PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009

Contents

Grant Thornton

Auditors' report

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To the Board of Directors of
Nova Scotia Innovation Corporation

We have audited the consolidated balance sheet of the **Nova Scotia Innovation Corporation** as at March 31, 2009 and the consolidated statements of loss and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation 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 11, 2009

Chartered Accountants

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Balance Sheet

March 31	2009	2008
Assets		
Current		
Cash and cash equivalents	$ 1,047,774	$ 1,309,916
Receivables	832,874	800,726
Prepaids	3,634	14,948
Inventories	42,606	54,370
Current portion of leasehold improvements and inducements (Note 6)	111,173	111,173
	2,038,061	2,291,133
Receivables and deposits (Note 4)	232,352	204,619
Property and equipment (Note 5)	7,031,902	7,058,360
Leasehold improvements and inducements (Note 6)	673,780	814,021
Investments and funds		
Nova Scotia First Fund (Note 7)	14,913,448	16,024,114
Research Endowment Fund (Note 8)	404,304	672,129
Other investments (Note 9)	500,869	500,869
Land held for future development	251,771	108,123
Goodwill (Note 2)	250,864	250,864
	24,259,290	25,633,099
	$ 26,297,351	$ 27,924,232

	2009	2008
Liabilities		
Current		
Payables and accruals	$ 878,648	$ 644,149
Payable to Province of Nova Scotia	218,991	1,664,794
Leasehold inducements	45,191	45,191
Deferred capital contributions	95,000	240,228
Current portion of long term debt (Note 11)	101,470	95,981
	1,339,300	2,690,343
Employee future benefits (Note 10)	1,153,797	1,015,430
Long term debt (Note 11)	11,422,614	11,164,179
Leasehold inducements	57,250	106,461
Deferred capital contributions	1,851,777	1,807,018
	15,824,738	16,783,431
Equity		
Capital stock and contributed surplus (Note 13)	19,110,755	19,110,755
Deficit	(8,913,413)	(8,421,607)
Accumulated other comprehensive income (Page 5)	275,271	451,653
	10,472,613	11,140,801
	$ 26,297,351	$ 27,924,232

Commitments (Notes 7 and 16)
Subsequent events (Note 19)

ON BEHALF OF THE BOARD

Chair

Chief Executive Officer

See accompanying notes to the consolidated financial statements.

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Statements of Loss and Deficit

Year Ended March 31	2009	2008
Revenues and contributions		
Government contributions (Note 12)	$ 4,942,202	$ 4,517,741
Incubation	1,146,918	1,030,643
Mentoring	142,387	212,521
Product engineering	210,743	229,020
Software sales and services	553,763	344,642
	6,996,013	6,334,567
Expenses		
Incubation	1,266,470	1,168,557
Mentoring	904,198	1,265,904
Investment	480,935	442,433
Product engineering	202,748	208,854
Software sales and services	480,780	371,046
Corporate services	2,065,556	1,814,964
	5,400,687	5,271,758
Operating income	1,595,326	1,062,809
Depreciation and amortization	(452,015)	(476,157)
Interest expense	(441,755)	(445,781)
Employee future benefit expense	(256,546)	(204,984)
Investment income (loss)		
Nova Scotia First Fund	(934,266)	(566,247)
Other	(2,550)	125,932
	(2,087,132)	(1,567,237)
Net loss	$ (491,806)	$ (504,428)

Deficit, beginning of year	$ (8,421,607)	$ (7,917,179)
Net loss	(491,806)	(504,428)
Deficit, end of year	$ (8,913,413)	$ (8,421,607)

See accompanying notes to the consolidated financial statements.

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

Year Ended March 31	2009	2008
Decrease in cash and cash equivalents		
Operating		
Net loss	$ **(491,806)**	$ (504,428)
Depreciation and amortization	**481,784**	506,305
Deferred capital assistance recognized	**(179,249)**	(172,692)
Employee future benefits expense	**199,127**	204,984
Nova Scotia First Fund income	**(433,300)**	(667,503)
Lease inducements amortized	**(49,210)**	(52,561)
In-kind revenue	**(9,361)**	-
Landlord lease inducements recognized	**29,068**	29,068
Accrued interest on Province of Nova Scotia - NSFF loan	**359,905**	358,829
Minority interest	**1,357**	-
Bad debts and investment write-downs	**1,456,928**	1,232,866
	1,365,243	934,868
Change in non-cash operating working capital (Note 14)	**(1,366,468)**	(634,875)
	(1,225)	299,993
Investing		
Withdrawals from Research Endowment Fund	**263,707**	-
Advances to investees	**(80,000)**	-
Proceeds from NSFF portfolio investments	**474,506**	1,096,254
Acquisitions of NSFF investments	**(470,370)**	(1,238,664)
Long term receivables and deposits	**(22,647)**	39,974
Property and equipment purchases	**(349,737)**	(41,374)
Land development costs	**(143,648)**	(330,481)
Intangibles and long-term deferred costs, net	**-**	(330)
	(328,189)	(474,621)
Financing		
Long term debt repayments	**(95,980)**	(90,789)
Deferred capital contributions	**224,011**	367,416
Employee future benefits payments	**(60,759)**	(124,040)
	67,272	152,587
Decrease in cash and cash equivalents	**(262,142)**	(22,041)
Cash and cash equivalents, Beginning of year	**1,309,916**	1,331,957
End of year	$ **1,047,774**	$ 1,309,916

