

The Goldfarb Corporation

2004

Audited Financial Statements

And

Management's Discussion & Analysis

CONSOLIDATED BALANCE SHEET

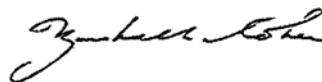
As at December 31

<i>(thousands of dollars)</i>	2004	2003
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	26,386	2,784
Accounts and other amounts receivable	379	25
Income taxes recoverable	34	97
Current assets of discontinued operations – Speedy <i>(note 1)</i>	-	52,223
Total Current Assets	26,799	55,129
Notes receivable <i>(note 4)</i>	16,876	-
Capital Assets <i>(note 3)</i>	51	62
Non-current Assets of Discontinued Operations – Speedy <i>(note 1)</i>	-	43,344
	43,726	98,535
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	271	322
Current liabilities of discontinued operations – Speedy <i>(note 1)</i>	-	11,738
Total Current Liabilities	271	12,060
Non-current Liabilities of Discontinued Operations - Speedy <i>(note 1)</i>	-	838
Minority Interest	-	43,945
Shareholders' Equity		
Capital stock <i>(note 5)</i>	55,736	55,676
Contributed surplus	453	453
Foreign currency translation adjustments	-	(2,117)
Deficit	(12,734)	(12,320)
Total Shareholders' Equity	43,455	41,692
Commitments and Contingencies <i>(note 7)</i>		
	43,726	98,535

Approved by the Board:



Martin Goldfarb, Director



Marshall Cohen, Director

CONSOLIDATED STATEMENT OF INCOME (LOSS) AND DEFICIT

For the year ended December 31

<i>(thousands of dollars except per share information)</i>	2004	2003
	\$	\$
Interest revenue <i>(note 8)</i>	1,707	55
Administrative expenses	1,559	1,251
	148	(1,196)
Depreciation	(15)	(13)
Foreign exchange losses	(408)	-
Loss before income taxes, discontinued operations and minority interest	(275)	(1,209)
Income tax expense <i>(note 6)</i>	-	-
Loss from continuing operations	(275)	(1,209)
Dilution loss on capital transactions by Speedy <i>(note 2)</i>	-	(2,276)
Loss from discontinued operations – Speedy <i>(note 1(a))</i>	(139)	(4,410)
Income from discontinued operations – Fleming <i>(note 1(b))</i>	-	22,596
Minority interest – discontinued operations	-	1,186
Net Income (Loss)	(414)	15,887
Deficit, beginning of year	(12,320)	(28,207)
Deficit, end of year	(12,734)	(12,320)
Basic and Fully Diluted Income (Loss) per Share:		
Continuing operations	(0.05)	(0.20)
Discontinued operations	(0.02)	2.89
Basic and Fully Diluted Income (Loss) per Share	(0.07)	2.69

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended December 31

<i>(thousands of dollars)</i>	2004	2003
	\$	\$
Operating Activities		
Loss from continuing operations	(275)	(1,209)
Add items not involving cash:		
Depreciation	15	13
Unrealized foreign exchange losses	377	-
	117	(1,196)
<u>Changes in non-cash working capital balances (note 10)</u>	<u>(342)</u>	<u>388</u>
Cash used in operating activities of continuing operations	(225)	(808)
Cash provided by operating activities of discontinued operations	23	2,546
Cash provided by (used in) operating activities of all operations	(202)	1,738
Financing Activities		
Issuance of Class A Subordinate Voting Shares	60	60
Financing activities of discontinued operations	-	1,491
Cash provided by financing activities	60	1,551
Investing Activities		
Proceeds on disposal of Speedy, net of cash held by Speedy of \$40,389	(16,610)	-
Proceeds on disposal of Fleming	-	932
Additions to capital assets	(4)	(69)
Investing activities of discontinued operations	-	(3,965)
Cash used in investing activities	(16,614)	(3,102)
Foreign exchange loss on cash held in foreign currency	(31)	(1,783)
Decrease in cash and cash equivalents for the year	(16,787)	(1,596)
Cash and cash equivalents, beginning of year (note 10)	43,173	44,769
Cash and cash equivalents, end of year (note 10)	26,386	43,173

