GAINERS INC.
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

AUDITORS' REPORT

To the Shareholder of Gainers Inc.

We have audited the consolidated balance sheet of Gainers Inc. as at September 30, 2002 and the consolidated statements of operations and deficit, and 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 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 company as at September 30, 2002 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants

Edmonton, Alberta
December 6, 2002

GAINERS INC.
CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2002
(in thousands of dollars)

	2002	2001
ASSETS		
Cash	$ 2	$ 2
LIABILITIES		
Accounts payable and accrued liabilities	234	262
Principal and interest on prior years' income taxes (Note 3)	8,607	8,006
Long-term debt (Note 4)	192,798	192,756
	201,639	201,024
Contingencies (Note 5)		
DEFICIT, LESS SHARE CAPITAL		
Deficit	(216,640)	(216,025)
Share capital (Note 6)	1	1
Contributed surplus	15,002	15,002
	(201,637)	(201,022)
	$ 2	$ 2

Approved by the Board of Directors

D. Harrington, Director

GAINERS INC.
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED SEPTEMBER 30, 2002
(in thousands of dollars)

	2002	2001
Revenue		
Recovery of legal fees	$ 2	$ 3
Reduction of long-term debt (Note 4)	-	6,154
Proceeds from the demutualization of an insurance company	-	1,288
Interest income from trust account	-	29
	2	7,474
Expenses		
Interest on prior years' income taxes	601	694
General and administrative	16	65
	617	759
Net (loss) earnings for the year	(615)	6,715
Deficit - Beginning of year	(216,025)	(222,740)
Deficit - End of year	$ (216,640)	$ (216,025)

GAINERS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2002
(in thousands of dollars)

	2002	2001
Cash provided by (used in)		
Operating activities		
Net (loss) earnings for the year	$ (615)	$ 6,715
Item not affecting cash		
Reduction of long-term debt	-	(6,154)
	(615)	561
Net change in non-cash working capital items	573	685
	(42)	1,246
Financing activities		
Repayment of long-term debt	-	(1,316)
Proceeds from long-term debt	42	66
	42	(1,250)
Decrease in cash	-	(4)
Cash - Beginning of year	2	6
Cash - End of year	$ 2	$ 2

GAINERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

(in thousands of dollars)

NOTE 1 BASIS OF PRESENTATION

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets, liabilities, revenues and expenses are dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

The consolidated financial statements of the company include the accounts of Gainers Inc. and its wholly owned subsidiary companies: Gainers Properties Inc. ("GPI") and MPF Note Inc., collectively the "company".

Through September 25, 1993, the company operated on a going-concern basis, which contemplated the realization of assets and discharge of liabilities in the normal course of business. Events since that date have resulted in the discontinuance of all ongoing business. The company has disposed of its non-monetary assets, with the exception of its investment in Pocklington Corp. Inc. described below. The company is waiting for the determination or settlement of remaining lawsuits before its dissolution.

Any repayment of the long-term debt by the company is expected by management to be immaterial.

NOTE 2 INVESTMENT IN AND AMOUNTS DUE FROM FORMER AFFILIATES

The investment, which is recorded at $nil value, is comprised of 77,500 Class A preferred shares of Pocklington Corp. Inc. with a par value of, and which are redeemable at, U.S. $100 per share and which carry annual non-cumulative dividends of U.S. $11 per share. In November 1989, a demand for redemption of the shares was made by Gainers Inc. and an action was commenced against Mr. Pocklington arising from this investment, seeking by way of damages the monies invested together with interest thereon. Mr. Pocklington has counterclaimed seeking statutory indemnification as a director for his actions. Management believes that this counterclaim is without merit. The investment in Pocklington Corp. Inc. has been written down to $nil on the balance sheet.

Advances to the former affiliate, which are recorded at $Nil value, Pocklington Financial Corporation (formerly Pocklington Holdings Inc.) are non-interest bearing and have no specific terms of repayment. In January 1990, Gainers Inc. made demand on and brought an action against Pocklington Financial Corporation to recover the advances. In December 1995, a judgement was rendered and collected in favour of Gainers Inc. in the amount of $770. This amount has been recovered by the company from Pocklington Financial Corporation. This amount was subject to the secured claim of the Province as described in note 4 and was subsequently remitted to the Province of Alberta ("Alberta"). The company appealed this decision, as the company believes that the amount of the judgement should have been higher. The company won the appeal. It is unlikely that the company can recover any further monies from Pocklington Financial Corporation, which is bankrupt.