See accompanying notes to the consolidated financial statements.

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Statement of Comprehensive Loss

Year Ended March 31	2009	2008
Net loss	**$ (491,806)**	$ (504,428)
Other comprehensive income (loss)		
Unrealized (losses) gains on available-for-sale financial assets	**(412,404)**	241,779
Reclassification of net realized gains and losses to net loss	**236,022**	(231,306)
	(176,382)	10,473
Comprehensive loss	**$ (668,188)**	$ (493,955)

Accumulated other comprehensive income, beginning of year	**$ 451,653**	$ -
Transitional adjustment on adoption of new accounting policies (Note 3)	**-**	441,180
Other comprehensive (loss) income	**(176,382)**	10,473
	$ 275,271	$ 451,653

See accompanying notes to the consolidated financial statements.

1. Authority

The Nova Scotia Innovation Corporation (In*NOVA*corp) 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 global business. In*NOVA*corp is exempt from income tax under Section 149 of the Income Tax Act.

2. Summary of significant accounting policies

In*NOVA*corp's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which include the following:

a. Principles of consolidation

The consolidated financial statements include the accounts of In*NOVA*corp and its wholly owned subsidiaries, 1402998 Nova Scotia Limited and 3087532 Nova Scotia Limited, and its 83% owned subsidiary, 3039255 Nova Scotia Limited.

b. Use of estimates

In preparing In*NOVA*corp's consolidated 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 consolidated financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

c. Revenue recognition

Mentoring revenue includes consulting services provided and is recorded as the services are provided.

Incubation revenue is recorded as earned and includes monthly rent and recoveries from tenants for utilities, photocopies, and other administrative services.

Investment revenue includes interest on cash balances, short term investments and bonds receivable, including imputed interest on zero coupon bonds and residuals, dividends and capital gains and losses. Interest income is accrued daily, dividend income is recorded on the ex-dividend date, and capital gains and losses are recognized on the date of sale.

Product engineering includes engineering services and products provided to third parties. Engineering services revenue is recorded as the related services are performed. Work in process is recorded monthly based on the percentage complete. Product sales are recorded on the earlier of the date of shipment or the transfer of title to the customer.

Software sales and services revenue includes communication marketing software, multi-channel communications capabilities and web hosted services. Software sales and services revenue is recognized when payment is received which is coincident with the delivery of products and services.

2. Summary of significant accounting policies (continued)

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and temporary money market instruments at cost plus accrued interest with original maturities of three months or less.

e. Inventory

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

f. Investments and funds

Investments made through the Nova Scotia First Fund and the Research Endowment Fund are included in long-term investments except for those in which a controlling interest is held which are consolidated. In*NOVA*corp evaluates the appropriate classification of investments in fixed maturity and equity securities at the acquisition date. Effective April 1, 2007, In*NOVA*corp's investments are primarily classified as available-for-sale, except for securities purchased with the intent of resale in the near term which are classified as held for trading.

Realized investment gains and losses arise when investments are sold (as determined on an average cost basis) or are other than temporarily impaired. If, in management's judgment, a decline in the value of an investment below cost is other than temporary, the carrying value of the investment, including any unrealized income or loss on available-for-sale financial assets included in accumulated other comprehensive income (loss), is written down to fair value with a corresponding charge to earnings.

