

OFEK CAPITAL CORP.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2004

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AUDITORS' REPORT

To the Shareholders of
Ofek Capital Corp.

We have audited the consolidated balance sheet of **Ofek Capital Corp.** as at October 31, 2004 and the consolidated statements of deficit, earnings and cash flows for the year then ended. The consolidated 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 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 October 31, 2004 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

SF Partnership, LLP

Toronto, Canada
March 7, 2005

CHARTERED ACCOUNTANTS

OFEK CAPITAL CORP.

(Incorporated under the Ontario Business Corporations Act)

Consolidated Balance Sheet

(Stated in United States Dollars)

October 31, 2004

	2004	2003
ASSETS		
Current		
Cash	\$ -	\$ 28,766
Term deposits	125,400	115,016
Accounts receivable	17,976	182,629
Prepaid and sundry	11,864	211,286
Current portion of net investment in lease (note 2)	639,624	413,847
Investment in marketable securities	112,400	112,400
	<u>907,264</u>	1,063,944
Equipment (note 3)	15,540	25,036
Loan Receivable (note 4)	471,917	421,354
Net Investment in Leases (note 2)	669,166	721,609
Future Income Taxes (note 5)	192,693	148,258
Intangible Assets (note 6)	80,000	80,000
	<u>\$ 2,336,580</u>	<u>\$ 2,460,201</u>
LIABILITIES		
Current		
Bank indebtedness (note 7)	\$ 12,946	\$ -
Accounts payable and accrued charges	175,186	179,373
Advances from shareholder (note 8)	101,920	129,899
Income taxes payable	5,896	7,888
Long-term debt - current portion (note 9)	738,900	684,270
	<u>1,034,848</u>	1,001,430
Long-term Debt (note 9)	907,206	846,860
Non-Controlling Interest	(98,636)	(102,007)
	<u>1,843,418</u>	1,746,283
SHAREHOLDERS' EQUITY		
Capital Stock (note 10)	2,618,060	2,744,330
Paid in Capital	500,000	500,000
Cumulative Translation Adjustment	(10,222)	(33,994)
Deficit	(2,614,676)	(2,496,418)
	<u>493,162</u>	713,918
Net Shareholders' Equity	<u>\$ 2,336,580</u>	<u>\$ 2,460,201</u>

APPROVED ON BEHALF OF THE BOARD

"Shalom Romm"

 Director

 Director

(See accompanying Notes to Consolidated Financial Statements)

OFEK CAPITAL CORP.
Consolidated Statement of Deficit
(Stated in United States Dollars)
Year Ended October 31, 2004

	2004	2003
Deficit - beginning of year	\$ (2,496,418)	\$ (399,258)
Net loss	<u>(118,258)</u>	<u>(2,097,160)</u>
Deficit - end of year	<u>\$ (2,614,676)</u>	<u>\$ (2,496,418)</u>

(See accompanying Notes to Consolidated Financial Statements)

OFEK CAPITAL CORP.
 Consolidated Statement of Earnings
 (Stated in United States Dollars)
 Year Ended October 31, 2004

	2004	2003
Revenue		
Direct finance	\$ 627,435	\$ 529,023
Administration fees	<u>107,351</u>	<u>37,735</u>
	<u>734,786</u>	<u>566,758</u>
Expenses		
Interest on long-term debt	232,822	216,477
General and administrative	222,471	156,854
Salaries and employee benefits	220,986	149,919
Professional fees	12,350	376,996
Interest and bank charges	8,311	4,593
Advertising and promotion	1,904	266
Bad debts	182,629	-
Amortization	<u>3,762</u>	<u>7,907</u>
	<u>885,235</u>	<u>913,012</u>
Loss Before the Undernoted	<u>(150,449)</u>	<u>(346,254)</u>
Other revenue	-	182,629
Write down of goodwill	<u>-</u>	<u>(1,726,989)</u>
	<u>-</u>	<u>(1,544,360)</u>
Loss Before Non-Controlling Interest	(150,449)	(1,890,614)
Non-controlling interest	<u>(391)</u>	<u>1,468</u>
Loss Before Income Taxes	(150,840)	(1,889,146)
Future income taxes (recovery)	<u>(32,582)</u>	<u>208,014</u>
Net Loss	<u>\$ (118,258)</u>	<u>\$ (2,097,160)</u>
Net Earnings (Loss) Per Common Share	<u>\$ -</u>	<u>\$ (0.06)</u>

(See accompanying Notes to Consolidated Financial Statements)

OFEK CAPITAL CORP.
Consolidated Statement of Cash Flows
(Stated in United States Dollars)
Year Ended October 31, 2004

