Consolidated Financial Statements of

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION

March 31, 2014

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Province of Nova Scotia
Nova Scotia Innovation Corporation

We have audited the accompanying financial statements of Province of Nova Scotia - Nova Scotia Innovation Corporation ("Innovacorp"), which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and accumulated surplus, change in net financial assets, cash flows and remeasurement gains and losses for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Nova Scotia Innovation Corporation as at March 31, 2014, and the results of its operations, changes in its net financial assets, cash flows and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Accountants
Halifax, Nova Scotia
June 26, 2014

Management's Report

Management's Responsibility for the Consolidated Financial Statements

The consolidated 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 consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated 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 is 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 consolidated financial statements on a monthly basis and external audited consolidated financial statements yearly.

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

On behalf of **Innovacorp**

Stephen Duff President and CEO	Donna Bourque, CA Controller

June 26, 2014

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION
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NOVA SCOTIA INNOVATION CORPORATION
Consolidated Statement of Financial Position
As at March 31, 2014

	March 31 2014	March 31 2013
FINANCIAL ASSETS		
Cash	$ 1,061,348	$ 3,294,992
Accounts receivable (Note 4)	1,554,504	1,585,710
Loans receivable (Note 5)	2,100,000	1,850,000
Portfolio investments (Note 6)		
Investments quoted in an active market	4,740,568	6,508,674
Investments in early stage private enterprises	14,126,063	9,841,609
	23,582,483	23,080,985
LIABILITIES		
Payables and accruals	1,428,670	1,775,379
Tenant leasehold improvements and inducements	29,684	44,526
Long-term debt (Note 7)	9,247,506	12,131,959
Retirement benefits (Note 8)	1,852,603	1,760,394
Post-employment benefits (Note 9)	287,908	96,114
Deferred revenue	10,000	26,980
Deferred capital contributions (Note 11)	2,281,136	1,753,464
	15,137,507	17,588,816
Net financial assets	8,444,976	5,492,169
NON-FINANCIAL ASSETS		
Prepaid expenses	48,684	98,595
Landlord leasehold improvements and inducements (Note 12)	115,583	241,675
Property and equipment (Note 13)	8,905,817	7,958,084
	9,070,084	8,298,354
Accumulated surplus	$ 17,515,060	$ 13,790,523
Accumulated surplus is comprised of:		
Accumulated operating surplus	$ 17,290,340	$ 13,182,048
Accumulated remeasurement gains	224,720	608,475
	$ 17,515,060	$ 13,790,523

NOVA SCOTIA INNOVATION CORPORATION
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31

	Budget	2014	2013
Revenues			
Corporate services			
Government contributions - operations (Note 14)	$ 7,574,772	$ 7,673,550	$ 7,361,397
Government contributions - statutory capital (Note 14)	-	4,420,841	2,500,000
Other	13,200	19,920	35,926
Incubation	1,819,250	1,880,688	1,794,873
Investment	189,728	639,823	756,919
	9,596,950	14,634,822	12,449,115
Expenses (Note 15)			
Corporate services	2,019,338	1,976,503	1,785,563
Incubation	4,094,025	4,627,034	4,107,912
Investment	3,140,493	3,247,938	2,212,733
	9,253,856	9,851,475	8,106,208
Operating surplus	343,094	4,783,347	4,342,907
Impairment of portfolio investments and loans receivable	(553,000)	(1,215,184)	(3,185,082)
Realized gains on portfolio investments	6,906	281,688	786,903
Gain on supplementary employee retirement plan settlement	-	-	101,137
Loss on asset writedown	-	-	(14,453)
Gain on disposal of land	62,000	258,441	-
	(484,094)	(675,055)	(2,311,495)
Surplus	$ (141,000)	4,108,292	2,031,412
Accumulated operating surplus, beginning of year		13,182,048	11,150,636
Accumulated operating surplus, end of year		$ 17,290,340	$ 13,182,048

NOVA SCOTIA INNOVATION CORPORATION
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31

	2014	2013
Annual surplus	$ **4,108,292**	$ 2,031,412
Remeasurement (decrease) increase arising during the year	**(383,755)**	81,051
	3,724,537	2,112,463
Change in tangible capital assets		
Acquisition of property and equipment	**(1,394,027)**	(912,022)
Disposal of capital assets at net carrying value	**52,559**	14,235
Amortization of property and equipment	**393,735**	345,553
Increase in tangible capital assets	**(947,733)**	(552,234)
Change in other non-financial assets		
Amortization of landlord leasehold improvements and inducements	**126,092**	126,092
Net change in prepaid expenses	**49,911**	(76,162)
Decrease in other non-financial assets	**176,003**	49,930
Increase in net financial assets	**2,952,807**	1,610,159
Net financial assets, beginning of year	**5,492,169**	3,882,010
Net financial assets, end of year	$ **8,444,976**	$ 5,492,169

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION
Consolidated Statement of Cash Flows
For the year ended March 31

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Operating		
Net operating surplus from continuing operations	$ **4,108,292**	$ 2,031,412
Items not affecting cash:		
Amortization	**393,735**	345,553
Deferred capital assistance recognized	**(97,178)**	(87,087)
Employee future benefits expense (Note 8 and 9)	**341,260**	141,960
Nova Scotia First Fund income	**(264,041)**	(1,176,309)
Tenant lease inducements amortized	**(14,842)**	(14,842)
Landlord lease improvements and inducements amortized	**126,092**	126,092
Accrued interest on Province of Nova Scotia - NSFF loan (Note 7)	**343,652**	260,399
Investment impairments	**1,215,184**	3,185,082
(Gain) loss on disposal of property and equipment	**(258,441)**	21,900
	5,893,713	4,834,160
Changes in non-cash operating working capital	**(282,492)**	1,108,927
Employee future benefits payments (Note 8 and 9)	**(57,247)**	(165,834)
Payment of interest on Province of Nova Scotia - NSFF loan	**(3,094,533)**	-
	2,459,441	5,777,253
Capital		
Proceeds from sale of land	**309,913**	-
Acquistion of property and equipment	**(1,394,027)**	(912,022)
	(1,084,114)	(912,022)
Investing		
Proceeds on sale or redemption of portfolio investments	**1,954,303**	1,578,753
Acquisitions of portfolio investments	**(6,249,830)**	(4,939,282)
Return of capital of portfolio investments	**194,304**	-
Repayments of lease receivables	**-**	116,338
	(4,101,223)	(3,244,191)
Financing		
Long-term debt repayments (Note 7)	**(133,587)**	(120,040)
Deferred capital contributions	**625,839**	380,573
	492,252	260,533
Increase in cash	**(2,233,644)**	1,881,573
Cash, beginning of year	**3,294,992**	1,413,419
Cash, end of year	$ **1,061,348**	$ 3,294,992
Supplemental information:		
Interest paid	$ **3,144,824**	$ 58,277