Marketable securities not subject to significant influence are recognized at fair value, which is generally the closing bid price at each consolidated balance sheet date.

g. Property and equipment

The cost of property and equipment are depreciated over their estimated useful lives at the following rates:

Buildings	4%	declining balance
Machinery and equipment	20%	declining balance
Computer equipment	30%	declining balance
Furniture and fixtures	20%	declining balance
Site improvements	8%	declining balance
Management information system and network infrastructure	5 - 20%	straight line
Leasehold improvements	term of lease	straight line

2. Summary of significant accounting policies (continued)

h. Donated assets

The donation of assets to In*NOVA*corp is recorded as a capital contribution. These assets are recorded at their fair value with an increase to contributed surplus. These assets are depreciated over their estimated economic life as described above. There were no assets donated in 2008 or 2009.

i. Deferred capital contributions

Contributions used for the acquisition of property and equipment are deferred and recognized as income on the same basis as the related assets are depreciated. Contributions related to other expenditures are recognized as income in the year the related expenditures are incurred.

j. Landlord leasehold improvements and inducements

Costs incurred or paid to tenants to renovate premises are recorded as deferred leasehold improvements and amortized over the life of the lease. Free or reduced rents provided to tenants during the period are recorded as deferred lease inducements and amortized over the life of the lease.

k. Tenant leasehold inducements

Free or reduced rents provided by landlords during the period are recorded as deferred leasehold inducements and amortized over the life of the lease.

l. Non-monetary transactions

Certain companies in which In*NOVA*corp holds investments through the NSFF provide shares in exchange for consulting and mentoring services. 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.

m. Goodwill

Goodwill recorded on the investment in the 83% subsidiary, 3039255 Nova Scotia Limited, is tested for impairment annually using the revenue multiple method. During the year, it was determined that goodwill was not impaired.

2. Summary of significant accounting policies (continued)

n. Employee future benefits

In*NOVA*corp has a Public Service Award Program covering substantially all of its permanent employees. The benefit is based on years of service and the employee's compensation during the final year of employment. This program is funded in the year of retirement of eligible employees.

In*NOVA*corp pays 65% of the cost of health care plans for substantially all retirees or surviving spouses of retirees. The program is funded each year by the payment of the required premiums.

In*NOVA*corp accrues its obligations under these employee benefit plans as the employees render the services necessary to earn the future benefits and has adopted the following policies:

- The cost of the benefits earned by employees is determined annually using the projected benefit method pro rated on service and actuarial assessment and best estimate of probability of retirement, retirement ages and expected health care costs.

- The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees, which is 10 years (2008 – 10 years).

- The transitional obligation resulting from the implementation of the policy is amortized over the average remaining service period of active employees at inception, which is 7.6 years (2008 – 8.6 years).

Employees of In*NOVA*corp, other than casual employees, are entitled to receive pension benefits pursuant to the provisions of the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions and the employer's contributions are included in the expenses of In*NOVA*corp. The Province of Nova Scotia administers the Public Service Superannuation Fund and is responsible for any unfunded liability.

In*NOVA*corp has an unfunded Supplementary Employee Retirement Plan covering its permanent employees whose salaries exceed the maximum on which contributions to a registered pension plan may be deducted. Eligible employees receive an amount equivalent to the registered pension they would have earned on any excess earnings upon retirement on the same terms as are contained in the Province's registered pension plan.

2. Summary of significant accounting policies (continued)

o. Financial instruments

Classification of financial instruments

Available for sale financial assets are those non-derivative financial assets that are designated as such, or that are not classified as loans and receivables, held to maturity, or held for trading. Available for sale securities with quoted market values are carried at fair value whereby the unrealized gains and losses are included in accumulated other comprehensive income until sale or other than temporary impairment when the cumulative gain or loss is transferred to the consolidated statements of earnings.

Held for trading financial assets and liabilities 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.

Held to maturity financial assets are long term in nature and recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is de-recognized or impaired.

Other financial liabilities are recorded at amortized cost with gains and losses recognized in net earnings in the period that the liability is no longer recognized. Other liabilities include all liabilities other than held for trading liabilities.

Loans and receivables are recorded at amortized cost using the effective interest rate method, with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired.

In*NOVA*corp's financial assets and liabilities are generally classified and measured as follows:

Financial Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Investments and funds		
Securities purchased with the intent of resale in the near term	Held for trading	Fair value
Other investments	Available for sale	Fair value
Payables and accruals	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

Other balance sheet accounts, such as inventories, prepaids, goodwill, property and equipment, leasehold improvements and inducements, employee future benefits, leasehold inducements and deferred capital contributions are not financial instruments.

2. Summary of significant accounting policies (continued)

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 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 below.

On adoption of the new financial instrument standards on April 1, 2007 (Note 3), the investments of the Nova Scotia First Fund and the Research Endowment Fund, with the exception of investments in which In*NOVA*corp has a controlling interest, are now carried at fair value. Investments in securities having quoted market values and which are publicly traded on a recognized securities exchange are recorded at values based on quoted closing prices. The fair value of venture investments for which there is no quoted market value are determined based on valuations or implied valuations in transactions in the financial instruments of the investee.

