

**The Goldfarb Corporation**

**2005**

**Audited Financial Statements**

**And**

**Management's Discussion & Analysis**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied, using management's best estimates and judgments, where appropriate. Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements and other information contained in this Annual Report. In the preparation of these statements, estimates are sometimes necessary, as a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management is also responsible for a system of internal control, which is designed to provide reasonable assurance that assets are safeguarded and accounting systems provide timely, accurate financial reports.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board, which is composed of three outside directors. The Committee meets with management and the auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements.

The financial statements have been audited on behalf of the shareholders of the Corporation by PricewaterhouseCoopers LLP, in accordance with Canadian generally accepted auditing standards and their report is contained herein.

Management have designed disclosure controls and procedures to provide reasonable assurance and have evaluated the effectiveness of such controls and procedures as of the end of the period and disclosed conclusions in the MD&A.



Martin Goldfarb  
President and Chief Executive Officer



Karen Killeen  
Chief Financial Officer

**BALANCE SHEET***As at December 31*

<i>(thousands of dollars)</i>	<b>2005</b>	<b>2004</b>
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	11,713	26,386
Short-term investments	17,489	-
Accounts and other amounts receivable	336	379
Current portion of notes receivable <i>(note 4)</i>	564	-
Income taxes recoverable	34	34
<b>Total Current Assets</b>	<b>30,136</b>	<b>26,799</b>
<b>Notes Receivable <i>(note 4)</i></b>	<b>13,721</b>	<b>16,876</b>
<b>Capital Assets <i>(note 3)</i></b>	<b>40</b>	<b>51</b>
	<b>43,897</b>	<b>43,726</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	221	271
<b>Total Current Liabilities</b>	<b>221</b>	<b>271</b>
<b>Shareholders' Equity</b>		
Capital stock <i>(note 5)</i>	55,736	55,736
Contributed surplus	453	453
Deficit	(12,513)	(12,734)
<b>Total Shareholders' Equity</b>	<b>43,676</b>	<b>43,455</b>
<b>Commitments and Contingencies <i>(note 7)</i></b>		
	<b>43,897</b>	<b>43,726</b>

Approved by the Board:



Martin Goldfarb, Director



Marshall Cohen, Director

**STATEMENT OF INCOME (LOSS) AND DEFICIT***For the year ended December 31*

<i>(thousands of dollars except per share information)</i>	<b>2005</b>	<b>2004</b>
	\$	\$
<b>Interest revenue</b> <i>(note 8)</i>	<b>1,956</b>	1,707
Administrative expenses	<b>1,529</b>	1,559
	<b>427</b>	148
Depreciation	<b>(15)</b>	(15)
Foreign exchange losses	<b>(191)</b>	(408)
<b>Income (loss) from Continuing Operations before</b>		
<b>Discontinued Operations</b>	<b>221</b>	(275)
Loss from discontinued operations – Speedy <i>(note 1)</i>	-	(139)
<b>Net Income (Loss)</b>	<b>221</b>	(414)
Deficit, beginning of year	<b>(12,734)</b>	(12,320)
<b>Deficit, end of year</b>	<b>(12,513)</b>	(12,734)
<b>Basic and Diluted Income (Loss) per Share:</b>		
Continuing operations	<b>0.04</b>	(0.05)
Discontinued operations	<b>0.00</b>	(0.02)
<b>Basic and Diluted Income (Loss) per Share</b>	<b>0.04</b>	(0.07)