NOVA SCOTIA INNOVATION CORPORATION
Consolidated Statement of Remeasurement Gains and Losses
For the year ended March 31

	2014	2013
Accumulated remeasurement gains, beginning of year	**$ 608,475**	$ 527,424
Remeasurement gains arising during the year		
Remeasurement gains on portfolio investments quoted in an active market	**42,641**	61,612
Reclassifications to the statement of operations		
Realized (gains) losses on portfolio investments quoted in an active market	**(148,793)**	19,439
Other	**(277,603)**	-
Net remeasurement (losses) gains	**(383,755)**	81,051
Accumulated remeasurement gains, end of year	**$ 224,720**	$ 608,475

1. NATURE OF OPERATIONS

The Nova Scotia Innovation Corporation ("Innovacorp") 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 business anywhere in the world. Innovacorp is exempt from income taxes under section 149 of the *Income Tax Act*.

In 1997, pursuant to the *Innovation Corporation Act*, the Province of Nova Scotia transferred the assets of the Nova Scotia First Fund ("NSFF") to Innovacorp. The objective of the fund is to encourage the development of high technology industries and the adoption of new technologies by existing industries. In 2010, Order-in-Council ("OIC") 2009-228 authorized an additional advance of up to $30 million from the Province of Nova Scotia to the NSFF, draws against which started in 2014. In 2012, OIC 2011-326 authorized additional advances from the Province of Nova Scotia of up to $24 million for the creation of a clean technology fund, Draws against which started in 2012. As of March 31, 2014, $10,480,840 has been drawn and $11,854,795 has been committed under the OICs, leaving $31,664,365 as undrawn and available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements of Innovacorp have been prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS") as established by the Public Sector Accounting Board ("PSAB").

Innovacorp reports all revenues and expenses on an accrual basis. Assets are carried at the lower of cost and net recoverable value except that certain financial instruments are carried at fair market value. Liabilities and financial obligations to outside organizations are recorded at the estimated amount ultimately payable.

Both financial and non-financial assets are reported on the statement of financial position. Non-financial assets are used to provide services in future periods and are charged to expense through amortization or upon utilization. These assets do not normally provide resources to discharge the liabilities of the corporation unless they are sold. As a result, non-financial assets are not taken into consideration when determining the net financial assets of Innovacorp, but rather are added to the net financial assets to determine the accumulated surplus.

Basis of consolidation

The financial statements are prepared on a fully consolidated basis and reflect the assets, liabilities, revenues and expenses of the reporting entity, which is composed of all organizations which are controlled by Innovacorp. These organizations are 1402998 Nova Scotia Limited and 3087532 Nova Scotia Limited, wholly owned subsidiaries whose year-ends are the same as that of Innovacorp.

All inter-departmental and inter-entity accounts and transactions between these organizations are eliminated upon consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Cash

Cash includes petty cash and amounts on deposit with financial institutions and is measured at fair market value.

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.

Loans receivable

Loans receivable include promissory notes and convertible debentures which are carried at cost (including conversion features), with cost being equal to the fair value of the assets given up or liabilities assumed, with the exception of significantly concessionary notes and debentures which are carried at the discounted value of the note or debenture after the grant portion has been charged to the consolidated statement of operations.

For significantly concessionary loans, subsequent to the initial measurement, the loans are carried at amortized cost using the effective interest method.

Gains and losses are recognized in the statement of operations in the period the loans are derecognized or impaired.

Portfolio investments

Portfolio investments include investments which are publicly held and quoted in an active market, as well as investments in equity instruments of early stage private enterprises.

a. Portfolio investments which are publicly held and quoted in an active market

   Portfolio investments which are publicly held and quoted in an active market are carried at fair value. Unrealized gains and losses are reported in the statement of remeasurement gains and losses until they are derecognized or impaired, at which time the cumulative gain or loss is transferred to the consolidated statement of operations.

b. Investments in equity instruments of early stage private enterprises

   Investments in equity instruments of private enterprises are carried at cost with realized gains and losses recognized in the consolidated statement of operations in the period they are derecognized. When the terms associated with a particular investment are so concessionary that the substance of the transaction is that all or a significant part of the investment is in the nature of a grant, the investment is carried at its discounted value after the grant portion of the transaction has been charged to the consolidated statement of operations.

The amount of any investment discount is amortized to revenue by applying the effective interest method over the term to redemption or maturity of the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

Long-term debt

Long-term debt is 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.

Impairment of financial assets

a. Loans receivable

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.

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.

In the event a loan which was previously written off is recovered, the recovery is credited to the statement of operations upon receipt.

b. Portfolio investments

When there has been a loss in the value of a portfolio investment that is other than a temporary decline, the investment is written down and a loss reported in the statement of operations. A write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

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 fair value 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 in the following paragraphs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value (continued)

The fair values of investments in securities which are publicly held and quoted in an active market are based on quoted closing prices. The fair values of impaired investments for which there is no quoted market value are determined based on values indicated by transactions in the financial instruments of the investee. Where transactions in the financial instruments of the investee are not available, other factors, such as milestone progress, are considered in determining fair value.

Due to the short period to maturity, the fair value of cash, accounts receivable, and payables and accruals approximate their carrying values as presented in the consolidated statement of financial position.

Measurement uncertainty

The preparation of consolidated financial statements in conformity with PSAS 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 consolidated financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the allowance for doubtful accounts, employee future benefits, amortization for property, equipment and leasehold improvements and inducements, the impaired value of loans receivable and equity investments in early stage private enterprises, retirement benefits and accrued liabilities.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. As a result of these estimates, measurement uncertainty exists in these consolidated financial statements and actual results could differ from the amounts recorded.

