

Consolidated Financial Statements

Province of Nova Scotia
Nova Scotia Innovation Corporation

November 30, 2022

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Nova Scotia Innovation Corporation

Management's Report

Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements of Nova Scotia Innovation Corporation ("Innovacorp") 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.

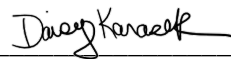
Effective December 1, 2022, the Corporation was amalgamated in accordance with the Invest Nova Scotia Act, passed by Royal Assent November 9, 2022. As a result of this amalgamation, effective December 1, 2022, all shares of the former Corporation are cancelled and all matters, affairs, and actions of the former corporations are assigned to Invest Nova Scotia. See Note 1 to these consolidated financial statements for details. Those charged with governance (the "interim Chair") is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercise these responsibilities subsequent to dissolution of the Board of Directors prior to amalgamation.

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

On behalf of **Innovacorp**



Scott Farmer,
Board Chair, Deputy Minister



Daisy Karasek, Acting Director
Finance and Administration

Date July 7, 2023

To the Shareholder of
Province of Nova Scotia
Nova Scotia Innovation Corporation

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Opinion

We have audited the consolidated financial statements of Nova Scotia Innovation Corporation (“Innovacorp”), which comprise the consolidated statement of financial position as at November 30, 2022, and the consolidated statement of operations and accumulated surplus, change in net financial assets, cash flows and remeasurement gains and losses for the period from April 1, 2022 to November 30, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Innovacorp as at November 30, 2022, and the results of its operations, change in net financial assets, cash flows and remeasurement gains and losses for the period from April 1, 2022 to November 30, 2022 in accordance with Canadian public sector accounting standards (“PSAS”).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of Innovacorp in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Emphasis of matter

Without qualifying our opinion we draw attention to Note 1 to the consolidated financial statements which describes the amalgamation of the Corporation effective December 1, 2022.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing Innovacorp’s financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Innovacorp'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 Innovacorp'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 consolidated 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 Innovacorp to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.



Halifax, Canada
July 7, 2023

Chartered Professional Accountants

Province of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Statement of Financial Position

As at **November 30 2022** **March 31 2022**

Financial Assets

Cash	\$ 12,224,208	\$ 11,439,568
Restricted cash and cash equivalents	3,632,870	1,997,227
Accounts receivable (Note 3)	384,069	453,289
Loans receivable (Note 4)	1,683,902	1,055,902
Portfolio investments (Note 5)		
Investments quoted in an active market	15,038,230	15,407,008
Investments in early-stage private enterprises	53,951,009	49,114,686
	<u>\$ 86,914,288</u>	<u>\$ 79,467,680</u>

Liabilities

Payables and accruals (Note 13)	\$ 2,052,542	\$ 1,724,352
Lease inducement liability	36,897	50,315
Retirement benefits (Note 6)	1,795,114	1,803,457
Deferred revenue	701,135	415,502
Deferred capital contributions (Note 8)	1,602,248	1,699,720
	<u>6,187,936</u>	<u>5,693,346</u>

Net financial assets **\$ 80,726,352** **\$ 73,774,334**

Non-Financial Assets

Prepaid expenses	\$ 145,578	\$ 167,327
Property and equipment (Note 9)	3,566,197	3,741,819
	<u>3,711,775</u>	<u>3,909,146</u>

Accumulated surplus **84,438,127** **77,683,480**

Accumulated surplus is comprised of:

Accumulated operating surplus	89,945,948	81,460,464
Accumulated remeasurement loss	(5,507,821)	(3,776,984)
	<u>\$ 84,438,127</u>	<u>\$ 77,683,480</u>

Nature of operations and subsequent amalgamation (Note 1)
 Contractual obligations (Note 14)

On behalf of Innovacorp



Scott Farmer, Board Chair, Deputy Minister

See accompanying notes to the consolidated financial statements.

Province of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Statement of Operations and Accumulated Surplus

	Budget for the period from April 1, 2022 to November 30, 2022 (Note 17)	For the period from April 1, 2022 to November 30, 2022	For the year ended March 31, 2022
Revenues (Note 15)			
Corporate services			
Government contributions			
– operations (Note 10)	\$ 6,299,614	\$ 4,503,961	\$ 9,739,609
Government contributions			
– statutory capital (Note 10)	-	9,231,474	15,160,216
Other	16,000	74,703	49,093
Incubation	911,457	931,710	1,432,330
Acceleration	245,393	314,349	1,090,287
Investment	1,200	138,046	175,122
	<u>7,473,664</u>	<u>15,194,243</u>	<u>27,646,657</u>
Expenses (Notes 11 and 15)			
Corporate services	2,142,388	1,913,179	2,677,984
Incubation	2,063,948	1,878,246	2,901,829
Acceleration	2,632,671	1,486,273	4,848,030
Investment	823,448	712,661	1,075,851
	<u>7,662,455</u>	<u>5,990,359</u>	<u>11,503,694</u>
Operating surplus (deficit)	<u>(188,791)</u>	<u>9,203,884</u>	<u>16,142,963</u>
Impairment of portfolio investments and loans receivable	(333,333)	(863,576)	(933,658)
Realized gains on portfolio investments	-	145,771	101,511,407
Government transfer (Note 5)	-	-	(100,961,320)
Loss on disposal of property and equipment	-	(595)	-
	<u>(333,333)</u>	<u>(718,400)</u>	<u>(383,571)</u>
Annual surplus (deficit)	(522,124)	8,485,484	15,759,392
Accumulated operating surplus, beginning of year	-	81,460,464	65,701,072
Accumulated operating surplus, end of year	<u>\$ -</u>	<u>\$ 89,945,948</u>	<u>\$ 81,460,464</u>

See accompanying notes to the consolidated financial statements.

