

The Goldfarb Corporation

2003

Audited Financial Statements

And

Management Discussion & Analysis

March 2, 2004

Auditors' Report

**To the Shareholders of
The Goldfarb Corporation**

We have audited the consolidated balance sheets of **The Goldfarb Corporation** as at December 31, 2003 and 2002 and the consolidated statements of income (loss) and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

CONSOLIDATED BALANCE SHEET

As at December 31

<i>(thousands of dollars)</i>	2003	2002
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	2,784	2,669
Accounts and other amounts receivable	25	168
Income taxes recoverable	97	145
Current assets of discontinued operations <i>(note 1)</i>	52,223	79,148
Total Current Assets	55,129	82,130
Capital Assets <i>(note 3)</i>	62	8
Non-current Assets of Discontinued Operations <i>(note 1)</i>	43,344	88,740
	98,535	170,878
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	322	222
Current liabilities of discontinued operations <i>(note 1)</i>	11,738	80,240
Total Current Liabilities	12,060	80,462
Non-current Liabilities of Discontinued Operations <i>(note 1)</i>	838	16,253
Minority Interest	43,945	43,308
Shareholders' Equity		
Capital stock <i>(note 5)</i>	55,676	55,616
Contributed surplus	453	453
Foreign currency translation adjustments	(2,117)	2,993
Deficit	(12,320)	(28,207)
Total Shareholders' Equity	41,692	30,855
Commitments and Contingencies <i>(note 7)</i>		
	98,535	170,878

Approved by the Board:

“Martin Goldfarb”

Martin Goldfarb, Director

“ Marshall Cohen”

Marshall Cohen, Director

**CONSOLIDATED STATEMENT OF INCOME (LOSS) AND RETAINED EARNINGS
(DEFICIT)**

For the year ended December 31

<i>(thousands of dollars except per share information)</i>	2003	2002
	\$	\$
Revenues (note 8)	55	204
Administrative expenses	1,251	1,006
	(1,196)	(802)
Depreciation	(13)	(3)
Loss before income taxes, discontinued operations and minority interest	(1,209)	(805)
Income tax expense (note 6)	-	(2)
Loss from continuing operations	(1,209)	(807)
Dilution loss on capital transactions by Speedy (note 2)	(2,276)	(83)
Income (Loss) from discontinued operations – Speedy (note 1(a))	(4,410)	5,015
Income (Loss) from discontinued operations – Fleming (note 1(b))	22,596	(31,363)
Minority interest – discontinued operations	1,186	4,993
Net Income (Loss)	15,887	(22,245)
Retained Earnings (Deficit), beginning of year	(28,207)	17,655
Retroactive adjustment with respect to the adoption of the fair value method of accounting for goodwill (note 2)	-	(23,617)
Retained Earnings (Deficit), end of year	(12,320)	(28,207)
Basic and Fully Diluted Income (Loss) per Share:		
Continuing operations	(0.20)	(0.14)
Discontinued operations	2.89	(3.63)
Income (Loss) per Share and Fully Diluted Income (Loss) per Share	2.69	(3.77)

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended December 31

<i>(thousands of dollars)</i>	2003	2002
	\$	\$
Operating Activities		
Loss from continuing operations	(1,209)	(807)
Add items not involving cash:		
Depreciation	13	3
	(1,196)	(804)
Changes in non-cash working capital balances <i>(note 10)</i>	388	1,493
Cash provided by (used in) operating activities of continuing operations	(808)	689
Cash provided by (used in) operating activities of discontinued operations	2,546	(6,764)
Cash provided by (used in) operating activities of all operations	1,738	(6,075)
Financing Activities		
Issuance of Class A Subordinate Voting Shares	60	-
Financing activities of discontinued operations	1,491	(33,194)
Cash provided by (used in) financing activities	1,551	(33,194)
Investing Activities		
Proceeds on disposal of Fleming	932	-
Additions to capital assets	(69)	-
Investing activities of discontinued operations	(3,965)	66,828
Cash provided by (used in) investing activities	(3,102)	66,828
Foreign exchange loss on cash held in foreign currency	(1,783)	(158)
Increase (decrease) in cash and cash equivalents for the year	(1,596)	27,401
Cash and cash equivalents, beginning of year <i>(note 10)</i>	44,769	17,368
Cash and cash equivalents, end of year <i>(note 10)</i>	43,173	44,769

