Loans

Maritime Paper Products	HRM
Lewis Mouldings*	Digby
Enligna Canada	HRM
Stark International	Pictou
JW Mason	Hants
Marener Industries	HRM
Aecon Industries	Pictou
Nova Leather Ltd.	Pictou
Solartron Energy Systems	Cumberland
GreenGym	HRM
Oxford Frozen Foods	Cumberland
Cherubini	HRM
Vilco	HRM

Equity Financing

Azorus	HRM
Origin BioMed	HRM
Impath	HRM
Mount Cameron Minerals	Cape Breton

Payroll Rebates for Productivity and/or Job Creation

North-Air	Cape Breton
Frito Lay Canada	Kings
Weavexx	Kings
Surrette Battery	Cumberland
Maritime Paper	HRM
Polysteel Atlantic	Cape Breton

Material Amendments

Pure Energy Visions	Cumberland
Mersey Point Fish Products	Queens
EBF	HRM

* Company received a loan and guarantee

Investment Attraction

Brookfield 2	HRM
Halifax Biomedical	Mabou
Nicom IT	HRM
eEye Inc.	HRM
Radian6	HRM
SimplyCast	HRM
Citco Fund Services	HRM

NSBI Board of Directors

Due diligence and adherence to rigorous corporate governance guide the action of NSBI's private-sector board. Comprised of respected business leaders from communities across Nova Scotia, the NSBI board provides guidance and governance for NSBI's business activities.

Including committee meetings, members of the board met 38 times in 2010/11 to:

- Oversee the corporate governance framework
- Review and approve quarterly and annual financial reports
- Oversee the strategic business planning process
- Identify and monitor major risks facing the corporation
- Monitor the integrity of the corporation's internal control systems
- Approve financial transactions within board limits

Committees

The Audit, Human Resources Governance, and Investment Committees serve to assist the board in carrying out its responsibilities.

The Audit Committee oversees NSBI's financial reporting, assesses its internal controls and risk environment, and reviews the report prepared by the corporation's external auditor.

Chair: Nancy Tower
Members: Janice Stairs, Dan Christmas

The Human Resources Governance Committee ensures appropriate human resource management policies are in place, manages the recruitment process for new board members, as well as develops and oversees NSBI's corporate governance principles.

Chair: Lois Dyer Mann
Members: Ray Ivany, Bert Lewis

The Investment Committee oversees NSBI's investment framework and policies, monitors the performance of the corporation's investment portfolio, and recommends financial transactions outside its approval limit to the full board for approval.

Chair: Sean Murray
Members: Scott Travers, Stuart Rath, Jim Eisenhauer

Officers

Stephen Lund, President & Chief Executive Officer
Lisa Bugden, Vice-President
Peter MacAskill, Managing Director, Corporate Services

In Alphabetical Order

Dan Christmas (appointed June 2010)

Senior Advisor, Membertou Band Council
& Membertou Corporate Division, Membertou

Cape Breton Partnership, Chair

Laurentian Energy Corporation Board of Directors, Co-Chair

J.D. (Jim) Eisenhauer, Chair (appointed to director, January 2005)

President, ABCO Group Limited, Lunenburg

Atlantic Industries Ltd. Board of Directors

Composites Atlantic Ltd. Board of Directors

Nova Scotia Power Inc. Board of Directors, Chair

Emera Inc. Board of Directors

Ray Ivany (appointed December 2010)

President & Vice-Chancellor, Acadia University, Wolfville

Former President & CEO, Nova Scotia Community College

Worker's Compensation Board of Nova Scotia, Former Chair

National Round Table on the Environment
and the Economy, Past Member

Bert Lewis (appointed November 2010)

Business Development Manager,
Mulgrave Machine Works Ltd., Port Hawkesbury

Former Principal, Nova Scotia Community College,
Strait Area Campus

Nova Scotia Hearing and Speech Centres Board of Directors

Celtic Colours International Festival Board of Directors

Strait Area Chamber of Commerce, Former President

Lois Dyer Mann (appointed December 2007)

Former Partner, Caldwell Partners, Halifax

2011 Canada Winter Games Host Society,
Director and Chair of HR Committee of the Board

Halifax Chamber of Commerce, Former Chair

IWK Health Centre Foundation, Former Trustee

Sean Murray (appointed June 2007)

President and CEO, Advocate Printing
and Publishing Company Limited, Pictou

Canadian Printing Industries Association, Former Chair

The Canadian Community Newspaper Database
Corporation (ComBase), Chair

Aberdeen Hospital Foundation Board of Directors

Stuart Rath (appointed March 2007)

President and Director, Stuco Holdings Limited, Truro

Truro Centre Limited, Vice President

Erdene Resource Development Corp. Board of Directors

Janice Stairs (appointed September 2009)

General Counsel, Endeavour Mining Corporation

Halifax Counsel, McInnes Cooper

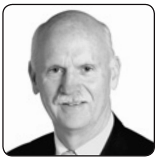
Halifax Grammar School Board of Governors and Executive Committee, Past Member

Nova Scotia Barristers Society Admissions Screening Committee, Past Member

Nova Scotia District Council of the Investment Dealers Association, Past Member

Dalhousie Medical School Admissions Committee, Past Member

Ian Thompson (appointed January 2009)



