Consolidated financial statements of
Invest Nova Scotia

March 31, 2023

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 financial statements on a semi-annual 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 Invest Nova Scotia

Peter MacAskill CEO	Daisy Karasek Controller
Ferdinand Makani Controller	Type text here

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Independent Auditor's Report

To the Minister, Department of Economic Development for
Invest Nova Scotia

Opinion

We have audited the consolidated financial statements of Invest Nova Scotia (the "Organization"), which comprise the consolidated statement of financial position as at March 31, 2023 and the consolidated statements of operations, remeasurement gains, change in net financial assets and cash flow for the four month period ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (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 Organization as at March 31, 2023, and the results of its operations, its remeasurement gains and losses, changes in its net debt, and its cash flows for the four-month period 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 Organization 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization’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 Organization’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 Organization 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
July 13, 2023
Halifax, Nova Scotia

Invest Nova Scotia

Consolidated statement of operations and changes in accumulated surplus

Four month period ended March 31, 2023

(In thousands of dollars)

	Notes/ Schedules	2023 $
Revenue		
Provincial		
Operating grant		22,199
Strategic investment grant		9,671
Statutory capital contributions		3,394
Miscellaneous		187
Other		742
Ordinary recoveries		730
Federal grant		359
Interest on loans receivable		74
Nova Scotia Independent Production Fund ("NSIPF") revenue	Schedule 1	7
		37,363
Expenses		
Operating expenses	Schedule 2	23,910
Strategic investments		9,671
Nova Scotia Fund	Schedule 3	165
Nova Scotia Independent Production Fund ("NSIPF") expenses	Schedule 1	7
		33,753
Operating surplus		3,610
Net assets transferred upon amalgamation	Note 1	105,790
Realized gains on equity investments		1
Recovery (impairment) of portfolio investments and loans receivables		(2,568)
Transfer payments to the Province of Nova Scotia	5 and 7	(8,000)
		95,223
Surplus		98,833
Accumulated surplus, beginning balance		—
Accumulated surplus, end of period		98,833

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

Invest Nova Scotia

Consolidated statement of changes in net financial assets

Four month period ended March 31, 2023
(In thousands of dollars)

	2023
	$
Surplus	98,833
Net remeasurement gain	703
	99,536
Change in tangible capital assets	
Transfer-in / acquisition of tangible capital assets	(5,473)
Amortization of tangible capital assets	160
Net change in tangible capital assets	(5,313)
Change in other non-financial assets	
Transfer-in / increase of prepaid assets	(487)
Net change in other non-financial assets	(487)
Increase in net financial assets	93,736
Net financial assets, opening balance	—
Net financial assets, end of period	93,736

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

Invest Nova Scotia
Consolidated statement of financial position
As at March 31, 2023
(In thousands of dollars)

	Notes	2023 $
Financial assets		
Cash and cash equivalents		**29,037**
Restricted cash and cash equivalents		**3,847**
Interest receivable		**88**
Other receivables		**3,519**
Receivables - NSIPF		**2**
Due from the Province of Nova Scotia	7	**15,651**
Loans receivable	3, 6 and 11	**7,710**
Portfolio investments	4, 6 and 11	**77,081**
		136,935
Liabilities		
Accounts payable and accrued liabilities	7 and 11	**36,205**
Accounts payable and accrued liabilities - NSIPF		**9**
Deferred revenue		**691**
Deferred revenue - NSIPF		**789**
Deferred capital contributions	16	**1,554**
Lease inducement liability		**30**
Employee benefits and other liabilities	15	**3,869**
Film production assistance commitments payable - NSIPF	17	**52**
		43,200
Net financial assets		**93,736**
Non-financial assets		
Tangible capital assets	5	**5,313**
Prepaid expenses		**487**
		5,800
Accumulated surplus	8	**99,536**
Accumulated surplus is comprised of		
Accumulated operating surplus		**98,833**
Accumulated remeasurement gain		**703**
		99,536
Contractual obligations	9	
Contingencies	10	

