as follows:

	Three months ended		Nine months ended	
	August 31 2003	August 31 2002	August 31 2003	August 31 2002
	\$	\$	\$	\$
Revenue	—	1,759,297	—	4,409,476
Operating earnings from discontinued operations, net of tax	—	246,417	—	510,152
Gain on discontinued operations, net of tax	—	—	—	—
Net earnings from discontinued operations	—	246,417	—	510,152

Prism Equities Inc.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2003

3. SHARE CAPITAL

The authorized and issued share capital consists of the following:

	2003	2002
	\$	\$
Authorized		
Unlimited common shares		
Unlimited Class A shares, non-voting, redeemable, non-cumulative preferential dividends as determined from time to time, equal to 80% of the stated capital, multiplied by the Canadian Imperial Bank of Commerce's prime rate		
Issued		
3,547,494 [2002 – 3,431,780] common shares	3,628,207	3,433,207

On December 11, 2002, a \$150,000 convertible debenture was converted into 85,714 common share at \$1.75 per share.

On May 28, 2003, options to purchase 30,000 common shares at \$1.50 per share were exercised.

Earnings per share

The following is a reconciliation of the numerator and denominator of earnings per share computations:

	Three months ended		Nine months ended	
	August 31 2003	August 31 2002	August 31 2003	August 31 2002
	\$	\$	\$	\$
Continuing Operations				
Income from continuing operations for the year	94,435	51,389	689,735	442,520
After-tax interest expense on convertible debentures	16,800		50,622	37,598
Adjusted income from continuing operations for fully diluted earnings per share	111,235	51,389	740,357	480,118

Prism Third Quarter Report 2003

Prism Equities Inc.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2003

	Three months ended		Nine months ended	
	August 31 2003 \$	August 31 2002 \$	August 31 2003 \$	August 31 2002 \$
		(restated – Note 2)		(restated – Note 2)
Weighted average number of common shares outstanding	3,547,494	3,387,780	3,533,793	3,382,196
Effect of dilutive securities	792,675	872,402	778,666	831,362
Diluted weighted average shares outstanding	4,340,169	4,260,182	4,312,459	4,213,558
Net Income				
Income for the year	94,435	297,807	689,735	952,671
After-tax interest expense on convertible debentures	16,800	19,006	50,622	56,604
Adjusted net income for fully diluted earnings per share	111,235	316,813	740,357	1,009,275
Weighted average number of common shares outstanding	3,547,494	3,387,780	3,533,793	3,382,196
Effect of dilutive securities	792,675	872,402	778,666	831,362
Diluted weighted average shares outstanding	4,340,169	4,260,182	4,312,459	4,213,558
Earnings per share				
Basic – continuing operations	\$0.03	\$0.02	\$0.20	\$0.13
Basic – net income	\$0.03	\$0.09	\$0.20	\$0.28
Diluted – continuing operations	03	\$0.01	\$0.17	\$0.11
Diluted – net income	\$0.03	\$0.07	\$0.17	\$0.24

Prism Third Quarter Report 2003

Prism Equities Inc.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED AUGUST 31, 2003

4. INFORMATION BY INDUSTRY SEGMENT

Prior to the disposition of Zodiac Fabrics Inc. the Company had two reportable segments: industrial knitted fabrics and medical products. The industrial knitted fabrics consisted of Zodiac Fabrics Inc. and Manufacturers Supply Group Inc., which produced and distributed knitted filters. The medical products business is conducted by Waverley Glen Systems Ltd. which produces lift systems for the health care industry and Westholme, a U.K. distributor of medical products including lift systems.

With the sale of Zodiac Fabrics Inc. in 2002 and Manufacturers Supply Group in 2001 and the resulting accounting treatment of the Company's investment in Zodiac Fabrics Inc. as a discontinued operation, the Company's continuing operations consist of only the medical products segment.