Due to the short period to maturity, the fair value of cash and cash equivalents, receivables, short-term indebtedness and payables and accruals are estimated to approximate their carrying values as presented in the consolidated balance sheet.

p. Future changes in accounting policies

Section 3064 Goodwill and Intangible Assets

This section of the CICA Handbook replaces Section 3062 *Goodwill* and 3450 *Research and Development costs.* It establishes the standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to their initial recognition.

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. In*NOVA*corp 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.

3. Changes in accounting policies

Prior year transitional adjustment

On April 1, 2007, In*NOVA*corp adopted the CICA Handbook Sections 3855 *Financial Instruments – Recognition and Measurement,* 1530 *Comprehensive Income*, and 3251 *Equity*. These standards were applied without restatement of prior periods. The transitional adjustments of $444,626 resulting from these standards were recognized in the opening balances of deficit and accumulated other comprehensive loss.

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 In*NOVA*corp 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 In*NOVA*corp'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 18 *"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 In*NOVA*corp's objectives, policies and processes for managing capital. These disclosures include a description of what In*NOVA*corp manages as capital, the nature of externally imposed capital requirements, how the requirements are incorporated into In*NOVA*corp's management of capital, whether the requirements have been complied with, or consequences of non-compliance, and an explanation of how In*NOVA*corp is meeting its objectives for managing capital. In addition, quantitative disclosures regarding capital are required. Refer to note 17, "*Capital disclosures*" for the additional disclosures under Section 1535.

4. Receivables and deposits

	2009	2008
Leases	$ **204,619**	$ 224,416
Less: current portion	**22,267**	19,797
	182,352	204,619
Deposit	**50,000**	-
	$ **232,352**	$ 204,619

In*NOVA*corp leases equipment under an agreement with a ten year term. The lease, which substantially transfers the entire risks and benefits incidental to ownership, has been accounted for as a sale. The lease bears interest at rates between zero and prime plus fifty basis points. The lease is scheduled to be repaid by February 1, 2014.

The deposit relates to the operating lease disclosed in Note 19 to the financial statements and will be applied against lease payments commencing April 1, 2011.

5. Property and equipment

			2009	2008
	Cost	Accumulated Amortization	**Carrying Value**	Carrying Value
Land	$ 374,015	$	$ **374,015**	$ 374,021
Buildings and site improvements	9,126,172	2,904,855	**6,221,317**	6,200,253
Machinery and equipment	1,048,213	933,783	**114,430**	123,621
Computer equipment	690,669	643,309	**47,360**	33,673
Furniture and fixtures	325,609	244,603	**81,006**	80,738
Leasehold improvements	206,367	129,728	**76,639**	113,445
Management information system and network infrastructure	1,369,690	1,252,555	**117,135**	132,609
	$ 13,140,735	$ 6,108,833	**$ 7,031,902**	$ 7,058,360

6. Leasehold improvements and inducements

	2009	2008
Leasehold improvements and inducements	**$ 1,347,129**	$ 1,347,129
Accumulated amortization	**(562,176)**	(421,935)
	784,953	925,194
Less: current portion	**111,173**	111,173
	$ **673,780**	$ 814,021

7. Nova Scotia First Fund

In 1989 the Nova Scotia First Fund (NSFF) was established by Governor in Council. During 1996-97, In*NOVA*corp assumed management of the NSFF pursuant to the Innovation Corporation Act. The administration of investments and obligations made through the NSFF to April 1, 1996 was also transferred to In*NOVA*corp. The objective of the fund is to encourage the development of high technology industries and the adoption of new technologies by existing industries. Fund investments represent investments in development stage enterprises and, as such, have not yet earned significant revenues from their intended business activities or established their commercial viability. The recovery of invested amounts and the realization of investment returns is dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises. Adverse developments could result in further write-downs of the carrying values of these investments.

Fund activity during the current year is summarized below:

				2009	2008
	Portfolio Investments	Fund Investments	Valuation Adjustment	**Fund Balance**	Fund Balance
Beginning balance	$ 10,498,571	$ 8,673,240	$ (3,147,697)	$ 16,024,114	$ 16,004,008
Add (deduct):					
Change in accounting policies (Note 3)				-	444,628
Consolidation adjustment		(49,986)		(49,986)	37,364
Equity investments	(975,000)	975,000		-	-
Income	161,385	321,901		483,286	319,987
Comprehensive income (loss)	(179,861)			(179,861)	305,887
Repayments	501,392	(501,392)		-	-
Additions and transfers	275,153	(275,153)		-	150,000
Write-down	3,462		(1,367,567)	(1,364,105)	(1,237,760)
Ending balance	$ 10,285,102	$ 9,143,610	$ (4,515,264)	$ 14,913,448	$ 16,024,114

In*NOVA*corp is entitled to recover direct expenses associated with its administration of the NSFF. To date, it has elected not to charge the Fund for any of the costs incurred.

