

**BEVO AGRO INC.**

**CONSOLIDATED  
FINANCIAL STATEMENTS**

DECEMBER 31, 2005

## **NOTICE TO READER**

I have prepared these interim unaudited financial statements for Bevo Agro Inc. in my capacity as Director and Chief Financial Officer. No independent firm of professional accountants has audited, reviewed or otherwise attempted to verify the accuracy or completeness of these financial statements.

**D. FAIRHOLM, CA**

Milner, BC  
February 10, 2006

**BEVO AGRO INC.**  
**CONSOLIDATED BALANCE SHEETS**  
DECEMBER 31, 2005 (Canadian \$)

	December 31, 2005	June 30, 2005	December 31, 2004
	(Unaudited)	(Audited)	(Unaudited)
<b><u>ASSETS</u></b>			
<b>Current</b>			
Cash and cash equivalents	\$ 499,540	\$ 357,971	\$ 194,548
Accounts receivable	3,989,407	4,316,715	3,803,269
Income taxes receivable	-	473,807	454,860
Inventories	3,619,673	1,995,748	3,578,319
Prepaid expenses and deposits	57,380	44,289	185,632
	<b>8,166,000</b>	<b>7,178,530</b>	<b>8,216,628</b>
Property, plant and equipment <i>[Note 4]</i>	30,996,160	31,343,788	32,034,864
Deferred costs, net of accumulated amortization <i>[Note 2]</i>	34,650	43,455	146,418
Goodwill, net of accumulated amortization <i>[Note 2]</i>	262,747	262,747	262,747
	<b>\$ 39,459,557</b>	<b>\$ 38,828,520</b>	<b>\$ 40,660,657</b>
<b><u>LIABILITIES</u></b>			
Bank indebtedness <i>[Note 5]</i>	\$ 682,170	\$ 1,393,198	\$ 1,917,664
Accounts payable and accruals	5,037,231	2,697,322	4,139,688
Current portion of term debt <i>[Note 6]</i>	2,299,042	2,175,686	1,947,178
Current portion of obligations under capital lease <i>[Note 7]</i>	291,330	291,330	352,643
	<b>8,309,773</b>	<b>6,557,536</b>	<b>8,357,173</b>
Term debt and subordinated debt <i>[Note 6]</i>	20,520,558	21,360,111	22,228,688
Obligations under capital lease <i>[Note 7]</i>	49,531	228,822	350,551
Future income tax liability <i>[Note 15]</i>	1,374,455	1,450,042	1,422,553
Due to a company with directors in common <i>[Note 8 &amp; 13]</i>	247,160	247,160	392,011
	<b>30,501,477</b>	<b>29,843,671</b>	<b>32,750,976</b>
<b><u>SHAREHOLDERS' EQUITY</u></b>			
Capital stock <i>[Note 9]</i>	4,008,443	3,889,265	3,595,007
Retained earnings	4,949,637	5,095,584	4,314,674
	<b>8,958,080</b>	<b>8,984,849</b>	<b>7,909,681</b>
	<b>\$ 39,459,557</b>	<b>\$ 38,828,520</b>	<b>\$ 40,660,657</b>

**Commitments *[Note 12]***

On behalf of the Board:

\_\_\_\_\_  
“Jack Benne”                      Director                      \_\_\_\_\_  
“Donald Fairholm”                      Director

**BEVO AGRO INC.**  
**CONSOLIDATED STATEMENT OF**  
**OPERATIONS AND RETAINED EARNINGS**  
FOR THE PERIODS ENDED DECEMBER 31 (Canadian \$)

