

Perennia Food & Agriculture Incorporated

Financial Statements
March 31, 2018

Management's Responsibility for the Financial Statements

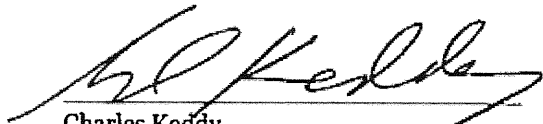
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these financial statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and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



Charles Keddy
Chair of the Board of Directors



Dr. Viliam Zvalo
Chief Executive Officer

June 21, 2018



June 21, 2018

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, 2018 and the statements of operations, changes in net financial assets, remeasurement gains 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, 2018 and the results of its operations, changes in net financial assets, remeasurement gains and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

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Perennia Food & Agriculture Incorporated

Statement of Financial Position

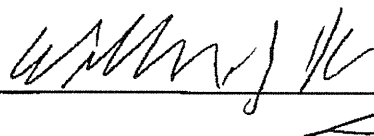
As at March 31, 2018

	2018 \$	Restated (note 18) 2017 \$
Assets		
Current assets		
Cash	115,834	535,370
Accounts receivable (note 4)	966,796	857,959
Portfolio investments (note 5)	3,366,780	1,607,650
Restricted investments (note 5)	527,591	527,591
Loans receivable (note 15)	210,000	-
	<u>5,187,001</u>	<u>3,528,570</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	784,993	917,965
Deferred revenue	2,426,099	1,000,704
Deposits held in trust	6,290	2,975
	<u>3,217,382</u>	<u>1,921,644</u>
Net financial assets	<u>1,969,619</u>	<u>1,606,926</u>
Non-financial assets		
Tangible capital assets (note 7)	1,179,287	634,684
Prepaid expenses	24,741	18,673
	<u>1,204,028</u>	<u>653,357</u>
Accumulated surplus (note 12)	<u>3,173,647</u>	<u>2,260,283</u>
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, 2018

	Unaudited Budget 2018 \$	Actual 2018 \$	Restated (note 18) Actual 2017 \$
Revenue			
Government operating grants	2,743,700	2,516,310	2,485,532
Provincial consulting fees and project management	2,511,900	2,088,622	1,150,423
General consulting fees	805,100	773,390	1,012,554
Investment income	25,000	8,611	18,423
Other revenue	–	758	12,502
Lease and rental income	135,500	165,512	127,400
	<u>6,221,200</u>	<u>5,553,203</u>	<u>4,806,834</u>
Expenses			
Other project related	1,380,400	1,188,750	785,939
Salaries and wages	3,089,100	3,189,729	2,856,914
Professional services	509,000	287,862	313,687
Advertising and promotional expenses	88,300	54,618	58,197
Amortization	281,700	159,518	176,373
Bad debt expense (recovery)	3,200	(224,343)	287,100
Dues and memberships	16,600	17,603	17,858
Insurance	7,000	6,900	7,300
Interest, bank and investment expenses	39,000	37,298	41,189
IT expenses	34,000	27,021	23,144
Lab and field supplies	22,000	31,375	39,148
Loss (gain) on disposal of assets	2,600	–	(1,000)
Maintenance expenses	21,500	5,705	8,205
Meeting expenses	23,900	19,738	25,770
Office supplies	37,400	23,579	25,828
Professional development	49,600	16,840	29,456
Recruitment expenses	–	8,304	4,965
Rent/lease expenses	174,500	158,856	151,982
Telecommunications expenses	112,200	92,925	126,461
Travel expenses	205,000	153,146	168,278
	<u>6,097,000</u>	<u>5,255,424</u>	<u>5,146,794</u>
Annual surplus (deficit) before government capital grants	124,200	297,779	(339,960)
Government capital grants (note 17)	–	590,252	–
Annual surplus (deficit)	124,200	888,031	(339,960)
Accumulated annual surplus – Beginning of year (note 12)	1,367,632	1,367,632	1,707,592
Accumulated annual surplus – End of year (note 12)	<u>1,491,832</u>	<u>2,255,663</u>	<u>1,367,632</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, 2018

