



ISLAND INVESTMENT DEVELOPMENT INC. ANNUAL REPORT 2014-2015

Office of Immigration

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MESSAGE FROM THE MINISTER



September 9, 2015

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, 2015.

Building the population continues to play a significant role in the economic development and 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 accomplished in the past year in the interests of growing the population and contributing to the enrichment of cultural diversity in Prince Edward Island.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'J. MacDonald', with a long, sweeping horizontal line extending to the right.

Hon. J. Heath MacDonald
Minister of Economic Development and Tourism

MESSAGE FROM THE EXECUTIVE DIRECTOR

September 9, 2015

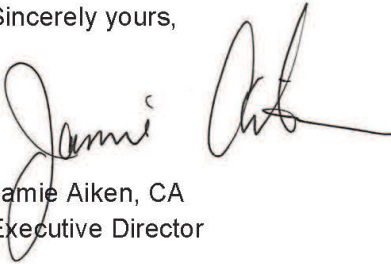
The Honourable J. Heath MacDonald
Minister of Economic Development and Tourism
Province of Prince Edward Island

Dear Minister:

I present you with the Annual Report for the fiscal year ending March 31, 2015.

This Annual Report is being presented pursuant to the *Island Investment Development Inc. Act*.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Jamie Aiken', with a stylized flourish extending to the right.

Jamie Aiken, CA
Executive Director

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ANNUAL REPORT – 2014-2015 SUMMARY

Island Investment Development Inc. (IIDI) is a crown corporation under the Department of Innovation and Advanced Learning. IIDI is responsible for developing, implementing and managing programs and services focused on population growth and economic development. Through immigration and repatriation, IIDI facilitates the attraction, settlement, integration and retention of newcomers while also encouraging population retention for all Islanders.

Subsequent to year end, in May 2015 the Office of Immigration, Settlement and Population was restructured as part of an overall government departmental re-organization. The recruitment, retention and settlement team are now a part of the Department of Workforce and Advanced Learning. IIDI, including the administration of the PEI Provincial Nominee Program and the PEI Century Fund has become part of the Department of Economic Development and Tourism. IIDI's services can be accessed through our website www.immigratepei.ca.

IIDI primarily uses the PEI Provincial Nominee Program (PEI PNP) to attract foreign nationals to the Province. The PEI PNP has been an important part of meeting PEI's population, labour market and economic needs by assisting qualified individuals to obtain permanent residency. Over the past fiscal year the PEI PNP nominated 453 candidates from over 30 different countries around the world.

IIDI's recruitment team works closely with various stakeholders, particularly local employers, to identify labour market gaps and promote PEI as a destination of choice that boasts rewarding career opportunities and offers a business community that is supportive of new entrepreneurs and skilled workers. The recruitment team plans strategic missions in national and international markets to help businesses and employers address labour market gaps throughout all industries in the province. Our recruitment team plans recruitment missions in consultation with employers in markets where candidate pre-screening and overall retention are given significant consideration. In 2014-2015 IIDI participated in one national recruitment events and three international recruitment events.

IIDI funds a number of initiatives to assist newcomers in successfully settling and integrating on PEI. These organizations include the PEI Association for Newcomers to Canada, la Coopérative d'intégration Francophone, the PEI Connectors Program, and Réseau de développement économique et d'employabilité. IIDI also funds and participates in various activities that foster integration such as diversity events, language training, business community outreach tours, and newcomer guides.

IIDI also administers the PEI Century 2000 Fund, which was created to support the growth and needs of the private sector and stimulate economic development. Through this fund, IIDI invests federal immigrant funds through low interest term financing to PEI businesses where there will be significant economic benefit to the Province.

RAPPORT ANNUEL 2014-2015 – SOMMAIRE

L'Island Investment Development Inc. (IIDI) est une société de la Couronne qui relève du ministère de l'Innovation et des Études supérieures. Elle est chargée d'élaborer, d'implanter et de gérer des programmes et des services qui visent la croissance démographique et économique. Par l'entremise de ses efforts en matière d'immigration et de rapatriement, l'IIDI facilite l'attraction, l'établissement, l'intégration et la rétention des nouveaux arrivants ainsi que la conservation de la population insulaire.

Après la fin de l'exercice, en mai 2015, le Bureau de l'immigration, de l'établissement et de la croissance démographique a été restructuré dans le cadre d'une réorganisation des ministères provinciaux. L'équipe du recrutement, de la rétention et de l'établissement fait maintenant partie du ministère de la Main-d'œuvre et des Études supérieures. L'IIDI, y compris le Programme des candidats de la province de l'Île-du-Prince-Édouard et le Century Fund, fait maintenant partie du ministère du Développement économique et du Tourisme. Il est possible d'accéder aux services offerts par l'IIDI sur son site web à www.immigratepei.ca.

L'IIDI se sert principalement du Programme des candidats de l'Île-du-Prince-Édouard pour attirer des ressortissants étrangers. Ce programme aide à répondre aux besoins économiques de la province et à combler ses lacunes en matière de population et de main-d'œuvre en proposant des personnes qualifiées pour la résidence permanente au Canada. Au cours du dernier exercice, le programme a proposé 453 personnes provenant de plus de 30 pays.

L'équipe de recrutement de l'IIDI travaille de près avec divers intervenants, particulièrement les employeurs de l'Île, pour cerner les lacunes du marché du travail et faire la promotion de l'Île-du-Prince-Édouard comme un endroit où l'on trouve des possibilités de carrière intéressantes et une communauté d'affaires qui appuie les nouveaux entrepreneurs et les travailleurs qualifiés. L'équipe de recrutement élabore également des missions stratégiques visant des marchés nationaux et internationaux afin d'aider les entreprises et les employeurs à combler les lacunes du marché du travail dans l'ensemble des industries de la province. L'équipe de recrutement met sur pied, en consultant les employeurs, des missions de recrutement visant des marchés qui prisent la présélection des candidats et la rétention de façon générale. En 2014-2015, l'IIDI a participé à un événement de recrutement national et à trois événements de recrutement internationaux.

L'IIDI finance un certain nombre d'initiatives pour aider les nouveaux arrivants à s'établir et s'intégrer à l'Île, notamment l'Association des nouveaux arrivants au Canada de l'Île-du-Prince-Édouard, la Coopérative d'intégration francophone, le programme Liens Î.-P.-É., et le Réseau de développement économique et d'employabilité. En outre, l'IIDI prend part et offre du financement à diverses initiatives appuyant l'intégration comme des activités portant sur la diversité, la formation linguistique, l'extension de services aux entreprises, et des guides pour les nouveaux arrivants.

L'IIDI administre également le Fonds Century 2000 de l'Île-du-Prince-Édouard, conçu pour appuyer la croissance et les besoins du secteur privé et stimuler le développement économique. Pour ce faire, l'IIDI investit des fonds fédéraux dans les entreprises de l'Île en leur offrant du financement à terme à faible taux d'intérêt lorsque d'importantes retombées économiques entrent en jeu pour la province.

OVERVIEW

Island Investment Development Inc. (IIDI) is a crown corporation operating within the Department of Innovation and Advanced Learning. IIDI is responsible for developing, implementing, and managing programs and services focused on increasing Prince Edward Island's (PEI's) population. Under the business name Office of Immigration, Settlement and Population, IIDI provides a client-focused approach for all clients and stakeholders.

