



Crown Corporation

B U S I N E S S P L A N S

FOR THE FISCAL YEAR 2010–2011

Nova Scotia Business Incorporated

Business Plan 2010–2011

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Message from the CEO

Economic pressures, shifting demographics, and the growing strength of emerging markets continue to make a compelling case for focused, aggressive business development.

A diversified economy, buoyed by foreign direct investment, the creation of higher-paying jobs, plus strong public sector employment have insulated Nova Scotia from the most severe effects of the economic downturn. However, as public stimulus money begins to dissipate, other jurisdictions are reinforcing their efforts to attract additional private-sector investment and jump-start their economies. In order to maintain Nova Scotia's competitive position, NSBI needs to continue to be aggressive and achieve results.

With more than eight years of experience, NSBI adds its expertise of how trade and investment attraction work together to create opportunities for domestic businesses and to attract investment. The efforts of NSBI's operating departments combine strategically to drive value that goes beyond an initial investment, trade program, or growth opportunity. We understand the importance of aligning our business financing efforts to encourage and support productivity and innovation. And we know how dwindling capital markets affect venture capital and prevent mid- to late-stage companies from commercializing and leveraging additional investment.

In NSBI's 2010–2011 business plan, the agency focuses on the following priorities: sector development, regional growth, market intelligence, and portfolio management.

From the investment perspective, NSBI's strategy is to attract anchor companies in the sectors of defence, security, and aerospace; information technology; and financial services. Doing this allows Nova Scotia to build clusters, grow capacity, and create opportunities. The results so far: Nova Scotia now has the world's top three defence companies, the top insurance company, the top IT company, and top hedge-fund administration companies here.

The focus now is about alignment and leverage. By continuing to work with post-secondary and training partners, we can ensure alignment between programs and job opportunities in our target sectors—now and in the future. By growing our domestic supplier base, we can facilitate partnerships with our anchor companies and leverage these strengths to attract more investment.

One of the most important elements of this year's business plan is the shift toward portfolio management. With foreign direct investment trending down and the number of investments from existing companies increasing, it makes sense to mine our existing client base for future opportunities.

The economic downturn reduced trade volumes across the country and highlighted our dependence on the U.S. as our primary trading partner. The economic reality also reinforced the importance of NSBI's regional growth agenda. In addition to adapting its programs, tools, and services, NSBI will continue to support Nova Scotia companies in addressing productivity gaps and the need for innovation. The business finance and business advisory teams will press forward, assisting companies in purchasing new equipment, undertaking productivity enhancements, and process improvements—with the intent of building stronger, more competitive companies. Similarly, our trade team is focused on encouraging more companies to export and penetrate new markets with the strongest potential for their products and services. With our partners, NSBI has made progress in helping companies explore markets in Asia, the Caribbean, Europe, the United Arab Emirates, and South America.

Understanding what you have to sell and who wants to buy it is central to NSBI's investment readiness initiative. Working with the regional development authorities and other economic development partners across the province, NSBI is developing an investment portal, a web-based business tool that maps out Nova Scotia's assets, uses consistent branding, and supports the investment strategies of all parties. Going forward, this web-based tool will assist decision makers in determining how investment in key assets and opportunities could yield results.

And speaking of opportunities, in line with the province's goal of a greener future, NSBI has dedicated staff resources to explore green opportunities as well as the possibility of adding environmental technology to our list of key sectors. Understanding how going green can open new markets and generate investment is critical to our companies and our province. It also underscores the importance of another priority identified in our business plan: market intelligence.

Nova Scotia companies are demanding more information before undertaking productivity enhancements or exploring new markets. Market intelligence, especially in a more competitive global environment, is key to identifying and securing future investment opportunities.

Just like our clients, NSBI believes market intelligence can help zero in on the right programs and targets to drive results. The market intelligence generated from working with our clients also assists our partners and informs our decision making. This supports more strategic use of resources as well as identification of future opportunities.

Overall, we must sharpen our domestic focus and, at the same time, continue to attract new investment. It's not one or the other; it's both. And both are critical for driving our economy forward.

Sincerely,

Stephen Lund
President and CEO

Mission

To deliver client-focused business solutions that result in sustainable, value-added economic growth for Nova Scotia

Vision

As Nova Scotia's private-sector-led business development agency, Nova Scotia Business Inc. (NSBI) works with businesses to help them grow and prosper. NSBI attracts new companies to Nova Scotia and helps local companies meet their growth potential through advisory services, trade development, financing, and venture capital.

