

FTI FOODTECH INTERNATIONAL INC.
FINANCIAL STATEMENTS &
MANAGEMENT DISCUSSION & ANALYSIS
MARCH 31, 2008

AMENDED & RESTATED AS OF AUGUST 26, 2008

CORPORATE STRATEGY

FTI Foodtech International Inc.'s (FTI) expansion into the surplus goods industry allows it to leverage its strong long-term relationships with key distribution and buying groups in an effort to realize sales and profits for its shareholders. By providing an alternative distribution channel for Canadian manufacturers and importers, FTI has developed strong business relationships with many companies within the consumer goods industry. These surplus goods are then distributed throughout our network of wholesalers and retailers. For the 2009 fiscal year, the Company is focused on building its supply and distribution networks, both within Canada and abroad; strengthening its existing alliances and forging new ones.

EXCHANGE LISTING

TSX Venture Exchange (Symbol: FTI)

ANNUAL GENERAL MEETING

1:00 pm, Wednesday, August 20, 2008
Board Room - 210 - 40 Wynford Drive
Toronto, Ontario, Canada, M3C 1J5

TO THE SHAREHOLDERS

FTI Foodtech International Inc. has traditionally acquired new food products and technologies for licensing or sale. FTI has now made a major push into Surplus Products Sales. The Company has realized a significant opportunity by buying overstocked consumer goods and leveraging its strong long-standing relationships to realize rapid sales.

FTI owns the Toronto Franchise for North American Barter Exchange Limited. (NABEL) NABEL, an established exchange with continuous growth, is comprised of a diverse group of member companies which trade goods and services throughout North America.

FTI continues to market and distribute Mitsubishi's Ageless oxygen absorbers. The sachets of Ageless oxygen absorber extend the shelf life of food products by removing oxygen from within the food packaging. The presence of oxygen reduces the shelf life by effecting its taste, flavour and aroma.

The FTI financial statements for the year ending March 31, 2008 demonstrate gross revenue of \$284,736 (compared to \$440,945 for 2007) and a net loss of \$105,853 (compared to a net profit of \$39,219 for 2007) which represents a net loss of 1.5 cents per share (compared to a net profit in 2007 of 0.6 cent per share). The total assets of the corporation are \$260,816 (compared to \$347,207 for 2007).

Appreciation is expressed to the staff of FTI Foodtech International Inc., to our associates in the food, pet food and surplus goods industries and to our shareholders for their continuing support.

On Behalf of the Board of Directors



William Hullah
President

BUSINESS ACTIVITIES

FTI TRADING

FTI has capitalized on an amazing opportunity in the surplus goods industry. FTI has created a worldwide “power brokerage” of goods which allows us to perfect the concept of Buying Low and Selling High. With FTI’s established network, multiple products with multiple buyers come together from around the globe to generate elevated profits.

NORTH AMERICAN BARTER EXCHANGE – TORONTO OFFICE

In December of 2000, FTI obtained the license to operate the Toronto Office of the North American Barter Exchange. The barter exchange provides a network that brings buyers and sellers together. Barter is the exchange of goods and services, without the exchange of cash. North American Barter Exchange provides business to business communications for all its members’ products and services.

Through NABEL, FTI has access to hundreds of member-companies that provide products and services throughout North America. The members of this strong and loyal exchange work as a source for surplus goods and an outlet to sell

TECHNOLOGY TRANSFER

FTI Foodtech International Inc. is the Canadian technical and marketing agent for Ageless, an oxygen absorber product developed by Mitsubishi Gas Chemical Company. The Ageless oxygen absorbent effectively extends product shelf life, by maintaining the original fresh taste, flavour, aroma and texture of food products. Ageless oxygen absorbers permit food processors to create innovative new packaging designs and more economical distribution methods. The potential market for Ageless is large. It is already being used in Canada in packaging of sandwiches for vending machines, pasta, dehydrated canned food and beef jerky, which is largely destined for export to Japan. Other applications include packaged cakes, nuts, spices and pharmaceutical products including vitamins. The major ingredient in this patented oxygen absorber is a non-toxic powdered active iron oxide. The product is supplied in the form of sachets of varying sizes for different size containers and applications. By totally eliminating oxygen, Ageless sachets prevent the deterioration of fats and oils, prevent discolouration, kill vermin which might be present in grains, prevent the growth of mold and other aerobic micro organisms and facilitate storage in controlled atmospheres.

CORPORATE GOVERNANCE

FTI Foodtech International Inc. is committed to transparency in our operations and our approach to governance meets recommended standards. Disclosure of our compliance with existing corporate governance rules is part of the Information circular.