	For the three months ended December 31, 2005	For the six months ended December 31, 2005	For the three months ended December 31, 2004	For the six months ended December 31, 2004
<b>Sales</b>	\$ 5,685,773	\$ 8,318,487	\$ 5,188,753	\$ 8,600,507
<b>Cost of sales</b>	3,325,209	5,381,023	3,056,686	5,359,663
<b>Gross margin</b>	2,360,564	2,937,464	2,132,067	3,240,844
<b>Expenses</b>				
General operating	445,133	791,319	436,815	793,863
Administrative fees, wages and benefits	329,648	537,808	278,271	515,862
Amortization	479,655	964,933	511,912	1,026,741
Interest [Note 14]	425,346	864,938	448,045	898,895
	1,679,782	3,158,998	1,675,043	3,235,361
<b>Earnings before income taxes</b>	680,782	(221,534)	457,024	5,483
Provision for (recovery of) income taxes				
Current	-	-	103,828	-
Future [Note 15]	264,608	(75,587)	(128,941)	(199,389)
	264,608	(75,587)	(25,113)	(199,389)
<b>Net earnings (loss) for the period</b>	416,174	(145,947)	482,137	204,872
<b>Retained earnings, beginning of the period</b>	4,533,463	5,095,584	3,832,537	4,109,802
<b>Retained earnings, end of the period</b>	\$ 4,949,637	\$ 4,949,637	\$ 4,314,674	\$ 4,314,674
<b>Earnings per share</b>	\$ 0.02	\$ (0.01)	\$ 0.02	\$ 0.01
<b>Fully diluted earnings per share</b>	\$ 0.02	\$ (0.01)	\$ 0.02	\$ 0.01

**BEVO AGRO INC.****CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE PERIODS ENDED DECEMBER 31 (Canadian \$)

	For the three months ended December 31, 2005	For the six months ended December 31, 2005	For the three months ended December 31, 2004	For the six months ended December 31, 2004
<b>Cash flows from operating activities</b>				
Net earnings for the period	\$ 416,174	\$ (145,947)	\$ 482,137	\$ 204,872
Items not involving cash				
Amortization of capital assets and deferred costs	479,655	964,933	511,912	1,026,741
Future income taxes	264,608	(75,587)	(128,941)	(199,389)
Non-cash interest	–	119,178	125,683	251,366
Changes in non-cash operating working capital [Note 10]	342,849	1,494,008	(556,541)	(1,193,687)
	<b>1,503,286</b>	<b>2,356,585</b>	434,250	89,903
<b>Cash flows from financing activities</b>				
Bank indebtedness	(514,232)	(711,028)	264,277	1,377,958
Deferred costs	–	–	(92,158)	(92,158)
Long term debt repayments	(539,716)	(716,197)	(466,980)	(927,256)
Payments of obligations under capital lease	(92,345)	(179,291)	(124,229)	(279,606)
Loans from a company with directors in common	–	–	8,062	(5,149)
Shares issued for cash	–	–	187,500	187,500
	<b>(1,146,293)</b>	<b>(1,606,516)</b>	(223,528)	261,289
<b>Cash flows from investing activities</b>				
Acquisition of capital assets	(102,309)	(608,500)	(303,062)	(637,554)
	<b>(102,309)</b>	<b>(608,500)</b>	(303,062)	(637,554)
<b>Increase (decrease) in cash</b>	<b>254,684</b>	<b>141,569</b>	(92,340)	(286,362)
Cash, beginning of period	244,856	357,971	286,888	480,910
<b>Cash, end of period</b>	<b>\$ 499,540</b>	<b>\$ 499,540</b>	\$ 194,548	\$ 194,548
<b>Supplementary information:</b>				
Interest paid	\$ 425,346	\$ 745,760	\$ 448,045	\$ 898,895

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 (Canadian \$)

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### 1. Organization

Bevo Agro Inc. was incorporated July 9, 1985, under the *Company Act* (British Columbia), which has been replaced by the *Business Corporation Act* (British Columbia). The stock is publicly traded on the TSX Venture Exchange under the symbol (BVO). The consolidated financial statements include the operations of Bevo Agro Inc. and its wholly-owned subsidiary: Bevo Farms Ltd. (Langley, B.C.), from the date of acquisition on July 11, 2000.

Bevo Farms Ltd. operates 34 acres of propagation greenhouse facilities on 98 acres of land in Langley, B.C. The company's main products are the propagation of vegetable plants such as tomatoes, peppers, cucumbers, and other plants such as bedding plants, flowers, trees, cranberries and grasses. In general the company markets its products to established greenhouse growers and nurseries throughout North America.

### 2. Significant accounting policies

#### Consolidation

The consolidated financial statements include the accounts of the company and its wholly owned subsidiary. All significant intercompany transactions have been eliminated.

