Invest NOVA SCOTIA

Annual Report

2022-2023

Table of Contents

Accountability Statement

The Accountability Report of Invest Nova Scotia for the year ended March 31, 2023, is prepared pursuant to the Finance Act and government policies and guidelines. These authorities require the reporting of outcomes against Invest Nova Scotia's Business Plan for the fiscal year just ended. The reporting of Invest Nova Scotia's outcomes necessarily includes estimates, judgements, and opinions by Invest Nova Scotia's management. We acknowledge that this Accountability Report is the responsibility of Invest Nova Scotia's management. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in Invest Nova Scotia's 2022-2023 Business Plan.

Message from the Minister of Economic Development

Building a stronger, more sustainable economy – together.

It is my pleasure to present the 2022-23 annual report for Invest Nova Scotia (Invest NS). As of December 1, 2022, Invest NS has combined the expertise of the former Nova Scotia Business Inc. and former Innovacorp Crown corporations. Together this team of exceptionally committed people championed transformational opportunities for businesses, communities, and Nova Scotians throughout our province.

There has never been more opportunity to transform our economy. Our government is invested in supporting and amplifying businesses that will create high-skilled jobs for Nova Scotians and contribute to a sustainable, stronger, and more inclusive economy. Through assisting in the creation and development of new businesses, accelerating the growth of existing companies, and attracting businesses that build on our strengths, Invest Nova Scotia supports Nova Scotia Businesses throughout their journey.

With economic recovery underway, our government remains committed to ensuring that businesses in all communities across the province have the tools and resources needed to drive innovation and fuel economic growth and prosperity. As Nova Scotia's population continues to grow, our businesses need access to the resources required to successfully build new products and services locally and to compete internationally.

Invest Nova Scotia's programs and services play a key role in our government's efforts to further strengthen the economy and keep stimulating economic growth that benefits all Nova Scotians. Over this past year, Invest NS has worked hard to seamlessly merge mandates, all while supporting our small and medium sized enterprises; fostering innovation-driven, green and sustainable businesses; attracting new investment, and contributing to the growth of local companies across the province.

I invite you to read the pages that follow for greater detail on Invest NS's important work in supporting our government's mandate to invest in growing an inclusive, sustainable, and prosperous Nova Scotia.

Sincerely,

The Honourable Susan Corkum-Greek
Minister

Fulfilling the Mandate

In December 2022, Invest Nova Scotia was created to be at the ground level helping companies in communities across the province invest in their people; innovate new and better products and services; boost productivity; and attract investment and companies to locate their business in Nova Scotia.

The corporation's mandate is to support companies throughout their lifecycle from starting up and raising capital, to supporting early-stage growth through incubation and acceleration, expanding market opportunities through export development, and helping businesses locate to Nova Scotia through investment attraction. By investing in Nova Scotia's innovation ecosystem, increasing productivity among our businesses, growing our strategic sectors, and a renewed approach to supporting small and medium sized businesses in all areas of the province, Invest Nova Scotia contributed to economic prosperity while advancing government's mandate to create more and better jobs. The following outlines targets and measures that contribute to achieving these goals.

2022-2023 Results Against Target Measures

Grow the value of Nova Scotia's exports.

Target

A minimum of a 15% increase in export sales among clients, and by clients within the high-potential clusters of Information and Communications Technology, Oceans, and Seafood & Agri-food.

Outcome

- Annual export sales of clients and by clients within the high potential clusters increased **6.3%***[1].

Create Nova Scotia's next exporters.

Target

A minimum of 30 clients will become new exporters, with a minimum of 10 clients within the high potential clusters of Information and Communications Technology, Oceans, and Seafood & Agri-food becoming new exporters.

Outcome

- 26 clients became new exporters*[2]
- Within the high potential clusters, **9** clients became new exporters.

[1] COVID-19 impacts, Russia's invasion of Ukraine, and geopolitical shifts affected exporters. See Analysis/Discussion section for more.

[2] During the first years of the COVID-19 pandemic, export travel outside Canada was non-existent or severely limited. A digital adoption program was piloted to help mitigate, then the Export Development Program incorporated pivoting to digital adoption. Invest Nova Scotia saw some of its highest numbers of new exporters because of their use of these programs. Since COVID-19, the marketplace includes additional federal digital programming, the previous Stream 3 of Digital Adoption has been moved under Stream 2 of the Export Development Program for 2023-2024, and companies' usage of Invest Nova Scotia for digital adoption has returned to historical levels.

Diversify into new export markets.

Target

Help companies overcome travel complications as they work to grow sales in new markets, we will ensure a minimum of 20% of our clients diversify exports through sales to an additional market.

Outcome

- **22.3%** of clients exporting to an additional market in Fiscal 2022-2023.

Encourage innovative, sustainable and green businesses to establish or relocate to the province.

Target

Attract 5 innovative exporters aligned with Nova Scotia's comparative advantages.

Outcome

- **15** innovative, sustainable and green businesses were attracted to the Province.
  - 6 payroll rebate transactions
  - 9 project management

Create new, high-value jobs to drive population growth

Target

Invest Nova Scotia's clients will create 1400 new, high-value jobs* across Nova Scotia.

Outcome

- Clients reported creating **2007** new, high-value jobs* across Nova Scotia.

(*A job is defined as a full-time equivalent position FTE)

Grow payroll across the province.

Target

Continuing to emerge from the COVID-19 pandemic, Invest Nova Scotia clients will increase their payroll by a minimum of 10%.

Outcome

- Clients increased their payroll by **23.57%**

Nova Scotia First Fund (NSFF) investments in Nova Scotia early-stage startups.

Making venture capital investments in early-stage Nova Scotia technology companies with high-growth potential.

Target

12 new venture capital investments in early-stage technology companies with high-growth potential, and $4 million invested by Invest Nova Scotia.

Outcome

- Exceeded with **16** venture capital investments from the NSFF, committing **$8.8 million** to start-ups.

Leverage NSFF portfolio investments through attracting venture capital co-investments.

Target

Amount of $70 million raised by portfolio companies.

Outcome

- Exceeded with **$189.2 million** raised by portfolio companies.

Deliver a return on investment for Nova Scotia taxpayers on its venture capital investments.

Target

Two portfolio companies raise Series A investment and target a 3-to-1 (3.0) ratio of total value to paid-in capital (TVPI). TVPI is an important measure for assessing our ability to deliver financial results compared to the cost of the investments. A TVPI of >1 means the value of the investments plus distributions exceed the combined cost of the investments.

Outcome

- Three portfolio companies raised a Series A round of financing
- As of March 31, 2023, every $1 invested by Invest Nova Scotia through the NSFF since 1996 has generated a value of $2.44; a **TVPI of 2.44** and every $1 since 2010 has generated a value of $2.84; a **TVPI of 2.84**.

Provide incubation infrastructure and services for Nova Scotia start-ups.

Target

85% overall occupancy rate at The Labs and The Bays, with a targeted 50% occupancy rate of companies that are venture-grade.

Outcome

- Achieved 99% occupancy rate at facilities.
- 54% occupancy rate of venture-grade companies.

Find and support high-potential new technology companies and encourage entrepreneurial activity across Nova Scotia, through start-up competitions, moving post-secondary research to market, and delivering the Start-Up Visa Program.

Target

250 new, early-stage opportunities in the client pipeline, and 10 client companies that raise an initial round of financing.

Outcome

- 280 new early-stage opportunities in the client pipeline.
- 18 client companies that raised an initial round of financing.

2022-2023 Analysis/Discussion for Invest Nova Scotia

Export:

Invest Nova Scotia works with a range of entrepreneurs looking to start, grow and scale their businesses.

COVID-19 continued to present challenges for our companies. Air travel returned but with fewer flight options and direct routes. Many companies noted that airfares were more expensive, and trips were delayed due to cancellations and challenges at airports. Some jurisdictions, such as China, still had restrictions in place and, as a result, several trade shows that were scheduled were cancelled.

With pent-up demand from the previous years, companies were eager to return to markets to reconnect with clients, seek investment and sales, and find new partnership opportunities.

Many of Invest Nova Scotia's clients persevered, with 24.3% diversifying exports through sales to an additional market and, overall, Invest Nova Scotia clients saw a 5.8% increase in export sales in 2022 over 2021.

For others, the Russian invasion of Ukraine, the rising cost of living, tightening financial conditions, and the return of industrial policy and protectionism were factors. Price volatility in species like lobster and crab has impacted export volumes and sales. Many buyers still have large inventories of snow crab that they are having difficulty moving. Shore prices for lobster and crab were at historic lows at points throughout the season.

There were also demand issues in key markets. As inflationary pressures increase and some countries enter a recessionary period, consumers have lower purchasing power.

Investment Attraction:

Canada has 15 active free trade agreements covering 51 countries. Businesses in Canada enjoy preferential access to a global market with a combined GDP of US$59 trillion, representing 61% of the global economy and home to 1.5 billion consumers.

With the support of federal, regional and provincial partners, Invest Nova Scotia actively encouraged 15 innovative, sustainable and green businesses to establish or relocate to the province. Invest Nova Scotia delivered programs and initiatives that attracted innovative businesses to our province and supported companies to invest, connect with R&D expertise, and keep pace with business advancements that drive innovation, productivity, sustainability, and competitiveness.

Through these efforts, clients increased their payroll by more than 23% in 2022-2023 over the previous fiscal year and reported creating 2,007 FTEs.

Start-up:

The number of investments and the total amount invested from the Nova Scotia First Fund were higher than anticipated. Total revenue reported by portfolio companies for 2022-2023 was $98.3 million, 29 per cent higher than the previous year. As of March 31, 2023, NSFF had about $37.9 million available for new and follow-on investments in start-ups.

Invest Nova Scotia leverages its investments through co-investors, provides tailored support to portfolio companies, and strives to generate a return for Nova Scotia. Invest Nova Scotia's investments leveraged an additional $65.5 million in venture capital and private equity. This is a ratio of 7.4 dollars leveraged for each dollar invested. In addition, NSFF portfolio companies raised $115 million in rounds in which Invest Nova Scotia did not participate. The total amount raised was therefore $189 million, which was $119 million higher than anticipated. The large variance is due to the strength of the companies in Invest Nova Scotia's portfolio, their ability to attract capital, Invest Nova Scotia's ability to support them in those efforts, and larger than anticipated market transactions. Those companies also reported they raised a further $121.8 million in non-dilutive funding.

In 2022-2023, Invest Nova Scotia's three incubation facilities – The Labs at Invest Nova Scotia focuses on companies in the life sciences industry; The Bays at Invest Nova Scotia targets companies in clean technology and other knowledge-based sectors; and Start-Up Yard at the Centre for Ocean Ventures and Entrepreneurship (COVE) is home to ocean technology ventures – were home to a total of 34 companies at the three locations. Together those companies employed 529 people.

Measures to advance Accessibility Initiatives

Through the fiscal year, the Crown corporations that report into the Department of Economic Development continued as joined forces through a Crown Accessibility Advisory Committee, including crown corporation employees as well as volunteers with lived experience within the disability community.

From that collaborative work, Invest Nova Scotia developed an accessibility plan to establish a vision and commitment for accessibility in all business offerings, including programs, services, employment, and physical spaces provided by Invest Nova Scotia, and to inform the development of future accessibility plans and actions.

Invest Nova Scotia's first accessibility plan comes into effect for the 2023-2024 fiscal year.

Read Invest Nova Scotia's Accessibility Plan

Appendix A

Disclosure of Wrongdoing

The Public Interest Disclosure of Wrongdoing Act was proclaimed into law on December 20, 2011. The Act provides for government employees to be able to come forward if they reasonably believe that a wrongdoing has been committed or is about to be committed and they are acting in good faith. The Act also protects employees who do disclose from reprisals, by enabling them to lay a complaint of reprisal with the Labor Board.

A Wrongdoing for the purposes of the Act is:

a) a contravention of provincial or federal laws or regulations

b) a misuse or gross mismanagement of public funds or assets

c) an act or omission that creates an imminent risk of a substantial and specific danger to the life, health or safety of persons or the environment, or

d) directing or counselling someone to commit a wrongdoing

Information required under Section 18 of the Act (fiscal year 2022-2023)

Number of disclosures received:	0
Number of Investigations Commenced:	0
Findings of Wrongdoing:	0
Corrective Action Taken:	Not applicable
Reason:	No Corrective Action taken, not applicable

Appendix B

Audited Financial Statements and Notes

(includes Independent Auditor's Report)

Consolidated financial statements of
Nova Scotia Business Incorporated

November 30, 2022

Management's Report

Management's Responsibility for the Consolidated Financial Statements

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

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a semi-annual basis and external audited consolidated financial statements yearly.

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Nova Scotia Business Incorporated and meet with them when required.

On behalf of Nova Scotia Business Incorporated

Peter MacAskill CEO	Ferdinand Makani Controller

Deloitte.

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Independent Auditor's Report

To the Board of Directors of
Nova Scotia Business Incorporated

Opinion

We have audited the consolidated financial statements of Nova Scotia Business Incorporated (the "Corporation"), which comprise the consolidated statement of financial position as at November 30, 2022, and the consolidated statements of operations and changes in accumulated surplus, changes in net financial assets and cash flows for the eight month period ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at November 30, 2022, and the results of its operations, changes in net financial assets and its cash flows for the eight month period ended, in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
July 7, 2023

Nova Scotia Business Incorporated

Consolidated statement of operations and changes in accumulated surplus

Eight month period ended November 30, 2022

(with comparative figures for the year ended March 31, 2022)

(In thousands of dollars)

	Notes	Budget (Unaudited) $	November 2022 $	March 2022 $
Revenue				
Provincial				
Strategic investment grant		**14,730**	**7,341**	10,785
Operating grant		**29,036**	**5,605**	25,544
Capital grant		**—**	**1,099**	—
Loan valuation allowance grant		**1,000**	**1,000**	1,000
Miscellaneous		**189**	**105**	212
Other		**1,188**	**1,481**	1,390
Interest on loans receivable		**269**	**440**	446
Nova Scotia Independent Production Fund ("NSIPF") revenue (Schedule 1)		**—**	**59**	328
Federal grant		**938**	**116**	1,125
Gain on sale of equity investments		**—**	**100**	—
Recovery of FCINS equity investments and film production development loans	16 and 17	**—**	**—**	92
		47,350	**17,346**	40,922
Expenses				
Operating expenses (Schedule 2)		**30,586**	**7,803**	27,360
Strategic investments		**14,730**	**7,341**	10,785
Nova Scotia Business Fund: other expenses (Schedule 3)		**885**	**418**	781
Nova Scotia Independent Production Fund ("NSIPF") expenses (Schedule 1)		**—**	**59**	328
Recovery of provision for credit losses	6	**500**	**(507)**	(208)
		46,701	**15,114**	39,046
Operating surplus		**649**	**2,232**	1,876
Accumulated surplus, beginning of period		**19,120**	**19,120**	17,244
Accumulated surplus, end of period		**19,769**	**21,352**	19,120

The accompanying notes are an integral part of the consolidated financial statements.

Nova Scotia Business Incorporated

Consolidated statement of changes in net financial assets

Eight month period ended November 30, 2022
(with comparative figures for the year ended March 31, 2022)
(In thousands of dollars)

	Budget (Unaudited) $	November 2022 $	March 2022 $
Operating surplus	**649**	**2,232**	1,876
Change in tangible capital assets			
Acquisitions of tangible capital assets	**—**	**(1,135)**	(137)
Amortization of tangible capital assets	**46**	**63**	90
Net change in tangible capital assets	**46**	**(1,072)**	(47)
Change in other non-financial assets			
Acquisitions of prepaid assets	**—**	**(414)**	(371)
Use of prepaid assets	**—**	**371**	530
Net change in other non-financial assets	**—**	**(43)**	159
Increase in net financial assets	**695**	**1,117**	1,988
Net financial assets, beginning of period	**17,914**	**17,914**	15,926
Net financial assets, end of period	**18,609**	**19,031**	17,914

The accompanying notes are an integral part of the consolidated financial statements.

Nova Scotia Business Incorporated

Consolidated statement of financial position

As at November 30, 2022

(In thousands of dollars)

	Notes	November 2022 $	March 2022 $
Financial assets			
Cash and cash equivalents		**23,920**	35,770
Short-term investments	7	**8,000**	8,000
Accrued interest receivable		**94**	99
Other receivables		**360**	628
Receivables - NSIPF		**9**	—
Due from the Province of Nova Scotia	7	**9,524**	9,482
Loans receivable	3 and 6	**6,515**	7,830
Equity investments	4 and 6	**—**	—
		48,422	61,809
Liabilities			
Accounts payable and accrued liabilities	7	**27,505**	23,366
Accounts payable and accrued liabilities - NSIPF		**9**	8
Deferred revenue		**177**	116
Deferred revenue - NSIPF		**425**	633
Employee benefits and other liabilities	15	**912**	915
Due to shareholder	7	**—**	18,767
Film production assistance commitments payable - NSIPF		**363**	90
		29,391	43,895
Net financial assets		**19,031**	17,914
Non-financial assets			
Tangible capital assets	5	**1,907**	835
Prepaid expenses		**414**	371
		2,321	1,206
Accumulated surplus	8	**21,352**	19,120

Contractual obligations 9

Contingencies 10

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board

____________________, Director

Nova Scotia Business Incorporated

Consolidated statement of cash flows

Eight month period ended November 30, 2022
(with comparative figures for the year ended March 31, 2022)
(In thousands of dollars)

	Notes	**November 2022 $**	March 2022 $
Operating transactions			
Operating surplus		**2,232**	1,876
Items not affecting cash and cash equivalents			
Amortization of tangible capital assets		**63**	90
Amortization of loan valuation allowance receivable		**(1,000)**	(1,000)
Allowance for credit losses and provision for payment of guarantees		**(507)**	(208)
Changes in non-cash working capital	13	**4,442**	5,972
		5,230	6,730
Capital transaction			
Additions of tangible capital assets		**(1,135)**	(137)
		(1,135)	(137)
Investing transactions			
Loan advances		**(1)**	(4)
Proceeds on redemption of equity investments		**—**	15
Repayments received on loans receivable		**1,823**	2,194
		1,822	2,205
Financing transaction			
Principal repayments to the Province of Nova Scotia		**(17,767)**	(5,212)
		(17,767)	(5,212)
(Decrease) increase in cash and cash equivalents		**(11,850)**	3,586
Cash and cash equivalents, beginning of period		**35,770**	32,184
Cash and cash equivalents, end of period		**23,920**	35,770

Supplementary cash flow information 13

The accompanying notes are an integral part of the consolidated financial statements.