**STATEMENT OF CASH FLOW**  
For the year ended December 31

<i>(thousands of dollars)</i>	<b>2005</b>	<b>2004</b>
	\$	\$
<b>Operating Activities</b>		
Income (loss) from continuing operations	221	(275)
Add items not involving cash:		
Depreciation	15	15
Unrealized foreign exchange losses	191	377
Loss on disposal of capital assets	1	-
	<b>428</b>	117
Changes in non-cash working capital balances <i>(note 10)</i>	<b>(7)</b>	(342)
Cash provided by (used in) operating activities of continuing operations	<b>421</b>	(225)
Cash provided by operating activities of discontinued operations	-	23
Cash provided by (used in) operating activities of all operations	<b>421</b>	(202)
<b>Financing Activities</b>		
Issuance of Class A Subordinate Voting Shares	-	60
Cash provided by financing activities	-	60
<b>Investing Activities</b>		
Short-term investments	<b>(17,489)</b>	-
Repayment of notes receivable	<b>2,422</b>	-
Proceeds on disposal of Speedy, net of cash held by Speedy of \$40,389	-	(16,610)
Additions to capital assets	<b>(5)</b>	(4)
Cash used in investing activities	<b>(15,072)</b>	(16,614)
Foreign exchange loss on cash held in foreign currency	<b>(22)</b>	(31)
<b>Decrease in cash and cash equivalents for the year</b>	<b>(14,673)</b>	(16,787)
Cash and cash equivalents, beginning of year <i>(note 10)</i>	<b>26,386</b>	43,173
Cash and cash equivalents, end of year <i>(note 10)</i>	<b>11,713</b>	26,386

## NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2005 and 2004  
(thousands of dollars except per share information)

### 1. Basis of Presentation

The Goldfarb Corporation is an investment holding company. At January 1, 2004, the Corporation controlled and operated SMK Speedy International Inc. ("Speedy"), its only subsidiary. On January 8, 2004, the Corporation sold all of its common shares of Speedy for approximately \$41.1 million in cash and notes. 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). Accordingly, these financial statements reflect the results of operations, cash flows and net assets of Speedy as discontinued operations. In the first quarter of 2004, an operating loss of \$139 was recognized for Speedy.

### 2. Significant Accounting Policies

#### 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 statement of income (loss) and deficit in the period in which they occur.

#### Cash and Cash Equivalents

Cash comprises cash and short-term investments having an original maturity of three months or less.

#### Notes Receivable

Notes receivable are carried at the lower of their principal amount and net realizable value. The notes are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be realizable. Interest is recognized as earned and is accrued to the extent that collectability is reasonably assured.

#### Capital Assets

Capital assets are recorded at cost less accumulated depreciation. Depreciation is as follows:

Asset Category	Rate & Method
Office equipment	20% declining balance
Computer hardware	30% declining balance
Leasehold improvements	Term of lease

#### Use of Estimates

Financial statements prepared in conformity with Canadian 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 5,936,660 (2004-5,936,368) using the treasury stock method for calculating diluted earnings per share. Diluted earnings (loss) per share for the years ended December 31, 2005 and 2004 has not been adjusted since the effect of any exercise of outstanding stock options is anti-dilutive.

### **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.

### **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.

## **3. Capital Assets**

Capital assets consist of office equipment, computer hardware and leasehold improvements and have a cost of \$83 (2004 -\$87). Net of accumulated depreciation, capital assets are \$40 (2004 - \$51).

#### 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

2005	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 had a money market yield and was repaid in December 2005.

In November 2005 and February 2006, the Corporation and other holders of the acquisition notes approved certain amendments to the repayment terms of the notes. These amendments were requested by Speedy in order to facilitate operations of Speedy.

9,202	11,624
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##### 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 the Purchaser. 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.

5,083	5,252
14,285	16,876
564	-
13,721	16,876

Less: Amount due within one year

#### 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:

	<b>Number</b>	
	<b>Class A</b>	<b>Class B</b>
Balance at January 1, 2004	5,739,660	182,000
Issued upon exercise of stock options	15,000	-
Balance at December 31, 2004 and 2005	<u>5,754,660</u>	<u>182,000</u>

  

	<b>Amount</b>		
	<b>Class A</b>	<b>Class B</b>	<b>Total</b>
	\$	\$	\$
Balance at January 1, 2004	55,463	213	55,676
Issued upon exercise of stock options	60	-	60
Balance at December 31, 2004 and 2005	<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, 2005 and 2004 and changes during the years ending on those dates is presented below:

	<b>December 31, 2005</b>		<b>December 31, 2004</b>	
	<b>Number of Shares</b>	<b>Weighted-Average Exercise Price</b>	<b>Number of Shares</b>	<b>Weighted-Average Exercise Price</b>
		\$		\$
Outstanding at beginning of year	427,000	3.91	477,000	3.92
Exercised	-	-	(15,000)	4.00
Forfeited	(287,000)	4.00	(35,000)	4.00
Outstanding at end of year	<u>140,000</u>	3.72	<u>427,000</u>	3.91
Options exercisable at year end	<u>140,000</u>	3.72	<u>427,000</u>	3.91

All options outstanding at December 31, 2005 have an exercise price of \$3.72 and expire on April 1, 2007.