NSBI's vision

A strong, prosperous and competitive Nova Scotia

The primary goal is to expand business activity in Nova Scotia. In doing so, NSBI will

- raise the level of wealth and prosperity for the people of Nova Scotia
- increase revenues for the Province of Nova Scotia

Corporate Mandate

To promote economic development in the province through

- business development, retention, and expansion
- the attraction of new businesses to the province
- trade development and expansion

NSBI was created in 2001 to take a fresh approach to improving the economic opportunities available to all Nova Scotians. Recognizing the state of the global economy and the province's fiscal and demographic challenges, NSBI's work to strengthen businesses and assist their growth in Nova Scotia takes on greater relevance during these uncertain times.

In 2007, NSBI introduced its second five-year plan, outlining how the organization would continue to work with businesses and partners to identify new opportunities through trade development, business advisory services, business financing, venture capital, and investment attraction. In doing this, NSBI committed to

- assisting regions to attract the right type of investments
- assisting NSBI clients to create employment for Nova Scotia's highly skilled workforce



- assisting Nova Scotia business in becoming more productive and competitive

NSBI's key accountability metric has evolved. The original focus was the creation and maintenance of jobs; NSBI is now focused on the total payroll created and retained by clients. As NSBI executes its five-year plan, the agency continues to work with companies to create well-paying jobs, generating higher payroll tax revenues for the province and leading to long-term, sustainable economic prosperity.

Planning Context

New Government

In 2009, the government convened the Nova Scotia Economic Advisory Panel to provide advice on establishing priorities to combat the province's fiscal challenge, to address the economic recession, and to provide strategic objectives and options for working with the federal government and other Atlantic provincial governments. The panel outlined several options: pursue tax increases, reduce spending, and grow the economy. The panel also recognized the importance of a strong Halifax and encouraged government to continue to fuel Nova Scotia's economic engine.

State of the Economy

NSBI considered the following key economic risk factors during the development of its 2010–2011 business plan:

- Weak demand for the province's natural resources and manufactured goods, combined with falling commodity prices, have taken a toll on many areas of the province. Continued strengthening in the U.S. economy in 2010 should provide a much-needed boost to Nova Scotia's key exports.
- The province has strong sectors in finance services and IT, which stand to benefit from an upturn in global demand.
- Year over year, the unemployment rate in Nova Scotia has increased from 8.9 per cent in January 2009 to 9.8 per cent in January 2010. Employment decreased by over 6,000 during this period, in large part due to layoffs in Nova Scotia's manufacturing sector.
- In 2009, Halifax has shown diversified sources of economic growth and reduced vulnerability to economic shocks. Year over year, the unemployment rate in Halifax Regional Municipality has increased from 5.4 per cent in January 2009 to 6.1 per cent in January 2010. Employment has actually increased by more than 700 during this period; the unemployment rate has increased due to a growing labour force.

- The consensus of Canada's big five banks forecast Nova Scotia's 2009 GDP growth at negative 1.6 per cent, while the forecast national GDP growth was negative 2.5 per cent. The economic view for Nova Scotia is slightly less optimistic in 2010, with forecast GDP growth at 2.2 per cent, while Canada is expected to grow by 2.5 per cent.
- The productivity growth rate in Nova Scotia has slowed from 2000 to 2007. The three main drivers of productivity are labour quality, capital expenditures, and multifactor productivity.
- Rising commodity prices may push the Canadian dollar to parity with the U.S. dollar and beyond.
- As North America climbs out of one of the most severe recessions in the post-war period, there has been a much lower tolerance for risk in the market and less capital available. This has an adverse effect on Nova Scotia companies searching for equity capital, as well as those seeking debt financing.
- Trade to the United States has decreased; more companies in Nova Scotia need to diversify their markets, lessening their over-reliance on the U.S. market alone.

Many analysts have stated that Nova Scotia has escaped 2009 with limited damage to its economy (real GDP and employment). However, the same cannot be said for all

regions of the province. Strong business and economic development is needed in all regions of Nova Scotia to assist with economic recovery.

Availability of Capital

Access to capital is consistently identified as one of the top three issues by the Business Retention and Expansion survey of companies across the province. NSBI helps to fill the gap. For example, NSBI has been much more active in the venture capital arena than we expected when we commenced operations in 2001. A number of closures and acquisitions have changed the local investment landscape, including the closure of the Business Development Bank of Canada investment operation in Halifax; the Telecom Applications Research Alliance (TARA), which is inactive; and the acquisition of ACF Equity by Growth Works Atlantic Fund. NSBI's sister Crown corporation InNOVAcorp is an active early-stage equity investor. In fact, that corporation frequently looks to NSBI for follow-on investment of its portfolio companies as they mature. Consequently, NSBI has been the most active venture capital investor in the province.

In addition to venture capital, NSBI has a business finance group, which has been more active during the past year as companies are increasingly challenged to finance their operations and take advantage of growth opportunities. The



members of the business finance team work with businesses to explore ways of improving or modifying products and services in order to better meet the needs of Nova Scotia companies.

