

Directors Report for Technico Technologies Inc

Your Directors present their Report, together with the Audited Financial Statements, for the financial year ended 31 March 2009.

Directors

The following directors held office since the start of the financial year until the date of this report, unless otherwise stated:

Mr Sachidanand Madan (appointed 31st December 2008)
Mr David McDonald
Ms Bhavani Parameswar

Corporate information

Technico Technologies Inc is a company limited by shares that is incorporated and domiciled in Canada. It is a wholly owned subsidiary of Technico Pty Ltd, a company incorporated in Australia.

The registered office of Technico Technologies Inc is located at:

Stewart McKelvey Stirling Scales
Suite 600, Frederick Square,
77 Westmoreland
Fredericton New Brunswick
E3B 5B4 Canada

The company operates through employees engaged on casual basis with technical and management support from its parent entity.

Principal activities

The principal activities of your company during the financial year under review were production of TECHNITUBER® seed for sale in the North America and Canadian markets and production of early generation field seed under a joint farming arrangement with local potato farmers.

Review and results of operations

The Canadian market is a mature market and long term supply relationships are difficult to break. Your company has an advantage of "speed to market" ability to introduce new varieties suitable for the region and a high quality product and this has clearly been demonstrated during the past twelve months. Acceptance has been stronger this year but it will take more time before our product gains full market recognition.

The New Brunswick government continues to fully support this project at all levels of government.

During the year Province of New Brunswick has repaid loans totalling \$925,000 owing to the Royal Bank of Canada (guaranteed by Province of New Brunswick) in consideration for \$200,000 in Class A preferred shares issued by the company and the resulting gain of \$725,000 has been credited as Government Grant in the financial statements.

For the year under review, the net profit of the company stood at \$537,596 (2007: Loss \$279,366).

No dividends have been paid or declared during the financial year.

Auditors

The Company has engaged M/s Teed Saunders Doyle & Co as auditors for the year under review whose report is annexed to the financial report.

Future developments and results

Your company's early generation seed continues to show its superior quality and although volumes to date are small, interest has been stronger for the product. The future focus of this business will be to build on the reputation of its technology and isolated seed production environment. The company will also focus more of its attention to new and upcoming varieties that are emerging in the North American market.

Environmental regulation and performance

Your company is not subject to any particular or significant environmental regulation.

Sachidanand Madan
Director

Place: India

Date: 20 April 2009

AUDITOR'S REPORT

To the Shareholder of Technico Technologies Inc.

We have audited the balance sheet of Technico Technologies Inc. as at March 31, 2009 and the statements of income, retained earnings and cash flows for the year then ended. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using a differential reporting option available to non-publicly accountable enterprises, as described in Note 2 to the financial statements. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2009 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

April 3, 2009
Fredericton, New Brunswick

CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT MARCH 31, 2009

ASSETS

	2009	2009	2008	2008
	\$	Rs.	\$	Rs.
Current Assets				
Cash	16,816	681,468	974	38,295
Accounts receivable	3,103	125,749	3,919	154,085
Inventory	199,942	8,102,650	218,288	8,582,538
Prepaid expenses	2,693	109,134	4,032	158,528
	<u>222,554</u>	<u>9,019,001</u>	<u>227,213</u>	<u>8,933,446</u>
Capital Assets (note 3)	<u>248,991</u>	<u>10,090,361</u>	<u>278,679</u>	<u>10,956,962</u>
	<u>471,545</u>	<u>19,109,362</u>	<u>505,892</u>	<u>19,890,408</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	13,825	560,260	26,533	1,043,209
Current portion of long-term debt	-	-	46,667	1,834,830
Deferred revenue	10,538	427,052	17,000	668,398
Demand loan	-	-	365,000	14,350,888
	<u>24,363</u>	<u>987,312</u>	<u>455,200</u>	<u>17,897,325</u>
Due To Technico Pty Limited (Australia) (note 5)	-	-	435,771	17,133,426
Long-Term Debt (note 4)	<u>270,766</u>	<u>10,972,792</u>	<u>774,099</u>	<u>30,435,637</u>
	<u>295,129</u>	<u>11,960,104</u>	<u>1,665,070</u>	<u>65,466,388</u>
SHAREHOLDERS' EQUITY				
Capital Stock (note 7)	1,207,998	48,954,119	410,000	16,120,175
Deficit	<u>(1,031,582)</u>	<u>(41,804,861)</u>	<u>(1,569,178)</u>	<u>(61,696,155)</u>
	<u>176,416</u>	<u>7,149,258</u>	<u>(1,159,178)</u>	<u>(45,575,980)</u>
	<u>471,545</u>	<u>19,109,362</u>	<u>505,892</u>	<u>19,890,408</u>

