

ENTERPRISE
CAPE BRETON
CORPORATION

ANNUAL REPORT
1999/2000

E

C

B

C

Enterprise Cape Breton Corporation (ECBC)

**P.O. Box 1750
Commerce Tower, 4th Floor
15 Dorchester Street
Sydney, Nova Scotia B1P 6T7
Tel: (902) 564-3600
Fax: (902) 564-3825
1-800-705-3926**

**ECBC Satellite Office
32 Paint Street
Port Hawkesbury, NS B0E 2V0
Tel: (902) 625-3111
Fax: (902) 625-3266**

Printed On Recycled Paper

Contents

Chairman's Message	6
<i>Michael Horgan shares his thoughts on events which marked the 1999/2000 fiscal year</i>	
Corporate Profile	8
<i>The Corporation and economic development on Cape Breton Island and the Mulgrave area</i>	
Governance	10
<i>Board of Directors</i>	
ECBC at a Glance	12
<i>Organization Chart</i>	
The Environment	12
<i>The Cape Breton Island Economy</i>	
1999/2000 Development Focus	13
<i>A Summary of Activities</i>	
Development Priorities	16
<i>Priority Sectors and Program Priorities</i>	
Operations	18
<i>Sydport Divestiture, Resource Centre, The Strait Area Business Centre (Port Hawkesbury)</i>	
Internal Analysis	18
<i>Client Satisfaction Survey, Y2K Preparedness, Strategic Planning, Greater Focus on Objectives, Increased Accountability, Role as a Delivery Agent</i>	
Cooperative Relationships	20
<i>ECBC's efforts to work with the community it serves</i>	
Financial Statements	22

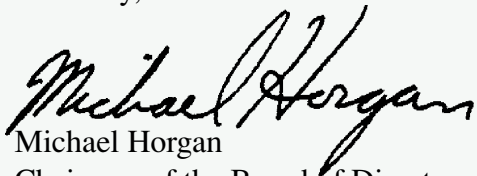
The Honourable John Manley
Minister of Industry, Minister for the Atlantic Canada Opportunities Agency
House of Commons
Ottawa, Ontario K1A 0A6

Dear Mr. Minister:

On behalf of the Board of Directors, I am pleased to present the Annual Report of Enterprise Cape Breton Corporation for the fiscal year ended March 31, 2000.

This Annual Report is submitted in accordance with the provisions of the *Financial Administration Act* and the *Government Organization Act, Atlantic Canada, 1987*. It contains the annual financial statements together with the auditor's report thereon.

Sincerely,


Michael Horgan
Chairman of the Board of Directors
Enterprise Cape Breton Corporation

Chairman's Message

Chairman's Message

The 1999/2000 fiscal year was most eventful for the economy of Cape Breton Island and consequently for Enterprise Cape Breton Corporation (ECBC). Charged with a legislative mandate to promote the industrial development of Cape Breton Island and the Mulgrave area, the life of the Corporation is intimately linked to the economic pulse of the Island.



The year began with the Government of Canada's announcement to downsize and privatize the Cape Breton Development Corporation (DEVCO), the single largest employer on the Island. At the same time, the Government indicated that an economic adjustment fund would be established to assist Cape Breton Island communities in their efforts to grow and diversify the economy. Both announcements have significant ramifications for ECBC. The economic impact of the DEVCO announcement will challenge all those working in the area of economic development to redefine and grow the Island's economic base.

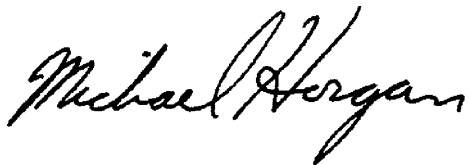
An extensive consultation was launched to canvass the opinions of local residents as to how this fund could best be invested for the long term benefit of the local economy. ECBC played a key role in the organization and coordination of the consultation process. The Corporation served as the secretariat and its vice-president served as a consultation panel member. This proved to be an effective orientation for the Corporation's new vice-president and chief operating officer, Rick Beaton, who joined ECBC on November 1, 1999, replacing outgoing vice-president, Keith Brown, who after two years in the position, returned to the education field.

Other personnel changes this year included the departure of two long-standing members of the Board of Directors, Ms. Gail Rudderham-Chernin and Mr. Charles Smith. Both individuals have contributed generously of their time and expertise to the Corporation and the community over the past five years. At the same time, the Board welcomed the appointment of two new directors, Ms. Ferne MacLennan and Mr. Spiro Trifos. Both individuals bring a wealth of experience to the Corporation.

In light of the transition taking place in the community, and in keeping with the recommendations resulting from the five-year special examination process, the Corporation undertook a new strategic planning process which involved the entire Corporation and key community stakeholders. The result is a plan which places greater emphasis on objectives and accountability for ECBC's role as a delivery agent on behalf of the Government of Canada. The planning process also took into account the major themes and development objectives that evolved as part of the DEVCO economic adjustment fund consultation.

With regard to its economic development mandate, overall the Corporation has made progress in the achievement of its objectives as outlined in the 1999/2000 Corporate Plan. ECBC has continued to work with the private sector, industry networks and the local community to implement projects which have served to strengthen and broaden the Island's economic base. Despite the economic difficulties being experienced in a number of sectors, there continues to be progress on various fronts. There have been several developments with local information technology companies as well as new opportunities for a number of companies working to expand through export development. Training opportunities in the oil and gas sector were enhanced in an effort to prepare Cape Bretoners for potential opportunities in the offshore. Tourism revenues continued to grow incrementally. At the end of the fiscal year, the Prime Minister announced that the Government of Canada, through ECBC, was providing financial support for the establishment of a 900-person call centre in Sydney.

Cape Breton Island's economy continues to undergo dramatic structural changes as it moves from a goods-producing economy to a knowledge-based, service-oriented economy. The challenge is great but ECBC is well positioned to work with other levels of government and the people of the Island to deliver the necessary resources to address these challenges. Its broad and flexible mandate and its ability to act as a delivery agent for other federal programs are an asset to the community and will be of great assistance as efforts continue to grow a new economy.



Michael Horgan
Chairman of the Board of Directors
Enterprise Cape Breton Corporation

Corporate Profile

Mandate of ECBC

“The objects of the Corporation are to promote and assist, either alone or in conjunction with any person or the Government of Canada or of Nova Scotia or any agency of either of those governments, the financing and development of industry on Cape Breton Island to provide employment outside the coal producing industry and to broaden the base of the economy of Cape Breton Island.”*

**This definition of Cape Breton includes the Mulgrave area*

Mission Statement

“Recognizing the importance of the world economy to the future, ECBC will pursue measures to foster sustainable job development and economic growth on Cape Breton Island and the Mulgrave area, taking a major role in partnership with private and public sectors and other relevant organizations.”

ECBC is a federal Crown corporation established pursuant to Part II of the *Government Organization Act, Atlantic Canada, 1987*. It is a continuation of the Industrial Development Division of DEVCO, which was established as a Crown corporation in 1967 to oversee the downsizing of the Cape Breton coal fields and to assist in the diversification of the local economy.

The legislative mandate is broad and allows ECBC a great deal of flexibility in its economic development activities. It has stood the test of time, and is still relevant today as the Cape Breton Island economy goes through a period of major change and adjustment. ECBC has the legislative powers to develop any area of the economy with the exception of coal production.

ECBC’s Role in Economic Development

ECBC’s mission statement focuses the Corporation on the major issues affecting the economy of Cape Breton Island and the Mulgrave area.

ECBC recognizes the importance of community knowledge in identifying local/rural development. As a Crown corporation, ECBC has been involved in community economic development (CED) for many years and is committed to supporting the process of CED. Through its work with various community organizations (i.e. Regional Development Authorities (RDAs), Community Business Development Corporations (CBDCs) and local CED groups), regular rural visits and talking with people involved in community development, ECBC assists communities in developing the necessary skills and capabilities to improve their local economies.