	2004	2003
Cash Flows from Operating Activities		
Net loss	\$ (118,258)	\$ (2,097,160)
Adjustments for:		
Amortization	3,762	7,907
Write down of goodwill	-	1,726,989
	<u>(114,496)</u>	<u>(362,264)</u>
Changes in non-cash working capital		
Term deposits	(10,384)	(29,190)
Accounts receivable	164,653	(182,629)
Prepaid expenses and sundry assets	199,422	320,404
Accounts payable and accrued charges	(4,187)	68,761
Loan receivable	(50,563)	(47,423)
Net investment in leases	(173,334)	(181,970)
Income taxes payable	(1,992)	5,488
Future income taxes	(44,435)	168,890
Non cash transactions		
Additions to goodwill	-	(93,999)
Issuance of capital stock	(182,000)	56,201
Non-controlling interest	3,371	(1,468)
	<u>(213,945)</u>	<u>(279,199)</u>
Cash Flows from Investing Activities		
Disposals (additions) to equipment	5,734	(2,926)
Bank advances	12,946	-
	<u>18,680</u>	<u>(2,926)</u>
Cash Flows from Financing Activities		
Issuance of capital stock	55,730	-
Long-term debt	114,976	209,449
Advances from shareholder	(27,979)	55,435
	<u>142,727</u>	<u>264,884</u>
Increase (Decrease) in the Cumulative Translation Adjustment	<u>23,772</u>	<u>(15,982)</u>
Net Decrease in Cash	<u>(28,766)</u>	<u>(33,223)</u>
Cash - beginning of year	<u>28,766</u>	<u>61,989</u>
Cash - end of year	<u>\$ -</u>	<u>\$ 28,766</u>

(See accompanying Notes to Consolidated Financial Statements)

OFEK CAPITAL CORP.

Notes to Consolidated Financial Statements

(Stated in United States Dollars)

October 31, 2004

1. Summary of Significant Accounting Policies

The accounting policies of the company are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant:

a) Unit of Measurement

The accompanying financial statements are expressed in United States dollars.

b) Principles of Consolidation

The accompanying financial statements include the accounts of Ofek Capital Corp. and its wholly-owned subsidiaries Cheltenham Estates Limited (o/a AJM Leasing), AmeriCan Factoring Corp. and Mortgage Bankers of North America Inc. In addition, the consolidated financial statements include the accounts of its approximately 84% owned subsidiary, Secondarymarkets.com, Inc. The accounts of Secondarymarkets.com, Inc. include those of its wholly-owned subsidiary, Northern Pacific Funding Group, Inc. All significant intercompany transactions and balances have been eliminated on consolidation.

c) Incorporation and General

The company was incorporated on March 31, 1999 under the Ontario Business Corporations Act. On April 25, 2000, the company changed its name to Ofek Capital Corp.

d) Revenue Recognition

The company accounts for leases as direct finance leases. Under this method, the company recognizes finance income over the term of the lease.

Revenues from administration fees are earned upon signing of contracts with customers and represents fees charged to customers entering into leases in the year.

e) Equipment and Amortization

Equipment is stated at cost. Amortization, based on the estimated useful lives of the assets, is provided using the undernoted annual rates and methods:

Computer software	30%	Declining balance
Furniture and equipment	20%	Declining balance

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Notes to Consolidated Financial Statements
(Stated in United States Dollars)
October 31, 2004

1. Summary of Significant Accounting Policies (cont'd)

f) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the tangible and intangible assets acquired, less liabilities assumed, based on fair values. The Company reviews goodwill on an annual basis or at any other time when events or circumstances have occurred that might indicate an impairment of the carrying values. When the carrying amount of the reporting unit goodwill exceeds the fair value of the goodwill, an impairment loss would be recognized in an amount equal to the excess.

g) Intangible Assets

Patent and Royalty Rights are valued based on management's estimate of the value received for these rights, in exchange for the issuance of common shares in a prior period.

Should it become evident in a future period that there is an impairment in the value of these rights, the asset will be written-down and charged to earnings in the year in which the impairment becomes evident.

h) Investments in Marketable Securities

Investments in marketable securities are valued at the lower of cost and market.

i) Earnings Per Share

Basic earnings (loss) per share is based on the weighted average number of common shares outstanding during the year of 42,704,559 (2003 - 33,524,808).

OFEK CAPITAL CORP.

Notes to Consolidated Financial Statements
(Stated in United States Dollars)
October 31, 2004

1. Summary of Significant Accounting Policies (cont'd)

j) Financial Instruments and Risk Management

The carrying amounts of term deposits, accounts receivable, prepaid and sundry, investment in marketable securities, loan receivable, bank indebtedness, accounts payable and accrued charges approximates their fair market value due to the relatively short-term maturity of these instruments. The stated value of long-term debt approximates fair value, as the interest rates attached to these instruments are representative of current market rates, for loans with similar terms, conditions and maturities. Advances from shareholder are not subject to fixed terms of repayment or interest and therefore their fair market value cannot be estimated.

The fair value of the net investment in leases has not been disclosed as it cannot be reasonably estimated.

The company is exposed to credit risk on its net investment in leases. This credit risk is considered minimal as the underlying values of the leased assets held as security are generally greater than the outstanding receivables and the company does not have a significant exposure to any individual lessee.

k) Future Income Taxes

The company follows the liability method of accounting for income taxes. Under this method future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future tax assets or liabilities are expected to be realized or settled. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs.

l) 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Net Investment in Leases

Net Investment in Leases represent outstanding loans due from various customers for leased vehicles that bear interest at varying rates of interest.

