

*Consolidated Financial Statements of*

**FOREST PROTECTION LIMITED**

*March 31, 2008*

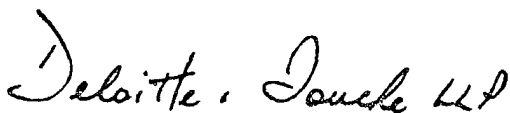
## Independent Auditors' Report

To the Shareholders,  
Forest Protection Limited

We have audited the consolidated balance sheet of Forest Protection Limited as at March 31, 2008 and the consolidated statements of operations, unrestricted net assets, business opportunity fund, changes in net investment in capital assets, net assets internally restricted for equipment replacement and cash flows for the year 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 March 31, 2008 and the results of its operations, the changes in unrestricted net assets, net investment in capital assets, business opportunity fund, net assets internally restricted for equipment replacement and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



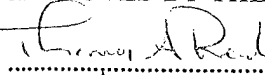
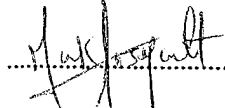
Chartered Accountants  
April 25, 2008

**FOREST PROTECTION LIMITED****Consolidated Balance Sheet**

as at March 31, 2008

	2008	2007
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,455,466	\$ 460,061
Accounts receivable	794,881	197,872
Inventories	882,849	884,788
Prepaid expenses	14,647	12,925
	3,147,843	1,555,646
<b>CAPITAL ASSETS (Note 3)</b>	<b>10,673,879</b>	<b>10,723,887</b>
<b>INTANGIBLE ASSET (Note 4)</b>	<b>-</b>	<b>59,000</b>
	<b>\$ 13,821,722</b>	<b>\$ 12,338,533</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 517,081	\$ 360,958
Deferred revenue	655,531	365,948
Income taxes payable	35,131	40,197
Current portion of capital lease obligation (Note 5)	16,506	15,038
	1,224,249	782,141
<b>CAPITAL LEASE OBLIGATION (Note 5)</b>	<b>276,427</b>	<b>292,933</b>
<b>RESERVE FOR RETIRING ALLOWANCE (Note 6)</b>	<b>76,359</b>	<b>69,606</b>
<b>NON-CONTROLLING INTEREST</b>	<b>52,624</b>	<b>28,294</b>
<b>EQUITY</b>		
Capital stock (Note 7)	2,000	2,000
Contributed surplus	715,888	715,888
Net investment in capital assets	10,270,882	10,410,102
Business opportunity fund	-	-
Net assets internally restricted for equipment replacement	806,038	(147,474)
Unrestricted net assets		
Forest Protection Limited	(76,359)	(69,606)
Sylvar Technologies Inc.	473,614	254,649
	12,192,063	11,165,559
	<b>\$ 13,821,722</b>	<b>\$ 12,338,533</b>

APPROVED BY THE BOARD

  
..... Director  
..... Director

**FOREST PROTECTION LIMITED**  
**Consolidated Statement of Operations**  
year ended March 31, 2008

	2008	2007
<b>REVENUES</b>		
Contributions from owners		
- Province of New Brunswick	\$ 2,781,539	\$ 2,742,045
- Industry	328,108	353,428
Other revenue	4,674,436	1,565,941
Product sales	752,000	752,000
Interest earned	69,565	28,669
	<b>8,605,648</b>	<b>5,442,083</b>
<b>OPERATING EXPENSES</b>		
Fire suppression	1,876,964	2,242,011
Overhead	913,827	895,578
Research and development	1,659,184	693,060
Pest control	2,357,224	568,964
Business opportunity	8,710	249,336
	<b>6,815,909</b>	<b>4,648,949</b>
<b>OTHER (INCOME) EXPENSE</b>		
Amortization of capital assets	632,723	699,826
Amortization of intangible asset	59,000	59,000
Reserve for retiring allowance	6,753	7,762
Interest and bank charges	-	385
Foreign exchange gain	(2,632)	(3,102)
Sale of aircraft parts	(88)	(826)
	<b>695,756</b>	<b>763,045</b>
<b>EXCESS OF REVENUES OVER</b>		
<b>EXPENSES BEFORE UNDERNOTED ITEMS</b>		
Provision for income taxes	1,093,983	30,089
	<b>43,149</b>	<b>40,197</b>
<b>INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST</b>		
Non-controlling interest	1,050,834	(10,108)
	<b>(24,330)</b>	<b>(28,294)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER</b>		
<b>EXPENSES FOR THE YEAR</b>		
	<b>\$ 1,026,504</b>	<b>\$ (38,402)</b>

