



June 30, 2015

Ms. Ann McDonald, CA
Assistant Auditor General
5161 George Street
Royal Centre, Suite 400
Halifax, NS B3J 1M7

Attention: Ms. Dana Jasper, CA

Dear Ms. McDonald:

RE: Perennia Food and Agriculture Incorporated

We have examined the financial statements of the above-noted entity for the year ended March 31, 2015. In response to your request, dated April 27, 2015, we enclose the following:

- (i) A copy of the auditors' report and the related financial statements for the year ended March 31, 2015;
- (ii) We noted no significant deficiencies in internal control or management issues during the course of our engagement. A draft management letter has been provided to management and will be forwarded including management's response when finalized;
- (iii) There was no communication of audit results to those charged with oversight;
- (iv) There were no unadjusted audit differences for the current year;
- (v) There were no accounting policy differences, including differences as a result of varying effective dates of standards, between the component's audited financial statements and the accounting policies applied to the group financial statements under the Public Sector Accounting Handbook.

Yours very truly,

A handwritten signature in black ink that reads "Nancy M. Frame".

Nancy M. Frame, CA
Associate Partner
Assurance

Encls.

PricewaterhouseCoopers LLP
710 Prince Street, PO Box 632, Truro, Nova Scotia, Canada B2N 5E5
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Perennia Food & Agriculture Incorporated

Financial Statements
March 31, 2015

Management's Responsibility for the Financial Statements

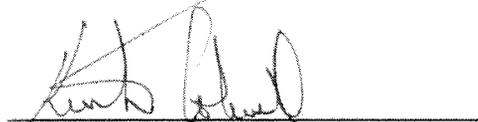
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules,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



The Honourable Keith Colwell
Minister of Agriculture



JoAnn Fewer
Chief Executive Officer

June 24, 2015



June 24, 2015

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, 2015 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 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, 2015 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 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

Perennia Food & Agriculture Incorporated

Statement of Financial Position

As at March 31, 2015

	2015 \$	2014 \$
Assets		
Current assets		
Cash	811,012	148,027
Accounts receivable (note 4)	778,848	593,807
Portfolio investments (note 5)	815,349	1,020,325
Restricted investments (note 5)	527,591	527,591
	<u>2,932,800</u>	<u>2,289,750</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	661,800	478,323
Deferred revenue	411,375	171,613
Deposits held in trust	8,340	-
	<u>1,081,515</u>	<u>649,936</u>
Net financial assets	<u>1,851,285</u>	<u>1,639,814</u>
Non-financial assets		
Tangible capital assets (note 7)	733,964	329,270
Prepaid expenses	11,500	12,002
	<u>745,464</u>	<u>341,272</u>
Accumulated surplus (note 13)	<u>2,596,749</u>	<u>1,981,086</u>
Commitments (note 9)		

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, 2015

	Unaudited Budget 2015 \$	Actual 2015 \$	Actual 2014 \$
Revenue			
Government extension services	2,200,000	2,200,000	2,200,000
Consulting fees	1,134,555	1,215,795	1,229,076
Nova Scotia Commission on the New Economy	–	68,939	589,160
AgriFlex funding	–	–	692,277
Investment income	–	52,196	18,865
Other revenue	13,500	8,406	5,286
Dairy Focus	–	–	113,339
Bioventures funding	–	493,345	–
Lease and rental income	–	76,420	–
	3,348,055	4,115,101	4,848,003
Expenses			
Dairy Focus	–	–	71,439
Nova Scotia Commission on the New Economy	–	68,939	589,161
AgriFlex expenditures	–	–	513,151
Other project related	366,255	353,883	477,229
Salaries and wages	2,228,550	2,135,440	2,082,682
Professional services	216,200	291,479	176,934
Advertising and promotional expenses	52,400	42,623	33,777
Business development	27,700	2,500	1,788
Amortization	38,100	102,700	94,399
Loss on disposal of assets	5,800	5,958	8,138
Bad debt expense (recovery)	11,200	(8,547)	(2,779)
Interest, bank and investment expenses	26,100	32,812	28,433
Insurance	13,500	14,513	33,383
Dues and memberships	9,700	15,335	9,908
Professional development	37,100	33,581	21,569
Meeting expenses	11,500	22,802	9,564
Industry development	67,700	20,817	17,579
Office supplies	101,750	29,987	30,556
Lab and field supplies	4,450	35,075	13,222
IT expenses	21,400	11,407	9,932
Rent/lease expenses	153,800	152,019	148,929
Maintenance expenses	21,200	5,869	2,405
Telecommunications expenses	156,800	87,418	116,225
Travel expenses (non-project)	132,850	129,155	120,567
Travel - meals and entertainment	10,700	14,063	9,624
Write down of investment in PGI	–	–	30,000
	3,714,755	3,599,828	4,647,815
Surplus (Deficit)	(366,700)	515,273	200,188
Accumulated operating surplus – Beginning of year (note 13)	917,115	1,248,698	1,048,510
Accumulated operating surplus – End of year (note 13)	550,415	1,763,971	1,248,698

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, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating transactions		
Operating surplus	515,273	200,188
Non-cash items		
Amortization	102,700	94,399
Loss on disposal of tangible capital assets	5,958	8,138
	<hr/> 623,931	<hr/> 302,725
Change in non-cash working capital balances		
Accounts receivable	(185,041)	204,784
Accounts payable and accrued liabilities	183,477	23,735
Prepaid expenses	502	1,954
Deferred revenue	239,762	41,281
Deposits held in trust	8,340	–
	<hr/> 870,971	<hr/> 574,479
Investing transactions		
Net change in portfolio investments and restricted investments	<hr/> 305,366	<hr/> (414,143)
Capital transactions		
Acquisition of tangible capital assets	(513,352)	(193,046)
Receipts of loans receivable	–	113,223
	<hr/> (513,352)	<hr/> (79,823)
Net change in cash during the year	662,985	80,513
Cash – Beginning of year	<hr/> 148,027	<hr/> 67,514
Cash – End of year	<hr/> <hr/> 811,012	<hr/> <hr/> 148,027

