

**Newfoundland and Labrador
Immigrant Investor Fund Limited**

Annual Report 2014-15



**Business, Tourism, Culture and
Rural Development**

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MESSAGE FROM THE CHAIR

On behalf of the Board of Directors, I am pleased to present the annual report of the Newfoundland and Labrador Immigrant Investor Fund Limited (NLIIFL) for the fiscal year ending March 31, 2015. This annual report is submitted in accordance with NLIIFL's obligations as a category three entity under the *Transparency and Accountability Act*. It has been prepared under the direction of the board which is accountable for the results reported herein.

NLIIFL was incorporated on April 28, 2005 and was established to receive, administer and disburse funds received from Citizenship and Immigration Canada (CIC) under the Business Immigration Program. In 2014-15, the corporation received proceeds of \$17,390,075 from CIC as the province's allocation of total receipts under the Business Immigration Program. NLIIFL also repaid \$54,607,753 to CIC during the same period, as required under the commitment to CIC.

The 2014-15 fiscal year was significant for the NLIIFL as the federal Budget of February 2014 announced discontinuation of the program. While the province continued to receive funds from CIC under the program for 2014-15, communications with CIC have indicated that allocations are expected to terminate in the near future. The NLIIFL continues to work with CIC to determine the impact of the discontinuation of the fund and to identify eligible short term opportunities under the fund.

Sincerely,



Rita Malone
Chair, Board of Directors
Newfoundland and Labrador Immigrant Investor Fund Limited

OVERVIEW

Background

NLIIFL was incorporated as a crown corporation on April 28, 2005. On May 13, 2005, it was accepted by the Federal Government as an approved fund under Canada's Business Immigration Program. The corporation reports to the Minister of Business, Tourism, Culture and Rural Development (BTCRD), who holds all of the issued shares of the corporation. BTCRD assumes responsibility of all of the administration costs of the corporation.

The corporation was established to receive, administer and disburse funds received from CIC under the Business Immigration Program. CIC requires that available funds be used for the purpose of contributing towards the development of a strong and viable economy in Newfoundland and Labrador.

The funds are distributed by CIC to participating provinces and territories and are available for a period of five years, after which they must be repaid. Repayment includes a facilitator's fee of seven percent for investors who applied to the program prior to December 1, 2010. On December 1, 2010, CIC introduced changes to the Immigrant Investor Fund which included a reduction in facilitators' fees to five percent for investors who applied after that date. CIC deducts this fee prior to distribution to the provinces and territories and pays it to the financial institutions which market the program and assist investors in the administration of their investment. The Government of Newfoundland and Labrador has guaranteed repayment of all monies received by NLIIFL.

Mandate

The Board's mandate is drawn from several sources including the *Immigration and Refugee Protection Act* and accompanying regulations, the Fund Agreement, the Fund's Articles of Incorporation and directives from the Lieutenant-Governor in Council.

The mandate of the Board is to direct investment activities of NLIIFL by assessing potential funding projects for eligibility, at the request of the Department of Finance, and making recommendations to the Lieutenant-Governor in Council, through the Department of Finance. As manager of the fund, the NLIIFL Board of Directors coordinates all agreements and repayment of the investment from project participants to ensure repayment of all monies as agreed. The Board is also required to ensure that amounts due CIC are repaid as required, either through collections from investments or budgetary allocations from the province. Repayments to CIC began in fiscal year 2010-11.

Vision

The work of the NLIIFL Board supports the vision of BTCRD by facilitating potential significant investments to help foster a strong and viable provincial economy through projects deemed eligible for NLIIFL funding, as approved by the Lieutenant- Governor in Council. The vision of BTCRD is of a vibrant, diverse, and sustainable economy, with productive, prosperous and culturally-rich communities and regions, making Newfoundland and Labrador a business and tourism "destination of choice".

Mission

The Board supports the mission of BTCRD. It evaluates any potential NLIIFL investments forwarded by the Department of Finance and makes recommendations regarding the use of NLIIFL's funds for these potential projects on a timely basis.

The mission of BTCRD is as follows:

By March 31, 2017, the Department of Business, Tourism, Culture and Rural Development will have stimulated economic, business and tourism development to foster regional and provincial prosperity, while preserving and promoting culture and heritage throughout the province.

