

2011



Invest in Canada

DIGITAL MEDIA

Canada's competitive advantages

Canada 

MAJOR GLOBAL INVESTORS IN CANADA

- Activision Blizzard
- Autodesk
- Capcom
- Eidos Interactive (Square Enix)
- EA (Electronic Arts)
- Facebook
- Gameloft
- Google
- Microsoft Game Studios
- Radical Entertainment (Vivendi)
- Relic Entertainment (THQ)
- Tecmo Koei
- Take-Two Interactive Software
- THQ
- Ubisoft Entertainment
- Warner Bros. Interactive Entertainment
- Prime Focus

LEADING CANADIAN COMPANIES

- Artifact Software
- Behaviour Interactive
- BioWare
- Beenox
- Big Blue Bubble
- Digital Extremes
- Fuel Industries
- HB Studios
- Other Ocean Interactive
- Rainmaker Entertainment
- Rockstar Toronto
- Side Effects Software
- Silicon Knights

RECENT INVESTMENTS IN CANADA

WARNER BROS. INTERACTIVE ENTERTAINMENT

In November 2010, Warner Brothers launched an upscale interactive gaming and 3D animation studio in Montréal. WB Games Montréal will focus on social and mobile titles.

CAPCOM INTERACTIVE CANADA

In September 2010, Capcom expanded its presence in Canada through Vancouver-based Blue Castle Games, allowing the company to branch out from Toronto with a new studio on Canada's west coast.

PIXAR ANIMATION STUDIOS

In April 2010, Pixar opened a new satellite office in Vancouver to create three- to five-minute animated clips featuring characters from such Pixar-Disney films as *Cars* and *Toy Story*. Vancouver's creative talent pool was a key reason Pixar selected the city as its Canadian base of operations.

DIGITAL DOMAIN

The visual-effects company Digital Domain officially opened a 20,000-square-foot studio in Vancouver in January 2010.

THQ

In December 2009, THQ chose Montréal as the location for a new video game development studio, which the company expects will become the largest facility in its global studio system. THQ Montréal is the company's second fully operational development and production studio in Canada.

UBISOFT ENTERTAINMENT

In December 2009, Ubisoft Entertainment opened its fourth office in Canada, a studio in Toronto with 800 employees. The French game developer and publisher also operates studios staffed by more than 2,300 people in Montréal, Québec City, and Vancouver.

PRIME FOCUS FILM VFX

In June 2009, Prime Focus Film VFX moved into a new, state-of-the-art facility in Vancouver and expanded its team by 25 employees, enabling the company to quadruple its production capacity.

Unless otherwise noted, all values in this publication are in Canadian dollars.



Photo credit: LEGO Battles, Warner Brothers Games

DIGITAL MEDIA

When it comes to digital media, Canada truly is on top of its game. Canada is home to eight of the world's top 10 video game publishers¹ as well as many complementary multinational interactive media industries. Canada also ranks as the third-leading location for video game development in the world.

Overall, the Canadian interactive media sector represents some 3,000 companies, which collectively employ more than 52,000 people. The estimated revenue from interactive digital media projects in Canada is \$3.8 billion.

There are many compelling reasons for digital media companies to establish themselves in Canada. As noted in *Develop* magazine, Canada offers an "outstanding quality of life, a robust industry with job security, affordable and generous housing, forward thinking and inclusive education systems, a chance to work on blockbuster intellectual property, and a fiercely creative indie scene."²

Canada's digital media recruits have graduated from such industry-renowned schools as the Centre for Digital Media (a partnership of the University of British Columbia, Simon Fraser University, Emily Carr University of Art + Design, and the British Columbia Institute of Technology), in British Columbia; Sheridan, Seneca and Centennial colleges, in Ontario; Cégep de Matane, Université de Sherbrooke and Centre NAD (National Animation Design Centre), in Québec; and Acadia University in Nova Scotia.

With its deep talent pool, federal research and development tax credits, and significant provincial government support, Canada offers digital media enterprises an extremely attractive business environment.

¹ *Develop* magazine, November 2009.

² *Develop* magazine, November 2010.

