

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH, 2019

Your directors submit their Report for the financial year ended 31 March 2019.

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.

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

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.

Review and results of operations

Technico Technologies Inc., Canada registered sales of Canadian Dollar (C\$) 0.28 million (previous year C\$ 0.20 million) and posted a net profit of C\$ 0.06 million (previous year C\$ 0.04 million). Sale and Profits are higher than last year due to reduction in cost of sales.

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

The growth of the business has been impacted due to weather & disease pressure which had far reaching impact for the Seed Potato industry in the province. With increasing demand for processing potatoes, we see a gradual recovery over the next two to three years.

Environmental regulation and performance

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

**Bhavani Parameswar
Director**

Place: New Jersey, USA
Date: 21/04/19

INDEPENDENT AUDITOR'S REPORT**To the Shareholder of Technico Technologies Inc.***Opinion*

We have audited the accompanying financial statements of Technico Technologies Inc., which comprise the balance sheet as at March 31, 2019 and the statements of income, retained earnings (deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

April 24, 2019

Fredericton, New Brunswick CHARTERED PROFESSIONAL ACCOUNTANTS

BALANCE SHEET AS AT MARCH 31, 2019

ASSETS

	2019	2019	2018	2018
	\$	₹	\$	₹
Current Assets				
Cash	208,660	10,754,336	198,187	10,038,172
Accounts receivable	82,599	4,257,152	29,851	1,511,953
Inventory	65,964	3,399,785	90,892	4,603,680
Prepaid expenses	5,878	302,952	5,849	296,252
	<u>363,101</u>	<u>18,714,225</u>	<u>324,779</u>	<u>16,450,057</u>
Property and Equipment (note 4)	50,269	2,590,864	57,953	2,935,319
	<u>413,370</u>	<u>21,305,090</u>	<u>382,732</u>	<u>19,385,376</u>

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	21,435	1,104,760	27,415	1,388,570
Current portion of long term debt (note 6)	14,325	738,311	28,650	1,451,123
	<u>35,760</u>	<u>1,843,071</u>	<u>56,065</u>	<u>2,839,693</u>
Unamortized Government Assistance (note 5)	675	34,790	1,350	68,378
	<u>36,435</u>	<u>1,877,861</u>	<u>57,415</u>	<u>2,908,071</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 9)	1,160,334	59,803,614	1,171,614	59,342,249
Deficit	(783,399)	(40,376,385)	(846,297)	(42,864,944)
	<u>376,935</u>	<u>19,427,229</u>	<u>325,317</u>	<u>16,477,305</u>
	<u>413,370</u>	<u>21,305,090</u>	<u>382,732</u>	<u>19,385,376</u>

Approved By The Board:

Director

STATEMENT OF RETAINED EARNINGS (DEFICIT)

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2019	2018	2018
	\$	₹	\$	₹
Deficit At Beginning Of Year	(846,297)	(42,864,944)	(880,469)	(42,781,989)
Net Income For The Year	62,898	3,213,772	34,172	1,695,614
Change In Unrealized Foreign Exchange During The Year	-	(725,213)	-	(1,778,569)
Deficit At End Of Year	<u>(783,399)</u>	<u>(40,376,385)</u>	<u>(846,297)</u>	<u>(42,864,944)</u>

STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2019	2018	2018
	\$	₹	\$	₹
Sales	220,268	11,254,593	200,520	9,949,802
Cost Of Sales	<u>110,446</u>	<u>5,643,238</u>	<u>122,979</u>	<u>6,102,218</u>
Gross Profit	<u>109,822</u>	<u>5,611,355</u>	<u>77,541</u>	<u>3,847,584</u>
Expenses				
Advertising and trade shows	2,988	152,672	271	13,447
Amortization of property and equipment	6,230	318,322	7,010	347,836
Bank charges	417	21,307	480	23,818
Bad debts	-	-	9,000	446,580
Insurance	8,417	430,067	6,613	328,137
Interest on long-term debt	675	34,489	1,350	66,987
Occupancy costs	4,306	220,015	9,611	476,898
Office and supplies	70	3,577	1,350	66,987
Professional services	9,810	501,242	12,289	609,780
Telephone	3,423	174,898	2,981	147,917
Vehicle and travel	1,064	54,365	479	23,768
Wages and benefits	17,556	897,024	20,435	1,013,985
	<u>54,956</u>	<u>2,807,978</u>	<u>71,869</u>	<u>3,566,140</u>
	<u>54,866</u>	<u>2,803,377</u>	<u>5,672</u>	<u>281,444</u>
Other Income				
Government assistance - Interest subsidy	675	34,489	1,350	66,987
Net revenue - Support services (note 10)	7,357	375,906	27,150	1,347,183
	<u>8,032</u>	<u>410,395</u>	<u>28,500</u>	<u>1,414,170</u>
Net Income For The Year	<u>62,898</u>	<u>3,213,772</u>	<u>34,172</u>	<u>1,695,614</u>

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019**

	2019	2019	2018	2018
	\$	₹	\$	₹
Cash Provided By (Required For):				
Operating Activities				
Net income for the year	62,898	3,213,772	34,172	1,695,614
Items not affecting cash				
Amortization of property and equipment	6,230	318,322	7,010	347,836
Amortization capitalized to inventory	1,454	74,292	1,502	74,529
Foreign currency fluctuations	-	207,796	-	511,087
	<u>70,582</u>	<u>3,814,182</u>	<u>42,684</u>	<u>2,629,066</u>
Changes in non-cash operating working capital (note 8)	<u>(33,829)</u>	<u>(1,743,546)</u>	<u>(25,139)</u>	<u>(1,273,289)</u>
	<u>36,753</u>	<u>2,070,636</u>	<u>17,545</u>	<u>1,355,777</u>
Financing Activities				
Capital stock issuance (redemption)	(11,280)	(581,371)	(15,350)	(777,478)
Repayment of long-term debt	(14,325)	(738,311)	(29,381)	(1,488,148)
Unamortized government assistance	(675)	(34,790)	(1,385)	(70,150)
	<u>(26,280)</u>	<u>(1,354,472)</u>	<u>(46,116)</u>	<u>(2,335,776)</u>
Increase (Decrease) In Cash During The Year	10,473	716,164	(28,571)	(979,999)
Cash Position At Beginning Of Year	198,187	10,038,172	226,758	11,018,171
Cash Position At End Of Year	208,660	10,754,336	198,187	10,038,172

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2019**

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 were prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

The financial statements include Indian Rupee equivalent figures, arrived at by applying the year-end exchange rate of CAD \$1 = Rs. 51.54 (2018 - CAD \$1 = Rs. 50.65) to the balance sheet and the average annual exchange rate of CAD \$1 = Rs. 51.095 (2018 - CAD \$1 = Rs. 49.62) 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.

Cash and cash equivalents

The company considers cash on hand, short-term deposits and balances with banks, net of overdrafts as cash or cash equivalents. Bank borrowings are considered to be financing activities.

Inventory

Inventory is valued at the lower of production cost and net realizable value. Inventory includes capitalized amortization of \$1,454 (2018 - \$1,502)

Revenue

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

Amortization

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

Buildings	10%
Equipment	13.34%, 20%

Government Assistance

Government grants and subsidies are recognized as revenue on the same basis as the corresponding expenses.

Income Taxes

Income taxes are reported using the tax payable method. Under this policy, only current income tax assets and liabilities are recognized and future income taxes are not recorded. Future taxes represent the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes along with the benefit of unutilized tax losses carrying forward. The estimated amount of unrecorded future tax credits at year end is a future income tax asset of \$271,741 (2018 - \$288,318).

3. Financial Instruments

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of March 31, 2019.

Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The company is exposed to foreign currency exchange risk on export sales to foreign countries. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

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 long-term debt.

