

Financial statements of

**Nova Scotia Business Inc.**

March 31, 2014

# Nova Scotia Business Inc.

March 31, 2014

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## **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 fulfills 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 Nova Scotia Business Inc. and meet when required.

On behalf of **Nova Scotia Business Inc.**

\_\_\_\_\_  
Ron Smith  
Interim CEO

\_\_\_\_\_  
Ferdinand Makani  
Controller

\_\_\_\_\_, 2014

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Nova Scotia Business Inc.

We have audited the accompanying financial statements of Nova Scotia Business Inc., which comprise the statement of financial position as at March 31, 2014, and the statements of operations and accumulated operating surplus, remeasurement gains and losses, changes in net financial assets 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 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 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 Nova Scotia Business Inc. as at March 31, 2014 and the results of its operations, changes in net financial assets and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

*Deloitte LLP*

Chartered Accountants  
Halifax, Nova Scotia  
June 25, 2014

# Nova Scotia Business Inc.

## Statement of operations and change in accumulated operating surplus

Year ended March 31, 2014

(In thousands of dollars)

	Budget (Unaudited)	2014	2013
	\$	\$	\$
<b>Revenue</b>			
Provincial			
Operating grant	9,924	9,924	9,994
Strategic investment grant	10,000	8,211	8,744
Loan valuation allowance grant	2,446	2,446	2,017
Miscellaneous	1,061	1,884	966
Interest on loans receivable	2,937	2,235	4,084
Other	1,040	758	975
Federal	715	986	742
Investment income	409	7,544	204
Gain on sale of tangible capital assets	109	298	26
	<b>28,641</b>	<b>34,286</b>	<b>27,752</b>
<b>Expenses</b>			
Operating expenses (Schedule 1)	12,345	12,947	11,888
Transfer payments to the Province of Nova Scotia	109	49	27
Strategic investments	10,000	8,211	8,744
Provision for credit losses and payment of guarantees	2,446	8,595	(2,934)
Nova Scotia Business Fund: other expenses (Schedule 2)	3,372	2,751	4,500
	<b>28,272</b>	<b>32,553</b>	<b>22,225</b>
Annual operating surplus	369	1,733	5,527
Accumulated operating surplus, beginning of year	25,329	25,329	19,802
<b>Accumulated operating surplus, end of year</b>	<b>25,698</b>	<b>27,062</b>	<b>25,329</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Nova Scotia Business Inc.

## Statement of remeasurement gains and losses

Year ended March 31, 2014

(In thousands of dollars)

	2014	2013
	\$	\$
<b>Accumulated remeasurement losses, beginning of year</b>	<b>1,168</b>	(1,540)
Unrealized gains on portfolio investments	(1,168)	2,708
<b>Accumulated remeasurement gains and (losses), end of year</b>	<b>-</b>	<b>1,168</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

**Nova Scotia Business Inc.**  
Statement of changes in net financial assets  
Year ended March 31, 2014  
(In thousands of dollars)

	Budget (Unaudited)	2014	2013
	\$	\$	\$
<b>Annual operating surplus</b>	<b>369</b>	<b>1,733</b>	<b>5,527</b>
<b>Change in tangible capital assets</b>			
Acquisitions of tangible capital assets	-	(15)	-
Amortization of tangible capital assets	63	62	67
Gain on sale of tangible capital assets	(109)	(298)	(26)
Proceeds on sale of tangible capital assets	-	313	26
Net change in tangible capital assets	323	1,795	5,594
<b>Change in other non-financial assets</b>			
Acquisitions of prepaid assets	-	(3)	(54)
Use of prepaid assets	-	54	27
Net change in other non-financial assets	-	51	(27)
<b>Increase in non-financial assets</b>	<b>323</b>	<b>1,846</b>	<b>5,567</b>
Remeasurement (decrease) increase arising during the year	-	(1,168)	2,708
Increase in net financial assets	323	678	8,275
Net financial assets, beginning of year	25,179	25,179	16,904
<b>Net financial assets, end of year</b>	<b>25,502</b>	<b>25,857</b>	<b>25,179</b>

The accompanying notes to the financial statements are an integral part of this financial statement.



