BEAUMONT SELECT CORPORATIONS INC.

Consolidated Financial Statements

Years ended June 30, 2013 and 2012

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 consolidated financial 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 the consolidated 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, 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 23, 2013

Signed "Winston Ho Fatt"
Winston Ho Fatt, CEO

Independent Auditors' Report

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 statements of financial position as at June 30, 2013 and 2012 and the consolidated statements of comprehensive income and loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for 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 audit 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, 2013 and 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP
Chartered Accountants

Calgary, Alberta
October 23, 2013

Suite 1500, 640 – 5th Ave. S.W., Calgary, Alberta T2P 3G4 Tel: (403) 263-3385 Fax: (403) 269-8450

BEAUMONT SELECT CORPORATIONS INC.
Consolidated Statements of Financial Position
As at:

	Notes	June 30, 2013	June 30, 2012
Assets			
Current Assets:			
Cash and cash equivalents	4	**$1,516,982**	$1,848,086
Portfolio of equity securities	6	**34,590,083**	17,310,374
Accounts receivable		**2,107,405**	1,916,089
Inventory	5	**1,213,171**	1,416,442
Note receivable	7	**--**	300,000
Prepaid expenses		**83,679**	109,476
Total Current Assets		**39,511,320**	22,900,467
Non-Current Assets:			
Investment in and due from affiliated company	8a	**3,274,157**	3,274,157
Property and equipment	9	**1,685,309**	4,720,199
Intangible assets	9	**27,444**	41,234
Goodwill	10	**--**	867,524
Deferred tax assets	14	**4,077,447**	3,094,858
Total Assets		**$48,575,677**	$34,898,439
Liabilities and Shareholders' Equity			
Current Liabilities:			
Bank loans	12	**$1,029,567**	$1,428,090
Term loans on demand	12	**2,241,774**	2,416,715
Accounts payable and accrued liabilities		**1,152,987**	1,350,156
Margin loans on equity securities		**16,411,933**	6,034,951
Legal liability	16	**--**	206,847
Total Current Liabilities		**20,836,261**	11,436,759
Non-Current Liabilities:			
Deferred tax liabilities	14	**3,162,605**	1,981,127
Long-term debt	12	**--**	6,551
Total Liabilities		**23,998,866**	13,424,437
Contingencies	16		
Commitment	19		
Subsequent events	24		
Shareholders' Equity:			
Share capital	11	**7,646,854**	7,649,454
Non-controlling interest	13	**483,376**	472,720
Contributed surplus		**88,039**	88,039
Retained earnings		**16,358,542**	13,263,789
Total Equity		**$24,576,811**	$21,474,002
Total Liabilities and Equity		**$48,575,677**	$34,898,439

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

	Notes	2013	2012
Revenues		**$14,634,947**	$18,248,906
Cost of sales:			
Direct expenses		**16,330,472**	17,345,200
Depreciation		**738,997**	748,524
		17,069,469	18,093,724
Operating margin		**(2,434,522)**	155,182
Other expenses (income)			
Corporate and administrative	18	**1,343,624**	1,363,285
Investment income	21	**(1,787,837)**	(884,012)
Loss on sale of equity securities		**975,763**	614,824
Unrealized gain on securities held for trading		**(8,129,409)**	(1,106,615)
Goodwill impairment	10	**867,524**	--
Foreign exchange loss (gain)		**48,278**	(38,752)
Impairment of property and equipment and intangible assets	9	**2,380,063**	50,000
Rental income		**(29,400)**	(22,050)
Insurance income	23	**(1,786,335)**	--
Legal settlement	16	**(206,847)**	--
Interest and bank charges	21	**153,365**	137,734
Interest on margin loans	21	**458,209**	318,865
Income/(loss) before taxes		**3,278,480**	(278,097)
Income tax expense/(recovery):			
Current	14	**(26,094)**	(1,377)
Deferred	14	**198,889**	(81,500)
		172,795	(82,877)
Income/(loss) attributable to:			
Shareholders of the Corporation		**3,095,029**	(163,243)
Non-controlling interest		**10,656**	(31,977)
Total Comprehensive Income/(Loss)		**3,105,685**	(195,220)
Earnings/(loss) per share attributable to the shareholders of the Corporation:			
Basic / diluted		**0.19**	(0.01)
Weighted average number of shares outstanding – basic and diluted		**16,169,829**	16,192,735