Board of Directors

NLIIFL is administered by a Board of Directors appointed by the Lieutenant-Governor in Council. The Board consists of senior Provincial Government officials who are appointed by their position. The positions are:

Chairperson	Assistant Deputy Minister Regional and Business Development, BTCRD
Members	Director, Business Analysis, BTCRD (Secretary)
	Director of Budgeting, Department of Finance
	Director, Trade and Export Development, BTCRD
	Director, Debt Management, Department of Finance

OBJECTIVES AND ACTIVITIES

The NLIIFL supported the Provincial Government's strategic directions in the areas of business and industry development this past year by identifying, in partnership with the Department of Finance and the Department of Advanced Education and Skills, a business opportunity to support Memorial University's core science facility infrastructure project. The project will create significant employment opportunities during its construction and operational phases and will provide a long term sustainable

supply of skilled professionals to support growth in industries of strategic economic importance.

The Board intends to report on the objectives, measures and indicators below, through its annual reports, for each fiscal year of this plan (2014-15, 2015-16 and 2016-17).

1. Management of NLIIFL

Objective

By March 31, 2015 the Board will have successfully managed NLIIFL investments during the wind down period.

Measure

Successfully managed the fund during the wind down period.

Indicator

Managed cash and investments during the wind down period.

Activities

The Board continued to manage cash and investments during the wind down period to ensure sufficient cash flow is maintained to submit repayment to CIC as required. In 2014-15, the corporation received proceeds of \$17,390,075 from CIC as the province's allocation of total receipts under the Business Immigration Program. NLIIFL also repaid \$54,607,753 to CIC during the same period, as required under the commitment to CIC. This compares to proceeds of \$57,516,114 and repayment of \$51,583,405 to CIC during 2013-14. The significant reduction in proceeds is due to the winding up of allocations, which was communicated by CIC when the announcement of the fund discontinuance was made.

2. Evaluation of New Investments

Objective

By March 31, 2015 the Board will have evaluated any potential NLIIFL investments forwarded by the Department of Finance and will have made recommendations regarding the use of NLIIFL funds for these potential projects on a timely basis.

Measure

Evaluated potential NLIIFL investments.

Indicator

Number of eligibility requests evaluated.

Activities

During 2014-15, the Board identified and evaluated one opportunity targeted at a strategic economic investment within the province. This opportunity was deemed eligible by both the Board and CIC, and preliminary discussions have occurred with Department of Finance. As a result, the NLIIFL has been identified as a potential source of funding for the project, and the Board is monitoring the project and related timelines for potential use of funds under the NLIIFL, with an anticipated use of funds during 2015-16.

FINANCIAL STATEMENTS

The audited financial statements for the corporation are appended to this report.

**NEWFOUNDLAND AND LABRADOR
IMMIGRANT INVESTOR
FUND LIMITED**

FINANCIAL STATEMENTS

MARCH 31, 2015

Management's Report

Management's Responsibility for the Newfoundland and Labrador Immigrant Investor Fund Limited Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Corporation, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Immigrant Investor Fund Limited.

On behalf of the Newfoundland and Labrador Immigrant Investor Fund Limited.



Rita Malone
Assistant Deputy Minister
Regional Development/Business Analysis



Liane Price
Manager of Enterprise Services



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Immigrant
Investor Fund Limited
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Immigrant Investor Fund Limited which comprise the statement of financial position as at March 31, 2015, the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the auditor, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Immigrant Investor Fund Limited as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read 'Terry Paddon', with a long horizontal line extending to the right.

TERRY PADDON, CPA, CA
Auditor General

July 23, 2015
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF FINANCIAL POSITION

As at March 31

	2015	2014
FINANCIAL ASSETS		
Cash	\$ 182,984,383	\$ 169,385,540
Interest receivable	150,812	158,878
Portfolio investments (Note 3)	27,479,613	76,285,402
	<u>210,614,808</u>	<u>245,829,820</u>
LIABILITIES		
Accounts payable and accrued liabilities	-	3,955
Obligations to investors (Note 4)	211,312,135	248,926,745
	<u>211,312,135</u>	<u>248,930,700</u>
Net debt	<u>(697,327)</u>	<u>(3,100,880)</u>
NON-FINANCIAL ASSETS		
Deferred financing costs (Note 5)	5,423,610	7,438,984
Accumulated surplus	<u>\$ 4,726,283</u>	<u>\$ 4,338,104</u>

*The accompanying notes are an
integral part of these financial statements.*

Signed on behalf of the Corporation:


Chairperson


Member

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2015 Budget	2015 Actual	2014 Actual
	(Note 8)		
REVENUES			
Amortization of discounts on portfolio investments	\$ 1,477,834	\$ 1,477,834	\$ 2,213,759
Interest	1,988,860	1,928,684	1,726,261
	<u>3,466,694</u>	<u>3,406,518</u>	<u>3,940,020</u>
EXPENSES			
Amortization of deferred financing costs	3,054,443	3,013,026	3,249,366
Audit fees	4,000	565	3,955
Bank charges	-	48	40
Miscellaneous	-	75	600
Safekeeping fees	6,552	4,625	6,741
	<u>3,064,995</u>	<u>3,018,339</u>	<u>3,260,702</u>
Annual surplus	401,699	388,179	679,318
Accumulated surplus, beginning of year	4,338,104	4,338,104	3,658,786
Accumulated surplus, end of year	<u>\$ 4,739,803</u>	<u>\$ 4,726,283</u>	<u>\$ 4,338,104</u>

*The accompanying notes are an
integral part of these financial statements.*

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31

	2015 Budget	2015 Actual	2014 Actual
	(Note 8)		
<u>Annual surplus</u>	<u>\$ 401,699</u>	<u>\$ 388,179</u>	<u>\$ 679,318</u>
Deferred financing costs			
Acquisition of deferred financing costs	(1,761,039)	(997,652)	(3,304,844)
<u>Use of deferred financing costs</u>	<u>3,054,443</u>	<u>3,013,026</u>	<u>3,249,366</u>
	<u>1,293,404</u>	<u>2,015,374</u>	<u>(55,478)</u>
Decrease in net debt	1,695,103	2,403,553	623,840
<u>Net debt, beginning of year</u>	<u>(3,100,880)</u>	<u>(3,100,880)</u>	<u>(3,724,720)</u>
<u>Net debt, end of year</u>	<u>\$ (1,405,777)</u>	<u>\$ (697,327)</u>	<u>\$ (3,100,880)</u>

*The accompanying notes are an
integral part of these financial statements.*

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2015	2014
Operating transactions		
Annual surplus	\$ 388,179	\$ 679,318
Adjustment for non-cash items		
Amortization of deferred financing costs	3,013,026	3,249,366
Amortization of discounts on portfolio investments	(1,477,834)	(2,213,759)
	<u>1,923,371</u>	<u>1,714,925</u>
Change in non-cash working capital		
Interest receivable	8,066	(19,786)
Accounts payable and accrued liabilities	(3,955)	-
	<u>1,927,482</u>	<u>1,695,139</u>
Investing transactions		
Portfolio investments redeemed	<u>50,283,623</u>	<u>19,451,473</u>
	<u>50,283,623</u>	<u>19,451,473</u>
Financing transactions		
Deferred financing charges	(997,652)	(3,304,844)
Amount received from investors	17,363,404	57,516,114
Refund to investors	(370,261)	(68,023)
Repayment of investor funds	(54,607,753)	(51,583,405)
	<u>(38,612,262)</u>	<u>2,559,842</u>
Increase in cash	13,598,843	23,706,454
Cash, beginning of year	<u>169,385,540</u>	<u>145,679,086</u>
Cash, end of year	<u>\$ 182,984,383</u>	<u>\$ 169,385,540</u>

The accompanying notes are an integral part of these financial statements.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

1. Nature of operations

Newfoundland and Labrador Immigrant Investor Fund Limited (the Corporation) is a Crown corporation of the Province of Newfoundland and Labrador (the Province) and was incorporated on April 28, 2005 under the *Corporations Act* of the Province. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

The purpose of the Corporation is to receive, administer and invest funds received from Citizenship and Immigration Canada (CIC) under its Business Immigration Program. Section 92(f) of the *Immigration and Refugee Protection Regulations* to the *Immigration and Refugee Protection Act* requires that during the allocation period of five years, the provincial allocation must be used for the purpose of creating or continuing employment in Canada to foster the development of a strong and viable economy.

In April 2005, the Provincial Cabinet instructed the Board of Directors to direct the investment activities of the Corporation and refer projects to Cabinet for approval. The Provincial Cabinet also directed that all recommended investments be subject to a thorough financial and business analysis by the sponsoring department.

The Minister of Business, Tourism, Culture and Rural Development holds 100% of the issued common shares of the Corporation on behalf of the Province of Newfoundland and Labrador. Currently, there are 100 authorized common shares of no par value with 3 shares issued.

