

# **NORTHFIELD CAPITAL CORPORATION**

Consolidated Financial Statements

Years ended December 31, 2004 and 2003

**AUDITORS' REPORT****To the Shareholders of  
Northfield Capital Corporation**

We have audited the consolidated balance sheets of Northfield Capital Corporation as at December 31, 2004 and 2003 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



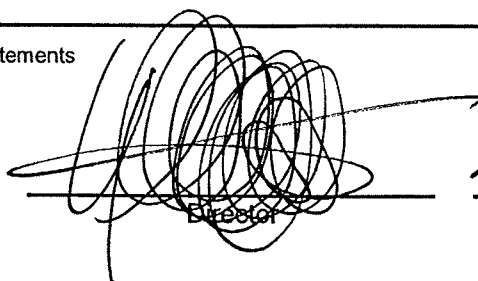
Chartered Accountants  
Toronto, Ontario  
April 27, 2005

**NORTHFIELD CAPITAL CORPORATION  
CONSOLIDATED BALANCE SHEETS**

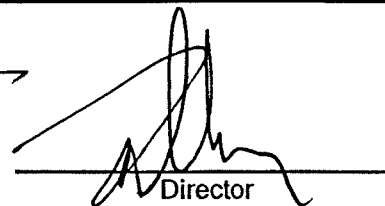
As at December 31	2004	2003
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 465,269	\$ 1,303,676
Receivables (note 2)	4,531,177	4,746,793
Marketable securities (market value \$9,206,804; 2003 - \$7,195,069)	4,103,640	2,161,658
Inventories	1,810,811	1,666,908
Prepaid expenses	94,693	79,530
	<b>11,005,590</b>	<b>9,958,565</b>
<b>Long-Term Investments (note 3)</b>	<b>7,710,971</b>	<b>5,525,734</b>
<b>Notes Receivable (note 4)</b>	<b>2,992</b>	<b>23,214</b>
<b>Future Income Taxes (note 11)</b>	<b>279,215</b>	<b>310,625</b>
<b>Property, Plant and Equipment (notes 5 and 8)</b>	<b>2,469,931</b>	<b>2,623,692</b>
<b>Other Assets (note 6)</b>	<b>921,531</b>	<b>975,949</b>
	<b>\$ 22,390,230</b>	<b>\$ 19,417,779</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank indebtedness (note 7)	\$ 1,372,649	\$ 3,939,820
Due to brokers (note 7)	3,666,109	276,875
Accounts payable and accrued liabilities	2,293,733	2,288,975
Income taxes payable	259,683	259,501
Deferred revenue	115,345	35,178
Current portion of long-term debt (note 8)	133,122	756,428
	<b>7,840,641</b>	<b>7,556,777</b>
<b>Long-Term Debt (note 8)</b>	<b>734,815</b>	<b>485,336</b>
	<b>8,575,456</b>	<b>8,042,113</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (note 9)</b>	<b>3,812,707</b>	<b>3,650,040</b>
<b>Contributed Surplus</b>	<b>72,831</b>	<b>57,831</b>
<b>Retained Earnings</b>	<b>9,929,236</b>	<b>7,667,795</b>
	<b>13,814,774</b>	<b>11,375,666</b>
	<b>\$ 22,390,230</b>	<b>\$ 19,417,779</b>

See accompanying notes to financial statements

Signed on behalf of the Board



Director



Director

**NORTHFIELD CAPITAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF EARNINGS**

Years ended December 31	2004	2003
<b>Revenue</b>		
Sales	\$ 21,836,562	\$ 22,553,001
Other income (note 10)	3,507,383	3,218,229
	<b>25,343,945</b>	<b>25,771,230</b>
<b>Operating expenses</b>		
Cost of sales	15,021,109	16,258,093
Selling and administrative	7,003,989	6,967,593
Amortization	467,671	470,088
Interest on long-term debt	45,842	311,012
Stock-based compensation (note 9)	15,000	15,000
	<b>22,553,611</b>	<b>24,021,786</b>
<b>Earnings before income taxes</b>	<b>2,790,334</b>	<b>1,749,444</b>
<b>Income taxes</b> (note 11)	<b>342,620</b>	<b>167,231</b>
<b>Net earnings</b>	<b>\$ 2,447,714</b>	<b>\$ 1,582,213</b>