1. Business overview

Nova Scotia Business Incorporated (the "Corporation") is a corporation, wholly-owned by the Province of Nova Scotia (the "Province") with an independent Board of Directors. The Corporation was established pursuant to the Nova Scotia Business Incorporated Act, Chapter 30 of the Acts of Nova Scotia, 2000.

The Corporation's mission is to develop and enable Nova Scotia businesses to grow through export, creating opportunity and benefit for all those who call Nova Scotia home. The Corporation is not subject to provincial or federal taxes.

On April 9, 2015, the Nova Scotia provincial government tabled the March 31, 2016 budget in the House of Assembly, which included the elimination of the Film and Creative Industries Nova Scotia ("FCINS") agency's funding and a plan to cease its operations. Legislation, Bill No. 108 passed by the Government of Nova Scotia, introduced in the spring assigned all assets and liabilities of FCINS to the Corporation effective April 9, 2015 including those of the restricted independent production fund ("IPF").

On April 1, 2016 with the consent of the Province pursuant to Section 68(1) of the Finance Act, the Corporation incorporated a wholly owned subsidiary, Nova Scotia Independent Production Fund ("NSIPF"). On June 9, 2016, NSIPF was certified by the CRTC and was added to the list of independent production funds to administer The Eastlink TV Independent Production Fund Program. As a result, the assets and liabilities of the IPF was assigned to and became assets and liabilities of the NSIPF effective June 9, 2016.

NSIPF's purpose continues to be as was FCINS's as an IPF, to support Nova Scotia and Canadian television programming by receiving contributions as a restricted independent production fund under the Broadcasting Distribution Regulations and to distribute such contributions to productions determined to be eligible for funding in accordance with the requirements of the CRTC.

2. Summary of significant accounting policies

Basis of accounting

The consolidated financial statements of the Corporation have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as established by the Public Sector Accounting Board ("PSAB").

The Corporation follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenue, expenses and changes in net financial assets and cash flows of the reporting entity. The reporting entity is comprised of the following entities which are owned or controlled by the Corporation:

- Nova Scotia Business Incorporated
- Nova Scotia Independent Production Fund

All inter-departmental and inter-entity balances and transactions between the entities have been eliminated on consolidation.

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash includes petty cash and amounts on deposit with financial institutions. Cash equivalents include short-term highly liquid investments with a term to maturity of 3 months or less at acquisition. All are measured at fair market value.

Short-term investments

Short-term investments includes investments in financial instruments, such as promissory notes, with a term to maturity of greater than 3 months at acquisition, but maturing within 365 days of year-end.

Loans receivable

Loans receivable are recognized at amortized cost using the effective interest rate method. Loans receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and interest. A specific valuation allowance is established to reduce the recorded value of the impaired loan to its estimated net recoverable value.

A general allowance of 5% of cost is recorded to reflect anticipated future losses for all loans receivable which do not have a specific allowance.

Initial and subsequent changes in the amount of valuation allowance are recorded as a charge or credit to the consolidated statement of operations.

Loans receivable are written off after all reasonable restructuring and collection activities have taken place, and management believes that there is no realistic prospect of recovery. Once all or a part of a loan receivable has been written off, the write-off is not reversed, unless the loan receivable is recovered, in which case the recovery is credited to the consolidated statement of operations upon receipt.

Equity investments

Investments in equity instruments of private enterprises are carried at cost with realized gains and losses recognized in the consolidated statement of operations in the period they are derecognized.

Investments in equity instruments of private enterprises are classified as impaired when, in the opinion of management, there has been a loss in the value of the equity instruments that is other than a temporary decline. A specific valuation allowance is established to reduce the recorded value of the impaired investments to their estimated net recoverable value.

A general allowance of 10% of cost is recorded to reflect anticipated future losses for all investments in private enterprises receivable which do not have a specific allowance.

A write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

The investments and loans receivable are reviewed twice yearly for potential declines in value.

2. Summary of significant accounting policies (continued)

Financial liabilities

Financial liabilities are measured at amortized cost using the effective interest method, with gains and losses recognized in the consolidated statement of operations in the period that the liability is derecognized.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of assets. The cost, less residual value, of the tangible capital assets, excluding land, is amortized over their estimated useful lives as follows:

Asset	Basis	Rate
Buildings	Declining balance	5%
Wharves	Declining balance	5%
Utilities	Declining balance	4-15%
Computer software	Declining balance	50%
Computer hardware	Declining balance	50%
Furniture, equipment & technology	Declining balance	12%

Assets not in use are not amortized until the asset is available for productive use.

Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded in revenues at their fair value at the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Impairment of long-lived assets

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations and are not reversed.

2. Summary of significant accounting policies (continued)

Government transfers

Government transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. The transfer payments recorded by the Corporation are flow-through arrangements of proceeds from the sale of crown assets which the Corporation administers and are remitted to the Province. In accordance with PS 3410, government transfers do not include flow-through arrangements where a government agrees to act merely as an intermediary to administer funds on behalf of another party and has no ability to make decisions regarding the use of the funds.

Similarly, when funds are received as a result of an administrative flow-through arrangement in which a recipient government serves only as a cash conduit (i.e., it has no direct financial involvement in the program nor decision-making capability in relation to the program) the receipt and disbursement of cash would not be recognized as transfers in that recipient government's consolidated financial statements.

Revenue recognition

Government contributions are recognized as revenue in the period the transfer is authorized, and all eligibility criteria have been met, except when, and to the extent, the transfer includes stipulations which have not yet been met.

Government contributions with stipulations are initially deferred and recognized as revenue as the related stipulations are met:

(a) Operating grants are recognized as revenue in the period the transfer is received but adjusted at year-end for any portion which does not meet the eligibility stipulations to be treated as revenue, which is booked as a payable to the Province for future reimbursement.

(b) Strategic investment grants are recognized when expenditure is recorded in accordance with the Corporation's approved budget and shall be provided in accordance with policies, guidelines and procedures set out in the Corporation's business plan.

(c) Loan valuation grant is provided by the Province of Nova Scotia to offset Due to Shareholder debt obligation.

(d) Miscellaneous consists of various contracts for trade programs. Revenue is recognized in the period the transfer is authorized, and all eligibility criteria have been met, except when and to the extent the transfer includes stipulations which have not yet been met.

Interest revenue on the loans receivable is recognized on an accrual basis unless the ultimate collectability of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized, and any interest income that is accrued is reversed. A loan is considered impaired when there is risk of loss to the Corporation of the full and timely collection of principal and interest; generally, when it is more than three months in arrears. In the event a loan is no longer considered to be impaired, interest revenue is recognized in the year of recovery.

Other revenue is recognized when earned and collection is reasonably assured.

2. Summary of significant accounting policies (continued)

Provision for credit losses and payment of guarantees

Due to Shareholder debt obligation is partially offset by a non-cash loan valuation allowance contribution from the Province of Nova Scotia. The contribution is recorded as both a receivable and revenue.

Employee future benefits

The Corporation provides certain employee benefits which will require funding in future periods including vacation pay.

The Corporation is not responsible for any under-funded liability, nor does the Corporation have any access to any surplus that may arise in this Plan.

The Corporation is not responsible for any under-funded liability, nor does the Corporation have any access to any surplus that may arise in this Plan.

The Corporation accounts for severance pay on an accrual basis and the amount is calculated based upon accumulated years of service. The amount is payable when the employee ceases employment with the Corporation.

Use of estimates

The preparation of the consolidated financial statements in conformity with PSAS 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 revenues and expenses during the year. Significant estimates included in the consolidated financial statements relate to the valuation of the loans receivable and the amount of certain accrued liabilities. Actual results could differ materially from these estimates.

Adoption of new accounting standards

Effective April 1, 2022, the Corporation has adopted the newly issued accounting standard, Asset retirement obligations under PSAS Section 3280 (“Section 3280”), which provided guidance relating to the accounting for asset retirement obligations associated with the retirement of tangible capital assets.

The application of this amendment does not have an impact on the Company’s financial statements.

(In thousands of dollars)

3. Loans receivable

	November 2022 $	March 2022 $
Principal due	**11,872**	17,280
Allowance for credit losses (Note 6)	**(5,357)**	(9,450)
	6,515	7,830

Annual interest charged on these loans ranges from 0% to 8.75% (0% to 10% March 2022). The maturity dates of the loans receivable are as follows:

	$
Past due	748
Year ended March 31, 2023	4,208
Year ended March 31, 2024	270
Year ended March 31, 2025	1,881
Year ended March 31, 2026	192
Year ended March 31, 2027	—
Year ended March 31, 2028	4,474
Fully allowed for loans receivable	99
	11,872

The level of security on loans is also negotiated between the Corporation and the debtor based on the risk associated with the individual loan. The security can include life insurance, company assets, personal guarantees or the value of the parent company. Security can range from an unsecured position to a fully secured position.

4. Equity investments

	November 2022 $	March 2022 $
Common shares	**10,156**	10,156
Preferred shares	**6,206**	6,206
	16,362	16,362
Allowance for credit losses (Note 6)	**(16,362)**	(16,362)
	—	—

Certain equity investments have conversion options and warrants attached.

In the eight-month period ended, the Corporation had nil of shares redeemed ($15 March 2022) for proceeds of nil ($15 March 2022). In addition to the redemption of shares, there was a write off of nil ($1,985 March 2022) worth of preferred shares, as the balance was deemed uncollectible (Note 6).

(In thousands of dollars)

5. Tangible capital assets

	Cost	Accumulated amortization	November 2022 Net book value	March 2022 Net book value
	$	$	$	$
Land	**1,206**	**—**	**1,206**	82
Buildings	**873**	**726**	**147**	152
Wharves	**1,752**	**1,372**	**380**	393
Utilities	**411**	**397**	**14**	15
Computer hardware / software	**183**	**111**	**72**	109
Furniture, equipment & technology	**96**	**8**	**88**	84
	4,521	**2,614**	**1,907**	835

Proceeds from the sale of tangible capital assets less closing costs are remitted to the Province in the form of transfer payment. In the current eight-month period ended, the transfer payments payable to the Province from the sale of tangible capital assets were nil (nil March 2022).

6. Allowance for credit losses

	Gross balance outstanding	Specific allowance	General allowance	Total allowance	November 2022 Net balance outstanding
	$	$	$	$	$
Loans receivable (Note 3)	**11,872**	**5,030**	**327**	**5,357**	**6,515**
Equity investments (Note 4)	**16,362**	**16,362**	**—**	**16,362**	**—**
	28,234	**21,392**	**327**	**21,719**	**6,515**

	Gross balance outstanding	Specific allowance	General allowance	Total allowance	March 2022 Net balance outstanding
	$	$	$	$	$
Loans receivable (Note 3)	17,280	9,055	395	9,450	7,830
Equity investments (Note 4)	16,362	16,362	—	16,362	—
	33,642	25,417	395	25,812	7,830

During the eight-month period ended, investments in the amount of $3,586 ($3,098 March 2022) were written off, including nil (nil March 2022) allowed for during the current year, and $507 ($208 March 2022) of previously allowed for the investments were recovered, resulting in a net decrease in total allowance of $4,093 ($3,306 March 2022).

(In thousands of dollars)

7. Related party balances

Short-term investments

	November 2022 $	March 2022 $
Province of Nova Scotia promissory note receivable, bearing interest at 3.50% per annum, maturing August 17, 2023	**7,600**	—
Province of Nova Scotia promissory note receivable, bearing interest at 1.41% per annum, maturing March 3, 2023	**400**	400
Province of Nova Scotia promissory note receivable, bearing interest at 0.29% per annum, maturing August 17, 2022	**—**	7,600
	8,000	8,000

Due from the Province of Nova Scotia

The balance due from the Province is non-interest bearing with no set terms of repayment and includes nil (nil March 2022) of earned operating grant receivable from the Province.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities includes $13,752 ($3,843 March 2022) of unused operating grant revenue payable to the Province.

The Corporation signed a Memorandum of Understanding effective March 31, 2016 with the Province allowing and changing the treatment and recognition of the former long-term debt with the Province. The outstanding notes payable balance of $50,706 as at March 31, 2016 between the Corporation and the Province was converted into a non-interest bearing shareholder loan with no set terms of repayment. As a condition of this conversion, the Corporation was required to reduce its Loan Valuation Allowance receivable due from the Province by applying it against the outstanding notes payable to the Province. These were paid out during the course of the eight-month period ended in the amount of $18,767.

8. Share capital

The Corporation is authorized to issue 100 Class A common shares with a par value of $1 each. At year-end, 100 common shares have been issued to the Province. Share capital is included in accumulated surplus on the consolidated statement of financial position.

(In thousands of dollars)

9. Contractual obligations

The Corporation provides strategic investments that permit approved businesses to receive a percentage of payroll taxes paid as a rebate. Expenses incurred by the Corporation are match-funded by the Province in the form of a Strategic Investment Grant.

As at November 30, 2022, transactions were approved with maximum annual payments over the next six years of $103,947 (maximum annual payments over the next seven years of $113,285 March 2022) as shown below:

	$
2024	20,753
2025	25,289
2026	23,923
2027	20,230
2028	8,292
2029	5,460
Total	103,947

10. Contingencies

Litigation

The Corporation is co-defendant with the Province and Industrial Estates Limited in a dispute regarding environmental contamination on land previously owned by Industrial Estates Limited. The Corporation believes that any losses incurred related to this claim will be fully funded by the Province.

The Corporation is unable to form an opinion in regard to the likelihood of loss arising from the above litigation. Consequently, no provision for any possible loss has been recorded in these consolidated financial statements.

In addition, there are other outstanding claims against the Corporation for events that have arisen in the normal course of carrying on the operations of the Corporation. It is not possible at this time to determine the amount that may be assessed, or the impact to the Corporation's consolidated financial statements, with respect to these claims.

Contaminated Site

The Corporation had a long-term lease agreement at the Port of Sheet Harbour with ScoZinc Limited (now Scotia Mine Limited), a wholly owned subsidiary of EDM Resources Inc., and its predecessors for storage and shipment of Lead & Zinc through the Port form the Scotian Mine in Gay's River. In July 2020, Scozinc Limited provided 60 days' notice of its intent to terminate the lease. Under the terms and conditions of the agreement, Scozinc is responsible for the remediation of any contamination discovered because of its use of the site to the satisfaction of the Corporation and Nova Scotia Environment Contaminated Sites Regulations ("regulations").

According to the Ph. II Environmental Site Closure Assessment and Remedial Action Plan completed by the Scozinc Limited as per the terms of the lease, lead-zinc concentration exceedances, within surface water discharge, and lead concentrate exceedances in surficial soil samples were identified throughout the property. This contamination exceeds the acceptable standards, including Nova Scotia Environment Tier 1 Environmental Quality Standards for Groundwater, Non-Potable, Commercial Land Use Standards and are not acceptable to the Corporation.

10. Contingencies

Contaminated Site (continued)

The Corporation does not accept responsibility for the contamination and related remediation costs and currently holds a $100 reclamation bond from Scozinc Limited. The Corporation has filed an Application in Court against Scozinc Limited (aka EDM Resources Inc.) for specific performance requiring Scozinc Limited to carry out remediation pursuant to the terms of the lease for its Lead & Zinc Biosolids Handling Facility at the Port of Sheet Harbour. Management has not disclosed the ranges of possible outcomes of the estimated clean-up costs due to the potentially adverse effect on the Company's position with respect to this matter.

11. Financial instruments

Fair value

Fair value estimates are made as of a specific point in time, using available information about the financial instruments and current market conditions.

Fair value measurements in connection with the allowance for credit losses recognized in Notes 3 and 4 are categorized using the fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Level 1 - unadjusted quoted prices in the active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

Cash and cash equivalents have been recorded as Level 1 using the fair value hierarchy.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Corporation. To mitigate this risk, the Corporation has developed the following policies:

Before financing is approved, a risk assessment is performed on the client. Each application is designated a risk rating based on the industry and business, quality of management, financial performance, the level of other creditor involvement and shareholder participation, and environmental risks. The terms and conditions of the approved financing are reflective of the assessed risk. Applications with unacceptable levels of risk are not approved.

Clients are usually limited to a total of $15 million in financing from the Corporation's Nova Scotia Business Fund. Three clients have exceeded this total in the past; two were approved in the Nova Scotia Business Development Corporation Fund and transferred to the Nova Scotia Business Fund via legislation on November 6, 2001 and both were paid out in a previous year. A third client, that was authorized financing of $15,100 approved in fiscal 2011, currently has an outstanding balance of $4,474 ($5,149 March 2022) which is now below the $15,000 financing limit threshold and has been fully disbursed.

11. Financial instruments (continued)

Credit risk (continued)

The risk rating for all clients is monitored on an on-going basis. Clients identified as higher risk are further assessed at year end to determine the extent of potential loss, taking into account the value of the security pledged in support of the financial assistance. This assessment could result in a reduction in the carrying value of the investment via the provision for credit losses.

Interest rate risk

Interest rate risk is the risk that the market value of the Corporation's investments and debt will fluctuate due to changes in the market interest rates. It is management's opinion that the Corporation is not exposed to significant interest rate risk arising from financial instruments, as the loans receivable bear interest at fixed rates of interest and the balances due from and to the Province are non-interest bearing or bear interest at fixed rates.

Market price risk

Market price risk is the risk that the value of an investment will fluctuate as a result of changes in the market prices, whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting similar financial instruments traded in the market. The Corporation's exposure to market price risk is limited, as it does not presently hold investments quoted in an active market; however, the fair value of investments in equity instruments of private enterprises carried at cost could fluctuate based on changes in the fair value of similar equity instruments traded in an active market.

