

# Island Investment Development Inc.



## Annual Report

**2010/2011**



## Message from the Minister

March 22, 2013



The Honourable H. Frank Lewis  
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, 2011.

Immigration continues to play a significant role in the economic development and the expansion of cultural diversity within our Province. As the Minister responsible for Island Investment Development Inc., I am pleased with the results the agency has been able to accomplish in the past year in the interests of newcomers to Prince Edward Island.

Sincerely yours,

A handwritten signature in blue ink that reads "Allen F. Roach". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Allen F. Roach

Minister of Innovation and Advanced Learning

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## The Atlantic Perspective

The Atlantic Provinces consist of Prince Edward Island, New Brunswick, Nova Scotia and Newfoundland and Labrador, with a combined population of 2,346,266 (6.8% of the total Canadian population). Of these provinces, Prince Edward Island is the only province to show a positive increase during 2011's first quarter, rising by .25%. As of January 1, 2011, the Island population stood at 143,500. This growth can be mainly attributed to Immigration (Table 1).

Table 1: Population and Components of Growth in Prince Edward Island (July 1 – June 30)

	2005	2006	2007 <sup>(r)</sup>	2008 <sup>(r)</sup>	2009 <sup>(r)</sup>	2010 <sup>(p)</sup>
<b>Births</b>	1,329	1,428	1,388	1,397	1,397	
<i>Annual Change (%)</i>	-3.1	7.4	-2.8	0.6	0.0	
<b>Deaths</b>	1,165	1,143	1,160	1,190	1,217	
<i>Annual Change (%)</i>	3.5	-1.9	1.5	2.6	2.3	
<b>Net Interprov. Migration</b>	-639	-849	-291	-536	-876	
<i>Annual Change (%)</i>	359.7	33	-66	84	63	
<b>Net International Migration</b>	275	652	1,209	1,648	1,715	
<i>Annual Change (%)</i>	17.0	137	85	36	4	
<b>Non-Permanent Residents</b>	78	153	238	233	150	
<i>Annual Change (%)</i>	42.0	96	56	-2	-36	
<b>Residual</b>	-13	0	0	0	0	
<b>Total Population</b>	<b>138,055</b>	<b>137,920</b>	<b>138,161</b>	<b>139,545</b>	<b>141,097</b>	<b>142,266</b>
<i>Annual Change (%)</i>	<b>0.28</b>	<b>-0.01</b>	<b>0.17</b>	<b>1.00</b>	<b>1.11</b>	<b>0.83</b>

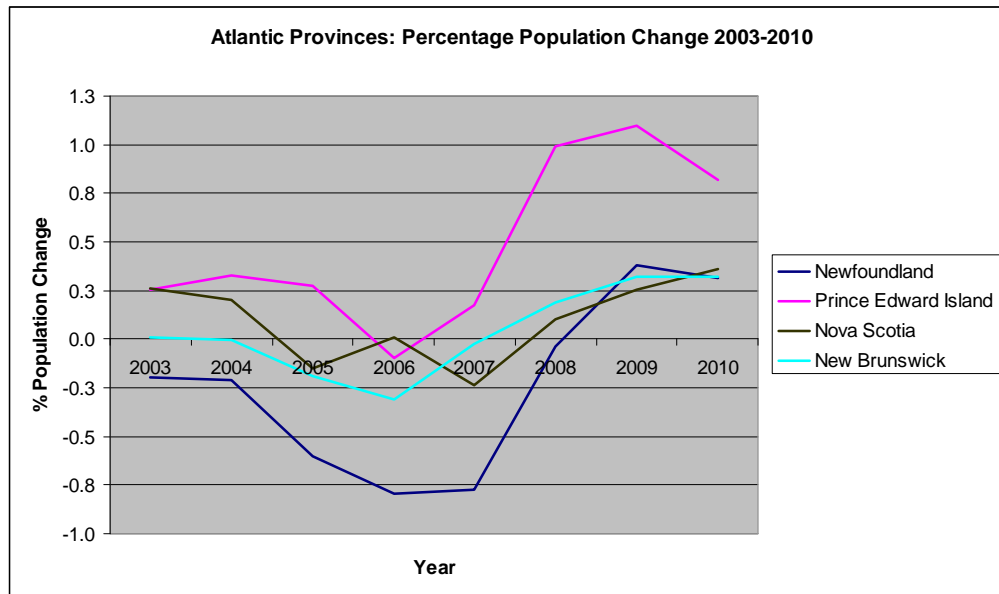
r: revised data p: preliminary data

Population(t)=Population(t-1)+births-deaths + net interprovincial migration +net international migration + non-permanent residents + residual.

Source: 37th Statistical Review 2010, released by the Department of Finance and Municipal Affairs, June 2011.

Prince Edward Island has been able to maintain an increase in population over the past few years (Figure 1).

**Figure 1**

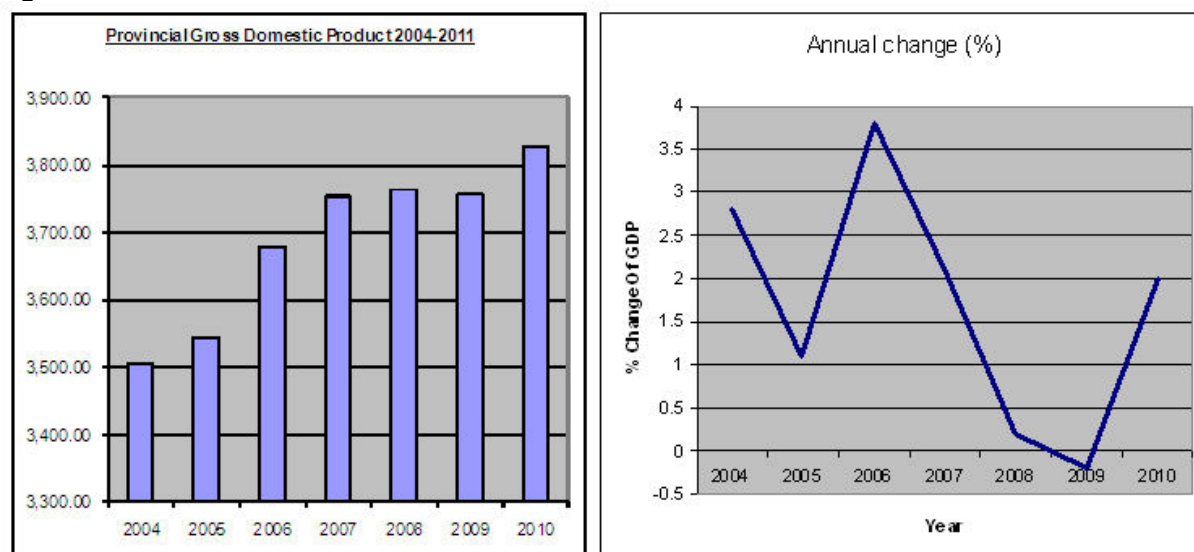


Source: Catalogue no. 91-002-X Quarterly Demographic Estimates January to March 2011

## Population Trending

To obtain its objective of economic prosperity, Prince Edward Island has opened its markets to international players in different economic sectors. This development has allowed the Province to enjoy exposure to international trade in different sectors, as well as strengthen its hold on trade with Canadian and International partners. Immigration plays a major role in the success of Prince Edward Island by supplementing the work force and increasing the cultural wealth of the Province.