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2003 and 2002

(thousands of dollars except per share information)

1. Basis of Presentation - Discontinued Operations

These consolidated financial statements represent the Corporation and its two subsidiaries: SMK Speedy International Inc. (“Speedy”) and Fleming Packaging Corporation (“Fleming”). During 2003, the Corporation entered into an agreement to sell its investment in SMK Speedy International Inc. (“Speedy”). During 2002, the Corporation and Fleming Packaging Corporation (“Fleming”) committed to a formal plan to sell all of Fleming’s operations. Accordingly, these consolidated financial statements reflect the results of operations, cash flows and net assets of Speedy and Fleming as discontinued operations. Comparative figures have been restated to segregate these operations from continuing operations. The assets and liabilities of the discontinued operations (note 13) are as follows:

	December 31	
	2003	2002
Current assets	\$	\$
Speedy	52,223	52,407
Fleming	-	26,741
	52,223	79,148
Non-current assets		
Speedy	43,344	53,217
Fleming	-	35,523
	43,344	88,740
Current liabilities		
Speedy	11,738	15,111
Fleming	-	65,129
	11,738	80,240
Non-current liabilities		
Speedy	838	719
Fleming	-	15,534
	838	16,253

a) On December 2, 2003, the Corporation entered into an agreement to dispose of its 50.3% interest in Speedy for approximately \$41.2 million. The transaction closed on January 8, 2004 (note 12) at which time the Corporation received \$23.8 million in cash and two promissory notes, one for \$11.7 million (the “acquisition note”) and one for US\$4.4 million (the “T-note”). The acquisition note is subordinate to any senior debt, repayable over 5 years and is expected to yield 14% per annum. Of the 14% per annum, 8% per annum will be calculated and payable quarterly in arrears. The remaining 6% per annum will accrue and compound annually, and will be due in full on the date that the promissory note is paid in full. The terms of the T-note mirror those of the notes receivable obtained by Speedy on the sale of its Car-X business (note 4).

In 2002, Speedy’s Car-X business was sold for gross proceeds of US\$28.0 million consisting of US\$18.5 million in cash and US\$ 9.0 million in notes receivable (note 4). An additional US\$0.5

million will be held in escrow for two years to fund potential environmental liabilities and will be accounted for when received by Speedy. The buyer assumed approximately US\$ 1.3 million of operating liabilities. Speedy received \$3.0 million from the buyers of the Car-X business for consulting services rendered during 2002.

Summarized financial information for Speedy is as follows:

	Year Ended December 31	
	2003	2002
	\$	\$
Revenues	93,340	106,535
Loss from operations before income taxes	(4,017)	(2,849)
Recovery of (provision for) income taxes	1,010	(620)
Loss from operations	(3,007)	(3,469)
Gain on sale of Car-X	1,316	14,358
Provision for income taxes	(472)	(5,874)
Net gain on sale of Car-X	626	8,484
Write-down of net assts of Speedy (<i>note 12</i>)	(2,029)	-
Income (loss) from discontinued operations-Speedy	(4,410)	5,015

b) On February 10, 2003, Fleming reached an agreement with its lenders that addressed Fleming's ongoing default under its loan agreements. Under the terms of the amendment, the Corporation relinquished its control of Fleming but retained its equity position. On July 18, 2003, the lenders finalized and closed the sale of Fleming. On September 4, 2003, the Corporation received \$0.9 million representing its share of the net proceeds as defined under the terms of the amendment.

The Corporation's abandonment of its investment in Fleming has resulted in an after-tax gain of approximately \$22.6 million. The gain is a result of the de-consolidation of Fleming whose liabilities exceeded assets by a similar amount at December 31, 2002 and the receipt of \$0.9 million from the net proceeds of the sale of Fleming. Fleming's loss from operations of \$2.2 million incurred from January 1, 2003 to the effective disposal date of February 10, 2003 was included in the loss from operations for the year ended December 31, 2002.

Summarized financial information for Fleming is as follows:

	Year Ended December 31	
	2003	2002
	\$	\$
Revenues	-	152,326
Net loss from operations	-	(17,922)
Net loss on sale of food packaging business	-	(11,205)
Loss from operations from January 1 to February 10, 2003	-	(2,236)
Gain on abandonment of investment in Fleming, including a recovery of income taxes of \$97	22,596	-
Income (loss) from discontinued operations-Fleming	22,596	(31,363)

2. Significant Accounting Policies

Principles of Consolidation

The financial statements of entities, which are controlled by the Corporation, are consolidated.

