



we are

www.novascotiabusiness.com/weare

n | s | b | i
Nova Scotia Business Inc.
Opportunity. Growth. Prosperity.



Stephen Lund and Doug Hall

we are... a team

NSBI = a strong, driven and accountable team. In 2006/07, NSBI continued to stand behind our province and its business case. We assisted in elevating its profile around the world. As a team, we worked hard and we worked collaboratively to achieve great results.

For NSBI, the 2006/07 fiscal year was packed with exciting economic growth for the province – growth of our local companies and new international companies that expanded in Nova Scotia.

As we move into 2007/08, we have an opportunity to look back on our growth and determine how we will move forward. This year has special importance as it marks the end of our first five years. We will be introducing our new five-year plan in 2007/08 and will begin the next chapter of business at NSBI.

This is an exciting time for NSBI and for Nova Scotia. We have achieved a lot in one year, but it hasn't happened overnight. NSBI has worked diligently with its partners to assist with business growth across the province.

we are... business advisory

In 2006/07, our business advisory team worked directly on the front lines. The team collaborated with business owners and managers across the province to explore new opportunities and determine how NSBI can assist. These six individuals also worked closely with their colleagues in the marketing, corporate, financial services, trade development and investment attraction teams to assist with partner initiatives and client transactions. During 2006/07, the team collectively participated in more than 800 face-to-face meetings with businesses in every region of the province, creating more than 350 qualified referrals to help these businesses grow.

we are... trade development

The trade development team had a record-breaking year. In 2006/07, the team arranged upwards of 1,200 selling/partnering meetings for clients and led or facilitated a total of 20 trade missions and shows. This work has assisted 247 businesses in expanding their markets. More than \$85 million in incremental sales were reported from these clients. This past year, the trade development team stepped out further into the spotlight by launching its new website, www.nsbitrade.com.

we are... investment attraction

NSBI's investment attraction team reported another impressive year with the conclusion of 14 transactions. Some of the world's leading companies in information technology and defence and aerospace expanded in the province. A highlight was financial services, a sector that has grown to include some of the world's largest financial services companies. Over the next five years, Citco Fund Services, Olympia Capital, Marsh and

Butterfield Fund Services are expected to create and maintain more than 1,100 new jobs – that’s more than 200 new jobs each year.

Overall, approximately 3,000 jobs are forecasted to be created and maintained through investment attraction alone. This translates into many high-paying and competitive job opportunities that will assist in raising the average salary across the province – not to mention the long-term and spin-off benefits of these transactions, which will be felt for many years to come.

we are... financial services

NSBI’s financial services team authorized 17 new and existing client-focused solutions, providing capital to fit the needs of growth-oriented companies in all parts of Nova Scotia. The financial services team conducted 334 meetings with current and prospective clients throughout the province. The investment attraction team and the financial services team also worked collaboratively to assist its clients with provincial expansions.

we are... partners

In 2006/07, NSBI not only welcomed new business growth to the province, we also welcomed new partnerships and strengthened existing ones. These partnerships were built on the age-old idea that ‘the whole is greater than the sum of its parts.’ We all worked together to identify the challenges that our province is facing and will continue to face in the coming years. Challenges like technology and education, and the war for talent.

Initiatives like Partner East, Nova Scotia Day in Ottawa, the Ottawa Education Mission, Where Will IT Take You? and techportjobs.com have assisted in bringing Nova Scotia’s challenges to

bear and have done their part to address them. By sitting down with foreign ambassadors in Ottawa, meeting with the Information Technology Association of Canada, partnering with Alberta’s booming business community and launching a new IT job site, NSBI and our partners are tackling these issues head on.

As we embark on 2007/08, NSBI will continue to build on its success over the past year and since its inception in 2001. We will do this through our role as a global competitor and by making the right investments that will lead to provincial growth. We must also continue to work hard to keep young people here by creating high quality and highly skilled jobs.

All of NSBI’s accomplishments over the past year are a strong signal to the world that Nova Scotia has what it takes to be a leader. The 2006/07 fiscal year gave NSBI many reasons to celebrate, but it also motivated us to work even harder as we move into the next year and into the next five years. Nova Scotia has a world-class business case; now we have an impressive list of world-class accomplishments and companies behind us. In order to generate further economic growth in the coming years, we need to embrace it. We need to continue to take action, take risks and, most importantly, we need to work together. NSBI can do it because we are strong, we are driven, we are accountable and we are a team.



Financial Services Authorizations

| | |
|--|--|
| IMP Inc. | \$ 17,000,000 |
| Unique Solutions Design Ltd. | \$ 2,000,000 |
| IMO Foods Ltd. (two transactions) | \$ 1,000,000 \$ 250,000 |
| Naturally Nova Scotia Health Products Ltd. (four transactions) | \$ 302,500 \$ 250,000 \$ 65,000 \$ 70,000 |
| Stonehame Farm Limited | \$ 30,000 |
| Cargolink Ltd. | \$ 205,000 |
| AF Theriault & Son Ltd. | \$ 1,650,000 |
| Intelivote Systems Inc. | \$ 1,000,000 |
| Tech Link International Entertainment Ltd. | \$ 1,000,000 |
| Canadian Sailing Expeditions Inc. | \$ 2,500,000 |
| Total | \$ 27,322,500 |

New Investment in 2006/07

| | |
|------------------------------------|---|
| On-Line Support Inc. | Crape Geomatics Corporation |
| Acrobat Research Ltd. | Hogg Robinson Group (HRG) |
| IMP Inc. | Butterfield Fund Services (Canada) Ltd. |
| Olympia Capital (Bermuda) Limited | Citco Fund Services |
| Marsh Canada Limited | Symcor Inc. |
| Corporation Services Company (CSC) | xwave Solutions Inc. |
| Advanced Glazings Ltd. | ServiCom Canada Limited |

Trade Development

The trade development team collaborates with agencies and organizations that share the common goal of increasing exports from Nova Scotia. The team works with its partners to deliver results, and it also administers programs that assist Nova Scotia exporters to explore new business opportunities.



we are dedicated

PERSONAL:

As an active runner, Wendy always pushes herself to go the extra mile to reach the finish line.

PROFESSIONAL:

Wendy runs on passion and enthusiasm as she coordinates trade missions and travels all over the world to bring new opportunities to Nova Scotia.



Wendy Luther, Trade Development Executive

“Running is a good reminder that you get what you put in. If you don’t put in the required effort, you’re not going to get the best results. You need to be committed and put in all of your energy when you’re running and when you’re at work.”

www.novascotiabusiness.com/weare/wendy

247 client companies introduced to new markets or further advanced in existing markets

\$86.2 million in incremental export sales of NSBI clients

Approximately 1,200 selling/partnering meetings arranged



AG Research Inc.

“As the IT industry continues to grow, so will AG Research. Over the next five years, our company expects to double in size and in revenues as more nearshore development outsourcing takes shape in Nova Scotia.” – Eric Whyte

Be aggressive, stick to your values and always look for new opportunities. This advice guides AG Research Inc. as the company continues to uncover new markets and opportunities beyond its own shores. The Sydney-based company opened its doors in 1991 and has quickly become a dynamic software engineering firm.

In today's buzzing information technology (IT) sector, government and corporations need business professionals who can deliver comprehensive software solutions on time and on budget. AG Research employs 40 people who use their expertise to support the operation of water and electrical utilities, environmental information systems, and engines and cable systems. They also offer services in planning and developing mass appraisal and technology that supports database applications.

To help accelerate its growth, AG Research tapped into Nova Scotia's business community and has been able to explore new opportunities because of its long-lasting partnerships. Since day one, Enterprise Cape Breton Corporation, the Cape Breton Regional Municipality and local organizations have supported the company. For Eric Whyte, CEO and founder of AG Research, partnerships have given them the tools to be innovative, which differentiates them from the rest of the pack.

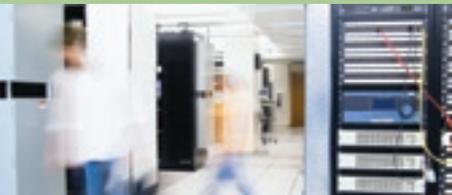
In 1995, the company explored the Bermuda market, and now runs much of the government infrastructure on the Island. “Bermuda goes to AG Research first to provide software systems support, water utilities and a mass taxes appraisal,” says Whyte.

In January 2006, AG Research took part in an NSBI-led trade mission to Trinidad and Tobago. NSBI trade development executive, Wendy Luther, led the mission and has since assisted the company in exploring new international markets.

Nova Scotia's IT industry is home to businesses of all sizes, and all of them, including AG Research, have had a big part to play in sustaining and building the IT industry.

“As the IT industry continues to grow, so will AG Research. Over the next five years, the company expects to double in size and in revenues as more nearshore development outsourcing takes shape in Nova Scotia,” says Whyte.

AG Research has its eye on the international marketplace, which will bring with it more opportunities for growth and continued success.

