

Consolidated financial statements of

Province of Nova Scotia
Nova Scotia Innovation Corporation

March 31, 2018

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION

March 31, 2018

Table of contents

Independent Auditor's Report.....1 - 2

Management's Report.....3

Consolidated statement of financial position.....4

Consolidated statement of operations and accumulated surplus.....5

Consolidated statement of change in net financial assets.....6

Consolidated statement of cash flows.....7

Consolidated statement of remeasurement gains.....8

Notes to the consolidated financial statements.....9 - 31

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Nova Scotia Innovation Corporation ("Innovacorp"), which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and accumulated surplus, change in net financial assets, cash flows and remeasurement gains for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nova Scotia Innovation Corporation as at March 31, 2018, and the results of its operations, its changes in net financial assets, its cash flows, and its remeasurement gains for the year then ended in accordance with Canadian public sector accounting standards.

The signature of Deloitte LLP is written in a cursive, handwritten style.

Chartered Professional Accountants
June 26, 2018

Management's Report

Management's Responsibility for the Consolidated Financial Statements

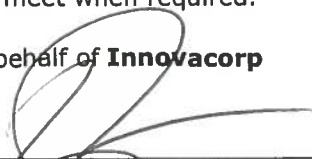
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these consolidated financial statements are management's responsibility. Management is also responsible for all of the notes to the 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 (the "board") is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises these responsibilities through the board. The board reviews internal consolidated financial statements on a monthly basis and external audited consolidated financial statements yearly.


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

On behalf of **Innovacorp**



Malcolm Fraser
President and CEO

June 26, 2018



Donna Bourque, CFA, CA, CPA (II)
VP Finance and Administration

June 26, 2018

PROVINCE OF NOVA SCOTIA NOVA SCOTIA INNOVATION CORPORATION


Consolidated Statement of Financial Position

As at March 31

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash	8,367,368	7,693,021
Restricted cash & cash equivalents	2,942,518	513,712
Accounts receivable (Note 3)	1,593,494	1,038,242
Loans receivable (Note 4)	2,662,505	2,411,093
Portfolio investments (Note 5)		
Investments quoted in an active market	803,159	775,133
Investments in early stage private enterprises	35,926,546	28,472,636
	52,295,590	40,903,837
LIABILITIES		
Payables and accruals (Note 7)	1,884,926	1,376,322
Lease inducement liability	130,819	150,944
Long-term debt (Note 6)	8,409,133	8,409,358
Retirement benefits (Note 7)	1,828,481	2,014,499
Post-employment benefits (Note 8)	99,442	156,620
Deferred revenue	1,969,641	2,042,778
Deferred capital contributions (Note 10)	2,620,996	2,431,462
	16,943,438	16,581,983
Net financial assets	35,352,152	24,321,854
NON-FINANCIAL ASSETS		
Prepaid expenses	94,413	96,254
Property and equipment (Note 11)	5,549,445	5,403,023
	5,643,858	5,499,277
Accumulated surplus	40,996,010	29,821,131
Accumulated surplus is comprised of:		
Accumulated operating surplus	40,823,311	29,788,025
Accumulated remeasurement gains	172,699	33,106
	40,996,010	29,821,131

Contractual obligations (Note 16)

APPROVED BY THE BOARD OF DIRECTORS:


Board Chair


Vice Chair

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Consolidated Statement of Operations and Accumulated Surplus For the year ended March 31

	Budget (unaudited - Note 19)	2018	2017
	\$	\$	\$
Revenues (Note 17)			
Corporate services			
Government contributions - operations (Note 12)	8,816,000	9,517,779	11,257,974
Government contributions - statutory capital (Note 12)	-	6,918,414	7,107,549
Other	15,000	42,530	21,635
Incubation	1,180,000	2,214,008	1,775,687
Investment	198,000	1,297,867	1,149,315
	10,209,000	19,990,598	21,312,160
Expenses (Notes 13 & 17)			
Corporate services	1,717,000	1,724,220	1,660,986
Incubation	5,184,000	6,529,520	8,141,936
Investment	2,949,000	3,490,392	2,980,686
	9,850,000	11,744,132	12,783,608
Operating surplus	359,000	8,246,466	8,528,552
Impairment of portfolio investments and loans receivable	(500,000)	(1,966,141)	(3,966,063)
Realized gains on portfolio investments	-	4,796,180	1,139,233
Loss on disposal of property and equipment	-	(41,219)	(4,856)
	(500,000)	2,788,820	(2,831,686)
Annual surplus (deficit)	(141,000)	11,035,286	5,696,866
Accumulated operating surplus, beginning of year		29,788,025	24,091,159
Accumulated operating surplus, end of year		40,823,311	29,788,025

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION

Consolidated Statement of Change in Net Financial Assets
For the year ended March 31

