EXHIBIT E

FINANCIAL STATEMENTS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
North American Centre
5700 Yonge Street, Suite 1900
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April 4, 2006

To the Board of Directors
The Franchise Company (U.S.) Inc.
c/o Sivyer Barlow & Watson, P.A.
100 South Ashley Drive, Suite 2150
Tampa, Florida 33602
United States of America

Dear Sirs

Auditors' Consent

We agree to the inclusion in the Uniform Franchise Offering Circular of Pillar to Post Inc. [a wholly owned subsidiary of The Franchise Company (U.S.) Inc.] with the effective date of April 1, 2006, of our report dated February 24, 2006, on our audit of the consolidated financial statements of The Franchise Company (U.S.) Inc. as of and for the year ended December 31, 2005.

This consent should not be regarded as in any way updating the aforementioned report or representing that we performed any procedures subsequent to the date of such report.

Yours truly,

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

The Franchise Company (U.S.) Inc.

Consolidated Financial Statements
December 31, 2005 and 2004
(expressed in US dollars)

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To the Stockholders of
The Franchise Company (U.S.) Inc.

We have audited the accompanying consolidated balance sheets of **The Franchise Company (U.S.) Inc.** (the Company) as at December 31, 2005 and 2004 and the consolidated statements of income, changes in stockholders' equity 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 financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **The Franchise Company (U.S.) Inc.** as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Chartered Accountants

February 24, 2006

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The Franchise Company (U.S.) Inc.

Consolidated Balance Sheets

As at December 31, 2005 and 2004

(expressed in US dollars)

	2005 $	2004 $
Assets		
Current assets		
Cash and cash equivalents	2,335,001	2,805,441
Restricted cash (note 2)	722,002	246,925
Due from franchisees - net of allowance for doubtful accounts of $3,478,210 (2004 - $2,967,409)	10,707,815	9,332,320
Notes receivable (note 4)	566,681	541,442
Inventories	4,653,807	3,042,591
Prepaid expenses and other current assets	1,732,021	1,491,411
Deferred income taxes (note 10)	184,902	435,726
Assets of discontinued operations (note 19)	-	1,085,701
	20,902,229	18,981,557
Notes receivable (note 4)	2,048,908	1,568,901
Investments (note 5)	70,000	75,000
Property and equipment (note 6)	6,961,969	4,360,568
Intangible assets (note 8)	25,796,725	24,679,398
Goodwill (note 9)	36,523,966	33,725,249
	92,303,797	83,390,673

Approved by the Board

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The accompanying notes are an integral part of these consolidated financial statements.

The Franchise Company (U.S.) Inc.

Consolidated Balance Sheets ...*continued*

As at December 31, 2005 and 2004

(expressed in US dollars)

	2005 $	2004 $
Liabilities		
Current liabilities		
Accounts payable	3,792,259	5,093,853
Accrued liabilities	2,359,159	3,028,972
Bonuses payable	3,073,282	2,167,313
Current portion of notes payable (note 11)	2,580,599	2,170,260
Deferred revenue and customer deposits	1,792,202	1,419,633
Due to parent (note 3)	2,464,663	494,559
Income taxes payable	5,837,352	4,713,545
Current portion of obligations under capital leases (note 15)	635,370	344,439
Liabilities of discontinued operations (note 19)	-	255,600
	22,534,886	19,688,174
Obligations under capital leases (note 15)	1,292,654	524,817
Notes payable (note 11)	755,072	-
Due to parent (note 3)	8,033,250	13,407,836
Deferred income taxes (note 10)	10,952,069	10,360,891
Redeemable preferred stock, no par value, 100 shares authorized, issued and outstanding (aggregate liquidation preference of $12,502,000 at December 31, 2005) (note 13)	12,502,000	12,502,000
Minority interest	1,418,117	1,054,314
	57,488,048	57,538,032
Stockholders' Equity		
Common stock, $0.10 par value, 100 shares authorized, issued and outstanding	10	10
Additional paid-in capital	2,986,255	2,986,255
Stockholders' equity	31,829,484	22,866,376
	34,815,749	25,852,641
	92,303,797	83,390,673

Commitments and contingencies (note 14)

The accompanying notes are an integral part of these consolidated financial statements.