Cape Breton Island faces severe economic challenges, however, ECBC sees many opportunities for economic growth. Over the past year, the Corporation has identified areas of the Cape Breton Island economy which have the strongest possibility of creating sustainable economic development. In the 1999/2000 Corporate Plan, ECBC embraced the notion of sectorial clusters and identified four primary clusters for investment: knowledge-based industries, tourism/culture/entertainment, resource-based industries and oil and gas.

The clustering of knowledge industries on Cape Breton Island, where there is opportunity for job creation and income generation, can be generally grouped into educational technologies, multimedia, environmental remediation, software and system design, call centres, wellness and health services and specialized research and development.

On average 9,900 people are employed within the tourism/culture/entertainment sectors which represents 18 percent of the Island's employed. The popularity of Cape Breton culture and the global interest in Gaelic, Mi'kmaq and French Acadian music and dance has led to a growing industry with strong links to tourism development.

The resource-based cluster is one of the principal mainstays of the rural Cape Breton Island economy. Agricultural output has grown dramatically in the past 10 years as Cape Breton County is now the second largest producer of horticultural products in the province. Forestry developments with value-added products such as finished hardwood flooring and developments in specialized fish markets continue to advance this sector.

The Sable Offshore Energy Project (SOEP) encompasses one of the largest known natural gas deposits to be developed in North America. As well, deposits off the northeast coast of Cape Breton Island, such as the Laurentian Sub-Basin, have a strong chance for development. The Island is well positioned to reap the economic benefits associated with the exploration and development of these offshore oil and gas fields.

Within these four principal clusters, ECBC has also focused on specific program priorities and strategic activities. These program priorities, by

supporting the principal clusters, were focused on creating a stronger environment for economic growth.

The program priorities and strategic activities included:

- ◇ Youth
- ◇ Access to Capital
- ◇ Export Development
- ◇ Research and Development
- ◇ Human Resource Development
- ◇ Marketing: Economic Destination and Tourism

Each of these areas will be addressed as they relate to the identified strategic sectors within the development focus section of the 1999/2000 Corporate Plan. Marketing (economic destination and tourism) will be addressed under development priorities.

ECBC's small geographic focus, local control and flexible mandate has enabled it to devise initiatives that are very specific to local needs and priorities. ECBC can take a multi-faceted or holistic approach to any problem, allowing the Corporation to bring together and involve all partners in the local economy for direction and input.

Relationship with ACOA

In addition to its own programs, ECBC acts as a delivery agent for other federal government programs, more specifically the programs of ACOA in its mandate area. ECBC's activities enhance the effectiveness of ACOA programming and Cape Breton Island communities benefit from this unique relationship.

The President of ACOA is ex-officio, the Chairperson and CEO of ECBC. The Corporation's Vice-President is an invited member of the ACOA Executive Committee. In 1994, ECBC entered into a Memorandum of Understanding through which ECBC delivers ACOA's programming on Cape Breton Island and in the Mulgrave area. This has allowed ECBC to design its development approach to complement existing ACOA programs. Over the past year, ACOA programs delivered by ECBC included:

Business Development Program (BDP) - designed to help small and medium-sized businesses (SMEs) to expand and modernize by offering access to capital in the form of interest-free, unsecured loans. It also supports non-profit organizations providing services to business.

Consultant Advisory Services (CAS) - provides business clients with access to consulting expertise to pursue business opportunities and solve problems.

COOPERATION Program - Cooperation agreements are comprehensive, federal-provincial, cost-shared initiatives designed to improve the environment for economic growth.

Canadian Fisheries Adjustment and Restructuring (CFAR) introduced as FRAM in 1998, this program is designed to assist individuals and coastal communities affected by the downsizing of the Atlantic groundfishery.

Canada/Nova Scotia Infrastructure Works Program (CIWP) - a program intended to accelerate economic recovery by creating short and long-term employment through investment in local communities, while renewing and enhancing the physical infrastructure of Canada's local communities.

Governance

ECBC is subject to the control and accountability regime set out in the *Financial Administration Act (FAA)*. ECBC is governed by a seven member Board of Directors and reports to Parliament through the Minister of Industry who is assisted by a Secretary of State. The Board is comprised of the Chairman, Vice-President and five other members appointed by the Governor-in-Council on the advice of the Minister of Industry. As set out in its enabling legislation, the Chairman of the Corporation is the President of ACOA and also serves as both the Chairperson of the Board of Directors and the Chief Executive Officer of the Corporation.

The Board of Directors is responsible for a number of areas including providing strategic direction, safeguarding of Corporate assets, performance management and reporting to the Crown. It has one standing committee (Audit Committee), which meets regularly to ensure that the Corporation is appropriately reporting on its financial position and safeguarding its assets.

Over the past year, the Board has strived to improve its effectiveness by focusing on a number of corporate governance issues. Directors' participation in policy development has been strengthened and training opportunities have been provided to new and existing Board members. Efforts are on-going to formalize the Board's position on a number of governance issues (e.g. roles and responsibilities of Directors and performance reporting), in accordance with the Treasury Board's Guidelines for Corporate Governance.

The ECBC Board of Directors meets, on average, seven times a year. It has an effective working relationship with ECBC management and receives regular updates on the Corporation's activities and financial position. The Board not only approves the annual Corporate Plan but has the opportunity to participate in its development. In addition, the Board of Directors must approve all commitments in excess of \$150,000 (signing authority for lesser amounts has been delegated to the Chairman, Vice-President and senior management).

Board of Directors



Members of the ECBC Board of Directors, from left to right, seated, Michael Horgan, Chairman; Rick Beaton, Vice-President**; Joe Wild (Corporate Secretary); standing, Spiro Trifos; Ferne MacLennan; Gregory MacKenzie*; Betty Ann AuCoin and Curdis Karrel**.

* Chairperson - Audit Committee

** Member - Audit Committee

The members of the Board of Directors are:

Michael Horgan - ex-officio, Chairman and CEO, currently President of ACOA headquartered in Moncton, and formerly Deputy Secretary to the Cabinet (Intergovernmental Policy and Communications), Privy Council Office

Rick Beaton - Vice-President, formerly Director General of Programs with ACOA - Prince Edward Island and Departmental Liaison to the Minister's Office, ACOA - Ottawa

Spiro Trifos, - architect, owner/operator of Trifos Design Consultants, Sydney, Nova Scotia

Ferne MacLennan, - educator (Nova Scotia Community College, Strait Campus) and community economic development activist, River Denys, Nova Scotia

Gregory MacKenzie, C.A. and Trustee in Bankruptcy - senior principal with KPMG Chartered Accountants, Sydney, Nova Scotia

