

GANDI INNOVATIONS
13 WEEK CASH FLOW
Ending December 25, 2009
In Canadian dollars ('000s)

Exchange Rates:	
USD	1.0917
EURO	1.6025
HK	0.1408
RAND	0.1474
RUPEE	0.0223
PESO	0.0807

Assumptions	Projected													TOTAL	
	2-Oct-09	9-Oct-09	16-Oct-09	23-Oct-09	30-Oct-09	6-Nov-09	13-Nov-09	20-Nov-09	27-Nov-09	4-Dec-09	11-Dec-09	18-Dec-09	25-Dec-09		
RECEIPTS:															
Receivable Collections USA	1	479	380	518	414	508	400	389	564	571	380	595	589	380	6,168
Canada	1	5	5	5	5	5	5	5	5	5	5	5	5	5	65
Net Branch Cash flows	3	400		400				400			400			400	2,000
	3														-
	3		350							300					650
	3														-
Miscellaneous	3	300	300	300	300	300		300	300	300				600	3,000
Total Receipts		1,184	1,035	523	1,119	813	705	794	869	876	1,385	600	594	1,385	11,883
DISBURSEMENTS:															
Materials Purchases															
Printers		360	360	360	360	478	478	478	478	314	314	314	314	314	4,921
Parts		90	90	90	90	90	90	90	90	90	90	90	90	90	1,168
Ink		177	177	177	177	177	177	177	177	177	177	177	177	177	2,306
Freight Costs	17	15	15	15	15	15	15	15	15	15	15	15	15	15	195
USA	17	30	30	30	30	30	30	30	30	30	30	30	30	30	390
Payroll	16	-	221	-	221	40	221	-	221	40	221	-	221	-	1,405
USA	16	239	-	194	-	298	-	194	-	298	-	194	-	253	1,671
Leases	12	-	4	-	2	7	3	-	-	3	7	-	-	2	28
Equipment	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA	12	-	-	-	79	-	-	-	79	-	-	79	-	-	237
Rent	12	-	-	-	-	35	-	-	35	-	-	-	-	-	70
Facilities Costs	17	10	10	38	31	15	10	43	31	15	10	48	31	302	
USA	17	12	77	12	12	12	77	12	12	81	12	12	81	423	
Insurance	15	11	-	-	-	24	-	-	-	-	-	-	-	35	
USA	15	-	3	-	-	-	3	-	-	-	3	-	-	8	
Travel/Meals/Ent	15	10	10	10	10	10	10	10	10	10	10	10	10	130	
USA	15	31	31	31	31	31	31	31	31	31	31	31	31	397	
Tradeshows	15	-	-	302	-	-	-	-	11	-	-	-	-	313	
Miscellaneous		5	5	5	5	5	5	5	5	5	5	5	5	65	
Restructuring Costs	14	150	20	20	20	20	150	20	20	20	150	20	20	760	
Hostage Payments	13	5	5	5	5	5	5	5	5	5	5	5	5	65	
USA	13	5	5	5	5	5	5	5	5	5	5	5	5	65	
State Bank of India															
Factoring															
Interest															
Repayments															
Line of Credit															
Interest															
Repayments															
ROI															
Monitoring Fees															
Tranche 1															
Interest															
Principal															
Tranche 2															
Interest															
Principal															
Tranche 3															
Interest															
Principal															
Total Disbursements		1,150	1,062	1,294	1,093	1,298	1,308	1,115	1,219	1,105	1,150	920	1,061	1,179	14,954
Net Change in Cash Position		34	(27)	(771)	27	(485)	(603)	(320)	(350)	(229)	235	(320)	(468)	206	(3,071)
OPENING CASH BALANCE		10,406	10,440	10,413	9,642	9,669	9,184	8,581	8,261	7,910	7,681	7,916	7,596	7,128	10,406
CLOSING CASH BALANCE		10,440	10,413	9,642	9,669	9,184	8,581	8,261	7,910	7,681	7,916	7,596	7,128	7,335	7,335

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NOTE 1 - ACCOUNTS RECEIVABLE															
Opening Balance - USA															
Add:	Sales	Printers													
		8													
Less:	Collections	Parts/Ink/Other													
		2													
Ending Balance - USA															
Opening Balance - Canada															
Add:	Sales	Printers													
		9													
Less:	Collections	Parts/Ink/Other													
		9													
		2													
Ending Balance - Canada															
Total Opening Balance															
Total Ending Balance															
NOTE 2 - INVENTORY															
Opening Balance															
Add:	Purchases	Printer - Materials													
		10													
		8													
		7													
Less:	Cost of Sales	Printer - Labour													
		10													
Ending Balance															
NOTE 3 - STATE BANK OF INDIA															
Factoring															
Rate 3.25%															
Opening Balance															
Add:	Interest Charged														
Less:	Repayments														
	Interest Paid	4													
Ending Balance															
Line of Credit															
Rate 3.75%															
Opening Balance															
Add:	Interest Charged														
	Factoring Repayments	5													
Less:	Repayments														
	Interest Paid	6													
Ending Balance															

GANDI INNOVATIONS ASSUMPTIONS TO CASH FLOW

- 1** The collection of currently outstanding accounts receivable was made by reviewing actual collections history by week and branch for the CCAA period to date (20 weeks). The collection of deposits and accounts receivable generated by new sales of parts, printers, and ink was estimated based on payment terms offered by Gandhi Innovation to its customers.

