

ABLEAUCTIONS COM INC  
Form 10KSB  
April 03, 2006

**FORM 10-KSB**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**(Mark One)**

[ X ]

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005 *OR*

[ ]

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission file number: 000-28179

**ABLEAUCTIONS.COM, INC.**

(Exact name of small business issuer in its charter)

Florida

(State or other jurisdiction of incorporation or organization)

59-3404233

(I.R.S. Employer Identification No.)

1963 Lougheed Highway

Coquitlam, British Columbia Canada  
(Address of principal executive offices)

V3K 3T8  
(Zip Code)

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Issuer's telephone number: (604) 521-3369

Securities Registered Under Section 12(b) of the Exchange Act:

None

Securities Registered Under Section 12(g) of the Exchange Act:

Common Stock, \$0.001 par value

(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

State issuer's revenues for most recent fiscal year: \$4,428,912

The number of shares of the Registrant's common stock, par value \$0.001 per share, outstanding as of March 15, 2006 was 62,406,834. The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant on March 15, 2006, based on the average bid and ask price on the American Stock Exchange as of such date, was approximately \$20,976,008

Documents Incorporated by Reference: None.

Transitional Small Business Format. Yes  No



## NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain information contained herein constitutes forward-looking statements, including without limitation statements relating to goals, plans and projections regarding the Company's financial position and the Company's business strategy. The words or phrases "would be," "will allow," "intends to," "may result," "are expected to," "will continue," "expects," "estimate," "project," "indicate," "could," "potentially," "should," "believe," "considers" or similar expressions identify forward-looking statements, as well as all projections of future results of operations or earnings. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or achievements of the Registrant to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following: risks related to risks of technological change; the Registrant's dependence on key personnel; the Registrant's dependence on marketing relationships with auction houses, third party suppliers and strategic partners such as eBay; the Registrant's ability to protect its intellectual property rights; government regulation of Internet commerce and the auction industry; dependence on continued growth in use of the Internet; risks of technological change; capacity and systems disruptions; uncertainty regarding infringing intellectual property rights of others and the other risks and uncertainties described in this report.

We do not undertake any responsibility to release publicly any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of this filing. Additionally, we do not undertake any responsibility to update you on the occurrence of any unanticipated events that may cause actual results to differ from those expressed or implied by the forward-looking statements contained in this filing. Please read carefully the risk factors disclosed in this report and in other filings we make with the Securities and Exchange Commission.

## PART I

### Item 1.

#### Description of Business

#### Overview

We provide liquidation and merchandizing services to businesses to assist them with managing the sale of their products. Through our subsidiary, Unlimited Closeouts, Inc., we provide liquidation services to businesses with overstock. Through our subsidiary iCollector.com Technologies Ltd., we provide auction broadcast technology and facilitator services that allow businesses to take advantage of the on-line auction marketplace. Through our subsidiary, Rapidfusion Technologies, Inc., we develop and sell point-of-sale software. We manage our cash investments through Ableauctions.com, Inc. and, during 2005 we expanded our business through our subsidiary, Stanford Development Corporation. Stanford Development Corporation manages our real property and lending

investments.

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## **Liquidation and Merchandizing Services**

**Liquidation Services** - We sell merchandise through our Unlimited Closeouts and Ableauctions liquidation stores located in California and British Columbia and

through auctions we conduct in the United States and Canada. We also generate revenues by providing inventory brokerage services at unlimitedcloseouts.com and unlimitedcloseouts.ca ([www.unlimitedcloseouts.com](http://www.unlimitedcloseouts.com)).

**Auction Broadcast Services** We broadcast business and industrial auctions over the Internet for auctioneers and members of the National Auctioneers Association (NAA). These auctions are facilitated using our proprietary technology ([www.ableauctions.com/technology](http://www.ableauctions.com/technology)) through the website NAAonlinesolutions.com ([www.NAAonlinesolutions.com](http://www.NAAonlinesolutions.com)). Additionally, we broadcast antique and collectible auctions over the Internet for numerous galleries and auction houses throughout the world. These auctions are facilitated using eBay's live auction technology through the iCollector.com website ([www.iCollector.com](http://www.iCollector.com)). We also provide auction-related products and services for a fee ([www.icollectorlive.com/services.aspx](http://www.icollectorlive.com/services.aspx)).

**Point-of-Sale (POS) Services** - Through our subsidiary, Rapidfusion Technologies, Inc. ([www.rapidfusion.com/technology](http://www.rapidfusion.com/technology)), we sell to retailers, install and support our proprietary point-of-sale (POS) sales processing and reporting system.

Our objective is to become a leading provider of liquidation and merchandising services. We believe that our long term success in this area of our business depends on our continued innovation and integration of technologies and services for auctioneers and liquidators worldwide.

While we have maintained overall profitability and positive cash flow over the last three fiscal years, not all of our operations achieve positive operating results. We still incur losses from certain operations, such as the auctions we conduct for NAA, that are in the development stage.

We are able to maintain positive cash flow from the revenues that are produced by our remaining operations and from the interest and dividends earned by our investments.

**Investment and Lending**

On December 31, 2005 two of our wholly-owned subsidiaries, iTrustee.com Technologies Ltd. and Able Auctions (1991) Ltd., were amalgamated to create Stanford Development Corporation. Stanford Development Corporation develops real estate and makes short term loans. Ableauctions.com Inc. manages the investment of our cash. The return on these investments has helped support the development of our liquidation and auction businesses.

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## **History**

We were incorporated under the laws of the state of Florida as J. B. Financial Services, Inc. on September 30, 1996. We changed our name to Ableauctions.com, Inc. on July 19, 1999. From the date of our incorporation until August 24, 1999, we had no material business and no material revenues, expenses, assets or liabilities.

On August 24, 1999, in exchange for shares of our common stock and cash, we acquired all of the assets and the business operations of Able Auctions (1991) Ltd., a British Columbia corporation engaged in the business of auctioning used equipment, office furnishings and other merchandise. We acquired all of the issued and outstanding common stock of Able Auctions (1991) Ltd. from Dexton Technologies Corporation, a British Columbia corporation. Our intent in acquiring the assets and business operations of Able Auctions (1991) Ltd. was to expand its bricks and mortar operations and to develop an on-line auction technology.

Because of the significant costs related to traditional auction businesses, such as maintaining a physical auction site and employees necessary to staff the auctions, we decided to abandon our plan to expand our bricks and mortar operations through continued acquisitions of auction businesses. Furthermore, we no longer staff or operate our bricks and mortar auction businesses. We continue to sell merchandise through traditional auctions, however, the operations are conducted by unrelated third parties who conduct the auctions for us in exchange for commissions.

While our business has evolved away from conducting auctions through bricks and mortar operations, we have expanded our on-line auction operations and branched out into excess inventory liquidation. We intend to continue to grow these business sectors.

## **Liquidation Services**

During 2005, most of our business involving the liquidation of excess inventory was carried out by our wholly owned subsidiary Unlimited Closeouts, Inc., which contacts major manufacturers and importers to purchase overstocks, order cancellations and discontinued products. Unlimited Closeouts then sells the merchandise to major retail chains, other resellers or the public.



We earn commissions ranging from 10% to 25% on the inventory that we sell. During the 2005 fiscal year, revenue from our liquidation business totaled approximately 74% of all the revenue we earned.

Our liquidation operations are currently dependant on two persons. If we were to lose our current operators, the loss could have a material adverse effect on this sector of our business and on our results of operations.

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## **Auction Broadcast Services**

We now provide technology and related services to auction houses and galleries to enable them to broadcast auctions live over the Internet, either through eBay Live Auctions or through the use of our proprietary technology.

In a traditional bricks and mortar auction setting, prior to the auction users must register to qualify as bidders. Up until the start of an auction, users are able to preview the merchandise and submit absentee bids. Once the auction begins, the registered users bid against each other for merchandise auctioned at a physical location with the auctioned merchandise being sold to the highest bidder. A typical auction may draw 500 people and have 1,000 lots of merchandise.

Through our auction broadcast services, as used with our proprietary technology or the eBay Live Auctions platform, auction houses and galleries are now empowered with technology that enables them to broadcast their auctions over the Internet in real-time, allowing online bidders to bid against bidders physically present at the location. Like a traditional bricks and mortar auction, users register on-line before the auction begins in order to qualify as bidders, to preview the merchandise and to place absentee bids. Once the auction begins, online bidders bid from their computers in real-time against bidders present at the location ( floor bidders ) and against each other. Online bidders are invoiced electronically for their winning bids and are able to remit payment electronically. We believe that our technology and services make the online purchase of auction merchandise more convenient for consumers. For auction businesses, we believe that this technology can increase the size of auction audiences by increasing exposure to auctions, increase the final hammer price for merchandise sold and lower overall transaction costs.

We have also developed technology that manages the back-end of the auction, enabling auctioneers to run auctions more efficiently, providing them with tools to automate invoicing, collect payment, track lot popularity, view bidder statistics and demographics, and print graphic reports.

### *iCollector*

Through our subsidiaries, iCollector.com Technologies Ltd. and iCollector International Ltd. (collectively referred to as iCollector throughout this Annual Report), we broadcast auctions live over the Internet using eBay's live auction technology and its platform, eBay Live Auctions. iCollector represents antique, fine art and premium collectible auction houses and galleries, whose inventories typically include fine and decorative arts, modern and contemporary art, memorabilia, wine, fine furniture and collectibles that are obtained primarily from Europe, Canada and the United

States. iCollector catalogues its client's inventory and hosts the inventory on its website located at [www.icollector.com](http://www.icollector.com). Using eBay's live auction technology, iCollector also provides auction-related products and services to galleries and auction houses for a fee, so that the auctions can be conducted on eBay Live Auctions more efficiently. We provide galleries and auction houses with tools to automate invoicing, collect payment, track lot popularity, view bidder statistics and demographics, and print graphic reports. During the 2005 fiscal year, iCollector facilitated 372 auction sessions. The fees charged to these auction house clients, \$1,500 per auction plus 5% of the value of the merchandise sold online, are shared equally between us and eBay.

Through iCollector, we have established a consortium consisting of a number of auction companies with the objective of implementing our live auction technology and solidifying our relationship with eBay Live Auctions. We have also partnered with other service providers in the art, antique and collectible market place in order to further expand our business.

The majority of our services relating to the antique and collectible business and the broadcast of auctions on eBay Live Auctions are dependant on eBay, the performance of its live auction platform, its continued operation of the platform, and our working relationship with it. A disruption in any of the above may have a material adverse affect on our results of operations.

