

**BEVO AGRO INC.**

**CONSOLIDATED  
FINANCIAL STATEMENTS**

YEARS ENDED JUNE 30, 2005 AND 2004

## **AUDITORS' REPORT TO THE SHAREHOLDERS**

We have audited the consolidated balance sheet of Bevo Agro Inc. as at June 30, 2005 and 2004 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

As required by the British Columbia Business Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

"Moline & Co."  
Chartered Accountants

White Rock, Canada  
September 15, 2005

**BEVO AGRO INC.**  
**CONSOLIDATED BALANCE SHEETS**  
 JUNE 30 (Canadian \$)

	2005	2004
<b><u>ASSETS</u></b>		
<b>Current</b>		
Cash	\$ 357,971	\$ 480,910
Accounts receivable [Note 12]	4,316,715	2,345,191
Income taxes receivable [Note 15]	473,807	454,860
Inventories	1,985,748	1,512,651
Prepaid expenses and deposits	44,289	182,917
	<b>7,178,530</b>	<b>4,976,529</b>
Capital assets, net of accumulated amortization [Note 3]	31,343,788	32,413,245
Deferred costs, net of accumulated amortization [Note 2]	43,455	65,065
Goodwill [Note 2]	262,747	262,747
	<b>\$ 38,828,520</b>	<b>\$ 37,717,586</b>
<b><u>LIABILITIES</u></b>		
<b>Current</b>		
Bank indebtedness [Note 4]	\$ 1,393,198	\$ 539,706
Accounts payable and accruals	2,697,322	1,806,913
Current portion of term debt [Note 5]	2,175,686	1,883,145
Current portion of obligations under capital lease [Note 6]	291,330	450,421
	<b>6,557,536</b>	<b>4,680,185</b>
Term debt [Note 5]	16,360,111	18,219,977
Subordinated debt [Note 5]	5,000,000	5,000,000
Obligations under capital lease [Note 6]	228,822	532,379
Future income tax liability [Note 14]	1,450,042	1,621,942
Due to a company with directors in common [Note 7 & 12]	247,160	397,160
	<b>29,843,671</b>	<b>30,451,643</b>
<b><u>SHAREHOLDERS' EQUITY</u></b>		
Capital stock [Note 8]	3,889,265	3,156,141
Retained earnings	5,095,584	4,109,802
	<b>8,984,849</b>	<b>7,265,943</b>
	<b>\$ 38,828,520</b>	<b>\$ 37,717,586</b>

Commitments [Note 11]

On behalf of the Board:

\_\_\_\_\_  
 "Jack Benne" Director

\_\_\_\_\_  
 "Donald Fairholm" Director

**BEVO AGRO INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND RETAINED EARNINGS**  
YEARS ENDED JUNE 30 (Canadian \$)

	2005	2004
<b>Sales</b>	<b>\$ 21,756,304</b>	\$ 19,495,807
<b>Cost of sales</b>	<b>14,990,018</b>	13,281,520
<b>Gross margin</b>	<b>6,766,286</b>	6,214,287
<b>Expenses</b>		
Operating and administrative	1,358,292	1,245,631
Administrative fees, wages and benefits	1,016,545	857,648
Amortization	2,072,028	1,814,850
Interest <i>[Note 13]</i>	1,804,785	1,198,748
	<b>6,251,650</b>	5,116,877
<b>Earnings from operations</b>	<b>514,636</b>	1,097,410
Gain (loss) on disposal of assets	6,497	6,402
<b>Earnings before income taxes</b>	<b>521,133</b>	1,103,812
Provision for (recovery of) income taxes <i>[Note 14]</i>		
Current <i>[Note 15]</i>	(292,749)	203,104
Future	(171,900)	339,094
	<b>(464,649)</b>	542,198
<b>Net earnings for the year</b>	<b>985,782</b>	561,614
<b>Retained earnings, beginning of the year</b>	<b>4,109,802</b>	3,548,188
<b>Retained earnings, end of the year</b>	<b>\$ 5,095,584</b>	\$ 4,109,802
<b>Basic earnings per share</b>	<b>\$ 0.04</b>	\$ 0.02
<b>Fully diluted earnings per share</b>	<b>\$ 0.04</b>	\$ 0.02

