

Perennia Food & Agriculture Incorporated

**Financial Statements
March 31, 2016**

Management's Responsibility for the Financial Statements

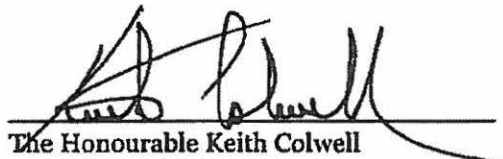
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these financial statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and 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.

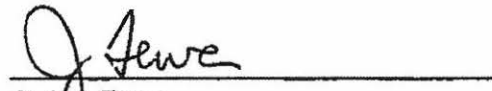
The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and external audited financial statements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



The Honourable Keith Colwell
Minister of Agriculture



Jo Ann Fewer
Chief Executive Officer

June 2, 2016



June 2, 2016

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, 2016 and the statements of operations, changes in net financial assets, remeasurement 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 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 the Company as at March 31, 2016 and the results of its operations, changes in net financial assets, remeasurement losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants

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

PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Perennia Food & Agriculture Incorporated

Statement of Financial Position

As at March 31, 2016

| | 2016 \$ | 2015 \$ |
|---|------------|------------|
| Assets | | |
| Current assets | | |
| Cash | 121,365 | 811,012 |
| Accounts receivable (note 4) | 1,991,692 | 778,848 |
| Portfolio investments (note 5) | 1,231,421 | 815,349 |
| Restricted investments (note 5) | 527,591 | 527,591 |
| | 3,872,069 | 2,932,800 |
| Long-term assets | | |
| Loan receivable (note 15) | 272,959 | — |
| | 4,145,028 | 2,932,800 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 6) | 646,905 | 661,800 |
| Deferred revenue | 1,717,317 | 411,375 |
| Deposits held in trust | 8,340 | 8,340 |
| | 2,372,562 | 1,081,515 |
| Net financial assets | 1,772,466 | 1,851,285 |
| Non-financial assets | | |
| Tangible capital assets (note 7) | 717,727 | 733,964 |
| Prepaid expenses | 16,292 | 11,500 |
| | 734,019 | 745,464 |
| Accumulated surplus (note 12) | 2,506,485 | 2,596,749 |
| Commitments (note 9) | | |
| Contingency (note 14) | | |

Approved by the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements.

Perennia Food & Agriculture Incorporated

Statement of Operations

For the year ended March 31, 2016

| | Unaudited Budget 2016 \$ | Actual 2016 \$ | Actual 2015 \$ |
|---|-----------------------------------|----------------------|----------------------|
| Revenue | | | |
| Government operating grants | 2,511,300 | 2,511,300 | 2,693,345 |
| Provincial consulting fees and project management | 897,670 | 917,293 | — |
| General consulting fees | 1,337,540 | 961,031 | 1,215,795 |
| Nova Scotia Commission on the New Economy | — | — | 68,939 |
| Investment income | — | 21,194 | 52,196 |
| Other revenue | 34,500 | 36,834 | 8,406 |
| Lease and rental income | 221,354 | 182,587 | 76,420 |
| | <u>5,002,364</u> | <u>4,630,239</u> | <u>4,115,101</u> |
| Expenses | | | |
| Nova Scotia Commission on the New Economy | — | — | 68,939 |
| Other project related | 1,435,127 | 887,591 | 353,883 |
| Salaries and wages | 2,450,011 | 2,543,129 | 2,135,440 |
| Professional services | 363,100 | 312,515 | 291,479 |
| Advertising and promotional expenses | 99,046 | 107,125 | 45,123 |
| Amortization | 170,000 | 178,122 | 102,700 |
| Loss on disposal of assets | 5,700 | 57 | 5,958 |
| Bad debt expense (recovery) | 5,500 | 6,804 | (8,547) |
| Interest, bank and investment expenses | 26,400 | 43,420 | 32,812 |
| Insurance | 9,300 | 9,300 | 14,513 |
| Dues and memberships | 12,900 | 13,819 | 15,335 |
| Professional development | 50,900 | 31,170 | 33,581 |
| Meeting expenses | 17,950 | 18,575 | 22,802 |
| Office supplies | 22,700 | 32,175 | 29,987 |
| Lab and field supplies | 33,250 | 44,069 | 55,892 |
| IT expenses | 20,900 | 14,366 | 11,407 |
| Rent/lease expenses | 148,600 | 152,645 | 152,019 |
| Maintenance expenses | 9,000 | 16,206 | 5,869 |
| Telecommunications expenses | 85,600 | 100,118 | 87,418 |
| Travel expenses | 221,300 | 175,412 | 143,218 |
| | <u>5,187,284</u> | <u>4,686,618</u> | <u>3,599,828</u> |
| Surplus (Deficit) | (184,920) | (56,379) | 515,273 |
| Accumulated operating surplus – Beginning of year (note 12) | 550,415 | 1,763,971 | 1,248,698 |
| Accumulated operating surplus – End of year (note 12) | <u>365,495</u> | <u>1,707,592</u> | <u>1,763,971</u> |

The accompanying notes are an integral part of these financial statements.