During the economic downturn of 2008, Prince Edward Island was fortunate to minimize the impact of reduced economic activity that several provinces were faced with. Prince Edward Island has maintained constant growth, despite economic adversity in Canada (Figure 2).

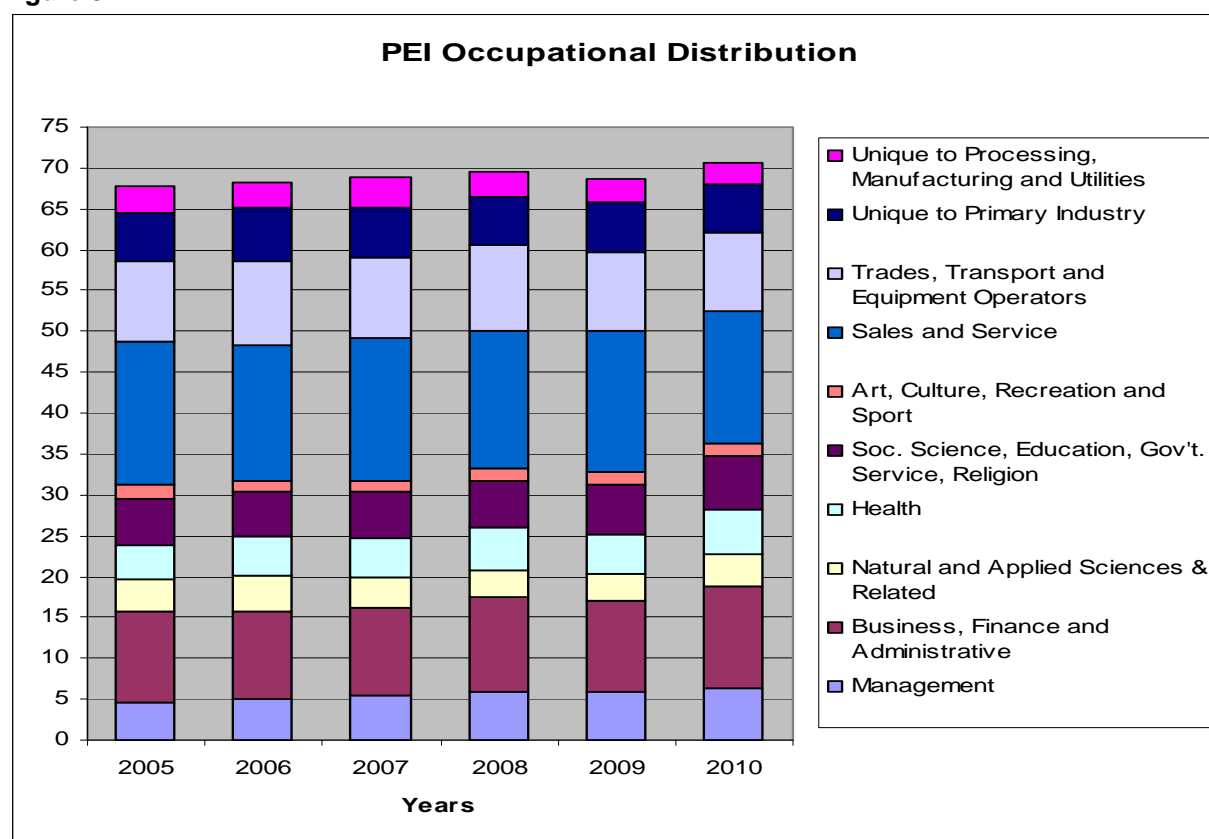
**Figure 2**

Source: 37<sup>th</sup> Annual Statistical Review 2010 ([http://www.gov.pe.ca/photos/original/fma\\_37asr2010.pdf](http://www.gov.pe.ca/photos/original/fma_37asr2010.pdf))

To position the Province for greater economic growth, increased emphasis has been placed on strategic sectors: Bioscience, Information Technology (IT), Renewable Energy, Aerospace and Manufacturing and Processing. These industries are all high-knowledge sectors that require highly skilled employees some of which are obtained through Immigration. In addition to these high-knowledge positions, the Province also seeks to attract semi-skilled and low-skilled workers to fill labour gaps in Prince Edward Island's economy.

Over the past five years, the Province has seen a shift in employment. In 2009-2010, Prince Edward Island saw a 6.78% increase in management positions, a 10.71% increase in business, finance and administrative occupations and a 16.67% increase in health sector occupations. Prince Edward Island is slowly experiencing a shift in employment (Figure 3). When this evidence is compared to unemployment levels of the Province's labour force, it is evident that there is a gap in the labour supply to the demand of the Island's economy.

Figure 3

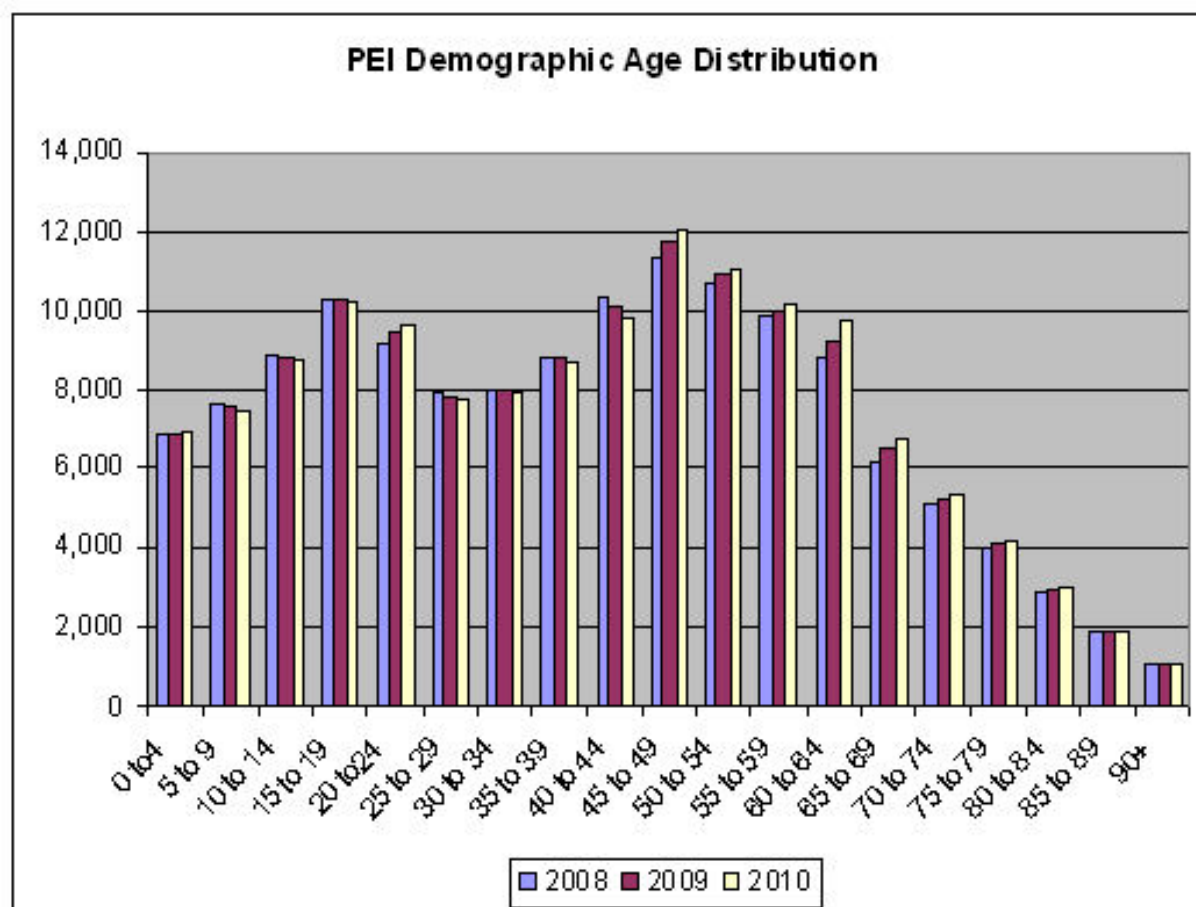


Source: 37<sup>th</sup> Annual Statistical Review (Statistics Canada, Labour Force Survey Estimates, CANSIM: Table 282-0010)