MANAGEMENT DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the performance, financial condition and future prospects of FTI Foodtech International Inc. (which is also referred to herein as "FTI" or the "Company") should be read in conjunction with the Company's 2008 audited financial statements. Further information may be accessed at www.sedar.com. All financial data herein has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and all dollar amounts herein are in Canadian dollars unless otherwise specified. This MD&A is dated as of August 21, 2008.

FORWARD LOOKING STATEMENTS

This MD&A may contain, without limitation, statements concerning possible or assumed future results preceded by, followed by or that include words such as "believes", "expects", "anticipates", "estimates", "intends", "plans" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees of future performance. They involve risks and uncertainties that may cause actual performance or results to be materially different from those anticipated in these forward-looking statements.

Forward looking statements regarding the private placement to be completed on or before August 31, 2008 are based upon existing agreements, funds that have been collected and are currently being held in escrow by Computershare and approval by the board of directors and the exchange. The Company has voted for and approved an increase in the authorized share capital of the company to an unlimited number of common shares. These funds will become available to FTI upon completion of the conversion from subscription receipts to shares and warrants on or before August 31, 2008.

FTI Foodtech is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or other factors except as required by law. These cautionary statements expressly qualify all forward-looking statements in the MD&A.

OVERALL PERFORMANCE

FTI has realized a significant opportunity by buying overstocked food and non-food items at a fraction of the wholesale cost. The Company then leverages its strong long-term relationships with key distribution and buying groups in order to realize quick sales.

FTI will continue to distribute Mitsubishi Gas Chemical Company's AGELESSTM oxygen absorber. The original patent on the product has expired, and there are now many competitors in the marketplace. With the increased competition and changes in packaging technology, management has decided to shift focus away from marketing of the Ageless oxygen absorber. Sales will continue to existing customers, with reduced marketing efforts.

FTI owns the Toronto Franchise for North American Barter Exchange Limited. (NABEL) NABEL, an established exchange with continuous growth, is comprised of a diverse group of member companies which trade goods and services throughout North America. The barter exchange provides a network that brings buyers and sellers together. Barter is the exchange of goods and services, without the exchange of cash. North American Barter Exchange provides business to business communications for all its members' products and services. Through NABEL, FTI has access to hundreds of member-companies that provide products and services throughout North America. The members of this strong and loyal exchange work as both a source for surplus goods and an outlet for sales.

Overall product sales in the 2008 fiscal year decreased by approximately 28% in comparison to the 2007 fiscal year. The decrease was due to the high sales volume in the previous year's push to sell off all remaining inventory prior to relocating the office and warehouse location as well as management spending much time working on new deals in the consumer goods distribution sector.

With the sale of the Maxi Treat pet treat division in 2007, the company has been able to investigate new avenues of revenue through various distribution channels. During the year, Management had been in long negotiations with distributors and buyers both in North America and in Europe. At the end of the 2008 fiscal year, the Company was able to complete the first of many overseas liquidations deals. Buying product in North America and shipping to buyers in Europe. These deals have continued into the new fiscal year.

The Company is in the process of completing a \$500,000 private placement for 5,000,000 units. Each unit consists of one common share and one warrant at \$0.15. If all warrants are exercised, there is a potential to bring in an additional \$750,000. The first of this capital will become available to the Company upon completion of the private placement on or before August 31, 2008. This capital is intended for general use by the Company.

Expenses

The Company's monthly expenses for general and administration remained about the same during the year to date of this year and last and for the fourth quarter this year and last. Despite the lower sales, the cost of product sales was approximately the same in 2008 over last year, due mainly to selling more inventory purchased using barter which has lower margins.

Financing

The Company did not sell or issue any shares during the year. There were no options granted during the year.

At the beginning of the 2009 fiscal year, the Company arranged a \$500,000 private placement for 5,000,000 subscription receipts ("units") each at \$0.10. Each unit consists of one common share and one warrant share. This private placement will be completed on or before August 31, 2008. Along with the initial private placement for \$500,000, there are 5,000,000 additional warrants at \$0.15 each which will potentially bring in another \$750,000.

RESULTS OF OPERATIONS

The revenue for this year over last year was down significantly. 2008 sales were \$282,848 compared to \$396,029 in 2007. The fourth quarter sales in 2008 were up greatly to \$127,855 compared to \$47,136 in 2007. This was as a result of commencing brokering trade deals that involve exporting surplus food and drinks to various customers in Europe. The initial time spent in the negotiation phase for these trade deals shifted management's focus and created a lull in other areas of Company activity.