Subsequent to year end, in May 2015 the Office of Immigration, Settlement and Population was restructured as part of an overall government departmental re-organization. The recruitment, retention and settlement team are now a part of the Department of Workforce and Advanced Learning. IIDI, including the administration of the PEI Provincial Nominee Program and the PEI Century Fund has become part of the Department of Economic Development and Tourism. IIDI's services can be accessed through our website www.immigratepei.ca

Legislative Responsibility

IIDI is responsible for administering the *Island Investment Development Act*.

Objectives

IIDI initiatives are driven by the following objectives:

- Create awareness of PEI as a place to live, work, and prosper;
- Foster relationships and support services for connecting employers with employees;
- Provide coordination and funding to various stakeholders delivering services to newcomers;
- Administer the PEI PNP and support immigrant entrepreneurs and investors in the establishment of their businesses; and,
- Administer the PEI Century 2000 Fund designed to support private sector business growth through the utilization of the Federal Government's Immigrant Investor Fund.

Mission

IIDI's mission is to effectively and efficiently deliver adaptive programs and services that will facilitate the attraction, settlement, integration, and retention of newcomers while also encouraging population retention for all Islanders. IIDI endeavors to make PEI a destination of choice for newcomers by attracting applicants that are best-suited to adapt and positively contribute to the province's unique economy and culture.

Vision

IIDI is responsible for immigration, settlement, retention, and overall population growth in PEI. IIDI works closely with stakeholders to provide programs and services designed to help create economic growth opportunities and address labour market issues while facilitating successful attraction, settlement, integration and retention of newcomers to the Island. IIDI's programs and services also extend to Islanders, both within and outside of the province, and to Canadians looking for opportunities in PEI.

PROVINCIAL NOMINEE PROGRAM

Established in 2001, the PEI Provincial Nominee Program (PEI PNP) has been an important program which assists the province in meeting PEI's population, labour market, and economic needs. Under the Agreement for Canada-PEI Co-operation on Immigration (the Agreement), the PEI PNP is a partnership between the Province of PEI, represented by IIDI, and the Government of Canada, represented by Citizenship and Immigration Canada (CIC). The Agreement allows the Province to select individuals who meet the province's economic, labour market and population needs. Through the application process, those individuals that meet the program criteria are selected by PEI who then nominates them for permanent residency to CIC. The application is then processed by CIC and assessed for admissibility.

Each province strives to attract skilled individuals to help support their economic and population growth targets. Prior to the creation of the PEI PNP, the province relied on the federal government for immigration. Currently PEI receives approximately 200 permanent residents per year within the federal immigration programs, with the Refugee class accounting for approximately 30% of this number. The PEI PNP provides the opportunity for the Province to position itself internationally to compete for foreign talent, promoting the Province's vibrancy, diversity and openness to qualified individuals and families.

The PEI PNP consists of three main categories with six different streams to address the specific needs of the PEI economy. The three categories are the Labour Impact Category, the Business Impact Category, and the Express Entry Category.

Labour Impact Category

The Labour Impact Category focuses on the ever changing labour market needs of PEI's innovative and primary industries. While PEI's labour force is quite small and many industries are seasonal, labour market gaps are a reality and finding new employees within Canada who have the right skill sets can be a challenge for many PEI businesses. The Labour Impact Category has three streams: the Skilled Worker Stream; the Critical Worker Stream; and the International Graduate Stream, which was re-opened in February 2015.

The Skilled Worker Stream was developed to attract highly skilled workers to the province to fill employer-identified labour market shortages. Opportunities for high-skilled and specialized labour exist in many of the province's Strategic Sectors. Potential nominees must meet program criteria which include: the position must be classified under the National Occupational Classification (NOC) as skill level 0, A or B; must have experience in the intended profession; must meet the language requirements of the position; and must have a valid job offer from a company in PEI.

The Critical Worker Stream helps to facilitate filling acute labour market shortages by enabling temporary foreign workers to apply for permanent residency. The applicants in this stream must have been working for the Island employer for a minimum of 6 months, have a permanent full-time year-round job offer that falls under the NOC skill level C or D, and must meet minimum language requirements. There are currently five occupations selected under this stream: truck drivers, customer service representatives, labourers, food and beverage servers and housekeeping attendants.

The International Graduate Stream is an employer-driven stream that provides opportunity for employers to hire a recent graduate from an accredited PEI post-secondary education institution. The international graduate must have a full-time job offer in their field of study that is classified as NOC skill level 0, A, or B,

which represents professional, managerial, and skilled trade positions. The applicant must be working on a valid post graduation work permit with the Island employer they are working for at the time of application, and is expected to have worked for a minimum of six months prior to application.

The Labour Impact Category attracts potential nominees almost exclusively through the federal Temporary Foreign Worker (TFW) program. This program is administered jointly between Employment and Social Development Canada (ESDC) and CIC. They work to ensure that employment of foreign workers supports economic growth in the region and helps create more opportunities for all Canadians. The TFW program has seen a lot of changes over the past year, and further information on this program can be found on CIC's (www.cic.gc.ca) and ESDC's (www.esdc.gc.ca) websites.

Business Impact Category

The Business Impact Category provides the opportunity for foreign nationals to be nominated by PEI to become permanent residents of Canada provided they invest in and actively manage a business in PEI. With a growing population and economy, IIDI is confident that a choice to invest in and operate a business in PEI will serve not only the interests of the business person themselves but the entire province.

There are three streams from which an applicant can choose: the 100% Ownership Stream, the Partial Ownership Stream, and the Work Permit Stream. The 100% Ownership Stream was created to help stimulate entrepreneurship and new business ventures in PEI. The province has a long history of welcoming individuals with entrepreneurial spirit to help create new jobs and stimulate economic development opportunities. If the applicant meets program criteria and they are approved by IIDI, they sign an escrow agreement with the Province and are nominated for permanent residency to CIC. The escrow agreement requires that the applicant obtain 100% control of a business through the outright purchase of an existing business or the starting of a new business in PEI. This stream encourages new entrepreneurs to participate in the province's business community, fostering growth and prosperity while creating new market connections for Island products.

The Partial Ownership Stream is designed for applicants who wish to transition into the PEI business community by becoming a part owner in a business of which they will be active in the management of. If the applicant meets program criteria and they are approved by our office, they will sign an escrow agreement with the Province and will be nominated for permanent residency to CIC. The applicant, amongst other conditions, must obtain a minimum of 33 1/3% of the business' equity or invest at least \$1,000,000 in the business. This stream provides new investments into the province's business community which will allow existing companies to grow while creating new market connections for Island products.

The Work Permit Stream allows applicants the opportunity to come to PEI and begin working in the business they are investing in prior to being nominated by PEI. If approved by IIDI, the applicant will apply to CIC for a work permit to come to PEI and invest in and operate a business in the province. Upon meeting the terms and conditions of their performance agreement, which includes investing in and operating a business on PEI for a minimum of one year, the applicant will be nominated by IIDI for Permanent Residency to Canada.

Express Entry Category

CIC launched a new intake management system on January 1, 2015 for some of their economic immigration programs called the Express Entry System. The programs that are administered through this system are the Federal Skilled Worker, the Federal Skilled Trades, and the Canadian Experience Class. Through this system candidates are ranked on a number of human capital factors and the top scoring candidates are invited to apply for permanent residency to CIC. The main goal of this system was to eliminate the backlogs that CIC had in this program, and to eliminate their requirement to process files on a first-in, first-out basis. Through this system only the top ranked applicants are chosen to apply, and CIC has committed processing times that 80% of applications will be processed within 6 months.