**FOREST PROTECTION LIMITED****Consolidated Statement of Unrestricted Net Assets**

year ended March 31, 2008

	2008	2007
<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	\$ 185,043	\$ (61,844)
Excess (deficiency) of revenues over expenses for the year	1,026,504	(38,402)
Transfer from net investment in capital assets	139,220	573,396
Transfer from net assets internally restricted for Business Opportunity Fund	-	100,000
Transfer to net assets internally restricted for equipment replacement	(953,512)	(388,107)
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	<b>\$ 397,255</b>	<b>\$ 185,043</b>
Represented by:		
Forest Protection Limited	\$ (76,359)	\$ (69,606)
Sylvar Technologies Inc.	473,614	254,649
	<b>\$ 397,255</b>	<b>\$ 185,043</b>

**FOREST PROTECTION LIMITED**

**Consolidated Statement of Changes in Net Assets**

year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
<b>NET INVESTMENT IN CAPITAL ASSETS</b>		
Balance at beginning of year	\$ 10,410,102	\$ 10,983,498
Transfers from (to) unrestricted operations:		
Acquisition of capital assets	476,098	112,004
Principal portion of capital lease	15,038	13,701
Amortization of capital assets	(630,356)	(699,101)
	<u>(139,220)</u>	<u>(573,396)</u>
Balance at end of year	\$ 10,270,882	\$ 10,410,102

**FOREST PROTECTION LIMITED**

**Consolidated Statement of Changes in Business Opportunity Fund**

year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
<b>BUSINESS OPPORTUNITY FUND</b>		
Balance at beginning of year	\$ -	\$ 100,000
Transfer to unrestricted operations	-	(100,000)
Balance at end of year	\$ -	\$ -

**FOREST PROTECTION LIMITED**

**Consolidated Statement of Changes in Net Assets**

year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
<b>NET ASSETS INTERNALLY RESTRICTED FOR EQUIPMENT REPLACEMENT</b>		
Balance at beginning of year	\$ (147,474)	\$ (535,581)
Transfers (to) from unrestricted operations:		
Transfer of Unrestricted Net Assets	1,290,356	387,281
Purchase of Cessna 337	(236,932)	-
Deposit on AT802F Fireboss 802 (Note 11)	(100,000)	-
Sale of aircraft parts	88	826
	<u>953,512</u>	<u>388,107</u>
Balance at end of year	\$ 806,038	\$ (147,474)



**FOREST PROTECTION LIMITED**  
**Consolidated Statement of Cash Flows**  
year ended March 31, 2008

	2008	2007
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess of revenues over expenses (expenses over revenues)	\$ 1,026,504	\$ (38,402)
Amortization of capital assets	632,723	699,826
Amortization of intangible asset	59,000	59,000
Non-controlling interest	24,330	28,294
Retirement allowance provision	6,753	7,762
Changes in non-cash operating working capital items:		
Accounts receivable	(556,051)	(116,352)
Inventories	1,939	(38,830)
Prepaid expenses	(1,722)	(12,925)
Accounts payable	115,165	(30,214)
Income taxes payable	(5,066)	40,197
Deferred revenue	289,583	(146,543)
	<b>1,593,158</b>	<b>451,813</b>
<b>FINANCING</b>		
Capital lease obligation repayment	(15,038)	(13,701)
<b>INVESTING</b>		
Acquisition of capital assets	(482,715)	(118,539)
Deposit on aircraft	(100,000)	-
Acquisition of intangible asset	-	(25,000)
	<b>(582,715)</b>	<b>(143,539)</b>
<b>NET CASH INFLOW</b>	<b>995,405</b>	<b>294,573</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>460,061</b>	<b>165,488</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,455,466</b>	<b>\$ 460,061</b>

**FOREST PROTECTION LIMITED**  
**Notes to the Consolidated Financial Statements**  
**year ended March 31, 2008**

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**1. CHANGE IN ACCOUNTING POLICIES**