The loss per share year to date for 2008 was \$0.015 compared to a profit of \$0.006 per share in 2007. The fourth quarter had a loss of \$83,016 in 2008 compared to a profit of \$4,562 in 2007. Approximately \$30,500 of the 2008 loss is attributed to expired or slow moving inventory being written down in value at year end.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and as adjustments become necessary, they are made in the period in which they become known. Actual results could differ from these estimates.

Fair value of financial instruments

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to their immediate or short term nature. Please refer to the note on financial instruments from the Audited Financial Statements.

Stock Based Compensation

Compensation expense is recognized in equal installments over the vesting period of the options issued. The expense is determined using an option pricing model that takes into account the exercise price, the term of the options, the current stock price, the expected volatility of the underlying shares, the expected dividend yield and the risk free rate for the term of the option.

Effective April 1, 2004, the Company adopted CICA Handbook section 1100, Generally Accepted Accounting Principles ("GAAP"). The standard clarifies what constitutes Canadian GAAP, identifies its sources and describes the order of authority of these sources. It requires the Company to identify and apply every primary source of GAAP and to adopt policies and disclosures that are consistent with the primary sources of GAAP on a prospective basis. The adoption of the accounting standard did not have a material effect on the results of operations for the years ended March 31, 2008 or March 31, 2007.

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has issued CICA 3855, Financial Instruments – Recognition and Measurement, CICA 3855, Hedges, and CICA 1530, Comprehensive Income, which was applied in our fiscal year beginning on March 31, 2007. CICA 3855 prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and the measurement of such amount. It also specifies how financial instrument gains and losses are to be presented. CICA 3855 is applicable for designated hedging relationships and builds on existing Canadian GAAP guidance by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. CICA 1530 introduces new standards for the presentation and disclosure of components of comprehensive income. Comprehensive income is defined as the change in net assets of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in net assets during a period except those resulting from investments by owners and distributions to owners. We are currently considering the impacts of the adoption of such standards.

CICA Handbook Sections 3251, 3861 applied to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. These will be applied to the fiscal year starting April 1, 2008.

Inventories

In June 2007, the Canadian Institute of Chartered Accountants issued Section 3031, "Inventories", which requires inventory to be measured at the lower of cost and net realizable value. The standard provides guidance on the types of costs that can be capitalized and requires the reversal of previous inventory write downs if economic circumstances have changed to support higher inventory values. The standard is effective for years beginning on or after January 1, 2008. Commencing in the first quarter of 2009, the Company is required to disclose the amount of inventory recognized in cost of sales each quarter, as well as any inventory write downs or reversals each quarter. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") would be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The Company is currently evaluating the impact of adopting IFRS.

Please refer to the notes of the financial statements of the Company dated March 31, 2008 for further information on the Company's financial policies and estimates.

The following table highlights selected financial information for the Company's past three years:

	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
Revenue	\$284,736	\$440,945	\$236,155
Net Income (Loss)	(105,853)	39,219	(169,371)
Net Income (Loss) per Share - basic and fully diluted	(0.015)	0.006	(0.024)
Total Assets	260,816	339,534	314,573
Long Term Debt	Nil	Nil	Nil
Cash Dividends Declared per Share	Nil	Nil	Nil

*Fully diluted earnings (loss) per share information has not been shown as the average price of the Company's stock did not exceed the exercise prices subsequent to the grant dates.

SUMMARY OF QUARTERLY RESULTS

The following information is provided for each of the 8 most recently completed quarters of the Company:

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Jun 30 2006	Sep 30 2006	Dec 31 2006	Mar 31 2007	Jun 30 2007	Sep 30 2007	Dec 31 2007	Mar 31 2008
Total revenue	243,859	112,028	18,136	66,922	30,535	49,562	76,784	127,855
Net Income (Loss)								
- total	54,927	7,433	(27,703)	4,562	(26,574)	(1,102)	4,839	(83,016)
- per share undiluted	0.008	0.001	(0.004)	0.001	(0.004)	(0.000)	0.001	(0.012)
- per share diluted*	0.008	0.001	(0.004)	0.000	(0.004)	(0.000)	0.001	(0.012)

* Fully diluted earnings (loss) per share information has not been shown as the average price of the Company's stock did not exceed the exercise prices subsequent to the grant dates.

