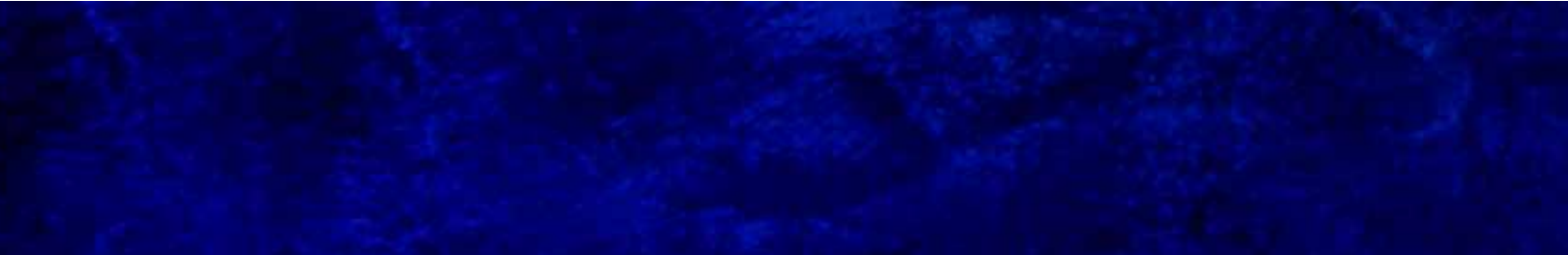




2010 ANNUAL REPORT 2011



**NEWFOUNDLAND AND LABRADOR
IMMIGRANT INVESTOR FUND LIMITED**



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MESSAGE FROM THE CHAIR

On behalf of the board of directors, I am pleased to present the 2010-11 annual report of Newfoundland and Labrador Immigrant Investor Fund Limited. 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 2010-11, the corporation received net proceeds of \$55,367,218 from CIC as the province's allocation of total receipts under the Business Immigration program. During the year it also repaid \$26,050,189 thereby meeting its commitment for repayment of funds received in fiscal year 2005-06.

In October 2011, the Department of Innovation, Trade and Rural Development was part of government's restructuring of departments. This resulted in INTRD being merged with the Department of Business and being re-named the Department of Innovation, Business and Rural Development (IBRD). As this report is for the period ending March 31, 2011 all references to the two departments will be as they were named on that date. Any changes that will result in the two departments merging will be reflected in the next year's report.

I would like to take this opportunity to thank the board of directors and officials in the Departments of Innovation, Trade and Rural Development and Finance for their dedication and service to the corporation in 2010-11.

Sincerely,



Judith A. Hearn
Chair, Board of Directors
Newfoundland and Labrador Immigrant Investor Fund Limited

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 was established to receive, administer and disburse funds received from Citizenship and Immigration Canada (CIC) under the Business Immigration program.

Funds are distributed by CIC to participating provinces and are available for a period of five years, after which period funds must be repaid. Repayment includes a seven per cent commission. CIC pays this commission 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.

CIC requires that available funds are used for the purpose of contributing towards the development of a strong and viable economy in Newfoundland and Labrador.

Mandate

The mandate of the board is to direct investment activities of NLIIFL by assessing potential funding projects for eligibility, as requested by the Department of Finance. This eligibility ruling along with the sponsoring department's request is forwarded to the Lieutenant-Governor in Council, through the Department of Finance. The NLIIFL board of directors manages the fund and as a result coordinates all agreements and repayment of the investment from project participants. 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. Payments to CIC commenced this fiscal year.

Vision

The vision of INTRD is of “a diversified, competitive economy with productive and prosperous regions across the province”.

The work of the NLIIFL board supports the vision of the Department of Innovation, Trade and Rural Development by facilitating potential significant new investment to help foster a strong and viable provincial economy for projects deemed eligible for NLIIFL funding, and approved by the Lieutenant-Governor in Council.

Mission

The mission statement identifies the priority focus area of the Minister of Innovation, Trade and Rural Development over the current planning cycle. It represents the key longer-term result that the Minister and the board will work towards to achieve the strategic directions of government.