AWARD-WINNING GAMES

Canadian-based digital media developers and publishers have created award-winning games across all platforms and in all categories. They include:

CORE CONSOLE GAMES

- *Prototype*, Radical Entertainment/Activision
- *Dawn of War II*, Relic Entertainment/THQ
- *Mass Effect 2*, BioWare/EA
- *Assassin's Creed II*, Ubisoft
- *FIFA Soccer 10*, EA
- *Duality ZF*, Xona Games
- *Spider-Man: Shattered Dimensions*, Beenox/Activision
- *Deus Ex*, Eidos
- *Halo 3*, 343 Industries/Microsoft
- *Castle of Magic*, Gameloft
- *BioShock 2*, Take-Two Interactive

CASUAL GAMES

- *Critter Crunch*, Capybara Games
- *LEGO Battles*, Hellbent Games
- *Ka-Glom*, Magmic
- *The BIGS 2*, Blue Castle Games
- *Need for Speed SHIFT*, EA Mobile
- *Trainyard*, Magicule
- *Super Monkey Ball*, Other Ocean Interactive
- *Club Penguin*, Disney Online Studios
- *Osmos*, Hemisphere Games
- *Madden NFL*, Koolhaus

EDUCATIONAL GAMES

- *Genomics Digital Lab*, Spongelab Interactive
- *Robomath*, Project Whitecard
- 2D and 3D e-learning software, Artifact Software
- *Young Thor*, Frima

SIMULATION GAMES

- Centre for Marine Simulation
- CFB Gagetown
- Coole Immersive
- Xpan Interactive
- Xona Games
- Rainmaker Entertainment



Photo credit: *Spider-Man: Shattered Dimensions* : Beenox / Activision

CANADA'S COMPETITIVE ADVANTAGES

Advantage:

Very competitive salary costs

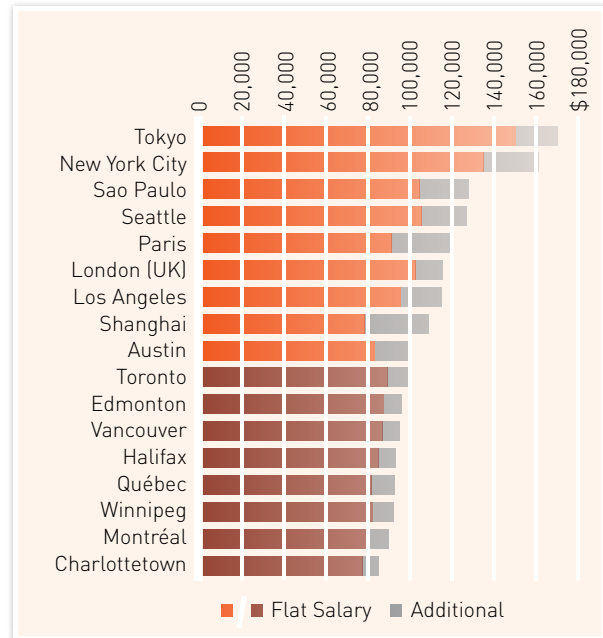
Project team leader

Recruiting companies can draw on highly skilled and highly educated workers in Canada. The salaries and benefits paid to project leaders, senior systems designers and graphic designers in Canadian cities are lower than in other major European and U.S. centres.

Project team leaders, who generally have at least five years' relevant experience, control the development and implementation of specific projects; they may also be principal technical specialists with a specific area of expertise but without supervisory responsibilities.

- Remuneration includes flat salary as well as additional compensation, such as incentive payments and performance bonuses.

Project team leader



Sources: fDi Benchmark; Towers Watson, 2010/2011Global 50 Remuneration Planning Report

Advantage:

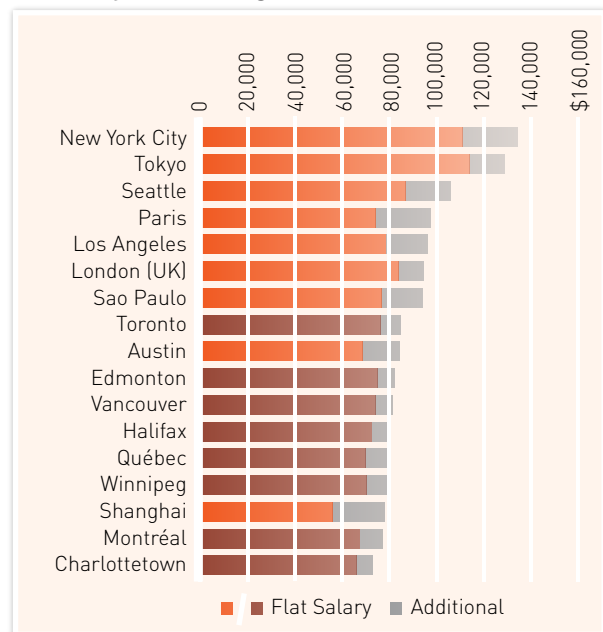
Very competitive salary costs

Senior systems designer

Senior systems designers provide technical support and guidance in all aspects of programming to other company personnel and directly to clients. They are responsible for high-level analysis, diagnosis and problem solving, and may also write specifications and assist in the installation and implementation of applications, among other duties. They generally do not have supervisory responsibilities.

- Remuneration includes flat salary as well as additional compensation, such as incentive payments and performance bonuses.