FOURTH QUARTER

The Company has continued to show operating losses. At the end of the final quarter of 2008, the Company was able to complete the first of many overseas liquidations deals. Buying product in North America and shipping to buyers in Europe. These deals continue into the new fiscal year, and management expects that with the additional capital raised through private placements, the Company will continue to see increased sales in the coming months.

There was a significant loss in the fourth quarter as management decided to mark down the value of old inventory and as certificates expired.

LIQUIDITY

At March 31, 2008 the Company had net working capital of approximately \$216,560, comprising \$223,770 accounts receivable; and \$31,493 inventory against bank indebtedness of \$1,028, and accounts payable and accrued liabilities of \$38,103. This is compared to March 31, 2007

working capital of approximately \$319,865 comprising \$1,530 cash; \$277,596 accounts receivable and \$60,408 inventory against accounts payable and accrued liabilities of \$19,669. (Included in accounts receivable are amounts receivable from barter exchanges in the amount of \$109,015 (2007 - \$232,927). These amounts can only be realized through the purchase of goods and services through these barter exchanges. Management is satisfied that a sufficient value of transactions will be completed through these barter exchanges to realize the value of this balance in the 2009 fiscal year.) It is anticipated that realization on barter receivable and sales of inventory in the next quarter will increase the cash position in the Company.

The Company is in process of completing a private placement for \$500,000 with warrants which will potentially bring in another \$750,000. This additional capital will become available to the Company upon completion of the private placement on or before August 31, 2008. This capital is intended for general use by the company.

The Company does not have any long term debt. The Company has no financial commitments other than to pay its monthly general and administrative expenses.

CONTRACTUAL OBLIGATIONS

The Company has a sub-lease for office space at 210 – 40 Wynford Drive, Toronto, Ontario, that runs through September 30, 2009, for which it pays \$16,200 per year. The remaining expense to the Company to fulfill this obligation is \$16,200 in 2008 and \$8,100 in 2009.

The Company has no other material contractual obligations, leases or commitments at March 31, 2008.

DIVIDENDS

The Company has not declared or paid a dividend in its history. There are no restrictions on the Company that would prevent it from paying a dividend. However, the board of directors of the Company intends to retain future earnings for reinvestment in the Company's business and therefore has no current intention to pay dividends on its common shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time in the context of the Company's earnings, financial condition and other relevant factors.

TRANSACTIONS WITH RELATED PARTIES

During the year, a corporation that owns a significant portion of the Company's capital stock provides premises and administrative services for a total consideration of \$67,729 (2007 \$70,000). During the year, a director of the Company received a salary of \$20,831 (2007 \$29,000) for services performed on behalf of the Company. These transactions were in normal course of operation and are measured at the exchange amount which is the amount of consideration agreed to by related parties.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's certifying officers have designed a system of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them with respect to financial and operational conditions impacting disclosure with respect to the fiscal year ended March 31, 2008. The certifying officers have evaluated the effectiveness of the disclosure controls and procedures and have concluded that these disclosure controls and procedures are effective at the reasonable assurance level. The management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. During the most recent year end there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OTHER MD & A REQUIREMENTS

(a) Additional information relating to the Company is available at www.sedar.com.

(b) Outstanding share data:

The Company is authorized by its Articles to issue a maximum of 15,000,000 common shares without par value.

Common Shares

	Number	\$
Balance - March 31, 2007	6,935,563	4,687,288
Issued during year	-	-
Balance - March 31, 2008	<u>6,935,563</u>	<u>4,687,288</u>
Issued during interim period	-	-
Balance – August 21, 2008	<u>6,935,563</u>	<u>4,687,288</u>

At the Company's Annual General Meeting on August 20, 2008, a continuance from a BC Company to a Federal company was approved. Along with the continuance, it was also approved that the company raise the maximum number of common shares from 15,000,000 to an unlimited number. This increase in the maximum number of common shares opens the door for more private placements

The Company's Incentive Stock Option Plan, as amended by the Company's Board of Directors and approved by the TSX Venture in September 2005, is intended to attract, retain and motivate officers, salaried employees and directors who will make important contributions to the success of the Company. The right to exercise an award of options typically vests at the grant date unless otherwise determined by the Board of Directors at the time of grant. Options must be exercised during a period established by the Company, but in any event, within five years of the grant. A maximum of 670,000 common shares may be reserved for issuance pursuant to outstanding options at any one time. Outstanding options at March 31, 2008 are as follows:

Number Outstanding	Option Price per Share	Expiry Date
350,000	\$0.10	September 8, 2010
250,000	\$0.10	February 22, 2011
50,000	\$0.10	September 19, 2011

The Company has not issued or retracted any shares or granted any additional options between March 31, 2008 and the date of this MD&A.

