



PRESS RELEASE

Listed: TSX
Symbol: DD

FOR IMMEDIATE RELEASE
March 9, 2006

Digital Dispatch Announces 24% Revenue Growth and 15th Consecutive Year of Profitability

Richmond, BC, March 9, 2006 – Digital Dispatch Systems Inc. (TSX: DD) is pleased to announce its audited results for the year ended December 31, 2005.

Highlights for 2005:

- Annual revenue increased by 24% to \$27.2 million
- Earnings per common share increased from \$0.01 to \$0.17
- EBITDA increased from \$0.5 million to \$3.3 million
- Cash and short-term investments at year-end – \$18.9 million
- 97% increase in annual revenue from non-taxi markets
- Fourth quarter revenue of \$9.0 million
- Fifteenth consecutive year of profitability

“2005 saw significant improvements at Digital Dispatch,” said Vari Ghai, President and Chief Executive Officer. “The growth in revenue reflects the success of our strategy of diversifying into new vertical and geographic markets, while still maintaining a strong base in the North American taxi market. We are leveraging our core competencies in private and public wireless networks to successfully enter new markets.”

Increased penetration of the roadside assistance and para-transit markets led to an increase of 97% in non-taxi market revenue, from \$3.7 million to \$7.3 million. The Company recently announced that it had been awarded a Preferred Supplier of the Year award by AAA in connection with its activities in the roadside assistance market. Taxi market revenue remained strong, with 9% growth from \$18.3 million to \$19.9 million. The Company’s geographical expansion initiatives have also been validated by results in markets like Australia, Bermuda and Asia, with the international taxi market now representing 41% of total revenue.

"We are very pleased with our progress in diversification," added Mr. Ghai. "In addition to the growth potential of the new markets, we are now less dependent on large customers (those representing 10% or more of revenue). Large customers account for only 13% of revenue in 2005, compared to 35% in 2004, which increases the resilience of our business model, while demonstrating acceptance by new categories of customers, both taxi and non-taxi."

Summary of Results for 2005

Net earnings for the year were \$2.1 million, compared to \$88 thousand last year, translating into \$0.17 cents per share, compared to \$0.01 cents last year. This represents the Company's fifteenth consecutive year of profitability. EBITDA (earnings before interest, taxes, depreciation and amortization) improved in line with pre-tax earnings, from \$0.5 million in 2004 to \$3.3 million in 2005.

Revenues increased by 24% to \$27.2 million, compared with \$22.0 million in the preceding year. The increase in revenue reflects increasing traction in the Company's strategy of diversifying into non-taxi markets, which now represent 27% of total revenue, and into international taxi markets, which now represent 41% of total revenue. Overall, taxi market revenue grew by 9% over 2004 to \$19.9 million, while non-taxi market revenue grew by 97% over 2004 to \$7.3 million, mainly attributable to the roadside assistance and para-transit markets.

In addition, revenue of approximately \$0.8 million related to goods-in-transit (goods that were shipped in December 2005 but did not reach customers until January 2006) has been deferred on the balance sheet, for a total of \$28.0 million shipped to customers in 2005, bringing total shipments into the range of previously-provided revenue guidance.

Approximately 84% of the Company's revenue is earned in export markets, primarily denominated in US dollars. The increase in revenue has been accomplished despite continuing weakness in the US dollar, with a 1.21 average exchange rate with the Canadian dollar in 2005, compared to a 1.30 average rate in 2004.

Gross margin for the year (defined as total revenues less cost of sales) was \$13.8 million, an increase of 35% from \$10.2 million last year. Gross margin percentage for the year was 50.6%, improved from 46.4% last year. The company's target gross margin percentage is 50%. The return to the target margin range has been assisted by higher staff utilization associated with increasing revenue. Nevertheless, the continuing improvement is an accomplishment in the face of continued weakness in the U.S. dollar that denominates much of the Company's export revenue.

Operational costs remained consistent at \$10.1 million, as compared to \$9.9 million one year ago. For the last two years operational costs have been steady at an average of approximately \$2.5 million per quarter, and the Company believes it can return to substantially higher levels of revenue with relatively minor increases in operating expenses.

Operational costs include research and development, sales and marketing, and general and administrative expenses. Research and development decreased slightly to \$3.8 million from \$3.9 million

last year, due to more commercial research and development projects whose costs are included in cost of sales. Sales and marketing increased by 8.4% from \$2.9 million in 2004 to \$3.2 million in 2005, reflecting the costs of targeting new vertical markets and new geographic markets in Central & Latin America, Australia and Eastern Europe. General and administrative costs remained relatively stable at \$2.9 million compared to \$2.8 million in 2004.