Senior systems designer



Sources: fDi Benchmark; Towers Watson, 2010/2011Global 50 Remuneration Planning Report

CANADA'S COMPETITIVE ADVANTAGES

Advantage:

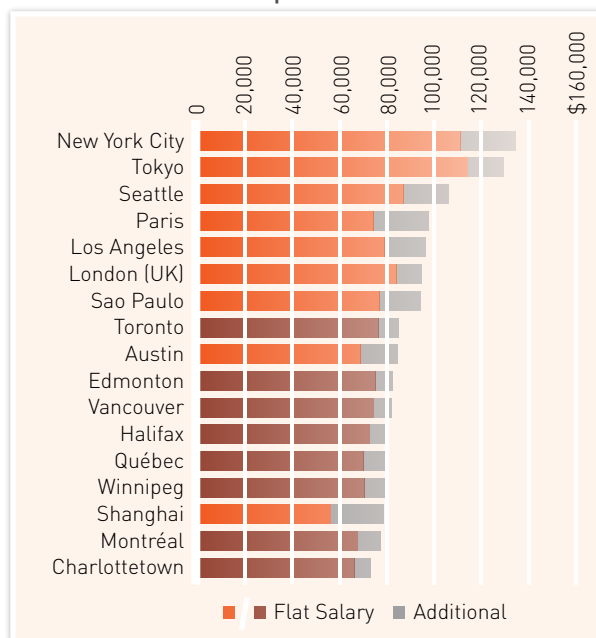
Very competitive salary costs

Senior website developer

Senior website developers/builders specialize in website development and report to a webmaster. They work closely with programmers on technical integration and generally have a few years of site-building experience.

- Remuneration includes flat salary as well as additional compensation, such as incentive payments and performance bonuses.

Senior website developer



Sources: fDi Benchmark; Towers Watson, 2010/2011 Global 50 Remuneration Planning Report

Advantage:

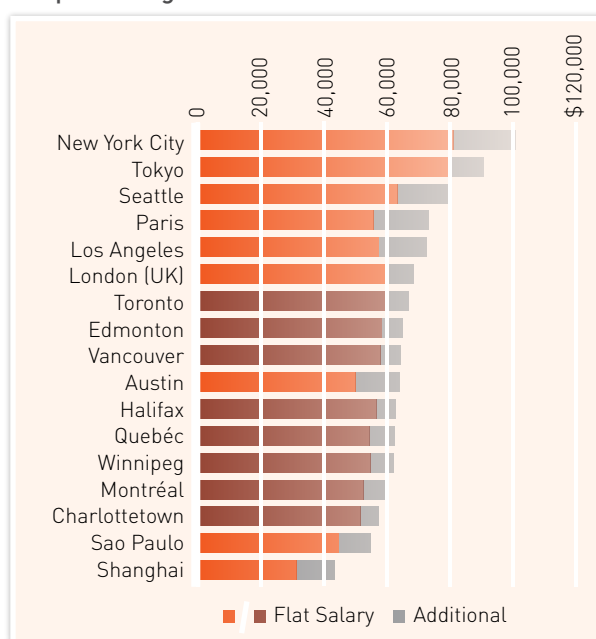
Very competitive salary costs

Graphic designer

Graphic designers are responsible for producing designs with high visual impact. This position requires a university degree followed by at least one year of work experience.

- Remuneration includes flat salary as well as additional compensation, such as incentive payments and performance bonuses.

Graphic designer

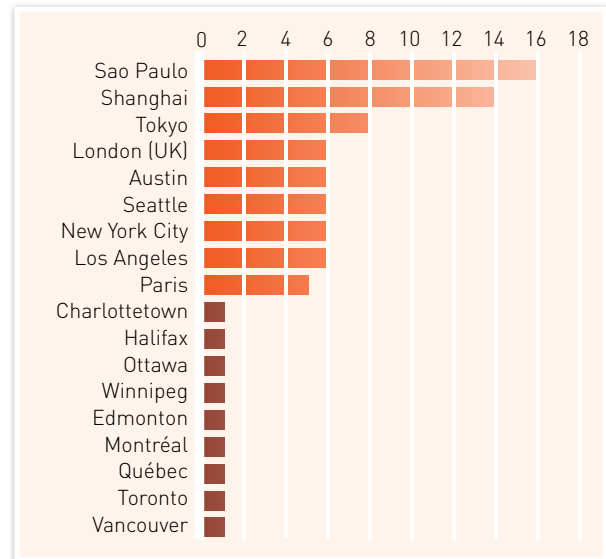


Sources: fDi Benchmark; Towers Watson, 2010/2011 Global 50 Remuneration Planning Report

Advantage: Simplified, one-step business registration

In Canada, investors need only follow one procedure to register a business: they simply select the appropriate federal or provincial authority and register their business by filling out the appropriate forms and paying the required fees. Once the company has a legal status, it can then interact with local authorities and with business sector, tax and labour regulators.

