Perennia Food & Agriculture Incorporated

Financial Statements
March 31, 2014

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and external audited financial statements yearly.

The external auditors, PricewaterhouseCoopers LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Perennia Food & Agriculture Incorporated and meet when required.

On behalf of Perennia Food & Agriculture Incorporated

Brian Rogers
President

JoAnn Fewer
Chief Executive Officer

June 19, 2014

June 19, 2014

Independent Auditor's Report

To the Shareholder of
Perennia Food & Agriculture Incorporated

We have audited the accompanying financial statements of the Perennia Food & Agriculture Incorporated (the "Company"), which comprise the statement of financial position as at March 31, 2014 and the statements of operations, changes in net financial assets, remeasurement gains and losses and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Perennia Food & Agriculture Incorporated as at March 31, 2014 and the results of its operations, changes in net financial assets, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP
710 Prince Street, PO Box 632, Truro, Nova Scotia, Canada B2N 5E5
T: +1 902 895 1641, F: +1 902 893 0460

Other matters
The financial statements of Perennia Food & Agriculture Incorporated for the year ended March 31, 2013, before the adjustments described in note 16, were audited by another auditor who expressed an unmodified opinion on those statements on June 25, 2013.

As part of our audit work of 2014 financial statements, we also audited the adjustments described in note 16 that were applied to amend the 2013 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2013 financial statements of the organization, other than with respect to the adjustments, accordingly, we do not express an opinion or any other form of assurance on the 2013 financial statements as a whole.

We have not audited budget amounts as presented in the statement of operations.

PricewaterhouseCoopers LLP

Chartered Accountants

Perennia Food & Agriculture Incorporated

Statement of Financial Position

As at March 31, 2014

	2014 $	Restated (Note 16) 2013 $
Assets		
Current assets		
Cash	148,027	67,514
Accounts receivable (note 4)	593,807	798,591
Loans receivable (note 5)	–	113,223
Portfolio investments (note 6)	1,020,325	453,803
Restricted investments (note 6)	527,591	527,591
	2,289,750	1,960,722
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	478,323	454,588
Deferred revenue	171,613	130,332
	649,936	584,920
Net financial assets	1,639,814	1,375,802
Non-financial assets		
Tangible capital assets (note 8)	329,270	238,762
Prepaid expenses	12,002	13,956
	341,272	252,718
Accumulated surplus – as restated (notes 13 and 16)	1,981,086	1,628,520

Commitments (note 10)

Approved by the Board of Directors

_______________________ Director _______________________ Director

Perennia Food & Agriculture Incorporated

Statement of Operations

For the year ended March 31, 2014

	Unaudited Budget 2014 $	Actual 2014 $	Restated (Note 16) Actual 2013 $
Revenue			
Government extension services	2,090,000	2,200,000	2,200,000
Consulting fees	1,117,150	1,229,076	1,797,423
Nova Scotia Commission on the New Economy	–	589,160	106,387
AgriFlex funding	–	692,277	616,737
Investment income	–	18,865	22,303
Other revenue	3,150	5,286	1,771
Dairy Focus	–	113,339	–
	3,210,300	4,848,003	4,744,621
Expenses			
Dairy Focus	–	71,439	–
Nova Scotia Commission on the New Economy	–	589,161	106,387
Agriflex expenditures	–	513,151	504,822
Other project related	270,110	477,229	648,504
Salaries and wages	2,003,750	2,082,682	2,366,751
Professional services	214,380	176,934	114,724
Advertising and promotional expenses	46,600	33,777	51,536
Business development	17,200	1,788	6,917
Amortization	32,000	94,399	61,196
Loss on disposal of assets	5,800	8,138	13,935
Bad debt expense (recovery)	5,300	(2,779)	19,513
Interest, bank and investment expenses	6,300	28,433	17,947
Insurance	35,400	33,383	35,355
Dues and memberships	14,550	9,908	57,235
Professional development	45,600	21,569	33,415
Meeting expenses	11,000	9,564	16,817
Industry development	53,750	17,579	120,810
Office supplies	21,900	30,556	38,682
Lab and field supplies	–	13,222	5,242
IT expenses	10,100	9,932	34,754
Rent/lease expenses	148,400	148,929	158,898
Maintenance expenses	4,200	2,405	7,139
Telecommunications expenses	124,900	116,225	108,677
Travel expenses (non-project)	153,200	120,567	175,502
Travel - meals and entertainment	18,200	9,624	7,435
Write down of investment in PGI	–	30,000	–
	3,242,640	4,647,815	4,712,193
Surplus (Deficit)	(32,340)	200,188	32,428
Accumulated operating surplus – Beginning of year as restated (notes 13 and 16)	949,455	1,048,510	1,016,082
Accumulated operating surplus – End of year as restated (notes 13 and 16)	917,115	1,248,698	1,048,510