# Nova Scotia Business Inc.

## Statement of financial position

As at March 31, 2014

(In thousands of dollars)

	2014	2013
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	19,842	13,363
Accrued interest receivable	1,949	1,341
Loan valuation allowance receivable (Note 1(j))	9,868	11,454
Other receivables	1,160	1,075
Due from the Province of Nova Scotia	6,746	5,626
Loans receivable (Note 2 and 6)	40,136	36,605
Equity investments (Note 3 and 6)	29,477	38,342
	<b>109,178</b>	<b>107,806</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	8,326	8,294
Deferred revenue	306	731
Accrued interest payable	724	516
Employee benefits and other liabilities (Note 15)	1,519	1,432
Provision for payment of guarantees (Note 6)	-	300
Long-term debt due to the Province of Nova Scotia (Note 7 and Note 1(j))	72,397	71,328
Transfer payments payable to the Province of Nova Scotia	49	26
	<b>83,321</b>	<b>82,627</b>
Net financial assets	<b>25,857</b>	<b>25,179</b>
<b>Non-financial assets</b>		
Tangible capital assets - industrial parks and buildings (Note 4)	1,202	1,264
Prepaid expenses	3	54
	<b>1,205</b>	<b>1,318</b>
<b>Accumulated surplus</b>	<b>27,062</b>	<b>26,497</b>
<b>Accumulated surplus is comprised of</b>		
Accumulated operating surplus	27,062	25,329
Accumulated remeasurement gains/(losses)	-	1,168
	<b>27,062</b>	<b>26,497</b>

Contractual obligations (Note 9)

Contingencies (Note 10)

On behalf of the Board

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

The accompanying notes to the financial statements are an integral part of this financial statement.

# Nova Scotia Business Inc.

## Statement of cash flows

Year ended March 31, 2014

(In thousands of dollars)

	2014	2013
	\$	\$
<b>Operating transactions</b>		
Annual operating surplus	1,733	5,527
Items not affecting cash and cash equivalents		
Amortization	62	67
Redemption of loan valuation allowance receivable	(4,032)	-
Allowance for credit losses and provision for payment of guarantees	8,595	(2,934)
Capitalized interest on loans payable	854	747
Capitalized interest & dividends on loans and equity	(1,495)	-
Gain on sale of tangible capital assets	(298)	(26)
Revaluation gain on tangible capital assets	(59)	-
Gain on sale of equity investments	(5,514)	-
Contributed tangible capital assets revenue	(15)	-
	(169)	3,381
Change in other (Note 13(b))	(142)	(4,870)
	(311)	(1,489)
<b>Capital transactions</b>		
Additions	74	-
Contributions	(15)	-
Proceeds from sale of tangible capital assets	313	26
	372	26
<b>Investing transactions</b>		
Loan advances	(8,035)	(15,567)
Principal received on loans	4,701	60,380
Redemption of equity investments	8,514	-
Acquisition of equity investments	(2,900)	(2,449)
	2,280	42,364
<b>Financing transactions</b>		
New notes payable from the Province of Nova Scotia	10,704	17,754
Principal repayments to the Province of Nova Scotia	(6,566)	(61,627)
	4,138	(43,873)
Increase (decrease) in cash and cash equivalents	6,479	(2,972)
Cash and cash equivalents, beginning of year	13,363	16,335
<b>Cash and cash equivalents, end of year</b>	<b>19,842</b>	<b>13,363</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2014

(in thousands)

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Nova Scotia Business Inc. (the "Corporation") is a corporation, wholly-owned by the Province of Nova Scotia 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 drive, through business development, a strong, prosperous and globally competitive Nova Scotia. The Corporation is not subject to provincial or federal taxes.