Number of procedures to register a business



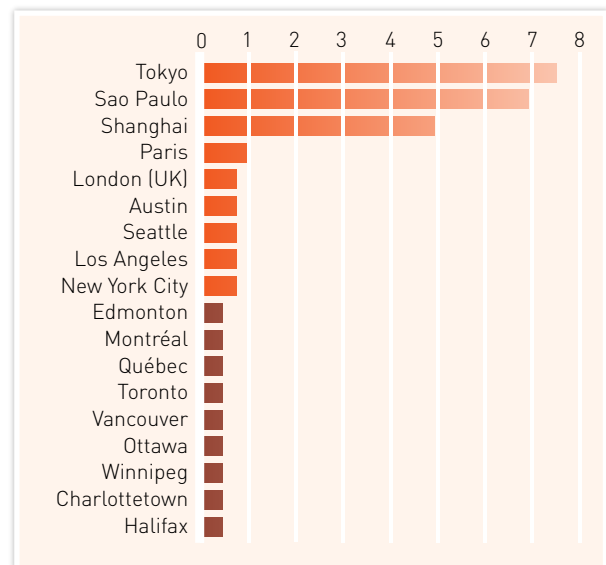
Sources: fDi Benchmark; World Bank, *Doing Business 2010*

Advantage: Low business set-up costs

The cost of establishing a business in Canada is very competitive—about half that of European, and U.S. cities and much less than in Asian cities.

- This chart looks at the official total cost of procedures required to establish a business. The scale of 0 to 8 represents start-up costs as a percentage of income per capita.

Cost of establishing a business



Sources: fDi Benchmark; World Bank, *Doing Business 2010*

DIGITAL MEDIA ACROSS CANADA: AN OVERVIEW

BRITISH COLUMBIA ○

With over 1,000 companies employing approximately 16,000 people and producing revenues of more than \$2 billion a year, British Columbia's digital media and games sector is among the world's top-performing clusters. The province is home to the greatest number of interactive game companies and the third largest film and television industry in North America. British Columbia also offers attractive tax credits for the digital media industry.

Vancouver's well-established educational system caters to the interactive digital media industry. This includes the Vancouver Film School, the Centre for Digital Media, Emily Carr University of Art + Design, Simon Fraser University, and the University of British Columbia.

Vancouver is a hub of cutting-edge interactive digital media companies that include leading video-game developers EA (Electronic Arts), Radical Entertainment (Activision Blizzard) and Relic Entertainment (THQ). As part of the digital ecosystem, the national Graphics Animation and New Media (GRAND) is headquartered in Vancouver.

ALBERTA ○

An estimated 300 interactive digital media companies are based in Alberta.

Edmonton is home to many leading game developers, including BioWare (Electronic Arts), a world-renowned electronic entertainment company, and XGen Studios, a game developer and publisher.

Alberta companies and research institutes also have proven expertise in developing serious games. The industry has access to support through the province's Alberta Ingenuity Fund and Alberta Innovation Voucher Program.

MANITOBA ○

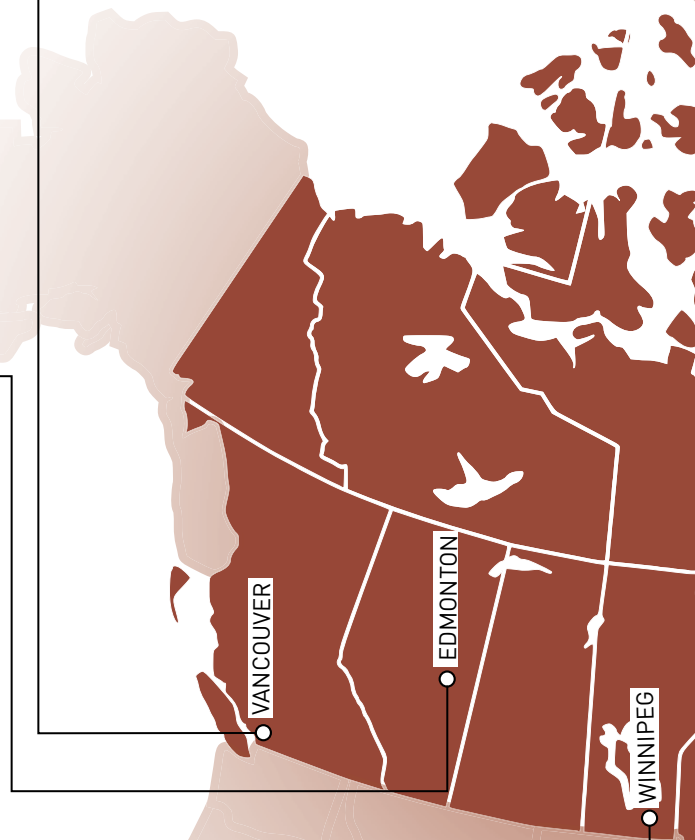
Manitoba is a growing digital media cluster, with an estimated 125 companies focused on interactive digital media and games. The province offers an Interactive Digital Media Tax Credit that provides a 40 percent refundable tax credit on allowable expenses for the production of digital media projects.

