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2012-2013 annual report

Newfoundland and Labrador Immigrant Investor Fund Limited

Newfoundland
Labrador

Innovation, Business and Rural Development



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 for the fiscal year ending March 31, 2013. This annual report is submitted in accordance with the obligations of this entity 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 actual results reported herein.

Newfoundland and Labrador Immigrant Investor Fund Limited 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 2012-13, the corporation received proceeds of \$29,753,559 from CIC as the province's allocation of total receipts under the Business Immigration program. During the year it also repaid \$51,982,575 thereby meeting its commitment for repayment of funds received in the fiscal year 2007-08.

Sincerely,



Rita Malone
ADM, Regional and Business Development
Department of Innovation, Business and rural Development

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overview

Background and Purpose

Newfoundland and Labrador Immigrant Investor Fund Limited (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 Innovation, Business and Rural Development (IBRD), who holds all of the issued shares of the corporation.

The corporation was established to receive, administer and disburse funds received from Citizenship and Immigration Canada (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.

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:

- Assistant Deputy Minister responsible for Business Analysis, IBRD (Chair);
- Director, Business Analysis, IBRD (Secretary);
- Director of Budgeting, Department of Finance;
- Director, Debt Management, Department of Finance;
- Director, Trade and Export Development, IBRD.





Mandate:

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 coordinate 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 to CIC are repaid as required, either through collections from investments or budgetary allocations from the province.

Vision:

The work of the NLIIFL board supports the vision of IBRD by facilitating potential significant new 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 the Department of Innovation, Business and Rural Development is of a vibrant, diverse, and sustainable economy with productive and prosperous regions throughout the province.

Mission:

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

The mission of IBRD is as follows:

“By March 31, 2017, the Department of Innovation, Business and Rural Development will have stimulated economic and business development to foster regional and provincial prosperity.”

operations

During the year, the corporation received proceeds of \$29,753,559 from CIC as the province’s allocation of total receipts under the Business Immigration program. NLIIFL also repaid \$51,982,575 to CIC during the same period, thereby meeting its commitment for repayment of funds received in fiscal year 2007-08.

The Department of Innovation, Business and Rural Development assumes responsibility of all of the administration costs of the corporation. The board was positioned to provide support for, and contribute to, three component areas of the department’s strategic directions: coordination of public investments, new business investment, and investment development (See 2011-14 IBRD Strategic Plan for Strategic Directions). To date, the board has not made any investments. Two objectives were identified in the 2011-14 Activity Plan of Newfoundland and Labrador Immigrant Investor Fund Limited and these are reported on herein.

board's objectives and activities

In consideration of the mandate of the board of directors of NLIIFL and the strategic direction of government the following have been identified as the board's key priorities for the planning period. The board will report on the objectives below, through its annual report, for each fiscal year of the board's Activity Plan (2011-12, 2012-13 and 2013-14).

evaluation of new investments:

objective	The board will have evaluated any potential NLIIFL investments forwarded by the Department of Finance and made recommendations regarding the use of NLIIFL funds for these potential projects on a timely basis.
measure	Timely basis of eligibility rulings and recommendations made
indicators	<ul style="list-style-type: none">• Number of eligibility requests evaluated• Number of recommendations made within 15 days.
activities	During 2012-13, the board did not receive any investment requests from the Department of Finance for assessment.

management of NLIIFL:

objective	The board will have successfully managed NLIIFL investments.
measure	Successful management of the fund
indicators	Percentage of projected funds returned to NLIIFL in accordance with any approved repayment schedules. The board will ensure repayment of amounts due CIC, both scheduled and by request, are paid on time.
activities	Project investment activities of the corporation must be directed by the Lieutenant-Governor in Council. At year end, no proposals had been directed to the corporation for actual investment. Consequently, as there were no project investments undertaken by the corporation this year or in previous years, there was no requirement to coordinate and monitor project repayment schedules. All scheduled and requested repayment amounts due to CIC, were paid on time.

financial statements

**NEWFOUNDLAND AND LABRADOR
IMMIGRANT INVESTOR
FUND LIMITED**

FINANCIAL STATEMENTS

MARCH 31, 2013

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.

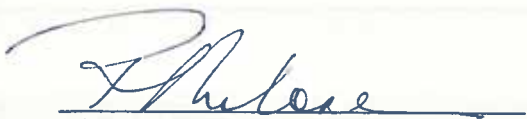
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

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.

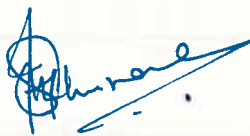
The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews external audited financial statements yearly.

