



Nova Scotia Jobs Fund

Annual Report
2016- 2017

Introduction

The Nova Scotia Jobs Fund Act was proclaimed December 21, 2011, replacing the Industrial Development Act (Industrial Expansion Fund). The Jobs Fund (the Fund) was created to provide investment to support economic development such as attracting businesses, sustaining or increasing employment, promoting growth, renewal and restructuring in economic regions or sectors and pursuing regional or strategic initiatives. Investments were made to support activities such as productivity, capital expansion, and working capital. At times, the Fund functioned as a lender of last resort for use in rural Nova Scotia when key employers could not fit eligibility criteria among private-sector lending providers.

Starting in 2014, government shifted away from investments in specific businesses. Government is focused on broader economic objectives, such as workforce, sector and regional development, as well as having the right policies, laws, and accountability measures to foster private-sector growth. Meantime, direct to business work continues via the work of Crown corporations or agencies with arms-length boards of directors.

Effective April 2014, the Jobs Fund was closed to new transactions. It is, however, still comprised of more than 100 active, contractual economic development agreements, including investments approved under the Industrial Expansion Fund, all of which require monitoring and administration. Some of the investments currently still active in the Fund date back to the mid-1980s. As at March 31, 2016, the total funding amount authorized via the Jobs Fund is \$858,805,822.

In 2015, the Province of Nova Scotia transferred administration of the Jobs Fund portfolio to NSBI, while the Minister of Business maintains oversight of the Fund.

Portfolio makeup

Within the Jobs Fund, different instruments were structured to respond to companies with specific economic development situations. The resulting variety of financial instruments included the following:

Repayable Loans – these were typically repayable, secured and interest bearing loans

Partially forgivable loans – these were structured with security and repayment, but there may be provisions for the forgiveness for all or a portion of the principal, typically based on job creation

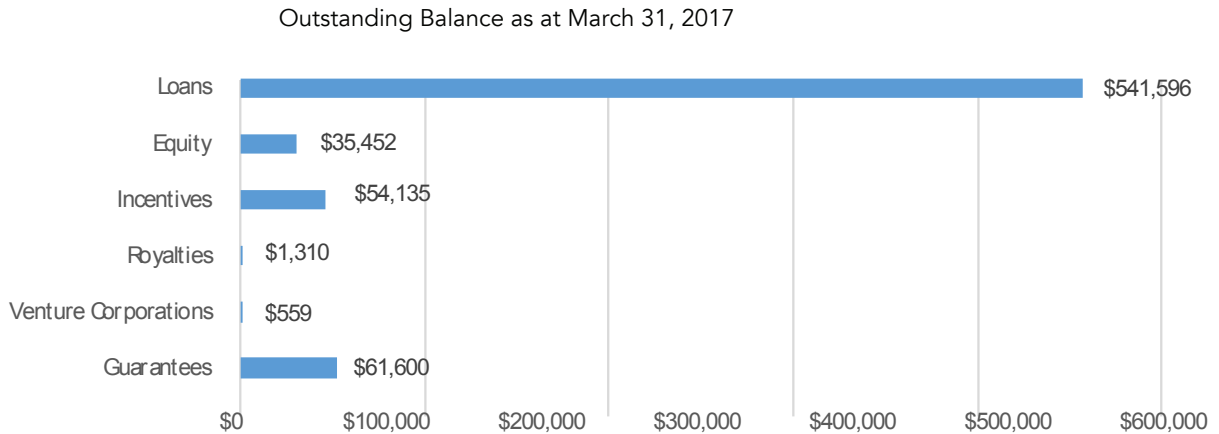
Equity – these could be in the form of common shares or preferred shares. Repayment may be in the form of dividends

Royalty rights – repayment may be structured based on revenues or other measurable activity

Guarantees – offered to a financial institution to provide additional support for loans or lines of credit. An annual fee is charged to the company for use of this instrument.