Perennia Food & Agriculture Incorporated

Statement of Cash Flows

For the year ended March 31, 2014

	2014 $	Restated (Note 16) 2013 $
Cash provided by (used in)		
Operating transactions		
Operating surplus	200,188	32,428
Non-cash items		
Amortization	94,399	61,196
Loss on disposal of tangible capital assets	8,138	13,935
	302,725	107,559
Change in non-cash working capital balances		
Accounts receivable	204,784	28,332
Accounts payable and accrued liabilities	23,735	(620,092)
Prepaid expenses	1,954	115,494
Deferred revenue	41,281	102,817
	574,479	(265,890)
Investing transactions		
Net change in portfolio investments and restricted investments	(414,143)	244,949
Capital transactions		
Acquisition of tangible capital assets	(193,046)	(231,925)
Proceeds on disposal of tangible capital assets	–	1,583
Receipts (advances) of loans receivable	113,223	(113,223)
	(79,823)	(343,565)
Net change in cash during the year	80,513	(364,506)
Cash – Beginning of year	67,514	432,020
Cash – End of year	148,027	67,514

Perennia Food & Agriculture Incorporated

Statement of Change in Net Financial Assets

For the year ended March 31, 2014

	Unaudited Budget 2014 $	2014 $	Restated (Note 16) 2013 $
Operating surplus (deficit)	(32,340)	200,188	32,428
Net remeasurement gains	–	152,374	54,343
Additions to capital assets	–	(193,046)	(231,925)
Amortization	32,000	94,399	61,196
Loss on disposal of tangible capital assets	–	8,138	13,935
Proceeds on disposition of tangible capital assets	–	–	1,583
	32,000	61,865	(100,868)
Acquisition of prepaid expense	–	(67,669)	(53,373)
Consumption of prepaid expense	–	69,628	168,867
	32,000	63,824	14,626
Increase (decrease) in net financial assets	(340)	264,012	47,054
Financial assets – Beginning of year	1,375,802	1,375,802	1,328,748
Financial assets – End of year	1,375,462	1,639,814	1,375,802

Perennia Food & Agriculture Incorporated

Statement of Remeasurement Gains and Losses

For the year ended March 31, 2014

	2014 $	2013 $
Accumulated remeasurement gains (losses) – Beginning of year	52,419	(1,924)
Unrealized gains attributable to portfolio investments	152,374	48,412
Amounts reclassified to the statement of operations:		
Portfolio investments	–	5,931
Accumulated remeasurement gains – End of year (note 13)	204,793	52,419

1 Nature of operations

The Agricultural Development Institute Limited was a government organization 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. The Company went through restructuring on April 1, 2012 and is now known as Perennia Food & Agriculture Incorporated. Perennia Food & Agriculture Incorporated continues to operate as a government organization. Perennia'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

Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investment.

Loans receivable

Loans receivable are initially valued at cost. Valuation allowances are made to reflect the loans receivable at the lower of cost and net recoverable value. The purpose of the valuation allowance is to reflect the collectibility and risk of loss of the loan. When the amount of the loss is known with sufficient precision, and there is no realistic prospect of recovery, the loan receivable is reduced by the amount of the loss.

