

Financial statements of

**Nova Scotia Business Inc.**

March 31, 2015

## **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 quarterly 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.**

\_\_\_\_\_  
Laurel C. Broten  
CEO

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

\_\_\_\_\_, 2015

## **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, 2015, and the statements of operations and changes in 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, 2015 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 24, 2015

# Nova Scotia Business Inc.

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# Nova Scotia Business Inc.

## Statement of operations and changes in accumulated operating surplus Year ended March 31, 2015

(In thousands of dollars)

	Budget (Unaudited)	2015	2014
	\$	\$	\$
<b>Revenue</b>			
Provincial			
Operating grant	10,017	9,967	9,924
Strategic investment grant	8,509	9,237	8,211
Loan valuation allowance grant	2,420	2,420	2,446
Miscellaneous	1,600	2,011	1,884
Interest on loans receivable	2,476	2,172	2,235
Other	2,581	2,881	758
Federal	750	984	986
Investment income	483	479	7,544
Gain on sale of tangible capital assets	1,123	32	298
	<b>29,959</b>	<b>30,183</b>	<b>34,286</b>
<b>Expenses</b>			
Operating expenses (Schedule 1)	12,655	12,600	12,947
Transfer payments to the Province of Nova Scotia	90	53	49
Strategic investments	8,509	9,237	8,211
Provision for credit losses and payment of guarantees	2,638	19,094	8,595
Provision for accrued interest receivable	-	2,245	-
Nova Scotia Business Fund: other expenses (Schedule 2)	5,293	3,250	2,751
	<b>29,185</b>	<b>46,479</b>	<b>32,553</b>
Annual operating (deficit) surplus	774	<b>(16,296)</b>	1,733
Accumulated operating surplus, beginning of year	27,062	27,062	25,329
<b>Accumulated operating surplus, end of year</b>	<b>27,836</b>	<b>10,766</b>	<b>27,062</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, 2015

(In thousands of dollars)

	2015	2014
	\$	\$
<b>Accumulated remeasurement losses, beginning of year</b>	-	1,168
Unrealized gains on portfolio investments	-	(1,168)
<b>Accumulated remeasurement gains and (losses), end of year</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, 2015

(In thousands of dollars)

	Budget (Unaudited)	2015	2014
	\$	\$	\$
<b>Annual operating (deficit) surplus</b>	<b>774</b>	<b>(16,296)</b>	1,733
<b>Change in tangible capital assets</b>			
Acquisitions of tangible capital assets	-	-	(15)
Amortization of tangible capital assets	49	58	62
Gain on sale of tangible capital assets	(1,123)	(32)	(298)
Proceeds from sale of tangible capital assets	-	53	313
Net change in tangible capital assets	(300)	(16,217)	1,795
<b>Change in other non-financial assets</b>			
Acquisitions of prepaid assets	-	(7)	(3)
Use of prepaid assets	-	4	54
Net change in other non-financial assets	-	(3)	51
<b>(Decrease) increase in non-financial assets</b>	<b>(300)</b>	<b>(16,220)</b>	1,846
Remeasurement decrease arising during the year	-	-	(1,168)
(Decrease) increase in net financial assets	(300)	(16,220)	678
Net financial assets, beginning of year	25,857	25,857	25,179
<b>Net financial assets, end of year</b>	<b>25,557</b>	<b>9,637</b>	25,857

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, 2015

(In thousands of dollars)

	2015	2014
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents (Note 13)	22,109	19,842
Accrued interest receivable	288	1,949
Loan valuation allowance receivable	11,833	9,868
Other receivables	1,571	1,160
Due from the Province of Nova Scotia	9,907	6,746
Loans receivable (Note 2 and 6)	33,793	40,136
Equity investments (Note 3 and 6)	15,452	29,477
	<b>94,953</b>	<b>109,178</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	15,280	8,326
Deferred revenue	315	306
Accrued interest payable	171	724
Employee benefits and other liabilities (Note 15)	1,317	1,519
Provision for payment of guarantees (Note 6 and 10)	149	-
Long-term debt due to the Province of Nova Scotia (Note 7)	68,031	72,397
Transfer payments payable to the Province of Nova Scotia	53	49
	<b>85,316</b>	<b>83,321</b>
Net financial assets	<b>9,637</b>	<b>25,857</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 4)	1,122	1,202
Prepaid expenses	7	3
	<b>1,129</b>	<b>1,205</b>
<b>Accumulated operating surplus</b>	<b>10,766</b>	<b>27,062</b>
<b>Accumulated operating surplus is comprised of:</b>		
Accumulated operating surplus	10,766	27,062
	<b>10,766</b>	<b>27,062</b>

