

Perennia Food & Agriculture Incorporated

Financial Statements
March 31, 2019

Management's Responsibility for the Financial Statements

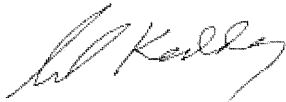
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these financial statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and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



Charles Keddy
Chair of the Board of Directors



Lynne Godlien
Chief Executive Officer

June 28, 2019



Independent auditor's report

To the Shareholder of Perennia Food & Agriculture Incorporated

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Perennia Food & Agriculture Incorporated (the Company) as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at March 31, 2019;
 - the statement of operations for the year then ended;
 - the statement of changes in net financial assets for the year then ended;
 - the statement of remeasurement gains for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
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Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

PricewaterhouseCoopers LLP
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In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Halifax, Nova Scotia
June 28, 2019

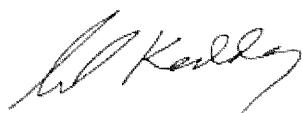
Perennia Food & Agriculture Incorporated

Statement of Financial Position

As at March 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash and cash equivalents	2,013,787	115,834
Accounts receivable (note 4)	1,018,944	966,796
Portfolio investments (note 5)	4,439,334	3,366,780
Restricted investments (note 5)	527,591	527,591
Loans receivable	-	210,000
	<u>7,999,656</u>	<u>5,187,001</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	552,775	784,993
Deferred revenue	5,881,785	2,426,099
Deposits held in trust	5,428	6,290
	<u>6,439,988</u>	<u>3,217,382</u>
Net financial assets	<u>1,559,668</u>	<u>1,969,916</u>
Non-financial assets		
Tangible capital assets (note 7)	1,936,764	1,179,287
Prepaid expenses	15,913	24,741
	<u>1,952,677</u>	<u>1,204,028</u>
Accumulated surplus (note 12)	<u>3,512,345</u>	<u>3,173,944</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, 2019

	Unaudited Budget 2019 \$	Actual 2019 \$	Actual 2018 \$
Revenue			
Government operating grants	2,989,400	3,721,266	2,516,310
Provincial consulting fees and project management	2,144,500	1,819,794	2,088,622
General consulting fees	855,200	991,151	773,390
Investment income	-	36,249	8,611
Other revenue	-	1,738	758
Lease and rental income	139,300	175,917	165,512
	<u>6,128,400</u>	<u>6,746,115</u>	<u>5,553,203</u>
Expenses			
Other project related	1,108,200	1,690,260	1,188,750
Salaries and wages	3,660,000	3,872,380	3,189,729
Professional services	436,100	259,364	287,862
Advertising and promotional expenses	80,000	83,176	54,618
Amortization	372,400	279,641	159,518
Bad debt expense (recovery)	3,100	2,345	(224,343)
Dues and memberships	19,700	17,868	17,603
Insurance	6,900	7,475	6,900
Interest, bank and investment expenses	28,000	42,616	37,298
IT expenses	26,000	42,351	27,021
Lab and field supplies	51,400	72,714	31,375
Maintenance expenses	30,000	14,968	5,705
Meeting expenses	23,300	31,478	19,738
Office supplies	21,600	31,779	23,579
Professional development	35,900	26,983	16,840
Recruitment expenses	-	11,017	8,304
Rent/lease expenses	150,000	160,058	158,856
Telecommunications expenses	123,100	103,765	92,925
Travel expenses	195,500	155,343	153,146
	<u>6,371,200</u>	<u>6,905,581</u>	<u>5,255,424</u>
Annual (deficit) surplus before government capital grants	(242,800)	(159,466)	297,779
Government capital grants (note 16)	-	420,719	590,252
Annual (deficit) surplus	(242,800)	261,253	888,031
Accumulated annual surplus – Beginning of year (note 12)	2,255,667	2,255,667	1,367,636
Accumulated annual surplus – End of year (note 12)	<u>2,012,867</u>	<u>2,516,920</u>	<u>2,255,667</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, 2019

	Unaudited Budget 2019 \$	Actual 2019 \$	Actual 2018 \$
Annual (deficit) surplus	(242,800)	261,253	888,031
Net remeasurement gains	-	77,445	25,333
Additions to tangible capital assets	-	(1,037,118)	(704,121)
Amortization	372,400	279,641	159,518
	372,400	(680,032)	(519,270)
Acquisition of prepaid expense	-	(51,942)	(88,905)
Consumption of prepaid expense	-	60,770	82,837
	372,400	(671,204)	(525,338)
Increase (decrease) in net financial assets	129,600	(409,951)	362,693
Financial assets – Beginning of year	1,969,619	1,969,619	1,606,926
Financial assets – End of year	2,099,219	1,559,668	1,969,619