### 1. Summary of significant accounting policies

#### (a) Basis of accounting

The 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 normally 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.

#### (b) 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 90 days or less at acquisition. All are measured at fair market value.

#### (c) 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 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.

#### (d) Equity investments

Equity investments in publicly traded companies are recorded at fair value using quoted prices in an active market with unrealized gains and losses being recognized in the statement of remeasurement gains and losses.

Investments in equity instruments of 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 to reflect anticipated future losses for all investments in private enterprises receivable which do not have a specific allowance.

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

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

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2014

(in thousands)

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### 1. Summary of significant accounting policies (continued)

#### (e) 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.

#### (i) Tangible capital assets - industrial parks and buildings

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%

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

The Department of Transportation and Infrastructure Renewal has operational responsibility for the industrial parks and buildings. Certain revenues and expenses associated with the operation of the industrial parks and buildings are accounted for by the Department of Transportation and Infrastructure Renewal and are not reflected in these financial statements.

Proceeds from the sale of assets less closing costs are remitted to the Province of Nova Scotia in the form of transfer payments. In current year, the transfer payments payable to the Province of Nova Scotia was \$49 (2013 - \$26).

#### (ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded into 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. .

#### (f) Other assets

Other assets consist of property acquired through foreclosure. Other assets are recorded at cost less a general allowance for the credit losses equal to 5% of cost. A specific allowance is recorded if management considers it necessary to reduce the asset to its estimated recoverable amount.

#### (g) Due to the Province of Nova Scotia

Amounts due to the Province of Nova Scotia which are comprised of long-term-debt are recorded at amortized cost.

#### (h) Government transfers

Government transfers are recognized in the 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 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 or 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 financial statements.

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2014

(in thousands)

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### 1. Summary of significant accounting policies (continued)

#### (i) Revenue recognition

- (i) 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 tangible capital assets are considered to be met as the assets are used for their intended purpose.

- a. Operating grants have no criteria or stipulations and the Corporation recognizes revenue on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.
  - 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. Loan valuation grant is provided by the Province of Nova Scotia to offset the provision for credit losses and payment of guarantees.
  - 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.
- (ii) 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.

#### (j) Allowance for credit losses and payment of guarantees

The allowance for credit losses 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.

#### (k) Employee future benefits

- (i) The Corporation provides certain employee benefits which will require funding in future periods. These benefits include vacation pay and public service awards. Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of twenty-six years. Management recognizes compensation expense on an accrual basis; actuarial assessment are carried out after every three years; the next one is due in 2017 fiscal year.
- (ii) Permanent employees of the Corporation participate in the Public Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on 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.

#### (l) Use of estimates

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

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2014

(in thousands)

### 1. Summary of significant accounting policies (continued)

#### (m) Future accounting pronouncements

*Liabilities for contaminated sites:* PSAS 3260 establishes on how to account for and report a liability associated with the remediation of contaminated sites.

#### (n) Impairment of long-lived assets

Tangible capital assets are written down when conditions indicate that they no longer contribute to NSBI'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 statement of operations.

### 2. Loans receivable

	2014	2013
	\$	\$
Principal due	62,227	59,685
Allowance for credit losses (Note 6)	(22,091)	(23,080)
	<b>40,136</b>	<b>36,605</b>

Interest charged on these loans ranges from 0% to 9%. Repayment terms are negotiated on specific loans and would normally not exceed 20 years. 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 unsecured position to a fully secured position.

### 3. Equity investments

	2014	2013
	\$	\$
Common shares	19,326	14,998
Preferred shares	22,913	27,914
Convertible debentures	7,850	6,950
	<b>50,089</b>	<b>49,862</b>
Allowance for credit losses (Note 6)	(20,612)	(11,520)
	<b>29,477</b>	<b>38,342</b>

Certain preferred shares have conversion options and warrants attached.