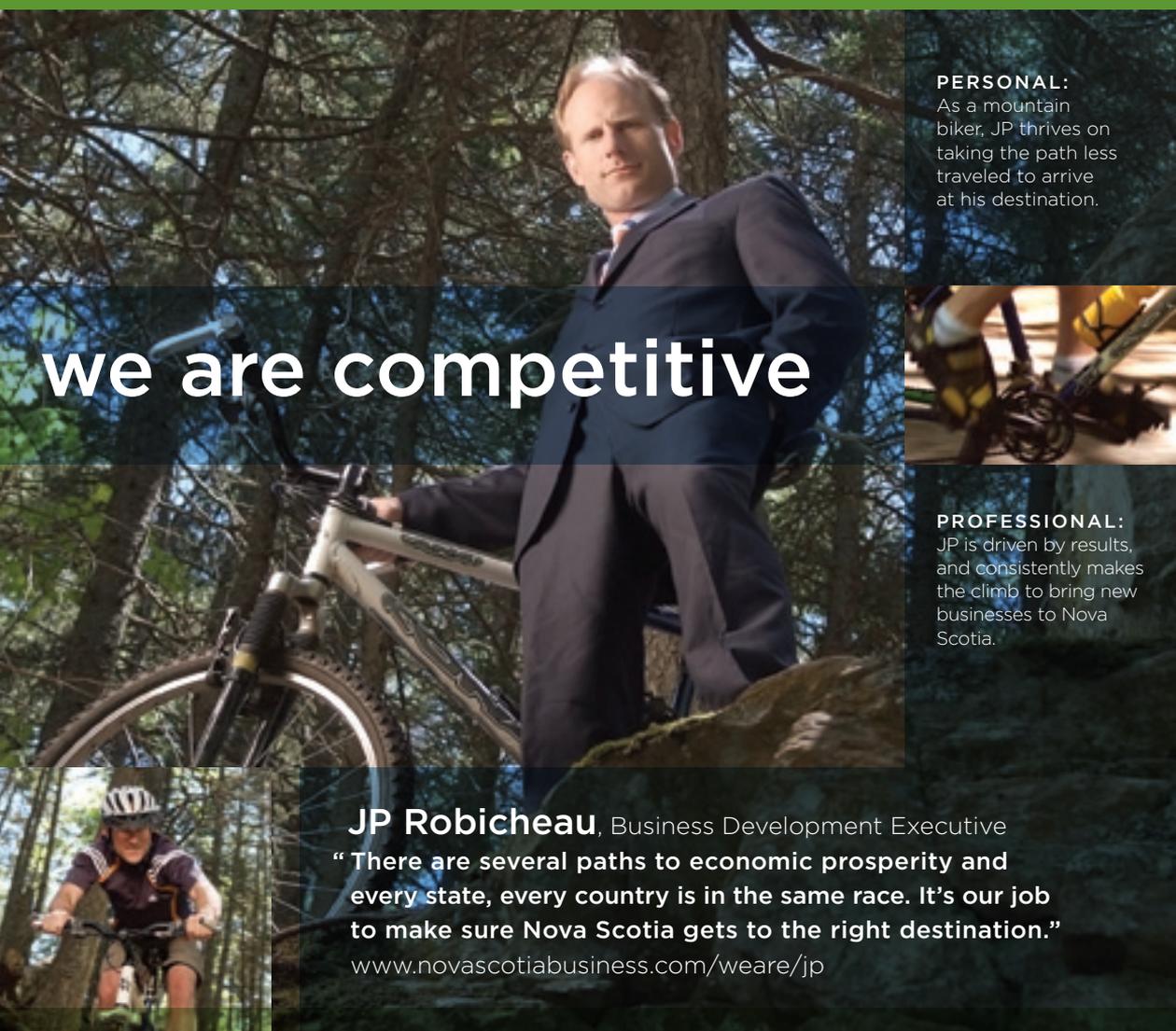


Investment Attraction

Attracting and supporting the growth of sustainable, export-oriented and value-added business investment to the province is the main objective of the investment attraction team. In pursuit of this goal, NSBI takes a targeted approach, ensuring a strong fit between business and the province's key assets, to attract new companies and to support Nova Scotia business growth.

PERSONAL:

As a mountain biker, JP thrives on taking the path less traveled to arrive at his destination.



we are competitive

PROFESSIONAL:

JP is driven by results, and consistently makes the climb to bring new businesses to Nova Scotia.



JP Robicheau, Business Development Executive

“There are several paths to economic prosperity and every state, every country is in the same race. It’s our job to make sure Nova Scotia gets to the right destination.”

www.novascotiabusiness.com/weare/jp

14 companies relocated part or all of their operations to Nova Scotia

3,897 jobs created and retained by clients

An average salary of more than \$45,000 for new jobs created



Citco

“In the competitive world of site selection, we were looking for a location that would enable us to continue to expand our business meaningfully. Simply put, we came to Nova Scotia because it’s the right fit.” – William Keunen

Just as Ireland has established itself as a world leader in the financial services industry, Nova Scotia is working toward that kind of success by attracting a heavy-hitting industry leader like Citco Fund Services to the province.

Established in Canada in 1992, Citco Fund Services has been leading the way as the largest global provider of administrative services to the hedge fund industry. The company is part of Citco Group, a worldwide group of independent financial service providers including international banks, trust and fund services companies.

In 2005, JP Robiciveau, an NSBI business development executive, invited Citco to Halifax to discuss the potential of selecting Nova Scotia as a location for an upcoming expansion. During the company’s visit, JP elaborated on Nova Scotia’s key selling features like its highly skilled workforce, competitive business climate and world-class telecom and broadband infrastructure.

JP and the NSBI team identified its partners early on, assembled a team

and developed a strategic model to make sure Citco left Halifax with a greater understanding of Nova Scotia. In fact, while visiting the city, Citco sat down with local university leaders to gain more insight into the opportunities for their students upon graduation.

For William Keunen, global director of Citco Fund Services, the chance to work with university graduates who are eager to understand and work in the hedge fund industry helped to cement Citco’s decision to expand in the province. And that’s exactly what the company did.

In November 2006, Citco Fund Services announced an expansion in Halifax that will create and maintain up to 350 jobs for the province over the next seven years. The company’s Halifax expansion will also include a new training centre of excellence, which will be used to train employees from all over North America.

Not long after the announcement, Citco opened the doors to its Halifax office.

“We see Halifax as a strategic centre to develop our Canadian

operations,” says Keunen. “With Nova Scotia’s education infrastructure and competitive advantages, we know it is the right place for our new office and training centre.”

With the expansion of Citco Fund Services in Halifax and the growth of four other financial services companies, the province has built an industry that is brimming with opportunities – up to 1,100 job opportunities to be exact.

“In the competitive world of site selection, we were looking for a location that would enable us to continue to expand our business meaningfully,” says Keunen. “Simply put, we came to Nova Scotia because it’s the right fit.”



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|----|------|------|-------|-------|
| 01 | 5.12 | 5.16 | +0.01 | 19751 |
| 09 | 1.66 | 1.71 | -0.09 | 458 |
| 03 | 0.35 | 0.35 | -0.03 | 451 |
| 05 | 2.18 | 2.26 | +0.05 | 3495 |
| 06 | 6.89 | 6.99 | -0.06 | 525 |



Business Advisory Services

Known throughout the province as the go-to people, the business advisory team is the front line contact for Nova Scotia companies. The team takes a proactive approach to business development, and is highly skilled at building partnerships and assisting businesses through a variety of services.



we are resourceful

PERSONAL:
David loves the challenge of taking raw material and turning it into something new and unexpected.

PROFESSIONAL:
David uses his skills and expertise to assist local entrepreneurs in rural Nova Scotia to grow their businesses.

David Copus, Business Advisory Account Executive
“I’m honoured to be part of supporting people as they live their dream and continue building their business, and to all aspiring entrepreneurs, I say: **If you have a dream, go for it.**”

www.novascotiabusiness.com/weare/david

99 qualified referrals for export development, investment or financing

264 qualified referrals to external partner agencies

More than 800 face-to-face meetings with companies across the province

C-Vision Limited



“NSBI and C-Vision are alike because they are both trying to create economic development. My relationship with David has been an important one for C-Vision. He assists with networking, offers sound advice and keeps me up-to-speed with upcoming opportunities.” – Chuck Cartmill

What do you get when you combine a big dream, strong initiative and a successful entrepreneur? One of the most innovative electronics-manufacturing companies to come out of Nova Scotia and North America.

Since Chuck Cartmill opened the doors in 2002, C-Vision Limited, an Amherst-based electronics-manufacturing company, has been making a name for itself on the global stage. With more than 100 highly skilled employees and a modernized facility, C-Vision offers a wide range of services, including electronics assembly, cable assembly, design services, prototyping and complete system integration. In fact, 75 to 80 per cent of its work is shipped to companies outside the Atlantic Provinces.