The demographic distribution of the province determines the nature of the labour force available to run the Island's economy. Businesses searching for opportunities consider if there is adequate labour in the province to serve their needs. According to Statistics Canada, Prince Edward Island had a labour force of 80,400 as of December of 2010, with employment of 70,700 (59.7%) and unemployment of 9,600 (11.9%), compared to the Canadian rates of 61.8% employment and 7.6% unemployment. The Prince Edward Island numbers represent a decline of -0.7% in employment and an 11.6% increase in unemployment for the Province.

Age demographics in Prince Edward Island also play a part in the expected labour force. The 2010 period shows that the majority of the population is aged 45 or older, accounting for 31% of the population; 22.5% of this majority are over the age of 60 (Figure 4). The Island's population is predominantly either approaching or past the age of retirement, suggesting the Province needs to prepare for a decrease in the labour force.

Figure 4



Source: Catalogue no. 91-215-X Annual Demographic Estimates: Canada, Provinces and Territories 2010

When current labour market information and age demographics are considered, Prince Edward Island may lack a sufficient labour force to satisfy the business demand.

Immigration may serve to fill the gaps left by Prince Edward Island's changing population demography and have a positive impact on all aspects of the Island's infrastructure.

### Island Investment Development Inc. Programs

Established in 2001, the Provincial Nominee Program has been an integral part of growing Prince Edward Island's economy. The agreement with Citizenship and Immigration Canada allows the Province to consider the specific needs of our labour market, allowing the selection of individuals who can meet the needs of Prince Edward Island. Much of Canada is experiencing similar difficulties with aging populations and each province is striving to attract skilled individuals. The PNP is allowing Prince



Edward Island to position itself internationally to compete for skilled workers and entrepreneurs. We are no longer just Canada's 'smallest province', but rather a vibrant, diverse community open to qualified individuals and families who want to create a new quality of life.

Prior to the creation of the PNP, the Province relied on the Federal government for Immigration. Within the Federal categories, Prince Edward Island consistently received 100-150 newcomers in total each year, primarily from the Refugee category. Since 2007, the Province has welcomed an average of almost 300 applicants or 720 newcomers each year through the Provincial Nominee Program in areas specifically targeted to enhance our economic and cultural well being.

Previously the Provincial Nominee Program was composed of the following Streams:

- Skilled Worker Stream
- Immigrant Connections Stream
- Immigrant Entrepreneur Stream
- Immigrant Partner Stream (Suspended in September 2008)

During 2010-11, Prince Edward Island relaunched its Provincial Nominee Program to comply with the new regulations set out by the federal government. The Province worked diligently over a ten-month period to re-work the program with the assistance of senior officials of Citizenship and Immigration Canada. This close collaboration was undertaken to ensure the new program could deliver on the population, economic and diversity priorities of Prince Edward Island and at the same time comply with all federal standards under the Immigration Refugee Protections Act regulations.

Confirmation of regulatory compliance was received from the Minister of Citizenship and Immigration Canada in January, 2011. The new program launched on March 10, 2011. A request for proposals was issued the following day to find Island Agents for the program. Agents were announced in April 2011. Agents were selected based on a transparent process.

Due to the significant program redevelopment, the efforts of IIDI was focused almost exclusively on the extensive consultation/development process, rather than the further promotion of the remaining labour and family connections components of the Prince Edward Island PNP program. The number of applications and nominations in 2010-2011 reflect this shift in focus. The Province expects to meet the federally issued cap of 400 nominees divided evenly between the business and labour impact streams once the new program streams can achieve one full year of promotion beginning January 1, 2012.

The program has evolved over time and has refined its way of doing business. From the three nomination streams, the program was redeveloped to create two main categories that then focus on specific streams (intents). This new classification creates a renewed focus on the areas that make up IIDI's mandate to provide the Island with a competent labour force while boosting economic development. The streams include the following:

<u>Labour Impact Category</u>	<u>Business Impact Category</u>
<ul style="list-style-type: none"> <li>• Skilled Worker Stream</li> <li>• Critical Worker Stream</li> <li>• International Student Stream</li> <li>• Family Connections Stream</li> </ul>	<ul style="list-style-type: none"> <li>• 100% Ownership Stream</li> <li>• Partial Ownership Stream</li> <li>• Work Permit Stream</li> </ul>

### *Labour Impact Category*

The **Skilled Worker Stream** was developed to attract highly skilled workers to the Province. Opportunities for high-skilled and specialized labour exist in many of the Province's new and emerging industries, such as Aerospace, Bioscience, Information Technology and Manufacturing and Processing. Potential nominees, who possess the necessary skills and fall under the National Occupational Classification (NOC) skill level 0, A or B are eligible, provided they have obtained a post-secondary degree/diploma and experience in the intended profession.

Through **The Critical Worker Stream** the PEI PNP helps to facilitates filling labour market shortages through enabling foreign workers to apply to become permanent residents. The job being offered must fall under the National Occupational Classification (NOC) skill level C or D which requires the completion of a minimum of 12 years of education, equivalent to a high school diploma or on the job training. The Critical Worker Stream is a pilot program to be reviewed annually for both the impact on the industries represented and the occupations selected to participate. There are five occupations selected for initial inclusion: truck drivers, customer service representatives, labourers, food & beverage servers and housekeeping attendants.

The **International Graduate Stream** is an employer-driven stream that provides opportunity for Prince Edward Island employers to hire a recent graduate from a recognized accredited Canadian university or college. The international graduate must have a full-time job offer in the field of study under National Occupational Classification (NOC) skill level 0, A or B which represents professional, managerial and skilled trade positions. The international graduate must have a valid post graduation work permit with the Prince Edward Island employer he/she is working for at the time of application and is expected to have worked a minimum of six months in the position before submitting an application for nomination.

The **Family Connection Stream** strives to identify applicants that will help to grow our economy, enrich our experiences and enhance cultural diversity. Family members who have been identified for possible nomination must have the ability to independently economically establish within the Province. Under this stream, close family members (champions) in Prince Edward Island may serve in a supporting capacity to assist the applicant to integrate and settle in Prince Edward Island.