Revenue recognition

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

Investment revenue includes dividends, and capital gains and losses, as well as interest on cash balances, fixed income securities, and loans receivable, including amortization of premiums or discounts arising upon initial recognition in accordance with the effective interest method.

Interest is accrued daily to the extent it is deemed collectable, dividend income is recognized on the ex-dividend date, and capital gains and losses are recognized upon de-recognition or impairment of the investment.

Investment revenue ceases to be accrued when the collectability of such investment income is not reasonably assured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 property and equipment are considered to be met as the assets are used for their intended purpose.

Advances of statutory capital by the Province of Nova Scotia to finance investments are recognized at the later of the date that the funds are received and the date an eligible investment is made.

Property and equipment

Property and equipment are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of the property and equipment, excluding land, are amortized over their estimated useful lives at the following rates and methods:

Buildings	4%	Declining balance
Site improvements	8%	Declining balance
Equipment	20 - 30%	Declining balance
Furniture and fixtures	20%	Declining balance
Leasehold improvements	Term of lease	Straight line
Management information system and network infrastructure	5 - 20%	Straight line

Property and equipment are written down when conditions indicate that they no longer contribute to the ability to provide goods and services, or when the value of future economic benefits associated with the property and equipment are less than their net book value.

When conditions indicate that certain property and equipment no longer contribute to Innovacorp's ability to provide goods and services, the cost of the assets are written down to residual value, if any.

When conditions indicate that the value of future economic benefits associated with the property and equipment are less than their net book value, and the decline in value is permanent, the cost of the property and equipment are written down to the total estimated undiscounted future cash flows in order to reflect the decline in the asset's value.

The net write-downs are accounted for as expenses in the consolidated statement of operations and are not reversed.

Contributed property and equipment are recorded in revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of property and equipment from related parties are recorded at carrying value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Landlord leasehold improvements and inducements

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

Tenant leasehold improvements and inducements

Costs incurred or paid by landlords to renovate Innovacorp's premises are recorded as leasehold improvements and amortized over the life of the lease. Free or reduced rents provided by landlords during the period are recorded as leasehold inducements and amortized over the life of the lease.

Non-monetary transactions

Certain companies in which Innovacorp 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.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at year-end. Foreign currency transactions are translated at the exchange rate prevailing at the date of the transactions. Adjustments to monetary assets and liabilities arising as a result of a change in the exchange rate from the original transaction date to settlement are credited or charged to operations at the time the adjustments arise.

Retirement benefits

Innovacorp 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.

Innovacorp 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits (continued)

Innovacorp accrues its benefit liabilities under the above noted plans as the employees render the services necessary to earn the future benefits and has adopted the following policies:

- The liabilities are valued using the projected benefit method prorated on service and actuarial assessment and best estimates of the probability of retirement, salary escalation, inflation, expected health care costs, retirement ages and mortality rates.
- The discount rate applied is based on Innovacorp's cost of borrowing.
- Net actuarial gains or losses are amortized over the average remaining service period of the related employees, which is 10 years (2013 – 10 years).
- Adjustments for plan amendments related to prior period employee services, net of offsetting unamortized actuarial gain/losses, are recognized in the statement of operations in the period of plan amendment.

Post-employment benefits

Innovacorp is responsible for ongoing amounts in respect of premiums for health benefit coverage, contributions to the Public Service Pension Plan ("PSPP") in respect of pension accrual, and premiums for basic life insurance to former employees who have qualified for long-term disability until the date of retirement.

Innovacorp recognizes a benefit liability for such benefits in the period the employee qualifies for long-term disability and has adopted the following policies:

- The liability is valued using the projected benefit method prorated on service and actuarial assessment and best estimate of inflation, expected health care, insurance and PSPP costs, and retirement ages.
- The post-employment benefit liability is determined by applying a discount rate with reference to Innovacorp's cost of borrowing.
- Net actuarial gains or losses are amortized over the average expected period that benefits will be paid, which is 6 years (2013 – 6 years).
- Adjustments for plan amendments related to prior period employee services, net of offsetting unamortized actuarial gain/losses, are recognized in the statement of operations in the period of plan amendment.

Pension plan

Innovacorp employees belong to the PSPP, which is a multi-employer joint trustee plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding.

The joint trustee board of the plan determines the required plan contributions annually.

The contribution to the plan is recorded as an expense for the year.

3. FUTURE ACCOUNTING POLICY CHANGES

The Chartered Professional Accountants of Canada Public Sector Accounting Handbook has issued new accounting standard PS 3260 Liability for Contaminated Sites which is applicable to Innovacorp's 2015 fiscal year.

The new accounting standard gives direction on how to account for a liability associated with the remediation of contaminated sites. A liability for remediation normally results from:

a) All or part of an operation of the government or government organization that is no longer in productive use;
b) All or part of an operation on entities outside the government reporting entity that is no longer is productive use for which the government accepts responsibility;
c) Changes to environmental standards relating to all or part of an operation that is no longer in productive use; and
d) An unexpected event resulting in contamination.

Innovacorp is currently assessing the effect of PS 3260 on its financial statements.

4. ACCOUNTS RECEIVABLE

	2014	2013
Trade receivables		
Ordinary	**$ 757,700**	$ 707,205
Related parties (Note 16)	**280,413**	279,997
HST receivable	**141,717**	166,411
Due from related parties (Note 16)		
Province of Nova Scotia	**679,113**	698,452
Other non-trade	**1,176,423**	1,173,922
	3,035,366	3,025,987
Less: Allowance for doubtful accounts	**(1,480,862)**	(1,440,277)
	$ 1,554,504	$ 1,585,710

The allowance for doubtful accounts is determined on a specific identification basis with consideration as to the age of the receivable, and management's knowledge of the clients' current financial situation.

5. LOANS RECEIVABLE

Loans receivable include promissory notes and convertible debentures which were issued under the mandate of the NSFF have yet to earn significant revenues from their intended business activities or establish their commercial viability.

5. LOANS RECEIVABLE (continued)

The recovery of loan principal amounts and the realization of investment returns are dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises. Therefore, these factors have been considered in establishing the valuation allowance. Future adverse developments could result in further write-downs of the carrying values of these loans.

	2014	2013
Promissory notes	$ 512,259	$ 262,259
Convertible debentures	4,825,244	4,225,244
Valuation allowance	(3,237,503)	(2,637,503)
	$ 2,100,000	$ 1,850,000

The promissory notes and debentures have interest rates ranging between 0% and 20%.