Not long after the company began operations, it became one of the first electronics manufacturers in North America to design and implement a lead-free manufacturing program

that meets the international regulations introduced by the European Union. While C-Vision’s environmentally friendly shift has taken hard work and time, the company’s innovation has attracted attention and paid dividends. C-Vision has proven itself as an industry leader.

For Chuck Cartmill, president and CEO of C-Vision, staying on top of the competition is vital in such a rapidly changing industry. “Competitors are always watching and you have to be continuously innovative to compete,” says Cartmill.

Keeping up with global change and supporting the company’s growth is also the focus of the partners who are working with Cartmill and C-Vision – partners such as NSBI and David Copus, one of NSBI’s business advisory account executives.

“NSBI and C-Vision are alike because they are both trying to create economic development,” says Cartmill. “My relationship with David has been an important one for C-Vision. He assists with networking, offers sound advice and keeps me up-to-speed with upcoming opportunities.”

C-Vision has hit it big in only a few short years. Looking back on past success will assist the company as it continues developing its vision for the future. So, what is ahead for C-Vision?

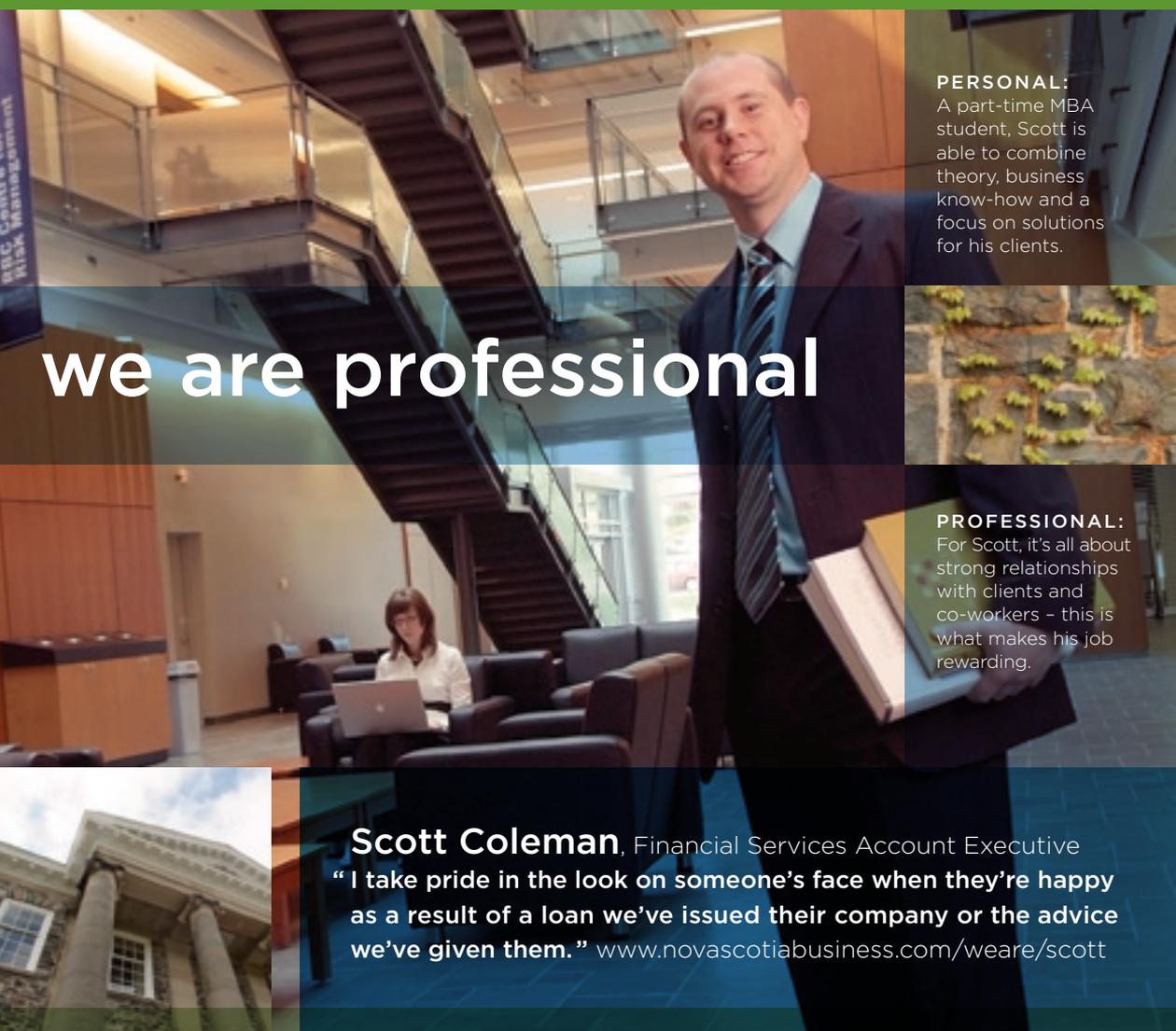
“It’s unpredictable,” says Cartmill. “I would like to see C-Vision expand and become a much larger company, maybe diversify more and move into the aerospace and medical fields.”

One thing is clear, Chuck Cartmill will continue to build a thriving business in Amherst because, as he puts it: “in a nutshell, Nova Scotia is the best place to live and work.”



Financial Services

Whether loan guarantees or term debt are needed, the financial services team works with companies to come up with the appropriate financial solutions. NSBI assists in bridging financial gaps in the marketplace, often partnering with other financial institutions.



PERSONAL:
A part-time MBA student, Scott is able to combine theory, business know-how and a focus on solutions for his clients.

we are professional

PROFESSIONAL:
For Scott, it's all about strong relationships with clients and co-workers - this is what makes his job rewarding.



Scott Coleman, Financial Services Account Executive
“I take pride in the look on someone’s face when they’re happy as a result of a loan we’ve issued their company or the advice we’ve given them.” www.novascotiabusiness.com/weare/scott

17 financings with new and existing companies

91% of employees participated in training and development programs

More than 800 face-to-face meetings with companies across the province



Stonehame Lodge and Chalets

“No business or individual is an island. We could not have gotten to where we are today without fostering strong partnerships.” – Jeff Gunn

When Jeff Gunn and his father decided to diversify their dairy farm, they imagined a mountaintop retreat where visitors could relax and enjoy a breath-taking view of one of the most beautiful areas on the East Coast. And that’s what you get when you visit Stonehame Lodge and Chalets.

Four generations of the Gunn family live on Stonehame Farm on top of Fitzpatrick Mountain, a working farm that raises young female dairy cows and produces forage and grain crops. The family has owned and operated Stonehame Farm for many years and continues to expand the lodge that Donald L. Gunn began on the farm nearly a decade ago. “My grandfather bought the land (Stonehame Farm) in the mid 50’s; it’s been in our family since then and it’s very special to us. It’s always been a place for us to get away and reflect, and we wanted to share that with the rest of the world,” says Jeff Gunn.

Stonehame Lodge and Chalets has become a popular tourist destination in Pictou County. As its reputation has grown, so has the demand for its services. Jeff Gunn knew an expansion should be on the top of the to-do list. To make it possible, Stonehame Lodge and Chalets needed to establish a partner.

“No business or individual is an island. We could not have gotten to where we are today without fostering strong partnerships,” says Gunn.

In 2005, NSBI assisted Stonehame by providing a loan to construct a new 12-unit lodge facility.

Following the loan, Scott Coleman, an account executive with NSBI, worked closely with the family to ensure the expansion was on schedule and acted as an advisor to the company throughout its construction. “Scott has been great to work with and communication lines are always open. We were pleased that Scott took the time to get to know us. Very simply, I can’t say enough about what NSBI has done for us and the role they play right across the province.”

The new lodge, called Rock Maple Retreat, is now open and will give the family an opportunity to expand its services and accommodate the growing demand.

When Jeff and Don Gunn continued on the entrepreneurial path that Donald L. Gunn began almost a decade ago, some people in the community thought “we (they) were nuts.” But the family has proven that by highlighting the beauty in nature, embracing its picturesque landscape and offering a getaway destination, success is not too far behind.