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

On behalf of the Province of Nova Scotia

________________, Minister

Invest Nova Scotia

Consolidated statement of cash flows

Four month period ended March 31, 2023
(In thousands of dollars)

	Notes	2023 $
Operating transactions		
Surplus		**98,833**
Items not affecting cash and cash equivalents		
Amortization of tangible capital assets	5	**160**
Net assets transferred upon amalgamation	1	**(105,790)**
Allowance for impairment of portfolio investments & loans receivable		**2,568**
Deferred capital contributions recognized		**(49)**
Employee future benefits recovery		**(21)**
Nova Scotia First Fund income		**(24)**
Landlord lease inducements amortized		**(7)**
Employee future benefits payments		**10**
Changes in non-cash working capital	13	**(1,119)**
		(5,439)
Investing transactions		
Loan advances		**(1,135)**
Portfolio investments		**(9,813)**
Proceeds on sale or redemption of portfolio investments		**814**
Principal received on loans		**680**
		(9,454)
Financing transaction		
Government transfers	5 and 7	**8,000**
		8,000
Increase in cash and cash equivalents		**(6,893)**
Cash from amalgamation	Note 1	**39,777**
Cash and cash equivalents, end of period		**32,884**
Cash and cash equivalents consists of		
Cash		**29,037**
Restricted cash		
Cash		**961**
Cash equivalents		**2,886**
		32,884

Supplementary cash flow information 13

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

Invest Nova Scotia

Consolidated statement of remeasurement gains

Four month period ended March 31, 2023

(In thousands of dollars)

	2023 $
Accumulated remeasurement gains, beginning of period	**—**
Remeasurement gain arising during the year	
Remeasurement gain on portfolio investments quoted in an active market	**707**
Amounts reclassified to the statement of operations	
Realized loss on portfolio investments quoted in an active market	**(4)**
Net remeasurement gain	**703**
Accumulated remeasurement gains, end of period	**703**

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

(In thousands of dollars)

1. Business overview

Nova Scotia Business Incorporated ("NSBI") and Nova Scotia Innovation Corporation ("Innovacorp") (collectively "former Corporations") were amalgamated and continued as a body corporate known as Invest Nova Scotia, ("Corporation") in pursuant of the Invest Nova Scotia Act, Chapter 37 of the Acts of 2022 ("Act") passed the Province of Nova Scotia on December 1, 2022. Pursuant to this Act, all shares of the former Corporations were cancelled and all their matters, affairs, actions, assets including rights, titles and interests, obligations and liabilities including employee benefits and entitlements were assigned to the Corporation. Also, all employees of the former Corporations were transferred to the Corporation. The Corporation is wholly owned by the Province of Nova Scotia and its management and control of affairs are vested in the Minister of Economic Development ("Minister").

The carrying amount of assets and liabilities transferred and received on December 1, 2022 are as follows:

Financial assets	
Cash and cash equivalents	39,777
Investments	8,000
Receivables	847
Due from the Province of Nova Scotia	9,524
Loans receivable	8,199
Portfolio investments	68,989
	135,336
Liabilities	
Accounts payable and accrued liabilities	29,567
Deferred revenue	2,905
Lease inducement liability	37
Employee benefits and other liabilities	2,707
Film production assistance commitments payable	363
	35,579
Non-financial assets	
Tangible capital assets	5,473
Prepaid expenses	560
	6,033
	105,790

The net surplus of $105,790 from the former Corporations was recognized as revenue in the statement of operations.

The Corporation's mission is to promote economic growth and community economic development in the Province by enabling business, innovation and entrepreneurship. The Corporation is not subject to provincial or federal taxes.

On December 1, 2022, NSIPF became a subsidiary of Invest Nova Scotia under the Invest Nova Scotia Act, Chapter 37 of the Acts of 2022 coming into force.

NSIPF's purpose continues to be 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 consolidation

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. 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 Invest Nova Scotia unless they are sold. As a result, non-financial assets are not taken into consideration when determining the net financial assets of Invest Nova Scotia, but rather are added to the net financial assets to determine the accumulated surplus.

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:

- Invest Nova Scotia
- Nova Scotia Independent Production Fund
- 1402998 Nova Scotia Limited
- 3087532 Nova Scotia Limited

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

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.

