
AGRAPOINT INTERNATIONAL INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

WBLI

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AUDITORS' REPORT

To The Shareholder of Agrapoint International Inc.

We have audited the balance sheet of Agrapoint International Inc. as at December 31, 2008 and the statements of earnings, retained earnings 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 financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and the results of operations and cash flows of the company for the year then ended, in accordance with Canadian generally accepted accounting principles.

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CHARTERED ACCOUNTANTS

Bedford, Nova Scotia

February 25, 2009



AGRAPPOINT INTERNATIONAL INC.

BALANCE SHEET

AS AT DECEMBER 31, 2008

	2008	2007
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	157,135	107,971
Short-term investments (note 4)	734,582	289,773
Accounts receivable	311,168	394,035
Prepaid expenses	52,993	61,082
	1,255,878	852,861
PROPERTY, PLANT AND EQUIPMENT (note 5)	171,681	212,607
LONG-TERM INVESTMENTS (note 7)	527,408	1,137,924
	1,954,967	2,203,392
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	308,901	333,429
Deferred revenue	550,000	550,000
	858,901	883,429
SHAREHOLDER'S EQUITY		
CAPITAL STOCK (note 8)	1	1
RETAINED EARNINGS	1,096,065	1,319,962
	1,096,066	1,319,963
	1,954,967	2,203,392

COMMITMENTS (note 9)

APPROVED ON BEHALF OF THE BOARD

Director

Director

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AGRAPOINT INTERNATIONAL INC.
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
	\$	\$
RETAINED EARNINGS - beginning of year	1,319,962	1,322,046
Net earnings (loss) for the year	<u>(223,897)</u>	<u>(2,084)</u>
RETAINED EARNINGS - end of year	<u>1,096,065</u>	1,319,962

AGRAPPOINT INTERNATIONAL INC.

STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
	\$	\$
REVENUE		
Consulting and fees (note 10)	3,103,028	3,233,757
Other	22,710	22,935
	3,125,738	3,256,692
 COST OF SERVICES	 820,531	 877,535
	 2,305,207	 2,379,157
 EXPENSES		
Salaries, wages and benefits	1,827,812	1,768,934
Office and administration	176,511	169,577
Occupancy	114,672	111,924
Travel	39,592	60,035
Marketing and communications	16,179	38,616
Professional fees	44,076	67,926
Dues and professional development	31,065	32,227
Board	37,219	33,935
Insurance	33,485	29,853
Business development	291	14,879
	2,320,902	2,327,906
 EARNINGS (LOSS) FOR THE YEAR BEFORE OTHER ITEMS	 (15,695)	 51,251
 OTHER ITEMS		
(Loss) gain on disposal of property, plant and equipment	(1,903)	1,070
Investment income	27,374	65,393
Unrealized loss on investments	(132,214)	(31,896)
Amortization net of deferred government assistance (\$nil; 2007 - \$18,402)	(101,459)	(87,902)
	(208,202)	(53,335)
 NET EARNINGS (LOSS) FOR THE YEAR	 (223,897)	 (2,084)



AGRAPPOINT INTERNATIONAL INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
	\$	\$
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES		
Cash provided from (used in) operations		
Net earnings (loss) for the year	(223,897)	(2,084)
Items in earnings not involving cash		
Amortization net of deferred government assistance (\$nil; 2007 - \$18,402)	101,459	87,902
Loss (gain) on disposal of property, plant and equipment	1,903	(1,070)
Unrealized loss on investments	132,214	31,896
	<u>11,679</u>	116,644
Change in noncash working capital balances		
Accounts receivable	82,867	34,267
Inventory	-	1,015
Prepaid expenses	8,089	651
Accounts payable and accrued liabilities	(24,528)	202,658
	<u>78,107</u>	355,235
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of long-term debt	-	(5,895)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(63,386)	(90,537)
Proceeds on disposal of property, plant and equipment	950	1,070
Net disposal (acquisition) of long-term investments	478,302	(264,461)
Net acquisition of short-term investments	(444,809)	(49,331)
	<u>(28,943)</u>	(403,259)
CHANGE IN CASH DURING THE YEAR	49,164	(53,919)
CASH - beginning of year	<u>107,971</u>	161,890
CASH - end of year	<u>157,135</u>	107,971
NOTE		
	2008	2007
	\$	\$
Interest paid	<u>2,282</u>	2,665



AGRAPOINT INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

1. NATURE OF OPERATIONS

The Agricultural Development Institute Limited was incorporated under the Nova Scotia Companies Act on August 21, 2000, and actively began providing services to the agricultural industry of Nova Scotia in April 2001. Effective October 15, 2002, the Institute changed its name to AgraPoint International Inc. AgraPoint International Inc. is a governmental unit as defined in section 74(c) of the Provincial Finance Act. AgraPoint's objectives are to provide innovative development services that empower the agri-food industry to create new value. Its three main core values are empowerment of the client, importance of rural life and commitment to the future development of the agri-food industry.

2. SIGNIFICANT ACCOUNTING POLICIES

Credit risk

The company is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the company regularly monitors the balances outstanding from its customers. The customer base is made up of individual farmers and government agencies.

The company does not have a significant exposure to any individual customer or counterpart other than the Province of Nova Scotia as discussed in note 10. The company's customers vary in size and nature. The company incurred bad debt expense in the current year of \$3,684 (2007 - \$1,410).