# BEVO AGRO INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30 (Canadian \$)

	2005	2004
<b>Cash flows from operating activities</b>		
Net earnings for the year	\$ 985,782	561,614
Items not involving cash		
Amortization of capital assets and deferred costs	2,072,028	1,814,850
Future income taxes	(171,900)	339,094
Non-cash interest [Note 8]	499,312	124,317
Loss (gain) on disposal of assets	(6,497)	(6,402)
Changes in non-cash operating working capital [Note 9]	(1,434,531)	(787,265)
	<b>1,944,194</b>	<b>2,046,208</b>
<b>Cash flows from financing activities</b>		
Bank indebtedness	853,492	(446,731)
Deferred costs		(75,550)
Advances under term and subordinated debt	380,000	11,500,000
Long term debt repayments	(1,947,325)	(1,537,784)
Payments of obligations under capital lease	(462,648)	(599,389)
Loans from a company with directors in common	(150,000)	(41,590)
Shares issued for cash	233,813	110,600
	<b>(1,092,668)</b>	<b>8,909,556</b>
<b>Cash flows from investing activities</b>		
Proceeds on disposal of capital assets	309,952	11,400
Acquisition of capital assets	(1,284,417)	(10,682,307)
	<b>(974,465)</b>	<b>(10,670,907)</b>
<b>Increase (decrease) in cash</b>	<b>(122,939)</b>	<b>284,857</b>
Cash, beginning of year	480,910	196,053
<b>Cash, end of year</b>	<b>\$ 357,971</b>	<b>\$ 480,910</b>
<b>Supplementary information:</b>		
Interest paid [Note 13]	\$ 1,804,785	\$ 1,334,830
Income taxes paid	—	1,517,984
<b>Non-cash transactions:</b>		
Capital assets acquired through capital lease	\$ —	\$ 1,019,594
Interest paid on convertible debenture (issuance of shares)	499,312	376,031

See accompanying notes to financial statements

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004 (Canadian \$)

---

### 1. Organization

Bevo Agro Inc. was incorporated July 9, 1985, under the *Company Act* of 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 subsidiaries: Bevo Farms Ltd. (Langley, B.C.), Bevo Agro Inc. (Nevada) and Bevo Farms Inc. (Arizona), 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. Bevo Agro Inc., a Nevada corporation, and Bevo Farms Inc., an Arizona corporation, are both holding companies.

### 2. Significant accounting policies

#### Consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly owned. All significant intercompany transactions have been eliminated.

#### 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

YEARS ENDED JUNE 30, 2005 AND 2004 (Canadian \$)

---

### 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, 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.

#### Capital assets

Capital assets are recorded at cost. Amortization is provided using the declining-balance basis at the following annual rates:

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

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

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004 (Canadian \$)

---

### 2. Significant accounting policies (continued)

#### Deferred costs

	June 30, 2005	June 30, 2004
Deferred financing fees	\$ 43,455	\$ 65,065

Deferred costs consists of costs incurred to obtain debt financing. Debt financing is deferred and amortized on a straight-line basis over the term of the financing obtained.

#### 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 an impairment. The carrying value of goodwill will be written down if the value is permanently impaired. An 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.



# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004 (Canadian \$)

### 3. Capital assets

	Cost	Accumulated Amortization	Net Book Value 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 projects in progress	107,909	-	107,909
	<b>\$ 40,394,407</b>	<b>\$ 9,050,619</b>	<b>\$ 31,343,788</b>

	Cost	Accumulated Amortization	Net Book Value 2004
Land	\$ 2,709,667	\$ -	\$ 2,709,667
Land improvements	512,160	95,254	416,906
Buildings	524,713	110,100	414,613
Equipment under capital lease	2,118,196	964,383	1,153,813
Greenhouse, shade and packing equipment	28,118,553	4,625,999	23,492,554
Machinery and equipment	5,802,181	1,604,710	4,197,471
Capital project in progress	28,221	-	28,221
	<b>\$ 39,813,691</b>	<b>\$ 7,400,446</b>	<b>\$ 32,413,245</b>

During the year the company sold 160 acres of land in Willcox, Arizona.