**Earnings per share**

Basic	\$ 0.88	\$ 0.58
Diluted	\$ 0.86	\$ 0.57

**Weighted average Class A and Class B shares outstanding**

Basic	2,797,118	2,747,433
Diluted	2,834,097	2,774,933

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

As at December 31	2004	2003
<b>Retained earnings, beginning of year</b>	<b>\$ 7,667,795</b>	<b>\$ 6,224,753</b>
Net earnings	2,447,714	1,582,213
Excess of cost over paid-up value of repurchased shares	(186,273)	(139,171)
<b>Retained earnings, end of year</b>	<b>\$ 9,929,236</b>	<b>\$ 7,667,795</b>

See accompanying notes to financial statements

**NORTHFIELD CAPITAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended December 31	2004	2003
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Net earnings	\$ 2,447,714	\$ 1,582,213
Items not involving current cash flows (note 12)	(2,107,078)	(2,440,384)
Net change in non-cash working capital (note 12)	1,588,449	(1,562,712)
	1,929,085	(2,420,883)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(291,312)	(763,460)
Proceeds on disposal of property, plant and equipment	31,909	38,433
Increase in long-term investments	(3,302,009)	(2,291,191)
Proceeds on disposal of long-term investments	3,738,302	5,080,038
Repayment of notes receivable	20,222	146,600
Dividends received on long-term investments	-	12,000
	197,112	2,222,420
<b>Financing activities</b>		
Change in bank indebtedness	(2,567,171)	750,697
Repayment of long-term debt	(883,097)	(337,556)
Proceeds of long-term debt	509,270	249,490
Proceeds from share options exercised	205,000	127,500
Shares repurchased for cancellation	(228,606)	(199,955)
	(2,964,604)	590,176
<b>Change in cash</b>	(838,407)	391,713
<b>Cash and cash equivalents, beginning of year</b>	1,303,676	911,963
<b>Cash and cash equivalents, end of year</b>	\$ 465,269	\$ 1,303,676

See accompanying notes to financial statements

# **NORTHFIELD CAPITAL CORPORATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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Years ended December 31, 2004 and 2003

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### **1. SIGNIFICANT ACCOUNTING POLICIES**

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of Northfield Capital Corporation and its subsidiaries (the "Company"). Its major subsidiary is Northfield Glass Group Inc.

#### **Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

#### **Financial Instruments**

The carrying value of cash and cash equivalents, receivables, bank indebtedness, due to brokers, accounts payable and accrued liabilities and income taxes payable are considered to be representative of their respective values due to their short-term nature.

The fair value of long-term financial instruments approximate carrying values since actual rates approximate market rates.

#### **Revenue Recognition**

Revenues are recognized upon shipment and when all obligations have been satisfied and collection is reasonably assured. Contract revenue is recognized on the percentage-of-completion basis with any projected contract losses immediately recognized.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, a guaranteed investment certificate and balances with brokers.

#### **Investments**

Marketable securities represent short-term investments which are carried at the lower of cost or trading market value.

Long-term investments in which the Company has significant influence but not control, are accounted for by the equity method. Other long-term investments are carried at cost less any write-downs for impairments that are considered other than temporary.

#### **Inventories**

Inventories consist of raw materials, work in progress, supplies and finished goods and are valued at the lower of cost and net realizable value. Inventories of work in progress are valued using the percentage of completion method based on management's best estimates. Raw materials and supplies are valued at the lower of cost and replacement cost.

#### **Property, Plant and Equipment**

Property, plant and equipment are stated at cost and are amortized over the estimated useful lives of the assets using diminishing balance or straight line methods at effective annual rates ranging from 4% to 30%.

# NORTHFIELD CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2004 and 2003

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Goodwill

Goodwill represents the excess of the purchase price of the Company's interest in subsidiary entities over the fair value of the underlying net identifiable tangible and intangible assets arising on acquisition. Goodwill related to business acquisitions made prior to July 1, 2001 was amortized on a straight-line basis over the estimated useful life of twenty years until September 30, 2002. Goodwill related to business acquisitions made after June 30, 2001 is not amortized. Goodwill must be tested for impairment on an annual basis, or more frequently if events or circumstances occur that more likely than not would reduce the fair value of a reporting unit below its carrying value. Goodwill impairment exists when the carrying value of the reporting unit exceeds its fair value. The fair value of a reporting unit is determined based on the discounted future cash flows. The amount of impairment loss, if any, represents the excess of the carrying value of goodwill over its fair value. This loss will be charged to earnings in the period in which it is incurred.

