

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2008**

Your Directors present their Report, together with the Audited Financial Statements, for the financial year ended 31 March 2008.

**Directors**

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

- Mr. H S Bawa (resigned 17 August 2007)
- Mr. A R Bates
- Mr. D C McDonald
- Mr. B Sumant (appointed 17 August 2007)
- Ms. N Forsyth-Stock (resigned 17 August 2007)
- Mr. A Kapoor (resigned 17 August 2007)
- Mr. A K Mukerji (appointed 17 August 2007)
- Mr. S Sivakumar (appointed 17 August 2007)

**Corporate information**

Technico Pty Limited is a company limited by shares that is incorporated and domiciled in Australia. Its parent entity is Russell Credit Limited, a company registered in India and a wholly owned subsidiary of ITC Limited, a public company whose shares are listed on major stock exchanges in India.

The registered office of Technico Pty Limited is located at:

Level 10  
1 Margaret Street  
SYDNEY NSW 2000  
Australia

There were three employees on the rolls of the company at 31 March 2008.

**Principal activities**

The principal activities of your company during the financial year under review were anchored on horticulture technology together with its downstream implementation and commercialisation and activities associated therewith. The company owns the proprietary TECHNITUBER® technology in this field and has undertaken commercialisation of such technology through its wholly owned subsidiaries in different geographies viz:

- Chambal Agritech Limited, India
- Technico Asia Holdings Pty Limited, Australia ('TAHL')
- Technico ISC Pty Limited, Australia
- Technico Horticultural (Kunming) Co. Limited, China (100% subsidiary of TAHL)
- Technico Technologies Inc., Canada

**Review and results of operations**

Your company's key management staff are engaged in activities of ensuring that the company's technology remains contemporary and the application of its technology is customised across various geographies. Your company is also engaged in the marketing of TECHNITUBER® seeds to global customers by leveraging the production facilities of its subsidiaries in India and China. Accordingly, your company has embarked upon a review to structure the export program such that it is appropriately compensated for its role in the development and sale of such TECHNITUBER® seeds globally.

**DIRECTORS' DECLARATION FOR THE YEAR ENDED 31 MARCH 2008**

In accordance with a resolution of the directors of Technico Pty Limited, we state that in the opinion of the directors :

- (a) the company is not a reporting entity as defined in the Australian Accounting Standards.
- (b) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 31 March 2008 and of its performance for the year ended on that date; and

As reported in the previous year, your company has closed down operations at its production facility in Australia and listed for sale of its land, buildings and equipment at the Paddy's River location in Australia.

For the year under review, the net profit of the company stood at \$4,592,055 (2007: Loss \$1,268,106). In this connection, your directors are pleased to report that the operations of your company's Indian subsidiary, Chambal Agritech Limited, have turned profitable from the financial year 2006/07. The improving trend has been sustained during the year under review. Consequently, during the financial year, your company has written back the provision of \$4,692,781 created in earlier years towards diminution in value of investment by the company in the said subsidiary.

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

**Significant changes in the state of affairs**

During the year under review, Russell Credit Limited acquired the entire shareholding in your company from the erstwhile shareholders and such transfer of shareholding took effect from 17 August 2007.

Your company's subsidiary in the U.S.A. Technico Group America Inc., which was lying dormant, has been dissolved with effect from 15 March 2008.

**Significant events after balance sheet date**

There are no significant events after the balance sheet date to be reported.

**Future developments and results**

Further development of the TECHNITUBER® technology is continuing with emphasis being placed on the commercialisation of that technology internationally.

**Environmental regulation and performance**

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

**Share options**

During the financial year under review the outstanding provision for executive share options of \$702,858 was reversed due to the closure of the scheme.

**Indemnification and insurance of directors**

During the financial year under review, premium of \$7,479 (2007: \$7,479) was paid in respect of a contract insuring all directors and officers of your company for general directors and officers' liability.

The indemnification covers all losses, which any director or officer may legally become obligated to pay on account of any claim first made against them during the policy period for a wrongful act committed before or during the policy period.

**Auditor independence**

The auditor's independence declaration is on page 54 of this report.