	2018	2017
	\$	\$
Annual surplus	11,035,286	5,696,866
Remeasurement gain arising during the year	139,593	76,065
	11,174,879	5,772,931
Change in tangible capital assets		
Acquisition of property and equipment	(632,158)	(372,276)
Disposal of property and equipment at net carrying value	41,219	4,856
Amortization of property and equipment	444,517	404,160
(Increase) decrease in tangible capital assets	(146,422)	36,740
Change in other non-financial assets		
Net change in prepaid expenses	1,841	24,462
Increase in net financial assets	11,030,298	5,834,133
Net financial assets, beginning of year	24,321,854	18,487,721
Net financial assets, end of year	35,352,152	24,321,854

PROVINCE OF NOVA SCOTIA NOVA SCOTIA INNOVATION CORPORATION

Consolidated Statement of Cash Flows

For the year ended March 31

	2018	2017
	\$	\$
Operating transactions		
Annual surplus	11,035,286	5,696,866
Items not affecting cash:		
Amortization	444,517	404,160
Deferred capital contributions recognized	(148,302)	(131,963)
Employee future benefits (recovery) expense	(198,701)	48,583
Nova Scotia First Fund income	(4,823,291)	(1,391,958)
Lease inducement (amortization) benefits recognized	(20,125)	150,944
Accrued interest on long-term debt (Note 6)	7,572	7,797
Loss on disposal of property and equipment	41,219	4,856
Impairment of portfolio investments and loans receivable	1,966,141	3,966,063
	8,304,316	8,755,348
Changes in non-cash operating working capital	(117,944)	3,159,558
Employee future benefits payments	(44,495)	(47,492)
Repayment of accrued interest on long-term debt (Note 6)	(7,797)	(475,285)
	8,134,080	11,392,129
Capital transactions		
Property and equipment purchases	(632,158)	(372,276)
	(632,158)	(372,276)
Investing transactions		
Proceeds on sale or redemption of portfolio investments	6,419,693	2,572,684
Acquisitions of portfolio investments and loans receivable	(11,156,298)	(8,770,406)
	(4,736,605)	(6,197,722)
Financing transactions		
Deferred capital contributions	337,836	-
	337,836	-
Increase in cash & restricted cash	3,103,153	4,822,131
Cash & restricted cash, beginning of year	8,206,733	3,384,602
Cash & restricted cash, end of year	11,309,886	8,206,733
Cash & restricted cash consists of:		
Cash	8,367,368	7,693,021
Restricted cash:		
Cash	119,870	7,595
Cash equivalents	2,822,648	506,117
	11,309,886	8,206,733
Supplemental information:		
Interest paid	230,320	704,615

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION

Consolidated Statement of Remeasurement Gains
For the year ended March 31

	2018	2017
	\$	\$
Accumulated remeasurement gains (losses), beginning of year	33,106	(42,959)
Remeasurement gain arising during the year		
Remeasurement gain on portfolio investments quoted in an active market	131,246	63,462
Reclassifications to the statement of operations		
Realized loss on portfolio investments quoted in an active market	8,347	12,603
Net remeasurement gain	139,593	76,065
Accumulated remeasurement gains, end of period	172,699	33,106

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

1. Nature of operations

The Nova Scotia Innovation Corporation ("Innovacorp") was established on February 6, 1995, by the *Innovation Corporation Act* and is wholly owned by the Province of Nova Scotia. Its purpose is to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world. Innovacorp is exempt from income taxes under section 149 of the *Income Tax Act*.

In 1997, pursuant to the *Innovation Corporation Act*, the Province of Nova Scotia transferred the assets of the Nova Scotia First Fund ("NSFF") to Innovacorp. The objective of the fund is to encourage the development of high technology industries and the adoption of new technologies by existing industries.

In 2010, Order-in-Council ("OIC") 2009-228 authorized an advance of up to \$30 million from the Province of Nova Scotia to the NSFF. In 2012, OIC 2011-326 authorized additional advances from the Province of Nova Scotia of up to \$24 million for the creation of a clean technology fund which expired on March 31, 2016. In 2016, OIC 2016-267 authorized an additional advance of up to \$29 million from the Province of Nova Scotia to the NSFF and authorized the undrawn balance of \$11.3 million under OIC 2011-326 when it expired on March 31, 2016 to be advanced to the NSFF. Also in 2016, OIC 2016-157 authorized \$25 million for the creation of a venture capital fund. As of March 31, 2018, \$25.7 million has been drawn and \$9.9 million has been committed under these OICs, leaving \$59.7 million as undrawn and available.

2. Summary of significant accounting policies

Basis of accounting

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

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

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

Basis of consolidation

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

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

Financial instruments

Cash

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

Restricted cash & cash equivalents

Restricted cash & cash equivalents includes funds held in the NSFF for future investments. The restricted cash equivalents comprise short-term investments with a term to maturity of three months or less at the date of acquisition.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Accounts receivable

Receivables are measured at amortized cost using the effective interest method. A valuation allowance is used to reduce the recorded value to the lower of its cost or net recoverable value.