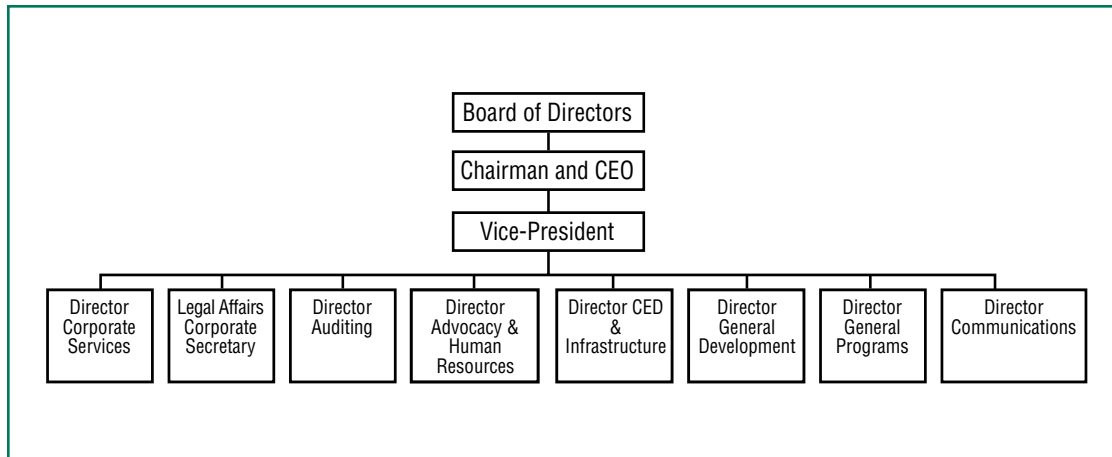
Betty Ann AuCoin, - administrator Hôpital Sacré-Coeur and Foyer Père Fiset, Cheticamp, Nova Scotia

Curdis Karrel, - businessman, owner/operator of Island Distributors and other business interests, Sydney, Nova Scotia

Gail Rudderham-Chernin, - Barrister & Solicitor, Rudderham-Chernin Law Office Inc., Sydney, Nova Scotia (appointment expired June 1999)

Charles Smith, - businessman, owner/operator Brad's Sales & Services, (formerly general manager Richmond Fisheries), Antigonish, Nova Scotia (appointment expired November 1999)

ECBC at a Glance



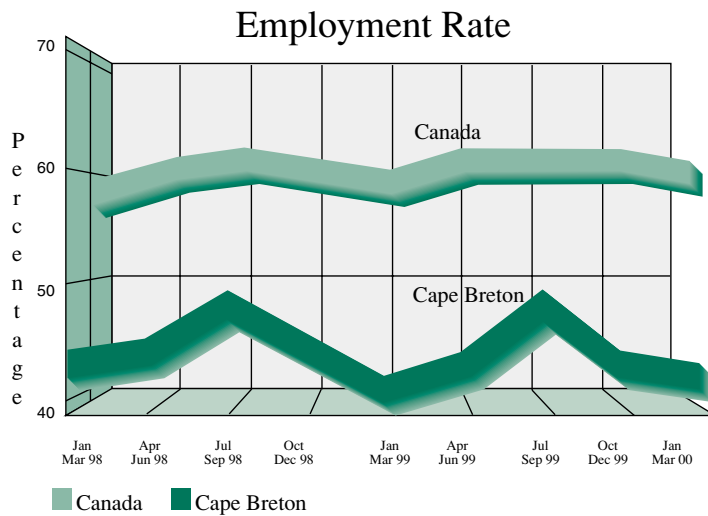
The Environment

The Cape Breton Island economy, while experiencing pockets of growth in a variety of sectors, has yet to demonstrate the strong growth that is being experienced in other regions of the provincial and national economies. The following table provides a comparison of labour force data on a regional, provincial and national basis.

	Cape Breton	Nova Scotia	Canada
Participation Rate	51.8%	61.0%	65.6%
Unemployment Rate	17.4%	9.6%	7.6%
Employment Rate	42.8%	55.2%	60.6%

Source: Statistics Canada, Labour Force Survey, Annual 1999

Cape Breton Island has both a low participation rate and a high unemployment rate relative to Nova Scotia and Canada. This disparity is further reflected in the Island's low employment rate (the number employed as a percentage of the working age population). Only 43 percent of the working age population in Cape Breton is employed compared to the national average of 61 percent. The following graph depicts the employment rate on Cape Breton Island over time relative to Canada.



Source: Statistics Canada, Labour Force Survey

The graph highlights two important aspects of the Cape Breton Island economy. First, while Canada has been experiencing a rising employment rate, the employment rate in Cape Breton has declined from 1998 to 1999. Second, the seasonality of Cape Breton Island's economy is apparent, with peaks in the employment rate during the summer months (July-September) followed by a sharp decline through fall and winter, rising again in the spring.

1999/2000 Development Focus

1999/2000 Development Focus

Delivery Agent/Program Support

ACOA Programs

ECBC is responsible for the delivery of ACOA programs on Cape Breton Island and Mulgrave. These programs include the Business Development Program, the Canadian Fisheries Adjustment and Restructuring Program, Community Futures, the COOPERATION Program and the Canada/Nova Scotia Infrastructure Works Program.

In 1999/2000 a total of 141 ACOA offers were made with approved assistance totalling over \$11.3 million. This assistance resulted in the creation of over 429 jobs. This document does not report on ACOA programs in detail as ACOA reports separately to Parliament.

Knowledge-based Industries

Over the past year, ECBC provided assistance to knowledge-based industries through support with access to capital, human resource development, export development and youth.

Access to Capital

ECBC played a lead role in establishing an EDS Canada customer contact centre. This facility will create up to 900 full-time jobs in Sydney over the next four years. The Centre, which will be operational in the summer of 2000, will support clients throughout North America. The majority of its activity will be handling inbound customer service enquiries by telephone, fax, e-mail and Internet.

The Corporation was also a major partner in bringing a 500 person call centre to Sydney in partnership with the Province of Nova Scotia and Human Resources Development Canada (HRDC). An animation company was established at Silicon Island late in the fiscal year and by the end of the year, the company was half way towards reaching its first job target of 32 employees. A new manufacturing facility established operations on Cape Breton Island with the assistance of ECBC. The company grew from 18 employees to over 60 by March 2000.

Human Resource Development

Throughout 1999/2000, the Corporation continued to promote sector development through its participation in the monthly Technology Advisory Group (TAG) meetings. Attendance for these meetings averaged between 60 - 100 people.

Export Development

In the area of trade development, ECBC participated in a number of major trade shows such as the Commerce '99 Business and Technology Solutions Expo in Ottawa and the 1999 Canadian High Technology Show in Mississauga. In addition, the Corporation partnered with ACOA to offer an E-Commerce Seminar and promoted the third annual Atlantic Digital Media Festival.

Youth

ECBC conducted many joint projects with the University College of Cape Breton under the terms of a Memorandum of Understanding in which both organizations agreed to cooperate to further the economic and social development of the Island. These projects emphasized youth and also included community economic development and CD ROM productions for the cultural sector.

ECBC supported an Island-wide survey of youth (students Grades 8-12). The results of the survey will be used in the development of a strategic plan for youth on Cape Breton Island.

Tourism/Entertainment/Culture

Cape Breton Island witnessed an exciting year with respect to tourism, entertainment and culture. The Corporation supported this growing sector with efforts in trade and export development.

Export Development

ECBC led a trade mission as part of the major marketing promotion with the new CAT Ferry to Boston in May 1999. Fifteen private-sector operators took part in this three day consumer show targeting the New England States.

Throughout 1999/2000, the Corporation continued its participation in the monthly Culture and Heritage Advisory Group (CHAG) meetings. As well, ECBC's role in the development of festivals and special events included its assistance with the organization, presentation and marketing of the third annual Celtic Colours International Festival and the 12th Annual East Coast Music Awards 2000 held in Sydney. The economic impact of the 1999 Celtic Colours Festival reached over \$4 million.

A test run for the new VIA Rail Bras d'Or Train took place in November, 1999 with 100 tourism operators on board. The train, which will be operational by May 2000, will offer travellers a new tourism experience. All indications point to a service which will diversify the tourism product on Cape Breton Island and attract additional visitors. ECBC worked with Tourism Cape Breton to develop the Island's location and site infrastructure.

Another exciting project encompassed the development of a new cultural product with the Nova Scotia Highland Village's Genealogy

Centre and the development of its award winning marketing campaign.

The extended upgrade of the Gaelic College of Celtic Arts and Crafts in St. Ann's has helped solidify the College as a cultural tourist attraction.