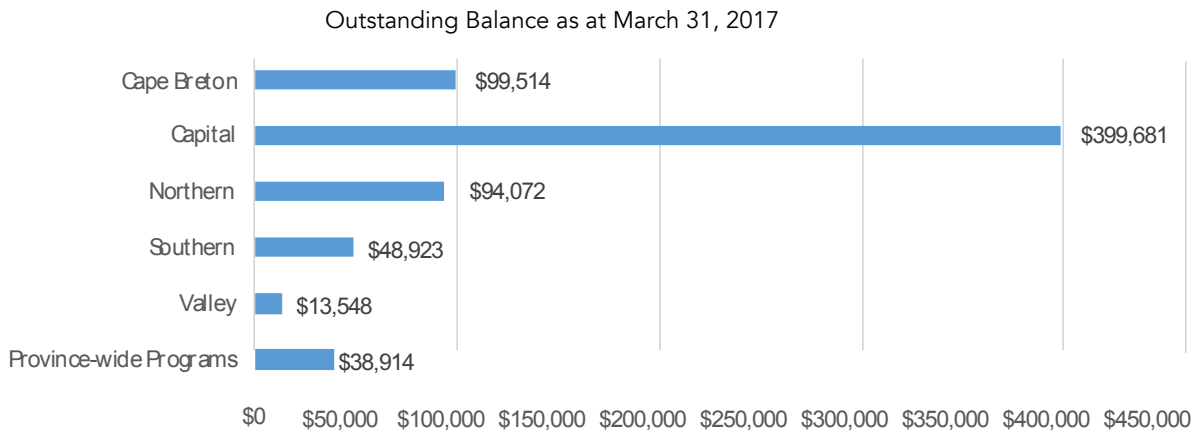
As shown by the following graph, the majority of the Jobs Fund portfolio is comprised of loans, a combination of both regular and forgivable loans. Loan guarantees are the next largest part of the portfolio. Investments under the Venture Corporations Act were done in the earlier days of the Industrial Expansion Fund.

Jobs Fund Portfolio - Based on Investment Type ('000's)



The geographic location of current Jobs Fund companies shows that the top three areas are the Capital region, followed by Cape Breton, then by Northern Nova Scotia. Within the Capital region, most the value of the portfolio is linked to agreements with Irving Shipbuilding Inc. regarding the National Shipbuilding Procurement Strategy. In addition, the Small Business Loan Guarantee Program (administered by the Credit Unions in Nova Scotia) is a province-- wide program that provides financing to companies throughout Nova Scotia.

Jobs Fund Portfolio - Based on Region ('000's)



Aggregate Changes in the Jobs Fund Portfolio

As of its proclamation in 2011, the original authorization amount for the Jobs Fund (including predecessor funds) was \$892 million. This represented the maximum envelope within which agreements may be signed. If agreement totals do not equal \$892 million, there is a remaining uncommitted amount. Since the Fund was closed April 1, 2014, uncommitted amounts cannot be used for additional agreements going forward.

The asset value of the Jobs Fund is also expected to change over time as development incentives are paid, loan forgiveness is earned, and as principal is repaid on loans. As with any loan portfolio, economic and business circumstances may result in write-off of bad debt in future years.

Changes to Number of Companies in the Fund in the 2016/17 fiscal year

- As of April 1, 2016, there were 64 companies in the portfolio, nine fewer than the previous fiscal year.
- One company earned its total eligible incentive amounts.
- Five companies were removed from the portfolio due to write-off of uncollectable debt.
- As of April 1, 2017, there were 58 companies in the Jobs Fund portfolio.

Portfolio Activity in the 2016/17 fiscal year

- \$39.8 million was paid by companies in principal and interest payments.
- \$6.3 million in incentives were earned by companies.
- \$4.9 million in uncollectable debt was written off.
- \$0.7 million was received in guarantee fees.

Survey

To gauge client metrics, NSBI – as administrator – requested all companies with active Jobs Fund files as of the fiscal year 2016 - 2017 provide the following data: total revenue, total employment (in full-time equivalents), total annual payroll, and exporting activity and export-derived sales data.

Data Collection - Jobs Fund Portfolio - based on Accounts

Total Number of Companies	64
Province-wide programs (SBLGP)	1
Inactive accounts	8
Subtotal	55
Non-responders	27
Number of companies that responded	28

The number of companies that responded are 43 per cent of all companies in the portfolio (51 per cent of active and non---province---wide programs) and 21.5 per cent of the value of the Jobs Fund portfolio, based in outstanding dollar value.

This data request was voluntary as opposed to mandatory because the contractual agreements signed between the companies and the Jobs Fund did not include terms and conditions requiring such data capture and dissemination.

The information provided and compiled herein is not part of an independent, third---party designed data collection. Nor is the information subject to an independent, third---party audit. The information contained herein comes from Jobs Fund portfolio companies that voluntarily submitted the information. The administrator (NSBI) is not responsible for the accuracy of the supplied information.