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

	Share Capital	Contributed Surplus	Non-controlling Interest	Retained Earnings	Total Equity
Balance, July 1, 2011	$7,670,234	$88,039	$504,697	$13,430,272	$21,693,242
Shares repurchased (note 11)	(20,780)			(3,240)	(24,020)
Net loss to shareholders				(163,243)	(163,243)
Net loss to non controlling interest			(31,977)		(31,977)
Balance, June 30, 2012	$7,649,454	$88,039	$472,720	$13,263,789	$21,474,002
Balance July 1, 2012	$7,649,454	$88,039	$472,720	$13,263,789	$21,474,002
Shares repurchased (note 11)	(2,600)			(276)	(2,876)
Net income to shareholders				3,095,029	3,095,029
Net income to non controlling interest			10,656		10,656
Balance, June 30, 2013	**$7,646,854**	**$88,039**	**$483,376**	**$16,358,542**	**$24,576,811**

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

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

	Notes	2013	2012
Cash provided by (used in):			
Operations:			
Income/(loss) for the year		**$3,105,685**	$(195,220)
Add (deduct) non-cash items:			
Depreciation	9	**738,997**	748,524
Deferred tax expense/(recovery)	14	**198,889**	(81,500)
Loss on sale of equity securities		**975,763**	614,824
Unrealized gain on securities held for trading		**(8,129,409)**	(1,106,615)
Goodwill impairment	10	**867,524**	--
Impairment of property and equipment and intangible assets	9	**2,380,063**	50,000
		137,512	30,013
Net change in non-cash working capital related to operations			
Accounts receivable		**(191,316)**	(27,563)
Accounts payable and accrued liabilities		**(197,169)**	(21,620)
Legal liability		**(206,847)**	--
Inventory		**203,271**	(29,406)
Prepaid expenses		**25,797**	(14,667)
Cash used in operating activities		**(228,752)**	(63,243)
Financing			
(Decrease) increase in bank and term loans		**(573,464)**	250,851
Increase (decrease) in margin loans on equity securities		**10,376,982**	(5,704,431)
Payments on long-term debt		**(6,551)**	(9,156)
Received from affiliate company	8	**-**	71,260
Shares purchased and cancelled	11	**(2,876)**	(24,020)
Cash from (used in) financing activities		**9,794,091**	(5,415,496)
Investing			
Additions to property, equipment and intangible assets	9	**(70,380)**	(301,624)
Proceed from note receivable	7	**300,000**	--
(Purchase)/sale of equity securities		**(10,126,063)**	5,544,845
Cash (used in) from investing activities		**(9,896,443)**	5,243,221
Change in cash and cash equivalents		**(331,104)**	(235,518)
Cash and cash equivalents, beginning of year		**1,848,086**	2,083,604
Cash and cash equivalents, end of year		**1,516,982**	1,848,086
Cash interest paid		**597,672**	464,427
Cash taxes paid		**(24,299)**	5,246

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, 2013 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 23, 2013.

2. Basis of Preparation

Statement of Compliance - These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Use of Estimates and Judgments

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) **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.

2. Basis of Preparation *(continued)*

b) 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, forfeitures and dividend yield of the share option.

c) 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.

d) 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 amount.

Judgements

a) 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.

b) Determination of Cash Generation Units ("CGU") - For the purpose of assessing impairment of tangible and intangible assets, assets are grouped at the lowest level of separately identified cash inflows which make up the CGU. Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. In assessing the recoverability of tangible and intangible assets, each CGU's carrying value is compared to the greater of its fair value less costs to sell and value in use. Management has determined that the appropriate CGU's for the Corporation are the Investment Division and the Food Processing and Distribution Division.

