BEAUMONT SELECT CORPORATIONS INC.

Consolidated Financial Statements

Years ended June 30, 2012 and 2011

Management's Responsibility

To the Shareholders of Beaumont Select Corporations Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Corporation's external auditors.

MNP LLP, (formerly Meyers Norris Penny LLP), an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

October 26, 2012

Signed "Winston Ho Fatt"
Winston Ho Fatt, CEO

Auditors' Report to the Shareholders

To the Shareholders of Beaumont Select Corporations Inc.:

We have audited the accompanying consolidated financial statements of Beaumont Select Corporations Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at June 30, 2012, June 30, 2011 and July 1, 2010, and the consolidated statements of comprehensive income and loss, changes in shareholders' equity and cash flows for the years ended June 30, 2012 and June 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Beaumont Select Corporations Inc. and its subsidiaries as at June 30, 2012, June 30, 2011 and July 1, 2010 and the results of their operations and their cash flows for the years ended June 30, 2012 and June 30, 2011 in accordance with International Financial Reporting Standards.

MNP LLP
Chartered Accountants

October 26, 2012
Calgary, AB

BEAUMONT SELECT CORPORATIONS INC.
Consolidated Statements of Financial Position
For the twelve months ended June 30

As At	June 30, 2012	June 30, 2011	July 1, 2010
		(note 23)	*(note 23)*
Assets			
Current Assets:			
Cash and cash equivalents	**$1,848,086**	$2,083,604	$1,334,790
Portfolio of equity securities (note 5)	**17,310,374**	22,363,427	16,832,846
Accounts receivable	**1,916,089**	1,888,526	1,597,718
Inventory (note 4)	**1,416,442**	1,387,036	1,329,475
Note receivable (note 6)	**300,000**	--	--
Prepaid expenses	**109,476**	94,809	222,427
Total Current Assets	**22,900,467**	27,817,402	21,317,256
Non-Current Assets:			
Note receivable (note 6)	**--**	300,000	300,000
Investment in and due from affiliated company (note 7a)	**3,274,157**	3,345,417	3,481,217
Property and equipment (note 8)	**4,720,199**	5,163,994	5,242,065
Assets held for sale (note 8)	**--**	50,000	50,000
Intangible assets	**41,234**	44,340	80,323
Goodwill (note 9)	**867,524**	867,524	867,524
Deferred tax assets (note 13)	**3,094,858**	2,914,616	3,143,167
Total Assets	**$34,898,439**	$40,503,293	34,481,552
Liabilities and Shareholders' Equity			
Current Liabilities:			
Bank loans (note 11)	**$1,428,090**	$1,008,511	$841,952
Term loans (note 11)	**2,416,715**	2,585,443	375,763
Accounts payable and accrued liabilities	**1,350,156**	1,371,776	1,337,329
Margin loans on equity securities	**6,034,951**	11,739,382	8,424,582
Related party liabilities	**--**	--	71,358
Legal liability	**206,847**	206,847	206,847
Total Current Liabilities	**11,436,759**	16,911,959	11,257,831
Non-Current Liabilities:			
Deferred tax liabilities (note 13)	**1,981,127**	1,882,385	1,920,639
Long-term debt (note 11)	**6,551**	15,707	637,570
Total Liabilities	**13,424,437**	18,810,051	13,816,040
Contingencies (note 15)			
Commitment (note 18)			
Subsequent events (note 22)			
Shareholders' Equity:			
Share capital (note 10)	**7,649,454**	7,670,234	7,737,173
Non-controlling interest (note 12)	**472,720**	504,697	485,919
Contributed surplus	**88,039**	88,039	94,549
Retained earnings	**13,263,789**	13,430,272	12,347,871
Total Equity	**$21,474,002**	$21,693,242	$20,665,512
Total Liabilities and Equity	**$34,898,439**	$40,503,293	$34,481,552

Approved on behalf of the Board

Signed "Winston Ho Fatt" Director   Signed "Terry Kent" Director

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

BEAUMONT SELECT CORPORATIONS INC.
Consolidated Statements of Comprehensive Income and Loss
For the twelve months ended June 30

		2012		2011
				(note 23)
Revenues	$	**18,248,906**		18,470,110
Cost of sales:				
Direct expenses		**17,345,200**		16,809,490
Depreciation and amortization		**748,524**		749,747
		18,093,724		17,559,237
Operating margin		**155,182**		910,873
Corporate and administrative (note 17)		**1,363,285**		1,677,483
Investment income (note 20)		**(884,012)**		(987,566)
Loss/(gain) on sale of equity securities		**614,824**		(1,787,256)
Unrealized gain on securities held for trading		**(1,106,615)**		(175,062)
Loss on sale of equipment		**-**		61,280
Share-based compensation		**-**		4,431
Foreign exchange (gain)/loss		**(38,752)**		64,758
Writedown of property and equipment (note 8)		**50,000**		101,695
Rental income		**(22,050)**		-
Interest and bank charges (note 20)		**137,734**		102,481
Interest on margin loans (note 20)		**318,865**		497,280
(Loss)/Income before taxes		**(278,097)**		1,351,349
Income tax expense/(recovery):				
Current (note 13)		**(1,377)**		3,381
Deferred (note 13)		**(81,500)**		190,297
		(82,877)		193,678
(Loss)/Income from continuing operations attributable to				
Shareholders of the Corporation		**(163,243)**		1,138,893
Non-controlling interest		**(31,977)**		18,778
Total Comprehensive (Loss)/Income		**(195,220)**		1,157,671
Net (loss)/income per share:				
Continuing operations: basic /diluted	$	**(0.01)**	$	0.07
Net: basic / diluted		**(0.01)**		0.07

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

BEAUMONT SELECT CORPORATIONS INC.
Consolidated Statements of Changes in Shareholders' Equity
For the twelve months ended June 30

		2012		2011
Common shares:				
Beginning of the year	**$**	**7,670,234**	$	7,737,173
Shares repurchased		**(20,780)**		(93,262)
Exercise of options		**-**		26,323
End of the year	**$**	**7,649,454**	$	7,670,234
Contributed surplus:				
Beginning of the year	**$**	**88,039**	$	94,549
Share based payments		**-**		4,431
Exercise of options		**-**		(10,941)
End of the year	**$**	**88,039**	$	88,039
Non-controlling interest:				
Beginning of the year	**$**	**504,697**	$	485,919
Net earnings to non-controlling interest		**(31,977)**		18,778
End of the year	**$**	**472,720**	$	504,697
Retained earnings:				
Beginning of the year	**$**	**13,430,272**	$	12,347,871
(Loss)/income during the year		**(163,243)**		1,138,893
Consideration in excess of share value		**(3,240)**		(56,492)
End of the year	**$**	**13,263,789**	$	13,430,272
Shareholders' equity	**$**	**21,474,002**	$	21,693,242

BEAUMONT SELECT CORPORATIONS INC.
Consolidated Statements of Cash Flows
For the twelve months ended June 30