When CIC launched this system, they gave provinces an enhanced allocation to use through Express Entry to nominate individuals who intend to live and work in their province. IIDI launched the Express Entry Category in the spring of 2015 and nominated their first applicant in April 2015. Applicants through this stream must meet the criteria of at least one of the federal programs mentioned above that are administered through the system, and have expressed their interest to live and work in PEI. IIDI then selects individuals that meet the needs of the Island's labour market and invites them to make a formal application.

Program Statistics and Results

Since 2011 the current PEI PNP has nominated 1583 applicants to CIC for permanent residency. Details of nominations for this fiscal year, per category, are presented in Table 1.

Table 1: 2014-2015 Nominations by Category		
	Number	%
100% Ownership Stream	297	65.56%
Critical Worker Stream	65	14.35%
Partial Ownership Stream	0	0%
Skilled Worker	89	19.65%
Work Permit Stream	2	0.44%
Total:	453	100%

Selection Factors

IIDI uses a variety of selection factors to ensure candidates meet the program criteria and will have the best chance to economically establish in PEI. Some key factors in influencing the success of an immigrant after landing include age, education, and community, which make these key factors to consider when assessing an applicant.

Of the immigrants nominated by PEI over 86% are between the ages of 30 and 49. People in this age bracket are individuals who already have experience in their field of expertise, are able to easily integrate into PEI, and maximize economic benefit. Again, this reinforces the high quality of applicants PEI attracts and nominates.

Of the immigrants being nominated by PEI, the top countries of origin have remained similar over the past number of years. Attracting immigrants from similar backgrounds builds community, strong cultural

surroundings and increases successful settlement and retention for our province. Table 2 details the different source countries of nominees for this fiscal year.

Table 2: 2014-2015 Nominees by Country of Origin			
	Country	Number	%
Top 6 Source Countries	China	280	61.81%
	Philippines	46	10.15%
	India	16	3.53%
	Vietnam	13	2.87%
	United Kingdom	12	2.65%
	Italy	6	1.32%
	Other Source Countries	80	17.66%
Total		453	100%

The majority of nominees have more than a high-school education level, with more than 89% of all nominees having 13 or more years of education, and more than 61% having 16 or more years of education.

RECRUITMENT

IIDI's recruitment team works closely with various stakeholders, particularly Island employers, to identify labour market gaps and promote PEI as a destination of choice that boasts rewarding career opportunities and offers a business community that is supportive of new entrepreneurs and skilled workers. The recruitment team plans strategic missions in national and international markets to help employers address labour market gaps. IIDI also actively raises positive awareness of the economic and social benefits of attracting and welcoming newcomers to PEI and helps educate clients, employers, and other stakeholders on the various processes and pathways for immigration. IIDI strives to connect people who would like to settle in PEI with the resources that can help them build a career and live comfortably on the Island.

IIDI's recruitment team facilitates connections between employers and potential job seekers. Recruitment missions rely on extensive business engagement and participation because ultimately the businesses are hiring the nominees. IIDI's strategic recruitment missions are employer driven in markets where candidate pre-screening and overall retention are given significant consideration. In 2014-2015 IIDI participated in one national recruitment events and three international recruitment events.

IIDI worked with the province's Information Technology sector to organize and deliver customized Information Technology recruitment missions to Toronto, Ontario which brought companies together with IT professionals looking to work and relocate to the east coast region. In cooperation with this event an East Coast style reception was held, providing opportunity for Atlantic Canadian expatriates to network and discuss opportunities in Atlantic Canada.

IIDI participated in the multi-sector Working In Recruitment Fair in London as part of an East Coast Delegation during which Island companies met with a number of highly skilled individuals looking for job opportunities. While in London, IIDI also had the opportunity to meet with representatives from the Canadian High Commission to discuss recruitment initiatives.

IIDI also took part in Destination Canada in the fall of 2014 to build awareness and promote initiatives for attracting and retaining Francophone immigrants to PEI. Destination Canada is a premier, multi-sector, Canada only, event that pre-selects highly skilled European professionals to attend. While participating in Destination Canada, IIDI established connectivity with European stakeholders and agencies that provide services for Canadian international recruitment. IIDI promoted the PEI Working Holiday Visa pilot project in partnership with the Acadian Francophone community and positioned PEI as an employment and investment destination for Francophones through promotions of the PEI PNP.

IIDI also attended the Emigratiebeurs Emigration Expo in the Netherlands in the spring of 2015 as part of an East Coast delegation. During the two day event PEI and the accompanying companies met with a number of skilled individuals looking for job opportunities. The East Coast Provinces also gave one presentation per day on the region.

SETTLEMENT & RETENTION

PEI has experienced continuous growth in the arrival of newcomers to the Province over the past decade. Successful settlement and retention depend on a variety of factors and it is important that IIDI collaborate with stakeholders to help newcomers work towards successfully settling within our Island communities. IIDI provides leadership, coordination and support of settlement initiatives for newcomers, through funding activities in the private and public sectors that are designed to increase the economic and social successes of newcomers settling within PEI.

PEI Connectors Program

The PEI Connectors Connecting Newcomers, Business and Opportunities Program (The PEI Connectors) is delivered by the Greater Charlottetown Area Chamber of Commerce. The PEI Connectors was launched in June 2011 its objectives are to:

- Focus on introducing interested newcomers to key business and government contacts;
- Facilitate newcomers either establishing their own business or joining existing businesses;
- Focus on enterprise and business development; and
- Connect newcomers who wish to pursue professional and/or employment interests to the most appropriate body

An Advisory Committee comprised of prominent business leaders was developed by the Chamber to provide advice and referrals to support the program. Since its inception the PEI Connectors have seen over 600 clients, holds up to 40 seminars per year, and has made over 2,000 connections.

PEI Association for Newcomers to Canada

The PEI Association for Newcomers to Canada (“PEI ANC”) is the primary settlement service providing organization in the province. IIDI works closely with the PEI ANC to help encourage positive newcomer settlement, integration, and retention outcomes. Newcomers have a better settlement experience when they are integrated both socially and economically.

The PEI ANC currently has 9 different programs which focus on the primary areas of settlement and integration, employment programs, immigrant youth, language services, and community outreach.

Collaboration for Diversity Events

IIDI continues to support the DiverseCity event held each summer in various communities across PEI. This popular annual event is a free, family friendly multicultural street festival that features live performances, a cultural craft fair, international food, games and activities. In an effort to promote multi-culturalism across all of PEI, DiverseCity expanded in 2014, holding an event in Montague and Summerside as well as Charlottetown. These events are consistently well attended and are an opportunity for all Islanders to celebrate our rich cultural diversity.

IIDI also continues to support the International Tea House, an initiative in PEI that provides an atmosphere of multicultural collaboration where cultures interact in an educational and social environment. As a result of this worthwhile series of events, there has been an improved understanding of multiculturalism and the contributions of newcomers in PEI.

