

Island Investment Development Incorporated



Annual Report 2009/2010



Message from the Minister



March 31, 2010

The Honourable Barbara A. Hagerman
Lieutenant Governor of Prince Edward Island

May it Please Your Honour:

Pursuant to the Annual Reporting Framework of the Financial Administration Act governing Crown Corporations, I am pleased to present to you, the Annual Report of Island Investment Development Inc. for the fiscal year ending March 31, 2010. As the Minister responsible for the corporation, I am pleased that Immigration continues to play an important and expanding role in our population growth, economic prosperity and rich cultural diversity.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Allan V. Campbell".

Allan V. Campbell
Minister Innovation and Advanced Learning

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Mandate: Island Investment Development Inc. is a crown corporation under the Ministry of Innovation and Advanced Learning and is responsible to implement and manage programs to increase Prince Edward Island's population through immigration. These programs are designed to educate, facilitate, attract and retain immigrants who will contribute to the economy and culture of Prince Edward Island.

Island Investment Development Inc. also administers the Island Funds and the Prince Edward Island Century 2000 Fund through the Federal Government's Immigrant Investor Program and is responsible for the delivery of the Prince Edward Island Provincial Nominee Program.



Mission: Island Investment Development Inc. mission is to undertake policy and program measures which will increase the number of Immigrant applicants wishing to immigrate to Canada and in particular Prince Edward Island. Island Investment Development Inc. will endeavor to increase not only the number, but also the quality of applicants best suited to

adapt and contribute to the Province's unique economy.

Vision: Utilizing our Provincial Nominee Program, Island Investment Development Inc. will assist in attracting to Prince Edward Island, an educated/skilled, economically stable and culturally diverse population of Newcomers ready to participate in helping our economy grow and prosper.

Overview

Prince Edward Island has continued its promotion of Immigration over the course of the past year (2009-10) with continuous efforts being made to increase Prince Edward Island's economic outlook.

Immigration continues to play a more significant role in the growth of our economy and in particular responding to the challenges facing our labour force. Industries such as Bioscience, Aerospace and Information Technology are expanding and diversifying Prince Edward Island's economy.



Trained professionals and trades people continue to be in very high demand. Many of these skill sets, required by companies in these industries, simply do not exist within the

Province at the numbers required by these sectors. Increasingly companies are looking to the international community to source some of this talent.

Population Trending

Prince Edward Island continues to be challenged by ever changing provincial demographics, pointing toward an aging population. With the “Baby Boom” generation set to retire, a gap in Prince Edward Island’s labour market is predicted in the near future.

As of July 1, 2009 Prince Edward Island’s population is estimated to be 140,985. This represents a yearly increase of 1,534 individuals or a 1.10% increase since the last reporting period of July 1, 2008. Prince Edward Island’s rate of growth was the highest in Atlantic Canada and just slightly below the National rate of 1.24%. This was the highest rate of growth in the Province since 1984. The majority of this growth can be attributed to record gains in international migration. During this period, 1,793 international immigrants came to the Province, the highest level ever on record. There were 1,402 births and 1,250 deaths during this period, resulting in natural growth of 152 individuals.

The shift in population is further emphasized by the increase of the aged population. In 1971 the age group of 65 and older was 11 per cent of the population, compared to 15.3 percent in 2009. This is supported also by the shift in Prince Edward Island’s median age rising from 24.8 in 1971 to 41.7 in 2009.

Population Analysis PEI/Components of Growth 2007-2009

Year July 1 - June 30	Population	Total Births	Total Deaths	Immigration
2001	136,663	1,313	1,205	145
2002	136,876	1,374	1,217	89
2003	137,221	1,403	1,225	268
2004	137,674	1,371	1,126	312
2005	138,055	1,329	1,165	352
2006	137,920	1,428	1,187	738
2007	138,127	1,388	1,217	1,282
2008	139,451	1,402	1,250	1,793
2009	140,985	1,400	1,261	1,759

The table above presents a consistent trending of Prince Edwards Island’s demographic change over time. In the past three years there has been a more consistent upward trend of deaths than births in Prince Edward Island. The table above shows the gap between total birth and death rate narrowing over time. It is reasonable to conclude that Prince Edward Island will experience a population decline in the absence of an ability to effect change in this narrowing trend or more logically looking to immigration and inter provincial migration as a solution to population growth.

Immigration

Since its establishment in 2001 the Provincial Nominee Program has been an effective part of the solution to Prince Edward Island's changing demographics and changes to our labour force. An aging population is an issue throughout Canada, with all Provinces developing strategies to attract as many skilled workers and economic class immigrants to grow economies and fill labour shortages. The Provincial Nominee Program allows Prince Edward Island, in collaboration with Citizenship and Immigration Canada, to tailor immigration policy to address this labour deficiency.

Prior to the introduction of the Provincial Nominee Program, full responsibility for Immigration rested with the Federal Government and its lead department Citizenship and Immigration Canada. Within all Federal categories of Immigration, Prince Edward Island consistently received 100 to 150 newcomers per year. The majority of newcomers prior to the nominee program had come from the Federal Refugee category.



Our Programs

2009-10	Skilled Worker	Immigrant Entrepreneur	Immigrant Connections
PEI Nominations	65	1	28
CIC Approved	46	4	20
Canada Landed	46	3	24

Note: Lag times often occur over two fiscal periods between time of application submission and nomination.

This program has transformed immigration right across the country since its introduction. According to Citizenship and Immigration Canada, in the programs inaugural year, Provincial Nominee Program's represented just 0.3% of all Permanent Resident category entrants in the country. By the end of calendar year 2009 this percentage has increased to an all time high of 12.1% or 30,369 individuals due to the ability of Provinces to fill labour shortages directly through nomination.

From these 2009 calendar year statistics Prince Edward Island accounted for 1723 of all permanent resident entries of the 252,124 Immigrants granted entry status or 0.69% of the total allocation. This distribution represents a slightly larger proportionate "share" of permanent resident entries than our population would dictate.



In terms of nominations, Prince Edward Island suspended the Immigrant Partner Program category due to changes proposed by Citizenship and Immigration Canada in 2002 but not enacted by them until September of 2008. The suspension of this program drastically altered the number of nominations made by Island Investment Development Inc. for fiscal year 2009-10.