Approved By The Board:

_____ Director

STATEMENT OF RETAINED EARNINGS (DEFICIT) FOR THE YEAR ENDED MARCH 31, 2009

	2009 \$	2009 Rs.	2008 \$	2008 Rs.
Deficit At Beginning Of Year	(1,569,178)	(61,696,155)	(1,289,812)	(48,055,944)
Net Income (Loss) For The Year	537,596	21,461,533	(279,366)	(10,696,309)
Change In Unrealized Foreign Exchange				
During The Year	-	(1,570,239)	-	(2,943,902)
Deficit At End Of Year	<u>(1,031,582)</u>	<u>(41,804,861)</u>	<u>(1,569,178)</u>	<u>(61,696,155)</u>

STATEMENT OF INCOME (LOSS) FOR THE YEAR ENDED MARCH 31, 2009

	2009 \$	2009 Rs.	2008 \$	2008 Rs.
Sales	161,577	6,450,364	179,890	6,887,592
Cost Of Sales	<u>229,298</u>	<u>9,153,874</u>	<u>218,311</u>	<u>8,358,648</u>
Gross Profit (Loss)	<u>(67,721)</u>	<u>(2,703,510)</u>	<u>(38,421)</u>	<u>(1,471,056)</u>
Expenses				
Advertising	2,612	104,274	1,870	71,598
Amortization	16,373	653,631	111,648	4,274,755
Foreign exchange losses	3,340	133,337	8,421	322,422
Insurance	7,838	312,903	7,709	295,161
Interest and bank charges	2,210	88,226	18,221	697,642
Interest on long-term debt	22,851	912,242	46,686	1,787,504
Occupancy costs	7,703	307,514	5,716	218,853
Office and supplies	8,151	325,399	2,877	110,154
Professional services	18,076	721,617	10,437	399,610
Staff training	670	26,747	3,405	130,370
Telephone	4,840	193,219	4,937	189,027
Vehicle and travel expenses	15,805	630,956	6,463	247,454
Wages and benefits	<u>9,214</u>	<u>367,835</u>	<u>12,555</u>	<u>480,703</u>
	<u>119,683</u>	<u>4,777,900</u>	<u>240,945</u>	<u>9,225,253</u>
	(187,404)	(7,481,410)	(279,366)	(10,696,309)
Other Income				
Government grant - Province of New Brunswick (note 9)	<u>725,000</u>	<u>28,942,943</u>	-	-
Net Income (Loss) For The Year	<u>537,596</u>	<u>21,461,533</u>	<u>(279,366)</u>	<u>(10,696,309)</u>

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2009

	2009 \$	2009 Rs.	2008 \$	2008 Rs.
Cash Provided By (Required For):				
Operating Activities				
Net income (loss) for the year	537,596	21,461,533	(279,366)	(10,696,309)
Items not affecting cash				
Amortization of capital assets	16,373	653,631	21,648	828,854
Amortization of technology license	-	-	90,000	3,445,902
Amortization capitalized to inventory	<u>41,430</u>	<u>1,653,939</u>	<u>41,046</u>	<u>1,571,561</u>
	595,399	23,769,103	(126,672)	(4,849,992)
Changes in non-cash operating working capital (note 8)	<u>1,330</u>	<u>53,898</u>	<u>28,894</u>	<u>1,136,041</u>
	<u>596,729</u>	<u>23,823,001</u>	<u>(97,778)</u>	<u>(3,713,951)</u>

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2009 (Contd..)