2. Basis of Preparation *(continued)*

c) **Deferred Taxes** – Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the Corporation's estimate, the ability of the Corporation to realize the deferred tax assets could be impacted. Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The Corporation records a provision for the amount that is expected to be settled, which required the application of judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Corporation's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, and the tax laws in the jurisdictions in which the Corporation operates.

d) **Assessment of Significant Influence over Affiliated Company-** Each reporting period, the Corporation assesses whether the Corporation has significant influence over its affiliated company, Somerset Properties Ltd. In making this judgement, management considered its percentage ownership, the composition of the Board of Directors of Somerset Properties Ltd., the common directors and management between Somerset Properties Ltd. and the Corporation and the intercompany transactions and relationship with Somerset Properties Ltd. and concluded that significant influence does not exist.

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. Any impairment of property and equipment attributable to the food division 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 the portfolio of equity securities will affect the Investment Division.

The Corporate Division holds the investment in Somerset Properties Ltd, as well as some of the deferred tax assets and liabilities.

3. Accounting Policies (*continued*)

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.

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.

3. Accounting Policies (*continued*)

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 value, 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.

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. Adjustments resulting from these translations are reflected in the consolidated statement of comprehensive income and loss as other comprehensive income or loss.

3. Accounting Policies (*continued*)

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 a reduction to investment income and an equal adjustment to the adjusted cost base of the individual security.

Per share amounts - Basic earnings (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 earnings (loss) 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.

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 initially recognized at fair value. Instruments not classified as fair value through profit or loss are recorded at fair value plus directly attributable transaction costs. 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. After initial measurement, held to maturity instruments and loans and receivable are measured at amortized cost using the effective interest rate method. 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.

3. Accounting Policies (*continued*)

Financial instruments - recognition, measurement, disclosure and presentation (*continued*)

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 company are classified as loans and receivables.
- Bank loans, term loans, accounts payable and accrued liabilities, margin loans on equity securities, legal liability and long-term debt are classified as other financial liabilities.
- The investment in an affiliated company is classified as an available for sale financial asset and is recorded under level 3.

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 depreciation 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 depreciated 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.

3. Accounting Policies (*continued*)

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.

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 statements 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 tax asset is realized or the deferred 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.

3. Accounting Policies (*continued*)

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. The consideration received by the Corporation on the exercise of stock options is recorded as an increase to share capital together with corresponding amounts previously recognized in contributed surplus.

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.

Shareholders' Equity - Common shares are presented in issued capital within shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from issued capital, net of any tax effects.

Future Accounting Pronouncements

IFRS 7, Financial Instruments: Disclosures
In December 2011, the IASB issued amendments to IFRS 7, Financial Instruments: Disclosures and IAS 32, Financial Instruments: Presentation to clarify the current offsetting model and develop common disclosure requirements to enhance the understanding of the potential effects of offsetting arrangements. Amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 with required retrospective application and early adoption permitted. Amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014 with required retrospective application and early adoption permitted. The Corporation is currently evaluating the 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.

3. Accounting Policies (*continued*)

Future Accounting Pronouncements (*continued*)

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.

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.

3. Accounting Policies (*continued*)

Future Accounting Pronouncements (*continued*)

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. Cash and cash equivalents

The Corporation's cash and cash equivalents are denominated in the following currencies:

		June 30, 2013		June 30, 2012
Canadian Dollars	**$**	**805,617**	$	801,464
US Dollars		**711,365**		1,046,622
Total cash and cash equivalents	**$**	**1,516,982**	$	1,848,086

5. Inventory

		June 30, 2013		June 30, 2012
Raw materials	**$**	**876,725**	$	1,015,716
Finished goods		**336,446**		400,726
Total inventory	**$**	**1,213,171**	$	1,416,442

A total of $8,928,045 (June 30, 2012 - $9,793,774) of inventory materials were expensed as cost of goods sold 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, 2013, a total of $315,802 (2012 - $340,558) has been pledged.