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2004 and 2003

(thousands of dollars except per share information)

1. Basis of Presentation - Discontinued Operations

The Goldfarb Corporation is an investment holding company. At January 1, 2003, the Corporation controlled and operated two businesses, SMK Speedy International Inc. ("Speedy"), a leading Canadian automobile service specialist, and Fleming Packaging Corporation ("Fleming"), a U.S. packaging and printing company. On January 8, 2004, the Corporation sold all of its common shares of Speedy for approximately \$41.1 million in cash and notes. During the first quarter of 2003, Fleming was in default of certain of its debt ratio requirements and reached an agreement with its lenders. Under the terms of the amendment, the Corporation relinquished its control of Fleming but retained its equity position. Accordingly, these consolidated financial statements reflect the results of operations, cash flows and net assets of Speedy and Fleming as discontinued operations.

a) On December 2, 2003, the Corporation entered into an agreement to dispose of its 50.3% interest in Speedy for approximately \$41,100. The transaction closed on January 8, 2004 at which time the Corporation received \$23,799 in cash and two promissory notes, one for \$11,624 (the "acquisition note") and one for US\$4,359 (the "T-note") (note 4). 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. The estimated loss on disposal of \$2,029 was recognized in the year ended December 31, 2003 as a write-down of the net assets of Speedy.

Summarized financial information for Speedy is as follows:

	Year Ended December 31	
	2004	2003
	\$	\$
Revenues	-	93,340
Loss from operations before income taxes	(26)	(4,017)
Recovery of (provision for) income taxes	(60)	1,010
Loss from operations	(86)	(3,007)
Gain on sale of Car-X	-	1,098
Provision for income taxes	-	(472)
Net gain on sale of Car-X	-	626
Loss on disposal of Speedy	(53)	(2,029)
Loss from discontinued operations-Speedy	(139)	(4,410)

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 \$932 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 \$22,596. 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 \$932 from the net proceeds of the sale of Fleming. Fleming's loss from operations of \$2,236 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.

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 for the last fiscal year prior to its disposal in 2004. During 2003, 447,625 stock options of Speedy were exercised. The impact of these transactions was to decrease the Corporation's ownership to 50.3% and resulted in a dilution loss of \$2,276. On January 8, 2004, the Corporation disposed of its interest in Speedy (*note 1*). 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.

Stock-Based Compensation

Effective January 1, 2004, the Corporation adopted the revised recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3870 "Stock-based Compensation" (CICA 3870) which require the retroactive application of the fair value-based method of accounting for employee stock options. Adoption of the revised standard did not have any impact on the Corporation's financial position, results of operation or cash flow.

Translation of Foreign Currencies

Foreign currency transactions of the Corporation related to monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet dates; non-monetary items are translated at the historic exchange rates prevailing at the respective transaction dates. Revenues and expenses are translated at the monthly average rates prevailing throughout the year. Exchange gains and losses are reflected in the consolidated statement of income (loss) and deficit in the period in which they occur.

Notes Receivable

Notes receivable are carried at the lower of their book value and net recoverable amount. The notes are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. Interest is recognized as earned.

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

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.

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 5,936,368 (2003-5,907,104) using the treasury stock method for calculating fully diluted earnings per share. Fully diluted earnings (loss) per share for the years ended December 31, 2004 and 2003 has not been adjusted since the effect of any exercise of outstanding stock options is anti-dilutive.

Long-lived Assets

Effective January 1, 2004, the Corporation adopted 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 did not have any impact on the Corporation's financial position, results of operations or cash flows.

Accounting policies of Discontinued Operations

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.

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.

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.

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.

Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted in fiscal 2004.