Signed in accordance with a resolution of the Board of Directors:

Place : Sydney, Australia  
Date : 2 May 2008

A R Bates  
Director

**AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF TECHNICO PTY LIMITED FOR THE YEAR ENDED 31 MARCH 2008**

In relation to our audit of the financial report of Technico Pty Limited for the financial year ended 31 March 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence

- (ii) complying with Accounting Standards and Corporations Regulations; and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Place : Sydney, Australia  
Date : 2 May 2008

A R Bates  
Director

requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

GILLESPIES  
Chartered Accountants

Suite 5, 20 Bundaroo Street  
BOWRAL NSW 2576  
5 May 2008

David Duff  
Partner

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TECHNICO PTY LIMITED FOR THE YEAR ENDED 31 MARCH 2008**

**Scope**

*The financial report and directors' responsibilities*

The financial report is a special purpose financial report and comprises the balance sheet, income statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Technico Pty Limited ("the company") for the year ended 31 March 2008.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia to the extent described in note 1 to the financial statements, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors have determined that the accounting policies used and described in note 1 to the financial statements are appropriate to meet the needs of the members. These policies do not require the application of all Accounting Standards and other mandatory financial reporting requirements in Australia. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the directors' financial reporting requirements under the *Corporation Act 2001*. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

**Audit approach**

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. However, we have not audited the supplementary information in INR (Indian Rupees) provided in the financial report as required by the parent entity. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia to the extent described in note 1 to the financial statements, a view which is consistent with our understanding of the company's financial position, and

of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included :

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

**Independence**

We are independent of the company and have met the independence requirements of Australian professional ethical pronouncements and the *Corporation Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included at page 54 of the financial report. The Auditors' Independence declaration would have been expressed in the same terms if it had been given to the directors at the date this audit report was signed.

**Audit opinion**

In our opinion, the financial report of Technico Pty Limited, excluding the supplementary information, is in accordance with :

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of Technico Pty Limited at 31 March 2008 and of its performance for the year ended on that date in accordance with the accounting policies described in note 1 to the financial statements; and
  - (ii) complying with Accounting Standards in Australia to the extent described in note 1 to the financial statements and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirement in Australia to the extent described in note 1 to the financial statements.

GILLESPIES  
Chartered Accountants

Suite 5, 20 Bundaroo Street  
BOWRAL NSW 2576  
5 May 2008

David Duff  
Partner

**INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2008**

	Notes	2008		2007	
		\$	INR	\$	INR
<b>CONTINUING OPERATIONS</b>					
Sale of goods	2(a)	—	—	983,553	32,922,568
Cost of sales:					
Other Cost of Sales		—	—	(898,279)	(30,068,183)
Inventory Write Off and Write Down		—	—	—	—
<b>GROSS PROFIT</b>		—	—	85,274	2,854,385
Other Income	2(a)	543,361	19,515,136	83,197	2,784,862
Marketing Expenses		(120,820)	(4,339,323)	(417,716)	(13,982,249)
Research and Development Expenses		(196,101)	(7,043,085)	(107,632)	(3,602,777)
Occupancy Expenses		(5,094)	(182,954)	(16,282)	(545,009)
Administration Expenses:					
Other Administration Expenses		(884,748)	(31,776,255)	(900,667)	(30,148,117)
(Write Down)/Recovery Investments and Loans		4,575,290	164,324,286	(142,260)	(4,761,883)
Finance Costs	2(b)	(22,691)	(814,961)	(6,990)	(233,977)
Reversal of Provision for Employee Share Scheme		702,858	25,243,567	154,970	5,187,326
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE</b>		<u>4,592,055</u>	<u>164,926,411</u>	<u>(1,268,106)</u>	<u>(42,447,439)</u>
Income Tax Expense	3	—	—	—	—
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS AFTER INCOME TAX EXPENSE</b>		<u>4,592,055</u>	<u>164,926,411</u>	<u>(1,268,106)</u>	<u>(42,447,439)</u>
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>		<u>4,592,055</u>	<u>164,926,411</u>	<u>(1,268,106)</u>	<u>(42,447,439)</u>
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF TECHNICO PTY LIMITED</b>		<u>4,592,055</u>	<u>164,926,411</u>	<u>(1,268,106)</u>	<u>(42,447,439)</u>