*Financial instruments*

Effective April 1, 2007 the Company adopted the following recommendations of CICA Handbook:

- a) Section 3855, Financial Instruments – Recognition and Measurement. This Section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.
- b) Section 1530, Comprehensive Income. This Section describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive net assets, which results from transactions and other events and circumstances from non-shareholder sources. These transactions and events include unrealized gains and losses resulting from changes in fair value of investments classified as available-for-sale.
- c) Section 3865, Hedges. These recommendations expand the guidelines outlined in Accounting Guideline 13 (“AcG-13”), Hedging Relationships. This Section describes when and how hedge accounting can be applied, as well as disclosure requirements. Hedge accounting enables the recording of gains, losses, revenue and expenses from the derivative financial instruments in the same period as for those related to the hedged item. The Company did not designate any of its financial instruments as hedges for accounting purposes.
- d) Section 3861, Financial instruments – Disclosure and Presentation. This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.
- e) Section 3251, Equity. This Section establishes standards for the presentation of equity and changes in equity during the reporting period.

The Company’s classifications of financial instruments are disclosed in note 2.

There were no transition adjustments attributable to the remeasurement of financial assets and financial liabilities at fair value which would have been recognized in opening net assets as at April 1, 2007 as the adjustments were not considered significant to these financial statements.

**2. ACCOUNTING POLICIES**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

*Principles of consolidation*

The consolidated financial statements include the accounts of the Company and its subsidiary Sylvar Technologies Inc. All inter-company transactions have been eliminated.

**FOREST PROTECTION LIMITED**  
**Notes to the Consolidated Financial Statements**  
year ended March 31, 2008

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**2. ACCOUNTING POLICIES (continued)**

*Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Classification

Cash and cash equivalents	Held for trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Financial liabilities designated as held for trading are those non-derivative financial liabilities that the Company elects to designate on initial recognition as instruments that it will measure at fair value through other interest expense. These are accounted for in the same manner as held for trading assets. The Company has not designated any non-derivative financial liabilities as held for trading.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

**FOREST PROTECTION LIMITED**  
**Notes to the Consolidated Financial Statements**  
year ended March 31, 2008

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**2. ACCOUNTING POLICIES (continued)**

*Operations and net investment in capital assets*

- a. The Company carries out pest control, fire suppression and research and development programs comprised predominantly of forest protection activities. The costs of the pest control programs, including all overhead expenditures, are shared between various owners, including, the Province of New Brunswick and other organizations on the basis of approved cost sharing formulas. Costs directly attributable to fire suppression activities are recovered directly from the Province of New Brunswick and other jurisdictions. The net cost of research and development activities, after deducting revenues received, is recovered on the basis of a separate approved cost sharing formula. The Company's subsidiary (Sylvar Technologies Inc.) is taxable in Canada under section 149(1)(l) of the Income Tax Act.
- b. Program expenditures include all costs incurred during the year, including the cost of property, plant and equipment and inventories consumed during the year. Costs funded are reduced by proceeds on disposal of capital assets, except for aircraft sales, which are transferred to Net Assets Internally Restricted for Equipment Replacement.
- c. Capital assets on hand at the year end are recorded in the consolidated financial statements as Net Investment in Capital Assets.
- d. Inventories acquired up to October 31, 1975 are valued at historical cost, if determinable, or at an estimated replacement value at that date. Inventories acquired after October 31, 1975 are recorded at acquisition cost. Consumable supplies, except for pesticides, aviation fuel and lubricants, on hand at the end of each year are not included in the inventory balance.
- e. Land and buildings acquired before October 31, 1975, are recorded at estimated cost. All other capital assets, including buildings acquired subsequent to October 31, 1975 are recorded at cost.
- f. Amortization of property, plant and equipment is calculated as follows:

Building and mobile homes	-	10% straight-line
Aircraft	-	4% straight-line
Equipment	-	20% straight-line and 20% declining balance
Computer equipment	-	30% declining balance
Furniture and fixtures	-	20% declining balance

*Net assets internally restricted*

- g. By authority of the Board of Directors, the following sources of funds are to be transferred to this account for the purpose of replacing the Company's equipment:
  - proceeds received from aircraft sales; and
  - operating surpluses arising from unrestricted operations of Forest Protection Limited.

