Consolidated financial statements of Nova Scotia Business Incorporated

March 31, 2018

Deloitte.

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 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 consolidated financial statements on a quarterly 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 Nova Scotia Business Incorporated and meet with them when required.

On behalf of Nova Scotia Business Incorporated

Laurel Broten

Laurel C. Broten
CEO

Makani

Ferdinand Makani
Controller

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Independent Auditor's Report

To the Board of Directors of
Nova Scotia Business Incorporated

We have audited the accompanying consolidated financial statements of Nova Scotia Business Incorporated, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and changes in accumulated operating surplus, 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 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 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 in our audits 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 Business Incorporated as at March 31, 2018 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 Professional Accountants
June 21, 2018

Nova Scotia Business Incorporated

Consolidated statement of operations and changes in accumulated operating surplus

Year ended March 31, 2018

(In thousands of dollars)

	Notes	Budget (Unaudited)	2018	2017
		$	$	$
Revenue				
Provincial				
Strategic investment grant		15,107	12,891	14,234
Operating grant		16,303	16,163	13,721
Nova Scotia Film and Television Production grant		22,849	19,800	10,413
Capital grant		—	317	—
Loan valuation allowance grant		1,000	1,000	1,570
Miscellaneous		83	236	292
Other		989	1,631	1,580
Interest on loans receivable		1,367	1,170	1,353
Gain on sale of tangible capital assets		—	19	1,141
Nova Scotia Independent Production Fund ("NSIPF") revenue (Schedule 1)		—	462	562
Federal		—	1,305	226
Recovery of equity investments and development loans		100	98	113
Investment (loss) income		15	(1,379)	56
		57,813	53,713	45,261
Expenses				
Operating expenses (Schedule 2)		16,832	16,667	14,497
Strategic investments		15,107	12,891	14,234
Nova Scotia Film and Television Production incentives		22,849	19,800	10,413
Transfer payments to the Province of Nova Scotia	2	—	335	1,145
Nova Scotia Business Fund: other expenses (Schedule 3)		1,338	678	1,086
Nova Scotia Independent Production Fund ("NSIPF") expenses (Schedule 1)		—	462	562
Film production equity investments		—	—	28
(Recovery)/Provision for accrued interest receivable		20	(1,354)	13
Provision for credit (recoveries) losses and payment of guarantees		1,000	5,469	(766)
		57,146	54,948	41,212
Annual operating (deficit) surplus		667	(1,235)	4,049
Accumulated operating surplus, beginning of year		13,055	13,055	9,006
Accumulated operating surplus, end of year		13,722	11,820	13,055

The accompanying notes are an integral part of the consolidated financial statements.

Nova Scotia Business Incorporated

Consolidated statement of changes in net financial assets
Year ended March 31, 2018
(In thousands of dollars)

	Budget (Unaudited)	2018	2017
	$	$	$
Annual operating (deficit) surplus	667	(1,235)	4,049
Change in tangible capital assets			
Acquisitions of tangible capital assets	—	(317)	—
Amortization of tangible capital assets	48	49	51
Gain on sale of tangible capital assets	—	(19)	(1,141)
Proceeds from sale of tangible capital assets	—	335	1,145
Net change in tangible capital assets	715	(1,187)	4,104
Change in other non-financial assets			
Acquisitions of prepaid assets	—	(31)	(34)
Use of prepaid assets	—	34	55
Net change in other non-financial assets	—	3	21
Increase (decrease) in net financial assets	715	(1,184)	4,125
Net financial assets, beginning of year	12,009	12,009	7,884
Net financial assets, end of year	12,724	10,825	12,009

The accompanying notes are an integral part of the consolidated financial statements.