6. Portfolio of equity securities

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

Equity position as at June 30, 2013

Equity Name	Shares Held	Sector	Cost	Fair Value
AutoCanada Inc	515,400	Retail	$4,758,142	$14,956,908
Student Transportation Inc.	852,400	Transport	$4,960,714	$5,489,456
Eagle Energy Trust	403,600	Energy Trust	$3,109,790	$3,067,360
Altus Group	236,300	Services	$1,854,300	$1,930,571
Element Financial Corp	125,000	Financial	$1,139,491	$1,496,250
Linn Energy LLC	37,000	Oil Exploration	$1,250,386	$1,289,184
CanElson Drilling Inc.	236,600	Energy Service	$1,186,684	$1,277,640
BGC Partners Cl A	205,255	Services	$1,053,771	$1,271,455
US Airways Group Inc.	50,000	Transportation	$866,481	$863,446
American Hotel Income Properties REIT	46,500	REIT	$496,588	$516,150
Argent Energy Trust	45,000	Energy Trust	$450,000	$459,900
Whitecap Resources Inc	15,000	Oil Exploration	$124,398	$163,800
Strongco Corporation	39,100	Construction	$202,808	$148,971
Equal Energy Ltd	35,000	Oil Exploration	$123,864	$147,350
Carfinco Financial Group	15,000	Consumer	$126,621	$142,350
Northwest HealthCare Properties	12,000	Consumer	$101,683	$137,640
Element Financial Warrants	10,000	Financial	$101,500	$117,500
Homestreet Inc	5,000	Financial	$107,724	$112,795
Great Western Minerals 8% April 2017 debenture	100,000	Mining	$99,800	$105,170
LINC Energy Ltd ADR	12,000	Oil Exploration	$240,791	$98,439
Pure Multi-Family REIT	19,400	REIT	$97,795	$92,364
HNZ Group Inc Cl A	4,000	Transportation	$105,752	$84,760
KP Tissue Inc	5,000	Consumer	$87,500	$82,500
Coastal Energy	5,000	Oil Exploration	$101,000	$68,650
Healthlease Properties REIT	5,000	REIT	$51,750	$53,600
PHX Energy Services Corp	5,000	Energy Service	$44,535	$53,300
Data Group Inc	26,900	Services	$57,883	$51,648
Solium Capital Inc.	10,000	Software	$44,935	$50,400
Calston Exploration	150,000	Oil Exploration	$37,500	$37,500
Caracal Energy Inc	5,500	Oil Exploration	$25,000	$32,450
17 other investments			$671,831	$190,576
Total			**$23,681,017**	**$34,590,083**

6. Portfolio of equity securities (*continued*)

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**

The fair value of 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 five (2012 – seven) private placement investments classified as Level 2. These consist of one debenture, two equities and two warrants for a cost base of $264,000 (2012 - $249,410), and a market value of $292,620 (2012 - $233,500).

Investments, fair value	Level 1 Quoted market price	Level 2 Observable inputs	Level 3 Non-observable inputs	Total
June 30, 2013	$34,297,463	$292,620	--	$34,590,083
June 30, 2012	$17,076,874	$233,500	--	$17,310,374

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 Student Transportation positions represent five days and six days average trading respectively. A fast liquidation of these positions could have an adverse affect on price. No other position represents more than four 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.

7. 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 earned interest at a rate of 6.5% per annum, payable annually. The principal portion of the note receivable was due and received on May 2, 2013.

8. Related party transactions during the year

(a) Investment in and due from affiliated company

The Corporation holds a 19.3% equity investment in Somerset Properties Ltd. ("Somerset"). Somerset and the Corporation have a common shareholder and Directors. Details of the amount due from and invested in Somerset are as follows:

		June 2013		June 2012
Investment in Somerset	**$**	**2,924,157**	$	2,995,417
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
Total	**$**	**3,274,157**	$	3,274,157

(b) Director's loan:

In 2012, a loan in the amount of $10,000 was made to a Director of the Corporation and included in accounts receivable. Interest was charged at 8% beginning July 1, 2012. This loan was repaid prior to the current fiscal year end.