Increased Competition

- Nova Scotia companies and the province as an investment jurisdiction are experiencing increased competition:
- Total global foreign investment is down approximately 20 per cent year over year. With more than 10,000 investment development agencies/jurisdictions competing for fewer than 14,000 greenfield projects, there is much more competition within investment attraction.
- Total foreign direct investment (FDI) in Canada is down approximately 59 per cent year over year. This is due to fewer FDI deals from the U.S. market and more FDI deals going to emerging markets (Brazil, Russia, India, China, and Southeast Asia).
- Economic world activity will be increasingly driven by China, India, Brazil, and other emerging powerhouses. Their production and investment decisions are already having a major impact on world trade, commodity prices, and financial markets. These emerging markets are in the process of rapid growth and industrialization.
- The great divide in performance between G7 and emerging nations (remainder of the G20) has the potential to heighten friction over international trade and investment, which have been powerful drivers of the global economy over the past two decades.
- Buy America: Canada reached a deal with Washington to address the “Buy America” policy keeping Canadian firms from accessing state and local projects funded by Washington’s anti-recession stimulus program. Most of Washington’s stimulus funding was spent before the two countries reached a deal in February 2010. The deal might apply to any new stimulus funding approved by the U.S. Congress, but that is subject to further negotiation.

Increased competition for FDI demonstrates how critical it is for NSBI and the province to be more aggressive in their business development initiatives.

The Green Economy

NSBI considered the following key green economy factors during the development of its 2010–2011 business plan:

- As countries around the world, including Canada and the United States, seek to decrease their reliance on hydrocarbons, emerging cleantech and green technologies are generating more attention.

- Global investment in cleantech has increased from less than \$500 million in 2001 to more than \$8.2 billion in 2008 and represents 15 per cent of all venture capital activity.
- Innovation, the act of doing things better, faster, cheaper, and greener, is not restricted to the creation of new products; it can refer to changes in technologies, products, services, and processes.
- Environmental awareness and long-term sustainability are the foundation for corporate social responsibility (CSR). Organizations can strategically use CSR to meet changing customer attitudes and supply-chain standards.
- Major corporations such as Walmart are demanding that their clients' supply chains become greener. To remain competitive, Nova Scotia companies must be proactive and engage in the green economy.

As Canadian and international jurisdictions adopt increasingly stringent environmental standards, Nova Scotia companies should look at environmental compliance as an opportunity for competitiveness and innovation, as well as long-term sustainability.

Demographics

Nova Scotia's population is getting smaller, older, and increasingly more urban. By 2033, seniors (65 years and older) are

projected to make up 29 per cent of the population. Youth (up to 17 years of age) are projected to constitute just 15.2 per cent of the population.

The predictable consequence of an aging population is a smaller workforce. A smaller workforce means provincial tax revenue would decrease, unless overall salaries are higher. Well-paying, high-value jobs in high-growth sectors are critical to retain residents and to repatriate and attract people to the province.

Changes in Key Cost Drivers

- There has been a significant uptake in the programs offered by NSBI's trade development unit in 2009–2010. The demand from domestic businesses exceeded the 2009–2010 trade development budget. Demand for trade missions and programs such as the Export Prospector program exceeded the budget in the current fiscal year.
- Reduced funding from some of NSBI's partners in 2010–2011 could create cost pressures.
- NSBI's collective agreement with the NSGEU expires March 31, 2010. We expect to be entering into negotiations with our bargaining unit early in fiscal 2011.



Strategic Goals

Continued focus on increasing payroll through higher-paying jobs

NSBI's key strategic goal is to work with clients to increase overall payroll. Within the increased payroll is the creation of high-value jobs for Nova Scotia residents. High-value jobs are not just about the job itself but also about the company that provides that job. The job itself should be knowledge intensive, with high skill levels, and have an above-average salary. This definition encompasses IT firms as well as resource-based operations applying technology to be more competitive and innovative.

Beginning April 2007, NSBI set an aggressive target of \$800 million in total client payroll created and maintained over a five-year period, through to April 1, 2012. NSBI also set an ultimate goal of helping its clients create and maintain \$1 billion total payroll by 2013. As of the end of year three, NSBI forecasts to have helped create and maintain a total of approximately \$410 million in payroll.

To maximize return on investment

NSBI generates a positive return. We're trying to accomplish two things: generate incremental net economic benefit in Nova Scotia through jobs and spinoff benefits and generate a return on investment for the Government of Nova Scotia.

Whether we're making a venture capital investment or a term loan or a payroll rebate, we must demonstrate financial return. With a venture capital investment, we're trying to do exactly the same thing, but the fiscal return we expect, and the economic return we expect, have to be commensurate with the level of risk we're taking. By its nature, venture capital is higher risk than term debt; however, venture capital is important in the right set of circumstances to generate the kind of growth we're looking for economically.