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Summary of significant accounting policies

(a) Basis of accounting

The Corporation is classified as an Other Government Organization as defined by Canadian Public Sector Accounting Standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Public Sector Accounting Board. The Corporation does not prepare a statement of remeasurement gains and losses as the Corporation does not enter into relevant transactions or circumstances that are being addressed by this statement. Outlined below are the significant accounting policies followed.

(b) Financial instruments

The Corporation's financial instruments recognized in the statement of financial position consist of cash, interest receivable, portfolio investments, accounts payable and accrued liabilities, and obligations to investors. The Corporation generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The Corporation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash and interest receivable. Portfolio investments are measured at amortized cost as disclosed in Note 3. Financial liabilities measured at cost include accounts payable and accrued liabilities, and obligations to investors.

The carrying values of cash, interest receivable, portfolio investments, accounts payable and accrued liabilities, and obligations to investors approximate current fair value due to their nature and/or the short-term maturity associated with these instruments.

Interest attributable to financial instruments is reported in the statement of operations. Amortization of discounts related to portfolio investments is reported as revenue in the statement of operations.

(c) Cash

Cash includes cash in bank.

(d) Deferred financing costs

Deferred financing costs are amortized, on a straight-line basis, over the five year period during which the funds are available to the Corporation.

(e) Obligations to investors

An obligation to an investor is recognized upon receipt of funds from CIC.

(f) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

(g) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is recorded as an expense in that year.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

2. Summary of significant accounting policies (cont.)

(b) Measurement uncertainty

The preparation of financial statements in conformity with CPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of estimates include the amortization of discounts on portfolio investments and the amortization of deferred financing costs.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. Portfolio investments

The portfolio investments consist of 10 Canadian provincial government guaranteed strip bonds that were purchased between October 25, 2010 and January 20, 2011, and mature between May 26, 2015 and November 15, 2015. Settlement values of these bonds ranged from \$524,247 to \$7,318,525 with a total cost of \$24,405,548 (2014 - \$69,788,714), while maturity values range from \$600,000 to \$8,300,000 and have a total maturity value of \$27,767,948. Interest rates range from 2.39% to 3.07%.

Amortization of bond discounts is calculated on a straight-line basis from the date of purchase until maturity. Total accumulated amortization of bond discounts at March 31, 2015 was \$3,074,065 (2014 - \$6,496,688), giving the investments an amortized cost of \$27,479,613 (2014 - \$76,285,402).

4. Obligations to investors

One of the conditions for the issuance of a visa to immigrants under the Citizenship and Immigration Canada Business Immigration Program (the Program), is that they must invest \$400,000 in Canada for a period of five years. The amount of the investment is allocated to the participating provinces on the first day of the second month following the month payment is received from the investor. \$200,000 of the \$400,000 is divided equally among the participating provinces while the remaining \$200,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces.

During the Fall of 2011, a new agreement was signed which now requires immigrants under the Program to invest \$800,000 in Canada for a period of five years. Of the \$800,000, \$400,000 is divided equally among the participating provinces and the remaining \$400,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

4. Obligations to investors (cont.)

As at March 31, 2015, Newfoundland and Labrador Immigrant Investor Fund Limited maintained an allocation of funds from 5,858 investors (2014 - 6,886 investors). Allocations of funds were received from 428 investors in 2014-15 (1,285 investors in 2013-14), 8 investors were refunded in 2014-15 (2 investors in 2013-14) and 1,448 investors were repaid in 2014-15 (1,447 investors in 2013-14).

These obligations to investors are secured by a non-transferable zero interest promissory note issued by CIC, as agent for the Corporation, and the guarantee of the Province of Newfoundland and Labrador. The guarantee is to CIC, as agent for the Corporation, who will repay investors. The promissory notes are repayable without interest, in full, five years from the date the funds were allocated to the Province or within 90 days after the receipt of a written request by the investor for repayment of the funds provided that such a request for repayment has been received by the agent before a visa has been issued to the investor. As at March 31, 2015, 10 investors had not received a permanent resident visa (2014 - 23).