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2014

(in thousands)

### 4. Tangible capital assets

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	107	-	107	107
Buildings	873	643	230	243
Wharves	1,752	1,160	592	623
Utilities	458	185	273	291
	<b>3,190</b>	<b>1,988</b>	<b>1,202</b>	<b>1,264</b>

### 5. Other assets

	2014	2013
	\$	\$
Property acquired through foreclosure, at cost	750	820
Less: allowance for credit losses (Note 6)	(750)	(820)
	-	-

### 6. Allowance for credit losses and payment of guarantees

	2014				
	Gross balance outstanding	Specific allowance	General allowance	Total allowance	Net balance outstanding
	\$	\$	\$	\$	\$
Loans receivable (Note 2)	62,227	20,202	1,889	22,091	40,136
Equity investments (Note 3)	50,089	18,828	1,784	20,612	29,477
Guarantees (Note 10)	-	-	-	-	-
Other assets (Note 5)	750	750	-	750	-
	<b>113,066</b>	<b>39,780</b>	<b>3,673</b>	<b>43,453</b>	<b>69,613</b>

  

	2013				
	Gross balance outstanding	Specific allowance	General allowance	Total allowance	Net balance outstanding
	\$	\$	\$	\$	\$
Loans receivable (Note 2)	59,685	21,345	1,735	23,080	36,605
Equity investments (Note 3)	49,862	8,287	3,233	11,520	38,342
Guarantees (Note 10)	300	-	300	300	-
Other assets (Note 5)	820	820	-	820	-
	<b>110,667</b>	<b>30,452</b>	<b>5,268</b>	<b>35,720</b>	<b>74,947</b>

During the year, investments and other assets in the amount of \$863 (2013 - \$14,385) were written off and included in the allowance for credit losses and provision for payment of guarantees.

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2014

(in thousands)

### 7. Long-term debt to Province of Nova Scotia

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

			2014	2013
	Fiscal year of maturity	Applicable interest rate %	Principal outstanding \$	Principal outstanding \$
Note payable 2002-01 (Note 1(j))	-	-	1,334	1,938
Note payable 2004-01	2017	4.61	224	419
Note payable 2004-02	2015	4.18	-	1,900
Note payable 2005-02	2014	3.8	-	21
Note payable 2006-01	2027	5.09	1,141	1,213
Note payable 2006-02	2027	4.98	1,467	1,555
Note payable 2006-03	2027	4.86	2,380	2,522
Note payable 2006-04	2027	4.94	1,643	1,741
Note payable 2007-01	2027	5.11	741	785
Note payable 2007-02	2027	4.89	750	795
Note payable 2007-03	2027	4.97	320	339
Note payable 2007-04	2027	5.01	61	65
Note payable 2007-05	2027	5.38	1,068	1,132
Note payable 2007-06	2027	5.58	111	118
Note payable 2008-01	2017	4.02	454	551
Note payable 2008-02 to 2008-13	2014-2016	1.04-5.15	1,390	1,950
Note payable 2009-01 & 2009-06	2012	1.6	-	176
Note payable 2009-02	2027	3.16	687	728
Note payable 2009-03 & 2009-05	2014	2.2	-	1,075
Note payable 2009-04	2013	2.11	-	100
Note payable 2009-07	2014	2.52	-	78
Note payable 2009-08	2015	4.09	700	788
Note payable 2009-09	2013	1.75	57	87
Note payable 2009-10	2015	3.18	6,796	6,586
Note payable 2009-11	2015	3.18	833	807
Note payable 2009-12	2015	3.18	1,144	1,109
Note payable 2009-13	2015	3.17	314	305
Note payable 2009-14	2015	2.92	233	263
Note payable 2009-15	2015	3.16	171	165
Note payable 2009-16	2015	3.15	1,296	1,257
Note payable 2009-17	2015	3.35	228	221
Note payable 2009-18	2012	2.8	-	40
Note payable 2010-01	2014	1.94	-	135
Note payable 2010-02	2016	3.67	288	278
Note payable 2010-03	2016	2.39	-	83
Note payable 2010-04	2016	3.63	345	333
Note payable 2010-05	2014	3.17	58	83
Note payable 2010-06	2016	3.45	228	220
Note payable 2010-07	2016	3.45	570	551
Note payable 2010-08	2013	2.05	-	13
Note payable 2010-09	2016	3.16	71	68
Note payable 2010-10	2016	3.17	95	92