OFEK CAPITAL CORP.
 Notes to Consolidated Financial Statements
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 October 31, 2004

3. Equipment

	2004		2003	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer software	\$ 14,511	\$ 12,816	\$ 17,926	\$ 10,197
Furniture and equipment	<u>65,475</u>	<u>51,630</u>	65,475	48,168
	<u>\$ 79,986</u>	<u>\$ 64,446</u>	<u>\$ 83,401</u>	<u>\$ 58,365</u>
Net carrying amount		<u>\$ 15,540</u>		<u>\$ 25,036</u>

4. Loan Receivable

The note receivable is from Lado Holdings Inc., a Delaware Corporation, note bears interest at 12% per annum calculated monthly and is due April 2006.

5. Income Taxes

The company has non-capital tax losses of approximately \$819,593 available to offset future taxable income. The tax losses expire as follows:

2007	\$ 65,900
2008	185,650
2009	212,000
2010	192,250
2014	<u>229,693</u>
	<u>\$ 819,593</u>

The components of future income taxes are as follows:

	2004	2003
Future income tax assets		
Net investment in leases	\$ 152,227	\$ 118,309
Non-capital tax loss carry forward	<u>40,466</u>	<u>29,949</u>
Future income taxes	<u>\$ 192,693</u>	<u>\$ 148,258</u>

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6. Intangible Assets

Secondarymarkets.com, a subsidiary of the company, has a patent pending for a proprietary mortgage lending software technology system.

7. Bank Indebtedness

The Company's banking agreement provides for a maximum overdraft lending facility of \$102,500, due on demand and bearing interest at prime. The indebtedness is secured by a general security agreement providing a first charge over all assets and a term deposit for \$125,400.

8. Advances from Shareholder

These advances are unsecured, non-interest bearing and are due on demand.

9. Long-term Debt

	<u>Current</u>	<u>Long-term</u>	<u>2004 Total</u>	<u>2003 Total</u>
Jack Kurin in trust	\$ 738,900	\$ 907,206	\$ 1,646,106	\$ 1,531,130

The loan payable to Jack Kurin in trust bears interest at 16% per annum and is unsecured. Principal repayments are based on leases outstanding at that time, with average monthly payments of \$61,575.

The following is a summary of the company's principal repayments due in future fiscal years:

2005	\$ 738,900
2006	738,900
2007	<u>168,306</u>
	<u>\$ 1,646,106</u>

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 Notes to Consolidated Financial Statements
 (Stated in United States Dollars)
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10. Capital Stock

Authorized		
Unlimited number of common shares		
	2004	2003
Issued		
43,602,600 (2003 - 39,317,600) common shares	\$ 2,618,060	\$ 2,744,330

During the twelve month period ended October 31, 2004 the Company issued 4,285,000 common shares for total consideration of \$112,730.

The details of these transactions are as follows:

- a) The Company issued out of treasury an aggregate of 785,000 common shares, for consulting services, for total consideration of \$19,500.
- b) During 2003 the Company rescinded 500,000 common shares having a total value of \$120,000 for non-performance of various service agreements. In 2004 the remaining 500,000 shares relating to service agreements were rescinded.
- c) The Company issued out of treasury an aggregate of 2,500,000 common shares, for cash consideration of \$55,730.
- d) The Company issued out of treasury an aggregate of 1,500,000 common shares towards prepaid consulting services for total consideration of \$37,500 pursuant to an agreement.
- e) The Company had previously issued shares for services for a total consideration of \$239,000. The contracts for these services expired during the year resulting in an adjustment to share capital, prepaids and sundry. The Company is attempting to recover these previously issued shares.

11. Stock Options

Pursuant to an agreement with the company and the original shareholders of Cheltenham Estates Limited, the original shareholders of Cheltenham Estates Limited have an option to purchase two million common shares at a rate of \$0.80 per common share until October 30, 2006.

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12. Income Taxes - Future

The provision for future income taxes has been computed as follows:

Tax effect of the significant components of temporary differences giving rise to the company's future income taxes are as follows:

	2004	2003
Differences between amortization and capital cost allowance	\$ (23,370)	\$ 214,511
Amounts related to tax losses carried forward	<u>(9,212)</u>	<u>(6,497)</u>
Future income taxes (recovery)	<u>\$ (32,582)</u>	<u>\$ 208,014</u>

13. Subsequent Events

Subsequent to the year end, the company entered into an agreement to sell Cheltenham Estates Limited, its wholly owned and only currently operating subsidiary to Kaptor Financial Inc. 100% of the shares in Cheltenham Estates Limited will be exchanged for a 25% interest in Kaptor.

14. Contingent Liabilities

The company has been named defendant in lawsuits involving various automobile insurance claims. In the opinion of management, which is supported by legal counsel, the occurrence of the confirming events are not determinable and an estimate of the potential liability cannot be made. However, the company has adequate insurance to cover any potential future loss. Consequently no provision has been made for any loss in these financial statements.

15. United States Generally Accepted Accounting Principles

Although these financial statements have been prepared in accordance with Canadian generally accepted accounting principles, these financial statements also conform, in all material respects with generally accepted accounting principles in the United States of America.