(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 (2012 - $282,057)
- Consulting fees paid to current and former directors of the Corporation included in corporate and administrative expenses: $170,600 (2012 - $104,923)
- Rent paid to a company controlled by an officer of the Corporation: $82,200 (2012 - $81,468)

Accounts payable and accrued liabilities as at June 30, 2013 include $nil (June 30, 2012 - $nil) due to related parties. Accounts receivable as at June 30, 2013 include $25,646 (June 30, 2012 - $nil) due from related parties.

9. Property and equipment and intangible assets

Property and equipment

	Production Equipment $	Buildings $	Leasehold Improvements $	Vehicles $	Land $	**Total $**
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
Year ended June 30, 2013						
Opening net book value	4,014,865	153,230	364,382	52,722	135,000	**4,720,199**
Additions	63,545	--	4,990	--	--	**68,535**
Depreciation	(606,913)	(61,870)	(48,674)	(15,678)	--	**(733,135)**
Writedown (Note 10)	(2,370,290)	--	--	--	--	**(2,370,290)**
Net book value	**1,101,207**	**91,360**	**320,698**	**37,044**	**135,000**	**1,685,309**

Intangible assets

	Software $	Recipes $	**Total $**
Year ended June 30, 2012			
Opening net book value	2,809	41,531	44,340
Additions	2,702	--	2,702
Depreciation	(2,603)	(3,205)	(5,808)
Net book value	2,908	38,326	41,234
Year ended June 30, 2013			
Opening net book value	2,908	38,326	**41,234**
Additions	1,845	--	**1,845**
Depreciation	(2,677)	(3,185)	**(5,862)**
Writedown (Note 10)	--	(9,773)	**(9,773)**
Net book value	**2,076**	**25,368**	**27,444**

10. Impairment of goodwill and non-current assets

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 test of goodwill at June 30, 2013. The recoverable amount of the Food Processing and Distribution 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 7.23% (2012 – 6.12%). The discount rate was estimated based on past experience, and industry average weighted average cost of capital per review of a comparable group of companies. Cash flows were projected based on past experience, actual operating results and reflect current economic conditions. The values assigned to key assumptions represent management's assessment of future trends in food industry and was based on both external and internal sources.

Key assumptions for the Food Processing and Distribution CGU:

Capital Expenditures - In the past few years management has kept capital expenditures well below the current rate of depreciation for the purpose of capital preservation. Currently key pieces of equipment will reach end of life within the next five years, and will need to be replaced. This will require significantly higher capital expenditures than have existed in prior years. Management has developed a list of key items requiring replacement, determined the best course of action (partial or full replacement), and estimated most likely time for replacement. It has determined that capital expenditures will average $448,000 over the next five years.

Revenues - Management has estimated revenues based on current indications and commitments from existing customers.

Raw Materials - Management follows the agricultural futures markets, looking at forward prices for key traded commodities, such as wheat and sugar, as well as indications from suppliers concerning future price changes. Management assumes that prices have stabilized overall, and some materials such as flour, should see modest decreases in the next two years.

Once the net present value of the five year cash flow was determined, the value in use of the Food Processing and Distribution Division was less than the carrying value of the CGU. As a result, the Corporation recognized a goodwill impairment loss as follows:

Value in use	$	1,388,251
Carrying value (including goodwill)		4,635,838
Impairment	$	3,247,587

The impairment charge was taken against the following assets:

Goodwill	$	867,524
Production equipment		2,370,290
Intangible assets	$	9,773

11. 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, June 30, 2011	**16,215,597**	$	**7,670,234**
Repurchase of shares	(44,000)		(20,780)
Balance, June 30, 2012	**16,171,597**		**7,649,454**
Repurchase of shares	(5,500)		(2,600)
Balance, June 30, 2013	**16,166,097**	$	**7,646,854**

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.