Loans receivable

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

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

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

Portfolio investments

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

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

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

b. Investments in equity instruments of early stage private enterprises

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

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

Payables and accruals

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

Long-term debt

Long-term debt is measured at amortized cost using the effective interest method with gains and losses recognized in the consolidated statement of operations in the period that the liability is derecognized.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

a. Loans receivable

Loans receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and interest. A specific valuation allowance is established to reduce the recorded value of the impaired loan to its estimated net recoverable value.

Initial and subsequent changes in the amount of valuation allowance are recorded as a charge or credit to the consolidated statement of operations.

Loans receivable are written off after all reasonable restructuring and collection activities have taken place, and management believes that there is no realistic prospect of recovery. Once all or a part of a loan receivable has been written off, the write-off is not reversed.

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

b. Portfolio investments

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

Fair value

Fair value is the estimated amount for which a financial instrument could be exchanged between willing parties, based on the current market for instruments with the same risk, principal and remaining maturity. Certain fair value estimates are significantly affected by assumptions for the amount and timing of estimated cash flows and discount rates, all of which reflect varying degrees of risk. As a result, the fair values may not necessarily be indicative of the amounts that would be realized if these instruments were actually settled. The methods and assumptions used to estimate the fair value of financial instruments are described in the following paragraphs.

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

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

Measurement uncertainty

The preparation of the consolidated financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the reporting period. Key components of the consolidated financial statements requiring management to make significant estimates include the allowance for doubtful accounts, employee future benefits, the useful lives of property and equipment, the impaired value of loans receivable and equity investments in early stage private enterprises, retirement benefits and the amount of accruals. Actual results could differ materially from these estimates.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

2. Summary of significant accounting policies (continued)

Revenue recognition

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

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

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

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

Government contributions are recognized as revenue in the period the transfer is authorized, and all eligibility criteria have been met, except when and to the extent the transfer includes stipulations which have not yet been met.

Government contributions with stipulations are initially deferred and recognized as revenue as the related stipulations are met. Stipulations associated with the acquisition of property and equipment are considered to be met as the assets are used for their intended purpose.

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

Property and equipment

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

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

Buildings	4%	Declining balance
Site improvements	8%	Declining balance
Equipment	20 - 30%	Declining balance
Furniture and fixtures	20%	Declining balance
Leasehold improvements	Term of lease	Straight line
Computer equipment	30%	Declining balance
Information technology ("IT")	3 - 20 years	Straight line

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

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

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

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

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

2. Summary of significant accounting policies (continued)

Property and equipment (continued)

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

Leases

Innovacorp accounts for the lease of its premises as an operating lease, as substantially all of the benefits and risks of ownership have been retained by the lessor. Payments made under operating leases are charged to the consolidated statement of operations on a straight-line basis over the term of the lease.

The aggregate benefit of incentives received from the lessor are initially recorded as a lease inducement liability and subsequently recognized as a reduction of expense over the term of the lease, on a straight-line basis (unless another systematic method is more appropriate).

Non-monetary transactions

Certain companies in which Innovacorp holds investments through the NSFF provide shares in exchange for rent. The value of the transaction is established by the fair value of fees charged for such services and is agreed by both parties. The number of shares is determined by share prices confirmed through third party transactions.

Foreign currency translation

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

Retirement benefits

Innovacorp has a Public Service Award Program covering substantially all of its permanent employees. The benefit is based on years of service as at March 31, 2015 and the employee's compensation during the final year of employment. This program is funded in the year of retirement of eligible employees.

Innovacorp pays 65% of the cost of health care plans for substantially all retirees or surviving spouses of retirees. The program is funded each year by the payment of the required premiums.

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

- The liabilities are valued using the projected benefit method prorated on service and actuarial assessment and best estimates of the probability of retirement, salary escalation, inflation, expected health care costs, retirement ages and mortality rates.
- The discount rate applied is based on Innovacorp's cost of borrowing.
- Net actuarial gains or losses are amortized over the average remaining service period of the related employees, which is 9 years (2017 – 10 years).
- Adjustments for plan amendments related to prior period employee services, net of offsetting unamortized actuarial gains/losses, are recognized in the consolidated statement of operations in the period of plan amendment.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

2. Summary of significant accounting policies (continued)

Post-employment benefits

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

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

- The liability is valued using the projected benefit method prorated on service and actuarial assessment and best estimate of inflation, expected health care, insurance and PSPP costs, and retirement ages.
- The post-employment benefit liability is determined by applying a discount rate with reference to Province of Nova Scotia's cost of borrowing.
- Net actuarial gains or losses are amortized over the average expected period that benefits will be paid, which is 4 years (2017 – 4 years).
- Adjustments for plan amendments related to prior period employee services, net of offsetting unamortized actuarial gain/losses, are recognized in the consolidated statement of operations in the period of plan amendment.