		2012		2011
				(note 23)
Cash provided by (used in):				
Operations:				
(Loss)/income from continuing operations attributable to Shareholders of the Corporation	**$**	**(163,243)**	$	1,138,893
Add (deduct) non-cash items:				
Depreciation and amortization		**748,524**		749,747
Deferred tax (recovery)/expense (note 13)		**(81,500)**		190,297
Loss/(gain) on sale of equity securities		**614,824**		(1,787,256)
Unrealized gain on securities held for trading		**(1,106,615)**		(175,062)
Loss on sale of equipment		**-**		61,280
Write-down of property and equipment (note 8)		**50,000**		101,695
Share-based compensation		**-**		4,431
Non-controlling interest		**(31,977)**		18,778
	$	**30,013**		302,803
Net change in non-cash working capital related to operations				
Accounts receivable		**(27,563)**		(290,808)
Accounts payable and accrued liabilities		**(21,620)**		34,447
Inventory		**(29,406)**		(57,561)
Prepaid expenses		**(14,667)**		127,618
Cash from operating activities		**(63,243)**		116,499
Financing				
Increase in bank and term loans		**250,851**		2,376,239
Increase (decrease) in margin loans on equity securities		**(5,704,431)**		3,314,800
Payments on leases		**(9,156)**		(612,707)
Received from affiliate company (note 7)		**71,260**		135,800
Shares issued for options		**-**		15,000
Shares purchased and cancelled (note 10)		**(24,020)**		(149,755)
Repayment of amounts due to related parties		**-**		(71,357)
Cash from financing activities		**(5,415,496)**		5,008,020
Investing				
Additions to property, equipment and intangible assets (note 8)		**(301,624)**		(807,367)
Sale/(Purchase) of equity securities		**5,544,845**		(3,568,338)
Cash from investing activities		**5,243,221**		(4,375,705)
Change in cash and cash equivalents		**(235,518)**		748,814
Cash and cash equivalents, beginning of year		**2,083,604**		1,334,790
Cash and cash equivalents, end of year		**1,848,086**		2,083,604
Cash interest paid		**464,427**		588,337
Cash taxes paid		**5,246**		(2,201)

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

1. Nature of Business

Beaumont Select Corporations Inc. ("Beaumont" or the "Corporation") is incorporated and based in Alberta, and is a public corporation with its shares trading on the TSX Venture Exchange under the symbol BMN.A. The Corporation is a management firm; managing both private investments as well as maintaining a portfolio of equity securities. Its key private investment is in Naleway Foods Ltd., a manufacturer of frozen foods operating out of Winnipeg, Manitoba. The corporate office is at 915 42nd Avenue SE, Calgary, Alberta, T2G 1Z1.

The consolidated financial statements of the Corporation as at and for the twelve months ended June 30, 2012 comprise the Corporation and its subsidiaries. These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

These consolidated financial statements were approved by the Board of Directors on October 26, 2012.

2. Basis of Preparation

Statement of Compliance - These are the Corporation's first audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), and the Corporation's date of transition was July 1, 2010 (the "Transition Date"). IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"), has been applied. An explanation of how the transition to IFRS has affected the consolidated financial statements is included in note 23.

Use of Estimates - The preparation of financial statements in conformity with IFRS 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

In determining these estimates, the Corporation relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. These assumptions are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

a) Deferred Taxes – Provisions for taxes are made using the best estimate of the amount expected to be paid based on qualitative assessment of all relative factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

2. Basis of Preparation (Continued)

b) Impairment of Non-Financial Assets - Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the projection for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

c) Share-Based Payment Transactions – The Corporation measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option. The assumptions and models used for estimating fair values for share-based payment transactions are disclosed in note 10(c).

d) Useful Lives of Property and Equipment - The Corporation estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the non-current assets.

e) Allowance for Doubtful Debts - The Corporation makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance of doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

f) Inventory Valuation - The Corporation measures its inventories at the lower of cost and net realizable value. Given that the determination of net realizable value requires management to make estimates with respect to the selling value, the costs to make the sale and, in some cases, the cost of completion, there is a certain level of measurement uncertainty. As such, actual inventory values realized may differ from estimated carrying amounts.

3. Accounting Policies

Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. All operating segment's operating results are reviewed regularly by the Corporation's President and CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Corporation has the following operating segments:

a) Food Processing and Distribution Division – The Food Division develops and produces a variety of frozen food products for wholesale distribution within North America. The property and equipment are within the food division and any impairment of property and equipment will be determined within this division.

b) Investment Division – The Investment Division manages a portfolio of equity securities, often using margin loans to try to improve performance. Cash is generated via dividends and income trust distributions that are typically paid monthly or quarterly. Additional cash is generated in the form of realized gains when securities are sold. All investments are held within the investment division. Any impairment in a financial instrument will affect the Investment Division.

Basis of consolidation – The consolidated financial statements incorporate the financial statements of the Corporation and subsidiaries controlled by the Corporation. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany balances, transactions, income, expenses, profits and losses are eliminated in full on consolidation.

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, which include Naleway Holdco Ltd., Naleway Foods Ltd., Naleway Realty Holdings Ltd., Naleway Foods International Inc., Beaumont Fine Foods Inc., Beaumont Enterprises Inc., Beaumont Realty Corporations Inc., The Food Source Ltd., Angiogene Inc., and Beaumont Select Corporations Inc.

All of the subsidiaries, with the exception of Angiogene Inc., are wholly owned. As part of the acquisition of Angiogene Inc., the Corporation acquired less than 100% of the equity interests; therefore the interest held by other parties has been recognized as a non-controlling interest in these consolidated financial statements.

The functional currency of the Corporation and all subsidiaries is Canadian dollars.

Impairment of non-financial assets, excluding goodwill – At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the CGU to which the asset belongs.

3. Accounting Policies (Continued)

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income and loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of comprehensive income and loss.

Cash and cash equivalents - Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing securities with maturities at the date of purchase of three months or less.

Inventory - Inventory is recorded at the lower of cost (first in, first out basis) and market, with market determined as net realizable value.

Property and equipment - Property and equipment are recorded at cost upon acquisition. Depreciation on property and equipment is provided using methods and rates based on the estimated useful lives of the assets as follows:

Asset	Method	Rate
Buildings	Straight line	5%
Equipment pre-expansion	Declining balance	5% and 10%
Equipment post-expansion	Declining balance	10%
Leasehold improvements	Straight line	10%
Vehicles	Declining balance	30%

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Gains or losses arising from derecogniton of an item of property and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income and loss when the asset is derecognized.

3. Accounting Policies (Continued)

Goodwill - Goodwill represents the excess of the purchase price over the fair value of net assets acquired and liabilities assumed in a business combination. Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Corporation's CGU's expected to benefit from the synergies of the combination. CGU's to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Foreign currency translation- Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of comprehensive income and loss.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period.

Equity securities- Equity securities are recorded at market value with net unrealized gains or losses reported in income. Realized gains or losses on sale of securities arise when investments are sold, as determined on a specific identification basis. Transactions are recorded at trade date, and the closing price is used for valuation. Revenue from investment income is recognized when earned. The Corporation records return on capital as presented as a reduction to investment income and an equal adjustment to the adjusted cost base of the individual security.