Marginal increases were experienced in two of the remaining three categories while the Immigrant Entrepreneur program nominated a single Principal Applicant.

PEI PNP Nominations by Category	April 2008 to March 2009	April 2009 to March 2010
Immigrant Connections	21	28
Immigrant Entrepreneurs	1	1
Immigrant Partner	1877	0
Skilled Worker	54	65
Total	1953	94

During this transition year for Provincial Nominee Program, Island Investment Development Inc. has undertaken negotiation

with Citizenship and Immigration Canada officials on a new suite of programs.

Immigrant Connections

The foundations of community and family rests at the core of Prince Edward Islands appeal to both our citizenry and potential newcomers alike. With this basic premise, Canadian citizens and permanent residents who have established themselves in Prince Edward Island can tell us who their “Connections” are, or who they would like Prince Edward Island to nominate.



Once the nomination is made the “Champion’s” application is processed on the basis that the nominee would be able to earn a living and contribute economically to Prince Edward Island.

Family connections nominees must demonstrate among many criteria, to have an offer of full time employment, or demonstrate that they can economically establish themselves within the Province along with providing evidence of their intent to live in Prince Edward Island.

The Immigrant Connections category experienced a small increase in the number of applicants nominated over the past year. 28 nominations were made over the course of 2009-10 up from 21 in 2008-09. This represents a 33% increase.



Note: As with all other processing at the Citizenship and Immigration level, a lag time exists between the nomination submission and Citizenship and Immigration Canada approval stage.

Review

A review of this category was conducted in 2009-10 looking at trends in the program. Of the 28 nominations made 6 were approved to date by Citizenship and Immigration Canada with another 22 pending at March 31st, 2010.

The average age of all applicants over this period was 36 years of age of which 11 were female and 17 male. The average number of dependants attached to each application was 1.64 per Principal Applicant.

Of the 6 nominations approved by CIC in 2009-10, 6 of those applicants are currently residing

within the Province at this time. This represents a retention rate of 100% with this modest sampling.

Education

This category tracked at a lower education level attainment than others such as the skilled worker category however still at impressive levels nonetheless.

	2009-10 by %
PhD	4%
Masters	7%
Bachelor	21%
Diploma/Cert.	18%
Trade/Apprentice	25%
Secondary	25%
No Secondary	0%

Occupational Level of Applicants

Equally impressive is the surprising number of highly skilled Principal Applicants in this category in the National Occupation Codes higher skilled designations.

National Occupational Code of Applicants

NOC	2009-10
"O" Management	4
"A" Usually Requires University	7
"B" Usually Requires College	10
"C" Usually Requires Secondary School	6
"D" On the Job Training	1

Champions

With respect to the Champions sponsoring Principal Applicants in this category, the predominant relationship appeared to be a brother/sister relationship with 15 champions identified as such followed by 5 mother/father relationships and 5 aunt/uncle relationships. 2 champions were identified as cousins and 1 as a nephew/niece.

Immigrant Entrepreneur

The Immigrant Entrepreneur program welcomes business owners with the drive, skills and marketable concepts to be successful in Prince Edward Island's unique economy. Entrepreneurs must meet the Prince Edward Island Provincial Nominee Program criteria, including a minimum net worth of \$400,000, a willingness to invest a minimum of \$200,000 to purchase no less than a 33 % share of an existing business and meet the maximum age (55) and education requirements. Of the original \$200,000 investment \$100,000, is held in escrow for a period of one year and

returned upon the completion of one year of residency and the establishment of the business.

Applicants were required to participate in the Good Faith Deposit agreement and where required by demonstrated ability, the Language Deposit agreement.

Traditionally this program has experienced the smallest volume of applications of each of the three active Provincial Nominee Program streams. In 2009-10 the number of nominations made was just one.



Review

A review of this category over the past three years was conducted by Island Investment Development Inc. Some of the key findings include the fact that the vast majority of Immigrants recruited into this program emerge from agent referrals.

Over the combined three fiscal years 14 nominations have been made. 1 nomination was withdrawn, 11 were approved and the 2 2009-10 nominations are still in processing at visa posts. Of the ten which were nominated only 2 have defaulted representing a success

rate of 80% of applicants who have remained in PEI and have either started or are in the process (newer applicants) of establishing their new business. Of these nominations the average age per applicant was 43.5 years of age. The top three source countries for applicants were China (3), South Korea (3) and the United Kingdom (2).

The average processing times of applicants approved in this category over the three year period was 16.8 months.

Skilled Worker

Prince Edward Island's increasingly diverse economy provides a variety of employment opportunities. The Province had an improving unemployment rate of 9.4% at the end of 2009 and a participation rate in the workforce by our residents of 69.1%. Prince Edward Island's established seasonal industries, such as fishing, farming, forestry and tourism account for almost half of this unemployment rate with another significant portion attributed to the retail and lower skilled service sectors.

Opportunities for high skilled and specialized labour exist in many of our new and emerging industries such as aerospace, bio-science and information technology.

The Skilled Worker category of the Provincial Nominee Program is designed to help address labour shortages in areas where deficiencies exist. Efforts to recruit and retain talented and qualified international professionals and skilled tradespeople will continue to produce a source of talent for these sectors. A highly

competitive marketplace exists for the services of these workers, not only from other countries but also from other Provinces within Canada.

Prince Edward Island has taken an active role in collectively marketing the region with our neighbouring provinces of New Brunswick, Nova Scotia and Newfoundland and Labrador. Under the Agreement for Team Atlantic Immigration Promotion, Prince Edward Island now has the support required to compete with other jurisdictions around the world for skilled workers. Since January of 2008 recruitment in this category has been co-ordinated through the Prince Edward Island Population Secretariat. Skilled Workers are now tracked via a sophisticated database enabling us to monitor the progress of skilled workers from initial contact through to the stage of arrival.



Skilled Worker nominations experienced an increase in the past year to 65 up from 53 the previous fiscal year. This represents an increase of 22.6%.

Similarly to the other currently active Provincial Nominee Programs, Island

Investment Development Inc. conducted a review of the Skilled Worker category.