Pension plan

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

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

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

3. Accounts receivable

	2018	2017
	\$	\$
Trade receivables		
Ordinary	1,385,887	809,998
Related parties (Note 14)	62,665	388,784
HST receivable	108,899	125,107
Due from related parties (Note 14)		
Province of Nova Scotia	-	80,411
Other non-trade	43,243	416,256
	<u>1,600,694</u>	<u>1,820,556</u>
Less: Allowance for doubtful accounts	<u>(7,200)</u>	<u>(782,314)</u>
	<u>1,593,494</u>	<u>1,038,242</u>

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

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

4. Loans receivable

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

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

	2018	2017
	\$	\$
Promissory notes	1,633,375	1,398,129
Convertible debentures	3,529,950	6,168,373
Valuation allowance	(2,500,820)	(5,155,409)
	2,662,505	2,411,093

The promissory notes and debentures have interest rates ranging between 5% and 10% (2017 - between 5% and 20%).

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

	Promissory notes	Convertible debentures	Total amount due
	\$	\$	\$
Past due	450,000	2,729,950	3,179,950
Year ending March 31, 2019	380,870	300,000	680,870
Year ending March 31, 2020	550,701	500,000	1,050,701
Year ending March 31, 2022	251,804	-	251,804
	1,633,375	3,529,950	5,163,325
Valuation allowance	(770,870)	(1,729,950)	(2,500,820)
Carrying value	862,505	1,800,000	2,662,505

5. Portfolio investments

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

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

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements
March 31, 2018

5. Portfolio investments (continued)

	2018	2017
	\$	\$
Investments quoted in an active market, at fair value	803,159	775,133
Investments in early stage private enterprises, at cost	44,943,893	43,852,265
Less: Other than temporary impairment	(9,017,347)	(15,379,629)
	<u>35,926,546</u>	<u>28,472,636</u>
	<u>36,729,705</u>	<u>29,247,769</u>

Included in investments quoted in an active market are investments of the NSFF with a fair value of \$803,159 (2017 – \$660,824) and The Research Endowment Fund of \$nil (2017 – \$114,309).

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

6. Long-term debt

	2018	2017
	\$	\$
2.879% Province of Nova Scotia - NSFF	8,007,572	8,007,797
Province of Nova Scotia - land transfer	401,561	401,561
	<u>8,409,133</u>	<u>8,409,358</u>

In 2004, the Province of Nova Scotia advanced \$8,000,000 to Innovacorp for the purpose of investing in the NSFF. The loan bore interest at a rate of 3.255% and matured on March 19, 2014 when the principal portion and accrued interest were to be repaid. In March 2014 the maturity date of the loan was extended to March 19, 2019 with an interest rate of 2.879%. Accrued interest to March 19, 2018 was repaid to the Province of Nova Scotia. As at March 31, 2018, accrued interest in the amount of \$7,572 (2017 – \$7,797) is included in the above balance and is expected to increase to \$230,320 upon maturity of the loan in March 2019.

In 2006, Nova Scotia Business Inc., a party related by virtue of common ownership, transferred land and buildings in exchange for the assumption of \$401,561 of debt owed to the Province of Nova Scotia, an amount equal to the net book value of the assets transferred at the time of transfer. The loan is non-interest bearing and has no fixed repayment terms.

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

	\$
2019	8,000,000
Thereafter	401,561
	<u>8,401,561</u>

The total interest recognized as an expense in the consolidated statement of operations during the year was \$230,095 (2017 – \$237,127).

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements
March 31, 2018

7. Retirement benefits

	2018	2017
	\$	\$
Long-term service award	136,610	365,782
Post retirement benefits	1,691,871	1,648,717
	1,828,481	2,014,499

Innovacorp employees are entitled to long-term service awards upon retirement, based on years of service as at March 31, 2015 and the employee's compensation during the final year of employment. Specifically, these awards are earned at a rate of one week's pay for every year of service as at March 31, 2015, to a maximum of 26 weeks.

During the current fiscal year, employees were provided with an option to receive an early settlement of their long-term service award, based on years of service as at March 31, 2015 and the employee's compensation as at March 31, 2018. If an employee exercised the option, Innovacorp was discharged from its obligation to pay a long-term service award upon retirement of the employee. An aggregate amount of \$260,969 payable to employees who exercised the option has been removed from retirement benefits and is included in payables and accruals on the consolidated statement of financial position.