Restricted cash and cash equivalents

Restricted cash and cash equivalents include funds held in the Nova Scotia First Fund ("NSFF") for future investments and Nova Scotia Independent Production Fund ("NSIPF") for future film production incentives . The restricted cash equivalents comprise short-term investments with a term to maturity of three months or less at the date of acquisition.

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.

2. Summary of significant accounting policies (continued)

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. 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 against former NSBI loans receivable is recorded to reflect anticipated future losses for all loans receivable which do not have a specific allowance. A general allowance was recorded on loans receivable with a net carrying value of $5,870 in Note 3.

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.

Portfolio investments

Portfolio investments include:

(a) *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 early stage 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.

2. Summary of significant accounting policies (continued)

Portfolio investments (continued)

(c) *Investments in equity instruments of later stage private enterprises*

Investments in equity instruments of later stage 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 against former NSBI portfolio investments to reflect anticipated future losses for all investments in private enterprises receivable which do not have a specific allowance. A general allowance was recorded on portfolio investments with a net carrying value of $nil in Note 4.

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 receivables are reviewed twice yearly for potential declines 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.

Financial liabilities

Financial liabilities 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.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

2. Summary of significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of assets. The cost, less residual value, of the tangible capital assets, excluding land, is amortized over their estimated useful lives as follows:

Asset	Basis	Rate
Buildings	Declining balance	4 - 5%
Computer equipment	Straight line	3 years
Computer hardware	Declining balance	50%
Computer software	Declining balance	50%
Equipment	Declining balance	20%
Furniture, equipment & technology	Declining balance	12 - 20%
Information technology	Straight line	3 - 20 years
Leasehold improvements	Straight line	Terms of lease
Site improvements	Declining balance	8%
Utilities	Declining balance	15%
Wharves	Declining balance	5%

Assets not in use are not amortized until the asset is available for productive use.

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.

Impairment of long-lived assets

Tangible capital assets are written down when conditions indicate that they are no longer contribute to the Corporation's ability to provide goods and services, or when the value of the future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for the expenses in the consolidated statement of operations and are not reversed.

Leases

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

The aggregate benefit on 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).

2. Summary of significant accounting policies (continued)

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 any funds transfers pursuant to Section 12(1) of the Invest Nova Scotia Act and 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.

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 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 related stipulations are met:

(a) Operating grants are recognized as revenue in the period the transfer is received but adjusted at year end for any portion which does not meet the eligibility stipulations to be treated as revenue, which is booked as a payable to the Province for future reimbursement.

(b) Strategic investment grants are recognized when expenditure is recorded in accordance with the Corporation's approved budget and shall be provided in accordance with policies and procedures set out in the Corporation's business plan.

(c) 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

(d) Miscellaneous consists of various contracts for trade programs. Revenue is recognized in the period the transfer is authorized, and all eligibility criteria have been met, except when and to the extent the transfer includes stipulations which have not yet been met.

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.

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. As it pertains to rent, the Corporation has retained substantially all the benefits and risks of ownership of the properties; therefore, it accounts for these leases as operating expenses.

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

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.

Other revenue is recognized when earned and collection is reasonably assured.

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.

Employee future benefits

Invest Nova Scotia provides certain employee benefits which will require funding in future periods. These benefits include vacation pay and retirement health benefits care plan. The Corporation pays 65% of the cost of health plan for substantially all retirees or surviving spouses of the retirees ("post-retirement benefits"). The program is funded each year by the payment of the required premiums.

Invest Nova Scotia accrues its benefits liabilities under the above noted plan as the employees render the services necessary to earn the future benefits and has adopted the following policies:

(a) 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,

(b) The discount rate applied is based on the Province's weighted-average cost of borrowing.

(c) Net actuarial gains or losses are amortized over the average remaining service period.

Adjustments for the plan related to prior period employees services, net of offsetting unamortized actuarial gain/losses, are recognized in the consolidated statement of operations in the period of plan amendment.

Permanent employees of the Corporation participate in the Public Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province, which provides pension benefits based on the 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 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.