Per share amounts- Basic net income (loss) per share is calculated by dividing the profit or loss attributable to owners of the Corporation (numerator) by the weighted average number of common shares outstanding (denominator) during the year. Diluted net income per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. All options are considered anti-dilutive when the Corporation is in a loss position.

Revenue recognition- Revenue from product sales are net of estimated returns and credit notes and are recorded when delivery has been made.

3. Accounting Policies (Continued)

Financial instruments - recognition, measurement, disclosure and presentation

On initial recognition, financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. All financial instruments are classified into one of the following categories: fair value through profit and loss, held to maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Fair value through profit and loss financial assets are measured at their fair value and changes in fair value are recognized in the consolidated statement of comprehensive income and loss. Changes in fair value that are recognized in the consolidated statement of comprehensive income and loss include interest income and unrealized gains or losses. Held to maturity and loans and receivables are measured at amortized cost which is generally the initially recognized amount. Available for sale assets are reported at fair market value with unrealized gains or losses excluded from the consolidated statement comprehensive income and loss and reported as other comprehensive income or loss, unless any impairment in their value is other than temporary, in which case the loss is charged against earnings. Other financial liabilities are measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability upon initial recognition. The Corporation has classified its financial instrument carried at fair values based on the required three - level hierarchy:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities;
- Level 2: Valuations based on observable inputs other than quoted active market prices; and,
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flows methods.

The Corporation has made the following classifications:

- Cash and cash equivalents and the portfolio of equity securities are classified as fair value through profit and loss and are recorded at fair value under level 1.
- Accounts receivable, notes receivable and due from affiliated companies are classified as loans and receivables.
- Bank loans, term loans, accounts payable and accrued liabilities, margin loans on equity securities, related party liabilities and long-term debt are classified as other liabilities.
- The investment in an affiliated company is classified as an available for sale financial asset and is recorded under level 3.

Non-controlling interest - Non-controlling interest is presented in the consolidated statement of financial position as a component of shareholder’s equity.

3. Accounting Policies (Continued)

Impairment of financial assets - A provision for impairment of loans and receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of comprehensive income and loss. When a loan and receivable is uncollectible, it is written off against the allowance account.

Intangible assets - Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. The useful lives of the Corporation's intangible assets have been assessed as finite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Consolidated gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income and loss when the asset is derecognized.

Tax

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income and loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current income tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. Accounting Policies (Continued)

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and,
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and,
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Share-based payments - Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The cost of options is recognized, together with a corresponding increase in contributed surplus, over the period ending on the date on which the relevant optionee becomes fully entitled to the award ("the vesting date"). The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and the Corporation's best estimate of the number of options that will ultimately vest on the vesting date. The Corporation records compensation expense and credits contributed surplus for all stock options granted which represents the movement in cumulative expense recognized as at the beginning and end of that year.

Stock options granted during the year are accounted for in accordance with the fair value method of accounting for share-based payments. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model. The Corporation is also required to estimate the expected future forfeiture rate of options in its calculation of share-based payment expense.

Going concern - The Corporation's management has made an assessment of the Corporation's ability to continue as a going concern and is satisfied that the Corporation has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Corporation's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

3. Accounting Policies (Continued)

Future Accounting Pronouncements

IFRS 7, Financial Instruments: Disclosures
The IASB amended IFRS 7, Financial Instruments: Disclosures ("IFRS 7") in October 2010. IFRS 7 was amended to provide guidance relating to disclosures with respect to the transfer of financial assets that results in derecognition, and continuing involvement in financial assets. The amendments to this standard are effective for annual periods beginning on or after July 1, 2011 with earlier application permitted. Management does not believe the changes resulting from these amendments will have a significant impact on its consolidated financial statements.

IFRS 9, *Financial Instruments* was issued by the IASB on November 12, 2009 and will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also required a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted. The Corporation is currently evaluating the impact on its consolidated financial statements.

IFRS 10, Consolidated Financial Statements ("IFRS 10")
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation—Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements ("IAS 27"). This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, provided that IFRS 11, IFRS 12, and related amendments to IAS 27 and IAS 28 are adopted at the same time. The Corporation is currently evaluating the impact on its consolidated financial statements.

IFRS 11, Joint Arrangements ("IFRS 11")
IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted provided that IFRS 10, IFRS 12, and the related amendments to IAS 27 and IAS 28 are adopted at the same time. The Corporation is currently evaluating the impact on its consolidated financial statements.

3. Accounting Policies (Continued)

IFRS 12, Disclosure of Interests in Other Entities (“IFRS 12”)
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Corporation is currently evaluating the impact on its consolidated financial statements.

IFRS 13, Fair Value Measurement (“IFRS 13”)
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Corporation is currently evaluating the impact on its consolidated financial statements.

Amendments to Other Standards
In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. The amended IAS 27 addresses accounting for subsidiaries, jointly controlled entities, and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through 11. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted provided that IFRS 10, IFRS 11, and IFRS 12 are adopted at the same time.

4. Inventory

	June 30, 2012	June 30, 2011	July 1, 2010
Raw materials	**1,015,716**	905,653	962,475
Finished goods	**400,726**	481,383	367,000
Total inventory	**1,416,442**	1,387,036	1,329,475

A total of $9,793,774 (June 30, 2011 - $9,263,371) of inventory raw materials were expensed during the year. No write-downs or reversals were recorded in the year. As part of the bank loan, certain types of inventory have been recorded as collateral. As at June 30, 2012, a total of $340,558 (2011 - $422,779) has been pledged.

5. Portfolio of Equity Securities

Marketable securities are held as collateral to satisfy the requirements of the margin loans.

Equity Position as at June 30, 2012

Equity Name	Shares Held	Sector	Cost	Fair Value
AutoCanada Inc	583,000	Retail	$3,697,699	$7,007,660
Student Transportation Inc.	378,000	Transport	$1,902,712	$2,566,620
BRI-Chem Corp.	445,500	Energy ser	$1,519,071	$1,274,130
Data Group Inc	262,000	Services	$1,152,983	$1,097,780
Altus Group	141,600	Services	$1,022,582	$1,069,080
Eagle Energy Trust	83,800	Energy	$892,909	$817,888
Horizons Betapro NYMEX Nat Gas Bear ETF	120,000	Investment	$703,200	$670,800
Avenex Energy Corp	120,000	Exploration	$620,186	$361,200
Poseidon Concepts Corp	27,000	Exploration	$238,734	$336,690
Parallel Energy Trust	60,000	Energy	$438,393	$328,800
Logan International Inc.	81,000	Energy	$358,525	$288,360
Canexus Corporation	25,000	Manufacturing	$182,327	$199,500
Northwest HealthCare Properties	12,000	Consumer	$110,790	$157,200
Pure Energy Services Ltd.	20,000	Energy ser	$131,116	$147,600
Boyd Group Income Fund	10,000	Services	$124,230	$136,900
Great Western Minerals 8% April 2017	100,000	Mining	$100,000	$102,884
Equal Energy Ltd	36,400	Exploration	$235,962	$93,912
Algae Biosciences Corp.	422,000	Other	$104,530	$80,180
TORC Oil & Gas	20,000	Exploration	$86,910	$63,000
Open Range Energy Corp	10,000	Exploration	$92,415	$10,200
28 other investments		Various	$772,630	$499,990
Total			**$14,487,904**	**$17,310,374**