Contractual obligations (Note 9)

Contingencies (Note 10)

Subsequent event (Note 17)

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, 2015

(In thousands of dollars)

	2015	2014
	\$	\$
<b>Operating transactions</b>		
Annual operating (deficit) surplus	(16,296)	1,733
Items not affecting cash and cash equivalents		
Amortization of tangible capital assets	58	62
Redemption of loan valuation allowance receivable	(455)	(4,032)
Allowance for credit losses and provision for payment of guarantees	19,094	8,595
Capitalized interest on loans payable	947	854
Capitalized interest and dividends on loans and equity	(85)	(1,495)
Gain on sale of tangible capital assets	(32)	(298)
Revaluation gain on tangible capital assets	-	(59)
Exercised warrant options	(1,225)	-
Gain on sale of equity investments	-	(5,514)
Contributed tangible capital assets revenue	-	(15)
	2,006	(169)
Change in other (Note 13(b))	2,343	(142)
	4,349	(311)
<b>Capital transactions</b>		
Additions	-	74
Contributions	-	(15)
Proceeds from sale of tangible capital assets	53	313
	53	372
<b>Investing transactions</b>		
Loan advances	(1,941)	(8,035)
Principal received on loans	5,174	4,701
Redemption of equity investments	-	8,514
Acquisition of equity investments	(500)	(2,900)
	2,733	2,280
<b>Financing transactions</b>		
New notes payable from the Province of Nova Scotia	2,266	10,704
Principal repayments to the Province of Nova Scotia	(7,134)	(6,566)
	(4,868)	4,138
Increase in cash and cash equivalents	2,267	6,479
Cash and cash equivalents, beginning of year	19,842	13,363
<b>Cash and cash equivalents, end of year</b>	<b>22,109</b>	<b>19,842</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, 2015

(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 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 365 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, 2015

(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

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.

In previous fiscal years, the Department of Transportation and Infrastructure Renewal had operational responsibility for the industrial parks and buildings. Certain revenues and expenses associated with the operation of the industrial parks and buildings were accounted for by the Department of Transportation and Infrastructure Renewal and were not reflected in NSBI's financial statements. However, effective April 1, 2014, Nova Scotia Business Inc. took over the operational responsibilities of these assets and their related expenses and revenues are now recorded 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 \$53 (2014 - \$49).

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

Tangible capital assets received as contributions are recorded in 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.

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2015

(in thousands)

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

#### (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.

#### (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.

- 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) Provision for credit losses and payment of guarantees

The provision 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.

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2015

(in thousands)

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

#### (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 with actuarial assessments being carried out every three years. The next assessment is due in the 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.

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation'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

	2015	2014
	\$	\$
Principal due	<b>60,436</b>	64,227
Allowance for credit losses (Note 6)	<b>(26,643)</b>	(24,091)
	<b>33,793</b>	40,136

Interest charged on these loans ranges from 0% to 12%. 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 an unsecured position to a fully secured position.

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2015

(in thousands)

### 3. Equity investments

	2015	2014
	\$	\$
Common shares	16,663	19,326
Preferred shares	27,626	22,913
Convertible debentures and promissory notes	5,350	5,850
	49,639	48,089
Allowance for credit losses (Note 6)	(34,187)	(18,612)
	15,452	29,477

Certain preferred shares have conversion options and warrants attached.