As at March 31, 2009 there were $2,474,995 (2008 - $1,125,000) approved commitments for the NSFF.

Included in the fund balance is the High Performance Incubation Fund with an authorized limit of $1,000,000. Investments made through this fund range from $50,000 to $150,000 and are targeted at earlier stage opportunities. As at March 31, 2009, $636,051 (2008 - $536,051) was invested in such companies.

The fund includes $8,000,000 advanced to In*NOVA*corp by the Province of Nova Scotia with terms as described in Note 11. Income earned on these funds is included as income of the NSFF. Interest of $359,905 (2008 - $358,829) accrued for the year on this advance has been recorded as interest expense and charged to In*NOVA*corp's general operations.

As at March 31, 2009, the market value of the portfolio investments was $10,285,102 (2008 - $10,498,571).

8. Research Endowment Fund

The Research Endowment Fund was transferred to In*NOVA*corp when the Nova Scotia Research Foundation Corporation was dissolved. Subject to any directions provided by the Governor in Council, the Fund is administered and controlled by In*NOVA*corp. The Fund can be used for purposes consistent with the objectives of In*NOVA*corp.

During 2008-2009 the Board of Directors authorized InNOVAcorp to use up to $384,000 from this fund for capital improvements at one of its business incubation facilities, the Technology Innovation Centre. At March 31, 2009 $263,707 had been spent on this project.

9. Other investments

	2009	2008
Amirix Systems Inc.		
490,000 3%, non-cumulative preferred shares	**$ 490,000**	$ 490,000
Other investments, at cost	**10,000**	10,000
Other investments, at net realizable value	**869**	869
	$ 500,869	$ 500,869

10. Employee future benefits

	2009	2008
Long term service award	**$ 337,038**	$ 298,923
Post retirement benefits	**721,007**	621,555
Supplementary employee retirement plan	**95,752**	94,952
	$ 1,153,797	$ 1,015,430

Employees of In*NOVA*corp are entitled to long term service awards on retirement, based on the number of years of service. These are earned at a rate of one week's pay for every year of service, to a maximum of 26 weeks.

The liability recorded represents management's best estimate of the net present value of future awards to be paid to retiring staff. The benefit expense calculation includes an imputed interest charge on the average unfunded liability throughout the period, and an accrual for the awards earned by employees during the period. During the year, the services of an actuary were obtained to develop the balances.

The post retirement benefits obligation, based on actuarial assumptions and calculation, is as follows:

	2009	2008
Balance, beginning of year	**$ 621,555**	$ 530,405
Current service cost	**23,457**	16,801
Interest cost	**62,812**	65,715
Amortization of actuarial loss	**29,427**	25,801
Amortization of transitional obligation	**29,723**	29,723
Less: payments made during the year	**(45,967)**	(46,890)
Balance, end of year	**$ 721,007**	$ 621,555

10. Employee future benefits (continued)

The significant assumptions adopted by management in measuring the post retirement benefits obligation are as follows:

	2009	2008
Discount rate	4.95	5.70
Assumed health care cost trend increase	10.1 – 4.5[1]	10.1 – 4.5[1]

[1] Health costs are assumed to increase at a decreasing rate, with 10.1% being assumed for 2009, 9.25% for 2010, with increases reducing by 0.85% each subsequent year until they stabilize at 4.5%.

In*NOVA*corp's net post retirement benefit expense for the year was $145,419 (2008 - $138,042).

11. Long term debt

	2009	2008
3.255% Province of Nova Scotia - NSFF	**$ 9,715,358**	$ 9,355,452
5.6% Province of Nova Scotia – capital project	**1,407,165**	1,503,147
Province of Nova Scotia – land transfer	**401,561**	401,561
	11,524,084	11,260,160
Less: current portion	**101,470**	95,981
	$ 11,422,614	$ 11,164,179

In 2004, the Province of Nova Scotia advanced $8,000,000 to InNOVAcorp for the purpose of investing in the Nova Scotia First Fund. The loan bears interest at a rate of 3.255% and matures in 2014 when the principal portion and accrued interest will be repaid. Accrued interest to date in the amount of $1,715,358 is included in the above balance and is expected to increase to $3,094,533 upon maturity.