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

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

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

	Long-term service award	Post- employment benefits	2018	2017
	\$	\$	\$	\$
Accrued benefit liability, beginning of year	365,782	1,648,717	2,014,499	1,954,774
Current period benefit cost				
Current service cost	-	32,553	32,553	37,912
Interest cost	11,180	54,322	65,502	71,403
Settlement cost	47,994	-	47,994	-
Amortization of actuarial experience gains	(27,650)	(6,730)	(34,380)	(3,870)
Less: benefits paid during the year	(260,696)	(36,991)	(297,687)	(45,720)
Accrued benefit liability, end of year	136,610	1,691,871	1,828,481	2,014,499
Unamortized actuarial experience gains	(11,221)	(174,945)	(186,166)	(122,394)
Accrued benefit obligation, end of year	125,389	1,516,926	1,642,315	1,892,105

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

7. Retirement benefits (continued)

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

	2018	2017
Discount rate	3.42%	3.71%
Supplemental employee retirement plan Indexing		
Salary increase rate		
Under 30	2.50%	2.50%
30 - 34	2.00%	2.00%
35 - 39	1.50%	1.50%
40 - 44	1.00%	1.00%
45 - 49	0.50%	0.50%
50 plus	0.00%	0.00%
Disabled members	2.00%	2.00%
Extended health care cost increase	0% - 4.5%	0% - 4.5%
Inflation rate	2.00%	2.00%

The unamortized actuarial gains and losses will be amortized over the average remaining service life of the related employee group which has been estimated to be 9 years (2017 – 10 years).

The last actuarial valuation for accounting purposes took place on April 1, 2017. During the year, the services of an actuary were obtained to update the accrued benefit obligation balances as of March 31, 2018. The next actuarial valuation for accounting purposes will take place on April 1, 2020.

8. Post-employment benefits

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

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

	2018	2017
	\$	\$
Accrued benefit liability, beginning of year	156,620	215,254
Interest cost	939	1,294
Amortization of actuarial experience gains	(50,016)	(50,080)
Less: benefits paid during the year	(8,101)	(9,848)
Accrued benefit liability, end of year	99,442	156,620
Unamortized actuarial experiences losses	(75,457)	(127,762)
Accrued benefit obligation, end of year	23,985	28,858

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

8. Post-employment benefits (continued)

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

	2018	2017
Discount rate	3.4%	3.7%
Extended health care cost increase	0% - 4.5%	0% - 4.5%
Inflation rate	2.00%	2.00%

The unamortized actuarial gains and losses will be amortized over the average expected period during which benefits will be paid in respect of long-term disability benefits which has been estimated to be 9 years at April 1, 2018 (2017 - 13 years) for amortizations commencing prior to March 31, 2017, and 3 years at April 1, 2018 (2017 - 4 years) for amortizations commencing on and after March 31, 2017. The reduction in amortization period is due to an employee, on long-term disability, returning to work.

The last actuarial valuation for accounting purposes took place on April 1, 2017. During the year, the services of an actuary were obtained to update the accrued benefit obligation balances as of March 31, 2018. The next actuarial valuation for accounting purposes will take place on April 1, 2020.

9. Pension plan

Innovacorp and its employees contribute to the Public Service Superannuation Plan in accordance with the Public Service Superannuation Act. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The contribution rates for eligible employees were 8.4% for earnings up to the Year's Maximum Pensionable Earnings for Canada Pension Plan contributions and 10.9% for excess earnings (2017 - 8.4% for earnings up to the Year's Maximum Pensionable Earnings for Canada Pension Plan contributions and 10.9% for excess earnings). Innovacorp matches employee contributions to the plan. During the year, Innovacorp contributed \$235,302 (2017 - \$224,514) to the plan. These contributions represent Innovacorp's pension benefit expense for the current year. Since sufficient information is not readily available to account for Innovacorp's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting for defined contribution pension plans. No pension liability for this type of plan is included in the consolidated financial statements.

10. Deferred capital contributions

	Balance, beginning of year	Receipts during year	Recognized in revenue	Balance, end of year
	\$	\$	\$	\$
PNS - Knowledge Park ^(a)	375,176	-	-	375,176
PNS - Fibre MAN ^(b)	40,688	-	4,500	36,188
ACOA - 1344 Summer St. ^(c)	222,996	-	17,649	205,347
PNS - Building Energy retrofit ^(d)	104,558	-	4,183	100,375
ACOA - 1344 Summer St. ^(e)	400,852	-	28,519	372,333
ACOA - 1344 Summer St. ^(f)	425,757	-	30,330	395,427
ACOA - 1344 Summer St. ^(g)	447,226	-	30,147	417,079
ACOA - 1344 Summer St. ^(h)	414,209	-	31,582	382,627
ACOA - Cape Breton ⁽ⁱ⁾	-	337,836	1,392	336,444
	2,431,462	337,836	148,302	2,620,996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