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*NAALive*

We have partnered with the National Auctioneers Association ( NAA ) to serve as its exclusive online auction contractor to broadcast business and industrial equipment auctions for its members on the website [www.NAALive.com](http://www.NAALive.com). We promote these services to NAA 's 7,000 members with technology that we have developed. This platform is the only web cast technology for live online auctions endorsed by the National Auctioneers Association.

Founded in 1948, the NAA membership is comprised of approximately 7,000 auctioneers worldwide with members in every state in the United States. NAA members represent every facet of the auction industry, including, but not limited to, real estate, automotive, fine art, livestock, equipment and manufacturing.

We charge NAALive clients a fee of \$125 per auction plus 1.5% of the value of the products sold online and we pay the NAA up to 20% in joint marketing fees. Through NAALive, we facilitated 249 auction sessions in 2005.

As with our iCollector operations, we have developed similar technology, systems and processes to manage the back-end of auction operations and to broadcast live auctions over the Internet, applying our experience in managing and operating auction houses with Internet broadcasting capabilities. Our technology enables auctioneers to manage auctions more efficiently, providing them with tools to automate invoicing, collect payment, track lot popularity, view bidder statistics and demographics, and print graphic reports.

Like our relationship with eBay Live Auctions, our relationship with the NAA is important to us. If the NAA ceased allowing us to host its auctions, it would have a material adverse effect on our results of operations.

**Point of Sale (POS) Software and Services**

We also earn revenues from our subsidiary, Rapidfusion Technologies, Inc. Rapidfusion has developed point-of-sale software and services for retailers. Users of these products and services may select from the following packages that we offer:

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The Rapidfusion POS (Point-of-Sale) 2006 Professional Single-User (Retail \$3,000) is our full-featured version for medium to large stores needing a comprehensive standalone point of sale solution and is upgradeable to multi-user version.

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The Rapidfusion POS (Point-of-Sale) 2006 Professional Multi-User (Retail \$3,750) is for medium to large stores requiring two or more terminals in one complete point of sale solution (back office terminal for inventory management, store-front terminals for sales processing).



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The Rapidfusion POS (Point-of-Sale) 2006 Professional Head Office Solution (Retail \$4,000) is designed to manage multiple store branches from one central terminal. This version includes functionality of warehouse or store split-purchase orders, full inventory control with inter-store transfers, customer database management, and ability to consolidate and track all sales data for multiple store branches.

During 2006 it is our plan to release an enhanced version of Rapidfusion's point of sale software that will include integrated gift registry functions. We also expect to become certified by Paymentech Solutions to integrate credit card and debit card transaction into our software through advanced Paymentech Pin-Pads, replacing existing separate point of sale credit card and debit card terminals with simple Pin-pad Card readers.

### **Investment and Lending**

The return on our investments helps support the development of our liquidation and auction businesses, including the development of new technologies for use by on-line businesses.

Investment of our cash is managed by Ableauctions.com, Inc. Cash is currently invested in stocks, bonds and income trusts. As of December 31, 2005, the value of these securities was approximately \$3,942,757, broken down as follows:

| Type of Investment | Amount      |
|--------------------|-------------|
| Bonds              | \$2,221,519 |
| Income Trusts      | \$1,721,238 |

When we deem it necessary, we use the income earned by these investments to support our operations.

In an effort to expand our business we created Stanford Development Corporation, referred to in this discussion as Stanford. Stanford develops real estate and makes short term loans.

Currently, through Stanford, we intend to develop vacant land consisting of approximately 1.46 acres that is zoned for mixed commercial and residential use. We acquired this property in August 2005 for \$1,270,000. We intend to develop the property by improving it with a 4,755 square foot retail facility and a 78,689 square foot residential complex consisting of 111 condominiums. We estimate that the cost of the proposed development will be \$14.7 million, which includes the cost of the land. If we proceed with the development, our plan is to enter into a joint development agreement with Abdul Ladha, our President, Chief Financial Officer and a member of the Board of Directors. In exchange for an interest in the development, Mr. Ladha will personally guarantee any loan necessary to complete the development and certain representations we will be required to make regarding the construction. Our plan is to pre-sell at least 75% of the condominiums prior to construction and to obtain construction financing for the balance of the construction costs. There can be no assurance that any development we undertake will increase, or even maintain, the value of this property.

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Stanford also provides short term loans to various businesses and individuals in Canada. The loans typically have terms of one year, earn interest at the rate of 10% and are secured by real estate, general security agreements and personal guarantees, as appropriate. At December 31, 2005, Stanford had outstanding approximately \$2,155,469 in loans.

## **Competition**

We face competition from traditional auctioneers and from online auction companies that seek to use the Internet to sell or auction surplus capital assets, equipment, art or collectibles. The Internet auction industry is rapidly evolving, and intensely competitive, and we expect competition to intensify in the future. A variety of auction web sites are presently available on the Internet that are dedicated to facilitating person-to-person and business-to-person transactions on a bid-based format. These auction services allow sellers to post merchandise on their web sites and buyers to locate items and submit bids online. These services generally organize merchandise by categories and provide descriptions, pictures, or video clips of merchandise offered for sale.

Most of our current and potential competitors have larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we do and may enter into strategic or commercial relationships with larger, more established companies. Some of our competitors may be able to secure alliances with customers and affiliates on more favorable terms, devote greater resources to marketing and promotional campaigns and devote substantially more resources to systems development than we do. In addition, new technologies and the expansion of existing technologies may increase the competitive pressures on us.

We cannot assure you that we will be able to compete successfully against current or future competitors, and competitive pressures faced by us could harm our business, operating results and financial condition. We do not currently represent a significant competitive presence in the on-line auction industry.

## **Government Regulation**

Our brick-and-mortar auction houses are generally subject to extensive regulation, supervision, and licensing under various federal, state, and local statutes, ordinances, and regulations. Such laws and regulations may require us to obtain a license or registration, or post a surety or bond as a precondition of doing business within the jurisdiction. In addition, applicable laws may require us to transact business and sell merchandise in accordance with specific guidelines, including the means by which we obtain our merchandise, advertise our auctions, conduct our bidding



procedures, close transactions, hold client funds, and other restrictions that may vary from state to state. We cannot guarantee that we will not be subject to actions arising out of violations by our brick-and-mortar auction houses. Such actions may have a material adverse affect on our business and results of operations.

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There are currently few laws or regulations that directly apply to access to, or commerce on, the Internet. It is possible that governing bodies may adopt a number of laws and regulations governing issues such as user privacy on the Internet and the pricing, characteristics, and quality of products and services offered over the Internet. It is also possible that government authorities will adopt sales or other taxes involving Internet business. The passage of any such laws may make the cost of doing business much higher for us, which may adversely impact our results of operations. Currently we have no significant expenses associated with legal or regulatory compliance.

### **Intellectual Property**

We have developed the majority of our software internally. We have taken measures to protect our intellectual property, ranging from confidentiality and non-disclosure agreements for contractors and employees to deploying a trans-modular development schedule where individual modules of software developed or coded by employees or contractors have no stand-alone benefits until they are integrated with at least three independent modules.

We have registered the following Internet domain names:

- ableauctions.com
- ableauctions.net
- bravosell.com
- bravosold.com
- bravowise.com
- directcloseout.com
- directsurplus.com
- europeexcite.com
- icollector.com
- icollector.ca

- icollectorlive.com
  - icollectorlive.ca
  - icollectorliveauctions.com
  - itrustee.com
  - itrustee.ca
  - itrustees.com
  - naaliveauctions.com
  - rapidfusion.com
  - rapidfusion.ca
  - softwarealley.com
  - unlimitedcloseouts.com
  - unlimitedcloseouts.ca
  - overstockunlimitedcloseouts.ca
  - overstockunlimitedcloseout.com
  - overstockunlimitedcloseouts.com
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We attempt to enter into confidentiality and invention assignment agreements with our employees and contractors, and nondisclosure agreements with parties with which we conduct business in order to limit access to and disclosure of our proprietary information. There can be no assurance that these contractual arrangements or the other steps we take to protect our intellectual property will prove sufficient to prevent misappropriation of our technology or to deter independent third party development of similar technologies.

## **Employees**

As of March 15, 2006 we had a total of 34 staff persons, including 19 full time staff, 14 consultants and 1 part-time employee. In addition to management, we employ sales people, administrative staff, and development and technical personnel. From time to time, to further reduce expenses, we may employ independent consultants or contractors to support our research and development, marketing, sales and support, and administrative organizations. No collective bargaining units represent our employees. We believe our relations with our employees are good.

## **Item 2.**

### **Description of Property**

We invest in real property and real property development when we find opportunities that we believe will provide us with a reasonable rate of return with only moderate or low risk. Thus far, with the exception of our corporate office, which is partially rented to an unrelated third party, we have acquired these assets solely for capital gain, and not with a view toward deriving income from them on a long-term basis. We have no limitations on the percentage of assets that may be invested in any one investment, although our policy has been to keep our investments diversified in approximately equal percentages. Depending on various factors including the timing of opportunities, the cash we have available to invest, the type of investment, the risk associated with the investment, the overall state of the economy and the strength of certain markets, we may change our policy relating to diversifying our investments. Currently, our investments in real estate include the following:

**1963 Lougheed Highway** - On February 24, 2005 we purchased the building located at 1963 Lougheed Highway, Coquitlam, British Columbia, in which our corporate headquarters is located. The property consists of 19,646 square feet of commercial space and 2,300 square feet of residential space and is located on approximately eight-tenths of an acre. The purchase price was \$2,221,316 and the effective date of the transaction was January 1, 2005. A portion of the property continues to be leased to two tenants. We occupy approximately 11,000 square feet. These premises are

in good condition and suitable for our operations. There is no mortgage on the property. We have no present plan to improve or further develop the property. We believe that the property is adequately insured.

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**9643 King George Highway** - On August 19, 2005, we completed the purchase of real property located at 9643 King George Highway, Surrey, British Columbia V3T 2V3 from Imara Venture Ltd., an entity unrelated to Ableauctions or its affiliates, officers or directors or any associate of an officer or director. The total purchase price was \$1,270,000.