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Adoption of new accounting policy

Effective April 1, 2022, the Corporation had adopted the newly issued accounting standard, Asset retirement obligations under PSAS Section 3280 ("Section 3280"). Which provided guidance relating to the accounting for asset retirement obligations associated with the retirement of tangible capital assets.

The application of this amendment does not have a material impact on the Corporation's financial statements.

3. 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.

	2023
	$
Principal due	
Term loans	**11,192**
Promissory notes	**353**
Convertible debentures	**3,055**
	14,600
Allowance for impairments (Note 6)	**(6,890)**
	7,710

Annual interest charged on these loans ranges from 0% to 12%. The maturity dates of the loans receivable are as follows:

	$
Past due	1,061
Year ended March 31, 2023	4,248
Year ended March 31, 2024	2,200
Year ended March 31, 2025	2,672
Year ended March 31, 2026	184
Year ended March 31, 2027	—
Year ended March 31, 2028	4,136
Fully allowed for loans receivable	99
	14,600

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.

The debentures are convertible at the option of the Corporation into common or preferred shares of the borrower either on demand, in the event of default or at maturity. During the year, the Corporation did not convert any debentures into common or preferred shares.

(In thousands of dollars)

4. 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.

	2023 $
Investments quoted in an active market	
Fixed income	13,404
Common shares	3,112
Mutual funds	67
Preferred shares	45
Investments in private enterprises	
Common shares	10,156
Preferred shares	6,206
Investments in early-stage private enterprises	69,784
	102,774
Allowance for impairments (Note 6)	(25,693)
	77,081

Included in investments quoted in an active market are investments of the NSFF with a fair value of $16,628.

Included in investments in early-stage private enterprises are NSFF investments valued at cost less other than temporary impairment of $60,453.

Certain preferred shares have conversion options and warrants attached.

In the year, the Corporation did not redeem any shares.

5. Tangible capital assets

	Cost $	Opening accumulated amortization $	Amortization cost $	Ending accumulated amortization $	2023 Net book value $
Land	1,229	—	—	—	1,229
Buildings	1,225	—	18	18	1,207
Computer equipment / hardware / software	72	—	17	17	55
Equipment	115	—	9	9	106
Furniture, equipment & technology	164	—	10	10	154
Information technology	144	—	20	20	124
Leasehold improvements	1,999	—	75	75	1,924
Site improvements	131	—	3	3	128
Utilities	14	—	1	1	13
Wharves	380	—	7	7	373
	5,473	—	160	160	5,313

(In thousands of dollars)

5. Tangible capital assets (continued)

Proceeds from the sale of tangible capital assets less closing costs are remitted to the Province in the form of transfer payment. In the current year, the transfer payments payable to the Province from the sale of tangible capital assets were nil.

During the four-month period ended, there were no capital asset additions or disposals.

6. Allowance of impairments of portfolio investments and loans receivables

	Gross balance outstanding $	Specific allowance $	General allowance $	Total allowance $	2023 Net balance outstanding $
Loans receivable (Note 3)	**14,600**	**6,592**	**298**	**6,890**	**7,710**
Portfolio investments (Note 4)	**102,774**	**25,693**	**—**	**25,693**	**77,081**
	117,374	**32,285**	**298**	**32,583**	**84,791**

As at March 31, 2023, no portfolio investments and loans receivable were written off.

7. Related party balances

Short-term investments

During the year, pursuant to Section 12(1) of the Invest Nova Scotia Act, Invest Nova Scotia was directed to redeem all short term investment held with the Province of Nova Scotia and retain the interest earned but transfer to principal balance ($8,000) in the form of a transfer payment to the Province’s General Revenue Fund.

Due from the Province of Nova Scotia

The balance due from the Province is non-interest bearing with no set terms of repayment and includes of $2,983 of earned operating grant.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities includes $1,924 of unused operating grant revenue.

8. Share capital

The Corporation is authorized to issue capital stock of one share with a par value of $1. At year-end, the share has been issued to the Province. Share capital is grouped with accumulated surplus on the consolidated statement of financial position.

