



*Prince  
Edward  
Island*  
CANADA

**ISLAND INVESTMENT DEVELOPMENT INC.**  
**2017-2018 Annual Report**



Chris Palmer was elected to the Prince Edward Island Legislature in a by-election held on October 17, 2016, as the representative for District 21, Summerside-Wilmot. He was sworn in as Minister of Economic Development and Tourism on January 10, 2018.

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# Message from the Minister

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*September 19, 2018*

**The Honourable Antoinette Perry**

*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, 2018.

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 'Chris Palmer'. The signature is fluid and cursive, with a large initial 'C' and 'P'.

**Hon. Chris Palmer**

*Minister of Economic Development and Tourism*

# Message from the Executive Director

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*September 19, 2018*

**The Honourable Chris Palmer**

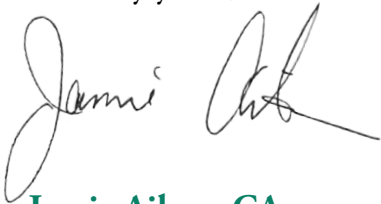
*Minister of Economic Development and Tourism  
Province of Prince Edward Island*

Dear Minister:

I present to you the Annual Report for the fiscal year ending March 31, 2018.

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". The signature is fluid and cursive, with the first name "Jamie" written in a larger, more prominent script than the last name "Aiken".

**Jamie Aiken, CA**

*Executive Director*

# Table of Contents

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Message from the Minister .....	2
Message from the Executive Director.....	3
Table of Contents.....	4
Annual Report   2017-2018 Summary .....	5
Rapport annuel   Survol de 2017-2018 .....	6
Overview.....	7
Programs & Initiatives.....	8
Program Statistics .....	11
Settlement Initiatives.....	13
Mohammed Moin – Somru .....	14
Rodrigo Visintin – Trout River Industries.....	15
Mursalin Abul – Coles Associates .....	16
Fund Management, Lending & Strategic Initiatives.....	17
Appendix A   Board of Directors .....	18
Appendix B   Organizational Chart .....	19
Appendix C   Audited Financial Statements ...	20

# Annual Report | 2017-2018 Summary

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*Island Investment Development Inc. (IID)* is a crown corporation within the *Department of Economic Development and Tourism*. Operating as the PEI Office of Immigration, IID is responsible for provincial immigration as outlined in the *Canada-Prince Edward Island Co-operation on Immigration agreement*. This responsibility includes the delivery of the *Prince Edward Island Provincial Nominee Program (PNP)* as well as the promotion, recruitment, selection, settlement and integration of immigrants to the province.

The Provincial Nominee Programs were established by *Immigration, Refugees and Citizenship Canada (IRCC)* formerly *Citizenship Immigration Canada (CIC)* beginning in the late 1990's to allow provinces and territories to nominate foreign nationals who met the requirements for economic immigration and were interested in settling in their province. *Prince Edward Island* signed the agreement in June 2008. One of the primary goals of the new agreements was to support a shift in the destination of newcomers to benefit smaller provinces, such as *Prince Edward Island*.

The *Prince Edward Island Provincial Nominee Program (PNP)* nominates individuals to the federal government for permanent residency. Individuals are chosen based on their ability to economically establish and their intent to live and work in PEI. If approved by the federal government, they receive permanent residence. Additionally, the province has signed a 3 year agreement with IRCC to implement the *Atlantic Immigration Pilot Program (AIPP)*. The *AIPP* is designed to support *Atlantic Canada* with an additional 2,000 newcomers and their families annually.

## Key highlights from the 2017-18 year include:

- **Prince Edward Island's population is estimated to be 152,021, an increase of 1.7 percent from 2016, the fastest growth amongst all provinces.**
- **In 2017-18, Prince Edward Island continued to see strong diversification seeing newcomers from Vietnam, Taiwan, Jamaica, India, China, and the Philippines to name a few.**
- **The growth of the Atlantic Immigration Pilot Program has continued to support Island Employers filling vacancies in Prince Edward Island with 120 new positions in 2017.**
- **The number of employed persons in PEI increased by 3.1 percent in 2017; subsequently, the unemployment rate decreased 0.9 point to 9.8 percent, which is the lowest annual average since 1978.**
- **The launch of the Office of Immigration's Expression of Interest System (EOI) to prioritize selection of candidates to the Provincial Nominee Program.**
- **In collaboration with 13 Island Communities, potential PEI PNP businesses can seek community endorsement and earn additional points in the Expression of Interest (EOI) system. This was implemented to promote and support growth of immigration in rural areas of the province.**
- **Approximately 70% of all nominations are in support of workforce development.**