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
Chairperson



Harman Khurana, CMA
Director, Business Analysis

September 6, 2013



**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 statements of financial position as at March 31, 2013, the statements of operations and accumulated surplus, 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, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



TERRY PADDON, CA
Auditor General

September 6, 2013
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF FINANCIAL POSITION
As at March 31

2013

2012

FINANCIAL ASSETS

Cash	\$ 145,679,086	\$ 167,975,754
Interest receivable	139,092	154,994
Portfolio investments (Note 4)	93,523,116	91,150,491
	239,341,294	259,281,239

LIABILITIES

Accounts payable and accrued liabilities	3,955	3,390
Obligations to investors (Note 5)	243,062,059	265,291,075
	243,066,014	265,294,465
Net debt	(3,724,720)	(6,013,226)

NON-FINANCIAL ASSETS

Deferred financing costs (Note 6)	7,383,506	9,039,725
Accumulated surplus	\$ 3,658,786	\$ 3,026,499

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 AND ACCUMULATED SURPLUS

For the Year Ended March 31

	2013 Budget	2013 Actual	2012 Actual
	(Note 9)		
REVENUES			
Amortization of discounts on portfolio investments	\$ 2,213,759	\$ 2,372,625	\$ 2,376,116
Interest	1,485,000	1,771,554	1,673,212
	3,698,759	4,144,179	4,049,328
EXPENSES			
Amortization of deferred financing costs	3,112,383	3,499,719	3,427,898
Audit fees	3,955	4,520	3,390
Bank charges	23	22	23
Miscellaneous	385	470	385
Safekeeping fees	7,161	7,161	7,161
	3,123,907	3,511,892	3,438,857
Annual surplus	574,852	632,287	610,471
Accumulated surplus, beginning of year	3,026,499	3,026,499	2,416,028
Accumulated surplus, end of year	\$ 3,601,351	\$ 3,658,786	\$ 3,026,499

*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

	2013 Budget	2013 Actual	2012 Actual
	(Note 9)		
<u>Annual surplus</u>	\$ 574,852	\$ 632,287	\$ 610,471
Deferred financing costs			
Acquisition of deferred financing costs	(2,176,530)	(1,843,500)	(3,015,030)
Use of deferred financing costs	3,112,383	3,499,719	3,427,898
	935,853	1,656,219	412,868
Decrease in net debt	1,510,705	2,288,506	1,023,339
<u>Net debt, beginning of year</u>	(6,013,226)	(6,013,226)	(7,036,565)
<u>Net debt, end of year</u>	\$ (4,502,521)	\$ (3,724,720)	\$ (6,013,226)

*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

2013

2012

Operating transactions

Annual surplus	\$ 632,287	\$ 610,471
Adjustment for non-cash items		
Amortization of deferred financing costs	3,499,719	3,427,898
Amortization of discounts on portfolio investments	(2,372,625)	(2,376,116)
	1,759,381	1,662,253
Change in non-cash working capital		
Interest receivable	15,902	(22,721)
Accounts payable and accrued liabilities	565	-
Cash provided from operating transactions	1,775,848	1,639,532
Financing transactions		
Deferred financing charges	(1,843,500)	(3,015,030)
Amount received from investors	29,753,559	47,690,062
Refund to investors	(35,268)	(31,372)
Repayment of investor funds	(51,947,307)	(19,935,012)
Cash (applied to) provided from financing transactions	(24,072,516)	24,708,648
Increase (decrease) in cash	(22,296,668)	26,348,180
Cash, beginning of year	167,975,754	141,627,574
Cash, end of year	\$ 145,679,086	\$ 167,975,754

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

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

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 Innovation, Business 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, 2013

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 4. 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 are reported 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, 2013

2. Summary of significant accounting policies (cont.)

(h) 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.

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. Accounting pronouncements

In March 2011, the PSAB approved new Section PS 3450, *Financial Instruments*, Section PS 2601, *Foreign Currency Translation* to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201, *Financial Statement Presentation* to replace current Section PS 1200, *Financial Statement Presentation*. In addition, in March 2012, the PSAB approved Section PS 3041, *Portfolio Investments*, to replace Section PS 3040, *Portfolio Investments*. Government organizations are required to adopt all four sections in the same year. The four sections are effective for fiscal years beginning on or after April 1, 2012, for government organizations but earlier adoption is permitted. As a result of adopting these sections during the current year, the Corporation reclassified the presentation of its portfolio investments and provided additional disclosures related to financial instruments and financial risk management.

