
Consolidated financial statements of Nova Scotia Business Incorporated

March 31, 2019

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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 C. Broten
CEO



Ferdinand Makani
Controller

Independent Auditor's Report

To the Board of Directors of
Nova Scotia Business Incorporated

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Nova Scotia Business Incorporated (the "Corporation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and changes in accumulated 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2019, 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 ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The image shows the signature of Deloitte LLP in a cursive, handwritten style.

Chartered Professional Accountants
June 19, 2019

Nova Scotia Business Incorporated

Consolidated statement of operations and changes in accumulated surplus

Year ended March 31, 2019

(In thousands of dollars)

	Budget (Unaudited)	2019	2018
Notes	\$	\$	\$
Revenue			
Provincial			
Nova Scotia Film and Television Production grant	20,000	22,202	19,800
Operating grant	21,877	21,739	16,163
Strategic investment grant	16,597	13,781	12,891
Loan valuation allowance grant	1,000	1,000	1,000
Miscellaneous	106	374	236
Capital grant	—	—	317
Other	1,041	1,696	1,631
Interest on loans receivable	972	1,125	1,170
Nova Scotia Independent Production Fund ("NSIPF") revenue (Schedule 1)	—	337	462
Gain on sale of tangible capital assets	—	301	19
Federal	430	294	1,305
Recovery of equity investments and development loans	75	94	98
Investment (loss) income	15	—	(1,379)
	62,113	62,943	53,713
Expenses			
Operating expenses (Schedule 2)	22,874	22,413	16,667
Nova Scotia Film and Television Production incentives	20,000	22,202	19,800
Strategic investments	16,597	13,781	12,891
Provision for credit losses and payment of guarantees	1,000	4,883	5,469
Nova Scotia Business Fund: other expenses (Schedule 3)	814	556	678
Nova Scotia Independent Production Fund ("NSIPF") expenses (Schedule 1)	—	337	462
Transfer payments to the Province of Nova Scotia (Recovery)/Provision for accrued interest receivable	20	—	(1,354)
	61,305	64,473	54,948
Annual operating (deficit) surplus	808	(1,530)	(1,235)
Accumulated surplus, beginning of year	11,820	11,820	13,055
Accumulated surplus, end of year	12,627	10,290	11,820

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, 2019
(In thousands of dollars)

	Budget (Unaudited)	2019	2018
	\$	\$	\$
Annual operating (deficit) surplus	808	(1,530)	(1,235)
Change in tangible capital assets			
Acquisitions of tangible capital assets	—	—	(317)
Amortization of tangible capital assets	45	212	49
Gain on sale of tangible capital assets	—	(301)	(19)
Proceeds from sale of tangible capital assets	—	301	335
Net change in tangible capital assets	853	(1,318)	(1,187)
Change in other non-financial assets			
Acquisitions of prepaid assets	—	(47)	(31)
Use of prepaid assets	—	31	34
Net change in other non-financial assets	—	(16)	3
Decrease in net financial assets	853	(1,334)	(1,184)
Net financial assets, beginning of year	10,825	10,825	12,009
Net financial assets, end of year	11,678	9,491	10,825

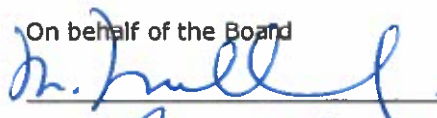

The accompanying notes are an integral part of the consolidated financial statements.

Nova Scotia Business Incorporated
Consolidated statement of financial position

As at March 31, 2019
(In thousands of dollars)