4. Property and Equipment

	Cost	Accumulated Amortization	2019 Net	2018 Net
	\$	\$	\$	\$
Land	46,564	-	46,564	46,564
Buildings	289,698	288,767	931	1,451
Equipment	290,202	287,428	2,774	9,938
	<u>626,464</u>	<u>576,195</u>	<u>50,269</u>	<u>57,953</u>

	Cost	Accumulated Amortization	2019 Net	2018 Net
	₹	₹	₹	₹
Land	2,399,909	-	2,399,909	2,358,467
Buildings	14,931,035	14,883,052	47,983	73,493
Equipment	14,957,011	14,814,039	142,972	503,359
	<u>32,287,955</u>	<u>29,697,091</u>	<u>2,590,864</u>	<u>2,935,319</u>

5. 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.

6. Long-Term Debt

	2019	2019	2018	2018
	\$	₹	\$	₹
Non-interest bearing loan payable to the Atlantic Canada Opportunities Agency, net of an unamortized fair value discount of \$675 (2018-\$1,350) at 4.5%, in annual installments of \$15,000, unsecured, due August 2019.	14,325	738,311	28,650	1,451,123
Less current portion	<u>14,325</u>	<u>738,311</u>	<u>28,650</u>	<u>1,451,123</u>

7. Income Taxes

The company has non-capital losses for income tax purposes of \$859,490 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:

	\$	₹
2026	225,849	11,640,257
2027	283,750	14,624,475
2028	214,636	11,062,339
2030	115,010	5,927,615
2031	12,550	646,827
2032	<u>7,695</u>	<u>396,600</u>
	<u>859,490</u>	<u>44,298,116</u>

The company has investment tax credits of \$37,896 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.

8. Changes In Non-Cash Operating Working Capital

	2019	2019	2018	2018
	\$	₹	\$	₹
Accounts receivable	(52,748)	(2,718,632)	(25,785)	(1,306,010)
Inventory	24,928	1,284,789	13,964	707,277
Prepaid expenses	(29)	(1,495)	(2,474)	(125,308)
Accounts payable and accrued liabilities	<u>(5,980)</u>	<u>(308,208)</u>	<u>(10,844)</u>	<u>(549,248)</u>
	<u>(33,829)</u>	<u>(1,743,546)</u>	<u>(25,139)</u>	<u>(1,273,289)</u>

9. Capital Stock

	2019	2019	2018	2018
	\$	₹	\$	₹
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	56,075,417	1,087,998	55,107,099
72,336 Class A preferred shares (2018 - 83,616 shares)	<u>72,336</u>	<u>3,728,197</u>	<u>83,616</u>	<u>4,235,150</u>
	<u>1,160,334</u>	<u>59,803,614</u>	<u>1,171,614</u>	<u>59,342,249</u>

The company's common shares are owned by Technico Pty Limited.

The company's Class A preferred shares are owned by the Province of New Brunswick and are redeemable on the basis of 33% of after-tax 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 11,280 Class A preferred shares for \$11,280 (2018 - 15,350 Class A preferred shares for \$15,350).

10. Net Revenue - Support Services

	2019	2019	2018	2018
	\$	₹	\$	₹
Revenue	<u>89,788</u>	<u>4,587,718</u>	<u>177,184</u>	<u>8,791,870</u>
Expenses				
Wages and benefits	77,674	3,968,753	145,520	7,220,702
Office rent	<u>4,757</u>	<u>243,059</u>	<u>4,514</u>	<u>223,985</u>
	<u>82,431</u>	<u>4,211,812</u>	<u>150,034</u>	<u>7,444,687</u>
Net Revenue - Support services	<u>7,357</u>	<u>375,906</u>	<u>27,150</u>	<u>1,347,183</u>

Support services revenue is generated entirely from ITC Infotech (USA) Inc., a wholly owned subsidiary of ITC Infotech India Limited, which in turn, is a wholly owned subsidiary company of ITC Limited, which is the ultimate parent company of Technico Technologies Inc. (Canada) and the parent company of Technico Pty Limited (Australia). 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.