Province of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Statement of Change in Net Financial Assets

	For the period from April 1, 2022 to November 30, 2022	For the year ended March 31, 2022
Annual surplus	\$ 8,485,484	\$ 15,759,392
Net remeasurement loss	<u>(1,730,837)</u>	<u>(36,340,712)</u>
	6,754,647	(20,581,320)
 Change in tangible capital assets		
Acquisition of property and equipment	(81,126)	(66,847)
Disposal of property and equipment at net carrying value	595	-
Amortization	<u>256,153</u>	<u>418,104</u>
Decrease in tangible capital assets	175,622	351,257
 Change in other non-financial assets		
Net change in prepaid expenses	<u>21,749</u>	<u>(44,313)</u>
Increase (decrease) in net financial assets	6,952,018	(20,272,376)
 Net financial assets, beginning of the year	<u>73,774,334</u>	<u>94,048,710</u>
 Net financial assets, end of year	<u>\$ 80,726,352</u>	<u>\$ 73,774,334</u>

See accompanying notes to the consolidated financial statements.

**Province of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Statement of Cash Flows**

For the period from
April 1, 2022 to
November 30, 2022

For the
year ended
March 31, 2022

Increase (decrease) in cash and cash equivalents

Operating transactions

Annual surplus	\$ 8,485,484	\$ 15,759,392
Items not affecting cash:		
Amortization	256,153	418,104
Deferred capital contributions recognized	(97,472)	(147,541)
Employee future benefits recovery	12,513	40,564
Nova Scotia First Fund income	(56,618)	(40,466)
Landlord lease inducements amortized	(13,418)	(20,126)
Impairment of portfolio investments and loans receivable	863,576	933,658
Loss on disposal of property and equipment	595	-
	<u>9,450,813</u>	<u>16,937,585</u>
Changes in non-cash operating working capital	704,792	662,566
Employee future benefits payments	<u>(20,856)</u>	<u>(31,656)</u>
	<u>10,134,749</u>	<u>17,568,495</u>

Capital transactions

Acquisition of property and equipment	<u>(81,126)</u>	<u>(66,847)</u>
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Investing transactions

Acquisitions of portfolio investments and advance of loans receivable	(8,093,655)	(20,475,707)
Proceeds on sale or redemption of portfolio investments	<u>460,315</u>	<u>113,802,845</u>
	<u>(7,633,340)</u>	<u>93,326,138</u>

Financing transaction

Government transfer (Note 5)	<u>-</u>	<u>(100,961,320)</u>
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Increase in cash and cash equivalents	2,420,283	9,866,466
Cash and cash equivalents, beginning of year	<u>13,436,795</u>	<u>3,570,329</u>
Cash and cash equivalents, end of year	<u>\$ 15,857,078</u>	<u>\$ 13,436,795</u>

Cash and cash equivalents consist of:

Cash	\$ 12,224,208	\$ 11,439,568
Restricted cash:		
Cash	3,910	30,006
Cash equivalents	<u>3,628,960</u>	<u>1,967,221</u>
	<u>\$ 15,857,078</u>	<u>\$ 13,436,795</u>

See accompanying notes to the consolidated financial statements.

Province of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Statement of Remeasurement Losses

	For the period from April 1, 2022 to November 30, 2022	For the year ended March 31, 2022
Accumulated remeasurement (loss) gains, beginning of year	<u>\$ (3,776,984)</u>	<u>\$ 32,563,728</u>
Remeasurement gain (loss) arising during the year:		
Remeasurement (loss) gain on portfolio investments quoted in an active market	(1,726,903)	64,677,932
Amounts reclassified to the statement of operations:		
Realized gains on portfolio investments quoted in an active market	<u>(3,934)</u>	<u>(101,018,644)</u>
Net remeasurement loss	<u>(1,730,837)</u>	<u>(36,340,712)</u>
Accumulated remeasurement loss end of year	<u>\$ (5,507,821)</u>	<u>\$ (3,776,984)</u>

See accompanying notes to the consolidated financial statements.

Province of Nova Scotia

Nova Scotia Innovation Corporation

Notes to the Consolidated Financial Statements

November 30, 2022

1. Nature of operations and subsequent amalgamation

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

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

In 2010, Order-in-Council (“OIC”) 2009-228 authorized an advance of up to \$30 million from the Province of Nova Scotia to the NSFF. In 2012, OIC 2011-326 authorized additional advances from the Province of Nova Scotia of up to \$24 million for the creation of a clean technology fund which expired on March 31, 2016. In 2016, OIC 2016-267 authorized an additional advance of up to \$29 million from the Province of Nova Scotia to the NSFF and authorized the undrawn balance of \$11.3 million under OIC 2011-326 when it expired on March 31, 2016, to be advanced to the NSFF. Also, in 2016, OIC 2016-157 authorized \$25 million for the creation of a venture capital fund. In 2019 Innovacorp repaid an \$8 million loan related to OIC 2003-365 making this amount available to be advanced to the NSFF. As of November 30th, 2022, \$54.4 million has been drawn and \$29.5 million has been committed under these OICs, leaving \$19.5 million as undrawn and available.