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity requirements are managed through the receipt of provincial grants, income generated from loans receivable and equity investments and principal repayments received on loans receivable. These sources of funds are used to pay operating expenses and debt servicing payments to the Province. In the normal course of business the Corporation enters into contracts that give rise to commitments for future payments which also impact the Corporation's liquidity. The Corporation also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

(In thousands of dollars)

11. Financial instruments (continued)

Liquidity risk (continued)

The following table summarizes the fixed contractual maturities for all financial liabilities as at November 30, 2022:

	Within 1 year $	2 to 5 years $	6 to 10 years $	Over 10 years $	November 2022 Total $	March 2022 Total $
Accounts payable and accrued liabilities	**27,505**	**—**	**—**	**—**	**27,505**	23,366
Accounts payable and accrued liabilities - NSIPF	**9**	**—**	**—**	**—**	**9**	8
Employee benefits and other liabilities	**912**	**—**	**—**	**—**	**912**	915
Deferred revenue	**177**	**—**	**—**	**—**	**177**	116
Deferred revenue - NSIPF	**425**	**—**	**—**	**—**	**425**	633
Due to shareholder	**—**	**—**	**—**	**—**	**—**	18,767
Film production assistance commitments payable - NSIPF	**363**	**—**	**—**	**—**	**363**	90
	29,391	**—**	**—**	**—**	**29,391**	43,805

12. Nova Scotia Business Fund

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of the Corporation and investments transferred from the Nova Scotia Business Development Corporation Fund ("NSBDC") on November 6, 2001. The following is a summary of the Fund as at November 30, 2022:

	NSBI portfolio		NSBDC portfolio		November 2022	March 2022
	Gross $	Less allowance for credit losses $	Gross $	Less allowance for credit losses $	Net total $	Net total $
Assets						
Loans receivable (Note 3)	**7,312**	**1,093**	**4,560**	**4,264**	**6,515**	7,830
Equity investments (Note 4)	**16,362**	**16,362**	**—**	**—**	**—**	—
Tangible capital assets (Note 5)	**—**	**—**	**711**	**—**	**711**	727
Others	**—**	**—**	**—**	**—**	**—**	116
	23,674	**17,455**	**5,271**	**4,264**	**7,226**	8,673

(In thousands of dollars)

12. Nova Scotia Business Fund (continued)

Funding authorized and committed:

	November 2022 $	March 2022 $
Fund balance authorized, net of write-offs	**174,943**	178,529
Less: uncommitted balance of fund	**145,998**	144,043
Committed fund balance	**28,945**	34,486
Less: allowance for credit losses (Note 6)	**21,719**	25,813
	7,226	8,673

13. Supplementary cash flow information

Changes in non-cash working capital

	November 2022 $	March 2022 $
Accrued interest receivable	**5**	62
Other receivables	**268**	696
Receivables - NSIPF	**(9)**	4
Due from the Province of Nova Scotia	**(42)**	39,696
Accounts payable and accrued liabilities	**4,139**	(34,546)
Accounts payable and accrued liabilities - NSIPF	**1**	1
Deferred revenue	**61**	(154)
Deferred revenue - NSIPF	**(208)**	(3)
Employee benefits and other liabilities	**(3)**	60
Film production assistance commitments payable – operating	**—**	(72)
Film production assistance commitments payable – NSIPF	**273**	80
Transfer payments payable to the Province of Nova Scotia	**—**	(10)
Prepaid expenses	**(43)**	158
	4,442	5,972

Interest income

During the eight-month period ended, cash received for the interest income was $416 ($508 March 2022).

(In thousands of dollars)

14. Related party transactions

During the eight-month period ended, there were no companies (no companies March 2022) controlled or otherwise not independent of the Corporation eligible for incentives offered by the Corporation. As at November 30, 2022, there no companies controlled by, or otherwise not independent of, certain directors of the Corporation (no companies March 2022) for financial assistance therefore no specific allowances were recorded against any such investments (nil March 2022). Furthermore, there were no incentives issued under this category in the current year (nil March 2022).

The Corporation receives legal services free of charge from the Province. Management estimates the annual cost of these services would be approximately $225 ($335 March 2022).

These transactions were carried out in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

15. Employee benefits and other liabilities

The employee benefits and other liabilities reported on the consolidated statement of financial position, are made up of the following:

	November 2022 $	March 2022 $
Vacation pay	**462**	384
Other payroll accruals	**450**	531
	912	915

Pension benefits

All full-time employees are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act ("PSSP") based on the employees' length of service and earnings. The plan is funded by the employee and the employer contributions. The employer's contributions for the eight-month period ended were $453 ($734 March 2022) and are recognized as an operating expense in the year.

16. Film production development loans

Film production development loans previously committed by FCINS were provided to eligible producers to support essential process of the development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of the production financing arrangements. Support for the development of a project does not necessarily imply support for a production. Film production development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party.

These loans were transferred to the Province as part of the budgeting process at the beginning of the current period. Last year, the Corporation received $nil in recovery of development loans. As at March 31, 2022, $7 was undisbursed and was included in commitments payable.

17. Film production equity investments

Film production assistance previously committed by FCINS, in the form of equity investments were provided to eligible producers for the financing of productions that will provide employment and economic benefit to Nova Scotians. Equity investments are made with conditions of repayment through participation in revenues by projects. Revenue is recorded as reported by producers.

These equity investments were transferred to the Province as part of the budgeting process at the beginning of the current period. Last year, the Corporation received $92 in recovery of equity investments resulting in a cumulative recoupment, assumed and originated, as at March 31, 2022, of $4,929. Additionally, as at March 31, 2022, $65 remained undisbursed and was included in commitments payable. Total film production equity investments disbursed, assumed and originated, last year end were $46,909.

18. Nova Scotia Independent Production Fund ("NSIPF")

NSIPF through The Eastlink TV Independent Production Fund program provides production assistance in the form of film production equity investments to eligible producers for the financing of production that will support employment and economic benefits to Nova Scotia. Film production equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as reported by producers. Funds received under the IPF are externally restricted and included on the statement of financial position in cash and cash equivalents and are deferred until committed.

During the period ended November 30, 2022, the Corporation through its subsidiary, NSIPF, received $143 (March 2022 - $301) from the funding partner to invest in qualifying projects, and $2 (March 2022 - $23) in the recovery of equity investments. The cumulative total of equity investments made by the IPF, assumed and originated, as at November 30, 2022 is $5,871 (March 2022 - $5,821) due to investments made ($50) (March 2022 - S320). As at November 30, 2022, $2 (March 2022 - $23) was recouped and $52 (2022 - $90) remains undisbursed and is booked as a commitments payable.

19. Subsequent event

On December 1, 2022, Nova Scotia Business Incorporated and Nova Scotia Innovation Corporation ("former Corporations") were amalgamated and continued as a body corporate known as Invest Nova Scotia, ("new Corporation") in pursuant of the Nova Scotia Act, Chapter 37 of the Acts of 2022 ("Act") passed the Province of Nova Scotia on December 1, 2022. Pursuant to this Act, all shares of the former corporations were cancelled and all their matters, affairs, actions, assets including rights, titles and interests, obligations and liabilities including employee benefits and entitlements were assigned to the new Corporation. Also, all employees of the former corporations were transferred to the new Corporation. The new Corporation is wholly owned by the Province of Nova Scotia and its management and control of affairs are vested in the Minister of Economic Development ("Minister").

Nova Scotia Business Incorporated

Schedule 1 – Schedule of the Nova Scotia Independent Production Fund ("NSIPF") revenues and expenses

Eight month period ended November 30, 2022
(with comparative figures for the year ended March 31, 2022)
(In thousands of dollars)

	Notes	Budget (Unaudited) $	November 2022 $	March 2022 $
Revenue				
Eastlink contributions	18	—	**35**	303
Recovery of equity investments	18	—	**19**	23
Interest income		—	**5**	2
		—	**59**	328
Expenses				
Equity investments		—	**50**	320
Administrative expenses		—	**9**	8
Recovery of investment		—	—	—
		—	**59**	328

The accompanying notes are an integral part of the consolidated financial statements.

Nova Scotia Business Incorporated

Schedule 2 – Schedule of operating expenses

For the eight month period ended November 30, 2022

(with comparative figures for the year ended March 31, 2022)

(In thousands of dollars)

	Notes	Budget (Unaudited) $	November 2022 $	March 2022 $
Salaries and benefits	15	**10,022**	**6,146**	9,648
Office		**762**	**496**	679
Business development		**18,512**	**448**	16,214
Telecommunications and technical support		**537**	**346**	540
Travel		**463**	**221**	50
Other		**117**	**70**	105
Legal and audit	14	**51**	**40**	65
Amortization		**122**	**36**	59
		30,586	**7,803**	27,360

The accompanying notes are an integral part of the consolidated financial statements.

Nova Scotia Business Incorporated

Schedule 3 – Schedule of Nova Scotia Business Fund: other expenses

For the eight month period ended November 30, 2022
(with comparative figures for the year ended March 31, 2022)
(In thousands of dollars)

	Budget (Unaudited) $	November 2022 $	March 2022 $
Repairs, maintenance, salaries and other	**789**	**382**	658
Amortization of tangible capital assets	**46**	**27**	31
Legal	**50**	**9**	92
	885	**418**	781

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Financial Statements

Province of Nova Scotia
Nova Scotia Innovation Corporation

November 30, 2022

Contents

Nova Scotia Innovation Corporation

Management's Report

Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements of Nova Scotia Innovation Corporation ("Innovacorp") have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

Effective December 1, 2022, the Corporation was amalgamated in accordance with the Invest Nova Scotia Act, passed by Royal Assent November 9, 2022. As a result of this amalgamation, effective December 1, 2022, all shares of the for former Corporation are cancelled and all matters, affairs, and actions of the former corporations are assigned to Invest Nova Scotia. See Note 1 to these consolidated financial statements for details. Those charged with governance (the "interim Chair") is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercise these responsibilities subsequent to dissolution of the Board of Directors prior to amalgamation.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Innovacorp and meet when required.

On behalf of **Innovacorp**

Scott Farmer, Board Chair, Deputy Minister	Daisy Karasek, Acting Director Finance and Administration

Date July 7, 2023

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To the Shareholder of
Province of Nova Scotia
Nova Scotia Innovation Corporation

Opinion

We have audited the consolidated financial statements of Nova Scotia Innovation Corporation ("Innovacorp"), which comprise the consolidated statement of financial position as at November 30, 2022, and the consolidated statement of operations and accumulated surplus, change in net financial assets, cash flows and remeasurement gains and losses for the period from April 1, 2022 to November 30, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Innovacorp as at November 30, 2022, and the results of its operations, change in net financial assets, cash flows and remeasurement gains and losses for the period from April 1, 2022 to November 30, 2022 in accordance with Canadian public sector accounting standards ("PSAS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of Innovacorp in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion we draw attention to Note 1 to the consolidated financial statements which describes the amalgamation of the Corporation effective December 1, 2022.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with PSAS, 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.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

Grant Thornton LLP

Halifax, Canada
July 7, 2023

Chartered Professional Accountants

Province of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Statement of Financial Position

As at	November 30 2022	March 31 2022
Financial Assets		
Cash	**$ 12,224,208**	$ 11,439,568
Restricted cash and cash equivalents	**3,632,870**	1,997,227
Accounts receivable (Note 3)	**384,069**	453,289
Loans receivable (Note 4)	**1,683,902**	1,055,902
Portfolio investments (Note 5)		
Investments quoted in an active market	**15,038,230**	15,407,008
Investments in early-stage private enterprises	**53,951,009**	49,114,686
	$ 86,914,288	$ 79,467,680
Liabilities		
Payables and accruals (Note 13)	**$ 2,052,542**	$ 1,724,352
Lease inducement liability	**36,897**	50,315
Retirement benefits (Note 6)	**1,795,114**	1,803,457
Deferred revenue	**701,135**	415,502
Deferred capital contributions (Note 8)	**1,602,248**	1,699,720
	6,187,936	5,693,346
Net financial assets	**$ 80,726,352**	$ 73,774,334
Non-Financial Assets		
Prepaid expenses	**$ 145,578**	$ 167,327
Property and equipment (Note 9)	**3,566,197**	3,741,819
	3,711,775	3,909,146
Accumulated surplus	**84,438,127**	77,683,480
Accumulated surplus is comprised of:		
Accumulated operating surplus	**89,945,948**	81,460,464
Accumulated remeasurement loss	**(5,507,821)**	(3,776,984)
	$ 84,438,127	$ 77,683,480

Nature of operations and subsequent amalgamation (Note 1)
Contractual obligations (Note 14)

On behalf of Innovacorp

Scott Farmer, Board Chair, Deputy Minister

See accompanying notes to the consolidated financial statements.

Province of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Statement of Operations and Accumulated Surplus

	Budget for the period from April 1, 2022 to November 30, 2022 (Note 17)	**For the period from April 1, 2022 to November 30, 2022**	For the year ended March 31, 2022
Revenues (Note 15)			
Corporate services			
Government contributions			
– operations (Note 10)	$ 6,299,614	**$ 4,503,961**	$ 9,739,609
Government contributions			
– statutory capital (Note 10)	-	**9,231,474**	15,160,216
Other	16,000	**74,703**	49,093
Incubation	911,457	**931,710**	1,432,330
Acceleration	245,393	**314,349**	1,090,287
Investment	1,200	**138,046**	175,122
	7,473,664	**15,194,243**	27,646,657
Expenses (Notes 11 and 15)			
Corporate services	2,142,388	**1,913,179**	2,677,984
Incubation	2,063,948	**1,878,246**	2,901,829
Acceleration	2,632,671	**1,486,273**	4,848,030
Investment	823,448	**712,661**	1,075,851
	7,662,455	**5,990,359**	11,503,694
Operating surplus (deficit)	(188,791)	**9,203,884**	16,142,963
Impairment of portfolio investments and loans receivable	(333,333)	**(863,576)**	(933,658)
Realized gains on portfolio investments	-	**145,771**	101,511,407
Government transfer (Note 5)	-	**-**	(100,961,320)
Loss on disposal of property and equipment	-	**(595)**	-
	(333,333)	**(718,400)**	(383,571)
Annual surplus (deficit)	(522,124)	**8,485,484**	15,759,392
Accumulated operating surplus, beginning of year	-	**81,460,464**	65,701,072
Accumulated operating surplus, end of year	$ -	**$ 89,945,948**	$ 81,460,464

See accompanying notes to the consolidated financial statements.

Province of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Statement of Change in Net Financial Assets

	For the period from April 1, 2022 to November 30,2022	For the year ended March 31,2022
Annual surplus	**$ 8,485,484**	$ 15,759,392
Net remeasurement loss	**(1,730,837)**	(36,340,712)
	6,754,647	(20,581,320)
Change in tangible capital assets		
Acquisition of property and equipment	**(81,126)**	(66,847)
Disposal of property and equipment at net carrying value	**595**	-
Amortization	**256,153**	418,104
Decrease in tangible capital assets	**175,622**	351,257
Change in other non-financial assets		
Net change in prepaid expenses	**21,749**	(44,313)
Increase (decrease) in net financial assets	**6,952,018**	(20,272,376)
Net financial assets, beginning of the year	**73,774,334**	94,048,710
Net financial assets, end of year	**$ 80,726,352**	$ 73,774,334

See accompanying notes to the consolidated financial statements.

Province of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Statement of Cash Flows

	For the period from April 1, 2022 to November 30, 2022	For the year ended March 31, 2022
Increase (decrease) in cash and cash equivalents		
Operating transactions		
Annual surplus	**$ 8,485,484**	$ 15,759,392
Items not affecting cash:		
Amortization	**256,153**	418,104
Deferred capital contributions recognized	**(97,472)**	(147,541)
Employee future benefits recovery	**12,513**	40,564
Nova Scotia First Fund income	**(56,618)**	(40,466)
Landlord lease inducements amortized	**(13,418)**	(20,126)
Impairment of portfolio investments and loans receivable	**863,576**	933,658
Loss on disposal of property and equipment	**595**	-
	9,450,813	16,937,585
Changes in non-cash operating working capital	**704,792**	662,566
Employee future benefits payments	**(20,856)**	(31,656)
	10,134,749	17,568,495
Capital transactions		
Acquisition of property and equipment	**(81,126)**	(66,847)
Investing transactions		
Acquisitions of portfolio investments and advance of loans receivable	**(8,093,655)**	(20,475,707)
Proceeds on sale or redemption of portfolio investments	**460,315**	113,802,845
	(7,633,340)	93,326,138
Financing transaction		
Government transfer (Note 5)	**-**	(100,961,320)
Increase in cash and cash equivalents	**2,420,283**	9,866,466
Cash and cash equivalents, beginning of year	**13,436,795**	3,570,329
Cash and cash equivalents, end of year	**$ 15,857,078**	$ 13,436,795

Cash and cash equivalents consist of:		
Cash	**$ 12,224,208**	$ 11,439,568
Restricted cash:		
Cash	**3,910**	30,006
Cash equivalents	**3,628,960**	1,967,221
	$ 15,857,078	$ 13,436,795

See accompanying notes to the consolidated financial statements.

Province of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Statement of Remeasurement Losses

	For the period from April 1, 2022 to November 30, 2022	For the year ended March 31, 2022
Accumulated remeasurement (loss) gains, beginning of year	**$ (3,776,984)**	$ 32,563,728
Remeasurement gain (loss) arising during the year:		
Remeasurement (loss) gain on portfolio investments quoted in an active market	**(1,726,903)**	64,677,932
Amounts reclassified to the statement of operations:		
Realized gains on portfolio investments quoted in an active market	**(3,934)**	(101,018,644)
Net remeasurement loss	**(1,730,837)**	(36,340,712)
Accumulated remeasurement loss end of year	**$ (5,507,821)**	$ (3,776,984)

See accompanying notes to the consolidated financial statements.

1. Nature of operations and subsequent amalgamation

The Nova Scotia Innovation Corporation ("Innovacorp") was established on February 6, 1995, by the *Innovation Corporation Act* and is wholly owned by the Province of Nova Scotia. Its purpose is to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world. Innovacorp is exempt from income taxes under section 149 of the *Income Tax Act*.

In 1997, pursuant to the *Innovation Corporation Act*, the Province of Nova Scotia transferred the assets of the Nova Scotia First Fund ("NSFF") to Innovacorp. The objective of the fund is to encourage the development of high technology industries and the adoption of new technologies by existing industries.

In 2010, Order-in-Council ("OIC") 2009-228 authorized an advance of up to $30 million from the Province of Nova Scotia to the NSFF. In 2012, OIC 2011-326 authorized additional advances from the Province of Nova Scotia of up to $24 million for the creation of a clean technology fund which expired on March 31, 2016. In 2016, OIC 2016-267 authorized an additional advance of up to $29 million from the Province of Nova Scotia to the NSFF and authorized the undrawn balance of $11.3 million under OIC 2011-326 when it expired on March 31, 2016, to be advanced to the NSFF. Also, in 2016, OIC 2016-157 authorized $25 million for the creation of a venture capital fund. In 2019 Innovacorp repaid an $8 million loan related to OIC 2003-365 making this amount available to be advanced to the NSFF. As of November 30th, 2022, $54.4 million has been drawn and $29.5 million has been committed under these OICs, leaving $19.5 million as undrawn and available.