Review

Since April 1, 2009 to March 31st 2010 there have been 65 skilled workers applications. Of these 65 applicants 9 are female (14%) and 56 male (86%). The average age of all skilled workers entering the Province is 35 years, down three years from the previous fiscal year.

Of these applications 25 have been Federally approved to date with one withdrawn and 39 pending.

The average number of dependants associated with these applicants is 1.14.

The vast majority of nominations enter via temporary work permit (61 of the 65 overall) with the remaining 4 associated with post graduate work permits.

The top source countries include India at 29 (45%) and the United Kingdom (15%).

Education/Skills

Prince Edward Island consistently attracts Skilled Workers at the higher end of the skill spectrum as identified by National Occupational Code levels O, A and B (high skilled) as opposed to C or D (lower skilled).

National Occupational Code of Applicants

NOC	2009-10
"O" Management	3
"A" Usually Requires University	35
"B" Usually Requires College	7
"C" Usually Requires Secondary School	19
"D" On the Job Training	1

Fully 67% of all applicants over this period possessed a university degree with 20% of those at the masters and PhD levels combined.

Highest Level of Education Obtained

	2009-10 by %
PhD	5%
Masters	15%
Bachelor	47%
Diploma/Cert.	2%
Trade/Apprentice	14%
Secondary	17%

The professions most commonly employing applicants to the Skilled Worker category include Natural and Applied Sciences (IT-Analysts), Social Science, Education, Government Services & Religion (Professors, Researchers, Pastors), Sales and Service (Chefs, Cooks, Tourism), Business, Finance and Admin (Managers, Accountants) and Trades, Transport and Equipment (Trades and Trucking).

Recruitment of Foreign Workers

Recruiting Foreign Workers can take on several forms including company led recruitment initiatives, employment advertising, the internet, family/friend referral or general Recruitment Missions.



Recruitment of Skilled Workers 2009-10

Advertising	9
Family member/friend/associate	6
Lawyer/consultant	7
Recruitment Missions	7
Company recruitment	26
Approached by an employee	3
Could not obtain a response	7
Total	65

Retention

Retention in the Skilled Worker category remains impressive. Of the 25 approvals in this category since the beginning of the year, 19 were confirmed to be remaining in the positions with another 3 that could not be contacted. 3 respondents did indicate that they had left the Province as the result of company relocation. This represents a retention rate of 86% for 2009-10.

Immigrant Partner

The Immigrant Partner Category of the Prince Edward Island Provincial Nominee Program was geared toward prospective immigrants who made an investment in a Prince Edward Island company and take an active role in the investee company.

In order to qualify under this category, applicants provided proof of business ownership (or management experience), education, personal net worth and family information. As evidence of good faith, the Province of Prince Edward Island required the Principal Applicant to pay a \$25,000.00 deposit which was/is fully refundable, without interest, one year after landing should they meet the conditions precedent to refund.

Principal Applicants without English or French language capability had to make a \$20,000.00 Language Deposit and agree to study English and/or French. The Language Deposit was/is fully refundable one year after the official landing date in Canada; providing the Principal Applicant has met all conditions for refund.

The Immigrant Partner category underwent significant changes in 2008-09. Island Investment Development Inc. became aware of major Federal operational changes coming to the economic streams of the Provincial Nominee Programs across the country. Upon implementation of the Federal regulatory changes in early September of 2008, Island Investment Development Inc. suspended activity within the Immigrant Partner category.

Although inactive in terms of new nominations since September of 2008, the Immigrant Partner Program continues to provide a significant impact in terms of landings to Prince Edward Island. In 2009-10, 2084 newcomers (applicants, spouses and dependants) were landed in Canada as a result of nominations from years previously.

Immigrant Partner

	2009-10
CIC Approved	567
CIC Declined	15
CIC Withdrawn	7
Canada Landed	602

Use of Proceeds Agreement

Following the recommendation of the Auditor General, Island Investment Development Inc. has developed a follow-up procedure for those businesses that have signed a Use of Proceeds Agreement. All businesses that signed a Use of Proceeds Agreement were subject to random sample which was blindly selected by a qualified chartered accountant firm applying

Canadian Generally Accepted Auditing Standards. The firm was not provided with the names of the businesses that signed agreements, nor were they given any information that would be relevant in determining the businesses' identity.

Of the 878 businesses that signed agreements, 157 were randomly selected for follow-up. The random sample was designed to provide a confidence level of 90% that the selected sample represents the population. Businesses that signed an agreement were required to spend the funds received in material compliance with their business plan within two years. Accordingly, Island Investment Development Inc. is notifying those businesses that were randomly selected after the two year anniversary of the date that their investment was finalized.

At the time of the drafting of this report, 133 businesses have been sent a letter which requests information, including financial statements, which is necessary for Island Investment Development Inc. to assess the Use of Proceeds Agreement. The remaining 24 businesses will be receiving a letter within six months as their two year anniversary has yet to occur. As financial statements are required to be submitted, Island Investment Development Inc. anticipates businesses will be waiting for their current year's (i.e., the fiscal year ended which the two year anniversary falls in) financial statements to be completed before submitting information. This could result in Island Investment Development Inc. not receiving information until six months after a business' year end.

Fund Management and Lending

Island Investment Development Inc., through Prince Edward Island Century 2000 Fund Inc. ("PEICF"), receives repayable advances from the Federal Immigrant Fund which are, in turn, used to make strategic repayable loans to Prince Edward Island businesses in an effort to stimulate economic development.

General lending conditions associated with PEICF loans are as follows:

- Loans are available for a maximum term of 5 years, which matches PEICF's 5 year term with the Federal Immigration Fund;
- Loans bear interest at an annual rate of 4%. The annual rate is comprised of PEICF's cost of borrowing from the Federal Immigration Fund, the cost to administer the loan portfolio and the risk associated with lending activities;
- PEICF does not offer borrowers the option to refinance their loan with PEICF at the conclusion of their 5 year term; and
- All loans must be secured and, as such, PEICF seeks similar security packages as would be ordinarily sought by a traditional chartered bank.