### *Business Impact Category*

The **100 % Ownership Stream** was created from the need of Prince Edward Island to stimulate entrepreneurship and new business ventures in the Province. The Province welcomes any capable individuals with entrepreneurial spirit to come to our province and help the growth of the economy. If approved by Immigration Services, the applicant will receive nomination from Prince Edward Island and will need to sign an escrow agreement. The escrow agreement requires the applicant to obtain 100% control of a business through the outright purchase of an existing business or the start of a new business in Prince Edward Island.

The **Partial Ownership Stream** is designed for applicants who wish to transition into the Prince Edward Island business community by becoming a part owner in a business. The applicant must follow the step by step application process. If approved by Immigration Services, the applicant will receive a nomination from Prince Edward Island and will sign the necessary agreements. The applicant, amongst other conditions, must obtain 33 1/3% of the business' equity or invest \$1,000,000 CAD in the equity of the business.

The **Work Permit Stream** will allow applicants to come to Prince Edward Island and begin working and learning about the business they will be investing in prior to nomination by the Province of Prince Edward Island. If conditionally approved by Immigration Services, the applicant will apply to CIC for a temporary work permit to come to Prince Edward Island to start the process to invest in and operate the business in Prince Edward Island. Upon meeting the terms and conditions of a performance agreement, the applicant will be nominated by Immigration Services for permanent residency to Canada.

### **The Numbers behind the Programs**

For the period of 2010-11 the number of applications submitted to the Provincial Nominee Program stood at 113. The Skilled Worker Category accounted for almost 65% of all applications submitted. Table 2 highlights the applications received by their respective categories, showing the popularity of each stream by year.

Table 2: Applications Received by Category

	2006 - 2007		2007 - 2008		2008 - 2009		2009 - 2010		2010 - 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Immigrant Partner</b>	367	93.1%	999	91.7%	1137	89.0%	n/a	n/a	n/a	n/a
<b>Immigrant Entrepreneur</b>	5	1.3%	10	0.9%	19	1.5%	13	9.4%	6	5.3%
<b>Skilled Worker</b>	10	2.5%	53	4.9%	89	7.0%	80	57.6%	73	64.6%
<b>Immigrant Connections</b>	12	3.0%	27	2.5%	32	2.5%	46	33.1%	29	25.7%
<b>Labour Impact Category (new)</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5	4.4%
<b>Total:</b>	394	100.0%	1089	100.0%	1277	100.0%	139	100.0%	113	100.0%

Source: captured from the IIDI Internal Database.

Since 2006, the Provincial Nominee Program has seen a shift in the number of nominees per category. Until the point of being suspended by IIDI in 2008, the Immigrant Partner program was the main source of nominations by the Province. Since then, the Skilled Worker stream has become the dominant category for nominations, accounting for over 75% of all nominations in 2010. Another noticeable trend in nominations is the increase in the number of Skilled Worker nominations since the 2006-2007 period (Table 3). This rise can be attributed to the economic growth that the Province has attained over the past several years and its apparent need for specialized labour. This economic growth has stimulated new business ventures that have in turn created opportunities for foreign, high-skilled workers.

Table 3: Nominations by Category

Category	2006 - 2007		2007 - 2008		2008 - 2009		2009 - 2010		2010 - 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Immigrant Partner</b>	367	72.7%	750	91.1%	1,877	96.1%	n/a	n/a	n/a	n/a
<b>Immigrant Entrepreneur</b>	5	1.0%	11	1.3%	1	0.1%	1	1.1%	2	1.9%
<b>Skilled Worker</b>	53	10.5%	34	4.1%	54	2.8%	65	69.1%	81	75.7%
<b>Immigrant Connections</b>	80	15.8%	28	3.4%	21	1.1%	28	29.8%	24	22.4%
<b>Total:</b>	505	100%	823	100%	1,953	100%	94	100%	107	100%

Source: captured from the IIDI Internal Database.

Once the Province nominates an applicant, Citizenship and Immigration Canada must also review the files to ensure each potential newcomer is admissible to Canada according to Federal regulations. Approval rates have remained high throughout; reinforcing the high quality of applicants Prince Edward Island nominates (Table 4).

Table 4: CIC Processing Status by Year

	2006 - 2007		2007 - 2008		2008 - 2009		2009 - 2010		2010 - 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Approved</b>	273	92.5%	475	97.5%	624	96.1%	640	94.7%	948	97.4%
<b>Declined</b>	14	4.7%	4	0.8%	13	2.0%	21	3.1%	18	1.8%
<b>Withdrawn</b>	8	2.7%	8	1.6%	12	1.8%	15	2.2%	7	0.7%
<b>Total:</b>	295	100.0%	487	100.0%	649	100.0%	676	100.0%	973	100.0%

Source: captured from the IIDI Internal Database.

*Tables 2, 3 and 4 list program statistics by year, however processing times by both provincial and federal offices may cause any application/nomination/approval procedure to stretch over more than one year. The processing times differ from case to case based on country of origin and also the time taken for department officials to carry out the due diligence process to ensure that the information submitted has not been tampered with or falsified.*

Following approval by CIC, nominees are then able to come to Prince Edward Island under the category for which they were nominated. For the period 2010-11, 553 Nominees reported landing in Prince Edward Island of a total 938 entering Canada. This shows a significant increase (16.6%) of Provincial Nominees reporting to the Province from previous years (Table 5).

Table 5: PEI Landed Nominees Vs. CIC Landed Nominees

	PEI Landed Nominees	CIC Landed Nominees	Percent
<b>2006 - 2007</b>	83	224	37.1%
<b>2007 - 2008</b>	189	416	45.4%
<b>2008 - 2009</b>	188	512	36.7%
<b>2009 - 2010</b>	291	687	42.4%
<b>2010 - 2011</b>	553	938	59.0%

Source: captured from the IIDI Internal Database.

Of the immigrants landing on Prince Edward Island the majority fell in the age group of 30 to 40 years (Table 6). Most of the nominees in this age bracket are established individuals already set in their careers or occupations.

Table 6: Nominations by Age

Age Group	2006 - 2007		2007 - 2008		2008 - 2009		2009 - 2010		2010 - 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>22 - 29</b>	35	6.9%	17	2.1%	37	1.9%	33	35.1%	27	25.2%
<b>30 - 39</b>	129	25.5%	186	22.6%	460	23.6%	37	39.4%	31	29.0%
<b>40 - 49</b>	234	46.3%	453	55.0%	1102	56.4%	19	20.2%	34	31.8%
<b>50 - 59</b>	90	17.8%	155	18.8%	338	17.3%	4	4.3%	14	13.1%
<b>60+</b>	17	3.4%	12	1.5%	16	0.8%	1	1.1%	1	0.9%
<b>Total:</b>	505	100.0%	823	100.0%	1953	100.0%	94	100.0%	107	100.0%

Source: captured from the IID Internal Database.

Approximately 70% of all nominated applicants are male, which is reasonable considering the predominantly patriarchal culture of the primary countries of origin. However, in the past two years, 70% of all applicants plan to bring at least one immediate family member with them. In 2008-2009, 97% of applicants were planning to bring families. The larger picture for the 2010-11 period shows that of the 107 Primary Applicants there were total of 287 family members expected to arrive in the Province after CIC approval. This would represent an average family size of 2.68.

The Nominees' top six countries of origin for 2010-2011 are China, Israel, Philippines, United Kingdom, India and Germany. Although, the countries are similar to previous years, a more even distribution is seen compared to previous years (Table 7).