	June 30, 2013			June 30, 2012		
	Number		**Weighted average exercise price**	Number		Weighted average exercise price
Outstanding options, beginning	**168,750**	**$**	**1.00**	168,750	$	1.00
Options forfeited	-		-	-		-
Options exercised	-		-	-		-
Outstanding options, ending	**168,750**	**$**	**1.00**	168,750	$	1.00
Options exercisable, ending	**168,750**	**$**	**1.00**	168,750	$	1.00

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

Normal Course Issuer Bid

In June 2012 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, 2012 to acquire up to 808,680 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, 2013 the Corporation purchased and cancelled 5,500 shares at a total cost of $2,876 (2012 purchased and cancelled 44,000 shares at a total cost of $24,020). The excess consideration paid of $276 (2012 - $3,240) was recorded through retained earnings.

Subsequent to the end of the year, the Corporation renewed its NCIB. It has not repurchased any additional shares under its Normal Course Issuer bid. The number of shares outstanding as of October 23, 2013 is 16,166,097.

11. Share capital (*continued*)

Per share amounts

The weighted average number of Class A common shares outstanding during the twelve months ending June 30, 2013 was 16,169,829 (2012 – 16,192,735).

Basic earnings (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 period. Diluted earnings (loss) 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, or when option exercise price is out of the money.

		June 30, 2013		June 30, 2012
Income (loss) for the year	**$**	**3,105,685**	$	(195,220)
Weighted average shares outstanding		**16,169,829**		16,192,735
Weighted average diluted shares outstanding		**16,169,829**		16,192,735
Basic and diluted earnings (loss) per share	**$**	**0.19**	$	(0.01)

12. 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, a general assignment of accounts receivable and inventory and a postponement of claim by the Corporation. The present credit limit is $2.263 million (2012- $2.263 million). The current bank loan is at $1,029,567 (2012- $1,428,090).

12. Bank loans, term loans on demand and long-term debt (*continued*)

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

		June 30, 2013		June 30, 2012
Term loans, repayable in monthly principal installments of approximately \$8,300 (2012 - \$8,300) plus interest ranging from the lenders' base lending rate plus 1.0% per annum, ending December 15, 2015 and secured by general security agreements covering certain equipment and fixtures of a subsidiary and an assignment of postponement of claim by the Corporation.	**\$**	**\$252,479**	\$	345,558
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.		**1,982,744**		2,062,001
Capital leases, due 2013 to 2014, payable monthly, with interest rates at 6.57% per annum and secured by certain equipment with a carrying value at June 30, 2013 totaling approximately \$9,000 (2012 - \$16,000).		**6,551**		15,707
Total term loans and long-term debt		**2,241,774**		2,423,266
Term loans on demand and current portion of long-term debt		**2,241,774**		2,416,715
Long-term debt	**\$**	**--**	\$	6,551

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

		Term loans due on demand		Capital leases		Total
2014	\$	2,235,223	\$	6,551	**\$**	**2,241,774**
2015		--		--		**--**
2016		--		--		**--**
2017		--		--		**--**
2018 and beyond		--		--		**--**
	\$	2,235,223	\$	6,551	**\$**	**2,241,774**

13. Non controlling interest

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

14. Income taxes

Total income taxes are different from the amount computed by applying the average combined expected Canadian Federal and Provincial tax rate of 25.00% (2012 – 25.25%) to income before income taxes and other items. The reasons for the difference are as follows:

		June 30, 2013		June 30, 2012
Computed expected tax provision	**$**	**819,620**	$	(71,593)
Add (deduct) the tax effect of the following:				
Impact of change in tax rates and other		**(4,804)**		(58,198)
Change in deferred tax asset not recognized		**410,082**		(76,585)
Non-taxable portion of capital gains		**(890,389)**		(67,111)
Changes in estimated tax pools, non-deductible expenses and other		**79,439**		209,000
Goodwill impairment		**196,892**		--
Non-taxable dividend Income		**(438,045)**		(18,390)
Total income taxes, as reported	**$**	**172,795**	$	(82,877)
Current taxes	**$**	**(26,094)**	$	(1,377)
Deferred taxes		**198,889**		(81,500)
Total	**$**	**172,795**	$	(82,877)

