Financial Statements of

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

March 31, 2011

Deloitte.

Deloitte & Touche LLP
1969 Upper Water Street
Suite 1500
Purdy's Wharf Tower II
Halifax NS B3J 3R7
Canada

Tel: (902) 422-8541
Fax: (902) 423-5820
www.deloitte.ca

Independent Auditor's Report

To the Board of Directors of
BioScience Enterprise Centre Incorporated

We have audited the accompanying financial statements of Bioscience Enterprise Centre Incorporated ("the Corporation"), which comprise the balance sheet as at March 31, 2011, and the statements of loss and deficit, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Halifax, Nova Scotia
June 29, 2011

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BIOSCIENCE ENTERPRISE CENTRE INCORPORATED
Balance Sheet
As at March 31, 2011

		2011		2010
ASSETS				
Cash	$	**30,515**	$	44,731
Receivables		**43,167**		34,220
Property and equipment (Note 4)		**23,870**		26,488
	$	**97,552**	$	105,439
LIABILITIES				
Payables and accrued liabilities	$	**17,258**	$	25,598
Due to Innovacorp		**805,273**		538,077
Deferred government contributions		**16,818**		22,530
		839,349		586,205
SHAREHOLDERS' DEFICIENCY				
Capital stock (Note 6)		**1**		1
Deficit		**(741,798)**		(480,767)
		(741,797)		(480,766)
	$	**97,552**	$	105,439

ON BEHALF OF THE BOARD

. . . . Director

. . . . Director

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED
Statement of Loss and Deficit
Year ended March 31, 2011

	2011	2010
Revenues		
Rent	$ **285,651**	$ 280,960
Amortization of government contributions	**5,712**	11,399
Business services	**126,074**	107,035
Other	**4,192**	4,434
	421,629	403,828
Expenses		
Advertising and promotion	**567**	208
Bad debts	**82,363**	29,496
Communications	**27,982**	24,489
Amortization	**5,712**	6,671
Information resources	**251**	586
Interest and bank charges	**269**	211
Materials	**11,888**	10,858
Miscellaneous	**25,547**	4,337
Outside services	**33,598**	21,590
Professional development	**1,956**	3,030
Rent	**120,055**	100,814
Repairs and maintenance	**34,552**	52,044
Salaries and benefits	**217,046**	220,950
Travel	**4,565**	5,509
Utilities	**116,309**	103,612
	682,660	584,405
Net loss	**(261,031)**	(180,577)
Deficit, beginning of year	**(480,767)**	(300,190)
Deficit, end of year	$ **(741,798)**	$ (480,767)

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED
Statement of Cash Flows
Year ended March 31, 2011

	2011	2010
INCREASE (DECREASE) IN CASH		
Operating		
Net loss	$ (261,031)	$ (180,577)
Items not affecting cash:		
Amortization	5,712	6,671
Amortization of government contributions	(5,712)	(11,399)
	(261,031)	(185,305)
Changes in non-cash operating working capital		
Receivables	(8,947)	35,718
Inventory	-	4,839
Payables and accrued liabilities	(8,340)	28,291
Deferred revenue	-	(19,768)
	(278,318)	(136,225)
Investing		
Purchases of property and equipment	(3,094)	(1,109)
Financing		
Due to Innovacorp	267,196	126,017
DECREASE IN CASH	(14,216)	(11,317)
CASH, BEGINNING OF YEAR	44,731	56,048
CASH, END OF YEAR	$ 30,515	$ 44,731

1. NATURE OF OPERATIONS

BioScience Enterprise Centre Incorporated (the "Corporation") developed and leased an incubation facility to be a catalyst for the bio-life science industry sector. The Corporation is exempt from income taxes under Section 149 of the *Income Tax Act.*

2. FUTURE ACCOUNTING CHANGES

New accounting framework

In December 2009, the Public Sector Accounting Board (PSAB) issued an amendment to the Introduction to Public Sector Accounting Standards of the PSA Handbook. This amendment eliminated the Government Business Type Organizations (GBTO) classification and entities currently classified as a GBTO are required to re-assess their classification.