Deputy Minister, Department of Economic and Rural Development and Tourism, Halifax

Innovacorp Board of Directors

Trade Centre Board of Directors

MT&L Public Relations, Former Partner

Halifax Chamber of Commerce, Former Chair

Nancy Tower (appointed October 2004)

Executive Vice-President and Chief Financial Officer, Emera Inc., Halifax

QEII Hospital Foundation Board of Trustees

CAA Maritimes, Former Chair

Nova Scotia Institute of Chartered Accountants, Former President

Scott Travers (appointed June 2009)

President and COO, Minas Basin Pulp and Power Company Limited, Hantsport

Vice Chairman and President, Newton Falls Fine Paper Company, LLC

Director, Crown Fibre Tube

Founding Member, Electrical Consumers Association of Nova Scotia

Overall performance

Measure	Targets 2010-11	Actual 2010-11
Total payroll impact of NSBI clients (note 1)	$130 million	$142.3 million
Forecasted average portfolio return on investments utilizing SIFs	40% or greater	47.9%

Attract leading edge, sustainable business investment to Nova Scotia

Measure	Targets 2010-11	Actual 2010-11
# of projects committed by Investment Attraction clients	9	4
# of projects committed by Investment Attraction clients located in Nova Scotia	5	3
Average gross salary of new jobs forecasted to be created by Investment Attraction clients (note 2)	$42,500	$51,316

Promote the growth of new and existing businesses in Nova Scotia by enabling them to succeed with business opportunities in both local and export markets

Measure	Targets 2010-11	Actual 2010-11
# of clients introduced to new markets or further advanced in existing markets	200	328
Client-reported actual and forecasted export sales (note 3)	$75 million	$140.3 million

Provide access to capital for new/existing businesses in Nova Scotia, with the intent of enhancing value-added growth for the province's economy

Measure	Targets 2010-11	Actual 2010-11
# of Venture Capital projects authorized	n/a	4
# of Business Financing projects authorized (note 4)	16	17
# of companies that undertake productivity enhancements utilizing the Strategic Investment Fund	10	6
Impaired loan ratio	15% or less	16.8%
Leverage ratio of partner/client: NSBI	1.0	0.36

Corporate Scorecard Notes

1. Consistent with industry reporting standards, NSBI's approach to reporting the creation and retention of payroll is to record the project, and the maximum forecasted payroll impact, in the fiscal year in which the project is authorized and accepted by the client.

   The maximum payroll impact is calculated by adding the maximum payroll possible plus retained payroll from projects completed in the fiscal year.

   Total payroll = maximum payroll + retained payroll.

   Forecasted payroll from investment attraction clients are determined by the investment attraction projects authorized in 2010-11.

   Payroll impact from trade development clients are forecasted using a metric: one incremental job created for each $90,000 in incremental client-reported actual and forecasted export sales. The 24-month sales data reported by these clients is annualized and then further divided by $90,000 to estimate the job impact. To calculate payroll, the job figure is multiplied by the average per capita income in the province as reported by Statistics Canada. The assumption: each forecasted job created by trade development clients has a salary equivalent to the average per capita income in the province.

Corporate Scorecard Notes (continued):

Forecasted payroll from business financing and venture capital clients is determined by the business financing/venture capital projects authorized in 2010-11.

The business advisory team reports the forecasted payroll impact from projects that have been referred to and completed through partner agencies, in which the team played a significant role by arranging financing or assisting with business planning, etc. The forecasted job and payroll impact is disclosed as reported by its clients. The totals are from April 1, 2010 to January 11, 2011. On January 11, 2011, a new, merged Department of Economic and Rural Development and Tourism (ERDT) was officially created. NSBI's six business advisory field staff transferred to this department.

Included in the $142.3 million total payroll is $10 million in payroll as a result of an amendment to the current Citco Fund Services agreement. This amendment includes a three-year extension which could see as many as 200 additional FTE in Nova Scotia, beginning in January 1, 2014. This payroll will only be incremental to the original transaction if Citco Funds Services exceeds 350 FTE in the current agreement.

2. Average gross salary includes salary and benefits
3. Client-reported actual and forecasted export sales of $140.3 million relates to sales resulting from an NSBI-related trade program. Clients reported actual export sales signed at the time of the event of $1.4 million. Clients were contacted again six months following the event and reported $9.1 million incremental sales and forecasted an additional $129.8 million sales for the following 18 months.
4. Target of 16 established, which includes successful transactions with partners and material amendments to existing clients that have a positive net economic benefit to the province. A total of 17 transactions were completed. This includes 13 loans, 1 guarantee, and 3 material amendments to existing clients that have a positive net economic benefit to the province.