The components of the deferred tax asset (liability) at June 30, 2013 and June 30, 2012 are as follows:

		June 30, 2013		June 30, 2012
Deferred tax liabilities:				
Carrying value of property, equipment and intangible assets in excess of tax cost	**$**	**(623,697)**	$	(473,076)
Non-deductible reserve		**(964,037)**		(921,116)
Tax cost of investment below carrying value		**(1,574,871)**		(586,935)
Total deferred tax liabilities	**$**	**(3,162,605)**	$	(1,981,127)
Deferred tax assets:				
Non-capital losses	**$**	**4,668,083**	$	3,899,768
Net capital and other losses		**807,442**		688,712
Scientific research and development pools		**1,210,723**		1,219,189
Tax cost of property, equipment and intangible assets in excess of carrying value		**780,523**		213,182
Other		**10,838**		64,087
Deferred tax asset not recognized		**(3,400,162)**		(2,990,080)
Total deferred tax assets		**4,077,447**		3,094,858
Net deferred tax asset	**$**	**914,842**	$	1,113,731

15. Capital disclosures

The Corporation's breakdown of capital is as follows:

		June 30, 2013		June 30, 2012
Bank and term loans	$	**3,271,341**	$	3,844,805
Long-term debt		**--**		6,551
Margin loans on equity securities		**16,411,933**		6,034,951
Share capital		**7,646,854**		7,649,454
Total capital	$	**27,330,128**	$	17,535,761

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 shareholders' 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 depending on the division with most financing usually done at the division level. The Food Processing and Distribution Division 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 Food Processing and Distribution 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.

16. Contingencies

The Corporation or its subsidiaries are involved in litigation or claims in the ordinary course of business. 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.

During the fiscal year the Corporation settled a legal dispute in its favour, where it had previously created a $206,847 legal reserve. As a result of the settlement, the Corporation will not be required to make any payments and has reversed its $206,847 reserve.

17. Key employee compensation

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

		June 30, 2013		June 30, 2012
Salaries	**$**	**404,657**	$	386,980
Benefits		**4,251**		4,251
Total	**$**	**408,908**	$	391,231

18. Expenses by nature

		June 30, 2013		June 30, 2012
Wages and salaries	**$**	**848,922**	$	869,025
Directors fees		**47,600**		41,800
Rent		**82,200**		81,468
Professional fees		**98,872**		138,009
Insurance		**125,050**		126,665
Charitable donations		**32,300**		--
Office		**108,680**		106,318
Total	**$**	**1,343,624**	$	1,363,285

19. 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.

20. Financial instruments

The Corporation has determined that the carrying values of its short-term financial assets and liabilities, including cash and cash equivalents, accounts receivable, note receivable, accounts payable and accrued liabilities, bank loans, term loans on demand, and margin loans on equity securities approximate their fair value because of the relatively short period to maturity of the instruments.

The fair value of equity securities classified as FVTPL have been determined based on prices quoted in active markets. The investment in and due from affiliated company was determined by discounting the future cash flows using interest rates which the Corporation could demand for loans with similar terms, conditions, and maturity dates.

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. A 1% decrease in the market value of the Corporation's portfolio of equity securities would decrease total comprehensive income (loss) by $345,900 (2012 - $173,104).

There were no changes to the way the Corporation manages market risk since June 30, 2012. 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 2013, the Corporation had available margin of $4,187,554 (2012 - $4,573,761) and a margin balance of $16,411,933 (2012- $6,034,951).

20. Financial instruments (*continued*)

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 the 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, 2012. 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 $34,319,165, a decrease of $270,918 (2012 - $17,109,911, a decrease of $200,463).

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, 2013 the Corporation had floating interest debt on its margin loans of $16,411,933, and averaged $10,936,893 for the year at an effective interest rate of 4.2% (2012 average $7,434,108 at 4.3%). In addition, it had floating rate loans of $1,282,046 (2012- $1,773,648). A 1% change in the interest rate would change interest expense by $176,874 (2012 - $74,341).