## 6. Income Taxes

The Corporation's provision for income taxes relating to continuing operations differs from the Canadian statutory income tax rate of 36.12% due to the unrecognized benefit of the net loss for the year in 2005 and 2004. At December 31, 2005, the Corporation has non-capital losses available to reduce future taxable income of approximately \$1.2 million. These non-capital losses begin to expire in 2009. At December 31, 2005, the Corporation has capital losses available to offset future capital gains of approximately \$27 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. Initial discoveries have been completed and the case is continuing. The Corporation continues to be of the view that it has meritorious defences. The claim is being 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.

In 2004, the Corporation 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 Packaging Corporation ("Fleming"). There have been no further communications since that time. The Corporation is of the view that it has meritorious defences. The Corporation will vigorously defend itself if and when required.

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 is preparing for discovery. The Corporation continues to be of the view that it has meritorious defences and is vigorously defending the claim.

No amounts have been accrued in the financial statements in connection with any of the claims or possible claims.

## **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, short term investments, 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, 2005, the fair value of the acquisition note and accrued interest receivable is estimated to be approximately \$10.5 million.

## 10. Supplementary Cash Flow Information

### a) Changes in non-cash working capital balances

	<u>2005</u>	<u>2004</u>
	\$	\$
Decrease (increase) in accounts and other amounts receivable	43	(354)
Decrease in income taxes recoverable	-	63
Decrease in accounts payable and accrued liabilities	(50)	(51)
	<u>(7)</u>	<u>(342)</u>

### b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and with banks, and short-term investments in highly liquid instruments with original maturities of three months or less. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	<u>2005</u>	<u>2004</u>
	\$	\$
Cash on hand and with banks	251	178
Short-term investments	11,462	26,208
	<u>11,713</u>	<u>26,386</u>

### c) Income taxes recovered

	<u>2005</u>	<u>2004</u>
	\$	\$
Income taxes recovered	-	(63)

## 11. Related Party Transactions

The Corporation shares office space and related costs with a company related to the Secretary of the Corporation. In 2005, the Corporation paid \$78 (2004 - \$54) of these expenses. The related company paid \$29 of these expenses in 2005 (2004 - \$26). At December 31, 2005, \$8 (2004 - \$85) was outstanding which was repaid to the Corporation in 2006.

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

For the Year Ended December 31, 2005

## **Corporate Review**

The Goldfarb Corporation (the "Corporation") is an investment holding company. On January 8, 2004, the Corporation sold its investment in SMK Speedy International Inc. ("Speedy") for approximately \$41.1 million in cash and notes.

As a result of the sale of Speedy, the Corporation no longer holds an interest in an active business or meets the minimum listing requirements of the Toronto Stock Exchange ("TSX"). On February 6, 2004, the Corporation's Class A Subordinate Voting Shares were de-listed from the TSX. 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.

The Corporation's Class A Subordinate Voting 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, 2005 in comparison with the year ended December 31, 2004 and, for certain financial information, with the year ended December 31, 2003. This commentary is current as of March 8, 2006.

As a result of the sale of Speedy, the financial statements reflect the results of operations, cash flows and net assets of Speedy 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.

This Management Discussion and Analysis should be read in conjunction with the Corporation's Financial Statements and Accompanying Notes. Additional information about The Goldfarb Corporation filed with the Canadian securities regulatory authorities, including periodic quarterly and annual reports and the Annual Information Form, is available on-line at [www.sedar.com](http://www.sedar.com).

## **RESULTS OF OPERATIONS**

### **Interest Revenue**

The Corporation's consolidated revenues from continuing operations for the year ended December 31, 2005 were \$1,956,000, up \$249,000 from \$1,707,000 in 2004 and \$55,000 in 2003. Revenues from continuing operations consist solely of interest income earned on short-term investments and notes receivable.