10. Deferred capital contributions (continued)

- (a) OIC 2005-387 provided Innovacorp with \$1.7 million in funding for infrastructure improvements in the Woodside Industrial park towards the creation of a Knowledge Park on land owned by Innovacorp. Funding under this OIC has been fully advanced. Expenditures on land improvements have been deferred and are recognized upon disposition of land inventory.
- (b) In 2005, the Province of Nova Scotia ("PNS") provided Innovacorp with \$98,200 to connect Innovacorp to the Halifax Area Dark Fibre Network. Additionally, \$90,000 was paid to the operator of the network, which entitled Innovacorp to use it for 20 years. These funds are being recognized over the period for which their cost entitles Innovacorp to access the dark fibre network.
- (c) In 2011, ACOA provided Innovacorp with \$348,000 in assistance to fit-up space at the Innovacorp Enterprise Centre ("IEC"). These funds are being recognized on the same basis as the assets they funded are depreciated.
- (d) In 2012, under the Government Building Energy Retrofit program, the Nova Scotia Department of Transportation and Infrastructure Renewal covered the \$121,831 cost of converting Innovacorp's air handling unit at 1 Research Drive from electric to natural gas. The associated costs have been deferred and will be recognized on the same basis as the asset they funded is depreciated.
- (e) In 2013, ACOA provided Innovacorp with \$500,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are depreciated.
- (f) In 2014, ACOA provided Innovacorp with \$500,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are depreciated.
- (g) In 2015, ACOA provided Innovacorp with up to \$500,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are depreciated.
- (h) In 2016, ACOA provided Innovacorp with up to \$430,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are depreciated.
- (i) In 2018, ACOA provided Innovacorp with \$337,836. These funds will be recognized on the same basis as the related assets are depreciated.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

11. Property and equipment

March 31, 2018

	Land	Buildings	Site improvements	Equipment	Furniture and fixtures	Leasehold improvements	Computer equipment and IT	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Opening balance	222,875	1,436,023	441,057	470,056	584,288	4,147,114	967,027	8,268,440
Additions	-	275,012	-	265,479	36,442	7,917	47,309	632,159
Disposals	(37,140)	-	-	-	-	-	(538,803)	(575,943)
Write-downs	-	-	-	-	-	-	-	-
Closing balance	185,735	1,711,035	441,057	735,535	620,730	4,155,031	475,533	8,324,656
Accumulated amortization								
Opening balance	-	358,114	230,801	251,568	411,348	772,130	841,456	2,865,417
Amortization	-	48,617	16,820	46,520	38,232	250,309	44,019	444,517
Disposals	-	-	-	-	-	-	(534,723)	(534,723)
Write-downs	-	-	-	-	-	-	-	-
Closing balance	-	406,731	247,621	298,088	449,580	1,022,439	350,752	2,775,211
Net book value	185,735	1,304,304	193,436	437,447	171,150	3,132,592	124,781	5,549,445

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

11. Property and equipment (continued)

March 31, 2017

	Land	Buildings	Site improvements	Equipment	Furniture and fixtures	Leasehold improvements	Computer equipment and IT	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Opening balance	222,875	1,363,861	441,057	391,585	582,490	4,268,212	900,995	8,171,075
Additions	-	72,162	-	82,294	54,591	97,197	66,032	372,276
Disposals	-	-	-	(3,823)	(52,793)	-	-	(56,616)
Write-downs	-	-	-	-	-	(218,295)	-	(218,295)
Closing balance	222,875	1,436,023	441,057	470,056	584,288	4,147,114	967,027	8,268,440
Accumulated amortization								
Opening balance	-	314,703	212,518	210,187	422,529	771,219	800,156	2,731,312
Amortization	-	43,411	18,283	44,509	37,451	219,206	41,300	404,160
Disposals	-	-	-	(3,128)	(48,632)	-	-	(51,760)
Write-downs	-	-	-	-	-	(218,295)	-	(218,295)
Closing balance	-	358,114	230,801	251,568	411,348	772,130	841,456	2,865,417
Net book value	222,875	1,077,909	210,256	218,488	172,940	3,374,984	125,571	5,403,023

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

12. Government contributions

Innovacorp receives an annual contribution from the Province of Nova Scotia, as well as funding from various other federal and provincial government agencies for current operations, acquisition of property and equipment, and special project funding. Funding specifically related to the acquisition of property and equipment is deferred as disclosed in Note 10. Innovacorp also receives advances of statutory capital from the Province of Nova Scotia to finance NSFF and clean technology fund investments. These advances are recognized as revenue at the later of the date on which the funds are received and the date on which an eligible investment is made. Gains and losses on these investments will be recognized in operating surplus or deficit in subsequent periods in accordance with the portfolio investments accounting policy described in Note 2.

Details of funding for the year are as follows:

	2018	2017
	\$	\$
Contributions received - Province of Nova Scotia	9,369,477	11,126,011
Statutory capital advances (Note 1)	6,918,414	7,107,549
Recognition of previously deferred contributions (Note 10)	148,302	131,963
Total government contributions revenue	16,436,193	18,365,523

13. Expenses by object

	2018	2017
	\$	\$
Advertising and promotion	137,093	336,609
Amortization	444,517	404,160
Awards	2,754,023	4,315,153
Bad debt (recovery)	(48,326)	49,856
Board activities	5,897	7,086
Communications	108,837	112,114
Information resources	91,413	74,044
Interest	230,095	237,127
Investment management fees	5,085	4,694
Miscellaneous	69,467	56,793
Outside services	3,811,696	3,403,115
Professional development	86,971	120,108
Repairs and maintenance	121,781	244,157
Salaries and benefits	3,563,506	3,059,425
Supplies	91,368	88,242
Travel	140,139	149,214
Utilities	130,570	121,711
Total	11,744,132	12,783,608

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

14. Related party transactions

Entity	Relationship	Revenues generated	Year end receivables	Valuation allowance
		\$	\$	\$
Non-Trade				
Province of Nova Scotia	Parent	9,517,779	-	-
Other	Investees	-	43,243	-
NSFF Trade receivables	Investees	278,070	62,665	6,661
		9,795,849	105,908	6,661

Effective April 1, 2017, Innovacorp adopted Section PS 2200 *Related Party Disclosures* which defines a related party and establishes the disclosures required for related party transaction. There was no effect on the financial statements or note disclosures as a result of the new accounting standard.