#### Per Share Information

Per share information is computed using the weighted average number of Class A Restricted Voting Shares and Class B Multiple Voting Shares outstanding during the year. Diluted per share information is calculated using the treasury stock method for options. The treasury stock method assumes that any proceeds obtained upon exercise of options would be used to purchase Class A shares at the average market price during the year.

#### Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

#### Stock-based Compensation

The Company has a stock-based compensation plan, which is described in note 9. The Company accounts for stock options using the fair value method. Under this method, compensation expense for stock options granted is measured at fair value at the grant date using the Black-Scholes valuation model and recognized over the vesting period of the options granted.

### 2. RECEIVABLES

	2004	2003
Trade accounts receivable	\$ 4,510,967	\$ 4,726,125
Current portion of notes receivable (note 4)	20,210	20,668
	<b>\$ 4,531,177</b>	<b>\$ 4,746,793</b>

The Company is exposed to credit risk on the accounts receivable from its customers. Management has adopted credit policies in an effort to minimize those risks. The Company does not have a significant exposure to any individual customer.

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years ended December 31, 2004 and 2003

**3. LONG-TERM INVESTMENTS**

	2004		2003	
	Market value	Cost	Market value	Cost
<b>Accounted for on the cost basis</b>				
Aspen Group Resources Corporation	\$ 1,682,922	\$ 2,096,529	\$ 763,587	\$ 1,467,857
FNX Mining Company Inc.	5,638,379	774,039	12,267,697	922,306
Guyana Goldfields Inc.	4,313,045	1,001,756	1,177,314	751,565
GeoGlobal Resources Inc.	1,790,863	299,942	3,807,505	358,705
Southern Star Resources Inc.	815,580	898,032	1,212,960	313,918
	<b>\$ 14,240,789</b>	<b>5,070,298</b>	<b>\$ 19,229,063</b>	<b>3,814,351</b>
<b>Accounted for on the equity basis</b>				
Cimatec Environmental Engineering Inc.				
Common shares (20%)	\$ 615,262	1,208,974	\$ 778,156	1,159,734
Demand note receivable at bank prime rate of interest plus 2%. The effective interest rate at December 31, 2004 was 6.5%.		835,000		400,000
Share of equity loss		(570,000)		(386,000)
		<b>1,473,974</b>		<b>1,173,734</b>
The Grange of Prince Edward Inc.				
Common shares (47%)		1,512,000		680,000
Share of equity loss		(345,301)		(142,351)
		<b>1,166,699</b>		<b>537,649</b>
<b>Total long-term investments</b>		<b>\$ 7,710,971</b>		<b>\$ 5,525,734</b>

**4. NOTES RECEIVABLE**

	2004	2003
Note receivable, bearing interest at 6%, repayable in blended monthly instalments of \$1,010, due April 2006.	\$ 14,554	\$ 25,452
Note receivable, bearing interest at 6.5%, repayable in blended monthly instalments of \$891, due October 2005.	8,648	18,430
	<b>23,202</b>	<b>43,882</b>
Current portion	<b>20,210</b>	<b>20,668</b>
	<b>\$ 2,992</b>	<b>\$ 23,214</b>



**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years ended December 31, 2004 and 2003

**5. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated Amortization	2004 Net	2003 Net
Land	\$ 291,152	\$ -	\$ 291,152	\$ 291,152
Buildings	1,236,369	413,519	822,850	794,939
Equipment and furnishings	3,195,959	2,342,622	853,337	951,872
Vehicles	1,160,563	781,191	379,372	396,542
Leasehold improvements	346,989	223,769	123,220	189,187
	<b>\$ 6,231,032</b>	<b>\$ 3,761,101</b>	<b>\$ 2,469,931</b>	<b>\$ 2,623,692</b>

**6. OTHER ASSETS**

	2004	2003
Goodwill	\$ 921,531	\$ 921,531
Other	-	54,418
	<b>\$ 921,531</b>	<b>\$ 975,949</b>

**7. CREDIT FACILITIES**

The Company's subsidiaries have a line of credit available to a maximum of \$2,700,000. The available line as at December 31, 2004 was \$2,200,000 of which \$718,000 was drawn and outstanding. As security, the subsidiaries have provided an assignment of receivables, term deposit, inventories and a general security agreement covering all assets of the subsidiaries. Interest is calculated at the bank's prime rate of interest plus 1%. The effective interest rate at December 31, 2004 was 5.25% (2003 - 5.5%).