2010-11 Payroll

	Forecasted Jobs		Forecasted Payroll
	(Min + Retained)	(Max + Retained)	(Max + Retained)
Investment Attraction	204	585	$ 30,020,000
Venture Capital	35	42	$ 2,215,000
Trade Development	677	677	$ 18,991,195
Business Advisory	12	14	$ 469,600
Business Financing	1,751	1,906	$ 90,590,434
Total	**2,679**	**3,224**	**$ 142,286,229**

The accompanying financial statements of Nova Scotia Business Inc. have been prepared by management in accordance with the Canadian generally accepted accounting principles and, if necessary, contain certain items that reflect the best estimates and judgment of management. The integrity and objectivity of the data in these financial statements are management's responsibility. Management is responsible for ensuring that all information in the Annual Report is consistent with the financial statements.

In support of its responsibility, management has developed and maintains financial and management control systems and practices to provide reasonable assurance that transactions are properly authorized and recorded, that financial information is reliable, that the assets are safeguarded and liabilities recognized, and that the operations are carried out effectively.

The Board of Director's Audit Committee, comprised of non-management directors, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management, compliance & risk management, and the independent auditors to review internal accounting controls, audit controls, audit results, accounting principles and practices, and to review and approve the financial statements.

These financial statements have been audited by the corporation's external auditors, KPMG LLP, and their report is presented herein.

Stephen Lund
President and
Chief Executive Officer

Ferdinand Makani, MBA, CMA
Controller

To the Directors of Nova Scotia Business Inc.

We have audited the accompanying financial statements of Nova Scotia Business Inc. which comprise the balance sheet as at March 31, 2011, the statements of revenue, expenditures, retained earnings, comprehensive income and cash flows for the year then ended, and notes, comprising 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 generally accepted accounting principles, 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.

Auditors' 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 an 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 our 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, we consider 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 Business Inc. as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Halifax, Canada
June 29, 2011

Chartered Accountants

(in thousands of dollars)
March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash	$ 10,136	$ 15,178
Accrued interest receivable	2,176	1,737
Due from the Province of Nova Scotia	8,697	9,657
Current portion of loans receivable (note 2)	5,333	6,758
Other receivables	718	789
	27,060	34,119
Nova Scotia Business Fund assets:		
Loans receivable (note 2 and 6)	84,437	80,111
Equity investments (note 3 and 6)	26,507	29,080
Industrial parks and malls (note 4)	2,429	2,076
	113,373	111,267
	$ 140,433	$ 145,386
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 13,902	$ 15,757
Provision for payment of guarantees (note 6)	30	2,900
Dividend payable	967	1,915
Principal due within one year to the Province of Nova Scotia (note 7)	9,176	10,188
	24,075	30,760
Long-term debt:		
Due to the Province of Nova Scotia (note 7)	93,548	91,186
Shareholder's equity:		
Retained earnings	24,350	23,430
Accumulated other comprehensive income (loss)	(1,540)	10
	22,810	23,440
Commitments (note 9)		
Contingencies (note 10)		
	$ 140,433	$ 145,386

See accompanying notes to financial statements.

On Behalf of the Board:

Director

Director

Statement of Revenue, Expenditures and Retained Earnings

(in thousands of dollars)
Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Provincial grants:		
Operating grant	$ 10,972	$ 10,905
Strategic investment grant	8,914	12,604
Loan valuation allowance	2,100	2,100
Gateway initiative grant	–	49
Interest on loans receivable	8,700	6,889
Other investment income	471	344
Gain on sale of property	564	1,515
Miscellaneous	1,788	2,321
	33,509	36,727
Expenses:		
Operating expenses (Schedule)	11,621	12,626
Strategic investments	8,914	12,604
Allowance for credit losses and provision for payment of guarantees	3,029	4,404
Nova Scotia Business Fund expenses (Schedule)	8,058	6,426
	31,622	36,060
Excess of revenue over expenditures	1,887	667
Retained earnings, beginning of year	23,430	24,678
Less: Dividend to shareholder	(967)	(1,915)
Retained earnings, end of year	$ 24,350	$ 23,430

See accompanying notes to financial statements.

Statement of Comprehensive Income

(in thousands of dollars)
Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Net income	$ 1,887	$ 667
Other comprehensive income (loss):		
Change in unrealized gains on available-for-sale securities	(1,550)	1,486
	$ 337	$ 2,153

Statement of Changes in Shareholder's Equity

(in thousands of dollars)
Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Share capital (note 8):		
Authorized:		
100 Class A common shares with a par value of $1 each		
Issued and outstanding to the Province of Nova Scotia:		
100 common shares	$ –	$ –
Retained earnings	24,350	23,430
Accumulated other comprehensive income (loss):		
Balance beginning of year	10	(1,476)
Other comprehensive income (loss) for the year	(1,550)	1,486
Balance at end of year	(1,540)	10
Total Shareholder's Equity	$ 22,810	$ 23,440

See accompanying notes to financial statements.