5. Portfolio of Equity Securities (Continued)

Equity Position as at June 30, 2011

Equity Name	Shares Held	Sector	Cost	Fair Value
Equal Energy Ltd	1,012,419	Oil exploration	$6,606,729	$6,560,475
Student Transportation Inc.	600,500	Transport	$2,531,951	$3,711,090
Premium Brands Holding Corporation	168,000	Consumer	$2,001,133	$2,746,800
AutoCanada Inc	343,500	retail	$1,560,052	$1,665,975
Open Range Energy Corp	277,400	Oil exploration	$1,365,122	$1,325,972
Pure Energy Services Ltd.	135,700	Energy services	$914,411	$1,057,103
Avenex Energy Corp	172,000	Oil exploration	$1,010,463	$985,560
Altus Group	88,000	Services	$1,110,224	$629,200
McCoy Corporation	112,700	Energy services	$348,146	$450,800
Parallel Energy Trust	40,000	Energy trust	$400,000	$399,200
Wenzel Downhole Tools Ltd	182,100	Energy services	$314,498	$371,484
Canexus Income Fund	35,000	Manufacturing	$237,031	$234,500
BRI-Chem Corp.	60,100	Energy services	$236,760	$234,390
MBAC Fertilizer Corp	75,000	Industrial	$240,703	$206,250
Pretium Resources Inc	21,100	Gold	$176,092	$193,276
Northwest HealthCare Properties	12,000	Consumer	$120,141	$144,600
Canyon Services Group	10,000	Energy services	$134,666	$133,200
Directcash Payments Inc	5,700	Services	$104,025	$127,053
CanElson Drilling Inc.	32,500	Energy services	$126,624	$121,875
Labrador Iron Mines Holdings Ltd	7,500	Mining	$93,750	$91,875
38 other investments		Various	$1,015,252	$972,749
Total			**$20,647,773**	**$22,363,427**

5. Portfolio of Equity Securities (Continued)

Equity Position as at July 1, 2010

Equity Name	Shares Held	Sector	Cost	Fair Value
Student Transportation Inc.	1,201,200	Transportation	$5,023,631	$6,510,504
Premium Brands Holding Corporation	153,900	Consumer	$1,624,960	$1,962,225
Equal Energy Ltd.	252,166	Exploration	$1,936,564	$1,558,386
Extendicare REIT	140,000	REIT	$1,242,864	$1,195,600
Churchill Subscription Receipt	55,000	Construction	$921,250	$975,150
Canexus Income Fund	121,000	Manufacturing	$656,219	$748,990
AutoCanada Inc.	148,100	Retail	$592,571	$725,690
Churchill Corporation	29,700	Construction	$560,068	$532,521
Petrobakken Energy	23,000	Exploration	$526,566	$487,140
Just Energy Income Fund	20,000	Energy TR	$259,763	$253,200
Direxion Sm Cap Bear 3x shares	30,000	Financial	$235,232	$245,400
Black Diamond Group	10,000	Energy SV	$152,000	$175,500
Northwest HealthCare Properties	15,000	Consumer	$159,463	$167,250
Citigroup Inc.	40,000	Financial	$154,125	$150,400
Altus Group Income Fund	10,900	Services	$150,588	$135,705
Standard Pacific Corporation	40,000	Construction	$165,713	$133,200
Morneau Sobeco Income Fund	10,000	Financial	$99,313	$93,500
Canadian Energy Services	5,000	Energy Services	$83,656	$82,350
Precision Drilling Corporation	10,000	Energy Services	$71,256	$70,600
Scotts REIT	10,000	REIT	$75,489	$70,000
25 other investments		Various	$601,470	$559,535
Total			**$15,292,761**	**$16,832,846**

The majority of the Corporation's investments were classified as Level 1 as they are traded on active stock exchanges (Toronto, Nasdaq, NYSE and TSX Venture) with strong liquidity and quoted prices. The Corporation uses the last trade price for its valuation. The Corporation holds seven private placement investments classified as Level 2. These consist of one debenture, three equities and three warrants for a cost base of $249,410 (2011 - $101,410), and a market value of $233,500 (2011 - $111,000).

Investments, Fair Value	Level 1 Quoted market price	Level 2 Observable inputs	Level 3 Non-observable inputs	Total
June 30, 2012	$17,076,874	$233,500	--	$17,310,374
June 30, 2011	$22,252,427	$111,000	--	$22,363,427

The Corporation holds some large positions, relative to their daily trading, that represent a liquidity risk should a fast liquidation be required. The AutoCanada and Bri-Chem positions represent nine days and fifteen days average trading respectively. A fast liquidation of these positions could have an adverse affect on price. No other position represents more than three days average daily shares traded. The Corporation believes that it has other investments that could be sold to mitigate the need for a quick liquidation.

6. Note receivable

In 2008, the British Columbia division of 571766 Alberta Ltd. (formerly Mrs. Willman's Baking Ltd.) was sold to Premium Brands Operating Ltd. Partnership in exchange for a note receivable in the amount of $300,000. The note receivable earns interest at a rate of 6.5% per annum, payable annually. The principal portion of the note receivable is due and payable on May 2, 2013. As the due date is now within 365 days, the note receivable is now classified as a current asset.

7. Related party transactions during the year

(a) Investment in and due from affiliated company

The Corporation holds an equity investment in Somerset Properties Ltd. ("Somerset"). Somerset and the Corporation have a common shareholder and Director. Details of the amount due from and invested in Somerset are as follows:

		June 2012		June 2011	July 1, 2010
Investment in Somerset	**$**	**2,995,417**	$	2,995,417	2,995,417
Dividend receivable		**--**		--	135,800
Return of capital		**(71,260)**		--	--
Due from Somerset, unsecured, bearing interest at 6% per annum, with no specific terms of repayment		**350,000**		350,000	350,000
	$	**3,274,157**	$	3,345,417	3,481,217

(b) Director's loan:

A loan in the amount of $10,000 was made to a Director of the Corporation and included in accounts receivable. Interest will be charged at 8% beginning July 1, 2012.

(c) Statement of comprehensive income and loss:

- Management fees charged by shareholders and officers of the Corporation included in corporate and administrative expenses: $282,057 (2011 - $282,057)
- Consulting fees paid to current and former directors of the Corporation included in corporate and administrative expenses: $104,923 (2011 - $132,000)
- Rent paid to a company controlled by an officer of the Corporation: $81,468 (2011 - $73,000)

Accounts payable and accrued liabilities as at June 30, 2012 include $nil (June 30, 2011 - $nil, July 1, 2010 - $nil) due to related parties. Accounts receivable as at June 30, 2012 include $nil (June 30, 2011 - $nil, July 1, 2010 - $nil) due from related parties.