A guaranteed investment certificate in the amount of \$200,000 (2003 - \$600,000) is held by the bank as security for a bonding Letter of Credit.

Due to broker represents overdraft positions in the Company's margin accounts with various brokers and is secured by certain marketable securities. The maximum amount available is dependent on the securities held in the account. Interest is calculated at the broker's prime rate of interest plus 1.5% to 2%.

The Grange of Prince Edward Inc. (note 3) has a credit facility with Farm Credit Canada for a total of \$950,000. The Company has guaranteed 50% of this credit facility.

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years ended December 31, 2004 and 2003

**8. LONG-TERM DEBT**

	2004	2003
BDC term loan, repayable in monthly instalments of \$3,750 plus interest at BDC floating rate plus 1%, maturing June 2006.	\$ 67,500	\$ 112,500
BDC term loan, repayable in monthly instalments of \$1,667 plus interest at BDC floating rate plus 1%, maturing November 2007.	58,345	78,349
BDC term loan, repayable in monthly instalments of \$1,800 plus interest at BDC floating rate plus 1%, maturing December 2008.	-	108,000
BDC term loan, repayable in monthly instalments of \$2,459 plus interest at BDC floating rate plus 1%, maturing June 2009.	132,786	162,294
BDC term loan, repayable in monthly instalments of \$1,166 plus interest at BDC floating rate plus 0.6%, maturing December 2010.	-	97,944
BDC term loan, repayable in monthly instalments of \$3,820 plus interest at BDC floating rate plus 1.5%, maturing March 2020. First payment is due April 2005.	509,270	-
Bank term loan, repayable in monthly instalments of \$5,000 plus interest, bearing interest at bank prime rate plus 1.5%, maturing March 2007. The effective interest rate at December 31, 2003 was 6%.	-	195,000
Bank term loan, repayable in monthly instalments of \$5,200 plus interest at bank prime rate plus 1.5%, maturing February 2007. The effective interest rate at December 31, 2003 was 6%.	-	197,490
Notes payable, non-interest bearing, payable on January 1, 2004.	-	195,834
Other	100,036	94,353
	<b>867,937</b>	1,241,764
Current portion	<b>133,122</b>	756,428
	<b>\$ 734,815</b>	<b>\$ 485,336</b>

As security for all BDC term loans, Northfield Glass Group Inc. has provided a mortgage on land and building with a net book value of \$1,114,002 and a general security agreement covering all its assets. The BDC floating interest rate at December 31, 2004 was 6.25%, therefore the effective interest rate of the above BDC term loans was 7.25% and 7.75%.

Principal repayments of long-term debt are as follows:

2005	\$ 133,122
2006	140,532
2007	114,942
2008	80,867
2009	60,594
Thereafter	337,880
	<b>\$ 867,937</b>

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years ended December 31, 2004 and 2003

**9. SHARE CAPITAL**

**Authorized**

An unlimited number of :

- Class A Restricted Voting Shares
- Class B Multiple Voting Shares having 500 votes per share, convertible into one Class A Restricted Voting Share; ownership is restricted to the original promoters of the Company
- Preference shares

**Issued**

	Number of Shares	Consideration	Contributed Surplus
<b>Class A Restricted Voting Shares</b>			
Balance, December 31, 2002	2,722,713	\$ 3,575,644	\$ 42,831
Share options exercised	55,000	127,500	-
Stock-based compensation	-	-	15,000
Shares repurchased for cancellation	(45,500)	(60,784)	-
Balance, December 31, 2003	<b>2,732,213</b>	<b>3,642,360</b>	<b>57,831</b>
Share options exercised	<b>65,000</b>	<b>205,000</b>	-
Stock-based compensation	-	-	15,000
Shares repurchased for cancellation	<b>(30,778)</b>	<b>(42,333)</b>	-
Balance, December 31, 2004	<b>2,766,435</b>	<b>3,805,027</b>	<b>72,831</b>
<b>Class B Multiple Voting Shares</b>			
Balance, December 31, 2002, 2003 and 2004	<b>3,720</b>	<b>7,680</b>	-
	<b>2,770,155</b>	<b>\$ 3,812,707</b>	<b>\$ 72,831</b>