PEICF's lending activities are aligned with Innovation PEI's ("IPEI") strategic sectors of Aerospace, Renewable Energy, Bioscience, and Information Technology. On occasion, PEICF may also finance certain strategic projects that may fall outside of IPEI's strategic sectors, but have significant economic benefits to the Island community.

Some good examples of PEICF's strategic lending activities include our participation in certain major tourism, real estate and

traditional manufacturing development projects undertaken in Summerside, Charlottetown, Montague and other communities across the Province that will significantly contribute to the future economic prosperity of these communities.

Within IPEI's strategic sectors, PEICF strives to focus its lending activities on manufacturers, processors and service providers with business activities that target export, import replacement and value-added processing.

During fiscal 2009/10, PEICF's loan portfolio exhibited growth with \$34.5 million in new loans approved to Island businesses having an average loan size of \$1.92 million. Overall, the total number of loan accounts at fiscal increased by 15% to 79 while the portfolio value (loans outstanding) grew by 37.5% to \$122.8 million in comparison to the prior fiscal year.

Fiscal Year	Loans Outstanding ('000's)
2006/07	\$50.6
2007/08	\$63.8
2008/09	\$89.3
2009/10	\$122.8

The continued growth in financing approvals is attributed to a consistent demand for financing as a result of on-going access to capital issues in the market place. At fiscal year-end, the financing approved for several large projects remained undisbursed, therefore, is not reflected in the value of loans outstanding.

In many instances PEICF works in partnership with traditional lending institutions, Federal Government agencies and other local economic development agencies to complete financing packages for projects.

PEICF's loan portfolio is managed by the Lending Services division of IPEI, the lead provincial crown corporation responsible for business development.



Temporary Foreign Workers

Under current Immigration regulations, responsibility for the Temporary Foreign Worker category resides with the Federal Government. Increasingly provinces such as Prince Edward Island are being asked to examine certain responsibilities for temporary foreign workers. Requests from employers, Federal officials and the workers themselves are leading to broadening of scope for programs like the Provincial Nominee Program. Many factors have led to this increase in interest in the category, not the least of which is the responsive nature of the

category itself. It is a primary reason for Prince Edward Island adopting a two step approach to permanent residency, by first encouraging entry via temporary work permit as a "probationary period" of sorts for both the Immigrant and the company.

Temporary Foreign Worker Entries to PEI by Calendar Year

	Jan1-Dec31, 2007	Jan1-Dec31, 2008	Jan1-Dec31, 2009
TFW new Entrants	218	446	521
% of Canada	.13%	.23%	.29%

This approach affords each party to the employment agreement the opportunity to explore not only the suitability of the work arrangement but also to experience the lifestyle enjoyed in Prince Edward Island.

In Prince Edward Island for calendar year 2009, the Province received 521 new entry (new and/or returning vs. those here for longer than one year) Temporary Foreign Workers into the economy. This represents .29% of the entire Temporary Foreign Worker pool entering Canada at some point during the year.



Certain challenges do exist both with the two step approach and with true temporary (short term) work permits. Island Investment Development Inc. has worked over the past year with Federal officials of Human Resource and Skill Development Canada, Citizenship and Immigration Canada and Prince Edward Island's Department of Community and Cultural Affairs (Labour Relations Division) to discuss policy, share data, and recommend legislative change surrounding worker and employment protections.

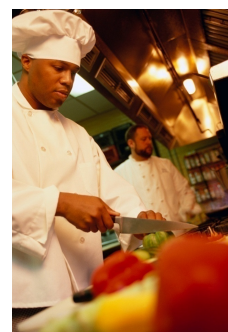
International Students

Like Federal responsibility for Temporary Foreign Workers, so too does the Federal government maintain jurisdiction over the issuance of study permits to International Students. In Prince Edward Island for calendar year 2009, the Province received 63 new international student entrants. This represents .3% of the entire international post secondary student body entering Canada for the first time.

Foreign Student Entries to PEI by Calendar Year

	Jan1-Dec31, 2007	Jan1-Dec31, 2008	Jan1-Dec31, 2009
New Students	215	259	322
% of Canada	.29%	.33%	.38%