The data represent a snapshot in time, but provides an indication of the activity of the companies in the portfolio. The survey was conducted for the first time for fiscal 2015/16. Differences in the results are related to the number and type of companies that responded. As the portfolio reduces in the number of companies it would be expected to have a decline in revenues, employment and total export sales.

Companies responding to the survey indicated that they had \$1.26 billion dollars in sales with 67 per cent of sales occurring outside the Province of Nova Scotia. As the Ivany Report stated, exporting is a very important activity to the Nova Scotia economy and for the economy to grow, exports need to grow. The vast majority of businesses in Nova Scotia do not export. Statistics Canada data are only available for the number of businesses that export internationally. In 2016, there were 953 internationally exporting establishments in Nova Scotia and 72,056 businesses in private sector industries¹. There is a difference between establishment and business location counts for the number of businesses but it is clear that a low percentage of Nova Scotia businesses export internationally. Over 60 per cent of respondents to the survey indicated that they export outside of Nova Scotia (interprovincial and international exports).

Revenue including exports of reporting companies

	2015/16	2016/17
Total Revenue	\$1,308,898,061	\$1,256,979,159
Number of companies exporting outside Nova Scotia	24 63.2 per cent of respondents	21 75.0 per cent of respondents
Export Sales (estimated)	\$882,507,659 64.7 per cent of total sales	\$842,337,238 67.0 per cent of total sales

Employment was a consideration for some of the agreements entered into for both the Jobs Fund and its predecessors. Expressed in full-time equivalent terms, employment at responding firms was 4,895 with an associated payroll \$302.3 million. The derived average salary is \$57,797, which is approximately 31 per cent higher than the Nova Scotia average of \$44,058.2²

Employment and Payroll of reporting companies

	2015/16	2016/17
Total full time equivalents (FTEs)	4,673	4,895
Total Annual Payroll	281,233,618	\$302,257,910
Average Salary (payroll/FTEs)	\$60,183	\$57,797

¹ Derived from Business location counts data (Statistics Canada CANSIM tables 552-0005 and 553-0005) removing businesses in the educational services, health care and social assistance, and public administration industries.

² Derived from Nova Scotia's 2016 Average Weekly earnings for 2016 (Statistics Canada, CANSIM table 281-0027) multiplied by 52 weeks.

Financial statements of

Nova Scotia Jobs Fund

March 31, 2017

Nova Scotia Jobs Fund

March 31, 2017

Table of contents

Independent Auditor's Report	9- 10
Statement of financial position	11
Statement of operations	12
Statement of changes in net financial assets	13
Statement of continuity of fund under the Nova Scotia Jobs Fund Act	14
Statement of continuity of fund under the Venture Corporations Act	15
Notes to the financial statements	16 -22

Independent Auditor's Report

To the Minister of

Business, Province of Nova Scotia

We have audited the accompanying financial statements of Nova Scotia Jobs Fund, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net financial assets, continuity of fund under the Nova Scotia Jobs Fund Act and continuity of fund under the Venture Corporations Act for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nova Scotia Jobs Fund as at March 31, 2017 and its financial performance and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
June 29, 2017

Nova Scotia Jobs Fund

Statement of financial position

as at March 31, 2017

(in thousands of dollars)

	2017	2016
	\$	\$
Financial assets		
Investments and development incentives:		
Loans (Note 3)	541,596	559,123
Development incentives	54,135	55,032
Loans - Venture Corporations Act (Note 4)	559	559
Royalty rights (Note 5)	1,310	1,317
Shares (Note 6)	35,452	36,178
	633,052	652,209
Provision for concessionary assistance (Note 7)	(87,699)	(62,390)
Provision for development incentives	(54,135)	(55,032)
Allowance for doubtful accounts (Notes 3, 4, 5 & 6)	(100,671)	(106,922)
	(242,505)	(224,344)
Net investments and development incentives	390,547	427,865
Assistance authorized but unadvanced:		
Loans	44,000	44,000
Development incentives	5,072	10,018
	49,072	54,018
Due from Consolidated Fund of the Province of Nova Scotia:		
Guarantees (Note 8)	61,600	61,600
Provisions for payment under guarantees	(1,266)	(250)
	60,334	61,350
Uncommitted balance of fund, due from Consolidated Fund of the Province of Nova Scotia	122,916	109,980
Net financial assets, being accumulated surplus	622,869	653,213
Accumulated surplus - committed and uncommitted		
Accumulated surplus is comprised of:		
Authorized, net of write offs:		
Nova Scotia Jobs Fund Act	862,232	873,399
Venture Corporations Act	4,408	4,408
	866,640	877,807
Provision for concessionary assistance, development incentives and possible losses on assistance (Note 9)	(243,771)	(224,594)
	622,869	653,213