The debentures are convertible at the option of Innovacorp into common or preferred shares of the borrower either on demand, in the event of default or at maturity.

The maturity dates of the loans are as follows:

	Promissory Notes	Convertible Debentures	Total Amount Due
Past due	$ 137,259	$ 3,425,244	$ 3,562,503
2015	375,000	190,073	565,073
2016	-	905,849	905,849
2017	-	304,078	304,078
	512,259	4,825,244	5,337,503
Valuation allowance	(262,259)	(2,975,244)	(3,237,503)
Carrying value	$ 250,000	$ 1,850,000	$ 2,100,000

6. PORTFOLIO INVESTMENTS

Portfolio investments include investments which are publicly held and quoted in an active market, as well as investments in early stage private enterprises that have yet to earn significant revenues from their intended business activities or establish their commercial viability.

The recovery of the investments in early stage enterprises and the realization of investment returns are dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises. Therefore, these factors have been considered in determining the write-down of these investments. Future adverse developments could result in further write-downs of the carrying values of these investments.

6. PORTFOLIO INVESTMENTS (continued)

	2014	2013
Investments quoted in an active market, at fair value	**$ 4,740,568**	$ 6,508,674
Investments in early stage private enterprises, at cost	**23,574,666**	18,369,141
Less: Other than temporary impairment	**(9,448,603)**	(8,527,532)
	14,126,063	9,841,609
	$ 18,866,631	$ 16,350,283

Included in investments quoted in an active market are investments of the NSFF with a fair value of $4,092,041 (2013 – $5,664,738) and The Research Endowment Fund of $277,182 (2013 – $277,182), with the remainder representing unrestricted funds of Innovacorp.

The Research Endowment Fund was transferred to Innovacorp when the Nova Scotia Research Foundation Corporation (Innovacorp's predecessor) was dissolved. Subject to any directions provided by the Governor in Council, the fund is administered and controlled by Innovacorp. The fund can be used for purposes consistent with Innovacorp's objectives.

Included in investments in early stage private enterprises are NSFF investments valued at cost less other than temporary impairments of $14,126,063 (2013 – $9,841,609).

7. LONG-TERM DEBT

	2014	2013
2.879% Province of Nova Scotia - NSFF	**$ 8,007,572**	$ -
3.255% Province of Nova Scotia - NSFF	**-**	10,758,453
5.6% Province of Nova Scotia - capital project	**838,373**	965,122
Province of Nova Scotia - land transfer	**401,561**	401,561
Nova Scotia Power	**-**	6,823
	$ 9,247,506	$ 12,131,959

In 2004, the Province of Nova Scotia advanced $8,000,000 to Innovacorp for the purpose of investing in the NSFF. The loan bore interest at a rate of 3.255% and matured on March 19, 2014 when the principal portion and accrued interest were to be repaid. In March 2014 the maturity date of the loan was extended to March 19, 2019 with an interest rate of 2.879%. Accrued interest to March 19, 2014 was repaid to the Province of Nova Scotia. As at March 31, 2014, accrued interest in the amount of $7,572 (2013 – $2,758,453) is included in the above balance and is expected to increase to $1,219,846 upon maturity of the loan in March 2019.

7. LONG-TERM DEBT (continued)

In 2005, the Province of Nova Scotia advanced $1,800,000 to Innovacorp to fund building improvements. The loan bears interest at 5.6% and 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 the 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 transfer. The loan is non-interest bearing and has no fixed repayment terms.

Anticipated principal repayments on long-term debt are as follows:

2015	$ 141,570
2016	141,661
2017	149,762
2018	158,326
2019	8,167,380
Thereafter	488,807
	$ 9,247,506

The total interest paid or became payable during the year and recorded in the statement of operations was $394,477 (2013 – $318,624).

8. RETIREMENT BENEFITS

	2014	2013
Long-term service award	**$ 382,106**	$ 341,132
Post retirement benefits	**1,470,497**	1,419,262
	$ 1,852,603	$ 1,760,394

Innovacorp employees are entitled to long-term service awards upon retirement, based on years of service and the employee's compensation during the final year of employment. Specifically, these rewards are earned at a rate of one week's pay for every year of service, to a maximum of 26 weeks.

Innovacorp provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the consolidated financial statements.

Innovacorp continues to pay 65% of the cost of life insurance, dental and health care benefits for substantially all employees after retirement. Innovacorp provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the consolidated financial statements.

8. RETIREMENT BENEFITS (continued)

The accrued benefit liabilities as a result of the above noted plans, which are based on actuarial assumptions and calculations, are as follows:

	Long-term service award	Post-employment benefits	2014	2013
Accrued benefit liability, beginning of year	$341,132	$ 1,419,262	$1,760,394	$ 1,773,977
Current period benefit cost				
Current service cost	31,081	41,827	72,908	71,081
Interest cost	14,006	58,584	72,590	77,765
Amortization of actuarial experience gains	(4,113)	(6,294)	(10,407)	(11,137)
Gain on plan settlement	-	-	-	(101,137)
Less: benefits paid during the year	-	(43,837)	(43,837)	(50,155)
Accrued benefit liability, end of year	$382,106	$ 1,469,542	$1,851,648	$ 1,760,394
Unamortized actuarial experience gains	$ (33,596)	$ (146,225)	$ (179,821)	$ (183,468)
Accrued benefit obligation, end of year	$348,510	$ 1,323,317	$1,671,827	$ 1,576,926

The significant assumptions adopted by management in measuring the accrued benefit obligations are as follows:

		2014	2013
Discount rate		4.3%	4.75%
Supplemental employee retirement plan Indexing			
Salary increase rate	Under 30	5.50%	5.75%
	30 - 34	5.00%	5.25%
	35 - 39	4.50%	4.75%
	40 - 44	4.00%	4.25%
	45 - 49	3.50%	3.75%
	50 plus	3.00%	3.25%
	Disabled members	2.25%	2.50% flat
Extended health care cost increase		6.3% - 4.5%	6.6% - 4.5%
Inflation rate		2.25%	2.50%

8. RETIREMENT BENEFITS (continued)

The unamortized actuarial gains and losses will be amortized over the average remaining service life of the related employee group which has been estimated to be 10 years (2013 – 10 years).