On August 8, 1989, Gainers Inc. acquired the shares of 350151 Alberta Ltd. ("350151") for $100 cash. On October 4, 1989, Gainers Inc., at the direction of the former owner, sold the shares of 350151 to Pocklington Holdings Inc. for $100 cash. Alberta filed a claim to have the sale reversed. The accounts of 350151 are not included in these financial statements. In December 1995, a judgement as to the ownership of the shares was rendered in favour of Pocklington Financial Corporation. Alberta appealed this decision, and on November 21, 2000 the Alberta Court of Appeal reversed the 1995 judgement. The Court of Appeal has held that the purported sale of the shares of 350151 to Pocklington Holdings Inc. on October 4, 1998 was a breach of the Master Agreement (Note 4) and awarded $4,700 in damages plus trial and appeal costs to the Province against Mr. Pocklington.

On August 8, 1989, 350151 guaranteed payment of a $5,000 loan (which was repaid by GPI in 1998), and granted a collateral land mortgage to Alberta of a property called the Carma 362 Lands. On November 30, 2000, the Province realized the sum of $5,606 (inclusive of interest) from the mortgage security on the Carma 362 Lands. The Court of Appeal directed that any recovery by Alberta from the Carma 362 Lands was to be set off against the judgement against Mr. Pocklington, and vice versa. Thus, the recovery from the mortgage security by Alberta has satisfied the judgement against Mr. Pocklington.

NOTE 3 INCOME TAXES

The prior years' liability for income taxes plus accrued interest is an unsecured debt. The long-term debt owed to Alberta is a secured debt and thus ranks in priority. It is considered unlikely that the company will be able to settle this liability for income taxes and interest as the amount owing to Alberta exceeds the amount, which is reasonably expected to be recovered from the remaining assets of the company.

The Company has capital and non-capital income tax losses available for carry forward to reduce taxable income of future years. The amount of capital losses available for carry forward is $9,711. The amount of non-capital losses available for carry forward is $3,231. These non-capital losses expire as follows:

	(in thousands of dollars)
2004	$ 1,102
2005	1,983
2007	100
2008	32
2009	14
	$ 3,231

NOTE 4 LONG-TERM DEBT

	2002	2001
	(in thousands of dollars)	
Province of Alberta		
Term loan	$ 6,000	$ 6,000
Assignment of prior operating loans from previous banker		
Term bank loan (US $8,749)	11,567	11,567
Operating loan	20,979	20,979
Advances under guarantee for principal and interest payments	31,947	31,947
Promissory note	42,846	42,846
Advance to facilitate sale	13,000	13,000
Advances under guarantee and indemnity for operating line	18,469	18,469
Default costs and guarantee fees	13,499	13,457
Accrued interest	34,491	34,491
	$ 192,798	$ 192,756

The fair value of the long-term debt is dependent on outcomes from claims filed by or against Gainers Inc. Due to the uncertainty of these items, the fair value as at September 30, 2002 is estimated to be $nil.

Province of Alberta

On September 25, 1987, Gainers Inc. and GPI entered into the Master Agreement with Alberta, which provided for a term loan facility and a loan guarantee. Pursuant to the Master Agreement, Gainers Inc. and GPI granted securities to 369413 Alberta Ltd. ("Nominee") which holds the securities and loans, as later described in this Note, in trust for Alberta. A number of events of default, which still continue, occurred during 1989, resulting in the long-term debt and liability to Alberta becoming due and payable. Alberta acted on its security and, on October 6, 1989, took control of Gainers Inc.'s issued and outstanding shares, which previous to this, were controlled by Mr. Pocklington.