(In thousands of dollars)

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, 2023, transactions were approved with maximum annual payments over the next six years of $100,876 as shown below:

	$
2024	19,861
2025	24,158
2026	22,332
2027	20,577
2028	8,488
2029	5,460
	100,876

The Corporation 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:

	$
2024	1,744
2025	1,670
2026	1,316
2027	1,311
2028	1,310
	7,351

As of March 31, 2023, there were $26.1 million approved commitments to invest under the mandate of the NSFF.

10. Contingencies

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.

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.

(In thousands of dollars)

10. Contingencies (Continued)

Contaminated site

The Corporation had a long-term lease agreement at the Port of Sheet Harbour with ScoZinc Limited (now Scotia Mine Limited), a wholly owned subsidiary of EDM Resources Inc., and its predecessors for storage and shipment of Lead & Zinc through the Port form the Scotian Mine in Gay's River. In July 2020, Scozinc Limited provided 60 days notice of its intent to terminate the lease. Under the terms and conditions of the agreement, Scozinc is responsible for the remediation of any contamination discovered because of its use of the site to the satisfaction of the Corporation and Nova Scotia Environment Contaminated Sites Regulations ("regulations").

According to the Ph. II Environmental Site Closure Assessment and Remedial Action Plan completed by the Scozinc Limited as per the terms of the lease, lead-zinc concentration exceedances, within surface water discharge, and lead concentrate exceedances in surficial soil samples were identified throughout the property. This contamination exceeds the acceptable standards, including Nova Scotia Environment Tier 1 Environmental Quality Standards for Groundwater, Non-Potable, Commercial Land Use Standards and are not acceptable to the Corporation.

The Corporation does not accept responsibility for the contamination and related remediation costs and currently holds a $100 reclamation bond from Scozinc Limited. The Corporation has filed an Application in Court against Scozinc Limited (aka EDM Resources Inc.) for specific performance requiring Scozinc Limited to carry out remediation pursuant to the terms of the lease for its Lead & Zinc Biosolids Handling Facility at the Port of Sheet Harbour. Management has not disclosed the ranges of possible outcomes of the estimated clean-up costs due to the potentially adverse effect on the Company's position with respect to this matter.

11. Financial instruments

Classification of financial instruments

The carrying amounts of financial assets and liabilities recorded at cost or at fair value as at March 31, 2023 are as follows:

	Classification	
	Fair value	Cost
	$	$
Financial assets		
Cash and cash equivalents	—	29,037
Restricted cash and cash equivalents	—	3,847
Accounts receivable		
Interest receivable	—	88
Other receivables	—	3,519
Recievables - NSIPF	—	2
Due from the Province of Nova Scotia	—	15,651
Loans receivables	—	7,710
Portfolio investments		
Investments quoted in an active market	16,628	—
Investments in private enterprises	—	60,453
	16,628	120,307

11. Financial instruments (continued)

Fair value

Fair value estimates are made as of a specific point in time, using available information about the financials instruments and current market conditions.

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 Corporation's business and the associated operating environment. The Corporation is primarily exposed to credit, interest rate, market price and liquidity risk, arising from its financial assets and labilities.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Corporation. To mitigate this risk, the Corporation has developed the following policies:

Before financing is approved, a risk assessment is performed on the client. Each application is designated a risk rating based on the industry and business, quality of management, financial history and projections, the level of other creditor involvement and shareholder participation, and environmental risks. The terms and conditions of the approved financing are reflective of the assessed risk. Applications with unacceptable levels of risk are not approved.

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, as the loans receivable bear interest at fixed rates of interest and the balances due from and to the Province are non-interest bearing or bear interest at fixed rates.

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. The corporation's exposure to the market price risk is limited, as it does not presently hold investments quoted in the active market; however, the fair value of investments in equity instruments of private enterprises carried at cost could fluctuate based on changes in the fair value of similar equity instruments traded in the active market.