The Franchise Company (U.S.) Inc.

Consolidated Statements of Income

For the years ended December 31, 2005 and 2004

(expressed in US dollars)

	2005 $	2004 $
Revenues		
Royalties	35,527,203	31,478,617
Franchise fees	3,424,312	3,383,245
Merchandise sales	60,090,398	47,471,026
Administrative support and other	16,492,696	13,918,163
	115,534,609	96,251,051
Cost and expenses		
Franchise operating expenses	21,192,708	18,208,197
Cost of merchandise sales	42,304,786	33,172,210
General and administrative	25,862,347	22,932,266
Management fees to parent (note 3)	4,541,992	4,163,254
Depreciation and amortization	2,474,404	2,032,451
	96,376,237	80,508,378
Income from operations	19,158,372	15,742,673
Other income (expense)		
Interest income	144,384	151,788
Interest expense (note 3)	(1,901,417)	(2,567,037)
Dividends on shares subject to mandatory redemption (note 13)	(1,500,240)	(1,500,240)
Gain on dilution of investment interests in wholly owned subsidiaries (note 17)	114,949	409,420
	(3,142,324)	(3,506,069)
Income before minority interest	16,016,048	12,236,604
Minority interest in net income of consolidated subsidiaries	(737,528)	(443,314)
Income before income taxes	15,278,520	11,793,290
Provision for income taxes (note 10)	6,314,800	4,575,930
Net income from continuing operations	8,963,720	7,217,360
Net loss from discontinued operations (note 19)	(612)	(1,295,953)
Net income for the year	8,963,108	5,921,407

The accompanying notes are an integral part of these consolidated financial statements.

The Franchise Company (U.S.) Inc.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2005 and 2004

(expressed in US dollars)

	Common stock, $0.10 par value $	Additional paid-in capital $	Retained earnings $	Total $
Balance at December 31, 2003	10	2,986,255	16,944,969	19,931,234
Net income	-	-	5,921,407	5,921,407
Balance at December 31, 2004	10	2,986,255	22,866,376	25,852,641
Net income	-	-	8,963,108	8,963,108
Balance at December 31, 2005	10	2,986,255	31,829,484	34,815,749

The accompanying notes are an integral part of these consolidated financial statements.

The Franchise Company (U.S.) Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2005 and 2004

(expressed in US dollars)

	2005 $	2004 $
Cash flows provided by (used in)		
Operating activities		
Net income from continuing operations	8,963,720	7,217,360
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property and equipment	1,449,461	1,053,163
Amortization of intangible assets	1,024,943	979,288
Deferred income taxes (note 10)	50,000	(372,815)
Minority interest in net income of consolidated subsidiaries	737,528	443,314
Gain on dilution of investment interests in wholly owned subsidiaries (note 17)	(114,949)	(409,420)
Other	-	396,000
Change in non-cash working capital (note 12)	(861,463)	3,174,660
Cash flows from operating activities of discontinued operations	(42,853)	71,012
	11,206,387	12,552,562
Investing activities		
Purchases of property and equipment	(2,405,565)	(2,009,223)
Contingent consideration paid (note 9)	(1,389,634)	(1,182,230)
Payment for acquisitions including acquisition costs - net of cash acquired (note 7)	(1,669,492)	(1,215,772)
Purchase of royalty sharing rights (note 8)	(149,619)	(64,619)
Sale (purchase) of investments	5,000	(75,000)
(Increase) decrease in restricted cash	(475,077)	294,611
Investing activities related to discontinued operations	360,000	(15,784)
	(5,724,387)	(4,268,017)
Financing activities		
Advances from parent	2,015,000	-
Payments to parent	(7,389,586)	(9,283,989)
Payments of notes payable	(372,500)	(368,000)
Payments of dividends to minority interest	(449,650)	(392,737)
Payments of obligations under capital leases	(344,439)	(209,070)
Proceeds on sale of interest in subsidiary (note 17)	190,874	450,000
Increase in notes payable to third parties	397,861	1,324,260
	(5,952,440)	(8,479,536)
Net change in cash and cash equivalents	(470,440)	(194,991)
Cash and cash equivalents - Beginning of year	2,805,441	3,000,432
Cash and cash equivalents - End of year	2,335,001	2,805,441
Supplementary cash flow information		
Cash paid for interest	3,291,263	4,551,266
Cash paid for income taxes	5,010,891	3,359,549
Capital lease additions	1,268,697	395,647

The accompanying notes are an integral part of these consolidated financial statements.