Island Investment Development Inc. (IID) est une société de la Couronne qui fait partie du ministère du Développement économique et du Tourisme. Sous le nom du Bureau de l'immigration, IID est responsable de l'immigration provinciale conformément à l'Accord de collaboration Canada-Île-du-Prince-Édouard sur l'immigration, notamment en administrant le Programme des candidats de l'Î.-P.-É. et en gérant la promotion, le recrutement, la sélection, l'établissement et l'intégration des immigrants dans la province.

Vers la fin des années 1990, Immigration, Réfugiés et Citoyenneté Canada (IRCC), anciennement Citoyenneté et Immigration Canada (CIC), a mis sur pied des programmes de candidats provinciaux pour permettre aux provinces et territoires de désigner des ressortissants étrangers qui satisfont aux exigences liées à l'immigration économique et qui s'intéressent à s'établir sur leur territoire. L'Île-du-Prince-Édouard a signé l'accord en juin 2008. L'un des principaux objectifs des nouveaux accords était d'appuyer la réorientation des nouveaux arrivants vers les provinces plus petites, notamment l'Île-du-Prince-Édouard.

Le Programme des candidats de l'Île-du-Prince-Édouard permet de proposer des candidats pour la résidence permanente au gouvernement fédéral. La province choisit des candidats en fonction de leur capacité à s'établir économiquement et de leur intention de vivre et de travailler à l'Île. Lorsqu'une candidature est approuvée par le gouvernement fédéral, la personne obtient la résidence permanente. En outre, la province a signé une entente de trois ans avec IRCC pour mettre en oeuvre le Programme pilote d'immigration au Canada atlantique, qui vise à appuyer l'arrivée de 2 000 nouveaux arrivants et leur famille au Canada atlantique chaque année.

## Voici quelques faits saillants pour 2017-2018 :

- **La population de l'Île-du-Prince-Édouard est estimée à environ 152 021, ce qui représente une augmentation de 1,7 pourcent depuis 2016. C'est le taux de croissance le plus élevé parmi toutes les provinces canadiennes.**
- **En 2017-2018, des nouveaux arrivants du Vietnam, de Taïwan, de la Jamaïque, de l'Inde, de la Chine et des Philippines, entre autres, ont continué de diversifier la population de l'Île-du-Prince-Édouard.**
- **La croissance du Programme piloté d'immigration au Canada atlantique a continué d'appuyer les employeurs de l'Île, leur permettant de pourvoir 120 nouveaux postes en 2017.**
- **Le nombre de personnes à l'emploi dans la province a augmenté de 3,1 pourcent en 2017, tandis que le taux de chômage a diminué de 0,9 point de pourcentage à 9,8 pourcent, sa plus basse moyenne annuelle depuis 1978.**
- **Le Bureau de l'immigration a lancé son Système de déclaration d'intérêt pour établir un ordre de priorité dans la sélection des candidats au sein du Programme des candidats de l'Île-du-Prince-Édouard.**
- **Grâce à la collaboration de 13 collectivités insulaires, des entreprises souhaitant participer au Programme des candidats de l'Île-du-Prince-Édouard peuvent chercher l'appui d'une collectivité et se faire accorder des points supplémentaires dans le Système de déclaration d'intérêt. Cette nouvelle option a été mise en vigueur pour promouvoir et appuyer la croissance de l'immigration en milieu rural.**
- **Environ 70 pourcent de toutes les propositions de candidats appuient le développement de la main-d'oeuvre.**

# Overview

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The process of receiving permanent residency through the immigration pathway can be a lengthy process with average processing times ranging from six months to two years. The *Office of Immigration* accepts and reviews applications for PNP, and if approved, the candidate is then nominated to the federal government for permanent residency. After being approved by IRCC for permanent residency, the candidates (and family members) land on PEI and are recorded as permanent residency admissions for PEI.