8. Property and equipment

	Production Equipment $	Buildings $	Leasehold Improvements $	Vehicles $	Land $	**Total $**
At July 1, 2010						
Cost	16,684,865	1,237,411	1,489,824	256,917	135,000	**19,804,017**
Accumulated Depreciation	(12,088,000)	(960,440)	(1,310,463)	(203,049)	**-**	**(14,561,952)**
Net book value	4,596,865	276,971	179,361	53,868	135,000	**5,242,065**
Year ended June 30, 2011						
Opening net book value	4,596,865	276,971	179,361	53,868	135,000	**5,242,065**
Additions	588,467	**-**	173,052	40,701	**-**	**802,220**
Depreciation	(627,574)	(61,870)	(30,391)	(21,593)	**-**	**(741,428)**
Write-down	(110,582)	-	(28,281)	-		**(138,863)**
Net book value	4,447,176	215,101	293,741	72,976	135,000	**5,163,994**
Year ended June 30, 2012						
Opening net book value	4,447,176	215,101	293,741	72,976	135,000	**5,163,994**
Additions	181,550	-	115,607	1,765	-	**298,922**
Depreciation	(613,861)	(61,871)	(44,966)	(22,019)	-	**(742,717)**
Net book value	**4,014,865**	**153,230**	**364,382**	**52,722**	**135,000**	4,720,199

Included in depreciation and amortization expense at June 30, 2012 was $5,807 related to the amortization of intangible assets (June 30, 2011 - $8,319). Included in additions to property and equipment at June 30, 2012 was $2,702 of additions made to intangible assets (June 30, 2011 - $5,147).

At June 30, 2012, the Corporation was unable to sell the assets previously classified as held for sale (2011- $50,000). As a result, these assets were written down to zero. The assets continue to be available for sale, and any sums realized will be included in income at that time.

9. Goodwill impairment

For impairment testing purposes, goodwill acquired through business combinations have been allocated to the food processing and distribution CGU.

The Corporation performed the annual impairment tests of goodwill at July 1, 2010, June 30, 2011 and June 30, 2012. The recoverable amount of the food processing and distributions CGU' has been determined based on a value in use calculation using post-tax cash flow projections covering a five year period. The post-tax discount rate applied to cash flow projections is 6.12%. As a result of this analysis, management did not identify any impairment.

10. Share capital:

a) Authorized:

(i) Unlimited Class A voting common shares; and

(ii) 100,000,000 non-voting Class B shares, Series 2.

b) Class A common shares issued:

	Shares		Amount
Balance, July 1, 2010	**16,379,097**	**$**	**7,737,173**
Redemption of shares	(193,500)		(93,262)
Exercise of stock options	30,000		26,323
Balance, June 30, 2011	**16,215,597**		**7,670,234**
Redemption of shares	(44,000)		(20,780)
Balance, June 30, 2012	**16,171,597**		**7,649,454**

c) Stock options:

The Corporation has a stock option plan whereby officers, directors, employees and consultants may be granted options to purchase Class "A" common shares of the Corporation.

	Number		**June 30, 2012 Weighted average exercise price**	Number		June 30, 2011 Weighted average exercise price
Outstanding options, beginning	**168,750**	**$**	**1.00**	318,750	$	0.98
Options forfeited	-		-	(120,000)		0.50
Options exercised	-		-	(30,000)		-
Outstanding options, ending	**168,750**	**$**	**1.00**	168,750	$	1.00
Options exercisable, ending	**168,750**	**$**	**1.00**	168,750	$	1.00

The fair value of the options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes weighted average assumptions used			
Expected volatility		79	%
Expected dividend yield		n/a	
Estimated forfeiture		50	%
Risk-free interest rate		3.14	%
Expected option life in years		5	
Fair value per stock option granted September 29, 2008	$	0.62	

The exercisable options have an expiry date of September 30, 2013 and a weighted average remaining life of one year, three months.

10. Share capital (Continued)

Normal Course Issuer Bid

In June 2011 the Corporation filed with the TSX Venture Exchange a notice of intention to make a Normal Course Issuer Bid (NCIB) which commenced on July 2, 2011 to acquire up to 810,779 of its Class A shares. Purchases subject to this normal course issue bid are carried out pursuant to open market transactions through the facilities of the TSX Venture Exchange. Once purchased, the Class A shares are returned to treasury for cancellation.

For the twelve months ending June 30, 2012 the Corporation purchased and cancelled 44,000 shares at a total cost of $24,020 or $0.55 per share (June 30, 2011 – purchased and cancelled 193,500 shares at a total cost of $149,755 or $0.77 per share).

Subsequent to the end of the year, the Corporation has not repurchased any additional shares under its Normal Course Issuer bid. The number of shares outstanding as of October 24, 2012 is 16,171,597.

Per share amounts

The weighted average number of Class A common shares outstanding during the twelve months ending June 30, 2012 was 16,192,735 (2011 - 16,267,471).

11. Bank loans, term loans on demand and long-term debt:

(a) Bank loan:

The bank loan is a revolving line of credit, repayable on demand, bearing interest at the bank's prime rate plus 0.5% per annum and is secured under various general security agreements covering, all present and after-acquired property of the Corporation, an assignment of life insurance on an officer and shareholder of the Corporation, a general assignment of accounts receivable and inventory and a postponement of claim by the Corporation. The present credit limit is $2.263 million (2011- $2.263 million). The current bank loan is at $1,428,090 (June 30, 2011- $1,008,511, July 1, 2010 - $841,952).

(b) Term loans due on demand and long-term debt:

		2012		2011		2010
Term loans, repayable in monthly principal installments of approximately $8,300 (2011 - $8,300) plus interest ranging from the lenders' base lending rate plus 1.0% per annum, ending December 15, 2013 and secured by general security agreements covering certain equipment and fixtures of a subsidiary and an assignment of postponement of claim by the Corporation.	**$**	**$345,558**	$	444,812	$	437,717
Demand loan, repayable in monthly installments of $13,763 bearing interest at 4.6% over a seven year term ending January 2018, with a 20 year amortization secured by the Winnipeg building.		**2,062,001**		2,131,475		--
Mortgages repayable in monthly principal installments of approximately $10,800 bearing interest at rates ranging from the lenders' floating base rate to the lenders' cost of funds plus 0.5% per annum, and secured by the building.		**--**		--		543,500
Capital leases, due 2012 to 2014, payable monthly, with interest rates at 6.57% per annum and secured by certain equipment with a carrying value at June 30, 2012 totaling approximately $16,000 (June 30, 2011 - $24,000, July 1, 2010 - $35,000).		**15,707**		24,863		32,116
Total term loans and long-term debt		**2,423,266**		2,601,150		1,013,333
Term loans on demand and current portion of long-term debt		**2,416,715**		2,585,443		375,763
Long-term debt	**$**	**6,551**	$	15,707	$	637,570

The Corporation is required to make future principal payments as follows:

		Term loans due on demand		**Capital leases**		**Total**
2013		2,407,559		9,156		2,416,715
2014		--		6,551		6,551
2015		--		--		--
2016		--		--		--
2017 and beyond		--		--		--
	$	2,407,559	$	15,707	$	2,423,266

12. Non controlling interest

The Corporation holds a 94.5% interest in Angiogene Inc., with the remaining 5.5% held by six other investors.