BALANCE SHEET AS AT 31 MARCH 2008

	Notes	2008		2007	
		\$	INR	\$	INR
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	4	56,056	2,057,115	272,917	9,588,584
Trade and Other Receivables	5(a)	6,507	224,075	7,690	251,206
Other	6	16,434	603,087	21,883	768,831
		<u>78,997</u>	<u>2,884,277</u>	<u>302,490</u>	<u>10,608,621</u>
Non-Current Assets Classified as Held for Sale	8	376,381	13,812,241	388,859	13,662,056
<b>Total Current Assets</b>		<u>455,378</u>	<u>16,696,518</u>	<u>691,349</u>	<u>24,270,677</u>
<b>Non-Current Assets</b>					
Receivables	5(b)	28,863	1,059,200	33,680	1,183,303
Other Financial Assets	7	13,753,046	504,702,405	9,060,265	318,320,632
Property, Plant and Equipment	8	7,052	258,791	19,782	695,015
Intangible Assets	9	22,286	817,840	23,409	822,445
<b>Total Non-Current Assets</b>		<u>13,811,247</u>	<u>506,838,236</u>	<u>9,137,136</u>	<u>321,021,395</u>
<b>Total Assets</b>		<u>14,266,625</u>	<u>523,534,754</u>	<u>9,828,485</u>	<u>345,292,072</u>
<b>CURRENT LIABILITIES</b>					
Trade and Other Payables	10	588,528	21,582,790	530,022	18,602,662
Loans and Borrowings	11	230,000	8,440,425	230,000	8,080,751
Provisions	12	317,981	11,669,108	330,382	11,607,542
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,136,509</u>	<u>41,692,323</u>	<u>1,090,404</u>	<u>38,290,955</u>
<b>Non-Current Liabilities</b>					
Loans and Borrowings	11	500,000	18,348,750	—	—
Provisions	12	22,156	813,070	19,318	678,713
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>522,156</u>	<u>19,161,820</u>	<u>19,318</u>	<u>678,713</u>
<b>TOTAL LIABILITIES</b>		<u>1,658,665</u>	<u>60,854,143</u>	<u>1,109,722</u>	<u>38,969,668</u>
<b>NET ASSETS</b>		<u>12,607,960</u>	<u>462,680,611</u>	<u>8,718,763</u>	<u>306,322,404</u>
<b>EQUITY</b>					
Contributed equity	13	42,589,182	1,562,916,506	42,589,182	1,496,315,544
Accumulated Losses	14	(29,981,222)	(1,100,235,895)	(34,572,277)	(1,214,687,142)
Employee Benefits Equity Reserve	13	—	—	702,858	24,694,002
<b>TOTAL EQUITY</b>		<u>12,607,960</u>	<u>462,680,611</u>	<u>8,718,763</u>	<u>306,322,404</u>

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2008

	Contributed equity \$	Retained earnings \$	Share based payment reserve \$	Total \$
<b>At 1 April 2006</b>	42,589,182	(33,305,171)	857,828	10,141,839
Loss for the Period	—	(1,268,106)	—	(1,268,106)
Share Base Payment	—	—	(154,970)	(154,970)
Capital Contribution	—	—	—	—
<b>At 31 March 2007</b>	<u>42,589,182</u>	<u>(34,573,277)</u>	<u>702,858</u>	<u>8,718,763</u>
Profit for the Period	—	4,592,055	(702,858)	3,889,197
Share Base Payment	—	—	—	—
<b>At 31 March 2008</b>	<u>42,589,182</u>	<u>(29,981,222)</u>	<u>—</u>	<u>12,607,960</u>
	Contributed equity INR	Retained earnings INR	Share based payment reserve INR	Total INR
<b>At 1 April 2006</b>	1,562,916,506	(1,222,216,513)	31,480,143	372,180,136
Loss for the Period	—	(46,536,320)	—	(46,536,320)
Share Base Payment	—	—	(5,687,012)	(5,687,012)
Capital Contribution	—	—	—	—
<b>At 31 March 2007</b>	<u>1,562,916,506</u>	<u>(1,268,752,833)</u>	<u>25,793,131</u>	<u>319,956,804</u>
Profit for the Period	—	168,516,938	(25,793,131)	142,723,807
Share Base Payment	—	—	—	—
<b>At 31 March 2008</b>	<u>1,562,916,506</u>	<u>(1,100,235,895)</u>	<u>—</u>	<u>462,680,611</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008		2007	
		\$	INR	\$	INR
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Receipts from Customers		—	—	1,033,253	34,586,181
Receipts of Sundry Income		540,469	19,411,268	29,740	995,490
Payments to Suppliers and Employees		(1,107,584)	(39,779,544)	(1,939,458)	(64,919,672)
Goods and Services Tax (GST) Received		(12,087)	(434,112)	(5,413)	(181,190)
Interest Received		2,892	103,868	20,074	671,939
Borrowing Costs		22,691	(814,961)	(6,990)	(233,977)
Receipts from Management Fees		—	—	—	—
<b>NET CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>		<b>(599,001)</b>	<b>(21,513,481)</b>	<b>(868,794)</b>	<b>(29,081,229)</b>
<b>Cash Flow from Investing Activities</b>					
Proceeds from Sale of Property, Plant and Equipment		—	—	51,223	1,714,593
Payments for Protection of Technology		(4,503)	(161,728)	(6,645)	(222,429)
Purchase of Property, Plant and Equipment		(683)	(24,530)	—	—
Loans to Related Parties		(112,674)	(4,046,754)	274,031	9,172,667
<b>NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES</b>		<b>(117,860)</b>	<b>(4,233,012)</b>	<b>318,609</b>	<b>10,664,831</b>
<b>Cash Flows from Financing Activities</b>					
Proceeds from Borrowings		500,000	17,957,800	230,000	7,698,813
Repayment of Borrowings		—	—	(37,521)	(1,255,944)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>500,000</b>	<b>17,957,800</b>	<b>192,479</b>	<b>6,442,869</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>(216,861)</b>	<b>(7,788,693)</b>	<b>(357,706)</b>	<b>(11,973,529)</b>
Add Opening Cash Brought Forward		272,917	9,845,808	630,623	21,562,113
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>56,056</b>	<b>2,057,115</b>	<b>272,917</b>	<b>9,588,584</b>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2008