Our goal is to focus our programs and activities on opportunities with the highest potential to generate returns and to allocate our resources to achieve efficiencies.

Core Business Areas

NSBI's core focus is to **work directly with businesses to deliver results for the province**. To achieve this, the organization offers customized, client-focused solutions through its core business expertise: business advisory services, trade development, business financing, venture capital, and investment attraction. This five-point structure is key to achieving the right combination of expertise to service NSBI's domestic and international clients. This approach enables NSBI to achieve the desired payroll and high-value results.

Business Advisory Services

The NSBI domestic operations group works with established Nova Scotia companies to provide business advisory services and financial assistance by way of business loans and payroll rebates to eligible candidates. NSBI's business advisory team consists of six representatives throughout the province. This team of professionals works with local companies to understand their challenges and introduce them to the variety of programs and services available to help meet their needs. While the advisors are primarily active in educating companies with respect to NSBI products and services and assist the business finance team in the distribution and implementation of the various loan/rebate programs, they also have a high level of knowledge and awareness of other NSBI services as well as the wide range of programs available through other provincial and federal departments and agencies.

Business Financing

Also in the domestic operations group, NSBI's business finance team provides loans, guarantees, and rebates to Nova Scotia companies. The lending program is designed in part to supplement the commercial products in the marketplace that might not fully meet the needs of many Nova Scotia firms. The goal of the payroll rebate is to improve competitiveness in

export markets through productivity improvements and investments in product development, with a focus on retention of employees (see Appendix 1). The NSBI business finance team uses its knowledge of local industries and financial analysis to help provide solutions to Nova Scotia companies focused on growth and expansion.

Trade Development

NSBI trade development helps forge new business opportunities for Nova Scotia exporters through trade programs and missions into global markets. The NSBI team does this through matching Nova Scotia producers of goods and services with buyers and strategic partners from the public and private sector around the world. NSBI specializes in "go-to-market" expertise, whether a company is new to exporting or is looking to break into a new market. NSBI's experts also work extensively with partners across the provincial and federal governments that have a trade mandate.

Venture Capital

As a mid- to late-stage investor with the ability to do follow-on investments, NSBI venture capital focuses on equity financing in a variety of sectors and growth opportunities, and often partners with national firms. NSBI invests in companies with a solid business case, a sustainable



competitive advantage, and well-thought-out exit strategies. We provide capital, strategic direction, and advice to help promising companies achieve their full potential on a national and global scale.

Investment Attraction

NSBI's investment attraction effort is driven by sector-based experts who attract sustainable, export-oriented, and value-added business investment to the province. In pursuing this goal, NSBI takes a targeted, aggressive, opportunity-driven approach to attract and retain businesses that have a strong fit with Nova Scotia's key assets. In this role, NSBI investment attraction experts proactively promote the competitive advantages of doing business in Nova Scotia and assist Nova Scotia's regions to attract the right type of investments. Investment attraction's main tool is its payroll rebate, which is a performance-based incentive offered to eligible companies expanding in, or locating to, Nova Scotia (see Appendix 1).

Priorities for 2010–2011

For NSBI to more effectively achieve its strategic goals, the following key priorities have been identified:

- **Sector development**—a collaborative and coordinated approach to building and maintaining high-growth sectors

- **Regional growth**—analysing the province's assets to identify and leverage opportunities and synergies that will help grow Nova Scotia's economy
- **Portfolio management**—proactively working with NSBI's existing clients in Nova Scotia to increase or add additional investment
- **Market and competitive intelligence**—to gather and analyze intelligence to better focus resources and to support strategic planning and informed decision making

Sector development

Sector development in Nova Scotia will continue to be a key priority for NSBI. As the province must focus its limited resources to achieve the greatest positive impact, NSBI, too, must work in targeted sectors and build on assets that can be levered for maximum results. Information communication technology (ICT) continues to underpin work in other sectors, making ICT a universal asset and enabler of growth and productivity.

Work on strengthening existing strategies or developing appropriate new ones needs to include more active commercialization of research and development (R&D) taking place in our post-secondary and private institutions. Commercialization has to build on work already underway in the financial services and insurance sector, the information and communications technology sector, the life sciences sector, and the defence, security, and aerospace sector.

Lockheed Martin is sector development in action. The company is not just creating jobs in Nova Scotia; it's creating long-term career opportunities for our young and talented workforce as well as for our seasoned professionals. The spinoff benefits go beyond the company's hiring plans. They include construction, building infrastructure, and increasing the capacity of our domestic supplier base by encouraging small research and development businesses to partner and take advantage of its Technology Collaboration Center. Lockheed is also focused on strengthening relationships and building partnerships with universities and colleges in Nova Scotia to explore research and development opportunities and grow our talent pool. This is how you nurture innovation, generate start-up companies, and encourage commercialization. These elements all help develop a sector and grow an economy.