## Legislative Responsibility

*Island Investment Development Inc.* is responsible for administering the Island Investment Development Act. Through the administration of this act IIDI's responsibilities are to raise capital in foreign and domestic markets and to provide investment opportunities for projects that have a significant economic benefit to PEI. Furthermore, to promote PEI as a premier destination for offshore investment and to attract entrepreneurs to establish business in the province.

## Mission

The mission of IIDI is to deliver adaptive programs and services that facilitate to the economic and social growth of PEI by attracting and retaining newcomers to the province; to attract immigration applications that are best suited to positively contribute to the provinces unique economy and culture. IIDI continues to focus on this while working with the *Department of Workforce and Advanced Learning* to promote and implement population retention strategies.

## Vision

The vision of IIDI is to establish and maintain Prince Edward Island as a destination of choice for newcomer's current residents.

## Mandate

IIDI is responsible for immigration, settlement and retention while working collaboratively with the *Department of Workforce and Advanced Learning* toward the overall economic and population growth of PEI. IIDI's programs and services also extend to Islanders, both within and outside of the province, and to Canadians looking for opportunities in *Prince Edward Island*.

IIDI is committed to its vision of establishing and maintaining *Prince Edward Island* as a destination of choice for newcomers and current residents. It is through our commitment to this vision, which IIDI will work to:

- **Administer the PEI PNP and select immigrants who fulfill a labour market need, and will make a contribution to PEI's economy;**
- **Develop, implement and deliver immigration programs that encourage the integration and retention of newcomers;**
- **Promote relationships and support services for connecting employers with foreign national employees;**
- **Market all of the immigration pathways to Prince Edward Island, and promote PEI as an attractive immigration destination for both working opportunities and community building;**
- **Provide coordination and funding to stakeholders that are delivering various services to newcomers;**
- **Stimulate economic development through lending, to support the growth and needs of the private sector in PEI;**
- **Support immigrant entrepreneurs in the establishment of their business.**

# Programs & Initiatives

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## Immigration Categories

Through the Province of Prince Edward Island PNP, foreign nationals have the ability to apply through three different categories.

## The three categories from which an applicant can choose to apply are:

### Business Impact Category

Foreign nationals who are planning to establish a business on PEI use this pathway to gain permanent residency. The *Business Impact Category* aims to attract the applicants that have sufficient financial resources and either a history of business ownership or a high-level of management experience. This category aids in stimulating economic development and helps diversify the market opportunities through attracting new business owners to PEI.

*The three streams from which an applicant can choose, are as followed:*

#### 100% Ownership

Aims to attract foreign nationals who plan to own and operate a business in PEI by starting a new business, or investing in an existing business.

#### Partial Ownership

Designed to attract applicants who wish to transition into the PEI business community by becoming a part owner and manager in an existing business in PEI.

#### Work Permit

This stream allows applicants to come to PEI and purchase and/or start their business prior to being nominated by the Province. Nomination for permanent residency is then dependent on the performance of the applicant.

## Labour Impact Category

The employer-driven category of PEI programs is called the Labour Impact Category. The Labour Impact Category is designed to help fill permanent labour shortages and skill gaps in PEI businesses who have exhausted all other avenues of finding a PEI resident, or other Canadian, willing and able to perform the job. This category provides support pathways to permanent residency for foreign nationals who have a valid long-term job offer from a company located in PEI. The Labour Impact Category ensures that island businesses are able to find suitable employees when labour shortages arise due to required skill sets or seasonality.

*The three streams from which an applicant can choose, are as followed:*

#### Skilled Worker

This program is designed to attract and retain highly skilled workers that have completed the appropriate training, work experience and language ability to fill employer-identified labour market shortages. This stream is typically used by the Information Technology, Restaurant and Tourism, Aerospace, Agriculture and Health Care Sectors to help address their labour shortages.

#### Critical Worker

This program is designed to retain workers, primarily those currently with a valid work permit, to fill long-term labour market shortages in occupations that typically require a high school education and/or on-the-job training. Transportation and Logistics, Seafood Processing, and Health Care are sectors that typically use this stream to help address their labour shortages.