Winnipeg is home to such companies as Fortune Cat Games Studio, Prime Focus (formerly Frantic Films) and Project Whitecard, developer of *Project Moonwalk*. The industry is supported by leading-edge educational programs at the University of Manitoba and Red River College.

PRINCE EDWARD ISLAND ○

Prince Edward Island (P.E.I.) is an emerging game development location thanks in large part to the provincial government's economic development strategy, Gameplan. The province offers tax credit programs for developers and an attractive labour rebate. P.E.I. also recently established new post-secondary training programs to help meet the future demand for skilled workers in this industry.

P.E.I.'s game industry has grown to include companies such as Other Ocean Interactive, Bight Games, Telos Productions and Longtail Studios. The province is also the location of GameGarage, a summer incubator program for recent computer science graduates.





○ ONTARIO

Ontario's interactive digital media industry generates revenues in excess of \$1 billion annually, with over 1,000 companies and 16,000 employees. Ontario's R & D tax credits and digital media incentives can cut a company's costs by more than 60 percent. With more than 124 digital games educational programs offered through world-class institutions such as Sheridan and Seneca colleges, Max the Mutt Animation School and the University of Toronto, Ontario is also recognized worldwide for its artists, designers, animators, and programmers.

Toronto has attracted investments from global players such as Capcom, Corus Entertainment, Facebook, Side Effects Software, Starz Animation, Tecmo-Koei and Ubisoft. It is not surprising that Toronto interests top players, given that it is ranked first in the world in the list of cities with the lowest risk for employers based on recruitment, employment and relocation.¹ Toronto also places in the top five cities for creative industries FDI, after Los Angeles and New York. The city's creative ecosystem and vibrant artistic culture is showcased yearly through the Toronto International Film Festival showcases.

Ottawa is also where award-winning companies PlayBrains, Magmic and Fuel Industries are located. Digital Extremes, Google and Silicon Knights are also based in Ontario's **Golden Horseshoe** region.

○ QUÉBEC

Québec is rapidly becoming one of the most attractive places in the world for interactive digital media companies. Over 500 companies are active in the industry, employing more than 12,000 employees. This figure includes the more than 5,000 people working in video-game companies such as Ubisoft, Eidos Interactive, EA (Electronic Arts), Activision and THQ, all located in **Montréal**. Montréal is also home to Autodesk, Hybride and Toon Boom Animation. **Québec City** is home to such successful studios as Behaviour, Sarbakan, Frima Studio and TransGaming.

The province offers a range of assistance programs and tax credits for film, TV and multimedia production, including workforce training assistance. Training centres at McGill University, the Université de Montréal, the Centre NAD (National Animation and Design Centre), INIS (Institut national de l'image et du son), and 3vis provide well-qualified graduates to this growing industry.

○ NOVA SCOTIA

Nova Scotia offers a major investment incentive to interactive digital media companies with its Digital Media Tax Credit. This refundable tax credit applies to costs directly related to the development of interactive digital media products. **Halifax** is home to a number of leading games companies, including HB Studios, which specializes in creating spectacular and challenging computer and console video games, and Huminah Huminah Interactive, which specializes in Flash and 3D casual games.

¹ Source: Aon Consulting's People Risk Index

CANADA'S COMPETITIVE ADVANTAGES

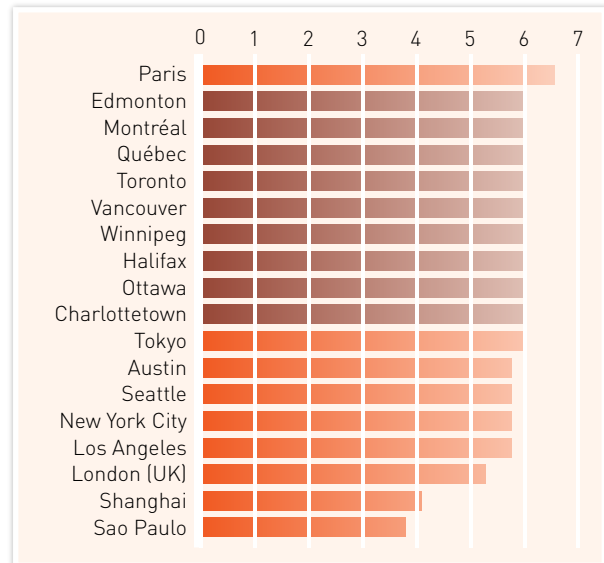
Advantage:

World-class infrastructure

Canada's modern, world-class public infrastructure supports the economic growth of its cities and communities. Canadian roads, bridges, railroads, ports and airports are well located, well built, well maintained and secure.