13. Income taxes:

Total income taxes are different from the amount computed by applying the average combined expected Canadian Federal and Provincial tax rate of 25.25% (2011 – 27.25%) to income before income taxes and other items. The reasons for the difference are as follows:

		2012		2011
Computed expected tax provision	**$**	**(71,593)**	$	315,465
Add (deduct) the tax effect of the following:				
Impact of change in tax rates and other		**(58,198)**		(185,538)
Change in deferred tax asset not recognized		**(76,585)**		44,588
Non-taxable portion of capital (gains) losses		**(67,111)**		(259,659)
Change in estimated tax pools, write down of assets		**407**		229,692
Non-deductible expenses		**190,203**		49,130
Total income taxes, as reported	**$**	**(82,877)**	$	193,678
Current taxes	**$**	**(1,377)**	$	3,381
Deferred taxes		**(81,500)**		190,297
	$	**(82,877)**	$	193,678

The components of the deferred tax asset (liability) at June 30, 2012, June 30, 2011 and July 1, 2010 are as follows:

		June 30, 2012		June 30, 2011		July 1, 2010
Deferred tax liabilities:						
Carrying value of property, equipment and intangible assets in excess of tax cost	**$**	**(473,076)**	$	(638,033)	$	(797,868)
Non-deductible reserve		**(921,116)**		(787,467)		(643,855)
Equipment for sale		**--**		(13,500)		(13,500)
Tax cost of investment below carrying value		**(586,935)**		(443,385)		(465,416)
	$	**(1,981,127)**	$	(1,882,385)	$	(1,920,639)
Deferred tax assets:						
Non-capital losses	**$**	**3,899,768**	$	3,805,741	$	4,021,712
Net capital and other losses		**688,712**		643,881		175,623
Scientific research and development pools		**1,219,189**		1,215,846		1,206,831
Tax cost of property, equipment and intangible assets in excess of carrying value		**213,182**		259,534		697,974
Other		**64,087**		56,279		63,104
		6,084,938		5,981,281		6,165,244
Deferred tax asset not recognized		**(2,990,080)**		(3,066,665)		(3,022,077)
		3,094,858		2,914,616		3,143,167
Net deferred tax asset	**$**	**1,113,731**	$	1,032,231	$	1,222,528

14. Capital disclosures:

The Corporation's breakdown of capital is as follows:

	June 30, 2012	June 30, 2011	June 30, 2010
Bank debt	**$3,844,805**	$3,593,954	1,217,715
Long-term debt	**6,551**	15,707	637,570
Margin loans on equity securities	**6,034,951**	11,739,382	8,424,582
Share capital	**7,649,454**	7,670,234	7,737,173
Total capital	**$ 17,535,761**	$ 23,019,277	$18,017,040

The Corporation's objective when managing its capital structure is to use an appropriate amount of leverage that can be supported with its shareholders' equity having regard to the risks, rewards and nature of the activity being financed so as to improve the financial return to the Corporation's shareholders. The Corporation maintains strong working capital balances to ensure liquidity and measures its total long-term debt to shareholder equity (including share capital and retained earnings) striving not to exceed a ratio of 2:1. The Corporation applies a small percentage of capital to purchasing its own shares in a normal course issuer bid under applicable securities laws when the market value of its shares does not reflect the perceived underlying value of the Corporation.

The manner in which the Corporation uses its capital base varies differently depending on the division with most financing usually done at the division level. The food processing and distribution segment utilizes the bank lines to fund inventory and manage payables and receivables with the size of available bank line typically set as a function of a percentage of these amounts from time to time. The bank line contains current ratio covenants and total debt to shareholder investment covenants, which have not constrained the Corporation in achieving its overall objective on capital management. The Frozen Food Division also periodically uses long-term debt for large equipment purchases and similar capital expenditures, by accessing specialized lenders. Those loans are secured against the equipment and occasionally supported by a parent guarantee with suitable long amortization periods corresponding to the equipment's expected life and the related operation cash flows.

The Investment Division uses its equity interest in the market portfolio to support margin loans on eligible investments to increase the total capital invested. This allows for an overall larger portfolio to generate distribution income and capital gains. Margin loans are dependent on marginability of the underlying stocks, as well as brokerage firm policies and equity on deposit. The Corporation has on occasion been requested to sell down positions in order to meet margin requirements, but has largely managed the portfolio to avoid margin calls.

15. Contingencies

The Corporation or its subsidiaries are involved in other litigation or claims in the ordinary course of business (currently mostly as plaintiffs). The amounts at stake in these disputes are not material individually nor in the aggregate. Therefore, no amount associated with these claims has been accrued as assets or liabilities, or recorded as income or charged as expenses on these consolidated financial statements. In the event that the Corporation is successful in a claim or is found to be liable for a claim, the resulting settlement will be appropriately recorded in the consolidated statement of comprehensive income and loss in the year as incurred.

16. Key employee compensation

The Corporation defines key employees as including its board of directors, senior officers and senior decision makers.

	June 30, 2012	**June 30, 2011**
Salaries	$ 386,980	$ 489,321
Benefits	4,251	2,760
Total	$ 391,231	$ 492,081

17. Expenses by nature:

	June 30, 2012	**June 30, 2011**
Wages and salaries	$869,025	$977,220
Directors fees	41,800	53,000
Rent	81,468	76,037
Professional fees	138,009	165,880
Insurance	126,665	175,907
Office	106,318	229,439
Total	$ 1,363,285	$1,677,483

18. Commitment:

The Corporation leases its head office from Somerset Properties Ltd. for a cost of $82,200 per year. Its current lease runs until August 2015.

19. Financial instruments

The Investment Division of the Corporation manages an active portfolio of equity securities and as a result, a significant portion of the Corporation's assets are comprised of financial instruments. The use of financial instruments can expose the Corporation to several risks, including market, liquidity and credit risks.

Market Risk – Market risk is the risk that the fair value of, or future cash flows from the Corporation's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in foreign exchange rates, interest rates, equity and commodity prices. The Corporation is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The value of the Corporation's real estate investments are also subject to market fluctuations.

There were no changes to the way the Corporation manages market risk since June 30, 2011. The Corporation manages market risk by having a portfolio which is not singularly exposed to any one issuer or sector.

Margin Risk – The Corporation utilizes margin, by borrowing against its investments to allow it to have a larger investment than would be possible without borrowing. While this does increase the gain when investments appreciate, it also increases the loss during a down market. In the event of a sharp downturn, the Corporation may be forced to sell securities it had not planned to in order to meet a margin call, where the value of the securities is not sufficient to meet the margin loan. The Corporation manages margin risk by maintaining an available margin excess that should minimize the need to sell its holdings. At June 30 2012, the Corporation had available margin of $4,573,761 (2011 - $2,305,215) and a margin balance of $6,034,951 (2011- $11,739,382).