Business Community Outreach Tours

Growing on the success of past business community outreach tours, IIDI, in conjunction with the PEI Connectors, organized and executed three tours for newcomers in a variety of communities across PEI. The focus of these tours is to show newcomers all areas of the Island, allowing newcomers to visit existing businesses, view new start up businesses, and see successful investments made by other newcomers. The Business Community Outreach Tours educate newcomers about the opportunities and potential within the province, facilitates connectivity and networking with the Island's business community and past newcomers, and helps newcomers integrate into smaller communities. Over 200 newcomers have participated in the tours which have been very well received and newcomers report great value in exploring the Island's business community. Some of the communities visited over the past few years were Alberton, Borden-Carleton, Cavendish, Georgetown, Kensington, Montague, Souris, Summerside, and Wood Islands. The tours highlight businesses across various sectors including manufacturing, retail, aerospace, and tourism.

Language Services

Language proficiency is an important element for newcomers to be successful in obtaining meaningful employment in PEI and to socially integrate. Newcomers face barriers if they have difficulty communicating in one of Canada's official languages. CIC provides funding to Study Abroad and Holland College to deliver language training to newcomers in PEI. IIDI recognizes that language training helps immigrants' economic and social integration and retention in PEI and contributes to this initiative by purchasing textbooks for volunteer based language programs. IIDI has outlined a need for language training within a business context for new entrepreneurs and in the fall of 2014 began offering an English as an additional language course with a focus on business language and concepts. This course was offered in the evenings to allow newcomers the opportunity to increase their English language capabilities while continuing to work or operate their business. IIDI will continue to monitor the needs of newcomers in regards to language training and continue to support language training in areas where needs have been identified.

La Coopérative d'intégration Francophone

La Cooperative d'integration Francophone ("CIF") is responsible for creating welcoming communities for Francophone newcomers to the province. The organization has implemented several initiatives including: anti-racism workshops for educators, community networking gatherings, promotional activities, and diversity presentations in schools. IIDI continues to work with CIF to encourage effective Francophone attraction, settlement, and retention in PEI.

CIF also promotes the Working Holiday program (Programme Vacances-Travail - PVT) which is an International Experience Canada program that brings young French people between 18 and 35 years of age to live and work in Canada. Program participants receive a 12-month work visa, allowing them to travel across Canada while working to sustain them financially.

Réseau de développement économique et d'employabilité

Réseau de développement économique et d'employabilité ("RDÉE") is the provincial Francophone economic development council of PEI. RDÉE offers support services for community economic development, co-operative development services, as well as settlement support services for entrepreneurs.

RDÉE administers the Programme d'entrepreneurship régional, communautaire et économique ("PERCÉ") program, which offers post-secondary students paid internships opportunities in their field of study. PERCÉ

is designed to provide a means for Island youth to access employment opportunities in PEI, which helps encourage repatriation and increase youth retention.

RDÉE administers the Liant l'immigration économique à nos succès ("LIENS") project which seeks to increase awareness of Francophone economic immigration and its importance on PEI. LIENS aims to create a business and employment environment that is welcoming to the integration of immigrants and provides education about hiring foreign nationals who speak French. IIDI supports the LIENS project by enabling employers and French-speaking newcomers to connect for employment opportunities and offering networking activities between Island and Francophone newcomer entrepreneurs.

FUND MANAGEMENT AND LENDING

IIDI, through PEI Century 2000 Fund Inc. (PEICF) make strategic repayable loans to PEI businesses in an effort to stimulate economic development. Prior to the 2014/15 fiscal year, PEICF received repayable advances from the Federal Immigrant Fund that were used to provide repayable loans to PEI businesses. In 2014, the Federal Government terminated the Federal Immigrant Investor Program. CIC has communicated to all Provinces that there will be no accelerated repayment schedule for funds received through the Immigrant Investor Program.

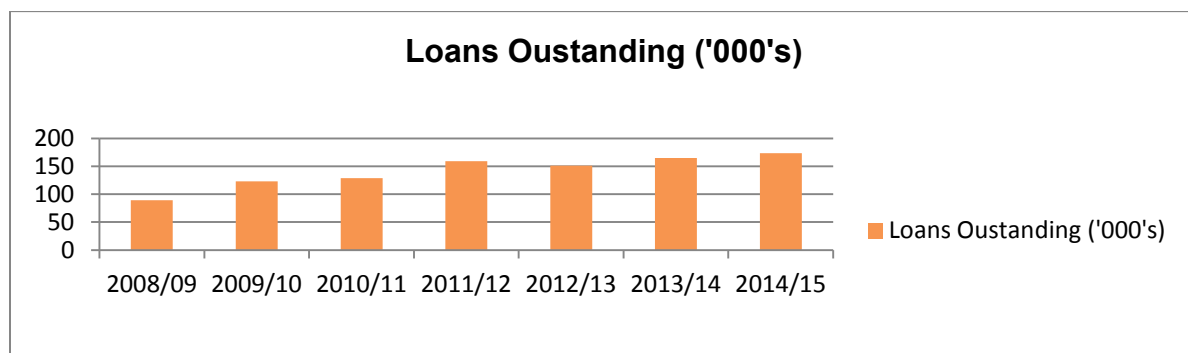
General lending conditions associated with PEICF loans are as follows.

- Loans are available for a 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.
- Renewal financing is available for existing loans for one additional five-year term, using either a floating rate of prime plus 1.25% or a fixed rate equal to the posted five-year rate at a chartered bank.
- 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 provincial priorities and Innovation PEI's Strategic Sectors. On occasion PEICF may also finance certain projects that may fall outside of PEI's Strategic Sectors, which have significant economic benefits to the Island community. Some examples of PEICF's strategic lending activities includes participation in certain major projects undertaken in Summerside, Charlottetown, Morell, Georgetown and other communities across the province which will significantly contribute to the future economic prosperity of these communities and the province.

During fiscal 2014/2015, PEICF's loan portfolio exhibited growth with \$8.3 overall growth in the loan portfolio. Overall, the total number of loan accounts at fiscal year end increased by 15% to 111 while the portfolio value (loans outstanding) increased by 5.5% to \$173.5 million in comparison to the prior fiscal year.

At fiscal year-end the financing approved for several projects remained undisbursed and 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.