The last actuarial valuation for accounting purposes took place on April 1, 2011. During the year, the services of an actuary were obtained to update the accrued benefit obligation balances as of March 31, 2014. The next actuarial valuation for accounting purposes will take place on April 1, 2014.

9. POST-EMPLOYMENT BENEFITS

Innovacorp is responsible for ongoing amounts in respect of premiums for health benefit coverage, contributions to the PSPP in respect of pension accrual, and premiums for basic life insurance to members qualifying for long-term disability.

The accrued benefit liability as a result of the long-term disability plan, which is based on actuarial assumptions and calculations, is as follows:

		2014		2013
Accrued benefit liability, beginning of year	$	**96,114**	$	106,405
Current period benefit cost		**199,108**		-
Interest cost		**7,876**		4,593
Less: benefits paid during the year		**(15,190)**		(14,884)
Accrued benefit liability, end of year	$	**287,908**	$	96,114
Unamortized actuarial experiences losses		**(38,667)**		(6,183)
Accrued benefit obligation, end of year	$	**249,241**	$	89,931

The significant assumptions adopted by management in measuring the accrued benefit obligations are as follows:

	2014	2013
Discount rate	**4.3%**	4.75%
Extended health care cost increase	**6.3% - 4.5%**	6.6% - 4.5%
Inflation rate	**2.25%**	2.50%

The unamortized actuarial gains and losses will be amortized over the average expected period during which benefits will be paid in respect of long-term disability benefits which has been estimated to be 6 years (2013 – 6 years).

9. POST-EMPLOYMENT BENEFITS (continued)

The last actuarial valuation for accounting purposes took place on April 1, 2011. During the year, the services of an actuary were obtained to update the accrued benefit obligation balances as of March 31, 2014. The next actuarial valuation for accounting purposes will take place on April 1, 2014.

10. PENSION PLAN

Innovacorp and its employees contribute to the PSPP in accordance with the Public Service Superannuation Act. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The contribution rates for eligible employees were 8.4% for earnings up to the Year's Maximum Pensionable Earnings for Canada Pension Plan contributions and 10.9% for excess earnings (2013- 8.4% for earnings up to the Year's Maximum Pensionable Earnings for Canada Pension Plan contributions and 10.9% for excess earnings). Innovacorp matches employee contributions to the plan. During the year ended March 31, 2014, Innovacorp contributed $245,709 (2013- $212,199) to the plan. These contributions are Innovacorp's pension benefit expense. Since sufficient information is not readily available to account for the Corporation's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting for defined contribution pension plans. No pension liability for this type of plan is included in the consolidated financial statements.

11. DEFERRED CAPITAL CONTRIBUTIONS

	Balance, beginning of year	Receipts during year	Transferred to revenue	Sale of land	Balance at end of year
PNS - Knowledge Park [a]	$ 376,165	$ -	$ -	$ 989	$ 375,176
PNS - Fibre MAN [b]	58,688	-	4,500	-	54,188
ACOA - 101 Research Drive [c]	506,442	-	52,695	-	453,747
ACOA - 1344 Summer St. [d]	302,174	-	21,506	-	280,668
Efficiency Nova Scotia [e]	12,721	-	854	-	11,867
PNS - Building Energy retrofit[f]	123,113	-	4,925	-	118,188
ACOA - 1344 Summer St.[g]	374,161	125,839	12,698	-	487,302
ACOA - 1344 Summer St.[h]	-	500,000	-	-	500,000
	$ 1,753,464	$ 625,839	$ 97,178	$ 989	$ 2,281,136

(a) OIC 2005-387 provided Innovacorp with $1.7 million in funding for infrastructure improvements in the Woodside Industrial park towards the creation of a Knowledge Park on land owned by Innovacorp. Funding under this OIC has been fully advanced. Expenditures on land improvements have been deferred and are recognized upon disposition of land inventory.

(b) In 2005, the Province of Nova Scotia ("PNS") provided Innovacorp with $98,200 to connect Innovacorp to the Halifax Area Dark Fibre Network. $90,000 was paid to the operator of the network, which entitled Innovacorp to use it for 20 years. These funds are being recognized over the period for which their cost entitles Innovacorp to access the dark fibre network.

11. DEFERRED CAPITAL CONTRIBUTIONS (continued)

(c) In 2004 and 2005, Atlantic Canada Opportunity Agency ("ACOA") provided Innovacorp with $996,000 in assistance to renovate its facilities at 101 Research Drive, converting them into a late-stage grow-out business incubation facility for the life sciences sector. These funds are being recognized on the same basis as the assets they funded are depreciated.

(d) In 2011, ACOA provided Innovacorp with $348,000 in assistance to fit-up space at the Innovacorp Enterprise Centre ("IEC"). These funds are being recognized on the same basis as the assets they funded are depreciated.

(e) In 2011, Efficiency Nova Scotia provided Innovacorp with $14,429 in assistance in connection with a lighting retrofit completed under its Electrical Efficiency Program. These funds are being recognized on the same basis as the assets they funded are depreciated.

(f) In 2012, under the Government Building Energy Retrofit program, the Nova Scotia Department of Transportation and Infrastructure Renewal covered the $121,831 cost of converting Innovacorp's air handling unit at 1 Research Drive from electric to natural gas. The associated costs have been deferred and will be recognized on the same basis as the asset they funded is depreciated.

(g) In 2013, ACOA provided Innovacorp with $500,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are depreciated.

(h) In 2014, ACOA provided Innovacorp with $500,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are depreciated.