#### Interim reporting

In the opinion of management the unaudited quarterly consolidated financial statements reflect all adjustments consisting only of normal and recurring adjustments, necessary to present fairly the financial position at December 31, 2005, and the results of operations and changes in the financial position for the six months ended December 31, 2005, in accordance with accounting principles generally accepted in Canada. These financial statements should be read in conjunction with the company's audited financial statements and notes thereto related to the year ended June 30, 2005.

#### 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant financial statement items which involve measurement uncertainty include accounts receivable, inventories, and accounts payable and accruals. Actual results could differ from those estimates.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and highly liquid temporary investments with maturities of three months or less at the time of acquisition.

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 (Canadian \$)

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### 2. Significant accounting policies (continued)

#### Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets are acquired or obligations incurred. Revenue and expense items are translated at the average rate of exchange for the period. Foreign exchange gains and losses are included in income.

#### Inventories

Inventories are valued at the lower of cost and the net realizable value for work in process and at current replacement cost for raw materials. The cost of inventories includes the cost of materials, labour and direct overhead costs.

#### Income taxes

The company uses the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted Canadian tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. When realization of future income tax assets does not meet the more likely than not criterion then a valuation allowance is provided.

#### Revenue recognition

Revenue is recognized using the completed contract method of accounting when the propagation process is completed and the products are shipped to the customers.

#### Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is provided using the declining-balance basis at the following annual rates:

<b>Asset</b>	<b>Rate</b>
Buildings	2.5-5%
Greenhouse, shade and packaging equipment	5%
Land improvements	5%
Machinery and equipment	10%-30%

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Equipment under capital leases is amortized over the term of the lease agreement.

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 (Canadian \$)

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### 2. Significant accounting policies (continued)

#### Deferred costs

	December 31, 2005		June 30, 2005		December 31, 2004
Deferred financing fees	\$ 34,650	\$	43,455	\$	146,418

Costs incurred to obtain debt financing are deferred and amortized on a straight-line basis over the term of the financing obtained. Costs incurred for research and development are amortized on a straight-line basis over the term of the project.

#### Goodwill

Goodwill represents the excess of the purchase price over the fair values of net assets acquired in the acquisition of a propagation greenhouse facility. The company has adopted the Canadian generally accepted accounting principles for recording goodwill. As a result, goodwill is no longer amortized to income. Instead, the carrying value of goodwill is reviewed on an annual basis to determine if there has been impairment. The carrying value of goodwill will be written down if the value is permanently impaired. Impairment exists if the future cash flows from the operations are less than the net book value. Management is of the opinion that there has been no diminution in the value assigned.

#### Net earnings per common share

Basic earnings per share are computed by dividing the net earnings by the weighted average shares outstanding during the reporting period. Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

### 3. Seasonality of operations

Sales of seedling and bedding plants are based upon customer demand and deliveries are scheduled according to customer requirements, which fluctuate from season to season. Since fixed costs such as interest, amortization and overhead costs apply uniformly throughout the year, profitability results may vary significantly from quarter to quarter.



# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 (Canadian \$)

### 4. Property, plant and equipment

	Cost	Accumulated Amortization	Net Book Value December 31, 2005
Land	\$ 2,406,212	\$ –	\$ 2,406,212
Land improvements	624,782	131,045	493,737
Buildings	901,506	151,670	749,836
Equipment under capital lease	1,512,844	1,007,177	505,667
Greenhouse, shade and packing equipment	28,457,901	6,371,643	22,086,258
Machinery and equipment	6,673,044	2,345,212	4,327,832
Capital project in progress	426,618	–	426,618
	<b>\$ 41,002,907</b>	<b>\$ 10,006,747</b>	<b>\$ 30,996,160</b>

	Cost	Accumulated Amortization	Net Book Value June 30, 2005
Land	\$ 2,406,212	\$ –	\$ 2,406,212
Land improvements	613,057	118,622	494,435
Buildings	901,506	135,098	766,408
Equipment under capital lease	1,486,519	815,417	671,102
Greenhouse, shade and packing equipment	28,443,095	5,806,625	22,636,470
Machinery and equipment	6,436,109	2,174,857	4,261,252
Capital project in progress	107,909	–	107,909
	<b>\$ 40,394,407</b>	<b>\$ 9,050,619</b>	<b>\$ 31,343,788</b>

### 5. Bank indebtedness

The company has a revolving line of credit in the amount of \$2,500,000. This line of credit bears interest at prime, is due on demand and is secured by the same security provided for the bank term loans described in Note 6.