Corporate Information

Technico Pty Limited is a company limited by shares that is incorporated and domiciled in Australia. Its parent entity is Russell Credit Limited, a company registered in India and a wholly owned subsidiary of ITC Limited, a public company whose shares are listed in National Stock Exchange and Bombay Stock Exchange in India.

The registered office of Technico Pty Limited is located at:

Level 10  
1 Margaret Street  
SYDNEY NSW 2000  
Australia

The company employed three employees at 31 March 2008.

Note 1: Statement of significant accounting policies

(a) Basis of preparation

The financial report is a special purpose financial report prepared for distribution to members of the company to fulfil the directors' financial reporting requirements under the *Corporation Act 2001*. The accounting policies used in the preparation of this report, as described below, are in the opinion of the directors, appropriate to meet the needs of members.

The financial report has been prepared on a historical cost basis and is presented in Australian dollars. The supplementary information in INR (Indian Rupees), which are unaudited, have been arrived at by applying the year end inter-bank exchange rate if 1 AUD = INR 36.6975 for the current year balance sheet and the average rate of 1 AUD = INR 35.9156 for the current year Income Statement, and have been included in the financial report as required by the parent entity.

The directors have determined that the company is not a "reporting entity." Consequently the requirements of Accounting Standards issued by the AASB and other professional reporting requirements do not have mandatory applicability to Technico Pty Limited in relation to the year ended 31 March 2008. However, the directors have determined that in order for the financial report to give a true and fair view of the company's results of operations and state of affairs, the requirements of Accounting Standards and other professional reporting requirements in Australia relating to the measurement and recognition of assets, liabilities, revenues, expenses and equity should be complied with.

Accordingly, the directors have prepared the financial report in accordance with the following Accounting Standards:

AASB 101: Presentation of Financial Statements  
AASB 107: Cash Flow Statements  
AASB 110: Events After the Balance Sheet Date  
AASB 130: Intangible Assets  
AASB 1031: Materiality

Going concern

Though the company has accumulated losses of \$29,981,222 as at 31 March 2008, the management believes that the application of the going concern basis of accounting is appropriate due to the expected cash flows of the company over the next twelve months and the belief that the company is a key element of the strategic investment portfolio of Russell Credit Limited and an important part of the business plans of ITC Limited.

(b) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Investment in subsidiaries

The carrying value of the investment in subsidiaries is assessed at each reporting date as to whether there is an indication that the asset may be impaired. The assessment includes estimates and assumptions of future events including anticipated rates of growth, gross margins, together with the applications of a discount rate. These assumptions correspond with the best estimates of management at reporting date.

(c) Foreign currency translation

The functional and presentation currency of your company is Australian dollars (\$).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences in the financial report are taken to profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the cash flow statements, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(e) Receivables**

Trade receivables are recognised and carried at the original amount less any provision for doubtful debts. A provision is recognized when collection of the full amount is no longer probable. Bad debts are written off as incurred.

**(f) Other financial assets**

Investments in controlled entities are recorded at cost less impairment of the investment value.

**(g) Impairment of assets**

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognized in those expense categories consistent with the function of the impaired asset.

**(h) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Class of fixed asset	2008	2007
Buildings	6.70%	6.70%
Plant and equipment	13–27%	13–27%

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each financial year end.

**Derecognition and disposal**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the year the asset is derecognised.

**(i) Non-current assets held for sale**

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. These assets have been depreciated in this financial period.

**(j) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognized in the income statement as an integral part of the total lease expense.

Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as an expense in profit and loss.

**(k) Payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

**(l) Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Provisions are measured at the present value of management best estimate of the expenditure required to settle the present obligation at the balance sheet date.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

**(m) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(n) Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue from the sale of goods is recognized upon the delivery of goods to customers.

*Interest*

Interest revenue is recognized on a proportional basis taking into account the interest rates applicable to the financial assets.

*Rendering of services*

Revenue from the provision of services is recognised when control of the right to be compensated for the services and the stage of completion can be reliably measured.