The property is a 1.46 acre vacant lot zoned for mixed commercial and residential use. We believe that the property is suitable for development and we currently intend to develop it by erecting a 4,755 square foot retail facility and a 78,689 square foot residential complex consisting of 111 condominiums, although we are not required to undertake any such development and may chose not to do so. We carry liability insurance that covers the property and we believe that the insurance coverage is adequate. There is no mortgage on the property. We estimate that the cost of the proposed development will be \$14.7 million, which includes the cost of the land. If we proceed with the development our plan is to enter into a joint development agreement with Abdul Ladha, our President, Chief Financial Officer and a member of the Board of Directors. In exchange for an interest in the development, Mr. Ladha will personally guarantee any loan necessary to complete the development and certain representations we will be required to make regarding the construction. Our plan is to pre-sell at least 75% of the condominiums prior to construction and to obtain construction financing for the balance of the construction costs. Real estate values and construction costs can be seriously affected by factors such as interest rate fluctuations, bank liquidity, the availability of financing, and by factors such as a zoning change or an increase in property taxes. There can be no assurance that any development we undertake will increase, or even maintain, the value of the property.

We lease 2,500 square feet of office space located at 408-C Bryant Street, Ojai, California. The monthly payments are \$675 and the lease term is one year. The facility serves as the Company's operating office for Unlimited Closeouts Inc. The lease, effective February 2004, is automatically renewed on an annual basis unless cancelled by either party with notice. The premises are in good condition and suitable for the operations of Unlimited Closeouts Inc.

We rent storage space, ranging from 1,000 square feet to 3,000 square feet, and up to a maximum of 64,000 square feet, from a customs bonded facility, Quantum Warehousing and Distribution Ltd., in Coquitlam, British Columbia. We pay storage fees of approximately \$6.50 per skid per month, or approximately \$1 per square foot per month.

On May 4, 2005 our wholly owned subsidiary, 072304 B.C. Ltd., purchased residential real estate located at 1880 Coleman Avenue in Coquitlam, British Columbia for \$242,411. 072304 B.C. Ltd. sold the property for \$388,608 in cash to Michael and Agnes Piotrowski. Mr. Piotrowski is employed by Ableauctions. In March 2006 Stanford Development Corporation loaned Mr. Piotrowski \$50,000, which he used to purchase the property.

During the period of our ownership of the property, we invested approximately \$25,000 in improvements. In consideration of the purchase, we agreed to provide an additional \$61,824 to Mr. and Mrs. Piotrowski to complete the improvements.

**Item 3.**

**Legal Proceedings**

Not applicable.

**Item 4.**

**Submission of Matters to a Vote of Security Holders**

Not applicable.

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**PART II****Item 5.****Market for Common Equity and Related Stockholder Matters**

Our common stock has traded on the American Stock Exchange since June 29, 2000 under the symbol AAC . Prior to June 29, 2000 our common stock traded on the Over-the-Counter Bulletin Board (OTCBB) under the symbol ABLC .

The range of high and low sale prices per share for our common stock for each quarter during the period from January 1, 2004 through December 31, 2005, as published by the American Stock Exchange and is set forth below.

**Quarterly Common Stock Price Ranges**

| <b>Quarter Ended</b> | <b>2004</b> |            |
|----------------------|-------------|------------|
|                      | <b>High</b> | <b>Low</b> |
| March 31             | \$1.04      | \$0.82     |
| June 30              | \$0.67      | \$0.64     |
| September 30         | \$0.47      | \$0.45     |
| December 31          | \$0.87      | \$0.82     |

| <b>Quarter Ended</b> | <b>2005</b> |            |
|----------------------|-------------|------------|
|                      | <b>High</b> | <b>Low</b> |
| March 31             | \$0.63      | \$0.57     |
| June 30              | \$0.44      | \$0.42     |
| September 30         | \$0.37      | \$0.34     |
| December 31          | \$0.31      | \$0.30     |

There were 589 record holders of our common stock as of March 15, 2006. This number does not include an indeterminate number of shareholders whose shares are held by brokers in street name.



We have not paid dividends on our common stock since our inception. The decision to pay dividends on common stock is within the discretion of the Board of Directors. It is our current policy to retain any future earnings to finance the operations and growth of our business. Accordingly, we do not anticipate paying any dividends on common stock in the foreseeable future.

**Recent Sales of Unregistered Securities**

Not applicable

**Securities authorized for issuance under equity compensation plans**

The Board of Directors has authorized the following equity compensation plans:

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**Ableauctions.com, Inc. 2002 Stock Option Plan for Directors.**

In 2002, the Board of Directors adopted the Ableauctions.com, Inc. 2002 Stock Option Plan for Directors (the Directors Plan ). The purpose of the Directors Plan is to attract and retain the services of experienced and knowledgeable individuals to serve as our directors. On the date the Directors Plan was adopted, the total number of shares of common stock subject to it was 2,653,631. This number of shares may be increased on the first day of January of each year so that the common stock available for awards will equal 5% of the common stock outstanding on that date, provided, however, that the number of shares included in the Directors Plan may not exceed more than 10% of all shares of common stock outstanding. As of January 1, 2005, we were entitled to add an additional 454,711 shares to the Directors Plan. The Directors Plan is administered by the Board of Directors, or any Committee that may be authorized by the Board of Directors, so long as any such Committee is made up of Non-Employee Directors, as that term is defined in Rule 16(b)-3(b) of the Securities Exchange Act of 1934. The grant of an option under the Directors Plan is discretionary. The exercise price of an option must be the fair market value of the common stock on the date of grant. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the Company already owned by the person. The term of an option granted pursuant to the Directors Plan may not be more than 10 years.

**Ableauctions.com, Inc. 2002 Consultant Stock Plan.**

In 2002 the Board of Directors adopted the Ableauctions.com, Inc. 2002 Consultant Stock Plan (the Consultants Plan ). The purpose of the Consultants Plan is to be able to offer consultants and others who provide services to the Company the opportunity to participate in the Company's growth by paying for such services with equity awards. The total number of shares of common stock subject to the Consultants Plan was increased from 6,500,000 to 25,000,000 as approved by the Board of Directors in 2003. The Consultants Plan is administered by the Board of Directors, or any Committee that may be authorized by the Board of Directors. Persons eligible for awards under the Consultants Plan may receive options to purchase common stock, stock awards or stock restricted by vesting conditions. The exercise price of an option must be no less than 85% of the fair market value of the common stock on the date of grant. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the Company already owned by the person or with a fully recourse promissory note. The term of an option granted pursuant to the Consultants Plan may not be more than 10 years.

**Ableauctions.com, Inc. 1999 Stock Option Plan.**

In 1999 the Board of Directors adopted the Ableauctions.com, Inc. 1999 Stock Option Plan (the Option Plan ). The purpose of the Option Plan is to be able to retain the services of employees and consultants and others who are

valuable to the Company and to offer incentives to such persons to achieve the objectives of the Company's shareholders. The total number of shares of common stock subject to the Option Plan is 10,900,000. The Option Plan is administered by the Board of Directors, or any Committee that may be authorized by the Board of Directors, so long

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as any such Committee is made up of Non-Employee Directors, as that term is defined in Rule 16(b)-3(b) of the Securities Exchange Act of 1934. Persons eligible for awards under the Option Plan may receive, if they are eligible, incentive options to purchase common stock. If a recipient does not receive an incentive option, he or she will receive a non-qualified stock option. The exercise price of an option must be no less than the fair market value of the common stock on the date of grant, unless the recipient of an award owns 10% or more of the Company's common stock, in which case the exercise price of an incentive stock option must not be less than 110% of the fair market value. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the Company already owned by the recipient of the award. The term of an option granted pursuant to the Option Plan may not be more than five years if the option is an incentive option granted to a recipient who owns 10% or more of the Company's common stock, or 10 years for all other recipients and for recipients of non-qualified stock options.

The following table illustrates, as of December 31, 2005, information relating to all of our equity compensation plans.

| Plan Category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column 2) |
|--|---|---|---|
| Equity Compensation Plan Approved by Security Holders 2002 Consultant Stock Plan               | 24,475,000  | \$0.40  | 525,000   |
| Equity Compensation Plan Approved by Security Holders 1999 Stock Option Plan                   | 7,678,369   | \$0.40  | 3,221,631   |
| Equity Compensation Plan Not Approved by Security Holders 2002 Stock Option Plan for Directors | 2,653,631   | \$0.40  | 0   |

**Item 6.**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements 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 period. On an on-going basis, management evaluates its estimates and judgments.

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Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

## **Overview**

We operate an excess inventory liquidation business and we facilitate on-line auctions. Our headquarters are in Coquitlam, British Columbia and our liquidation business is located in California.

Our plan when we acquired Able Auctions (1991) Ltd. in August 1999 was to expand its operations by purchasing bricks and mortar auction businesses throughout North America and developing the technology to allow them to broadcast their call auctions over the Internet. However, after making several acquisitions we decided to abandon this strategy, due to the high cost of maintaining the auction businesses. Instead, we turned our efforts to developing software that would allow us to host auctions on-line. This technology has been developed. During 2004 we entered into an agreement with the National Auctioneers Association to host on-line auctions for its members and we use this technology for those auctions. In 2003, we began a relationship with eBay. Our subsidiaries, iCollector.com Technologies Ltd. and iCollector International Ltd. use eBay's Live Auction Platform to provide services to arts, collectible and antique auction houses that allow these institutions to broadcast their auctions over the Internet. The fees we earn from these auction broadcasts are split equally with eBay.

In 2004 we entered the business of liquidating excess inventory. Depending on the service we provide, we can either purchase the inventory and re-sell it, or we can act as a broker between the seller and a purchaser. Our sales revenues during the 2004 increased significantly, primarily as a result of our liquidation business. We are currently dependent on two individuals to operate our liquidation business. If we were to lose the services of these individuals, it could have a material adverse effect on this sector of our business and on our results of operations.

During 2004 we also acquired Rapidfusion Technologies, Inc. Rapidfusion Technologies, Inc. has developed point-of-sale software and services for retailers.

During 2005 we merged two of our subsidiaries, iTrustee.com Technologies Ltd. and Able Auctions (1991) Ltd. The new entity is named Stanford Development Corporation. Stanford Development Corporation develops real estate and makes short term loans.

We intend to continue to expand our business by increasing the number of auctions we hold on-line, and by finding lucrative liquidation opportunities. We continually contact auction houses, art galleries and dealers throughout the world in an effort to increase the number of auctions we host. Liquidation opportunities come through bankruptcies, credit foreclosures, and importers, manufacturers and other liquidators who need to dispose of merchandise quickly.

However, our business will be adversely affected by any downturn in the general economy of the United States, from which we derived most of our revenues during the 2005 fiscal year. A downturn in the economy of the United States would likely affect the capital available for purchasing goods that are not necessities. There can be no assurance that we will be able to increase our revenues from operations.

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## **Critical Accounting Policies and Estimates**

We have identified several accounting principles that we believe are key to an understanding of our financial statements. These important accounting policies require management's most difficult, subjective judgments.

