



**GATEWAY ENTERPRISES LTD.**

FINANCIAL STATEMENTS

JUNE 30, 2002

# **D E V I S S E R G R A Y**

## **CHARTERED ACCOUNTANTS**

401 - 905 West Pender Street  
Vancouver, BC Canada  
V6C 1L6

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### **AUDITORS' REPORT**

To the Shareholders of Gateway Enterprises Ltd.

We have audited the balance sheets of Gateway Enterprises Ltd. as at June 30, 2002 and 2001 and the statements of operations and deficit and cash flows for the year ended June 30, 2002 and for the period from the date of incorporation on August 14, 2000 to June 30, 2001. 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 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 financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2002 and 2001 and the results of its operations and cash flows for the year ended June 30, 2002 and for the period from the date of incorporation on August 14, 2000 to June 30, 2001, in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

### **CHARTERED ACCOUNTANTS**

Vancouver, British Columbia  
September 23, 2002

**GATEWAY ENTERPRISES LTD.**

Balance Sheets

As at June 30,

	2002	2001
	\$	\$
<b>A S S E T S</b>		
<b>Current</b>		
Cash and cash equivalents	213,566	231,964
Accounts receivable	572	2,692
Prepaid expenses	1,025	-
	<u>215,163</u>	<u>234,656</u>

**L I A B I L I T I E S**

<b>Current</b>		
Accounts payable and accrued liabilities	3,495	12,063
Due to related parties (note 5)	1,284	500
	<u>4,779</u>	<u>12,563</u>

**S H A R E H O L D E R S = E Q U I T Y**

Share capital (note 3)	245,748	245,748
Deficit	(35,364)	(23,655)
	<u>210,384</u>	<u>222,093</u>
	<u>215,163</u>	<u>234,656</u>

Continuance of operations (note 1)

Approved by the Board of Directors:

"Ronald Miles"

\_\_\_\_\_  
Ronald F. Miles

"Mark Brown"

\_\_\_\_\_  
Mark T. Brown

**GATEWAY ENTERPRISES LTD.**  
Statements of Operations and Deficit

	For the Year Ended June 30, 2002	For the Period from Incorporation on August 14, 2000 to June 30, 2001
	\$	\$
<b>Revenue</b>		
Interest income	<u>5,943</u>	<u>2,624</u>
<b>Expenses</b>		
Accounting and audit	1,000	7,000
Bank charges and interest	221	325
Consulting fees	5,500	13,105
Office and miscellaneous	742	271
Rent	2,800	5,000
Travel	1,008	-
Trust and filing	<u>6,381</u>	<u>578</u>
	<u>17,652</u>	<u>26,279</u>
Net loss for the period	(11,709)	(23,655)
Deficit B beginning of period	<u>(23,655)</u>	<u>-</u>
Deficit B end of period	<u><u>(35,364)</u></u>	<u><u>(23,655)</u></u>
Loss per share (note 4)	<u>\$</u>	<u>\$</u>
Weighted average number of common shares outstanding	<u><u>2,320,000</u></u>	<u><u>1,054,685</u></u>

See notes to the financial statements

**GATEWAY ENTERPRISES LTD.**

## Statements of Cash Flows

	For the Year Ended June 30, 2002 \$	For the Period from Incorporation on August 14, 2000 to June 30, 2001 \$
<b>Cash Provided By (Used For):</b>		
<b>Operating Activities</b>		
Net loss for the period	(11,709)	(23,655)
Net changes in non-cash working capital accounts:		
Accounts receivable	2,120	(2,692)
Prepays	(1,025)	-
Accounts payable and accrued liabilities	(8,568)	12,063
Due to related parties	784	500
	<u>(18,398)</u>	<u>(13,784)</u>
<b>Financing Activities</b>		
Common shares issued for cash	-	316,800
Share issue costs	-	(71,052)
	<u>-</u>	<u>245,748</u>
Net cash (used) provided during the period	(18,398)	231,964
Cash - beginning of period	231,964	-
Cash - end of period	<u>213,566</u>	<u>231,964</u>

See notes to the financial statements

## **GATEWAY ENTERPRISES LTD.**

Notes to the Financial Statements

June 30, 2002

### **1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company was incorporated on August 14, 2000 under the Company Act of the Province of British Columbia. Since incorporation, the Company's activities have focused on filing a prospectus to become listed on the TSX Venture Exchange ("the Exchange") as a "Capital Pool Company," which listing was obtained and the Company commenced trading on the Exchange on May 28, 2001. As part of the listing requirements, the Company is required to complete a qualifying major transaction within 18 months of its date of listing as defined in Exchange Listings Policy 2.4.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has experienced operating losses and net cash outflows from operations since incorporation.