**(o) Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognized directly in equity are recognized in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**(p) Other taxes**

Revenues, expenses and assets are recognized net of the amount of (Goods and Services Tax) GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation

authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(q) Employee benefits**

*(i) Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(r) Intangibles other than goodwill on acquisition**

*Technology, patents and trademarks*

Intangibles include TECHNITUBER® technology of the company and trademarks and are considered to have finite lives, and are amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. If benefit is no longer expected to be received, the asset will be written down to its net realizable value.

**NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS AS AT 31 MARCH 2008**

Notes	2008		2007	
	\$	INR	\$	INR
<b>Note 2: Revenues and Expenses</b>				
<b>Revenue and Expenses from Continuing Activities</b>				
<b>(a) Revenue</b>				
Sale of Goods	—	—	983,553	32,922,568
Finance Revenue	2,892	103,868	20,074	671,939
Contract Settlement	30,522	1,096,216	15,003	502,197
Sundry Income	509,947	18,315,052	48,120	1,610,726
	<u>543,361</u>	<u>19,515,136</u>	<u>1,066,750</u>	<u>35,707,430</u>
<i>Breakdown of Finance Revenue:</i>				
Bank Interest Receivable	2,892	103,868	20,074	671,939
<b>(b) Finance Costs</b>				
Bank Loans and Overdrafts	22,691	814,961	6,990	233,977
<b>(c) Depreciation, Amortisation and Costs of Inventories</b>				
<i>Included in the Income Statement</i>				
<b>Depreciation of Non-Current Assets:</b>				
Buildings	11,448	411,162	11,448	383,200
Plant and Equipment	14,442	518,693	25,404	815,873
Total Depreciation of Non-Current Assets	<u>25,890</u>	<u>929,855</u>	<u>36,852</u>	<u>1,199,073</u>
<b>Amortisation of Non-Current Assets:</b>				
Leased Plant and Equipment	—	—	6,494	217,374
Technology	5,626	202,061	7,350	246,027
Total Amortisation of Non-Current Assets	<u>5,626</u>	<u>202,061</u>	<u>13,844</u>	<u>463,401</u>
<b>Total Depreciation and Amortisation Expenses</b>	<u>31,516</u>	<u>1,131,916</u>	<u>50,696</u>	<u>1,662,474</u>
<b>Cost of Inventories Recognised as an Expense Includes</b>				
Write Down of Inventory to Net Realisable Value	—	—	—	—
<b>(d) Employee Benefit Expense</b>				
Wages and Salaries	878,200	31,541,080	996,748	33,364,245
Workers' Compensation Costs	1,284	46,116	3,568	119,432
Long Service Leave Provision	97,938	3,517,502	116,563	3,901,725
Share Options	(702,858)	(25,243,567)	(154,970)	(5,187,326)

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS AS AT 31 MARCH 2008 (Contd.)

	Notes	2008		2007	
		\$	INR	\$	INR
<b>Note 3: Income Tax</b>					
The Major Components of Income Tax Expenses are:					
<b>Income Statement</b>					
<i>Current Income Tax</i>					
Current Income Tax Charge		—	—	—	—
Adjustments in Respect of Current Income Tax of Previous Years		—	—	—	—
<i>Deferred Income Tax</i>					
Relating to Origination and Reversal of Temporary Differences		—	—	—	—
Income Tax Expenses reported in the Income Statement		—	—	—	—

A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:

Accounting profit before income from continuing operations at the statutory income tax rate of 30%		13,776,177	49,477,941	(3,80,432)	(12,734,238)
Share of Associates Net losses		—	—	—	—
Amortisation of Technology		1,569	56,352	2,205	73,808
Write Back or Write Down of Investments in Wholly Owned Subsidiaries		(1,407,834)	(50,563,203)	42,678	1,428,565
Share Based Payments		(210,857)	(7,573,056)	(46,491)	(1,556,198)
Utilization of Brought Forward Losses		239,505	8,601,966	382,040	12,788,063
Income Tax Attributable to Ordinary Activities		—	—	—	—

**Income Tax Losses**

Future income tax benefits arising from revenue timing differences and tax losses of the company amounted to \$4,352,751 (2007: \$4,591,795). This has not been brought to account at balance sheet date as realisation is not considered probable.

The future income tax benefit will only be obtained if:

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely effect the company in realising the benefit.

	Notes	2008		2007	
		\$	INR	\$	INR
<b>Note 4: Cash and cash equivalents</b>					
<b>Current</b>					
Cash at Bank		28,857	1,058,980	101,978	3,582,864
Deposits at Call		27,199	998,135	170,939	6,005,720
		56,056	2,057,115	272,917	9,588,584

(a) Terms and conditions relating to the above financial instruments:

- (i) cash at bank has a weighted average interest rate of 0% (2007: 0%); and
- (ii) deposits at call has a weighted average effective interest rate of 5.55% (2007: 4.73%).