Investments

Short-term investments are classified as held for trading and are recorded at fair market value. At year end, the quoted market value was substantially the same as the cost. Unrealized gains and losses are included in net earnings for the year.

Long-term investments have been classified as held for trading because of the activity in the portfolio that has occurred during the past two years. The long-term investments have been recorded at fair market value, which is the quoted market value, with any unrealized gains and losses related to the long-term investments included in net earnings for the year.

Property, plant and equipment

Property, plant and equipment are stated at cost. Amortization is provided by the diminishing balance method at the following annual rates:

Computer hardware	50%
Computer software	100%
Furniture and fixtures	20%

Leaseholds are being amortized by the straight-line method over 10-33 years which is the term of the lease.

Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Government assistance related to property, plant and equipment has been applied against the cost of the related asset.



AGRAPOINT INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in significantly influenced entity

The company's investment in Global Food Excellence Inc., of which it owns 25% of the outstanding voting shares and over which it exercises significant influence, is accounted for by the equity method. Under this method, the investment is initially recorded at cost and is increased for the proportionate share of any post acquisition earnings and is decreased by any post acquisition losses and dividends received.

Revenue recognition

Revenue related to the Province of Nova Scotia's annual contribution is recognized equally over the year in which it is received.

Investment income is recognized as revenue when earned.

Consulting and fee income is recognized as revenue as the service is provided.

Fair values of financial instruments

The company's financial instruments are comprised of cash, short-term investments, accounts receivable, long-term investments and accounts payable and accrued liabilities.

Cash, accounts receivable and accounts payable and accrued liabilities are reported at their fair values on the balance sheet. The fair values are the same as the carrying values due to their short-term nature.

The fair values of short and long-term investments are disclosed in the respective notes to the financial statements.

Use of estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

3. INCOME TAXES

The company and its property are exempt from taxation under section 149(1)(d) of the Income Tax Act.

4. SHORT TERM INVESTMENTS

The short-term investments are comprised of government bonds, treasury bills and other interest bearing investments. The cost of the short-term investments at the end of the year is \$734,586 (2007 - \$286,807).



AGRAPPOINT INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

5. PROPERTY, PLANT AND EQUIPMENT

	2008			2007
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Computer hardware	170,718	122,388	48,330	62,727
Computer software	81,920	63,612	18,308	18,911
Furniture, fixtures and equipment	141,317	79,758	61,559	74,426
Leasehold improvements	117,470	73,986	43,484	56,543
	511,425	339,744	171,681	212,607

6. INVESTMENT IN COMPANY SUBJECT TO SIGNIFICANT INFLUENCE

The company has a 25% investment in Global Food Excellence Inc. Its share of the loss of Global Food Excellence Inc. for the year ending December 31, 2008 is \$53 (2007 - loss of \$499). The cumulative loss in Global Food Excellence Inc. up to December 31, 2008 is \$4,950. The company will apply its share in the cumulative unrecognized loss, which is \$1,237 against its share of future profits from Global Food Excellence Inc. Once the company's share of profits equal its share of the losses not recognized, the company will resume including its share of profits from Global Food Excellence Inc. in its earnings and increase the carrying value of its investment.

AGRAPOINT INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

7. LONG-TERM INVESTMENTS

	2008	2007
	\$	\$
Fixed Income		
Imperial short-term bond pool is made up of bonds, debentures, notes or other debt instruments, of Canadian and non-Canadian issuers, with a remaining term to maturity of one to five years. The interest rate exposure for the top ten holdings ranges from 3.50% to 4.80%. The cost of this investment is \$104,419 (2007 - \$170,461).	107,283	169,716
Imperial Canadian bond pool is made up of bonds, debentures, notes, other debt instruments (whether secured or unsecured), preferred shares and convertible preferred shares of Canadian and non-Canadian issuers. The interest rate exposure for the top ten holdings ranges from 3.55% to 11.00%. The cost of this investment is \$151,334 (2007 - \$287,207).	<u>149,681</u>	<u>285,347</u>
Investments in equities - The cost of this investment is \$403,855 (2007 - \$682,704).	256,964	455,063
	<u>270,444</u>	<u>682,861</u>
	<u>527,408</u>	<u>1,137,924</u>

8. CAPITAL STOCK

	2008	2007
	\$	\$
Authorized		
1,000,000 Common shares without nominal or par value		
1,000,000 Common shares with a par value of \$1 each		
Issued		
1 Common share without nominal or par value	<u>1</u>	<u>1</u>



AGRAPPOINT INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

9. COMMITMENTS

The company is renting office premises in Kentville, Truro and Cape Breton. The annual rent commitment for all three locations is \$151,956. The long-term leases for Kentville and Cape Breton expire in April 2012 and June 2010 respectively, and the office space in Truro is rented on a month by month term.

The company is leasing office equipment expiring October 2010 and October 2011. The annual rent for the next three years is as follows:

	\$
2009	15,084
2010	11,717
2011	1,212

The Board of Directors has made a commitment to the Soil and Crop Improvement Association of Nova Scotia to provide funding for an industry nutrient management chair position at \$25,000 per year for five years commencing in the year when the position is created.

10. ECONOMIC DEPENDENCE

The company has signed a Memorandum of Understanding with the Province of Nova Scotia to provide services as described in this document for a five year period ending in 2010. The annual fee to be paid for the services performed is \$2,200,000.