### 4. Tangible capital assets

	2015	2014		
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	86	-	86	107
Buildings	873	655	218	230
Wharves	1,752	1,189	563	592
Utilities	458	203	255	273
	3,169	2,047	1,122	1,202

### 5. Other assets

	2015	2014
	\$	\$
Property acquired through foreclosure, at cost	750	750
Less: allowance for credit losses (Note 6)	(750)	(750)
	-	-

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2015

(in thousands)

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

					2015
	Gross balance outstanding	Specific allowance	General allowance	Total allowance	Net balance outstanding
	\$	\$	\$	\$	\$
Loans receivable (Note 2)	60,436	25,056	1,587	26,643	33,793
Equity investments (Note 3)	49,639	32,917	1,270	34,187	15,452
Guarantees (Note 10)	625	149	-	149	476
Other assets (Note 5)	750	750	-	750	-
	<b>111,450</b>	<b>58,872</b>	<b>2,857</b>	<b>61,729</b>	<b>49,721</b>

  

					2014
	Gross balance outstanding	Specific allowance	General allowance	Total allowance	Net balance outstanding
	\$	\$	\$	\$	\$
Loans receivable (Note 2)	64,227	22,202	1,889	24,091	40,136
Equity investments (Note 3)	48,089	16,828	1,784	18,612	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>

During the year, investments and other assets in the amount of \$818 (2014 - \$862) 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, 2015

(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:

			2015	2014
	Fiscal year of maturity	Applicable interest rate	Principal outstanding	Principal outstanding
		%	\$	\$
Note payable 2002-01 (Note 1(j))	-	0.00	1,291	1,334
Note payable 2004-01	2017	4.61	-	224
Note payable 2006-01	2027	5.09	999	1,141
Note payable 2006-02	2027	4.98	1,292	1,467
Note payable 2006-03	2027	4.86	2,095	2,380
Note payable 2006-04	2027	4.94	1,447	1,643
Note payable 2007-01	2027	5.11	652	741
Note payable 2007-02	2027	4.89	660	750
Note payable 2007-03	2027	4.97	281	320
Note payable 2007-04	2027	5.01	54	61
Note payable 2007-05	2027	5.38	941	1,068
Note payable 2007-06	2027	5.58	98	111
Note payable 2008-01	2017	4.02	260	454
Note payable 2008-02 to 2008-13	2016	1.04 - 3.67	1,143	1,390
Note payable 2009-02	2027	3.16	606	687
Note payable 2009-08	2020	1.84	525	700
Note payable 2009-09	2015	1.49	-	57
Note payable 2009-10	2020	2.53	7,000	6,796
Note payable 2009-11	2020	2.53	858	833
Note payable 2009-12	2020	2.53	1,178	1,144
Note payable 2009-13	2020	2.56	324	314
Note payable 2009-14	2020	1.84	175	233
Note payable 2009-15	2020	2.14	176	171
Note payable 2009-16	2020	2.18	1,336	1,296
Note payable 2009-17	2020	2.12	236	228
Note payable 2010-02	2016	3.67	299	288
Note payable 2010-04	2016	3.63	357	345
Note payable 2010-05	2018	3.17	34	58
Note payable 2010-06	2016	3.45	236	228
Note payable 2010-07	2016	3.45	589	570
Note payable 2010-09	2016	3.16	73	71
Note payable 2010-10	2016	3.17	98	95
Note payable 2010-13	2016	2.94	31	30
Note payable 2010-15	2016	2.57	616	601
Note payable 2010-16	2017	2.25	1,098	1,074
Note payable 2010-17	2016	1.20	524	524
Note payable 2010-19	2016	2.57	1,657	1,615
Note payable 2010-20	2016	2.17	-	31
Note payable 2010-21	2016	2.57	-	374
Note payable 2010-22	2017	1.96	553	543
Note payable 2010-23	2017	1.54	607	1,032
Note payable 2010-25	2017	1.89	552	541
Note payable 2010-26	2017	1.50	50	103
Note payable 2010-27	2016	2.94	572	556

(continued)

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2015

(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)