(expressed in US dollars)

1 Summary of business operations and basis of presentation

The Franchise Company (U.S.) Inc. (the Company), incorporated on March 15, 1996, is a wholly owned subsidiary of The Franchise Company Inc., which is an 83%-owned subsidiary of FirstService Corporation, a publicly owned Canadian diversified holding company.

Through the following subsidiaries: College Pro Painters (U.S.) Ltd., Certa ProPainters Ltd., Paul Davis Restoration, Inc., California Closet Company, Inc., Pillar to Post, Inc., Floor Coverings International, Ltd. and The Franchise Development Centre Inc., the Company's principal function is recruiting, training and the operation of franchise systems throughout the United States. In addition, the Company controls seven California Closet franchises that produce and install custom organization systems. Through Growers and Nomads Inc., a 60%-owned subsidiary, the Company is also engaged in marketing and brand advertising.

2 Summary of significant accounting policies

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates made by management relate to the collectibility of accounts and notes receivable, valuation of inventories and fair values of goodwill and intangible assets. Actual results could differ from these estimates.

Significant accounting policies are summarized as follows.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions between the Company and its subsidiaries are eliminated on consolidation.

Revenue recognition

a) Royalties

Royalties are generally charged as a percentage of revenue, as defined by the franchise agreements, and recognized when sales are reported by the franchisees, with the exception of certain Certa ProPainters Ltd. franchise agreements, where some franchisees are charged a fixed monthly amount.

b) Franchise fees

Revenue from the sale of franchises and master franchises is recognized in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 45, which

(expressed in US dollars)

provides for the recognition of franchise fee revenue when all material services or conditions relating to the sale of the franchise have been substantially performed, the required deposits have been received, and collectibility of outstanding amounts is reasonably assured.

c) **Merchandise sales and administrative support**

Revenue from the sale of merchandise or the provision of administrative and other support services is recognized in accordance with SEC Staff Accounting Bulletins Nos. 101 and 104, which provide for recognition of revenue when the product is shipped or services are provided, and collectibility is reasonably assured. Prices for sales of all merchandise or provision of services are fixed as at the date of sale.

Cash and cash equivalents

The Company considers all highly liquid investments purchased having an initial maturity of three months or less to be cash equivalents. Cash equivalents include money market funds and time deposits, which are carried at cost, plus accrued interest, which approximates market.

Restricted cash

Restricted cash is composed of cash restricted for marketing fund use. The Company is in custody of cash received by franchisees for use in their respective marketing funds of $722,002 (2004 - $246,925).

Investments

Investments comprise reacquired franchises and are carried at the lower of cost and net realizable value.

Inventories

Inventories consist of finished products, accessories and components of closet and workspace systems, painting kits, film, supplies held for resale and other equipment used by franchisees in their operations.

Inventories are valued at the lower of cost or market. Market is defined as the replacement cost limited to a net realizable value (NRV) ceiling amount, defined as selling price less selling costs and costs to complete, if any, and limited by an NRV less normal profit floor amount. Cost is determined by the first-in, first-out method.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets, except for leasehold improvements, which are depreciated on a straight-line basis over the lesser of the useful life of the asset or the remaining lease term. The half-year convention is applied in the year of acquisition.

(expressed in US dollars)

Maintenance and repairs are charged to operations as incurred, while betterments and additions are capitalized. Upon sale or retirement, the cost of the property and the related accumulated depreciation are removed from the respective accounts and any resulting gains or losses are reflected in operations.

Goodwill and intangible assets

Goodwill and intangible assets are accounted for in accordance with SFAS No. 141, "Business Combinations" (SFAS 141), and SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired in a business combination and is not subject to amortization.