### 4. 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 5.

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004 (Canadian \$)

### 5. Term and subordinated debt

	2005	2004
Bank of Nova Scotia loan, maturing in September 2008, carries interest at 6.35% per annum, repayable with blended monthly payments of \$25,110.	\$ 1,902,250	\$ 2,077,038
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 6.00% per annum, repayable with blended monthly payments of \$14,038.	809,335	925,406
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 5.55% per annum, repayable with blended monthly payments of \$20,877.	1,197,719	1,376,327
Bank of Nova Scotia loan, maturing in October 2005, repayable with monthly principal payments of \$1,667. Interest is payable monthly at prime plus 1% per annum.	29,422	49,426
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 6.00% per annum, repayable with blended monthly payments of \$14,110.	1,237,928	1,329,940
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 6.00% per annum, repayable with blended monthly payments of \$37,965.	3,504,708	3,742,172
Bank of Nova Scotia loan, maturing in September 2008, carries interest at 6.35% per annum, repayable with blended monthly payments of \$28,066.	2,714,489	2,873,363
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 5.65% per annum, repayable with blended monthly payments of \$39,047.	1,027,740	1,425,890
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.	316,660	—
Bank of Nova Scotia loan, maturing in May 2009, repayable with monthly principal payments of \$25,000. Interest is payable monthly at prime plus 1% per annum.	1,100,000	1,400,000
Bank of Nova Scotia loan, maturing in May 2009, carries interest at 6.40% per annum, repayable with blended monthly payments of \$42,990.	4,695,546	4,903,560
	<b>18,535,797</b>	20,103,122
Less: current portion	<b>2,175,686</b>	1,883,145
Term debt	<b>\$ 16,360,111</b>	\$ 18,219,977

(Continued on next page)

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004 (Canadian \$)

---

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

#### Convertible subordinated debenture (Note 11)

Banyan Capital Partners Limited Partnership convertible debenture, maturing September 2007. Interest at 10% per annum is payable with Bevo common shares for the first two years at the market price of the shares at time of payment. 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**

---

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 guarantee 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 subordinate debt required to be made in the next five years and thereafter are as follows:

---

	2005	2004
2005	\$ -	\$ 1,883,145
2006	2,175,686	1,978,988
2007	7,204,261	7,067,465
2008	1,858,863	1,870,538
2009 (and thereafter)	1,691,044	12,302,986
2010 (and thereafter)	10,605,943	-
	<b>\$ 23,535,797</b>	<b>\$ 25,103,122</b>

---

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004 (Canadian \$)

---

### 6. Obligations under capital leases

	2005	2004
Obligations under capital leases	\$ 614,114	\$ 1,141,263
Less: imputed interest	93,962	158,463
	<b>520,152</b>	982,800
Less: current portion	291,330	450,421
	<b>\$ 228,822</b>	\$ 532,379

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

	2005	2004
2005	\$ -	\$ 450,421
2006	291,330	297,938
2007	214,281	217,627
2008	14,541	16,814
	<b>\$ 520,152</b>	\$ 982,800

Annualized interest rates range from 3.9% to 7.0%.

### 7. 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.

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004 (Canadian \$)

### 8. Capital stock

Authorized

Unlimited common shares with no par value.

	2005 Number of Shares		2005 Amount
Issued and outstanding at June 30, 2004	23,139,896	\$	3,156,141
Issue of shares due to exercise of stock options	868,750		233,812
Issue of shares in payment of interest on convertible debenture	1,194,555		499,312
Issued and outstanding at June 30, 2005	25,203,201	\$	3,889,265

  

	2004 Number of Shares		2004 Amount
Issued and outstanding at June 30, 2003	22,197,141	\$	2,669,510
Issue of shares due to exercise of stock options	303,750		110,600
Issue of shares in payment of interest on convertible debenture	639,005		376,031
Issued and outstanding at June 30, 2004	23,139,896	\$	3,156,141

(a) Summary of stock options and warrants outstanding as at June 30, 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.

(c) Stock options on 868,750 common shares have been exercised during the year for total proceeds of \$233,812. Stock options on 150,000 shares expired during the year.

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004 (Canadian \$)

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

	2005	2004
Accounts receivable	\$ (1,971,524)	\$ 187,486
Prepaid expenses and deposits	138,628	87,845
Inventories	(473,097)	(140,616)
Accounts payable and accruals	890,409	50,814
Income taxes	(18,947)	(972,794)
	\$ (1,434,531)	\$ (787,265)

### 10. 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 receivable and term debt. The carrying value 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.