Effective December 1, 2022, the Corporation was amalgamated with Nova Scotia Business Incorporated, in accordance with the Invest Nova Scotia Act, passed by royal asset November 9, 2022. As a result of this amalgamation, effective December 1, 2022, all shares of the former Corporation were cancelled and all matters, affairs and actions of the former Corporation are assigned to Invest Nova Scotia.

Effective December 1, 2022, all assets of the former operations, including the rights, titles and interests of the former Corporation are vested in Invest Nova Scotia and all obligations and liabilities of the former Corporation are the obligations and liabilities of Invest Nova Scotia.

2. Summary of significant accounting policies

Basis of accounting

The consolidated financial statements of Innovacorp have been prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS") as established by the Public Sector Accounting Board ("PSAB").

Innovacorp reports all revenues and expenses on an accrual basis. Assets are carried at the lower of cost and net recoverable value except that certain financial instruments are carried at fair market value. Liabilities and financial obligations to outside organizations are recorded at the estimated amount ultimately payable.

Both financial and non-financial assets are reported on the consolidated statement of financial position. Non-financial assets are used to provide services in future periods and are charged to expense through amortization or upon utilization. These assets do not normally provide resources to discharge the liabilities of Innovacorp unless they are sold. As a result, non-financial assets are not taken into consideration when determining the net financial assets of Innovacorp, but rather are added to the net financial assets to determine the accumulated surplus.

Basis of consolidation

The financial statements are prepared on a fully consolidated basis and reflect the assets, liabilities, revenues and expenses of the reporting entity, which is composed of all organizations which are controlled by Innovacorp. These organizations are 1402998 Nova Scotia Limited and 3087532 Nova Scotia Limited, wholly owned subsidiaries whose year-ends are the same as that of Innovacorp.

All inter-departmental and inter-entity accounts and transactions between these organizations are eliminated upon consolidation.

2. Summary of significant accounting policies (continued)

Financial instruments

All financial instruments are recorded at their cost or amortized cost except for portfolio investments in equity instruments quoted in an active market which are recorded at their fair value with unrealized remeasurement gains and losses recorded in the statement of remeasurement gains and losses. Once realized, remeasurement gains and losses are transferred to the statement of operations. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the statement of operations.

Transaction costs related to financial instruments measured at cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs related to financial instruments recorded at their fair values are expensed as incurred.

Financial liabilities (or part of a financial liability) are removed from the statement of financial position when, and only when, they are discharged or cancelled or expire.

Cash and cash equivalents

Cash and cash equivalents include petty cash and amounts on deposit with financial institutions and is measured at cost.

Restricted cash and cash equivalents

Restricted cash and cash equivalents include funds held in the NSFF for future investments. The restricted cash equivalents comprise short-term investments with a term to maturity of three months or less at the date of acquisition.

Accounts receivable

Receivables are measured at amortized cost using the effective interest method. A valuation allowance is used to reduce the recorded value to the lower of its cost or net recoverable value.

Loans receivable

Loans receivable include promissory notes and convertible debentures which are carried at cost (including conversion features), with cost being equal to the fair value of the assets given up or liabilities assumed, with the exception of significantly concessionary notes and debentures which are carried at the discounted value of the note or debenture after the grant portion has been charged to the consolidated statement of operations.

For significantly concessionary loans, subsequent to the initial measurement, the loans are carried at amortized cost using the effective interest method.

Gains and losses are recognized in the consolidated statement of operations in the period the loans are derecognized or impaired.

Portfolio investments

Portfolio investments include investments which are publicly held and quoted in an active market, as well as investments in equity instruments of early stage private enterprises.

a. Portfolio investments which are publicly held and quoted in an active market

   Portfolio investments which are publicly held and quoted in an active market are carried at fair value. Unrealized gains and losses are reported in the consolidated statement of remeasurement gains and losses until they are realized or impaired, at which time the cumulative gain or loss is transferred to the consolidated statement of operations.

2. Summary of significant accounting policies (continued)

Portfolio investments (continued)

b. Investments in equity instruments of early stage private enterprises

Investments in equity instruments of private enterprises are carried at cost with realized gains and losses recognized in the consolidated statement of operations in the period they are sold. When the terms associated with a particular investment are so concessionary that the substance of the transaction is that all or a significant part of the investment is in the nature of a grant, the investment is carried at its discounted value after the grant portion of the transaction has been charged to the consolidated statement of operations.

The amount of any investment discount is amortized to revenue by applying the effective interest method over the term to redemption or maturity of the investment.

Payables and accruals

Payables and accruals are measured at amortized cost using the effective interest method with gains and losses recognized in the consolidated statement of operations in the period that the liability is derecognized.

Impairment of financial assets

a. Loans receivable

Loans receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and interest. A specific valuation allowance is established to reduce the recorded value of the impaired loan to its estimated net recoverable value.

Initial and subsequent changes in the amount of valuation allowance are recorded as a charge or credit to the consolidated statement of operations.

Loans receivable are written off after all reasonable restructuring and collection activities have taken place, and management believes that there is no realistic prospect of recovery. Once all or a part of a loan receivable has been written off, the write-off is not reversed.

In the event a loan which was previously written off is recovered, the recovery is credited to the consolidated statement of operations upon receipt.

b. Portfolio investments

When there has been a loss in the value of a portfolio investment that is other than a temporary decline, the investment is written down and a loss reported in the consolidated statement of operations. A write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

Fair value

Fair value is the estimated amount for which a financial instrument could be exchanged between willing parties, based on the current market for instruments with the same risk, principal and remaining maturity. Certain fair value estimates are significantly affected by assumptions for the amount and timing of estimated cash flows and discount rates, all of which reflect varying degrees of risk. As a result, the fair values may not necessarily be indicative of the amounts that would be realized if these instruments were actually settled. The methods and assumptions used to estimate the fair value of financial instruments are described in the following paragraphs.

2. Summary of significant accounting policies (continued)

Fair value (continued)

The fair values of investments in securities which are publicly held and quoted in an active market are based on quoted closing prices. The fair values of impaired investments for which there is no quoted market value are determined based on values indicated by transactions in the financial instruments of the investee. Where transactions in the financial instruments of the investee are not available, other factors, such as milestone progress, are considered in determining fair value.

Due to the short period to maturity, the fair value of cash, accounts receivable, and payables and accruals approximate their carrying values as presented in the consolidated statement of financial position.

Measurement uncertainty

The preparation of the consolidated financial statements in conformity with PSAS 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 the revenues and expenses during the reporting period. Key components of the consolidated financial statements requiring management to make significant estimates include the allowance for doubtful accounts, employee future benefits, the useful lives of property, equipment, the impaired value of loans receivable and equity investments in early stage private enterprises, retirement benefits and accruals. Actual results could differ materially from these estimates.

Revenue recognition

Incubation revenue is recognized as earned and collection reasonably assured and includes monthly rent and recoveries from tenants for utilities, photocopies, and other administration services. As it pertains to rent, Innovacorp has retained substantially all the benefits and risks of ownership of the properties; therefore, it accounts for these leases as operating expenses.

Investment revenue includes dividends, and capital gains and losses, as well as interest on cash balances, fixed income securities, and loans receivable, including amortization of premiums or discounts arising upon initial recognition in accordance with the effective interest method.

Interest is accrued daily to the extent it is deemed collectable, dividend income is recognized on the ex-dividend date, and capital gains and losses are recognized upon de-recognition of the investment.

Investment revenue ceases to be accrued when the collectability of such investment income is not reasonably assured.

Government contributions are recognized as revenue in the period the transfer is authorized, and all eligibility criteria have been met, except when and to the extent the transfer includes stipulations which have not yet been met.

Government contributions with stipulations are initially deferred and recognized as revenue as the related stipulations are met. Stipulations associated with the acquisition of property and equipment are considered to be met as the assets are used for their intended purpose.

Advances of statutory capital by the Province of Nova Scotia to finance investments are recognized at the later of the date that the funds are received and the date an eligible investment is made.

2. Summary of significant accounting policies (continued)

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government entity to an individual, an organization or another government for which the government making the transfer does not receive any goods or services directly in return, as would occur in a purchase, sale or other exchange transaction; expect to be repaid in the future, as would be expected in a loan; or expect a direct financial return, as would be expected in an investment.

Government transfers are transfer of monetary assets from Innovacorp to the Province of Nova Scotia are recognized as an expense in the period the transfer is authorized and all eligible criteria have been met by the recipient.

Property and equipment

Property and equipment are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of the property and equipment, excluding land, are amortized over their estimated useful lives at the following rates and methods:

Buildings	4%	declining balance
Site improvements	8%	declining balance
Equipment	20%	declining balance
Furniture and fixtures	20%	declining balance
Leasehold improvements	Terms of lease	straight-line
Information technology	3-20 years	straight-line

Property and equipment are written down when conditions indicate that they no longer contribute to the ability to provide goods and services, or when the value of future economic benefits associated with the property and equipment are less than their net book value.

When conditions indicate that certain property and equipment no longer contribute to Innovacorp's ability to provide goods and services, the cost of the assets are written down to residual value, if any.

When conditions indicate that the value of future economic benefits associated with the property and equipment are less than their net book value, and the decline in value is permanent, the cost of the property and equipment are written down to the total estimated undiscounted future cash flows in order to reflect the decline in the asset's value.

The net write-downs are accounted for as expenses in the consolidated statement of operations and are not reversed.

Contributed property and equipment are recorded in revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of property and equipment from related parties are recorded at carrying value.

Leases

Innovacorp accounts for the lease of its premises as an operating expense, as substantially all the risks of benefits and risk of ownership have been retained by the lessor. Payments made under operating leases are charges to the consolidated statement of operations on a straight line basis over the term of the lease.

The aggregate benefit on incentives received from the lessor are initially recorded as a lease inducement liability and subsequently recognized as a reduction of expense over the term of the lease, on a straight line basis (unless another systematic method is more appropriate).

2. Summary of significant accounting policies (continued)

Non-monetary transactions

Certain companies in which Innovacorp holds investments through the NSFF provide shares in exchange for rent. The value of the transaction is established by the fair value of fees charged for such services and is agreed by both parties. The number of shares is determined by share prices confirmed through third party transactions.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at year-end. Foreign currency transactions are translated at the exchange rate prevailing at the date of the transactions. For items denominated in a foreign currency, unrealized foreign exchange gains and losses between the transaction date and subsequent financial statement dates are recognized in the statement of remeasurement gains and losses until they are settled, upon which they are recognized in the statement of operations.

Retirement benefits

Innovacorp pays 65% of the cost of health care plans for substantially all retirees or surviving spouses of retirees ("post-retirement benefits"). The program is funded each year by the payment of the required premiums.

Innovacorp accrues its benefit liabilities under the above noted plans as the employees render the services necessary to earn the future benefits and has adopted the following policies:

- The liabilities are valued using the projected benefit method prorated on service and actuarial assessment and best estimates of the probability of retirement, salary escalation, inflation, expected health care costs, retirement ages and mortality rates.

- The discount rate applied is based on Innovacorp's cost of borrowing.

- Net actuarial gains or losses are amortized over the average remaining service period of the related employees.

  Adjustments for plan amendments related to prior period employee services, net of offsetting unamortized actuarial gain/losses, are recognized in the consolidated statement of operations in the period of plan amendment.

Pension plan

Innovacorp employees belong to the PSSP, which is a multi-employer joint trustee plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding.

Since sufficient information is not readily available to account for the Innovacorp's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting for defined contribution pension plans. No pension liability for this type of plan is included in the consolidated financial statements.

The joint trustee board of the plan determines the required plan contributions annually.

The contribution to the plan is recorded as an expense for the year.

2. Summary of significant accounting policies (continued)

Asset retirement obligations

Effective April 1, 2022, Innovacorp adopted new Public Sector Accounting Standard Section PS 3280 *Asset Retirement Obligations* (ARO) which recognizes legal obligations associated with the retirement of tangible capital assets. The consolidated financial statements of the comparative year have not been restated to reflect this change in the accounting policy, which has been applied prospectively. Under the prospective application method, all ARO incurred before and after the transition date are required to be recognized in accordance with the standard. The adaptation of the new standard did not have a significant impact on Innovacorp's consolidated financial statements.

Financial instruments / Foreign currency translation / Financial statement presentation

Effective April 1, 2022, Innovacorp adopted new Public Sector Accounting Standards Sections PS 3450 Financial Instruments, PS 3041 Portfolio Investments, PS 2601 Foreign Currency Translation and Section 1201 Financial Statement Presentation along with the related amendments. New Section PS 3450 requires the fair value measurement of portfolio investments in equities quoted in an active market. All other financial assets and liabilities are measured at cost or amortized cost (using the effective interest method), or, by policy choice, at fair value when the entity defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis. For items denominated in a foreign currency, unrealized foreign exchange gains and losses between the transaction date and subsequent financial statement dates are recognized in the statement of remeasurement gains and losses until they are settled, upon which they are recognized in the statement of operations.

The measurement requirements were applied prospectively. The recognition, derecognition, and measurement policies followed in the comparative period were not reversed and the comparative figures have not been restated.

3. Accounts receivable

	November 30, 2022	March 31, 2022
Trade receivables		
Ordinary	**$ 303,716**	$ 280,758
Related parties	**26,970**	12,126
HST receivable	**53,383**	91,568
Due from the Province of Nova Scotia	**-**	74,347
	384,069	458,799
Less: allowance for doubtful accounts	**-**	(5,510)
	$ 384,069	$ 453,289

Trade receivables with related parties carry similar payment terms to that of ordinary trade receivables.

The allowance for doubtful accounts is determined on a specific identification basis with consideration as to the age of the receivable, and management's knowledge of the clients' current financial situation.

4. Loans receivable

Loans receivable include promissory notes and convertible debentures which were issued under the mandate of the NSFF and have yet to earn significant revenues from their intended business activities or establish their commercial viability. The recovery of loan principal amounts and the realization of investment returns are dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises. Therefore, these factors have been considered in establishing the valuation allowance. Future adverse developments could result in further write-downs of the carrying values of these loans.

	November 30, 2022	March 31, 2022
Promissory notes	**$ 352,674**	$ 352,674
Convertible debentures	**1,930,000**	930,000
Valuation allowance	**(598,772)**	(226,772)
	$1,683,902	$1,055,902

The promissory notes and debentures have interest rates ranging between 5% and 12% (March 31, 2022 - between 5% and 10%).

The debentures are convertible at the option of Innovacorp into common or preferred shares of the borrower either on demand, in the event of default or at maturity. During the year, Innovacorp converted $Nil debentures (March 31, 2022 - $850,701) into common or preferred shares.

The maturity dates of the loans are as follows:

	Promissory notes	Convertible Debentures	Total amount due
Past due	$ 312,674	$ -	$ 312,674
Year ending March 31, 2023	40,000	-	40,000
Year ending March 31, 2024		930,000	930,000
Year ending March 31, 2025	-	1,000,000	1,000,000
	352,674	1,930,000	2,282,674
Valuation allowance	(226,772)	(372,000)	(598,772)
Carrying value	$ 125,902	$ 1,558,000	$ 1,683,902

5. Portfolio investments

Portfolio investments include investments which are publicly held and quoted in an active market, as well as investments in early-stage private enterprises that have yet to earn significant revenues from their intended business activities or establish their commercial viability.

The recovery of the investments in early-stage enterprises and the realization of investment returns are dependent upon the successful resolution of scientific, regulatory, competitive, and other risk factors, as well as the eventual commercial success of these enterprises. Therefore, these factors have been considered in determining the write-down of these investments. Future adverse developments could result in further write-downs of the carrying values of these investments.

5. Portfolio investments (continued)

	November 30, 2022	March 31, 2022
Investments quoted in an active market, at fair value	**$ 15,038,230**	$ 15,407,008
Investments in early-stage private enterprises, at cost	**61,648,421**	56,340,778
Less: other than temporary impairment	**(7,697,412)**	(7,226,092)
	53,951,009	49,114,686
Total	**$ 68,989,239**	$ 64,521,694

Included in investments quoted in an active market are investments of the NSFF with a fair value of $15,038,230 (March 31, 2022 - $15,407,008).

Included in investments in early-stage private enterprises are NSFF investments valued at cost less other than temporary impairment of $53,951,009 (March 31, 2022 - $49,114,686).

6. Retirement benefits

	November 30, 2022	March 31, 2022
Post-retirement benefits	**$ 1,795,114**	$ 1,803,457

Innovacorp continues to pay 65% of the cost of life insurance, dental and health care benefits for substantially all employees after retirement. Innovacorp provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the consolidated financial statements.

The accrued benefit liabilities as a result of the above noted plans, which are based on actuarial assumptions and calculations, are as follows:

	Post Retirement Benefits	
	November 30, 2022	March 31, 2022
Accrued benefit liability, beginning of year	**$ 1,803,457**	$ 1,794,549
Current period benefit cost		
Current service cost	**23,381**	40,659
Interest cost	**26,670**	39,808
Amortization of actuarial experience gains	**(37,538)**	(39,983)
Less: benefits paid during the period	**(20,856)**	(31,576)
Accrued benefit liability, end of year	**1,795,114**	1,803,457
Unamortized actuarial experience gains	**(442,917)**	(401,789)
Accrued benefit obligation, end of year	**$ 1,352,197**	$ 1,401,668

The significant assumptions adopted by management in measuring the accrued benefit obligations are as follows:

	November 30, 2022	March 31, 2022
Discount rate	**2.96%**	2.74%
Percentage of member electing health care coverage at retirement	**70%**	70%
Extended health care cost increase	**4.0% - 6.55%**	0% - 4.0%
Inflation rate	**2.00%**	2.00%

6. Retirement benefits (continued)

The unamortized actuarial gains and losses are amortized over the average remaining service life of the related employee group which has been estimated to be 8 years for post – retirement benefits (March 31, 2022 - 9 years).

The last actuarial valuation for accounting purposes took place on April 1, 2020. During the year, the services of an actuary were obtained to update the accrued benefit obligation balances as of November 30, 2022.