Amortizable intangible assets are amortized using the straight-line method over their 7- to 35-year estimated usable lives.

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate the asset might be impaired, in which case the carrying value of the asset is written down to its fair value. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using a discounted cash flow approach. If the carrying amount of the reporting unit exceeds its fair value, then a second step is performed to determine the fair value of the goodwill of each reporting unit as it would in a business acquisition. In the event that the carrying amount of goodwill exceeds its fair value, this excess is charged to operations as an impairment loss.

Valuation of long-lived assets

The Company reviews the carrying value of its long-lived assets, including, but not limited to, property and equipment, intangible assets and other assets, if events or changes in circumstances indicate the asset might be impaired. The carrying value of a long-lived asset is considered impaired when the undiscounted cash flow from such asset is estimated to be less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of would be determined in a similar manner, except that fair market value would be reduced by the cost of disposal.

Income taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes" (SFAS 109). SFAS 109 is an asset and liability approach that requires the recognition of deferred income tax assets and liabilities for the expected future income tax consequences of temporary differences between the carrying amounts and the income tax bases of assets and liabilities. Deferred income tax assets are recognized, net of any valuation allowance, for deductible temporary differences and net operating loss and income tax credit carry-forwards, and deferred income tax liabilities are recognized for taxable temporary differences. Deferred income tax assets are recognized only to the extent that management determines it to be more likely than not that the deferred income tax assets will be realized. A valuation allowance is recorded when there is uncertainty regarding realization of an income tax asset. Deferred income tax assets and liabilities are adjusted

for the effects of changes in income tax laws and rates on the date of enactment. The income tax expense or benefit is the income tax payable or refundable for the period plus or minus the change in deferred income tax assets and liabilities during the period.

Fair value

Unless otherwise stated, the fair values of financial instruments approximate their carrying amounts. Included in financial instruments are cash and cash equivalents, restricted cash, due from franchisees, notes receivable, accounts payable, accrued liabilities, bonuses payable, income taxes payable, notes payable and obligations under capital leases. The carrying values of these instruments approximate their fair values.

Financial instruments also include amounts due to parent with a maturity date on June 1, 2007 and an interest rate of 12%. Management considers that no events have occurred subsequent to the arrangement of this loan that would indicate that its fair value differs substantially from its carrying value.

Concentration of credit risk

The Company's financial instruments exposed to credit risk include cash and cash equivalents, restricted cash, due from franchisees and notes receivable. The Company places its cash and cash equivalents with institutions of high creditworthiness. Management routinely assesses the collectibility of its notes and amounts due from franchisees and, as a consequence, believes that credit risk exposure is limited.

Accounting changes and error corrections

In May 2005, the FASB issued SFAS 154, "Accounting Changes and Error Corrections" (SFAS 154). SFAS 154 replaces APB Opinion No. 20 and FASB Statement No. 3. SFAS 154 changes the requirements for the accounting and reporting for a change in accounting principle by requiring that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented using the new accounting principle, unless it is impracticable to do so. SFAS 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. Management does not believe that the adoption of SFAS 154 will have a material effect on the Company's consolidated financial statements.

Share-based payments

In December 2004, the FASB issued SFAS 123: (Revised 2004), "Share-Based Payment" (SFAS 123R). SFAS 123R replaces SFAS 123 and supersedes APB Opinion No. 25: "Accounting for Stock Issued to Employees," under which the Company currently accounts for share-based payments. SFAS 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements and be measured based on the fair value of the equity or liability instruments issued. SFAS 123R will be adopted using the prospective method and is effective as of the first interim or annual reporting period beginning after December 15, 2005. Management does not believe that the adoption of SFAS 123R will have a material effect on the Company's consolidated financial statements.

(expressed in US dollars)

3 Transactions with related parties

Management fees

The Company has a management agreement with its parent, The Franchise Company Inc., which provides certain administrative and management services to the Company. For the year ended December 31, 2005, costs for such services totalled $4,541,992 (2004 - $4,163,254).

