
Financial statements of Nova Scotia Jobs Fund

March 31, 2022

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Independent Auditor's Report

To the Minister of Business
Province of Nova Scotia

Opinion

We have audited the financial statements of Nova Scotia Jobs Fund (the "Fund"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations under the Nova Scotia Jobs Fund Act, changes in net financial assets, and continuity of funds 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 Fund as at March 31, 2022, 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 Fund 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 Fund'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 Fund'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 Fund 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.

Deloitte LLP

Chartered Professional Accountants
August 15, 2022

Nova Scotia Jobs Fund
Statement of financial position

As at March 31, 2022
(In thousands of dollars)

| | Notes | 2022 \$ | 2021 \$ |
|---|-----------|-----------------|------------|
| Financial assets | | | |
| Investments and development incentives | | | |
| Loans | 3 | 358,128 | 385,028 |
| Development incentives | | 100 | 200 |
| Loans - Venture Corporations Act | 4 | 421 | 421 |
| Royalty rights | 5 | 860 | 860 |
| Shares | 6 | 271 | 3,271 |
| | | 359,780 | 389,780 |
| Provision for concessionary assistance | 7 | (25,534) | (38,132) |
| Provision for development incentives | | (100) | (200) |
| Allowance for doubtful accounts | 3,4,5 & 6 | (41,041) | (47,122) |
| | | (66,675) | (85,454) |
| Net investments and development incentives | | 293,105 | 304,326 |
| Interest receivable | | | |
| Loans | | 12,230 | 21,879 |
| Provision for concessionary interest | 7 | (11,331) | (21,112) |
| | | 900 | 767 |
| Assistance authorized but unadvanced | | | |
| Loans | | 54,000 | 54,000 |
| | | 54,000 | 54,000 |
| Due from Consolidated Fund of the Province of Nova Scotia | | | |
| Guarantees | 8 | 43,076 | 53,180 |
| Provisions for payment under guarantees | | (2,500) | (7,460) |
| | | 40,576 | 45,720 |
| Uncommitted balance of fund, due from Consolidated Fund of the Province of Nova Scotia | | 231,757 | 204,066 |
| Total financial assets | | 620,338 | 608,880 |
| Liability | | | |
| Due to Province of Nova Scotia | | 12,230 | 21,879 |
| Net financial assets | | 608,108 | 587,001 |
| Contingencies | 9 | | |
| Accumulated surplus - committed and uncommitted | | | |
| Accumulated surplus is comprised of | | | |
| Authorized, net of write offs | | | |
| Nova Scotia Jobs Fund Act ("NSJFA") | | 684,343 | 696,756 |
| Venture Corporations Act ("VCA") | | 4,270 | 4,270 |
| Provision for concessionary assistance, development incentives, and possible losses on assistance ("Provision") | 10 | (80,506) | (114,025) |
| | | 608,108 | 587,001 |

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

On behalf of the Fund

Nova Scotia Jobs Fund

Statement of operations under the Nova Scotia Jobs Fund Act

Year ended March 31, 2022

(In thousands of dollars)

| | Notes | 2022 \$ | 2021 \$ |
|---|-------|----------------|------------|
| Revenue | | | |
| Interest | 2 | 9,951 | 9,788 |
| Guarantee fees | | 680 | 610 |
| Other | | 49 | 835 |
| Dividend income | | 45 | 50 |
| | | 10,725 | 11,283 |
| Expenses | | | |
| Provision for forgivable interest | 2 | 9,090 | 9,389 |
| Recovery of guarantee | | (4,960) | — |
| Recovery of provision for doubtful accounts | | (6,366) | (1,161) |
| | | (2,236) | 8,228 |
| Operating surplus for the year | | 12,961 | 3,055 |

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

Nova Scotia Jobs Fund

Statement of changes in net financial assets

Year ended March 31, 2022

(In thousands of dollars)

| | Notes | 2022 \$ | 2021 \$ |
|--|-------|-----------------|------------|
| Annual operating surplus | | 12,961 | 3,055 |
| Surplus items not affecting net financial assets | | | |
| Revenue recorded in the Consolidated Fund of the Province of Nova Scotia | 2 | (10,725) | (11,283) |
| | | 2,236 | (8,228) |
| Due to Province of Nova Scotia forgiven | 2 | 18,871 | — |
| Increase (decrease) in net financial assets | | 21,107 | (8,228) |
| Net financial assets, beginning of year | | 587,001 | 595,229 |
| Net financial assets, end of year | | 608,108 | 587,001 |