7. Pension plan

Innovacorp and its employees contribute to the PSSP in accordance with the Public Service Superannuation Act. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The contribution rates for eligible employees were 8.4% for earnings up to the Year's Maximum Pensionable Earnings for Canada Pension Plan contributions and 10.9% for excess earnings (March 31, 2022 - 8.4% for earnings up to the Year's Maximum Pensionable Earnings for Canada Pension Plan contributions and 10.9% for excess earnings). Innovacorp matches employee contributions to the plan. During the eight months ended November 30, 2022, Innovacorp contributed $182,952 (March 31, 2022 - $285,836) to the plan.

These contributions are Innovacorp's pension benefit expense. Since sufficient information is not readily available to account for Innovacorp's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting for defined contribution pension plans. No pension liability for this type of plan is included in the consolidated financial statements.

8. Deferred capital contributions

	Balance, beginning of year	Transferred to revenue	Balance, end of year
PNS – Knowledge Park [a]	$ 375,176	$ -	$ 375,176
PNS – Fibre MAN [b]	18,188	3,000	15,188
ACOA – 1344 Summer St. [c]	136,893	11,408	125,485
PNS – Building Energy retrofit [d]	84,314	2,677	81,637
ACOA – 1344 Summer St. [e]	258,257	19,013	239,244
ACOA – 1344 Summer St. [f]	274,103	20,221	253,882
ACOA – 1344 Summer St. [g]	296,490	20,098	276,392
ACOA – 1344 Summer St. [h]	256,299	21,055	235,244
	$ 1,699,720	$ 97,472	$ 1,602,248

(a) OIC 2005-387 provided Innovacorp with $1.7 million in funding for infrastructure improvements in the Woodside Industrial Park towards the creation of a Knowledge Park on land owned by Innovacorp. Funding under this OIC has been fully advanced. Expenditures on land improvements have been deferred and are recognized upon disposition of land inventory.

(b) In 2005, the Province of Nova Scotia ("PNS") provided Innovacorp with $98,200 to connect Innovacorp to the Halifax Area Dark Fibre Network. Additionally, $90,000 was paid to the operator of the network, which entitled Innovacorp to use it for 20 years. These funds are being recognized over the period for which their cost entitles Innovacorp to access the ark fibre network.

(c) In 2011, Atlantic Canada Opportunities Agency ("ACOA") provided Innovacorp with $348,000 in assistance to fit-up space at the Innovacorp Enterprise Centre ("IEC"). These funds are being recognized on the same basis as the assets they funded are amortized.

8. Deferred capital contributions (continued)

(d) In 2012, under the Government Building Energy Retrofit program, the Nova Scotia Department of Transportation and Infrastructure Renewal covered the $121,831 cost of converting Innovacorp's air handling unit at 1 Research Dive from electric to natural gas. The associated costs have been deferred and will be recognized on the same basis as the asset they funded is amortized.

(e) In 2013, ACOA provided Innovacorp with $500,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are amortized.

(f) In 2014, ACOA provided Innovacorp with $500,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are amortized.

(g) In 2015, ACOA provided Innovacorp with up to $500,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are amortized and were fully recognized as revenue in the current year.

(h) In 2016, ACOA provided Innovacorp with up to $430,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are amortized.

9. Property and equipment

November 30, 2022

	Land	Buildings	Site improvements	Equipment	Furniture and fixtures	Leasehold improvements	Information technology	November 30, 2022 total
Cost								
Opening balance	$ 22,778	$ 1,711,035	$ 441,057	$ 437,655	$ 651,176	$ 4,015,250	$ 532,205	$ 7,811,156
Additions	-	-	-	6,541	-	-	74,585	81,126
Disposals	-	-	-	(21,596)	(3,210)	-	(46,204)	(71,010)
Closing balance	22,778	1,711,035	441,057	422,600	647,966	4,015,250	560,586	7,821,272
Accumulated amortization								
Opening balance	-	603,229	302,480	311,803	562,906	1,866,137	422,782	4,069,337
Amortization	-	29,540	7,391	17,299	11,769	150,216	39,938	256,153
Disposals	-	-	-	(21,596)	(3,210)	-	(45,609)	(70,415)
Closing balance	-	632,769	309,871	307,506	571,465	2,016,353	417,111	4,255,075
Net book value	$ 22,778	$ 1,078,266	$ 131,186	$ 115,094	$ 76,501	$ 1,998,897	$ 143,475	$ 3,566,197

March 31, 2022

	Land	Buildings	Site improvements	Equipment	Furniture and fixtures	Leasehold improvements	Information technology	March 31, 2022 total
Cost								
Opening balance	$ 22,778	$ 1,711,035	$ 441,057	$ 935,844	$ 679,935	$ 4,248,489	$ 502,222	$ 8,541,360
Additions	-	-	-	-	-	-	66,847	66,847
Disposals	-	-	-	(498,189)	(28,759)	(233,239)	(36,864)	(797,051)
Closing balance	22,778	1,711,035	441,057	437,655	651,176	4,015,250	532,205	7,811,156
Accumulated amortization								
Opening balance	-	557,070	290,430	774,888	569,572	1,843,023	413,301	4,448,284
Amortization	-	46,159	12,050	35,104	22,093	256,353	46,345	418,104
Disposals	-	-	-	(498,189)	(28,759)	(233,239)	(36,864)	(797,051)
Closing balance	-	603,229	302,480	311,803	562,906	1,866,137	422,782	4,069,337
Net book value	$ 22,778	$ 1,107,806	$ 138,577	$ 125,852	$ 88,270	$ 2,149,113	$ 109,423	$ 3,741,819

10. Government contributions

Innovacorp receives an annual contribution from the Province of Nova Scotia, as well as funding from various other federal and provincial government agencies for current operations, acquisition of property and equipment, and special project funding. Funding specifically related to the acquisition of property and equipment is deferred as disclosed in Note 8. Innovacorp also receives advances of statutory capital from the Province of Nova Scotia to finance NSFF and clean technology fund investments. These advances are recognized as revenue at the later of the date on which the funds are received and the date on which an eligible investment is made. Gains and losses on these investments will be recognized in operating surplus or deficit in subsequent periods in accordance with the portfolio investments accounting policy described in Note 2.

Details of funding for the year are as follows:

	November 30, 2022	March 31, 2022
Contributions received – Province of Nova Scotia	**$ 4,330,494**	$ 9,045,240
Statutory capital advances	**9,231,474**	15,160,216
ACOA Funding General	**75,995**	273,164
Clean Tech Funding	**-**	275,000
Recognition of previously deferred contributions - (Note 8)		
ACOA	**91,795**	137,691
Province of Nova Scotia	**5,677**	8,514
Total government contributions revenue	**$ 13,735,435**	$ 24,899,825

11. Expenses by object

	November 30, 2022	March 31, 2022
Advertising and promotion	**$ 102,550**	$ 140,523
Amortization	**256,153**	418,104
Awards	**247,901**	2,477,251
Communications	**78,947**	159,867
Information resources	**136,453**	185,622
Miscellaneous	**23,706**	59,786
Outside services	**2,402,046**	3,702,043
Professional development	**60,242**	102,549
Repairs and maintenance	**109,292**	228,411
Salaries and benefits	**2,369,338**	3,776,733
Supplies	**58,074**	96,800
Travel	**79,772**	35,889
Utilities	**65,885**	120,116
	$ 5,990,359	$ 11,503,694

12. Related party transactions

In addition to the other related party transactions and balances disclosed elsewhere in the consolidated financial statements, Innovacorp generated revenue of $356,657 (March 31, 2022 - $467,780) on sales to NSFF investees during the eight months ended November 30, 2022. These sales were in the normal course of operations and at the same terms and conditions, as sales to unrelated parties.

Contributions received from Province of Nova Scotia as disclosed in Note 10, includes salaries and benefits that Province of Nova Scotia pays on behalf of Innovacorp. For the eight months ended November 30, 2022 total salaries and benefits paid by Province of Nova Scotia on behalf of Innovacorp totalled $2,369,338 (12 months ended March 31, 2022 - $3,776,733).

Payables and accruals at November 30, 2022 include $1,492,660 (March 31, 2022 - $108,857) payable to the Province of Nova Scotia, related to salary that was paid on Innovacorp's behalf by the Province of Nova Scotia, as well as $116,548 payable to the Province of Nova Scotia for unused contributions (March 31, 2022 - $Nil).

Receivables and accruals at November 30, 2022 include $Nil (March 31, 2022 - $70,947) due from the Province of Nova Scotia at November 30, 2022.

13. Financial instruments

Classification of financial instruments

The following table provides the carrying amount information of Innovacorp's financial instruments by category. The maximum exposure to credit risk for the financial assets would be the carrying values shown below.

	November 30, 2022		March 31, 2022	
	Fair value	**Classification Cost**	Fair value	Classification Cost
Financial asset				
Cash	**$ -**	**$ 12,224,208**	$ -	$11,439,568
Restricted cash and cash equivalents	**-**	**3,632,870**	-	1,997,227
Accounts receivable	**-**	**384,069**	-	453,289
Loans receivable	**-**	**1,683,902**	-	1,055,902
Portfolio investments				
Investments quoted in an active market	**15,038,230**	**-**	15,407,008	-
Investments in early stage private enterprises	**-**	**53,951,009**	-	49,114,686
	$15,038,230	**$ 71,876,058**	$15,407,008	$64,060,672
Financial liabilities				
Payables and accruals	**$ -**	**$ 2,052,542**	$ -	$ 1,724,352

13. Financial instruments (continued)

Fair value

The following table provides an analysis of financial instruments that are subsequently measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	November 30, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments quoted in an active market	$15,038,230	$ -	$ -	$15,038,230

Level 1 - Fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities using last bid price or liabilities;

Level 2 - Fair value measurements are these derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Risk disclosures

Innovacorp is exposed to various financial risks arising from its financial assets and liabilities. These include market risk relating to changes in equity prices, liquidity risk and credit risk. To manage these risks, Innovacorp adheres to a board-approved investment policy that governs its venture capital and liquid portfolio investing activities. Innovacorp's business model, which provides incubation, business guidance and investment services to early stage technology enterprises, is also used to mitigate risks.

Market risk

Market risk is the risk that the future cash flows of a financial instrument will fluctuate as a result of changes in market prices. For Innovacorp, market risk is composed of price risk on equity securities.

Price risk

Price risk refers to the risk that the fair value of the financial instrument will vary as a result of changes in market prices of the financial instrument. Fluctuation in the market price of an instrument may result from perceived changes in the underlying economic characteristics of the investment, the relative price of alternative investments, and general market conditions. Therefore, there is a risk that an amount realized in the subsequent sale of portfolio investments which are quoted in an active market may significantly differ from the reported value.

Interest rate risk

Interest rate price risk is the risk that market values of a financial instrument will vary as a result of changes in underlying interest rates.

13. Financial instruments (continued)

Interest rate risk (continued)

Innovacorp partially mitigates its exposure to interest rate fluctuations through limitations on duration of its fixed portfolio imposed by its investment policy.

Innovacorp manages its equity price risk through the use of strict investment policies approved by the board of directors. These policies cover investment position and transaction limits, trade authorizations, record keeping and investment reporting.

Liquidity risk

Liquidity risk is the risk that Innovacorp will encounter difficulty in meeting its financial obligations as they become due. Innovacorp believes it has access to sufficient capital through operating and investing cash flows. Ongoing operating funding from the Province of Nova Scotia is required to meet the obligations set out below. In addition, occupancy levels in its facilities are a key factor in Innovacorp's ability to make quarterly principal and interest payments under its building improvement loan.

The following table shows the remaining contractual maturities of financial liabilities:

	Due within 1 year	No set terms of repayment	November 30, 2022 total
Payables and accruals	$ 2,052,542	$ -	$ 2,052,542

Credit risk

Credit risk refers to the risk that a counterparty will fail to fulfill its obligations under a contract and, as a result, will cause Innovacorp to suffer a loss. Innovacorp's financial assets that are exposed to credit risk consist primarily of fixed income portfolio investments quoted in an active market, accounts receivable, and loans receivable.

Accounts receivable

Accounts receivable includes trade receivables, due from related parties, HST receivable, and other accrued receivables.

As at November 30, 2022, 13.9% (March 31, 2022 - 9.4%) of trade receivables are due from early stage technology-based companies. The development stage of Innovacorp's client base combined with the technology sector concentration, increases the associated credit risk. Innovacorp's active involvement with its clients mitigates this risk.

The credit risk associated with the remaining balances is low given that the balances are due from other government entities.

Innovacorp's maximum exposure to credit risk from accounts receivable is its carrying value of $384,069 (March 31, 2022 - $453,289).

13. Financial instruments (continued)

Loans receivable

Loans receivable include promissory notes and convertible debentures issued under the mandate of the NSFF.

These loans have been issued to enterprises in the development stage that have yet to earn significant revenues from their intended business activities or establish their commercial viability. The recovery of loan principal amounts and the realization of investment returns are dependent upon the successful resolution of scientific, regulatory, competitive, and other risk factors, as well as the eventual commercial success of these enterprises.

Credit risk of the loans receivable is mitigated by Innovacorp's presence on the boards of the investees and the majority of the loans have security interests in the property of the investees.

Innovacorp's maximum exposure to credit risk from the loans receivable at November 30, 2022 is its carrying value of $1,683,902 (March 31, 2022 - $1,055,902).

Details of the carrying value of accounts receivable and loans receivable that are past due at the financial statement date, but not impaired, are as follows:

	Current	Up to 60 days past due	Over 60 days past due	Allowance for doubtful accounts	Total
Accounts receivable					
Trade receivable	$ 77,148	$ 138,520	$ 88,048	$ -	$ 303,716
HST receivable	-	-	53,383	-	53,383
Non trade due from related parties	1,472	22,099	3,399	-	26,970
	78,620	160,619	144,830	-	384,069
Loans receivable	1,970,000	-	312,674	(598,772)	1,683,902
Totals	$ 2,048,620	$ 160,619	$ 457,504	$ (598,772)	$2,067,971

14. Contractual obligations

Innovacorp has entered into operating lease arrangements for buildings and equipment. Future minimum annual lease payments for the next five years and four months under these leases are as follows:

March 31, 2023 (4 months)	$ 584,308
March 31, 2024	1,744,231
March 31, 2025	1,669,833
March 31, 2026	1,316,142
March 31, 2027	1,310,312
March 31, 2028	1,310,312
	$ 7,935,138

As at November 30, 2022, there were $29.5 million (March 31, 2022 - $29.5 million) approved commitments to invest under the mandate of the NSFF.

15. Segmented information

Innovacorp’s segments have been identified on the basis of functional classifications of activities undertaken by Innovacorp, including incubation, acceleration, investment, and corporate services.

The corporate services segment represents the accumulation of revenue and expenses pertaining to the administration of Innovacorp. The corporate services segment includes the areas of communication and marketing, human resources, and Innovacorp’s finance and portfolio management.

The investment segment represents the accumulation of revenue and expenses pertaining to the administrative functions of reviewing and managing investment files.

The incubation segment represents the accumulation of revenue and expenses pertaining to two facilities managed and operated by Innovacorp where rent and business services are offered for fees.

The acceleration segment represents the accumulation of revenue and expenses pertaining to other programs and fostering activities that are offered to start ups.

Segmentation is based on the core activities of the Innovacorp and their related support resources. The revenue and expenses of each segment is accumulated based on actual occurrences of events and incurrence of costs.

Province of Nova Scotia
Nova Scotia Innovation Corporation
Notes to the Consolidated Financial Statements
November 30, 2022

	Corporate Services		Investment		Incubation		Acceleration		Consolidated	
	Nov-22	Mar-22	**Nov-22**	Mar-22	**Nov-22**	Mar-22	**Nov-22**	Mar-22	**Nov-22**	Mar-22
Operating revenues										
Government contributions	**$13,735,435**	24,899,825	**-**	-	**-**	-	**-**	-	**$13,735,435**	$24,899,825
Interest and dividends on portfolio investments and loans	**-**	-	**138,046**	175,122	**-**	-	**-**	-	**138,046**	175,122
Rent	**-**	-	**-**	-	**728,831**	1,083,078	**61,683**	95,223	**790,514**	1,178,301
Business recoveries	**-**	-	**-**	-	**198,321**	341,506	**19,400**	23,183	**217,721**	364,689
Other	**74,703**	49,093	**-**	-	**4,558**	7,746	**233,267**	971,881	**312,527**	1,028,719
	13,810,138	24,948,918	**138,046**	175,122	**931,710**	1,432,330	**314,350**	1,090,287	**15,194,243**	27,646,656
Operating expenses										
Advertising and promotion	**94,671**	91,725	**-**	-	**2,855**	15,023	**5,024**	33,775	**102,550**	140,523
Amortization	**80,002**	125,366	**-**	-	**174,724**	288,877	**1,427**	3,861	**256,153**	418,104
Awards	**-**	-	**-**	-	**-**	-	**247,901**	2,477,251	**247,901**	2,477,251
Communications	**63,670**	134,425	**2,062**	6,299	**3,131**	6,544	**10,084**	12,599	**78,947**	159,867
Information resources	**80,523**	118,718	**51,462**	64,950	**108**	160	**4,360**	1,794	**136,453**	185,623
Miscellaneous	**7,575**	8,008	**207**	2,995	**14,454**	46,617	**1,470**	2,166	**23,706**	59,785
Outside services	**534,660**	699,564	**266,311**	109,434	**1,109,193**	1,668,643	**491,882**	1,224,402	**2,402,046**	3,702,045
Professional development	**29,251**	50,609	**11,151**	34,023	**1,547**	1,756	**18,293**	16,161	**60,242**	102,549
Repairs and maintenance	**8,002**	13,466	**-**	-	**101,290**	205,202	**-**	9,743	**109,292**	228,410
Salaries and benefits	**970,187**	1,384,415	**364,317**	852,005	**377,648**	522,682	**657,186**	1,017,631	**2,369,338**	3,776,732
Supplies	**20,053**	24,246	**-**	435	**34,253**	42,362	**3,768**	29,757	**58,074**	96,800
Travel	**16,966**	10,324	**17,151**	5,710	**776**	965	**44,879**	18,890	**79,772**	35,888
Utilities	**7,619**	17,118	-	-	**58,266**	102,998	**-**	-	**65,885**	120,116
	1,913,179	2,677,984	**712,661**	1,075,851	**1,878,245**	2,901,829	**1,486,274**	4,848,030	**5,990,359**	11,503,693
Operating surplus (deficit)	**$ 11,896,959**	$ 22,270,934	**$ (574,615)**	$ (900,729)	**$ (946,535)**	$ (1,469,499)	**$ (1,171,924)**	$ (3,757,743)	**$ 9,203,884**	$ 16,142,963
Impairment of portfolio investments and loans receivable	**-**	-	**(863,576)**	(933,658)	**-**	-	**-**	-	**(863,576)**	(933,658)
Realized gains on marketable	**-**								**-**	
securities	**-**	-	**145,771**	101,511,407	**-**	-	**-**	-	**145,771**	101,511,407
Loss on disposal of property and	**-**								**-**	
equipment	**(595)**	-	**-**	-	**-**	-	**-**	-	**(595)**	-
Government transfer	**-**	-	**-**	(100,961,320)	**-**	-	**-**	-	**-**	(100,961,320)
	(595)	-	**(717,805)**	(383,571)	**-**	-	**-**	-	**(718,400)**	(383,571)
Annual surplus (deficit)	**$ 11,896,364**	$ 22,270,934	**$ (1,292,420)**	$ (1,284,300)	**$ (946,535)**	$ (1,469,499)	**$ (1,171,924)**	$ (3,757,743)	**$ 8,485,484**	$ 15,759,392

16. Compensation disclosure

The schedule of compensation payments will be published in compliance with the provisions of *The Public Sector Compensation Disclosure Act.* The Act requires the publication of the names of every person who receives the amount of compensation of $100,000 or more in the fiscal year and the amount paid to each. As such the compensation disclosure for employees of Innovacorp will be captured in the financial statements for March 31, 2023 for Invest Nova Scotia.