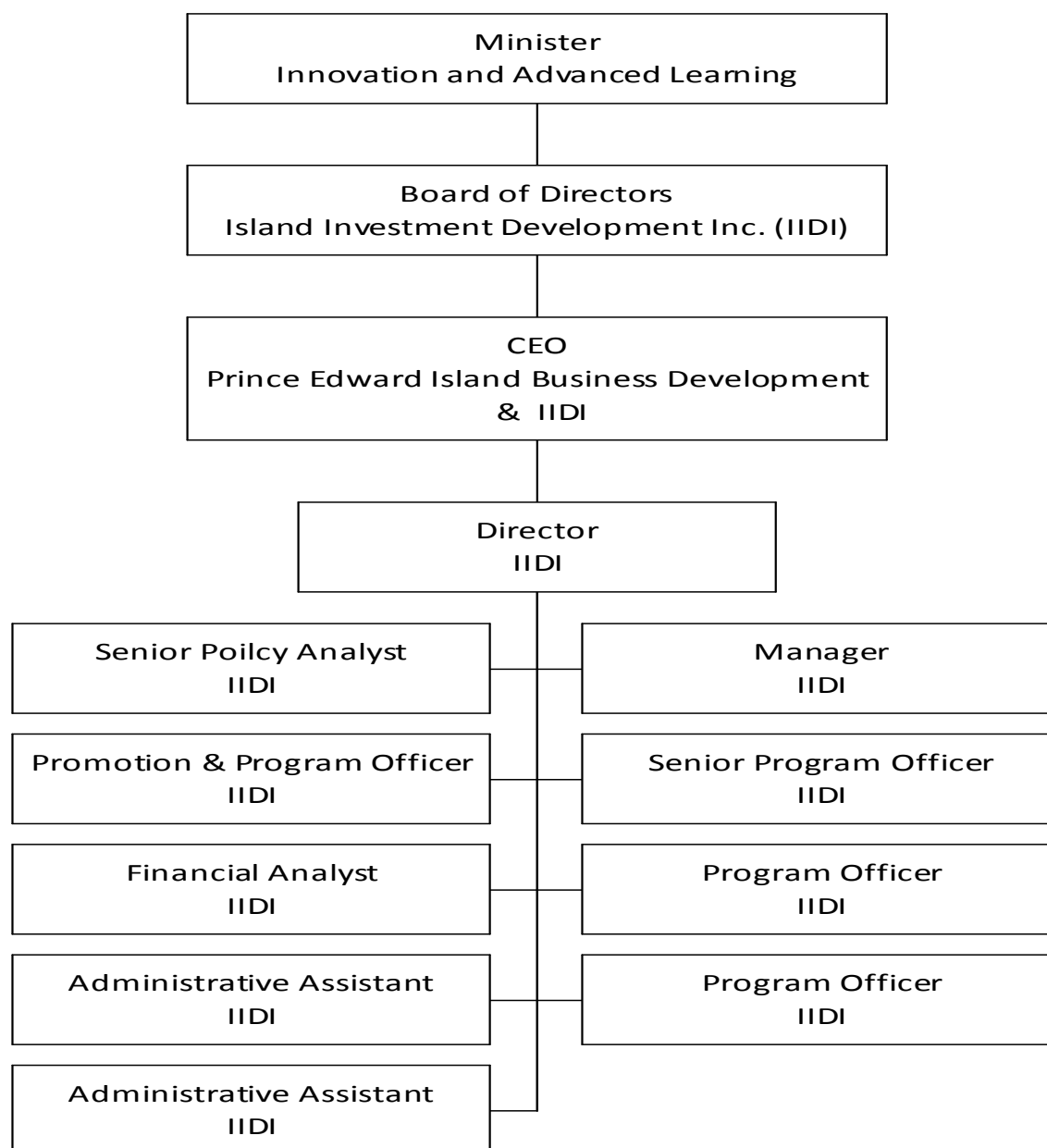
Island Investment Development Inc. not only recognizes the potential in attracting international students into the Provinces post secondary institutions, but also the potential these students might remain to fill valuable skilled positions in the long term. To this end, officials from Island Investment Development Inc. has conducted discussions with officials of the Office of Higher Education and our post secondary institutions with an objective to establishing a closer link between stakeholders in the education system and immigration. Island Investment Development Inc. will be exploring under the current Provincial Nominee Program framework, opportunities to include an International Student category to help facilitate student entry into the labour market leading to permanent residency and Canada Citizenship.



Appendix A

Island Investment Development Inc.

Organizational Chart



Appendix A

Island Investment Development Inc.

Board of Directors 2009-10

Board Member	Department
Dr. Michael Mayne (Chairperson)	Innovation and Advanced Learning
Doug Clow	Finance and Municipal Affairs
Melissa MacEachern	Tourism and Culture
Neil Stewart	Innovation and Advanced Learning

Appendix B

Audited Financial Statements

Island Investment Development Inc.

Consolidated Financial Statements
March 31, 2010



ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

A Member Firm of The AC Group of Independent Accounting Firms Limited

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May 14, 2010

Auditors' Report

**To the Board of Directors of
Island Investment Development Inc.**

We have audited the consolidated balance sheet of **Island Investment Development Inc.** as at March 31, 2010 and the consolidated statements of earnings, retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

ArsenaultBestCameronEllis

Chartered Accountants

Island Investment Development Inc.

Consolidated Balance Sheet

As at March 31, 2010

	2010 \$	2009 \$
Assets		
Current assets		
Cash	12,337,480	9,260,368
Marketable securities	59,766,306	74,254,130
Accounts receivable (note 9)	479,763	214,682
Accrued interest receivable (note 9)	813,530	467,565
Demand loan receivable (note 7)	14,998,621	6,998,621
Advances to related company (note 9)	2,500,000	-
Current portion of notes receivable	17,430,333	10,967,035
	108,326,033	102,162,401
Notes receivable , less current portion (note 4)	86,669,669	67,930,213
Deferred financing costs (note 5)	7,215,804	6,434,607
Restricted funds (note 6)		
Cash and marketable securities	93,469,170	119,297,937
	295,680,676	295,825,158
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	3,403,900	4,103,906
Current portion of notes payable	26,591,494	31,227,126
	29,995,394	35,331,032
Notes payable , less current portion (note 8)	153,399,812	134,349,368
Restricted funds (note 6)	93,469,170	118,647,208
	276,864,376	288,327,608
Retained earnings	18,816,300	7,497,550
	295,680,676	295,825,158

Approved by the Board of Directors

Director

Director

Island Investment Development Inc.

Consolidated Statement of Retained Earnings

For the year ended March 31, 2010

	2010 \$	2009 \$
Retained earnings - Beginning of year	7,497,550	2,808,009
Net earnings for the year	11,318,750	13,089,541
	18,816,300	15,897,550
Transfer (note 10)	-	8,400,000
Retained earnings - End of year	18,816,300	7,497,550

Island Investment Development Inc.

Consolidated Statement of Earnings

For the year ended March 31, 2010

	2010 \$	2009 \$
Revenue		
Interest on notes and loan receivable (note 9)	4,367,835	3,870,330
Investment income	6,115,713	4,478,564
Provincial Nominee Program fees	80,250	2,717,000
Provincial Nominee Program defaults (note 6)	17,362,012	4,644,882
Business processing fees	-	5,013,500
Interview fees	-	3,422,449
Settlement and retention fees	-	1,715,000
Education contribution	-	549,000
	<u>27,925,810</u>	<u>26,410,725</u>
Expenses		
Salaries	432,356	1,285,560
Management fees (note 9)	450,000	450,000
Interest and bank charges	11,497	4,306
Professional fees	259,949	107,075
Office	24,235	261,769
Meetings and conferences (note 3)	858	3,904
Promotion and advertising	56,120	12,416
Equipment	210	23,940
Provision for possible losses	5,253,581	3,636,307
Consulting fees	191,354	371,623
Travel	28,224	490,413
Grants - private companies	-	571,829
Grants - related party (note 9)	2,500,000	1,400,000
Education contribution (note 9)	3,357,719	2,172,945
Population secretariat (Schedule)	-	815,494
Rent	50,000	50,000
Amortization	2,403,459	1,989,259
	<u>15,019,562</u>	<u>13,646,840</u>
Operating earnings	12,906,248	12,763,885
Other income (expense)		
Unrealized gain (loss) on marketable securities	<u>(1,587,498)</u>	<u>325,656</u>
Net earnings for the year	<u>11,318,750</u>	<u>13,089,541</u>