The mission of INTRD was as follows:

By 2011, the Department of Innovation, Trade and Rural Development will “have stimulated economic and business development to foster regional and provincial prosperity.”

The board contributes to the Provincial Government and the department’s mission of stimulating economic and business development through its work with NLIIFL, which is mandated to use its resources to facilitate new business investment.

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, Trade and Export Development, Department of Innovation, Trade and Rural Development (Chair); Director, Business Analysis, Department of Innovation, Trade and Rural Development; Director of Budgeting, Department of Finance; Director, Debt Management, Department of Finance; and Director, Trade and Export Development, Department of Innovation, Trade and Rural Development (Secretary).

The corporation reports to the Minister of Innovation, Business and Rural Development (previously INTRD), who holds all of the issued shares of the corporation.

Operations

During the year, the corporation received net proceeds of \$55,367,218 from CIC as the province's allocation of total receipts under the Business Immigration program. NLIIFL also repaid \$26,050,189 to CIC during the same period, thereby meeting its commitment for repayment of funds received in fiscal year 2005-06.

The Department of Innovation, Trade 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 of the department's strategic directions - coordination of public investments, new business investment, and investment development. To date, the board has not made any investments. Two objectives were identified in the 2008-11 Activity Plan of Newfoundland and Labrador Immigrant Investor Fund Limited and these are reported on herein.

BOARD'S OBJECTIVES AND ACTIVITIES

Objective 1

To the extent feasible, the board will have evaluated any potential NLIIFL investments forwarded by the Department of Finance within the fiscal year and made recommendations regarding the use of NLIIFL funds for these potential projects.

Measure

Eligibility rulings and recommendations made.

Indicator 1

Number of requests from the Department of Finance.

Activities

During 2010-11, the board received one investment request from the Department of Finance for assessment. It reviewed the application and deemed it eligible for funding.

Indicator 2

Number of eligibility rulings and recommendations made.

Activities

The board made one eligibility ruling and one recommendation during the year.

Objective 2

The board will have successfully managed NLIIFL by coordinating and monitoring repayment schedules for any approved investments, including any known budgetary requirements from the province, as the circumstances warrant.

Measure

Successful management of the fund through coordination and monitoring of repayment schedules.