The Corporation also supported the marketing development of Port Hawkesbury's Granville Green, the Ceilidh Series at the Creamery and the Isle Quilt Market. As a result of ECBC's support with infrastructure development, the Creamery is now Cape Breton Island's only VIA Rail Bras d'Or Train stop between Halifax and Sydney.

Resource-based Industries

Resource-based industries on Cape Breton Island demonstrated solid growth over 1999/2000 as the Corporation focused on international trade development within this sector.

Export Development

The formation of the Bras d'Or Producers Cooperative Ltd., involving the four largest horticultural producers on Cape Breton Island, has made it easier for international buyers to order and ship products worldwide. In the forestry sector, ECBC looked toward value-added production for flooring by working with companies such as Forest Insight and its establishment of a pre-finished hardwood flooring manufacturing plant. As well, the Corporation, in conjunction with Canada Mortgage & Housing Corporation (CMHC), helped to move the building production sector into the international marketplace by developing trade opportunities with various companies.

ECBC, in partnership with the Nova Scotia Department of Agriculture and Marketing, led a mission to participate in the Canadian Food and Beverage Showcases in Barbados, St. Maartens and Jamaica. Projected product sales

resulting from the shows are expected to reach \$500,000 with opportunities to ship a variety of food products worldwide. ECBC also led a wood, food and agricultural product trade show to Germany in late 1999 that generated approximately \$400,000 in sales for Cape Breton Island companies.

Oil & Gas

ECBC continued its efforts to maximize the short and long-term economic benefits which accrue to its mandate area as a result of the development of oil and gas reserves off the coast of Nova Scotia. Specifically, it focused on the areas of trade and human resource development.

Export Development

The Corporation participated, along with private sector companies, in trade shows and conferences in North America and Europe including the Offshore Technology Conference in Houston, Texas, the Eastern Canadian Natural Gas Conference in Halifax, Offshore Europe in Aberdeen, UK, the CORE Conference and the Nova Scotia Offshore Trade Fair in Halifax. These venues provided excellent opportunities for promoting Cape Breton Island to the petroleum industry.

Development of a quarterly oil and gas newsletter, Pipeline East, continued during 1999/2000. This publication is distributed throughout Canada and the United States, to promote the region to oil and gas industry players as well as to inform the local community of opportunities associated with oil and gas activity.

Regular meetings of the Potential Gas Opportunities Group (POGO) also continued. This group enables local businesses to access information pertaining to contracts on the Sable project. In addition, ECBC developed

workshops aimed at bringing together the fishing and oil and gas industries to address ways these two industries can co-exist.

courses to respond to those needs. This helped to ensure that Cape Breton Island workers were ready to meet the needs of this growing east coast industry.

Human Resource Development

Industry training was at the forefront of yearly initiatives as ECBC worked closely with the University College of Cape Breton and the Nova Scotia Community College’s Marconi and Strait Area Campuses to identify various needs of the oil and gas sector and to develop appropriate

The Corporation is working jointly with the Nova Scotia Petroleum Directorate on a manufacturing capabilities study. The study, now underway, will determine the capabilities of Nova Scotia and New Brunswick companies to co-venture, therefore gaining a greater share of Tier II work (the Tier II Sable Project will involve the construction of three platforms).

ECBC & ACOA Projects					
Commercial & Non-commercial					
1999/2000					
	Number of contracts	Approved Assistance	Average Turnaround Time	Average Level of Assistance as % of eligible costs	Number of Jobs Created
ECBC Projects	38	\$15,373,130	31 days	25.8%	1,380
ACOA Projects	141	\$11,303,900	38 days	41%	429

Development Priorities

Economic Destination Marketing Image Campaign

A need to enhance the image of Cape Breton Island was identified as a corporate priority. A series of initiatives addressing this issue was undertaken over the past year as ECBC continued to promote the Island as a good place to live and to do business.

From Here is Global” print campaign was launched in the fall of 1999. This campaign consisted of a series of print ads profiling growing areas of the Island’s economy, including industries that export products to a world market.

In 1999, a new television commercial was developed for national audience. This commercial highlighted new and growing industries on-Island. In addition, “The View

To test the effectiveness of its campaign, ECBC undertook a quantitative research study in the Halifax-Dartmouth area and on Cape Breton Island. The purpose of the study was to determine whether there had been any change

of opinion regarding the general image of the Island. Results indicated that while there was good recollection of the image advertisements, the message was diluted due to the amount of negative media coverage concerning the Island's economy. Consequently, opinions had not changed.

Tourism Marketing

The 1999/2000 tourism promotion campaign involved marketing activities such as the placement of ads and business reply cards in the Nova Scotia Doers and Dreamers Guide and a variety of magazines in Ontario, New England and Quebec.

An advertising and promotion conversion study was completed in cooperation with the Province of Nova Scotia to measure the effectiveness of advertising in motivating inquiries as well as to measure the effectiveness of translating these inquiries into a Cape Breton Island vacation. The results of this research can be summarized as follows: the number of inquiries exceeded 100,000, an increase of 160 percent over last year; the number of parties visiting the Island (as a result of this advertising) almost doubled from 13,520 to 24,240; and this tourist activity resulted in an estimated \$25 million in direct spending on the Island. Further, it was

determined that if Cape Breton Island was to rely solely on the advertising efforts of the province, visitation resulting from advertising would drop by more than 25 percent.

For the third consecutive year, tourism continued to grow on Cape Breton Island. Tourism receipts in 1999 were over \$230 million (up by approximately 10 percent) and this sector accounts for over 6,600 direct and indirect jobs.

ECBC, in partnership with the Province of Nova Scotia and tourism operators, offered familiarization (FAM) tours throughout 1999. The tourism industry hosted 43 media writers and 11 travel trade FAM tours with 219 travel agents, tour operators and wholesalers. The private sector contributed over \$85,000 (in-kind) to the FAM program, coupled with ECBC's \$46,000 investment. Most media coverage generated as a result of these FAM tours will not appear until 2000 or later. However, the estimated value of editorial coverage generated as a result of 1998 FAM tours is \$8.7 million.

The revamping of the tourism web site was initiated. The site will provide information to potential visitors while assisting the Corporation in its efforts to gather valuable information to assist with future marketing campaigns.

Internally-Driven Development Projects

(Not as a result of client applications)

Tourism Marketing	\$1,489,793
Image	\$366,559
Tourism	\$169,429
Oil & Gas	\$254,717
Knowledge-Based Industries	\$171,887
Strategic Initiative	\$232,790
Resource-Based Industries	\$4,998
Other	\$7,500

Sydport Divestiture

In September 1999, ECBC successfully negotiated an agreement for the takeover of the Sydport Industrial Park by the Laurentian Energy Corporation Inc. of Sydney. The Park had belonged to ECBC and its predecessor, the Industrial Development Division of DEVCO, since 1969.

The purchase price for the Park was \$3.7 million (including interest of 6.75% per year for three years). ECBC will hold a mortgage on the property for three years with an option to extend the agreement for an additional two years. During that time, Laurentian must invest a minimum of \$5.1 million in capital improvements and create at least 100 new jobs in the Park. The mortgage and related interest can be forgiven through credits for specified levels of employment created.

Wholly-Owned Subsidiaries

ECBC holds three wholly-owned subsidiaries that are currently inactive.

Resource Centre

The Resource Centre in Point Edward is an infrastructure investment that ECBC makes in order to support the development of the resource sector. The Centre works with the University College of Cape Breton, the provincial government and other federal departments to carry out research related to the Island's resource-based industries.