Nova Scotia Business Incorporated
Consolidated statement of financial position
As at March 31, 2018
(In thousands of dollars)

	Notes	2018	2017
		$	$
Financial assets			
Cash and cash equivalents	13	**28,355**	24,296
Accrued interest receivable		**89**	146
Other receivables		**753**	274
Receivables - NSIPF		**2**	32
Due from the Province of Nova Scotia		**36,289**	22,902
Loans receivable	3 and 6	**19,261**	22,255
Equity investments	4 and 6	**6,509**	12,826
		91,258	82,731
Liabilities			
Accounts payable and accrued liabilities		**40,343**	25,570
Accounts payable and accrued liabilities - NSIPF		**8**	5
Deferred revenue		**397**	329
Deferred revenue - NSIPF		**273**	217
Employee benefits and other liabilities	15	**1,329**	1,265
Provision for payment of guarantees	6 and 10	**—**	295
Due to shareholder	7	**37,072**	41,160
Film production assistance commitments payable		**133**	190
Film production assistance commitments payable - NSIPF		**543**	546
Transfer payments payable to the Province of Nova Scotia	2	**335**	1,145
		80,433	70,722
Net financial assets		**10,825**	12,009
Non-financial assets			
Tangible capital assets	5	**964**	1,012
Prepaid expenses		**31**	34
		995	1,046
Accumulated operating surplus		**11,820**	13,055
Contractual obligations	9		
Contingencies	10		
Subsequent event	20		

On behalf of the Board

Paul F. Bellew, Director

Brenda C. Bellivein, Director

The accompanying notes are an integral part of the consolidated financial statements.

Nova Scotia Business Incorporated

Consolidated statement of cash flows

Year ended March 31, 2018
(In thousands of dollars)

	Notes	2018	2017
		$	$
Operating transactions			
Annual operating (deficit) surplus		**(1,235)**	4,049
Items not affecting cash and cash equivalents			
Amortization of tangible capital assets		**49**	51
Redemption of loan valuation allowance receivable		**(1,000)**	(1,570)
Allowance (recoveries) for credit losses and provision for payment of guarantees		**5,469**	(766)
Gain on sale of tangible capital assets		**(19)**	(1,141)
		3,264	623
Change in other	13	**318**	(958)
		3,582	(335)
Capital transactions			
Additions of tangible capital assets		**(317)**	—
Proceeds from sale of tangible capital assets		**335**	1,145
		18	1,145
Investing transactions			
Loan advances		**(3)**	(4)
Principal received on loans		**3,550**	7,641
		3,547	7,637
Financing transaction			
Principal repayments to the Province of Nova Scotia		**(3,088)**	(7,976)
Increase in cash and cash equivalents		**4,059**	471
Cash and cash equivalents, beginning of year		**24,296**	23,825
Cash and cash equivalents, end of year		**28,355**	24,296

The accompanying notes are an integral part of the consolidated financial statements.

1. Business overview

Nova Scotia Business Incorporated (the "Corporation") is a corporation, wholly-owned by the Province of Nova Scotia (the "Province") 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 help Nova Scotia businesses grow exports through access to business advisory services, skill development and training to build trade capacity, market intelligence, financing, and support in accessing global markets, with a focus on developing new exporters and attracting innovative, globally competitive companies to establish a business location in Nova Scotia. The Corporation is not subject to provincial or federal taxes.

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, Bill No. 108 passed by the Government of Nova Scotia, introduced in the spring assigned all assets and liabilities of FCINS to the Corporation effective April 9, 2015 including those of the restricted independent production fund ("IPF").

On April 1, 2016 with the consent of the Province pursuant to Section 68(1) of the Finance Act, the Corporation incorporated a wholly owned subsidiary, Nova Scotia Independent Production Fund ("NSIPF"). On June 9, 2016, NSIPF was certified by the Canadian Radio-Television and Telecommunications Commission ("CRTC") and was added to the list of independent production funds to administer The Eastlink TV Independent Production Fund Program. As a result, the assets and liabilities of the IPF was assigned to and became assets and liabilities of the NSIPF effective June 9, 2016.