Between March 31, 2008 and the date of this MD&A, the Company has entered into a private placement agreement for 5,000,000 units each at \$0.10. Each unit consists of one common share and one warrant to buy at \$0.15. This will result in \$500,000 coming into the company on or before August 31, 2008, with a potential of up to an additional \$750,000 if all warrants are exercised. This capital is intended for general use by the Company.

OUTLOOK

By providing an alternative distribution channel for Canadian manufacturers and importers, FTI has developed strong business relationships with many companies within the consumer goods industry. These surplus goods are then distributed throughout our network of wholesalers and retailers across Canada. For the 2009 fiscal year, the Company is focused on building its supply and distribution networks within Canada; strengthening our existing alliances and forging new ones.

With the \$500,000 capital raised through the private placement, and the potential for another \$750,000 through warrants being exercised, the Company will be able to conduct more liquidation trading deal at once.

MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

All information contained in this Annual Report of FTI Foodtech International Inc. including the financial statements, is the responsibility of management and has been approved by the Directors. Financial information presented throughout this report is consistent with the information presented in the financial statements which are prepared in accordance with generally accepted accounting principles.

The Board of Directors carries out its responsibilities for the financial statements primarily through its Audit Committee, a majority of whom are not employees of the Corporation. The Audit Committee meets annually with management and the independent auditors both of whom have full and free access to the Committee.

AUDITOR'S REPORT

August 15, 2008

To the Shareholders
FTI Foodtech International Inc.

We have audited the balance sheets of FTI Foodtech International Inc. as at March 31, 2008 and 2007 and the statements of operations and deficit 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 audits.

We conducted our audits 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 financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2008 and 2007 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 Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada



PricewaterhouseCoopers, LLP.
Chartered Accountants

FTI FOODTECH INTERNATIONAL INC.

BALANCE SHEETS

MARCH 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
	\$	\$
ASSETS		
CURRENT		
Cash	-	1,530
Accounts Receivable (Note 4)	223,770	277,122
Inventories	31,493	60,408
Prepaid expenses and sundry	<u>428</u>	<u>474</u>
receivables	255,691	339,534
EQUIPMENT (Note 5)	<u>5,125</u>	<u>7,673</u>
	<u>260,816</u>	<u>347,207</u>
LIABILITIES		
CURRENT		
Bank Indebtedness	1,028	-
Accounts Payable and Accrued	<u>38,103</u>	<u>19,669</u>
Liabilities	39,131	19,669
SHAREHOLDERS' EQUITY AND DEFICIT		
CAPITAL STOCK (Note 6)	4,687,288	4,687,288
CONTRIBUTED SURPLUSES (Note 6)	26,000	26,000
DEFICIT	<u>(4,491,603)</u>	<u>(4,385,750)</u>
	<u>221,685</u>	<u>327,538</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>260,816</u>	<u>347,207</u>

Going concern (note 1)

Approved by the Board: Director William Hullah Director Gary Hullah
 William Hullah Gary Hullah

FTI FOODTECH INTERNATIONAL INC.
STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED MARCH 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
	\$	\$
REVENUE		
Product Sales	282,848	396,029
Other (Note 8)	<u>1,888</u>	<u>44,916</u>
	<u>284,736</u>	<u>440,945</u>
 EXPENSES		
Cost of Product Sales	236,604	231,838
General and Administrative (Note 9)	151,437	167,442
Amortization of Equipment	<u>2,548</u>	<u>2,446</u>
	<u>390,589</u>	<u>401,726</u>
 NET INCOME (LOSS) FOR THE YEAR	 (105,853)	 39,219
 DEFICIT – Beginning of Year	 <u>(4,385,750)</u>	 <u>(4,424,969)</u>
 DEFICIT – End of Year	 <u>(4,491,603)</u>	 <u>(4,385,750)</u>
 NET INCOME (LOSS) PER SHARE (Note 10)		
Basic and fully diluted	<u>(0.015)</u>	<u>0.006</u>

Going concern (note 1)