**Options**

The Company has a stock option plan (the "Plan") in place under which the board of directors may grant options to acquire up to 490,000 Class A Restricted Voting Shares ("Class A shares") of the Company to qualified directors, officers, employees and other ongoing service providers. The exercise price of options issued may not be less than the fair market value of the Class A shares at the time the option is granted. The options are non-assignable and may be granted for a term not exceeding five years. Options issued under the Plan may vest at the discretion of the board of directors and must vest over a period of at least 18 months and must be released in equal stages on a quarterly basis. The number of Class A shares reserved for issuance to any one person upon the exercise of options may not exceed 5% of the issued and outstanding Class A shares at the date of such grant.

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years ended December 31, 2004 and 2003

**9. SHARE CAPITAL (continued)**

**Options (continued)**

Stock option transactions and the number of stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2002	280,000	\$ 4.24
Options granted	10,000	5.50
Options exercised	(55,000)	2.32
Options expired	(5,000)	2.00
Balance, December 31, 2003	<b>230,000</b>	<b>4.00</b>
Options exercised	<b>(65,000)</b>	<b>3.15</b>
Balance, December 31, 2004	<b>165,000</b>	<b>\$ 5.45</b>

As at December 31, 2004, options were outstanding to certain officers, directors and key employees for the purchase of Class A restricted voting shares as follows:

Date of Grant	Number	Exercise Price	Expiry Date
June 26, 2000	15,000	5.00	June 26, 2005
February 19, 2002	140,000	5.50	February 19, 2007
June 26, 2003	10,000	5.50	June 26, 2008
	<b>165,000</b>		

As at December 31, 2004, all of the options were exercisable. No options were granted during the year.

**Stock-based Compensation**

Effective January 1, 2003 the Company changed its accounting policy to recognize the cost of its stock-based compensation based on the estimated fair value of the stock options granted. This change was applied prospectively. The Company has recognized stock option expense and contributed surplus of \$15,000 (2003 - \$15,000) for its stock-based compensation plan.

The fair value of each stock option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 3.38%, an expected life of 3 years, a volatility factor of 64% and no dividends.

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years ended December 31, 2004 and 2003

**10. OTHER INCOME (EXPENSE)**

	2004	2003
Gain on sale of long-term investments	\$ 3,008,481	\$ 3,158,100
Gain on sale of marketable securities	1,107,782	451,308
Investment and other income	(221,558)	(33,812)
Loss on disposal of property, plant and equipment	(372)	(63,936)
Write-down of goodwill	-	(42,751)
Equity loss	(386,950)	(250,680)
	<b>\$ 3,507,383</b>	<b>\$ 3,218,229</b>

**11. INCOME TAXES**

The future income tax asset is comprised of the following temporary differences:

	2004	2003
Property, plant and equipment	\$ 52,530	\$ 16,676
Other assets	(42,532)	(83,000)
Income tax losses	269,217	376,949
	<b>\$ 279,215</b>	<b>\$ 310,625</b>

The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 36.1 % (2003 - 36.6%) were the following:

	2004	2003
Earnings before income taxes	\$ 2,790,334	\$ 1,749,444
Expected income tax expense at statutory rates	\$ 1,007,311	\$ 640,297
Increase (decrease) resulting from:		
Non-taxable portion of capital gains	(689,343)	(660,521)
Flow-through share deductions	(129,960)	(75,945)
Unrecognized losses of subsidiaries	(14,817)	116,618
Equity loss	139,690	91,748
Stock-based compensation	5,415	5,490
Other	24,324	49,544
	<b>\$ 342,620</b>	<b>\$ 167,231</b>

The details of the provision for income taxes are as follows:

	2004	2003
Current provision	\$ 374,030	\$ 240,620
Future provision (recovery)	(31,410)	(73,389)
	<b>\$ 342,620</b>	<b>\$ 167,231</b>