(b) Reconciliation of net profit/(loss) after tax to the net

cash flows from operations:

Net profit/(loss) 4,592,055 164,926,411 (1,268,106) (42,447,439)

Non-cash items:

Amortisation of non-current assets	5,626	202,061	13,844	463,402
Depreciation of non-current assets	25,891	929,891	36,852	1,233,551
Decrease in value of inventories	—	—	—	—
Provision for doubtful debts	—	—	(3,869)	(129,507)
(Increase)/decrease in value of receivables in subsidiaries	117,491	4,219,759	—	—
(Increase)/decrease in value of investments in subsidiaries	(4,692,781)	(168,544,045)	142,260	4,761,883
Unrealised foreign currency revaluation	(2,438)	(87,562)	(6,076)	(203,383)
(Profit) on sale of property, plant and equipment	—	—	(29,006)	(970,921)
Employee benefits equity reserve	(702,858)	(25,243,567)	(154,970)	(5,187,326)

Changes in assets and liabilities:

Decrease in trade and other receivables	1,183	42,488	75,814	2,537,730
Decrease in inventories	—	—	95,673	3,202,472
Decrease in other current assets	5,449	195,704	21,099	706,249
Increase in trade creditors and accruals	63,782	2,290,768	247,075	8,270,365
(Decrease) in employee provisions	(12,401)	(445,389)	(39,384)	(1,318,305)
Cash flows from operation	(599,001)	(21,513,481)	(868,794)	(29,081,229)

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS AS AT 31 MARCH 2008 (Contd.)

Note 4 : Cash and Cash Equivalents (Contd.)	Notes	2008		2007	
		\$	INR	\$	INR
(c) Financial facilities available					
At reporting date, the following financing facilities had been negotiated and were available:					
<b>Total Facilities</b>					
Bank Loans		230,000	8,440,425	230,000	8,080,751
Loan from Russell Credit Ltd. (parent entity)		500,000	18,348,750	—	—
<b>Facilities used at reporting date</b>					
Bank Loans		230,000	8,440,425	230,000	8,080,751
Loan from Russell Credit Ltd.		500,000	18,348,750	—	—

**Note 5: Trade and other receivables**

	Notes	\$	INR	\$	INR
Current					
Trade Debtors	(a)	6,106	224,075	7,150	251,206
Provision for doubtful debts		—	—	—	—
		6,106	224,075	7,150	251,206
Other Debtors	(a)	401	—	540	—
		6,507	224,075	7,690	251,206
Non-Current					
Amounts receivable from wholly owned subsidiaries		493,487	18,109,739	380,813	13,379,370
Provision for doubtful debts	(b)	(464,624)	(17,050,539)	(347,133)	(12,196,067)
		28,863	1,059,200	33,680	1,183,303

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:

- (i) current trade debtors are non-interest bearing and generally on 30 day terms; and
- (ii) other debtors are non-interest bearing and generally have repayment terms of 30 days.

(b) Provision for write down on wholly owned subsidiaries

The company has written down the loan due from its Canadian subsidiary Technico Technologies Inc. Based on the accounts for the year ended 31 March 2008 the Canadian subsidiary is not in a position to be able to make payment and therefore it is considered appropriate to provide for this amount of \$117,491 (2007: \$142,260) advanced in this financial year. Notwithstanding that the provision has been made it is important to note that the Canadian subsidiary continues to enjoy financial support from the Canadian Provincial and Federal Government agencies who have sponsored entry of TECHNITUBER® technology in to the New Brunswick market.

Note 6: Other assets	Notes	2008		2007	
		\$	INR	\$	INR
Current					
Prepayments		16,434	603,087	21,883	768,831

**Note 7: Other financial assets**

Shares in subsidiaries:	Notes	\$	INR	\$	INR
At cost		17,446,264	640,234,273	17,446,264	612,951,805
Provision for write-down	(a)	(3,693,218)	(135,531,868)	(8,385,999)	(294,631,173)
Total other financial assets		13,753,046	504,702,405	9,060,265	318,320,632

(a) Provision for write-down of subsidiaries

The losses generated within the subsidiaries have resulted in a provision for write-down to net assets being recorded against the cost amount of the investment.