The change in **Other Income and Expense** from last year is attributable to (i) foreign exchange losses of \$432 thousand during the year, (2004 – \$96 thousand), reflecting the impact of a very strong Canadian dollar on assets denominated in U.S. dollars or Euros (ii) stock compensation expense of \$145 thousand (2004 – \$50 thousand), representing the estimated cost to the Company of stock options under the Black-Scholes option-pricing model; and (iii) capital gains of \$139 thousand on disposal of marketable securities that benefited 2004 but not 2005.

The Company's effective **Income Tax** rate for the year was 29.3%, essentially the same as for the previous year. The Company is subject to corporate income tax rates in varying jurisdictions, ranging principally from 20% to 35%, and the effective rate in any given year or quarter depends on the proportion of income or losses in each jurisdiction.

Cash and cash equivalents at December 31, 2005 were \$18.9 million, compared to \$21.1 million at December 31, 2004. The change is largely attributable to the Company's normal course issuer bid, under which 586,750 shares were repurchased and cancelled during the year for aggregate proceeds of \$2.0 million. As at December 31, 2005, the Company had 12,558,067 common shares outstanding.

Fourth Quarter

This year saw a return to the Company's historical seasonal pattern of a strong fourth quarter, with Q4 revenue of \$9.0 million, a 54% increase from \$5.9 million in Q3. This is also an 89% increase from the historically low \$4.8 million in Q4 of 2004. Gross margin percentage for Q4 was 50.8%, in line with the two preceding quarters and substantially better than 43.0% in 2004. The low margin in 2004 was primarily a result of labour downtime associated with the unusually low revenues, and 2005 is back in the Company's target range of 50%. The large foreign exchange loss experienced by the Company in Q3 was partially offset by exchange gains in Q4. Operating costs in the fourth quarter were \$2.4 million, in line with the consistent average of approximately \$2.5 million per quarter over the last two years.

Forward Looking Statements

The above Management Discussion and Analysis contains forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such statements. Statements relating to revenues, growth profits, operating expenses, backlog, introduction or enhancement of our products or services depend on future market conditions and risks, and are considered forward-looking. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking statements are based on estimates and opinions of management at the date the statements are made. Forward-looking statements are

subject to business and economic risks and uncertainties and other factors, including without limitation the risk factors described herein under the heading "Business Risks and Uncertainties" and include unanticipated or unusual events. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise. All forward-looking statements in this Management Discussion and Analysis are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

* * * *

A conference call to review this information is scheduled for Thursday, March 9, 2006 at 1:30 p.m., Eastern Standard time. The call-in numbers are 416-695-7848 and 1-877-888-4483.

For a more detailed analysis, please refer to the Financial Statements and Management's Discussion and Analysis of Financial Conditions and Results of Operations, which will be filed on the Company's web site (www.digital-dispatch.com) on March 9, 2006, and will also be available on the SEDAR web site (www.sedar.com).

About Digital Dispatch

Digital Dispatch Systems Inc. is a worldwide provider of mobile data solutions for fleet and mobile workforce management. Founded in 1987, we have an installed base of more than 66,000 wireless mobile data devices and 191 wireless data systems in four continents. We offer products and services to manage vehicle fleets and mobile workforces, including dispatch software, wireless communication infrastructure and a range of in-vehicle mobile devices.

Please visit www.digital-dispatch.com for more information on Digital Dispatch.

For further information please contact:

Bruce Watson, CFO	bruce.watson@digital-dispatch.com	(604) 214-7206
Vari Ghai, President and CEO	vari.ghai@digital-dispatch.com	(604) 241-1441

The Toronto Stock Exchange has neither approved nor disapproved the contents of this press release.

SEE ATTACHED FINANCIAL STATEMENTS

DIGITAL DISPATCH SYSTEMS INC.

Consolidated Balance Sheets

December 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,770,989	\$ 9,526,377
Short-term investments	12,122,610	11,585,367
Accounts receivable	7,173,391	4,837,227
Unbilled receivables	3,457,030	2,113,027
Investment tax credits recoverable	462,354	1,040,599
Future income taxes	564,212	780,260
Inventories	3,109,315	3,958,482
Prepaid expenses	406,988	512,615
Current portion of leases receivable	764,507	1,074,218
	<hr/> 34,831,396	<hr/> 35,428,172
Capital assets	549,484	580,003
Investment tax credits recoverable	1,849,412	1,040,600
Long term leases receivable	868,921	1,183,286
Future income taxes	1,048,370	304,083
	<hr/> \$ 39,147,583	<hr/> \$ 38,536,144
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,044,315	\$ 1,953,140
Deferred revenue	2,022,540	2,031,203
Deferred gain	191,076	191,076
Current income tax payable	740,262	848,100
Current portion future income taxes	1,253,534	47,893
	<hr/> 6,251,727	<hr/> 5,071,412
Long-term portion of deferred gain	334,384	525,460
Future income taxes	726,296	776,089
Shareholders' equity:		
Share capital	20,922,358	21,899,862
Contributed surplus	195,226	50,013
Retained earnings	11,614,206	10,496,581
Cumulative translation adjustments	(896,614)	(283,273)
	<hr/> 31,835,176	<hr/> 32,163,183
	<hr/> \$ 39,147,583	<hr/> \$ 38,536,144

DIGITAL DISPATCH SYSTEMS INC.