(continued)



# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2014

(in thousands)

### 7. Long-term debt to Province of Nova Scotia (continued)

(a) Notes payable to the Province of Nova Scotia are comprised of the following: (continued)

			2014	2013
	Fiscal year of maturity	Applicable interest rate %	Principal outstanding \$	Principal outstanding \$
Note payable 2010-11	2015	2.28	-	18
Note payable 2010-12	2015	2.35	-	304
Note payable 2010-13	2016	2.94	30	29
Note payable 2010-14	2013	1.77	-	68
Note payable 2010-15	2016	2.57	601	586
Note payable 2010-16	2014	2.05	1,074	1,052
Note payable 2010-17	2014	2.21	524	697
Note payable 2010-18	2013	1.91	-	31
Note payable 2010-19	2016	2.57	1,615	1,575
Note payable 2010-20	2016	2.17	31	44
Note payable 2010-21	2016	2.57	374	443
Note payable 2010-22	2014	2.56	543	530
Note payable 2010-23	2014	2.09	1,032	1,214
Note payable 2010-24	2021	3.35	-	-
Note payable 2010-25	2014	2.6	541	529
Note payable 2010-26	2014	2.44	103	133
Note payable 2010-27	2016	2.94	556	540
Note payable 2010-28	2012	1.69	71	133
Note payable 2010-29	2016	2.7	-	90
Note payable 2010-30	2016	3.28	553	535
Note payable 2010-31	2013	0.02	-	6
Note payable 2010-32	2013	1.88	374	550
Note payable 2010-33	2014	2.15	388	500
Note payable 2011-01	2014	2.04	262	305
Note payable 2011-02	2013	2.15	48	59
Note payable 2011-03	2016	2.78	-	46
Note payable 2011-04	2014	1.7	26	34
Note payable 2011-05	2017	2.82	4,320	4,202
Note payable 2011-06	2017	2.65	2,128	2,073
Note payable 2011-07	2014	1.58	1,577	1,538
Note payable 2011-08	2016	1.75	141	187
Note payable 2011-09	2017	2.43	904	883
Note payable 2011-10	2015	1.46	711	865
Note payable 2011-11	2013	1.19	-	22
Note payable 2011-12	2017	1.53	33	41
Note payable 2011-13	2013	1.28	203	250
Note payable 2011-14	2014	1.38	133	163
Note payable 2011-15	2013	1.24	86	103
Note payable 2011-16	2014	1.71	259	254
Note payable 2011-17	2017	2.14	276	293
Note payable 2012-01	2017	1.72	356	427
Note payable 2012-02	2014	1.24	32	38

(continued)

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2014

(in thousands)

### 7. Long-term debt due to Province of Nova Scotia (continued)

(a) Notes payable to the Province of Nova Scotia are comprised of the following: (continued)