Island Investment Development Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2010

	2010 \$	2009 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the year	11,318,750	13,089,541
Amortization of deferred financing costs	2,403,459	1,989,259
Unrealized loss (gain) on marketable securities	1,587,498	(325,656)
Provision for possible losses	5,253,581	3,636,307
	20,563,288	18,389,451
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(265,081)	38,114
Decrease (increase) in accrued interest receivable	(345,965)	55,413
Increase (decrease) in accounts payable and accrued liabilities	(700,006)	1,765,529
	19,252,236	20,248,507
Financing activities		
Increase in notes payable	14,414,812	38,070,345
Transfer	-	(8,400,000)
	14,414,812	29,670,345
Investing activities		
Increase in advances to related company	(2,500,000)	-
Decrease (increase) in restricted funds - demand loan receivable	(8,000,000)	8,001,379
Decrease (increase) in marketable securities - net	7,986,040	(34,223,864)
Decrease (increase) in restricted funds - cash and marketable securities	30,743,053	(80,954,646)
Decrease in restricted funds - notes receivable - net	3,085,714	14,229,445
Increase (decrease) in restricted funds - liability	(25,178,038)	60,779,736
Increase in notes receivable - net	(33,542,049)	(25,564,259)
Increase in deferred financing costs	(3,184,656)	(3,058,746)
	(30,589,936)	(60,790,955)
Net change in cash	3,077,112	(10,872,103)
Cash - Beginning of year	9,260,368	20,132,471
Cash - End of year	12,337,480	9,260,368
Supplementary disclosure		
Interest received	10,132,822	8,404,307
Interest paid	10,562	3,258

Island Investment Development Inc.

Consolidated Schedule of Population Secretariat Expenses

For the year ended March 31, 2010

	2010	2009
	\$	\$
Salaries	-	446,932
Office and miscellaneous	-	42,012
Equipment	-	11,038
Professional fees	-	61,058
Promotion and marketing	-	59,862
Travel and training	-	43,652
Consulting fees - People Project	-	32,747
Atlantic Provinces Partnership	-	75,000
Rent	-	43,193
	-	815,494

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2010

1 Basis of presentation

Consolidation

These financial statements include the operations of Island Investment Development Inc. and its wholly-owned subsidiary, Prince Edward Island Century 2000 Fund Inc. (Century 2000 Fund).

Corporate status

The company is a provincial Crown corporation established under the provisions of the Island Investment Development Inc. Act and is therefore a non-taxable entity under the provisions of the Income Tax Act.

The company is the corporate administrator of government-administered venture capital funds in the Province of Prince Edward Island with its purpose to invest in active business operations. The investments are made in typically new or expanding companies and, as such, there is a significant degree of credit risk. Credit risk is defined as the risk that the note holder will fail to discharge an obligation in whole or in part resulting in a financial loss to this company.

The company administers the Prince Edward Island Provincial Nominee Program on behalf of the Province of Prince Edward Island, and charges applicants under the program various fees to process the applications received.

In the prior year, the company also administers the Population Secretariat whose mandate is to expand the Province's population by focusing on retention, repatriating former residents and positioning Prince Edward Island as a niche destination for international immigrants.

2 Agent agreement

Prince Edward Island Century 2000 Fund Inc.

The Federal Minister of Citizenship and Immigration acts as an Agent for Prince Edward Island Century 2000 Fund Inc. (the Fund) by receiving investments from immigrant investors and disbursing them to the Fund in accordance with the allocation formula set out in the federal Immigration Regulations, 1978. In exchange for the investment funds received, the Fund issues Notes Payable. All monies received by the Agent pursuant to the issuance of debt obligations by the Fund are to be held by the Agent in a separate account from the moment such monies are received, on behalf of the Fund. Certain facilitated investments are subject to a commission agreement whereby a 7% commission on the provincial allocation is paid to a party which facilitates an investment, effective for facilitated investments received on or after July 1, 2001. These commissions are paid out of the special account by the Agent on the first day of the second month following the issuance of a visa to the investor who made the facilitated investment, and are recorded as deferred financing charges by the Fund.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2010

The Agent disburses the provincial allocation, less applicable commissions, to the Fund at the beginning of the five-year allocation period. The Agent issues a promissory note to the investor on behalf of the Fund. The Fund is obligated to repay the note, bearing interest at 0%, within 30 days after the expiry of the allocation period.

The Fund is required to repay the investor, through the Agent, the investor's provincial allocation within 90 days of receipt by the Agent of a request by the investor to withdraw his/her application for permanent residence, or upon the refusal of the application by the Minister.

3 Summary of significant accounting policies

Notes receivable

The notes receivable are recorded at amortized cost with interest recorded on an accrual basis. When there is an identifiable long-term impairment in value, the receivables will be written down to their estimated fair value. Any write downs or losses on disposal will be recorded in the year they occur.

Provision for possible losses

Any provision for possible losses on the notes receivable is recorded in the statement of earnings based on historical trends and management's judgment.

Specific provision

A provision is recorded for specific notes receivable to reduce their carrying amount to an amount expected to be recovered from the notes in the event of an impairment in value. A variety of methods are used to determine the amount expected to be recovered from impaired notes receivable including estimated future cash flows and the estimated fair value of the underlying security and value of any collateral security taken. The specific provision at March 31, 2010 is \$5,640,665 (2009 - \$2,977,863).

General provision

A general provision is recorded for notes receivable on the basis that not all of the impairment in the notes receivable can be specifically identified. The general provision of \$15,980,241 (2009 - \$13,389,462) is based on past performance of similar notes, the level of the specific provision, management's judgment and the maturity and financial strength of the investees.

An impaired loan is a loan where, in management's opinion, there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest.

Deferred financing costs

The costs incurred in obtaining financing have been capitalized and are being amortized using the straight-line basis over sixty months, commencing with the issuance of the individual notes payable for Century 2000 Fund.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2010

Revenue recognition

Interest accrued on notes receivable is recognized as revenue in the period earned except where a loan is classified as impaired. Interest earned on an impaired loan is recognized as revenue only when it has been received.