Table 7: Nominees by Country of Origin

	2006 - 2007			2007 - 2008			2008 - 2009			2009 - 2010			2010 - 2011		
	Country	Number	Percent	Country	Number	Percent	Country	Number	Percent	Country	Number	Percent	Country	Number	Percent
Top Six Source Countries	China	236	46.7%	China	535	65.0%	China	1393	71.3%	India	30	31.9%	China	15	14.0%
	Korea (South)	58	11.5%	Iran	100	12.2%	Iran	291	14.9%	United Kingdom	14	14.9%	Israel	15	14.0%
	Iran	28	5.5%	Korea (South)	56	6.8%	Korea (South)	42	2.2%	China	8	8.5%	Philippines	10	9.3%
	Taiwan	27	5.3%	Taiwan	30	3.6%	Taiwan	31	1.6%	Philippines	4	4.3%	United Kingdom	10	9.3%
	United Kingdom	22	4.4%	United Kingdom	13	1.6%	Egypt	19	1.0%	United States	4	4.3%	India	8	7.5%
	United States	15	3.0%	Iraq	9	1.1%	Viet Nam	19	1.0%	Germany	3	3.2%	Germany	7	6.5%
Other Source Countries		119	23.6%		80	9.7%		158	8.1%		31	33.0%		42	39.3%
<b>Total:</b>		505			823			1953			94			107	

Source: captured from the IIDI Internal Database.

Due to the re-focus within the Labour Impact Category and temporary movement away from business investment, education levels have dropped slightly in 2010-2011 (Table 8). The addition of Critical Workers Stream may further contribute to a decline, as these workers only require completion of high school equivalent (or on the job training). However, Nominees with education levels of 13 – 16 years have more than doubled in the past year, proving that Prince Edward Island is filling the need for both basic and high-skilled workers.

Table 8: Nominees by Years of Education

Years of Education	2006 - 2007		2007 - 2008		2008 - 2009		2009 - 2010		2010 - 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>12 or Less</b>	126	25.0%	162	19.7%	351	18.0%	23	24.5%	34	31.8%
<b>13 - 16</b>	169	33.5%	336	40.8%	788	40.3%	16	17.0%	37	34.6%
<b>16 or more</b>	209	41.4%	324	39.4%	811	41.5%	53	56.4%	35	32.7%
<b>Not Captured</b>	1	0.2%	1	0.1%	3	0.2%	2	2.1%	1	0.9%
<b>Total:</b>	505	100.0%	823	100.0%	1953	100.0%	94	100.0%	107	100.0%

Source: captured from the IIDI Internal Database.

The National Occupational Classification (NOC) codes allow a more precise view of the types of jobs Nominees are filling in Prince Edward Island. In 2010-2011, NOC skill level C Nominees increased by 10.8% (Table 9) to meet the demand for truck drivers and similar workers.

Table 9: Nominees by NOC

		2006 - 2007		2007 - 2008		2008 - 2009		2009 - 2010		2010 - 2011	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>O</b>	<b>Management Occupations</b>	338	66.9%	737	89.6%	1844	94.4%	8	8.5%	0	0.0%
<b>A</b>	<b>Skill Level</b>	52	10.3%	34	4.1%	33	1.7%	42	44.7%	29	27.1%
<b>B</b>	<b>Skill Level</b>	52	10.3%	33	4.0%	50	2.6%	17	18.1%	21	19.6%
<b>C</b>	<b>Skill Level</b>	39	7.7%	11	1.3%	17	0.9%	25	26.6%	40	37.4%
<b>D</b>	<b>Skill Level</b>	6	1.2%	2	0.2%	2	0.1%	2	2.1%	8	7.5%
	<b>Not Captured</b>	18	3.6%	6	0.7%	7	0.4%		0.0%	9	8.4%
<b>Total:</b>		505	100.0%	823	100.0%	1953	100.0%	94	100.0%	107	100.0%

Source: captured from the IIDI Internal Database.

**Skill Level A:** Occupations usually require university education, such as auditor, physical science professionals, engineers;

**Skill Level B:** Occupations usually require college education or apprenticeship training, such as clerical supervisors, technical occupations in civil, mechanical and electrical engineering.

**Skill C:** Occupations usually require secondary school and/or occupation-specific training, such as clerical occupations, finance and insurance clerk

**Skill D:** On-the-job training is usually provided for occupations: such as cashiers, trades helpers and labourers.

## Use of Proceeds Agreement

Following the recommendation of the Auditor General, IIDI 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, 158 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, IIDI is notifying those businesses that were randomly selected after the two year anniversary of the date that their investment was finalized.

All 158 businesses have been sent a letter which requests information, including financial statements, which is necessary for IIDI to assess the Use of Proceeds Agreement. As financial statements are required to be submitted, each business needs to wait 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. Often this will be six months after their year end. For this reason, each business' response date is six months after their most recent year end. This has resulted in a delay between the time that a business receives the letter from IIDI and IIDI receives the information from the businesses.

As of March 31, 2011, 21 businesses were due to respond. A number of submissions were received by IIDI and follow up and assessments against program criteria as initiated.

## **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.

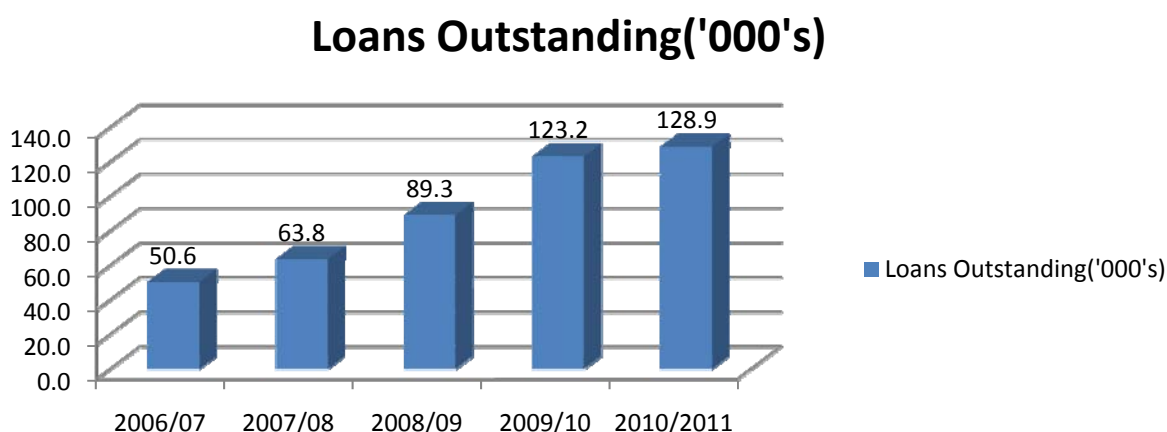
General lending conditions associated with PEICF loans are as follows:

- 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; and
- All loans must be secured and, as such, PEICF seeks similar security packages as would be ordinarily sought by a traditional chartered bank.

Some good examples of PEICF's strategic lending activities include our participation in certain major biotech, aerospace, aquaculture, shipbuilding and traditional manufacturing development projects undertaken in Summerside, Charlottetown, Georgetown, Morell and other communities across the province that will significantly contribute to the future economic prosperity of these communities.