(in thousands of dollars)
Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	$ 1,887	$ 667
Items not involving cash:		
Amortization	95	114
Loss on sale of financial instruments	52	–
Allowance for credit losses and provision for payment of guarantees	3,029	4,404
Capitalized interest on loans (receivable) payable	397	(1,136)
Gain on sale of property	(564)	(1,515)
Loan valuation allowance - due from the Province of Nova Scotia	(2,100)	(2,100)
Change in non-cash operating working capital:		
Decrease (increase) in accrued interest receivable	(439)	715
Decrease in due from the Province of Nova Scotia	960	1,728
Decrease (increase) in other receivables	71	(23)
Increase (decrease) in accounts payable and accrued liabilities	(1,855)	1,111
Increase (decrease) in dividend payable	(948)	1,915
	585	5,880
Financing:		
Dividends	(967)	(1,915)
New borrowings from the Province of Nova Scotia	18,076	15,905
Principal repayments to the Province of Nova Scotia	(15,023)	(7,648)
	2,086	6,342
Investments:		
Loan advances	(16,610)	(7,635)
Principal received on loans	8,361	7,763
Redemption of shares	4,000	–
Equity investments	(4,475)	(10,756)
Proceeds from disposal of Industrial Parks	1,011	1,915
Capital additions (additions)	–	13
Principal received on convertible debentures	–	216
	(7,713)	(8,484)
Increase (decrease) in cash	(5,042)	3,738
Cash, beginning of year	15,178	11,440
Cash, end of year	$ 10,136	$ 15,178

See accompanying notes to financial statements.

(in thousands of dollars) Year ended March 31, 2011

Nova Scotia Business Inc. (the "Corporation") is a corporation, wholly-owned by the Province of Nova Scotia with an independent Board of Directors. The Corporation was established pursuant to the Nova Scotia Business Incorporated Act, Chapter 30 of the Acts of Nova Scotia, 2000. The Corporation's mission is to deliver client-focused business solutions that result in sustainable, value-added economic growth for Nova Scotia. The Corporation is not subject to provincial or federal taxes.

1. Summary of significant accounting policies:

(a) Loans receivable:
Loans receivable are recorded at amortized cost less a general allowance for credit losses equal to 5% of cost. A specific allowance is recorded when management considers it necessary to reduce the loan to its estimated recoverable amount.

(b) Equity investments:
Equity investments in publicly traded companies are recorded at fair market value. Equity investments with limited market information available are recorded either at: 1) value determined by a specific valuation method or, 2) cost less a general allowance for credit losses equal to 10% of cost. This allowance or the difference between valuation and cost amount reflects the risk associated with equity investments. The cost approach is used in cases whereby the valuation result is higher than book value but the increase is considered temporary or in cases where there is no available data to perform any form of a valuation approach. The investments are reviewed twice yearly for potential declines in value.

(c) Industrial parks and malls:
The industrial parks and malls consist of properties held for sale and improved properties consisting of land and land improvements, buildings, wharves, and utilities. Land is recorded at the lower of cost and estimated net realizable value. The remaining assets are recorded at cost and amortized on a declining balance basis over their estimated useful lives as follows:

Asset	Basis	Rate
Industrial malls and other buildings	Declining balance	5%
Wharves	Declining balance	5%
Utilities	Declining balance	4–15%

Assets not in use are not amortized.

The Department of Transportation and Infrastructure Renewal has operational responsibility for the industrial parks and malls. Certain revenues and expenses associated with the operation of the industrial parks and malls are accounted for by the Department of Transportation and Infrastructure Renewal and are not reflected in these financial statements.

1. Summary of significant accounting policies (continued):

Proceeds from the sale of assets less closing costs are remitted to the Province of Nova Scotia in the form of dividends. In 2011, the dividend payable was $967 (2010 - $1,915).

(d) Other assets:
Other assets consist of property acquired through foreclosure. Other assets are recorded at cost less a general allowance for credit losses equal to 5% of cost. A specific allowance is recorded if management considers it necessary to reduce the asset to its estimated recoverable amount.

(e) Due to the Province of Nova Scotia:
Amounts due to the Province of Nova Scotia are recorded at amortized cost.

(f) Other comprehensive income (loss):
Comprehensive income (loss) is composed of the Corporation's net income and other comprehensive income. Other comprehensive income (loss) includes unrealized gains and losses on available-for-sale investments. All of the Corporation's publicly traded equity investments have been recorded as available for sale and this has resulted in a decrease (increase) of $1,550 (2010 - $(1,486)) to opening accumulated other comprehensive income (loss).

During the year, investments in the amount of $720 (2010 - $nil) were written off and included in other comprehensive income (loss).

(g) Revenue recognition:
Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectability of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized, and any interest income that is accrued is reversed. A loan is considered impaired when there is risk of loss to the Corporation of the full and timely collection of principal and interest; generally, when it is more than three months in arrears. In the event a loan is no longer considered to be impaired, interest revenue is recognized in the year of recovery.

(h) Allowance for credit losses and provision for payment of guarantees:
As financing is advanced, the Corporation immediately records a general allowance equal to 5-10% of the amount disbursed. The Corporation provides for possible credit losses on an item-by-item basis by examining such factors as the client's financial condition and the fair value of the underlying security.

The provision for credit losses is partially offset by a loan valuation allowance from the Province of Nova Scotia.

(i) Employee future benefits:
Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of twenty-six years. Management recognizes compensation expense on an accrual basis based on an annual actuarial assessment.

(in thousands of dollars) Year ended March 31, 2011

1. Summary of significant accounting policies (continued):

(j) Use of estimates:
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates included in the financial statements relate to the valuation of the Nova Scotia Business Fund assets and the determination of the fair value of the loans receivable and the amount of the long-term debt due to the Province of Nova Scotia.