Effective December 1, 2022, the Corporation was amalgamated with Nova Scotia Business Incorporated, in accordance with the Invest Nova Scotia Act, passed by royal asset November 9, 2022. As a result of this amalgamation, effective December 1, 2022, all shares of the former Corporation were cancelled and all matters, affairs and actions of the former Corporation are assigned to Invest Nova Scotia.

Effective December 1, 2022, all assets of the former operations, including the rights, titles and interests of the former Corporation are vested in Invest Nova Scotia and all obligations and liabilities of the former Corporation are the obligations and liabilities of Invest Nova Scotia.

2. Summary of significant accounting policies

Basis of accounting

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

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

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

Basis of consolidation

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

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

Province of Nova Scotia

Nova Scotia Innovation Corporation

Notes to the Consolidated Financial Statements

November 30, 2022

2. Summary of significant accounting policies (continued)

Financial instruments

All financial instruments are recorded at their cost or amortized cost except for portfolio investments in equity instruments quoted in an active market which are recorded at their fair value with unrealized remeasurement gains and losses recorded in the statement of remeasurement gains and losses. Once realized, remeasurement gains and losses are transferred to the statement of operations. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the statement of operations.

Transaction costs related to financial instruments measured at cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs related to financial instruments recorded at their fair values are expensed as incurred.

Financial liabilities (or part of a financial liability) are removed from the statement of financial position when, and only when, they are discharged or cancelled or expire.

Cash and cash equivalents

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

Restricted cash and cash equivalents

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

Accounts receivable

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

Loans receivable

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

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

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

Portfolio investments

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

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

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

Province of Nova Scotia

Nova Scotia Innovation Corporation

Notes to the Consolidated Financial Statements

November 30, 2022

2. Summary of significant accounting policies (continued)

Portfolio investments (continued)

b. Investments in equity instruments of early stage private enterprises

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

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

Payables and accruals

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

Impairment of financial assets

a. Loans receivable

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

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

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

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

b. Portfolio investments

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

Fair value

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

Province of Nova Scotia

Nova Scotia Innovation Corporation

Notes to the Consolidated Financial Statements

November 30, 2022

2. Summary of significant accounting policies (continued)

Fair value (continued)

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

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

Measurement uncertainty

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

Revenue recognition

Incubation revenue is recognized as earned and collection reasonably assured and includes monthly rent and recoveries from tenants for utilities, photocopies, and other administration services. As it pertains to rent, Innovacorp has retained substantially all the benefits and risks of ownership of the properties; therefore, it accounts for these leases as operating expenses.

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

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

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

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

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

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

Province of Nova Scotia

Nova Scotia Innovation Corporation

Notes to the Consolidated Financial Statements

November 30, 2022

2. Summary of significant accounting policies (continued)

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government entity to an individual, an organization or another government for which the government making the transfer does not receive any goods or services directly in return, as would occur in a purchase, sale or other exchange transaction; expect to be repaid in the future, as would be expected in a loan; or expect a direct financial return, as would be expected in an investment.

Government transfers are transfer of monetary assets from Innovacorp to the Province of Nova Scotia are recognized as an expense in the period the transfer is authorized and all eligible criteria have been met by the recipient.

Property and equipment

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

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

Buildings	4%	declining balance
Site improvements	8%	declining balance
Equipment	20%	declining balance
Furniture and fixtures	20%	declining balance
Leasehold improvements	Terms of lease	straight-line
Information technology	3-20 years	straight-line

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

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

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

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

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

Leases

Innovacorp accounts for the lease of its premises as an operating 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).

Province of Nova Scotia

Nova Scotia Innovation Corporation

Notes to the Consolidated Financial Statements

November 30, 2022

2. Summary of significant accounting policies (continued)

Non-monetary transactions

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

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at year-end. Foreign currency transactions are translated at the exchange rate prevailing at the date of the transactions. For items denominated in a foreign currency, unrealized foreign exchange gains and losses between the transaction date and subsequent financial statement dates are recognized in the statement of remeasurement gains and losses until they are settled, upon which they are recognized in the statement of operations.

Retirement benefits

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

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

- The liabilities are valued using the projected benefit method prorated on service and actuarial assessment and best estimates of the probability of retirement, salary escalation, inflation, expected health care costs, retirement ages and mortality rates.
- The discount rate applied is based on Innovacorp's cost of borrowing.
- Net actuarial gains or losses are amortized over the average remaining service period of the related employees.

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

Pension plan

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

Since sufficient information is not readily available to account for the Innovacorp's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting for defined contribution pension plans. No pension liability for this type of plan is included in the consolidated financial statements.