			2015	2014
	Fiscal year of maturity	Applicable interest rate %	Principal outstanding \$	Principal outstanding \$
Note payable 2010-28	2016	1.54	-	71
Note payable 2010-30	2016	3.28	571	553
Note payable 2010-32	2016	1.88	-	374
Note payable 2010-33	2018	1.76	292	388
Note payable 2011-01	2017	1.54	156	262
Note payable 2011-02	2017	1.59	25	48
Note payable 2011-04	2018	1.70	16	26
Note payable 2011-05	2017	2.82	4,442	4,320
Note payable 2011-06	2017	2.65	2,185	2,128
Note payable 2011-07	2018	3.08	1,625	1,577
Note payable 2011-08	2016	1.74	47	141
Note payable 2011-09	2017	2.43	926	904
Note payable 2011-10	2015	1.46	-	711
Note payable 2011-12	2017	1.53	18	33
Note payable 2011-13	2017	1.49	109	203
Note payable 2011-14	2017	1.50	74	133
Note payable 2011-15	2017	1.59	45	86
Note payable 2011-16	2017	1.75	263	259
Note payable 2011-17	2017	2.14	247	276
Note payable 2012-01	2017	1.72	214	356
Note payable 2012-02	2017	1.59	17	32
Note payable 2012-03	2018	2.14	424	415
Note payable 2012-04	2017	1.62	261	257
Note payable 2012-05	2016	1.54	1,366	1,556
Note payable 2012-07	2016	1.82	1,071	1,219
Note payable 2012-08	2016	1.72	1,331	1,515
Note payable 2012-09	2016	1.56	1,120	1,275
Note payable 2012-10	2016	1.60	769	876
Note payable 2012-11	2016	1.68	901	1,026
Note payable 2012-12	2017	1.62	163	254
Note payable 2012-13	2016	1.67	799	909
Note payable 2012-14	2016	1.67	650	740
Note payable 2012-16	2016	1.78	364	358
Note payable 2012-17	2016	1.75	936	1,066
Note payable 2012-18	2018	2.27	1,050	1,027
Note payable 2012-19	2018	2.38	526	514
Note payable 2012-20	2018	2.31	210	205
Note payable 2012-21	2016	1.54	1,226	1,396
Note payable 2013-01	2016	1.61	790	899
Note payable 2013-02	2018	1.59	84	137
Note payable 2013-03	2020	1.25	35	103
Note payable 2013-04	2019	1.90	700	829

(continued)

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2015

(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)

			2015	2014
	Fiscal year of maturity	Applicable interest rate	Principal outstanding	Principal outstanding
		%	\$	\$
Note payable 2013-05	2019	1.90	124	146
Note payable 2013-06	2018	2.97	1,047	1,017
Note payable 2013-07	2016	2.09	429	488
Note payable 2013-08	2018	2.85	210	204
Note payable 2013-09	2017	1.86	206	203
Note payable 2013-10	2018	2.32	260	254
Note payable 2013-11	2018	1.51	254	324
Note payable 2013-12	2018	1.53	384	489
Note payable 2013-13	2016	1.45	778	878
Note payable 2013-14	2018	1.55	350	350
Note payable 2013-15	2016	1.38	194	239
Note payable 2013-16	2020	2.75	1,029	1,004
Note payable 2013-17	2016	1.91	975	1,083
Note payable 2013-18	2022	1.99	218	218
Note payable 2013-19	2019	1.89	383	500
Note payable 2013-20	2018	2.08	256	251
Note payable 2013-21	2020	1.25	58	69
Note payable 2013-22	2019	2.97	1,030	1,001
Note payable 2014-01	2019	1.87	489	-
Note payable 2014-02	2018	2.44	511	-
Note payable 2014-03	2018	1.80	180	-
Note payable 2014-04	2022	2.37	36	-
Note payable 2014-05	2019	1.81	447	-
Note payable 2014-06	2019	1.81	53	-
Note payable 2014-07	2022	2.28	109	-
Note payable 2014-08	2020	1.97	400	-
			68,031	72,397

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2015

(in thousands)

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

Note payable 2002-01 in the amount of \$1,291 (2014 - \$1,334) has no set terms of repayment 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:

	\$
2016	22,987
2017	13,537
2018	8,572
2019	3,014
2020	13,206
Thereafter	5,424
	<hr/> 66,740 <hr/>

Future scheduled interest capitalization amounts of \$2,435 (2014 - \$1,745) on certain existing notes payable are excluded in the above repayment amounts.