**FOREST PROTECTION LIMITED**  
**Notes to the Consolidated Financial Statements**  
year ended March 31, 2008

2. ACCOUNTING POLICIES (continued)

- h. By authority of the Board of Directors, the Company had established a business opportunity fund. Expenses were allocated against the fund and the balance transferred to the General Fund in 2007.

*Impairment of long-lived assets*

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

*Intangible assets*

Intangible assets with a finite life are accounted for at cost and amortized based on their estimated useful lives on the straight-line method.

*Cash and cash equivalents*

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of acquisition.

*Revenue recognition*

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured.

3. CAPITAL ASSETS

	2008			2007	
	Cost	Accumulated amortization	Net book value	Cost	Net book value
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000	\$ 75,000
Building and mobile homes	741,645	454,725	286,920	741,645	352,197
Aircraft	13,180,350	3,390,708	9,789,642	12,943,420	10,054,995
Furniture & fixtures	3,407	588	2,819	1,482	1,358
Computer equipment	7,627	2,170	5,457	4,318	3,778
Equipment	1,647,471	1,233,430	414,041	1,421,506	236,559
Deposit on aircraft	100,000	-	100,000	-	-
	<u>\$ 15,755,500</u>	<u>\$ 5,081,621</u>	<u>\$ 10,673,879</u>	<u>\$ 15,187,371</u>	<u>\$ 10,723,887</u>

**FOREST PROTECTION LIMITED**  
**Notes to the Consolidated Financial Statements**  
year ended March 31, 2008

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**4. INTANGIBLE ASSET**

During the year ended March 31, 2007, the Company purchased aircraft maintenance assets from an existing supplier. In addition to the tangible assets acquired, the Company entered into a consulting agreement with the supplier. The amount paid in excess of the fair value of the tangible assets in the amount of \$118,000 is considered additional compensation payable to the supplier for his assistance in establishing an efficient maintenance department in the Company. The \$118,000 has been fully amortized over the term of the consulting agreement being 1 year.

**5. CAPITAL LEASE OBLIGATION**

	<u>2008</u>	<u>2007</u>
Capital lease obligation	\$ 292,933	\$ 307,971
Less current portion	(16,506)	(15,038)
<u>Capital lease obligation, net of current portion</u>	<u>\$ 276,427</u>	<u>\$ 292,933</u>

Future capital lease payments are as follows:

Year ending March 31, 2007

2009	\$ 43,200
2010	43,200
2011	43,200
2012	43,200
2013	43,200
2014 and thereafter	250,220
	<u>466,220</u>
Less amount representing interest	173,287
	<u>\$ 292,933</u>

**6. RESERVE FOR RETIRING ALLOWANCE**

The Company provides a retiring allowance, payable upon retirement, for regular employees equal to one week's salary for each year of service, to a maximum of 25 weeks.

The amount represents the present value of the estimated liability for current employees based on a retirement age of 65.

**FOREST PROTECTION LIMITED**  
**Notes to the Consolidated Financial Statements**  
year ended March 31, 2008

**7. CAPITAL STOCK**

	2008	2007
Authorized		
500 common shares \$10 par value each		
Issued and outstanding		
200 common shares	\$ 2,000	\$ 2,000

**8. PROGRAM EXPENDITURES**

	2008	2007
Salaries and wages	\$ 2,240,108	\$ 1,746,725
Consultants' fees, legal fees, audit, contractual services, insurance, etc.	1,513,482	1,022,551
Maintenance and repairs (contractual)	266,456	592,811
Pesticides, materials and supplies	1,621,128	504,386
Transportation and communications	469,648	331,655
Employer contributions	302,804	242,771
Rentals	316,640	167,021
Interest on capital lease	28,162	29,499
Materials and supplies	45,480	-
Interest and bank charges	705	-
Rent - Laboratory and equipment	11,296	11,530
Expenses charged to operations	6,815,909	4,648,949
Capitalized - capital assets	239,165	236,539
Principal portion of capital lease	15,038	13,701
Total program expenditures	\$ 7,070,112	\$ 4,899,189

**PROGRAM EXPENDITURES BY OPERATIONAL DIVISION**

Fire suppression - operational	\$ 1,876,964	\$ 2,242,011
Overhead expenditures	913,827	895,578
Research and development expenditures	1,659,184	693,060
Pest control expenditures	2,357,224	568,964
Business opportunity	8,710	249,336
	\$ 6,815,909	\$ 4,648,949

**9. PENSION PLAN CONTRIBUTIONS**

The Company maintains a defined contribution pension plan for regular and contracted employees. The Company's contribution to the plan for fiscal 2008 was \$48,349 (2007 - \$42,741).

