

McBRIDE COMMUNITY FOREST CORPORATION

FINANCIAL STATEMENTS

December 31, 2003

SCHMITZ & de GRACE
Chartered Accountants

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Chartered Accountants

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AUDITORS' REPORT

To the Shareholder of
McBride Community Forest Corporation

We have audited the balance sheet of McBride Community Forest Corporation as at December 31, 2003 and the statements of operations and deficit and of cash flow for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles. As required by the B.C. Company Act, we report that, in our opinion, these principles have been consistently applied.

Prince George, BC
March 24, 2004


CHARTERED ACCOUNTANTS

McBRIDE COMMUNITY FOREST CORPORATION

STATEMENT OF DEFICIT

For the year ended December 31, 2003

REVENUE

Federal Government grant	\$ 48,611
Salvage licences	40,248
Administration and consulting	4,349
Interest	<u>311</u>
	<u>93,519</u>

EXPENSES

Salaries and employee benefits	74,822
Professional fees	15,308
Travel	2,760
Insurance, licences and dues	1,603
Vehicle	1,551
Repair and maintenance	1,409
Advertising and promotion	1,283
Office and general	867
Bad debts	357
Interest and bank charges	277
Freight	16
Amortization (Note 1)	<u>6,723</u>
	<u>106,976</u>

**NET LOSS FOR THE YEAR AND DEFICIT AT END OF
THE YEAR**

\$ (13,457)

See notes to the financial statements.

SCHMITZ & de GRACE
Chartered Accountants

McBRIDE COMMUNITY FOREST CORPORATION

BALANCE SHEET

December 31, 2003

ASSETS

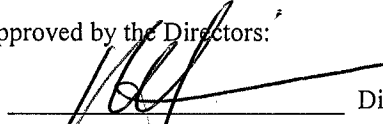
CURRENT ASSETS

Bank	\$ 22,085
Term deposit	16,761
Accounts receivable	17,250
Prepaid expenses	1,989
Due from shareholder	<u>20</u>
	58,105

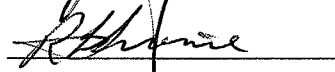
CAPITAL ASSETS (Notes 1 and 2)

38,188

Approved by the Directors:



Director



Director

\$ 96,293

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 13,061
Current portion of long-term debt (Note 3)	<u>9,984</u>
	23,045

LONG-TERM DEBT (Note 3)

36,612

59,657

SHAREHOLDER'S EQUITY

SHARE CAPITAL (Note 4)	20
CONTRIBUTED SURPLUS (Note 5)	<u>50,073</u>

50,093

DEFICIT

(13,457)

36,636

\$ 96,293

See notes to the financial statements.

SCHMITZ & de GRACE
Chartered Accountants

McBRIDE COMMUNITY FOREST CORPORATION

STATEMENT OF CASH FLOW

December 31, 2003

OPERATING ACTIVITIES

Net loss for the year \$ (13,457)
Items not involving cash
Amortization 6,723

(6,734)

Changes in non-cash working capital items

Accounts receivable (17,250)
Prepaid expenses (1,989)
Due from shareholder (20)
Accounts payable 13,061
Current portion of long-term debt 9,984

3,786

Cash from operations

(2,948)

INVESTING ACTIVITIES

Purchase of capital assets (44,911)
Issue of share capital 20

(44,891)

FINANCING ACTIVITIES

Increase in long-term debt 36,612
Surplus contributed 50,073

86,685

CASH AND CASH EQUIVALENTS AT END OF THE YEAR

\$ 38,846

Cash and cash equivalents are comprised of:

Cash \$ 22,085
Term deposit 16,761

\$ 38,846

See notes to the financial statement.

SCHMITZ & de GRACE
Chartered Accountants

McBRIDE COMMUNITY FOREST CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003

1. SIGNIFICANT ACCOUNTING POLICIES

a) Capital assets and Amortization

Amortization of capital assets has been provided for on a declining balance basis at the following annual rates:

Automotive	30%
Equipment	20%

2. CAPITAL ASSETS

Capital assets are recorded at cost and are comprised of the following:

	Cost	Accumulated Amortization	Net Book Value
Automotive	\$ 44,633	\$ 6,695	\$ 37,938
Equipment	278	28	250
	\$ 44,911	\$ 6,723	\$ 38,188

3. LONG-TERM DEBT

The details of long-term debt are as follows:

Ford Credit, interest-free term loan repayable in monthly instalments of \$832 (secured by specific equipment).

\$ 46,596

Less: Due within one year

9,984

\$ 36,612

The portion of long-term debt payable in each of the next five years is:

2004	\$ 9,984
2005	9,984
2006	9,984
2007	9,984
2008	6,660

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003

4. SHARE CAPITAL

Share capital is comprised of the following:

Authorized:

10,000	Class A common shares with a par value of \$1.00 each
10,000	Class B common shares with a par value of \$1.00 each
10,000	Class C common shares with a par value of \$1.00 each
100,000	Class D common shares with a par value of \$0.01 each
100,000	Class A preference shares with a par value of \$0.01 each
100,000	Class B preference shares with a par value of \$0.01 each
100,000	Class C preference shares with a par value of \$100.00 each
100,000	Class D preference shares with a par value of \$0.01 each
100,000	Class E preference shares with a par value of \$0.01 each
100,000	Class F preference shares with a par value of \$0.01 each

Issued:

10	Class A common shares	\$	10
10	Class B common shares		<u>10</u>
		\$	<u>20</u>

5. CONTRIBUTED SURPLUS

The contributed surplus is comprised of contributions made to the company by its only shareholder, the Corporation of the Village of McBride.

6. INCOME TAXES

The company is a 100% owned subsidiary of the Corporation of the Village of McBride, and is consequently not subject to corporate income taxes.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003

7. FINANCIAL INSTRUMENTS

The company's financial instruments are comprised of cash, term deposits, accounts receivable, accounts payable, and long-term debt.

a) Credit Risk

The company provides credit to its clients in the normal course of business and has carried out specific procedures to minimize the risk. Credit risk is minimal.

b) Interest Rate Risk

None of the financial instruments bear interest, therefore, the interest rate risk is nil.

c) Fair Value

The carrying value for primary instruments approximates fair value, due to their short term maturities. The carrying value of non current instruments approximates fair value because it is based upon interest rates currently available to companies in similar circumstances.

8. USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of sales and expenses during the year. Actual results could differ from management's best estimates as additional information becomes available in the future.

9. COMMENCEMENT OF OPERATIONS

The company was incorporated in October 2002, and commenced operations in 2003.