12. LANDLORD LEASEHOLD IMPROVEMENTS AND INDUCEMENTS

	2014	2013
Landlord leasehold improvements and inducements	**$ 1,347,129**	$ 1,347,129
Less: Accumulated amortization	**(1,231,546)**	(1,105,454)
	$ 115,583	$ 241,675

13. PROPERTY AND EQUIPMENT

March 31, 2014

	Land	Buildings	Site improvements	Equipment	Furniture and fixtures	Leasehold improvements	Information technology	2014 total
Cost								
Opening balance	$566,634	$9,141,318	$ 403,065	$1,140,568	$ 508,892	$ 1,806,779	$ 927,865	$14,495,121
Additions	49,746	121,252	-	242,285	-	977,454	3,290	1,394,027
Disposals	(52,559)	-	-	-	-	-	-	(52,559)
Closing balance	563,821	9,262,570	403,065	1,382,853	508,892	2,784,233	931,155	15,836,589
Accumulated amortization								
Opening balance	-	3,753,280	152,738	1,020,718	332,845	433,991	843,465	6,537,037
Amortization	-	217,946	20,027	48,198	35,210	60,168	12,186	393,735
Closing balance	-	3,971,226	172,765	1,068,916	368,055	494,159	855,651	6,930,772
Net book value	$563,821	$5,291,344	$ 230,300	$ 313,937	$ 140,837	$ 2,290,074	$ 75,504	$ 8,905,817

13. PROPERTY AND EQUIPMENT (continued)

March 31, 2013

	Land	Buildings	Site improvements	Equipment	Furniture and fixtures	Leasehold improvements	Information technology	2013 total
Cost								
Opening balance	$ 565,644	$ 9,134,906	$ 403,065	$ 1,130,136	$ 440,844	$ 991,267	$ 939,137	$ 13,604,999
Additions	990	6,412	-	10,432	68,048	815,512	10,628	912,022
Disposals	-	-	-	-	-	-	(21,900)	(21,900)
Closing balance	566,634	9,141,318	403,065	1,140,568	508,892	1,806,779	927,865	14,495,121
Accumulated amortization								
Opening balance	-	3,531,450	130,971	992,060	305,651	401,795	837,222	6,199,149
Amortization	-	221,830	21,767	28,658	27,194	32,196	13,908	345,553
Disposals	-	-	-	-	-	-	(7,665)	(7,665)
Closing balance	-	3,753,280	152,738	1,020,718	332,845	433,991	843,465	6,537,037
Net book value	$ 566,634	$ 5,388,038	$ 250,327	$ 119,850	$ 176,047	$ 1,372,788	$ 84,400	$ 7,958,084

14. GOVERNMENT CONTRIBUTIONS

Innovacorp 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 project funding. Funding specifically related to the acquisition of property and equipment is deferred as disclosed in Note 11. Innovacorp also receives advances of statutory capital from the Province of Nova Scotia to finance NSFF and clean technology fund investments. These advances are recognized as revenue at the later of the date on which the funds are received and the date on which an eligible investment is made. Gains and losses on these investments will be recognized in operating surplus or deficit in subsequent periods in accordance with the portfolio investments accounting policy described in Note 2.

Details of funding for the year are as follows:

	2014	2013
Contributions received - Province of Nova Scotia	$ **7,576,372**	$ 7,274,310
Statutory capital advances - NSFF and clean technology fund (Notes 1 and 11)	**4,420,841**	2,500,000
Recognition of previously deferred contributions (Note 11)	**97,178**	87,087
Total contributions	$ **12,094,391**	$ 9,861,397

15. EXPENSES BY OBJECT

	2014	2013
Advertising and promotion	$ **194,705**	$ 98,066
Amortization	**490,757**	442,576
Awards	**1,111,040**	580,000
Bad debt	**40,586**	51,243
Board activities	**5,530**	2,325
Communications	**150,164**	139,139
Information resources	**30,351**	15,903
Interest	**394,776**	318,624
Investment management fees	**19,948**	20,602
Miscellaneous	**88,523**	82,894
Outside services	**2,637,331**	2,636,213
Professional development	**158,094**	80,174
Repairs and maintenance	**122,364**	142,859
Salaries and benefits	**3,722,837**	2,917,917
Supplies	**84,181**	72,404
Travel	**260,990**	209,249
Utilities	**339,298**	296,020
	$ **9,851,475**	$ 8,106,208

16. RELATED PARTY TRANSACTIONS

Entity	Relationship	Revenues generated	Year end receivables	Valuation allowance
Non-Trade				
Province of Nova Scotia	Parent	$ 7,576,372	$ 679,113	$ -
BioScience Centre	Managed incubator	-	760,168	726,046
PlantSelect	50% investee	-	298,844	298,844
NSFF Trade receivables	Investees	142,198	280,413	230,198
		$ 7,718,570	$ 2,018,538	$ 1,255,088

Sales to NSFF investees are at the same terms and conditions as sales to unrelated parties.

Contributions were received from the Province of Nova Scotia as described in Note 14. The Province of Nova Scotia also invoices Innovacorp for salaries and benefits that it pays on Innovacorp's behalf. During the year, total salaries and benefits paid by the Province of Nova Scotia on behalf of Innovacorp totalled $3,653,232.

17. FINANCIAL INSTRUMENTS

a) Classification of financial instruments

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

	2014		2013	
	Classification		Classification	
	Fair Value	Cost	Fair Value	Cost
Financial Assets				
Cash	$ -	$ 1,061,348	$ -	$ 3,294,992
Accounts receivable	-	1,554,504	-	1,585,710
Lease receivable	-	-	-	-
Loans receivable	-	2,100,000	-	1,850,000
Portfolio investments	-	-	-	-
Investments quoted in an active market	4,740,568	-	6,508,674	-
Investments in early stage private enterprises	-	14,126,063	-	9,841,609
	$ 4,740,568	$ 18,841,915	$ 6,508,674	$ 16,572,311
Financial Liabilities				
Payables and accruals	$ -	$ 1,428,670	$ -	$ 1,775,379
Long-term debt	-	9,247,506	-	12,131,959
	$ -	$ 10,676,176	$ -	$ 13,907,338

17. FINANCIAL INSTRUMENTS (continued)

b) Fair value

Fair value estimates are made as of a specific point in time, using available information about the financial instruments and current market conditions. The following table discloses the corporation's financial assets and financial liabilities as at March 31, 2014, measured at fair value on a recurring basis:

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments quoted in an active market	**$4,740,568**	**-**	**-**	**$ 4,740,568**
	$4,740,568	**$ -**	**$ -**	**$ 4,740,568**

Level 1- Fair value measurements based on quoted prices in active markets for identical assets or liabilities

Level 2 - Fair value measurements based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 - Fair value measurements based on inputs for the asset or liability that are not based on observable market data

c) Risk disclosures

Innovacorp is exposed to various financial risks arising from its financial assets and liabilities. These include market risk relating to changes in equity prices, interest rates, liquidity risk and credit risk. To manage these risks, Innovacorp adheres to a board-approved investment policy that governs its venture capital and liquid portfolio investing activities. The corporation's business model, which provides incubation, business guidance and investment services to early stage technology enterprises, is also used to mitigate risks.