NSIPF's purpose continues to be as was FCINS's as an IPF, to support Nova Scotia and Canadian television programming by receiving contributions as a restricted independent production fund under the Broadcasting Distribution Regulations and to distribute such contributions to productions determined to be eligible for funding in accordance with the requirements of the Canadian Radio-television and Telecommunications Commission.

2. Summary of significant accounting policies

Basis of accounting

The consolidated 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.

Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in net financial assets and cash flows of the reporting entity. The reporting entity is comprised of the following entities which are owned or controlled by the Corporation:

- Nova Scotia Business Incorporated
- Nova Scotia Independent Production Fund

Inter-departmental and inter-entity balances and transfers between the entities have been eliminated on consolidation.

2. Summary of significant accounting policies (continued)

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.

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.

Equity investments

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 and loans receivable 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.

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.

2. Summary of significant accounting policies (continued)

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 the Corporation's financial statements. However, effective April 1, 2014, the Corporation took over the operational responsibilities of these assets and their related expenses and revenues are now recorded in these consolidated 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 the current year, the transfer payments payable to the Province of Nova Scotia was $335 ($1,145 in 2017).

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.

Due to shareholder

Amounts due to the Shareholder, which are comprised of non-interest bearing debt with no set terms of repayment, are recorded at amortized cost.

Government transfers

Government transfers are recognized in the consolidated 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 nor 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 consolidated financial statements.

2. Summary of significant accounting policies (continued)

Revenue recognition

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, guidelines and procedures set out in the Corporation's business plan.

(c) Nova Scotia Film and Television Production grants are earned in accordance with the Corporation's approved annual budget and when the eligible producers have completed the final print stage of the approved production.

(d) Loan valuation grant is provided by the Province of Nova Scotia to offset the provision for credit losses and payment of guarantees.

(e) 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.

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.

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.

Employee future benefits

The Corporation provides certain employee benefits which will require funding in future periods. These benefits include vacation pay and public service awards. Management recognizes compensation expense on an accrual basis with actuarial assessments being carried out every three years. The next assessment is due in the 2021 fiscal year.

In current year, the Province extended a one-time payout in lieu of public service award on retirement to eligible non-union and management employees, payable next year. About 95% of the Corporation's eligible employees elected for this offer in the amount of $412.

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Employee future benefits (continued)

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.

The Corporation accounts for severance pay on an accrual basis and the amount is calculated based upon accumulated unused sick leave or on years of service. The amount is payable when the employee ceases employment with the Corporation.

Use of estimates

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

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.

3. Loans receivable

	2018	2017
	$	$
Principal due	**32,893**	33,440
Allowance for credit losses (Note 6)	**(13,632)**	(11,185)
	19,261	22,255

Interest charged on these loans ranges from 0% to 10% (0% to 6.8% in 2017). 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.

(In thousands of dollars)

4. Equity investments

	2018	2017
	$	$
Common shares	**11,156**	11,156
Preferred shares	**13,416**	13,416
Convertible debentures and promissory notes	**2,000**	5,000
	26,572	29,572
Allowance for credit losses (Note 6)	**(20,063)**	(16,746)
	6,509	12,826

Certain preferred shares have conversion options and warrants attached.

5. Tangible capital assets

	2018			2017
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Land	**82**	**—**	**82**	82
Buildings	**873**	**686**	**187**	197
Wharves	**1,752**	**1,270**	**482**	508
Utilities	**458**	**245**	**213**	225
	3,165	**2,201**	**964**	1,012

6. Allowance for credit losses and payment of guarantees

	2018				
	Gross balance outstanding	**Specific allowance**	**General allowance**	**Total allowance**	**Net balance outstanding**
	$	**$**	**$**	**$**	**$**
Loans receivable (Note 3)	**32,893**	**12,637**	**995**	**13,632**	**19,261**
Equity investments (Note 4)	**26,572**	**20,063**	**—**	**20,063**	**6,509**
	59,465	**32,700**	**995**	**33,695**	**25,770**

(In thousands of dollars)

6. Allowance for credit losses and payment of guarantees (continued)

					2017
	Gross balance outstanding	Specific allowance	General allowance	Total allowance	Net balance outstanding
	$	$	$	$	$
Loans receivable (Note 3)	33,440	10,062	1,123	11,185	22,255
Equity investments (Note 4)	29,572	15,497	1,249	16,746	12,826
Guarantees (Note 10)	1,075	295	—	295	780
	64,087	25,854	2,372	28,226	35,861

During the year, investments and other assets in the amount of nil ($26,475 in 2017) were written off and included in the allowance for credit losses and provision for payment of guarantees.