Additionally, NSBI continues to identify, develop, and grow emerging sectors. Promising additional sectors to examine include emerging markets such as oceans, digital media, and the green sector. NSBI is also exploring the FDI opportunities in the emerging markets with a focus on Asia.

Growth in the green sector has been accelerated by energy security needs, government sustainable procurement policies, and a heightened environmental awareness amongst businesses. Natural sector growth means that NSBI will have to focus on niche opportunities by strategically

leveraging provincial strengths in academic research, natural resources, and geographic placement. From a sector development perspective, NSBI can foster cluster development and assist in regional cohesiveness by connecting businesses. Also, NSBI can use its financing tools to improve the competitiveness of businesses trying to enter, directly or indirectly, the green sector.

The trade development group will continue to play a vital role in developing key sectors of the Nova Scotia economy, through its own programs and services as well as the resources it is able to leverage from provincial and federal partners. An example is the International Business Development Agreement (IBDA). NSBI will continue to strengthen strategic sectors: aerospace and defence, metal fabrication, ocean technology, and digital media.

Expected outcomes:

- Increased high-value jobs and overall payroll
- Talent, training, and education aligned with opportunity
- Anchor companies and supplier base levered to attract investment
- Building on clusters and core strengths
- Increased exposure of products and services to global markets
- Increased innovation, productivity, and competitiveness



Regional Growth

Regional growth means investment in a region, whether that investment is attracted externally or nurtured from within Nova Scotia. Investment is a commitment of resources coming in many different forms, including community and business investment. It can be from a new source or additional investment from an existing source. It can be foreign direct investment or the expansion of existing businesses.

- Nova Scotia and its communities need consistent, concise, and complete information to reflect investment opportunities and promote assets. NSBI is working with the RDA Association and other economic development partners to develop a web-based, shared investment tool (see Appendix 3).
- NSBI will also expand its investment readiness initiative by leveraging industrial parks under its control to explore opportunities to attract investment.
- The trade development group will continue working with companies from all parts of the province, helping them understand the potential for their products or services outside the region. The group then works with the company and a qualified matchmaker to find partners and clients who will help get their products and services into international markets, growing the company's bottom line.

Expected Outcomes:

- Strategies to maximize key assets
- Increased investment and resulting payroll across the province
- Enhanced business development and growth
- Reduced duplication among partners
- Alignment of effort with federal government initiatives

Portfolio Management

Total foreign investments in Canada are down approximately 59 per cent year over year. We will focus on proactively working with long-standing clients in Nova Scotia to increase or add additional investment and retain their presence or investment in Nova Scotia. In a competitive global economy with more jurisdictions chasing the same investment opportunities, Nova Scotia's existing companies are significant clients we must retain. These same clients represent the best opportunities for additional growth. Statistically, 58 per cent of all investment into Canada in 2009 came from existing FDI. In summary, NSBI must

- mine existing client base for future growth and retention
- expand NSBI visitation to client head offices (Head Office Visitation program)
- coordinate stakeholder engagement
- gather and share intelligence for future growth

The trade development group will also investigate ways to assist foreign direct investment clients to grow by investigating business development opportunities in foreign markets. Helping attract contracts to their Nova Scotia operations will solidify their investment in this province and help them fulfill their growth mandate. This level of support on the ground helps further distinguish our offerings from competing jurisdictions.

Expected Outcomes

- Grow and expand investment by NSBI's private-sector clients
- Develop deeper understanding of potential opportunities, threats, and challenges
- Attract like-minded companies by leveraging brand-name companies

Market Intelligence

This is all about having better-directed, more-focused resources to achieve greater rewards and better results. With increased national and global competition, both NSBI and its clients have to work smarter to remain competitive. With an increased focus on market intelligence, NSBI will

- build centralized in-house market/competitive intelligence expertise
- research green products and measurement tools
- engage in-market consultants

- support clients by using NSBI market/competitive intelligence (e.g., trade clients)
- assist partners in tailoring programs and aligning resources by sharing client requirements and intelligence.

Expected Outcomes

- Increased payroll, exports, and revenue to the province
- Increased market exploration and participation in trade missions
- More refined and responsive processes and tools
- Optimized resources
- Evidence-based decision making
- Stronger, more-competitive companies

Overall

To support the core focus of working directly with businesses to deliver results for the province, NSBI's five key pillars will play important roles in shaping the province's economic growth over the coming years.

- **Regional growth:** Work with all regions to maximize their strategic assets to maintain companies and attract investment that best fits or complements their competitive strengths.
- **Talent:** Assist businesses in creating high-value opportunities that will attract and retain the very best and brightest people in Nova Scotia.