### *Foreign Currency Translation*

We have operations in both Canada and the U.S. with significant transactions in the currencies of both countries. Consequently, we are exposed to and have experienced significant gains and losses in respect to foreign exchange.

We account for foreign currency transactions and translation of foreign currency financial statements under Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation". Transaction amounts denominated in foreign currencies are translated at exchange rates prevailing at transaction dates. Carrying values of monetary assets and liabilities are adjusted at each balance sheet date to reflect the exchange rate at that date. Non-monetary assets and liabilities are translated at the exchange rate on the original transaction date. Gains and losses from restatement of foreign currency monetary and non-monetary assets and liabilities are included in income. Revenues and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings.

Financial statements of our Canadian subsidiaries are translated into U.S. dollars using the exchange rate at the balance sheet date for assets and liabilities. Our investments in the structural capital of the Canadian subsidiaries have been recorded at the historical cost in U.S. dollars. The resulting gains or losses are reported as a separate component of stockholders' equity. The functional currency of the Canadian subsidiaries is the local currency, the Canadian dollar.

### *Marketable Securities and Loans*

The bulk of our assets are presently held in the form of marketable securities and loans. These investments generate significant revenues for us.



Our marketable securities consist of term deposits, bonds and income trusts. These investments are recorded on the balance sheet at fair value and are recorded on the statement of cash flows as a component of operating activities. These investments represent a substantial portion of our overall income, and accordingly unrealized and realized income and losses from these investments are included in the statement of operations.

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*Revenue Recognition*

A substantial portion of our revenues are earned through non-traditional sources, particularly Internet auctions. Our policies with respect to the timing and amount of revenue recognition from our auction activities are critical to an understanding of our financial statements.

Our net revenues result from fees and revenue associated with Internet based listing fees and auction activities. Internet related listing fees are derived principally from enabling independent auction houses to simultaneously broadcast their auctions over the Internet. These fees are recognized upon successful completion of each individual auction when the final terms of sales and commissions have been determined.

We generally earn revenues from our auction activities either through consignment sales, or through sales of inventory we purchase. For consignment sales, we earn auction fees charged to consignees, and buyer's premiums charged to purchasers, determined as a percentage of the sale price. For inventory sales, we earn a profit or incur a loss on the sale, to the extent the purchase price exceeds or is less than the purchase price paid for such inventory.

For each type of auction revenue an invoice is rendered to the purchaser, and we recognize revenue, at the date of the auction. The auction purchase creates a legal obligation upon the purchaser to take possession of, and pay for the merchandise. This obligation generally provides us with reasonable assurance of collection of the sale proceeds, from which our earnings are derived, including the fees from consignees and purchasers, as well as resale profits.

*Segmented information*

We operate a business with an international scope and in particular we have a business presence in both Canada and the U.S.

In accordance with Statement of Financial Accounting Standards No. 131, Disclosures About Segments of an Enterprise and Related Information, we make required disclosures of information regarding our geographic segments.

*Stock Based Compensation*

The granting of stock options represents a very significant source of financing for us. Consequently, the accounting policies by which we account for these options is critical to an understanding of our financial statements.

We have chosen to account for stock based compensation using Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. Accordingly compensation cost for stock options is measured as the excess, if any, of the quoted market price of our stock at the date of the grant over the amount an employee is required to pay for the stock.

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We have adopted the disclosure provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation for stock options granted to employees and directors. We disclose, on a supplemental basis, the pro-forma effect of accounting for stock options awarded to employees and directors, as if the fair value based method had been applied, using the Black-Scholes model. On October 1, 2006, we will adopt SFAS 123(R) which will require that employee stock option expense be recognized under the fair value method rather than the intrinsic value method. We have evaluated the impact of the adoption of SFAS 123(R) and, although we have not yet finished our estimates to enable us to quantify the impact, based on contractual obligations, recurring customary grants such as those to the Board of Directors, and vested options in place, we believe the impact will not be significant to our overall results of operations and financial position.

#### *Income Taxes*

Income taxes are provided in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carryforwards. Deferred tax expense (benefit) results from the net change during the year of deferred tax assets and liabilities.

We have net operating losses carried forward of approximately \$9,400,000 which expire in years ranging from 2007 to 2025. We have provided a full valuation allowance of approximately \$3,200,000 on the deferred tax asset because of the uncertainty of realizability.

#### **Restatement of Financials**

In March 2006, while preparing our financial statements for the year ended December 31, 2005, we determined that certain balances as at December 31, 2004 required adjustment.

During the year ended December 31, 2004 we recorded marketable securities at cost. While preparing our financial statements for the year ended December 31, 2005, we determined that the marketable securities should have been recorded at fair value. The effect of the necessary restatement is an increase to the carrying amount of marketable securities by \$269,474 and to increase investment income by \$269,474 for the fourth quarter of 2004.

Additionally, while preparing our financial statements for the year ended December 31, 2005, we determined that certain accounts receivable at December 31, 2004, which had been outstanding for over one year, should have been offset by an allowance for doubtful accounts. We restated our 2004 financial statements to reflect a provision for bad debt related to these accounts. The effect of this restatement is to decrease the carrying value of accounts receivable by \$200,524, increase bad debts expense by \$192,531, and decrease accumulated other comprehensive income by \$7,991 for the fourth quarter.

The following presents the effect on the Company's previously issued financial statements for the years ended December 31, 2004:

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## Balance Sheet as at December 31, 2004:

|  | <b>Previously<br/>Reported</b> | <b>Increase<br/>(Decrease)</b> | <b>Restated</b> |
|--|--------------------------------|--------------------------------|-----------------|
|  | \$                             | \$                             | \$              |
| Marketable securities                            | 8,376,096                      | 269,474                        | 8,645,570       |
| Accounts receivable trade, net of allowance      | 1,061,963                      | (200,524)                      | 861,439         |
| Accumulated other comprehensive income<br>(loss) | 78,016                         | (7,991)                        | 70,025          |
| Deficit  | (25,368,953)                   | 76,941                         | (25,292,012)    |

## Statement of operations for the year ended December 31, 2004:

|   | <b>Previously<br/>Reported</b> | <b>Increase<br/>(Decrease)</b> | <b>Restated</b> |
|---|--------------------------------|--------------------------------|-----------------|
|   | \$                             | \$                             | \$              |
| Bad debts   | 39,212                         | 192,531                        | 231,743         |
| Management fees, salaries and benefits                                    | 346,182                        | 35,111                         | 381,293         |
| Expenses  | 1,469,767                      | 187,642                        | 1,657,409       |
| Investment income   | 346,212                        | 304,583                        | 650,795         |
| Income from continuing operations   | 462,166                        | 76,941                         | 539,107         |
| Income for the year   | 421,246                        | 76,941                         | 498,187         |
| Basic and diluted earnings per share<br>Income from continuing operations | 0.008                          | 0.002                          | 0.010           |
| Basic and diluted earnings per share<br>Income for the year               | 0.007                          | 0.002                          | 0.009           |

## Statement of comprehensive loss for the year ended December 31, 2004:

|                                   | <b>Previously<br/>Reported</b> | <b>Increase<br/>(Decrease)</b> | <b>Restated</b> |
|-----------------------------------|--------------------------------|--------------------------------|-----------------|
| Income for the year               | \$ 421,246                     | \$ 76,941                      | \$ 498,187      |
| Other comprehensive income        | 63,036                         | (7,991)                        | 55,045          |
| Consolidated comprehensive income | 484,282                        | 68,950                         | 553,232         |

Statement of cash flows for the year ended December 31, 2004:

|   | <b>Previously<br/>Reported</b> | <b>Increase<br/>(Decrease)</b> | <b>Restated</b> |
|---|--------------------------------|--------------------------------|-----------------|
|   | \$                             | \$                             | \$              |
| Income (Loss) for the year from continuing operations | 462,166                        | 76,941                         | 539,107         |
| (Increase) Decrease in marketable securities          | (5,498,895)                    | (269,474)                      | (5,768,369)     |
| (Increase) Decrease in accounts receivable            | (642,042)                      | 200,524                        | (441,518)       |
| Change in cash and cash equivalents for the year      | (622,179)                      | 7,991                          | (614,188)       |
| Effect of exchange rates on cash                      | 71,415                         | (7,991)                        | 63,424          |

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The net effect of the correction is an increase of \$76,941 in income from continuing operations, and a similar increase in the net income for the year. As a result of the correction, the basic and diluted earnings per share also increased by \$0.002 per share for income from continuing operations, and increased by \$0.002 per share for the net income.

The changes to the figures for 2004 year also include certain reclassifications made to conform to the presentation adopted for the 2005 year.

## **Results of Operations**

### **Year ended December 31, 2005 compared to the Year ended December 31, 2004, factoring in discontinued operations.**

**Revenues.** During the year ended December 31, 2005, we had revenues of \$4,428,912 as compared to revenues of \$4,423,171 during the year ended December 31, 2004. Revenues remained substantially unchanged. Cost of sales also remained substantially unchanged, at \$3,129,761, or 70.6% of our revenues, for the year ended December 31, 2005, compared to \$3,141,596, or 71.0% of our revenues, during the same period in 2004.

Our liquidation business accounted for \$3,272,235 or 74% of total revenues for the 2005 year. We believe that the strength of our liquidation business and the number of antique and collectible auctions we manage is directly related to the general economy of the United States, and that a strong economy will have a positive effect on our revenues in those two areas of our business.

We anticipate that revenues from our liquidation sector will continue to represent a significant percentage of overall revenues as our liquidation services continue to expand.

During the year ended December 31, 2005, we also had investment income of \$773,572, which was substantially unchanged from the year ended December 31, 2004 when we had investment income of \$650,795. The slight decrease in investment income is a result of our shift in investment strategy and market conditions.

**Operating Expenses.** Operating expenses totalled \$1,738,215 for the year ended December 31, 2005 as compared to \$1,657,409 for the year ended December 31, 2004, an increase of 4.9%. The increase in our operating expenses



resulted primarily from an increase of \$361,546, or 95%, in management fees, salaries and benefits, an increase of \$48,087 or 48%, in depreciation and amortization, an increase of \$12,036, or 40%, in investor relations and shareholder information costs, an increase of \$17,222, or 23%, in office and administration costs and an increase of \$26,662, or 29%, in telephone and Internet charges. These increases were offset by decreases in accounting and legal costs, from \$92,658 for the year ended December 31, 2004, to \$47,055 for the year ended December 31, 2005, a significant decrease in bad debts, a decrease in commissions from \$316,847 for the year ended December 31, 2004 to \$293,420 for the year ended December 31, 2005 and a decrease in rent, utilities and maintenance from \$130,042 for the year ended December 31, 2004 to \$88,063 for the year ended December 31, 2005.