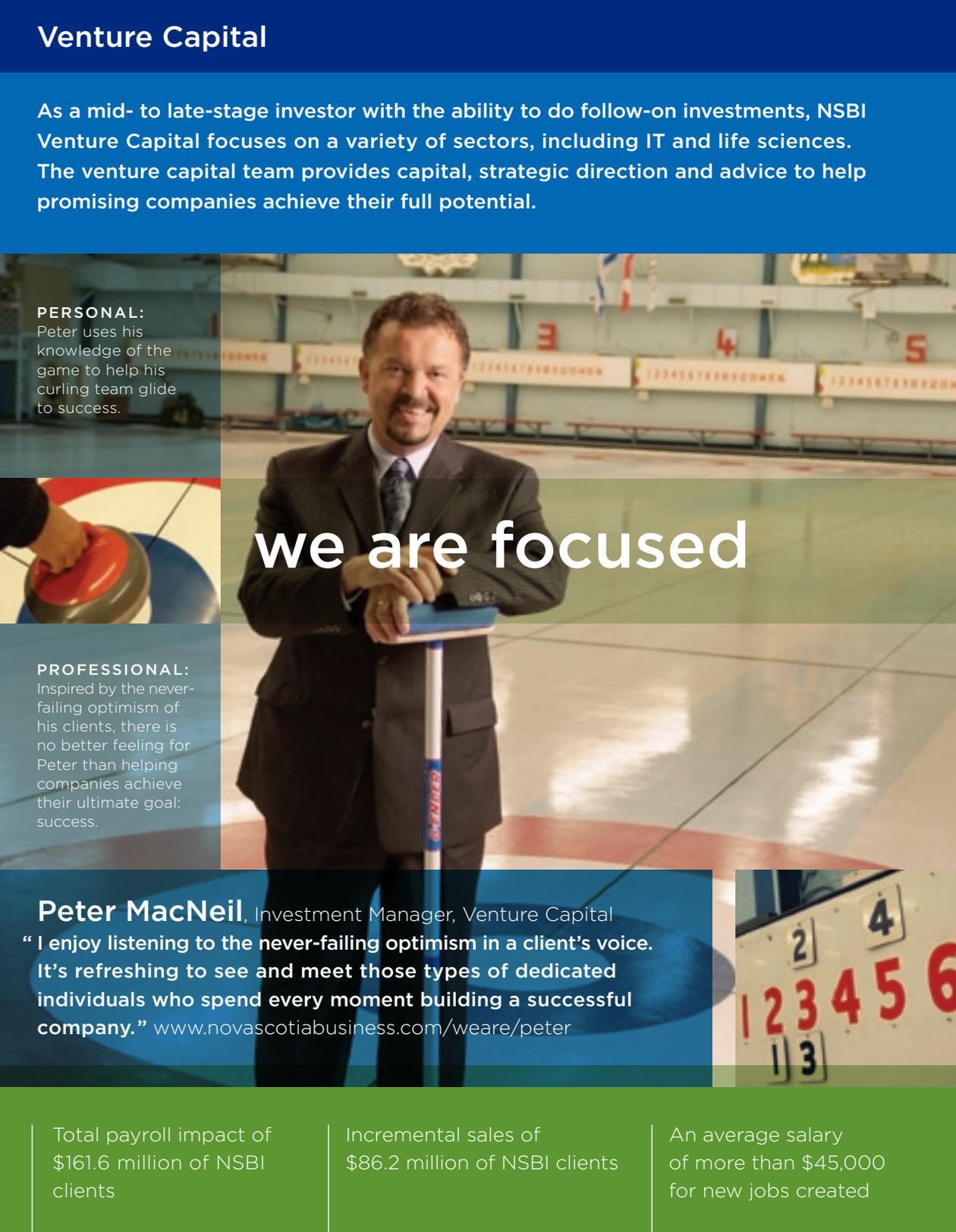


Venture Capital

As a mid- to late-stage investor with the ability to do follow-on investments, NSBI Venture Capital focuses on a variety of sectors, including IT and life sciences. The venture capital team provides capital, strategic direction and advice to help promising companies achieve their full potential.

PERSONAL:

Peter uses his knowledge of the game to help his curling team glide to success.

A man in a dark suit and tie, Peter MacNeil, stands on a curling rink. He is holding a blue curling broom. The background shows the ice rink with red and white markings and numbers 3, 4, and 5 on the wall. The text "we are focused" is overlaid in white on the image.

we are focused

PROFESSIONAL:

Inspired by the never-failing optimism of his clients, there is no better feeling for Peter than helping companies achieve their ultimate goal: success.

Peter MacNeil, Investment Manager, Venture Capital

“I enjoy listening to the never-failing optimism in a client’s voice. It’s refreshing to see and meet those types of dedicated individuals who spend every moment building a successful company.” www.novascotiabusiness.com/weare/peter

Total payroll impact of \$161.6 million of NSBI clients

Incremental sales of \$86.2 million of NSBI clients

An average salary of more than \$45,000 for new jobs created

Unique Solutions

“ I became very intrigued with technology and saw that there was an opportunity to grow the kind of business that I wanted in Nova Scotia without having any boundaries. ”

– Tanya Shaw Weeks

Choosing the right location is a decision that can make or break a new business. For Tanya Shaw Weeks, her decision was easy. A proud Nova Scotian and inventive entrepreneur, Tanya took a risk; she chose Nova Scotia as her location and eventually struck it big after opening Unique Solutions.

What began as a pattern-making company has now emerged into the leading software and hardware solutions provider for the health and wellness and the apparel industries. Established in 1994 as Unique Patterns, Shaw Weeks and her team built the company from the ground up, and soon renamed it Unique Solutions to explore beyond the pattern-making industry.

“I became very intrigued with technology and saw that there was an opportunity to grow the kind of business that I wanted in Nova Scotia without having any boundaries,” says Shaw Weeks.

Her interest in technology evolved into a full-fledged business strategy that led to the development of the company’s industry-leading product, the Unique bodyscanner™. In less than one minute, the 3-D scanner uses laser technology to capture body measurement data, including a person’s height, weight, body mass index (BMI) and body fat percentage.

Most recently, Unique Solutions introduced its revolutionary product to the health and wellness industry. A major pharmaceutical company is engaged in a trial using the bodyscanner™ in a retail pharmacy health education centre as a health assessment and weight management tool.

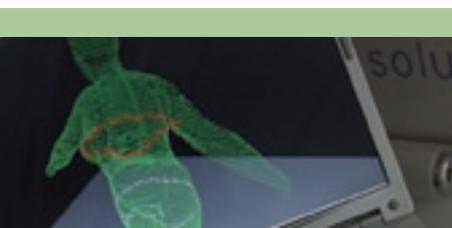
The advice and knowledge Shaw Weeks has received from the local business community and people like Peter MacNeil, investment manager of NSBI’s venture capital team, have been instrumental for Unique Solutions.

“Peter always makes himself available to me or any of our staff who might want his input on a specific project or to see if he knows

someone in a certain sector or marketplace that may be helpful for a particular initiative,” says Shaw Weeks.

Both the financial and advisory support Tanya has received from NSBI has assisted her company’s growth.

“To be a global competitor, you need to rapidly respond to what the market demands of you. You have to be careful not to simply stay the course, but be flexible and agile enough to respond to where the real markets may be.”



Payroll Rebates

Competing jurisdictions regularly include incentives in their business case and so must NSBI. Attracting and expanding business investment to Nova Scotia communities is critical. It's all about being competitive in this global economy and one of the ways NSBI can assist is through a payroll rebate.



we are leaders

PERSONAL:

As a former pilot in the air force, Mark has the right skills and insight to attract high profile companies to the province.

PROFESSIONAL:

He soars to new heights as he works closely with businesses to help grow the defence and aerospace sector in Nova Scotia.



Mark James, Business Development Executive

"I know that to be a strong leader you have to have a strong team. The work that gets done in this sector involves many companies. It's one where everyone truly works together.

And it's for that reason that I have the best job in the province."

www.novascotiabusiness.com/weare/mark

3,897 jobs created
and retained by clients

Attracted four of the world's
largest financial services
companies to Nova Scotia

A total payroll impact
of \$161.6 million for
NSBI clients

“ Investing in a province that not only supports the industry, but has the skilled workforce to build on, makes good business sense for us.” – Don McClure

In business, you need to think outside the box. For one of Canada's largest providers of information and communications technology (ICT), this thinking compelled xwave to expand part of its business in an industry that is creating a lot of buzz in the province. The result - a thriving defence, security and aerospace division.

xwave, a division of Bell Aliant, is a full-service business solutions provider serving some of Nova Scotia's largest private and public-sector organizations for the past 30 years.

With more than 1,500 employees and offices across Canada and the United States, xwave is continuing to build a successful business. Like NSBI, the company sees the value of solid partnerships by joining forces with IT industry leaders like Hewlett-Packard, Microsoft and IBM.

Mark James knows first-hand the importance of forging strong partnerships and teams as a former pilot and as one of NSBI's business

development executives. Applying his military knowledge to his role at NSBI, he contacted xwave to learn more about the work the company was pursuing in the defence industry. Over the next year, he worked closely with the company to identify its needs and determine how NSBI could assist in expanding its business.

In February 2007, xwave announced it would be adding up to 250 new jobs to the defence, security and aerospace industry in Nova Scotia. In fact, the province is home to almost 40 per cent of the country's defence infrastructure.

“Investing in a province that not only supports the industry, but has the skilled workforce to build on, makes good business sense for us,” says Don McClure, managing director, defence, security and aerospace.

Not only will the expansion bring new job opportunities to the province, it will also help xwave to secure new contracts. Ones like the integrated life cycle-information system for the Maritime Helicopter Program, which is the largest contract to date for xwave.