The fiscal year end for Speedy is the Saturday nearest to December 31, being January 4, 2004 and December 28, 2002 for the last two fiscal years. During 2003, 447,625 stock options of Speedy were exercised (2002 – 16,375). The impact of these transactions was to decrease the Corporation's ownership to 50.3% (2002 – 52.0%) and resulted in a dilution loss of \$2,276 (2002-\$83). On December 2, 2003, the Corporation entered into an agreement to dispose of its interest in Speedy (notes 1 and 12).

On February 10, 2003, the Corporation relinquished control of Fleming (note 1).

All significant inter-company transactions and balances have been eliminated in the consolidated financial statements.

Goodwill

Effective January 1, 2002, the Corporation adopted the new Canadian Institute of Chartered Accountants Handbook Section 3062 "Goodwill and Other Intangible Assets" (CICA 3062), which no longer permits the amortization of goodwill and other indefinite life intangibles. The new standard requires a fair value impairment test be performed annually on goodwill and other indefinite life intangibles. A review of the business units of Fleming was performed at June 30, 2002 resulting in a permanent impairment of \$23.6 million. The new standard has been applied retroactively without restatement of prior period financial statements. Retained earnings at January 1, 2002 have been decreased by \$23.6 million.

Stock-Based Compensation

Effective January 1, 2002, the Corporation adopted the new Canadian Institute of Chartered Accountants Handbook Section 3870 "Stock-based Compensation" (CICA 3870). Under these recommendations, where the fair value-based method of accounting has not been used to account for employee stock options, companies are required to disclose pro-forma net income and pro-forma earnings per share as if the fair value-based method of accounting had been used to account for these stock-based awards. The Corporation has applied the pro-forma disclosure provisions of the new standard to awards granted on or after January 1, 2002.

Translation of Foreign Currencies

Self-sustaining operations, which comprise all of the Corporation's foreign operations, are those whose economic activities are largely independent of those of the parent company. Assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet dates. Resulting unrealized gains or losses are deferred and included under Shareholders' Equity as Foreign Currency Translation Adjustments. The change in the Foreign Currency Translation Adjustments account reflects changes due to fluctuations in exchange rates during the year and gains or losses realized on the sale of foreign subsidiaries. Revenues and expenses are translated at average exchange rates prevailing during the year.

Pension Costs and Retirement Benefits

Speedy has defined contribution pension plans for certain employees in Canada and the United States. The costs of these plans are determined based on the contributions required under the plans.

Inventories

Automotive service and repair inventories are carried at the lower of cost and replacement cost using the first-in, first-out method.

Capital Assets

Capital assets are recorded at cost less accumulated depreciation. Depreciation is provided substantially by declining balance method at the following rates:

Asset Category	Rate
Office equipment	20%
Computer hardware	30%
Leasehold improvements	Term of lease

Warranty Costs

A provision for the costs associated with providing services under Speedy's warranty program is recorded in the consolidated financial statements based upon historical relationships of warranty costs to revenues.

Use of Estimates

Financial statements prepared in conformity with generally accepted accounting principles require management to make estimates and assumptions about reported assets and liabilities, disclosure of contingent assets and liabilities and reported amounts of revenues and expenses. Management must also make estimates and judgements about future results of operations, related to specific elements of the business and operating units, in assessing recoverability of assets and recorded values of liabilities. Actual results could differ from those estimates.

Income Taxes

Current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. These future income taxes are calculated using income tax rates and laws that are expected to apply when these differences are reflected in taxable income. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

Revenue Recognition

Revenues of company operated stores are recognized when customer vehicles are repaired or serviced or upon the sale of incidental products. Initial franchise fees for stores are recognized as income when the store has opened. Continuing franchise royalties are based on a percentage of gross sales as reported by the franchisees or products purchased by the franchisees. These revenues are recognized on an accrual basis as they are earned.

Earnings Per Share

Earnings per share have been calculated using the weighted average number of Class A Subordinate Voting Shares and Class B Shares outstanding during the year of 5,907,104 (2002-5,906,660) using the treasury stock method for calculating fully diluted earnings per share. Fully

diluted earnings (loss) per share for the years ended December 31, 2003 and 2002 has not been adjusted since the effect of any exercise of outstanding stock options is anti-dilutive.