7. Due to shareholder

The Corporation signed a Memorandum of Understanding effective March 31, 2016 with the Province allowing and changing the treatment and recognition of the former long-term debt with the Province. The outstanding notes payable balance of $50,706 as at March 31, 2016 between the Corporation and the Province was converted into a non-interest bearing shareholder loan with no set terms of repayment. As a condition of this conversion, the Corporation was required to reduce its Loan Valuation Allowance receivable due from the Province by applying it against the outstanding notes payable to the Province. As at March 31, 2018 the amount due to shareholder was $37,072 ($41,160 in 2017).

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.

9. Contractual obligations

The Corporation has nil (nil in 2017) in approved financing that has not been disbursed as at year-end.

The Corporation provides strategic investments 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.

(In thousands of dollars)

9. Contractual obligations (continued)

As at March 31, 2018, transactions were approved with maximum annual payments over the next seven years of $95,797 ($113,295 in 2017) as shown below:

	$
2019	24,739
2020	25,538
2021	19,177
2022	10,350
2023	9,607
2024	3,727
2025	2,659
Total	95,797

The Corporation is the administrator of the Nova Scotia Film and Television Production Incentive Fund ("NSFPIF") which was established during 2016 to support the film and television production industry in the Province and to create economic value for Nova Scotians. Expenses incurred by the Corporation will be match-funded by the Province of Nova Scotia in the form of a NSFPIF grant. Eligible organizations that have a permanent establishment in Nova Scotia will be able to apply to the NSFPIF to receive support on completion date of the targeted production based on the following funding streams:

(a) Base funding of 26% of all eligible Nova Scotia costs for indigenous/co-productions;

(b) Base funding of 25% of all eligible Nova Scotia costs for foreign/service productions.

Additional incentives over the base funding can be earned for rural production work, shoots more than 30 days, and for Nova Scotia content.

As at March 31, 2018, the following commitments in the amounts of $7,958 ($15,506 in 2017) were recognized at the point of issuance of Letters of Intent over the next two years:

	$
2019	7,716
2020	242
	7,958

10. Contingencies

Guarantees

		2018	2017
	Authorized	**Utilized**	Utilized
	$	**$**	$
Bank loans	**1,000**	**—**	1,075
Less: provision for payment (Note 6)	**—**	**—**	(295)
	1,000	**—**	780

The guarantees are secured by various assets and proceeds from liquidation are expected to offset a portion of any possible payments under guarantees.

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 consolidated 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 consolidated financial statements, with respect to these claims.

11. Financial instruments

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 prior years.

Fair value measurements in connection with the allowance for credit losses recognized in Notes 3 and 4 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 have been recorded as Level 1 using the fair value hierarchy.

11. Financial instruments (continued)

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.

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 $7,910 ($8,909 in 2017) which is now below the $15,000 financing limit threshold and has 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.

Interest rate 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. It is management's opinion that the Corporation is not exposed to significant interest rate risk arising from financial instruments.

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).