Portfolio investments

The Company invests in fixed income bonds, equities and guaranteed investment certificates. The Company measures their investments at fair value. The change in the fair value of the portfolio investments is recognized in the statement of remeasurement gains and losses. At the time when the portfolio investment is derecognized, the accumulated measurement gain or loss associated with the derecognized item is reversed and reclassified to the statement of operations.

Tangible capital assets

Tangible capital assets are stated at cost. Amortization is provided by the diminishing balance method at the following annual rates:

Computer hardware	55%
Computer software	100%
Equipment and furniture	20%
Freight trucks and trailers	30%

Leaseholds are being amortized by the straight-line method over 5 years which is the term of the lease.

2 Significant accounting policies (continued)

Tangible capital assets (continued)

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.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Company's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than the net book value.

Prepaid expenses
Prepaid expenses are charged to expense over the periods expected to benefit from it.

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 when the related expenses are incurred.

NSDA project revenue is recognized as revenue when the related expenses are incurred.

Interest revenue on loans receivable is recognized when earned. Interest revenue ceases to be accrued on a loan when the collectability of either the principal or interest is not reasonably assured.

Financial instruments
Measurement of financial instruments
The Company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Company subsequently measures all its financial assets and financial liabilities at amortized cost, except for portfolio investments that are quoted in an active market, which are measured at fair value. The quoted prices in active markets represent a Level 1 in the fair value hierarchy used to measure fair value. Changes in fair value are recognized in the statement of remeasurement gains and losses. At the time when the investment is derecognized, the accumulated measurement gain or loss associated with the derecognized item is reversed and reclassified to the statement of operations.

Financial assets measured at amortized cost include cash, accounts receivable and loans receivable. Financial liabilities measured at amortized cost include accounts payable.

The Company's financial assets measured at fair value include portfolio investments that are quoted in an active market.

2 Significant accounting policies (continued)

Financial instruments (continued)

Impairment
Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in the statement of operations. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of any reversal is recognized in the statement of operations.

Transaction costs
The Company recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Expenses
Expenses are reported on an accrual basis.

Employee future benefits
The Company participates in a defined contribution group RPP matching plan for its full-time, permanent employees who have been employed with the Company for at least three months. The plan is not mandatory for the employees. Contributions are expensed in the period incurred.

Funds and reserves
Certain amounts, as approved by the board of directors, have been set aside in accumulated surplus for general contingencies. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

Measurement uncertainty
The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the useful life of capital assets, rates for amortization and allowance for doubtful accounts.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

3 Financial instruments

Risks and concentrations

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at the balance sheet date.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risks relate to its accounts receivable. The Company provides credit to its clients in the normal course of its operations. The Company incurred bad debts of $142 during the year and recovered bad debts of $2,921 during the prior period.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its fixed and floating interest rate financial instruments. The fixed-rate instruments subject the Company to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

4 Accounts receivable

	2014 $	2013 $
Accounts receivable	555,979	807,440
Accrued receivable	57,628	11,537
	613,607	818,977
Allowance for doubtful accounts	(19,800)	(20,386)
	593,807	798,591

5 Loans receivable

	2014 $	2013 $
Non-interest bearing loan with no specific repayment terms. The loan was fully collected during the year	–	103,223
Non-interest bearing loan, secured by equipment and due to be repaid by March 1, 2013. The loan was fully collected during the year	–	10,000
	–	113,223

6 Portfolio investments

	2014 $	2013 $
Investments in bond pooled funds, Canadian equities pooled funds, U.S. equities pooled funds and international equities pooled funds. The cost of these investments is $893,039	1,092,916	736,394
GICs bearing interest at 1.2% and 0.75%. The cost of these investments is equal to their fair market value	450,000	210,000
	1,542,916	946,394
Less: Restricted investments (see below)	527,591	527,591
	1,015,325	418,803
100,000 Class A common-shares, having an agreed upon value of $0.05 (2012 - $0.35) per share, investments in Performance Genomics Inc. This represents 1% of the issued equity	5,000	35,000
	1,020,325	453,803

The Board of Directors approved that $400,000 of the long-term investments be internally restricted for the purposes of covering emergency cash flow requirements and general contingencies.

The Board of Directors approved that $127,591 be internally restricted for future AgriFlex related expenses.