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 (Canadian \$)

### 6. Term and subordinated debt

	December 31, 2005	June 30, 2005
<b>Mortgages payable</b>		
Bank of Nova Scotia loan, maturing in September 2008, carries interest at 6.35% per annum, repayable with blended monthly payments of \$25,110.	\$ 1,811,281	\$ 1,902,250
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 6.00% per annum, repayable with blended monthly payments of \$14,038.	748,705	809,335
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 5.55% per annum, repayable with blended monthly payments of \$20,877.	1,104,716	1,197,719
Bank of Nova Scotia loan, maturing in November 2006, repayable with monthly principal payments of \$1,667. Interest is payable monthly at prime plus 1% per annum.	19,420	29,422
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 6.00% per annum, repayable with blended monthly payments of \$14,100.	1,189,915	1,237,928
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 6.00% per annum, repayable with blended monthly payments of \$37,965.	3,380,825	3,504,708
Bank of Nova Scotia loan, maturing in September 2008, carries interest at 6.35% per annum, repayable with blended monthly payments of \$28,066.	2,631,436	2,714,489
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 5.65% per annum, repayable with blended monthly payments of \$39,047.	820,143	1,027,740
Bank of Nova Scotia loan, maturing in February 2007, carries interest at prime plus 1% per annum, repayable with blended monthly payments of \$15,835	221,650	316,660
Bank of Nova Scotia loan, maturing in May 2009, repayable with monthly principle payments \$25,000. Interest is payable monthly at prime plus 1% per annum.	950,000	1,100,000
Bank of Nova Scotia loan, maturing in May 2009, carries interest at 6.40% per annum, repayable with blended monthly payments of \$42,990.	4,586,842	4,695,546
<b>Bank of Nova Scotia term debt</b>	<b>\$ 17,464,933</b>	<b>\$ 18,535,797</b>

(continued)

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 (Canadian \$)

### 6. Term and subordinated debt (continued)

	December 31, 2005	June 30, 2005
Bank of Nova Scotia term debt	\$ 17,464,933	\$ 18,535,797
De Lage Landen loan maturing September, 2009, carries interest of 7.75% repayable with blended monthly payments of \$7,753.	307,704	—
De Lage Landen loan, maturing September, 2009, carries interest of 7.75% repayable with blended monthly payments of \$1,141	46,963	—
Total bank term debt	17,819,600	18,535,797
Banyan Capital Partners Limited Partnership convertible debenture, maturing September 2007. Interest is 10% per annum. The principal amount may be converted into common shares of Bevo at the rate of \$0.60 per share for the first two years, \$0.66 for the third year and \$0.73 for the fourth year.	5,000,000	5,000,000
Total term and subordinated debt	22,819,600	23,535,797
Less: current portion	2,299,042	2,175,686
	\$ 20,520,558	\$ 21,360,111

The bank loans are secured by a general security agreement, collateral mortgage on capital assets, general assignment of inventory, receivables, equipment, property insurance and unlimited corporate guarantees of the principal shareholder.

It is the company's intention to renew the long-term debt as it becomes renewable in the normal course of business at prevailing interest rates and repayment terms at the time of renewal.

Principal payments on mortgages and subordinated debt required to be made in the next five years and thereafter are as follows:

	December 31, 2005	June 30, 2005
2006	\$ 2,299,042	\$ 2,175,686
2007	2,138,817	2,204,261
2008	6,840,157	6,858,863
2009	1,611,452	1,691,044
2010 (and thereafter)	9,930,132	10,605,943
	\$ 22,819,600	\$ 23,535,797

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 (Canadian \$)

### 7. Obligations under capital lease

	December 31, 2005		June 30, 2005	
Obligations under capital lease	\$	416,470	\$	614,114
Less: imputed interest		75,609		93,962
		<b>340,861</b>		520,152
Less: current portion		<b>291,330</b>		291,330
	\$	<b>49,531</b>	\$	228,822

Future minimum lease payments for the next four years are as follows:

	December 31, 2005		June 30, 2005	
2006	\$	291,330	\$	291,330
2007		34,990		214,281
2008		14,541		14,541
	\$	<b>340,861</b>	\$	520,152

Annualized interest rates range from 3.9% to 7.0%.