Recent Pronouncements

Long-lived Assets

Effective January 1, 2004, the Corporation will adopt the new Canadian Institute of Chartered Accountants Handbook Section 3063 “Impairment of Long-lived Assets” (CICA 3063). This standard requires that long-lived assets be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Adoption of this new standard is not expected to have an impact on the Corporation’s financial position, results of operations or cash flows.

Stock-based Compensation

Effective January 1, 2004, the Corporation will adopt the revised recommendations of CICA 3870 which require the retroactive application of the fair value-based method of accounting for employee stock options. Adoption of the revised standard is not expected to have a significant impact on the Corporation’s financial position, results of operation or cash flow.

Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted in fiscal 2003.

3. Capital Assets

Capital assets consist of office equipment, computer hardware and leasehold improvements and have a cost of \$83 (2002 - \$19). Net of accumulated depreciation, capital assets are \$62 (2002 - \$8).

4. Notes Receivable

Non-current assets of discontinued operations with respect to Speedy includes notes receivable that were received as part of the proceeds relating to the Car-X sale (note 1(a)) and are comprised of:

	December 31	
	2003	2002
	\$	\$
US\$3,000, interest bearing at U.S. prime plus 3% payable quarterly, with the principal due in full on July 8, 2007	3,870	4,704
US\$6,000, interest bearing at U.S. prime plus 2% payable quarterly, with US\$1,000 principal payments due on the anniversary date of July 8 in each of the years 2006 to 2009, with the balance of US\$2,000 due on July 8, 2010	7,740	9,408
	11,610	14,112

The notes are collateralized by the assets of the purchaser, Tuffy Associates Corp., and its subsidiary, Car-X Associates Corp. The US\$3,000 note is further collateralized by a guarantee by Tuffy Associates Corp.

5. Capital Stock

The Corporation's authorized capital stock is as follows:

- Unlimited number of Preference Shares, issued in series;
- Unlimited number of Class A Subordinate Voting Shares;
- 182,000 Class B Shares carrying 15 votes per share, convertible into Class A Subordinate Voting Shares on a one-for-one basis. In certain prescribed circumstances, additional Class B Shares as may be required to effect the conversion of Class A Subordinate Voting Shares into Class B Shares.

The issued share capital is summarized as follows:

	<u>Number</u>	
	<u>Class A</u>	<u>Class B</u>
Balance at December 31, 2001 and 2002	5,724,660	182,000
Issued upon exercise of stock options	15,000	-
Balance at December 31, 2003	<u>5,739,660</u>	<u>182,000</u>

	<u>Amount</u>		
	<u>Class A</u>	<u>Class B</u>	<u>Total</u>
	\$	\$	\$
Balance at December 31, 2001 and 2002	55,403	213	55,616
Issued upon exercise of stock options	60	-	60
Balance at December 31, 2003	<u>55,463</u>	<u>213</u>	<u>55,676</u>

A summary of the status of the Corporation's stock option plan as of December 31, 2003 and 2002 and changes during the years ending on those dates is presented below:

	<u>December 31, 2003</u>		<u>December 31, 2002</u>	
	<u>Number of Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Number of Shares</u>	<u>Weighted-Average Exercise Price</u>
		\$		\$
Outstanding at beginning of year	869,000	6.16	784,000	6.87
Granted	-	-	140,000	3.72
Exercised	(15,000)	4.00	-	-
Forfeited	(377,000)	9.07	(55,000)	10.20
Outstanding at end of year	<u>477,000</u>	3.92	<u>869,000</u>	6.16
Options exercisable at year end	<u>477,000</u>	3.92	<u>554,000</u>	7.45

The following table summarizes information about the Corporation's stock options outstanding at December 31, 2003:

<u>Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Number Outstanding at 12/31/03</u>	<u>Weighted-Average Remaining Contractual Life</u>	<u>Weighted-Average Exercise Price</u>	<u>Number Exercisable at 12/31/03</u>	<u>Weighted-Average Exercise Price</u>
\$				\$	\$
3.72	140,000	3.3 Years	3.72	140,000	3.72
4.00	337,000	1.6 Years	4.00	337,000	4.00
Total	477,000	2.1 Years	3.92	477,000	3.92

In April 2002, 140,000 stock options were granted with an exercise price of \$3.72 per share. If the fair value based method had been used, the Corporation's earnings would have been minimally impacted, with no impact to basic and fully diluted earnings per share.