In 2005, the Province of Nova Scotia advanced $1,800,000 to In*NOVA*corp to fund building improvements. The loan is repayable in blended quarterly payments of $44,541 to 2019.

In 2006, Nova Scotia Business Inc., a party related by virtue of common ownership, transferred land and buildings in exchange for assumption of $401,561 of debt owed to the Province of Nova Scotia, an amount equal to the net book value of the assets transferred at the time of the transfer. The loan is non-interest bearing and has no fixed repayment terms.

Principal repayments on long term debt for the next five years are as follows:

2010	$ 101,470
2011	$ 107,273
2012	$ 113,407
2013	$ 119,893
2014	$ 9,842,107

12. Government contributions

In*NOVA*corp 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 projects funding. Funding related to the acquisition of capital assets is deferred as disclosed in Note 2(i). Details of funding for the year are as follows:

	2009	2008
Contributions received - Province of Nova Scotia	**$ 4,812,510**	$ 4,714,605
Contributions used to finance property and equipment	**(224,008)**	(367,087)
Recognition of previously deferred contributions	**296,828**	112,405
	72,820	(254,682)
Net contributions – Province of Nova Scotia	**$ 4,885,330**	$ 4,459,923
Amortization of contributions – Atlantic Canada Opportunities Agency	**$ 56,872**	$ 57,818
Net government contributions	**$ 4,942,202**	$ 4,517,741

13. Capital stock and contributed surplus

	2009	2008
Capital stock – authorized, issued and outstanding		
75 Class A common shares, par value $1	**$ 75**	$ 75
Principal share, par value $1	**1**	1
	76	76
Contributed surplus		
Nova Scotia First Fund	**11,110,791**	11,110,791
Nova Scotia Research Foundation Corporation	**7,509,888**	7,509,888
Amirix Systems Inc.	**490,000**	490,000
	19,110,679	19,110,679
	$ 19,110,755	$ 19,110,755

14. Supplemental cash flow information

	2009	2008
Change in non-cash operating working capital:		
Receivables and prepaids	**$ (25,820)**	$ 34,395
Inventories	**11,764**	30,208
Payables and accruals	**238,619**	(52,282)
Payable to Province of Nova Scotia	**(1,445,804)**	(793,386)
Deferred capital contributions, current	**(145,227)**	146,190
	$ (1,366,468)	$ (634,875)

15. Related party transactions

Entity	Relationship	Revenues Generated	Year End Receivable
PlantSelect Biotechnology Systems Limited	50% investee	$ -	$ 398,459
BioScience Enterprise Centre	Managed incubator	$ 26,423	$ 412,060
NSFF Investments	Investees	$ 86,376	$ 263,442

Sales to NSFF investees are at the same prices and terms as with unrelated parties.

The receivable from PlantSelect Biotechnology Systems Limited is offset by an allowance for doubtful accounts of $398,528.

The receivables from NSFF Investments is offset by an allowance for doubtful accounts of $158,365.

Contributions were received from the Province of Nova Scotia as described in Note 12.

16. Commitments

In*NOVA*corp has entered into operating lease arrangements for facilities and equipment. Future minimum annual lease payments under these leases are as follows:

2010	$ 350,941
2011	$ 366,657
2012	$ 13,842
2013	$ 4,179

17. Capital disclosures

In*NOVA*corp includes short-term and long-term debt and equity (including accumulated other comprehensive income) in the definition of capital as follows:

	2009	2008
Debt	**$ 11,524,084**	$ 11,260,160
Equity (including accumulated other comprehensive income)	**10,472,613**	11,140,801
	$ 21,996,697	$ 22,400,961

In*NOVA*corp's objectives when managing capital is to deliver its mandate while meeting or bettering the operating and capital budgets contained in its annual business plan, forming part of the Estimates of the Province of Nova Scotia.

18. Financial instruments

In*NOVA*corp's financial instruments at March 31, 2009 include cash and cash equivalents, receivables, marketable securities, long-term investments, loans receivable, payables and accruals and short-term and long-term debt.

