

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2012

Your directors submit their Report for the financial year ended 31 March 2012.

Directors

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

- Ms Bhavani Parameswar
- Mr David Charles McDonald
- Mr Sachidanand Madan

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. On 26th March, 2012, ITC Limited, India acquired from its wholly owned subsidiary, Russell Credit Limited the entire shareholding of your Company's parent company, Technico Pty Limited (Technico), 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

Employees

The company operates through employees engaged on seasonal & 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 potatoes for sale in the Canadian and export markets and production of early generation field seed potatoes under a joint farming arrangement with local potato farmers.

Review and results of operations

The TECHNITUBER® brand continues to gain recognition in Canada, though overall volumes are still small.

Technico Technologies Inc., Canada registered sales of Canadian Dollar (C\$) 0.26 million (previous year C\$ 0.20 million) and posted a net profit of C\$ 0.02 million (previous year C\$ 0.01 million). The increase in sales revenue is due to increase in volumes and prices of Field Seed potatoes.

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 potato 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 its isolated seed production environment to obtain a price premium commensurate with the quality and performance. The company will continue to build on exports to new markets.

Environmental regulation and performance

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

Place: New Jersey, USA
Date: 2nd May 2012

Bhavani Parameswar
Director

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Technico Technologies Inc.

We have audited the accompanying financial statements of Technico Technologies Inc., which comprise the balance sheet as at March 31, 2012 and the statements of income, retained earnings (deficit) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures

selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Technico Technologies Inc. as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Place : Fredericton, New Brunswick
Date : April 11, 2012

Teed Saunders Doyle & Co.
Chartered Accountants

BALANCE SHEET AS AT MARCH 31, 2012

	2012 \$	2012 ₹	2011 \$	2011 ₹
ASSETS				
Current Assets				
Cash	85,409	4,359,275	33,217	1,527,650
Accounts receivable	3,060	156,182	2,921	134,337
Inventory	206,154	10,522,100	224,193	10,310,636
Prepaid expenses	2,753	140,513	2,780	127,852
	<u>297,376</u>	<u>15,178,070</u>	<u>263,111</u>	<u>12,100,475</u>
Property and Equipment (note 6)	<u>127,541</u>	<u>6,509,693</u>	<u>165,192</u>	<u>7,597,180</u>
	<u>424,917</u>	<u>21,687,763</u>	<u>428,303</u>	<u>19,697,655</u>

BALANCE SHEET AS AT MARCH 31, 2012

	2012 \$	2012 ₹	2011 \$	2011 ₹
Current Liabilities				
Accounts payable and accrued liabilities	18,306	934,338	13,876	638,157
Current portion of longterm debt	39,166	1,999,033	8,265	380,107
	57,472	2,933,371	22,141	1,018,264
Unamortized Government Assistance (note 5)	31,672	1,616,539	43,407	1,996,288
LongTerm Debt (note 8)	169,928	8,673,125	209,094	9,616,233
	259,072	13,223,035	274,642	12,630,785
SHAREHOLDERS' EQUITY				
Capital Stock (note 11)	1,284,458	65,558,736	1,287,998	59,235,028
Deficit	(1,118,613)	(57,094,008)	(1,134,337)	(52,168,158)
	165,845	8,464,728	153,661	7,066,870
	424,917	21,687,763	428,303	19,697,655

Approved By The Board:
Bhavani Parameswar Director

STATEMENT OF RETAINED EARNINGS (DEFICIT) FOR THE YEAR ENDED MARCH 31, 2012

	2012 \$	(Unaudited) 2012 ₹	2011 \$	(Unaudited) 2011 ₹
Deficit At Beginning Of Year	(1,134,337)	(52,168,158)	(1,141,418)	(50,427,846)
Net Income For The Year	15,724	762,928	7,081	319,246
Change In Unrealized Foreign Exchange During The Year	—	(5,688,778)	—	(2,059,558)
Deficit At End Of Year	(1,118,613)	(57,094,008)	(1,134,337)	(52,168,158)

STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31, 2012

	2012 \$	2012 ₹	2011 \$	2011 ₹
Sales	257,922	12,514,375	199,191	8,980,526
Cost Of Sales	165,231	8,017,008	139,314	6,280,972
Gross Profit (Loss)	92,691	4,497,367	59,877	2,699,554
Expenses				
Advertising and trade shows	7,816	379,232	594	26,780
Agronomy and marketing	12,039	584,132	—	—
Amortization of property and equipment	12,619	612,274	15,007	676,591
Bank charges	625	30,325	396	17,854
Insurance	5,711	277,098	5,586	251,845
Interest on longterm debt	11,735	569,382	12,184	549,316
Occupancy costs	6,166	299,174	5,638	254,189
Office and supplies (recoveries)	(329)	(15,963)	1,534	69,160
Professional services	9,000	436,680	10,501	473,438
Staff training	35	1,698	322	14,517
Telephone	3,523	170,936	4,271	192,558
Vehicle and travel	3,307	160,456	6,190	279,076
Wages and benefits	16,455	798,397	16,407	739,710
	88,702	4,303,821	78,630	3,545,034
	3,989	193,546	(18,753)	(845,480)
Other Income				
Government assistance Interest subsidy	11,735	569,382	12,184	549,316
Net revenue Support services (note 12)	—	—	13,650	615,410
	11,735	569,382	25,834	1,164,726
Net Income For The Year	15,724	762,928	7,081	319,246

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2012

	2012 \$	2012 ₹	2011 \$	2011 ₹
Cash Provided By (Required For):				
Operating Activities				
Net income for the year	15,724	762,928	7,081	319,246
Items not affecting cash				
Amortization of property and equipment	12,619	612,274	15,007	676,591
Amortization capitalized to inventory	32,208	1,562,732	40,026	1,804,573
Foreign currency fluctuations	—	320,335	—	88,916
	<u>60,551</u>	<u>3,258,269</u>	<u>62,114</u>	<u>2,889,326</u>
Changes in non-cash operating working capital (note 10)	22,359	1,141,203	(31,977)	(1,470,624)
	<u>82,910</u>	<u>4,399,472</u>	<u>30,137</u>	<u>1,418,702</u>
Investing Activities				
Purchase of property and equipment	(7,178)	(366,365)	(4,987)	(229,352)
Financing Activities				
Capital stock issuance (redemption)	(3,540)	(180,682)	—	—
Repayment of long-term debt	(8,265)	(421,846)	2,184	100,442
Unamortized government assistance	(11,735)	(598,954)	(12,184)	(560,342)
	<u>(23,540)</u>	<u>(1,201,482)</u>	<u>(10,000)</u>	<u>(459,900)</u>
Increase In Cash During The Year	<u>52,192</u>	<u>2,831,625</u>	<u>15,150</u>	<u>729,450</u>
Cash Position At Beginning Of Year	<u>33,217</u>	<u>1,527,650</u>	<u>18,067</u>	<u>798,200</u>
Cash Position At End Of Year	<u>85,409</u>	<u>4,359,275</u>	<u>33,217</u>	<u>1,527,650</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

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. First Time Adoption of Accounting Standards For Private Enterprises

During the year, the company adopted accounting standards for private enterprises. These financial statements are the first prepared in accordance with these standards. The standards have been prepared retrospectively, but resulted in no changes to beginning equity, assets or liabilities.

3. 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. 51.04 (2011 CAD \$1 = Rs. 45.99) to the balance sheet and the average annual exchange rate of CAD \$1 = Rs. 48.52 (2011 CAD \$1 = Rs. 45.085) to the income statement as provided by the parent company.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale or issue of the financial instruments are expensed when incurred.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amount of net assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Inventory

Inventory is valued at the lower of production cost and net realizable value. Inventory includes capitalized amortization of \$32,208 (2011 \$40,026).

Revenue

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

3. Significant Accounting Policies (continued)

Amortization

Amortization of property and equipment is recorded on a straight-line basis at the following annual rates:

Buildings	10%
Equipment	13.34%, 20%

Change in Accounting Policy Income Taxes

In the current year, upon adoption of Canadian accounting standards for private enterprises, the company has adopted the taxes payable method of accounting for income taxes. Under this method, only current income tax assets and liabilities are recognized. Previously, the company accounted for future income taxes which were reduced by a valuation allowance to reduce future tax assets to the amount more likely than not to be realized. The adoption of this new accounting policy has been applied retroactively but has resulted in no changes to recorded amounts in the financial statements.

4. Financial Instruments

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, the company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources and the payment of funds for accounts payables and longterm debt.