Perennia Food & Agriculture Incorporated

Statement of Changes in Net Financial Assets

For the year ended March 31, 2016

| | Unaudited Budget 2016 \$ | Actual 2016 \$ | Actual 2015 \$ |
|--|-----------------------------------|----------------------|----------------------|
| Operating surplus (deficit) | (184,920) | (56,379) | 515,273 |
| Net remeasurement gains (losses) | — | (33,767) | 100,390 |
| Additions to capital assets | — | (162,060) | (513,352) |
| Amortization | 170,000 | 178,122 | 102,700 |
| Loss on disposal of tangible capital assets | 5,700 | 57 | 5,958 |
| | 175,700 | (17,648) | (304,304) |
| Acquisition of prepaid expense | — | (92,919) | (69,628) |
| Consumption of prepaid expense | — | 88,127 | 70,130 |
| | 175,700 | (22,440) | (303,802) |
| Increase (decrease) in net financial assets | (9,220) | (78,819) | 211,471 |
| Financial assets – Beginning of year | 970,662 | 1,851,285 | 1,639,814 |
| Financial assets – End of year | 961,442 | 1,772,466 | 1,851,285 |

The accompanying notes are an integral part of these financial statements.

Perennia Food & Agriculture Incorporated

Statement of Remeasurement Gains

For the year ended March 31, 2016

| | 2016 \$ | 2015 \$ |
|---|-----------------|----------------|
| Accumulated remeasurement gains – Beginning of year | 305,187 | 204,793 |
| Adjustment | (122) | 4 |
| Unrealized gains (losses) attributable to portfolio investments | <u>(33,767)</u> | <u>100,390</u> |
| Accumulated remeasurement gains – End of year (note 12) | <u>271,298</u> | <u>305,187</u> |

The accompanying notes are an integral part of these financial statements.

Perennia Food & Agriculture Incorporated

Statement of Cash Flows

For the year ended March 31, 2016

| | 2016 \$ | 2015 \$ |
|--|-------------|------------|
| Cash provided by (used in) | | |
| Operating transactions | | |
| Operating surplus (deficit) | (56,379) | 515,273 |
| Non-cash items | | |
| Amortization | 178,122 | 102,700 |
| Loss on disposal of tangible capital assets | 57 | 5,958 |
| | 121,800 | 623,931 |
| Change in non-cash working capital balances | | |
| Accounts receivable | (1,212,844) | (185,041) |
| Accounts payable and accrued liabilities | (14,895) | 183,477 |
| Prepaid expenses | (4,792) | 502 |
| Deferred revenue | 1,305,942 | 239,762 |
| Deposits held in trust | — | 8,340 |
| | 195,211 | 870,971 |
| Investing transactions | | |
| Net change in portfolio investments and restricted investments | (449,839) | 305,366 |
| Capital transactions | | |
| Acquisition of tangible capital assets | (162,060) | (513,352) |
| Advances of loans receivable | (350,000) | — |
| Receipts of loans receivable | 77,041 | — |
| | (435,019) | (513,352) |
| Net change in cash during the year | (689,647) | 662,985 |
| Cash – Beginning of year | 811,012 | 148,027 |
| Cash – End of year | 121,365 | 811,012 |

The accompanying notes are an integral part of these financial statements.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2016

1 Nature of operations

Perennia Food & Agriculture Incorporated (the "Company") went through a restructuring which merged the former Agrapoint International and Atlantic Bioventure Centre to create the Company.

The Company continues to operate as a government organization. The Company's objectives are to provide knowledge and advice to the agriculture and seafood sector aimed at creating wealth.

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.

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:

| | |
|--------------------------------|------|
| Buildings | 10% |
| Computer hardware | 55% |
| Computer software | 100% |
| Equipment and office equipment | 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.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2016

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.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2016

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.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2016

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 statement of financial position 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 \$6,804 during the year and recovered bad debts of \$nil during the period from a 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

| | 2016 \$ | 2015 \$ |
|---|------------|------------|
| Accounts receivable – Province of Nova Scotia | 1,591,760 | 720,433 |
| Accounts receivable – Other | 386,013 | 22,304 |
| Accrued receivables | 25,219 | 43,911 |
| | <hr/> | <hr/> |
| | 2,002,992 | 786,648 |
| Allowance for doubtful accounts | (11,300) | (7,800) |
| | <hr/> | <hr/> |
| | 1,991,692 | 778,848 |

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2016

5 Portfolio investments

| | 2016 \$ | 2015 \$ |
|--|------------|------------|
| Investments in bond pooled funds, Canadian equities pooled funds, US equities pooled funds and international equities pooled funds. The cost of these investments is \$1,807,823 | 1,754,012 | 1,216,536 |
| GICs matured during the year | — | 121,404 |
| | 1,754,012 | 1,337,940 |
| Less: Restricted investments (see below) | 527,591 | 527,591 |
| | 1,226,421 | 810,349 |
| 100,000 Class A common-shares, having an agreed upon value of \$0.05 (2014 - \$0.05) per share, investments in Performance Genomics Inc. This represents 1% of the issued equity | 5,000 | 5,000 |
| | 1,231,421 | 815,349 |

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.