Interest in subsidiaries

	country of incorporation	Percentage of equity interest held by the consolidated entity	%	Investment (Provision for diminution)		
				2008	2007	
				\$	INR	\$
Technico Asia Holdings Pty Ltd. (formerly known as Technico China Pty Ltd.)	Australia	100	2	73	2	70
			(2)	(73)	(2)	(70)
Technico Horticultural (Kunming) Co. Ltd. (Investment is held by Technico Asia Holdings Pty Ltd.)	China	100	3,684,522	135,212,746	3,684,522	129,450,891
			(3,231,022)	(118,570,430)	(3,231,022)	(113,517,758)
			453,500	16,642,316	453,500	15,933,133
Technico Group America Inc. (Company dissolved effective 15 March 2008)	USA	100	—	—	—	—
Technico ISC Pty Ltd.	Australia	100	2	73	2	70
			(2)	(73)	(2)	(70)
Technico Technologies Inc.	Canada	100	462,192	16,961,291	462,192	16,238,515
			(462,192)	(16,961,291)	(426,192)	(16,238,515)
Chambal Agritech Ltd.	India	100	13,299,546	488,060,089	13,299,546	467,262,259
			—	—	(4,692,781)	(164,874,760)
			13,299,546	488,060,089	8,606,765	302,387,499

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS AS AT 31 MARCH 2008

Notes	2008		2007	
	\$	INR	\$	INR
<b>Note 8: Property, plant and equipment</b>				
Non-current				
Land and building				
Land at cost	327,725	12,026,688	327,725	11,514,192
Accumulated amortisation and impairment	—	—	—	—
Net carrying amount transferred to assets held for sale	327,725	12,026,688	327,725	11,514,192
Buildings at cost	191,765	7,037,296	191,765	6,737,414
Accumulated depreciation and impairment	(143,109)	(5,251,743)	(131,661)	(4,625,738)
Net carrying amount transferred to assets held for sale	48,656	1,785,553	60,104	2,111,676
Total net carrying amount of land and building transferred to assets held for sale	376,381	13,812,241	387,829	13,625,868
Plant and equipment				
Plant and equipment at cost	439,281	16,120,514	439,281	15,433,567
Accumulated depreciation and impairment	(439,281)	(16,120,514)	(438,251)	(15,397,379)
Net carrying amount transferred to assets held for sale	—	—	1,030	36,188
Plant and equipment at cost	155,399	5,702,755	154,717	5,435,781
Accumulated depreciation and impairment	(148,347)	(5,443,964)	(134,935)	(4,740,766)
Net carrying amount	7,052	258,791	19,782	695,015
Total net carrying amount of plant and equipment	7,052	258,791	19,782	695,015
Total property, plant and equipment at cost	155,399	5,702,755	154,717	543,5781
Accumulated depreciation, amortisation and impairment	(148,347)	(5,443,964)	(134,935)	(4,740,766)
Total property, plant and equipment transferred to assets held for sale	376,381	13,812,241	388,859	13,662,056
Total property, plant and equipment	7,052	258,791	19,782	695,015
(a) Movement in property, plant and equipment				
Land at cost				
Balance at beginning of the year – net of accumulated depreciation and impairment	327,725	12,026,688	327,725	11,514,192
Additions	—	—	—	—
Balance at end of the year – net of accumulated depreciation and impairment	327,725	12,026,688	327,725	11,514,192
Buildings at cost				
Balance at beginning of the year – net of accumulated depreciation and impairment	60,104	2,205,667	71,552	2,513,887
Additions	—	—	—	—
Depreciation expense	(11,448)	(420,113)	(11,448)	(402,211)
Balance at end of the year – net of accumulated depreciation and impairment	48,656	1,785,554	60,104	2,111,676
Plant and equipment at cost				
Balance at beginning of the year – net of accumulated depreciation and impairment	20,812	763,748	53,335	1,873,856
Additions	682	25,028	—	—
Disposals	—	—	(8,149)	(286,305)
Depreciation expense	(14,442)	(529,985)	(24,274)	(856,349)
Balance at end of the year – net of accumulated depreciation and impairment	7,052	258,791	20,812	731,202
Plant and equipment under lease				
Balance at beginning of the year – net of accumulated depreciation and impairment	—	—	36,258	1,273,877
Additions	—	—	—	—
Disposals	—	—	(29,764)	(1,045,719)
Amortisation expense	—	—	(6,494)	(228,158)
Balance at end of the year – net of accumulated depreciation and impairment	—	—	—	—
(b) Assets pledged as security				
Included in the balances of land, buildings and equipment are assets over which a property charge and first mortgage have been granted as security over bank loans (see note 11). The terms of the first mortgage and charge preclude the assets from being used as security for further mortgages without the permission of the first mortgage holder.				
(c) Non-current assets held for sale				
The assets held for sale correspond to the land, buildings and equipment at the Paddy's River TECHNITUBER® facility. These assets have been listed for sale and the management expect that sale to occur in the next twelve months.				

