

Grant Thornton

Financial Statements

BioScience Enterprise Centre Incorporated

March 31, 2009

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Grant Thornton

Auditors' Report

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To the shareholder of
BioScience Enterprise Centre Incorporated

We have audited the balance sheet of **BioScience Enterprise Centre Incorporated** at **March 31, 2009** and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at **March 31, 2009** and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
June 15, 2009

Chartered Accountants

BioScience Enterprise Centre Incorporated

Statements of Loss and Deficit

Year Ended March 31

2009

2008

Revenue

Rent	\$ 324,852	\$ 324,417
Amortization of government contributions	161,085	307,501
Business services	90,882	99,320
Other	5,809	2,207
	<u>582,628</u>	<u>733,445</u>

Expenses

Advertising and promotion	139	137
Bad debts	31,326	54,438
Communications	23,072	26,242
Depreciation	156,798	307,501
Information resources	451	610
Interest and bank charges	207	226
Materials	11,709	10,669
Miscellaneous	3,218	5,446
Outside services	20,441	22,290
Professional development	6,810	7,014
Rent	62,330	43,088
Repairs and maintenance	29,101	23,818
Salaries and benefits	209,679	209,926
Travel	4,670	2,877
Utilities	127,354	161,089
	<u>687,305</u>	<u>875,371</u>

Net loss	\$ <u>(104,677)</u>	\$ <u>(141,926)</u>
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Deficit, beginning of the year	\$ (195,513)	\$ (53,587)
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Net loss	<u>(104,677)</u>	<u>(141,926)</u>
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Deficit, end of year	\$ <u>(300,190)</u>	\$ <u>(195,513)</u>
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See accompanying notes to the financial statements.

BioScience Enterprise Centre Incorporated

Balance Sheet

March 31

2009

2008

Assets

Cash and cash equivalents	\$ 56,048	\$ 35,005
Receivables	80,993	52,432
Inventory	4,839	9,126
Capital assets (Note 4)	<u>32,050</u>	<u>188,849</u>
	<u>\$ 173,930</u>	<u>\$ 285,412</u>

Liabilities

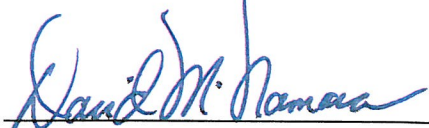
Payables and accruals	\$ 420,422	\$ 282,252
Deferred revenue	19,768	3,659
Deferred government contributions	<u>33,929</u>	<u>195,013</u>
	<u>474,119</u>	<u>480,924</u>

Shareholders' Deficiency

Capital stock (Note 6)	1	1
Deficit	<u>(300,190)</u>	<u>(195,513)</u>
	<u>(300,189)</u>	<u>(195,512)</u>
	<u>\$ 173,930</u>	<u>\$ 285,412</u>

Commitments (Note 7)

On behalf of the Board



Director

Director

See accompanying notes to the financial statements.

BioScience Enterprise Centre Incorporated

Statement of Cash Flows

Year Ended March 31

2009

2008

Increase (decrease) in cash and cash equivalents

Operating

Net loss	\$ (104,677)	\$ (141,926)
Depreciation	156,798	307,501
Amortization of government contributions	<u>(161,085)</u>	<u>(307,501)</u>
	(108,964)	(141,926)
Changes in non-cash operating working capital		
Receivables	(12,452)	(4,753)
Inventory	4,288	
Payables and accruals	122,062	127,462
Deferred revenue	<u>16,109</u>	<u>-</u>
	<u>21,043</u>	<u>(19,217)</u>

Financing

Deferred leasehold contribution	<u>-</u>	<u>(3,766)</u>
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Net increase (decrease) in cash and cash equivalents 21,043 (22,983)

Cash and cash equivalents

Beginning of year	<u>35,005</u>	<u>57,988</u>
End of year	<u>\$ 56,048</u>	<u>\$ 35,005</u>

See accompanying notes to the financial statements.

BioScience Enterprise Centre Incorporated

Notes to the Financial Statements

March 31, 2009

1. Nature of operations

The Company developed and leases an incubation facility to be a catalyst for the bio-life science industry sector. The Company is exempt from income taxes under Section 149 of the Income Tax Act.