“The Maritime Helicopter Program is the first time where our national government has provided funding to design, build and operate this type of program,” says McClure.

xwave will design, build and maintain these MHP support systems over the next 20 years. To date, the company has hired more than 45 new employees. By continuing to think outside the box, this contract is only the beginning of new growth opportunities for xwave.

“This program is a platform on which growth can occur. By finding a way to leverage new experiences into a new opportunity, our company and companies across the province can generate even more wealth and growth to Nova Scotia.”



THE YEAR IN REVIEW 2006/2007

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2006 Export Achievement Award Winners:

- C-Vision Limited – New Exporter of the Year
- Clearwater – Long Term Exporter
- Acadian Seaplants Ltd. – Export Growth Through New Markets
- Ocean Nutrition Canada – Export Growth Through Product Development
- Jacques Whitford – Export Growth Through Partnership
- Secunda International Ltd.– Export Growth Through Sales
- Master Merchant Systems Software – Canadian Market Development
- Ocean Nutrition Canada – Exporter of the Year

2006 Export Achievement Awards banquet

Lisa Dobson



MAY / 06



JUN / 06

April/06
Trade Mission to
Trinidad & Tobago/Barbados

April 26/06
 NSBI completes \$1 million in convertible debenture financing for **Tech Link International Entertainment Ltd.** to help advance its responsible gaming marketing phase.

May/06
Team Canada Atlantic
Trade Mission to Florida

May 9/06
 With the support of the provincial government and the Cheticamp Co-operative Council, **Acrobat Research** is expected to add up to 115 new jobs at its new contact centre in Cheticamp during the next six years. NSBI invests a maximum payroll rebate of up to \$850,000. Nova Scotia Economic Development also invests a \$350,000 loan to assist with start-up infrastructure costs.

May/06
Trade Mission to Portland, Maine

May 12/06
IMP secures a capital expenditure loan of \$17 million and a maximum payroll rebate of up to \$2.8 million over the next five years to construct a hangar at the Halifax Robert L. Stanfield International Airport that will service Canadian and international military aircraft.

June/06
Lisa Dobson, an account executive with NSBI's business advisory team, collaborates with the Strait Area Chamber of Commerce to launch a marketing campaign focused on highlighting the region and its businesses. Two initiatives are introduced, including the Business & Consumer Showcase and the Thank You / Buy Local campaign.

June 15/06
Unique Solutions Design Ltd. receives \$2 million in convertible debenture financing to support the commercialization and marketing of its body scanning technology. Visit www.novascotiabusiness.com/weare to learn more about this company and others.

June 27/06

NSBI issues two term loans totaling \$1.25 million to **IMO Foods Ltd.** to maintain 70 jobs in Yarmouth.

July 13/06

L-3 Communications Canada, an industry-leading defence and aerospace company, announced the expansion of its Halifax operations. The company is expected to create an additional 210 jobs for Nova Scotians during the next five years.

L-3 Communications

September/06

Trade Mission to Ireland

September 18/06

Alberta-based **Crape Geomatics Corporation** is reversing the trend to move west by expanding its operations to Nova Scotia. The company's new Dartmouth facility is expected to create up to 75 new jobs during the next five years. NSBI invests a maximum payroll rebate of up to \$853,300.

Sean Cochrane

October 19/06

Nova Scotians look forward to new and flexible job opportunities as **Hogg Robinson Group (HRG)**, one of the world's largest corporate services companies, expands its Halifax operations. The company is expected to add up to 250 new jobs during the next four years. NSBI invests a maximum payroll rebate of up to \$1.218 million.

Research In Motion

JUL / 06



AUG / 06



SEPT / 06

OCT / 06



July/06

Farnborough Air Show

August/06

NSBI completes a \$2.5 million guarantee for **Canadian Sailing Expeditions Inc.** to assist in the establishment of a unique tourism sailing venture.

August/06

In addition to proactive work with businesses one-on-one each and every day, **Sean Cochrane**, an account executive with NSBI's business advisory team, has been a member of local action teams in Kings and Hants Counties since August 2006 that explore solutions to generate regional business growth.

September/06

Trade Mission to Germany

September/06

Oceans 2006 in Boston

September 20/06

The **Information Technology Association of Canada** holds its board meeting in Atlantic Canada for the first time. As part of the meeting, board members visit Halifax West High School where they meet with students, answer questions and discuss the IT job opportunities available in Nova Scotia. The visit to the high school is part of a province-wide school program, **Where Will IT Take You?**

October 5/06

Stonehame Farm Limited receives an additional \$30,000 on its term loan to complete the construction of its new 12-unit lodge. Visit www.novascotiabusiness.com/weare to learn more about this company and others.

October/06

Trade Mission to Portland, Maine

October/06

Peter Giffin, senior trade development executive with NSBI, leads five companies on a trade mission to Italy.

October/06

Trade Mission to Iceland

October 26/06

Research In Motion, the innovator behind BlackBerry, breaks ground for its technical support operations centre in Nova Scotia. The facility will house up to 1,200 employees that the company plans to hire over the next five years. In April 2006, RIM opened an interim location near Bayers Lake Business Park and has hired more than 200 employees to date.

November 6/06

Up to 200 more jobs are expected to be available in Liverpool as **On-Line Support** continues to expand in the province. NSBI reassigns a payroll rebate from former Liverpool contact centre operator, Lightbridge, at a maximum of up to \$1.161 million during the next three years. Nova Scotia Economic Development provides \$400,000 for infrastructure upgrades from the Industrial Expansion Fund.

Peter Giffin



NOV / 06

Butterfield Fund Services announcement



November/06

Trade Mission to Hong Kong

November 9/06

A term loan of \$205,000 is granted to **Cargolink Ltd.** for equipment and working capital.

November/06

Trade Mission to Boston

November 21/06

Olympia Capital (Bermuda) Limited, one of the world's most respected hedge fund administrators, expands its operations and is expected to create up to 150 new jobs to Halifax during the next five years. NSBI invests a maximum payroll rebate of up to \$1.5 million. Nova Scotia Economic Development provides \$300,000 for a recruitment and training package from the Industrial Expansion Fund.

Olympia Capital announcement



November/06

Communities in western and central Nova Scotia take a new approach to stimulating local business growth. The **Business Retention and Expansion (BRE) model** is a dynamic "best practices" approach to economic development that encourages the stability and growth of local companies. Led by the Nova Scotia Association of Regional Development Authorities (RDAs) and with support from partners, including NSBI, Nova Scotia Economic Development and the Department of Education; six RDAs representing eight counties implement strategies to positively influence the decision to stay and grow in Nova Scotia.

November 15/06

Butterfield Fund Services provides an opportunity for Nova Scotia expatriates to return home for the kind of jobs they once left for. The company expects to create up to 400 full and part-time jobs during the next seven years. NSBI invests a maximum payroll rebate of up to \$9.1 million.

November/06

Team Canada Atlantic Trade Mission to Florida

November 20/06

Citco Fund Services, the leading global provider of administrative services to the hedge fund industry, opens an office and training centre in Halifax that is expected to employ up to 350 people. NSBI invests a maximum payroll rebate of up to \$7 million during the next seven years. Visit www.novascotiabusiness.com/weare to learn more about this company and others.

November 30/06

Marsh, the world's leading risk and insurance services firm, will establish a technical centre of excellence to provide high-level financial administrative support for its captive solutions business. NSBI invests a maximum payroll rebate of up to \$2.688 million to create up to 150 jobs during the next six years.

With the expansion of four financial services companies, the province has built an industry that is brimming with opportunities – up to 1,100 job opportunities during the next five years to be exact. Real estate developers, taxis, florists and restaurants will all see the benefit of new business with many spin-off opportunities ahead.

December 11/06

Corporation Services Company (CSC) is expected to create up to 78 new jobs during the next five years at its new location in the Hebron Industrial Park in Yarmouth County. Three levels of government contribute \$1.85 million toward the costs of the office space for the company.

Pamela Rudolph

**December 13/06**

Two Nova Scotia entrepreneurs, Doug Milburn, president of Advanced Glazings Ltd., and Faith Drinnan, president and CEO of the Oyster Group, are selected as the 2006 winners of NSBI's **Executive Development in Global Entrepreneurship (EDGE)** program.

Doug Milburn and Faith Drinnan

**January/07****BAU Trade Show in Germany****February 1/07**

Intelivote Systems Inc. brings its voting technology to market with \$1 million in convertible debenture financing from NSBI.

December/06

The East Coast solution to Alberta's labour issues travels west. **Pamela Rudolph**, trade development specialist, and NSBI staff work with the Department of Energy to launch **Partner East**, NSBI's biggest trade mission yet. A group of 27 Nova Scotia manufacturers, metal fabricators and services providers travel to the west to connect with companies and build mutually beneficial partnerships to ease Alberta's labour challenges.

December 15/06

The future is getting even brighter for a local innovator, which means more jobs for Nova Scotians. Cape Breton-based **Advanced Glazings Ltd.** is expected to create up to 238 new jobs during the next five years. NSBI invests a maximum payroll rebate of up to \$780,000.