In the fall of 1999, the Centre completed a three year Fly Ash Recovery Research Program in conjunction with Nova Scotia Power. It also hosted a greenhouse insulation research project using a locally developed technology, and a worm composting project for the Atlantic Coastal Action Program.

The Centre continued to manage 1,400 acres of woodlands and to work with the Cape Breton Victoria District School Board to run a Forest Resource Training Program. It also worked with the private sector to develop a blueberry production business that farmed 8,000 pounds

of berries in 1999. In the spring, a CAP Site opened in the Centre's main building, offering computer/Internet services to the local community.

The Strait Area Business Centre (Port Hawkesbury)

ECBC continued to operate the Strait Area Business Centre which houses the Corporation's regional office in Port Hawkesbury. The Centre was designed as an incubator space for small and medium-sized enterprises and accommodates a number of tenants including the Strait District Planning Commission, the Strait-Highlands Regional Development Agency, InRich Business Development Centre Ltd. and Nova Scotia Economic Development.

Internal Analysis

Client Satisfaction Survey

The Corporation initiated a research project to provide critical client satisfaction information by interviewing ECBC clients on Cape Breton Island. More specifically, this study endeavored to achieve the following:

- ⇒ determine the level of customer and public satisfaction
- ⇒ identify strengths and weaknesses within the Corporation
- ⇒ reflect the attitude between different locations as to the level of service they are receiving
- ⇒ assist the Corporation in the development of its strategic plan
- ⇒ help focus the Corporation over the next five years
- ⇒ provide a framework for ECBC to improve its service delivery and the development of a Client Service Action Plan

The results of this survey will not be available until the next fiscal year.

Y2K Preparedness

In 1999 ECBC undertook an extensive program to meet the objective of having its business operations run accurately throughout the Year 2000 transition period. The program included assessment and prioritization, action planning, testing and validation, implementation, preparation and testing of operational contingency plans and an independent risk assessment audit.

On January 1, 2000 all systems were restarted and tested for accurate operations in the Year 2000. The transition was 100 percent successful and subsequent operations have not encountered any 2000 date-related issues.

Strategic Planning

Throughout 1999/2000 the Corporation was involved in a strategic planning process which resulted in the development of its new Corporate Plan. This exercise was undertaken with a view to placing a greater focus on objectives and accountability and to develop a plan which accounted for ECBC's role as a delivery agent on behalf of the Government of Canada. During the planning process an environmental scan was completed and information was gathered from a number of sources. These sources included: the Board of Directors; staff; a sector profile of the Cape Breton economy; Statistics Canada demographic data; information relating to current economic development programming and various policy papers.

The strategic planning process also benefitted from the Island-wide consultation process initiated by the Government of Canada following its announcement to downsize and privatize DEVCO. The results of the consultation process have figured prominently in the development of the Corporation's strategic focus and in turn, its 2000/2001 Corporate Plan.

Greater Focus on Objectives

The Corporate Plan continues to reflect ECBC's emphasis on providing assistance in a manner that is consistent with its mandate - long-term, sustainable job creation. To achieve this, the Corporation has placed a greater emphasis on projects that enhance the competitiveness of firms and increase trade and investment opportunities.

To accommodate this new focus, an organizational structure was put in place which directly aligns the Corporation with its strategic objectives. The new structure organizes the Corporation into commercial and non-commercial divisions. While the Corporation will maintain its traditional focus on specific economic sectors including oil and gas, tourism, resource-based and knowledge-based, it has added new units which will strengthen its capabilities in these areas.

The new units include: a partnership office in Halifax to work with the private sector and all levels of government to advocate for the interests of Cape Breton Island; a trade and investment unit focused on enhancing the capabilities of Cape Breton businesses so that they may establish trading relationships and expand trading activity; and a policy unit with a strong research mandate that will work in close cooperation with ACOA and the Province of Nova Scotia.

Increased Accountability

ECBC has again committed to implementing measures that continue to strengthen the Corporation's accountability to its Board of Directors, the Government of Canada and the public. First, ECBC has developed a Corporate Plan that focuses the Corporation on a number of objectives and establishes result targets for those objectives. Second, the Corporation has been working with Treasury Board and has committed to updating its performance management system to ensure consistency with the current Treasury Board guidelines. Third, the Corporation has established an internal audit

function to assist management achieve and maintain efficiency and effectiveness in its operations. Finally, the Corporation has committed to working more closely with its Board of Directors to formalize the Board's position on a number of governance issues and to increase the Board's participation in policy development.

Role as a Delivery Agent

By recognizing ECBC's role as a delivery agent in the Corporate Plan, the Corporation has highlighted its greatest strength - its accessibility and involvement at the local level and the responsiveness and flexibility that is possible as a Crown corporation. In its role as a delivery agent, ECBC will continue to draw upon this strength and to use its own programming and economic development tools in ways that improve the effectiveness of program delivery on Cape Breton Island.

Cooperative Relationships

ECBC works with all levels of government and the private sector to address the economic conditions of Cape Breton Island and the Mulgrave area. Over the past year, the Corporation has established a number of working relationships including:

The Human Development Partnership Committee - formed to enhance the capacity of individual communities to determine needs, identify assets and build on strengths critical to the development of appropriate, sustainable programs and services that are consistent with the Labour Market Development Agreement priorities. ECBC is represented on the Committee along with other federal departments, provincial government departments, school boards and training institutions.

Canada/Nova Scotia COOPERATION Agreement on Economic Diversification - ECBC is an active member on the management committee of the Canada/Nova Scotia COOPERATION Agreement on Economic Diversification (EDA). The EDA is a cooperation agreement between the province and the federal government to target

strategic initiatives for Nova Scotia that will generate economic growth.

The Mayors and Wardens Committee - an ECBC led initiative to bring municipal officials together with federal and provincial departments for joint discussions on economic development.

Persons With Disabilities Partnership Committee for Cape Breton - ECBC works closely with HRDC and 14 local organizations. Its main objective is employment for persons with disabilities.

Federal/Provincial Working Group for Sustainable Communities - ECBC is a member of the group (including 35 provincial and federal departments) which is exploring ways to work more effectively together and with communities to support local efforts toward sustainability.

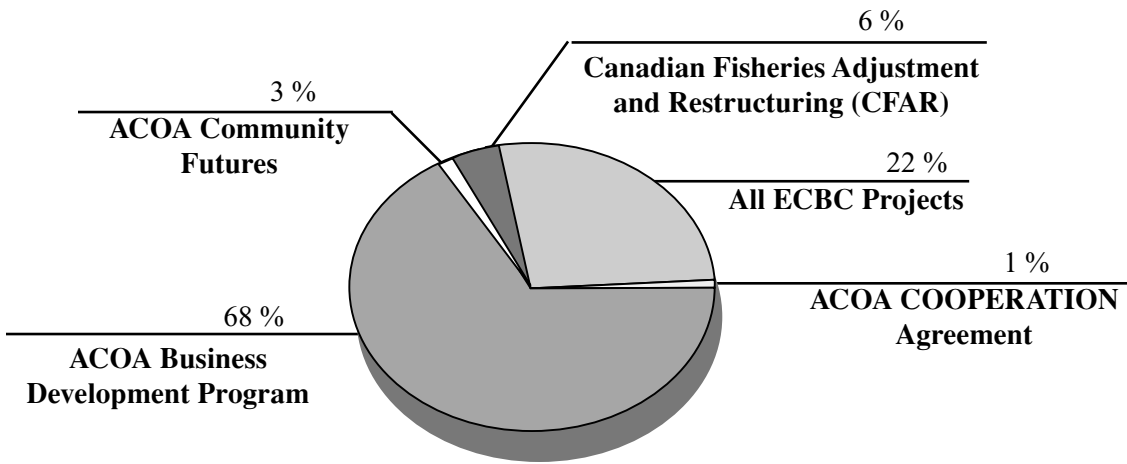
The Nova Scotia Federal Council - the Council has established a sub-committee on economic development specifically for Cape Breton Island. This committee brings together various federal departments to focus on a coordinated approach to economic development in Cape Breton.