- **Competiveness:** Continue to create strategies that maximize growth, promote innovation, and deliver results that increase wealth and prosperity for the province.
- **Leadership:** Be an advocate for business, elevating the dialogue on issues that its clients and partners see as impediments to economic growth.
- **Collaboration:** Continue to build effective stakeholder relations to collectively strengthen the province and its regions, enabling them to compete on a global scale.

Budget Context

	Estimate 2009–10 (\$ 000)	Forecast 2009–10 (\$ 000)	Estimate 2010–11 (\$ 000)
Revenue			
Provincial grants:			
Operating grant	10,905	10,905	10,972
Strategic investment funds	11,500	12,700	13,863
Loan valuation allowance	2,100	2,100	2,100
Gateway initiative	1,100	—	—
Gain on sale of parks	1,600	1,880	750
NS business fund	6,912	7,965	6,688
Miscellaneous	1,433	1,811	1,250
	<u>35,550</u>	<u>37,361</u>	<u>35,623</u>
Expenses			
Operating expenses	12,375	12,124	12,223
Strategic investments	11,500	12,700	13,863
Provision for credit losses	2,100	4,041	2,100
Gateway initiative expenses	1,100	747	—
Nova Scotia Business Fund expenses: parks	458	350	458
NS Business Fund and misc. expenses	5,869	6,484	5,690
	<u>33,402</u>	<u>36,446</u>	<u>34,334</u>
Excess of Revenue over Expenses	<u>2,148</u>	<u>915</u>	<u>1,289</u>



Outcomes and Performance Measures

NSBI holds itself to the highest standards of corporate governance and accountability. As a results-driven organization, NSBI remains committed to measuring results that directly affect the goals of the organization. Under its five-year plan, NSBI's key accountability metric is total payroll created and retained by its clients. This captures not only job numbers but also average salaries.

In 2010–2011, NSBI will continue to focus on generating high-value opportunities and retaining businesses currently in the province. In doing so, NSBI will assist in creating and retaining corporate and personal taxes for the Province of Nova Scotia.

Outcomes and Performance Measures

Core Business Area

Overall Performance

Indicator	Measure	Base-year Data 2008-09	Targets 2010-11	Strategies to Achieve Target
Total payroll	Total forecasted new and retained payroll	\$108 million	\$130 million	Attract companies to Nova Scotia Help existing companies within Nova Scotia to grow
Fiscally prudent financing	Forecasted average portfolio return on investments utilizing strategic investment funds (SIFs)	70.1%	40% or greater (60% for IA deals)	Strategic utilization of payroll rebates to establish growth industries



Core Business Area

Attract and retain leading-edge, sustainable business investment

Indicator	Measure	Base-year Data 2008-09	Targets 2010-11	Strategies to Achieve Target
Foreign direct investment (FDI) in Nova Scotia	Number of projects committed by Investment Attraction clients located outside Nova Scotia	7	9	Seek new sustainable businesses to relocate or expand in Nova Scotia
Domestic investment in Nova Scotia	Number of projects committed by Investment Attraction clients located in Nova Scotia	3	5	Seek new sustainable domestic businesses to expand in Nova Scotia
Economic benefit to Nova Scotia	Average gross salary of new jobs forecast to be created by Investment Attraction clients	\$48,117	\$45,000	Develop FDI strategies based on innovation

Core Business Area

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

Indicator	Measure	Base-year Data 2008-09	Targets 2010-11	Strategies to Achieve Target
Volume and diversity of exports	Number of clients introduced to new markets or further advanced in existing markets	269 clients	200 clients	Deliver tailored trade-development services
Export sales	Client-reported actual and forecasted export sales	\$155.7 million	\$75 million*	Deliver tailored trade-development services

*The export sales target for 2009-10 was \$100 million. The reporting of these sales lags by six months, with the export prospector being scaled back midway through 2009; the effects of this will be shown in our 2010-11 results.



Core Business Area

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

Indicator	Measure	Base-year Data 2008-09	Targets 2010-11	Strategies to Achieve Target
Incremental value investment projects	Number of venture capital projects authorized	5 financings	n/a*	Deliver tailored equity-financing solutions
	Number of business financing projects authorized	8 financings**	16 financings	Deliver tailored debt-financing solutions
	Number of companies that undertake productivity enhancements utilizing the strategic investment fund	4 projects	10 projects	Sharpen business development focus
Quality portfolio management	Impaired loan ratio	13.4%	15% or less	Portfolio management strategies
Partner for financing solutions	Leverage ratio of partner/client: NSBI	1.33 to 1	1 to 1	Maintain co-investment philosophy

*No target is set for venture capital financings (new or follow-on), as these depend on the right opportunity presenting itself and the financial needs of the existing portfolio.

**Included five loans and three material amendments to existing clients that have a positive net economic benefit to the province.