January/07**Atlantic Premiers' Mission to Alberta****January 23/07**

xwave, one of Canada's largest information and communications technology (ICT) services companies, is growing its defence, security and aerospace operations in Nova Scotia. NSBI invests a maximum payroll rebate of up to \$4.515 million to create up to 250 full-time jobs during the next five years.

February 13/07

AF Theriault & Son Ltd. receives a loan of \$1.65 million to meet performance bond and warranty bond requirements to win a contract worth \$3 million from the Atlantic Pilotage Authority.

February/07**Trade Mission to Trinidad & Tobago****February 15/07**

EduNova, NSBI and the Department of Education partner on a joint mission to Ottawa that raises the profile of Nova Scotia. Ambassadors, high commissioners and foreign service officers learn more about the education opportunities available at Nova Scotia's world-class universities, community colleges, public schools and private training schools.

March 2/07

Nova Scotia takes a bold step in building a more sustainable workforce in information and communications technology (ICT). A dedicated information and communications job site, **techportjobs.com**, links recent graduates, local professionals and expatriates with ICT employment opportunities in Nova Scotia.

March 29/07

The **2007 Geared for Growth Business Conference** in Halifax is designed to provoke thought, generate ideas and inspire growth for businesses. The event features William Taylor, co-author of *Mavericks at Work*, Bill Strickland, social entrepreneur, and Todd Maffin, technology futurist.

April 16/07

Tonya O'Quinn, one of NSBI's business development executives, works with **ServiCom Canada Limited** to expand its Sydney operations. The company is expected to create up to 175 new full-time positions during the next five years. NSBI invests a maximum payroll rebate of up to \$914,400.

Tonya O'Quinn



March 12/07

Naturally Nova Scotia Health Products Ltd. secures four loans totaling \$687,500 for the expansion of its production facility in Lawrencetown.

March/07

Trade Mission to Scotland

April/07

Trade Mission to Alberta

April/07

Trade Mission to Portland, Maine

dedicated | competitive | resourceful | professional | focused | leaders

Corporate Governance

Thorough due diligence and adherence to rigorous corporate governance guide the action of NSBI's private-sector board. Comprised of 13 respected business leaders from communities across Nova Scotia, the NSBI board provides guidance and governance for NSBI's business activities.

In the spirit of transparency and in the interest of keeping abreast of the issues of business across the province, the board continued its practice of hosting an annual reception for business. In 2006/07, the reception in Yarmouth drew more than 125 members from the local business community.

This past year, NSBI also welcomed a new board chair, Doug Hall. Mr. Hall, former vice-chair of NSBI's board, began his term in January 2007 following the end of the term for F. Thomas Stanfield. Mr. Stanfield served as the board chair for NSBI from 2001 to 2006 and was honoured by NSBI at a reception in Truro with local area business leaders.

Including committee meetings, members of the board met more than 30 times in 2006/07 to further the following:

- Oversee the corporate governance framework
- Review and approve quarterly and annual financial reports
- Oversee the strategic 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

CHAIR

Doug Hall

Former Managing Director, RBC
Dominion Securities, Halifax

MEMBERS

Sheila A. Brown, Ph.D

Former President and
Vice-Chancellor, Mount Saint
Vincent University, Halifax

Jim Eisenhauer

President, ABCO Group Limited,
Lunenburg

Lawrence K. Evans, Q.C.

Partner, Evans MacIsaac MacMillan,
Port Hawkesbury

James W. Gogan

Former President and CEO, Empire
Co. Limited, Stellarton

David Arenburg

President, Adcor Group of
Companies, Yarmouth

James Kehoe

President, Joneljim Group of
Companies, Sydney

Paul Kent

Former COO, xwave, and Senior Vice
President, Enterprise and Business
Solutions, Aliant, Halifax

MEMBERS

Jim MacConnell

Former President and CEO,
Scotsburn Co-operative Services,
Scotsburn

Bill Black

Former President and CEO,
Maritime Life, Halifax

Paul Taylor

Deputy Minister,
Department of Economic
Development, Halifax

Nancy Tower

CFO, Emera Inc. & Nova Scotia
Power Inc., Halifax

Stuart Rath

President and Director,
Stuco Holdings Ltd., Truro

OFFICERS

Stephen Lund

President and CEO

Pat Ryan

Chief Operating Officer
and Vice President

Robert Daigle

Vice President

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: Lawrence Evans. Members: James A. Kehoe, Nancy Tower.

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

Chair: Dr. Sheila Brown. Members: Paul Kent, David Arenburg.

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

Chair: Jim Eisenhower. Members: Jim Gogan, Jim MacConnell, Stuart Rath, Bill Black.

Promote the growth of new and existing businesses in Nova Scotia

| Indicator | Measure | Target 2006-07 | Actual 2006-07 |
|--|---|----------------|----------------|
| Nova Scotia companies expand business within Nova Scotia | # of qualified referrals for export development, investment or financing | 120 | 99 |
| | # of qualified referrals to external partner agencies | 180 | 264 |
| Volume and diversity of exports | # of companies introduced to new markets / further advanced in existing markets | 110 clients | 247 clients* |

Attract leading edge, sustainable business investment to Nova Scotia

| Indicator | Measure | Target 2006-07 | Actual 2006-07 |
|---------------------------------|---|----------------|----------------|
| FDI in Nova Scotia | # of companies that relocate part or all of their operations in Nova Scotia | 12 | 14 |
| Economic Benefit to Nova Scotia | Average gross salary of new jobs created through business attraction and reinvestment | \$34,500 | \$47,328 |
| Fiscally prudent financing | Average portfolio return on investments utilizing SIFs | 40-50% | 62.4% |

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 | Target 2006-07 | Actual 2006-07 |
|---|---|---|--------------------------|
| Incremental number of investment projects | # of financings with new/existing companies utilizing Nova Scotia Business Fund | 15 [20 including # of successful financial transactions using external partners] | 17** |
| Quality portfolio management | Impaired loan ratio | 5% or less | 1.1% |
| | Annual client review completed | 100% of clients reviewed | 100% of clients reviewed |
| Partner for financing solutions | Leverage ratio of Partner: NSBI | Ratio of 1:1 | 0.4 :1 |
| Total return to the province | Total financial return on investment from NSBI financing | TBD | *** |

Increase the visibility and recognition of Nova Scotia - its business climate, advantages and capabilities

| Indicator | Measure | Target 2006-07 | Actual 2006-07 |
|---|--|--|----------------|
| Awareness of NSBI's role in Nova Scotia | Percentage point increase over base measure of awareness of NSBI | 8 percentage point increase over benchmark | *** |

Develop an action-oriented, client-focused organizational culture that encourages, empowers and supports high-performance, entrepreneurial thinking and professionalism

| Indicator | Measure | Target 2006-07 | Actual 2006-07 |
|---|---|--|--|
| Employee training and development | % of employees participating in training and development programs | 80% | 91% |
| Business culture - deliver results within cost management structure | Operate within annual operating budget | \$10.231 million [recurring and non-recurring] | \$10.279 million [recurring and non-recurring] |

Overall Performance

| Indicator | Measure | Target 2006-07 | Actual 2006-07 |
|------------------------------|---|----------------|----------------------------|
| Jobs within Nova Scotia | # of jobs retained and created by clients | 3,200 | Min : 2,555 Max : 3,897 |
| Export sales | Incremental export sales of NSBI clients | \$28 million | \$86.2 million* |
| Total payroll | Total payroll impact of NSBI clients | \$110 million | \$161.6 million |
| Total return to the province | Total financial return on investment from NSBI activity | TBD | *** |

NOTES:

* In addition, there was a further \$48.7 million in client reported export sales from Nova Scotia businesses as a result of Trade Shows/ShowStorm initiatives that NSBI participated in. If these export sales were included, total incremental client export sales would be \$134.9 million and the number of clients reporting new and/or further market penetration would increase to 247.

** Includes 14 new NSBI authorizations and three NSBI material amendments to existing clients that have a positive net economic benefit to the province.

*** The corporate scorecard was adjusted in mid-year to better match the evolving objectives of the organization.

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FINANCIAL STATEMENTS

www.novascotiabusiness.com/weare

The accompanying financial statements of Nova Scotia Business Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles and, if necessary, contain certain items that reflect 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 Directors' 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 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



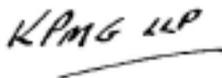
Barry Burke, MBA, CMA
Controller

To the Directors of Nova Scotia Business Incorporated

We have audited the balance sheet of Nova Scotia Business Incorporated as at March 31, 2007 and the statements of revenue, expenditures and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP" with a horizontal line underneath.