			2014	2013
	Fiscal year of maturity	Applicable interest rate	Principal outstanding	Principal outstanding
		%	\$	\$
Note payable 2012-03	2018	2.14	415	407
Note payable 2012-04	2015	1.63	257	253
Note payable 2012-05	2016	1.54	1,556	1,577
Note payable 2012-06	2014	1.34	-	2,000
Note payable 2012-07	2016	1.82	1,219	1,236
Note payable 2012-08	2016	1.72	1,515	1,535
Note payable 2012-09	2016	1.56	1,275	1,292
Note payable 2012-10	2016	1.6	876	887
Note payable 2012-11	2016	1.68	1,026	1,039
Note payable 2012-12	2017	1.62	254	300
Note payable 2012-13	2016	1.67	909	750
Note payable 2012-14	2016	1.67	740	921
Note payable 2012-15	2014	1.29	-	502
Note payable 2012-16	2016	1.78	358	352
Note payable 2012-17	2016	1.75	1,066	1,080
Note payable 2012-18	2018	2.27	1,027	1,004
Note payable 2012-19	2018	2.38	514	501
Note payable 2012-20	2018	2.31	205	202
Note payable 2012-21	2016	1.54	1,396	1,415
Note payable 2013-01	2016	1.61	899	-
Note payable 2013-02	2018	1.59	137	-
Note payable 2013-03	2015	1.53	103	-
Note payable 2013-04	2019	1.9	829	-
Note payable 2013-05	2019	0.9	146	-
Note payable 2013-06	2018	2.97	1,017	-
Note payable 2013-07	2016	2.09	488	-
Note payable 2013-08	2018	2.85	204	-
Note payable 2013-09	2017	1.86	203	-
Note payable 2013-10	2018	2.32	254	-
Note payable 2013-11	2018	1.51	324	-
Note payable 2013-12	2018	1.53	489	-
Note payable 2013-13	2016	1.45	878	-
Note payable 2013-14	2018	1.55	350	-
Note payable 2013-15	2016	1.38	239	-
Note payable 2013-16	2015	1.21	1,004	-
Note payable 2013-17	2016	1.91	1,083	-
Note payable 2013-18	2022	1.99	218	-
Note payable 2013-19	2019	1.89	500	-
Note payable 2013-20	2018	2.08	251	-
Note payable 2013-21	2015	1.4	69	-
Note payable 2013-22	2019	2.97	1,001	-
			<b>72,397</b>	<b>71,328</b>

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2014

(in thousands)

### 7. Long-term debt due to Province of Nova Scotia (continued)

Note payable 2002-01 in the amount of \$1,334 (2013 - \$1,938) has no set terms of repayments with the Province of Nova Scotia. The principal for this is repayable to the Province when the principal is collected from the loans that are funded by this note. In addition, 80% of the interest received or capitalized on the underlying loans is repayable to the Province.

The remaining notes are repayable in quarterly instalments of principal and interest based on maturity dates and rates set as above.

(b) Principal repayments on the notes, excluding note 2002-01, are as follows:

	\$
2015	21,207
2016	20,801
2017	12,423
2018	7,586
2019	2,620
Thereafter	6,426
	<hr/> 71,063

Future scheduled interest capitalization amounts \$1,745 (2013 - \$1,895) on certain existing notes payable are excluded in the above repayment amounts.

The total interest paid or became payable during the year and recorded in the statement of operations was \$2,184 (2013 - \$3,852).

### 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.

### 9. Contractual obligations

(a) The Corporation has approved financing of \$3,098 (2013 - \$9,560) that is undisbursed at year-end.

(b) The Corporation administers strategic investments on behalf of the Province on Nova Scotia 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, 2014, transactions were approved with maximum annual payments over the next six years of \$77.7 million (2013 - \$92.2 million) as shown below:

	\$
2015	18,785
2016	18,177
2017	17,456
2018	13,395
2019	6,754
2020	3,105
Total	<hr/> 77,672

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2014

(in thousands)

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### 10. Contingencies

#### (a) Guarantees

	Authorized	Utilized 2014	Utilized 2013
	\$	\$	\$
Bank loans	-	-	300
Less: provision for payment (Note 6)	-	-	(300)
	-	-	-

The guarantees were secured by various assets and proceeds from liquidation were expected to offset any possible payments under guarantees.

#### (b) 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. NSBI assumes that any losses incurred related to this claim will be fully funded by the Province of Nova Scotia.

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 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 financial statements, with respect to these claims.

### 11. Financial instruments

#### (a) Fair value

Equity investments in publicly-traded companies in the amount of \$nil (2013 - \$4,168) are recorded at fair market value, which represents the last bid price for the stock on the stock exchange. The Corporation sold all its publicly traded equity investments in current year.