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 2010/11, PEICF's loan portfolio exhibited growth with \$ 40.3 million in new loans approved to Island businesses having an average loan size of \$2.5 million. Overall, the total number of loan accounts at fiscal increased by 10.1% to 87 while the portfolio value (loans outstanding) grew by 4.6% to \$128.9 million in comparison to the prior fiscal year.



Source: *captured from the IIDI Internal Database*

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. However, provinces including Prince Edward Island are increasingly asked to examine certain responsibilities for their workers. Requests from local employers, Federal officials and the workers themselves

are broadening the scope of programs like the Provincial Nominee Program to further engage new workers in local economy. Many factors have led to this increase in interest, primarily the responsive nature of the category itself. This factor is a primary reason for Prince Edward Island adopting a two-step approach to permanent residency under the Critical Worker Stream of the PNP; by first encouraging entry via temporary work permit as a “probationary period” for both the Immigrant and the employer before committing to permanent status.

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 2010, the Province received 533 new entry (new and/or returning vs. those here for longer than one year) Temporary Foreign Workers into the economy. This represents 9% of the Temporary Foreign Worker pool entering Atlantic Canada at some point during the year (Table 10).

**Table 10: Total entries of foreign Temporary Foreign Workers by Atlantic Provinces, 2006-2010**

<u>Jan 1 - Dec 31</u>											
		2006		2007		2008		2009		2010	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Foreign Workers	Newfoundland and Labrador	969	24.7%	1,240	28.1%	1,301	23.3%	1,393	21.7%	1,206	20.3%
	Prince Edward Island	210	5.4%	218	4.9%	450	8.1%	524	8.2%	533	9.0%
	Nova Scotia	1,703	43.4%	1,669	37.8%	2,129	38.1%	2,797	43.6%	2,505	42.2%
	New Brunswick	1,040	26.5%	1,292	29.2%	1,710	30.6%	1,703	26.5%	1,692	28.5%
<b>Total:</b>		3,922	100.0%	4,419	100.0%	5,590	100.0%	6,417	100.0%	5,936	100.0%

Source: Citizenship and Immigration Canada, RDM, Facts and Figures 2010.

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 2010, the province received 255 new international student entrants. This represents 4.6% of the total international post secondary student body entering Atlantic Canada (Table 11).

**Table 11: Total entries of Foreign Students by Atlantic Provinces, 2006-2010**

		<u>Jan 1 - Dec 31</u>									
		2006		2007		2008		2009		2010	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Foreign Students	Newfoundland and Labrador	432	11.8%	571	13.8%	654	13.7%	530	10.9%	548	9.8%
	Prince Edward Island	167	4.5%	215	5.2%	259	5.4%	325	6.7%	255	4.6%
	Nova Scotia	2,028	55.2%	2,167	52.4%	2,527	53.0%	2,604	53.4%	3,394	60.7%
	New Brunswick	1,046	28.5%	1,182	28.6%	1,329	27.9%	1,421	29.1%	1,396	25.0%
<b>Total:</b>		3,673	100.0%	4,135	100.0%	4,769	100.0%	4,880	100.0%	5,593	100.0%

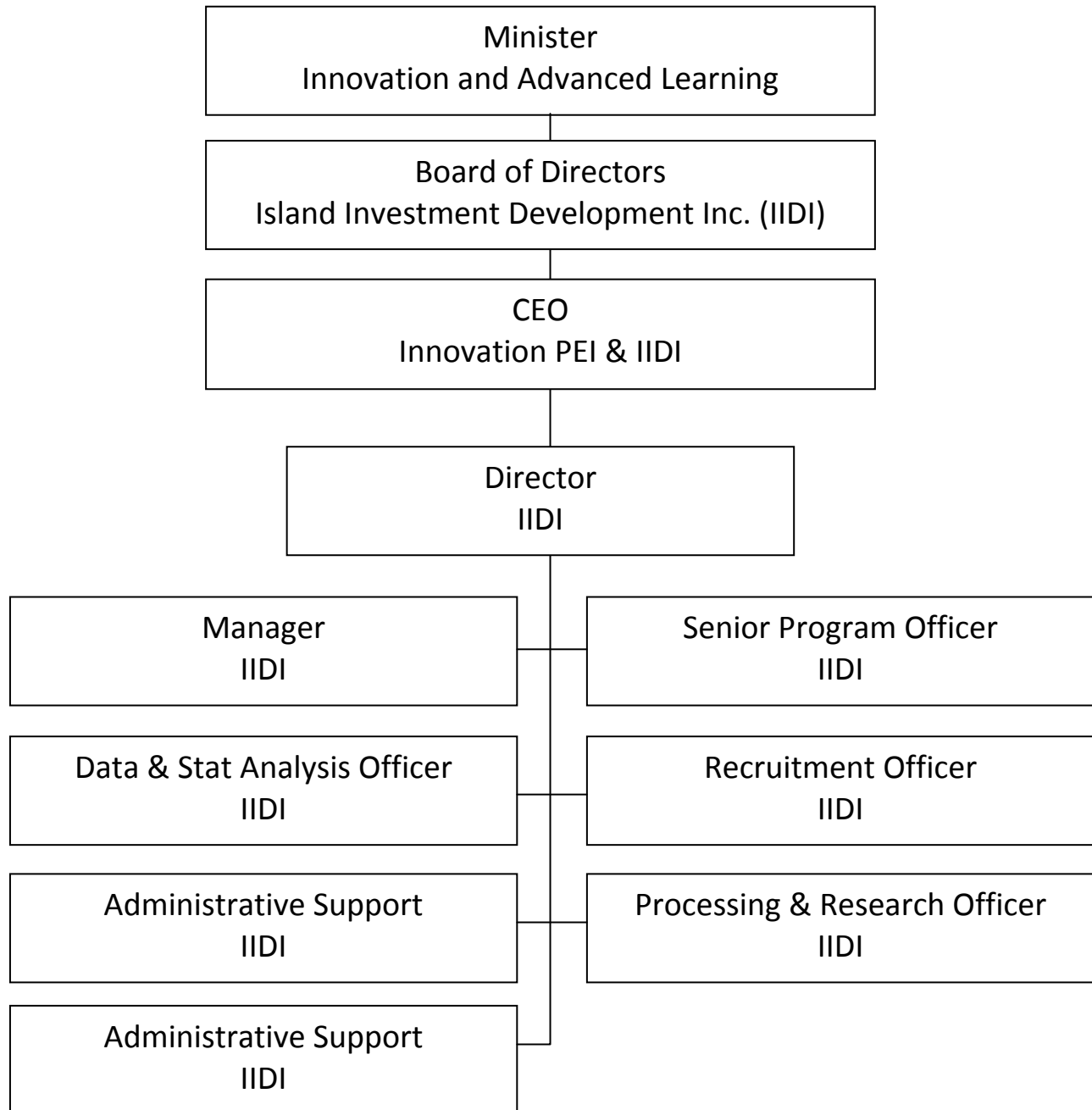
Source: Citizenship and Immigration Canada, RDM, Facts and Figures 2010

Island Investment Development Inc. not only recognizes the potential in attracting international students into the Province's post secondary institutions, but also the potential these students might remain to fill valuable skilled positions in the long term. Officials from Island Investment Development Inc. have conducted discussions with officials of the Office of Higher Education and our post secondary institutions with an objective of establishing a closer link between stakeholders in the education system and immigration.