2. Loans receivable:

	2011	2010
Principal due:		
Performing loans	$ 104,537	$ 106,885
Impaired loans	21,223	16,706
	125,760	123,591
Allowance for credit losses (note 6)	35,990	36,722
	89,770	86,869
Less current portion	5,333	6,758
	$ 84,437	$ 80,111

3. Equity investments:

	2011	2010
Common shares	$ 8,225	$ 12,327
Preferred shares	18,939	22,748
Convertible debentures	10,661	9,561
	37,825	44,636
Allowance for credit losses (note 6)	11,318	15,556
	$ 26,507	$ 29,080

Certain preferred shares have conversion options and warrants attached.

(in thousands of dollars) Year ended March 31, 2011

4. Industrial parks and malls:

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Land	$ 110	$ –	$ 110	$ 143
Industrial malls and other buildings	2,057	766	1,291	649
Wharves	1,752	1,061	691	921
Utilities	458	121	337	363
	$ 4,377	$ 1,948	$ 2,429	$ 2,076

During the year, a building valued at $895 was acquired through a loan foreclosure and was transferred to industrial parks and malls as an owned asset.

5. Other assets:

	2011	2010
Property acquired through foreclosure, at cost	$ 820	$ 822
Less allowance for credit losses (note 6)	820	822
	$ –	$ –

(in thousands of dollars) Year ended March 31, 2011

6. Allowance for credit losses and provision for payment of guarantees:

	Gross balance outstanding	Specific allowance	General allowance	Total allowance	2011 Net balance outstanding
Loans receivable (note 2)	$ 125,760	$ 31,740	$ 4,250	$ 35,990	$ 89,770
Equity investments (note 3)	37,825	8,984	2,334	11,318	26,507
Guarantees (note 10)	300	–	30	30	270
Other assets (note 5)	820	820	–	820	–
	$ 164,705	$ 41,544	$ 6,614	$ 48,158	$ 116,547

	Gross balance outstanding	Specific allowance	General allowance	Total allowance	2010 Net balance outstanding
Loans receivable (note 2)	$ 123,591	$ 32,593	$ 4,129	$ 36,722	$ 86,869
Equity investments (note 3)	44,636	13,218	2,338	15,556	29,080
Guarantees (note 10)	2,900	2,900	–	2,900	–
Other assets (note 5)	822	822	–	822	–
	$ 171,949	$ 49,533	$ 6,467	$ 56,000	$ 115,949

During the year, investments in the amount of $11,591 (2010 - $286) were written off and included in the allowance for credit losses and provision for payment of guarantees and other comprehensive income.

(in thousands of dollars) Year ended March 31, 2011

7. Due to Province of Nova Scotia:

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

			2011	2010
	Fiscal year of maturity	Weighted average interest rate	Principal outstanding	Principal outstanding
Note payable 2002-01	–	–	$ 19,358	$ 29,504
Note payable 2002-02	2022	6.22%	30,385	32,424
Note payable 2003-03	2012	4.97%	17	68
Note payable 2003-04	2014	5.29%	315	454
Note payable 2003-05	2011	5.44%	–	145
Note payable 2004-01	2017	4.61%	904	1,259
Note payable 2004-02	2015	4.18%	2,778	3,448
Note payable 2005-01	2011	4.23%	–	1,013
Note payable 2005-02	2014	3.80%	128	270
Note payable 2006-01	2027	5.09%	1,379	1,474
Note payable 2006-02	2027	4.98%	1,760	1,877
Note payable 2006-03	2027	4.86%	2,854	3,044
Note payable 2006-04	2027	4.94%	1,970	2,101
Note payable 2007-01	2027	5.11%	888	947
Note payable 2007-02	2027	4.89%	899	959
Note payable 2007-03	2027	4.97%	383	409
Note payable 2007-04	2027	5.01%	73	78
Note payable 2007-05	2027	5.38%	1,281	1,367
Note payable 2007-06	2027	5.58%	133	142
Note payable 2008-01	2017	4.02%	778	908
Note payable 2008-02 to 2008-13	2012-2027	0.99%-5.15%	3,261	3,746
Note payable 2009-01 & 2009-06	2012	1.60%	480	640
Note payable 2009-02	2027	3.16%	822	872
Note payable 2009-03 & 2009-05	2014	2.20%	1,748	2,150
Note payable 2009-04	2013	2.11%	205	265
Note payable 2009-07	2014	2.52%	311	400
Note payable 2009-08	2015	4.09%	992	1,050
Note payable 2009-09	2013	1.75%	157	197
Note payable 2009-10	2015	3.18%	6,186	5,996
Note payable 2009-11	2015	3.18%	758	735
Note payable 2009-12	2015	3.18%	1,041	1,009
Note payable 2009-13	2015	3.17%	286	277
Note payable 2009-14	2015	2.92%	331	350
Note payable 2009-15	2015	3.16%	155	151
Note payable 2009-16	2015	3.15%	1,181	1,145
Note payable 2009-17	2015	3.35%	207	200
Note payable 2009-18	2012	2.80%	300	300
Balance carry-forward			84,704	101,374