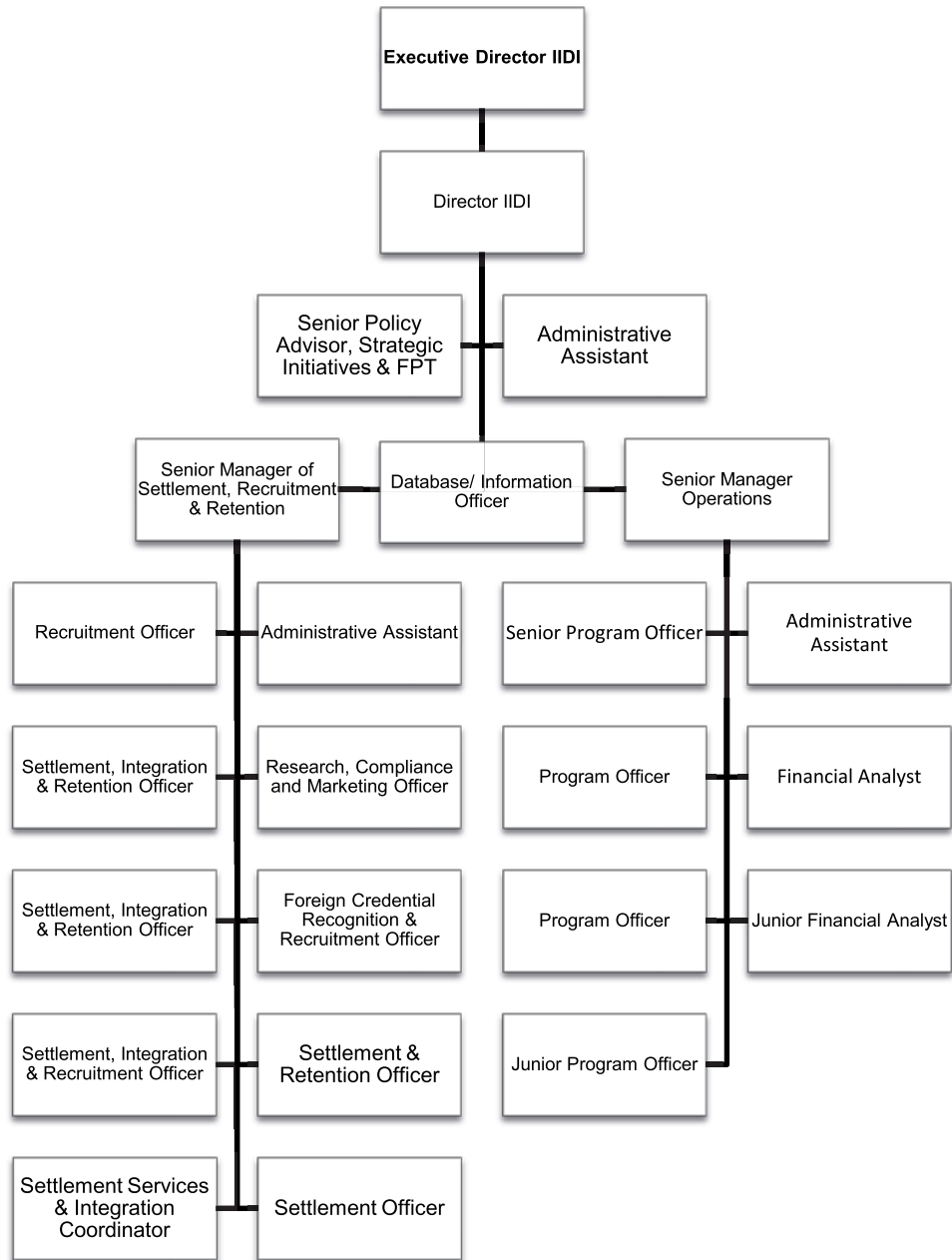


APPENDIX A

Island Investment Development Inc. Board of Directors	
Neil Stewart (Chair)	Deputy Minister, Department of Innovation and Advanced Learning
Richard Gallant	Deputy Minister, Department of Fisheries, Aquaculture and Rural Development
Dan Campbell	Secretary, Treasury Board
Jamie Aiken	Executive Director, IIDI
John MacQuarrie	Deputy Minister, Department of Agriculture and Forestry
Cheryl Paynter	CEO, Innovation PEI

APPENDIX B

Organizational Chart



APPENDIX C

Audited Financial Statements

Island Investment Development Inc.

Consolidated Financial Statements
March 31, 2015



ArsenaultBestCameronEllis

CHARTERED ACCOUNTANTS

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

Chartered Accountants &
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June 11, 2015

Independent 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 statement of financial position as at March 31, 2015, and the consolidated statement of comprehensive income, changes in equity 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 controls 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 controls. 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, 2015, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ArsenaultBestCameronEllis

Chartered Accountants

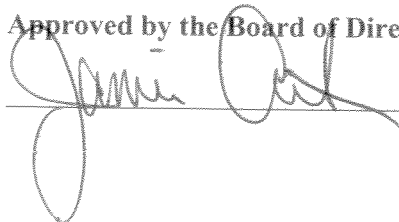
Island Investment Development Inc.

Consolidated Statement of Financial Position

As at March 31, 2015

	2015 \$	2014 \$
Assets		
Cash	48,680,325	16,673,471
Marketable securities	65,707,353	122,241,072
Accounts receivable (note 6)	125,344	142,772
Demand loan receivable (note 7)	6,998,502	6,998,502
Notes receivable (notes 8 and 14)	143,639,950	141,634,665
Advances to related companies (note 14)	202,896	3,877,646
Investment in private company (note 9)	373,733	241,635
Deferred financing costs (note 10)	4,582,075	6,229,310
Restricted funds (note 11)		
Cash and marketable securities	130,153,190	85,648,982
	<u>400,463,368</u>	<u>383,688,055</u>
Liabilities		
Accounts payable and accrued liabilities (note 14)	1,284,096	1,334,300
Notes payable (note 12)	183,582,113	215,492,117
Restricted funds (note 11)	130,153,190	85,648,982
	<u>315,019,399</u>	<u>302,475,399</u>
Trust funds (note 13)	-	4,104,897
Less: Funds on deposit (note 13)	-	(4,104,897)
	<u>-</u>	<u>-</u>
	315,019,399	302,475,399
Contingent liability (note 16)		
Retained earnings	85,443,969	81,212,656
	<u>400,463,368</u>	<u>383,688,055</u>

Approved by the Board of Directors



Director

(2)



Director

Island Investment Development Inc.

Consolidated Statement of Changes in Equity

For the year ended March 31, 2015

	2015 \$	2014 \$
Retained earnings - Beginning of year	81,212,656	69,771,903
Net earnings for the year	4,231,313	11,440,753
Retained earnings - End of year	<u>85,443,969</u>	<u>81,212,656</u>

Island Investment Development Inc.

Consolidated Statement of Comprehensive Income For the year ended March 31, 2015

	2015 \$	2014 \$
Revenue		
Interest on notes and loan receivable (note 14)	6,109,610	5,554,573
Investment income on marketable securities	3,745,496	3,353,962
Provincial Nominee Program fees	2,153,750	1,149,500
Provincial Nominee Program defaults (note 11)	1,225,000	5,677,720
Interview fees	-	380,698
Miscellaneous revenue	29,400	-
	<u>13,263,256</u>	<u>16,116,453</u>
Expenses		
Salaries (note 14)	1,315,729	1,364,228
Management fees (note 14)	535,000	500,000
Interest and bank charges	5,858	2,339
Interest on notes payable (note 14)	189,947	210,515
Professional fees	180,016	166,628
Office	40,727	48,197
Meetings and conferences	37,768	52,197
Promotion and advertising	62,877	58,235
Equipment	25,096	15,624
Provision for possible losses (recovery)	3,679,625	(2,429,712)
Consulting fees	86,097	111,584
Travel	99,494	157,014
Grants - private companies	895,781	766,483
Education contribution	15,053	110,383
Rent	50,000	50,000
Doubtful accounts	-	47,696
Amortization	2,517,281	2,714,213
	<u>9,736,349</u>	<u>3,945,624</u>
Operating earnings	3,526,907	12,170,829
Other income (expense)		
Unrealized gain (loss) on marketable securities	704,406	(730,076)
Net earnings for the year	<u>4,231,313</u>	<u>11,440,753</u>

Island Investment Development Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the year	4,231,313	11,440,753
Items not affecting cash		
Amortization of deferred financing costs	2,517,281	2,714,213
Unrealized loss (gain) on marketable securities	(704,406)	730,076
Provision for (recovery of) possible losses	3,679,625	(2,429,712)
	9,723,813	12,455,330
Net change in non-cash working capital items		
Decrease in accounts receivable	17,428	531,978
Increase (decrease) in accounts payable and accrued liabilities	(50,204)	376,636
	9,691,037	13,363,944
Financing activities		
Increase (decrease) in notes payable - net	(31,910,004)	3,506,397
Decrease (increase) in advances to related companies	3,674,750	(362,646)
	(28,235,254)	3,143,751
Investing activities		
Increase in investment in private company	(212,525)	(204,135)
Decrease (increase) in marketable securities - net	57,238,126	(29,111,409)
Increase in restricted funds - cash and marketable securities	(44,504,208)	(40,105,103)
Increase in restricted funds - liability	44,504,208	40,105,103
Increase in notes receivable - net	(5,604,484)	(14,568,850)
Decrease in demand loan receivable	-	119
Decrease (increase) in trust funds	4,104,897	(4,104,897)
Increase (decrease) in funds on deposit	(4,104,897)	4,104,897
Increase in deferred financing costs	(870,046)	(2,751,634)
	50,551,071	(46,635,909)
Increase (decrease) in cash	32,006,854	(30,128,214)
Cash - Beginning of year	16,673,471	46,801,685
Cash - End of year	48,680,325	16,673,471

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2015

1 Reporting entity

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.