(In thousands of dollars)

11. Financial instruments (continued)

Financial risk factors (continued)

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, 2018:

					2018	2017
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total	Total
	$	$	$	$	$	$
Accounts payable and accrued liabilities	40,343	—	—	—	40,343	25,570
Accounts payable and accrued liabilities - NSIPF	8	—	—	—	8	5
Employee benefits and other liabilities	1,053	261	15	—	1,329	1,265
Transfer payments payable to the Province	335	—	—	—	335	1,145
Deferred revenue	288	9	—	100	397	329
Deferred revenue - NSIPF	273	—	—	—	273	217
Provision for payment of guarantees	—	—	—	—	—	295
Due to shareholder	3,562	15,126	5,000	13,384	37,072	41,160
Film production assistance commitments payable	133	—	—	—	133	190
Film production assistance commitments payable - NSIPF	543	—	—	—	543	546
	46,538	15,396	5,015	13,484	80,433	70,722

(In thousands of dollars)

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, 2018:

					2018	2017
		NSBI portfolio		NSBDC portfolio		
	Gross	Less allowance for credit losses	Gross	Less allowance for credit losses	Net total	Net total
	$	$	$	$	$	$
Assets						
Loans receivable	22,704	8,839	10,188	4,792	19,261	22,255
Equity investments	26,362	20,046	210	17	6,509	12,826
Industrial parks & buildings	—	—	964	—	964	1,012
Guarantees	—	—	—	—	—	780
Financing authorized but unadvanced guarantees	1,000	—	—	—	1,000	425
	50,066	28,885	11,362	4,809	27,734	37,298

	2018	2017
Funding authorized and committed		
Fund balance authorized, net of write-offs	189,414	189,414
Less: uncommitted balance of fund	127,985	123,890
Committed fund balance	61,429	65,524
Less: allowance for credit losses and provision for payment of guarantees (Note 6)	33,695	28,226
	27,734	37,298

13. Supplementary cash information

Cash and cash equivalents include:

	2018	2017
	$	$
Cash	20,355	16,296
Short-term investments	8,000	8,000
	28,355	24,296

(In thousands of dollars)

13. Supplementary cash information (continued)

Changes in other

	2018	2017
	$	$
Accrued interest receivable	**57**	15
Other receivables	**(479)**	238
Other receivables – NSIPF	**30**	(1)
Due from the Province of Nova Scotia	**(13,387)**	(12,068)
Prepaid expenses	**3**	21
Accounts payable and accrued liabilities	**14,773**	10,221
Accounts payable and accrued liabilities - NSIPF	**3**	—
Accrued interest payable	**—**	(95)
Deferred revenue	**68**	(31)
Deferred revenue – NSIPF	**56**	188
Employee benefits and other liabilities	**64**	(504)
Transfer payments payable to the Province of Nova Scotia	**(810)**	832
Commitments payable – operating	**(57)**	(45)
Commitments payable – NSIPF	**(3)**	271
	318	(958)

During the year, cash received for interest income was $1,080 ($1,353 in 2017).

	2018	2017
	$	$
Non-cash investing transactions		
Conversion of convertible debentures to loan	**2,800**	—
Conversion of working capital to loan	**200**	—
Conversion of loan to equity investments	**—**	207

14. Related party transactions

During the year, there were no companies controlled or otherwise not independent of the Corporation eligible for payroll rebate rewards (nil in 2017). As at year-end, the total amount outstanding to companies that were controlled by, or otherwise not independent of, certain directors of the Corporation was $12,495 ($12,974 in 2017) for financial assistance. All these investments have specific allowances only recorded against them totaling $6,529 ($480 in 2017). Furthermore, there were no payroll rebates under this category this year (nil in 2017).

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 $462 ($494 in 2017).

The Corporation receives legal services free of charge from the Province of Nova Scotia. Management estimates the annual cost of these services is approximately $322 ($322 in 2017).

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.

(In thousands of dollars)

15. Employee benefits, post-retirement benefits and other liabilities

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

	2018	2017
	$	$
Public service awards and service payouts	692	694
Vacation pay	267	230
Other payroll accruals	370	341
	1,329	1,265

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 2018 were $661 ($569 in 2017) 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. Film production development loans

Film production development loans previously committed by FCINS were provided to eligible producers to support essential process of the development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of the production financing arrangements. Support for the development of a project does not necessarily imply support for a production. Film production development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party.