- This chart rates the overall quality of infrastructure such as transport, telephony and energy. A rating of 0 signifies that infrastructure is "extremely underdeveloped," while a rating of 7 signifies that infrastructure is "well developed."

Overall infrastructure quality



Sources: fDi Benchmark; World Economic Forum, *Global Competitiveness Report (2010/11)*



Photo credit: Madballs in BABO: Invasion, Playbrains

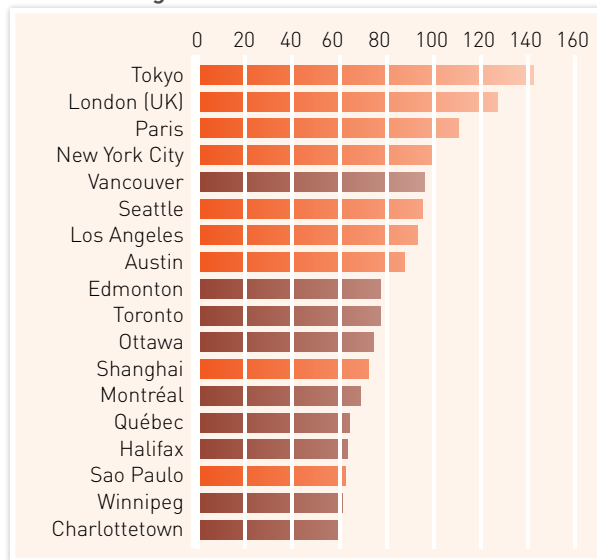
Advantage:

Great quality of life at affordable cost

Compared to Asian, European and U.S. cities, Canadian cities offer a high quality of life at an affordable cost. In 2011, the Economist Intelligence Unit ranked Vancouver as the most liveable city in the world, while Toronto and Calgary also placed in the top 10.

- ▶ The following chart assesses a variety of living costs, including housing. New York City is considered the base city, with a weighting of 100.

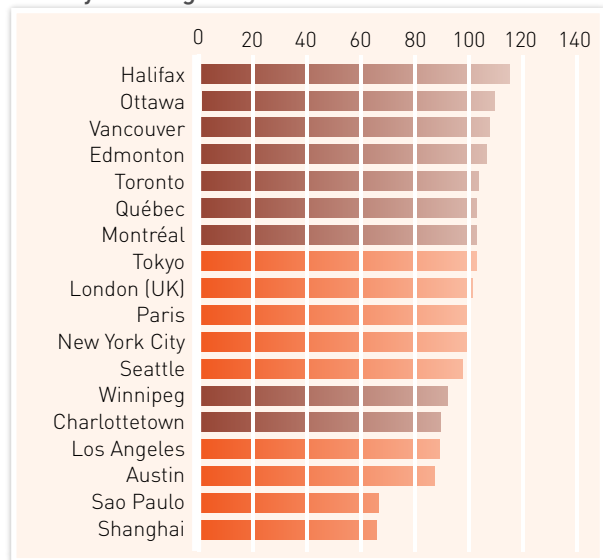
Cost of living index



Sources: fDi Benchmark; fDi intelligence based on data from the Financial Times Ltd.

- ▶ The following chart assesses quality of living factors. New York City is considered the base city, with a weighting of 100.

Quality of living index



Sources: fDi Benchmark; fDi intelligence based on data from the Financial Times Ltd.

Advantage:

Low corporate income tax rates

Corporate income tax rates in Canada have decreased in 2011, with the combined federal-provincial corporate income tax rate being reduced to 27.6 percent.

Lowest to highest corporate income tax rates in G-7 countries*

		2011
1.	United Kingdom	27.0%
2.	Canada	27.6%
3.	Germany	30.2%
4.	Italy	31.4%
5.	France	34.4%
6.	United States	39.2%
7.	Japan	39.5%

*Combined federal/central and provincial/state or sub-central government statutory corporate income tax rate.