Appendix 1

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2010–2011 Business Plan

	Payroll Rebate
Overview	<ul style="list-style-type: none"> The Payroll Rebate is a discretionary, non-entitlement tool intended to promote targeted creation or retention of employment and payroll generation. This financial incentive may be used when it can be shown that an applicant's project generates an economic benefit to the province, which may include export development, external investment in the province, or improved competitiveness of existing businesses, in one or more of the province's key economic sectors.
Amount	<ul style="list-style-type: none"> Rebates will be equivalent to between 5% and 10% of the applicant's gross payroll, depending on the applicant's strategic location or business sector and the economic benefit generated to the province. Additional rebate may be considered where the applicant is hiring individuals with specific skills or experience, or new members of the Nova Scotia workforce. In the case of payroll rebates primarily for employment retention, the total rebate will not exceed the lesser of \$500,000 or 50% of the project costs. All other Nova Scotia provincial government assistance with respect to the project must be disclosed and may influence the rebate amount.
Eligibility	<ul style="list-style-type: none"> The applicant's business must be considered eligible according to NSBI's operating regulations. Applications for assistance must be project based. Projects are expected to create or retain sustainable long-term employment. Cyclical peaks in employment will not be considered for assistance. The project should result in the creation or retention of at least 20 jobs (FTEs) in Nova Scotia. Projects creating or retaining fewer than 20 FTEs will be considered when there is high strategic value or strong economic benefit. In the case of payroll rebates primarily for employment retention, the company must be undertaking a project to improve its competitiveness in export markets through either productivity improvements or investments in product development. In the case of payroll rebates primarily for employment retention, the company must contribute at least 20% of the total project costs. Companies that have previously received assistance under the program will not be eligible for additional assistance unless the project is incremental to the peak FTE level attained by the company under the previously provided assistance. Projects that are considered to be competitively harmful to existing Nova Scotia business will not be considered. The applicant will collect and remit employee payroll taxes in accordance with the Income Tax Act (Canada).
Application Requirements	<ul style="list-style-type: none"> Historical and projected financial statements of the company and any additional financial information that may be required by NSBI to assess the financial viability of the company. A business plan (or acceptable reports) providing information with respect to the company's ownership, management, products, markets, and suppliers sufficient for NSBI to complete an evaluation of the company's operating risk. Project plan, which may include project timelines, budgets, and anticipated impacts of the project on the company's competitiveness.



Appendix 1 (continued)

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2010–2011 Business Plan

	Payroll Rebate
Criteria	<ul style="list-style-type: none"> The company and the project must have reasonable prospects (business plan) for continued growth and success. The company should be profitable, with a proven track record. In addition, the project should be mainly export oriented and/or be in a strategic economic sector. <p>The company must also demonstrate:</p> <ul style="list-style-type: none"> strong management (corporate and local) compliance with Environment Act, Occupational Health and Safety and Labour Standards Code (if already established in Nova Scotia) economic benefit to the province (e.g., estimated number of jobs created/retained, linkages with other sectors, improved competitiveness, non-competition with Nova Scotia industries, import substitution) an acceptable credit history
Performance Conditions	<ul style="list-style-type: none"> Assistance is contingent on specific targets the company must achieve, which will typically be the creation of (x) jobs by (date) or retention of (x) jobs, with an average annual salary/wage of \$(amount). These targets are expected to still be in place at the end of the rebate period. In the case of payroll rebates primarily for employment retention, the company may be required to achieve additional targets with respect to project completion including expenditure targets. The applicant must provide an annual report, which will typically be an auditor's report, certifying that the employment, wage, and other targets have been achieved. The report must contain the following information: <ul style="list-style-type: none"> -incremental and/or retained gross wage or payroll bill (including benefits) and the number of incremental and/or retained employees and hours worked according to the company's records on each anniversary date from the project commencement -gross wage or payroll bill (including benefits) and the total number of employees of the company on each anniversary date from the project commencement
Payment Terms	<ul style="list-style-type: none"> Rebates will be paid following provision by the company of all information required by NSBI to verify compliance with the terms and conditions of the payroll rebate agreement. In most cases, rebates will be paid annually on each anniversary from the project commencement. Payment term generally should not exceed five years.