FTI FOODTECH INTERNATIONAL INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATIONS		
Net income (loss) for the year	(105,853)	39,219
Item not Involving Cash:		
Amortization of Equipment	2,548	2,446
Gain on sale of Maxi Treat	-	(39,832)
Decrease (Increase) in barter receivable	<u>123,913</u>	<u>(133,383)</u>
	20,608	(131,550)
Increase in Accounts Receivable	(70,561)	(36,885)
Decrease in Inventories	28,915	124,887
Decrease in prepaid expenses and sundry receivables	46	280
Increase (decrease) in Accounts Payable and Accrued Liabilities	<u>18,434</u>	<u>(6,585)</u>
	<u>(2,558)</u>	<u>(49,853)</u>
INVESTING ACTIVITIES		
Purchase of Equipment	-	(1,245)
Proceeds on sale of maxi-treat	<u>-</u>	<u>50,735</u>
	<u>-</u>	<u>49,490</u>
DECREASE IN CASH DURING THE YEAR	(2,558)	(363)
CASH – Beginning of Year	<u>1,530</u>	<u>1,893</u>
CASH (DEFICIENCY) – End of Year	<u>(1,028)</u>	<u>1,530</u>

Going concern (note 1)

FTI FOODTECH INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008 AND 2007

1. GOING CONCERN

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

For the year ended March 31, 2008, the Company reported a loss of \$105,853 and an accumulated deficit of \$4,491,603 at that date. The Company's ability to continue as a going concern is dependent upon its ability to develop and maintain profitable operations. FTI is concentrating all its efforts on its surplus goods operations. By providing an alternative distribution channel for Canadian manufacturers and importers, FTI has developed strong business relationships with many companies within the consumer goods industry. These surplus goods are then distributed throughout the company's network of wholesalers and retailers across Canada. For the 2009 fiscal year, the Company plans to focus on building its supply and distribution networks within Canada; strengthening its existing alliances and forging new ones. Subsequent to the year end, the Company completed a private placement in the amount of \$500,000. However, there is no assurance that these initiatives will be successful in developing and maintaining profitable operations and, as a result, there is substantial doubt regarding the going concern assumption.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

The Company had the following deficits and working capital as at the following dates:

Date	Deficit	Working Capital
March 31, 2008	\$4,491,603	\$216,560
March 31, 2007	\$4,385,750	\$319,865

2. NATURE OF OPERATIONS

The Company's primary business is the resale of liquidation merchandise. Approximately 70% of this business is conducted through the North American Barter Exchange Limited (NABEL).

As well, the Company owns the Toronto, Ontario franchise of NABEL for which it receives membership and trading fees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company recognizes revenue as follows:

- Revenue from the sales of "Ageless" packet oxygen absorbers and "Maxi Treat" animal treats is recognized at the time of shipment and transfer of title to the customer has occurred (primarily to food manufacturers and to pet stores and veterinarians, respectively) and collectability is reasonably assured. The Company does not provide for a right of return for these products.
- The Company operates event sales in the Greater Toronto Area for sales to the general public. Revenue from retail sales is recognized at the point of sale. The Company's policy is to offer exchanges of merchandise of similar value for goods returned by these customers.

- c) Trading fee revenue comprises a percentage of the value of each trade made between NABEL members and is recognized on a monthly basis upon receipt of trading reports from NABEL. Trading fee revenue historically has been negligible.

INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Cost is determined principally on a first-in, first-out basis. The nature of the Company's business results in significant quantities of goods being purchased for sale over a number of years. These goods are reflected at cost until management determines that a writedown to net realizable value is required.

EQUIPMENT

Equipment assets are stated at cost. Amortization is charged to income over the estimated useful lives of the assets on the following bases:

Furniture and fixtures	20% declining balance
Computer software	20% declining balance
Computer hardware	30% declining balance

INCOME TAXES

The Company follows 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 financial statement carrying amounts of assets and liabilities and their respective tax bases and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

NEW ACCOUNTING PRONOUNCEMENTS

As required by The Canadian Institute of Chartered Accountants (CICA), on April 1, 2007, the company adopted CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement, and Section 3861, Financial Instruments - Disclosure and Presentation. The new standards were applied retroactively without restatement and resulted in no changes in the accounting and presentation for financial instruments.

FINANCIAL INSTRUMENTS

The company utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the company's designation of such instruments. The standards require that all financial assets be classified as held-for-trading (HFT), available-for-sale (AFS), held-to-maturity (HTM) or loans and receivables. Financial liabilities should be classified as held-for-trading or as other liabilities.

The following is a summary of the accounting model the company has elected to apply to each of its significant categories of financial instruments outstanding as of April 1, 2007:

Cash	held for trading
Accounts receivable	loans and receivables
Accounts payable and accrued liabilities	other liabilities

Held-for-trading:

This category is comprised of certain investments in equity and debt instruments. These investments are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of fund balance. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Held-to-maturity:

This category is comprised of non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold to maturity. These assets are earned in the statement of financial position at amortized cost. Transaction costs related to instruments classified as held-to-maturity are expensed as incurred.