As at October 6, 1989, operating loans of $20,979 and a term loan of U.S. $8,749 were purchased, transferred and assigned to the Nominee. In addition, Alberta has made payments since October 6, 1989 under the guarantee to cover principal and interest payments due, including the purchase in December 1993 of the balance due under the promissory note made by GPI to Yasuda Mutual Life Assurance Company.

Reduction of long-term debt

As described in note 2, Alberta realized $5,606 from a collateral security agreement with 350151. In addition, Alberta received $547 from a judgement obtained by Alberta against Mr. Pocklington. As a result of receiving funds on these two actions, on September 30, 2001, Alberta acknowledged a reduction of $6,154 in advances under guarantee for principal and interest payments owing by GPI.

Interest

The interest on the loans and other indebtedness owing to Alberta has not been paid in accordance with the terms of the indebtedness. Effective February 5, 1994, Alberta declared all indebtedness owing by the company to Alberta to be non-interest bearing from the later of February 5, 1994 and the date the indebtedness to the Province of Alberta was incurred.

Security

Collateral security for the indebtedness to Alberta includes a general assignment of book debts, general security agreements over all real and personal property of the company, a pledge of inventory, and fixed and floating charge debentures amounting to $70,000 covering all of the assets of the company. The company continues to be in default and in breach of certain covenants of this indebtedness.

Master Agreement

The Master Agreement provided for Alberta to advance a term loan to GPI in the aggregate amount of $12,000. As at September 30, 1989, $6,000 of the term loan had been advanced. An interest payment due on October 1, 1989 was not made and Alberta, acting on its security, seized control of the company. Since default has occurred under the Master Agreement, the entire amount of the monies advanced for the term loan are due and owing by GPI to Alberta. The term loan which has been advanced, and interest thereon, and the performance and observance of the other covenants of GPI under the Master Agreement, including the obligations of GPI to Alberta in respect to the promissory note, is collaterally secured by a demand debenture made by GPI to the Nominee in the principal sum of $67,000 dated September 25, 1987 and constituting a fixed mortgage and charge over all of the real property, equipment and chattels of GPI and a floating charge over all of the undertaking and other property and assets of GPI, and by a pledge by GPI of preferred shares held by GPI in Gainers Inc.

NOTE 5 CONTINGENCIES

(a) The company and Alberta have filed claims against Mr. Pocklington and companies controlled by him for recovery of certain loans, payments and other transactions prior to October 6, 1989. The claim aggregates approximately $38,000 plus interest. Ultimate recovery of this claim cannot be determined at this time.

(b) Under the terms of the Master Agreement, the company and Mr. Pocklington are liable for all losses, expenses, costs and claims incurred by Alberta as a consequence of a default by the company, as defined in note 1, or by Mr. Pocklington. As a result, since the date of default the company has incurred approximately $14,072 (net of repayments) in the consolidated financial statements for these costs and expenses. It is expected that further costs and expenses will be incurred in the future as a result of continuing default. Ultimate recovery of this claim cannot be determined at this time.

(c) Alberta has brought a claim against Mr. Pocklington for damages arising out of breaches by him of the Master Agreement, alternatively negligent misrepresentations made by him in certificates sworn by him in 1988 and 1989, which caused the Crown to make advances under the Term Loan.

Mr Pocklington has bought a counter claim against the company in which Mr. Pocklington claims indemnification for the entire amount of the main claim.

Alberta obtained summary judgement in the amount of $7,257 in respect of the certificates sworn by Mr. Pocklington in 1988. The judgement has been appealed by Mr. Pocklington. The outcome of this action is not presently determinable.

NOTE 6 SHARE CAPITAL

Authorized
- Unlimited number of Class A common shares
- Unlimited number of Class B preferred shares redeemable/retractable at $ 1 per share with non-cumulative annual dividends at a rate not exceeding 16% of the redemption value
- 12,000,000 Class C preferred shares redeemable at $1per share with cumulative annual dividend compounded semi-annually at 9.6% of the redemption price

Issued

	2002	2001
	(in thousands of dollars)	
101 Class A common shares	$ 1	$ 1
6,000,000 Class C preferred shares	6,000	6,000
	6,001	6,001
Less: 6,000,000 Class C preferred shares held by GPI	6,000	6,000
	$ 1	$ 1