**FOREST PROTECTION LIMITED**  
**Notes to the Consolidated Financial Statements**  
year ended March 31, 2008

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**10. STATEMENT OF CASH FLOWS ADDITIONAL INFORMATION**

During the year, the Company received and paid the following:

	<u>2008</u>	<u>2007</u>
	\$	\$
Interest received	69,565	28,669
Interest paid	34,009	29,884
Income taxes paid	43,149	40,197

**11. COMMITMENT**

At December 31, 2007, Forest Protection Limited has a commitment of U.S. \$2,350,000 for the purchase of an AT802F Fireboss in the 2008/2009 year. The Company has made a deposit of U.S. \$100,000 on this aircraft.



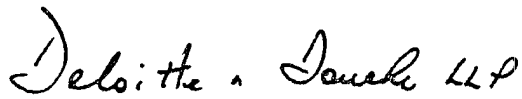
## Additional Information

The Directors,  
Forest Protection Limited

We have completed our examination of the financial statements of Forest Protection Limited for the year ended March 31, 2008. Our report to the shareholders dated April 25, 2008 describes the scope of our examination and opinion. The following schedules are included for your reference but are not necessary for a fair presentation of the financial position and the results of operations of the Company:

Schedule of Revenue and Expenditure by Department  
Consolidated Balance Sheet- Work Sheet  
Consolidated Work Sheet for Operations and Unrestricted Net Assets  
Consolidated Work Sheet for Cash Flows

Our examination was intended to enable us to form an opinion on the financial statements as a whole and was not such as to enable us to express an opinion on all the details contained in these schedules.



Chartered Accountants  
April 25, 2008

**FOREST PROTECTION LIMITED**  
**Schedule of Revenue and Expenditure by Department**  
Year ended March 31, 2008

Department Number	Department	Total Annual Budget	Revenue	Expenditures	Financial Statement Presentation Entries	Total Expenditures	Principal Payment on Capital Lease	Capital Expenditures
10	Administration	\$ 869,100	\$ 1,042,764	\$ 1,004,997	\$ (41,130)	\$ 963,867	\$ -	\$ 41,130
30	Firebombing	1,745,100	1,869,572	1,599,986	(80,229)	1,519,757	15,038	65,191
31	Rirdog	355,100	374,576	357,207	-	357,207	-	-
33	Fire Supp. BC	200,000	-	-	-	-	-	-
34	Fire Supp. U.S.A	100,000	-	-	-	-	-	-
40	Surveys & Assessment	147,147	147,147	158,894	-	158,894	-	-
41	Aerial Treatment (Herb. - D.N.R.)	50,600	64,101	64,101	-	64,101	-	-
44	Ontario JPBW	300,000	2,655,165	1,887,870	(11,455)	1,876,415	-	11,455
46	Newfoundland HL/BFS	-	327,816	204,563	-	204,563	-	-
50	Marketing	142,700	14,354	8,710	-	8,710	-	-
55	Sylvat	-	53,485	53,251	-	53,251	-	-
500 500	R. & D. Projects	1,000,000	1,338,735	1,301,412	(121,389)	1,180,023	-	121,389
	<b>Forest Protection Limited</b>	<b>4,909,747</b>	<b>7,887,715</b>	<b>6,640,991</b>	<b>(254,203)</b>	<b>6,386,788</b>	<b>15,038</b>	<b>239,165</b>
	Sylvat Technologies Inc.	-	911,459	622,647	-	622,647	-	-
	Intercompany eliminations	-	(193,526)	(193,526)	-	(193,526)	-	-
	<b>Total</b>	<b>\$ 4,909,747</b>	<b>\$ 8,605,648</b>	<b>\$ 7,070,112</b>	<b>\$ (254,203)</b>	<b>\$ 6,815,909</b>	<b>\$ 15,038</b>	<b>\$ 239,165</b>