5. Government Assistance

During the year, the company received government grants totalling \$13,098 which have been applied to reduce expenses as follows:

	2012	2012	2011	2011
	\$	₹	\$	₹
Advertising and trade shows	3,281	159,194	—	—
Agronomy and marketing	9,817	476,321	—	—
	<u>13,098</u>	<u>635,515</u>	<u>—</u>	<u>—</u>

6. Property and Equipment

	Cost	Accumulated Amortization	2012 Net	2011 Net
	\$	\$	\$	\$
Land	46,564	—	46,564	46,564
Buildings	289,698	245,045	44,653	69,128
Equipment	280,566	244,242	36,324	49,500
	<u>616,828</u>	<u>489,287</u>	<u>127,541</u>	<u>165,192</u>
	₹	₹	₹	₹
Land	2,376,627	—	2,376,627	2,141,478
Buildings	14,786,186	12,507,097	2,279,089	3,179,197
Equipment	14,320,089	12,466,112	1,853,977	2,276,505
	<u>31,482,902</u>	<u>24,973,209</u>	<u>6,509,693</u>	<u>7,597,180</u>

7. Unamortized Government Assistance

Unamortized government assistance represents the unamortized amount of interest subsidy relative to a non-market rate loan received from the Atlantic Canada Opportunities Agency. The amortization of the loan interest subsidy is recorded as other income in the statement of income.

8. LongTerm Debt

	2012	2012	2011	2011
	\$	₹	\$	₹
Non-interest bearing loan payable to the Atlantic Canada Opportunities Agency, net of an unamortized fair value discount of \$31,672 (2011 \$43,407) at 4.5%, in four annual installments of \$50,000 and one payment of \$40,766, unsecured, due August 2016.	209,094	10,672,158	217,359	9,996,340
Less current portion	39,166	1,999,033	8,265	380,107
	<u>169,928</u>	<u>8,673,125</u>	<u>209,094</u>	<u>9,616,233</u>

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

	\$	₹
2013	39,166	1,999,033
2014	41,416	2,113,873
2015	43,666	2,228,713
2016	45,916	2,343,553
2017	38,930	1,986,987
	<u>209,094</u>	<u>10,672,159</u>

9. Income Taxes

The company has non-capital losses for income tax purposes of \$1,205,506 which may be carried forward to reduce taxable income in future years. If not applied against taxable income, the noncapital losses will expire as follows:

	\$	₹
2014	205,382	10,482,697
2026	366,483	18,705,292
2027	283,750	14,482,600
2028	214,636	10,955,021
2030	115,010	5,870,110
2031	12,550	640,552
2032	7,695	392,753
	<u>1,205,506</u>	<u>61,529,025</u>

The company has investment tax credits of \$34,039 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.

10. Changes In Non-Cash Operating Working Capital

	2012	2012	2011	2011
	\$	₹	\$	₹
Accounts receivable	(139)	(7,095)	(42)	(1,932)
Inventory	18,039	920,711	(17,745)	(816,093)
Prepaid expenses	27	1,378	(21)	(966)
Accounts payable and accrued liabilities	4,432	226,209	(11,529)	(530,219)
Deferred revenue	—	—	(2,640)	(121,414)
	<u>22,359</u>	<u>1,141,203</u>	<u>(31,977)</u>	<u>(1,470,624)</u>

11. Capital Stock

	2012	2012	2011	2011
	\$	₹	\$	₹
Authorized				
An unlimited number of common shares				
200,000 non-voting, non-cumulative, non-participating, redeemable and retractable Class A preferred shares				
Issued				
1,087,999 Common shares	1,087,998	55,531,418	1,087,998	50,037,028
196,460 Class A preferred shares (2011 200,000 shares)	196,460	10,027,318	200,000	9,198,000
	<u>1,284,458</u>	<u>65,558,736</u>	<u>1,287,998</u>	<u>59,235,028</u>

The company's Class A preferred shares are redeemable on the basis of 50% of aftertax profits of the preceding fiscal year and are fully retractable by the holder should specified corporate obligations not be met. During the year, the company redeemed 3,540 Class A preferred shares (2011 nil Class A preferred shares)

12. Net Revenue Support Services

	2012	2012	2011	2011
	\$	₹	\$	₹
Revenue	—	—	83,252	3,753,416
Expense wages and salaries	—	—	69,602	3,138,006
Net revenue Support services	—	—	<u>13,650</u>	<u>615,410</u>

Support services revenue is generated entirely from ITC Infotech India Limited, a subsidiary company of ITC Limited (India), which is the ultimate parent company of Technico Pty Limited (Australia) and Technico Technologies Inc. (Canada). These related party transactions are recorded at the exchange amount as established and agreed to by the related parties and are subject to normal trade terms.