Due to/from parent

As at December 31, 2005, the Company owed The Franchise Company Inc. $2,464,663 (2004 - $494,559). These amounts are uncollateralized, are due on demand and bear no interest. Balances with The Franchise Company Inc. fluctuate significantly during the period between amounts receivable and amounts payable as a result of the seasonal nature of certain Company operations.

As at December 31, amounts due to FirstService Corporation, the ultimate parent of The Franchise Company Inc., consisted of the following:

	2005 $	2004 $
Accounts payable, insurance premium due in current period	79,683	-
Note payable, interest payable at 12%, no security, due June 1, 2007	8,033,250	13,407,836
	8,112,933	13,407,836

Interest expense on notes payable to the parent was $1,525,692 (2004 - $2,320,163). These transactions were in the normal course of operations and were measured at the exchange amount.

Growers and Nomads Inc. earned fees of approximately $399,070 (2004 - $295,000) from advertising funds, which are managed by the Company on behalf of franchisees, and are included within administrative support and other revenue in the statements of income.

4 Notes receivable

The Company has notes receivable from franchisees for various franchise fees and royalties. These notes bear interest at rates ranging from 4% to 12% and are repayable in monthly instalments. Also included in notes receivable are amounts owing from certain minority interest stockholders. The total amount due from minority interests is $1,246,623. These notes bear interest at 4% and are due on December 31, 2010.

(expressed in US dollars)

As at December 31, 2005, annual maturities on the notes receivable are as follows:

	$
2006	573,847
2007	336,142
2008	228,896
2009	87,074
2010	22,522
Thereafter	1,397,108
	2,645,589
Less: Allowance for doubtful accounts	30,000
	2,615,589
Less: Current portion	566,681
Long-term notes receivable	2,048,908

5 Investments

	2005 $	2004 $
Territories	70,000	75,000

Investments consist of territories reacquired from franchises held for resale. Investments are carried at the lower of cost and net realizable value.

6 Property and equipment

Property and equipment consist of the following:

	Amortization period	2005 $	2004 $
Production equipment	5 to 7 years	3,633,165	1,959,425
Vehicles	5 to 12 years	1,764,754	1,094,222
Furniture and fixtures	5 to 10 years	1,106,440	1,119,619
Computers and equipment	3 to 5 years	2,834,744	3,267,742
Leasehold improvements	5 to 6 years	1,868,879	919,137
Internally developed software	3 to 5 years	2,027,510	1,254,250
		13,235,492	9,614,395
Less: Accumulated depreciation		6,273,523	5,253,827
		6,961,969	4,360,568

(expressed in US dollars)

Depreciation expense totalled $1,449,461 for the year ended December 31, 2005 (2004 - $1,053,163).

Assets under capital lease included in property and equipment comprise internally developed software and production equipment. The cost and accumulated amortization of these assets are $3,096,133 and $1,023,060, respectively.

7 Acquisitions

2005 acquisitions

Creative Closets, Inc.

On January 1, 2005, the Company acquired 80% of the common shares of Creative Closets Inc. operating as California Closets, located in Dallas, Texas.

Marsand, Inc.

On April 1, 2005, the Company acquired 80% of the common shares of Marsand, Inc., located in Phoenix, Arizona.

(expressed in US dollars)

The net assets acquired and the consideration given are summarized below:

	Creative Closets, Inc. $	Marsand, Inc. $	Total $
Net assets acquired			
Cash	79,335	58,080	137,415
Accounts receivable	43,283	259,024	302,307
Inventories	113,254	150,326	263,580
Prepaid expenses and other current assets	-	18,238	18,238
Total current assets	235,872	485,668	721,540
Property and equipment	257,568	125,687	383,255
Intangible assets - franchise agreements	572,651	1,420,000	1,992,651
Goodwill	581,297	952,540	1,533,837
Accounts payable and accrued liabilities	(367,393)	(168,701)	(536,094)
Deferred revenue and customer deposits	(83,944)	(137,756)	(221,700)
Deferred income taxes	(224,000)	(568,000)	(792,000)
Obligations under capital leases	(25,309)	(109,201)	(134,510)
	946,742	2,000,237	2,946,979
Consideration			
Notes payable	405,000	735,072	1,140,072
Cash	541,742	1,265,165	1,806,907
	946,742	2,000,237	2,946,979

2004 acquisitions

There were no acquisitions of new businesses completed in 2004. However, the Company purchased 5% of California Closet Company, Inc. that had been sold in 2003 to an employee. The transaction resulted in an increase in goodwill of $1,215,772.