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

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

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2. Summary of significant accounting policies (continued)

Asset retirement obligations

Effective April 1, 2022, Innovacorp adopted new Public Sector Accounting Standard Section PS 3280 *Asset Retirement Obligations* (ARO) which recognizes legal obligations associated with the retirement of tangible capital assets. The consolidated financial statements of the comparative year have not been restated to reflect this change in the accounting policy, which has been applied prospectively. Under the prospective application method, all ARO incurred before and after the transition date are required to be recognized in accordance with the standard. The adaptation of the new standard did not have a significant impact on Innovacorp's consolidated financial statements.

Financial instruments / Foreign currency translation / Financial statement presentation

Effective April 1, 2022, Innovacorp adopted new Public Sector Accounting Standards Sections PS 3450 Financial Instruments, PS 3041 Portfolio Investments, PS 2601 Foreign Currency Translation and Section 1201 Financial Statement Presentation along with the related amendments. New Section PS 3450 requires the fair value measurement of portfolio investments in equities quoted in an active market. All other financial assets and liabilities are measured at cost or amortized cost (using the effective interest method), or, by policy choice, at fair value when the entity defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis. For items denominated in a foreign currency, unrealized foreign exchange gains and losses between the transaction date and subsequent financial statement dates are recognized in the statement of remeasurement gains and losses until they are settled, upon which they are recognized in the statement of operations.

The measurement requirements were applied prospectively. The recognition, derecognition, and measurement policies followed in the comparative period were not reversed and the comparative figures have not been restated.

3. Accounts receivable	November 30, 2022	March 31, 2022
Trade receivables		
Ordinary	\$ 303,716	\$ 280,758
Related parties	26,970	12,126
HST receivable	53,383	91,568
Due from the Province of Nova Scotia	-	74,347
	384,069	458,799
Less: allowance for doubtful accounts	-	(5,510)
	\$ 384,069	\$ 453,289

Trade receivables with related parties carry similar payment terms to that of ordinary trade receivables.

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

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4. Loans receivable

Loans receivable include promissory notes and convertible debentures which were issued under the mandate of the NSFF and have yet to earn significant revenues from their intended business activities or establish their commercial viability. The recovery of loan principal amounts and the realization of investment returns are dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises. Therefore, these factors have been considered in establishing the valuation allowance. Future adverse developments could result in further write-downs of the carrying values of these loans.

	November 30, 2022	March 31, 2022
Promissory notes	\$ 352,674	\$ 352,674
Convertible debentures	1,930,000	930,000
Valuation allowance	(598,772)	(226,772)
	<u>\$1,683,902</u>	<u>\$1,055,902</u>

The promissory notes and debentures have interest rates ranging between 5% and 12% (March 31, 2022 - between 5% and 10%).

The debentures are convertible at the option of Innovacorp into common or preferred shares of the borrower either on demand, in the event of default or at maturity. During the year, Innovacorp converted \$Nil debentures (March 31, 2022 - \$850,701) into common or preferred shares.

The maturity dates of the loans are as follows:

	Promissory notes	Convertible Debentures	Total amount due
Past due	\$ 312,674	\$ -	\$ 312,674
Year ending March 31, 2023	40,000	-	40,000
Year ending March 31, 2024	-	930,000	930,000
Year ending March 31, 2025	-	<u>1,000,000</u>	<u>1,000,000</u>
	352,674	1,930,000	2,282,674
Valuation allowance	<u>(226,772)</u>	<u>(372,000)</u>	<u>(598,772)</u>
Carrying value	<u>\$ 125,902</u>	<u>\$ 1,558,000</u>	<u>\$ 1,683,902</u>

5. Portfolio investments

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

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

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5. Portfolio investments (continued)	November 30, 2022	March 31, 2022
Investments quoted in an active market, at fair value	\$ 15,038,230	\$ 15,407,008
Investments in early-stage private enterprises, at cost	61,648,421	56,340,778
Less: other than temporary impairment	(7,697,412)	(7,226,092)
	<u>53,951,009</u>	<u>49,114,686</u>
Total	<u>\$ 68,989,239</u>	<u>\$ 64,521,694</u>

Included in investments quoted in an active market are investments of the NSFF with a fair value of \$15,038,230 (March 31, 2022 - \$15,407,008).

Included in investments in early-stage private enterprises are NSFF investments valued at cost less other than temporary impairment of \$53,951,009 (March 31, 2022 - \$49,114,686).

6. Retirement benefits	November 30, 2022	March 31, 2022
Post-retirement benefits	\$ 1,795,114	\$ 1,803,457

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

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

	Post Retirement Benefits	
	November 30, 2022	March 31, 2022
Accrued benefit liability, beginning of year	\$ 1,803,457	\$ 1,794,549
Current period benefit cost		
Current service cost	23,381	40,659
Interest cost	26,670	39,808
Amortization of actuarial experience gains	(37,538)	(39,983)
Less: benefits paid during the period	(20,856)	(31,576)
Accrued benefit liability, end of year	<u>1,795,114</u>	<u>1,803,457</u>
Unamortized actuarial experience gains	(442,917)	(401,789)
Accrued benefit obligation, end of year	<u>\$ 1,352,197</u>	<u>\$ 1,401,668</u>

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

	November 30, 2022	March 31, 2022
Discount rate	<u>2.96%</u>	<u>2.74%</u>
Percentage of member electing health care coverage at retirement	70%	70%
Extended health care cost increase	<u>4.0% - 6.55%</u>	<u>0% - 4.0%</u>
Inflation rate	<u>2.00%</u>	<u>2.00%</u>

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6. Retirement benefits (continued)

The unamortized actuarial gains and losses are amortized over the average remaining service life of the related employee group which has been estimated to be 8 years for post – retirement benefits (March 31, 2022 - 9 years).