\* On September 12, 2018, the Department announced the closure of the Escrow Stream of the Business Impact Category. The last EOI draw was September 20, 2018, and future draws thereafter will only include Work Permit Stream applicants.



## International Graduate

This program is designed to provide a pathway for those students that attended a publicly funded PEI University or College to obtain permanent residency, so long as they find employment on PEI with an employer who has demonstrated a labour shortage in a high-skill position.

Prince Edward Island continues to be a destination of choice of international students. PEI post-secondary institutions are attended each year by thousands of international students because of its culture and community. It is imperative that we make sure that any of these talented, bright, young individuals have the opportunity to stay on PEI and build their lives here and contribute to growing the PEI economy after graduation.

## Express Entry

IRCC has an electronic application management system that was started in 2015 called Express Entry. The programs that are administered through this system are the Federal Skilled Worker, the Federal Skilled Trades, and the Canadian Experience Class. Applicants are ranked on a number of human capital factors and the top scoring applicants are then invited to apply for permanent residency. The primary goal of the Express Entry Category is to eliminate backlogs that IRCC had in these programs, to eliminate the requirement to process files on a first-in, first-out basis, and to improve overall processing times. Through this system, only the top ranked applicants are selected to apply. IRCC has committed to a process that sees 80% of applicants will be processed within six months.

When IRCC launched this system, they gave each province an enhanced allocation to use through Express Entry in order to nominate individuals who intended to live and work in that province. Applicants through this stream are required to meet the criteria of at least one of the federal programs mentioned above that are administered

through the system, as well as having expressed their interest to live and work in PEI. IIDI then selects the individuals that meet the specific needs of the province's labour market and invites them to make a formal application.



## Atlantic Immigration Pilot Program

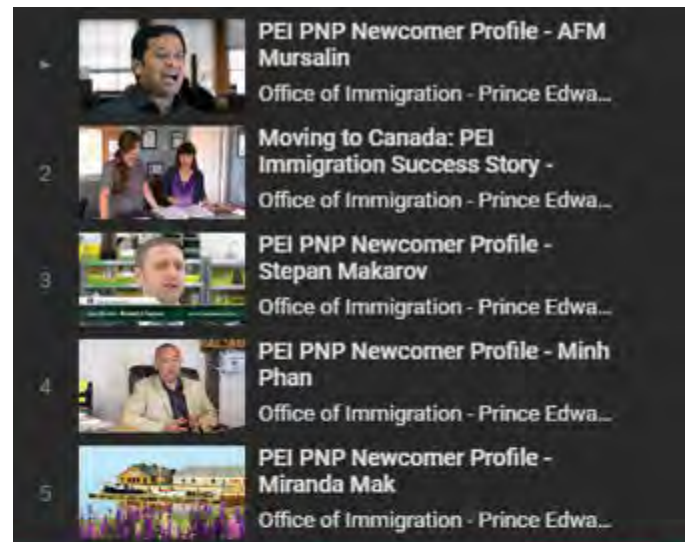
In July 2016 a partnership between the federal government and the four Atlantic Canadian provinces was announced to launch a new Atlantic Growth Strategy. The partnership was aimed at increasing job opportunities and stimulating economic development in Atlantic Canada. Included in the plan was a three year immigration pilot program which is aimed to increase the number of new immigrants establishing in the region by 2000 additional nominations annually.

The Atlantic Immigration Pilot Program (AIPP) is an employer-driven federal immigration pilot program that is designed to help PEI businesses fill permanent labour shortages and skill gaps by endorsing foreign nationals for permanent residency. The AIPP includes three different streams that aim to address different needs:

**Atlantic High Skilled Program:** allows employers to attract highly skilled individuals

**Atlantic Intermediate Skilled Program:** allows employers to attract semi-skilled individuals

**Atlantic International Graduate Program:** allows employers to attract recent graduates from Atlantic Canadian post-secondary institutions