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.

Island Investment Development Inc.'s head office is located in Charlottetown, Prince Edward Island.

Island Investment Development Inc. prepares its financial statements in compliance with Canadian International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been approved for issue by the Board of Directors on June 11, 2015.

2 Summary of significant accounting policies

(a) Basis of 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).

(b) Basis of measurement

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in note 2(d).

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the company's functional currency.

(d) Financial instruments

i) Recognition and measurement

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued. At initial recognition, the company classifies its financial instruments as follows:

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2015

- Financial instruments at fair value through profit or loss (FVTPL)

Financial assets held for trading are reported at FVTPL with changes in fair value reported through the statement of comprehensive income. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, if so designated by management or it is a derivative that is not designated and effective as a hedging instrument. Transaction costs are expensed.

Assets in this category includes marketable securities.

- Available for sale ("AFS")

Available for sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale investments are recognized initially at fair value plus transactions costs, and are subsequently carried at fair value, other than the company's investment in certain shares as their fair value cannot be reliably measured. Upon such time that their fair value can be reliably measured, the carrying amount of these financial assets will be adjusted to fair value. Gains and losses arising from remeasurement are recognized in other comprehensive income.

Dividends or distributions on available for sale investments are recognized in the statement of comprehensive income as investment income, when the company's right to receive payment is established.

Assets in this category include investment in private company.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recorded at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

Assets in this category includes cash, accounts receivable, demand loan receivable, notes receivable and advances to related companies.

- Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Liabilities in this category include accounts payable and accrued liabilities, notes payable and restricted funds.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2015

ii) Impairment of financial instruments

The company determines, at each statement of financial position date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are recorded, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the company on non-market terms that the company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as conditions that correlate with defaults in the group.

- Financial assets classified as loans and receivables

For the purposes of individual evaluation of impairment, the amount of the impairment loss on a loan or receivable is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of earnings. The calculation of the carrying value reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the company to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off after all the necessary procedures have been completed and the amount of loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of earnings in provision for possible losses expense.

Loans that were past due and either subject to collective impairment assessment or are individually significant and whose terms have been renegotiated are not longer considered to be past due but are treated as new loans. In subsequent years, if the loan becomes past due, this will be disclosed only if renegotiated again.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2015

- Assets classified as available for sale

At each statement of financial position date, the company assessed if there is objective evidence that an AFS financial asset may be impaired. A significant or prolonged decline in the fair value of an AFS security below its costs is considered objective evidence in determining whether the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is reclassified from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed.

(e) Cash

Cash consists of cash held in banks.

(f) Deferred financing costs

The costs incurred in obtaining financing have been capitalized and are being amortized using the straight-line basis over the term of the notes payable, which is sixty months.

(g) Revenue recognition

Investment income is recorded in the period earned.

Interest accrued on notes and loans receivable is recognized as revenue in the period earned.

Provincial Nominee Program fees and interview fees are recorded as revenue when earned.

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

(h) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and report amounts of assets, liabilities, revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that have the most significant effect on the amounts recognized in the financial statements are with respect to the allowance for loan losses, as detailed in note 4.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2015

(i) Standards issued but not yet effective

As at March 31, 2015, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these financial statements. Other than the introduction of IFRS 9 described below, these changes are not expected to have a material impact on the financial statements.

IFRS 9 Financial Instruments, was issued in November 2009 and addresses classifications and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaced the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in the statement of comprehensive income to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

This standard is effective for periods beginning on or after January 1, 2015.

3 Agent agreement

Prince Edward Island Century 2000 Fund Inc.

The Federal Minister of Citizenship and Immigration acts as an Agent for the company 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 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, 2015

In the 2014 Federal Government Budget, it was disclosed that Citizenship Immigration Canada (CIC) would be terminating the Federal Immigrant Investor Programs during the 2014 calendar year. Subsequently, CIC has communicated to all provinces that there will be no accelerated repayment schedule for funds received through the Immigrant Investor Program.

4 Critical accounting estimates and judgments

The company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the period the assumptions changed. The principal area involving a higher degree of judgment or complexity and/or area which require significant estimates is described below:

Provision for possible losses

The company regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the company makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of members in a group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using specific valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments. Where market observable data inputs are not available, they are estimated based on appropriate assumption. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management.

For investments in private company, consideration was given as to whether or not par value was equal to redemption value and whether the company had the right to redeem those shares at their discretion. To the extent that the redemption value of those shares is equal to their par value, then these shares will also be designated as AFS at fair value with fair value equal to (or in the case of potential impairment, less than) par value. These investments are reported at par value on the basis that they are not liquid investments and have a limited number of potential purchasers. Where fair value cannot be reliably measured, these investments are recorded at cost.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2015

5 Financial instruments

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2015		2014	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Assets carried at fair value				
Financial assets held for trading	195,860,543	195,860,543	207,890,054	207,890,054
Assets carried at amortized cost				
Notes, receivables and advances	150,966,692	150,966,692	152,653,585	152,653,585
Cash	48,680,325	48,680,325	16,673,471	16,673,471
Investment available for sale	373,733	373,733	241,635	241,635
	200,020,750	200,020,750	169,568,691	169,568,691
Liabilities carried at amortized cost				
Accounts payable and accrued liabilities	1,284,096	1,284,096	1,334,300	1,334,300
Notes payable	183,582,113	183,582,113	215,492,117	215,492,117
Restricted funds	130,153,190	130,153,190	85,648,982	85,648,982
	315,019,399	315,019,399	302,475,399	302,475,399

The fair value of financial assets held for trading is determined by their quoted market value at the reporting date.

6 Accounts receivable

	2015 \$	2014 \$
Trade	173,040	190,468
Less: Allowance for doubtful accounts	(47,696)	(47,696)
	125,344	142,772

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2015

Continuity of allowance for doubtful accounts

	2015 \$	2014 \$
Balance - Beginning of year	47,696	-
Current year provision	-	47,696
Balance - End of year	47,696	47,696

7 Demand loan receivable

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. During a prior year, this agreement was transferred to Finance PEI. The balance of the line of credit at March 31, 2015 is \$6,998,502 (2014 - \$6,998,502).