6. Income Taxes

The Corporation's provision for income taxes relating to continuing operations differs from the Canadian statutory income tax rate of 37% due to the unrecognized benefit of the loss carry-forward. At December 31, 2003, the Corporation has non-capital losses available to reduce future taxable income of approximately \$1.8 million. These losses begin to expire in 2009.

7. Commitments and Contingencies

Operating lease obligations

The Corporation leases office space under an operating lease requiring annual payments of \$65 expiring in 2007.

Contingencies

A claim in the amount of \$110 million has been filed against the Corporation and certain of its officers by the purchaser of Goldfarb Consultants, the market research and consulting business sold by the Corporation in 1998. The Corporation is currently assessing the claim and is of the view that the Corporation has meritorious defences. The claim will be vigorously defended.

The Corporation has received a notice of withdrawal liability assessment and demand for payment of US\$0.9 million from the GCIU-Employer Retirement Fund in connection with the unionized employees pension plan of Fleming. The Corporation is currently assessing the claim and is of the view that the Corporation has meritorious defences. The claim will be vigorously defended.

Guarantees

During the normal course of its business, the Corporation and Speedy have guaranteed certain lease obligations assigned to third parties and provided indemnifications in connection with business or asset dispositions. Historically, the Corporation and its subsidiary have not made any significant payments in connection with these guarantees and indemnification provisions. The

disposal of Speedy on January 8, 2004 (notes 1 and 12) relieved the Corporation of these guarantees.

8. Segmented Information

With the formal plan of disposal of Speedy (notes 1 and 12), the Corporation's sole business segment is an investment holding company. The Corporation's continuing operations reside entirely in Canada.

9. Financial Instruments

The carrying values reported in the balance sheet for cash, accounts and other receivables and accounts payable and accrued liabilities approximate fair values due to the short maturity of those instruments. The carrying values of the notes receivable approximate fair value because the interest rates on these instruments change with market interest rates.

10. Supplementary Cash Flow Information

a) Changes in non-cash working capital balances

	<u>2003</u>	<u>2002</u>
	\$	\$
Decrease (increase) in accounts and other receivables	144	(146)
Decrease in income taxes recoverable	145	1,497
Increase in accounts payable and accrued liabilities	99	142
	<u>388</u>	<u>1,493</u>

b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and with banks, and investments in money market instruments with original maturities of 90 days or less. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	<u>2003</u>	<u>2002</u>
	\$	\$
Cash on hand and with banks	172	161
Short-term investments	<u>2,612</u>	<u>2,508</u>
	2,784	2,669
Cash and cash equivalents of discontinued operations	<u>40,389</u>	<u>42,100</u>
	<u>43,173</u>	<u>44,769</u>

c) Interest and income taxes paid (recovered)

	<u>2003</u>	<u>2002</u>
	\$	\$
Interest paid	-	-
Income taxes paid (recovered)	(145)	(1,649)

11. Related Party Transactions

In 2003, Speedy paid \$375 (2002 - \$502) to related parties for management fees and other services that were provided at market rates.

12. Subsequent Event

On January 8, 2004, the Corporation completed the sale of Speedy (note 1) which resulted in a loss on disposal of approximately \$2.0 million. The loss was recognized in the year ended December 31, 2003 as a write-down of the net assets of Speedy. The Corporation's unaudited pro-forma condensed consolidated balance sheet reflecting disposal of Speedy as if it had occurred on December 31, 2003 is as follows:

	\$
Cash	26,563
Acquisition note receivable	11,654
T-note receivable	5,669
Other assets	87
	<u>43,973</u>
Current and other liabilities	418
Shareholders' equity	
Capital stock	55,676
Contributed surplus	453
Deficit	(12,574)
	<u>43,555</u>
	<u>43,973</u>

13. Supplemental Speedy Information

Additional information with respect to Speedy's assets and liabilities at December 31, 2003 is as follows:

Current assets	\$
Cash and cash equivalents	40,389
Accounts receivable	982
Inventories	8,767
Other	2,085
	<u>52,223</u>
Non-current assets	
Property, plant and equipment	26,131
Notes receivable	11,610
Future income taxes	5,065
Other	538
	<u>43,344</u>
Current liabilities	
Accounts payable and accrued liabilities	11,076
Other	662
	<u>11,738</u>

Management's Discussion and Analysis

For the Year Ended December 31, 2003

Corporate Review

The Goldfarb Corporation (the "Corporation") is an investment holding company. During 2003, it controlled and operated one Canadian business, SMK Speedy International Inc. ("Speedy"), a leading automobile service specialist, with 123 stores in Canada. On January 8, 2004, the Corporation sold all of its common shares of Speedy for approximately \$41.2 million in cash and notes.