3. Capital Assets

Capital assets consist of office equipment, computer hardware and leasehold improvements and have a cost of \$87 (2003 - \$83). Net of accumulated depreciation, capital assets are \$51 (2003 - \$62).

4. Notes Receivable

The following notes represent the Corporation's pro-rata share (48.4%) of the promissory notes issued by Speedy (*note 1*):

December 31
2004

\$

Acquisition note

The acquisition note is subordinate to any senior debt and is repayable over 5 years to 2009. On the \$9,202 principal amount, the total yield will be 14% per annum of which 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 Corporation has accrued the 6% interest and fully provided against it because of the timing of payment. The remaining \$2,422 of principal has a money market yield. At December 31, 2004, the money market interest rate was 1.76%. Under certain circumstances, this \$2,422 of principal may be repaid earlier. There is a further guarantee by the purchaser of Speedy, Minute Muffler & Brake, up to the \$2,422 of the principal amount.

11,624

T-note (\$US 4,359)

This note has terms and conditions that match the note that Speedy received from the purchaser, Tuffy Associates Corp. (the "Purchaser"), upon the sale of its Car-X business in 2002 and is comprised of:

- a. A note in the amount of \$US 1,453 bearing interest at US prime plus 3%, payable quarterly, with the principal due July 8, 2007 or at an earlier date under certain circumstances.
- b. A further note in the amount of \$US 2,906 bearing interest at US prime plus 2% payable quarterly, with \$US 484 of principal payments due on July 8 in each of the years 2006 through 2009 with the balance of \$US 969 due on July 2, 2010.

These notes are secured by and recourse is limited to the collateral provided by the Purchaser to Speedy. These notes are collateralized by the assets of the Purchaser and its subsidiary, Car-X Associates Corp. The note bearing interest at U.S. prime plus 3% is further collateralized by a guarantee of Tuffy Associates Corp. The Corporation is entitled to receive interest and principal payments only to the extent Speedy receives such amounts from the Purchaser and has no further recourse against Speedy.

5,252

16,876

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:

	Number	
	Class A	Class B
Balance at December 31, 2002	5,724,660	182,000
Issued upon exercise of stock options	15,000	-
Balance at December 31, 2003	5,739,660	182,000
Issued upon exercise of stock options	15,000	-
Balance at December 31, 2004	<u>5,754,660</u>	<u>182,000</u>

	Amount		
	Class A	Class B	Total
	\$	\$	\$
Balance at December 31, 2002	55,403	213	55,616
Issued upon exercise of stock options	60	-	60
Balance at December 31, 2003	55,463	213	55,676
Issued upon exercise of stock options	60	-	60
Balance at December 31, 2004	<u>55,523</u>	<u>213</u>	<u>55,736</u>

A summary of the status of the Corporation's stock option plan as of December 31, 2004 and 2003 and changes during the years ending on those dates is presented below:

	December 31, 2004		December 31, 2003	
	<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	477,000	3.92	869,000	6.16
Granted	-	-	-	-
Exercised	(15,000)	4.00	(15,000)	4.00
Forfeited	(35,000)	4.00	(377,000)	9.07
Outstanding at end of year	<u>427,000</u>	3.91	<u>477,000</u>	3.92
Options exercisable at year end	<u>427,000</u>	3.91	<u>477,000</u>	3.92

The following table summarizes information about the Corporation's stock options outstanding at December 31, 2004:

<u>Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Number Outstanding at 12/31/04</u>	<u>Weighted-Average Remaining Contractual Life</u>	<u>Weighted-Average Exercise Price</u>	<u>Number Exercisable at 12/31/04</u>	<u>Weighted-Average Exercise Price</u>
\$			\$		\$
3.72	140,000	2.3 Years	3.72	140,000	3.72
4.00	287,000	0.6 Years	4.00	287,000	4.00
Total	427,000	1.2 Years	3.91	427,000	3.91

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 net loss for the year in 2004 and 2003. At December 31, 2004, the Corporation has non-capital losses available to reduce future taxable income of approximately \$1.7 million. These non-capital losses begin to expire in 2009. At December 31, 2004, the Corporation has capital losses available to offset future capital gains of approximately \$26 million. These capital losses do not expire.