The Company's ability to continue as a going concern is dependent on its ability to obtain sufficient funds to acquire a qualifying business or asset portfolio and to successfully commercialize it. The outcome of these matters cannot be predicted at this time. These financial statements do not reflect adjustments to the carrying values of the Company's assets and liabilities which may be required should the Company be unable to continue as a going concern.

Refer to note 6.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Instruments**

The Company's financial instruments consist of short-term cash investments, goods and services tax receivable, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the short-term nature of the items.

#### **Cash Equivalents**

Cash equivalents consist of highly liquid investments with maturity dates less than one year that are readily convertible into known amounts of cash.

#### **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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### **Stock Option Plan**

The Company has a discretionary stock option plan for the granting of options to directors, officers, employees and advisors, but no compensation expense in connection with the plan is recognized in the accounts of the Company. Any consideration paid by directors, officers, employees or advisors on the exercise of stock options or purchase of common shares is credited to capital stock.

### 3. **SHARE CAPITAL**

#### **Authorized**

100,000,000 Common Shares without par value  
100,000,000 Preferred Shares issuable in series

#### **Issued**

	Number	Price per share	Amount
		\$	\$
Private Placement - escrowed	1,120,000	0.09	100,800
Public Offering	<u>1,200,000</u>	0.18	<u>(1) 144,948</u>
Balance - June 30, 2002 and 2001	<u>2,320,000</u>		<u>245,748</u>

<sup>(1)</sup> net of share issue costs of \$71,052

#### **Escrowed Shares**

The private placement common shares issued have been placed in escrow and their release from escrow is subject to the terms of an agreement between the Company, its stock transfer agent and the beneficial owners of the escrowed shares. These shares are to be released in stages within three years of the Company completing a qualifying transaction.

Refer to note 1.

#### **Stock Options**

Directors of the Company have been granted options to purchase 232,000 shares at \$0.18 per share exercisable prior to May 28, 2006.

#### **Public Offering**

The Company completed an initial public offering of 1,200,000 common shares at a price of \$0.18 per share, and paid its agent a commission of 10% of the gross proceeds, a sponsorship fee of \$7,500 and issued to it a non-transferable agent's options to purchase up to 120,000 common shares at a price of \$0.18 per share prior to November 28, 2002.

### 4. **LOSS PER SHARE**

Loss per share has been calculated using the weighted-average number of common shares outstanding during the period.

### 5. **RELATED PARTY TRANSACTIONS**

The Company paid another public company related by certain common directors \$2,800 (2001 - \$5,000) for the rental of office space and as at June 30, 2002 owes this public company an aggregate of \$1,284 (2001 - \$500).

A private company with a director in common with the Company was paid an aggregate of \$2,557 (2001 - \$260) for expense reimbursements and administrative expenses.

6. **SUBSEQUENT EVENT**

The Company has entered into a letter of intent agreement (“the agreement”) dated September 18, 2002 with the shareholders of FoodTerminal.com Inc. (“FoodTerminal”), a Canadian private corporation engaged in the business of food distribution and sprout growing operations. Pursuant to the terms of the agreement and conditional upon the approval of the transaction by the Exchange, Gateway will acquire all of the issued and outstanding common shares of FoodTerminal in consideration for the issuance of 7,741,000 common shares of the Company at a price of \$0.50 per share. These shares will be subject to trading restrictions as imposed by the Exchange. This transaction, which is expected to constitute the Company’s Qualifying Transaction (“QT”) as defined in TSX Listings Policy 2.4, is expected to be accounted for as a reverse takeover as the current shareholders of FoodTerminal will control the consolidated entity upon its completion.

Gateway has advanced a non-refundable deposit of \$25,000 Cdn. to FoodTerminal as permitted by TSX Policy 2.4. The completion of the acquisition is also subject to the Company’s ability to raise sufficient equity financing such that, post-acquisition, it will meet the applicable ongoing Exchange listing requirements in respect to liquidity and solvency.