Financial instruments include the following:

	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Held for trading:				
Cash and cash equivalents	$ 1,047,774	$ 1,047,774	$ 1,309,916	$ 1,309,916
Investments and funds				
Securities purchased with the intent of resale in the near term (within the NSFF)	1,670,072	1,670,072	1,270,469	1,270,469
Available for sale:				
Nova Scotia First Fund	13,243,376	13,243,376	14,753,645	14,753,645
Research Endowment Fund	404,304	404,304	672,129	672,129
Other investments	500,869	500,869	500,869	500,869
Loans and receivables:				
Receivables	832,874	832,874	800,726	800,726
Long-term receivable	182,352	182,352	204,619	204,619
Other liabilities:				
Payables and accruals	878,648	878,648	644,149	644,149
Long-term debt	11,524,084	11,524,084	11,260,160	11,260,160

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. The majority of marketable securities and long-term investments are recorded at fair value based on quoted market prices at March 31, 2009. Securities designated as available for sale are included in the balance sheet at fair value, with any movement being recorded as a component of accumulated other comprehensive income (loss) in equity. Securities designated as held for trading are included in the balance sheets at fair value, with any movement being recorded as an unrealized gain (loss) in the consolidated statement of income (loss). The fair value disclosure information available for long-term investments is limited to arms length transactions in the shares of these firms. For private companies without quoted market prices in an active market, investments are carried at cost less provisions for other than temporary impairment where required.

Risks associated with financial assets and liabilities

In*NOVA*corp is exposed to various financial risks arising from its financial assets and liabilities. These include market risk relating to equity prices, interest rates and foreign exchange rates, liquidity risk and credit risk. To manage these risks, In*NOVA*corp adheres to a Board approved investment policy that governs its venture capital and liquid portfolio investing activities. The High Performance Incubation business model, which provides incubation, mentoring and investment services to early stage technology enterprises, is also used to mitigate risks.

18. Financial instruments (continued)

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 In*NOVA*corp, market risk is comprised of equity price risk, interest rate risk and foreign exchange risk.

Equity price risk

Equity price risk refers to the risk that the fair value of marketable securities and long-term investments will vary as a result of changes in market prices of the investments.

The carrying values of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the balance sheet date. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

The table below shows the impact to In*NOVA*corp's net income and other comprehensive income resulting from a 37% increase or decrease in market prices on securities carried at market value in the consolidated balance sheet. This illustrates the effect on InNOVAcorp's financial results due to a certain price change, and may not reflect the best or worst case scenarios.

Fair value	Price change	Estimated fair value after price change	Estimated impact on net income	Estimated impact on other comprehensive income *
$1,221,643	37% increase	$1,673,177	$131,856	$320,152
1,221,643	37% decrease	769,635	(131,856)	(320,152)

* *Assuming no other-than-temporary impairment*

In*NOVA*corp 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.

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.

In*NOVA*corp partially mitigates its exposure to interest rate fluctuations through limitations on duration of its fixed income portfolio imposed by its investment policy.

18. Financial instruments (continued)

The table below shows the impact to In*NOVA*corp's net income and other comprehensive income of a 1% increase or decrease in interest rates on fixed income securities carried at market value in the consolidated balance sheet. The selected change may not reflect what could be considered the best or worst case scenarios.

	Fair value	Interest Rate change	Estimated fair value after rate change	Estimated impact on net income *	Estimated impact on other comprehensive income
NSFF					
	$9,056,712	1% increase	$8,805,931	$ -	$ (250,781)
	9,056,712	1% decrease	9,307,492	-	250,781
Research Endowment Fund & Short Term Investments					
	$1,174,665	1% increase	1,150,495	-	(24,171)
	1,174,665	1% decrease	1,198,836	-	24,171

* *Assuming liquidity requirements are met from the cash allocation in the respective portfolios, these fluctuations in value would be unrealized*

Foreign exchange risk
Foreign exchange risk refers to the risk that values of financial assets denominated in foreign currencies in the consolidated balance sheet of In*NOVA*corp will vary as a result of changes in underlying foreign exchange rates.

In*NOVA*corp allocates a portion of the Nova Scotia First Fund liquid portfolio to debt and equity securities denominated in U.S. dollars. At March 31, 2009, the effect of a 15% change in the US/Canadian exchange rate on comprehensive income would have been $136,509.

In*NOVA*corp limits its exposure to foreign exchange fluctuations on the Nova Scotia First Fund liquid portfolio through adherence to its Board approved investment policy that limits foreign currency allocations by asset class.

Occasionally, In*NOVA*corp sells its products and services to foreign customers, substantially all of whom are in the United States. These sales are not a significant portion of In*NOVA*corp's total revenues. Substantially all of the sales of In*NOVA*corp's consolidated investees are denominated in U.S. dollars leaving any receivables balances held by that entity exposed to foreign exchange risk. A significant portion of the sales are settled by credit card payment.