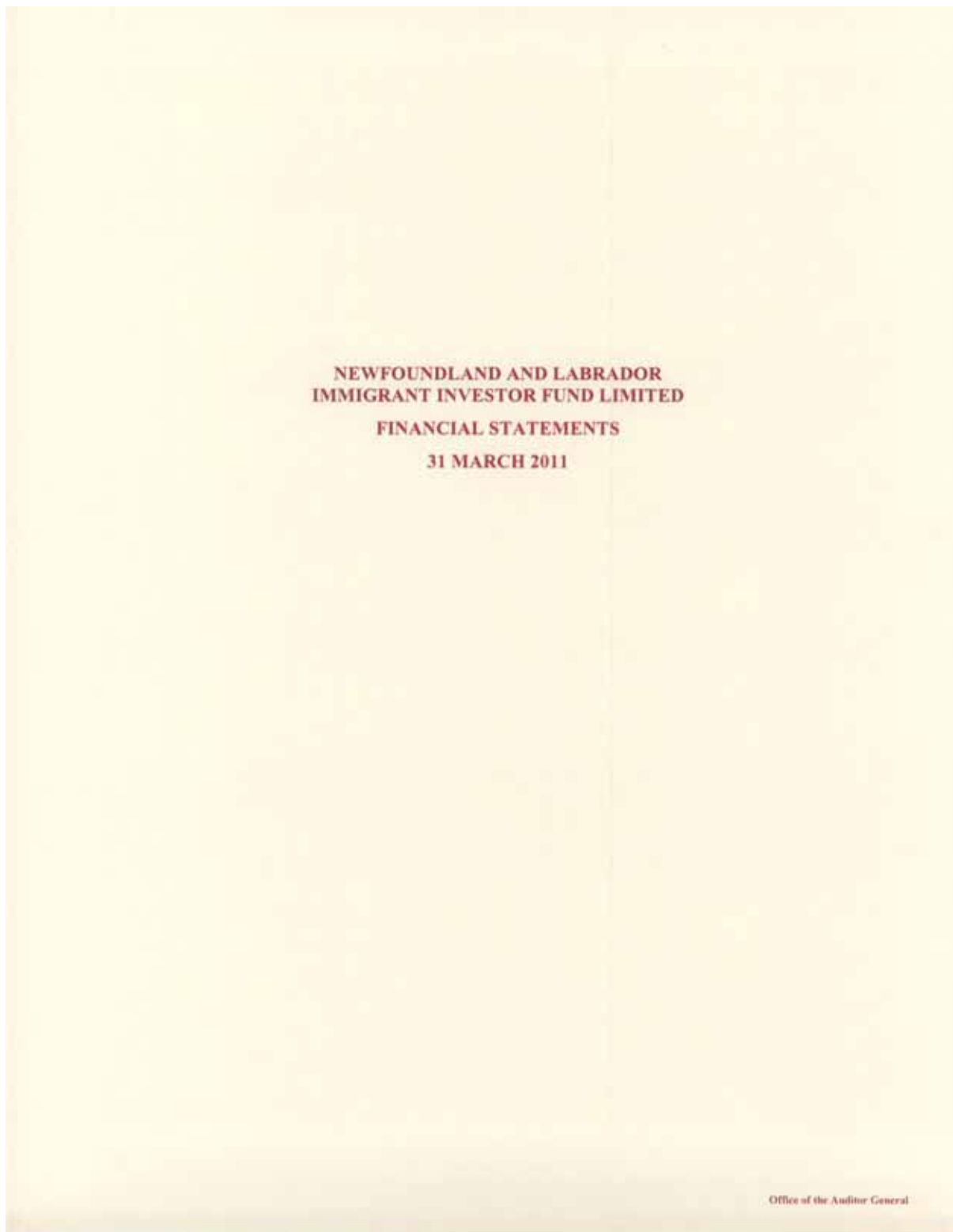
Indicator

Percentage of projected funds returned to NLIIFL in accordance with any approved repayment schedules.

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 repayment schedules.

Appendix A: Financial Statements





OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

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 balance sheet as at 31 March 2011, the statement of revenues, expenses and surplus, and statement of 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 generally accepted accounting principles, 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.

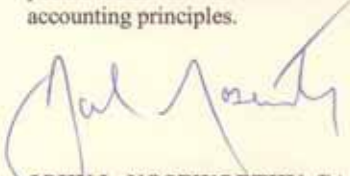
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

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 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
10 June 2011

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
BALANCE SHEET

31 March 2011 2010

ASSETS

Current

Cash	\$ 141,627,574	\$ 198,723,633
Interest receivable	132,273	74,546

	141,759,847	198,798,179
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Long-term investments, at cost	87,964,796	-
Accumulated amortization of discounts	809,579	-

Long-term investments, at amortized cost (Note 2)	88,774,375	-
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Deferred financing costs (Note 3)	9,452,593	8,428,074
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	\$ 239,986,815	\$ 207,226,253
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LIABILITIES AND EQUITY

Current

Accounts payable and accrued liabilities	\$ 3,390	\$ 3,390
Obligations to investors (Note 4)	19,935,012	26,050,189

	19,938,402	26,053,579
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Obligations to investors (Note 4)	217,632,385	178,179,488
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	237,570,787	204,233,067
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Shareholder's equity

Share capital (Note 5)

Authorized
100 common shares of no par value


Issued
3 shares

Surplus	2,416,028	2,993,186
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	\$ 239,986,815	\$ 207,226,253
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See accompanying notes

Signed on behalf of the Board:


Chairperson


Member

Office of the Auditor General

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF REVENUES, EXPENSES AND SURPLUS
For the Year Ended 31 March