Sources: Department of Finance Canada; Invest in Canada (Government of Canada)

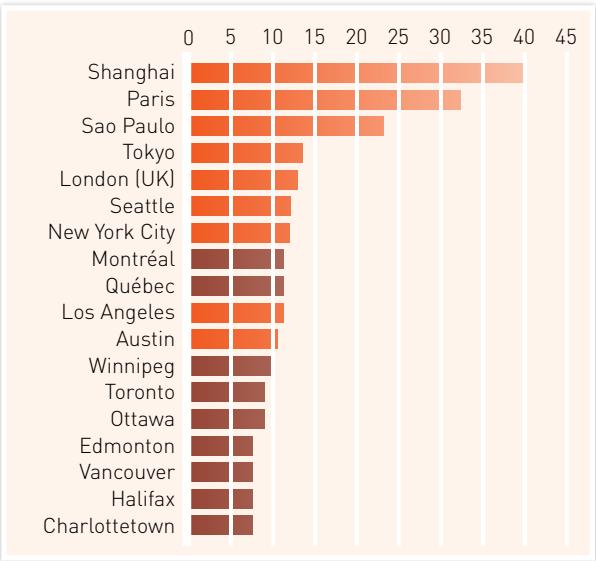
CANADA'S COMPETITIVE ADVANTAGES

Advantage:
Low social security contributions

Canadian workers have very good social security coverage, but this does not translate into excessive costs to employers. In Canada, social security contributions paid by employers are generally lower than in the United States and in European countries.

► This chart looks at employers' contributions to employee social benefits, expressed as a percentage of employee salaries.

Social security paid by businesses



Sources: fDi Benchmark; Deloitte International, *International Tax and Business Guide* (Oct. 2009); Towers Watson, *2009/2010 Global 50 Remuneration Planning report*; PricewaterhouseCoopers, global tax summaries (Oct. 2009); fDi intelligence based on Towers Watson data (Aug. 2010); fDi intelligence based on data from the International Social Security Association (ISSA; Aug. 2010)



Photo credit: Naughty Bear, Behaviour Interactive

Digital media and animation production credits in Canada

PROVINCE	PROGRAM	DESCRIPTION
British Columbia	Interactive Digital Media Tax Credit	17.5% of eligible labour costs directly attributable to interactive digital media activities, incurred after August 31, 2010
	Venture Capital Tax Credit (new media venture capital)	<i>Venture-capital corporations:</i> non-refundable 30% tax credit for investments in eligible businesses, with no annual limit on credit <i>Individuals:</i> refundable 30% tax credit for investments in eligible businesses (maximum: \$60,000 tax credit per taxation year)
	Digital Animation or Visual Effects Tax Credit	17.5% of eligible labour costs directly attributable to digital animation or visual effects activities (no maximum)
Manitoba	Interactive Digital Media Tax Credit	40% refundable income tax credit for eligible Manitoba labour costs, up to a maximum of \$500,000
Nova Scotia	Digital Media Tax Credit	Tax credits equal to the lesser of: <ul style="list-style-type: none"> • 50% of eligible Nova Scotia labour costs or • 25% of total expenditures made in Nova Scotia Plus: 10% regional bonus on qualifying labour costs for productions developed outside the metro Halifax area
Ontario	Ontario Interactive Digital Media Tax Credit	<ul style="list-style-type: none"> • "Non-specified" interactive digital media products: 40% of eligible Ontario labour costs (no maximum) and eligible marketing and distribution expenditures (maximum of \$100,000 per eligible product) • "Specified products" (fee-for-service): 35% of eligible Ontario labour costs (no maximum)
	Ontario Computer Animation and Special Effects Tax Credit	20% of qualified Ontario labour costs (no maximum)
Prince Edward Island	Innovation and Development Labour Rebate	37.5% of eligible P.E.I. labour costs

Digital media and animation production credits in Canada (continued)

PROVINCE	PROGRAM	DESCRIPTION
Québec	Production of Multimedia Titles Tax Credit	<p>Category 1 titles (commercial titles aimed at wide audience): 30% of qualified labour costs + bonus for French-language versioning: 7.5% of qualified labour</p> <p>Category 2 titles (other multimedia titles): 26.25% of qualified labour costs</p> <p><i>Specialized corporations</i> (credit is based on corporation's qualified labour costs, not production's qualified labour costs): if certificate states that minimum 75% of eligible multimedia titles produced are Category 1 titles or minimum 75% of gross revenues came from Category 1 titles: 30% of corporation's qualified labour costs</p> <p>+ bonus for French-language versioning: 7.5% of corporation's qualified labour costs</p> <p>Other: 26.25% of corporation's qualified labour costs</p>
	Computer Animation and Digital Special Effects Tax Credit	<p>For the Québec Film and Television Production Tax Credit: 10% of qualified Québec labour costs (maximum: 5% of production costs).</p> <p>For the Québec Production Services Tax Credit: 20% of the "qualified Québec labour cost."</p>

Source: The Big Table: Digital Media and Animation Incentives in Canada (2010), PriceWaterhouseCoopers