Contingent consideration

During 2005, $1,389,634 (2004 - $3,199,090) was paid in respect of the contingent purchase price consideration relating to prior acquisitions. These additional amounts have been recorded in goodwill.

The remaining contingencies will expire during the period extending to September 20, 2006. The amount to be paid, if any, is not known at this time.

(expressed in US dollars)

8 Intangible assets

			2005
	Gross carrying amount $	**Accumulated amortization $**	**Net $**
Amortized intangible assets			
Royalty sharing rights	777,035	136,903	640,132
Finite life franchise intangible assets			
Franchise agreements	28,379,275	5,161,166	23,218,109
Reacquired franchise rights	1,992,651	54,167	1,918,484
	31,148,961	5,352,236	25,796,725

			2004
	Gross carrying amount $	**Accumulated amortization $**	**Net $**
Amortized intangible assets			
Royalty sharing rights	627,416	94,903	532,513
Finite life franchise intangible assets			
Franchise agreements	28,379,275	4,232,390	24,146,885
	29,006,691	4,327,293	24,679,398

During the year ended December 31, 2005, the Company acquired the following intangible assets:

	Amount $	**Weighted average amortization period in years**
Reacquired franchise rights	1,992,651	30
Royalty sharing rights	149,619	15
	2,142,270	

(expressed in US dollars)

The following is the estimated annual amortization expense for each of the next five years ending December 31:

	$
2006	1,048,920
2007	1,048,920
2008	1,048,920
2009	1,048,920
2010	1,048,920
	5,244,600

9 Goodwill

Goodwill consists of the following:

	2005 $	2004 $
Balance - January 1	33,725,249	29,310,387
Goodwill resulting from purchase price allocations (note 7)	1,533,837	1,215,772
Goodwill resulting from contingent acquisition payments (note 7)	1,389,634	3,199,090
Release of accrual previously established on acquisition	(124,754)	-
Balance - December 31	36,523,966	33,725,249

10 Income taxes

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

	2005 $	2004 $
Current provision		
Federal	5,050,848	3,864,550
State	1,213,952	1,084,195
	6,264,800	4,948,745
Deferred provision		
Federal	47,000	(350,446)
State	3,000	(22,369)
	50,000	(372,815)
	6,314,800	4,575,930

(expressed in US dollars)

Income tax expense differs from the federal statutory income tax rate as follows:

	2005 %	2004 %
Federal statutory income tax rate	34.00	34.00
State income taxes, net of federal benefit	6.00	6.00
Permanent differences		
Dilution gains	(0.28)	(1.50)
Other	1.61	0.30
	41.33	38.80

The components of deferred income tax assets and liabilities are as follows:

	2005 $	2004 $
Deferred income tax assets		
Accrued expenses	87,657	281,088
Other reserves	97,245	154,638
	184,902	435,726
Deferred income tax liabilities		
Purchased goodwill	641,488	469,419
Property and equipment	231,462	232,319
Intangible assets acquired on acquisitions	10,079,119	9,659,153
	10,952,069	10,360,891
Net deferred income tax liabilities	(10,767,167)	(9,925,165)

(expressed in US dollars)

11 Notes payable

Notes payable are summarized as follows:

	2005 $	2004 $
Promissory note, unsecured, payable on demand, interest at 12%	1,266,510	1,324,260
Promissory note, unsecured, payable on demand, interest at 12%	400,000	600,000
Promissory note, unsecured, payable on demand, interest at 12%	116,839	84,000
Promissory note, unsecured, payable on demand, interest at 12%	47,250	72,000
Promissory note, unsecured, payable at $90,000 per year beginning 2003, interest at 5%	-	90,000
Promissory note, unsecured, payable at $135,000 per year beginning 2005, interest at 5%	405,000	-
Promissory note, unsecured, payable on demand, interest at 12%	365,000	-
Promissory note, unsecured, payable at $250,000 per year beginning 2006, interest at 5%	735,072	-
	3,335,671	2,170,260
Less: Current portion	2,580,599	2,170,260
	755,072	-

All amounts included in notes payable are due to certain minority interest shareholders.