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 $1,021,592 (2012 - $1,347,661) in US dollars, and has $711,365 (2012 - $1,198,692) in US Currency on deposit in US Dollar accounts, US dollar margin loans of $1,900,208 (2012 - nil), and $3,770,143 (2012- $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 1% change in the exchange rate would change the value of our US dollar holdings by $11,888 (2012 - $13,016).

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, 2013 and 2012. The first customer accounted for 40% of revenues (2012 - 38%), the second customer accounted for 11% of consolidated revenues (2012 - 12%), and the third customer accounted for 11% of consolidated revenues (2012 -11%). As at June 30, 2013, 29% of accounts receivable was receivable from the first customer (2012 - 54%) and 10% of accounts receivable was receivable from the second customer (2012 - 16%) and 5% of accounts receivable was receivable from the third customer (2012 - 11%). 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.

20. Financial instruments (*continued*)

Credit Risk (*continued*)

		June 30, 2013		June 30, 2012
Current	$	2,091,443	$	1,790,345
Outstanding 1-30 days		15,962		22,970
Outstanding 31-60 days		--		11,460
Outstanding 60+ days		--		91,314
Total	$	2,107,405	$	1,916,089

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 follows:

		June 30, 2013		June 30, 2012
Cash and cash equivalents	$	1,516,982	$	1,848,086
Accounts receivable		2,107,405		1,916,089
Note receivable		--		300,000
Due from affiliated company (Note 8a)		350,000		350,000
	$	3,974,387	$	4,414,175

21. Investment income and finance costs

Recognized in comprehensive income and loss

		Twelve months ended June 30,		
		2013		2012
Investment income				
Interest from debentures and bank deposits	$	41,727	$	58,999
Dividends and distributions		1,337,782		825,013
Somerset Properties dividend		408,328		--
Total Investment Income		1,787,837		884,012
Finance Expense				
Margin interest		458,209		318,865
Loan interest		153,365		137,734
Total Finance Expense		611,574		456,599
Net Finance Income	$	1,176,263	$	427,413

22. Segmented information

	Twelve months ended June 30,		
		2013		2012
Revenues:				
Food processing and distribution	**$**	**$14,634,947**		$18,248,906
Income (loss) before income taxes:				
Food processing and distribution	**$**	**(3,884,643)**	$	(39,687)
Investment		**7,352,957**		399,249
Corporate		**(189,834)**		(637,659)
	$	**3,278,480**	$	(278,097)

Assets by segment		**June 30, 2013**		June 30, 2012
Food processing and distribution	**$**	**5,938,746**	$	10,480,083
Investment division		**34,590,083**		17,310,374
Corporate		**8,046,848**		7,107,982
Total	**$**	**48,575,677**	$	34,898,439

Liabilities by segment		**June 30, 2013**		June 30, 2012
Food processing and distribution	**$**	**4,409,947**	$	5,631,431
Investment division		**16,411,933**		6,034,951
Corporate		**3,176,986**		1,758,055
Total	**$**	**23,998,866**	$	13,424,437

23. Insurance income

In July 2012 an ammonia leak occurred inside the production facility at Naleway Foods Ltd. As a result, all production ceased for a period of six weeks, and all inventories on hand were deemed contaminated and destroyed. The Corporation had insurance to cover this loss, and the insurance proceeds from this loss was the following:

Additional expenses	$ 160,356
Ordinary payroll loss	184,316
Business interruption	535,864
Raw materials and finished goods loss	838,737
Disposal costs	77,062
Deductible	(10,000)
Total insurance income	**$ 1,786,335**

24. Subsequent events

In July 2013 the Corporation renewed its normal course issuer bid to acquire up to 808,304 shares over the next twelve months. As at October 23, 2013 no shares have been repurchased.

In September 2013 all remaining options expired unexercised.

In October 2013 the Corporation sold its wholly owned subsidiary T.H.E. Food Source Ltd. This subsidiary was sold to a former employee in exchange for legal considerations.

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