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

Nova Scotia Jobs Fund
Statement of continuity of funds

Year ended March 31, 2022
(In thousands of dollars)

| | Notes | NSJFA \$ | VCA \$ | Provision \$ | 2022 Total \$ | NSJFA \$ | VCA \$ | Provision \$ | 2021 Total \$ |
|--|-----------|-----------------|--------------|------------------|---------------------|-------------|-----------|-----------------|---------------------|
| Fund balance, beginning of year | | 696,756 | 4,270 | (114,025) | 587,001 | 698,680 | 4,270 | (107,721) | 595,229 |
| Operating surplus (deficit) for the year | | 10,725 | — | 2,236 | 12,961 | 11,283 | — | (8,228) | 3,055 |
| Due to Province of Nova Scotia forgiven | 2 | 18,871 | — | — | 18,871 | — | — | — | — |
| Revenue recorded in the Consolidated of the Province of Nova Scotia | 2 | (10,725) | — | — | (10,725) | (11,283) | — | — | (11,283) |
| | | 715,627 | 4,270 | (111,789) | 608,108 | 698,680 | 4,270 | (115,949) | 587,001 |
| Other activities within the Fund | | | | | | | | | |
| Principal repayments reinvested in the Fund | | 15,626 | — | — | 15,626 | 9,782 | — | — | 9,782 |
| Accrued interest and fee receivable | | (12,230) | — | — | (12,230) | (21,879) | — | — | (21,879) |
| Expiration of guarantees | | 10,104 | — | — | 10,104 | 215 | — | — | 215 |
| Share repayments reinvested in the Fund | | 3,000 | — | — | 3,000 | 1,500 | — | — | 1,500 |
| Increase in uncommitted balance of Fund | | (27,691) | — | — | (27,691) | (11,268) | — | — | (11,268) |
| Due to General Revenue | | 12,230 | — | — | 12,230 | 21,879 | — | — | 21,879 |
| | | 1,039 | — | — | 1,039 | 229 | — | — | 229 |
| Guarantee payments | | (1,039) | — | — | (1,039) | (229) | — | — | (229) |
| Transfers | 4, 6 & 10 | (31,285) | — | 31,285 | — | (1,924) | — | 1,924 | — |
| | | (32,324) | — | 31,285 | (1,039) | (2,153) | — | 1,924 | (229) |
| Fund balance, end of year | | 684,343 | 4,270 | (80,504) | 608,108 | 696,756 | 4,270 | (114,025) | 587,001 |

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

Nova Scotia Jobs Fund

Notes to the financial statements

March 31, 2022

(In thousands of dollars)

1. Reporting entity

The Nova Scotia Jobs Fund Act (the "Act") was proclaimed in force by Order in Council 2011 - 440 and came into effect on December 21, 2011. It provided, in sub-section 3(1), that the former Industrial Expansion Fund continue as a special account in the office of the Deputy Minister of Finance as the Nova Scotia Jobs Fund (the "Fund"). Effectively, all assets of the Industrial Expansion Fund became part of the Nova Scotia Jobs Fund as it ceased to exist as a separate fund. The Fund has been used for the purposes set out in section 4 of the Act, and includes providing investment for the purpose of economic growth, attracting business or foreign direct investment, promoting international trade and commerce and sustaining or increasing employment. All investments from the Fund need approval of the Governor in Council. The Fund's account and management activities as well as the accounting function are wholly performed by Nova Scotia Business Incorporated ("NSBI"). On May 1, 2014, Nova Scotia Jobs Fund was closed to new investments or increases to existing statutory capital advances authority on present investments.

2. Significant accounting policies

Basis of accounting

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as established by the Public Sector Accounting Board ("PSAB"). These financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the Fund. The more significant policies are described below.

The Fund follows the accrual method of accounting for revenue 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 or services and/or the creation of a legal obligation to pay.

Loans receivable

Loans receivable are recognized at cost less allowances. An allowance is recorded when management considers it necessary to reduce the loan to its estimated recoverable amount. 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 the principal and interest.

Royalty rights

Royalty rights are valued at cost. The value of these rights is assessed annually by estimating the net present value of anticipated cash flows. If the carrying value of the right exceeds the net present value of future cash flows, the right is written down to the net present value.

Shares

Equity investments with limited information available are initially recorded at cost, which approximates fair value, and are reviewed annually for the possible impairment allowances. This allowance or the difference between valuation and cost amount reflects the risk associated with equity investments.

Provision for concessionary assistance

The Fund provides for the effect of the decrease in valuation of certain loans and shares due to assistance being provided with concessionary terms.

Nova Scotia Jobs Fund
Notes to the financial statements

March 31, 2022

(In thousands of dollars)

2. Significant accounting policies (continued)

Allowance for doubtful accounts

The Fund provides for possible losses on guarantees, loans, shares and other assets on an item-by-item basis by examining such factors as client's financial condition and the fair value of the underlying security.

Guarantees

Guarantees, including utilized and unutilized portions, are recorded at cost.

