



**Newfoundland and Labrador Immigrant  
Investor Fund Limited**

**ANNUAL REPORT**

**2006-2007**

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**Paper**

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## **1. Message from the Chair**

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On behalf of the Board of Directors, I am pleased to present the 2006-07 annual report of Newfoundland and Labrador Immigrant Investor Fund Limited to the Minister of Innovation, Trade and Rural Development. In accordance with the *Transparency and Accountability Act*, this report was prepared under the direction of the Board, which is accountable for the 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 2006-07, the Corporation received \$17,335,115 from CIC as the Province's allocation of total receipts under the Business Immigration Program.

I would like to take this opportunity to thank the Board of Directors and the dedicated officials in the Department of Innovation, Trade and Rural Development for their dedication and service to the Corporation in 2006-07.

Sincerely,



**Cathy Duke**

**Chair, Board of Directors**

**Newfoundland and Labrador Immigrant Investor Fund Limited**

**2. Overview of the Corporation**

**2.1 Background and Purpose**

Newfoundland and Labrador Immigrant Investor Fund Limited (NLIIFL) was incorporated as a Crown Corporation on April 28, 2005. It was accepted by the federal government as an approved fund under Canada’s Business Immigration Program on May 13, 2005.

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 to participating provinces and are available for a period of five years, after which they must be repaid. Repayment includes a seven percent commission that CIC pays to 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.

**2.2 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 Investment, 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 Investment, Department of Innovation, Trade and Rural Development (Secretary).

The individuals holding the appointed positions are Board members while they hold the position. They are then replaced on the Board by their successor in the position. In practice, if a position is vacant, the Board membership has been filled by the position’s immediate supervisor in the respective Department. The Directors during the year were:

Position		Period
Deputy Minister (Acting), INTRD	William MacKenzie	Apr 1/06–Oct 29/06
Deputy Minister	Cathy Duke	Oct 30/06–Mar 31/07
Director, Business Analysis, INTRD	Don Kavanagh	Apr 1/06–Mar 31/07
Director, Budgeting, Finance	Joan Morris	Apr 1/06–Mar 31/07
Director, Debt Management, Finance	Earl Saunders	Apr 1/06–Mar 31/07
Director, Trade and Investment, INTRD	Paul Morris	Apr 1/06–Mar 31/07

The Corporation reports to the Minister of Innovation, Trade and Rural Development, who holds all of the issued shares of the Corporation.

### **3. Operations**

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**Project investment activities of the Corporation must be directed by the Provincial Cabinet. No project investments were undertaken by the Corporation during the year.**

**During the year the Corporation received \$17,335,115 from CIC as the Province's allocation of total receipts under the Business Immigration Program.**

**All administrative expenses of the Corporation are the responsibility of the Department of Innovation, Trade and Rural development.**

## **4. Financial Statements**

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The audited financial statements for the Corporation are found in *Appendix A* of this report. They will be tabled in the House of Assembly in *Financial Statements of Crown Corporations, Boards and Authorities for the Year ending March 31, 2007*.

**NEWFOUNDLAND AND LABRADOR  
IMMIGRANT INVESTOR FUND LIMITED  
FINANCIAL STATEMENTS  
31 MARCH 2007**





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

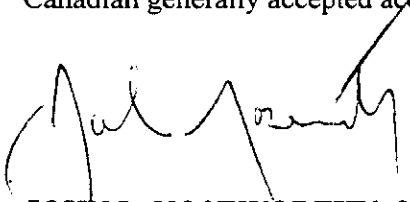
## AUDITOR'S REPORT

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

I have audited the balance sheet of the Newfoundland and Labrador Immigrant Investor Fund Limited as at 31 March 2007 and the statement of revenues, expenses and surplus for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2007 and the results of its operations 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  
31 May 2007

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED  
BALANCE SHEET**

31 March	2007	2006
	(000's)	(000's)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 162,097	\$ 24,572,321
Short-term investment, at cost (Note 2)	43,241,156	-
Interest receivable	4,608	69,397
	<u>43,407,861</u>	<u>24,641,718</u>
<b>Deferred financing costs (Note 3)</b>	<b>2,402,010</b>	<b>1,623,899</b>
	<u>\$ 45,809,871</u>	<u>\$ 26,265,617</u>

**LIABILITIES AND EQUITY**

**Current**

<u>Accounts payable and accrued liabilities</u>	<u>\$ 6,000</u>	<u>\$ 3,000</u>
<u>Obligations to investors (Note 4)</u>	<u>44,664,063</u>	<u>26,088,713</u>
	<u>44,670,063</u>	<u>26,091,713</u>

**Shareholder's equity**

Share capital (Note 5)

Authorized

100 common shares of no par value

Issued

3 shares

<u>Surplus</u>	<u>1,139,808</u>	<u>173,904</u>
	<u>\$ 45,809,871</u>	<u>\$ 26,265,617</u>

