NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED

FINANCIAL STATEMENTS

MARCH 31, 2011

Collins Barrow
Chartered Accountants

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED
INDEX
MARCH 31, 2011

Collins Barrow
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of **Nova Scotia Strategic Opportunities Fund Incorporated**, which comprise the statement of financial position as at March 31, 2011 and the statements of earnings, deficit and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers interal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Nova Scotia Strategic Opportunities Fund Incorporated** as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian Generally Accepted Accounting Principles.

Collins Barrow Nova Scotia Inc.

Dartmouth, Nova Scotia
June 30, 2011

Chartered Accountants

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED
STATEMENT OF EARNINGS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 2011

	2011	2010
	$	$
INTEREST REVENUE	**1,613,460**	563,435
EXPENSES		
Amortization of deferred financing costs	**2,029,719**	1,168,248
Interest and bank charges	**21**	12
Professional fees	**18,963**	6,104
Travel	**1,193**	-
	2,049,896	1,174,364
NET EARNINGS	**(436,436)**	(610,929)
RETAINED EARNINGS (DEFICIT) - Beginning	**(2,303,607)**	150,818
	(2,740,043)	(460,111)
FAIR VALUE ADJUSTMENT FOR LOANS RECEIVABLE	**1,839,443**	1,843,496
DEFICIT - end of year	**(4,579,486)**	(2,303,607)

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2011

	2011	2010
	$	$
ASSETS		
CURRENT		
Cash	**10,299,568**	40,748,807
Accounts receivable	**110,228**	11,251
Promissory note receivable (Note 4)	**87,523,558**	34,999,845
	97,933,354	75,759,903
DEFERRED FINANCING COSTS (Note 5)	**8,357,162**	6,059,451
LOANS RECEIVABLE AND ACCRUED INTEREST (Note 6)	**63,399,322**	29,525,415
	169,689,838	111,344,769
LIABILITIES		
CURRENT		
Accounts payable	**55,816**	5,681
OBLIGATIONS TO INVESTORS (Note 7)	**172,129,049**	109,863,931
DEPOSITS RECEIVED IN ADVANCE	**2,084,458**	3,778,763
	174,269,323	113,648,375
SHAREHOLDER'S EQUITY		
SHARE CAPITAL (Note 10)	**1**	1
DEFICIT	**(4,579,486)**	(2,303,607)
	(4,579,485)	(2,303,606)
	169,689,838	111,344,769

Approved by the Board

________________________ **Director**

________________________ **Director**

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2011

	2011	2010
	$	$
CASH PROVIDED BY (USED FOR)		
OPERATIONS		
Net earnings	(436,436)	(610,929)
Items not affecting cash		
Amortization	2,029,719	1,168,248
	1,593,283	557,319
Changes in non-cash working capital items		
Account receivable	(98,977)	72,724
Accounts payable	50,135	577
Deposits received in advance	(1,694,305)	2,306,207
	(149,864)	2,936,827
FINANCING		
Deferred financing costs	(4,327,430)	(3,729,670)
Received from investors	62,265,118	53,357,500
	57,937,688	49,627,830
INVESTING		
Promissory note receivable	(52,523,713)	10,075,733
Loans receivable and accrued interest	(35,713,350)	(31,368,911)
	(88,237,063)	(21,293,178)
CHANGE IN CASH POSITION	(30,449,239)	31,271,479
CASH - beginning of year	40,748,807	9,477,328
CASH POSITION - end of year	10,299,568	40,748,807

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 is incorporated under the laws of the Province of Nova Scotia. As a Crown entity of the Province of Nova Scotia it is not subject to Provincial or Federal income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

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. In the initial year of receipt, amortization is pro-rated on a monthly basis.

Revenue recognition

Note interest is recognized on an accrual basis and accrued interest is based on the rate assigned to the notes. Loans have been discounted and interest is recognized at the market rate based upon the carrying value.

Financial instruments

The Company's financial instruments include cash, accounts receivable, promissory note receivable, loans receivable, accounts payable, obligations to investors and deposits received in advance. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair market value of these financial instruments approximates their carrying values.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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. Loans receivable have been discounted to market rates at the time of issue.

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 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.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. FUTURE ACCOUNTING FRAMEWORK CHANGE

The CICA has issued a new accounting framework applicable to Canadian public enterprises. Effective for fiscal years beginning on or after January 1, 2011, public enterprises will have to choose between International Financial Reporting Standards (IFRSs) and Public Sector Accounintg (PSAB), whichever suits them best. Early adoption of these standards is permitted. The Company plans to adopt the new Public Sector Accounting, for its fiscal year beginning on April 1, 2011, however the impact of this transition has not yet been determined.

4. PROMISSORY NOTE RECEIVABLE

The note receivable is interest bearing and is due from the Province of Nova Scotia.

5. DEFERRED FINANCING COSTS

Deferred financing costs of $11,995,245 (2010 - $7,667,815) less amortization of $3,638,083 (2010 - $1,608,364), consists of commissions paid to CIC approved financial institutions which market the program and assist investors in the administration of of their investments.

6. LOANS RECEIVABLE AND ACCRUED INTEREST

All loans except for one bear interest compounded annually. The remaining loan bears interest compounded semi-annually. The loan principal and interest are due five years from the date of issue. At the time of issuance, the interest on the loans was less than market value. Accordingly, the loans have been discounted using market interest rates and this amount has been charged to retained earnings.

On a weighted average basis, the portfolio bears interest of 2.03%, whereas market rates are estimated to be 3.00%.

	2011	2010
	$	$
Face value of loans	**66,296,395**	31,090,574
Accrued interest	**683,037**	175,508
Loans Discount	**(3,580,110)**	(1,740,667)
	63,399,322	29,525,415

7. 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 $800,000 in Canada for a period of five years. Prior to December 1, 2010 the investment required was $400,000. 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. $400,000 of the $800,000 is divided equally among the participating provinces while the remaining $400,000 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 request for repayment has been received by the agent before a visa has been issued to the investor.

Obligations to investors at March 31,2011 totalled $172,129,049. Scheduled repayment dates are asfollows:

	$
2013	4,377,156
2014	52,138,146
2015	53,351,995
2016	62,261,752

8. RELATED PARTY TRANSACTIONS

For administrative purposes, the Corporation is managed by the Department of Economic and Rural Development and Tourism 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 administration are incurred directly by the Department and no provision is made in these financial statements for these expenses.

9. 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.

10. SHARE CAPITAL

Authorized
1,000,000 common shares without nominal or par value

	2011	2010
	$	$
Issued		
1 Common shares	1	1

11. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.