17. Budgeted figures

The budgeted figures presented are approved annually by the Board with the Business Plan for the fiscal year, and represent planned revenues and expenses for operations. The budgeted figures presented are consistent with Public Sector Accounting Standards. The fiscal 2022 budget was approved by the Board on February 8, 2022.

Budgeted figures have been presented within the statement of operations for the period from April 1, 2022 to November 30, 2022. Due to the budget figures being approved for the year April 1, 2022 to March 31, 2023, prorated figures have been presented. The difference in figures used for the consolidated financial statements and the approved fiscal plan have been outlined below.

	Budget	Prorated	Difference
Revenues			
Corporate services			
Government contributions – operations	$ 9,449,421	$ 6,299,614	$ 3,149,807
Other	24,000	16,000	8,000
Incubation	1,367,186	911,457	455,729
Acceleration	368,089	245,393	122,696
Investment	1,800	1,200	600
	11,210,496	7,473,664	3,736,832
Expenses			
Corporate services	3,213,582	2,142,388	1,071,194
Incubation	3,095,922	2,063,948	1,031,974
Acceleration	3,949,007	2,632,671	1,316,336
Investment	1,235,172	823,448	411,724
	11,493,683	7,662,455	3,831,228
Operating deficit	(283,187)	(188,791)	(94,396)
Impairment of portfolio investments and loans receivable	(500,000)	(333,333)	(166,667)
Deficit	$ (783,187)	$ (522,124)	$ (261,063)

Consolidated financial statements of

Invest Nova Scotia

March 31, 2023

Management's Report

Management's Responsibility for the Consolidated Financial Statements

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

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a semi-annual basis and external audited consolidated financial statements yearly.

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Nova Scotia Business Incorporated and meet with them when required.

On behalf of Invest Nova Scotia

Peter MacAskill
CEO

Daisy Karasek
Controller

Ferdinand Makani
Controller

Deloitte.

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Independent Auditor's Report

To the Minister, Department of Economic Development for
Invest Nova Scotia

Opinion

We have audited the consolidated financial statements of Invest Nova Scotia (the "Organization"), which comprise the consolidated statement of financial position as at March 31, 2023 and the consolidated statements of operations, remeasurement gains, change in net financial assets and cash flow for the four month period ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2023, and the results of its operations, its remeasurement gains and losses, changes in its net debt, and its cash flows for the four-month period ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
July 13, 2023
Halifax, Nova Scotia

Invest Nova Scotia

Consolidated statement of operations and changes in accumulated surplus

Four month period ended March 31, 2023
(In thousands of dollars)

	Notes/ Schedules	2023 $
Revenue		
Provincial		
Operating grant		22,199
Strategic investment grant		9,671
Statutory capital contributions		3,394
Miscellaneous		187
Other		742
Ordinary recoveries		730
Federal grant		359
Interest on loans receivable		74
Nova Scotia Independent Production Fund ("NSIPF") revenue	Schedule 1	7
		37,363
Expenses		
Operating expenses	Schedule 2	23,910
Strategic investments		9,671
Nova Scotia Fund	Schedule 3	165
Nova Scotia Independent Production Fund ("NSIPF") expenses	Schedule 1	7
		33,753
Operating surplus		3,610
Net assets transferred upon amalgamation	Note 1	105,790
Realized gains on equity investments		1
Recovery (impairment) of portfolio investments and loans receivables		(2,568)
Transfer payments to the Province of Nova Scotia	5 and 7	(8,000)
		95,223
Surplus		98,833
Accumulated surplus, beginning balance		—
Accumulated surplus, end of period		98,833

The accompanying notes and schedules are an integral part of the consolidated financial statements.

Invest Nova Scotia

Consolidated statement of changes in net financial assets

Four month period ended March 31, 2023
(In thousands of dollars)

	2023 $
Surplus	**98,833**
Net remeasurement gain	**703**
	99,536
Change in tangible capital assets	
Transfer-in / acquisition of tangible capital assets	**(5,473)**
Amortization of tangible capital assets	**160**
Net change in tangible capital assets	**(5,313)**
Change in other non-financial assets	
Transfer-in / increase of prepaid assets	**(487)**
Net change in other non-financial assets	**(487)**
Increase in net financial assets	**93,736**
Net financial assets, opening balance	**—**
Net financial assets, end of period	**93,736**

The accompanying notes and schedules are an integral part of the consolidated financial statements.

Invest Nova Scotia

Consolidated statement of financial position

As at March 31, 2023

(In thousands of dollars)

	Notes	2023 $
Financial assets		
Cash and cash equivalents		**29,037**
Restricted cash and cash equivalents		**3,847**
Interest receivable		**88**
Other receivables		**3,519**
Receivables - NSIPF		**2**
Due from the Province of Nova Scotia	7	**15,651**
Loans receivable	3, 6 and 11	**7,710**
Portfolio investments	4, 6 and 11	**77,081**
		136,935
Liabilities		
Accounts payable and accrued liabilities	7 and 11	**36,205**
Accounts payable and accrued liabilities - NSIPF		**9**
Deferred revenue		**691**
Deferred revenue - NSIPF		**789**
Deferred capital contributions	16	**1,554**
Lease inducement liability		**30**
Employee benefits and other liabilities	15	**3,869**
Film production assistance commitments payable - NSIPF	17	**52**
		43,200
Net financial assets		**93,736**
Non-financial assets		
Tangible capital assets	5	**5,313**
Prepaid expenses		**487**
		5,800
Accumulated surplus	8	**99,536**
Accumulated surplus is comprised of		
Accumulated operating surplus		**98,833**
Accumulated remeasurement gain		**703**
		99,536
Contractual obligations	9	
Contingencies	10	

The accompanying notes and schedules are an integral part of the consolidated financial statements.

On behalf of the Province of Nova Scotia

________________, Minister

Invest Nova Scotia

Consolidated statement of cash flows

Four month period ended March 31, 2023

(In thousands of dollars)

	Notes	2023 $
Operating transactions		
Surplus		**98,833**
Items not affecting cash and cash equivalents		
Amortization of tangible capital assets	5	**160**
Net assets transferred upon amalgamation	1	**(105,790)**
Allowance for impairment of portfolio investments & loans receivable		**2,568**
Deferred capital contributions recognized		**(49)**
Employee future benefits recovery		**(21)**
Nova Scotia First Fund income		**(24)**
Landlord lease inducements amortized		**(7)**
Employee future benefits payments		**10**
Changes in non-cash working capital	13	**(1,119)**
		(5,439)
Investing transactions		
Loan advances		**(1,135)**
Portfolio investments		**(9,813)**
Proceeds on sale or redemption of portfolio investments		**814**
Principal received on loans		**680**
		(9,454)
Financing transaction		
Government transfers	5 and 7	**8,000**
		8,000
Increase in cash and cash equivalents		**(6,893)**
Cash from amalgamation	Note 1	**39,777**
Cash and cash equivalents, end of period		**32,884**
Cash and cash equivalents consists of		
Cash		**29,037**
Restricted cash		
Cash		**961**
Cash equivalents		**2,886**
		32,884

Supplementary cash flow information 13

The accompanying notes and schedules are an integral part of the consolidated financial statements.

Invest Nova Scotia

Consolidated statement of remeasurement gains

Four month period ended March 31, 2023

(In thousands of dollars)

	2023 $
Accumulated remeasurement gains, beginning of period	**—**
Remeasurement gain arising during the year	
Remeasurement gain on portfolio investments quoted in an active market	**707**
Amounts reclassified to the statement of operations	
Realized loss on portfolio investments quoted in an active market	**(4)**
Net remeasurement gain	**703**
Accumulated remeasurement gains, end of period	**703**

The accompanying notes and schedules are an integral part of the consolidated financial statements.

(In thousands of dollars)

1. Business overview

Nova Scotia Business Incorporated ("NSBI") and Nova Scotia Innovation Corporation ("Innovacorp") (collectively "former Corporations") were amalgamated and continued as a body corporate known as Invest Nova Scotia, ("Corporation") in pursuant of the Invest Nova Scotia Act, Chapter 37 of the Acts of 2022 ("Act") passed the Province of Nova Scotia on December 1, 2022. Pursuant to this Act, all shares of the former Corporations were cancelled and all their matters, affairs, actions, assets including rights, titles and interests, obligations and liabilities including employee benefits and entitlements were assigned to the Corporation. Also, all employees of the former Corporations were transferred to the Corporation. The Corporation is wholly owned by the Province of Nova Scotia and its management and control of affairs are vested in the Minister of Economic Development ("Minister").

The carrying amount of assets and liabilities transferred and received on December 1, 2022 are as follows:

Financial assets	
Cash and cash equivalents	39,777
Investments	8,000
Receivables	847
Due from the Province of Nova Scotia	9,524
Loans receivable	8,199
Portfolio investments	68,989
	135,336
Liabilities	
Accounts payable and accrued liabilities	29,567
Deferred revenue	2,905
Lease inducement liability	37
Employee benefits and other liabilities	2,707
Film production assistance commitments payable	363
	35,579
Non-financial assets	
Tangible capital assets	5,473
Prepaid expenses	560
	6,033
	105,790

The net surplus of $105,790 from the former Corporations was recognized as revenue in the statement of operations.

The Corporation's mission is to promote economic growth and community economic development in the Province by enabling business, innovation and entrepreneurship. The Corporation is not subject to provincial or federal taxes.

On December 1, 2022, NSIPF became a subsidiary of Invest Nova Scotia under the Invest Nova Scotia Act, Chapter 37 of the Acts of 2022 coming into force.

NSIPF's purpose continues to be as an IPF, to support Nova Scotia and Canadian television programming by receiving contributions as a restricted independent production fund under the Broadcasting Distribution Regulations and to distribute such contributions to productions determined to be eligible for funding in accordance with the requirements of the CRTC.

2. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements of the Corporation have been prepared by management in accordance with Canadian public-sector accounting standards ("PSAS") as established by the Public Sector Accounting Board ("PSAB").

The Corporation follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay. Assets are carried at the lower of cost and net recoverable value except that certain financial instruments are carried at fair market value. Liabilities and financial obligations to outside organizations are recorded at the estimated amount ultimately payable.

Both financial and non-financial assets are reported on the consolidated statement of financial position. Non-financial assets are used to provide services in future periods and are charged to expense through amortization or upon utilization. These assets do not normally provide resources to discharge the liabilities of Invest Nova Scotia unless they are sold. As a result, non-financial assets are not taken into consideration when determining the net financial assets of Invest Nova Scotia, but rather are added to the net financial assets to determine the accumulated surplus.

Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in net financial assets and cash flows of the reporting entity. The reporting entity is comprised of the following entities which are owned or controlled by the Corporation:

- Invest Nova Scotia
- Nova Scotia Independent Production Fund
- 1402998 Nova Scotia Limited
- 3087532 Nova Scotia Limited

All inter-departmental and inter-entity balances and transfers between the entities have been eliminated on consolidation.

Cash and cash equivalents

Cash includes petty cash and amounts on deposit with financial institutions. Cash equivalents include short-term highly liquid investments with a term to maturity of 365 days or less at acquisition. All are measured at fair market value.

Restricted cash and cash equivalents

Restricted cash and cash equivalents include funds held in the Nova Scotia First Fund ("NSFF") for future investments and Nova Scotia Independent Production Fund ("NSIPF") for future film production incentives . The restricted cash equivalents comprise short-term investments with a term to maturity of three months or less at the date of acquisition.

Accounts receivable

Receivables are measured at amortized cost using the effective interest method. A valuation allowance is used to reduce the recorded value to the lower of its cost or net recoverable value.

2. Summary of significant accounting policies (continued)

Loans receivable

Loans receivable include promissory notes and convertible debentures which are carried at cost (including conversion features), with cost being equal to the fair value of the assets given up or liabilities assumed, with the exception of significantly concessionary notes and debentures which are carried at the discounted value of the note or debenture after the grant portion has been charged to the consolidated statement of operations.

For significantly concessionary loans, subsequent to the initial measurement, the loans are carried at amortized cost using the effective interest method. Loans receivable are recognized at amortized cost using the effective interest rate method. Loans receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and interest. A specific valuation allowance is established to reduce the recorded value of the impaired loan to its estimated net recoverable value.

A general allowance of 5% of cost against former NSBI loans receivable is recorded to reflect anticipated future losses for all loans receivable which do not have a specific allowance.
A general allowance was recorded on loans receivable with a net carrying value of $5,870 in Note 3.

Initial and subsequent changes in the amount of valuation allowance are recorded as a charge or credit to the statement of operations.

Loans receivable are written off after all reasonable restructuring and collection activities have taken place, and management believes that there is no realistic prospect of recovery. Once all or a part of a loan receivable has been written off, the write-off is not reversed, unless the loan receivable is recovered, in which case the recovery is credited to the statement of operations upon receipt.

Portfolio investments

Portfolio investments include:

(a) Investments which are publicly held and quoted in an active market

Portfolio investments which are publicly held and quoted in an active market are carried at fair value. Unrealized gains and losses are reported in the consolidated statement of remeasurement gains and losses until they are realized or impaired, at which time the cumulative gain or loss is transferred to the consolidated statement of operations.

(b) Investments in equity instruments of early stage private enterprises

Investments in equity instruments of early stage private enterprises are carried at cost with realized gains and losses recognized in the consolidated statement of operations in the period they are sold. When the terms associated with a particular investment are so concessionary that the substance of the transaction is that all or a significant part of the investment is in the nature of a grant, the investment is carried at its discounted value after the grant portion of the transaction has been charged to the consolidated statement of operations.

2. Summary of significant accounting policies (continued)

Portfolio investments (continued)

(c) *Investments in equity instruments of later stage private enterprises*

Investments in equity instruments of later stage private enterprises are carried at cost with realized gains and losses recognized in the statement of operations in the period they are derecognized.

Investments in equity instruments of private enterprises are classified as impaired when, in the opinion of management, there has been a loss in the value of the equity instruments that is other than a temporary decline. A specific valuation allowance is established to reduce the recorded value of the impaired investments to their estimated net recoverable value.

A general allowance of 10% of cost is recorded against former NSBI portfolio investments to reflect anticipated future losses for all investments in private enterprises receivable which do not have a specific allowance. A general allowance was recorded on portfolio investments with a net carrying value of $nil in Note 4.

A write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

The investments and loans receivables are reviewed twice yearly for potential declines in value.

Fair value

Fair value is the estimated amount for which a financial instrument could be exchanged between willing parties, based on the current market for instruments with the same risk, principal and remaining maturity. Certain fair value estimates are significantly affected by assumptions for the amount and timing of estimated cash flows and discount rates, all of which reflect varying degrees of risk. As a result, the fair values may not necessarily be indicative of the amounts that would be realized if these instruments were actually settled. The methods and assumptions used to estimate the fair value of financial instruments are described in the following paragraphs.

The fair values of investments in securities which are publicly held and quoted in an active market are based on quoted closing prices. The fair values of impaired investments for which there is no quoted market value are determined based on values indicated by transactions in the financial instruments of the investee. Where transactions in the financial instruments of the investee are not available, other factors, such as milestone progress, are considered in determining fair value.

Due to the short period to maturity, the fair value of cash, accounts receivable, and payables and accruals approximate their carrying values as presented in the consolidated statement of financial position.

Financial liabilities

Financial liabilities are measured at amortized cost using the effective interest method. With gains and losses recognized in the consolidated statement of operations in the period that the liability is derecognized.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

2. Summary of significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of assets. The cost, less residual value, of the tangible capital assets, excluding land, is amortized over their estimated useful lives as follows:

Asset	Basis	Rate
Buildings	Declining balance	4 - 5%
Computer equipment	Straight line	3 years
Computer hardware	Declining balance	50%
Computer software	Declining balance	50%
Equipment	Declining balance	20%
Furniture, equipment & technology	Declining balance	12 - 20%
Information technology	Straight line	3 - 20 years
Leasehold improvements	Straight line	Terms of lease
Site improvements	Declining balance	8%
Utilities	Declining balance	15%
Wharves	Declining balance	5%

Assets not in use are not amortized until the asset is available for productive use.

Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded in revenues at their fair value at the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Impairment of long-lived assets

Tangible capital assets are written down when conditions indicate that they are no longer contribute to the Corporation's ability to provide goods and services, or when the value of the future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for the expenses in the consolidated statement of operations and are not reversed.

Leases

The Corporation accounts for the lease of its premises as an operating expense, as substantially all the risks of benefits and risk of ownership have been retained by the lessor. Payments made under operating leases are charges to the consolidated statement of operations on a straight line basis over the term of the lease.

The aggregate benefit on incentives received from the lessor are initially recorded as a lease inducement liability and subsequently recognized as a reduction of expense over the term of the lease, on a straight line basis (unless another systematic method is more appropriate).