### 8. Due to a company with directors in common

Amounts due to C.G.M. Ventures Inc. are unsecured, non-interest bearing and have no set terms of repayment. It is not the intention of the creditor company to demand repayment of the loan in the next fiscal period and it is therefore classified as a non-current liability. See Note 13.

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 (Canadian \$)

### 9. Capital stock

Authorized

Unlimited common shares with no par value.

	Number of Shares		Amount
Issued and outstanding at June 30, 2005	25,203,201	\$	3,889,265
Shares issued in payment of interest on convertible debenture	332,732		119,178
Issued and outstanding at December 31, 2005	25,535,933	\$	4,008,443

(a) Summary of stock options outstanding as at December 31, 2005.

Security Type	Number Outstanding	Price	Expiry Date
Share options	900,000	\$ 0.30	April 3, 2006
Share options	130,000	\$ 0.30	December 15, 2007

(b) The company has adopted a stock option plan, which reserved 2,411,900 shares for issuance under Plan options and any outstanding prior options granted outside of the plan. Shares reserved under Plan options or prior options that expire, terminate or otherwise cease to be exercisable will become available for the issuance of future options under the Plan, subject to the 2,411,900 share maximum. The number of shares reserved does not exceed 10% of the Company's current issued and outstanding share capital.

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 (Canadian \$)

### 10. Changes in non-cash operating working capital

	For the three months ended December 31, 2005	For the six months ended December 31, 2005	For the three months ended December 31, 2004	For the six months ended December 31, 2004
Accounts receivable	\$ (1,981,288)	\$ 327,308	\$ (1,748,487)	\$ (1,458,079)
Income taxes receivable	–	473,807	103,828	–
Prepaid expenses	46,307	(13,091)	(63,110)	(2,715)
Inventories	(1,651,673)	(1,633,925)	(1,814,770)	(2,065,668)
Accounts payable and accruals	3,929,503	2,339,909	2,965,998	2,332,775
	\$ 342,849	\$ 1,494,008	\$ (556,541)	\$ (1,193,687)

### 11. Financial instruments and risk management

The company has various financial instruments including cash, receivables, amounts due to a company with directors in common, payables, income taxes payable and term debt. The carrying values of all the financial instruments approximate their fair value.

The company is exposed to the following risks related to its financial assets and liabilities:

#### Currency risk

The company is exposed to currency risk as some of its accounts receivable are denominated in U.S. dollars. The company earns some revenue in U.S. dollars and incurs most of its expenses in Canadian dollars.

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 (Canadian \$)

### 11. Financial instruments and risk management (continued)

#### Interest rate risk

The company's debt has both fixed and floating interest rates. At December 31, 2005, the fair market value of the mortgages payable approximates the book value of \$22,520,558 (June 30, 2005: \$21,360,111).

	December 31, 2005		June 30, 2005	
Mortgages-fixed interest rates	\$	16,628,530	\$	17,089,715
Convertible debenture-fixed interest rate		5,000,000		5,000,000
		<b>21,628,530</b>		<b>22,089,715</b>
Floating interest rates		1,191,070		1,446,082
	\$	<b>22,819,600</b>	\$	<b>23,535,797</b>

#### Credit risk

The company is subject to credit risk through accounts receivable. Credit risk is minimized as the company's customers are geographically dispersed and a substantial portion of the company's sales are to customers with whom long term business relationships have been established.

### 12. Commitments

#### Operating leases

The company has entered into automobile operating leases. The future minimum lease payments for the next three years are as follows:

	December 31, 2005		June 30, 2005	
2006	\$	9,050	\$	18,099
2007		9,305		9,305
2008		6,374		6,374
2009		5,843		5,843
	\$	<b>30,572</b>	\$	<b>39,621</b>

#### Security agreement

The company has issued to Banyan Capital Partners Limited Partnership a convertible debenture in the principal amount of \$5,000,000 due September 26, 2007. The debenture is secured by a fixed and floating charge on the assets of the subsidiary, Bevo Farms Ltd., subordinate to the existing security granted on the company's debt.