6 Accounts payable and accrued liabilities

| | 2016 \$ | 2015 \$ |
|--|------------|------------|
| Accounts payable and accrued liabilities | 626,796 | 657,610 |
| Government remittances | 20,109 | 4,190 |
| | 646,905 | 661,800 |

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2016

7 Tangible capital assets

| | Computer hardware \$ | Computer software \$ | Office equipment \$ | Equipment/ freight trucks/ trailers \$ | Buildings \$ | Leasehold improvements \$ | Total 2016 \$ | Total 2015 \$ |
|--|-------------------------|-------------------------|------------------------|---|-----------------|------------------------------|------------------|------------------|
| Acquisition cost as of April 1 | 127,103 | 28,733 | 78,458 | 455,665 | 12,989 | 372,091 | 1,075,039 | 569,894 |
| Additions | 25,352 | — | — | 136,708 | — | — | 162,060 | 513,352 |
| Disposals | — | — | (2,000) | — | — | — | (2,000) | (85,052) |
| Total acquisition cost of March 31 | 152,455 | 28,733 | 76,458 | 592,373 | 12,989 | 372,091 | 1,235,099 | 998,194 |
| Accumulated amortization as of April 1 | 102,421 | 27,774 | 52,815 | 70,464 | — | 87,719 | 341,193 | 240,624 |
| Amortization | 28,149 | 959 | 12,173 | 76,993 | 649 | 59,199 | 178,122 | 102,700 |
| Accumulated amortization on disposals | — | — | (1,943) | — | — | — | (1,943) | (79,094) |
| Total accumulated amortization as of March 31 | 130,570 | 28,733 | 63,045 | 147,457 | 649 | 146,918 | 517,372 | 264,230 |
| Total net carrying value as of March 31 | 21,885 | — | 13,413 | 444,916 | 12,340 | 225,173 | 717,727 | 733,964 |

8 Income taxes

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

9 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 semi-annually and \$3,247 monthly respectively.

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

| | \$ |
|------|--------|
| 2017 | 16,798 |
| 2018 | 4,199 |

The Company has entered into an agreement with an arms-length party to perform information technology related contract services for the period April 1, 2016 to March 31, 2017. The annual contract is limited to a maximum of \$45,000, plus HST. Services will be rendered on an as needed basis.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2016

10 Employee future benefits

The Company participates in a defined contribution group RRSP 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 \$84,563 (2015 - \$101,646) to the plan during the year.

11 Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the board. The budgeted figures provided have not been audited.

12 Surplus and accumulated surplus

Surplus is comprised of the following:

| | 2016 \$ | 2015 \$ |
|--------------------------------|-----------------|----------------|
| Operating surplus (deficit) | (56,379) | 515,273 |
| Remeasurement gains and losses | (33,767) | 100,390 |
| Adjustment | 122 | — |
| | <u>(90,024)</u> | <u>615,663</u> |

Accumulated surplus is comprised of the following:

| | 2016 \$ | 2015 \$ |
|--|------------------|------------------|
| Accumulated operating surplus | 1,707,592 | 1,763,971 |
| Accumulated remeasurement gains and losses | 271,298 | 305,187 |
| Fund for general contingencies | 400,000 | 400,000 |
| Fund for future AgriFlex expenses | 127,591 | 127,591 |
| Adjustment | 4 | — |
| | <u>2,506,485</u> | <u>2,596,749</u> |

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2016

13 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 Company has chosen to disclose this required information as part of its audited financial statements.

For the year ended March 31, 2016, the following employees received compensation of \$100,000 or more:

| | |
|----------------|---------|
| | \$ |
| Jo Ann Fewer | 125,975 |
| William Thomas | 102,146 |

14 Contingency

There is a legal claim against the Company related to a customer's losses resulting from the handling of strawberry virus for 2012-14. The likelihood of loss or estimate of loss is undeterminable at time of issue of these financial statements.

15 Loan receivable

During the year, the Company advanced \$350,000 to Goodleaf Community Farms Limited for financing renovations. This loan receivable is unsecured, bears interest at 3% per annum and is being recovered in monthly receipts of \$6,289 until January 2020.