12 Change in non-cash working capital

	2005 $	2004 $
Due from franchisees	(1,098,761)	(1,236,961)
Due to parent	2,099,857	1,148,256
Inventories	(1,336,535)	(151,509)
Notes receivable	(143,408)	722,978
Prepaid expenses and other current assets	(210,800)	(229,091)
Accounts payable	(2,057,751)	75,807
Accrued liabilities	(424,812)	666,263
Bonuses payable	905,969	616,899
Deferred revenue and customer deposits	150,869	102,924
Income taxes payable	1,253,909	1,459,094
	(861,463)	3,174,660

(expressed in US dollars)

13 Shares subject to mandatory redemption

In 2002, the Company purchased 100 Series A Redeemable Preferred Stock (Series A stock) previously issued by its subsidiary, TFC 1197, from its parent, The Franchise Company Inc. In exchange for the Series A stock, the Company issued a promissory note payable for $9,515,835 and one common share for proceeds of $2,986,165. Subsequent to the purchase, the wholly owned subsidiary, TFC 1197, redeemed all of the Series A stock for $12,502,000 and the Company repaid the promissory note to The Franchise Company Inc. Prior to redemption, dividends of $1,339,940 (2001 - $1,500,240) were paid to The Franchise Company Inc. In 2002, the Company's wholly owned subsidiary, TFC 1102, issued 100 shares of no par value, Series A, preferred stock for $125,020 per share, totalling approximately $12,502,000, to The Franchise Company Inc. Series A, preferred stockholders are subject to the following rights and privileges.

Redemption and conversion

Series A, preferred stockholders are entitled at any time to cause all or a portion of the shares to be redeemed by the issuer at a price equal to $125,020 per share plus cumulative unpaid dividends after December 31, 2009. In addition, the issuer shall be entitled to retract all or a portion of the shares any time after December 31, 2009 at a price of $125,020 per share plus cumulative unpaid dividends. No redemption of the Series A, preferred stock shall be made unless the issuer has the funds available. If the issuer does not have sufficient funds to redeem all shares designated for redemption, then the issuer shall redeem such shares pro rata or in any other manner determined by the Board of Directors. The Series A, preferred stockholders are not entitled to any conversion rights.

Voting

Except as provided by law, Series A, preferred stockholders are not entitled to voting rights.

Preferred stock dividends

Series A, preferred stockholders are entitled to receive dividends that are cumulative and carry an annual dividend yield of 12%. During fiscal 2005, dividends of $1,500,240 (2004 - $1,500,240) were paid on these shares. No dividends are in arrears.

Liquidation

In certain events, including liquidation, dissolution or the winding up of the Company, the Series A, preferred stockholders shall be entitled to receive an amount equal to $125,020 per share plus cumulative unpaid dividends before any payment is made to the common stockholders. The holders of the Series A, preferred stock shall have no further liquidation rights.

As described in note 14, the Company has an obligation to purchase the Series A, preferred stock from The Franchise Company Inc.

(expressed in US dollars)

14 Commitments and contingencies

The Company leases office space, vehicles and equipment under non-cancellable operating lease agreements. Future minimum lease payments for the years ending December 31 are approximately as follows:

	$
2006	2,349,197
2007	2,199,022
2008	1,973,851
2009	1,464,229
2010	778,882
Total minimum lease payments	8,765,181

Rent expense amounted to $2,167,306 (2004 - $1,777,924).

The Company is involved in legal proceedings and claims primarily arising in the normal course of its business. In the opinion of management, the Company's liability, if any, would not materially affect its financial condition or operations.

On November 22, 2002, the Company entered into a forward transfer agreement with its parent, The Franchise Company Inc. Under the terms of the arrangement, the Company is obligated to purchase 100 Series A, preferred stock of TFC 1102, a wholly owned subsidiary, from The Franchise Company Inc. The purchase date contemplated in the forward transfer agreement is December 31, 2007; however, the occurrence of certain specified events would permit the Company to purchase the stock at an earlier date. Per the agreement, the acquisition price is $125,020 per share plus cumulative unpaid dividends.

