# NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED

## FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2009

## CONTENTS

**HEMMING WEIR CASEY INCORPORATED**
CHARTERED ACCOUNTANTS

TELEPHONE (902) 422-1201
FAX (902) 425-5394
2000 BARRINGTON STREET
SUITE 1306 – COGSWELL TOWER
HALIFAX NS B3J 3K1
www.hwcINCORPORATEDca

## AUDITORS' REPORT

To the Board of Directors of the
Nova Scotia Strategic Opportunities Fund Incorporated

We have audited the statement of financial position of Nova Scotia Strategic Opportunities Fund Incorporated (the "Fund") as at March 31, 2009 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Funds management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, N.S.
May 22, 2009

**Chartered Accountants**

**NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED**

**STATEMENT OF FINANCIAL POSITION**

**AS AT MARCH 31, 2009**

## ASSETS

| | |
|---|---|
| **CURRENT ASSETS** | |
| Cash | $ 9,477,328 |
| Promissory notes receivable *(Note 3)* | 45,075,578 |
| Accrued interest receivable | 83,975 |
| | 54,636,881 |
| **OTHER ASSETS** | |
| Deferred financing costs *(Note 4)* | 3,498,029 |
| | $58,134,910 |

## LIABILITIES

| | |
|---|---|
| **CURRENT LIABILITIES** | |
| Deposits received in advance | $ 1,472,556 |
| Accounts payable and accrued liabilities | 5,104 |
| | 1,477,660 |
| **LONG-TERM LIABILITIES** | |
| Obligations to investors *(Note 5)* | 56,506,431 |

## SHAREHOLDERS' EQUITY

| | |
|---|---|
| **CAPITAL STOCK** | |
| Authorized 1,000,000 common shares without nominal or par value, issued 1 share | 1 |
| **SURPLUS** | 150,818 |
| | 150,819 |
| | $58,134,910 |

Approved on behalf of the Fund

_______________________________ Director

_______________________________ Director

**NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED**

**STATEMENT OF OPERATIONS**

**AS AT MARCH 31, 2009**

| | |
|---|---|
| **REVENUE** | |
| Interest | $588,010 |
| | |
| **EXPENSES** | |
| Amortization of deferred financing costs | 431,250 |
| Audit fees | 5,000 |
| Legal fees | 793 |
| Bank charges | 149 |
| | 437,192 |
| | |
| **EXCESS OF REVENUE OVER EXPENSES** | 150,818 |
| Surplus, beginning of year | - |
| **SURPLUS, END OF YEAR** | $150,818 |

**NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED MARCH 31, 2009**

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Excess of revenue over expenses | $ 150,818 |
| Non-cash items | |
| Amortization of deferred financing costs | 431,250 |
| Net change in non-cash working capital items | |
| Interest receivable | (83,975) |
| Accounts payable and accrued liabilities | 5,104 |
| Deposits received in advance | 1,472,556 |
| Net cash generated from operations | 1,975,753 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Promissory notes receivable | (45,075,578) |
| Net cash generated from (used in) investing | (45,075,578) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | |
| Amount received from investors | 52,694,996 |
| Refund to investors | (117,843) |
| Net cash generated from (used in) financing | 52,577,153 |
| **INCREASE IN CASH, END OF YEAR** | $ 9,477,328 |

## 1. PURPOSE OF THE ORGANIZATION

The Nova Scotia Strategic Opportunities Fund Incorporated ("Fund") is a corporation owned and established by the province of Nova Scotia for the purpose of receiving and managing allocations under the federal Immigrant Investor Program (IIP). The IIP is an investment program designed to deliver low cost funding to support provincial and territorial economic development and job creation priorities. Provincial allocations are repayable to the federal government within five years of receipt by the Fund on behalf of the province. The province has provided a guarantee of repayment to the federal government to secure participation in the program. The Fund was incorporated on April 3, 2007 under the laws of the Province of Nova Scotia, as 3215512 Nova Scotia Limited and changed its name August 10, 2007. The Fund did not begin active operations until April 1, 2008.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Significant accounting policies are as follows:

**(a) Deferred Financing Costs**
Deferred financing costs are amortized on a straight line basis over the five year period during which the funds are available to the Fund.