The last actuarial valuation for accounting purposes took place on April 1, 2020. During the year, the services of an actuary were obtained to update the accrued benefit obligation balances as of November 30, 2022.

7. Pension plan

Innovacorp and its employees contribute to the PSSP in accordance with the Public Service Superannuation Act. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The contribution rates for eligible employees were 8.4% for earnings up to the Year's Maximum Pensionable Earnings for Canada Pension Plan contributions and 10.9% for excess earnings (March 31, 2022 - 8.4% for earnings up to the Year's Maximum Pensionable Earnings for Canada Pension Plan contributions and 10.9% for excess earnings). Innovacorp matches employee contributions to the plan. During the eight months ended November 30, 2022, Innovacorp contributed \$182,952 (March 31, 2022 - \$285,836) to the plan.

These contributions are Innovacorp's pension benefit expense. Since sufficient information is not readily available to account for Innovacorp's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting for defined contribution pension plans. No pension liability for this type of plan is included in the consolidated financial statements.

8. Deferred capital contributions

	Balance, <u>beginning of year</u>	Transferred <u>to revenue</u>	Balance, <u>end of year</u>
PNS – Knowledge Park ^(a)	\$ 375,176	\$ -	\$ 375,176
PNS – Fibre MAN ^(b)	18,188	3,000	15,188
ACOA – 1344 Summer St. ^(c)	136,893	11,408	125,485
PNS – Building Energy retrofit ^(d)	84,314	2,677	81,637
ACOA – 1344 Summer St. ^(e)	258,257	19,013	239,244
ACOA – 1344 Summer St. ^(f)	274,103	20,221	253,882
ACOA – 1344 Summer St. ^(g)	296,490	20,098	276,392
ACOA – 1344 Summer St. ^(h)	<u>256,299</u>	<u>21,055</u>	<u>235,244</u>
	<u>\$ 1,699,720</u>	<u>\$ 97,472</u>	<u>\$ 1,602,248</u>

(a) OIC 2005-387 provided Innovacorp with \$1.7 million in funding for infrastructure improvements in the Woodside Industrial Park towards the creation of a Knowledge Park on land owned by Innovacorp. Funding under this OIC has been fully advanced. Expenditures on land improvements have been deferred and are recognized upon disposition of land inventory.

(b) In 2005, the Province of Nova Scotia ("PNS") provided Innovacorp with \$98,200 to connect Innovacorp to the Halifax Area Dark Fibre Network. Additionally, \$90,000 was paid to the operator of the network, which entitled Innovacorp to use it for 20 years. These funds are being recognized over the period for which their cost entitles Innovacorp to access the ark fibre network.

(c) In 2011, Atlantic Canada Opportunities Agency ("ACOA") provided Innovacorp with \$348,000 in assistance to fit-up space at the Innovacorp Enterprise Centre ("IEC"). These funds are being recognized on the same basis as the assets they funded are amortized.

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8. Deferred capital contributions (continued)

- (d) In 2012, under the Government Building Energy Retrofit program, the Nova Scotia Department of Transportation and Infrastructure Renewal covered the \$121,831 cost of converting Innovacorp's air handling unit at 1 Research Drive from electric to natural gas. The associated costs have been deferred and will be recognized on the same basis as the asset they funded is amortized.
- (e) In 2013, ACOA provided Innovacorp with \$500,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are amortized.
- (f) In 2014, ACOA provided Innovacorp with \$500,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are amortized.
- (g) In 2015, ACOA provided Innovacorp with up to \$500,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are 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 IEC. These funds will be recognized on the same basis as the related assets are amortized.

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9. Property and equipment

November 30, 2022

	<u>Land</u>	<u>Buildings</u>	<u>Site improvements</u>	<u>Equipment</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Information technology</u>	<u>November 30, 2022 total</u>
Cost								
Opening balance	\$ 22,778	\$ 1,711,035	\$ 441,057	\$ 437,655	\$ 651,176	\$ 4,015,250	\$ 532,205	\$ 7,811,156
Additions	-	-	-	6,541	-	-	74,585	81,126
Disposals	-	-	-	(21,596)	(3,210)	-	(46,204)	(71,010)
Closing balance	<u>22,778</u>	<u>1,711,035</u>	<u>441,057</u>	<u>422,600</u>	<u>647,966</u>	<u>4,015,250</u>	<u>560,586</u>	<u>7,821,272</u>
Accumulated amortization								
Opening balance	-	603,229	302,480	311,803	562,906	1,866,137	422,782	4,069,337
Amortization	-	29,540	7,391	17,299	11,769	150,216	39,938	256,153
Disposals	-	-	-	(21,596)	(3,210)	-	(45,609)	(70,415)
Closing balance	-	<u>632,769</u>	<u>309,871</u>	<u>307,506</u>	<u>571,465</u>	<u>2,016,353</u>	<u>417,111</u>	<u>4,255,075</u>
Net book value	<u>\$ 22,778</u>	<u>\$ 1,078,266</u>	<u>\$ 131,186</u>	<u>\$ 115,094</u>	<u>\$ 76,501</u>	<u>\$ 1,998,897</u>	<u>\$ 143,475</u>	<u>\$ 3,566,197</u>