Geographic segments	Three months ended		Nine months ended	
	August 31 2003 \$	August 31 2002 \$ (restated – Note 2)	August 31 2003 \$	August 31 2002 \$ (restated – Note 2)
Sales				
Canada	1,545,493	2,179,604	5,289,681	6,839,839
United Kingdom	3,496,494	2,992,721	10,768,407	9,035,948
Total	5,041,987	5,172,325	16,058,088	15,875,787
Capital Assets				
Canada	616,617	3,716,595	616,617	3,716,595
United Kingdom	324,709	179,254	324,709	179,254
Total	941,326	3,895,849	941,326	3,895,849
Goodwill				
Canada	326,900	352,900	326,900	352,900
United Kingdom	3,136,582	2,360,398	3,136,582	2,360,398
Total	3,463,482	2,713,298	3,463,482	2,713,298

Sales are attributed to countries based on the location of the subsidiary operations.

Prism Equities Inc.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
NINE MONTHS ENDED AUGUST 31, 2003**

5. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform to the presentation adopted in 2003.

Prism Equities Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of financial condition and results of operations of Prism Equities Inc. ("Prism" or "the Company") for the three-month and nine-month periods ended August 31, 2003 and 2002 should be read in conjunction with the Company's unaudited consolidated financial statements and related notes contained in this interim report and the Company's Management Discussion and Analysis of Financial Conditions and Results of Operations and the audited consolidated financial statements and related notes contained in the 2002 Annual Report.

The sale of Zodiac Fabrics Inc., a wholly owned subsidiary of Prism Equities Inc., in November 2002 requires the Company to distinguish between continuing and discontinued operations in its presentation of results for 2003 and 2002. Continuing operations include our two medical product companies and two holding companies.

Financial Condition

During the three month period ended August 31, 2003, continuing operations consumed \$216,293 of non-cash working capital compared to \$215,397 in the same period last year. Included in the \$216,293 was \$116,174 of income tax payments. During the nine month period ended August 31, 2003, continuing operations consumed \$1,368,206 of non-cash working capital compared to \$208,870 in the same period last year. During the first quarter of 2003 a \$650,000 early termination fee was paid to the CIBC arising from the prepayment of the Mezzanine debt late in fiscal 2002. This amount had been included in payables at the end of fiscal 2002 and is not recurring.

Fixed asset purchases slowed this quarter to \$56,846 (2002 – \$31,021), however the company purchased \$465,349 of fixed assets during the nine month period ended August 31, 2003 compared to \$139,568 in the same period last year. The increase includes the cost of opening a new store location in the UK in the second quarter of 2003 as well as investments in tool and dies by Waverley Glen used to produce a new portable lift that was launched in September 2003.

Prism Equities Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Deferred development expenditures of \$113,818 were made during the quarter (2002 - \$52,166). Year to date expenditures total \$619,360 this year compared to \$400,665 last year. The company continued work on its new lift product and opening new markets in North America and in the UK. The benefits from these product and market development efforts should begin to be felt over the next few quarters.

Notes receivable increased in the quarter by \$290,937 compared to a decrease in the same period last year of \$8,452. Year to date increases total \$383,968 this year compared to a decrease of \$21,792 last year. The majority of the increase is a result of the Company providing financial and management assistance to a new customer in the southeastern United States. This customer is focused exclusively on moving and handling products and services and has agreed to sell and market its products and services consistent with the approach used successfully by Westholme Limited, Prism's wholly owned subsidiary in the UK. The customer is in the process of completing a large hospital installation that required an infusion of working capital from Prism. Business levels for this customer are building and the applicability of the Westholme approach to the North American market is being successfully demonstrated.

Repayments of long term debt totaled \$74,154 in the three month period ended August 31, 2003 compared to \$216,968 for the same period in 2002 reflecting the reduced level of long term debt on the company's balance sheet. In the first three months of 2003, the company repaid the balance of the vendor note payable that had arisen on the acquisition of Westholme Limited in fiscal 2000. Also, \$150,000 of the outstanding convertible debentures was converted to common shares of the Company at the option of the debenture holder. Share capital of \$45,000 was issued in May 2003 through the exercise of stock options.