	Notes	2019 \$	2018 \$
Financial assets			
Cash and cash equivalents	13	32,620	28,355
Accrued interest receivable		85	89
Other receivables		1,340	753
Receivables - NSIPF		25	2
Due from the Province of Nova Scotia		36,317	36,289
Loans receivable	3 and 6	17,587	19,261
Equity investments	4 and 6	350	6,509
		88,324	91,258
Liabilities			
Accounts payable and accrued liabilities		44,063	40,343
Accounts payable and accrued liabilities - NSIPF		8	8
Deferred revenue		406	397
Deferred revenue - NSIPF		333	273
Employee benefits and other liabilities	15	910	1,329
Due to shareholder	7	32,632	37,072
Film production assistance commitments payable		74	133
Film production assistance commitments payable - NSIPF		106	543
Transfer payments payable to the Province of Nova Scotia	2	301	335
		78,833	80,433
Net financial assets		9,491	10,825
Non-financial assets			
Tangible capital assets	5	752	964
Prepaid expenses		47	31
		799	995
Accumulated surplus		10,290	11,820
Contractual obligations	9		
Contingencies	10		

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

On behalf of the Board

_____, Director

_____, Director

Nova Scotia Business Incorporated
Consolidated statement of cash flows
Year ended March 31, 2019
(In thousands of dollars)

	Notes	2019 \$	2018 \$
Operating transactions			
Annual operating (deficit)		(1,530)	(1,235)
Items not affecting cash and cash equivalents			
Amortization of tangible capital assets		212	49
Amortization of loan valuation allowance receivable		(1,000)	(1,000)
Redemption of shares		194	—
Allowance for credit losses and provision for payment of guarantees		4,884	5,469
Gain on sale of tangible capital assets		(301)	(19)
		<u>2,459</u>	<u>3,264</u>
Change in other	13	<u>2,190</u>	<u>318</u>
		<u>4,649</u>	<u>3,582</u>
Capital transactions			
Additions of tangible capital assets		—	(317)
Proceeds from sale of tangible capital assets		301	335
		<u>301</u>	<u>18</u>
Investing transactions			
Loan advances		(27)	(3)
Shares redemption		16	—
Principal received on loans		2,766	3,550
		<u>2,755</u>	<u>3,547</u>
Financing transaction			
Principal repayments to the Province of Nova Scotia		(3,440)	(3,088)
		<u>(3,440)</u>	<u>(3,088)</u>
Increase in cash and cash equivalents		4,265	4,059
Cash and cash equivalents, beginning of year		28,355	24,296
Cash and cash equivalents, end of year		<u>32,620</u>	<u>28,355</u>

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 were assigned to and became assets and liabilities of 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 CRTC.

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.

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

The investments and loans receivable are reviewed twice yearly for potential declines 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:

<u>Asset</u>	<u>Basis</u>	<u>Rate</u>
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 \$301 (2018 - \$335).

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. Upon retirement, qualifying employees are eligible for a public service award equal to one week's salary per year of service to a maximum of 26 weeks. 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.

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

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

	Note	2019 \$	2018 \$
Principal due		29,480	32,893
Allowance for credit losses	6	(11,893)	(13,632)
		<u>17,587</u>	<u>19,261</u>

Interest charged on these loans ranges from 0% to 10% (2018 - 0% to 10%). Repayment terms are negotiated on specific loans and would normally not exceed 20 years. The level of security on loans is also negotiated between the Corporation and the debtor based on the risk associated with the individual loan. The security can include life insurance, company assets, personal guarantees or the value of the parent company. Security can range from an unsecured position to a fully secured position.

Nova Scotia Business Incorporated
Notes to the consolidated financial statements
March 31, 2019
(In thousands of dollars)

4. Equity investments

	Note	2019 \$	2018 \$
Common shares		11,156	11,156
Preferred shares		8,206	13,416
Convertible debentures and promissory notes		—	2,000
		19,362	26,572
Allowance for credit losses	6	(19,012)	(20,063)
		350	6,509

Certain equity investments have conversion options and warrants attached.