# Appendix A

## Island Investment Development Inc.

### Organizational Chart



# **Appendix A**

## **Island Investment Development Inc.**

### **Board of Directors 2010-11**

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

# **Appendix B**

## **Audited Financial Statements**

# **Island Investment Development Inc.**

**Consolidated Financial Statements**  
**March 31, 2011**





# ArsenaultBestCameronEllis

## CHARTERED ACCOUNTANTS

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

Chartered Accountants &  
Business Advisors  
Prince Edward Place  
80 Water Street  
PO Box 455  
Charlottetown, Prince Edward Island  
Canada C1A 7L1  
Telephone (902) 368-3100  
Fax (902) 586-5074  
www.acgca.ca

June 20, 2011

### Auditor's Report

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

We have audited the accompanying consolidated financial statements of **Island Investment Development Inc.**, which comprise the consolidated balance sheet as at March 31, 2011, and the consolidated statements of earnings, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Island Investment Development Inc.** as at March 31, 2011, 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, 2011

	2011 \$	2010 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	34,727,804	12,337,480
Marketable securities	83,251,579	59,766,306
Accounts receivable (note 9)	231,712	479,763
Accrued interest receivable (note 9)	584,255	813,530
Demand loan receivable (note 7)	6,998,621	14,998,621
Advances to related company (note 9)	2,500,000	2,500,000
Current portion of notes receivable	15,529,728	17,430,333
	143,823,699	108,326,033
<b>Notes receivable</b> , less current portion (note 4)	90,019,790	86,669,669
<b>Deferred financing costs</b> (note 5)	7,985,708	7,215,804
<b>Restricted funds</b> (note 6)		
Cash and marketable securities	63,983,430	93,469,170
	305,812,627	295,680,676
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 9)	1,071,155	3,403,900
Current portion of notes payable	17,757,780	26,591,494
	18,828,935	29,995,394
<b>Notes payable</b> , less current portion (note 8)	185,496,009	153,399,812
<b>Restricted funds</b> (note 6)	63,983,430	93,469,170
	268,308,374	276,864,376
<b>Retained earnings</b>	37,504,253	18,816,300
	305,812,627	295,680,676

Approved by the Board of Directors

Director

Director

# Island Investment Development Inc.

## Consolidated Statement of Retained Earnings

For the year ended March 31, 2011

	2011 \$	2010 \$
Retained earnings - Beginning of year	18,816,300	7,497,550
Net earnings for the year	18,687,953	11,318,750
Retained earnings - End of year	37,504,253	18,816,300

# Island Investment Development Inc.

## Consolidated Statement of Earnings

For the year ended March 31, 2011

	2011 \$	2010 \$
<b>Revenue</b>		
Interest on notes and loan receivable (note 9)	4,615,790	4,367,835
Investment income	4,539,374	6,115,713
Provincial Nominee Program fees	31,500	80,250
Provincial Nominee Program defaults (note 6)	16,941,385	17,362,012
Settlement and retention fees	65,000	-
	<u>26,193,049</u>	<u>27,925,810</u>
<b>Expenses</b>		
Salaries	643,636	432,356
Management fees (note 9)	500,000	450,000
Interest and bank charges	1,938	11,497
Professional fees	229,537	259,949
Office	14,553	24,235
Meetings and conferences (note 3)	128	858
Promotion and advertising	(46,191)	56,120
Equipment	9,423	210
Provision for possible losses	3,304,040	5,253,581
Consulting fees	21,151	191,354
Travel	17,382	28,224
Grants - related party (note 9)	-	2,500,000
Education contribution (note 9)	1,101,318	3,357,719
Rent	50,000	50,000
Amortization	2,663,044	2,403,459
	<u>8,509,959</u>	<u>15,019,562</u>
<b>Operating earnings</b>	17,683,090	12,906,248
<b>Other income (expense)</b>		
Unrealized gain (loss) on marketable securities	1,004,863	(1,587,498)
<b>Net earnings for the year</b>	<u>18,687,953</u>	<u>11,318,750</u>

# Island Investment Development Inc.

## Consolidated Statement of Cash Flows

For the year ended March 31, 2011

	2011 \$	2010 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net earnings for the year	18,687,953	11,318,750
Items not affecting cash		
Amortization of deferred financing costs	2,663,044	2,403,459
Unrealized loss (gain) on marketable securities	(1,004,863)	1,587,498
Provision for possible losses	3,304,040	5,253,581
	<u>23,650,174</u>	<u>20,563,288</u>
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	248,051	(265,081)
Decrease (increase) in accrued interest receivable	229,275	(345,965)
Decrease in accounts payable and accrued liabilities	(2,332,745)	(700,006)
	<u>21,794,755</u>	<u>19,252,236</u>
<b>Financing activity</b>		
Increase in notes payable	<u>23,262,483</u>	<u>14,414,812</u>
<b>Investing activities</b>		
Increase in advances to related company	-	(2,500,000)
Decrease (increase) in demand loan receivable	8,000,000	(8,000,000)
Decrease (increase) in marketable securities - net	(22,480,409)	7,986,040
Decrease in restricted funds - cash and marketable securities	29,485,740	30,743,053
Decrease in restricted funds - liability	(29,485,740)	(25,178,038)
Increase in notes receivable - net	(4,753,557)	(30,456,335)
Increase in deferred financing costs	(3,432,948)	(3,184,656)
	<u>(22,666,914)</u>	<u>(30,589,936)</u>
<b>Increase in cash</b>	<u>22,390,324</u>	<u>3,077,112</u>
<b>Cash - Beginning of year</b>	<u>12,337,480</u>	<u>9,260,368</u>
<b>Cash - End of year</b>	<u>34,727,804</u>	<u>12,337,480</u>
<b>Supplementary disclosure</b>		
Interest received	9,170,085	10,132,822
Interest paid	807	10,562

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2011

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### 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.

### 2 Agent agreement

#### Prince Edward Island Century 2000 Fund Inc.

The Federal Minister of Citizenship and Immigration acts as an Agent for the company and other provincial designates by receiving investments from immigrant investors and disbursing them to the provincial designates in accordance with the allocation formula set out in the federal Immigration Regulations, 1978. All monies received by the Agent pursuant to the issuance of debt obligations are held by the Agent in a separate account from the moment such monies are received, on behalf of the company and the provincial designates. Investments are subject to a commission agreement whereby a 7% commission (effective for facilitated investments received between July 1, 2001 and December 1, 2010) or a 5% commission (effective for facilitated investments received on or after December 1, 2010) on the provincial allocation is paid to a party which facilitates an investment. 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 company.

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

The company 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.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2011

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### 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, 2011 is \$8,505,380 (2010 - \$5,640,665).

#### 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 \$16,419,566 (2010 - \$15,980,241) 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.

#### 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 and settlement and retention fees are recorded as revenue when earned.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2011

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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 nil (2010 - \$191,440) which has been recorded as a reduction of meetings and conferences expense.

### **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, demand loan receivable, advances to related company, 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.

### **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.



# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2011

### International financial reporting standards (IFRS)

IFRS will replace Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises for interim and annual periods beginning on or after January 1, 2011, including the restatement of comparative period financial statements on the same basis. As a government business enterprise, the company meets the definition of publicly accountable enterprise and, as such, will be required to prepare its 2012 financial statements including comparative information for 2011 in compliance with IFRS. The effect of the conversion to IFRS has yet to be determined.