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**Gross Profit.** Cost of revenues was \$3,129,761 for the year ended December 31, 2005 as compared to \$3,141,596 for the year ended December 31, 2004. Gross profit was \$1,299,151 or 29.3% of total revenue for the year ended December 31, 2005 which was substantially unchanged from the year ended December 31, 2004 when we had gross profit of \$1,281,575 or 29.0% of total revenue. Future gross profit margins may vary considerably from quarter-to-quarter depending on the performance of our various divisions. We believe that over time, our gross profit as a percentage of revenue will range between 25% and 30%, based on the anticipated returns from our revenue streams.

**Net Income.** We had a net income of \$437,182 or \$0.007 per share for the year ended December 31, 2005 as compared to a net income of \$498,187 or \$0.009 per share for the year ended December 31, 2004.

### Liquidity and Capital Resources

Set forth below are our estimated cash operating and capital budgets for operations, technology purchases, research and development and implementing our expansion strategy for the remainder of the fiscal year ending December 31, 2006:

|                                  |                    |
|----------------------------------|--------------------|
| Marketing                        | \$ 150,000         |
| Ongoing research and development | 200,000            |
| Expansion of inventories         | 1,000,000          |
| Servers and operating systems    | 150,000            |
| Working Capital                  | 500,000            |
| <b>Required Capital:</b>         | <b>\$2,000,000</b> |

As of December 31, 2005, we had working capital of \$7,817,173.

We cannot assure you that our actual expenditures for the 2006 fiscal year will not exceed our estimated operating budget. Actual expenditures will depend on a number of factors, some of which are beyond our control, including, among other things, unexpected costs related to our business, acquisition and/or expansion costs, reliability of the assumptions of management in estimating costs and certain economic factors.

In the event we determine that we may be unable to meet our on-going capital commitments, we may take some or all of the following actions:

- postpone expenditures on research and development;
  
  - reduce sales and marketing expenditures;
  
  - reduce general and administrative expenses through lay offs or consolidation of our operations;
  
  - suspend or sell operations that are not economically profitable; or
  
  - sell assets, including licenses to our technologies.
-

Since 1999, we have funded our activities principally from any cash flow generated from our operations and our investments, a loan from our Chief Executive Officer, the private placement of our securities and the exercise of stock options.

In 2004, we had working capital of \$10,967,382. In 2005, our working capital decreased to \$7,817,173. We had cash and cash equivalents of \$955,554, marketable securities of \$3,091,017, accounts receivables of \$1,549,567, loans receivable of \$2,155,469, inventory of \$1,266,777, prepaid expenses of \$268,358, and current portion of notes receivable of \$5,168 minus current liabilities of \$1,474,737 at December 31, 2005. We anticipate that trade accounts receivables and inventory may increase during the 2006 fiscal year as we increase the number and frequency of our auctions, and as we expand our other business operations.

Cash flow used for operating activities required \$598,116 during the year ended December 31, 2005 as compared to \$413,981 during the year ended December 31, 2004. Cash was used to fund our accounts receivable, purchase inventory, prepay expenses, pay accounts payable and to cover deferred revenue. The change in operating cash flow from 2004 was due to an increase in accounts receivable and purchases of inventory. Our cash resources may decrease if we complete an acquisition during 2006, or if we are unable to maintain positive cash flow from our business through 2006.

We used \$694,169 in cash for investing activities during the fiscal year ended December 31, 2005. We sold our marketable securities primarily to purchase property and equipment, to purchase property for development and to fund loan advances. Cash flow from financing activities was \$1,776,075 from the proceeds of the bank loan and the exercise of stock options.

A significant addition to cash made available for our operations came from our investment portfolio and loans. As of December 31, 2005, the value of our investment portfolio was approximately \$3,091,017 consisting of bonds and income trusts, and our loans receivable totaled \$2,155,469. In February 2005 our subsidiary, 0716590 B.C. Ltd., exercised an option to purchase the commercial and residential building in which our headquarters are located. The price for the property, which was paid in cash, was \$2,414,298.

As of December 31, 2005, our holdings included the following:

| <b>Type</b>               | <b>Carrying Amount</b> | <b>% of Holdings</b> |
|---------------------------|------------------------|----------------------|
| Cash                      | \$ 955,554             | 9.32 %               |
| Real Estate (head office) | \$ 2,394,984           | 23.35 %              |
| Real Estate (development) | \$ 1,658,901           | 16.18 %              |
| Bonds & Income Trust      | \$ 3,091,017           | 30.14 %              |
| Loans                     | \$ 2,155,469           | 21.02 %              |
| <b>Total</b>              | <b>\$ 10,255,925</b>   | <b>100 %</b>         |

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During the fiscal year ended December 31, 2005, we received income of \$773,572 from our investments.

There are no guarantees, commitments, lease and debt agreements or other agreements that could trigger an adverse change in our credit rating, earnings, cash flows or stock price, including requirements to perform under standby agreements.

### **Risk Factors**

Our business is subject to a number of risks as outlined below. An investment in our securities is speculative in nature and involves a high degree of risk. You should read this annual report carefully and consider the following risk factors:

*We depend on eBay for revenue and uninterrupted Internet access and may be harmed by the loss of any such service.*

We rely heavily on eBay's servers for uninterrupted Internet access and the ability to offer our customers live auction technology that accesses eBay's clients. Our agreement with eBay governs the conduct of auctions on eBay's website and may be terminated instantly or on short notice. Our business is dependent on eBay's uninterrupted Internet access, its servers and its continued operation of the live auction platform on eBay Live Auction. The loss of any of these services or agreement will have a material adverse effect on our business, financial condition, and operating results.

We cannot assure you that we would be able to obtain these services from other third parties or that we can renew our eBay agreement.

*Our operating results fluctuate significantly and may be impacted by factors that are beyond our control. This makes it difficult to accurately predict what the revenues from our operations will be.*

Our operating results have varied on a quarterly basis during our operating history and may fluctuate significantly as a result of a variety of factors, many of which are outside of our control. Factors that may affect our quarterly operating results include

-

our ability to attract new clients to use our services;

- 

the announcement or introduction of new sites, services and products by our competitors;

- 

the success of our marketing campaigns;

- 

price competition;

- 

the level of use of the Internet and online services;

- 

our ability to upgrade and develop our systems and infrastructure to accommodate growth;

- 

the amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure; and

- 

general economic conditions as well as economic conditions specific to the Internet and online commerce industries.

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Due to the foregoing factors, our quarterly revenues and operating results are difficult to forecast. We believe that period-to-period comparisons of our operating results may not be meaningful and should not be relied upon as an indication of future performance.

***We have capacity constraints and system development risks that could damage our customer relations or inhibit our possible growth.***

Our success and our ability to provide high quality customer service largely depends on the efficient and uninterrupted operation of our computer and servers, Internet and communications systems and the computers and communication systems of third party vendors in order to accommodate any significant numbers or increases in the numbers of consumers and businesses using our services. Our success also depends on our abilities, and that of our vendors, to rapidly expand transaction-processing systems and network infrastructure without any systems interruptions in order to accommodate any significant increases in use of our service.

We cannot assure you that the vendors or partners we have selected and will select in the future will be capable of accommodating any significant number or increases in the number of consumer and auction houses using our services. Such failures will have a material adverse affect on our business and results of operations. We may experience periodic systems interruptions and down time caused by traffic to our web site and technical difficulties, which may cause customer dissatisfaction and may adversely affect our results of operations. Limitations of our technology infrastructure and that of our vendors may prevent us from maximizing our business opportunities.

***Our business is at risk for system failures that disrupt our operations.***

Our success, and in particular our ability to facilitate trades successfully and provide high quality customer service, depends on the efficient and uninterrupted operation of our computer and communications hardware systems.

Substantially all of the computer hardware for operating our service is currently located at the facilities of Telus in British Columbia. These systems and operations are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, break-ins, sabotage, intentional acts of vandalism and similar events.

We do not presently have fully redundant systems, a formal disaster recovery plan or alternative providers of hosting services and we do not carry sufficient business interruption insurance to compensate for losses that may occur. Any damage to or failure of the systems could result in reductions in, or terminations of, the Ableauctions service, which could have a material adverse effect on our business, results of operations and financial condition.

***Changing technology may render our equipment, software, and programming obsolete or irrelevant.***



The market for Internet-based products and services is characterized by rapid technological developments, frequent new product introductions, and evolving industry standards. The emerging character of these products and services and their rapid evolution will require that we continually improve the performance, features, and reliability of our Internet-based products and services, particularly in response to competitive offerings. We cannot guarantee that we will be successful in responding quickly, cost effectively, and sufficiently to these developments. In addition, the widespread adoption of new Internet technologies or standards could require substantial expenditures by us to modify or adapt our Internet sites and services and could fundamentally affect the character, viability, and frequency of Internet-based advertising, either of which could have a material adverse effect on our business, financial condition, and operating results. In addition, new Internet-based products, services, or enhancements offered by us may contain design flaws or other defects that could require costly modifications or result in a loss of consumer confidence, either of which could have a material adverse effect on our business, financial condition, and operating results.

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***Our inventory liquidation business, Unlimited Closeouts, Inc., is dependent on a small number of customers.***

Unlimited Closeouts, Inc., our inventory liquidation business, accounted for approximately 74% of our revenues during the 2005 fiscal year. Ten customers accounted for approximately 70% of these revenues, with the largest customer accounting for over 20% of the revenues. If we were to lose any one of these customers, it could have a material adverse effect on the business of Unlimited Closeouts, Inc. and on our results of operations.

***If we cannot protect our Internet domain names, our ability to conduct our operations may be impeded.***

We anticipate that the Internet domain names `ableauctions.com` , `icollector.com` , `itrustee.com` and various others will be an extremely important part of our business and the business of our subsidiaries. Governmental agencies and their designees generally regulate the acquisition and maintenance of domain names. The regulation of domain names in the United States and in foreign countries may be subject to change in the near future. Governing bodies may establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names in all countries in which we conduct business. Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. Therefore, we may be unable to prevent third parties from acquiring domain names that are similar to, infringe on, or otherwise decrease the value of our trademarks and other proprietary rights. Third parties have acquired domain names that include `auctions` or other variations both in the United States and elsewhere.