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 \$110,000 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 Board of Directors of the Corporation appointed a committee of independent directors to represent the Corporation's interest in this litigation. Amongst other things, the committee has approved the payment of applicable expenses of all defendants, being the Corporation's Chairman, Secretary, its former Executive-Vice President and its former Chief Financial Officer.

The Corporation has received a notice of withdrawal liability assessment and demand for payment of US\$900 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.

An action was filed against the Corporation in connection with the Fleming bankruptcy seeking damages arising from the February 10, 2003 amendment of Fleming's loan agreements with its bankers and the subsequent payment of \$900 to the Corporation on September 4, 2003. The Corporation continues to be of the view that it has meritorious defenses and will vigorously defend any appeal or repleading that is undertaken.

The Corporation was a party in arbitration proceedings with another shareholder of Fleming regarding the valuation of a put of that shareholder's shares of Fleming to the Corporation. The arbitrator ruled in the Corporation's favour. There was no financial impact to the Corporation. The Corporation is entitled to

recover the legal fees it incurred in the arbitration proceedings and has filed a claim for payment. No amounts have been recorded in the accounts. The fees will be recognized as income when, and if received.

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 (*note 1*) relieved the Corporation of these guarantees.

8. Segmented Information

With the disposal of Speedy (*note 1*), 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 and cash equivalents, accounts and other amounts receivable and accounts payable and accrued liabilities approximate fair values due to the short maturity of those instruments. The carrying value of the T-note approximates fair value because the interest rates on this instrument changes with market interest rates. At December 31, 2004, the fair value of the acquisition note is estimated to be approximately \$12,064 which reflects the decrease in market interest rates during 2004.

10. Supplementary Cash Flow Information

a) Changes in non-cash working capital balances

	<u>2004</u>	<u>2003</u>
	\$	\$
Decrease (increase) in accounts and other amounts receivable	(354)	144
Decrease in income taxes recoverable	63	145
Increase (decrease) in accounts payable and accrued liabilities	(51)	99
	<u>(342)</u>	<u>388</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>2004</u>	<u>2003</u>
	\$	\$
Cash on hand and with banks	178	172
Short-term investments	<u>26,208</u>	<u>2,612</u>
	<u>26,386</u>	<u>2,784</u>
Cash and cash equivalents of discontinued operations	-	40,389
	<u>26,386</u>	<u>43,173</u>

c) Interest and income taxes recovered

	<u>2004</u>		<u>2003</u>
		\$	
Interest paid	-		-
Income taxes recovered	(63)		(145)

11. Related Party Transactions

The Corporation shares office space and related costs with a company related to the Secretary of the Corporation. In 2004, the Corporation paid \$54 (2003 - \$135) of these expenses. The related company paid \$26 of these expenses in 2004 (2003 - \$31). At December 31, 2004, \$85 (2003 - \$18) was outstanding which was repaid to the Corporation in 2005.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

For the Year Ended December 31, 2004

Corporate Review

The Goldfarb Corporation is an investment holding company. At January 1, 2003, the Corporation controlled and operated two businesses, SMK Speedy International Inc. ("Speedy"), a leading Canadian automobile service specialist, and Fleming Packaging Corporation ("Fleming"), a U.S. packaging and printing company. On January 8, 2004, the Corporation sold all of its common shares of Speedy for approximately \$41.1 million in cash and notes. During the first quarter of 2003, Fleming was in default of certain of its debt ratio requirements and reached an agreement with its lenders. Under the terms of the amendment, the Corporation relinquished its control of Fleming but retained its equity position.

As a result of the sale of Speedy and the abandonment of Fleming, 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 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, 2004 in comparison with the year ended December 31, 2003 and, for certain financial information, with the year ended December 31, 2002. This commentary is current as of March 8, 2005.