	Unaudited Budget 2018 \$	Actual 2018 \$	Restated (note 18) Actual 2017 \$
Annual surplus (deficit)	124,200	888,031	(339,960)
Net remeasurement gains	–	25,333	93,758
Additions to tangible capital assets	–	(704,121)	(93,330)
Amortization	281,700	159,518	176,373
Loss (gain) on disposal of tangible capital assets	2,600	–	(1,000)
Proceeds on disposition of tangible capital assets	–	–	1,000
	284,300	(519,270)	176,801
Acquisition of prepaid expense	–	(88,905)	(127,054)
Consumption of prepaid expense	–	82,837	124,673
	284,300	(525,338)	174,420
Increase (decrease) in net financial assets	408,500	362,693	(165,540)
Financial assets – Beginning of year	1,606,926	1,606,926	1,772,466
Financial assets – End of year	2,015,426	1,969,619	1,606,926

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, 2018

	2018	2017
	\$	\$
Accumulated remeasurement gains – Beginning of year	365,056	271,298
Unrealized gains attributable to portfolio investments	25,333	93,758
Accumulated remeasurement gains – End of year (note 12)	<u>390,389</u>	<u>365,056</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, 2018

	2018 \$	Restated (note 18) 2017 \$
Cash provided by (used in)		
Operating transactions		
Annual surplus (deficit)	888,031	(339,960)
Non-cash items		
Amortization	159,518	176,373
Loss (gain) on disposal of tangible capital assets	-	(1,000)
	<hr/> 1,047,549	<hr/> (164,587)
Change in non-cash working capital balances		
Accounts receivable	(108,837)	1,133,733
Accounts payable and accrued liabilities	(132,972)	271,060
Prepaid expenses	(6,068)	(2,381)
Deferred revenue	1,425,395	(716,613)
Deposits held in trust	3,315	(5,365)
	<hr/> 2,228,382	<hr/> 515,847
Investing transactions		
Net change in portfolio investments and restricted investments	<hr/> (1,733,797)	<hr/> (282,471)
Capital transactions		
Acquisition of tangible capital assets	(704,121)	(93,330)
Proceeds on disposal of tangible capital assets	-	1,000
Advances of loans receivable	(210,000)	-
Reduction in loans receivable	-	272,959
	<hr/> (914,121)	<hr/> 180,269
Net change in cash during the year	(419,536)	414,005
Cash – Beginning of year	<hr/> 535,370	<hr/> 121,365
Cash – End of year	<hr/> 115,834	<hr/> 535,370

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, 2018

1 Nature of operations

Perennia Food & Agriculture Incorporated (the “Company”) is a provincial crown corporation which 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 objective is to help farmers, fishermen and food processors be prosperous and profitable.

2 Summary of 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.

Amortization of tangible capital assets commences when they are put in use. Tangible capital assets acquired in the current year in the amount of \$421,897 have not been amortized since they were not in use as of March 31, 2018.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2018

2 Summary of 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 operating annual contribution is recognized equally over the year in which it is received.

Revenue related to the Province of Nova Scotia capital grants are recognized in the same period the related tangible capital asset is recorded.

Investment income is recognized as revenue when earned.

Consulting and fee income is recognized as revenue when the related expenses are incurred.

Nova Scotia Department of Agriculture 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.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2018

2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Measurement of financial instruments (continued)

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.

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, 2018

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 has recorded an allowance for bad debts of \$nil during the year and recovered bad debts of \$224,343 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

	2018 \$	2017 \$
Accounts receivable – Province of Nova Scotia	228,376	520,501
Accounts receivable – Other	382,133	337,904
Accrued receivables	358,787	93,207
	<hr/> 969,296	<hr/> 951,612
Allowance for doubtful accounts	(2,500)	(93,653)
	<hr/> <hr/> 966,796	<hr/> <hr/> 857,959

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2018

5 Portfolio investments

	2018 \$	2017 \$
Investments in bond pooled funds, Canadian equities pooled funds, US equities pooled funds and international equities pooled funds. The cost of these investments is \$1,822,737	1,818,240	1,819,347
Investments in GICs	2,076,131	315,894
	<hr/> 3,894,371	<hr/> 2,135,241
Less: Restricted investments (see below)	527,591	527,591
	<hr/> 3,366,780	<hr/> 1,607,650

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

	2018 \$	2017 \$
Accounts payable and accrued liabilities	784,993	917,965
Government remittances	-	-
	<hr/> 784,993	<hr/> 917,965