Sales to NSFF investees are at the same terms and conditions as sales to unrelated parties. These transactions occur in the normal course of business.

Contributions were received from the Province of Nova Scotia as described in Note 12. The Province of Nova Scotia also invoices Innovacorp for salaries and benefits that it pays on Innovacorp's behalf. During the year, total salaries and benefits paid by the Province of Nova Scotia on behalf of Innovacorp totalled \$3,563,506 (2017 - \$3,059,425).

15. Financial instruments

Classification of financial instruments

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

	2018		2017	
	Classification		Classification	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Financial assets				
Cash	-	8,367,368	-	7,693,021
Restricted cash & cash equivalents	-	2,942,518	-	513,712
Accounts receivable	-	1,593,494	-	1,038,242
Loans receivable	-	2,662,505	-	2,411,093
Portfolio investments				
Investments quoted in an active market	803,159	-	775,133	-
Investments in early stage private enterprises	-	35,926,546	-	28,472,636
	803,159	51,492,431	775,133	40,128,704
Financial liabilities				
Payables and accruals	-	1,884,926	-	1,376,322
Long-term debt	-	8,409,133	-	8,409,358
	-	10,294,059	-	9,785,680

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements
March 31, 2018

15. Financial instruments (continued)

Fair value

Fair value estimates are made as of a specific point in time, using available information about the financial instruments and current market conditions. The following table discloses Innovacorp's financial assets and financial liabilities as at March 31, 2018, measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	2018 Total
	\$	\$	\$	\$
Investments quoted in an active market	803,159	-	-	803,159
	803,159	-	-	803,159

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

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

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

Risk disclosures

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

Market risk

Market risk is the risk that the future cash flows of a financial instrument will fluctuate as a result of changes in market prices. For Innovacorp, market risk is composed of price risk on equity securities.

Price risk

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

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

15. Financial instruments (continued)

Risk disclosures (continued)

Market risk (continued)

Price risk (continued)

The table below illustrates the impact to Innovacorp's surplus and remeasurement gain resulting from a 27.7% increase or decrease in market prices on equity portfolio investments quoted in an active market and carried at fair value in the consolidated statement of financial position. The table illustrates the effect on Innovacorp's financial results due to a certain price change, and may not reflect the best or worst case scenarios.

Fair value	Price change	Estimated fair value after price change	Estimated impact on the current period surplus	Estimated impact on current period remeasurement gain
\$		\$	\$	\$
803,159	27.67% increase	1,025,393	-	222,234
803,159	27.67% decrease	580,925	-	(222,234)

Innovacorp manages its equity price risk through the use of strict investment policies approved by the board of directors. These policies cover investment position and transaction limits, trade authorizations, record keeping and investment reporting.

Liquidity risk

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

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

	Due within 1 Year	No set terms of repayment	Total
	\$	\$	\$
Payables and accruals	1,884,926	-	1,884,926
Long-term debt	8,007,572	401,561	8,409,133
	9,892,498	401,561	10,294,059

Credit risk

Credit risk refers to the risk that a counterparty will fail to fulfill its obligations under a contract and, as a result, will cause Innovacorp to suffer a loss. Innovacorp's financial assets that are exposed to credit risk consist primarily of fixed income portfolio investments quoted in an active market, accounts receivable, and loans receivable.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

15. Financial Instruments (continued)

Risk disclosures (continued)

Credit risk (continued)

Accounts receivable

Accounts receivable includes trade receivables, due from the Atlantic Canada Opportunity Agency, HST receivable, and other accrued receivables.

Trade receivables of \$179,117 (2017 - \$440,665) are significantly concentrated, with 100% (2017 - 70%) of the balance due from early stage technology-based companies. The development stage of Innovacorp's client base combined with the technology sector concentration increases the associated credit risk. Innovacorp's active involvement with its clients mitigates this risk.

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

Innovacorp's maximum exposure to credit risk from accounts receivable is its carrying value of \$1,593,494 (2017 - \$1,038,242).

Loans receivable

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

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

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

Innovacorp's maximum exposure to credit risk from the loans receivable is its carrying value of \$2,662,505 (2017 - \$2,411,093).