With this sale, the Corporation no longer has an interest in an active business and does not meet the listing requirements of the TSX. On February 6, 2004, the Corporation's Class A Subordinate Voting Shares were delisted. Effective February 18, 2004, the Corporation transferred the listing of its Class A Subordinated Voting Shares to the NEX board of the TSX Venture Exchange. Until the sale, Speedy was listed on the Toronto Stock Exchange as SMK.

The Corporation made its initial investment in Speedy in 1989 when it acquired a 35% interest in Speedy Muffler King Inc., now SMK Speedy International Inc. As Speedy grew, the Corporation increased its investment in the automotive service specialist and in 1996, acquired majority control of Speedy. At December 31, 2003, the Corporation held a 50.3% interest in Speedy. During 2003, the strategy at Speedy continued to be focused on building shareholder value. With the completion of the sale of the Car-X operations in 2002, Speedy's operations were entirely located in Canada.

The Goldfarb Corporation made another major investment in 1995 when it acquired a controlling interest in Fleming Packaging Corporation ("Fleming"). During 2002, the Corporation and Fleming adopted a formal plan to sell all of Fleming's operations. In 2002, Fleming disposed of its food packaging business for gross proceeds of US\$30 million. During the first quarter of 2003, Fleming reached an agreement with its lenders that addressed Fleming's ongoing default under its loan agreements. Under the terms of the amendment, the Corporation relinquished its control of Fleming but retains its equity position. On July 18, 2003, the lenders finalized and closed the sale of Fleming. During the third quarter of 2003, the Corporation received \$932,000 from the lenders representing its 3.5% share of the net proceeds as defined under the terms of the amendment.

The Goldfarb Corporation's shares are traded on the NEX Board of the TSX Venture Exchange under the symbol GDF.H.

Comparability

The following comments provide a review and analysis of The Goldfarb Corporation's operations and financial position for the year ended December 31, 2003 in comparison with the year ended December 31, 2002.

As a result of the agreement to sell its investment in Speedy and the disposal of Fleming, the consolidated financial statements reflect the results of operations, cash flows and net assets of Speedy and Fleming as discontinued operations. Comparative figures have been restated to segregate these discontinued operations from continuing operations. This MD&A discussion will focus on performances in continuing operations which are represented by the investment holding activities of the Corporation.

The Management Discussion and Analysis should be read in conjunction with the Corporation's Consolidated Financial Statements and Accompanying Notes.

Results of Operations

Continuing Operations

Consolidated revenues from the continuing operations of The Goldfarb Corporation for the year ended December 31, 2003, which consist solely of interest income, were \$55,000 compared to \$204,000 in 2002. The decrease of \$149,000 is attributable to lower interest rates. The Corporation's loss from continuing operations was \$1.2 million (\$0.20 per share) compared to a loss of \$0.8 million (\$0.14 per share) in 2002.

Dilution Loss on Capital Transactions by Speedy

During 2003, 447,625 stock options of Speedy were exercised (2002-16,375) and resulted in a dilution loss of \$2.3 million (2002 - \$83,000). The impact of these transactions was to decrease the Corporation's ownership to 50.3% (2002-52.0%).

Income (Loss) from Discontinued Operations-Speedy

On December 2, 2003, the Corporation entered into an agreement to dispose of its 50.3% interest in Speedy for approximately \$41.2 million. The transaction closed on January 8, 2004 at which time the Corporation received \$23.8 million in cash and two promissory notes, one for \$11.7 million (the "acquisition note") and one for US\$4.4 million (the "T-note"). The acquisition note is subordinate to any senior debt, repayable over 5 years and is expected to yield 14% per annum. The terms of the T-note mirror those of the notes receivable obtained by Speedy on the sale of its Car-X business.