***Our success depends on the services of Abdul Ladha, Paul Piotrowski and Erick Richardson, the key employees of iCollector.com Technologies Ltd. and Unlimited Closeouts Inc. respectively***

Our future success will depend on Abdul Ladha, our Chief Executive Officer and President, Paul Piotrowski, manager of iCollector.com Technologies Ltd. and Erick Richardson, manager of Unlimited Closeouts Inc. The loss of any one of these individuals could have an adverse effect on our operations. We do not maintain insurance to cover the loss that may result from the death of any one of these individuals.



***The e-commerce industry is highly competitive, and we cannot assure you that we will be able to compete effectively.***

The market for broadcasting auctions, providing auction technology, liquidating inventory over the Internet and point of sale services is rapidly evolving and intensely competitive and we expect competition to intensify further in the future.

We believe that the principal competitive factors in the online auction and liquidation markets are volume and selection of goods, population of buyers, customer service, reliability of delivery and payment by users, brand recognition, web site convenience and accessibility, price, quality of search tools, and system reliability. Many of our current and potential competitors have longer operating histories, larger customer bases, greater brand recognition, and significantly greater financial, marketing, technical, and other resources than us.

Certain of our competitors with other revenue sources may be able to devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing policies, and devote substantially more resources to web site and systems development than we can or may try to attract traffic by offering services for free. We cannot assure you that we will be able to compete successfully against current and future competitors. Further, as a strategic response to changes in the competitive environment, we may, from time to time, make certain pricing, service, or marketing decisions that could have a material adverse effect on our business, results of operations, and financial condition.

***Our business may be subject to government regulation and legal uncertainties that may increase the costs of our operations or limit our ability to generate revenues.***

We are subject to the same federal, state, and local laws as other companies conducting business on the Internet. Today there are relatively few laws specifically directed towards online services. However, due to the increasing popularity and use of the Internet and online services, it is possible that laws and regulations will be adopted regarding the Internet or online services. These laws and regulations could cover issues such as online contracts, user privacy, freedom of expression, pricing, fraud, content and quality of products and services, taxation, advertising, intellectual property rights, and information security. Applicability to the Internet of existing laws governing issues such as property ownership, copyrights and other intellectual property issues, taxation, libel, obscenity, and personal privacy is uncertain. In addition, numerous states have regulations regarding the manner in which auctions may be conducted and the liability of auctioneers in conducting such auctions.

Due to the global nature of the Internet, it is possible that the governments of other countries might attempt to regulate our transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws. Such laws may be modified, or new laws may be enacted, in the future. Any such development could damage our business.

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***Our business may be subject to sales and other taxes, which may cause administrative difficulties and increase our cost of operations.***

We will collect applicable sales and other similar taxes on goods sold on our web site. One or more states may seek to impose additional sales tax collection obligations on companies such as ours that engage in or facilitate online commerce. Several proposals have been made at the state and local level that would impose additional taxes on the sale of goods and services through the Internet. These proposals, if adopted, could substantially impair the growth of electronic commerce and could diminish our opportunity to derive financial benefit from our activities.

***In the future, laws making us liable for the activities of users of our services could be passed, which would adversely affect our business, operations and financial condition.***

The law relating to the liability of providers of online services for activities of their users on the service is currently unsettled. There can be no assurance that we will be able to prevent the unlawful exchange of goods on our service or that we will successfully avoid civil or criminal liability for unlawful activities carried out by users through our service. The imposition of potential liability on us for unlawful activities of users of our services could require us to implement measures to reduce our exposure to such liability, which may require us, among other things, to spend substantial resources and/or to discontinue certain service offerings. Any costs incurred as a result of such liability or asserted liability could have a material adverse effect on our business, results of operations and financial condition.

In addition, our success depends largely on sellers reliably delivering and accurately representing the working condition of auctioned goods and buyers paying the auctioned price. While we can suspend the accounts of users who fail to fulfill their obligations, beyond crediting sellers with the amount of their fees in certain circumstances, we do not have the ability to otherwise require users to make payments or deliver working goods and we do not compensate users who believe they have been defrauded by other users. Any resulting litigation could be costly for us, divert management's attention from our business and could result in increased costs of doing business, or otherwise have a material adverse effect on our business, results of operations and financial condition.

***We conduct a significant amount of our business online, however such activities may not be secure. If a breach of security occurred, our reputation could be damaged and we could be sued.***

A significant barrier to online commerce and communications is the secure transmission of confidential information over public networks. Currently, a significant number of Ableauctions users authorize us to bill their credit card

accounts directly for all transaction fees charged by us. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication technology to effect secure transmission of confidential information, including customer credit card numbers. There can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments will not result in a compromise or breach of the technology used by us to protect customer transaction data. If any such compromise of our security were to occur, it could have a material adverse effect on our reputation and, therefore, on its business, results of operations and financial condition.

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***Our stock price is subject to extreme volatility.***

The trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as actual or anticipated variations in the Company's quarterly operating results, announcements of technological innovations, or new services by the Company or its competitors, changes in financial estimates by securities analysts, conditions or trends in the Internet and online commerce industries, changes in the market valuations of other Internet or online service companies, announcements by the Company or its competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments, additions or departures of key personnel, sales of common stock or other securities of the Company in the open market and other events or factors, many of which are beyond the Company's control. Further, the stock markets in general, and the market for Internet-related and technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. The trading prices of many technology companies' stocks do not accurately reflect the valuations of these companies. There can be no assurance that trading prices and valuations will be sustained. These broad market and industry factors may materially and adversely affect the market price of the common stock, regardless of the Company's operating performance. Market fluctuations, as well as general political and economic conditions such as recession or interest rate or currency rate fluctuations, may also adversely affect the market price of the common stock.

***The market price of our common stock may be adversely affected if too much of it is sold at once.***

Sales of substantial amounts of the Company's common stock (including shares issued upon the exercise of outstanding options) in the public market could adversely affect the market price of the common stock. Such sales also might make it more difficult for the Company to sell equity or equity-related securities in the future at a time and price that the Company deems appropriate.

***The posting of inventory using third party technology (e.g., eBay) or our own technology may expose us to certain liabilities.***

The posting of inventory using third party technology (e.g., eBay) or our own technology may expose us to certain liabilities. The inventory posted for sale, whether it belongs to us or to a client, may not be free of liens or encumbrances, may violate laws, may cause damage, death or harm, may be unsuitable for the use suggested, may be counterfeited, misrepresented, damaged, illustrated incorrectly or not authentic, or may be damaged during delivery or shipment. In addition, the posting of the image of inventory may illustrate or describe the inventory incorrectly or violate trademarks or copyrights belonging to others. Further, the parties to the auction may fail to consummate the transaction or act fraudulently or dishonestly. Finally, we may make errors in posting a catalogue for a client such as



missing an item, incorrectly uploading the information, posting erroneous starting times, inadvertently (or through equipment malfunctions, data crashes, viruses, hackers, etc.) omitting the catalogue altogether or losing the client's data. Any such occurrences could cause harm to our reputation or result in a loss of clients or customers, any of which could adversely impact our results of operations.

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***We have invested over 70% of our assets in securities such as stocks, bonds, mortgage loans, real estate and income trusts. If these investments decline in value, we may suffer significant losses.***

Approximately 70% of our assets on December 31, 2005 were invested in various securities, real estate, bonds, income trusts and mortgage loans.

All of our investments are subject to market risks and their values may increase or decrease daily depending on factors affecting their respective markets, which we cannot control. Dividends and distributions are not guaranteed and may be terminated or reduced at any time. Even if dividends or distributions are maintained, the gains made from the dividends or distributions may be wiped out by a decline in the price of the security. Price changes may occur in the market as a whole, or they may occur in only a particular company, industry, or sector of the market. Real estate values and mortgage loans can be seriously affected by factors such as interest rate fluctuations, bank liquidity, the availability of financing, and by factors such as a zoning change or an increase in property taxes. Since the majority of our investments are held in Canadian funds, currency fluctuations may affect the value of our portfolio significantly. There can be no assurance that the securities and other assets in which we have invested will increase, or even maintain, their value.

***A majority of our obligations, investments and expenditures with respect to our operations are incurred in a foreign currency.***

While our financial results are quantified in U.S. dollars, a majority of our obligations, investments and expenditures with respect to our operations may be incurred in Canadian dollars. We may have market risks relating to our operations resulting from foreign exchange rates if we enter into financing or other business arrangements denominated in currency other than the U.S. dollar. Variations in the exchange rate may give rise to foreign exchange gains or losses that may be significant.

***Unexpected rate hikes in insurance premiums could adversely effect our business and results of operations.***

Our business may be subject to significant insurance rate increases, which may make it difficult for us to obtain the appropriate risk coverage or liability insurance, creating administrative difficulties in keeping board members and increasing the cost of our operations.

Due to the global nature of the Internet related businesses, their impact on publicly trading companies, and political instability, it is possible that we could be denied insurance coverage or not be able to afford it. Lack of insurance coverage could make it difficult to retain key employees and Board members or to attract suitable employees, which

could seriously impede our performance and profitability and our ability to conduct our business.

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***If the American Stock Exchange determines that our common stock does not meet its listing criteria, our stock could be delisted.***

The Company is not under any immediate threat to be delisted from the American Stock Exchange and the American Stock Exchange has not taken any action in notifying the Company of any concerns surrounding the listing. However, the American Stock Exchange may change its listing requirements or the Company may not be able to meet the listing criteria.

***We cannot guarantee that we will be able to successfully incorporate into our business model the acquisitions that we make, or that the acquisitions we make will be profitable.***

The Company intends to acquire businesses, technologies, services or products that the Company believes are strategic. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Moreover, there can be no assurance that the anticipated benefits of any acquisition will be realized. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favorable to the Company, or at all, and such financing, if available, might be dilutive.

***We may be unable to adequately protect our intellectual property.***

The Company regards the protection of its copyrights, service marks, trademarks, trade dress and trade secrets as critical to its future success and relies on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect its proprietary rights in products and services. The Company attempts to enter into confidentiality and invention assignment agreements with its employees and contractors, and nondisclosure agreements with parties with which it conducts business in order to limit access to and disclosure of its proprietary information. There can be no assurance that these contractual arrangements or the other steps taken by the Company to protect its intellectual property will prove sufficient to prevent misappropriation of the Company's technology or to deter independent third party development of similar technologies. The Company will pursue the registration of some of its trademarks and service marks in the U.S. and Canada, however, it continues to rely on common law to protect its intellectual property. Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which the Company's services are made available online. The Company has licensed in the past, and expects that it may license in the future, certain of its proprietary rights, such as trademarks or copyrighted material, to third parties. While the Company attempts to ensure that the quality of the Ableauctions or iCollector brand is maintained by such licensees, there can be no assurance that such licensees will not take actions that might materially adversely affect the value of the Company's proprietary rights or reputation, which could have a material adverse effect on the Company's business, results of operations and financial condition.