Community Economic Development - ECBC has worked closely over the past year with its partners the Cape Breton County Economic Development Authority, Strait Highlands Regional Development Authority and the three Community Business Development Corporations; (InRich Business Development Centre Ltd., Coastal Business Opportunities Inc. and Northside Economic Development Assistance Corporation), in assisting with local development initiatives.

Working with our partners, ECBC has been able to provide expertise and funding to assist community groups in their process of strategic planning and community capacity building.

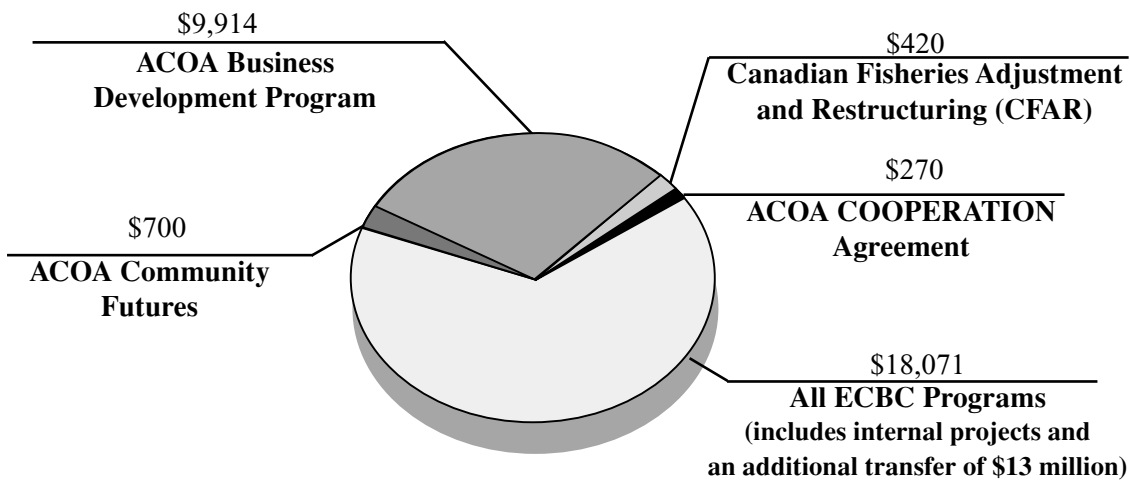
Liaison with our other funding partners, HRDC, Nova Scotia Economic Development, the Rural Partnership and Nova Scotia Community Services has afforded ECBC the ability to increase the availability of business capital/services in both the urban and rural areas around the Island.

**Number of Contracts
Ending March 31, 2000**



TOTAL 181

**Approved Assistance for Fiscal Period
Ending March 31, 2000 (000's)**



TOTAL \$29,375

Management's Responsibility For Financial Reporting

The accompanying financial statements of Enterprise Cape Breton Corporation and all information in this annual report have been prepared by the Corporation's management. The financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Where there is more than one acceptable accounting alternative, management has chosen the one that is most appropriate to the circumstances of the Corporation.

Management is responsible for the integrity and objectivity of the information in the financial statements and annual report. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized and comply with relevant authorities, assets are safeguarded, and proper records are maintained to produce timely, reliable financial statements. In addition, the Audit Committee of the Board of Directors oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

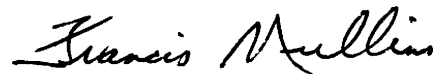
The Audit Committee of the Board of Directors has periodic meetings with management and the independent auditors to discuss the financial reporting process as well as accounting and reporting issues. The financial statements are reviewed and approved by the Board of Directors upon the recommendation of the Audit Committee.

The Auditor General of Canada conducts an independent audit of the financial statements of the Corporation in order to express his opinion thereon.

May 19, 2000



Rick Beaton
Vice-President



Francis Mullins
Comptroller

Auditor's Report

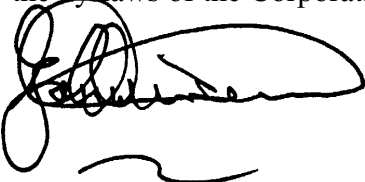
To the Minister for the purposes of the *Atlantic Canada Opportunities Agency Act*

I have audited the balance sheet of Enterprise Cape Breton Corporation as at March 31, 2000 and the statements of operations and equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Enterprise Cape Breton Corporation Act* and the by-laws of the Corporation.



John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 19, 2000

Balance Sheet

as at March 31, 2000

	<u>ASSETS</u>	
	<u>2000</u>	<u>1999</u>
Current assets		
Cash	\$ 305,033	\$ 3,989,920
Accounts receivable, net (Note 3)	5,395,035	3,519,499
Prepaid expenses	55,144	64,370
	<u>5,755,212</u>	<u>7,573,789</u>
Loans, net (Note 4)	2,415,982	2,317,020
Investments, net (Note 5)	400,000	400,000
Capital assets, net (Note 6)	280,672	246,075
	<u>\$ 8,851,866</u>	<u>\$ 10,536,884</u>

	<u>LIABILITIES</u>	
Current liabilities		
Bank indebtedness	\$ -	\$ 37,838
Accounts payable and accrued liabilities (Note 7)	4,126,898	6,256,230
	<u>4,126,898</u>	<u>6,294,068</u>
Provision for employee termination benefits	463,059	465,486
	<u>4,589,957</u>	<u>6,759,554</u>

	<u>EQUITY</u>	
Equity of Canada	4,261,909	3,777,330
	<u>4,261,909</u>	<u>3,777,330</u>
Commitments (Note 9)	\$ 8,851,866	\$ 10,536,884
Divestiture of Sydport Industrial Park (Note 11)		

See accompanying notes to the financial statements.

Approved by the Board of Directors:


Director


Director

Statement of Operations and Equity

for the year ended March 31, 2000

	<u>2000</u>	<u>1999</u>
Program expenses		
Development expenses (Note 8)	\$ 4,798,892	\$ 5,033,834
Other program expenses (Note 8)	1,724,382	2,202,332
Provision for loan impairment (Note 4)	332,571	561,721
Provision for doubtful investments	<u>-</u>	<u>350,000</u>
	6,855,845	8,147,887
Other expenses		
Administrative expenses	1,686,509	1,552,977
Amortization	<u>99,309</u>	<u>79,726</u>
	<u>1,785,818</u>	<u>1,632,703</u>
Total expenses	<u>8,641,663</u>	<u>9,780,590</u>
Revenue		
Rental facilities	289,011	569,331
Interest, investments and other	<u>271,511</u>	<u>238,908</u>
	<u>560,522</u>	<u>808,239</u>
Activities on behalf of the Atlantic Canada Opportunities Agency (Note 10)		
Program expenses	11,698,439	17,071,104
Salaries, professional and other	<u>1,456,754</u>	<u>1,275,718</u>
	13,155,193	18,346,822
Less: Costs recovered from ACOA	<u>(13,155,193)</u>	<u>(18,346,822)</u>
	<u>-</u>	<u>-</u>
Net cost of operations before parliamentary appropriation	<u>8,081,141</u>	<u>8,972,351</u>
Parliamentary appropriation	<u>8,565,720</u>	<u>8,400,000</u>
Net income (loss)	484,579	(572,351)
Equity, beginning of the year	<u>3,777,330</u>	<u>4,349,681</u>
Equity, end of the year	<u>\$ 4,261,909</u>	<u>\$ 3,777,330</u>

See accompanying notes to the financial statements.