The Company has shareholder agreements with the minority owners of its subsidiaries. These agreements allow the Company to "call" the minority position for a predetermined formula price, which is usually equal to a multiple of net earnings before extraordinary items, minority interest share of earnings, income taxes, interest, depreciation and amortization, paid by the Company for the original acquisition. The minority owners may also "put" their interest to the Company at the same price subject to certain limitations. Acquisitions of these minority interests would be accounted for using the purchase method. The total obligation if all call and put options were exercised at December 31, 2005 would be approximately $6,275,670 (2004 - $5,105,527).

The Company has granted a member of management options to purchase 111 shares (approximately 10%) of its wholly owned subsidiary California Closet Company, Inc., at a predetermined price. These options were granted in 2002 and expire in 2006. The Company has also granted members of management options to purchase 11 shares (approximately 10%) of its wholly owned subsidiary College Pro Painters (U.S). Ltd., at a predetermined price. These options expire in 2008.

(expressed in US dollars)

15 Obligations under capital leases

The following is a schedule of the future minimum lease payments for the capital leases together with the balance of the obligations:

	$
2006	752,843
2007	576,135
2008	455,006
2009	253,360
2010	126,450
Total minimum lease payments	2,163,794
Less: Imputed interest	235,770
Balance of obligations	1,928,024
Less: Current portion	635,370
	1,292,654

16 Letters of credit

College Pro Painters (U.S.) Ltd. was required to obtain irrevocable letters of credit with a bank totalling $2,421,000 (2004 - $2,180,000). The letters of credit are to remain open for the duration of certain stop-loss insurance policies or until all insurance claims against College Pro Painters (U.S.) Ltd. have been settled.

17 Gain on dilution of investment interests in wholly owned subsidiaries

On June 30, 2005, the Company sold a 2.5% interest in Certa ProPainters Ltd. to senior members of Certa ProPainters Ltd.'s management. The Company received consideration totalling $190,874. The transaction resulted in a dilution gain of $114,949.

On March 15, 2004, the Company sold a 5.6% interest in Certa ProPainters Ltd. and, on June 30, 2004, sold an additional 2% to senior members of Certa ProPainters Ltd.'s management. The Company received consideration totalling $450,000 in cash. The transaction resulted in a dilution gain of $409,420.

On September 30, 2004, the Company sold a 20% interest in More Than Closets, Inc. to an employee. The Company received cash consideration of $1,275,000 and a note payable of $49,000. No dilution gain was recorded on the transaction.

18 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

(expressed in US dollars)

19 Discontinued operations

On February 25, 2005, the Company sold its interest in a wholly owned subsidiary, Stained Glass Overlay, Inc. (SGO), to the president of SGO. The net proceeds from the sale were approximately $700,000, net of transaction costs, which consisted of cash in the amount of $360,000 and a note receivable for the remaining balance. The note receivable bears interest at the rate of 10% per annum and is to be repaid in quarterly instalments over a four-year period.

The results of SGO have been accounted for as a discontinued operation and, for reporting purposes, the results of operations, financial position and cash flows have been segregated from those of continuing operations for the current and prior periods.

A loss on disposal of $1,100,801 was recorded at December 31, 2004 and included a goodwill impairment charge of $636,000 and a reduction in assets held for sale of $464,801.

The Company's assets and liabilities of discontinued operations consisted of the following:

	2005 **$**	**2004** **$**
Assets		
Current assets	-	1,085,701
Liabilities		
Current liabilities	-	255,600

Financial results from discontinued operations:

	2005 **$**	**2004** **$**
Revenue	475,225	2,995,432
Loss from discontinued operations before income taxes	(612)	(1,426,055)
Recovery of income taxes	-	130,102
	(612)	(1,295,953)

20 Defined contribution pension plan

The Company contributed $107,775 during the year (2004 - $103,452) to its 401(k) plan, which has been recorded as an expense in each of the respective years.