Contingencies (Note 10)

On behalf of the Fund

Original signed by Minister

Nova Scotia Jobs Fund

Statement of operations under the Nova Scotia Jobs Fund Act year ended March 31, 2017

(in thousands of dollars)

	2017	2016
	\$	\$
Revenue		
Interest	16,779	19,509
Guarantee fees	726	430
Gain on sale of shares	-	813
	17,505	20,752
Expenditures		
Loans written off and development incentives earned	11,167	10,720
Interest	-	(50)
	11,167	10,670
Operating surplus for the year	6,338	10,082

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

Nova Scotia Jobs Fund

Statement of changes in net financial assets year ended March 31, 2017

(in thousands of dollars)

	2017	2016
	\$	\$
Change in net financial assets:		
Increase in uncommitted balance of Fund	12,936	49,376
Cancellation of loans	(349)	(18,955)
Expiration of guarantees	-	(27,200)
Principal repayments reinvested in the Fund	(23,068)	(13,997)
Loans written off and development incentives earned	(11,167)	(10,720)
Change in provisions	(19,178)	(42,740)
Protective disbursement advances	184	-
Capitalized interest	9,777	11,538
Share repayments reinvested in the Fund	4	(1,272)
Guarantee payments	517	510
Decrease in net financial assets	(30,344)	(53,460)
Net financial assets, beginning of year	653,213	706,673
Net financial assets, end of year	622,869	653,213

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

Nova Scotia Jobs Fund

Statement of continuity of fund under the Nova Scotia Jobs Fund Act year ended March 31, 2017

(in thousands of dollars)

	2017	2016
	\$	\$
Fund balance, beginning of year	873,399	884,119
Operating surplus for the year	6,338	10,082
Interest	-	(50)
Revenue recorded in the Consolidated Fund	(17,505)	(20,752)
Net expenditures	862,232	873,399
Other activities within the Fund:		
Principal repayments reinvested in the Fund	23,068	13,997
Cancellation of loans	349	18,955
Expiration of guarantees	-	27,200
Share repayments reinvested in the Fund	(4)	1,272
Change in provision	(183)	-
Increase in uncommitted balance of the Fund	(12,936)	(49,376)
	10,294	12,048
Capitalized interest	(9,777)	(11,538)
Guarantee payments	(517)	(510)
	(10,294)	(12,048)
Fund balance, end of year	862,232	873,399

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

Nova Scotia Jobs Fund

Statement of continuity of fund under the Venture Corporations Act year ended March 31, 2017

(in thousands of dollars)

	2017	2016
	\$	\$
Fund balance, beginning of year	4,408	4,408
Fund balance, end of year	4,408	4,408
Comprising:		
Loans advanced	559	559
Uncommitted balance	3,849	3,849
	4,408	4,408

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

Nova Scotia Jobs Fund

Notes to the financial statements

March 31, 2017

(in thousands of dollars)

1. Reporting entity

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

2. Significant accounting policies

Basis of accounting

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

The Fund follows the accrual method of accounting for revenue and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

Loans receivable

Loans receivable are recognized at cost less allowances. An allowance is recorded when management considers it necessary to reduce the loan to its estimated recoverable amount. Loans receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of the principal and interest.

Royalty rights

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

Shares

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

Provision for concessionary assistance

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

Allowance for doubtful accounts

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

Nova Scotia Jobs Fund

Notes to the financial statements

March 31, 2017

(in thousands of dollars)

2. Significant accounting policies (continued)

Guarantees

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

Revenues and administrative expenses

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

Interest revenue and guarantee fees earned by the Fund are recorded directly in the accounts of the Consolidated Fund of the Province of Nova Scotia.

Government transfers

Government transfers received and paid are to establish and assist in developing or expanding industries in the Province.

Government transfers are recognized in the 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.