The total interest paid or payable during the year and recorded in the statement of operations was \$2,181 (2014 - \$2,184).

### 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. Share capital is grouped with accumulated surplus on the statement of financial position.

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2015

(in thousands)

### 9. Contractual obligations

- (a) The Corporation has approved financing of \$99 (2014 - \$3,698) that has not been disbursed as at year-end.
- (b) The Corporation administers strategic investments on behalf of the Province of 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, 2015, transactions were approved with maximum annual payments over the next ten years of \$100,647 (2014 - \$77,672) as shown below:

	\$
2016	21,559
2017	21,549
2018	18,628
2019	13,583
2020	10,139
2021	4,019
2022	2,985
2023	2,763
2024	2,763
2025	2,659
<b>Total</b>	<b>100,647</b>

### 10. Contingencies

- (a) Guarantees

	Authorized	Utilized 2015	Utilized 2014
	\$	\$	\$
Bank loans	1,500	625	-
Less: provision for payment (Note 6)	-	149	-
	<b>1,500</b>	<b>476</b>	<b>-</b>

The guarantees are secured by various assets and proceeds from liquidation are expected to offset a portion of 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. The Corporation believes 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.

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2015

(in thousands)

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### 11. Financial instruments

#### (a) Fair value

Equity investments in publicly-traded companies 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 the 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) Financial risk factors

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.

##### (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 \$13,134 which is now below the \$15,000 financing limit threshold (2014-\$14,342) 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.

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2015

(in thousands)

### 11. Financial instruments (continued)

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

##### (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. 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). However, in 2014 fiscal year, the Corporation redeemed all investments held in publicly traded equities.

##### (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.

The following table summarizes the fixed contractual maturities for all financial liabilities as at March 31, 2015:

					2015	2014
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total	Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	15,280	-	-	-	15,280	8,326
Accrued interest payable	171	-	-	-	171	724
Employee benefits and other liabilities	418	232	167	500	1,317	1,519
Transfer payments payable to the Province of NS	53	-	-	-	53	49
Deferred revenue	142	173	-	-	315	306
Provision for payment of guarantees	149	-	-	-	149	-
Long-term debt due to the Province of NS	22,987	38,329	5,424	-	66,740	71,063
	39,200	38,734	5,591	500	84,025	81,987

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2015

(in thousands)

### 12. Nova Scotia Business Fund

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of the Corporation 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, 2015:

	NSBI portfolio		NSBDC portfolio		2015	2014
	Gross	Less allowance for credit losses	Gross	Less allowance for credit losses	Net Total	Net Total
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Loans receivable	38,365	12,875	22,071	13,768	33,793	40,136
Equity investments	49,429	34,166	210	21	15,452	29,477
Industrial parks & buildings	-	-	1,122	-	1,122	1,202
Other assets	-	-	750	750	-	-
Guarantees	625	149	-	-	476	-
Financing authorized but unadvanced	99	-	-	-	99	3,098
	<b>88,518</b>	<b>47,190</b>	<b>24,153</b>	<b>14,539</b>	<b>50,942</b>	<b>73,913</b>
<b>Funding authorized and committed</b>						
Fund balance authorized, net of write-offs					223,859	224,677
Less: uncommitted balance of fund					111,188	107,310
Committed fund balance					112,671	117,367
Less: allowance for credit losses and provision for payment of guarantees (Note 6)					61,729	43,453
					<b>50,942</b>	<b>73,914</b>

### 13. Supplementary cash information

(a) Cash and cash equivalents include:

	2015	2014
	\$	\$
Cash	14,109	11,042
Short-term investments	8,000	8,800
	<b>22,109</b>	<b>19,842</b>



# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2015

(in thousands)