Fair value measurements in connection with the allowance for credit losses recognized in Notes 2 and 3 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 and the portfolio investments in equity investments traded in active markets have been recorded as Level 1 using the fair value hierarchy.

#### (b) Associated risks

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The Corporation's Nova Scotia Business Fund assets are primarily exposed to credit, interest rate market price and liquidity risk.

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2014

(in thousands)

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### 11. Financial instruments (continued)

#### (b) Associated risks (continued)

##### (i) 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.

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 \$14,342 which is now below the \$15,000 financing limit threshold (2013-\$11,316) and has now been fully disbursed.

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.

##### (ii) Interest 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. Interest rate risk is mitigated due to the fact that the Corporation matches the repayment timing of amounts borrowed with the repayment timing of financing advanced as closely as practical. It is management's opinion that the Corporation is not exposed to significant interest rate risk arising from financial instruments.

##### (iii) 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. During the current year, the Corporation redeemed all investments held in publicly traded equities (2013 - \$4,168). As these equities are carried at fair value with the fair value changes recognized in the statement of remeasurement gains and losses, all changes in the market conditions will directly result in an increase (decrease) of accumulated remeasurement gains (losses).

##### (iv) 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.

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2014

(in thousands)

### 11. Financial instruments (continued)

(b) Associated risks (continued)

The following table summarizes the fixed contractual maturities for all financial liabilities as at March 31, 2014:

					2014	2013
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total	Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	8,326	-	-	-	8,326	8,294
Accrued interest payable	724	-	-	-	724	516
Employee benefits and other liabilities	690	240	213	376	1,519	1,432
Transfer payments payable to the Province	49	-	-	-	49	26
Deferred revenue	242	64	-	-	306	731
Provision for payment of guarantees	-	-	-	-	-	300
Long-term debt due to the Province	21,207	43,430	6,426	-	71,063	69,390
	<b>31,238</b>	<b>43,734</b>	<b>6,639</b>	<b>376</b>	<b>81,987</b>	<b>80,689</b>

### 12. Nova Scotia Business Fund

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of Nova Scotia Business Incorporated ("NSBI") 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 March 31, 2014:

					2014	2013
	NSBI portfolio		NSBDC portfolio			
	Gross	Less allowance for credit losses	Gross	Less allowance for credit losses	Net Total	Net Total
	\$	\$	\$	\$	\$	\$
Assets						
Loans receivable	39,904	7,962	22,323	14,129	40,136	36,605
Equity investments	49,618	20,141	470	470	29,477	38,342
Industrial parks & buildings	-	-	1,202	-	1,202	1,264
Other assets	-	-	750	750	-	-
Guarantees	-	-	-	-	-	-
Financing authorized but unadvanced	3,098	-	-	-	3,098	9,560
	<b>92,620</b>	<b>28,103</b>	<b>24,745</b>	<b>15,349</b>	<b>73,913</b>	<b>85,771</b>
Funding authorized and committed						
Fund balance authorized, net of write-offs					224,677	225,540
Less: uncommitted balance of fund					107,310	104,049
Committed fund balance					117,367	121,491
Less: allowance for credit losses and provision for payment of guarantees (Note 6)					43,454	35,720
					<b>73,913</b>	<b>85,771</b>

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2014

(in thousands)

### 13. Supplementary cash information

(a) Cash and cash equivalents include:

	2014	2013
	\$	\$
Cash	11,042	12,963
Short-term investments	8,800	400
	<u>19,842</u>	<u>13,363</u>

(b) Changes in other

	2014	2013
	\$	\$
Accrued interest receivable	(608)	(185)
Loan valuation allowance receivable	1,586	(2,017)
Other receivables	(85)	(427)
Due from the Province of Nova Scotia	(1,120)	1,085
Prepaid expenses	51	(27)
Accounts payable and accrued liabilities	32	(1,038)
Accrued interest payable	208	(1,056)
Non-cash accrued interest clearing loan valuation allowance	109	-
Employee benefits and other liabilities	87	38
Deferred revenue	(425)	160
Transfer payments payable to the Province of Nova Scotia	23	(1,403)
	<u>(142)</u>	<u>(4,870)</u>

(c) During the year, cash received for interest income was \$2,099 (2013 - \$4,093) and interest paid was \$1,012 (2013 - \$4,162).