Statement of Cash Flows

for the year ended March 31, 2000

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities		
Cash received from ACOA	\$ 11,939,490	\$ 18,904,668
Parliamentary appropriation received	7,450,000	8,400,000
Cash received from rental activities and other parties	266,625	593,780
Cash received from investments and bank account	248,960	233,109
Payments made for program and administrative expenditures	(8,777,461)	(7,996,254)
Payments made on behalf of ACOA	<u>(14,209,224)</u>	<u>(18,522,008)</u>
	<u>(3,081,610)</u>	<u>1,613,295</u>
Cash flows from investing activities		
Loan repayments	388,609	434,277
Loan disbursements	(820,142)	(371,116)
Purchase of capital assets	<u>(133,906)</u>	<u>(160,915)</u>
	<u>(565,439)</u>	<u>(97,754)</u>
Net (decrease) increase in cash	(3,647,049)	1,515,541
Cash, term deposits and bank indebtedness, beginning of the year	<u>3,952,082</u>	<u>2,436,541</u>
Cash, end of the year	<u>\$ 305,033</u>	<u>\$ 3,952,082</u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

March 31, 2000

1. The Corporation

Authority and objectives

Enterprise Cape Breton Corporation was established pursuant to the *Enterprise Cape Breton Corporation Act* (Part II of the *Government Organization Act*, Atlantic Canada, 1987) which was proclaimed on December 1, 1988. The Corporation is an agent Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. Its objects, as stated in its enabling legislation, are:

to promote and assist either alone or in conjunction with any person or the Government of Canada or of Nova Scotia or any agency of either of those governments, the financing and development of industry on the Island of Cape Breton to provide employment outside the coal producing industry and to broaden the base of the economy of the Island.

The Corporation entered into a memorandum of understanding with the Atlantic Canada Opportunities Agency establishing the arrangements for the Corporation to deliver the Agency's programs on the Island of Cape Breton.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles.

a) Parliamentary appropriations

Parliamentary appropriations are recorded as funding in the statement of operations and equity in the year approved. The drawdowns against these appropriations are based upon cash requirements.

b) Management estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses and the disclosure of commitments at the date of the financial statements. Despite the use of the Corporation's best estimates, it is reasonably possible that the estimates for loans and investments could change materially in the near term.

c) Loans

Loans, including repayable contributions, are recorded at the lower of cost and estimated net realizable value. Loans initially granted at a zero interest rate are recorded at the nominal amount of the loan.

Certain loans are subject to terms of forgiveness as stipulated in the loan contract. The amount of forgiveness is charged to operations when the loan is issued or restructured. If terms and conditions are not fulfilled, the forgiveness is reversed and the balance becomes due and payable.

Loans are written off after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is unlikely.

d) Allowance for loan impairment

Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and interest, where applicable. A specific allowance is established to reduce the recorded value of the loan to its estimated net realizable value if there is doubt as to the timely collection on a particular loan. Impaired loans are measured according to their estimated realizable amounts by discounting expected future cash flows at the effective interest rate inherent in the loans. For loans granted with a zero interest rate, impairment is calculated based on the expected future cash flows using the zero percent rate associated with the loan. This reflects a zero cost of capital for these loans because they are funded by appropriations provided by the Government of Canada. When future cash flows cannot be estimated with reasonable reliability, the estimated realizable amounts are measured at the fair value of any security underlying the loans, net of any expected costs of realization.

When necessary, a general allowance is established in respect of loans for which individual specific allowances cannot yet be determined. The general allowance is based upon an evaluation of the loan portfolio in which numerous factors are assessed, including an analysis of arrears, past loss experience, recent events and changes in economic conditions.

Initial and subsequent changes in the amount of impairment are recorded as a charge or credit to the allowance for loan impairment.

e) Interest income

Interest income is recorded on the accrual basis. When a loan becomes impaired, interest income ceases to be recognized. Recognition of interest income recommences when the specific allowance for loan impairment is reversed.

f) Investments

The Corporation has invested in preferred equity holdings and partnerships. These are shown at the lower of cost and estimated net realizable value. Estimated net realizable value is measured by discounting expected future cash flows. Investment income is recorded on an accrual basis. The Corporation records an allowance for doubtful investments for the amount by which the value of the investment has been impaired.

g) Capital assets

Capital assets are recorded at the lower of cost less accumulated amortization. Amortization is provided over the estimated useful lives of the capital assets using the straight-line method at the rates indicated below:

Buildings	up to 25 years
Equipment and furniture	4 to 10 years
Computer equipment and software	5 years
Leasehold improvements	up to 20 years
Vehicles	3 or 4 years

h) Pension plan

All eligible employees participate in the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required equally from the employees and the Corporation. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

i) Termination benefits

Upon termination of employment, employees are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned. There are no other significant post employment benefits.

The liability for termination benefits is estimated by management without discounting, based on current entitlements.

3. Accounts receivable

Accounts receivable consist of:

	<u>2000</u>	<u>1999</u>
Due from the Atlantic Canada Opportunities Agency (Note 10)	\$ 3,999,560	\$ 3,284,681
Other receivables	279,755	234,818
Parliamentary appropriation	<u>1,115,720</u>	<u>-</u>
	<u>\$ 5,395,035</u>	<u>\$ 3,519,499</u>

The amount from the Atlantic Canada Opportunities Agency relates to expenditures made on behalf of the Agency pursuant to a memorandum of understanding. Other receivables are incurred in the normal course of business with no significant concentration of debtors.

Accounts receivable are due on demand, are non-interest bearing and the carrying amounts approximate fair values because of their short term to maturity.

4. Loans

At March 31, 2000 the Corporation had a portfolio of 100 loan accounts (1999 - 122) including repayable contributions. These loans are issued in order to promote economic development to support the corporate mandate. The amount included in the financial statement balance is net of an allowance for loan impairment. The balance consists of:

	<u>2000</u>			<u>1999</u>
	<u>Amount Due</u>	<u>Allowance</u>	<u>Carrying Value</u>	<u>Carrying Value</u>
Loans	\$ 2,847,182	\$ 1,603,484	\$ 1,243,698	\$ 1,092,003
Repayable contributions	2,124,580	970,551	1,154,029	1,217,852
Interest receivable	<u>18,840</u>	<u>585</u>	<u>18,255</u>	<u>7,165</u>
	<u>\$ 4,990,602</u>	<u>\$ 2,574,620</u>	<u>\$ 2,415,982</u>	<u>\$ 2,317,020</u>

The Corporation has five debtors (1999 - four) representing sixty-one percent of the amount due (1999 - fifty-five percent).

Forgivable loans totalling \$614,836 (1999 - \$401,540) are not included in the above balance. The statement of operations and equity includes a charge of \$282,938 (1999 - \$283,036) for recognition of forgivable loans made during the year. This charge is included in development expenses. If terms and conditions of the loans are not met, the amounts will become due and payable. Any amounts that would be recorded at that time would be net of any required allowance for loan impairment.

The allowance for loan impairment of \$2,574,620 (1999 - \$2,386,686) is management's best estimate of the difference between the recorded value of these accounts and the present value of the total amount the Corporation expects to collect on these accounts. For loans granted with a zero interest rate, the present value is calculated using a zero percent discount factor. The Corporation made significant assumptions in determining this estimate, including: collection amounts, timing of collection, economic conditions and interest rate factors. If the key assumptions used by management vary, then the estimate could be significantly different. The allowance for loan impairment consists of:

	<u>2000</u>				<u>1999</u>
	<u>Beginning Balance</u>	<u>Write-offs</u>	<u>Provision</u>	<u>Ending Balance</u>	<u>Balance</u>
Specific	\$ 2,136,686	\$ (144,637)	\$ 582,571	\$ 2,574,620	\$ 2,136,686
General	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>250,000</u>
	<u>\$ 2,386,686</u>	<u>\$ (144,637)</u>	<u>\$ 332,571</u>	<u>\$ 2,574,620</u>	<u>\$ 2,386,686</u>

The fair value of loans is determined using expected future cash flows discounted at the Consolidated Revenue Fund lending rate to Crown corporations. The fair value of loans approximates \$1,857,000 (1999 - \$2,010,000). The fair value is \$559,000 (1999 - \$307,000) less than the carrying amount. The difference results from 78 percent (1999 - 73 percent) of the loan portfolio having a zero interest rate. Discounting zero interest rate loans at the lending rate to Crown corporations results in the difference between the fair value and the carrying amount.