In 2002, Speedy's Car-X business was sold for gross proceeds of US\$28.0 million consisting of US\$18.5 million in cash and US\$ 9.0 million in notes receivable. An additional US\$0.5 million will be held in escrow for two years to fund potential environmental liabilities and will be accounted for when received by Speedy. The buyer assumed approximately US\$ 1.3 million of operating liabilities. Speedy received \$3.0 million from the buyers of the Car-X business for consulting services rendered during 2002.

Summarized financial information for Speedy is as follows:

	Year Ended December 31	
	2003	2002
	\$	\$
Revenues	93,340	106,535
Loss from operations before income taxes	(4,017)	(2,849)
Recovery of (provision for) income taxes	1,010	(620)
Loss from operations	(3,007)	(3,469)
Gain on sale of Car-X	1,316	14,358
Provision for income taxes	(472)	(5,874)
Net gain on sale of Car-X	626	8,484
Write-down of net assets of Speedy	(2,029)	-
Income (loss) from discontinued operations-Speedy	(4,410)	5,015

Excluding 2002 Car-X related revenues of \$10.6 million, Speedy's continuing revenues in 2003 were down \$2.6 million or 2.7% from 2002. With Speedy's fiscal year-end date being the Saturday nearest to December 31, the 2003 fiscal year was a 53-week year. Excluding the extra week that occurred in fiscal 2003, Speedy's sales would have been down \$3.9 million or 4.1%. Same store sales were down 0.2% and down 1.6% excluding the extra week in fiscal 2003. Growth in sales of other products continued to improve, but not sufficient to offset the decline in exhaust and brake revenues. The loss from operations was mainly due to lower labour, occupancy and advertising costs partially offset by lower revenues and an increase in net administrative overhead of \$1.1 million of the \$2.4 million previously absorbed by Car-X. The income tax recovery relates to an adjustment to the valuation allowance on future tax assets offset by the recognition of U.S. income tax losses not previously recognized.

Income (Loss) from Discontinued Operations – Fleming

On February 10, 2003, Fleming reached an agreement with its lenders that addressed Fleming's ongoing default under its loan agreements. Under the terms of the amendment, the Corporation relinquished its control of Fleming but retained its equity position. On July 18, 2003, the lenders finalized and closed the sale of Fleming. On September 4, 2003, the Corporation received \$0.9 million representing its share of the net proceeds as defined under the terms of the amendment.

The Corporation's abandonment of its investment in Fleming has resulted in an after-tax gain of approximately \$22.6 million. The gain is a result of the de-consolidation of Fleming whose liabilities exceeded assets by a similar amount at December 31, 2002 and the receipt of \$0.9 million from the net proceeds of the sale of Fleming. Fleming's loss

from operations of \$2.2 million incurred from January 1, 2003 to the effective disposal date of February 10, 2003 was included in the loss from operations for the year ended December 31, 2002.

Summarized financial information for Fleming is as follows:

	Year Ended December 31	
	2003	2002
	\$	\$
Revenues	-	152,326
Net loss from operations	-	(17,922)
Net loss on sale of food packaging business	-	(11,205)
Loss from operations from January 1 to February 10, 2003	-	(2,236)
Gain on abandonment of investment in Fleming, including income tax recovery of \$97	22,596	-
Income (loss) from discontinued operations-Fleming	22,596	(31,363)

Net Income (Loss)

The consolidated net income for The Goldfarb Corporation in 2003 was \$15.9 million or \$2.69 per share compared to a consolidated net loss of \$22.2 million (\$3.77 per share) in 2002.

The impact of any exercise of outstanding stock options was anti-dilutive for 2003 and 2002.

Financial Position

The Goldfarb Corporation had no long-term debt at December 31, 2003 and 2002.

Shareholders' equity of the Corporation at December 31, 2003 was \$41.7 million compared to \$30.9 million at December 31, 2002 which reflects the \$21.6 million gain resulting from the deconsolidation of Fleming and the receipt of \$0.9 million from the net proceeds of the sale of Fleming offset by losses for Speedy.

Liquidity and Capital Resources

Excluding assets and liabilities from discontinued operations, the Corporation had consolidated working capital of \$2.6 million at December 31, 2003 compared to \$2.8 million at December 31, 2002.