5. Tangible capital assets

	Cost \$	Accumulated amortization \$	2019 Net book value \$	2018 Net book value \$
Land	82	—	82	82
Buildings	873	695	178	187
Wharves	1,752	1,294	458	482
Utilities	419	385	34	213
	3,126	2,374	752	964

6. Allowance for credit losses and payment of guarantees

		2019					
		Gross balance outstanding \$	Specific allowance \$	General allowance \$	Total allowance \$	Net balance outstanding \$	
Notes							
	Loans receivable	3	29,480	10,978	915	11,893	17,587
	Equity investments	4	19,362	19,012	—	19,012	350
			48,842	29,990	915	30,905	17,937
		2018					
		Gross balance outstanding \$	Specific allowance \$	General allowance \$	Total allowance \$	Net balance outstanding \$	
Notes							
	Loans receivable	3	32,893	12,637	995	13,632	19,261
	Equity investments	4	26,572	20,063	—	20,063	6,509
			59,465	32,700	995	33,695	25,770

During the year, investments and other assets in the amount of \$7,673 (2018 - \$nil) were written off resulting in a net change of \$2,790 after including the existing allowance of credit losses and provision for payment of guarantees in the amount of \$4,883.

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, 2019 the amount due to shareholder was \$32,632 (2018 – \$37,072).

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 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.

As at March 31, 2019, transactions were approved with maximum annual payments over the next six years of \$92,321 (2018 – \$95,797) as shown below:

	<u>\$</u>
2020	28,018
2021	24,198
2022	14,919
2023	13,436
2024	9,091
2025	<u>2,659</u>
Total	<u>92,321</u>

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 an NSFPIF grant. Eligible corporations 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:

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

Nova Scotia Business Incorporated
Notes to the consolidated financial statements
 March 31, 2019
 (In thousands of dollars)

9. Contractual obligations (continued)

As at March 31, 2019, the following commitments in the amounts of \$10,454 (2018 – \$7,958) were recognized at the yearend date based on Letters of Intent over the next two years:

	<u>\$</u>
2020	10,227
2021	<u>227</u>
	<u>10,454</u>

10. Contingencies

Guarantees

All guarantees expired in the current year. These were secured by various assets, and proceeds from liquidation were 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 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.

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.

11. Financial instruments (continued)

Financial risk factors (continued)

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 performance, 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 \$7,410 (2018 - \$7,910) 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).

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.

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Notes to the consolidated financial statements
 March 31, 2019
 (In thousands of dollars)

11. Financial instruments (continued)

Financial risk factors (continued)

The following table summarizes the fixed contractual maturities for all financial liabilities as at March 31, 2019:

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	2019 Total	2018 Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	44,063	—	—	—	44,063	40,343
Accounts payable and accrued liabilities - NSIPF	8	—	—	—	8	8
Employee benefits and other liabilities	687	223	—	—	910	1,329
Transfer payments payable to the Province	301	—	—	—	301	335
Deferred revenue	12	294	—	100	406	397
Deferred revenue - NSIPF	333	—	—	—	333	273
Due to shareholder	1,910	13,338	5,000	12,384	32,632	37,072
Film production assistance commitments payable	74	—	—	—	74	133
Film production assistance commitments payable - NSIPF	106	—	—	—	106	543
	47,494	13,855	5,000	12,484	78,833	80,433

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, 2019:

	NSBI portfolio		NSBDC portfolio		2019	2018
	Less allowance for credit losses		Less allowance for credit losses		Net total	Net total
Note	Gross \$	\$	Gross \$	\$	\$	\$
Assets						
Loans receivable	19,528	7,116	9,952	4,777	17,587	19,261
Equity investments	19,362	19,012	—	—	350	6,509
Industrial parks & buildings	—	—	752	—	752	964
Financing authorized but unadvanced and unutilized guarantees	—	—	—	—	—	1,000
	38,890	26,128	10,704	4,777	18,689	27,734
Funding authorized and committed						
Fund balance authorized, net of write-offs					181,741	189,414
Less: uncommitted balance of fund					132,147	127,985
Committed fund balance					49,594	61,429
Less: allowance for credit losses and provision for payment of guarant					30,905	33,695
					18,689	27,734

Nova Scotia Business Incorporated
Notes to the consolidated financial statements
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 (In thousands of dollars)

13. Supplementary cash information

Cash and cash equivalents include:

	2019	2018
	\$	\$
Cash	24,620	20,355
Short-term investments	8,000	8,000
	32,620	28,355

