

Financial Statements of

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

March 31, 2014



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
BioScience Enterprise Centre Incorporated

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

We have audited the accompanying financial statements of Bioscience Enterprise Centre Incorporated, which comprise the statement of financial position as at March 31, 2014, and the statement of operations and accumulated deficit, change in net debt and cash flow for the year ended March 31, 2014, 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 public sector accounting standards, 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 in our audit 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 Bioscience Enterprise Centre Incorporated as at March 31, 2014, and the results of its operations, changes in net debt, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matter

We draw attention to Note 5 to the financial statements which describes the uncertainty of BioScience Enterprise Centre Incorporated's ability to continue as a going concern given that the Company has ceased operating which casts significant doubt on the validity of this assumption. Our opinion is not qualified in respects of this matter.

Chartered Accountants
Halifax, Nova Scotia
June 26 2014

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Table of Contents

March 31, 2014

	<u>Page</u>
Statement of Financial Position	1
Statement of Operations and Accumulated Deficit	2
Statement of Change in Net Debt	3
Statement of Cash Flows	4
Notes to the Financial Statements	5-8

Management's Report

Management's Responsibility for the Financial Statements

The 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 financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

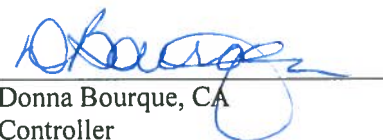
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

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

On behalf of **BioScience Enterprise Centre Incorporated**


Stephen Duff
CEO


Donna Bourque, CA
Controller

June 26, 2014

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Statement of Financial Position

As at March 31, 2014

	<u>March 31</u> <u>2014</u>	<u>March 31</u> <u>2013</u>
FINANCIAL ASSETS		
Cash	\$ 1,477	\$ 1,506
Accounts receivable	27,535	27,535
	<u>29,012</u>	<u>29,041</u>
LIABILITIES		
Due to Innovacorp (Note 3)	760,123	757,623
Net debt and accumulated operating deficit	\$ (731,111)	\$ (728,582)

ON BEHALF OF THE BOARD



Director

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Statement of Operations and Accumulated Deficit

For the year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
Revenues		
Other	\$ 11	\$ 11
	<u>11</u>	<u>11</u>
Expenses		
Interest and bank charges	40	41
Outside services	2,500	2,500
	<u>2,540</u>	<u>2,541</u>
Operating deficit	<u>(2,529)</u>	<u>(2,530)</u>
Accumulated operating deficit, beginning of year	<u>(728,582)</u>	<u>(726,052)</u>
Accumulated operating deficit, end of year	<u>\$ (731,111)</u>	<u>\$ (728,582)</u>

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED
Statement of Change in Net Debt
For the year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
Annual operating deficit	\$ (2,529)	\$ (2,530)
Decrease in net debt	(2,529)	(2,530)
Net debt, beginning of year	(728,582)	(726,052)
Net debt, end of year	\$ (731,111)	\$ (728,582)

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Statement of Cash Flows

For the year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
NET (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Operating		
Annual operating surplus (deficit)	\$ (2,529)	\$ (2,530)
	<u>(2,529)</u>	<u>(2,530)</u>
Financing		
Due to Innovacorp	2,500	2,499
Decrease in cash	(29)	(31)
Cash, beginning of year	1,506	1,537
Cash, end of year	\$ 1,477	\$ 1,506

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Notes to the Financial Statements

March 31, 2014

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*. During 2012, BioScience ceased operations, disposing of its remaining tangible capital assets by transferring them to Innovacorp, its sister organization, to whom it has a liability for advances of funds to finance operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards as established by the Public Sector Accounting Board.

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. Significant estimates in these financial statements include assessing the allowance for doubtful accounts. Actual results could differ from these estimates.

Financial instruments

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

Cash

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

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.

Payables and accruals

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

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.

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Notes to the Financial Statements

March 31, 2014

3. RELATED PARTY TRANSACTIONS

<u>Entity</u>	<u>Relationship</u>	<u>Year End Payable</u>
Nova Scotia Innovation Corporation ("Innovacorp")	Common ownership	\$760,123

Transactions 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, with no set terms of repayment, and has arisen from cash advances to fund operations.

4. FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities recorded at amortized cost or fair value are as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Financial assets				
Cash	\$ 1,477	\$ -	\$ 1,506	\$ -
Accounts receivable	27,535	-	27,535	-
	<u>\$ 29,012</u>	<u>\$ -</u>	<u>\$ 29,041</u>	<u>\$ -</u>
Financial liabilities				
Due to Innovacorp	\$ 760,123	\$ -	\$ 757,623	\$ -

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.

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.

Accounts 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 sector 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.

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Notes to the Financial Statements

March 31, 2014

Details of trade receivables are as follows:

	<u>Current</u>	<u>Up to 90 Days Past due</u>	<u>Over 90 Days Past due</u>	<u>Allowance for Doubtful accounts</u>	<u>Total</u>
Accounts receivable	\$ (4)	\$ -	\$ 232,158	\$ (204,619)	\$ 27,535

5. GOING CONCERN

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, conditions exist that cast doubt on the Corporation's ability to continue as a going concern. BioScience operations ceased upon the transfer of BioScience assets to Innovacorp. Since commencing operations in 1999, Innovacorp advanced funds to the Corporation to cover cash requirements in excess of other source revenue. Future advances to BioScience from Innovacorp are unlikely to continue given BioScience operations have ceased. If the going concern assumption were not appropriate for these financial statements, adjustments could be required in carrying values of assets and liabilities, the reported operating deficit and the statement of financial position classifications used.