As a result of the sale of Speedy in 2004 and the abandonment of Fleming in 2003, the consolidated financial statements reflect the results of operations, cash flows and net assets of Speedy and Fleming as discontinued operations. This MD&A discussion will focus on performances in continuing operations that 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. Additional information about The Goldfarb Corporation filed with the Canadian securities commissions, including periodic quarterly and annual reports and the Annual Information Form, is available on-line at www.sedar.com.

RESULTS OF OPERATIONS

Interest Revenue

The Corporation's consolidated revenues from continuing operations for the year ended December 31, 2004 were \$1,707,000, up \$1,652,000 from \$55,000 in 2003 and \$204,000

in 2002. Revenues from continuing operations consist solely of interest income earned on short-term investments and notes receivable.

Consolidated revenues in the fourth quarter of 2004 were \$464,000, up \$441,000 from \$23,000 in 2003. The increase reflects the increase in cash held in short-term investments and the income from notes receivable that arose on the sale of Speedy.

Administrative Expenses

Administrative expenses from continuing operations for the year ended December 31, 2004 were \$1,559,000 compared to \$1,251,000 in 2003. The increase relates to legal fees incurred by the Corporation and other named defendants in connection with actions and claims in which the Corporation is currently involved (see “Risks and Risk Management” below). For the fourth quarter of 2004, administrative expenses were \$548,000 compared to \$591,000 in 2003.

Loss from Continuing Operations

The consolidated loss from continuing operations for The Goldfarb Corporation for the year ended December 31, 2004 was \$275,000 compared to losses of \$1,209,000 and \$807,000 in 2003 and 2002, respectively. The consolidated loss from continuing operations in the fourth quarter of 2004 was \$696,000 compared to a loss of \$571,000 in the fourth quarter of 2003. The improvement in 2004 arose principally from higher interest income offset by foreign exchange losses on notes denominated in United States dollars.

Dilution Loss on Capital Transactions by Speedy

During 2003, 447,625 stock options of Speedy were exercised and resulted in a dilution loss of \$2.3 million. The impact of these transactions was to decrease the Corporation’s ownership to 50.3% at December 31, 2003.

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 \$41.1 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 \$11.6 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.

Discontinued operations relating to Speedy had a loss of \$139,000 for the year ended December 31, 2004 compared to a loss of \$4,410,000 in 2003.

Summarized financial information for Speedy is as follows:

	Year Ended December 31	
	2004	2003
	\$	\$
Revenues	-	93,340
Loss from operations before income taxes	(26)	(4,017)
Recovery of (provision for) for income taxes	(60)	1,010
Loss from operations	(86)	(3,007)
Gain on sale of Car-X	-	1,098
Provision for income taxes	-	(472)
Net gain on sale of Car-X	-	626
Loss on disposal of Speedy	(53)	(2,029)
Loss from discontinued operations-Speedy	(139)	(4,410)

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.

Net Income (Loss)

The consolidated net loss for The Goldfarb Corporation in 2004 was \$0.4 million or \$0.07 per share compared to a consolidated net income of \$15.9 million or \$2.69 per share in 2003 and a consolidated net loss of \$22.2 million (\$3.77 per share) in 2002. The loss per share from continuing operations for the year ended December 31, 2004 was \$0.05 compared to losses per share of \$0.20 and \$0.14 in 2003 and 2002, respectively.

The consolidated net loss for the Corporation in the fourth quarter of 2004 was \$749,000 or \$0.12 per share compared to a net loss of \$5,066,000 or \$0.86 per share in the fourth quarter of 2003. The loss in the fourth quarter of 2003 reflects the losses from

discontinued operations. The loss per share from continuing operations for the fourth quarter of 2004 was \$0.11 compared to a loss per share of \$0.10 in 2003.

The impact of any exercise of outstanding stock options was anti-dilutive for 2004, 2003 and 2002.