1 PEI PNP Newcomer Profile - AFM Mursalin  
Office of Immigration - Prince Edwa...

2 Moving to Canada: PEI Immigration Success Story -  
Office of Immigration - Prince Edwa...

3 PEI PNP Newcomer Profile - Stepan Makarov  
Office of Immigration - Prince Edwa...

4 PEI PNP Newcomer Profile - Minh Phan  
Office of Immigration - Prince Edwa...

5 PEI PNP Newcomer Profile - Miranda Mak  
Office of Immigration - Prince Edwa...

**Watch our  
"PEI PNP  
Newcomer  
Profiles"  
Video Series  
on YouTube**

**OFFICE OF IMMIGRATION**

# Program Statistics

The Province of Prince Edward Island is given an allocation from IRCC every year, which is the maximum number of nomination certificates IIDI can use in a year. A nomination certificate represents a family unit and is given out on a calendar year basis. The Province's allocation for 2017 is 850. The allocation given to the Province is then further divided between the PEI PNP streams, also known as "base allocation" of 500 and the Express Entry stream, called "enhanced allocation" of 350. The following table notes the nominations broken down by program stream for the fiscal year 2017/18.

## *April 1, 2017 - March 31, 2018 Nominations by Category*

Stream	#	%
100% Ownership Stream	292	30%
Critical Worker Stream	154	16%
Express Entry	245	25%
International Graduate Stream	9	1%
Partial Ownership Stream	1	0%
Skilled Worker Stream	69	7%
Work Permit Stream	3	0%
Atlantic Immigration Pilot	201	21%
<b>Total</b>	<b>974</b>	<b>100%</b>

- **70% of nominations were for employer driven programs.**

There are a number of selection factors that are used by IIDI to ensure that all candidates meet the program criteria. This allows for the best chance for successful candidates to economically establish themselves in Prince Edward Island. Age, education, language ability, work experience, and

community endorsement, are all key factors that influence the success of an immigrant after their landing. The following tables reflect an overview of IIDI's nominations for age and education:

## *April 1, 2017 - March 31, 2018 Nominations by Level of Education*

Level of Education	#	%
Ph.D	17	2%
Master's Degree	135	14%
Bachelor's Degree	256	26%
Certificate/Diploma	252	26%
Trade/Apprenticeship	5	1%
Secondary	309	31%
<b>Total</b>	<b>974</b>	<b>100%</b>

**Note – Minimum education requirement for the AIPP is Secondary. All have been included in this line.**

## *April 1, 2017 - March 31, 2018 Nominations by Age All Categories*

Age at Nomination	#	%
21-29	392	40%
30-39	260	27%
40-49	276	28%
50-59	44	5%
60+	2	0%
<b>Total</b>	<b>974</b>	<b>100%</b>

- **67% of our nominations are under the age of 40.**

Creating familiar communities and strong cultural surroundings for newcomers is important in the successful settlement and retention of immigrant in PEI. The countries of origin that have been nominated by PEI have remained fairly consistent over the past number of years.

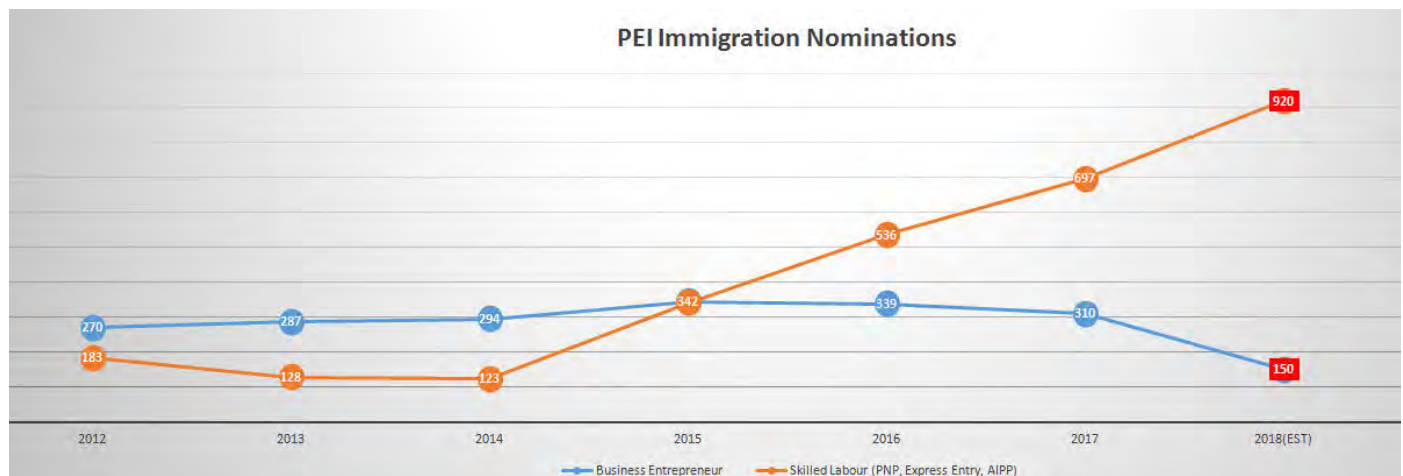
***April 1, 2017 - March 31, 2018 Nominations by Country***