**Commitment (Note 6)**

*See accompanying notes*

Signed on behalf of the Board:

  
Chairperson

  
Member

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**STATEMENT OF REVENUES, EXPENSES AND SURPLUS**  
For the Year Ended 31 March 2007 (with comparatives for the  
period 28 April 2005 to 31 March 2006)

	2007	2006
<b>REVENUES</b>		
<u>Interest</u>	<u>\$ 1,470,731</u>	<u>\$ 343,873</u>
<b>EXPENSES</b>		
Audit fees	3,000	3,000
Amortization of deferred financing costs	497,952	166,945
Bank charges	38	24
Miscellaneous	300	-
Safekeeping fees	3,537	-
	<u>504,827</u>	<u>169,969</u>
<b>Excess of revenues over expenses</b>	<b>965,904</b>	<b>173,904</b>
<u><b>Surplus, beginning of period</b></u>	<u><b>173,904</b></u>	<u><b>-</b></u>
<u><b>Surplus, end of period</b></u>	<u><b>\$ 1,139,808</b></u>	<u><b>\$ 173,904</b></u>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2007**

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**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 *Citizenship and Immigration Act* requires that during the allocation period, 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 Board of Directors is also to ensure that all recommended investments are subject to a thorough financial and business analysis and that only those projects which will ensure the repayment of the investment by the required repayment date be considered for approval.

**1. Significant accounting policy**

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. The Corporation does not prepare a statement of cash flows since the changes in cash flows are readily apparent from the other statements.

(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) Obligation to investors

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

**2. Short-term investment**

The short-term investment of \$43,241,156 (2006 - \$nil) represents a bankers' acceptance purchased 30 March 2007 that will mature on 30 April 2007 with a maturity value of \$43,400,000.

**3. Deferred financing costs**

Deferred financing costs of \$2,402,010 (2006 - \$1,623,899) 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 1,136 of the 1,158 immigrant investors at 31 March 2007 (664 of the 677 immigrant investors at 31 March 2006).

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2007**

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**4. Obligations to investors**

One of the conditions for the issuance of a visa to immigrants under the Citizenship and Immigration Canada (CIC), 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 2007, the Newfoundland and Labrador allocation of funds had been received from 1,158 investors (2006 - 677 investors).

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 of 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 2007, 6 of the 1,158 investors had not received a permanent resident visa (2006 - 29 of 677 investors).

Obligations to investors at 31 March 2007 totalled \$44,664,063 (2006 - \$26,088,713). Scheduled investment repayment dates are as follows:

31 May 2010	\$ 2,504,060
30 Jun 2010	2,465,536
31 Jul 2010	3,351,588
31 Aug 2010	2,889,300
30 Sept 2010	3,197,492
31 Oct 2010	2,850,776
30 Nov 2010	1,964,724
31 Dec 2010	1,851,312
31 Jan 2011	1,581,329
28 Feb 2011	1,658,467
31 Mar 2011	1,735,605
30 Apr 2011	2,622,692
31 May 2011	1,581,329
30 June 2011	1,427,053
31 July 2011	1,889,881
31 Aug 2011	1,928,450
30 Sept 2011	1,967,019
31 Oct 2011	1,928,450
30 Nov 2011	2,082,726
31 Dec 2011	1,321,138
31 Jan 2012	815,997
29 Feb 2012	<u>1,049,139</u>
	<u>\$ 44,664,063</u>

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2007**

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**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. Commitment**

In March 2005 the Province authorized the Minister of Innovation, Trade and Rural Development to provide a conditional letter of offer for \$10 million of the Corporation's available funds to a potential borrower. This commitment of funds, that was due to expire 13 April 2006, was subsequently extended for an additional six months from that date because the borrower was not able to meet the conditions attached to the commitment. The borrower requested and the Province consented to a further extension to 15 January 2007, on the condition that no further extensions will be considered without tangible documentation, acceptable to the Province, confirming that significant progress has been achieved towards the borrower's business objectives. The extension has expired; however, the borrower advises that efforts are being made to secure the required documentation.

**7. Related party transactions**

For administrative purposes the Corporation is operated by the Department of Innovation, Trade and Rural Development. Expenses related to salaries, accommodations and administration are incurred directly by the Department and no provision is made in these financial statements for those expenditures. The amount of these expenses is not material to these financial statements.

**8. Financial instruments**

The Corporation's financial instruments recognized on the balance sheet consist of cash, short-term investment, interest receivable, 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 2007, the Corporation had not invested any of the funds received from immigrant investors into projects.

**Fair value**

The carrying value of the short-term investment, interest receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. 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 either invested in highly liquid money market investments or 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.

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
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**9. Economic dependence**

As a result of its reliance on actions by Citizenship and Immigration Canada 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.

**10. 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.