Halifax, Canada
May 25, 2007

Chartered Accountants

Balance Sheet

(in thousands of dollars)

March 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|---|------------|------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 23,879 | \$ 32,949 |
| Accrued interest receivable | 1,069 | 830 |
| Due from the Province of Nova Scotia | 7,766 | 8,356 |
| Current portion of loans receivable (note 3) | 6,129 | 6,883 |
| Other receivables | 633 | 446 |
| | 39,476 | 49,464 |
| Nova Scotia Business Fund assets: | | |
| Loans receivable (note 3 and 7) | 93,730 | 93,987 |
| Equity investments (note 4 and 7) | 13,219 | 12,233 |
| Industrial parks and malls (note 5) | 3,394 | 3,871 |
| Other assets (note 6 and 7) | - | 100 |
| | 110,343 | 110,191 |
| | \$ 149,819 | \$ 159,655 |
| Liabilities and Shareholder's Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 13,733 | \$ 14,681 |
| Provision for payment of guarantees (note 7) | 760 | 650 |
| Principal due within one year to the Province of Nova Scotia (note 8) | 9,413 | 16,203 |
| | 23,906 | 31,534 |
| Longterm debt: | | |
| Due to the Province of Nova Scotia (note 8) | 99,513 | 103,366 |
| Shareholder's equity: | | |
| Share capital and retained earnings (note 9) | 26,400 | 24,755 |
| Commitments (note 10) | | |
| Contingencies (note 11) | | |
| | \$ 149,819 | \$ 159,655 |

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, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|--|------------------|------------------|
| Revenue: | | |
| Provincial grants: | | |
| Operating grant | \$ 10,231 | \$ 8,981 |
| Strategic investment grant | 10,364 | 12,273 |
| Valuation allowance grant | 1,600 | 1,600 |
| Capital grant | 1,248 | - |
| Interest on loans receivable | 8,635 | 11,206 |
| Other investment income | 351 | 324 |
| Gain (loss) on sale of land/property | (1,072) | 5,793 |
| Miscellaneous | 1,318 | 758 |
| | <u>32,675</u> | <u>40,935</u> |
| Expenses: | | |
| Schedule of operating expenses | 10,279 | 8,925 |
| Strategic investments | 10,364 | 12,273 |
| Provision for credit losses and payment of guarantees | 1,917 | 1,284 |
| Schedule of Nova Scotia Business Fund expenses | 8,272 | 10,129 |
| | <u>30,832</u> | <u>32,611</u> |
| Excess of revenue over expenditures | 1,843 | 8,324 |
| Retained earnings, beginning of year | 24,755 | 16,431 |
| Less: dividend paid to shareholder | (198) | - |
| Retained earnings, end of year | <u>\$ 26,400</u> | <u>\$ 24,755</u> |

See accompanying notes to financial statements

Statement of Cash Flows

(in thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|---|-----------|-----------|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess of revenue over expenditures | \$ 1,843 | \$ 8,324 |
| Items not involving cash: | | |
| Amortization | 188 | 201 |
| Provision for credit losses and payments of guarantees | 1,917 | 1,285 |
| Capitalized interest on loans receivable | (481) | (4,016) |
| Loss (gain) on sale of land/property | 1,072 | (5,793) |
| Change in noncash operating working capital: | | |
| Increase in accrued interest receivable | (239) | (309) |
| Decrease in due from the Province of Nova Scotia | 590 | 3,220 |
| Decrease (increase) in other receivables | (187) | 126 |
| Increase (decrease) in accounts payable and accrued liabilities | (948) | 994 |
| | 3,755 | 4,032 |
| Financing: | | |
| Dividend | (198) | - |
| New borrowings from the Province of Nova Scotia | 10,646 | 11,466 |
| Principal repayments to the Province of Nova Scotia | (21,289) | (8,443) |
| | (10,841) | 3,023 |
| Investments: | | |
| Contract disbursements | (1,735) | - |
| Loan advances | (11,623) | (8,400) |
| Principal received on loans | 13,248 | 15,216 |
| Redemption of shares | 69 | 111 |
| Equity investments | (3,000) | (4,275) |
| Convertible debenture repayment | - | 2,000 |
| Proceeds from disposal of Industrial Parks | 2,211 | 6,245 |
| Capital additions | (1,259) | (131) |
| Other | 105 | 10 |
| | (1,984) | 10,776 |
| Increase (decrease) in cash position | (9,070) | 17,831 |
| Cash, beginning of year | 32,949 | 15,118 |
| Cash, end of year | \$ 23,879 | \$ 32,949 |

See accompanying notes to financial statements

Nova Scotia Business Incorporated (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.

1. Summary of significant accounting policies:

(a) Loans receivable:

Loans receivable are recorded at cost less a general allowance for credit losses equal to 5% of cost. In addition, a specific allowance is recorded if management considers it necessary to reduce the loan to its estimated recoverable amount.

(b) Equity investments:

Equity investments are initially recorded at cost less a general allowance for credit losses equal to 10% of cost. This allowance is immediately recorded to reflect the increased risk associated with equity investments. The investments are reviewed annually for potential declines in value. If a decline is considered to be other than temporary, a specific allowance is recorded.

(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 |
|--------------------------------------|-------------------|-------|
| Land improvements | Declining balance | 5% |
| Industrial malls and other buildings | Declining balance | 5% |
| Wharves | Declining balance | 5% |
| Utilities | Declining balance | 4-15% |

The Department of Transportation and Public Works 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 Public Works and are not reflected in these financial statements.

1. Summary of significant accounting policies (continued):

(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. In addition, a specific allowance is recorded if management considers it necessary to reduce the asset to its estimated recoverable amount.

(e) Revenue recognition:

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectibility 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.

(f) 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. In addition, 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 funding from the Province of Nova Scotia in the form of a Valuation Allowance Grant.

(g) 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. The public service award liability for the period prior to NSBI's inception, is recorded on the financial statements of the Province of Nova Scotia.

1. Summary of significant accounting policies (continued):

(h) 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.

2. Fair value of financial instruments:

The carrying value 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 values of loans receivable approximate their net realizable value.

Equity investments, loan guarantees and other assets 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. Thus, 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 largest of which has no set terms of repayment. Principal is repaid to the Province as it is collected on the loans receivable financed by this note. Due to the volume of accounts financed by the notes and the uncertainty with respect to timing of future cash flows, it is not practical to determine the fair value of the amount due to the Province of Nova Scotia. Thus, these notes are carried on the financial statements at cost.

(in thousands of dollars)

Year ended March 31, 2007

3. Loans receivable:

| | 2007 | 2006 |
|--------------------------------------|------------|------------|
| (a) Principal due: | | |
| Performing loans | \$ 121,712 | \$ 120,460 |
| Impaired loans | 17,147 | 23,415 |
| | 138,859 | 143,875 |
| Allowance for credit losses (note 7) | 39,000 | 43,005 |
| | 99,859 | 100,870 |
| Less current portion | 6,129 | 6,883 |
| | \$93,730 | \$93,987 |

Included in the above loans receivable are loans with concessionary terms which have principal amounts outstanding of \$327 (2006 - \$461) and concessionary allowance of \$51 (2006 - \$88). The concessionary terms consist of interest free financing.

The concessionary allowance is calculated as the difference between the financing advances and the net present value of the anticipated future repayments at an interest rate similar to the usual established terms of the Corporation.

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

| | |
|------|----------|
| 2008 | \$ 6,129 |
| 2009 | 4,108 |
| 2010 | 7,108 |
| 2011 | 6,514 |
| 2012 | 6,350 |

Notes to Financial Statements

(in thousands of dollars)

Year ended March 31, 2007

4. Equity investments:

| | 2007 | 2006 |
|--------------------------------------|-----------|-----------|
| Common shares | \$ 5,639 | \$ 4,641 |
| Preferred shares | 11,520 | 11,588 |
| Convertible debentures | 8,125 | 6,125 |
| | 25,284 | 22,354 |
| Allowance for credit losses (note 7) | 12,065 | 10,121 |
| | \$ 13,219 | \$ 12,233 |

5. Industrial parks and malls:

| | | | 2007 | 2006 |
|--------------------------------------|----------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net Book Value | Net Book Value |
| Land | \$ 225 | \$ - | \$ 225 | \$ 225 |
| Land improvements | 1,167 | 386 | 781 | 879 |
| Industrial malls and other buildings | 3,702 | 2,152 | 1,550 | 1,729 |
| Wharves | 1,511 | 1,083 | 428 | 536 |
| Utilities | 809 | 399 | 410 | 502 |
| | \$ 7,414 | \$ 4,020 | \$ 3,394 | \$ 3,871 |

Notes to Financial Statements

(in thousands of dollars)

Year ended March 31, 2007

6. Other assets:

| | 2007 | 2006 |
|--|--------|--------|
| Property acquired through foreclosure, at cost | \$ 822 | \$ 927 |
| Less allowance for losses (note 7) | 822 | 827 |
| | \$ - | \$ 100 |