- 2** The Company receives money from its branches on a semi-regular basis. These funds are reimbursement for printers, ink, and parts sold by USA or Canada to the Branch that the Branch then sold to a third party. As the branch collects funds from the third parties they pay their debts to USA and Canada.

- 3** Management assumes that Net Cash would be received from each branch (as opposed to recording cash receipts and disbursements by each branch in this cash flow). The projected net cash receipt from each branch was estimated by a review of material cash transfers received July, August and September 2009.

- 4** Management assumes that Gandhi would engage in no further factoring with State Bank of India. Going forward, Gandhi will only make repayments against the line based on the required repayment schedule provided by the State Bank of India. State Bank of India charges interest on the outstanding factored amount at prime + 1%.

- 5** State Bank of India charges interest on the outstanding line of credit balance at prime plus 1.5%.

- 6** **Removed**

- 7** Ink sales are based on an average of weekly sales for the year to date. The average cost of sales on the ink sales for the last 3 months was 65% (not including freight which has been presented separately). Collections on ink occur 30 days after the sale. The cost of purchasing the ink is assumed to occur in the week it is sold, as Gandhi is operating on a COD basis. Ink sales originate and are recorded in the USA.

- 8** Parts sales are based on an average of weekly sales for the year to date. The average cost of sales on the yearly parts sales was 80% (not including freight which has been presented separately). Collections on parts sales are assumed to occur 30 days after the sale. The cost of purchasing the parts is assumed to occur in the week it is sold, as the company is operating on a COD basis. Parts sales originate and are recorded in the USA.

- 9** Printer sales are made by the USA, but are serviced and recorded in Canada. Management forecasts selling 1 used printer and 1 new printers monthly to third party customers. They also assume selling 1 new and 1 used printer per month to other Gandhi branches. Used printers sell for \$75,000-125,000 USD with terms of 30% due at time of order, and 70% payable in 90 days. New printers sell for \$150,000-300,000 USD with most recently sold printers selling for \$150,000USD. The terms are 10% due at the time of order, 60% payable in 90 days, and 30% payable in 12 monthly installments starting 30 days after the sale. Management assumes a build schedule to satisfy sales that cannot be made out of existing inventory.

GANDI INNOVATIONS
ASSUMPTIONS TO CASH FLOW

- 10** Management has projected required purchases in order to meet the projected sales over the 13 week period. These purchases factor in the current inventory in conjunction with the expected sales. The expected monthly purchases are averaged over the number of weeks in the month to which they apply. The historical average parts and materials costs for printers, which depends on product mix, is 66% based on most recent financial data.
- 11** The Company has set principal and interest repayment schedules for each tranche of ROI debt, which indicate the amounts due and loan balance as at each month end. Gandi did not make required payments for March or April 2009. The loan balances outstanding as of March 1/09 are therefore the opening balance, for interest calculation purposes. Repayments of principal are a fixed amount every month.
- 12** Canada's lease obligations are paid through the Canadian bank accounts. USA lease obligations are paid through the USA bank accounts. India and Hong Kong lease obligations are paid through the USA bank accounts because these subsidiaries do not have bank accounts. All other foreign subsidiaries pay out of their respective bank accounts. Several photocopiers will be returned during the CCAA period due to consolidation of warehouse locations and multiple extra photocopiers currently available. Costs are based on actual lease payment amounts and timing.
- 13** Due to financial difficulty, Gandi had negotiations in place with a number of critical suppliers prior to the CCAA filing. The CCAA filing suspended all supplier negotiations until further notice. Suppliers may or may not be willing to continue supplying if their negotiated terms are not met. For the first eleven weeks of the CCAA no supplier has demanded a hostage payment from Gandi therefore a general provision of \$5 per week was estimated for any future hostage payments that may be required.
- 14** Restructuring costs includes estimates for legal fees (Canada and USA) for the Company's counsel and the Monitor's counsel. Restructuring costs also include the Monitor's fees over the thirteen week period of the cash flow.
- 15** Tradeshows are key driver of new printer sales. If Gandi were to reduce the number of shows it attended this would directly impact the company's ability to meet its sales forecast. The costs are based on known tradeshows to be attended and their historical cost. Travel expenses are consistent with Gandi's worldwide customer base. The sales staff must travel to numerous tradeshows and customer sites while service staff have to complete repairs on-site at customer locations throughout the world. This is based on the historical rate that travel costs are incurred in relation to sales.
- 16** Payroll for Canada is paid out of the Canadian bank account. USA payroll is paid out of the USA bank account. Gross payroll is remitted to ADP which then forwards all respective state and federal taxes accordingly. Hong Kong and India payroll are remitted out of the USA bank account because they do not have bank accounts. Canada and USA payroll is bi-weekly; Hong Kong and India payrolls are paid monthly. Payroll costs are projected based on a historical average cost per employee, and the current known number of employees.
- 17** These operating expenses are projected based upon historical average expense levels.
- 18** Service costs are related to the level of sales activity. Historically, service costs have averaged 4% of the sales level, so was projected on this basis.