***We could lose the right to use third party technologies on which we rely.***

The Company relies on certain technologies that it licenses from third parties, such as eBay's online auction technology. There can be no assurance that these third party technology licenses will continue to be available to the Company on commercially reasonable terms. The loss of such technology could require the Company to obtain substitute technology of lower quality or performance standards or at greater cost, which could materially adversely affect the Company's business, results of operations and financial condition.

***Infringement of proprietary rights.***

There can be no assurance that third parties will not claim infringement by the Company with respect to past, current or future technologies. The Company expects that participants in its markets will be increasingly subject to infringement claims as the number of services and competitors in the Company's industry segment grows. Any such claim, whether meritorious or not, could be time consuming, result in costly litigation, cause service upgrade delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to the Company or at all. As a result, any such claim could have a material adverse effect upon the Company's business, results of operations and financial condition.

***We have been sued for claims relating to our discontinued operations and we may have more such claims.***

In 2002 it was determined that iCollector PLC could not sustain its operations based on its existing cash resources and infrastructure. iCollector PLC then ceased operations and a restructuring plan was adopted. In January 2002 iCollector PLC was placed into formal bankruptcy proceedings pursuant to the laws of the United Kingdom. In 2002, Ableauctions.com (Washington) Inc., our wholly owned subsidiary, ceased its bricks and mortar operations in San Mateo and San Francisco. In connection with the termination of these operations, we have received a number of claims from various alleged creditors. We cannot assure you that no additional claims will arise from these discontinued operations. Furthermore, subsequent claims may force Ableauctions.com (Washington) Inc. to declare bankruptcy.

**Item 7.**

**Financial Statements**

Reference is made to the financial statements, the reports thereon, the notes thereto, and supplementary data commencing at page F-1 of this Form 10-KSB, which financial statements, reports, notes, and data are incorporated herein by reference.

**Item 8.**

**Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Not applicable.

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**Item 8A.**

**Controls and Procedures.**

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, who is also our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. The evaluation was undertaken in consultation with our accounting personnel. Based on that evaluation, the Chief Executive Officer/ Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

**Item 8B.**

**Other Information.**

Effective December 31, 2005, we merged two of our wholly owned subsidiaries, ITrustee.com Technologies Ltd. and Able Auctions (1991) Ltd. The corporation was re-named Stanford Development Corporation. Stanford Development Corporation develops real estate, makes short term loans, and manages an investment portfolio.



### **PART III**

#### **Item 9.**

##### **Directors, Executive Officers, Promoters and Control Persons;**

##### **Compliance With Section 16(a) of the Exchange Act**

#### **Abdul Ladha, Age 44**

Abdul Ladha has been a director, President, and Chief Executive Officer of the Company since August 24, 1999. He also currently serves as the interim Chief Financial Officer. In addition, Mr. Ladha is President of all of the Company's wholly owned subsidiaries. Mr. Ladha holds an honors degree in Electrical Engineering and Mathematics from the University of British Columbia (UBC). In 1985, he founded Dexton Enterprises Inc., a subsidiary of Dexton Technologies Corporation, which was a company engaged in the business of (a) the development and provision of web-based business solutions to small to mid-size retail and business-to-business customers, and (b) the marketing and sale of personal computer hardware and network systems to corporate and retail customers, as well as computer training and after-sales upgrade and support services. Mr. Ladha was President, Chief Executive Officer, and a director of Dexton Technologies from December 1994 to July 2001. In 1997, Dexton Technologies acquired Able Auctions (1991) Ltd., which Dexton sold to the Company on August 24, 1999.

Mr. Ladha is the Executive Director of CITA – The Canadian Institute for Technological Advancement, a non-profit organization dedicated to developing Canada's technological entrepreneurs sponsored by the UBC, Simon Fraser University (SFU), the World Trade Centre, Ernst & Young, and some 60 corporations and institutions.

#### **Barrett E.G. Sleeman, P.Eng., Age 65**

Barrett Sleeman, a director of the Company since August 24, 1999, is a professional engineer. He has also been a director of Crystal Graphite Corporation, a graphite property development company, from February 1999 to February 2004, and the CEO of Helena Resources from October 2001 to present. From April 1997 to September 2001, he was a director of Dexton Technologies Corporation, a technology company. From May 1988 to May 2000, he was a director and the President of Omicron Technologies Inc., whose focus is the acquisition, research and development, and marketing of leading edge technologies for the aerospace, telecommunications, defense, and consumer electronics industries, as well as Internet-based business concepts. Mr. Sleeman also served as a director of Java Group Inc.,

currently an oil and gas company, from November 1997 to March 2000. Mr. Sleeman was also President (October 1996 to October 1997) and a director (August 1996 to October 1997) of White Hawk Ventures Inc., and President (August 1995 to April 1997) and a director (March 1995 to January 1998) of International Bravo Resources Inc., both mining exploration companies.

**Dr. David Vogt, Age 49**

Dr. David Vogt, a director of the Company since April 17, 2000, is a scientist and knowledge engineer. An astronomer by training, he was Director of Observatories at the University of British Columbia in Canada from 1980 to 1992 before becoming Director of Science at Science World, Western Canada's largest public science center. With the development in 1993 of a virtual science center to support educational outreach, Dr. Vogt shifted his focus to explore the creation of knowledge using new media technologies. Dr. Vogt is a founding executive of Brainium.com, an innovative online educational publishing company. Brainium.com pioneers new media learning products for the kindergarten to Grade 12 market. The award winning Science Brainium, located at [www.brainium.com](http://www.brainium.com), is an online intermediate science resource currently reaching 7,000 schools internationally. Dr. Vogt has been Vice President Business Development of Brainium Technologies Inc. since 1996.

Dr. Vogt combined undergraduate degrees in Physics and Astronomy (UBC 1977) and English Literature (UBC 1978) into an interdisciplinary Ph.D. (SFU 1990) in information science and archaeoastronomy. Dr. Vogt was also founding director of the B.C. Shad Valley Program, Chairman of the CBC's Advisory Committee on Science and Technology, and a founding member of the SchoolNet National Advisory Board.

Dr. Vogt's professional associations include membership on the Software and Information Industry Association (SIIA) Content Board and sub-committee on Distance Learning, a technology planning committee for Ronald McDonald Houses International, the Education Committee for the Vancouver Foundation, the B.C. government's Information Technology Advisory Board, and the Board for Science World.

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**Michael Boyling, Age 49**

Mr. Boyling, a director, is the President of Boyling, Feltham, Rogers & Associates Inc. (BFR), which is an insurance and financial services company based in Vancouver, British Columbia and has offices in Edmonton, Alberta, Calgary, Alberta and Winnipeg, Manitoba. BFR's business focuses on providing insurance and financial services to high net worth individuals and medium sized companies. Michael Boyling has played a major role in the development and growth of this company. Through his three-year tenure as director and President, BFR has grown from annual revenue of CDN\$500,000 to annual revenue in excess of CDN\$5,000,000.

He served with the Canadian Military (Army) from the age of 17 to the age of 38. Since his retirement from military service, he has been self-employed in the financial industry.

Mr. Boyling also owns West Coast Global Equity/Ventures Inc., an international consulting company whose main focus is international financing and investing. He has worked as a consultant and broker with a foreign government and international construction companies arranging equity and debt financing.

Mr. Boyling draws on his experience from his time spent in the insurance and financial services industry with two international insurance companies, where he occupied positions of Regional and International Sales Manager.

While we believe that members of our Board of Directors each have some of the attributes of an audit committee financial expert, no single individual possesses all of the attributes therefore, no one on our Board of Directors can be deemed to be an audit committee financial expert. In forming our Board of Directors approximately five years ago, we sought out individuals who would be able to guide our operations based on their business experience, both past and present, or their education. Our business model is not complex and our accounting issues are straightforward.

Responsibility for our operations is centralized within our executive management. We recognize that having a person who possesses all of the attributes of an audit committee financial expert would be a valuable addition to our Board of Directors, however, the Company is not, at this time, able to compensate such a person therefore, we may find it difficult to attract such a candidate.

The Company did not compensate its directors during the 2005 fiscal year.

**Section 16(a) Compliance**

Section 16(a) of the Securities Exchange Act requires our directors, executive officers and persons who own more than 10% of our common stock to file reports of ownership and changes in ownership of our common stock with the Securities and Exchange Commission. Directors, executive officers and persons who own more than 10% of our common stock are required by Securities and Exchange Commission regulations to furnish to us copies of all Section 16(a) forms they file.

To our knowledge, based solely upon review of the copies of such reports received or written representations from the reporting persons, we believe that during our 2005 fiscal year our directors, executive officers and persons who own more than 10% of our common stock complied with all Section 16(a) filing requirements, with the exception of the following:

Abdul Ladha exercised options to purchase 545,769 shares of the Company's common stock on March 7, 2005. Mr. Ladha purchased 45,769 shares at an exercise price of \$0.40 per share and 500,000 shares at an exercise price of \$0.15 per share. A form 4 reporting these transactions was filed on March 23, 2006.

#### **Code of Ethics**

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Our code of ethics will be provided to any person without charge, upon request. Requests should be addressed to Mr. Abdul Ladha, c/o Ableauctions.com, Inc. 1963 Lougheed Highway, Coquitlam, British Columbia V3K 3T8.

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**Item 10.****Executive Compensation**

The table below shows, for the last three fiscal years, compensation paid or accrued to the Company's chief executive officer and the four most highly paid executive officers while serving in their designated capacity at fiscal year end, whose total compensation exceeded \$100,000. These officers are referred to as the named executive officers.

**SUMMARY COMPENSATION TABLE**

|                             | Fiscal Year Ended | Annual Compensation |         | Long Term Compensation           |  |                     |         |
|-----------------------------|-------------------|---------------------|---------|----------------------------------|--|---------------------|---------|
|                             |                   | Salary              | Bonus   | Other Annual compensation (US\$) | Securities under Option/SAR Granted (#)            | Awards              | Payouts |
| Name and Principal Position | (1)               | (US\$)              | (US\$)  | (US\$)                           | Restricted Shares or Restricted Share Units (US\$) | LTIP Payouts (US\$) |         |
| <b>A B D U L LADHA(3)</b>   | 2005              | 156,000             | 0       | 0                                | 0  | 0                   | 6,000   |
| President and CEO           | 2004              | 72,850              | 0       | 0                                | 1,500,000  | 0                   | 0       |
|                             | 2003              | 71,054              | 0       | 0                                | 1,000,000  | 0                   | 0       |
| <b>Erick Richardson(4)</b>  | 2005              | 0                   | 68,011  | 0                                |  | 0                   | 0       |
|                             | 2004              | 0                   | 217,500 | 0                                | 3,000,000 over 5 years                             | 0                   | 0       |

(1)

Year ended December 31.