Revenues and administrative expenses

Chapter 222 of the Revised Statutes of Nova Scotia contains the legislation relating to the Industrial Development Act. Clause 8, Administrative Expenses, states: The administration expenses of the Minister and of the Board shall be administration expenses of the Department of Economic and Rural Development and Tourism, now the Department the Economic Development. The administrative expenses of the Fund are included in the accounts of the Department the Economic Development upon consolidation with the accounts of Nova Scotia Business Incorporated, which was assigned to absorb them during the year. Accordingly, administrative expenses are not reflected in the financial statements of the Fund.

Interest revenue, guarantee fees and dividend income earned by the Fund are recorded directly in the accounts of the Consolidated Fund of the Province of Nova Scotia and, as a result, the revenue reflected in the statement of operations under the Nova Scotia Job Fund Act do not impact the fund balance presented on the statements of financial position and continuity of funds. A due to Province of Nova Scotia (the "Province") liability is recorded to reflect interest receivable balances that will be remitted to the Province when received. When the interest receivable is forgiven or fully written off by the Fund, the balance due to the Province is also forgiven.

Statement of cash flows

A statement of cash flows is not provided since the Fund does not maintain a cash account and disclosures in the statements of financial position, operations under the Nova Scotia Jobs Fund Act, changes net financial assets and continuity of the funds adequately represent the changes in Fund balances.

Statement of remeasurement gain and loss

The Fund has not presented a statement of remeasurement gain and loss as the Fund has no financial instruments that give rise to remeasurement gains or losses.

Use of estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the year. Significant estimates included in the financial statements relate to the valuation of the financial assets and guarantees, and the resulting allowance for doubtful accounts. Actual results could differ materially from those estimates.

Nova Scotia Jobs Fund
Notes to the financial statements

March 31, 2022
(In thousands of dollars)

2. Significant accounting policies (continued)

Budget

The Fund has not presented a budget in its statement of operations as the Fund does not prepare an assessment of future operations.

3. Loans

| | 2022 | 2021 |
|---------------------------------------|----------------|---------|
| | \$ | \$ |
| Principal due | | |
| Performing loans | 271,743 | 298,468 |
| Impaired loans | 86,385 | 86,560 |
| | 358,128 | 385,028 |
| Less: allowance for doubtful accounts | 39,489 | 44,570 |
| | 318,639 | 340,458 |

Interest charged on these loans ranges from nil to 6.66% (2021 - nil to 7.00%). The level of security on loans is also negotiated between the Fund and the debtor. Security can range from an unsecured position to a fully secured position.

The maturity dates of the loans are as follows:

| | \$ |
|---------------------------|----------------|
| Past due | 4,103 |
| Year ended March 31, 2023 | 11,250 |
| Year ended March 31, 2024 | 21,098 |
| Year ended March 31, 2025 | 2,000 |
| Year ended March 31, 2026 | — |
| Year ended March 31, 2027 | — |
| Year ended March 31, 2028 | 6,655 |
| Thereafter | 313,022 |
| | 358,128 |

4. Venture Corporations Act

The Venture Corporations Act (the "Act") was assented to June 5, 1980 and came into force January 28, 1981. This Act was enacted to provide a means of encouraging investment in small businesses in Nova Scotia.

A company that qualifies as a venture corporation may receive loans under this Act. Loan proceeds must be used to purchase shares or grant unsecured loans to eligible small businesses. Principal repayments and accrual of interest are not required to commence until the tenth anniversary of such loans.

The Act directs that money provided shall be financial assistance within the meaning of the Industrial Development Act, and payments made pursuant to the Act shall be made out of the Industrial Expansion Fund.

Nova Scotia Jobs Fund
Notes to the financial statements

March 31, 2022

(In thousands of dollars)

4. Venture Corporations Act (continued)

| | 2022 | 2021 |
|---------------------------------------|-------------|------|
| | \$ | \$ |
| Loans made to venture corporation | 421 | 421 |
| Less: allowance for doubtful accounts | 421 | 421 |
| | — | — |

During the year, nil (2021 - nil) loans made to venture corporations, previously included in the allowance for doubtful accounts, were written-off.

5. Royalty rights

| | 2022 | 2021 |
|---------------------------------------|-------------|------|
| | \$ | \$ |
| Royalty rights | 860 | 860 |
| Less: allowance for doubtful accounts | 860 | 860 |
| | — | — |

Certain investments of the Fund are royalty agreements that provide a return in the form of royalty payments. The royalty payments are based upon net sales of the related companies.

6. Shares

| | 2022 | 2021 |
|---------------------------------------|-------------|------|
| | \$ | \$ |
| Preferred shares | 271 | 3271 |
| Less: allowance for doubtful accounts | 271 | 1271 |
| | — | 2000 |

During the year, 3,000 (2021 - 1,500) preferred shares were redeemed. Certain preferred shares are eligible for concessionary assistance. During the year, common shares of nil (2021 - nil), previously included in the allowance for doubtful accounts, were written-off.