	2011	2010
REVENUES		
Interest	\$ 1,719,509	\$ 790,774
Amortization of discounts	809,579	-
	<u>2,529,088</u>	<u>790,774</u>
EXPENSES		
Amortization of deferred financing costs	3,097,243	2,421,618
Audit fees	3,390	3,280
Bank charges	19	6
Miscellaneous	385	385
Safekeeping fees	5,209	2,017
	<u>3,106,246</u>	<u>2,427,306</u>
Excess of expenses over revenues	(577,158)	(1,636,532)
Surplus, beginning of year	2,993,186	4,629,718
Surplus, end of year	\$ 2,416,028	\$ 2,993,186

See accompanying notes

Office of the Auditor General

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

	2011	2010
Cash flows from operating activities		
Excess of expenses over revenues	\$ (577,158)	\$ (1,636,532)
Items not affecting cash		
Amortization of deferred financing costs	3,097,243	2,421,618
Amortization of discounts	(809,579)	-
Changes in non-cash working capital		
Interest receivable	(57,727)	404
Accounts payable and accrued liabilities	-	(110)
	<u>1,652,779</u>	<u>785,380</u>
Cash flows from financing activities		
Deferred financing charges	(4,121,762)	(3,800,138)
Amounts received from investors	59,493,920	54,790,901
Refund to investors	(106,011)	(160,544)
Repayment of investor funds	(26,050,189)	-
	<u>29,215,958</u>	<u>50,830,219</u>
Cash flows from investing activities		
Purchase of investments	(87,964,796)	-
	<u>(87,964,796)</u>	<u>-</u>
Increase (decrease) in cash	(57,096,059)	51,615,599
Cash, beginning of year	198,723,633	147,108,034
Cash, end of year	\$ 141,627,574	\$ 198,723,633

See accompanying notes

Office of the Auditor General

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
31 March 2011

Authority

Newfoundland and Labrador Immigrant Investor Fund Limited (the Corporation), was incorporated on 28 April 2005 under the *Corporations Act* of the Province of Newfoundland and Labrador (the Province). All shares of the Corporation are held by the Minister of Innovation, Trade and Rural Development on behalf 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.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) 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.

(b) Obligations to investors

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

(c) Investments

(i) Purchases: Investments are initially recorded at cost.

(ii) Amortization: Discounts are amortized on a straight-line basis from the date of purchase until maturity.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
31 March 2011

2. Long-term investments

The long-term investments consist of 47 Canadian Provincial Government guaranteed strip bonds that were purchased between 8 June 2010 and 20 January 2011, and mature between 2 June 2013 and 15 November 2015. Settlement values of these bonds ranged from \$47,065 to \$7,318,525 with a total cost of \$87,964,796 (2010 - \$0), 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 31 March 2011 was \$809,579, giving the investments an amortized cost of \$88,774,375.

3. Deferred financing costs

Deferred financing costs of \$9,452,593 (2010 - \$8,428,074) consist of a seven percent commission paid to CIC approved financial institutions which market the program and assist investors in the administration of their investments. The marketing and financing fee was paid in connection with 6,139 of the 6,189 immigrant investors at 31 March 2011 (5,144 of the 5,190 immigrant investors at 31 March 2010).

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, 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. As at 31 March 2011, Newfoundland and Labrador Immigrant Investor Fund Limited maintained an allocation of funds from 6,189 investors (2010 - 5,190 investors). Allocations were received from 1,678 investors in 2010-11 (1,453 investors in 2009-10), 3 investors were refunded in 2010-11 (4 investors in 2009-10) and 676 investors were repaid in 2010-11 (0 investors in 2009-10).

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 31 March 2011, 141 of the 6,189 investors had not received a permanent resident visa (2010 - 47 of 5,190 investors).