In December 2010, the PSAB amended Section PS 3410, *Government Transfers*. The main changes pertain to recognition criteria for government transfers, affecting how the Corporation accounts for such transfers. These amendments are effective for fiscal years beginning on or after April 1, 2012, but earlier adoption is encouraged. The adoption of this standard during the current year had no significant impact on the Corporation's financial statements.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

4. Portfolio investments

The portfolio investments consist of 47 Canadian provincial government guaranteed strip bonds that were purchased between June 8, 2010 and January 20, 2011, and mature between June 2, 2013 and November 15, 2015. Settlement values of these bonds ranged from \$47,065 to \$7,318,525 with a total cost of \$87,964,796 (2012 - \$87,964,796), while maturity values range from \$50,000 to \$8,300,000 and have a total maturity value of \$97,503,045. Interest rates range from 2.038636% to 3.4%.

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, 2013 was \$5,558,320 (2012 - \$3,185,695), giving the investments an amortized cost of \$93,523,116 (2012 - \$91,150,491).

5. 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.

As at March 31, 2013, Newfoundland and Labrador Immigrant Investor Fund Limited maintained an allocation of funds from 6,533 investors (2012 - 6,942 investors). Allocations were received from 794 investors in 2012-13 (1,270 investors in 2011-12), 1 investor was refunded in 2012-13 (1 investor in 2011-12) and 1,202 investors were repaid in 2012-13 (516 investors in 2011-12).

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, 2013, 12 of the 6,533 investors had not received a permanent resident visa (2012 - 26 of 6,942 investors).

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

5. Obligations to investors (cont.)

Obligations to investors at March 31, 2013 totalled \$243,062,059 (2012 - \$265,291,075). Scheduled investment repayment dates are as follows:

April 30, 2013	3,978,895
May 31, 2013	3,821,314
June 30, 2013	4,294,055
July 31, 2013	3,252,776
August 31, 2013	7,194,396
September 30, 2013	7,542,528
October 31, 2013	6,312,768
November 30, 2013	4,632,096
December 31, 2013	4,420,624
January 31, 2014	1,876,680
February 28, 2014	2,710,760
March 31, 2014	1,546,512
April 30, 2014	2,960,984
May 31, 2014	2,038,584
June 30, 2014	3,022,729
July 31, 2014	6,756,048
August 31, 2014	8,048,872
September 30, 2014	6,186,048
October 31, 2014	6,528,604
November 30, 2014	4,837,664
December 31, 2014	3,968,384
January 31, 2015	2,799,128
February 28, 2015	3,472,336
March 31, 2015	3,988,373
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	6,277,704
October 31, 2015	5,995,560
November 30, 2015	3,502,464
December 31, 2015	2,290,156
January 31, 2016	2,760,736

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

5. Obligations to investors (cont.)

February 28, 2016	4,548,940
March 31, 2016	2,196,040
April 30, 2016	3,388,176
May 31, 2016	3,325,432
June 30, 2016	3,450,920
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
March 31, 2017	4,294,944
April 30, 2017	4,660,454
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	4,316,303
February 28, 2018	2,670,526
March 31, 2018	<u>1,676,841</u>
 Total	 <u>\$ 243,062,059</u>

6. Deferred financing costs

Deferred financing costs of \$7,383,506 (2012 - \$9,039,725) 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. The marketing and financing fee was paid in connection with 6,463 of the 6,533 immigrant investors at March 31, 2013 (6,882 of the 6,942 immigrant investors at March 31, 2012).

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

7. Financial instruments

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.

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.

Market risk

Market risk is the risk that the fair value of expected 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 risk. The Corporation is not exposed to significant foreign exchange or other 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, 2013

8. Related party transactions

For administrative purposes the Corporation is managed by the Department of Innovation, Business 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.

At March 31, 2013, the Corporation held a related party investment consisting of a bond in Newfoundland and Labrador Hydro. The bond was purchased on December 13, 2010 at a cost of \$5,880,637 with an effective interest rate of 2.7% and a coupon rate of 10.5%. This bond matures June 15, 2014 and has a maturity value of \$6,460,322.

9. Budgeted figures

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

10. 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.

11. Non-compliance with *Immigration and Refugee Protection Regulations*

During the year, Citizenship and Immigration Canada (CIC) formally advised the Corporation that as it has not made any investments as required under the Federal Immigration Investor Program (IIP), it was considered to be non-compliant with the *Immigration and Refugee Protection Regulations*. The Corporation faced possible suspension of future IIP allocations until such time that the circumstances that gave rise to the suspension cease to exist. The Corporation has provided CIC with information related to investments it is presently considering which could address the issue. CIC indicated to the Corporation that, based on its review of the information provided by the Corporation, the Corporation would be considered in compliance with the IIP should it proceed with the proposed investment.





Innovation, Business and Rural Development

Newfoundland and Labrador
Immigrant Investor Fund Limited
2012-2013 Annual Report

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