Consolidated revenues in the fourth quarter of 2005 were \$548,000, up \$84,000 from \$464,000 in the fourth quarter of 2004. 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.

Revenue increases over 2004 are also as a result of increases in both Canadian and United States interest rates.

### **Administrative Expenses**

Administrative expenses from continuing operations for the year ended December 31, 2005 were \$1,529,000 compared to \$1,559,000 in 2004. The decrease relates to lower professional fees and directors' fees incurred in 2005. For the fourth quarter of 2005, administrative expenses were \$614,000 compared to \$548,000 in 2004. Increased legal expenses account for the fourth quarter increase.

The unrealized foreign exchange loss for the fourth quarter of 2005 was \$31,000 compared to an unrealized loss of \$608,000 in the fourth quarter of 2004. For the year ended December 31, 2005, the unrealized foreign exchange loss was \$191,000 compared to a foreign exchange loss of \$408,000 in 2004. The unrealized foreign exchange losses arise from the conversion to Canadian dollars of the U.S. dollar denominated cash and T-note receivable obtained on the sale of Speedy.

### **Income (Loss) from Continuing Operations**

Income from continuing operations for the Corporation for the year ended December 31, 2005 was \$221,000 compared to losses of \$275,000 and \$1,209,000 in 2004 and 2003, respectively. The loss from continuing operations in the fourth quarter of 2005 was \$101,000 compared to a loss of \$696,000 in the fourth quarter of 2004. The improvements arose principally from higher interest income offset by unrealized foreign exchange losses on notes denominated in United States dollars.

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

### ***Net Income (Loss)***

Net income for The Goldfarb Corporation in 2005 was \$221,000 or \$0.04 per share compared to a net loss of \$414,000 or \$0.07 per share in 2004 and net income of \$15.9 million (\$2.69 per share) in 2003. Discontinued operations did not have any impact on net income in 2005. The loss from discontinued operations for 2004 was \$139,000 or \$0.02 per share. Income per share from continuing operations for the year ended December 31, 2005 was \$0.04 compared to losses per share of \$0.05 and \$0.20 in 2004 and 2003, respectively.

The net loss for the Corporation in the fourth quarter of 2005 was \$101,000 or \$0.01 per share compared to a net loss of \$749,000 or \$0.12 per share in the fourth quarter of 2004. The loss per share from continuing operations for the

fourth quarter of 2005 was \$0.01 compared to a loss per share of \$0.11 in the fourth quarter of 2004.

The impact of any exercise of outstanding stock options was anti-dilutive for 2005, 2004 and 2003.

### **FINANCIAL POSITION**

The Corporation had no long-term debt or off-balance sheet arrangements at December 31, 2005 and 2004.

Shareholders' equity of the Corporation at December 31, 2005 was \$43.7 million compared to \$43.5 million at December 31, 2004.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Corporation had consolidated working capital of \$29.9 million at December 31, 2005 compared to \$26.5 million at December 31, 2004.

Consolidated cash provided by 2005 continuing operations was \$421,000 compared to cash used of \$225,000 in 2004. For the year ended December 31, 2005, cash flow provided by operating activities, prior to working capital changes, was an inflow of \$428,000 compared to cash provided of \$117,000 in 2004. Changes in non-cash working capital balances in 2005 resulted in a use of \$7,000 compared to a use of \$342,000 in 2004. Consolidated cash flow provided by operating activities of discontinued operations in 2005 was \$nil compared to cash provided of \$23,000 in 2004.

Financing activities for 2004 provided cash of \$60,000 and reflects the issuance of Class A Subordinate Voting Shares.

Cash flow used in the Corporation's 2005 investing activities was \$15,072,000 compared to \$16,614,000 in 2004. The outflow in 2005 included the acquisition of short-term investments of \$17,489,000 offset by \$2,422,000 received from the repayment of notes receivable. 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 Corporation has a contractual obligation relating to its office lease, which requires annual payments of \$65,000 and expires in 2007.

### **RELATED PARTY TRANSACTIONS**

The Corporation shares office space and related costs with a company related to the Secretary of the Corporation. In 2005, the Corporation paid \$78 (2004 - \$54)

of these expenses of which \$29 (2004 -\$26) was recovered from the related company.