Statement of cash flows

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

Statement of remeasurement gain and loss

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

Use of estimates

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates included in the financial statements relate to the valuation of the financial assets and guarantees. Actual results could materially differ from those estimates.

Budget

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

Nova Scotia Jobs Fund

Notes to the financial statements

March 31, 2017

(in thousands of dollars)

3. Loans

	2017	2016
	\$	\$
Principal due		
Performing loans	501,003	513,947
Impaired loans	40,593	45,176
	541,596	559,123
Less: allowance for doubtful accounts	76,090	81,609
	465,506	477,514

Interest charged on these loans ranges from Nil% to 7% (2016 - Nil% to 9%). The level of security on loans is also negotiated between the Fund and the debtor. Security can range from an unsecured position to a fully secured position.

4. Venture Corporations Act

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

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

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

No funds were advanced nor received on these loans during the year (2016 - \$Nil).

	2017	2016
	\$	\$
Loans made to venture corporation	559	559
Less: allowance for doubtful accounts	559	559
	-	-

5. Royalty rights

	2017	2016
	\$	\$
Royalty rights	1,310	1,317
Less: allowance for doubtful accounts	1,310	1,317
	-	-

Nova Scotia Jobs Fund

Notes to the financial statements

March 31, 2017

(in thousands of dollars)

5. Royalty rights (continued)

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

6. Shares

	2017	2016
	\$	\$
Preferred shares	12,740	13,741
Common shares	22,712	22,437
	35,452	36,178
Less: allowance for doubtful accounts	22,712	23,437
	12,740	12,741

During the year, no common shares (2016 - 3,000) were redeemed. Certain preferred shares are eligible for concessionary assistance.

7. Provision for concessionary assistance

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

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

	2017	2016		
	\$	\$		
	Assistance outstanding	Provision for concessionary assistance	Net book value	Net book value
Loans	146,875	83,399	63,476	86,961
Shares	9,741	4,300	5,441	5,441
	156,616	87,699	68,917	92,402

Nova Scotia Jobs Fund

Notes to the financial statements

March 31, 2017

(in thousands of dollars)

8. Guarantees

	2017	2016
	\$	\$
Guarantees - in effect and utilized	48,598	58,708
Guarantees - in effect but unutilized	13,002	2,892
	61,600	61,600

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

	2017	2016
	\$	\$
Opening balance	224,594	181,854
Add current year provision		
Doubtful accounts	24,990	29,986
Development incentives	5,354	23,474
	254,938	235,314
Less: accounts written off	11,167	10,720
	243,771	224,594

10. Contingencies

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

11. Financial instruments

Fair value

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

There are no financial instruments recorded at fair value.

Associated risk

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

Nova Scotia Jobs Fund

Notes to the financial statements

March 31, 2017

(in thousands of dollars)

11. Financial instruments (continued)

Financial risk factors

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The Nova Scotia Jobs Fund assets are primarily exposed to credit, market price, interest rate, and liquidity risk.

Credit risk

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

As at March 31, 2017, the Fund had a significant concentration in its investment portfolio with respect to its five largest investees. The concentration of investments advanced to the Fund's five largest investees was 85% (2016 - 73%) of the carrying value of the investment portfolio.

As at March 31, 2017, the Fund had a significant concentration in its investment portfolio with respect to the forestry and shipbuilding industries. The concentration of investments advanced to companies participating in timber-related industries was 26% (2016 - 26%). The concentration of the investments advanced to companies participating in the shipbuilding industry was 61% (2016 - 59%).

Market price risk

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

Interest rate risk

Interest rate risk is the risk that the market value of the Fund's investments and debt will fluctuate due to changes in market interest rates. It is management's opinion that the Fund is not exposed to significant interest rate risk arising from financial instruments.

Liquidity risk

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

12. Related party transactions

The Fund had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements.

No shares were sold to related parties in current year. In 2016, ReNova Scotia Bioenergy Inc., purchased all the outstanding shares previously held by the Nova Scotia Jobs Fund valued at \$1,268.

NSBI pays certain expenses, including salaries and benefits, rent, travel, professional fees and miscellaneous office expenses, on behalf of the Fund with no charge to the Fund. These were previously paid by the Province of Nova Scotia until the Fund's administrative responsibilities were transferred to NSBI in 2016 fiscal year.

Nova Scotia Jobs Fund

Notes to the financial statements

March 31, 2017

(in thousands of dollars)

12. Related party transactions (continued)

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