Investing Activities				
Purchase of capital assets	(28,114)	(1,139,320)	(3,035)	(119,329)
Financing Activities				
Capital stock issuance	797,998	32,438,869	-	-
Repayment of demand loan and long-term debt	(915,000)	(36,880,375)	(10,000)	(421,261)
Due to Technico Pty Limited (Australia)	(435,771)	(17,599,002)	110,646	4,250,324
	(552,773)	(22,040,508)	100,646	3,829,063
Increase (Decrease) In Cash During The Year	15,842	643,173	(167)	(4,217)
Cash Position At Beginning Of Year	974	38,295	1,141	42,513
Cash Position At End Of Year	<u>16,816</u>	<u>681,468</u>	<u>974</u>	<u>38,295</u>
Supplementary Cash Flow Information				
	2009	2009	2008	2008
	\$	Rs.	\$	Rs.
Interest paid during the year	<u>25,062</u>	<u>1,015,638</u>	<u>64,908</u>	<u>2,552,020</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

1. Nature of Business Activities

The company is a wholly-owned subsidiary of Technico Pty Limited (Australia) and produces early generation seed potatoes for the North American Market.

2. Significant Accounting Policies

Basis of Presentation

The financial statements include Indian Rupee equivalent figures, arrived at by applying the year-end exchange rate of CAD \$1 = Rs. 40.5250 (2008 - CAD \$1 = Rs. 39.3175) to the balance sheet and the average annual exchange rate of CAD \$1 = Rs. 39.9213 (2008 - CAD \$1 = Rs. 38.2878) to the income statement as provided by the parent company.

The company, with the consent of its parent company, has elected to prepare its financial statements in accordance with Canadian generally accepted accounting principles using the differential reporting option available to non-publicly accountable enterprises described below:

Class A Preferred Shares

The company's Class A preferred shares, redeemable on the basis of 50% of after-tax profits starting in the 2011 fiscal year and retractable by the holder should specified corporate obligations not be met, are recorded as equity rather than liabilities.

In addition, the company has applied the following significant accounting policies without reference to differential reporting:

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded 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 revenue and expenses during the year. Actual amounts could differ from those estimates.

Financial Instruments

The carrying values of cash, accounts receivable and accounts payable and other liabilities approximate fair values due to the short-term maturity of these instruments. The carrying amount of long-term debt has not been determined because there is no ready market for this financial instrument. It is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from financial instruments.

Income taxes

The company uses the asset and liability method to account for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes compared with tax purposes as well as the benefit of losses available to be carried forward to future years for tax purposes. A valuation allowance is recorded to reduce future income tax assets to the amount more likely than not to be realized.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009 (contd..)

Inventory

Inventory is valued at the lower of production cost and net realizable value. Inventory includes capitalized amortization of \$41,430 (2008 - \$40,877).

Revenue

Revenue is recognized when products are delivered to the customer and ultimate collection is reasonably assured.

Amortization

Amortization of capital assets is recorded using the declining balance method at the following annual rates:

Buildings	10%
Equipment	13.34%

3. Capital Assets

	Cost	Accumulated Amortization	2009 Net	2008 Net
	\$	\$	\$	\$
Land	33,239	-	33,239	33,239
Buildings	285,348	159,151	126,197	154,732
Equipment	<u>261,440</u>	<u>171,885</u>	<u>89,555</u>	<u>90,708</u>
	<u>580,027</u>	<u>331,036</u>	<u>248,991</u>	<u>278,679</u>

	Cost	Accumulated Amortization	2009 Net	2008 Net
	Rs.	Rs.	Rs.	Rs.
Land	1,347,010	-	1,347,010	1,306,874
Buildings	11,563,728	6,449,594	5,114,134	6,083,675
Equipment	<u>10,594,857</u>	<u>6,965,640</u>	<u>3,629,217</u>	<u>3,566,412</u>
	<u>23,505,595</u>	<u>13,415,234</u>	<u>10,090,361</u>	<u>10,956,961</u>