Results of Operations

For the three months ending August 31, 2003 net income was \$94,435 (\$0.03 per share on a fully diluted basis) versus \$297,806 (\$0.07 per share on a fully diluted basis) for the same period last year. For the nine months ending August 31, 2003

Prism Equities Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

net income was \$689,735 (\$0.17 per share on a fully diluted basis) versus \$952,672 (\$0.24 per share on a fully diluted basis) for the same period last year.

There was no income from discontinued operations (Zodiac Fabrics Inc.) in 2003 compared to \$246,417 in the three months ended August 31, 2002 and \$510,152 in the nine months ended August 31, 2002.

Income from continuing operations was \$94,435 or \$0.03 per share on a fully diluted basis for the three months ending August 31, 2003 compared to earnings of \$51,389 or \$0.01 per share for the same period last year, an improvement of 184%. Income from continuing operations for the nine months ended August 31, 2003 was \$689,735 or \$0.17 per share on a fully diluted basis compared to earnings of \$442,520 or \$0.11 per share for the same period last year, an improvement of 56%.

Sales from continuing operations in the third quarter of 2003 were \$5,041,987, a decrease of \$130,388 (2.5%) from the same period last year. Sales in the UK increased by \$503,773 (17%) while North American sales have declined by \$634,111 (29%) over the same period last year. Sales for the nine months ended August 31, 2003 increased by \$182,301 (1.0%) over the same period last year. Sales in the UK increased by \$1,732,459 (19%) while North American sales have declined by \$1,550,158 (23%) over the same period last year.

The decrease in North American sales was anticipated since the first half of 2002 included a large number of initial orders from institutions located in Western Canada. The current year contains a more sustainable level of institutional orders from across North America.

North American sales were also negatively impacted by a softness throughout the US dealer network. The Company is working on a number of initiatives designed to grow North American sales over the next few quarters including the expansion of its US dealer base, the launch of its new portable lift and free standing track system as well as the introduction of the Grimstead line of repositioning products.

While UK sales growth has been strong, it has fallen short of management's expectations. A significant investment in additional selling and installation manpower has been made this year in anticipation of a higher level of sales.

Prism Third Quarter Report 2003

Prism Equities Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Management is still confident that its strategies of geographic expansion, new product introductions and the entry into institutional markets will yield the expected results despite an environment of sluggish funding increases by the National Health Service.

Gross profit as a % of sales was 37% in the three-month period ending August 31, 2003 (2002 – 36%) and 40% for the nine-month period ending August 31, 2003 (2002 – 38%). Gross margin % improvements are primarily the result of a higher proportion of the Company's sales being made in the UK where the dealer margins are higher than the North American manufacturing margins. The margins are also being positively impacted by the in-house manufacturing of a product previously sourced from a third party and the higher consolidated gross margins on repositioning products resulting from the acquisition of Grimstead Medical in the last quarter of 2002.

Selling and administrative expenses increased by \$6,117 to \$1,627,879 for the three months ended August 31, 2003 compared to the same period last year and by \$207,101 to \$4,978,588 for the nine months ended August 31, 2003 compared to the same period in 2002. This increase is consistent with the higher level of business activity within Westholme. Selling and administrative costs in North America have been reduced from the same periods last year consistent with its lower level of business.

Interest costs for the second quarter were \$67,240 compared to \$105,040 in the same period last year. Interest costs for the nine months ended August 31, 2003 were \$196,130 compared to \$312,254 in the same period last year. The decrease can be attributed to lower levels of long-term debt this period compared to a year ago.

Amortization costs increased to \$100,293 in the three months ending August 31, 2003 compared to \$93,745 in the same period last year. Amortization costs decreased to \$231,879 in the nine months ending August 31, 2003 compared to \$275,265 in the same period last year. The decrease is due primarily to the write-off of deferred financing costs associated with the mezzanine debt (repaid in the last quarter of fiscal 2002) that were being amortized over the term of the debt throughout the previous fiscal year. This decrease is being offset by higher depreciation of new fixed asset additions.

Prism Third Quarter Report 2003

Prism Equities Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Information

Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors, which may cause actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.



Andrew McIntyre
President and Chief Executive Officer
October 24, 2003