(In thousands of dollars)

11. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity requirements are managed through the receipt of provincial grants, income generated from loans receivable and equity investments, and principal repayments received on loans receivable. These sources of funds are used to pay operating expenses and debt servicing payments to the Province of Nova Scotia. In the normal course of business the Corporation enters into contracts that give rise to commitments for future payments which also impact the Corporation's liquidity. The Corporation also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

The following table summarizes the fixed contractual maturities for all financial liabilities as at March 31, 2023:

	Within 1 year $	2 to 5 years $	6 to 10 years $	Over 10 years $	2023 Total $
Accounts payable and accrued liabilities	36,205	—	—	—	36,205
Accounts payable and accrued liabilities - NSIPF	9	—	—	—	9
Lease inducement liability	20	10			30
Employee benefits and other liabilities	598	540	489	2,242	3,869
Deferred revenue	691	—	—		691
Deferred revenue - NSIPF	789	—			789
Deferred capital contributions	146	584	730	94	1,554
Film production assistance commitments payable - NSIPF	52	—	—	—	52
	38,510	1,134	1,219	2,336	43,199

12. Nova Scotia Fund

The following is a summary of the Fund as at March 31, 2023:

	Gross $	Less allowance for impairments $	2023 Net total $
Assets			
Loans receivable	11,192	5,322	5,870
Portfolio investments	16,362	16,362	—
Tangible capital assets	—	—	697
	27,554	21,684	6,567

Funding authorized and committed	
Fund balance authorized, net of write-offs	174,943
Less: uncommitted balance of fund	146,691
Committed fund balance	28,252
Less: allowance for impairments (Note 6)	21,684
	6,567

(In thousands of dollars)

13. Supplementary cash information

Changes in non-cash working capital

	2023 $
Accrued interest receivable	6
Other receivables	(2,775)
Other receivables - NSIPF	7
Due from the Province of Nova Scotia	(6,127)
Accounts payable and accrued liabilities	6,656
Accounts payable and accrued liabilities - NSIPF	—
Deferred revenue	(186)
Deferred revenue - NSIPF	364
Employee benefits and other liabilities	1,173
Film production assistance commitments payable - NSIPF	(311)
Prepaid expenses	74
	(1,119)

Interest income

During the year, cash received for the interest income was $169.

14. Related party transactions

During the year, there were no companies controlled or otherwise not independent of the Corporation eligible for incentives offered by the Corporation. As at March 31, 2023, there were no companies controlled by, or otherwise not independent of Advisory Board members, for financial assistance therefore no specific allowances were recorded against any such investments. Furthermore, there were no incentives issued under this category in the current year.

The Corporation receives legal services free of charge from the Province. Management estimates the annual cost of these services would be approximately $111.

These transactions were carried out in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

(In thousands of dollars)

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

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

	2023 **$**
Retirement Health Benefits Care Plan	**3,033**
Other payroll for former NSBI only	**477**
Vacation pay for former NSBI only	**359**
	3,869

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

The accrued benefit liability as a result of the Retirement Health Benefits Care Plan, which are based on actuarial assumptions and calculations for former employees and retirees is as follows:

	2023 **$**
Accrued benefit obligation - beginning of year	**1,795**
Experience gain or loss due to change in discount rate at beginning of year	**(20)**
Current service cost	**28**
Estimated benefits paid	**(19)**
Interest of average liability	**25**
Other (Past service cost at December 1, 2022)	**1,224**
Experience Loss (gain) at end of year	**(372)**
Accrued benefit obligation - March 31, 2023	**2,661**

(In thousands of dollars)

15. Employee benefits, post-retirement benefits and other liabilities (continued)

The actuary evaluations were carried out by two different actuary companies for each of the former entities. The significant assumptions adopted by management in measuring the accrued benefit obligations were as follows:

		2023
	Former Innovacorp	**Former NSBI**
Discount rate	**2.96%**	**2.96%**
General salary growth rate	**1.00%**	**1.00%**
Inflation rate	**2.00%**	**2.00%**
Healthcare cost trend rate assumptions		
Extended health coverage	**6.85%**	**7.00%**
Prescription drug coverage	**—**	**7.00%**
Hospital coverage	**4.00%**	**4.00%**
Vision coverage	**0.00%**	**0.00%**
Other key assumptions		
Year's Maximum Pensionable Earnings ("YPME")	**N/A**	**2.50%**
Retirement age		
at age 55	**20.00%**	**—**
at age 59		**10.00%**
at age 60		**20.00%**
at age 61 - 64		**10.00%**
at age 65-69		**50.00%**
at age 70		**100.00%**
Mortality tables	**None assumed**	**120% of CPM-12014 Public Sector table**

The unamortized actuarial gains and losses are amortized over the average remaining service life of active employees which has been estimated to be 14 years for former NSBI and, 8 years for former Innovacorp as at March 31, 2023.

Actuarial gains and losses due to changes in the discount rate are assumed to have occurred at the beginning of the year and all other actuarial gains and losses are assumed to have occurred at the end of the year.

The first actuarial valuation for accounting purposes took place on March 31, 2023 for the former entities above.

Invest Nova Scotia has an actuarial valuation taking place in fiscal year 2024.

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 2023 were $294 and are recognized as an operating expense in the year.

(In thousands of dollars)

16. Deferred capital contributions

	2023 $
PNS – Knowledge Park [a]	**375**
PNS – Fibre MAN [b]	**14**
ACOA – 1344 Summer St. [C]	**120**
PNS – Building Energy retrofit [d]	**80**
ACOA – 1344 Summer St. [e]	**230**
ACOA – 1344 Summer St. [f]	**244**
ACOA – 1344 Summer St. [g]	**266**
ACOA – 1344 Summer St. [h]	**225**
	1,554

(a) Order In Council ("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, Atlantic Canada Opportunities Agency ("ACOA") provided Innovacorp with $348,000 in assistance to fit-up space at The Labs. These funds are being recognized on the same basis as the assets they funded are amortized.

(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 Dive 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 amortized.

(e) In 2013, ACOA provided Innovacorp with $500,000 in assistance to fit-up space at The Labs. These funds will be recognized on the same basis as the related assets are amortized.

(f) In 2014, ACOA provided Innovacorp with $500,000 in assistance to fit-up space at The Labs. These funds will be recognized on the same basis as the related assets are amortized.

(g) In 2015, ACOA provided Innovacorp with up to $500,000 in assistance to fit-up space at The Labs. These funds will be recognized on the same basis as the related assets are amortized and were fully recognized as revenue in the current year.

(h) In 2016, ACOA provided Innovacorp with up to $430,000 in assistance to fit-up space at The Labs. These funds will be recognized on the same basis as the related assets are amortized.

17. 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 under the IPF are externally restricted and included on the statement of financial position in cash and cash equivalents and are deferred until committed.

During the four-month period ended, the Corporation through its subsidiary, NSIPF, received $201 ($301 in 2022) from the funding partner to invest in qualifying projects, and $2 ($23 in 2022) in the recovery of equity investments. The cumulative total of equity investments made by the IPF, assumed and originated, as at March 31, 2023 is $5,871 ($5,821 in 2022) due to investments made ($50) ($320 in 2022). As at March 31, 2023, $2 ($23 in 2022) was recouped and $52 ($90 in 2022) remains undisbursed and is booked as a commitments payable.

Invest Nova Scotia

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

Four month period ended March 31, 2023
(In thousands of dollars)

	2023
	$
Revenue	
Interest income	**7**
Expenses	
Equity investments	**7**

Invest Nova Scotia

Schedule 2 - Schedule of operating expenses

Four month period ended March 31, 2023

(In thousands of dollars)

	2023 $
Incentives, grants and contributions	**14,344**
Salaries and benefits	**4,841**
Business development	**2,432**
Office	**1,042**
Other	**315**
Repairs and maintenance	**276**
Telecommunications and technical support	**233**
Travel	**152**
Amortization	**146**
Legal and audit	**129**
Total	**23,910**

Invest Nova Scotia

Schedule 3 - Schedule of Nova Scotia Fund: other expenses

Four month period ended March 31, 2023

(In thousands of dollars)

	2023 $
Repairs, maintenance, salaries and other	151
Amortization	14
	165