## 4 Notes receivable

### General

The notes receivable bear interest from 3.25% to 7%, have various interest and principal repayment terms, and have due dates ranging from April 2011 to March 2016.

The notes receivable are invested in the following business sectors with terms to maturity as disclosed in note 11:

	2011				2010	
	Total \$	Impaired loans included in total \$	General provision \$	Specific provision \$	Net \$	Net \$
<b>Working capital</b>						
Manufacturing and processing	2,494,825	2,494,825	-	1,250,000	1,244,825	1,249,000
Tourism	16,589,594	-	1,658,959	-	14,930,635	5,230,383
Small business	20,608,575	111,665	2,099,691	111,665	18,397,219	15,660,493
	39,692,994	2,606,490	3,758,650	1,361,665	34,572,679	22,139,876
<b>Long-term loans</b>						
Manufacturing and processing	56,608,313	7,646,171	5,706,129	5,692,324	45,209,860	57,612,151
Tourism	14,639,236	136,391	3,970,039	136,391	10,532,806	9,054,824
Technology	5,102,726	-	510,272	-	4,592,454	5,510,973
Agriculture	499,228	-	251,312	-	247,916	397,260
Small business	5,083,926	-	472,501	-	4,611,425	5,074,900
Aerospace	8,848,041	2,630,000	1,750,663	1,315,000	5,782,378	4,310,018
	90,781,470	10,412,562	12,660,916	7,143,715	70,976,839	81,960,126
	130,474,464	13,019,052	16,419,566	8,505,380	105,549,518	104,100,002
Less: Current portion	20,230,185	1,492,971	3,447,258	1,253,199	15,529,728	17,430,333
	110,244,279	11,526,081	12,972,308	7,252,181	90,019,790	86,669,669

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2011

### Related party notes:

Included in technology is \$5,102,726 (2010 - \$5,252,331) and in small business is \$476,520 (2010 - \$488,586) 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 long-term loans manufacturing and processing are unsecured notes receivable due from Innovation PEI, a Crown corporation of \$1,987,344 (2010 - \$2,844,974).

### *Continuity of allowance for possible losses*

	2011 \$	2010 \$
Allowance for possible losses - Beginning of year	21,620,906	16,367,325
Add: Provision recorded during the year	3,304,040	5,253,581
Allowance for possible losses - End of year	24,924,946	21,620,906

## 5 Deferred financing costs

		2011	2010
	Cost \$	Accumulated amortization \$	Net \$
Century Fund 2000 Facilitation commissions	14,116,040	6,130,332	7,985,708
			7,215,804

## 6 Restricted funds

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

	2011 \$	2010 \$
Good Faith deposits	41,529,583	57,768,531
Entrepreneur Program deposits	720,212	680,886
Language deposits	21,433,635	34,719,753
Intermediary deposits	300,000	300,000
	63,983,430	93,469,170

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2011

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- 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, two hundred and thirty-three applicants (2010 - one hundred and sixty-six) were refunded \$5,825,000 (2010 - \$4,220,773) and four hundred and fifteen applicants (2010 - three hundred and ninety-one) defaulted totaling \$10,414,687 (2010 - \$10,094,237).
- 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, no applicants (2010 - four) were refunded totaling nil (2010 - \$400,000) and one applicant (2010 - five) defaulted totaling \$100,000 (2010 - \$519,537).
- 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, three hundred and forty-two (2010 - one hundred and eighty-seven) were refunded \$6,840,000 (2010 - \$3,746,377) and three hundred and twenty-one applicants (2010 - three hundred and thirty-four) defaulted totaling \$6,426,698 (2010 - \$6,748,238).

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.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2011

### 7 Demand loan receivable - restricted funds

During a 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, 2011 is \$6,998,621 (2010 - \$14,998,621).

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.

### 8 Notes payable

	2011 \$	2010 \$
Non-interest bearing notes payable, nominally dated with dates ranging from April 1, 2006 to April 1, 2011, repayable in full in five years pursuant to the federally administered Immigrant Investor Program	203,253,789	179,991,306
Less: Current portion	17,757,780	26,591,494
	<u>185,496,009</u>	<u>153,399,812</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.

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

	\$
Year ending March 31, 2012	17,757,780
2013	46,119,590
2014	43,831,031
2015	45,604,860
2016	49,940,528

### 9 Related party transactions

Included in accounts receivable is \$80,545 (2010 - \$169,651) from the Department of Innovation and Advanced Learning, and \$54,695 (2010 - \$54,695) from the Department of Community and Cultural Affairs.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2011

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Included in accrued interest receivable is \$187,250 (2010 - \$109,559) from Innovation PEI, a provincial Crown corporation, and \$18,343 (2010 - \$18,875) due from The Charlottetown Area Development Corporation.

Included in accounts payable and accrued liabilities is \$258 (2010 - nil) to the Province of Prince Edward Island, nil (2010 - \$249,111) to Innovation PEI, nil (2010 - \$2,500,000) to the Department of Education and nil (2010 - \$9,746) to the Department of Innovation and Advanced Learning.

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 \$171,686 (2010 - \$208,283) from Innovation PEI and \$226,211 (2010 - \$238,286) from The Charlottetown Area Development Corporation

Included in expenses are management fees of \$500,000 (2010 - \$450,000) to Innovation PEI.

Included in Grants - related party is nil (2010 - \$2,500,000) to PEI Biocommons Inc., a subsidiary of Innovation PEI.

Included in Education Contribution is a grant of nil (2010 - \$2,500,000) 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 Commitments

Prince Edward Island Century 2000 Fund Inc. loans approved but not disbursed at March 31, 2011 amounts to \$44,331,284 (2010 - \$37,692,859).

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

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### 11 Interest rate risk

The following table sets out the assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the company's interest rate risk position is limited by the fact that borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing date. For example, notes receivable are shown at contractual maturity but could prepay earlier.

	Under 1 year \$	Over 1 to 5 years \$	Not interest rate sensitive \$	Total \$
<b>Assets</b>				
Cash	34,727,804	-	-	34,727,804
Marketable securities	83,251,579	-	-	83,251,579
Accounts receivable	-	-	231,712	231,712
Accrued interest receivable	-	-	584,255	584,255
Advances to related company	-	-	2,500,000	2,500,000
Demand loan receivable	6,998,621	-	-	6,998,621
Effective interest rate	0.48%	-	-	-
Notes receivable	15,529,728	90,019,790	-	105,549,518
Effective interest rate	4.15%	4.02%	-	-
Restricted funds	-	-	63,983,430	63,983,430
Deferred financing costs	-	-	7,985,708	7,985,708
<b>Total assets</b>	<b>140,507,732</b>	<b>90,019,790</b>	<b>75,285,105</b>	<b>305,812,627</b>
<b>Liabilities and surplus</b>				
Accounts payable and accrued liabilities	-	-	1,071,155	1,071,155
Notes payable	17,757,780	185,496,009	-	203,253,789
Restricted funds	-	-	63,983,430	63,983,430
Surplus	-	-	37,504,253	37,504,253
<b>Total liabilities and surplus</b>	<b>17,757,780</b>	<b>185,496,009</b>	<b>102,558,838</b>	<b>305,812,627</b>
<b>Interest rate sensitivity gap</b>	<b>122,749,952</b>	<b>(95,476,219)</b>	<b>(27,273,733)</b>	<b>-</b>