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2018

7 Tangible capital assets

	Computer hardware \$	Computer software \$	Office equipment \$	Equipment/ freight trucks/ trailers \$	Buildings \$	Leasehold improvements \$	Total 2018 \$	Restated (note 18) Total 2017 \$
Acquisition cost as of April 1	170,538	4,313	76,458	654,307	12,989	381,091	1,299,696	1,235,099
Additions	17,421	—	—	686,618	—	82	704,121	93,330
Disposals	—	—	—	—	—	—	—	(28,733)
Total acquisition cost as of March 31	187,959	4,313	76,458	1,340,925	12,989	381,173	2,003,817	1,299,696
Accumulated amortization as of April 1	146,835	2,174	65,750	236,270	1,893	212,090	665,012	517,372
Amortization	17,709	2,139	2,146	112,669	1,101	23,754	159,518	176,373
Accumulated amortization on disposals	—	—	—	—	—	—	—	(28,733)
Total accumulated amortization as of March 31	164,544	4,313	67,896	348,939	2,994	235,844	824,530	665,012
Total net carrying value as of March 31	23,415	—	8,562	991,986	9,995	145,329	1,179,287	634,684

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 leasing office equipment expiring July 2021. The annual rent for the next four years is as follows:

	\$
2019	13,615
2020	13,615
2021	3,403
2022	—

The Company has entered into an agreement with an arms-length party to perform information technology related contract services for the period April 1, 2017 to March 31, 2018. The annual contract is limited to a maximum of \$52,000, 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, 2018

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 \$90,959 (2017 - \$92,841) 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 (deficit) and accumulated surplus

Surplus (deficit) is comprised of the following:

	2018 \$	Restated (note 18) 2017 \$
Annual surplus (deficit)	888,031	(339,960)
Remeasurement gains	25,333	93,758
	<hr/> 913,364	<hr/> (246,202)

Accumulated surplus is comprised of the following:

	2018 \$	Restated (note 18) 2017 \$
Accumulated annual surplus	2,255,663	1,367,632
Accumulated remeasurement gains	390,389	365,056
Fund for general contingencies	400,000	400,000
Fund for future AgriFlex expenses	127,591	127,591
Adjustment	4	4
	<hr/> 3,173,647	<hr/> 2,260,283

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2018

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 the Company 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, 2018, the following employees received compensation of \$100,000 or more:

	\$
Jo Ann Fewer	119,000
Lynne Godlien	102,237

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

In 2016, the Company advanced \$350,000 to a non-related party for financing renovations. In 2017, the Company assessed the collectability of this loan receivable and provided for the balance as an allowance for doubtful accounts. Subsequent to year end, the company has received the remaining balance in full and therefore a bad debt recovery in the statement of operations has been recognized in these financial statements.

	2018 \$	2017 \$
Loan receivable	210,000	204,747
Allowance for doubtful accounts	—	(204,747)
	<hr/> 210,000	<hr/> —

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2018

16 Related party transactions

The Company's only shareholder is the Minister of Agriculture for the Province of Nova Scotia. On December 18, 2015, the Company entered into an agreement to lease the facilities located in Bible Hill, Nova Scotia where its head office and main centre of operation are located from the Province of Nova Scotia at an annual cost of \$1.00. This lease agreement expires on August 30, 2023.

17 Government capital grants

During the year, the Company received contributions from the Province of Nova Scotia to fund the acquisition of tangible capital assets related to:

	\$
Mobile Bottling Line	460,892
Centre for Marine Applied Research Equipment	<u>129,360</u>
	<u>590,252</u>

18 Restatement of previous year

During the year, in reviewing tangible capital assets, it was determined that assets owned by the Province of Nova Scotia were included in additions to leasehold improvements and therefore the previous year's tangible capital assets were overstated. As a result, the Company retrospectively adjusted its financial statements to reduce tangible capital assets and reduce revenue and tangible capital assets by \$398,646 from the amount previously reported. As a result of this restatement the surplus reported for the year ended March 31, 2017 has been restated from \$58,686, as previously reported to a deficit of \$339,960 and the accumulated annual surplus – end of year reported as of March 31, 2017, has been reduced by \$398,646.