Obligations to investors at March 31, 2015 totaled \$211,312,135 (2014 - \$248,926,745). Scheduled investment repayment dates are as follows:

April 30, 2015	\$ 4,783,320
May 31, 2015	3,826,656
June 30, 2015	5,704,552
July 31, 2015	8,649,880
August 31, 2015	8,891,272
September 30, 2015	6,242,435
October 31, 2015	5,995,560
November 30, 2015	3,502,464
December 31, 2015	2,290,156
January 31, 2016	2,760,736
February 28, 2016	4,548,940
March 31, 2016	2,196,040
April 30, 2016	3,356,804
May 31, 2016	3,325,432
June 30, 2016	3,419,548
July 31, 2016	3,890,128
August 31, 2016	3,199,944
September 30, 2016	3,714,104
October 31, 2016	3,911,492
November 30, 2016	3,935,056
December 31, 2016	4,466,952
January 31, 2017	4,599,532
February 29, 2017	5,513,382

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

4. Obligations to investors (cont.)

March 31, 2017	4,294,944
April 30, 2017	4,629,994
May 31, 2017	2,710,968
June 30, 2017	2,710,970
July 31, 2017	2,010,384
August 31, 2017	1,401,164
September 30, 2017	1,309,800
October 31, 2017	944,264
November 30, 2017	1,553,472
December 31, 2017	3,788,413
January 31, 2018	4,285,250
February 28, 2018	2,670,526
March 31, 2018	1,676,841
April 30, 2018	3,477,923
May 31, 2018	4,906,333
June 30, 2018	6,210,559
July 31, 2018	6,986,937
August 31, 2018	6,647,490
September 30, 2018	5,372,134
October 31, 2018	4,875,296
November 30, 2018	5,620,595
December 31, 2018	6,836,193
January 31, 2019	2,660,238
February 28, 2019	2,350,908
March 31, 2019	1,391,985
April 30, 2019	3,031,433
May 31, 2019	5,351,409
June 30, 2019	3,866,625
July 31, 2019	1,546,650
August 31, 2019	402,129
September 30, 2019	958,923
October 31, 2019	494,928
November 30, 2019	742,392
December 31, 2019	403,780
January 31, 2020	155,300
February 29, 2020	186,360
March 31, 2020	<u>124,240</u>
Total	<u>\$ 211,312,135</u>

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

5. Deferred financing costs

Deferred financing costs of \$5,423,610 (2014 - \$7,438,984) consist of a five or seven percent commission paid to CIC approved financial institutions which market the program and assist investors in the administration of their investments. The five percent commission is applicable for applications received on or after December 1, 2010.

6. Financial risk management

The Corporation recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The risks that the Corporation is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change in the Corporation's exposure to these risks or its processes for managing these risks from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risk relates to cash, interest receivable, and portfolio investments. The Corporation's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Corporation is not exposed to significant credit risk with cash or interest receivable because these financial instruments are held with a Chartered Bank.

The Corporation is not exposed to significant credit risk from portfolio investments because these investments consist only of Canadian provincial government guaranteed strip bonds.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its contractual obligations and financial liabilities. The Corporation's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities and its obligations to investors. The Corporation is not exposed to significant liquidity risk related to obligations to investors as this amount is fully guaranteed by the Province. The Corporation also manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities and contractual obligations. The scheduled repayment dates for obligations to investors is disclosed in Note 4.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency (foreign exchange) risk, interest rate risk and other price risk. The Corporation is not exposed to significant foreign exchange or other price risk. In addition, the Corporation is not exposed to significant interest rate risk as its portfolio investments have fixed values at maturity and fixed interest rates. Also, the Corporation is not exposed to significant interest rate risk related to its obligations to investors as these obligations have fixed values at maturity and are non-interest bearing.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

7. Related party transactions

For administrative purposes the Corporation is managed by the Department of Business, Tourism, Culture and Rural Development and portfolio investments are managed by the Department of Finance. Expenses related to salaries, accommodations and administration are incurred directly by the departments and no provision is made in these financial statements for these expenses. The amount of these expenses is not material to these financial statements.

The obligations to investors are guaranteed by the Province.

8. Budgeted figures

Budgeted figures have been prepared by the Corporation and are provided for comparison purposes.

9. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

10. Planned wind down of operations

In February 2014, the Federal Government announced the discontinuance of the Business Immigrant Program (the Program). While the Corporation will continue to receive funds from CIC through the Program for 2015, the Program will eventually be discontinued. The Corporation is awaiting further details on the discontinuance of the Program from CIC. CIC has advised that legislative amendments regarding termination must be introduced in Parliament. As a result, there is uncertainty surrounding the planned wind down of the Corporation.

11. Comparative figures

Certain comparative figures as at March 31, 2014 have been reclassified to conform to the current year's presentation.