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 and rates. For Innovacorp, market risk is composed of price risk on equity securities and interest rate risk on debt securities.

Price risk

Price risk refers to the risk that the fair value of the financial instrument will vary as a result of changes in market prices of the financial instrument. Fluctuation in the market price of an instrument may result from perceived changes in the underlying economic characteristics of the investment, the relative price of alternative investments, and general market conditions. Therefore, there is a risk that an amount realized in the subsequent sale of portfolio investments which are quoted in an active market may significantly differ from the reported value.

17. FINANCIAL INSTRUMENTS (continued)

c) Risk disclosures (continued)

Market risk (continued)

Price risk (continued)

The table below illustrates the impact to Innovacorp's surplus and remeasurement gain resulting from a 27.7% increase or decrease in market prices on equity portfolio investments quoted in an active market and carried at fair value in the consolidated statement of financial position. The table 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 the current period surplus	Estimated impact on current period remeasurement gain
$ 980,717	27.67% increase	$ 1,252,081	$ -	$ 271,364
$ 980,717	27.67% decrease	$ 709,352	$ -	$ (271,364)

Innovacorp 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 price risk is the risk that market values of a financial instrument will vary as a result of changes in underlying interest rates.

Innovacorp partially mitigates its exposure to interest rate fluctuations through limitations on duration of its fixed portfolio imposed by its investment policy.

The table below illustrates the impact to Innovacorp's surplus and remeasurement gain from a 1% increase or decrease in interest rates on fixed income portfolio investments quoted in an active market and carried at fair value in the consolidated statement of financial position. The table illustrates the effect on Innovacorp's financial results due to a certain interest rate change and may not reflect the best or worst case scenarios.

Fair value	Interest rate change	Estimated fair value after price change	Estimated impact on the current period surplus	Estimated impact on current period remeasurement gain
$ 2,222,351	1% increase	$ 2,185,903	$ -	$ (36,922)
$ 2,222,351	1% decrease	$ 2,256,718	$ -	$ 33,893

17. FINANCIAL INSTRUMENTS (continued)

c) Risk disclosures (continued)

Liquidity risk

Liquidity risk is the risk that Innovacorp will encounter difficulty in meeting its financial obligations as they become due. Innovacorp believes it has access to sufficient capital through operating and investing cash flows. Ongoing operating funding from the Province of Nova Scotia is required to meet the obligations set out below. In addition, occupancy levels in its facilities are a key factor in Innovacorp's ability to make quarterly principal and interest payments under its building improvement loan. The amount and timing of exits from investments in early stage private enterprises will play a significant role in determining the extent to which principal and accrued interest on the NSFF loan, due March 19, 2019, will be paid at maturity.

The following table shows the remaining contractual maturities of financial liabilities:

	Due within 1 Year	Due within 2 - 5 Years	Due within 6 - 10 Years	Due after 10 Years	No set terms of repayment	Total
Payables and accruals	$ 1,428,670	$ -	$ -	$ -	$ -	$ 1,428,670
Long-term debt	133,998	8,624,701	87,246	-	401,561	9,247,506
	$ 1,562,668	$ 8,624,701	$ 87,246	$ -	$ 401,561	$ 10,676,176

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 Innovacorp to suffer a loss. Innovacorp's financial assets that are exposed to credit risk consist primarily of fixed income portfolio investments quoted in an active market, accounts receivable, and loans receivable.

Fixed income portfolio investments quoted in an active market

For fixed income portfolio investments quoted in an active market, Innovacorp is exposed to credit risk from the issuers of the bonds. This risk is managed by adherence to an investment policy which sets the standards of credit quality and issuer type. The following table highlights Innovacorp's maximum exposure to credit risk from fixed income portfolio investments quoted in an active market at March 31, 2014, broken down by credit quality and issuer type:

	AAA	AA	AA (L)	A (H)	A	Total
Canada Provinces	$ 161,975	$ 155,626	$ 628,543	$ 955,027	$ 204,814	$ 2,105,985
Canada Municipals	-	116,366	-	-	-	116,366
	$ 161,975	$ 271,992	$ 628,543	$ 955,027	$ 204,814	$ 2,222,351

17. FINANCIAL INSTRUMENTS (continued)

c) Risk disclosures (continued)

Credit risk (continued)

Accounts receivable

Accounts receivable includes trade receivables, due from the BioScience Enterprise Centre and the Province of Nova Scotia, HST receivable, and other accrued receivables.

Trade receivables of $335,939 are significantly concentrated, with 32% of the balance due from early stage technology-based companies. The development stage of Innovacorp's client base combined with the technology sector concentration increases the associated credit risk. Innovacorp's active involvement with its clients mitigates this risk.

The credit risk associated with the remaining balances is low given that the balances are due from other government entities.

Innovacorp's maximum exposure to credit risk from accounts receivable is its carrying value of $1,554,504.

Loans receivable

Loans receivable include promissory notes and convertible debentures issued under the mandate of the NSFF.

These loans have been issued to enterprises in the development stage that have yet to earn significant revenues from their intended business activities or establish their commercial viability. The recovery of loan principal amounts and the realization of investment returns are dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises.

Credit risk of the loans receivable is mitigated by Innovacorp's presence on the boards of the investees and, the majority of the loans have security interests in the property of the investees.

Innovacorp's maximum exposure to credit risk from the loans receivable is its carrying value of $2,100,000.

17. FINANCIAL INSTRUMENTS (continued)

c) Risk disclosures (continued)

Credit risk (continued)

Loans receivable (continued)

Details of the carrying value of accounts receivable and loans receivable that are past due at the financial statement date, but not impaired, are as follows:

	Current	Up to 60 Days Past Due	Over 60 Days Past Due	Allowance for Doubtful Accounts	Total
Accounts receivable					
Trade receivables	$ 623,671	$ 5,809	$ 128,220	$ (225,774)	$ 531,926
HST receivable	141,717	-	-	-	141,717
Due from Province of NS	679,113	-	-	-	679,113
Due from related parties	7,926	20,385	1,428,525	(1,255,088)	201,748
	1,452,427	26,194	1,556,745	(1,480,862)	1,554,504
Loans receivable	1,775,000	-	3,562,503	(3,237,503)	2,100,000
	$ 3,227,427	$ 26,194	$ 5,119,248	$ (4,718,365)	$ 3,654,504

18. CONTRACTUAL OBLIGATIONS

Innovacorp has entered into operating lease arrangements for buildings and equipment. Future minimum annual lease payments for the next five years under these leases are as follows:

2015	$ 1,507,224
2016	1,492,507
2017	1,482,506
2018	1,479,209
2019	1,479,096
	$ 7,440,542

As at March 31, 2014, there were $15,604,665 (2013 – $15,517,122) approved commitments to invest under the mandate of the NSFF.