**(b) Revenue Recognition**
Interest is recognized on an accrual basis and accrued interest is based on the rate assigned to the notes held at the year end date.

**(c) Use of Estimates**
The preparation of these financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenue and expenditures during adjustments made as appropriate in the year they become know.

## 3. PROMISSORY NOTES RECEIVABLE

The notes receivable are interest bearing and are due from the Province of Nova Scotia at various dates during the year ending March 31, 2010.

## 4. DEFERRED FINANCING COSTS

Deferred financing costs of $3,498,029 consist of a seven percent commission paid to CIC approved financial institutions which market the program and assist investors in the administration of their investments.

## 5. OBLIGATIONS TO INVESTORS

One of the conditions for the issuance of a visa to immigrants under the Citizenship and Immigration Canada (CIC), Business Immigration Program, is that they must invest $400,000 in Canada for a period of five years. The amount of the investment is allocated to the participating provinces on the first day of the second month following the month payment is received from the investor. $200,000 of the $400,000 is divided equally among the participating provinces while the remaining $200,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces.

These obligations to investors are secured by a non-transferable zero interest promissory note issued by CIC as agent for the Fund and the guarantee of the Province of Nova Scotia. The guarantee is to CIC, as agent of the Fund, who will repay investors. The promissory notes are repayable, without interest, in full, five years from the date the funds were allocated to the Province or within 90 days after the receipt of a written request by the investor for repayment of the funds provided that such a request for repayment has been received by the agent before a visa has been issued to the investor.

Obligations to investors at March 31 2009, totalled $56,506,431. Scheduled investment repayment dates are as follows:

| | |
|---|---|
| 2013 | $51,724,708 |
| 2014 | 4,781,723 |
| | $56,506,431 |

## 6. RELATED PARTY TRANSACTIONS

For administrative purposes the Corporation is managed by the Department of Economic and Rural Development and short-term investments for cash management purposes are made by the Department of Finance. The full amounts of investments made are carried on the corporation's books as a promissory note receivable from the Department of Finance. Expenses related to salaries, and administrations are incurred directly by the Department and no provision is made in these financial statements for these expenses. The amount of these expenses is not material to these financial statements.

## 7. FINANCIAL INSTRUMENTS

The Corporation's financial instruments recognized on the balance sheet consist of cash, notes receivable, interest receivable, accounts payable and accrued liabilities and obligations to investors. The purpose of the Corporation is to receive capital from immigrant investors and invest the funds for the purpose of creating and continuing employment in Canada to foster the development of a strong viable economy. At March 31, 2009, the Corporation had not invested any of the funds received from immigrant investors into projects.

***Fair value***

The carrying value of the notes receivable, interest receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. Due to the fact that the obligations to investors are guaranteed by the Province and the Corporation pays no interest, the face value of the obligations to investors is their fair value.

***Interest rate risk***

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

## 8. ECONOMIC DEPENDENCE

As a result of its reliance on actions by Citizenship and Immigration Canada and investment decisions by the Government of Nova Scotia, the Corporation's ability to continue viable operations is dependent on the actions of both entities.

## 9. INCOME TAX

The Corporation is a Crown entity of the Province of Nova Scotia and as such is not subject to Provincial or Federal income taxes.

## 10. COMMITMENTS

The Fund has approved at year end, but not disbursed at a loan of $12,500,000, which is expected to be disbursed in the 2010 fiscal year.

## 11. SUBSEQUENT EVENTS

Subsequent to year end the corporation approved an additional loan of $20,000,000, which is expected to be disbursed in the 2010 fiscal year.