(in thousands of dollars) Year ended March 31, 2011

7. Due to Province of Nova Scotia (continued):

	Fiscal year of maturity	Weighted average interest rate	2011 Principal outstanding	2010 Principal outstanding
Balance carried forward			84,704	101,374
Note payable 2010-01	2014	1.94%	219	–
Note payable 2010-02	2016	3.67%	259	–
Note payable 2010-03	2016	2.39%	123	–
Note payable 2010-04	2016	3.63%	310	–
Note payable 2010-05	2014	3.17%	142	–
Note payable 2010-06	2016	3.45%	206	–
Note payable 2010-07	2016	3.45%	515	–
Note payable 2010-08	2013	2.05%	100	–
Note payable 2010-09	2016	3.16%	64	–
Note payable 2010-10	2016	3.17%	87	–
Note payable 2010-11	2015	2.28%	27	–
Note payable 2010-12	2015	2.35%	350	–
Note payable 2010-13	2016	2.94%	28	–
Note payable 2010-14	2013	1.77%	107	–
Note payable 2010-15	2016	2.57%	557	–
Note payable 2010-16	2014	2.05%	1,010	–
Note payable 2010-17	2014	2.21%	800	–
Note payable 2010-18	2013	1.91%	150	–
Note payable 2010-19	2016	2.57%	1,497	–
Note payable 2010-20	2016	2.17%	70	–
Note payable 2010-21	2016	2.57%	550	–
Note payable 2010-22	2014	2.56%	504	–
Note payable 2010-23	2014	2.09%	1,639	–
Note payable 2010-24	2021	3.35%	5,000	–
Note payable 2010-25	2014	2.60%	502	–
Note payable 2010-26	2014	2.44%	200	–
Note payable 2010-27	2016	2.94%	509	–
Note payable 2010-28	2012	1.69%	196	–
Note payable 2010-29	2016	2.70%	99	–
Note payable 2010-30	2016	3.28%	502	–
Note payable 2010-31	2013	1.77%	8	–
Note payable 2010-32	2013	1.87%	940	–
Note payable 2010-33	2014	2.14%	750	–
			102,724	101,374
Less principal due within one year			9,176	10,188
			$ 93,548	$ 91,186

(in thousands of dollars) Year ended March 31, 2011

7. Due to Province of Nova Scotia (continued):

The principal for note 2002-01 is repayable to the Province when the principal is collected from the loans that are funded by this note. In addition, 80% of the interest received or capitalized on the underlying loans is repayable to the Province.

The remaining notes are repayable in quarterly instalments of principal and interest based on the maturity dates and rates set out above.

(b) Principal payments due in each of the next five years are as follows:

2012	$	9,176
2013		8,172
2014		8,731
2015		6,227
2016		4,723

There are no set repayment terms for certain notes payable due to the Province of Nova Scotia in the amount of $35,723.

8. Share capital:

The Corporation is authorized to issue 100 Class A common shares with a par value of $1 each. At year-end, 100 common shares have been issued to the Province of Nova Scotia.

9. Commitments:

(a) The Corporation has approved financing of $20,089 (2010 - $4,690) that is undisbursed at year-end.

(b) The Corporation administers strategic investments on behalf of the Province of Nova Scotia that permit approved businesses to receive a percentage of payroll taxes paid as a rebate. Expenses incurred by the Corporation are match-funded by the Province of Nova Scotia in the form of a Strategic Investment Grant. As at March 31, 2011, transactions were approved with maximum annual payments over the next seven years of $79.4 million (2010 - $113.7 million) as shown below.

2012	$	26,260
2013		21,874
2014		17,462
2015		8,342
2016		3,653
2017		1,222
2018		585
	$	79,398

(in thousands of dollars) Year ended March 31, 2011

10. Contingencies:

(a) Guarantees:

	Authorized	2011 Utilized	2010 Utilized
Bank loans	$ 1,050	$ 300	$ 2,900
Less provision for payment		30	2,900
		$ 270	$ –

The above are guarantees of lines of credit and one or more of these will expire in 2012.

The guarantee is secured by various assets and proceeds from liquidation are expected to offset any possible payments under the guarantee.

(b) Litigation:
The Corporation is a co-defender with the Province of Nova Scotia and Industrial Estates Limited in a dispute regarding environmental contamination on land previously owned by Industrial Estates Limited. It is assumed that any losses incurred related to this claim will be fully funded by the Province of Nova Scotia.

The Corporation is unable to form an opinion in regard to the likelihood of loss arising from the above litigation. Consequently, no provision for any possible loss has been recorded in these financial statements.

In addition, there are other outstanding claims against the Corporation for events that have arisen in the normal course of carrying on the operations of the Corporation. It is not possible at this time to determine the amount that may be assessed, or the impact to the Corporation's financial statements, with respect to these claims.

(c) The Corporation completed a transfer agreement with the Municipality of the County of Colchester in fiscal 2008, which included a water system. The system has undergone GUDI (Groundwater Under the Direct Influence of Surface Water) testing. Of the three wells tested, two were non-GUDI. As a result of the third well being determined as GUDI, the Corporation will likely have to contribute additional funds to be used for water treatment. It is not known the extent of the liability that exists at the year end.