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 (Canadian \$)

### 13. Related party transactions

The company is party to the following related party transactions:

	For the three months ended December 31, 2005	For the six months ended December 31, 2005	For the three months ended December 31, 2004	For the six months ended December 31, 2004
Management fees paid to a company with directors in common	\$ 126,000	\$ 252,000	\$ 126,000	\$ 252,000
Directors fees	9,750	20,500	9,369	15,119
Professional fees paid to companies owned by directors	21,890	46,773	55,201	76,443
Loan repayments made to a company with directors in common	–	–	–	13,211
Interest paid to a company with directors in common	126,027	252,054	125,683	251,366
Loan from a company with directors in common	–	–	8,062	(5,149)
Interest paid in shares to a company with a director in common	–	119,178	125,683	251,366
Loan to a company with directors in common	–	72,088	–	–
<i>The company received the following payment from a related party</i>				
From a company owned by a director	–	37,500	–	–

The company has the following related party loans payable:

	December 31, 2005	June 30, 2005
Subordinated debt due to a company with a director in common	\$ 5,000,000	\$ 5,000,000
Due to a company with directors in common	247,160	247,160

The company has the following related party loan receivable

	December 31, 2005	June 30, 2005
Due from a company with directors in common	\$ 247,160	\$ 247,160



# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 (Canadian \$)

The President and Vice-President provide management services to the Company via their management company. The management fees are approved annually by the Board of Directors. Two directors provide additional professional services to the Company via their professional corporations. The services are in the normal course of operations and are measured at the exchange amount of consideration. One of the directors is a principal of Banyan Capital Partners, a creditor of the company.

### 14. Interest

Interest is as follows:

	<b>For the three months ended December 31, 2005</b>	<b>For the six months ended December 31, 2005</b>	For the three months ended December 31, 2004	For the six months ended December 31, 2004
Interest - operating line of credit	\$ 13,988	\$ 26,345	\$ 17,305	\$ 20,665
- term debt	280,463	566,284	297,019	600,575
- convertible debenture	126,027	252,054	125,683	251,366
- capital leases	4,868	18,898	7,804	25,116
- other	—	1,357	234	1,173
	<b>\$ 425,346</b>	<b>\$ 864,938</b>	<b>\$ 448,045</b>	<b>\$ 898,895</b>

### 15. Future income tax

The company has recorded a provision for estimated future income tax liability as follows:

	<b>For the three months ended December 31, 2005</b>	<b>For the six months ended December 31, 2005</b>	For the three months ended December 31, 2004	For the six months ended December 31, 2004
Opening balance - beginning of period	\$ 1,109,847	\$ 1,450,042	\$ 1,551,494	\$ 1,621,942
Estimated future income tax liability (adjustment on current earnings (losses))	264,608	(75,587)	(128,941)	(199,389)
Closing balance - end of period	<b>\$ 1,374,455</b>	<b>\$ 1,374,455</b>	<b>\$ 1,422,553</b>	<b>\$ 1,422,553</b>

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 (Canadian \$)

### 16. Segmented information

The company operates in only one industry segment: propagation of greenhouse products. The company's land and buildings are located in Canada. Geographic sales information is as follows:

	For the three months ended September 30, 2005 Sales	For the three months ended December 31, 2005 Sales	For the six months ended December 31, 2005 Sales
Canada	\$ 753,510	\$ 5,054,575	\$ 5,808,085
United States	1,561,940	631,198	2,193,138
Mexico	317,264	-	317,264
	<b>\$ 2,632,714</b>	<b>\$ 5,685,773</b>	<b>\$ 8,318,487</b>

	For the three months ended September 30, 2004 Sales	For the three months ended December 31, 2004 Sales	For the six months ended December 31, 2004 Sales
Canada	\$ 689,378	\$ 4,749,889	\$ 5,439,267
United States	2,446,933	438,864	2,885,797
Mexico	275,443	-	275,443
	<b>\$ 3,411,754</b>	<b>\$ 5,188,753</b>	<b>\$ 8,600,507</b>