Liquidity Risk – Liquidity risk is the risk that the Corporation will have sufficient cash resources to finance obligations as they come due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation, or if the value of the Corporation's investments declines, resulting in losses upon disposition. The Corporation generates cash flow primarily from its food division and from proceeds upon the disposition of its investments, in addition to dividends and distributions earned on its investments. The Corporation has sufficient investments which primarily consist of tradable and relatively liquid equity securities to fund its obligations as they become due under normal operating conditions. There have been no changes to the way the Corporation manages liquidity risk since June 30, 2011. The Corporation manages liquidity risk by reviewing the amount of margin available on a daily basis, and managing its cash flow. The Corporation holds investments which can be converted into cash when required. The Corporation uses the last close price in the valuation of its securities. If the bid price were used instead, the value of the portfolio would be $17,109,911, a decrease of $200,463 (2011 - $22,049,939, a decrease of $313,445).

Interest Risk - Interest risk is the impact that changes in interest rates could have on the Corporation's earnings and liabilities. As at June 30, 2012 the Corporation had floating interest debt on its margin loans of $6,034,951, and averaged $7,434,108 for the year at an effective interest rate of $4.3% (2011 average $11,920,330 at 4.2%). In addition, it had floating rate loans of $1,852,278 (2011- $1,462,479). A 1% change in the interest rate would change interest expense by $74,341 (2011 - $119,000).

19. Financial instruments (Continued)

Currency Risk - Currency risk is the risk that the fair value of or future cash flows from the Corporation's financial instruments will fluctuate because of changes in foreign exchange rates. The Corporation's operations are exposed to foreign exchange fluctuations, which could have a significant adverse effect on its consolidated results of operations from time to time. The Corporation presently derives sales for the past twelve months of $1,347,661 in US dollars, and has $1,198,692 in US Currency on deposit in US Dollar accounts, and $102,040 in US dollar securities. The Corporation does not engage in any hedging activities to mitigate its foreign exchange risk. A change in the foreign exchange rate of the Canadian dollar versus the US dollar may increase or decrease the value of the Corporation's financial instruments. A one cent change in the exchange rate would change the value of our US dollar holdings by $13,016 (2011 - $8,000)

Credit Risk - The Corporation derived significant revenue from three major customers, which exceeded 10% of consolidated revenues from operations for the twelve months ended June 30, 2012 and 2011. The first customer accounted for 38% of revenues (2011 - 36%), the second customer accounted for 12% of consolidated revenues (2011 - 14%), and the third customer accounted for 11% of consolidated revenues (2011 -10%). As at June 30, 2012, 54% of accounts receivable was receivable from the first customer (2011 - 53%) and 16% of accounts receivable was receivable from the second customer (2011 - 12%) and 11% of accounts receivable was receivable from the third customer (2011 - 8%). The Corporation believes that there is no unusual exposure associated with the collection of these receivables. The Corporation performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

	June 30, 2012	**June 30, 2011**
Current	$1,790,345	$1,478,436
Outstanding 1-30 days	22,970	384,607
Outstanding 31-60 days	11,460	2,457
Outstanding 60+ days	91,314	23,026
	$1,916,089	$1,888,526

Management has not identified any accounts receivable balances that are past due and impaired. The Corporation's repayment terms are typically 30 – 60 days.

The Corporation's maximum credit risk is as follow:

	June 30, 2012	**June 30, 2011**
Cash and cash equivalents	$1,848,086	$2,083,604
Accounts receivable	1,916,089	1,888,526
Note receivable	300,000	300,000
Due from Somerset (note 7)	350,000	350,000
	$4,414,175	$4,622,130

20. Investment income and finance costs

Recognized in comprehensive income and loss

	Twelve months ended June 30	
	2012	2011
Investment income		
Interest from debentures and bank deposits	**$ 58,999**	$ 53,375
Dividends and distributions	**825,013**	934,191
Total Investment Income	**884,012**	987,566
Finance Expense		
Margin interest	**318,865**	497,280
Loan interest	**137,734**	102,481
Total Finance Expense	**456,599**	599,761
Net Finance Income	**$ 427,413**	$ 387,805

21. Segmented information

	Twelve months ended June 30	
	2012	2011
Revenues:		
Food processing and distribution	**$18,248,906**	$18,470,110
Income (loss) before income taxes:		
Food processing and distribution	**$(39,687)**	$(36,678)
Investment division	**399,249**	1,733,810
Corporate	**(637,659)**	(345,783)
	$(278,097)	$1,351,349

Assets By Segment	June 2012	June 2011
Corporate	$7,107,982	$7,417,231
Food processing and distribution	10,480,083	10,722,635
Investment division	17,310,374	22,363,427
Total	$34,898,439	$40,503,293

Liabilities By Segment	June 2012	June 2011
Corporate	1,758,055	1,474,329
Food processing and distribution	5,631,431	5,596,340
Investment division	6,034,951	11,739,382
Total	$13,424,437	$18,810,051

22. Subsequent Events

During July 2012, a leak of ammonia from a freezer at Naleway Foods Ltd. contaminated inventory. All raw materials and finished goods onsite were destroyed. It is expected that insurance should cover the full extent of the loss, but the insurance settlement has not yet been finalized.

In August 2012, Somerset Properties Ltd. paid a dividend to shareholders. The dividend paid to the Corporation was $408,328.

After the year end date, the Corporation entered into thirteen contractual commitments to purchase bags of flour from August 1, 2012 up to and including June 30, 2013 for a total purchase price of $2,093,358.

23. Transition to International Financial Reporting Standards

For all periods up to and including the year ended June 30, 2011, the Corporation prepared its consolidated financial statements according to Canadian Generally Accepted Accounting Principles (CGAAP). The consolidated financial statements as at and for the year ending June 30, 2012 are the first audited statements which the Corporation has prepared in accordance with International Financial Reporting Standards (IFRS).

As a result, these consolidated financial statements have been prepared in accordance with IFRS 1. The first date at which IFRS was applied was July 1, 2010 (“Transition Date”). In preparing these consolidated financial statements in accordance with IFRS 1, the Corporation has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- retroactively applied all effective IFRS standards as of July 1, 2010, as required, and
- applied certain optional and mandatory exemptions as applicable for first time adopters of IFRS.

IFRS 1 Exemptions and exceptions

The Corporation has applied the following IFRS 1 optional exemptions:

Share-Based Payments
The Corporation used the IFRS 2 exemption under which stock options vested prior to July 1, 2010, are not required to be restated.

Business Combinations
The IFRS 1 exemption allowed the Corporation to use the IFRS rules for business combination on a prospective basis rather than re-stating all business combinations. The Corporation made the election under IFRS 1 and did not apply IFRS 3, *Business Combinations*, to business combinations that occurred before July 1, 2010.

Borrowing Costs
The Corporation plans to capitalize borrowing costs when capital projects are longer than one year. The Corporation has not previously had projects that took longer than one year and plans to apply IAS 23 borrowing costs prospectively from the Transition Date.