Under the revised introduction, the Corporation is classified as an Other Government Organization (OGO). Effective for fiscal years beginning January 1, 2011, OGO's had to choose between International Financial Reporting Standards and standards issued by the PSAB. The Corporation determined the most appropriate basis of accounting to meet the needs of the users of its financial statements to be the standards issued by the PSAB. The Corporation will adopt the standards issued by the PSAB for its fiscal year beginning April 1, 2011, and is currently in the process of assessing the impact upon transition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

Property and equipment are recorded at cost and amortized over their estimated useful lives at the following rates and methods:

Computer equipment	30% declining balance
Equipment	20% declining balance
Furniture	20% declining balance

Government assistance

The portion of government assistance used for the acquisition of property and equipment 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

In preparing these financial statements, management is required to makes 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. Significant estimates in these financial statements include assessing the useful lives of property and equipment, payables and accrued liabilities. Actual results could differ from these estimates.

Financial instruments

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

Financial asset/liability	Classification	Measurement
Cash	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Payables and accruals	Other liabilities	Amortized cost

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 investment 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, receivables, and payables and accruals approximate their carrying values as presented in the balance sheet.

Loans and receivables and other financial liabilities are recorded at amortized cost using the effective interest method with gains and losses recognized in net earnings in the period that the asset or liability is derecognized or in the period that the asset is impaired.

Other financial liabilities are recorded at amortized cost using the effective interest method with gains and losses recognized in the income statement in the period that the liability is derecognized. Other liabilities include all liabilities other than held for trading liabilities. Transaction costs related to financial liabilities classified as other liabilities are expensed when incurred.

4. PROPERTY AND EQUIPMENT

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building improvements	$ 631,752	$ 631,752	$ -	$ -
Equipment	70,080	60,819	9,261	8,095
Computer equipment	38,772	38,037	735	1,051
Furniture	99,218	85,344	13,874	17,342
	$ 839,822	$ 815,952	$ 23,870	$ 26,488

5. RELATED PARTY TRANSACTIONS

Entity	Relationship	Purchases From	Year End Payable
Nova Scotia Innovation Corporation ("Innovacorp")	Sister	$ 372,069	$ 805,273

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 operations.

6. CAPITAL STOCK

		2011	2010
Authorized			
100,000	Common shares with no par value		
Issued and outstanding			
1	Common share	$ 1	$ 1

7. FINANCIAL INSTRUMENTS

Financial instruments include the following:

	2011		2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Held for trading:				
Cash	**$ 30,515**	**$ 30,515**	$ 44,731	$ 44,731
Loans and receivables:				
Receivables	**43,167**	**43,167**	34,220	34,220
Other liabilities:				
Payables and accrued liabilities	**17,258**	**17,258**	25,598	25,598
Due to Innovacorp	**805,273**	**805,273**	538,077	538,077
	$ 896,213	**$ 896,213**	$ 642,626	$ 642,626

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

Risks associated with financial assets and liabilities

The Corporation is exposed to various financial risks arising from its financial assets and liabilities. These include liquidity risk and credit risk. To manage these risks, the Corporation limits its transactions to those in the nature of trade.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its financial obligations. The Corporation 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 its obligations as they become due.

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

	Due within 1 Year
Payables and accruals	$ 17,258
Due to Innovacorp	805,273

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

7. FINANCIAL INSTRUMENTS (continued)

Receivables

Trade receivables are significantly concentrated with 100% of the balance due from tenants, several of whom are early stage technology based companies. The stage of development of the Corporation's client base combined with the technology section concentration increases the associated credit risk. The Corporation's sister company Innovacorp's active involvement with the Corporation'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	$ 28,336	$ 6,184	$ 207,059	$ (202,386)	$ 39,193
HST Receivable	2,578	-	-	-	2,578
Other	1,397	-	-	-	1,397
	$ 32,311	$ 6,184	$ 207,059	$ (202,386)	$ 43,168

8. ECONOMIC DEPENDENCE

Since commencing operations in 1999, the Corporation has operated as part of the Nova Scotia Innovation Corporation's ("Innovacorp") incubation activities. Innovacorp receives annual operating funding from the Province for its activities, including incubation, and has advanced funds to the Corporation to cover cash requirements in excess of other source revenue. The Corporation continues to be reliant on these advances from Innovacorp to meet its obligation.

9. SUBSEQUENT EVENTS

The operations of the Corporation have been relocated to leased premises in the Life Sciences Research Institute effective April 1, 2011 and have been assumed by Innovacorp at that date. The future of the Corporation will be determined in the 2011-12 fiscal year.

10. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's financial statement presentation.