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 receivable

	2015			2014	
	Total \$	Impaired loans included in total \$	Individual Allowance \$	Net \$	Net \$
Working capital					
Manufacturing and processing	2,494,825	2,494,825	1,836,784	658,041	823,758
Tourism	-	-	-	-	17,077,932
General business	17,284,925	6,438,609	2,104,412	15,180,513	19,444,126
	19,779,750	8,933,434	3,941,196	15,838,554	37,345,816
Long-term loans					
Manufacturing and processing	77,643,443	20,008,776	9,295,658	68,347,785	72,573,194
Technology	1,372,212	1,372,212	200,000	1,172,212	1,173,261
Aerospace	9,670,741	7,559,964	7,559,965	2,110,776	1,763,674
Tourism	15,908,086	136,391	136,391	15,771,695	19,933,224
General business	49,665,338	41,459,605	10,911,022	38,754,316	6,483,745
	154,259,820	70,536,948	28,103,036	126,156,784	101,927,098
Accrued interest	3,176,382	-	1,531,770	1,644,612	2,361,751
	177,215,952	79,470,382	33,576,002	143,639,950	141,634,665

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2015

The fair value of the collateral held by the company as security for the impaired loans was \$49,118,336 (2014 - \$39,319,762). The company has estimated the fair value of collateral based on an updated assessment of the security appraisal undertaken at the original funding assessment and management's knowledge of local real estate and business market conditions.

Continuity of individual allowance

	Beginning balance \$	Provision \$	Reversal \$	Write-off \$	2015 Ending Balance \$	2014 Ending Balance \$
Working capital						
Manufacturing and processing	1,671,067	165,717	-	-	1,836,784	1,671,067
Tourism	6,525,000	-	6,525,000	-	-	6,525,000
General business	2,105,721	-	1,309	-	2,104,412	2,105,721
	10,301,788	165,717	6,526,309	-	3,941,196	10,301,788
Long-term loans						
Manufacturing and processing	8,403,935	1,303,896	412,173	-	9,295,658	8,403,935
Technology	200,000	-	-	-	200,000	200,000
Aerospace	7,559,965	-	-	-	7,559,965	7,559,965
Tourism	686,391	-	550,000	-	136,391	686,391
General business	1,550,000	9,711,022	350,000	-	10,911,022	1,550,000
	18,400,291	11,014,918	1,312,173	-	28,103,036	18,400,291
Accrued interest	1,274,725	257,045	-	-	1,531,770	1,274,725
	29,976,804	11,437,680	7,838,482	-	33,576,002	29,976,804

Loans past due but not impaired

A loan is considered past due when a payment has not been received by the contractual due date. The following table presents the carrying value of the loans that are past due but not classified as impaired as they are either (i) less than 90 days past due unless there is information to the contrary that an impairment event has occurred or (ii) fully secured and collection efforts are reasonably expected to result in repayment.

Loans that are past due but not impaired are as follows:

	90 - 120 days \$	120 - 150 days \$	150 - 180 days \$	+180 days \$	Total \$
As at:					
March 31, 2015	-	-	300,000	13,222,440	13,522,440
March 31, 2014	797,787	315,271	-	12,286,841	13,399,899

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2015

During the years ended March 31, 2015 and 2014, the company did not acquire any assets in respect of delinquent loans.

Related party notes:

Included in long-term loans - tourism is nil (2014 - \$4,402,996) due from The Charlottetown Area Development Corporation.

Included in long-term loans manufacturing and processing are unsecured notes receivable due from Finance PEI of \$3,230,948 (2014 - \$3,278,142).

Included in accrued interest is \$506,212 (2014 - \$436,724) from Finance PEI and nil (2014 - \$7,238) due from The Charlottetown Area Development Corporation.

9 Investment in private company

	2015 \$	2014 \$
Investment in private company		
Atlantic Canada Regional Venture Fund LP	454,160	241,635
Less: allowance for possible losses	(80,427)	-
	<u>373,733</u>	<u>241,635</u>

Continuity of allowance for doubtful accounts

	2015 \$	2014 \$
Balance - Beginning of year	-	-
Current year provision	80,427	-
Balance - End of year	<u>80,427</u>	<u>-</u>

10 Deferred financing costs

			2015	2014
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Commissions	11,494,912	6,912,837	4,582,075	6,229,310

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2015

11 Restricted funds

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

	2015 \$	2014 \$
Good Faith deposits	1,031,527	2,322,334
Entrepreneur Program deposits	475,000	675,000
Language deposits	301,665	1,061,665
Good Faith deposits - new program	127,724,998	80,949,983
Language deposits - new program	20,000	40,000
Intermediary deposits	600,000	600,000
	<u>130,153,190</u>	<u>85,648,982</u>

- (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 provided the applicant provides evidence that the conditions set out in the agreement have been met. In the event that the applicant does not meet the conditions for repayment, the company records the deposit amount as revenue in the fiscal year in which the deposit period ends. During the year, twenty-six applicants (2014 - ninety-four applicants) were refunded \$650,000 (2014 - \$2,354,847) and twenty-five applicants (2014 - one hundred and forty-seven applicants) defaulted totaling \$625,000 (2014 - \$3,728,720).
- 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. In the case that the applicant does not meet the conditions for repayment, the company records the deposit amount as revenue in the fiscal year in which the deposit period ends. During the year, one applicant (2014 - two applicants) was refunded totaling \$100,000 (2014 - \$225,000) and one applicant (2014 - one applicant) defaulted totaling \$100,000 (2014 - \$129,000).
- 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. If the conditions are not met, the company records the deposit amount as revenue in the fiscal year in which the deposit period ends. During the year, thirteen (2014 - thirty-four) applicants were refunded \$260,000 (2014 - \$688,000) and twenty-five (2014 - ninety-one) applicants defaulted totaling \$500,000 (2014 - \$1,820,000). During the year, there was no new applicants in the language deposits - new program (2014 - none) totaling nil (2014 - nil) in deposits.

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- d) Certain applicants under the Prince Edward Island Provincial Nominee Program - Business Impact Category 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. Starting May 23, 2013, deposits under this agreement were increased to \$150,000 and, starting April 4, 2014, deposits under this agreement were increased to \$200,000. Once the conditions have been met, the deposit is returned to the applicant. In the case that the applicant does not meet the conditions for repayment, the company records the deposit amount as revenue in the fiscal year in which the deposit period ends. During the year, there were twenty-one applications before May 23, 2013 (2014 - two hundred and eighty-five) totaling \$2,100,000 (2014 - \$22,800,000) in deposits, one hundred and fifty-six applications after May 23, 2013 and before April 4, 2014 (2014 - one hundred and seventy-five) totaling \$23,400,015 (2014 - \$26,250,000) in deposits and one hundred and eleven applicants in the program after April 4, 2014 (2014 - none) totaling \$22,200,000 (2014 - nil). Eight applicants (2014 - one) were refunded totaling \$850,000 (2014 - \$100,000), three applications were refunded their residency fee totaling \$75,000 (2014 - nil) and no applicants (2014 - none) defaulted totaling nil (2014 - nil).

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

12 Notes payable

	2015 \$	2014 \$
Non-interest bearing notes payable, nominally dated with commencement dates ranging from April 1, 2010 to April 1, 2015, repayable in full in five years from the commencement date pursuant to the federally administered Immigrant Investor Program	177,782,272	209,015,505
3.11% term loan, due July 6, 2022, to the Province of Prince Edward Island, payable in bi-annual payments of \$433,359 including interest	5,758,286	6,430,208
Accrued interest payable	41,555	46,404
	<u>183,582,113</u>	<u>215,492,117</u>

All notes payable are pursuant to the Immigrant Investor Regulations.