11. Financial instruments:

(a) Fair value

The fair values of accrued interest receivable, due from the Province of Nova Scotia, other receivables, and accounts payable and accrued liabilities approximate their fair value because of their short term-to-maturity. The fair value of loans receivable and due to the Province of Nova Scotia has been calculated using future cash flows (principal and interest) at current market rates available to the Corporation for the same or similar instruments.

The fair value and book value, excluding any reserves, of loans receivable as at March 31, 2011 are $105,604 and $123,366 (2010 - $97,047 and $117,940) respectively. Certain notes receivable in the amount of $2,394 (2010 - $5,651) have no set terms of repayment and are carried on the financial statements at cost.

Equity investments in publicly-traded companies in the amount of $1,459 (2010 - $3,062) are recorded at fair market value, which represents the last bid price for the stock on the stock exchange. Equity investments in privately held companies in the amount of $25,048 (2010 - $26,018) are carried at cost less allowances in the financial statements. Due to the limited amount of comparable market information available, it was not practical to determine the fair value of these assets.

There are loan guarantees and other assets that represent investments and guarantees in privately held companies, as well as property acquired through foreclosure. Due to the limited amount of comparable market information available, it was not practical to determine the fair value of these assets. These assets are carried on the financial statements at cost.

The amount due to the Province of Nova Scotia is comprised of a series of separate notes. The fair value and book value of the amounts due to the Province of Nova Scotia with scheduled repayment terms as at March 31, 2011 are $72,341 and $67,001 (2010 - $67,867 and $62,357), respectively. Notes payable in the amount of $35,723 (2010 - $39,017) have no set terms of repayment and are carried on the financial statements at cost. The principal on these notes are repaid to the Province as it is collected on the loans receivable financed by these notes. Due to the volume of accounts financed by these notes and the uncertainty with respect to timing of future cash flows, it is not practical to determine the fair value of this amount due to the Province of Nova Scotia.

The fair values of the loans receivable and the amount due to the Province of Nova Scotia are determined using Canadian bond market conventions.

11. Financial instruments (continued):

The yield to maturity curve by month for the Corporation was estimated using the following assumptions:

(i) The risk-free interest rate for each specified maturity term equal to the relevant benchmark Canada yield by term (Canada yield).

(ii) The Province of Nova Scotia credit spread relative to the Canada yield for each specified maturity term to reflect the Nova Scotia cost of funds as provided by CIBC.

(iii) The Corporation's credit spread relative to the Province of Nova Scotia credit spread for each specified maturity term based on a Memorandum of Understanding between the Nova Scotia Department of Finance and the Corporation respecting the borrowings of the Corporation.

The Corporation's yield to maturity on an annual basis for specified maturity terms is determined as the sum of the Canada yield, the Nova Scotia credit spread and the Corporation's credit spread. These inputs were used to determine the Corporation's yield to maturity curve by month.

Fair value measurements recognized in notes 2 and 3 are categorized using the fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

(in thousands of dollars) Year ended March 31, 2011

11. Financial instruments (continued):

The following table illustrates the classification of the Corporation's financial instruments using the fair value hierarchy at book value, excluding any reserves:

March 31, 2011	Level 1	Level 3	Undeterminable	Total
Assets:				
Cash	10,136	–	–	10,136
Loans receivable	–	123,366	2,394	125,760
Equity	1,459	–	36,366	37,825
Liabilities:				
Due to the Province of Nova Scotia	–	67,001	35,723	102,724

March 31, 2010	Level 1	Level 3	Undeterminable	Total
Assets:				
Cash	15,178	–	-	15,178
Loans receivable	–	117,940	5,651	123,591
Equity	3,062	–	41,574	44,636
Liabilities:				
Due to the Province of Nova Scotia	–	62,357	39,017	101,374

The following table shows the changes in the fair value measurement in Level 3 of the fair value hierarchy.

	Fair value March 31 2010	Advances	Repayments	Other gains and losses	Change in Market Value	Fair value March 31 2011
Loans receivable	$ 97,047	$ 16,610	$ (8,361)	$ (5,349)	$ 5,657	$ 105,604
Due to the Province of Nova Scotia	$ 67,867	$ 18,076	$ (15,023)	$ (1,703)	$ 3,124	$ 72,341

11. Financial instruments (continued):

(a) Associated Risks

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

(i) 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 Corporation. To mitigate this risk, the Corporation has developed the following policies:

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

Clients are usually limited to a total of $15 million in financing from Nova Scotia Business Incorporated's Nova Scotia Business Fund. Three clients have exceeded this total in the past; two loans were approved in the Nova Scotia Business Development Corporation Fund and transferred to the Nova Scotia Business Fund via legislation on November 6, 2001. The outstanding amounts for these clients are approximately $30,223 and $22,526, respectively (2010 - $32,222 and $24,760). A third client, currently has an outstanding balance of $13,320 which is now below the $15,000 financing limit threshold (2010 - $14,322 and $2,760 of authorized but unutilized funding was still available).