FINANCIAL POSITION

The Goldfarb Corporation had no long-term debt at December 31, 2004 and 2003.

Shareholders' equity of the Corporation at December 31, 2004 was \$43.5 million which reflect the disposal of Speedy and the Corporation's 2004 operating loss. Shareholders' equity of the Corporation at December 31, 2003 was \$41.7 million at December 31, 2003 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 \$26.5 million at December 31, 2004 compared to \$2.6 million at December 31, 2003.

Consolidated cash used in 2004 continuing operating activities for The Goldfarb Corporation was \$0.2 million compared to an outflow of \$0.8 million in 2003. For the year ended December 31, 2004, cash flow provided in operating activities, prior to working capital changes, was an inflow of \$0.1 million compared to an outflow of \$1.2 million in 2003. Changes in non-cash working capital balances were a negative \$0.3 million compared to a positive \$0.4 million in 2004. Consolidated cash flow provided by operating activities of discontinued operations in 2004 was \$nil million compared to cash provided of \$2.5 million in 2003.

Cash provided by the Corporation's 2004 financing activities of \$0.1 million compared to \$1.6 million used in financing activities in 2003. Financing activities for 2004 reflects the issuance of Class A Subordinate Voting Shares while the financing activities for 2003 reflects the issuance of Class A Subordinate Voting Shares and the financing activities of discontinued operations.

Cash flow used in the Corporation's 2004 investing activities was \$16.6 million compared to \$3.1 million used in 2003. The outflow in 2004 consists of \$23.8 million received on the disposal of Speedy offset by the amount of cash held by Speedy at the time of disposal of \$40.4 million. The outflow in 2003 relates primarily to the abandonment of Fleming's operations.

The Corporation has a contractual obligation relating to its office lease, which requires annual payments of \$65,000 and expires in 2007.

RISKS AND RISK MANAGEMENT

The Corporation's business was subject to a number of risks in the areas of competition, technology, expansion, foreign exchange and interest rates, the environment, consumer protection and supplies prior to the sale of its investment in Speedy. Currently, the Corporation is subject to risks in the areas of foreign exchange and interest rates and litigation. 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.

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 is limited to the U.S. dollar denominated notes receivable obtained on the sale of Speedy.

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 Board of Directors of the Corporation appointed a committee of independent directors to represent the Corporation's interest in this litigation. Amongst other things, the committee has approved the payment of applicable expenses of all defendants, being the Corporation's Chairman, Secretary, its former Executive Vice-President and its former Chief Financial Officer.

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.

An action was filed against the Corporation by the Trustee in bankruptcy in connection with the Fleming bankruptcy seeking damages arising from the February 10, 2003 amendment of Fleming's loan agreements with its bankers and the subsequent payment of \$0.9 million to the Corporation on September 4, 2003. The Corporation continues to be of the view that it has meritorious defenses and will vigorously defend any appeal or repleading that is undertaken.

The Corporation was a party in arbitration proceedings with another shareholder of Fleming regarding the valuation of a put of that shareholder's shares of Fleming to the Corporation. The arbitrator ruled in the Corporation's favour. There was no financial impact to the Corporation. The Corporation is entitled to recover the legal fees it

incurred in the arbitration and has filed a claim for payment. No amounts have been recorded in the accounts. The fees will be recorded as income when, and if received.

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	Continuing Operations		Overall Operations	
		Income (loss)	Per share	Net Income (loss)	Per share
	\$	\$	\$	\$	\$
2004					
December 31	464	(696)	(0.11)	(749)	(0.12)
September 30	458	(1)	-	(1)	-
June 30	378	373	0.06	373	0.06
March 31	407	49	-	(37)	(0.01)
2003					
December 31	23	(571)	(0.10)	(5,066)	(0.86)
September 30	7	(254)	(0.04)	987	0.17
June 30	8	(202)	(0.03)	(644)	(0.11)
March 31	17	(182)	(0.03)	20,610	3.49

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.