7. Provision for concessionary assistance

The provision for concessionary assistance is the difference between the net present value at period end of the anticipated future repayments to be received by the Fund and the amount of assistance advanced.

The terms of concessionary assistance through the Fund include low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the provision for concessionary assistance. Any adjustments to or recovery of the net present value of this assistance in subsequent years is reflected in the provision for concessionary assistance. The assistance outstanding, provision for concessionary assistance and net book value related to each of loans, shares, and royalties is as follows:

Nova Scotia Jobs Fund
Notes to the financial statements

March 31, 2022

(In thousands of dollars)

7. Provision for concessionary assistance (continued)

| | Assistance outstanding | Provision for concessionary assistance and interest | 2022 Net book value | 2021 Net book value |
|----------|-----------------------------------|--|------------------------------------|---------------------------|
| | \$ | \$ | \$ | \$ |
| Loans | 256,878 | 25,534 | 231,344 | 234,344 |
| Interest | 11,331 | 11,331 | — | — |
| | 268,209 | 36,865 | 231,344 | 234,344 |

8. Guarantees

| | 2022 | 2021 |
|---------------------------------------|---------------|--------|
| | \$ | \$ |
| Guarantees - in effect and utilized | 36,551 | 44,826 |
| Guarantees - in effect but unutilized | 6,525 | 8,354 |
| | 43,076 | 53,180 |

9. Contingencies

The Fund has entered into agreements, which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. Estimates of the amount of future costs, if any, under these agreements cannot be made with certainty and are not reflected in the financial statements. When amounts are determinable, they are recorded during the year and reflected in the statement of operations under the Nova Scotia Jobs Fund Act.

10. Provision for concessionary assistance, development incentives and possible losses on assistance

| | 2022 | 2021 |
|--|-----------------|---------|
| | \$ | \$ |
| Opening balance | 114,025 | 107,721 |
| Add: current year provision expense | | |
| Doubtful accounts | (11,326) | (1,161) |
| Forgiveable interest | 9,090 | 9,389 |
| | 111,789 | 115,949 |
| Less: accounts written off or forgiven | 31,283 | 1,924 |
| | 80,506 | 114,025 |

Nova Scotia Jobs Fund

Notes to the financial statements

March 31, 2022

(In thousands of dollars)

11. Financial instruments

Fair value

Fair value measurements are categorized using the fair value hierarchy that reflects the significance of inputs used in determining the fair values.

There are no financial instruments recorded at fair value.

Associated risk

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The Fund's authorized net fund balance - committed and uncommitted is primarily exposed to credit, interest rate, market and liquidity risk.

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 Nova Scotia Jobs Fund assets are primarily exposed to credit, market price, interest rate, and liquidity risk.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. To mitigate this risk, the Fund regularly monitors entities to which financial assistance has been provided. In addition to its regular monitoring procedures, at year-end, management performed an analysis on a number of accounts in order to assess the Fund's total exposure to credit and other risks. Factors such as the financial condition of the client were evaluated to determine how risk has changed since inception of the financial assistance or the last analysis. Changes in risk are reflected in the carrying value of the assistance via the provision for concessionary assistance, the allowance for doubtful accounts and the provision for payment under guarantees.

As at March 31, 2022, the Fund had a significant concentration in its investment portfolio with respect to its five largest investees. The concentration of investments advanced to the Fund's five largest investees was 99% (2021 - 99%) of the carrying value of the investment portfolio.

As at March 31, 2022, the Fund had a significant concentration in its investment portfolio with respect to the forestry and shipbuilding industries. The concentration of investments advanced to companies participating in timber-related industries was 22% (2021 - 19%). The concentration of the investments advanced to companies participating in the shipbuilding industry was 75% (2021 - 75%).

Market price risk

Market risk is the risk that the fair value or future cash flows of the Fund's financial instruments will fluctuate because of changes in market prices. Some of the Fund's financial instruments expose it to this risk, which comprises currency risk, interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the market value of the Fund's investments and debt will fluctuate due to changes in market interest rates. It is management's opinion that the Fund is not exposed to significant interest rate risk arising from financial instruments, as its various receivable balances bear interest at fixed rates and its due to the Province of Nova Scotia balance is non-interest bearing.

11. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity requirements are managed through income generated from the loans receivable and guarantee fees, principal repayments received on the loans receivable and other funding received from the Province of Nova Scotia. In the normal course of business the Fund enters into contracts that give rise to commitments for future payments which may also impact the Fund's liquidity.

12. Related party transactions

The Fund enters into transactions with other government departments, agencies and corporations in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.