2. Summary of significant accounting policies

(a) Capital assets

Capital assets are recorded at cost and depreciated as follows:

Computer equipment	30%, declining balance;
Equipment and furniture	20%, declining balance;
Building improvements and leaseholds	Term of lease, .5 years remaining at beginning of year

(b) Government assistance

The portion of government assistance used for the acquisition of capital assets is recorded as deferred government contributions and recognized as income on the same basis as the related assets are amortized. The operating portion of government assistance is recognized as income in the year received.

(c) Revenue recognition

Rent revenue is recorded as earned and includes monthly rent from tenants. Business services revenue includes recoveries from tenants for utilities, photocopies, and other administrative services which are recorded as earned. Recoveries from tenants for improvements made to their premises are recorded as deferred leasehold contributions and amortized over the life of the lease.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits. Bank borrowings are considered to be financing activities.

(e) Inventory

Inventory of supplies is valued at the lower of cost, as determined by the first-in first-out method, and net realizable value.

(f) Use of estimates

In preparing these financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

BioScience Enterprise Centre Incorporated

Notes to the Financial Statements

March 31, 2009

2. Summary of Significant accounting policies (continued)

(g) Financial instruments

The Company's financial assets and liabilities are generally classified and measured as follows:

<u>Financial Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Payables and accruals	Other liabilities	Amortized cost

Other balance sheet accounts, such as inventories, capital assets and deferred government contributions are not financial instruments.

Held for trading financial assets are financial instruments purchased for resale, generally within a short period of time and other financial instruments that an entity designates on initial recognition as instruments that it will measure at fair value with changes in fair value recorded in net earnings.

Fair value is the estimated amount for which a financial investments could be exchanged between willing parties, based on the current market for instruments with the same risk, principal and remaining maturity. Due to the short period to maturity, the fair value of cash and cash equivalents is estimated to approximate their carrying values as presented in the balance sheet.

Loans and receivables and other financial liabilities are recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset or liability is no longer recognized or in the period that the asset is impaired.

(h) Future changes in accounting policy

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. The AcSB expects to provide further clarification on the definition of publically accountable enterprises for Canadian purposes. Non-publically accountable enterprises are not required, but will be permitted, to adopt IFRS in 2011. BioScience expects it will report its results in accordance with IFRS starting in 2011, and is assessing the potential impacts of this changeover and developing its plan accordingly.

BioScience Enterprise Centre Incorporated

Notes to the Financial Statements

March 31, 2009

3. Changes in accounting policies

Inventories

Effective April 1, 2008, the Company adopted CICA Section 3031 *Inventories*, which replaced CICA Section 3030 of the same name. The new guidance provides additional measurement and disclosure requirements and requires BioScience to reverse previous impairment write-downs when there is a change in the situation that caused the impairment. The transitional provisions of 3031 provided entities with the option of adjusting opening retained earnings and not restating prior periods. The adoption of this standard did not have a material impact on BioScience's financial position and results of operations.

Financial instruments – disclosure and presentation

Effective April 1, 2008, the Company adopted CICA Section 3862 *Financial Instruments – Disclosures* and CICA Section 3863 *Financial Instruments – Presentation*, which replaced CICA Section 3861 *Financial Instruments – Disclosure and Presentation*. Section 3862 outlines the disclosure requirements for financial instruments and non-financial derivatives. This guidance prescribes an increased importance on risk disclosures associated with recognized and unrecognized financial instruments and how such risks are managed.

Specifically, Section 3862 requires disclosure of the significance of financial instruments on the Corporation's financial position. In addition, the guidance outlines revised requirements for the disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments. Refer to note 8 "*Financial instruments*" for the additional disclosures under Section 3862.

Capital disclosures

Effective April 1, 2008, the Company adopted CICA Section 1535 *Capital Disclosures*. This new guidance requires disclosure about BioScience's objectives, policies and processes for managing capital. These disclosures include a description of what BioScience manages as capital, the nature of externally imposed capital requirements, how the requirements are incorporated into BioScience's management of capital, whether the requirements have been complied with, or consequences of non-compliance, and an explanation of how BioScience is meeting its objectives for managing capital. In addition, quantitative disclosures regarding capital are required.