The total portfolio consists of:

Annual Interest Rate	2000		1999
	Amount Due	Allowance	Carrying Value
0%	\$ 3,868,083	\$ 2,306,044	\$ 1,562,039
Less than 10%	638,032	267,991	370,041
10% and over	465,647	-	465,647
	<u>4,971,762</u>	<u>2,574,035</u>	<u>2,397,727</u>
Interest receivable	<u>18,840</u>	<u>585</u>	<u>18,255</u>
	<u>\$ 4,990,602</u>	<u>\$ 2,574,620</u>	<u>\$ 2,415,982</u>

Included in the above balance are non-interest bearing repayable contributions of \$1,154,209 (1999 - \$1,217,852) net of the allowance for impairment.

Repayment dates of the loans are as follows:

Date Due	2000		1999
	Amount Due	Allowance	Carrying Value
Past Due	\$ 316,658	\$ 292,181	\$ 24,477
2000	-	-	-
2001	422,193	101,057	321,136
2002	567,432	204,346	363,086
2003	565,040	230,550	334,490
2004	638,312	313,988	324,324
2005 & beyond	<u>2,462,127</u>	<u>1,431,913</u>	<u>1,030,214</u>
	<u>4,971,762</u>	<u>2,574,035</u>	<u>2,397,727</u>
Interest receivable	<u>18,840</u>	<u>585</u>	<u>18,255</u>
	<u>\$ 4,990,602</u>	<u>\$ 2,574,620</u>	<u>\$ 2,415,982</u>

5. Investments

The Corporation has made investments to promote economic development in Cape Breton. Management has recorded these investments net of an estimate of an allowance for impairment. The balance consists of:

	<u>2000</u>		<u>1999</u>	
	<u>Amount Due</u>	<u>Allowance</u>	<u>Carrying Value</u>	<u>Carrying Value</u>
Interest in Office Building	\$ 300,000	\$ -	\$ 300,000	\$ 300,000
Shares/Partnership Units	850,000	750,000	100,000	100,000
	<u>\$ 1,150,000</u>	<u>\$ 750,000</u>	<u>\$ 400,000</u>	<u>\$ 400,000</u>

The Corporation's share in the net income, based on its percentage interest of the office building is \$92,632 (1999 - \$76,865). The shares and partnership units consist of non-voting redeemable and retractable preferred shares and partnership units in private sector entities. No dividends were received or declared during the year (1999 - nil).

The allowance for doubtful investments is based on significant assumptions by management of the timing, amount and discount rate. If these assumptions vary, the amounts could be significantly different. The fair values of investments, determined using discounted contracted future cash flows, approximate their carrying value.

6. Capital assets

	<u>2000</u>			<u>1999</u>		
	<u>Cost</u>	<u>Accumulated Amortization & Write Down</u>	<u>Net Book Value</u>	<u>Cost</u>	<u>Accumulated Amortization & Write Down</u>	<u>Net Book Value</u>
Land for development	\$ 341,597	\$ 341,596	\$ 1	\$ 482,319	\$ 482,318	\$ 1
Equipment, furniture, leaseholds	1,395,336	1,114,665	280,671	1,299,604	1,053,530	246,074
Rental facilities	2,306,051	2,306,051	-	15,697,200	15,697,200	-
	<u>\$ 4,042,984</u>	<u>\$ 3,762,312</u>	<u>\$ 280,672</u>	<u>\$17,479,123</u>	<u>\$17,233,048</u>	<u>\$ 246,075</u>

During the year, the Corporation transferred ownership of Sydport Industrial Park (see Note 11).

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of:

	<u>2000</u>	<u>1999</u>
Due to the Atlantic Canada Opportunities Agency	\$ 203,781	\$ 704,605
Payable on behalf of the Atlantic Canada Opportunities Agency	2,586,312	3,640,343
Other payables	<u>1,336,805</u>	<u>1,911,282</u>
	<u>\$ 4,126,898</u>	<u>\$ 6,256,230</u>

The amounts due to and payable on behalf of the Atlantic Canada Opportunities Agency relate to activities on behalf of the Agency pursuant to the memorandum of understanding. Other payables are subject to normal commercial conditions and relate to development and administrative expenditures.

8. Program expenses

Development and other program expenses consist of:

	<u>2000</u>	<u>1999</u>
Development expenses		
Tourism, entertainment and culture	\$ 2,716,674	\$ 2,662,218
Knowledge-based industries	819,500	746,169
Specific initiatives	720,607	509,396
Other business development	134,464	486,087
Oil and gas	392,531	404,281
Resources industries	13,866	192,567
Youth skills	<u>1,250</u>	<u>33,116</u>
	<u>\$ 4,798,892</u>	<u>\$ 5,033,834</u>
Other program expenses		
Program support	\$ 1,338,373	\$ 1,376,505
Rental facilities	<u>386,009</u>	<u>825,827</u>
	<u>\$ 1,724,382</u>	<u>\$ 2,202,332</u>

9. Commitments

- (a) As at March 31, 2000, the Corporation had outstanding commitments for development programs in the amount of \$14,940,845 (1999 - \$2,864,643). This amount includes a commitment of \$13.0 million for the establishment of a call centre in Cape Breton.

(b) Future minimum payments by fiscal year on operating leases in excess of one year are as follows:

2001	\$ 457,798
2002	468,153
2003	466,542
2004	466,542
2005 and beyond	<u>505,419</u>
	<u>\$ 2,364,454</u>

10. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the cost of services provided by other federal government departments, agencies, and Crown corporations are reflected in the statement of operations and equity and totalled \$137,284 (1999- \$258,654). These transactions are in the normal course of operations and are measured at the exchange amount.

11. Divestiture of Sydport Industrial Park

On September 15, 1999, the Corporation transferred ownership of the Sydport Industrial Park to a private sector group. The asset had a carrying value of \$1 because of previous writedowns. The sale price for this transaction was \$3.1 million. In consideration, the Corporation received a 3-year mortgage on the property for this amount at an annual interest rate of 6.75%. The agreement has an option for one 2-year extension. The mortgage and related interest can be forgiven through credits for specified levels of employment created. An investment of \$5.1 million in capital improvements is also required to be made by the purchaser. Employment credits will be determined by a prescribed formula and calculated by the Corporation. If the purchaser significantly violates the terms of the agreement, the Corporation has the right to retake possession of the property.

The intent of the agreement is that no cash, for interest or principal amounts, will be received by the Corporation. The sale price is to be forgiven through employment credits and capital improvements, therefore the gain on the sale and related mortgage of \$3.1 million is not reflected in the financial statements of the Corporation.

12. Comparative figures

The Corporation adopted the new recommendation of the Canadian Institute of Chartered Accountants on its cash flow statement and implemented the direct method of reporting cash flows. As a result, the statement of cash flows for the prior year has been restated in order to disclose the composition of cash flows received or payments made by the Corporation through operating and investing activities. Amounts reported in the balance sheet and statement of operations and equity are unaffected by this change. Previously the indirect method was used to report the changes in cash.