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

| | Gross balance outstanding | Specific allowance | General allowance | Total allowance | 2007 Net balance outstanding |
|-----------------------------|------------------------------|-----------------------|----------------------|--------------------|------------------------------------|
| Loans receivable (note 3) | \$ 138,859 | \$ 34,280 | \$ 4,721 | \$ 39,000 | \$ 99,859 |
| Equity investments (note 4) | 25,284 | 10,694 | 1,371 | 12,065 | 13,219 |
| Guarantees (note 11) | 4,004 | 400 | 360 | 760 | 3,244 |
| Other assets (note 6) | 822 | 822 | - | 822 | - |
| | \$ 168,969 | \$ 46,196 | \$ 6,452 | \$ 52,647 | \$ 116,322 |

| | Gross balance outstanding | Specific allowance | General allowance | Total allowance | 2006 Net balance outstanding |
|-----------------------------|------------------------------|-----------------------|----------------------|--------------------|------------------------------------|
| Loans receivable (note 3) | \$ 143,875 | \$ 38,332 | \$ 4,673 | \$ 43,005 | \$ 100,870 |
| Equity investments (note 4) | 22,354 | 8,915 | 1,206 | 10,121 | 12,233 |
| Guarantees (note 11) | 2,754 | 650 | - | 650 | 2,104 |
| Other assets (note 6) | 927 | 822 | 5 | 827 | 100 |
| | \$ 169,910 | \$ 48,719 | \$ 5,884 | \$ 54,603 | \$ 115,307 |

(in thousands of dollars)

Year ended March 31, 2007

8. Due to Province of Nova Scotia:

| | | | 2007 | 2006 |
|--|------------------|--------------------------------|-----------------------|-----------------------|
| (a) Notes payable to the Province of Nova Scotia are comprised of the following: | | | | |
| | Year of Maturity | Weighted average interest rate | Principal outstanding | Principal outstanding |
| Note payable 2002-01 | - | - | \$ 45,457 | \$ 63,767 |
| Note payable 2002-02 | 2022 | 5.31% - 6.75% | 37,836 | 38,931 |
| Note payable 2003-01 | 2008 | 4.85% | 2,372 | 2,533 |
| Note payable 2003-02 | 2008 | 4.53% | 104 | 275 |
| Note payable 2003-03 | 2012 | 5.02% | 220 | 271 |
| Note payable 2003-04 | 2014 | 5.35% | 831 | 944 |
| Note payable 2003-05 | 2011 | 5.44% | 938 | 1,180 |
| Note payable 2004-01 | 2017 | 4.64% | 2,899 | 3,330 |
| Note payable 2004-02 | 2015 | 3.41% - 4.55% | 5,301 | 5,445 |
| Note payable 2005-01 | 2011 | 4.23% | 1,613 | 1,795 |
| Note payable 2005-02 | 2014 | 3.82% | 907 | 1,098 |
| Note payable 2006-01 | 2027 | 5.09% | 1,484 | - |
| Note payable 2006-02 | 2027 | 4.98% | 1,888 | - |
| Note payable 2006-03 | 2027 | 4.86% | 3,066 | - |
| Note payable 2006-04 | 2027 | 4.94% | 2,115 | - |
| Note payable 2007-01 | 2027 | 5.11% | 940 | - |
| Note payable 2007-02 | 2027 | 4.89% | 955 | - |
| | | | 108,926 | 119,569 |
| Less principal due within one year | | | 9,413 | 16,203 |
| | | | \$ 99,513 | \$ 103,366 |

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.

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

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

| | |
|------|----------|
| 2008 | \$ 9,413 |
| 2009 | 5,124 |
| 2010 | 7,821 |
| 2011 | 8,043 |
| 2012 | 6,563 |

9. 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.

10. Commitments:

- (a) The Corporation has approved financing of \$9,715 (2006 - \$1,563) 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, 2007, transactions were approved with maximum annual payments over the next seven years of \$109.7 million (2006 - \$99.6 million) as shown below.

| | |
|------|------------|
| 2008 | \$ 22,129 |
| 2009 | 21,737 |
| 2010 | 23,036 |
| 2011 | 18,136 |
| 2012 | 15,886 |
| 2013 | 5,322 |
| 2014 | 3,465 |
| | \$ 109,711 |

10. Commitments (continued):

- (c) During the year, the Corporation transferred the Debert sewage plants to the Municipality of Colchester. Prior to the transfer, capital investments of approximately \$3 million were made to upgrade the facilities to meet environmental standards. It is expected that the related land will transfer to the Municipality in 2008 upon the resolution of remaining environmental and land claim issues.

11. Contingencies:

- (a) Guarantees:

| | Authorized | 2007 Utilized | 2006 Utilized |
|----------------------------|------------|------------------|------------------|
| Bank loans | \$ 6,654 | \$ 4,004 | \$ 2,754 |
| Less provision for payment | | 760 | 650 |
| | | \$ 3,244 | \$ 2,104 |

Included in the above guarantees are: (a) a term loan in the amount of \$2,104 expiring in 2008; (b) a guarantee of a line of credit in the amount of \$400 expiring in 2011; and (c) a default guarantee in the amount of \$1,500 expiring in 2009.

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

- (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.

Counsel is unable to form an opinion at this early date in regard to the likelihood of loss; consequently, no provision for any possible loss has been recorded in these financial statements.

(in thousands of dollars)

Year ended March 31, 2007

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 and investments have been transferred from the Nova Scotia Business Development Corporation Fund on November 6, 2001. The following is a summary of the Fund as at March 31.

| | 2007 | 2006 |
|--|------------|------------|
| Assets: | | |
| Nova Scotia Business Incorporated portfolio | \$ 37,558 | \$ 26,553 |
| Loan guarantees (note 11) | 4,004 | 2,754 |
| Less allowance for credit losses | 13,690 | 13,126 |
| | 27,872 | 16,181 |
| Financing authorized but unadvanced (note 10) | 9,715 | 1,563 |
| | 37,587 | 17,744 |
| | | |
| Nova Scotia Business Development Corporation portfolio | 130,802 | 144,474 |
| Less allowance for credit losses | 38,957 | 41,477 |
| | 91,845 | 102,997 |
| | | |
| | \$ 129,432 | \$ 120,741 |
| | | |
| Funding authorized and committed: | | |
| Fund balance authorized, net of write offs | \$ 262,946 | \$ 266,818 |
| Less uncommitted balance of fund | 80,867 | 91,474 |
| Committed fund balance | 182,079 | 175,344 |
| Less allowance for credit losses and payment of guarantees | 52,647 | 54,603 |
| | \$ 129,432 | \$ 120,741 |

13. Credit risk:

Credit risk is the risk that a debtor may not pay amounts owing, thus resulting in a loss. 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. Two clients currently exceed this total; their 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 \$38 million and \$27 million, respectively (2006 - \$39 million and \$27 million). A third client, with existing financing of \$13 million, had approximately \$6 million of authorized, but unutilized, funding available at year-end.

The risk rating for all clients is monitored on an ongoing 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.

14. Taxes:

The Corporation is not subject to provincial or federal taxes.

15. Supplementary cash information:

Cash position is defined as cash and short-term investments.

During the year, cash received for interest income was \$7,455 (2006 - \$7,255) and cash paid for interest was \$7,319 (2006 - \$5,661).

| Non cash investing activities | 2007 | 2006 |
|-------------------------------|------|--------|
| Conversion of loans to equity | \$ - | \$ 364 |

16. Related party transactions:

Financing has been advanced to companies which were controlled or otherwise not independent of certain directors of Nova Scotia Business Incorporated at the time of the transactions. These investments totaled \$39,023 (2006 - \$34,894) and certain of these investments have specific allowances recorded against them totaling \$5,515 (2006 - \$5,489). Furthermore, payroll rebates in the amount of \$4,515 (2006 - nil) were awarded during the year.

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.

The Corporation occupies premises for which no rental fee is charged by the shareholder. Management estimates the annual cost to lease the premises is approximately \$627.

17. Employee pension plan:

Employees of the Company 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 2007 were \$326 (2006 - \$282) and are recognized as an expense in the period. The Company is not responsible for any underfunded liability, nor does the Company have any access to any surplus that may arise in this Plan.

Schedule of Operating Expenses

(in thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|--|-----------|----------|
| Business development | \$ 2,568 | \$ 1,653 |
| Legal and audit | 271 | 272 |
| Office expenses | 347 | 658 |
| Other | 154 | 87 |
| Salaries and benefits | 5,758 | 5,190 |
| Telecommunications and technical support | 341 | 398 |
| Travel | 840 | 667 |
| | \$ 10,279 | \$ 8,925 |

Schedule of Nova Scotia Business Fund Expenses

(in thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|-------------------------|----------|-----------|
| Amortization | \$ 188 | \$ 201 |
| Commissions | 70 | 76 |
| Interest | 7,527 | 9,452 |
| Legal | 2 | 12 |
| Repairs and maintenance | 485 | 388 |
| | \$ 8,272 | \$ 10,129 |

who we are...

Nova Scotia Business Inc. is Nova Scotia's private sector-led business development agency. NSBI is the investment attraction arm of the province and helps businesses in Nova Scotia meet growth potential through advisory services, export development, financing and venture capital.

dedicated | competitive | resourceful | professional | focused | leaders

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