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS AS AT 31 MARCH 2008

Notes	2008		2007	
	\$	INR	\$	INR
<b>Note 9: Intangible assets</b>				
Non-current				
TECHNITUBER® technology, patents and trademarks at cost	3,389,077	124,370,653	3,384,574	118,912,608
Less: Accumulated amortisation	(3,366,791)	(123,552,813)	(3,361,165)	(118,090,163)
	<u>22,286</u>	<u>817,840</u>	<u>23,409</u>	<u>822,445</u>
Movement in intangibles				
Balance at beginning of the year	23,409	859,052	24,114	847,214
Additions	4,503	165,249	6,645	233,463
Amortisation expense	(5,626)	(206,460)	(7,350)	(258,233)
Balance at the end of the year	<u>22,286</u>	<u>817,841</u>	<u>23,409</u>	<u>822,444</u>
<b>Note 10: Trade and other payables</b>				
Current				
Trade creditors	345,727	12,687,317	179,603	6,310,118
Sundry Creditors & Accruals	242,801	8,895,473	350,419	12,292,544
	<u>588,528</u>	<u>21,582,790</u>	<u>530,022</u>	<u>18,602,662</u>

Terms and conditions relating to the above financial instruments:

- (i) trade creditors are non-interest bearing and are normally settled on 30 day terms; and
- (ii) balance due to sundry creditors is non-interest bearing and are normally settled on 30 day terms.

Notes	2008		2007	
	\$	INR	\$	INR
<b>Note 11: Loans and borrowings</b>				
Current				
Bank loan – secured (interest bearing)	(a) 230,000	8,440,425	230,000	8,080,751
Non-Current				
Russell Credit Limited – unsecured (non-interest bearing)	(b) 500,000	18,348,750	—	—
(a) The bank loan with the ANZ bank is secured over the land, buildings and plant and equipment at Paddy's River. An amount of \$20,000 of the total \$230,000 is being held on term deposit. The loan is repayable after two years (maximum term) from date of draw down. The effective interest rate is 8.3%.				
(b) Russell Credit Limited, the parent entity, has provided an interest free loan for an amount of \$500,000 to meet working capital requirement for the company. The loan is repayable by August 2010.				

**Note 12: Provisions**

Current				
Employee entitlements	317,981	11,669,108	33,0382	11,607,542
Non-Current				
Employee entitlements	22,156	813,070	19,318	678,713
Note 13: Contributed equity				
(a) Issued and paid up capital				
Ordinary shares fully paid 21,625,455 shares (2007: 21,625,455)	42,698,046	1,566,911,543	42,698,046	1,500,140,339
Discount on issue	(108,864)	(3,995,037)	(108,864)	(3,824,795)
Employee benefits share based payment	—	—	702,858	24,694,002
	<u>42,589,182</u>	<u>1,562,916,506</u>	<u>43,292,040</u>	<u>1,521,009,546</u>

(b) Share options

Options over ordinary shares:  
Employee share scheme

There were Nil (2007: 919,000) options outstanding with an average option life of 5 years. The employee share options plan was terminated on 17th August 2007 as employees waived their rights on change in ownership of the company. Thus the balance of options at \$702,858 was written back in the current year.

(c) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS AS AT 31 MARCH 2008 (Contd.)

Notes	2008		2007	
	\$	INR	\$	INR
<b>Note 14: Reserve and accumulated losses</b>				
Accumulated losses	<u>29,981,222</u>	<u>1,100,235,895</u>	<u>34,573,277</u>	<u>1,214,687,142</u>
Balance at the beginning of year	<u>34,573,277</u>	<u>1,268,752,833</u>	<u>33,305,171</u>	<u>1,170,133,886</u>
Net (profit)/loss attributable to the members of Technico Pty Ltd.	<u>(4,592,055)</u>	<u>(168,516,938)</u>	<u>1,268,106</u>	<u>44,553,256</u>
Total unavailable for appropriation	<u>29,981,222</u>	<u>1,100,235,895</u>	<u>34,573,277</u>	<u>1,214,687,142</u>
Dividends paid or provided for	—	—	—	—
Aggregate amount transferred (to)/from reserves	—	—	—	—
Balance at the end of period	<u>29,981,222</u>	<u>11,002,358,955</u>	<u>34,573,277</u>	<u>1,214,687,142</u>
<b>Note 15: Contingent liabilities</b>				
Estimates of material amounts of contingent liabilities, not provided for in the financial report	—	—	—	—
<b>Note 16: Events subsequent to reporting date</b>				
There are no subsequent events to be reported.				
<b>Note 17: Remuneration of auditors</b>				
Amounts received or due and receivable by auditor:				
Audit of the entity	<u>68,788</u>	<u>2,470,562</u>	<u>66,000</u>	<u>2,209,225</u>
Other services in relation to the entity	—	—	—	—
	<u>68,788</u>	<u>2,470,562</u>	<u>66,000</u>	<u>2,209,225</u>