March 31, 2022

	<u>Land</u>	<u>Buildings</u>	<u>Site improvements</u>	<u>Equipment</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Information technology</u>	<u>March 31, 2022 total</u>
Cost								
Opening balance	\$ 22,778	\$ 1,711,035	\$ 441,057	\$ 935,844	\$ 679,935	\$ 4,248,489	\$ 502,222	\$ 8,541,360
Additions	-	-	-	-	-	-	66,847	66,847
Disposals	-	-	-	(498,189)	(28,759)	(233,239)	(36,864)	(797,051)
Closing balance	<u>22,778</u>	<u>1,711,035</u>	<u>441,057</u>	<u>437,655</u>	<u>651,176</u>	<u>4,015,250</u>	<u>532,205</u>	<u>7,811,156</u>
Accumulated amortization								
Opening balance	-	557,070	290,430	774,888	569,572	1,843,023	413,301	4,448,284
Amortization	-	46,159	12,050	35,104	22,093	256,353	46,345	418,104
Disposals	-	-	-	(498,189)	(28,759)	(233,239)	(36,864)	(797,051)
Closing balance	-	<u>603,229</u>	<u>302,480</u>	<u>311,803</u>	<u>562,906</u>	<u>1,866,137</u>	<u>422,782</u>	<u>4,069,337</u>
Net book value	<u>\$ 22,778</u>	<u>\$ 1,107,806</u>	<u>\$ 138,577</u>	<u>\$ 125,852</u>	<u>\$ 88,270</u>	<u>\$ 2,149,113</u>	<u>\$ 109,423</u>	<u>\$ 3,741,819</u>

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10. Government contributions

Innovacorp receives an annual contribution from the Province of Nova Scotia, as well as funding from various other federal and provincial government agencies for current operations, acquisition of property and equipment, and special project funding. Funding specifically related to the acquisition of property and equipment is deferred as disclosed in Note 8. Innovacorp also receives advances of statutory capital from the Province of Nova Scotia to finance NSFF and clean technology fund investments. These advances are recognized as revenue at the later of the date on which the funds are received and the date on which an eligible investment is made. Gains and losses on these investments will be recognized in operating surplus or deficit in subsequent periods in accordance with the portfolio investments accounting policy described in Note 2.

Details of funding for the year are as follows:

	November 30, 2022	March 31, 2022
Contributions received – Province of Nova Scotia	\$ 4,330,494	\$ 9,045,240
Statutory capital advances	9,231,474	15,160,216
ACOA Funding General	75,995	273,164
Clean Tech Funding	-	275,000
Recognition of previously deferred contributions - (Note 8)		
ACOA	91,795	137,691
Province of Nova Scotia	5,677	8,514
Total government contributions revenue	<u>\$ 13,735,435</u>	<u>\$ 24,899,825</u>

11. Expenses by object

	November 30, 2022	March 31, 2022
Advertising and promotion	\$ 102,550	\$ 140,523
Amortization	256,153	418,104
Awards	247,901	2,477,251
Communications	78,947	159,867
Information resources	136,453	185,622
Miscellaneous	23,706	59,786
Outside services	2,402,046	3,702,043
Professional development	60,242	102,549
Repairs and maintenance	109,292	228,411
Salaries and benefits	2,369,338	3,776,733
Supplies	58,074	96,800
Travel	79,772	35,889
Utilities	65,885	120,116
	<u>\$ 5,990,359</u>	<u>\$ 11,503,694</u>

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12. Related party transactions

In addition to the other related party transactions and balances disclosed elsewhere in the consolidated financial statements, Innovacorp generated revenue of \$356,657 (March 31, 2022 - \$467,780) on sales to NSFF investees during the eight months ended November 30, 2022. These sales were in the normal course of operations and at the same terms and conditions, as sales to unrelated parties.

Contributions received from Province of Nova Scotia as disclosed in Note 10, includes salaries and benefits that Province of Nova Scotia pays on behalf of Innovacorp. For the eight months ended November 30, 2022 total salaries and benefits paid by Province of Nova Scotia on behalf of Innovacorp totalled \$2,369,338 (12 months ended March 31, 2022 - \$3,776,733).

Payables and accruals at November 30, 2022 include \$1,492,660 (March 31, 2022 - \$108,857) payable to the Province of Nova Scotia, related to salary that was paid on Innovacorp's behalf by the Province of Nova Scotia, as well as \$116,548 payable to the Province of Nova Scotia for unused contributions (March 31, 2022 - \$Nil).