Consolidated cash used in 2003 continuing operating activities for The Goldfarb Corporation was \$0.8 million compared to an inflow of \$0.7 million in 2002. For the year ended December 31, 2003, cash flow used in continuing operating activities, prior to working capital changes, was an outflow of \$1.2 million compared to an outflow of \$0.8

million in 2002. Changes in non-cash working capital balances were a positive \$0.4 million compared to a positive \$1.5 million in 2002. This change was a result of a decrease in income taxes recoverable in 2002. Consolidated cash flow provided by operating activities of discontinued operations in 2003 was \$2.5 million compared to a cash outflow of \$6.8 million in 2002 and was entirely attributable to Speedy.

Cash provided by the Corporation's 2003 financing activities of \$1.6 million compared to \$33.2 million used in financing activities in 2002. Financing activities for 2003 reflects the issuance of Class A Subordinate Voting Shares and the financing activities of discontinued operations while 2002 financing activities entirely reflect discontinued operations.

Cash flow used in the Corporation's 2003 investing activities include proceeds from the sale of Fleming offset by investing activities of discontinued operations while 2002 investing activities entirely reflect discontinued operations.

Risks and Risk Management

The Corporation's business was subject to a number of risks in the areas of competition, technology, expansion, foreign exchange, interest rates, the environment, consumer protection and supplies prior to the sale of its investment in Speedy. The continuing operations of the Corporation are subject to foreign exchange risk. Management sought to minimize the risk associated with these factors through a combined strategy of detailed advance planning, regular operational reviews as well as through product diversification. The Corporation also monitors certain legislative and economic trends that could potentially have an impact on its operations.

A claim in the amount of \$110 million has been filed against the Corporation and certain of its officers by the purchaser of Goldfarb Consultants, the market research and consulting business sold by the Corporation in 1998. The Corporation is currently assessing the claim and is of the view that the Corporation has meritorious defences. The claim will be vigorously defended.

The Corporation has received a notice of withdrawal liability assessment and demand for payment of US\$0.9 million from the GCIU-Employer Retirement Fund in connection with the unionized employees pension plan of Fleming. The Corporation is currently assessing the claim and is of the view that the Corporation has meritorious defences. The claim will be vigorously defended.

Foreign Exchange Risk

The Goldfarb Corporation's financial statements are reported in Canadian dollars and are subject to fluctuations in exchange rates of the Canadian dollar with the U.S. dollar.

After the sale of Speedy and the abandonment of the investment in Fleming, the Corporation's exposure to foreign currency has been significantly reduced, limited to the U.S. dollar denominated notes receivable obtained on the sale of Speedy.

Outlook

As a result of the sale of Speedy, the Board of Directors of the Corporation is evaluating the various alternatives for the use of the cash proceeds from the transaction, including

determining the cash available for distribution. Before making any distribution of the proceeds, the Board will assess the possible impact, if any, of currently outstanding claims. Additionally, the Board will assess potential claims that may be made against the Corporation arising from the bankruptcy of Fleming. The Board will also consider alternative methods of effecting a tax efficient distribution of the proceeds prior to making such a distribution.

Financial data for the last eight quarters

(unaudited)(thousands of dollars except per share information)

Quarter ended (1) (2)	Revenues	Net income (loss)	Earnings (loss) per Class A and Class B Share	
			Basic	Fully diluted
	\$	\$	\$	\$
2003				
December 31	42	(5,100)	(0.86)	(0.86)
September 30	28	1,000	0.17	0.17
June 30	25	(600)	(0.11)	(0.11)
March 31	109	(20,600)	3.49	3.49
2003				
December 31	23	(19,800)	(3.35)	(3.35)
September 30	7	1,600	0.28	0.28
June 30	8	1,400	(0.24)	(0.24)
March 31	17	(2,700)	(0.46)	(0.46)

Notes:

(1) For each of the last eight quarters there have been no extraordinary items reported.

(2) Comparative amounts have been reclassified to conform with the presentation in the current year.

Note: Certain statements in the Report to the Shareholders and in this Management's Discussion and Analysis are "forward-looking statements" which reflect management's expectations regarding the Corporation's future growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Many factors could cause results to differ materially from the results discussed in the forward-looking statements, including risks related to dependence on key suppliers, economic conditions, competition, regulatory change, foreign exchange rates, interest rates, among others. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this report, and the Corporation does not assume any obligation to update or revise them to reflect new events or circumstances.