7 Accounts payable and accrued liabilities

	2014 $	2013 $
Accounts payable and accrued liabilities	462,744	417,992
Government remittances	15,580	36,596
	478,324	454,588

8 Tangible capital assets

	Computer hardware $	Computer software $	Equipment and furniture $	Freight trucks/ trailers $	Leasehold improve-ments $	Total 2014 $	Restated (Note 16) Total 2013 $
Acquisition cost as of April 1	157,353	27,763	100,031	18,500	158,829	462,476	559,336
Additions	4,618	16,017	160,982	–	11,429	193,046	231,925
Disposals	(52,529)	–	(31,506)	–	–	(84,035)	(328,784)
Total acquisition cost of March 31	109,442	43,780	229,507	18,500	170,258	571,487	462,477
Accumulated amortization as of April 1	124,698	8,906	66,074	2,775	21,262	223,715	475,785
Amortization	18,889	16,283	21,863	4,719	32,645	94,399	61,196
Accumulated amortization on disposals	(50,556)	–	(25,341)	–	–	(75,897)	(313,266)
Total accumulated amortization as of March 31	93,031	25,189	62,596	7,494	53,907	242,217	223,715
Total net carrying value as of March 31	16,411	18,591	166,911	11,006	116,351	329,270	238,762

9 Income taxes

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

10 Commitments

The Company is renting office premises in Kentville and Truro. The long-term lease for Kentville expires in April 2017, and the office space in Truro is rented on a month by month term. The rent is payable for the Kentville and Truro premises at $46,153 semiannually and $3,183 monthly respectively.

The Company is leasing office equipment expiring July 2017. The annual rent for the next three years is as follows:

2015	7,220
2016	7,220
2017	2,407

The Company has entered into an agreement with an arms-length party to perform information technology and telephone services. The total contract fee to December 2014 is $1,126 per month.

11 Employee future benefits

The Company participates in a defined contribution group RPP matching plan for its full-time, permanent employees who have been employed with the Company for at least three months. The plan is not mandatory for the employees. Contributions are expensed in the period incurred. The Company contributed $86,886 (2013 - $78,382) to the plan during the year.

12 Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the board.

13 Surplus and accumulated surplus

Surplus is comprised of the following:

	2014 $	Restated (Note 16) 2013 $
Operating surplus	200,188	32,428
Remeasurement gains and losses	152,374	54,343
	352,562	86,771

Accumulated surplus is comprised of the following:

	2014 $	Restated (Note 16) 2013 $
Accumulated operating surplus	1,248,698	1,048,510
Accumulated remeasurement gains and losses	204,797	52,419
Fund for general contingencies	400,000	400,000
Fund for future AgriFlex expenses	127,591	127,591
	1,981,086	1,628,520

14 Compensation disclosure required pursuant to the public sector compensation disclosure act

Section 3 of the Public Sector Compensation Disclosure Act of the Province of Nova Scotia requires public sector bodies to publicly disclose the amount of compensation it pays or provides, directly or indirectly, to any person in the fiscal year if the compensation to that person is one hundred thousand dollars or more including compensation paid to, or for the benefit of, each of its board members, officers, employees, contractors and consultants.

Section 4 of the Act requires that the information reported be disclosed in the body of the audited financial statements of Perennia Food & Agriculture Incorporated or in a statement prepared for the purposes of the Act and certified by its auditors. The Corporation has chosen to disclose this required information as part of its audited financial statements.

For the year ended March 31, 2014, there were no board members, officers or employees who received compensation of $100,000 or more.

15 Changes in the presentation of comparative financial statements

Certain comparative figures have been reclassified to conform with the current year's financial statements presentation.

16 Restatement of prior year's financial statements

The 2013 financial statements have been restated to adjust for the accounting of the cost of tangible capital assets funded by the Agriflex funding agreement. This restatement has resulted in an increase in acquisition of tangible capital assets in the amount of $111,915, an increase in amortization expense of $12,860, and an increase in the amount of $99,055 in the operating surplus, accumulated operating surplus and tangible capital assets from the amounts previously reported.