19. GUARANTEE

Through the NSFF, a guarantee of $292,000 was provided to an investee company to strengthen its application for Atlantic Innovation Fund support. The company's application was successful and should it be unable to finance the industry contribution portion of its project out of cash flows, the guarantee would be provided. As at March 31, 2014 the guarantee had not been utilized.

20. SEGMENTED INFORMATION

Innovacorp's segments have been identified on the basis of functional classifications of activities undertaken by Innovacorp, including incubation, investment, and corporate services.

The corporate services segment represents the accumulation of revenue and expenses pertaining to the administration of Innovacorp. The corporate services segment includes the areas of communication and marketing, human resources, and Innovacorp's finance and portfolio management.

The investment segment represents the accumulation of revenue and expenses pertaining to the administrative functions of reviewing and managing investment files.

The incubation segment represents the accumulation of revenue and expenses pertaining to three facilities managed and operated by Innovacorp where rent and business services are offered for fees.

Segmentation is based on the core activities of the corporation and their related support resources. The revenue and expenses of each segment is accumulated based on actual occurrences of events and incurrence of costs. The following segmented information is regularly reported to the board of directors.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION
Notes to the Consolidated Financial Statements
March 31, 2014

	2014	2013	2014	2013	2014	2013	2014	2013
Operating revenues								
Government contributions	$ 12,094,391	$ 9,861,397	$ -	$ -	$ -	$ -	$ 12,094,391	$ 9,861,397
Management and director's fees	-	-	45,900	111,000	-	-	45,900	111,000
Program funding	1,045	-	422,308	27,041	-	-	423,353	27,041
Interest and dividends on portfolio investments and loans receivable	-	-	169,285	447,455	-	-	169,285	447,455
Rent	-	-	-	-	1,443,876	1,295,490	1,443,876	1,295,490
Business recoveries	-	-	-	-	410,723	421,279	410,723	421,279
Interest on lease receivable	-	-	-	-	-	5,485	-	5,485
Other	18,874	35,926	2,331	171,423	26,089	72,619	47,294	279,968
	12,114,310	9,897,323	639,824	756,919	1,880,688	1,794,873	14,634,822	12,449,115
Operating expenses								
Advertising and promotion	61,434	52,014	106,821	25,695	26,450	17,057	194,705	94,767
Amortization	-	-	-	-	490,757	442,576	490,757	442,576
Awards	-	-	1,111,040	580,000		-	1,111,040	580,000
Bad debt	-	6,700	-	-	40,586	44,543	40,586	51,243
Board activities	5,530	2,325	-	-	-	-	5,530	2,325
Communications	13,498	12,720	20,213	16,156	116,453	96,657	150,164	125,533
Information resources	1,659	3,848	16,350	8,519	12,342	3,536	30,351	15,903
Interest	51,124	58,224	343,652	260,400	-	-	394,776	318,624
Investment management fees	-	-	19,948	20,602	-	-	19,948	20,602
Miscellaneous	15,253	29,452	17,505	12,866	55,765	40,413	88,523	82,731
Outside services	417,137	545,978	388,608	277,352	1,831,586	1,813,045	2,637,331	2,636,374
Professional development	44,563	25,525	67,491	35,527	46,040	22,422	158,094	83,474
Repairs and maintenance	9,233	12,217	-	196	113,131	130,446	122,364	142,859
Salaries and benefits	1,314,964	951,165	978,408	870,870	1,429,465	1,095,882	3,722,837	2,917,917
Supplies	16,566	16,389	19,784	7,266	47,831	48,749	84,181	72,404
Travel	25,542	69,006	158,118	97,284	77,330	42,959	260,990	209,249
Utilities	-	-	-	-	339,298	309,627	339,298	309,627
	1,976,503	1,785,563	3,247,938	2,212,733	4,627,034	4,107,912	9,851,475	8,106,208
Operating income (loss)	10,137,807	8,111,761	(2,608,114)	(1,455,814)	(2,746,346)	(2,313,037)	4,783,347	4,342,907
Impairment of portfolio investments and loans receivable	-	-	(1,215,184)	(3,185,082)	-	-	(1,215,184)	(3,185,082)
Gain on disposal of land	-	-	-	-	258,441	-	258,441	-
Gain on SERP settlement	-	101,137	-	-	-	-	-	101,137
Loss on disposal of CRM	-	(14,453)	-	-	-	-	-	(14,453)
Realized gains (losses) on marketable securities	-	-	281,688	786,903	-	-	281,688	786,903
	-	86,684	(933,496)	(2,398,179)	258,441	-	(675,055)	(2,311,495)
Surplus (deficit) continuing operations	$ 10,137,807	$ 8,198,445	$ (3,541,610)	$ (3,853,993)	$ (2,487,905)	$ (2,313,037)	$ 4,108,292	$ 2,031,412

21. COMPENSATION DISCLOSURE

This schedule of payments is published in compliance with the provisions of *The Public Sector Compensation Disclosure Act.*

The Act requires the publication of the names of every person who receives the amount of compensation of $100,000 or more in the fiscal year and the amount paid to each.

Compensation amount includes total amount or value of all cash and non-cash salary, wages, payments, allowance, bonuses, commissions and perquisites, other than a pension, pursuant to any arrangement, including an employment contract, payments made for exceptional benefits not provided to the majority of employees and the value of the benefits derived from vehicles or allowances with respect to vehicles.

David McNamara	$ 241,859
Stephen Duff	158,057
Charles Baxter	150,139
Fraser Gray	132,258
Thomas Rankin	132,189
Gregory Phipps	125,656
Jennifer Robichaud	121,361
Dawn House	109,917
Shelley Hessian	106,638
Ken Lee	104,179

22. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Provincial legislature.

23. COMPARATIVE FIGURES

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