The Province of Prince Edward has provided a guarantee of the 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 due on the notes payable over the next five years are as follows:

	\$
Year ending March 31, 2016	50,607,542
2017	41,031,551
2018	25,876,228
2019	48,800,311
2020	15,155,956

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13 Trust funds

On March 21, 2014, Island Investment Development Inc. received shares in Geneba Properties N.V. through the Dutch Participation Exchange. These shares were to be held until June 2014, at which point they were to be redeemed and the proceeds paid as part of a settlement for loans by Prince Edward Island Century 2000 Fund Inc. and the Prince Edward Island Provincial Treasury.

14 Related party transactions

Related parties

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

Finance PEI and Innovation PEI are Crown corporations of the Province of Prince Edward Island.

PEI Biocommons Inc. is a subsidiary of a Crown corporation.

Related party balances

Included in notes receivable is accrued interest of nil (2014 - \$7,238) and notes receivable of nil (2014 - \$4,402,996) due from The Charlottetown Area Development Corporation.

Included in accounts payable and accrued liabilities is \$260,500 (2014 - \$450,000) to Finance PEI and \$438,734 (2014 - \$441,128) to Innovation PEI.

Advances to related companies:

	2015 \$	2014 \$
PEI Biocommons Inc.	-	2,500,000
Innovation PEI	-	1,140,000
Finance PEI	202,896	237,646
	<hr/>	<hr/>
	202,896	3,877,646

Advances to related companies are non-interest bearing with no specific terms of repayment.

Transactions

Included in interest on notes and loan receivable is \$207,369 (2014 - \$220,500) from Finance PEI and \$29,434 (2014 - \$95,647) from The Charlottetown Area Development Corporation.

Included in expenses are management fees of \$535,000 (2014 - \$500,000) to Finance PEI and interest on notes payable of \$189,947 (2014 - \$210,515) to the Province of Prince Edward Island.

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Compensation of directors and key management personnel

The remuneration of directors and key management personnel during 2015 and 2014 were as follows:

	2015	2014
	\$	\$
Salaries	147,204	116,015

Key management personnel consist of the executive director, directors and manager needed to administer the programs in Island Investment Development Inc. Certain members of key management are employed under Innovation PEI and the portion of their salary which pertains to the work performed for Island Investment Development Inc. is reflected in the \$535,000 (2014 - \$500,000) management fee paid to Finance PEI.

15 Commitments

Prince Edward Island Century 2000 Fund Inc. loans approved but not disbursed at March 31, 2015 amount to \$12,838,557 (2014 - \$4,739,243).

16 Contingent liability

A statement of claim has been filed against the company that deals with the question of priority interest that the company has in a mortgage that is held as collateral on their notes receivable to a specific organization. There is no amount recorded in these financial statements for the possible effect on the calculation of the allowance for possible credit losses as the potential outcome of the claim is uncertain at this time.

17 Financial risk management objectives and policies

Island Investment Development Inc.'s principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board of Directors (Board), which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Island Investment Development Inc. manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the company's notes receivable and marketable securities.

The company's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

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The company's maximum exposure to credit risk at the reporting date was:

	2015 \$	2014 \$
Cash	48,680,325	16,673,471
Marketable securities	65,707,353	122,241,072
Accounts receivable	125,344	142,772
Demand loan receivable	6,998,502	6,998,502
Notes receivable	143,639,950	141,634,665
Advances to related companies	202,896	3,877,646
Investment in private company	373,733	241,635
Restricted funds	130,153,190	85,648,982
	<u>395,881,293</u>	<u>377,458,745</u>

i) Notes receivable

For the notes receivable portfolio, the company uses risk modelling that is customer based rather than product based. The company reviews the borrowers capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing credit risk. Typically, collateral consists of capital assets held by the borrower but can extend to working capital such as inventory when warranted. Any shortfall in collateral as compared to the carrying value of the loan is considered when analyzing the loan for the provision that needs to be applied to it.

Credit is approved by staff and the company's Board of Directors with loans in excess of \$1 million requiring approval by Treasury Board. The company factors the financial strength of each borrower, the security which is available, their position in industry and past payment history when assessing all potential loans.

ii) Cash and marketable securities

Cash and marketable securities have a low credit risk exposure as the assets are high quality investments with low risk counterparties.

(b) Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they come due. Specifically, the company needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities, notes payable and to pay back any deposits under the Provincial Nominee Program as they come due. The company's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The table below analyzes the company's financial liabilities into relevant groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

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	2015				
	Under 1 year \$	Between 1 - 2 years \$	Between 2 - 5 years \$	Over 5 years \$	Total \$
Accounts payable and accrued liabilities	1,284,096	-	-	-	1,284,096
Note payable	50,607,542	41,031,551	89,832,495	2,110,525	183,582,113
Restricted funds	130,153,190	-	-	-	130,153,190
	182,044,828	41,031,551	89,832,495	2,110,525	315,019,399

	2014				
	Under 1 year \$	Between 1 - 2 years \$	Between 2 - 5 years \$	Over 5 years \$	Total \$
Accounts payable and accrued liabilities	1,334,300	-	-	-	1,334,300
Note payable	46,276,782	50,607,542	115,708,090	2,899,703	215,492,117
Restricted funds	85,648,982	-	-	-	85,648,982
	133,260,064	50,607,542	115,708,090	2,899,703	302,475,399

As at March 31, 2015, the company has \$244,540,868 (2014 - \$224,563,525) in cash and marketable securities that is readily available to be used to meet the cash outflows of the company's financial liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Price risk

The company is exposed to price risk because of the marketable securities held by the company that are classified as fair value through profit or loss. This company is not exposed to commodity price risk. To manage its price risk arising from marketable security is the company diversifies its portfolio.

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(ii) 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 \$	Over 5 years \$	Not interest rate sensitive \$	Total \$
Assets					
Cash	48,680,325	-	-	-	48,680,325
Marketable securities	65,707,353	-	-	-	65,707,353
Accounts receivable	-	-	-	125,344	125,344
Demand loan receivable	6,998,502	-	-	-	6,998,502
Effective interest rate	1.13%				
Note receivable (net of allowance for losses)	18,458,847	100,138,394	23,398,097	1,644,612	143,639,950
Effective interest rate	4.12%	3.87%	2.00%		
Advances to related companies	-	-	-	202,896	202,896
Investment in private company	-	-	-	373,733	373,733
Restricted funds	-	-	-	130,153,190	130,153,190
Deferred financing costs	-	-	-	4,582,075	4,582,075
Total assets	139,845,027	100,138,394	23,398,097	137,081,850	400,463,368
Liabilities and surplus					
Accounts payable and accrued liabilities	-	-	-	1,284,096	1,284,096
Note payable	50,565,987	130,864,046	2,110,525	41,555	183,582,113
Restricted funds	58,192			130,094,998	130,153,190
Surplus	-	-	-	85,443,969	85,443,969
Total liabilities and surplus	50,624,179	130,864,046	2,110,525	216,864,618	400,463,368
Interest rate sensitivity gap	89,220,848	(30,725,652)	21,287,572	(79,782,768)	-

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

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(e) Capital management

The primary objective of Island Investment Development Inc.'s capital management is to ensure that it maintains a healthy financial position in order to support its business. Island Investment Development Inc. manages its capital structure and makes changes to it in light of changes in economic conditions.