(2)

Car allowance.

(3)

President and CEO of Ableauctions.com Inc. from August 24, 1999 to present.

(4)

Vice-President and Director of Unlimited Closeouts, Inc. from February 2004 to present.

### **Option Grants in the Last Fiscal Year**

During the fiscal year ended December 31, 2005, the Company did not grant stock options to its named executive officers or directors.

### **Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values**

During the fiscal year ended December 31, 2005, Abdul Ladha, our President and Chief Financial Officer, exercised the following options.

#### **Option/SAR Officer Exercises** **for Last Fiscal Year**

| Name | Number of<br>Shares<br>Acquired on | Value | # of Securities<br>Underlying | Value of<br>Unexercised- |
|------|------------------------------------|-------|-------------------------------|--------------------------|
|------|------------------------------------|-------|-------------------------------|--------------------------|

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|             | Exercise | Realized                  | Unexercised | In-the-money              |
|-------------|----------|---------------------------|-------------|---------------------------|
|             |          |                           | Options     | Options                   |
|             |          | Exercisable/Unexercisable |             | Exercisable/Unexercisable |
| Abdul Ladha | 545,769  | \$277,815.32              | 1,841,706/0 | \$116,243/0               |

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## Employment Agreements

We have an employment agreement with our Chief Executive Officer, Abdul Ladha, that is dated April 1, 2002. The term of the agreement commenced as of April 1, 2002 and will continue until Mr. Ladha dies or is permanently disabled, we terminate the agreement for cause, we and Mr. Ladha mutually agree to terminate the agreement, Mr. Ladha elects to terminate the agreement or we elect to terminate the agreement. If Mr. Ladha elects to terminate the agreement, he must give us at least 90 days written notice of his intent to terminate. If we elect to terminate the agreement, we must give Mr. Ladha written notice equal to no less than the greater of one year or two months for each year of completed service. In lieu of such notice, we can pay Mr. Ladha compensation for the notice period. Mr. Ladha's cash compensation is \$156,000 per year, which may be increased by the Board. Mr. Ladha also receives an automobile allowance of \$500 per month and, upon execution of the agreement, he was granted options to purchase 1,000,000 shares of our common stock.

## Item 11.

### Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information, as of March 15, 2006, regarding the beneficial ownership of the Company's common stock by any person known to the Company to be the beneficial owner of more than 5% of the outstanding common stock, by directors and certain executive officers, and by all directors and executive officers of the Company as a group.

| Name and Address(1)  | Amount and Nature of Beneficial Ownership of Securities | Percent of Class(2) |
|--|---|---------------------|
| Abdul Ladha, Director and Executive Officer                            | 2,387,475 <sup>(3)(4)</sup>                             | 3.83%               |
| Barrett Sleeman, Director  | 457,200 <sup>(4)</sup>                                  | 0.73%               |
| Dr. David Vogt, Director   | 457,200 <sup>(4)</sup>                                  | 0.73%               |
| Michael Boyling  | 457,200 <sup>(4)</sup>                                  | 0.73%               |
| All current directors and executive officers as a group<br>(4 persons) | 3,759,075   | 6.02%               |



((1) The address of each of the following individuals is, c/o Ableauctions.com, Inc., 1963 Lougheed Highway, Coquitlam, British Columbia V3K 3T8.

(2) Based on an aggregate of 62,406,834 shares outstanding as of March 15, 2006. Beneficial ownership is determined under the rules of the Securities and Exchange Commission. The number of shares shown as beneficially owned in the tables below are calculated pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934. Under Rule 13d-3(d)(1), shares not outstanding that are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person, but not deemed outstanding for the purpose of calculating the percentage owned by each other person listed. Except in cases where community property laws apply or as indicated in the footnotes to this table, we believe that each stockholder identified in the table possesses sole voting and investment power over all of the shares of common stock.

(3) Abdul Ladha, President of the Company, is a beneficiary of the Ladha (1999) Family Trust. Hamilton Trust Company Limited is the trustee of the Ladha (1999) Family Trust. Mr. Ladha disclaims beneficial ownership of the 3,006,875 shares held by the Ladha (1999) Family Trust.

(4) Consists of stock and options exercisable to acquire shares of common stock.

To our knowledge, none of the Company's directors, officers or affiliates, or any 5% or greater shareholder of the Company, or any associate or any such directors, officers or affiliates, is a party that is adverse to the Company in any material legal proceeding.

## **Item 12.**

### **Certain Relationships and Related Transactions**

At December 31, 2004, we leased 8,000 square feet of showroom and office space at 1963 Lougheed Highway, Coquitlam, British Columbia. The monthly rental payments were \$5,681. The landlord was Bullion Reef Holdings Ltd., a private company wholly-owned by Hanifa Ladha, who is the wife of our President, Abdul Ladha. The rent payments were below market, as verified independently by Burgess Austin valuers.

On February 24, 2005, we, through our assignee and wholly owned subsidiary 0716590 B.C. Ltd., exercised an option to purchase this property. On the date of purchase, the building had two tenants besides us. The purchase price was \$2,221,316 and the effective date of the transaction was January 1, 2005. We paid the purchase price in cash. The property consists of 19,646 square feet of commercial space and 2,300 square feet of residential space and is located

on approximately eight-tenths of an acre. The property currently serves as our headquarters. A portion of the property continues to be leased to the remaining two tenants.

At December 31, 2005, we had a receivable of \$33,234 from credit card transactions from the president of the Company.

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**ITEM 13.**

**Exhibits**

- 3.1 Articles of Incorporation, as amended (incorporated by reference to Exhibits 3.1, 3.2, 3.3, 3.4 and 3.5 of the Registrant's Registration Statement on Form 10-SB).(1)
- 3.2 Bylaws (Incorporated by reference to Exhibit 3.6 of the Registrant's Registration Statement on Form 10-SB).(1)
- 10.1 1999 Stock Option Plan (Incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form S-8).(3).
- 10.2 2002 Stock Option Plan for Directors (Incorporated by reference to Exhibit 10.32 of the Registrant's Annual Report on Form 10-KSB) (2)
- 10.3 2002 Consultant Stock Plan (Incorporated by reference to Exhibit 10.1 of the Registrant's Registration Statement on Form S-8) (4)
- 10.4 Purchase Agreement for Real Property between Bullion Reef Holdings, Ltd. and 0716590 B.C. Ltd.(7)
- 10.5 Agreement between the Registrant and Brean Murray & Co., Inc. dated March 8, 2005(8)
- 10.6 Agreement between the National Auctioneers Association and iCollector.com, Technologies Inc dated March 18, 2004 (The Registrant has omitted certain portions of this exhibit pursuant to a request for confidential treatment. The omitted material has been filed separately with the Securities and Exchange Commission.)(9)
- 14 Code of Ethics(10)
- 21 Subsidiaries of Ableauctions.com, Inc\*.
- 23 Consent of Cinnamon Jang Willoughby & Company\*
- 31 Certification Pursuant to Rule 13a-14(a) and 15d-14(a) (4) of Chief Executive Officer and Chief Financial Officer\*
- 32 Certification Pursuant to Section 1350 of Title 18 of the United States Code of Chief Executive Officer and Chief Financial Officer\*

\* Filed herewith.

(1) Incorporated by reference to the Form 10-SB filed by the registrant with the Securities and Exchange Commission by the registrant on November 18, 1999.

(2) Incorporated by reference to the Form 10-KSB for the fiscal year ended December 31, 2002 filed by the registrant

with the Securities and Exchange Commission on March 27, 2003.

(3) Incorporated by reference to the Form S-8 Registration Statement filed by the registrant with the Securities and Exchange Commission on June 13, 2003.

(4) Incorporated by reference to the Form S-8 Registration Statement filed by the registrant with the Securities and Exchange Commission on May 8, 2002.

(5) Incorporated by reference to the Form 10-QSB for the quarter ended March 31, 2003 filed by the registrant with the Securities and Exchange Commission on May 15, 2003.

(6) Incorporated by reference to the Current Report on Form 8-K filed by the registrant with the Securities and Exchange Commission on October 24, 2003.

(7) Incorporated by reference to the Current Report on Form 8-K filed by the registrant with the Securities and Exchange Commission on February 28, 2005.

(8) Incorporated by reference to the Current Report on Form 8-K filed by the registrant with the Securities and Exchange Commission on March 18, 2005.

(9) Incorporated by reference to the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on May 14, 2004.

(10) Incorporated by reference to the Annual Report on Form KSB for the fiscal year ended December 31, 2003 filed by the Registrant on March 30, 2004.

## **ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES**

### **AUDIT FEES**

The aggregate fees billed for the fiscal years ended December 31, 2005 and December 31, 2004 for professional services rendered by our principal accountants for the audit of our annual financial statements, review of financial statements included in our Form 10-QSB filings and other services provided by the accountant in connection with statutory and regulatory filings are approximately as follows: Fiscal Year Ended December 31, 2005: \$37,250; Fiscal Year Ended December 31, 2004: \$ 36,657.

### **ALL OTHER ACCOUNTANT FEES**

The aggregate fees billed for the fiscal years ended December 31, 2005 and December 31, 2004 for other professional services rendered by our principal accountants are approximately as follows: Fiscal Year Ended December 31, 2005: \$19,775; Fiscal Year Ended December 31, 2004: \$18,475.

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**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 27, 2006

/s/ Abdul Ladha  
Abdul Ladha, President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| <b><u>Signature</u></b>                       | <b><u>Title</u></b>  | <b><u>Date</u></b>                   |
|---|--|--------------------------------------|
| <u>/s/ Abdul Ladha</u><br>Abdul Ladha         | Chairman of the Board, Chief Executive Officer and Director<br><br>(Principal Executive Officer) | March 27, 2006<br><br>March 27, 2006 |
| <u>/s/ Abdul Ladha</u><br>Abdul Ladha         | Interim Chief Financial Officer<br><br>(Principal Financial Officer and Accounting Officer)      |                                      |
| <u>/s/ Barrett Sleeman</u><br>Barrett Sleeman | Director   | March 27, 2006                       |

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/s/ Dr. David Vogt

Director

March 27, 2006

Dr. David Vogt

/s/ Michael Boyling

March 27, 2006

Michael Boyling

Director