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

Perennia Food & Agriculture Incorporated

Statement of Change in Net Financial Assets

For the year ended March 31, 2015

	Unaudited Budget 2015 \$	2015 \$	2014 \$
Operating surplus (deficit)	(366,700)	515,273	200,188
Net remeasurement gains	–	100,390	152,374
Additions to capital assets	–	(513,352)	(193,046)
Amortization	38,100	102,700	94,399
Loss on disposal of tangible capital assets	–	5,958	8,138
	(38,100)	(304,304)	61,865
Acquisition of prepaid expense	–	(69,628)	(67,669)
Consumption of prepaid expense	–	70,130	69,628
	(38,100)	(303,802)	63,824
Increase (decrease) in net financial assets	(404,800)	211,471	264,012
Financial assets – Beginning of year	1,375,462	1,639,814	1,375,802
Financial assets – End of year	970,662	1,851,285	1,639,814

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, 2015

	2015	2014
	\$	\$
Accumulated remeasurement gains – Beginning of year	204,793	52,419
Adjustment	4	4
Unrealized gains attributable to portfolio investments	100,390	152,374
	<hr/>	<hr/>
Accumulated remeasurement gains – End of year (note 13)	305,187	204,797

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, 2015

1 Nature of operations

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

Perennia Food & Agriculture Incorporated 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, 2015

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, 2015

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, 2015

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 \$3,453 during the year and recovered bad debts of \$12,000 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

	2015 \$	2014 \$
Accounts receivable	742,737	555,979
Accrued receivables	43,911	57,628
	<hr/>	<hr/>
	786,648	613,607
Allowance for doubtful accounts	(7,800)	(19,800)
	<hr/>	<hr/>
	778,848	593,807
	<hr/>	<hr/>

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2015

5 Portfolio investments

	2015 \$	2014 \$
Investments in bond pooled funds, Canadian equities pooled funds, US equities pooled funds and international equities pooled funds. The cost of these investments is \$1,114,069	1,216,536	1,092,916
GICs bearing interest at 1.2%. The cost of these investments is equal to their fair market value	121,404	450,000
	<hr/> 1,337,940	<hr/> 1,542,916
Less: Restricted investments (see below)	527,591	527,591
	<hr/> 810,349	<hr/> 1,015,325
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
	<hr/> 815,349	<hr/> 1,020,325

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

	2015 \$	2014 \$
Accounts payable and accrued liabilities	657,610	462,743
Government remittances	4,190	15,580
	<hr/> 661,800	<hr/> 478,323

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2015

7 Tangible capital assets

	Computer hardware \$	Computer software \$	Office equipment \$	Equipment/ freight trucks/ trailers \$	Leasehold improve- ments \$	Buildings \$	Total 2015 \$	Total 2014 \$
Acquisition cost as of April 1	117,060	34,569	78,458	169,549	170,258	–	569,894	460,883
Additions	20,028	1,920	–	276,582	201,833	12,989	513,352	193,046
Disposals	(62,515)	–	(17,265)	(5,272)	–	–	(85,052)	(84,035)
Total acquisition cost of March 31	74,573	36,489	61,193	440,859	372,091	12,989	998,194	569,894
Accumulated amortization as of April 1	94,511	23,371	51,610	17,464	53,668	–	240,624	222,122
Amortization	12,926	12,159	6,411	37,153	34,051	–	102,700	94,399
Accumulated amortization on disposals	(61,135)	–	(13,758)	(4,201)	–	–	(79,094)	(75,897)
Total accumulated amortization as of March 31	46,302	35,530	44,263	50,416	87,719	–	264,230	240,624
Total net carrying value as of March 31	28,271	959	16,930	390,443	284,372	12,989	733,964	329,270

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 semiannually and \$3,183 monthly respectively.

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

	\$
2016	7,220
2017	2,407

The Company has entered into an agreement with an arms-length party to perform information technology related contract services for the period April 1, 2015 to March 31, 2016. The annual contract is limited to a maximum of \$36,000, plus HST. Services will be rendered on an as needed basis.

The Company entered into an agreement with a tenant to provide a \$350,000 loan to finance a renovation. The funds were advanced subsequent to year-end and are receivable in monthly instalments of \$6,289.40, including interest at CIBC's prime rate plus 3%.

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2015

10 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 \$101,646 (2014 - \$86,886) 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 Changes in the presentation of comparative financial statements

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

13 Surplus and accumulated surplus

Surplus is comprised of the following:

	2015 \$	2014 \$
Operating surplus	515,273	200,188
Remeasurement gains and losses	100,390	152,374
	<hr/> 615,663	<hr/> 352,562

Accumulated surplus is comprised of the following:

	2015 \$	2014 \$
Accumulated operating surplus	1,763,971	1,248,698
Accumulated remeasurement gains and losses	305,187	204,797
Fund for general contingencies	400,000	400,000
Fund for future AgriFlex expenses	127,591	127,591
	<hr/> 2,596,749	<hr/> 1,981,086

Perennia Food & Agriculture Incorporated

Notes to Financial Statements

For the year ended March 31, 2015

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

For the year ended March 31, 2015, the following employees received compensation of \$100,000 or more:

	\$
Jo Ann Fewer	104,040
William Thomas	110,234

15 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.