Receivables and accruals at November 30, 2022 include \$Nil (March 31, 2022 - \$70,947) due from the Province of Nova Scotia at November 30, 2022.

13. Financial instruments

Classification of financial instruments

The following table provides the carrying amount information of Innovacorp's financial instruments by category. The maximum exposure to credit risk for the financial assets would be the carrying values shown below.

	<u>November 30, 2022</u>		<u>March 31, 2022</u>	
	<u>Fair value</u>	<u>Classification Cost</u>	<u>Fair value</u>	<u>Classification Cost</u>
Financial asset				
Cash	\$ -	\$ 12,224,208	\$ -	\$11,439,568
Restricted cash and cash equivalents	-	3,632,870	-	1,997,227
Accounts receivable	-	384,069	-	453,289
Loans receivable	-	1,683,902	-	1,055,902
Portfolio investments				
Investments quoted in an active market	15,038,230	-	15,407,008	-
Investments in early stage private enterprises	-	53,951,009	-	49,114,686
	<u>\$15,038,230</u>	<u>\$ 71,876,058</u>	<u>\$15,407,008</u>	<u>\$64,060,672</u>
Financial liabilities				
Payables and accruals	\$ -	\$ 2,052,542	\$ -	\$ 1,724,352

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13. Financial instruments (continued)

Fair value

The following table provides an analysis of financial instruments that are subsequently measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	<u>November 30, 2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments quoted in an active market	\$15,038,230	\$ -	\$ -	\$15,038,230

Level 1 - Fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities using last bid price or liabilities;

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

Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Risk disclosures

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

Market risk

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

Price risk

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

Interest rate risk

Interest rate price risk is the risk that market values of a financial instrument will vary as a result of changes in underlying interest rates.

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13. Financial instruments (continued)

Interest rate risk (continued)

Innovacorp partially mitigates its exposure to interest rate fluctuations through limitations on duration of its fixed portfolio imposed by its investment policy.

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

Liquidity risk

Liquidity risk is the risk that Innovacorp will encounter difficulty in meeting its financial obligations as they become due. Innovacorp believes it has access to sufficient capital through operating and investing cash flows. Ongoing operating funding from the Province of Nova Scotia is required to meet the obligations set out below. In addition, occupancy levels in its facilities are a key factor in Innovacorp's ability to make quarterly principal and interest payments under its building improvement loan.

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

	Due within _____ 1 year	No set terms of repayment	November 30, _____ 2022 total
Payables and accruals	<u>\$ 2,052,542</u>	<u>\$ -</u>	<u>\$ 2,052,542</u>

Credit risk

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

Accounts receivable

Accounts receivable includes trade receivables, due from related parties, HST receivable, and other accrued receivables.

As at November 30, 2022, 13.9% (March 31, 2022 - 9.4%) of trade receivables are due from early stage technology-based companies. The development stage of Innovacorp's client base combined with the technology sector concentration, increases the associated credit risk. Innovacorp's active involvement with its clients mitigates this risk.

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

Innovacorp's maximum exposure to credit risk from accounts receivable is its carrying value of \$384,069 (March 31, 2022 - \$453,289).

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13. Financial instruments (continued)

Loans receivable

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

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

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

Innovacorp's maximum exposure to credit risk from the loans receivable at November 30, 2022 is its carrying value of \$1,683,902 (March 31, 2022 - \$1,055,902).

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

	Current	Up to 60 days past due	Over 60 days past due	Allowance for doubtful accounts	Total
Accounts receivable					
Trade receivable	\$ 77,148	\$ 138,520	\$ 88,048	\$ -	\$ 303,716
HST receivable	-	-	53,383	-	53,383
Non trade due from related parties	1,472	22,099	3,399	-	26,970
	78,620	160,619	144,830	-	384,069
Loans receivable	1,970,000	-	312,674	(598,772)	1,683,902
Totals	<u>\$ 2,048,620</u>	<u>\$ 160,619</u>	<u>\$ 457,504</u>	<u>\$ (598,772)</u>	<u>\$2,067,971</u>

14. Contractual obligations

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

March 31, 2023 (4 months)	\$ 584,308
March 31, 2024	1,744,231
March 31, 2025	1,669,833
March 31, 2026	1,316,142
March 31, 2027	1,310,312
March 31, 2028	1,310,312
	<u>\$ 7,935,138</u>

As at November 30, 2022, there were \$29.5 million (March 31, 2022 - \$29.5 million) approved commitments to invest under the mandate of the NSFF.

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15. Segmented information

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

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

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

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

The acceleration segment represents the accumulation of revenue and expenses pertaining to other programs and fostering activities that are offered to start ups.