Appendix 2

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2010–2011 Business Plan

	Interest Rebate
Overview	<ul style="list-style-type: none"> • The interest rebate is a discretionary tool designed to encourage employment creation and net economic benefit for the province. • This financial incentive may be used when it can be shown that an applicant's project generates a significant net economic benefit to the province. • This interest rebate is designed to deal with those situations where the net economic benefit to the province is sufficient to justify a reduction in the interest rate charged to NSBI's financial services clients to below NSBI's cost of borrowing.
Amount	<ul style="list-style-type: none"> • The amount (or rate percentage reduction) per project will be dependent upon the net economic benefit to be generated for the province as a direct result of the project. This will be determined on a project-by-project basis.
Eligibility	<ul style="list-style-type: none"> • The applicant's business must be considered eligible according to NSBI's operating regulations. • The project should result in the creation of at least twenty new jobs (FTEs) in Nova Scotia. However, under certain circumstances, projects creating fewer than 20 FTEs may be considered when there is high strategic value or strong economic benefit. • Financings are expected to create sustainable long-term new employment. Cyclical peaks in employment will not be considered for assistance. • Companies that have previously received interest rebate assistance will not be eligible for additional assistance unless the project is incremental to the peak FTE level attained by the company under the previously provided assistance. • All other government assistance must be disclosed and may influence the level of contribution.
Application Requirements	<ul style="list-style-type: none"> • Completed application form including all supporting documentation as requested.



Appendix 2 (continued)

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2010–2011 Business Plan

	Interest Rebate
Criteria	<ul style="list-style-type: none"> The company must have a solid business plan for continued growth and success.
Performance Conditions	<ul style="list-style-type: none"> Assistance is based on specific targets that the assisted company must achieve. The most usual will be the creation of (x) jobs by (date), all of which are still in place at the end of the period, with an average annual salary/wage of \$(amount), defining a job as 2000 hours of work per year. The applicant must produce an auditor's report certifying that the employment and wage targets have been achieved and containing the following information: <ul style="list-style-type: none"> -incremental gross wage or payroll bill (including benefits) and the number of incremental employees and hours worked according to the Company's records on each anniversary date from the actual project commencement; -gross wage or payroll bill (including benefits) and the total number of employees of the company on each anniversary date from the actual project commencement.
Payment Terms	<ul style="list-style-type: none"> Rebate to be provided on a continual basis for a term generally not to exceed seven years or the maturity of the loan, whichever occurs earlier, and provided that all terms and conditions of the financial assistance agreement continue to be met during the period. Failure to maintain all terms and conditions of the financial assistance agreement may result in an adjustment to, or cancellation of, the rebate entitlement.

Appendix 3

Investment Portal:

Nova Scotia and its communities need consistent, concise, and complete information to reflect investment and business growth opportunities and to promote assets. Likewise, businesses require consistent, concise, and complete information to support their decision making. Currently, there is no one tool, resource, or process available to satisfy these needs or to support economic growth in the province.

Working collaboratively with regional partners, NSBI proposes to lead an investment readiness process to help regions across Nova Scotia identify, support, and create conditions to promote and retain investment. Each region would also create or fine tune its value proposition to align regional attributes with business needs.

Along with the Nova Scotia Association of Regional Development Authorities (NSARDA), Atlantic Canada Opportunities Agency (ACOA), Enterprise Cape Breton Corporation (ECBC), Department of Foreign Affairs and International Trade (DFAIT), and Nova Scotia Department of Economic and Rural Development (NSERD), NSBI has identified objectives and begun planning and development of an investment portal, a web-based business tool that supports all partners' investment agendas.

The portal will be phased in, notably in two main stages. The first is development and implementation, which includes website design, a provincial asset map, an industrial park database, a community profile database, a lead generation tool, and a partner extranet. The second stage will include portal training, an events calendar,

sector-specific content creation, and marketing and communications initiatives supporting the portal during and after its launch. NSBI expects the first stage of the investment portal will be complete during the 2010–2011 fiscal year.

The provincial investment portal will have a shared success model and be business driven. The real value of this project is found in increased efficiency and integration among economic development partners resulting in increased competitiveness and a stronger business climate. It will compile all information in one place, ensuring ease of use and accessibility for all.

The desired outcome is that Nova Scotia is well positioned to capitalize on investment and business growth opportunities.



Appendix 4

Nova Scotia Business Fund:

The Nova Scotia Business Fund is the source of capital for NSBI's business financing and equity financing clients. The portfolio currently has approximately \$170 million outstanding to more than 100 companies located throughout the province. For 2010–2011, net new capital needed for NSBI to continue to meet the financing needs of Nova Scotia businesses is estimated to be \$20 million, with repayments of current outstanding investments estimated to be in the \$7.5–15 million range.

Guidelines for the Nova Scotia Business Fund provide direction for investment decisions and the make-up of the portfolio. These include the following:

- Annual sector investment targets:
 - foundation 18%
 - knowledge-based
(IT and life sciences) 20%
 - manufacturing 48%
 - energy 9%
 - other 5%
- \$15 million maximum per company (investments exceeding this amount will be considered in exceptional circumstances)
- Target of 25% maximum available for working-capital/equity investments
- Borrowing rates established based on risk, term, and optionality (e.g., interest capitalization, principal holiday, extended amortization)