Due to its financial position and absence of secured debt obligations, further capital disclosures are not required.

4. Capital assets

			<u>2009</u>	<u>2008</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building improvements	\$ 631,752	\$ 631,752	\$ -	\$ 36,179
Equipment	65,877	57,006	8,871	11,089
Computer equipment	38,772	37,271	1,501	2,144
Furniture	99,218	77,540	21,678	27,098
Leaseholds	<u>1,599,410</u>	<u>1,599,410</u>	<u>-</u>	<u>112,339</u>
	<u>\$ 2,435,029</u>	<u>\$ 2,402,979</u>	<u>\$ 32,050</u>	<u>\$ 188,849</u>

BioScience Enterprise Centre Incorporated

Notes to the Financial Statements

March 31, 2009

5. Related party transactions

<u>Entity</u>	<u>Relationship</u>	<u>Purchases From</u>	<u>Year End Payable</u>
InNOVAcorp	Sister	\$ 26,423	\$ 412,060
Waterfront Development Corporation Limited	Sister	\$ 35,907	\$ -

Transactions with these companies are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The balance payable to InNOVAcorp is non-interest bearing and has arisen from cash advances to fund company operations.

6. Capital stock

Authorized:

100,000 common shares with no par value

Issued and outstanding:

1 common share	\$ <u>1</u>	\$ <u>1</u>
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7. Commitments

The Company is committed to lease land and buildings from InNOVAcorp, a sister company, to March 31, 2011 as follows:

2010	\$ 101,172
2011	\$ 120,780

8. Financial instruments

BioScience's financial instruments at March 31, 2009 include cash and cash equivalents, receivables, payables and accruals.

Financial instruments include the following:

	<u>2009 Carrying Value</u>	<u>2009 Fair Value</u>	<u>2008 Carrying Value</u>	<u>2008 Fair Value</u>
Held for trading:				
Cash and cash equivalents	\$ 56,048	\$ 56,048	\$ 35,005	\$ 35,005
Loans and receivables:				
Receivables	80,993	80,993	52,432	52,432
Other liabilities:				
Payables and accruals	420,422	420,422	282,252	282,252

The carrying value of cash and cash equivalents, receivables and payables and accruals approximate their fair value due to the short-term maturity of these instruments.

BioScience Enterprise Centre Incorporated

Notes to the Financial Statements

March 31, 2009

8. Financial instruments (continued)

Risks associated with financial assets and liabilities

Bioscience is exposed to various financial risks arising from its financial assets and liabilities. These include market risk relating to interest rates and foreign exchange rates, liquidity risk and credit risk. To manage these risks, BioScience limits its transactions to those in the nature of trade.

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate as a result of changes in market prices. For Bioscience, market risk is comprised of interest rate risk.

Interest rate risk

Interest rate risk refers to the risk that interest expense on fixed income investments will vary as a result of changes in underlying interest rates.

BioScience mitigates its exposure to interest rate fluctuations by limiting investment transactions.

Liquidity risk

Liquidity risk is the risk that BioScience will encounter difficulty in meeting its financial obligations. BioScience believes it has access to sufficient sources of operating cash flows provided by its sister corporation, InNOVAcorp and funding from the Province as required to meet capital asset additions as required.

The following table shows the timing of expected payments on current liabilities:

	Due Within 1 Year
Payables and accruals	\$ <u>420,422</u>

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 BioScience to suffer a loss. BioScience's financial assets that are exposed to credit risk consist primarily of accounts receivable.

Receivables

Trade receivables are significantly concentrated with 98% of the balance due from tenants, several of whom are early stage technology based companies. The stage of development of BioScience's client base combined with the technology sector concentration increases the associated credit risk. BioScience's sister company, InNOVAcorp's active involvement with BioScience's tenants through the delivery of its High Performance Incubation services mitigates this risk. The maximum exposure to credit risk associated with financial assets is the total carrying value of those assets.

Details of trade receivables are as follows:

	Current	Up to 90 Days Past Due	Over 90 Days Past Due	Allowance for Doubtful Accounts	Total
Trade receivables	\$ <u>26,885</u>	\$ <u>47,460</u>	\$ <u>97,175</u>	\$ <u>(90,527)</u>	\$ <u>80,993</u>