Investment income and business processing fees are recorded in the period earned.

Provincial Nominee Program fees, business fees, interview fees, settlement and retention fees and education contribution are recorded as revenue when earned.

Provincial Nominee Program defaults are recorded as revenue in the year in which the deposit period ends and it is determined that the applicant does not meet the conditions for repayment.

Government assistance

Government assistance received as reimbursement of current year expenses is recorded as a reduction of the applicable expense for the year. During the year, the company received federal government assistance of \$191,440 (2009 - \$288,606) which has been recorded as a reduction of meetings and conferences expense. Government assistance received for prior year expenses is recorded as other income.

Management estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reported period. Actual results could differ from those reported.

Financial instruments

The company's financial instruments include cash, marketable securities, accounts receivable, accrued interest receivable, advances to related company, demand loan receivable, notes receivable, accounts payable and accrued liabilities, restricted funds and notes payable. They are classified as follows:

Marketable securities have been classified as "held for trading" and are carried at fair value, as represented by quoted market prices.

Notes receivable and demand loan receivable have been classified as "loans and receivables" and are recorded at amortized cost using the effective interest rate.

Notes payable and restricted funds liability are recorded at amortized cost using the effective interest method.

Due to their short-term nature, all other financial instruments are considered to be carried at amounts which approximate their fair value.

The company does not enter into financial hedging activities and does not engage in derivative transactions.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2010

Financial risk management objectives and policies

Consistent with similar organizations, the company's risk management policies are part of the overall management of the company's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. As part of the overall management of the company's operations management considers avoidance of undue concentrations of risk, and employs appropriate investment and credit management policies to manage the company's exposure.

4 Notes receivable

General

The notes receivable bear interest from 4% to 7%, have various interest and principal repayment terms, and have due dates ranging from April 2010 to March 2015.

The notes receivable are invested in the following business sectors with terms to maturity as disclosed in note 13:

					2010	2009
	Total \$	Impaired loans included in total \$	General provision \$	Specific provision \$	Net \$	Net \$
Working capital	25,822,750	111,665	3,571,209	111,665	22,139,876	11,479,874
Manufacturing and processing	65,786,744	5,461,947	7,045,567	3,974,000	54,767,177	43,977,008
Shipbuilding/shipping	-	-	-	-	-	1,709,619
Tourism	11,649,249	240,000	2,354,425	240,000	9,054,824	2,680,405
Technology	6,123,303	-	612,330	-	5,510,973	5,531,471
Agriculture	524,733	-	127,473	-	397,260	482,304
Small business	5,587,357	-	512,457	-	5,074,900	5,134,879
Aerospace	7,381,798	2,630,000	1,756,780	1,315,000	4,310,018	1,971,000
Related party	2,844,974	-	-	-	2,844,974	5,930,688
	125,720,908	8,443,612	15,980,241	5,640,665	104,100,002	78,897,248
Less: Current portion	21,217,834	463,426	3,341,119	446,382	17,430,333	10,967,035
	104,503,074	7,980,186	12,639,122	5,194,283	86,669,669	67,930,213

Related party notes:

Included in technology is \$5,252,331 (2009 - \$5,396,079) and in small business is \$488,586 (2009 - \$500,000) in note receivable due from The Charlottetown Area Development Corporation, a corporation which is 83% owned by the Province of Prince Edward Island.

Included in related party are unsecured notes receivable due from Innovation PEI, a Crown corporation.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2010

Continuity of allowance for possible losses

	2010 \$	2009 \$
Allowance for possible losses - Beginning of year	16,367,325	12,731,018
Add: Provision recorded during the year	5,253,581	3,636,307
Allowance for possible losses - End of year	21,620,906	16,367,325

5 Deferred financing costs

	2010		2009	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Century Fund 2000 Facilitation commissions	12,487,052	5,271,248	7,215,804	6,434,607

6 Restricted funds

Restricted funds consist of the following amounts held under the Provincial Nominee Program:

	2010 \$	2009 \$
Good Faith deposits	57,768,531	71,764,761
Entrepreneur Program deposits	680,886	1,480,651
Language deposits	34,719,753	45,101,796
Intermediary deposits	300,000	300,000
	93,469,170	118,647,208

- a) Certain applicants under the Prince Edward Island Provincial Nominee Program have entered into a good faith deposit agreement with the company. Under this agreement, each applicant deposits \$25,000 with their application. The deposit is held for a period of one year from the date the applicant is granted permanent resident status by the Government of Canada. At the end of this period, the deposit is returned to the applicant, plus interest, provided the applicant provides evidence that the conditions set out in the agreement have been met. In the case that the applicant does not meet the conditions for repayment, the company records the deposit amount, plus accrued interest, as revenue in the fiscal year in which the deposit period ends. During the year, one hundred and sixty-six applicants (2009 - one hundred and eighty-five) were refunded \$4,220,773 (2009 - \$4,813,497) and three hundred and ninety-one applicants (2009 - one hundred and forty-one) defaulted totaling \$10,094,237 (2009 - \$3,821,681).

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2010

- b) Certain applicants under the Prince Edward Island Provincial Nominee Program - Entrepreneur Program have entered into an escrow agreement with the company. Under this agreement, each applicant deposits \$100,000 until such time as the conditions set out in the escrow agreement have been met. Once the conditions have been met, the deposit is returned to the applicant, plus interest. In the case that the applicant does not meet the conditions for repayment, the company records the deposit amount, plus accrued interest, as revenue in the fiscal year in which the deposit period ends. During the year, four applicants (2009 - five) were refunded \$400,000 (2009 - \$522,194) and five applicants (2009 - none) defaulted totaling \$519,537 (2009 - nil).
- c) Certain applicants under the Prince Edward Island Provincial Nominee Program have entered into a language proficiency agreement with the company. Under this agreement, each applicant deposits \$20,000 with their application. The deposit is held until one year after the applicant is granted permanent residents status by the Government of Canada. Once the conditions of the agreement are met, the deposit is returned to the applicant plus interest at 1%. If the conditions are not met, the company records the deposit amount, plus accrued interest, as revenue in the fiscal year in which the deposit period ends. During the year, one hundred and eighty-seven (2009 - one hundred and thirty-five) were refunded \$3,746,377 (2009 - \$2,714,634) and three hundred and thirty-four applicants (2009 - forty) defaulted totaling \$6,748,238 (2009 - \$823,201).