The Corporation has applied the following IFRS 1 mandatory exceptions:

Estimates
In accordance with IFRS 1, an entity's estimates under IFRS at the Transition Date to IFRS must be consistent with estimates made for the same date under CGAAP, unless there is objective evidence that those estimates were made in error. The Corporation's IFRS estimates as of July 1, 2010 are consistent with its CGAAP estimates for the same date.

Financial Assets
All previously recognized financial assets and financial liabilities are designated as either amortized cost or at fair value through profit and loss based upon the facts and circumstances existing at the transition date.

IFRS 1 Reconciliations
The following reconciliations present the adjustments made to the Corporation's previous CGAAP consolidated financial statements to comply with IFRS 1. Please refer to the notes that follow the detailed reconciliations.

As At July 1, 2010

	Note	CGAAP	Transition	IFRS
Assets				
Current Assets:				
Cash and cash equivalents		$1,334,790		$1,334,790
Portfolio of equity securities		16,832,846		16,832,846
Accounts receivable		1,597,718		1,597,718
Inventory		1,329,475		1,329,475
Prepaid expenses		222,427		222,427
Total Current Assets		21,317,256		21,317,256
Non-Current Assets:				
Property and equipment		5,242,065		5,242,065
Assets held for sale		50,000		50,000
Intangible assets	a	215,111	(134,788)	80,323
Goodwill		867,524		867,524
Note receivable		300,000		300,000
Investment in and due from affiliated company		3,481,217		3,481,217
Deferred tax assets		3,143,167		3,143,167
Total Assets		$34,616,340	(134,788)	$34,481,552
Current Liabilities:				
Bank loans		$ 841,952		$841,952
Accounts payable and accrued liabilities		1,337,329		1,337,329
Margin loans on equity securities		8,424,582		8,424,582
Current portion of long term debt		375,763		375,763
Legal liability		206,847		206,847
Related party liabilities		71,358		71,358
Total Current Liabilities		$11,257,831		$11,257,831
Non-Current Liabilities:				
Long term debt		637,570		637,570
Deferred tax liabilities	b	1,962,044	(41,405)	1,920,639
Non-controlling interest	c	485,919	(485,919)	-
Total Liabilities		$14,343,364	(527,324)	$13,816,040
Shareholders' Equity:				
Share capital		7,737,173		7,737,173
Non controlling interest	c	-	485,919	485,919
Contributed surplus		94,549		94,549
Retained earnings		12,441,254	(93,383)	12,347,871
Total Equity		$20,272,976	$392,536	$20,665,512
Total Liabilities and Equity		$34,616,340	$(134,788)	$ 34,481,552

As At June 30, 2011

	Note	CGAAP	Transition	IFRS
Assets				
Current Assets:				
Cash and cash equivalents		$2,083,604		$2,083,604
Portfolio of equity securities		22,363,427		22,363,427
Accounts receivable		1,888,526		1,888,526
Inventory		1,387,036		1,387,036
Prepaid expenses		94,809		94,809
Total Current Assets		$27,817,402		$27,817,402
Non-Current Assets:				
Property and equipment		5,163,994		5,163,994
Assets held for sale		50,000		50,000
Intangible assets		44,340		44,340
Goodwill		867,524		867,524
Note receivable		300,000		300,000
Investment and due from affiliated company		3,345,417		3,345,417
Deferred tax asset		2,914,616		2,914,616
Total Assets		$40,503,293		$40,503,293
Current Liabilities:				
Bank loans		$1,008,511		$1,008,511
Accounts payable and accrued liabilities		1,371,776		1,371,776
Margin loans on equity securities		11,739,382		11,739,382
Term loans		2,585,443		2,585,443
Legal liability		206,847		206,847
Total Current Liabilities		$16,911,959		$16,911,959
Total Non-Current Liabilities:				
Long-term debt		15,707		15,707
Deferred tax liabilities		1,882,385		1,882,385
Non-controlling interest	c	504,697	(504,697)	-
Total Liabilities		$19,314,748	(504,697)	$18,810,051
Shareholders' Equity:				
Share capital		7,670,234		7,670,234
Non-controlling interest	c	-	504,697	504,697
Contributed surplus	d	88,420	(381)	88,039
Retained earnings		13,429,891	381	13,430,272
Total Equity		$21,188,545	504,697	$21,693,242
Total Liabilities and Equity		$40,503,293		$40,503,293

The following is a reconciliation of the consolidated statement of comprehensive income and loss for the twelve month period ending June 30, 2011:

		CGAAP	Adjustments	IFRS
Revenues		$18,470,110		$18,470,110
Direct expenses		16,809,490		16,809,490
Depreciation and amortization		749,747		749,747
		$910,873		910,873
Corporate and administrative		1,677,483		1,677,483
Interest and bank charges		102,481		102,481
Interest on margin loans		497,280		497,280
Investment income		(987,566)		(987,566)
Gain on sale of equity securities		(1,787,256)		(1,787,256)
Unrealized (gain) on securities held for trading		(175,062)		(175,062)
Share based compensation	d	4,812	(381)	4,431
Foreign exchange loss		64,758		64,758
Loss on sale of equipment		61,280		61,280
Write-down of property and equipment	a	236,541	(134,846)	101,695
Income Before Taxes		$1,216,122	(135,227)	$1,351,349
Income tax expense				
Current		3,381		3,381
Deferred	b	148,316	41,981	190,297
		$151,697	41,981	$193,678
Income from continuing operations attributable to:				
Shareholders of the Corporation		1,045,647	93,246	1,138,893
Non-controlling interest		18,778		18,778
Total Comprehensive Income		$1,064,425	$93,246	$1,157,671

There were no material changes in the consolidated statement of cash flow for the 12 month period ending June 30, 2011 between GAAP and IFRS.

Notes to Reconciliations of IFRS Adoption

a) Intangible Assets - Under CGAAP, the Corporation capitalized development expenses relating to product packaging, while under IFRS capitalization of this nature is not permitted and was adjusted at the IFRS transition date of July 1, 2010. At the end of 2011, it was determined that under CGAAP that product packaging could not be capitalized, and as a result of this change in accounting policy these intangibles were written down to zero during the year ended June 30, 2011.

b) Deferred Taxes - As a result of the change in accounting policy for intangible assets, the deferred tax liability relating to timing difference of this asset has changed as certain intangible assets are not capitalized under CGAAP.

c) Non-Controlling Interest - Under IFRS, non controlling interest is considered to be a component of equity, rather than a non current liability.

d) Share-Based Payments - Under CGAAP, the Corporation accounted for share-based compensation expense using the fair value method, whereby the fair value is calculated and a compensation cost is charged to earnings over the vesting period on a straight line basis. Under IFRS 2 the Corporation is required to accrue the cost of stock options over the vesting period using the graded method of amortization rather than the straight line method. This increased contributed surplus and decreased retained earnings by $381 as at June 30, 2011 and decreased stock-based compensation expense by $381 for the year ended June 30, 2011.

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