### **DISCLOSURE CONTROLS**

Pursuant to Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, management has evaluated the effectiveness of the Corporation's disclosure controls and procedures as at December 31, 2005 and found them to meet required standards.

### **RISKS AND RISK MANAGEMENT**

The Corporation is subject to risks in the areas of foreign exchange, collectibility of the acquisition note receivable and litigation.

#### **Foreign Exchange Rates**

The 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. With the sale of Speedy, the Corporation's exposure to foreign currency is limited to the U.S. dollar denominated notes receivable obtained on the sale of Speedy.

#### **Collectibility of Notes Receivable**

The collectibility of the Speedy acquisition note is dependent on the valuation of Speedy's underlying real estate and its other assets as well as cash flow generated by Speedy's operations. The Corporation and other acquisition noteholders have supported Speedy in its recent efforts to sell its real estate assets by approving certain amendments to the repayment terms of the acquisition notes. In January 2006, Speedy entered into an agreement to sell and leaseback most of its property. The transaction is expected to close in spring 2006. Upon closing, the sale is expected to result in early repayment of the acquisition note and related accrued interest. Current valuations of Speedy's real estate assets indicate that there is sufficient value in the real estate assets to fully or substantially repay all principal and interest outstanding on the acquisition note.

#### **Litigation**

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. Initial discoveries have been completed and the case is continuing. The Corporation continues to be of the view that the Corporation has meritorious defenses. The claim is being 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.

In 2004, the Corporation 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 Packaging Corporation ("Fleming"). There have been no further communications since that time. The Corporation is of the view that it has meritorious defenses. The Corporation will vigorously defend itself if and when required.

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 is preparing for discovery. The Corporation continues to be of the view that it has meritorious defenses and is vigorously defending the claim.

The Corporation has paid all expenses incurred in defending itself in connection with these contingencies. These expenses are recognized as incurred.

#### **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. In the second quarter of 2006, the Corporation expects to receive early repayment of all or substantially all of the principal and interest on the acquisition notes receivable as a result of Speedy's sale and leaseback of its properties as previously announced by each of Speedy and the Corporation. Before making any distribution of the proceeds, the Board will assess the possible impact 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.

#### **SELECTED ANNUAL INFORMATION**

*(thousands of dollars, except per share information)*

	<b>2005</b>	<b>2004</b>	<b>2003</b>
	\$	\$	\$
<b>Operating Results</b>			
Revenues from continuing operations	1,956	1,707	55
Income (loss) from continuing operations per share	0.04	(0.05)	(0.20)
Net income (loss)	221	(275)	15,887
Net income (loss) per share	0.04	(0.07)	2.69
<b>Financial Position</b>			
Total Assets	43,897	43,726	98,535
Total long-term financial liabilities	-	-	838

## FINANCIAL DATA FOR THE LAST EIGHT QUARTERS

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

The following table presents the Corporation's quarterly results of operations for each of the last eight quarters. This data has been derived from the Corporation's unaudited financial statements, which were prepared on the same basis as the annual audited financial statements and, in the Corporation's opinion, include all adjustments necessary, consisting solely of normal recurring adjustments, for fair presentation of such information. These unaudited quarterly results should be read in conjunction with the Corporation's audited financial statements for the years ended December 31, 2005 and 2004.

Quarter ended (1) (2)	Revenues	Continuing Operations		Overall Operations	
		Income (loss)	Per share	Net Income (loss)	Per share
	\$	\$	\$	\$	\$
<b>2005</b>					
December 31	548	(101)	(0.01)	(101)	(0.01)
September 30	480	(132)	(0.03)	(132)	(0.03)
June 30	473	140	0.03	140	0.03
March 31	455	314	0.05	314	0.05
<b>2004</b>					
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)

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 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. Forward-looking statements can be identified by the use of words such as "expects", "plans", "will", "believes", "estimates", "intends", "may", "bodes", and other words of similar meaning. Should known or unknown risks or uncertainties materialize, or should management's assumptions prove inaccurate, actual results could vary materially from those anticipated. 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. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities law.*