**Equipment Replacement Fund**

Balance ERF March 31, 2007	\$ (147,474)
Sale of A/C Parts	88
Purchase of Casma 337	(236,932)
Deposit on Purchase AT802F Firebass	(100,000)
Transfer of Unrestricted Net Assets	1,290,356
Balance ERF March 31, 2008	\$ 806,038

Administration Fees 15% \$31,500. R&D: \$166,739. Ontario, \$30,684. Newfoundland, \$20,000. Sylvat.

**Forest Protection Limited - Transfer of Unrestricted Net Assets**

Revenue	\$ 7,887,715
Expenses	(6,386,788)
Principal payment on capital lease	(15,038)
Capital expenditures	(239,165)
Foreign exchange gain	2,632
Amortization of intangible asset	(69,000)
Deposit on Purchase AT802F Firebass	100,000
Transfer of Unrestricted Net Assets	\$ 1,290,356

**FOREST PROTECTION LIMITED**  
**Consolidated Balance Sheet - Work Sheet**  
as at March 31, 2008

	FPL	Sylvar	Eliminations	Consolidated
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,054,862	\$ 400,604	\$ -	\$ 1,455,466
Accounts receivable	793,092	160,415	(158,626)	794,881
Subscriptions receivable	-	100	(100)	-
Inventories	882,849	-	-	882,849
Prepaid expenses	-	14,647	-	14,647
	2,730,803	575,766	(158,726)	3,147,843
<b>INVESTMENT IN SYLVAR TECHNOLOGIES INC.</b>	90	-	(90)	-
<b>CAPITAL ASSETS</b>	10,663,817	10,062	-	10,673,879
<b>INTANGIBLE ASSET</b>	-	-	-	-
	\$ 13,394,710	\$ 585,828	\$ (158,816)	\$ 13,821,722
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 651,438	\$ 24,359	\$ (158,716)	\$ 517,081
Deferred revenue	655,531	-	-	655,531
Income tax payable	-	35,131	-	35,131
Current portion of capital lease obligation	16,506	-	-	16,506
	1,323,475	59,490	(158,716)	1,224,249
<b>CAPITAL LEASE OBLIGATION</b>	276,427	-	-	276,427
<b>RESERVE FOR RETIRING ALLOWANCE</b>	76,359	-	-	76,359
<b>NON CONTROLLING INTEREST</b>	-	-	52,624	52,624
<b>EQUITY</b>				
Capital stock	2,000	100	(100)	2,000
Contributed surplus	715,888	-	-	715,888
Net investment in capital assets	10,270,882	-	-	10,270,882
Business opportunity fund	-	-	-	-
Net assets internally restricted for equipment replacement	806,038	-	-	806,038
Unrestricted net assets (deficit)	(76,359)	526,238	(52,624)	397,255
	11,718,449	526,338	(52,724)	12,192,063
	\$ 13,394,710	\$ 585,828	\$ (158,816)	\$ 13,821,722

