

Financial Statements of
Adagio Corporation, Inc.

Years Ended May 31, 2005 and 2004

Adagio Corporation, Inc.

100 North Charles Street
Baltimore, MD
21201

Auditor's Report

To the Members of
Adagio Corporation, Inc.

We have audited the balance sheet of Adagio Corporation, Inc. as at May 31, 2005 and the statements of revenue and expenses and members' equity and cash flows for the year then ended. These financial statements are the responsibility of the Society'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 ma

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at May 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
February 18, 2005

Andrew Bates

Adagio Corporation, Inc.

Balance Sheets

May 31, 2005 and 2004

	2005	2004
Assets		
Current Assets:		
Cash and short-term deposits	\$ 127,317.07	\$ 69,623.13
Accounts receivable	162,769.79	19,339.50
GST recoverable	0.00	0.00
Prepaid expenses	0.00	0.00
Other current assets	387,205.66	171,861.78
	677,292.52	260,824.41
Property and equipment (note 3)	24,785.46	23,056.67
	\$ 702,077.98	\$ 283,881.08

Liabilities and Members' Equity

Current liabilities:		
Account payable and accrued liabilities	395,962.99	191,989.03
Members equity	306,114.99	91,892.05
	702,077.98	283,881.08

Appropriations (note 4)

See accompanying notes to financial statements

Approved on behalf of the Board

Director

Director

Adagio Corporation, Inc.

Statements of Revenue and Expenses and Members' Equity

Years ended May 31, 2005 and 2004

	2005	2004
Revenue:		
Sales	\$ 506,680.45	\$ 29,530.00
Other revenue	0.00	0.00
	506,680.45	29,530.00
Interest & Miscellaneous revenue	399.79	0.00
	\$ 507,080.24	\$ 29,530.00
Expenses:		
Cost of sales (schedule)	260,153.08	15,048.35
Operating expenses (schedule)	84,789.72	70,070.64
Amortization	0.00	0.00
	344,942.80	85,118.99
Other:		
Bank charges	0.00	0.00
GST	0.00	0.00
Other expenses	6.23	0.00
	6.23	0.00
	344,949.03	85,118.99
Excess (deficiency) of revenue over expenses	162,131.21	(55,588.99)
Members' equity, beginning of year	(134,630.97)	(143,983.78)
Members' equity, end of year	\$ 27,500.24	\$ (199,572.77)

See accompanying notes to financial statements.

Adagio Corporation, Inc.

Statements of Cash Flows

Years ended May 31, 2005 and 2004

	2005	2004
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 506,680.45	\$ 29,530.00
Amortization, an item not involving cash	0.00	0.00
	506,680.45	29,530.00
Changes in non-cash operating working capital		
Accounts receivable	0.00	0.00
GST recoverable	0.00	0.00
Prepaid expenses	0.00	0.00
Accounts payable and accrued liabilities	0.00	0.00
	506,680.45	29,530.00
Purchase of property and equipment	260,153.08	15,048.35
Increase in cash and short-term deposits	766,833.53	44,578.35
Cash and short-term deposits, beginning of year	0.00	0.00
Cash and short-term deposits, end of year	0.00	0.00

See accompanying notes to financial statements.

Adagio Corporation, Inc.

Notes to Financial Statements

Years ended May 31, 2005 and 2004

1) Operations

The Society was incorporated under the Society Act of British Columbia on February 14, 1999. Its principal activities are to develop and promote good works.

2) Significant accounting policy

The Society's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenue is recognized when receivable and expenses are recognized at the time the obligation is incurred.

3) Property and equipment

Property and equipment are stated at cost. Amortization is not taken in the year of acquisition. Amortization on all assets except computer software is provided on a straight-line basis at an annual rate of 20 per cent. Computer software is amortized at a rate of 100%.

			2005	2004
	Cost	Accumulated amortization	Net book value	Net book value
Assets				
Computer	0.00	0.00	0.00	0.00
Equipment	0.00	0.00	0.00	0.00
Furniture	0.00	0.00	0.00	0.00
Website development	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00

4) Appropriations

The Society has committed the following amounts to certain projects:

	2005	2004
Marketing program		
Festival		
Conference		

5) Fair value of financial assets and financial liabilities

The carrying values of cash and short-term investments, accounts receivable, GST receivable, prepaid expenses and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items.

Adagio Corporation, Inc.

Schedules of Expenses

Years ended May 31, 2005 and 2004

	2005	2004
Cost of Sales		
Subcontracted Consultants	\$ 1,500.00	\$ 11,272.67
COS - Software	3,775.68	3,775.68
COS - Bikes	83,502.34	0.00
COS - Golf	48,096.97	0.00
COS - Kayaks	72,156.27	0.00
COS - Snowboard	3,705.15	0.00
COS - Windsurfing	47,486.67	0.00
Inventory Assembly Cost Credit	(70.00)	0.00
	\$ 260,153.08	\$ 15,048.35
Operating Expenses		
Accounting fees	\$ 684.75	\$ 858.00
Advertising	3,250.00	4,970.85
Communications	6,664.94	8,132.19
Computer expenses	0.00	1,267.02
Consultant Salaries	48,764.64	10,000.00
Contributions	0.00	346.06
Depreciation expense	1,448.13	1,695.04
Dues and subscriptions	56.85	366.70
Insurance - Health	6,269.20	6,269.20
Legal fees	0.00	1,919.45
Meals & Entertainment	0.00	1,083.97
Miscellaneous expense	0.00	497.40
Payroll Taxes	3,194.40	0.00
Office Expense	1,116.54	1,097.40
Postage and Shipping	781.64	2,543.04
Promotional	0.00	1,866.64
Publications & Books	0.00	460.97
Sales and Use Tax Expense	7,000.00	7,000.00
Software & Demo's	0.00	8,838.76
Training & Seminars	0.00	5,789.99
Travel Expenses	0.00	1,055.34
Utilities	3,585.08	4,012.62
Discounts	1,973.55	0.00
	\$ 84,789.72	\$ 70,070.64