Changes in other

	2019	2018
	\$	\$
Accrued interest receivable	5	57
Other receivables	(586)	(479)
Other receivables - NSIPF	(23)	30
Due from the Province of Nova Scotia	(28)	(13,387)
Prepaid expenses	(16)	3
Accounts payable and accrued liabilities	3,719	14,773
Accounts payable and accrued liabilities - NSIPF	—	3
Deferred revenue	9	68
Deferred revenue - NSIPF	60	56
Employee benefits and other liabilities	(419)	64
Transfer payments payable to the Province of Nova Scotia	(35)	(810)
Commitments payable - operating	(59)	(57)
Commitments payable - NSIPF	(437)	(3)
	2,190	318

During the year, cash received for interest income was \$1,130 (2018 - \$1,080).

	2019	2018
	\$	\$
Non-cash investing transactions		
Conversion of convertible debentures to loan	—	2,800
Conversion of working capital to loan	500	200

14. Related party transactions

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 (2018 - \$12,495) for financial assistance. All these investments have specific allowances recorded against them totaling \$12,495 (2018 - \$6,529).

In previous years, the Corporation occupied premises for which no rental fee for the lease of these premises was charged by the Province of Nova Scotia which was estimated at \$494 in 2018. However, effective April 1, 2018 with a new landlord acquiring these premises, the Corporation is now responsible for payment and recording of this cost on its books.

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 (2018 - \$322).

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.

Nova Scotia Business Incorporated
Notes to the consolidated financial statements
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 (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:

	2019	2018
	\$	\$
Public service awards and service payouts	299	692
Vacation pay	250	267
Other payroll accruals	361	370
	910	1,329

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 2019 were \$655 (2018 - \$661) and are recognized as an operating expense in the year.

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 did not recover any development loans (2018 - \$26). As at March 31, 2019, \$7 (2018 - \$7) remains undisbursed and is included in commitments payable. There were no film production development loans disbursed, assumed and originated at year-end (2018 - \$nil).

17. 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 \$93 (2018 - \$68) in recovery of equity investments resulting in a cumulative recoupment, assumed and originated, as at March 31, 2019, of \$4,620 (2018 - \$4,527). Also as at March 31, 2019, \$67 (2018 - \$126) remains undisbursed and is included in commitments payable. Total film production equity investments disbursed, assumed and originated, at year end were \$46,907 (2018 - \$46,864).

Nova Scotia Business Incorporated
Notes to the consolidated financial statements

March 31, 2019

(In thousands of dollars)

18. 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 NSIPF 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 \$329 (2018 - \$512) from the funding partner to invest in qualifying projects, and \$61 (2018 - \$1) in the recovery of equity investments. The cumulative total of equity investments made by the IPF, assumed and originated, as at March 31, 2019 is \$5,264 (2018 - \$4,934). As at March 31, 2019, \$181 (2018 - \$120) was recouped and \$106 (2018 - \$543) remains undisbursed and is booked as a commitments payable.

Nova Scotia Business Incorporated
Schedule 1 – Schedule of the Nova Scotia Independent Production Fund
("NSIPF") revenues and expenses
Year ended March 31, 2019
(In thousands of dollars)

	2019	2018
	\$	\$
Revenue		
Eastlink contributions	268	456
Recovery of equity investments	61	1
Interest income	8	5
	337	462
Expenses		
Equity investments	330	455
Administrative expenses	7	7
	337	462

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, 2019
(In thousands of dollars)

	Budget (Unaudited)	2019	2018
	\$	\$	\$
Business development	11,487	11,715	6,840
Salaries and benefits	8,926	8,439	8,319
Office	970	942	467
Travel	903	629	669
Telecommunications and technical support	392	536	397
Other	155	108	(74)
Legal and audit	42	44	49
	22,874	22,413	16,667

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, 2019
(In thousands of dollars)

	Budget (Unaudited)	2019	2018
	\$	\$	\$
Repairs, maintenance, salaries and other	718	343	601
Amortization	45	212	49
Legal	50	—	26
Recovery of commissions and other fees	1	1	2
	814	556	678

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