4. Long-Term Debt

	2009	2009	2008	2008
	\$	Rs.	\$	Rs.
Non-interest bearing loan payable to the Atlantic Canada Opportunities Agency in annual installments starting August 2010 of \$10,000, \$70,000, \$100,000 and \$90,766, unsecured, due August 2013.	270,766	10,972,792	270,766	10,645,842
Loan payable to Royal Bank of Canada in annual installments of \$36,667 plus interest at 9.60%, secured by a mortgage on land and buildings and a loan guarantee of the Province of New Brunswick.	-	-	550,000	21,624,625
	<u>270,766</u>	<u>10,972,792</u>	<u>820,766</u>	<u>32,270,467</u>
Less current portion	-	-	46,667	1,834,830
	<u>270,766</u>	<u>10,972,792</u>	<u>774,099</u>	<u>30,435,637</u>

Principal repayment of long-term debt over the next four years is as follows:

	\$	Rs.
2011	10,000	405,250
2012	70,000	2,836,750
2013	100,000	4,052,500
2014	<u>90,766</u>	<u>3,678,292</u>
	<u>270,766</u>	<u>10,972,792</u>

5. Due to Technico Pty Limited (Australia)

The loan payable to the parent company of \$435,771 as at March 31, 2008 has been converted into 435,771 common shares having a par value of \$1 each.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009 (Contd..)

6. Income Taxes

A valuation allowance has been recorded to reduce the company's future income tax assets to \$nil. The company has non-capital losses for income tax purposes of \$1,070,251 which may be carried forward to reduce taxable income in future years. If not applied against taxable income, the non-capital losses will expire as follows:

	<u>\$</u>	<u>Rs.</u>
2014	205,382	8,323,106
2026	366,483	14,851,724
2027	283,750	11,498,969
2028	<u>214,636</u>	<u>8,698,124</u>
	<u>1,070,251</u>	<u>43,371,923</u>

The company has investment tax credits of \$32,910 available to reduce taxes payable of future years. The benefit of investment tax credits and non-capital losses carried forward have not been recorded in the financial statements due to the uncertainty that they may never be realized.

7. Capital Stock

	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>\$</u>	<u>Rs.</u>	<u>\$</u>	<u>Rs.</u>
Authorized				
An unlimited number of common shares				
200,000 non-voting, non-cumulative, non-participating, redeemable and retractable Class A preferred shares				
Issued				
1,007,999 Common shares				
(2008 - 410,001 shares)	1,007,998	40,849,119	410,000	16,120,175
200,000 Class A preferred shares	<u>200,000</u>	<u>8,105,000</u>	<u>-</u>	<u>-</u>
	<u>1,207,998</u>	<u>48,954,119</u>	<u>410,000</u>	<u>16,120,175</u>

During the year, the company issued 597,998 common shares, having a par value of \$1 each, to Technico Pty. Limited (Australia) in exchange for debt converted of \$435,771 and additional investment of \$162,227. The company also issued 200,000 Class A preferred shares to the Province of New Brunswick in exchange for \$200,000.

8. Changes In Non-Cash Operating Working Capital

	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>\$</u>	<u>Rs.</u>	<u>\$</u>	<u>Rs.</u>
Accounts receivable	816	33,068	3,532	138,869
Inventory	18,346	743,472	38,779	1,524,693
Prepaid expenses	1,339	54,263	(1,583)	(62,240)
Accounts payable and accrued liabilities	(12,709)	(515,032)	655	25,754
Deferred revenue	<u>(6,462)</u>	<u>(261,873)</u>	<u>(12,489)</u>	<u>(491,036)</u>
	<u>1,330</u>	<u>53,898</u>	<u>28,894</u>	<u>1,136,040</u>

9. Government Grant - Province of New Brunswick

The Province of New Brunswick had guaranteed company loans totalling \$925,000 owing to the Royal Bank of Canada. In the 2009 fiscal year, the bank demanded repayment of these loans which were repaid in full by the Province of New Brunswick in consideration for \$200,000 in Class A preferred shares issued by the company. The resulting gain of \$725,000 represents government assistance and has been credited to other income in the financial statements.