Available-for-sale:

This category is comprised of non-derivative financial assets designated as available-for-sale or assets not classified as loans and receivables, held-to-maturity investments, or held-for-trading. These assets are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of fund balance. Transaction costs related to instruments classified as available-for-sale are expensed as incurred.

Loans and receivables:

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of services to customers (accounts receivable), but also incorporate other types of contractual monetary assets. These assets are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other financial liabilities:

Other financial liabilities include all financial liabilities other than those classified as held-for-trading and comprise trade payables and other short-term monetary liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

There is no effect of the accounting policy change.

The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of these instruments.

Changes in accounting policies

On April 1, 2007, the company adopted Section 1506, Accounting Changes, of the CICA Handbook, which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This standard did not affect the company's financial position or results of operations.

Recent Canadian accounting pronouncements issued and not yet adopted

Section 3862 and 3863

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standards apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically April 1, 2008 for the company.

These standards will impact the company's disclosures provided but will not affect the company's results or financial position.

Stock-based compensation

Effective April 1, 2004, the company adopted the revised accounting recommendations contained in the CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services, and applies to transactions, including non-reciprocal transactions, in which an enterprise grants shares of common stock or other equity instruments, or incurs liabilities based on the price of common stock or other equity instruments. Commencing in the fiscal year 2005, the company records compensation expense for stock options granted to employees on or after April 1, 2004, based on the fair value method of accounting on a prospective basis. For the year ended March 31, 2008, the amount of compensation cost recognized in earnings and credited to contributed surplus was \$nil (year ended March 31, 2007 - \$nil).

4. ACCOUNTS RECEIVABLE

Included in accounts receivable are amounts receivable from barter exchanges in the amount of \$109,015 (2007 - \$232,927). These amounts can only be realized through the purchase of goods and services through these barter exchanges. Management is satisfied that a sufficient value of transactions will be completed through the barter exchanges to realize the value of this balance in the 2009 fiscal year.

5. EQUIPMENT

		2008		
		COST	ACCUMULATED	NET
		\$	AMORTIZATION	\$
		\$	\$	\$
Furniture	And	29,525	26,474	3,051
Fixtures				
Computer Software		9,554	9,111	443
Computer Hardware		<u>15,950</u>	<u>14,319</u>	<u>1,631</u>
		<u>55,029</u>	<u>49,904</u>	<u>5,125</u>

2007

Furniture	And	29525	25486	4039
Fixtures				
Computer Software		9,554	8,779	775
Computer Hardware		<u>15,950</u>	<u>13,091</u>	<u>2,859</u>
		<u>55,029</u>	<u>47,356</u>	<u>7,673</u>

6. CAPITAL STOCK

Authorized: 15,000,000 common shares without par value.

Issued

	2008	2007
6,935,563 common shares	<u>\$4,687,288</u>	<u>\$4,687,288</u>

STOCK OPTIONS

The Company's Incentive Stock Option Plan, as amended by the company's Board of Directors and approved by the TSX Venture in September 2005, is intended to attract, retain and motivate officers, salaried employees and directors who will make important contributions to the success of the Company. The right to exercise an award of options typically vests at the grant date unless otherwise determined by the Board of Directors at the time of grant. Options must be exercised during a period established by the Company, but in any event, within five years of the grant. A maximum of 670,000 common shares may be reserved for issuance pursuant to outstanding options at any one time.

On September 8, 2005, 350,000 stock options were issued to directors, officers and employees of the Company. For purposes of estimating the fair market value under the Black-Scholes option pricing model, the options were valued at \$18,300. The following assumptions were used to estimate this figure: expected dividend yield nil%; expected volatility 144%; risk-free interest rate 3%; and, an expected average life of 5 years.

On February 22, 2006, 250,000 stock options were given to directors of the Company, replacing 300,000 options at an exercise price of \$0.35 per share that had expired on January 24, 2006. For purposes of estimating the fair market value under the Black-Scholes option pricing model, the options were valued at \$7,700. The following assumptions were used to estimate this figure: expected dividend yield nil%; expected volatility 126%; risk-free interest rate 3.75%; and, an expected average life of 5 years.

On September 19, 2006, 50,000 stock options were issued to a director of the Company. For purposes of estimating the fair market value under the Black-Scholes option pricing model, the options were valued at \$nil. The following assumptions were used to estimate this figure: expected dividend yield nil%; expected volatility 75%; risk-free interest rate 3.95%; and, an expected average life of 5 years.