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years ended December 31, 2004 and 2003

**12. STATEMENT OF CASH FLOWS**

	2004	2003
<b>Items not involving current cash flows</b>		
Amortization	\$ 467,671	\$ 470,088
Equity loss	386,950	250,680
Future income taxes	31,410	(117,149)
Loss on disposal of property, plant and equipment	372	63,935
Gain on sale of long-term investments	(3,008,481)	(3,158,100)
Other	-	35,162
Stock-based compensation	15,000	15,000
	<b>\$ (2,107,078)</b>	<b>\$ (2,440,384)</b>
<b>Net change in non-cash working capital</b>		
Receivables	\$ 215,158	\$ (677,797)
Marketable securities	(1,941,982)	(646,343)
Inventories	(143,903)	345,947
Prepaid expenses	(15,163)	(18,100)
Due to brokers	3,389,234	(18,743)
Accounts payable and accrued liabilities	4,756	(53,815)
Income taxes	182	8,094
Deferred revenue	80,167	(1,955)
Demand loan payable	-	(500,000)
	<b>\$ 1,588,449</b>	<b>\$ (1,562,712)</b>
<b>Supplemental information</b>		
Interest paid	\$ 336,997	\$ 326,906
Income taxes paid	\$ 331,122	\$ 256,062

**13. RELATED PARTY TRANSACTIONS**

During the year, the Company paid consulting fees of \$120,000 (2003 - \$120,000) to a company controlled by an officer, paid rent of \$44,400 (2003 - \$43,440) and consulting fees of \$44,940 (2003 - \$44,940) to a company controlled by another officer and paid rent of \$105,600 (2003 - \$105,600) to a company controlled by a director. These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition, during the year the Company recognized sales and purchases of inventory from a company owned 39% by a director in the amount of \$1,102,000 and \$171,000 (2003 - \$916,000 and \$213,000) respectively. These transactions are in the normal course of operations and are recorded at their exchange amount. As at December 31, 2004, \$193,000 (2003 - \$177,000) relating to such transactions is included in receivables.

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years ended December 31, 2004 and 2003

**14. CONTINGENCIES AND COMMITMENTS**

**Operating Leases**

The Company is committed to and contingently liable for annual rental payments for premises and equipment as follows:

2005	\$	518,649
2006		414,180
2007		341,133
2008		170,028
2009		134,573

**\$ 1,578,563**

In addition, the Company has entered into additional financing arrangements for a capital expansion of its manufacturing facility located in Bathurst, New Brunswick. The total budgeted capital cost of the project is \$ 1,727,065 and is expected to be completed by April 2005. Total costs incurred and capitalized as at December 31, 2004 were \$ 301,065. Capital financing for the project is committed from the Business Development Bank of Canada.

**15. SEGMENTED INFORMATION**

Glass sales and installation - Henry J. Thomas & Son Limited operates in the province of Newfoundland; Northfield Glass Group Inc. operates in the provinces of Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland.

Other - Corporate activities and other.

	2004	2003
<b>Revenues</b>		
Glass sales and installation	\$ 21,836,562	\$ 22,553,001
Other	3,507,383	3,218,229
	<b>\$ 25,343,945</b>	<b>\$ 25,771,230</b>
<b>Earnings before income taxes</b>		
Glass sales and installation	\$ 40,043	\$ (401,386)
Other	2,750,291	2,150,830
	<b>\$ 2,790,334</b>	<b>\$ 1,749,444</b>
<b>Additions to property, plant and equipment</b>		
Glass sales and installation	\$ 291,312	\$ 758,211
Other	-	5,249
	<b>\$ 291,312</b>	<b>\$ 763,460</b>
<b>Total assets</b>		
Glass sales and installation	\$ 10,148,001	\$ 11,403,112
Other	12,242,229	8,014,667
	<b>\$ 22,390,230</b>	<b>\$ 19,417,779</b>

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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Years ended December 31, 2004 and 2003

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**15. SEGMENTED INFORMATION (continued)**

**Amortization expense**

Glass sales and installation

\$ 465,322 \$ 467,868

Other

2,349 2,220

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\$ 467,671 \$ 470,088

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**16. COMPARATIVE FIGURES**

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2004 consolidated financial statements.