During the year, the Corporation received $26 related to the recovery of development loans (nil in 2017). As at March 31, 2018, $7 ($7 in 2017) remains undisbursed and is included in commitments payable. Total film production development loans disbursed, assumed and originated at year-end were nil ($3,071 in 2017).

17. Film production special projects

Non-repayable assistance previously committed by FCINS in the form of grants were provided to eligible parties for training, sponsorship, festivals and other business development initiatives to promote the Nova Scotia film, television and creative industries. These were fully disbursed in 2016-17 fiscal year.

18. Film production equity investments

Film production assistance previously committed by FCINS, in the form of equity investments were provided to eligible producers for the financing of productions that will provide employment and economic benefit to Nova Scotians. Equity investments are made with conditions of repayment through participation in revenues by projects. Revenue is recorded as reported by producers.

During the year, the Corporation received $68 ($101 in 2017) in recovery of equity investments resulting in a cumulative recoupment, assumed and originated, as at March 31, 2018, of $4,527 ($4,459 in 2017). Also as at March 31, 2018, $126 ($159 in 2017) remains undisbursed and is included in commitments payable. Total film production equity investments disbursed, assumed and originated, at year end were $46,864 ($46,819 in 2017).

19. Nova Scotia Independent Production Fund ("NSIPF")

NSIPF through The Eastlink TV Independent Production Fund Program provides production assistance in the form of film production equity investments to eligible producers for the financing of production that will support employment and economic benefits to Nova Scotia. Film production equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as reported by producers. Funds received by the IPF are externally restricted and included on the statement of financial position in cash and cash equivalents and are deferred until committed.

During the year, the Corporation through its subsidiary, NSIPF, received $512 ($690 in 2017) from the funding partner to invest in qualifying projects, and $1 ($56 in 2017) in the recovery of equity investments. The cumulative total of equity investments made by the IPF, assumed and originated, as at March 31, 2018 is $4,934 ($4,478 in 2017). As at March 31, 2018, $120 ($119 in 2017) was recouped and $543 ($546 in 2017) remains undisbursed and is booked as a commitments payable.

20. Subsequent event

During the year, the Company commenced a receivership process for one of its loans receivable which was impaired in previous years. Subsequent to year end the Receiver has confirmed that $522 will be disbursed to the Company as a partial recovery of amounts owed. No amount has been recorded in the financial statements for this recovery as of year-end.

Nova Scotia Business Incorporated

Schedule 1 – Schedule of the Nova Scotia Independent Production Fund ("NSIPF") revenues and expenses

Year ended March 31, 2018

(In thousands of dollars)

	2018	2017
	$	$
Revenue		
Eastlink contributions	**456**	502
Recovery of equity investments	**1**	56
Interest income	**5**	4
	462	562
Expenses		
Equity investments	**455**	559
Administrative expenses	**7**	3
	462	562

The accompanying notes are an integral part of the consolidated financial statements.

Nova Scotia Business Incorporated

Schedule 2 – Schedule of operating expenses

Year ended March 31, 2018

(In thousands of dollars)

	Budget (Unaudited)	2018	2017
	$	$	$
Salaries and benefits	**8,602**	**8,319**	7,692
Business development	**6,192**	**6,840**	4,985
Travel	**908**	**669**	703
Telecommunications and technical support	**647**	**397**	503
Office	**339**	**467**	419
Other	**105**	**(74)**	131
Legal and audit	**39**	**49**	64
	16,832	**16,667**	14,497

The accompanying notes are an integral part of the consolidated financial statements.

Nova Scotia Business Incorporated

Schedule 3 – Schedule of Nova Scotia Business Fund: other expenses

year ended March 31, 2018

(In thousands of dollars)

	Budget (Unaudited)	2018	2017
	$	$	$
Repairs, maintenance, salaries and other	1,201	601	954
Interest	—	—	79
Legal	88	26	—
Amortization	48	49	51
Recovery of commissions and other fees	1	2	2
	1,338	678	1,086

The accompanying notes are an integral part of the consolidated financial statements.