The following table presents information concerning stock options granted by the Company:

	Number of options	Weighted average exercise price per share \$
Options Outstanding – March 31, 2005	300,000	0.35
Granted during the year ended March 31, 2006	600,000	0.10
Expired during the year ended March 31, 2006	<u>(300,000)</u>	<u>0.35</u>
Options Outstanding – March 31, 2006	600,000	0.10
Granted during the year ended March 31, 2007	<u>50,000</u>	<u>0.10</u>
Total Outstanding – March 31, 2007 & 2008	<u>650,000</u>	<u>0.10</u>
Exercisable – March 31, 2007 & 2008	<u>650,000</u>	<u>0.10</u>

The following table summarizes information about the Company's outstanding stock options at March 31, 2008.

Exercise Price	Options Outstanding		Options Exercisable	
	Number Outstanding	Expiry Date	Number Exercisable	Exercise Price
\$0.10	350,000	September 8, 2010	350,000	\$0.10
\$0.10	250,000	February 22, 2011	250,000	\$0.10
\$0.10	50,000	September 19, 2011	50,000	\$0.10

7. INCOME TAXES

The computation of the provision for income taxes, which requires adjustments to earnings before income taxes for temporary differences, is as follows:

	2008	2007
	\$	\$
Income (Loss) before taxes	(105,853)	39,219
Additional amortization of property and equipment	(468)	(1,452)
Deduction for eligible capital expenditures	<u>(28,133)</u>	<u>(30,251)</u>
Income (Loss) for tax purposes	<u>(134,454)</u>	<u>7,516</u>
Provision for income	-	3,200
Reduction in taxes by application of loss-carry forwards	-	(3,200)
Net provision for income taxes	<u>-</u>	<u>-</u>

At March 31, the Company has the following unused tax balances:

	2008	2007
	\$	\$
Undepreciated capital costs	10,900	13,900
Cumulative eligible capital	373,800	402,000
Capital loss carry-forwards	2,187,000	2,187,000
Non-capital loss carry-forwards	602,300	468,100

Of the non-capital losses, \$105,700 expire in 2010; \$139,000 expire in 2014; \$45,600 expire in 2015; \$177,500 expire in 2016 and \$134,500 expire in 2018. The balance of the unused tax balances may be carried forward indefinitely, however, certain restrictions apply as to the type of taxable income against which these amounts may be applied. As the Company has not demonstrated that it is likely to benefit from these carry-forwards in the foreseeable future, no future tax asset has been reflected in these financial statements.

8. OTHER INCOME

Other income consists of the following:

	2008	2007
	\$	\$
Gain on sale of maxi-treat	-	39,832
Rental Income	-	1,750
Other	1,888	3,334
	<u>1,888</u>	<u>44,916</u>

9. RELATED PARTY TRANSACTIONS

During the year, a corporation that owns a significant portion of the Company's capital stock provided premises and administrative services for total consideration of \$67,729 (2007 \$70,000).

During the year, a director of the Company received a salary of \$20,831 (2007 \$29,000) for services performed on behalf of the Company.

These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. LEASE COMMITMENT

The aggregate amounts of future minimum lease payments for premises until completion of the lease on September 30, 2009, are approximately as follows:

2008	\$16,200
2009	\$ 8,100

11. NET INCOME (LOSS) PER SHARE

Income per share is determined by dividing the net income for the year by the weighted average number of shares outstanding during the year. As the average price of the Company's stock during the 2007 and 2008 fiscal years did not exceed the option exercise prices subsequent to the grant dates, the options outstanding were not included in the calculation of fully diluted income per share for those years. The weighted average number of common shares outstanding at March 31, 2008 and 2007 amounted to 6,935,563.

DIRECTORS

William A. Hullah, M.Sc.
Toronto, Ontario
President and Principal Owner of
Cardinal Biologicals Ltd.
And President of the Company

Gary R. Hullah
Toronto, Ontario
Vice-President and CFO
Businessman

Mark Nuernberger, B. Comm.
Toronto, Ontario
Businessman

Dr. Linda Lakats
Toronto, Ontario
Professor, York University

Jim Adams
Toronto, Ontario
Businessman

JoAnne Strongman
Vancouver, B.C.
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SHARES LISTED

TSX Venture
Symbol: FTI

CAPITALIZATION

Authorized –
15,000,000 common shares
Issued and Outstanding –
6,935,563 shares

Information on trading FTI Foodtech International Inc. shares appears in major newspapers.

Website: www.fti-foodtech.com

Printed in Canada.