#### Interest rate risk

The company's debt has both fixed and floating interest rates. This exposes the company to the risk of changing interest rates that may have a detrimental effect on its earnings in future periods. At June 30, 2005, the fair market value of the term debt and subordinate debt approximates its book value of \$23,535,797 (2004: \$25,103,122).

	2005	2004
Mortgages - fixed interest rates	\$ 17,089,715	\$ 18,653,696
Convertible debenture – fixed interest rate	5,000,000	5,000,000
	22,089,715	23,653,696
Floating interest rates	1,446,082	1,449,426
	\$ 23,535,797	\$ 25,103,122

#### 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.

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004 (Canadian \$)

---

### 11. Commitments

#### Operating leases

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

	2005	2004
2005	\$ -	\$ 17,927
2006	18,099	11,725
2007	9,305	2,931
2008	6,374	-
2009	5,843	-
	\$ 39,621	\$ 32,583

#### Security agreement

The company has issued to Banyan Capital Partners Limited Partnership a convertible debenture in the principal amount of \$5,000,000. 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.

#### Other commitments

On June 29, 2005, the company entered into an agreement for the acquisition of a software program in the amount of \$308,370.

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004 (Canadian \$)

---

### 12. Related party transactions

The company participated in transactions with related parties as follows:

	2005	2004
<i>The company paid the following to related parties:</i>		
Management fees paid to a company with directors in common	\$ 504,000	\$ 504,000
Directors' fees	28,369	21,304
Professional fees paid to companies owned by directors	127,195	144,584
Interest paid in shares to a company with a director in common	499,312	376,031
Repayment of a loan from a company with directors in common	150,000	41,590
Loan to companies owned by directors in common	212,572	-
<i>The company received the following from related parties:</i>		
Subordinated loan from Banyan Capital Partners Limited Partnership	-	5,000,000

The company has the following related party loans payable:

	2005	2004
Subordinated loan from Banyan Capital Partners Limited Partnership	\$ 5,000,000	\$ 5,000,000
Due to a company with directors in common	247,160	397,160

The company has the following related party balance included in accounts receivable:

	2005	2004
Due from companies with directors in common	\$ 212,572	-

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. These 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 Limited Partnership, a creditor of the Company.



# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004 (Canadian \$)

### 13. Interest

Interest is as follows:

	2005	2004
Interest expense		
- operating line of credit	\$ 64,655	\$ 48,131
- term debt	1,173,336	948,163
- convertible debenture	499,312	124,317
- capital leases	64,500	65,966
- other	2,982	12,171
	<b>1,804,785</b>	<b>1,198,748</b>
Interest capitalized		
- term debt	-	121,020
- convertible debenture	-	251,714
	-	<b>372,734</b>
	<b>\$ 1,804,785</b>	<b>\$ 1,571,482</b>

### 14. Future income tax liability

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

	2005	2004
Future tax assets:		
Tax losses available for carryforward	\$ 477,498	\$ 181,293
Goodwill, tax deductions available in excess of amortization	77,755	88,351
	<b>555,253</b>	<b>269,644</b>
Less valuation allowance	-	(175,993)
	<b>555,253</b>	<b>93,651</b>
Future tax liabilities:		
Capital assets, net book value in excess of undepreciated capital cost	<b>(2,005,295)</b>	(1,715,593)
Net future income tax liability	<b>\$ (1,450,042)</b>	<b>\$ (1,621,942)</b>

# BEVO AGRO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004 (Canadian \$)

---

### 15. Income taxes receivable

As a result of a claim for a scientific research tax credit, prior years' income taxes have been reduced by \$ 292,749. (The amount of the claim was \$ 473,807 less costs of \$ 181,058).

### 16. Segmented information

The company operates in only one industry segment: propagation of greenhouse products. Geographic information is as follows:

	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>Sales</b>	<b>Capital</b>	<b>Sales</b>	<b>Capital</b>
		<b>assets</b>		<b>assets</b>
Canada	\$ 13,736,141	\$ 31,343,788	\$ 10,911,224	\$ 32,109,790
United States	7,668,746	–	8,136,989	303,455
Mexico	351,417	–	447,594	–
	<b>\$ 21,756,304</b>	<b>\$ 31,343,788</b>	<b>\$ 19,495,807</b>	<b>\$ 32,413,245</b>