2. Summary of significant accounting policies (continued)

Government transfers

Government transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. The transfer payments recorded by the Corporation are flow-through arrangements of proceeds from the sale of crown assets which the Corporation administers and any funds transfers pursuant to Section 12(1) of the Invest Nova Scotia Act and to the Province of Nova Scotia. In accordance with PS 3410, government transfers do not include flow-through arrangements where a government agrees to act merely as an intermediary to administer funds on behalf of another party and has no ability to make decisions regarding the use of the funds.

Similarly, when funds are received as a result of an administrative flow-through arrangement in which a recipient government serves only as a cash conduit (i.e., it has no direct financial involvement in the program nor decision-making capability in relation to the program) the receipt and disbursement of cash would not be recognized as transfers in that recipient government's consolidated financial statements.

Revenue recognition

Government contributions are recognized as revenue in the period the transfer is authorized, and all eligibility criteria have been met, except when, and to the extent, the transfer includes stipulations which have not yet been met.

Government contributions are recognized as revenue in the period the transfer is authorized, and all eligibility criteria have been met, except when, and to the extent, the transfer includes stipulations which have not yet been met.

Government contributions with stipulations are initially deferred and recognized as revenue as related stipulations are met:

(a) Operating grants are recognized as revenue in the period the transfer is received but adjusted at year end for any portion which does not meet the eligibility stipulations to be treated as revenue, which is booked as a payable to the Province for future reimbursement.

(b) Strategic investment grants are recognized when expenditure is recorded in accordance with the Corporation's approved budget and shall be provided in accordance with policies and procedures set out in the Corporation's business plan.

(c) Advances of statutory capital by the Province of Nova Scotia to finance investments are recognized at the later of the date that the funds are received and the date an eligible investment is made

(d) Miscellaneous consists of various contracts for trade programs. Revenue is recognized in the period the transfer is authorized, and all eligibility criteria have been met, except when and to the extent the transfer includes stipulations which have not yet been met.

Interest revenue on the loans receivable is recognized on an accrual basis unless the ultimate collectability of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized, and any interest income that is accrued is reversed. A loan is considered impaired when there is risk of loss to the Corporation of the full and timely collection of principal and interest; generally, when it is more than three months in arrears. In the event a loan is no longer considered to be impaired, interest revenue is recognized in the year of recovery.

Incubation revenue is recognized as earned and collection reasonably assured and includes monthly rent and recoveries from tenants for utilities, photocopies, and other administration services. As it pertains to rent, the Corporation has retained substantially all the benefits and risks of ownership of the properties; therefore, it accounts for these leases as operating expenses.

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Investment revenue includes dividends, and capital gains and losses, as well as interest on cash balances, fixed income securities, and loans receivable, including amortization of premiums or discounts arising upon initial recognition in accordance with the effective interest method.

Other revenue is recognized when earned and collection is reasonably assured.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at year-end. Foreign currency transactions are translated at the exchange rate prevailing at the date of the transactions. Adjustments to monetary assets and liabilities arising as a result of a change in the exchange rate from the original transaction date to settlement are credited or charged to operations at the time the adjustments arise.

Employee future benefits

Invest Nova Scotia provides certain employee benefits which will require funding in future periods. These benefits include vacation pay and retirement health benefits care plan. The Corporation pays 65% of the cost of health plan for substantially all retirees or surviving spouses of the retirees ("post-retirement benefits"). The program is funded each year by the payment of the required premiums.

Invest Nova Scotia accrues its benefits liabilities under the above noted plan as the employees render the services necessary to earn the future benefits and has adopted the following policies:

(a) The liabilities are valued using the projected benefit method prorated on service and actuarial assessment and best estimates of the probability of retirement salary escalation, inflation, expected health care costs, retirement ages and mortality rates,

(b) The discount rate applied is based on the Province's weighted-average cost of borrowing.

(c) Net actuarial gains or losses are amortized over the average remaining service period.

Adjustments for the plan related to prior period employees services, net of offsetting unamortized actuarial gain/losses, are recognized in the consolidated statement of operations in the period of plan amendment.

Permanent employees of the Corporation participate in the Public Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province, which provides pension benefits based on the length of service and earnings. Contributions to the Plan are required by both the employees and the employer. The costs of the employer pension benefits are the Corporation's contributions due to the Plan in the period.

The Corporation is not responsible for any under-funded liability, nor does the Corporation have any access to any surplus that may arise in this Plan.

The Corporation accounts for severance pay on an accrual basis and the amount is calculated based upon accumulated years of service. The amount is payable when the employee ceases employment with the Corporation.

Use of estimates

The preparation of the consolidated financial statements 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 revenues and expenses during the year. Significant estimates included in the consolidated financial statements relate to the valuation of the loans receivable and equity investments. Actual results could differ materially from these estimates.

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Adoption of new accounting policy

Effective April 1, 2022, the Corporation had adopted the newly issued accounting standard, Asset retirement obligations under PSAS Section 3280 ("Section 3280"). Which provided guidance relating to the accounting for asset retirement obligations associated with the retirement of tangible capital assets.

The application of this amendment does not have a material impact on the Corporation's financial statements.

3. Loans receivable

Loans receivable include promissory notes and convertible debentures which were issued under the mandate of the NSFF and have yet to earn significant revenues from their intended business activities or establish their commercial viability. The recovery of loan principal amounts and the realization of investment returns are dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises.

	2023 **$**
Principal due	
Term loans	**11,192**
Promissory notes	**353**
Convertible debentures	**3,055**
	14,600
Allowance for impairments (Note 6)	**(6,890)**
	7,710

Annual interest charged on these loans ranges from 0% to 12%. The maturity dates of the loans receivable are as follows:

	$
Past due	1,061
Year ended March 31, 2023	4,248
Year ended March 31, 2024	2,200
Year ended March 31, 2025	2,672
Year ended March 31, 2026	184
Year ended March 31, 2027	—
Year ended March 31, 2028	4,136
Fully allowed for loans receivable	99
	14,600

The level of security on loans is also negotiated between the Corporation and the debtor based on the risk associated with the individual loan. The security can include life insurance, company assets, personal guarantees or the value of the parent company. Security can range from an unsecured position to a fully secured position.

The debentures are convertible at the option of the Corporation into common or preferred shares of the borrower either on demand, in the event of default or at maturity. During the year, the Corporation did not convert any debentures into common or preferred shares.

(In thousands of dollars)

4. Portfolio investments

Portfolio investments include investments which are publicly held and quoted in an active market, as well as investments in early-stage private enterprises that have yet to earn significant revenues from their intended business activities or establish their commercial viability.

The recovery of the investments in early-stage enterprises and the realization of investment returns are dependent upon the successful resolution of scientific, regulatory, competitive, and other risk factors, as well as the eventual commercial success of these enterprises. Therefore, these factors have been considered in determining the write-down of these investments. Future adverse developments could result in further write-downs of the carrying values of these investments.

	2023 $
Investments quoted in an active market	
Fixed income	13,404
Common shares	3,112
Mutual funds	67
Preferred shares	45
Investments in private enterprises	
Common shares	10,156
Preferred shares	6,206
Investments in early-stage private enterprises	69,784
	102,774
Allowance for impairments (Note 6)	(25,693)
	77,081

Included in investments quoted in an active market are investments of the NSFF with a fair value of $16,628.

Included in investments in early-stage private enterprises are NSFF investments valued at cost less other than temporary impairment of $60,453.

Certain preferred shares have conversion options and warrants attached.

In the year, the Corporation did not redeem any shares.

5. Tangible capital assets

	Cost $	Opening accumulated amortization $	Amortization cost $	Ending accumulated amortization $	2023 Net book value $
Land	1,229	—	—	—	1,229
Buildings	1,225	—	18	18	1,207
Computer equipment / hardware / software	72	—	17	17	55
Equipment	115	—	9	9	106
Furniture, equipment & technology	164	—	10	10	154
Information technology	144	—	20	20	124
Leasehold improvements	1,999	—	75	75	1,924
Site improvements	131	—	3	3	128
Utilities	14	—	1	1	13
Wharves	380	—	7	7	373
	5,473	—	160	160	5,313

(In thousands of dollars)

5. Tangible capital assets (continued)

Proceeds from the sale of tangible capital assets less closing costs are remitted to the Province in the form of transfer payment. In the current year, the transfer payments payable to the Province from the sale of tangible capital assets were nil.

During the four-month period ended, there were no capital asset additions or disposals.

6. Allowance of impairments of portfolio investments and loans receivables

	Gross balance outstanding $	Specific allowance $	General allowance $	Total allowance $	2023 Net balance outstanding $
Loans receivable (Note 3)	**14,600**	**6,592**	**298**	**6,890**	**7,710**
Portfolio investments (Note 4)	**102,774**	**25,693**	**—**	**25,693**	**77,081**
	117,374	**32,285**	**298**	**32,583**	**84,791**

As at March 31, 2023, no portfolio investments and loans receivable were written off.

7. Related party balances

Short-term investments

During the year, pursuant to Section 12(1) of the Invest Nova Scotia Act, Invest Nova Scotia was directed to redeem all short term investment held with the Province of Nova Scotia and retain the interest earned but transfer to principal balance ($8,000) in the form of a transfer payment to the Province’s General Revenue Fund.

Due from the Province of Nova Scotia

The balance due from the Province is non-interest bearing with no set terms of repayment and includes of $2,983 of earned operating grant.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities includes $1,924 of unused operating grant revenue.

8. Share capital

The Corporation is authorized to issue capital stock of one share with a par value of $1. At year-end, the share has been issued to the Province. Share capital is grouped with accumulated surplus on the consolidated statement of financial position.

(In thousands of dollars)

9. Contractual obligations

The Corporation provides strategic investments that permit approved businesses to receive a percentage of payroll taxes paid as a rebate. Expenses incurred by the Corporation are match-funded by the Province of Nova Scotia in the form of a Strategic Investment Grant.

As at March 31, 2023, transactions were approved with maximum annual payments over the next six years of $100,876 as shown below:

	$
2024	19,861
2025	24,158
2026	22,332
2027	20,577
2028	8,488
2029	5,460
	100,876

The Corporation entered into operating lease arrangements for buildings and equipment. Future minimum annual lease payments for the next five years under these leases are as follows:

	$
2024	1,744
2025	1,670
2026	1,316
2027	1,311
2028	1,310
	7,351

As of March 31, 2023, there were $26.1 million approved commitments to invest under the mandate of the NSFF.

10. Contingencies

Litigation

The Corporation is co-defendant with the Province of Nova Scotia and Industrial Estates Limited in a dispute regarding environmental contamination on land previously owned by Industrial Estates Limited. The Corporation believes that any losses incurred related to this claim will be fully funded by the Province.

The Corporation is unable to form an opinion in regard to the likelihood of loss arising from the above litigation. Consequently, no provision for any possible loss has been recorded in these consolidated financial statements.

In addition, there are other outstanding claims against the Corporation for events that have arisen in the normal course of carrying on the operations of the Corporation. It is not possible at this time to determine the amount that may be assessed, or the impact to the Corporation’s consolidated financial statements, with respect to these claims.

(In thousands of dollars)

10. Contingencies (Continued)

Contaminated site

The Corporation had a long-term lease agreement at the Port of Sheet Harbour with ScoZinc Limited (now Scotia Mine Limited), a wholly owned subsidiary of EDM Resources Inc., and its predecessors for storage and shipment of Lead & Zinc through the Port form the Scotian Mine in Gay's River. In July 2020, Scozinc Limited provided 60 days notice of its intent to terminate the lease. Under the terms and conditions of the agreement, Scozinc is responsible for the remediation of any contamination discovered because of its use of the site to the satisfaction of the Corporation and Nova Scotia Environment Contaminated Sites Regulations ("regulations").

According to the Ph. II Environmental Site Closure Assessment and Remedial Action Plan completed by the Scozinc Limited as per the terms of the lease, lead-zinc concentration exceedances, within surface water discharge, and lead concentrate exceedances in surficial soil samples were identified throughout the property. This contamination exceeds the acceptable standards, including Nova Scotia Environment Tier 1 Environmental Quality Standards for Groundwater, Non-Potable, Commercial Land Use Standards and are not acceptable to the Corporation.

The Corporation does not accept responsibility for the contamination and related remediation costs and currently holds a $100 reclamation bond from Scozinc Limited. The Corporation has filed an Application in Court against Scozinc Limited (aka EDM Resources Inc.) for specific performance requiring Scozinc Limited to carry out remediation pursuant to the terms of the lease for its Lead & Zinc Biosolids Handling Facility at the Port of Sheet Harbour. Management has not disclosed the ranges of possible outcomes of the estimated clean-up costs due to the potentially adverse effect on the Company's position with respect to this matter.

11. Financial instruments

Classification of financial instruments

The carrying amounts of financial assets and liabilities recorded at cost or at fair value as at March 31, 2023 are as follows:

	Classification	
	Fair value	Cost
	$	$
Financial assets		
Cash and cash equivalents	—	29,037
Restricted cash and cash equivalents	—	3,847
Accounts receivable		
Interest receivable	—	88
Other receivables	—	3,519
Recievables - NSIPF	—	2
Due from the Province of Nova Scotia	—	15,651
Loans receivables	—	7,710
Portfolio investments		
Investments quoted in an active market	16,628	—
Investments in private enterprises	—	60,453
	16,628	120,307

11. Financial instruments (continued)

Fair value

Fair value estimates are made as of a specific point in time, using available information about the financials instruments and current market conditions.

Fair value measurements in connection with the allowance for credit losses recognized in Notes 3 and 4 are categorized using the fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Level 1 - unadjusted quoted prices in the active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

Cash and cash equivalents have been recorded as Level 1 using the fair value hierarchy.

Financial risk factors

Risk management relates to the understanding and active management of risks associated with all areas of the Corporation's business and the associated operating environment. The Corporation is primarily exposed to credit, interest rate, market price and liquidity risk, arising from its financial assets and labilities.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Corporation. To mitigate this risk, the Corporation has developed the following policies:

Before financing is approved, a risk assessment is performed on the client. Each application is designated a risk rating based on the industry and business, quality of management, financial history and projections, the level of other creditor involvement and shareholder participation, and environmental risks. The terms and conditions of the approved financing are reflective of the assessed risk. Applications with unacceptable levels of risk are not approved.

The risk rating for all clients is monitored on an on-going basis. Clients identified as higher risk are further assessed at year end to determine the extent of potential loss, taking into account the value of the security pledged in support of the financial assistance. This assessment could result in a reduction in the carrying value of the investment via the provision for credit losses.

Interest rate risk

Interest rate risk is the risk that the market value of the Corporation's investments and debt will fluctuate due to changes in the market interest rates. It is management's opinion that the Corporation is not exposed to significant interest rate risk arising from financial instruments, as the loans receivable bear interest at fixed rates of interest and the balances due from and to the Province are non-interest bearing or bear interest at fixed rates.

Market price risk

Market price risk is the risk that the value of an investment will fluctuate as a result of changes in the market prices, whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting similar financial instruments traded in the market. The corporation's exposure to the market price risk is limited, as it does not presently hold investments quoted in the active market; however, the fair value of investments in equity instruments of private enterprises carried at cost could fluctuate based on changes in the fair value of similar equity instruments traded in the active market.

(In thousands of dollars)

11. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity requirements are managed through the receipt of provincial grants, income generated from loans receivable and equity investments, and principal repayments received on loans receivable. These sources of funds are used to pay operating expenses and debt servicing payments to the Province of Nova Scotia. In the normal course of business the Corporation enters into contracts that give rise to commitments for future payments which also impact the Corporation's liquidity. The Corporation also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

The following table summarizes the fixed contractual maturities for all financial liabilities as at March 31, 2023:

	Within 1 year $	2 to 5 years $	6 to 10 years $	Over 10 years $	2023 Total $
Accounts payable and accrued liabilities	36,205	—	—	—	36,205
Accounts payable and accrued liabilities - NSIPF	9	—	—	—	9
Lease inducement liability	20	10			30
Employee benefits and other liabilities	598	540	489	2,242	3,869
Deferred revenue	691	—	—		691
Deferred revenue - NSIPF	789	—			789
Deferred capital contributions	146	584	730	94	1,554
Film production assistance commitments payable - NSIPF	52	—	—	—	52
	38,510	1,134	1,219	2,336	43,199

12. Nova Scotia Fund

The following is a summary of the Fund as at March 31, 2023:

	Gross $	Less allowance for impairments $	2023 Net total $
Assets			
Loans receivable	11,192	5,322	5,870
Portfolio investments	16,362	16,362	—
Tangible capital assets	—	—	697
	27,554	21,684	6,567

Funding authorized and committed	
Fund balance authorized, net of write-offs	174,943
Less: uncommitted balance of fund	146,691
Committed fund balance	28,252
Less: allowance for impairments (Note 6)	21,684
	6,567

(In thousands of dollars)

13. Supplementary cash information

Changes in non-cash working capital

	2023
	$
Accrued interest receivable	6
Other receivables	(2,775)
Other receivables - NSIPF	7
Due from the Province of Nova Scotia	(6,127)
Accounts payable and accrued liabilities	6,656
Accounts payable and accrued liabilities - NSIPF	—
Deferred revenue	(186)
Deferred revenue - NSIPF	364
Employee benefits and other liabilities	1,173
Film production assistance commitments payable - NSIPF	(311)
Prepaid expenses	74
	(1,119)

Interest income

During the year, cash received for the interest income was $169.

14. Related party transactions

During the year, there were no companies controlled or otherwise not independent of the Corporation eligible for incentives offered by the Corporation. As at March 31, 2023, there were no companies controlled by, or otherwise not independent of Advisory Board members, for financial assistance therefore no specific allowances were recorded against any such investments. Furthermore, there were no incentives issued under this category in the current year.

The Corporation receives legal services free of charge from the Province. Management estimates the annual cost of these services would be approximately $111.

These transactions were carried out in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

(In thousands of dollars)

15. Employee benefits, post-retirement benefits and other liabilities

The employee benefits, post-retirement benefits and other liabilities, reported on the statement of financial position, are made up of the following:

	2023 $
Retirement Health Benefits Care Plan	**3,033**
Other payroll for former NSBI only	**477**
Vacation pay for former NSBI only	**359**
	3,869

The Corporation pays 65% of the cost of dental and health care benefits for substantially all employees after retirement. The Corporation provides these benefits through unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the consolidated financial statements.