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements
March 31, 2018

15. Financial instruments (continued)

Risk disclosures (continued)

Credit risk (continued)

Loans receivable (continued)

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

	Current	Up to 60 days past due	Over 60 days past due	Allowance for doubtful accounts	Total
	\$	\$	\$	\$	\$
Accounts receivable					
Trade receivables	896,180	514,918	37,454	(7,200)	1,441,352
HST receivable	108,899	-	-	-	108,899
Due from related parties	-	43,243	-	-	43,243
	1,005,079	558,161	37,454	(7,200)	1,593,494
Loans receivable	1,983,375	-	3,179,950	(2,500,820)	2,662,505
	2,988,454	558,161	3,217,404	(2,508,020)	4,255,999

16. Contractual obligations

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

	\$
2019	1,572,163
2020	1,572,163
2021	1,572,163
2022	1,572,163
2023	1,572,163
	7,860,815

As at March 31, 2018, there were \$5,501,711 (2017 - \$9,760,614) approved commitments to invest under the mandate of the NSFF as discussed in Note 1.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2018

17. Segmented information

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

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

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

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

Segmentation is based on the core activities of Innovacorp and their related support resources. The revenue and expenses of each segment is accumulated based on actual occurrences of events and incurrence of costs.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements
March 31, 2018

17. Segmented information (continued)

	Corporate Services		Investment		Incubation		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Operating revenues								
Government contributions	16,436,193	18,365,523	-	-	-	-	16,436,193	18,365,523
Management and director's fees	-	-	11,000	31,000	-	-	11,000	31,000
Program funding	-	-	494,640	470,763	814,002	237,131	1,308,642	580,017
Interest and dividends on portfolio investments and loans receivable	-	-	767,760	646,277	-	-	767,760	646,277
Rent	-	-	-	-	960,722	965,537	960,722	965,537
Business recoveries	-	-	-	-	290,771	222,322	290,771	222,322
Other	42,630	21,635	34,467	1,275	148,613	350,697	226,610	501,484
	16,478,723	18,387,158	1,297,867	1,149,315	2,214,008	1,775,687	19,990,698	21,312,160
Operating expenses								
Advertising and promotion	47,140	41,588	19,027	25,697	70,926	269,324	137,093	336,609
Amortization	-	-	-	-	444,617	404,160	444,617	404,160
Awards	-	-	1,927,498	1,722,318	826,626	2,592,835	2,764,023	4,315,153
Bad debt (recovery)	-	-	-	-	(48,326)	49,856	(48,326)	49,856
Board activities	6,897	7,086	-	-	-	-	6,897	7,086
Communications	6,636	3,777	8,669	6,551	93,632	101,786	108,837	112,114
Information resources	7,396	8,484	73,408	53,913	10,610	11,647	91,413	74,044
Interest	-	-	230,096	237,127	-	-	230,096	237,127
Investment management fees	-	-	6,086	4,694	-	-	6,086	4,694
Miscellaneous	18,389	14,727	2,966	3,328	48,113	38,738	69,467	56,793
Outside services	421,373	455,880	164,627	100,974	3,226,796	2,846,261	3,811,696	3,403,115
Professional development	36,342	29,631	23,104	22,028	27,626	68,449	86,971	120,108
Repairs and maintenance	16,088	9,457	-	-	106,693	234,700	121,761	244,157
Salaries and benefits	1,138,176	1,071,971	979,847	745,086	1,445,483	1,242,368	3,563,506	3,059,425
Supplies	12,344	14,351	1,116	2,665	77,908	71,226	91,368	88,242
Travel	16,440	4,034	55,161	56,305	69,548	88,875	140,139	149,214
Utilities	-	-	-	-	130,670	121,711	130,670	121,711
	1,724,220	1,660,986	3,490,392	2,980,686	6,529,620	8,141,936	11,744,132	12,783,608
Operating surplus (deficit)	14,754,603	16,726,172	(2,192,626)	(1,831,371)	(4,316,612)	(6,366,249)	8,246,466	8,528,552
Impairment of portfolio investments and loans receivable	-	-	(1,966,141)	(3,966,063)	-	-	(1,966,141)	(3,966,063)
Realized gain on portfolio investments	-	-	4,796,180	1,139,233	-	-	4,796,180	1,139,233
Loss on disposal of property and equipment	(41,219)	(4,856)	-	-	-	-	(41,219)	(4,856)
	(41,219)	(4,856)	2,830,039	(2,826,830)	-	-	2,788,820	(2,831,686)
Annual surplus (deficit)	14,713,284	16,721,316	637,614	(4,658,201)	(4,316,612)	(6,366,249)	11,036,286	5,696,866

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements
March 31, 2018

18. Compensation disclosure

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

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

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

	\$
Charles Baxter	161,823
Jennifer Robichaud	143,734
Gregory Phipps	139,591
Donna Bourque	129,528
Lidija Marusic	119,587
Dawn House	119,201
Michael Dennis	111,808
Andrew Ray	108,706
Shelley Hessian	107,335
Robert Pelley	102,080

19. Budgeted figures

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