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

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	Corporate Services		Investment		Incubation		Acceleration		Consolidated	
	Nov-22	Mar-22	Nov-22	Mar-22	Nov-22	Mar-22	Nov-22	Mar-22	Nov-22	Mar-22
Operating revenues										
Government contributions	\$13,735,435	24,899,825	-	-	-	-	-	-	\$13,735,435	\$24,899,825
Interest and dividends on portfolio investments and loans	-	-	138,046	175,122	-	-	-	-	138,046	175,122
Rent	-	-	-	-	728,831	1,083,078	61,683	95,223	790,514	1,178,301
Business recoveries	-	-	-	-	198,321	341,506	19,400	23,183	217,721	364,689
Other	74,703	49,093	-	-	4,558	7,746	233,267	971,881	312,527	1,028,719
	13,810,138	24,948,918	138,046	175,122	931,710	1,432,330	314,350	1,090,287	15,194,243	27,646,656
Operating expenses										
Advertising and promotion	94,671	91,725	-	-	2,855	15,023	5,024	33,775	102,550	140,523
Amortization	80,002	125,366	-	-	174,724	288,877	1,427	3,861	256,153	418,104
Awards	-	-	-	-	-	-	247,901	2,477,251	247,901	2,477,251
Communications	63,670	134,425	2,062	6,299	3,131	6,544	10,084	12,599	78,947	159,867
Information resources	80,523	118,718	51,462	64,950	108	160	4,360	1,794	136,453	185,623
Miscellaneous	7,575	8,008	207	2,995	14,454	46,617	1,470	2,166	23,706	59,785
Outside services	534,660	699,564	266,311	109,434	1,109,193	1,668,643	491,882	1,224,402	2,402,046	3,702,045
Professional development	29,251	50,609	11,151	34,023	1,547	1,756	18,293	16,161	60,242	102,549
Repairs and maintenance	8,002	13,466	-	-	101,290	205,202	-	9,743	109,292	228,410
Salaries and benefits	970,187	1,384,415	364,317	852,005	377,648	522,682	657,186	1,017,631	2,369,338	3,776,732
Supplies	20,053	24,246	-	435	34,253	42,362	3,768	29,757	58,074	96,800
Travel	16,966	10,324	17,151	5,710	776	965	44,879	18,890	79,772	35,888
Utilities	7,619	17,118	-	-	58,266	102,998	-	-	65,885	120,116
	1,913,179	2,677,984	712,661	1,075,851	1,878,245	2,901,829	1,486,274	4,848,030	5,990,359	11,503,693
Operating surplus (deficit)	\$ 11,896,959	\$ 22,270,934	\$ (574,615)	\$ (900,729)	\$ (946,535)	\$ (1,469,499)	\$ (1,171,924)	\$ (3,757,743)	\$ 9,203,884	\$ 16,142,963
Impairment of portfolio investments and loans receivable	-	-	(863,576)	(933,658)	-	-	-	-	(863,576)	(933,658)
Realized gains on marketable securities	-	-	145,771	101,511,407	-	-	-	-	145,771	101,511,407
Loss on disposal of property and equipment	(595)	-	-	-	-	-	-	-	(595)	-
Government transfer	-	-	-	(100,961,320)	-	-	-	-	-	(100,961,320)
	(595)	-	(717,805)	(383,571)	-	-	-	-	(718,400)	(383,571)
Annual surplus (deficit)	\$ 11,896,364	\$ 22,270,934	\$ (1,292,420)	\$ (1,284,300)	\$ (946,535)	\$ (1,469,499)	\$ (1,171,924)	\$ (3,757,743)	\$ 8,485,484	\$ 15,759,392

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16. Compensation disclosure

The schedule of compensation payments will be published in compliance with the provisions of *The Public Sector Compensation Disclosure Act*. The Act requires the publication of the names of every person who receives the amount of compensation of \$100,000 or more in the fiscal year and the amount paid to each. As such the compensation disclosure for employees of Innovacorp will be captured in the financial statements for March 31, 2023 for Invest Nova Scotia.

17. Budgeted figures

The budgeted figures presented are approved annually by the Board with the Business Plan for the fiscal year, and represent planned revenues and expenses for operations. The budgeted figures presented are consistent with Public Sector Accounting Standards. The fiscal 2022 budget was approved by the Board on February 8, 2022.

Budgeted figures have been presented within the statement of operations for the period from April 1, 2022 to November 30, 2022. Due to the budget figures being approved for the year April 1, 2022 to March 31, 2023, prorated figures have been presented. The difference in figures used for the consolidated financial statements and the approved fiscal plan have been outlined below.

	<u>Budget</u>	<u>Prorated</u>	<u>Difference</u>
Revenues			
Corporate services			
Government contributions – operations	\$ 9,449,421	\$ 6,299,614	\$ 3,149,807
Other	24,000	16,000	8,000
Incubation	1,367,186	911,457	455,729
Acceleration	368,089	245,393	122,696
Investment	1,800	1,200	600
	<u>11,210,496</u>	<u>7,473,664</u>	<u>3,736,832</u>
Expenses			
Corporate services	3,213,582	2,142,388	1,071,194
Incubation	3,095,922	2,063,948	1,031,974
Acceleration	3,949,007	2,632,671	1,316,336
Investment	1,235,172	823,448	411,724
	<u>11,493,683</u>	<u>7,662,455</u>	<u>3,831,228</u>
Operating deficit	<u>(283,187)</u>	<u>(188,791)</u>	<u>(94,396)</u>
Impairment of portfolio investments and loans receivable	<u>(500,000)</u>	<u>(333,333)</u>	<u>(166,667)</u>
Deficit	<u>\$ (783,187)</u>	<u>\$ (522,124)</u>	<u>\$ (261,063)</u>