**GATEWAY ENTERPRISES LTD.**

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**SCHEDULE B: SUPPLEMENTARY INFORMATION**

1. *Analysis of expense and deferred costs:*

Items over 20% of the total expenditures are broken down further as follows:

Consulting fees:	
Administrative and secretarial	<u>\$ 5,500</u>
Trust and filing:	
Trust fees	\$ 2,976
Filing fees	<u>3,405</u>
	<u>\$ 6,381</u>

2. *Related party transactions:*

Refer to note 5 in Schedule A.

3. *Summary of securities issued and options granted during the period:*

a) Summary of securities issued during the period:

There were no securities issued during the period.

b) Summary of options granted during the period:

There were no options granted during the period.

4. *Summary of securities as at June 30, 2002:*

a) Authorized share capital: 100,000,000 common shares without par value  
100,000,000 preferred shares issuable in series

b) Shares issued and outstanding: 2,320,000 common shares

c) Summary of options, warrants and convertible securities outstanding:

Type of Issue	Number Outstanding	Exercise Price	Expiry Date
		\$	
Directors' and officers' Options	232,000	0.18	May 28, 2006

Agent's options	120,000	0.18	November 28, 2002
	<u>352,000</u>		

**GATEWAY ENTERPRISES LTD.**

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June 30, 2002

**SCHEDULE B: SUPPLEMENTARY INFORMATION (Continued)**

4. *Summary of securities as at June 30, 2002 (continued):*

d) Number of common shares held in escrow: 1,120,000

Number of common shares subject to pooling: NIL

5. Directors: David N. Hottman  
Fontaine Wong  
Mark T. Brown  
Ron Miles

Officers: Ron Miles - President  
Mark T. Brown - Secretary and CFO  
David N. Hottman - Chairman

## **SCHEDULE C: MANAGEMENT DISCUSSION**

Since incorporation on August 14, 2000, the Company's activities have focused on filing a prospectus to become listed on the TSX (TSX.V) as a "Capital Pool Company," and on obtaining a "Qualifying Transaction" as defined in TSX.V Policy 2.4. The conditional listing on the TSX.V was granted in May 2001 with the common shares of the Company becoming actively traded on May 28, 2001 under the symbol "GWY." As part of the listing requirements the Company has 18 months from this date to complete a Qualifying Transaction.

All expenditures incurred to date in respect to incorporation and the acquisition of a listing on the TSX.V have been classified as "organization costs" and offset against share capital. Since inception the Company has issued a total of 2,320,000 common shares for gross proceeds of \$316,800, of which \$71,052 has been used in incorporating and obtaining the public exchange listing and \$43,931 was spent to maintain the Company in good standing. Interest income of \$8,567 on the cash balance of \$53,566 and short-term investments of \$160,000 has partially offset these operating costs such that the cumulative loss to date is \$35,364.

There are no investor relations arrangements at this time.

### **Subsequent Events**

On September 23, 2002, trading in the shares of the Company was halted pending an announcement that the Company had entered into a letter of intent ("LOI") dated September 18<sup>th</sup>, 2002 with FoodTerminal.com Inc. ("FoodTerminal"). Pursuant to the LOI, the Company will acquire all of the issued and outstanding common shares of FoodTerminal, conditional upon the approval of the transaction by the TSX.V. The Company intends the transaction to represent its Qualifying Transaction. The completion of the transaction will categorize the Company as an Industrial issuer.

FoodTerminal is a Canadian incorporated company (September 2000) pursuant to the provisions of the Canada Business Corporations Act, with its head office in Vancouver, B.C. and operations in Toronto, Ontario and Vancouver, British Columbia. FoodTerminal is in the business of aggregating and consolidating small and medium sized food distribution and sprout growing operations in the food service industry.

Subject to the requirements of the TSX.V, the Company will engage a sponsor in connection with the Qualifying Transaction in relation to the completion of satisfactory due diligence and qualification of the transaction. No formal sponsorship agreement has been reached as at the date of this report.

Completion of the Qualifying Transaction is subject to a number of conditions, including, but not limited to, TSX.V acceptance and majority of the minority shareholder approval. The Qualifying Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Qualifying Transaction will be completed as proposed or at all.