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, 2019

	2019 \$	2018 \$
Accumulated remeasurement gains – Beginning of year	390,389	365,056
Unrealized gains attributable to portfolio investments	<u>77,445</u>	<u>25,333</u>
Accumulated remeasurement gains – End of year (note 12)	<u>467,834</u>	<u>390,389</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, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating transactions		
Annual surplus	261,253	888,031
Non-cash items		
Amortization	279,641	159,518
	<u>540,894</u>	<u>1,047,549</u>
Change in non-cash working capital balances		
Accounts receivable	(52,148)	(108,837)
Accounts payable and accrued liabilities	(232,218)	(132,972)
Prepaid expenses	8,828	(6,068)
Deferred revenue	3,455,686	1,425,395
Deposits held in trust	(862)	3,315
	<u>3,720,180</u>	<u>2,228,382</u>
Investing transactions		
Net change in portfolio investments and restricted investments	<u>(995,109)</u>	<u>(1,733,797)</u>
Capital transactions		
Acquisition of tangible capital assets	(1,037,118)	(704,121)
Advances of loans receivable	-	(210,000)
Proceeds from loans receivable	210,000	-
	<u>(827,118)</u>	<u>(914,121)</u>
Net change in cash during the year	1,897,953	(419,536)
Cash and cash equivalents – Beginning of year	<u>115,834</u>	<u>535,370</u>
Cash and cash equivalents – End of year	<u>2,013,787</u>	<u>115,834</u>

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, 2019

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 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. 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 the lease term.

Amortization of tangible capital assets commences when they are put in use. 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.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2019

2 Significant accounting policies (continued)

Tangible capital assets (continued)

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.

Tangible capital assets acquired in the current year in the amount of \$291,195 (2018 - \$421,897) have not been amortized since they were not in use as at March 31, 2019.

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.

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.

Lease and rental income is recognized when earned and when collection is 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.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2019

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.

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, 2019

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. During the year, the Company has recorded an allowance for bad debts of \$2,345 (2018 - \$nil) and recovered bad debts of \$nil (2018 - \$224,343).

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

	2019 \$	2018 \$
Accounts receivable – Province of Nova Scotia	635,086	534,327
Accounts receivable – Atlantic Canada Opportunities Agency	45,850	-
Accounts receivable – Other	158,439	254,586
HST receivable	184,369	180,383
	<hr/> 1,023,744	<hr/> 969,296
Allowance for doubtful accounts	(4,800)	(2,500)
	<hr/> <hr/> 1,018,944	<hr/> <hr/> 966,796

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2019

5 Portfolio investments

	2019 \$	2018 \$
Investments in bond pooled funds, Canadian equities pooled funds, US equities pooled funds and international equities pooled funds. The cost of these investments is \$1,858,443 (2018 - \$1,822,737)	1,866,925	1,818,240
Investments in GICs, maturing May 7, 2019 and carrying a 1.4% interest rate	3,100,000	2,076,131
	4,966,925	3,894,371
Less: Restricted investments (see below)	527,591	527,591
	<u>4,439,334</u>	<u>3,366,780</u>

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

	2019 \$	2018 \$
Accounts payable and accrued liabilities	549,187	784,993
Government remittances	3,588	-
	<u>552,775</u>	<u>784,993</u>

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2019

7 Tangible capital assets

	Computer hardware \$	Computer software \$	Office equipment \$	Equipment/ freight trucks/ trailers \$	Buildings \$	Leasehold improvements \$	Total 2019 \$	Total 2018 \$
Acquisition cost as of April 1	187,959	4,313	76,458	1,340,925	12,989	381,173	2,003,817	1,299,696
Additions	16,726	-	38,023	948,964	-	33,405	1,037,118	704,121
Total acquisition cost of March 31	204,685	4,313	114,481	2,289,889	12,989	414,578	3,040,935	2,003,817
Accumulated amortization as of April 1	164,544	4,313	67,896	348,939	2,994	235,844	824,530	665,012
Amortization	16,625	-	5,519	225,826	1,000	30,671	279,641	159,518
Total accumulated amortization as of March 31	181,169	4,313	73,415	574,765	3,994	266,515	1,104,171	824,530
Total net carrying value as of March 31	23,516	-	41,066	1,715,124	8,995	148,063	1,936,764	1,179,287

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 three years is as follows:

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

The Company has entered into an agreement with an arms-length party to perform information technology related contract services for the period April 1, 2018 to March 31, 2019. 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, 2019

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 \$91,506 (2018 - \$90,959) 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:

	2019	2018
	\$	\$
Annual surplus	261,253	888,031
Remeasurement gains	77,445	25,333
	<hr/>	<hr/>
	338,698	913,364
	<hr/>	<hr/>

Accumulated surplus is comprised of the following:

	2019	2018
	\$	\$
Accumulated annual surplus	2,516,920	2,255,667
Accumulated remeasurement gains	467,834	390,389
Fund for general contingencies	400,000	400,000
Fund for future AgriFlex expenses	127,591	127,591
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	3,512,345	3,173,647
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Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2019

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, 2019, the following employees received compensation of \$100,000 or more:

	\$
Lynne Godlien	126,491
Viliam Zvalo	173,815
Toby Balch	102,779
Eric Albert	107,504

Compensation as reported above include severance and vacation payouts paid throughout the year.

14 Contingency

There is a legal claims 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 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.

16 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:

	2019	2018
	\$	\$
Mobile Bottling Line	18,842	460,892
Centre for Marine Applied Research Equipment	64,629	129,360
Mobile Filtration	291,195	-
Plant Health Lab	46,053	-
	<hr/>	<hr/>
	420,719	590,252
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