The accrued benefit liability as a result of the Retirement Health Benefits Care Plan, which are based on actuarial assumptions and calculations for former employees and retirees is as follows:

	2023 $
Accrued benefit obligation - beginning of year	**1,795**
Experience gain or loss due to change in discount rate at beginning of year	**(20)**
Current service cost	**28**
Estimated benefits paid	**(19)**
Interest of average liability	**25**
Other (Past service cost at December 1, 2022)	**1,224**
Experience Loss (gain) at end of year	**(372)**
Accrued benefit obligation - March 31, 2023	**2,661**

(In thousands of dollars)

15. Employee benefits, post-retirement benefits and other liabilities (continued)

The actuary evaluations were carried out by two different actuary companies for each of the former entities. The significant assumptions adopted by management in measuring the accrued benefit obligations were as follows:

	Former Innovacorp	**2023 Former NSBI**
Discount rate	**2.96%**	**2.96%**
General salary growth rate	**1.00%**	**1.00%**
Inflation rate	**2.00%**	**2.00%**
Healthcare cost trend rate assumptions		
Extended health coverage	**6.85%**	**7.00%**
Prescription drug coverage	**—**	**7.00%**
Hospital coverage	**4.00%**	**4.00%**
Vision coverage	**0.00%**	**0.00%**
Other key assumptions		
Year's Maximum Pensionable Earnings ("YPME")	**N/A**	**2.50%**
Retirement age		
at age 55	**20.00%**	**—**
at age 59		**10.00%**
at age 60		**20.00%**
at age 61 - 64		**10.00%**
at age 65-69		**50.00%**
at age 70		**100.00%**
Mortality tables	**None assumed**	**120% of CPM-12014 Public Sector table**

The unamortized actuarial gains and losses are amortized over the average remaining service life of active employees which has been estimated to be 14 years for former NSBI and, 8 years for former Innovacorp as at March 31, 2023.

Actuarial gains and losses due to changes in the discount rate are assumed to have occurred at the beginning of the year and all other actuarial gains and losses are assumed to have occurred at the end of the year.

The first actuarial valuation for accounting purposes took place on March 31, 2023 for the former entities above.

Invest Nova Scotia has an actuarial valuation taking place in fiscal year 2024.

Pension benefits

All full-time employees are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act ("PSSP") based on the employees' length of service and earnings. The plan is funded by the employee and the employer contributions. The employer's contributions for 2023 were $294 and are recognized as an operating expense in the year.

(In thousands of dollars)

16. Deferred capital contributions

	2023 $
PNS – Knowledge Park [a]	**375**
PNS – Fibre MAN [b]	**14**
ACOA – 1344 Summer St. [C]	**120**
PNS – Building Energy retrofit [d]	**80**
ACOA – 1344 Summer St. [e]	**230**
ACOA – 1344 Summer St. [f]	**244**
ACOA – 1344 Summer St. [g]	**266**
ACOA – 1344 Summer St. [h]	**225**
	1,554

(a) Order In Council ("OIC") 2005-387 provided Innovacorp with $1.7 million in funding for infrastructure improvements in the Woodside Industrial Park towards the creation of a Knowledge Park on land owned by Innovacorp. Funding under this OIC has been fully advanced. Expenditures on land improvements have been deferred and are recognized upon disposition of land inventory.

(b) In 2005, the Province of Nova Scotia ("PNS") provided Innovacorp with $98,200 to connect Innovacorp to the Halifax Area Dark Fibre Network. Additionally, $90,000 was paid to the operator of the network, which entitled Innovacorp to use it for 20 years. These funds are being recognized over the period for which their cost entitles Innovacorp to access the dark fibre network.

(c) In 2011, Atlantic Canada Opportunities Agency ("ACOA") provided Innovacorp with $348,000 in assistance to fit-up space at The Labs. These funds are being recognized on the same basis as the assets they funded are amortized.

(d) In 2012, under the Government Building Energy Retrofit program, the Nova Scotia Department of Transportation and Infrastructure Renewal covered the $121,831 cost of converting Innovacorp' s air handling unit at 1 Research Dive from electric to natural gas. The associated costs have been deferred and will be recognized on the same basis as the asset they funded is amortized.

(e) In 2013, ACOA provided Innovacorp with $500,000 in assistance to fit-up space at The Labs. These funds will be recognized on the same basis as the related assets are amortized.

(f) In 2014, ACOA provided Innovacorp with $500,000 in assistance to fit-up space at The Labs. These funds will be recognized on the same basis as the related assets are amortized.

(g) In 2015, ACOA provided Innovacorp with up to $500,000 in assistance to fit-up space at The Labs. These funds will be recognized on the same basis as the related assets are amortized and were fully recognized as revenue in the current year.

(h) In 2016, ACOA provided Innovacorp with up to $430,000 in assistance to fit-up space at The Labs. These funds will be recognized on the same basis as the related assets are amortized.

17. Nova Scotia Independent Production Fund ("NSIPF")

NSIPF through the Eastlink TV Independent Production Fund Program provides production assistance in the form of film production equity investments to eligible producers for the financing of production that will support employment and economic benefits to Nova Scotia. Film production equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as reported by producers. Funds received under the IPF are externally restricted and included on the statement of financial position in cash and cash equivalents and are deferred until committed.

During the four-month period ended, the Corporation through its subsidiary, NSIPF, received $201 ($301 in 2022) from the funding partner to invest in qualifying projects, and $2 ($23 in 2022) in the recovery of equity investments. The cumulative total of equity investments made by the IPF, assumed and originated, as at March 31, 2023 is $5,871 ($5,821 in 2022) due to investments made ($50) ($320 in 2022). As at March 31, 2023, $2 ($23 in 2022) was recouped and $52 ($90 in 2022) remains undisbursed and is booked as a commitments payable.

Invest Nova Scotia

Schedule 1 - Schedule of the Nova Scotia Independent Production Fund ("NSIPF") revenues and expenses

Four month period ended March 31, 2023
(In thousands of dollars)

	2023 $
Revenue	
Interest income	**7**
Expenses	
Equity investments	**7**

Invest Nova Scotia

Schedule 2 - Schedule of operating expenses

Four month period ended March 31, 2023

(In thousands of dollars)

	2023 $
Incentives, grants and contributions	**14,344**
Salaries and benefits	**4,841**
Business development	**2,432**
Office	**1,042**
Other	**315**
Repairs and maintenance	**276**
Telecommunications and technical support	**233**
Travel	**152**
Amortization	**146**
Legal and audit	**129**
Total	**23,910**

Invest Nova Scotia

Schedule 3 - Schedule of Nova Scotia Fund: other expenses

Four month period ended March 31, 2023

(In thousands of dollars)

	2023 $
Repairs, maintenance, salaries and other	151
Amortization	14
	165

Appendix C

Annual Activities/ Output Disclosures

Export from Nova Scotia

With extensive industry and market expertise, Invest Nova Scotia is helping Nova Scotia companies discover new exporting opportunities. Through export readiness, market preparedness, mentorship, advisory services, and other supports, Invest Nova Scotia helped 27 companies, including 9 from high-potential clusters, sell their products and services outside the province for the first time.

Export Development Program Stream 1: Travel and Trade Missions

632* Approved Applications

Total Approved Funding: **$2,264,160.84**

*Invest Nova Scotia disbursed $1,321,299.34 on 632 EDP stream 1 applications in FY 2022-23

Export Development Program Stream 2: Hire a Consultant or Service Provider

153* Approved Applications

Total Approved Funding: **$2,011,960.30**

*Invest Nova Scotia disbursed funds of $1,663,295.58 on 153 EDP S2 applications in 2022-2023.

Export Development Program Stream 3: Digital Adoption

51* Approved Applications

Total Approved Funding: **$487,136.73**

*Invest Nova Scotia disbursed funds of $319,948.25 on 51 EDP S3 applications in 2022-2023.

Digital Marketing Asset Development Program

Sector of focus for 2022-2023: Manufacturing

19
Approved Applications

Total Approved Funding:
$85,500

Company	County
Ace Machining Ltd	Halifax (Urban)
Aerotec Engines Ltd	Halifax (Rural)
AKSO Marine Biotech Inc	Halifax (Rural)
Amin's Indian Food	Halifax (Urban)
Amos Pewterers	Lunenburg
Barreling Tide Distillery	Kings
Breton Brewing	Cape Breton
Coldstream Clear Distillery	Colchester
Enginuity	Halifax (Urban)
Fairechild Makewear	Halifax (Rural)
Glenora Distillers	Halifax (Urban)
Lake City Cider	Halifax (Urban)
Larchwood	Inverness
Lobster Made Easy	Lunenburg
Outdoor-Fit Exercise Systems	Halifax (Rural)
Prosaris Solutions Ltd.	Halifax (Urban)
Reftek Systems Inc	Halifax (Urban)
RKO Steel Ltd	Halifax (Urban)
The Station Food Company	Hants

Productivity and Innovation Voucher Program

Boost productivity and innovate new and better products and services:

53*
Approved Applications

*Invest Nova Scotia disbursed $988,867.25 on 53 applications in FY 2022-23
Note: 1 project totalling $8,867.25 was approved in FY 2021-22 and disbursed FY 2022-23.

Innovation Rebate Program (IRP)

Innovation Rebate Program Approved and Announced Funding Commitments in 2022-2023

Account Name	Sector	County	Total Amount Approved
Ace Machining Limited	Advanced Manufacturing	Halifax (Urban)	$193,514.00
AGADA Biosciences Inc.	Life Sciences	Halifax (Urban)	$1,334,699.00
B.R. Printing Plates Company Limited o/a Maritime Labels & Packaging	Advanced Manufacturing	Hants	$1,804,742.00
Balamore Farm Limited	Agri-food	Colchester	$425,000.00
Coldstream Clear Distillery Ltd	Advanced Manufacturing	Colchester	$946,000.00
Lewis Mouldings & Wood Specialties Limited	Advanced Manufacturing	Digby	$827,500.00
Made With Local Snack Foods Inc.	Agri-food	Hants	$275,000.00
Nine Locks Brewing Company Limited	Agri-food	Halifax (Urban)	$1,118,063.00
Nova Agri Inc.	Agri-food	Kings	$1,127,736.00
Nu-Air Ventilation Systems Incorporated	Advanced Manufacturing	Hants	$296,883.00
Oxford Frozen Foods Limited	Agri-food	Cumberland	$1,438,100.00
Oxford Frozen Foods Limited	Agri-food	Cumberland	$1,049,612.00
Quality Blasting and Coatings Ltd.	Advanced Manufacturing	Halifax (Urban)	$261,250.00
Ace Machining Limited	Advanced Manufacturing	Halifax (Urban)	$144,467.00
Advanced Precision Machining & Fabrication Ltd	Advanced Manufacturing	Halifax (Urban)	$262,016.00
Aerotec Engines Limited	Aerospace & Defence	Halifax (Rural)	$450,000.00
Cherubini Metal Works Limited	Advanced Manufacturing	Halifax (Urban)	$2,975,000.00
Deep Cove Aqua Farms Limited	Fish & Seafood Processing	Lunenburg	$550,000.00
Groovy Goat Farm Limited	Agri-food	Victoria	$75,527.00

Innovation Rebate Program (IRP) cont.

Account Name	Sector	County	Total Amount Approved
Groovy Goat Farm Limited	Agri-food	Victoria	$75,527.00
Halifax Folding Cartons (2010) Limited	Advanced Manufacturing	Hants	$470,000.00
Labatt Brewing Company Limited/ La Brasserie Labatt Limitée o/a Oland Brewery	Agri-food	Halifax (Urban)	$125,000.00
Maritime Paper Products Limited Partnership	Advanced Manufacturing	Halifax (Urban)	$563,942.00
McConnell Gordon Estates Limited o/a Benjamin Bridge Vineyards	Agri-food	Kings	$137,500.00
Muwin Estate Wines Ltd.	Agri-food	Lunenburg	$167,500.00
Peace by Chocolate Inc.	Agri-food	Antigonish	$143,513.00
Rousseau Chocolatier Ltd.	Agri-food	Halifax (Urban)	$94,683.00
Scotian Gold Co-operative Limited	Agri-food	Kings	$2,153,750.00
The Spindrift Brewing Company Limited	Agri-food	Halifax (Urban)	$156,675.00
Tony's Meats Ltd.	Agri-food	Antigonish	$234,431.00
Vale Packaging Limited	Advanced Manufacturing	Lunenburg	$458,500.00
Victoria Co-Operative Fisheries Ltd	Fish & Seafood Processing	Victoria	$729,883.00
Acadian Seaplants Limited / Les Algues Acadiennes Limitee	Life Sciences	Annapolis	$3,747,500.00
Big 8 Beverages Limited	Advanced Manufacturing	Pictou	$838,291.00
Louisbourg Seafoods Limited	Fish & Seafood Processing	Cape Breton	$1,207,050.00
Pratt & Whitney Canada Corp./ Pratt & Whitney Canada Cie.	Advanced Manufacturing	Halifax (Rural)	$3,007,813.00
Scotia Pallets Ltd	Advanced Manufacturing	Guysborough	$213,000.00
Total Approved Amount			**$30,004,140.00**

Invest and Locate in Nova Scotia:

Strategic Investment Fund (Payroll Rebate) Transactions Authorized in 2022-2023

Company	Sector	County	Total Amount Approved
Avanade Canada Inc.	Business Services	Halifax	$12,264,210.00
ER Software Canada, ULC	ICT (includes Digital Media)	Halifax	$728,000.00
HydroSurv Unmanned Survey (Nova Scotia) Inc.	Ocean Technology	Halifax	$419,050.00
Mariner Partners Inc.	ICT (includes Digital Media)	Halifax	$990,000.00
Mindsea Development Incorporated	ICT (includes Digital Media)	Halifax	$492,800.00
ResMed Halifax ULC	ICT (includes Digital Media)	Halifax	$831,000.00

Investment Attraction Project Management Activity Facilitated in 2022-2023

Account Name	Sector	County
Canadian Gypsum Corporation	Mining & Mineral Products	Victoria
eWandzDigital Services Pvt Ltd	ICT	Colchester
Iron Fox Games Inc.	ICT	Province-Wide (WFH)
NRStor Trenton Energy Storage LP	CleanTech	Pictou
Nu-Air Ventilation Systems Inc.	Advanced Manufacturing	Hants
Quantafic Business Solutions LLP	ICT	Halifax
Vyterra Renewables In.	CleanTech	Province-Wide (WFH)

Start-Ups in Nova Scotia

- Invest Nova Scotia works to find, fund, and foster innovative Nova Scotia start-ups that strive to change the world. The goal is to help companies commercialize their technologies and succeed in the global marketplace.

In 2022-2023, Invest Nova Scotia made venture capital investments from the Nova Scotia First Fund in 16 companies, advancing $8.8 million to start-ups.

3D BioFibR	$600,000
ABK Biomedical	$1,000,000
Axem Neurotechnology	$500,000
Bright Breaks	$300,000
Covina Biomedical	$250,000
Curv Health	$100,000
Dispersa	$500,000
Easy Platter (Krava)	$25,000
Graphite Innovation & Technologies (GIT)	$2,500,000
GrowDoc	$25,000
Nexus Robotics	$500,000
NovaResp Technologies	$549,751
Oneka Technologies	$1,000,000
Talem Health Analytics	$375,000
The Rounds	$541,000
Trelent	$25,000

- Invest Nova Scotia is a limited partner in several private sector funds: Build Ventures I & II, Concrete Ventures, Cycle Capital Funds I and III, Sandpiper Ventures and Two Small Fish. Disbursements to those funds were about $6.8 million during the fiscal year. The following table summarizes Invest Nova Scotia's commitments and investments in these funds since their inception and for 2022-2023.

Fund	Date Committed	Commitment	Disbursed to Date	Disbursed 2022-2023	Total Returned
Cycle I	January 20, 2009	$2,000,000	$1,897,341	$0	$38,133
Cycle III	June 3, 2012	$1,000,000	$974,463	$25,702	$120,086
Build I	February 26, 2013	$15,000,000	$12,851,642	$0	$8,083,957
Build II	February 11, 2019	$15,000,000	$6,755,658	$2,784,380	$0
Concrete	February 11, 2019	$15,000,000	$8,818,883	$3,621,471	$72,945
Two Small Fish	March 31, 2020	$250,000	$192,719	$8,532	$0
Sandpiper Ventures	August 31, 2021	$5,000,000	$3,044,481	$333,536	$0

- Invest Nova Scotia and New Brunswick Innovation Foundation (NBIF) each earmarked $500,000 to make investments over a multi-year period in select graduates from Propel's accelerator. In 2022-2023, Invest Nova Scotia invested a total of $75,000 in three companies through this partnership (i.e., Trelent, Easy Platter [Krava], and GrowDoc).

Industrial Properties Activities 2022-2023

1. The Woodside Atlantic Wharf is a strategic asset for the province—to generate more economic activity and attract new investment. Negotiated in 2022-2023 and active into the coming year, the wharf is currently being used by firms between Europe and the U.S. to support the installation of the first commercial-scale offshore wind project on the eastern coast of the United States. Invest Nova Scotia is responsible for providing port access to the vessels for the duration of the contract (to fall 2023).

2. Woodside Atlantic Wharf is one of few ports on the Northeastern Seaboard with existing site infrastructure and capacity to support the scale of offshore wind infrastructure projects. Invest Nova Scotia also holds the Port of Sheet Harbour as a strategic asset for growth. Efforts continue to be focused on maximizing use of the facility, such as increasing cargo volume through the wharf and attracting business to the adjacent industrial park. Its capabilities include aggregates and dry bulk, scrap metal, marshaling & load out, pipes and tubulars, wind turbines, and more.

3. The Point Tupper Industrial Park is a strategic asset of the Province of Nova Scotia and preferred location of Nova Scotia's premier Hydrogen Hub. Invest Nova Scotia is working in conjunction with the province to further develop the Point Tupper Industrial Park as Atlantic Canada's premier Hydrogen Hub to drive investments in the low carbon economy.

Appendix D

Eastlink TV Independent Production Fund Program Activity through the Invest Nova Scotia subsidiary, Nova Scotia Independent Production Fund

For the period April 1, 2022 to March 31, 2023:

Number of applications received	2
Number of projects funded	2
Regional project commitments (100% Nova Scotia)	$350,252
Aboriginal-language project commitments	$0
Third-language project commitments	$0
English-language project commitments	$350,252
French-language project commitments	$0
Non-programming digital content commitments	$0
Total project commitments	$350,252