For all above-noted agreements signed prior to April 1, 2006, all interest earned on restricted funds is recorded as a trust liability when interest is received by the company. Interest is refunded to the applicant if the conditions for repayment are met.

For all above-noted agreements signed subsequent to April 1, 2006, the applicant's deposits are non-interest bearing with any interest earned on the deposits being recorded as revenue by the company.

The company has internally restricted marketable securities to meet or exceed the restricted funds payable.

In prior years, certain restricted funds had been invested in demand loans receivable and notes receivable as disclosed in the balance sheet.

7 Demand loan receivable - restricted funds

During the prior year, the company entered into an agreement with Innovation PEI, a provincial Crown corporation, to provide a \$15,000,000 revolving line of credit. The balance of the line of credit at March 31, 2010 is \$14,998,621 (2009 - \$6,998,621).

Interest is charged monthly at a rate equal to the Department of Provincial Treasury of Prince Edward Island's short-term lending rate and the total amount is repayable on demand.

The demand loan is secured by a promissory note for \$15,000,000 and a revolving credit agreement.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2010

8 Notes payable

	2010 \$	2009 \$
Non-interest bearing notes payable, nominally dated with dates ranging from April 1, 2005 to April 1, 2010, repayable in full in five years pursuant to the federally administered Immigrant Investor Program	179,991,306	165,576,494
Less: Current portion	26,591,494	31,227,126
	<u>153,399,812</u>	<u>134,349,368</u>

All notes payable are pursuant to the Immigrant Investor Regulations.

The Province of Prince Edward Island has provided a guarantee of the non-interest bearing notes payable to the Minister of Citizenship and Immigration (Agent) in the event of the failure of Prince Edward Island Century 2000 Fund Inc. to repay the notes payable to the Agent within 30 days following the end of the allocation period.

Interest expense on the notes payable is accrued from the date of closing. Interest paid to refunded investors is calculated from the date funds are deposited by the escrow agent.

The principal payments required on on the long-term debt to meet retirement provisions is as follows:

	\$
Year ending March 31, 2011	26,591,494
2012	17,755,371
2013	46,119,590
2014	44,003,871
2015	45,520,980

9 Related party transactions

Included in accounts receivable is \$169,651 (2009 - nil) from the Department of Innovation and Advanced Learning, and \$54,695 (2009 - nil) from the Department of Community and Cultural Affairs.

Included in accrued interest receivable is \$109,559 (2009 - \$39,196) from Innovation PEI, a provincial Crown corporation, and \$18,875 (2009 - \$20,097) due from The Charlottetown Area Development Corporation.

Included in accounts payable and accrued liabilities is nil (2009 - \$24,522) to the Province of Prince Edward Island, \$249,111 (2009 - \$1,731,567) to Innovation PEI, \$2,500,000 (2009 - \$1,484,900) to the Department of Education and \$9,746 (2009 - nil) to the Department of Innovation and Advanced Learning.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2010

Advances to related company are non-interest bearing with no specific terms of repayment. The related company is PEI Biocommons Inc., a subsidiary of a Crown corporation.

Included in interest on notes and loan receivable is \$208,283 (2009 - \$839,327) from Innovation PEI and \$238,386 (2009 - \$145,627) from The Charlottetown Area Development Corporation

Included in expenses are management fees of \$450,000 (2009 - \$450,000) to Innovation PEI, grants of \$2,500,000 (2009 - nil) paid to PEI Biocommons Inc. and grants of nil (2009 - \$1,400,000) paid to Innovation PEI.

Included in Grants - related party is nil (2009 - \$1,400,000) to Innovation PEI and \$2,500,000 (2009 - nil) to PEI Biocommons Inc., a subsidiary of Innovation PEI.

Included in Education Contribution is a grant of \$2,500,000 (2009 - \$1,484,900) to the Department of Education, a department of the Province of Prince Edward Island.

The Charlottetown Area Development Corporation is 83% owned by the Province of Prince Edward Island.

10 Transfer to Province of Prince Edward Island

During the year, the company agreed to transfer nil (2009 - \$8,400,000) of retained earnings to the Province of Prince Edward Island - Department of Provincial Treasury. This transfer has been recorded in the Statement of Retained Earnings.

11 Comparative numbers

Certain comparative figures on the consolidated balance sheet have been reclassified to conform to the current year's presentation.

12 Commitments

Prince Edward Island Century 2000 Fund Inc. loans approved but not disbursed at March 31, 2010 amounts to \$37,692,859 (2009 - \$7,711,206).

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2010

13 Interest rate risk

The following table sets out the assets and liabilities on the earlier of contractual maturity or repricing date.

	Under 1 year \$	Over 1 to 5 years \$	Not interest rate sensitive \$	Total \$
Assets				
Cash	12,337,480	-	-	12,337,480
Marketable securities	59,766,306	-	-	59,766,306
Accounts receivable	-	-	479,763	479,763
Accrued interest receivable	-	-	813,530	813,530
Advances to related company	-	-	2,500,000	2,500,000
Demand loan receivable	14,998,621	-	-	14,998,621
Effective interest rate	0.48%	-	-	-
Notes receivable	17,430,333	86,669,669	-	104,100,002
Effective interest rate	4.14%	4.12%	-	-
Restricted funds	-	-	93,469,170	93,469,170
Deferred financing costs	-	-	7,215,804	7,215,804
Total assets	104,532,740	86,669,669	104,478,267	295,680,676
Liabilities and surplus				
Accounts payable and accrued liabilities	-	-	3,403,900	3,403,900
Notes payable	26,591,494	153,399,812	-	179,991,306
Restricted funds	2,539,170	-	90,930,000	93,469,170
Effective interest rate	3.36%	-	-	-
Surplus	-	-	18,816,300	18,816,300
Total liabilities and surplus	29,130,664	153,399,812	113,150,200	295,680,676
Interest rate sensitivity gap	75,402,076	(66,730,143)	(8,671,933)	-