**FOREST PROTECTION LIMITED**

**Consolidated Work Sheet for Operations and Unrestricted Net Assets (Deficit)**

year ended March 31, 2008

REVENUES	FPL	Sylvar	Eliminations	Consolidated
Product sales	\$ -	\$ 752,000	\$ -	\$ 752,000
Special projects	-	143,486	(143,486)	-
Interest	53,593	15,972	-	69,565
Contributions	3,109,647	-	-	3,109,647
Other revenue	4,724,476	-	(50,040)	4,674,436
	<u>7,887,716</u>	<u>911,458</u>	<u>(193,526)</u>	<u>8,605,648</u>
<b>PROGRAM EXPENDITURES</b>				
Salaries and wages	1,906,808	333,300	-	2,240,108
Consultants' fees, legal fees, audit, contractual, services, insurance, etc.	1,446,085	87,397	(20,000)	1,513,482
Amortization of capital assets	630,356	2,367	-	632,723
Maintenance and repairs (contractual)	266,456	-	-	266,456
Pesticides, materials and supplies	1,764,614	-	(143,486)	1,621,128
Transportation and communications	389,982	79,666	-	469,648
Employer contributions	268,041	34,763	-	302,804
Rentals	316,640	-	-	316,640
Amortization of intangible assets	59,000	-	-	59,000
Materials and supplies	-	60,480	(15,000)	45,480
Interest on capital lease	28,162	-	-	28,162
Rent - Laboratory and equipment	-	11,296	-	11,296
Reserve for retiring allowance	6,753	-	-	6,753
Interest and bank charges	-	705	-	705
Royalties	-	15,040	(15,040)	-
Sale of Aircraft parts	(88)	-	-	(88)
US exchange	(2,632)	-	-	(2,632)
	<u>7,080,177</u>	<u>625,014</u>	<u>(193,526)</u>	<u>7,511,665</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER</b>				
<b>EXPENSES BEFORE UNDERNOTED ITEMS</b>	<b>807,539</b>	<b>286,444</b>	<b>-</b>	<b>1,093,983</b>
Provision for income taxes	-	43,149	-	43,149
Income before non-controlling interest	807,539	243,295	-	1,050,834
Non-controlling interest	-	-	(24,330)	(24,330)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER</b>				
<b>EXPENSES FOR THE YEAR</b>	<b>807,539</b>	<b>243,295</b>	<b>(24,330)</b>	<b>1,026,504</b>
<b>UNRESTRICTED NET ASSETS (DEFICIT)</b>				
<b>AT BEGINNING OF YEAR</b>	<b>(69,606)</b>	<b>282,943</b>	<b>(28,294)</b>	<b>185,043</b>
Transfer from net investment in capital assets	139,220	-	-	139,220
Transfer to net assets internally restricted for equipment replacement	(953,512)	-	-	(953,512)
<b>UNRESTRICTED NET ASSETS (DEFICIT)</b>				
<b>AT END OF YEAR</b>	<b>\$ (76,359)</b>	<b>\$ 526,238</b>	<b>\$ (52,624)</b>	<b>\$ 397,255</b>

**FOREST PROTECTION LIMITED**  
**Consolidated Work Sheet for Cash Flows**  
year ended March 31, 2008

	FPL	Sylvar	Eliminations	Consolidated
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>				
<b>OPERATING</b>				
Excess of (expenses over revenues) revenues over expenses	\$ 807,539	\$ 243,295	\$ (24,330)	\$ 1,026,504
Amortization of capital assets	630,356	2,367	-	632,723
Amortization of intangible assets	59,000	-	-	59,000
Non-controlling interest	-	-	24,330	24,330
Retirement allowance	6,753	-	-	6,753
Changes in non-cash operating working capital items:				
Accounts receivable	(563,042)	(151,825)	158,816	(556,051)
Inventories	1,939	-	-	1,939
Prepaid expenses	-	(1,722)	-	(1,722)
Accounts payable	301,040	13,709	(199,584)	115,165
Income tax payable	-	(5,066)	-	(5,066)
Deferred revenue	289,583	-	-	289,583
	<u>1,533,168</u>	<u>100,758</u>	<u>(40,768)</u>	<u>1,593,158</u>
<b>FINANCING</b>				
Capital lease obligation repayment	(15,038)	-	-	(15,038)
	<u>(15,038)</u>	<u>-</u>	<u>-</u>	<u>(15,038)</u>
<b>INVESTING</b>				
Acquisition of capital assets	(476,096)	(6,619)	-	(482,715)
Deposit	(100,000)	-	-	(100,000)
	<u>(576,096)</u>	<u>(6,619)</u>	<u>-</u>	<u>(582,715)</u>
<b>NET CASH (OUTFLOW) INFLOW</b>	<b>942,034</b>	<b>94,139</b>	<b>-</b>	<b>995,405</b>
<b>CASH POSITION, BEGINNING OF YEAR</b>	<b>112,828</b>	<b>306,465</b>	<b>40,768</b>	<b>460,061</b>
<b>CASH POSITION, END OF YEAR</b>	<b>\$ 1,054,862</b>	<b>\$ 400,604</b>	<b>\$ -</b>	<b>\$ 1,455,466</b>