Non-cash investing transactions	2014	2013
	\$	\$
Equity market adjustments recorded		
as accumulated remeasurement (loss) gain	(1,168)	2,708
Conversion of convertible debentures to equity investments	1,000	-
Conversion of accrued interest to equity investments	144	-
Conversion of preferred dividends to equity investments	1,351	-

### 14. Related party transactions

During the year, no payroll rebates were awarded to companies which were controlled by, or otherwise not independent of all directors of Nova Scotia Business Inc. (2013 - \$32)

As at year-end, the total amount outstanding including current year balances to companies that were controlled by, or otherwise not independent of, certain directors of Nova Scotia Business Inc. was \$18,123 (2013 - \$23,409) for financial assistance. Certain of these investments have specific allowances recorded against them totaling (\$4,330) but all had only the 5% and 10% general reserve recorded against them in the prior year. Furthermore, payroll rebates were in the amount of \$336 (2013 - \$498).

The Corporation occupies premises for which no rental fee is charged by the Province of Nova Scotia. Management estimates the annual cost to lease the premises is approximately \$686 (2013 - \$680).

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2014

(in thousands)

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### 14. Related party transactions (continued)

The Corporation receives legal services free of charge from the Province of Nova Scotia. Management estimates the annual cost of these services is approximately \$300 (2013 - \$286).

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, post-retirement benefits and other liabilities

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

	2014	2013
	\$	\$
Public service awards	676	585
Vacation pay	213	218
Other payroll accruals	630	629
	<u>1,519</u>	<u>1,432</u>

(b) 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 2014 were \$514 (2013 - \$501) and are recognized as an operating expense in the year. As a result of changes to the PSSP Act that took effect April 1, 2013, the Province of Nova Scotia is no longer responsible for any unfunded liabilities of the PSSP, and the Province no longer administers the PSSP. The PSSP is now administered by an independent trustee, the Public Service Superannuation Plan Trustee Inc., which also administers the actuarial and investment risk.

### 16. Comparative figures

Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year.



# Nova Scotia Business Inc.

# Schedule 1

## Schedule of operating expenses

Year ended March 31, 2014

(In thousands of dollars)

	<b>Budget (Unaudited)</b>	<b>2014</b>	<b>2013</b>
	\$	\$	\$
Business development	<b>3,079</b>	<b>4,373</b>	3,416
Legal and audit	<b>28</b>	<b>47</b>	73
Office	<b>420</b>	<b>451</b>	469
Other	<b>29</b>	<b>154</b>	61
Salaries and benefits	<b>7,494</b>	<b>6,882</b>	6,751
Telecommunications and technical support	<b>336</b>	<b>375</b>	381
Travel	<b>959</b>	<b>665</b>	737
	<b>12,345</b>	<b>12,947</b>	11,888

The accompanying notes to the financial statements are an integral part of this financial statement.

# Nova Scotia Business Inc.

## Schedule 2

### Schedule of Nova Scotia business fund expenses

Year ended March 31, 2014

(In thousands of dollars)

	<b>Budget (Unaudited)</b>	<b>2014</b>	<b>2013</b>
	\$	\$	\$
Amortization	63	62	67
Recovery of commissions and other fees	8	(197)	282
Interest	2,350	2,184	3,852
Legal	16	27	-
Repairs, maintenance, salaries and other expenses	935	675	299
	<b>3,372</b>	<b>2,751</b>	<b>4,500</b>

The accompanying notes to the financial statements are an integral part of this financial statement.