During the year, financing to a new client in the amount of $15,100 was authorized but unadvanced at year-end.

The risk rating for all clients is monitored on an on-going basis. Clients identified as higher risk are further assessed at year end to determine the extent of the potential loss, taking into account the value of the security pledged in support of the financial assistance. This assessment could result in a reduction in the carrying value of the investment via the provision for credit losses.

11. Financial instruments (continued):

(ii) Interest risk:
Interest rate risk is the risk that the market value of the Corporation's investments and debt will fluctuate due to changes in market interest rates. Interest rate risk is mitigated due to the fact that the Corporation matches the repayment timing of amounts borrowed with the repayment timing of financing advanced as closely as practical. It is management's opinion that the Corporation is not exposed to significant interest rate risk arising from financial instruments.

(iii) Market price risk:
Market price risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting all similar financial instruments traded in the market. At year end, the Corporation held $1,459 (2010 - $3,062) in publicly traded equities. As these equities are carried at fair value with fair value changes recognized in the statement of comprehensive income, all changes in market conditions will directly result in an increase (decrease) of other comprehensive income (loss).

(iv) 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 the receipt of provincial grants, income generated from the loans receivable and equity investments, and principal repayments received on the loans receivable. These sources of funds are used to pay operating expenses and debt service payments to the Province of Nova Scotia. In the normal course of business the Corporation enters into contracts that give rise to commitments for future payments which may also impact the Corporation's liquidity. The Corporation also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

(in thousands of dollars) Year ended March 31, 2011

12. Nova Scotia Business Fund:

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of Nova Scotia Business Incorporated ("NSBI") and investments have been transferred from the Nova Scotia Business Development Corporation Fund ("NSBDC") on November 6, 2001. The following is a summary of the Fund as at March 31.

					2011	2010
	NSBI Portfolio		NSBDC Portfolio			
	Gross	Less allowance for credit losses	Gross	Less allowance for credit losses	Net total	Net total
Assets:						
Loans receivable	$ 44,438	$ 18,010	$ 81,322	$ 17,980	$ 89,770	$ 86,869
Equity investments	35,819	9,701	2,006	1,617	26,507	29,080
Industrial parks and malls	–	–	2,429	–	2,429	2,076
Other assets	–	–	820	820	–	–
Guarantees	300	30	–	–	270	–
Financing authorized but unadvanced	20,089	–	–	–	20,089	4,690
	$ 100,646	$ 27,741	$ 86,577	$ 20,417	$ 139,065	$ 122,715

	2011	2010
Funding authorized and committed:		
Fund balance authorized, net of write offs	$ 241,493	$ 253,083
Less: uncommitted balance of fund	54,270	74,368
Committed fund balance	187,223	178,715
Less allowance for credit losses and provision for payment of guarantees	48,158	56,000
	$ 139,065	$ 122,715

(in thousands of dollars) Year ended March 31, 2011

13. Capital risk management:

The main objective of the Corporation is to expand business activity in Nova Scotia in five main areas: trade development, business advisory services, business financing, venture capital and investment attraction. The Corporation carries out its programs in conjunction with the funding allocated to it by the Province of Nova Scotia. During the year, the long-term debt increased by $1,350 (2010 - $6,235).

14. Supplementary cash information:

Cash is defined as cash and short-term investments.

During the year, cash received for interest income was $8,665 (2010 - $6,419) and cash paid for interest was $7,312 (2010 - $5,247).

During the year, dividends in the amount of $1,915 (2010 - $nil) were paid.

Non-cash investing activities	2011	2010
Equity market adjustments recorded as other comprehensive income (loss)	$ (1,550)	$ 1,486
Capital asset additions acquired through foreclosure	$ 895	$ nil

15. Related party transactions:

During the year, payroll rebates in the amount of $585 (2010 - $162) were awarded to companies which were controlled or otherwise not independent of certain directors of Nova Scotia Business Inc.

As at year-end, the total amount outstanding including current year balances to companies that were controlled or otherwise not independent of certain directors of Nova Scotia Business Inc. was $6,781 (2010 - $12,034) for financial assistance. These have only the 5% general reserve recorded against them. Furthermore, outstanding payroll rebates were in the amount of $747 (2010 - $162).

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

16. Employee pension plan:

Employees of the Corporation participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. Total employer contributions for 2011 were $533 (2010 - $538) and are recognized as an expense in the year. The Corporation is not responsible for any under-funded liability, nor does the Corporation have any access to any surplus that may arise in this Plan.

(in thousands of dollars) Year ended March 31, 2011

17. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the financial presentation adopted per the current year.

Schedule of Operating Expenses

	2011	2010
Business development	$ 2,913	$ 3,115
Gateway initiative expenses	-	753
Legal and audit	50	11
Office expenses	356	446
Other	255	132
Salaries and benefits	7,042	7,011
Telecommunications and technical support	391	478
Travel	614	680
	$ 11,621	$ 12,626

Schedule of Nova Scotia Business Fund Expenses

	2011	2010
Amortization	$ 95	$ 114
Commissions	52	19
Interest	7,624	5,926
Legal	8	17
Repairs and maintenance	279	350
	$ 8,058	$ 6,426