Photo credit: Assassin's Creed II, Ubisoft

INVESTMENT LOCATION BENCHMARKING

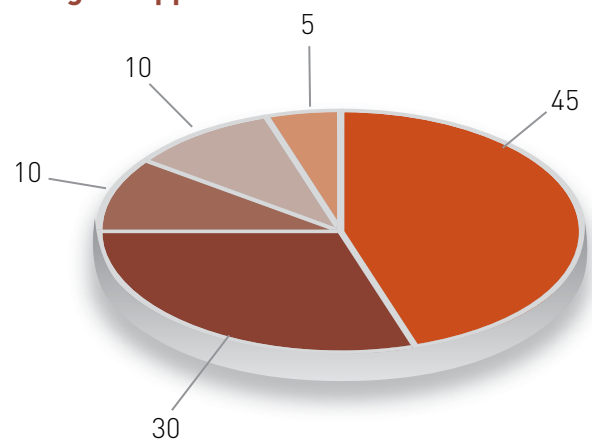
The tables and graphs in the preceding pages were generated by fDi Benchmark, a service of the Financial Times Ltd. (www.fdibenchmark.com). This search tool relies on industry-recognized databases and location assessments to appraise the attractiveness of countries, states/provinces and cities around the world for specific sectors and investment projects.






- The following Canadian and foreign cities selected for benchmarking are locations with a significant cluster of companies involved in digital media: Austin, Charlottetown, Edmonton, Halifax, London, Los Angeles, Montréal, New York City, Ottawa, Paris, Québec, Sao Paulo, Seattle, Shanghai, Tokyo, Toronto, Vancouver and Winnipeg.
- The following company profile is that of an online-game studio with a staff of 40 employees located in a downtown office.

Online-game design centre

COST FACTOR	USAGE AMOUNT
Property	Square metres
Total occupancy (in town office rent)	800 m ²
EMPLOYEE TYPE	PROFILE HEAD COUNT
General management	
Business unit manager	1
Project manager	2
Finance	
Accountant	1
Marketing	
Marketing executive	3
Marketing manager	1
Product marketing assistant	3
Product marketing executive	2
Sales	
Sales analyst	2
Sales executive	4
Senior sales executive	2
Senior sales manager	1
Information technology	
Senior designer	2
Senior programmer	2
Senior Web developer	2
Software programmer	2
Systems designer	2
Web developer	6
Website development manager	1
Administration	
Secretary	1
Total staff	40

Quality model properties / Weights applied



WEIGHTING MODEL OVERVIEW	WEIGHTING	
Presence of an industrial cluster	45%	
Labour availability and quality	30%	
General business environment	10%	
Infrastructure and accessibility	10%	
Living environment	5%	

CANADA'S COMPETITIVE ADVANTAGES

Canada boasts many advantages and unparalleled potential: it is a place where businesses can achieve excellence on a global scale.

A HIGHLY EDUCATED WORKFORCE

Canada ranks second in higher-education achievement among members of the Organisation for Economic Co-operation and Development (OECD). (Source: IMD, *World Competitiveness Yearbook 2010*)

A WELCOMING BUSINESS ENVIRONMENT

The Economist Intelligence Unit rated Canada the number one place to do business in the G-7 for the next five years. (Source: Economist Intelligence Unit, *Business Environment Ranking*, March 2011)

A SOUND ECONOMY

Since the third quarter of 2009, Canada's economy has grown for six consecutive quarters and has now fully recovered job and output losses that occurred during the global economic crisis. (Source: Department of Finance Canada, Budget 2011)

FINANCIAL STABILITY

Over the past three years, Canada's banking system has repeatedly been declared the soundest in the world by the World Economic Forum.

LOW TAX RATES

Canada's overall tax rate on new business investment is substantially lower than that of any other G-7 country, while corporate tax rates are among the lowest in the G-7. (Source: Department of Finance Canada, 2010)

SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT

Canada has a very generous Scientific Research and Experimental Development Program (SR & ED) and the lowest costs in R & D-driven sectors in the G-7. (Sources: KPMG, *Competitive Alternatives 2010*; OECD)

NAFTA

Canada's NAFTA advantage (North American Free Trade Agreement) gives investors access to more than 448 million North American consumers and a combined continental GDP of more than US\$16.3 trillion. (Source: World Bank, *World Development Indicators Database*, 2010)

A GREAT PLACE TO LIVE AND WORK

World-class universities; a universally acclaimed health-care system; clean, friendly cities; and spectacular scenery make Canada a great place to invest, work, live and raise a family. (Sources: United Nations Development Programme, *Human Development Report 2010*; Economist Intelligence Unit, *Global Liveability Report 2010*)



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We Take Care of Business.

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