Liquidity risk
Liquidity risk is the risk that InNOVAcorp will encounter difficulty in meeting its financial obligations. InNOVAcorp believes it has access to sufficient capital through operating and investing cash flows. Ongoing operating funding from the Province is required to meet the obligations set out below. In addition, occupancy levels in its facilities are a key factor in In*NOVA*corp's ability to make quarterly principal and interest payments under its building improvement loan. The amount and timing of exits from its venture investments will play a significant role in determining the extent to which principal and interest on the Nova Scotia First Fund loan, due in March of 2014, will be paid at maturity.

18. Financial instruments (continued)

The following table shows the timing of expected payments on current liabilities and long-term debt:

	Due Within 1 Year	Due Within 1 to 5 Years	Due Within 5 to 10 Years	Due After 10 Years
Accounts payable	$ 1,097,641	$ -	$ -	$ -
Long term debt	101,470	8,467,323	751,126	488,807
Interest due on NSFF debt	-	3,094,522	-	-
	$ 1,199,111	$ 11,561,845	$ 751,126	$ 488,807

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 In*NOVA*corp to suffer a loss. In*NOVA*corp's financial assets that are exposed to credit risk consist primarily of fixed income investments of the Nova Scotia First Fund and the Research Endowment Fund, accounts and loans receivable.

Fixed income
For fixed income investments, In*NOVA*corp is exposed to credit risk from the issuers of the bonds, bankers' acceptances, commercial paper and treasury bills. This risk is managed by adherence to an investment policy which sets the standards of credit quality acceptable for investment.

The concentration of fixed income investments by credit quality and issuer type was as follows at March 31 2009:

	AAA	AA (H)	AA	AA (L)	A(H)	A	A (L)	Total
Government of Canada	$2,591,360	$ -	$ -	$ -	$ -	$ -	$ -	$2,591,360
Canada Provinces	372,232	-	1,277,083	-	1,423,199	641,642	593,909	4,308,065
Canada Municipals	-	419,339	-	-	-	-	-	419,339
Canada Corporates	-	-	-	373,098	514,204	-	-	887,302
Nova Scotia First Fund Total	2,963,592	419,339	1,277,083	373,098	1,937,403	641,642	593,909	8,206,066
Government of Canada	478,532	-	-	-	-	-	-	478,532
Canada Provinces	-	155,198	209,875	-	-	-	-	365,073
Canada Corporates	-	130,025	-	201,036	-	-	-	331,061
Research Endowment Fund Total	478,532	285,223	*209,875*	201,036	-	-	-	1,174,666
Total	**$3,442,124**	**$704,562**	**$1,486,958**	**$574,134**	**$1,937,403**	**$641,642**	**$593,909**	**$9,380,732**

18. Financial instruments (continued)

Receivables

Trade receivables are significantly concentrated with 36.54% of the balance due from early-stage technology-based companies, In*NOVA*corp's principal client base, and an additional 33.33% from its anchor tenant. The stage of development of InNOVAcorp's client base combined with the technology sector concentration increases the associated credit risk. InNOVAcorp's active involvement with its clients 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.

In*NOVA*corp's loan receivable is the result of a sales-type lease of equipment to its anchor tenant, increasing its credit risk exposure from this source. The credit risk is mitigated by InNOVAcorp's security interest in the assets leased.

Details of trade and loans receivable are as follows:

	Current	Up to 90 Days Past Due	Over 90 Days Past Due	Allowance for Doubtful Accounts	Total
Trade receivables	$ 127,414	$161,148	$ 154,530	$(130,794)	$ 312,298
Loan receivable					
Current portion					22,267
Non-current portion					182,352
					$ 516,917

19. Subsequent events

Nova Scotia First Fund

On May 4, 2009 the Governor-in-Council issued Order 2009-228 authorizing an additional advance of up to $30,000,000 to the Nova Scotia First Fund and authorizing the Ministers of Finance and Economic and Rural Development to execute any agreements, documents and instruments required to give effect to its order.

BioScience Enterprise Centre

On May 8, 2009, pursuant to Order in Council 2008-550, the Minister of Economic and Rural Development approved terms of a twenty year lease between In*NOVA*corp and Dalhousie University securing replacement premises for the BioScience Enterprise Centre in a newly constructed facility. Occupancy will commence on April 1, 2011 and lease payments will be determined based on the construction cost of the facility under an agreed upon formula. The transaction will be accounted for as an operating lease. The lease is expected to be executed in June 2009, once it is approved by Dalhousie's Board of Governors.

20. Comparative figures

Certain of the comparative figures for 2008 have been reclassified to conform to the financial statement presentation adopted for the current year.