Office of the Auditor General

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
31 March 2011

4. Obligations to investors (cont.)

Obligations to investors at 31 March 2011 totalled \$237,567,397 (2010 - \$204,229,677). Scheduled investment repayment dates are as follows:

30 April 2011	\$ 2,622,692
31 May 2011	1,581,329
30 June 2011	1,427,053
31 July 2011	1,889,881
31 August 2011	1,928,450
30 September 2011	1,967,019
31 October 2011	1,928,450
30 November 2011	2,082,726
31 December 2011	1,321,138
31 January 2012	815,997
29 February 2012	1,049,139
31 March 2012	1,321,138
30 April 2012	1,631,994
31 May 2012	2,214,849
30 June 2012	3,263,988
31 July 2012	4,934,839
31 August 2012	4,857,125
30 September 2012	6,799,975
31 October 2012	5,466,461
30 November 2012	5,876,337
31 December 2012	5,648,722
31 January 2013	2,731,759
28 February 2013	4,305,993
31 March 2013	4,215,265
30 April 2013	3,978,895
31 May 2013	3,821,314
30 June 2013	4,294,055
31 July 2013	3,252,776
31 August 2013	7,194,396
30 September 2013	7,542,528
31 October 2013	6,312,768
30 November 2013	4,632,096
31 December 2013	4,420,624
31 January 2014	1,876,680
28 February 2014	2,710,760
31 March 2014	1,546,512
30 April 2014	2,960,984
31 May 2014	2,038,584
30 June 2014	3,022,729

Office of the Auditor General

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
31 March 2011

4. Obligations to investors (cont.)

31 July 2014	6,756,048
31 August 2014	8,048,872
30 September 2014	6,186,048
31 October 2014	6,528,604
30 November 2014	4,837,664
31 December 2014	3,968,384
31 January 2015	2,799,128
28 February 2015	3,472,336
31 March 2015	3,988,373
30 April 2015	4,783,320
31 May 2015	3,826,656
30 June 2015	5,704,552
31 July 2015	8,649,880
31 August 2015	8,891,272
30 September 2015	6,277,704
31 October 2015	6,030,828
30 November 2015	3,502,464
31 December 2015	2,290,156
31 January 2016	2,760,736
28 February 2016	4,580,312
31 March 2016	<u>2,196,040</u>
Total	237,567,397
Less: current portion	<u>19,935,012</u>
Obligation to investors: long-term	<u>\$ 217,632,385</u>

5. Share capital

The Minister of Innovation, Trade and Rural Development holds 100% of the issued common shares of the Corporation on behalf of the Province of Newfoundland and Labrador.

6. Related party transactions

For administrative purposes the Corporation is managed by the Department of Innovation, Trade and Rural Development and investments are made 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.

At 31 March 2011, the Corporation held a related party investment consisting of a bond in Newfoundland and Labrador Hydro. The bond was purchased on 13 December 2010 at a cost of \$5,880,637 with an interest rate of 2.7%. This bond matures 15 June 2014 and has a maturity value of \$6,460,322.

Office of the Auditor General

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
31 March 2011

7. Financial instruments

The Corporation's financial instruments recognized on the balance sheet consist of cash, interest receivable, long-term investments at amortized cost, accounts payable and accrued liabilities, and obligations to investors. The purpose of the Corporation is to receive capital from immigrant investors and invest the funds for the purpose of creating and continuing employment in Canada to foster the development of a strong viable economy. At 31 March 2011, the Corporation had invested \$87,964,796 of the funds received from immigrant investors in Canadian Provincial Government guaranteed strip bonds. However, it had not invested any of the funds in projects.

Fair value

The carrying value of the interest receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. Long-term investments at amortized cost are carried at cost plus the amortization of discounts on a straight line basis from the date of purchase until maturity. Due to the fact that the obligations to investors are guaranteed by the Province and the Corporation pays no interest, the face value of the obligations to investors is their fair value.

Interest rate risk

Interest rate risk reflects the risk that the Corporation's earnings will decline due to fluctuation in interest rates. The Corporation's cash is held in a bank account bearing an interest rate based on prime. There is no interest to be paid to investors and therefore, there is no interest rate risk.

The Corporation also holds long-term investments. The intention of the Board is to hold these long-term investments to maturity. Therefore, their reported value is current fair value to the Corporation and there is no risk associated with these investments.

8. Economic dependence

As a result of its reliance on actions by CIC and investment decisions by the Government of Newfoundland and Labrador, the Corporation's ability to continue viable operations is dependent on the actions of both entities.

9. Income taxes

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.

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