### 13. Supplementary cash information (continued)

#### (b) Changes in other

	2015	2014
	\$	\$
Accrued interest receivable	1,661	(608)
Loan valuation allowance receivable	(1,965)	1,586
Other receivables	(411)	(85)
Due from the Province of Nova Scotia	(3,160)	(1,120)
Prepaid expenses	(4)	51
Accounts payable and accrued liabilities	6,954	32
Accrued interest payable	(553)	208
Non-cash accrued interest clearing loan valuation allowance	10	109
Employee benefits and other liabilities	(202)	87
Deferred revenue	9	(425)
Transfer payments payable to the Province of Nova Scotia	4	23
	<b>2,343</b>	<b>(142)</b>

(c) During the year, cash received for interest income was \$1,982 (2014 - \$2,099) and interest paid was \$1,777 (2014 - \$1,012).

	2015	2014
	\$	\$
Non-cash investing transactions		
Equity market adjustments recorded as accumulated remeasurement loss	-	(1,168)
Conversion of convertible debentures to equity investments	1,000	1,000
Conversion of accrued interest to equity investments	85	144
Conversion of preferred dividends to equity investments	1,225	1,351

### 14. Related party transactions

During the year, there were no companies controlled or otherwise not independent of all of Nova Scotia Business Inc. eligible for payroll rebate rewards (2014 - \$nil).

As at year-end, the total amount outstanding to companies that were controlled by, or otherwise not independent of, certain directors of Nova Scotia Business Inc. was \$12,995 (2014 - \$18,123) for financial assistance. Certain of these investments have specific allowances recorded against them totaling \$500 (2014 - \$4,330) and the Corporation has also recorded a 10% general reserve recorded against as well. Furthermore, there were no payroll rebates under this category this year (2014 - \$336).

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 \$683 (2014 - \$686).

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 (2014 - \$300).

During the year, due to the change in the Corporation's mandate, certain employees were transferred from the Province of Nova Scotia to the Corporation on secondment basis effective September 1, 2014. The related costs including operating costs in the amount of \$907 were fully absorbed by the Province of Nova Scotia and are not reflected in these financial statements.

# Nova Scotia Business Inc.

## Notes to the financial statements

March 31, 2015

(in thousands)

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### 14. Related party transactions (continued)

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:

	2015	2014
	\$	\$
Public service awards	720	676
Vacation pay	237	213
Other payroll accruals	360	630
	<b>1,317</b>	<b>1,519</b>

(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 2015 were \$525 (2014 - \$514) and are recognized as an operating expense in the year. As a result of changes to the PSSP 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.

### 17. Subsequent event

On April 9, 2015, the Nova Scotia provincial government tabled the March 31, 2016 budget in the House of Assembly, which included the elimination of the Film and Creative Industries Nova Scotia ("FCINS") agency's funding and a plan to cease its operations. Legislation introduced in the spring assigned all assets and liabilities of FCINS to the Corporation effective April 9, 2015. The Province of Nova Scotia will be fully funding any associated costs. There has been no adjustment to these financial statements to reflect this subsequent event.

# Nova Scotia Business Inc.

# Schedule 1

## Schedule of operating expenses

Year ended March 31, 2015

(In thousands of dollars)

	<b>Budget</b>	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>		
	\$	\$	\$
Business development	<b>3,989</b>	<b>4,139</b>	4,373
Legal and audit	<b>34</b>	<b>47</b>	47
Office	<b>278</b>	<b>286</b>	451
Other	<b>71</b>	<b>168</b>	154
Salaries and benefits	<b>7,228</b>	<b>6,735</b>	6,882
Telecommunications and technical support	<b>373</b>	<b>492</b>	375
Travel	<b>682</b>	<b>733</b>	665
	<b>12,655</b>	<b>12,600</b>	12,947

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: other expenses

Year ended March 31, 2015

(In thousands of dollars)

	<b>Budget (Unaudited)</b>	<b>2015</b>	<b>2014</b>
	\$	\$	\$
Amortization	49	58	62
Interest	2,082	2,181	2,184
Legal	20	51	27
Recovery of commissions and other fees	2	-	(197)
Repairs, maintenance, salaries and other expenses	3,140	960	675
	<b>5,293</b>	<b>3,250</b>	<b>2,751</b>

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