Consolidated Statements of Operations and Retained Earnings

	Three months ended Dec 31,		Twelve months ended Dec 31,	
	2005 (Unaudited)	2004 (Unaudited)	2005 (Audited)	2004 (Audited)
Revenue	\$ 9,027,687	\$ 4,767,419	\$ 27,220,877	\$ 22,018,733
Cost of sales	4,439,319	2,722,144	13,456,873	11,813,083
	4,588,368	2,045,275	13,764,004	10,205,650
Operations expenses:				
Research and development	736,472	907,748	3,788,975	3,946,906
Sales and marketing	826,742	815,253	3,190,854	2,943,650
General and administrative	690,414	650,227	2,864,153	2,764,004
Other	105,313	136,141	224,556	206,320
	2,358,941	2,509,369	10,068,538	9,860,880
Earnings before undernoted	2,229,427	(464,094)	3,695,466	344,770
Other (income) expense:				
Amortization of capital assets	74,649	94,631	286,554	344,858
Foreign exchange	(383,067)	226,396	432,181	95,847
Stock compensation	16,240	(44,165)	145,213	50,013
Other	(47,768)	11,969	(185,462)	(272,059)
	(339,946)	288,831	678,486	218,659
Earnings before income taxes	2,569,373	(752,925)	3,016,980	126,111
Income taxes				
Current	353,240	279,091	256,366	696,824
Future	391,977	(574,880)	627,609	(659,213)
	745,217	(295,789)	883,975	37,611
Net earnings	1,824,156	(457,136)	2,133,005	88,500
Retained earnings, beginning of period	9,994,579	10,953,717	10,496,581	10,408,081
Share repurchase and cancellation	(204,529)	-	(1,015,380)	-
Retained earnings, end of period	\$ 11,614,206	\$ 10,496,581	\$ 11,614,206	\$ 10,496,581
Earnings per common share				
Basic	\$ 0.14	\$ (0.03)	\$ 0.17	\$ 0.01
Diluted	\$ 0.14	\$ (0.03)	\$ 0.17	\$ 0.01

DIGITAL DISPATCH SYSTEMS INC.

Consolidated Statements of Cash Flows

	Three months ended Dec 31,		Twelve months ended Dec 31,	
	2005 (Unaudited)	2004 (Unaudited)	2005 (Audited)	2004 (Audited)
Cash provided by (used in):				
Operations:				
Net earnings	\$ 1,824,156	\$ (457,136)	\$ 2,133,005	\$ 88,500
Items not involving cash:				
Amortization	74,650	94,631	286,554	344,858
Sales lease	2,171	(267,536)	(672,110)	-
Future income taxes	372,143	(634,627)	627,609	(659,213)
Amortization of gain on disposition property	(47,769)	(47,769)	(191,076)	(191,076)
Stock compensation	16,240	(44,166)	145,213	50,013
	2,241,591	(1,356,603)	2,329,195	(366,918)
Change in non-cash operating working capital	(1,296,246)	(487,900)	(3,493,909)	2,427,190
	945,345	(1,844,503)	(1,164,714)	2,060,272
Investments:				
Increase in short-term investment	3,972,590	2,628,158	(537,243)	(11,585,367)
Purchase of capital assets	(126,959)	(103,841)	(266,514)	(222,529)
Repayments on lease receivables	174,213	745,872	1,285,347	1,771,818
	4,019,844	3,270,189	481,590	(10,036,078)
Financing:				
Repurchase of share capital	(392,117)	-	(1,992,884)	-
Shares issued for cash	-	540,403	-	15,850,856
Deferred financing costs		(422,604)		
	(392,117)	117,799	(1,992,884)	15,850,856
Effect of foreign currency exchange rates on cash and cash equivalents	(341,728)	87,738	(79,380)	(16,032)
Increase (decrease) in cash and cash equivalents	4,231,344	1,631,223	(2,755,388)	7,859,018
Cash and cash equivalents, beginning of period	2,539,645	7,895,154	9,526,377	1,667,359
Cash and cash equivalents, end of period	\$ 6,770,989	\$ 9,526,377	\$ 6,770,989	\$ 9,526,377