Country	#	%
India	347	35%
China	220	23%
Vietnam	103	11%
Philippines	89	9%
Taiwan	39	4%
Jamaica	23	2%
All Other Countries	153	16%
<b>Total</b>	<b>974</b>	<b>100%</b>

**On an annual basis, all Provinces receive a provincial nomination allocation from the Department of Immigration, Refugees and Citizenship Canada. The 2017 allocation for Prince Edward Island was 500 for base Provincial Nominee Program, 350 for the Federal Express Entry program, as well as 120 under the Atlantic Immigration Pilot Program. (Charts below reflect calendar year.)**

Prince Edward Island Nominations	2012	2013	2014	2015	2016	2017	2018 (Estimate)
Business/Entrepreneur	270	287	294	345	339	310	150
Labour	183	128	123	153	161	240	350
Express Entry				189	375	337	350
Atlantic Pilot						120	220
<b>Total</b>	<b>453</b>	<b>415</b>	<b>417</b>	<b>687</b>	<b>875</b>	<b>1,007</b>	<b>1,070</b>

Over the past three years there has been continuous growth in streams supporting workforce as noted in the chart below.



# Settlement Initiatives

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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 then became part of the Department of Workforce and Advanced Learning.

As part of its mandate, IIDI continues to provide settlement support for entrepreneurs that immigrate to PEI through the Business Impact Category. Much of this support is provided in-house through the *Business Integration Unit*. The staff in this unit meets with newcomers within one month of their landing date in Canada, they continue to meet with them and answer any questions in order to ensure the newcomers compliance with their escrow agreements.

IIDI is a funding partner for the PEI Connectors Program, which connects newcomer entrepreneurs to local business and community leaders to help them build networks and establish or purchase a business.

They do this through hosting one on one meetings, business workshops, community outreach bus tours, and networking events as part of their programming. In 2017, the PEI Connectors Program expanded to Kings County and now has offices in all three counties.

IIDI also funds language classes specific to the needs of entrepreneur clients. The basic English or French level of PNP applicants has been increasing over the years, and a need was identified for more specific training in business and workplace language as opposed to basic English or French. Classes have been funded through Study Abroad Canada to meet this need.

Prince Edward Island is proud of the accomplishments of our Immigration Programs. We continue to showcase success achieved and work with our ethno-cultural groups and partners to support integration efforts. It is important to celebrate the success of our candidates and we will continue to profile the success on our website and YouTube channel. We have included some of these profiles on the following pages.

# Mohammed Moin – Somru

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Mohammed Moin moved to Prince Edward Island in 2000 to study at UPEI, but instead of leaving after graduation he established roots in the community.

What started as a personal project after his father's death has turned into a growing bioscience business. Moin founded Somru BioScience with his brother after their father died of esophageal cancer and didn't have access to expensive medication. Moin wanted to do something about those drug costs for patients and after living in P.E.I. for five or six years he decided to start a business.

Mohammed Moin is vice-president of business development for Somru BioScience, an innovative biotechnology company in Prince Edward Island. Moin has found the Atlantic Immigration Pilot allows Somru to accelerate the process of hiring highly-skilled foreign workers. They have 21 employees and are currently expanding and building a new 5,000-square-foot facility in Charlottetown.

“Hiring foreign workers is complicated, but the PEI Office of Immigration was able to show us that AIPP would allow us to simplify and accelerate the process and we were able to bring an employee within six months.” said Mohammed Mein.

Somru was able to narrow it down to a few potential employees and then the PEI Office of Immigration helped them go through the process of becoming a designated employer and helped their candidate file their application and go through the process of applying for permanent residency under the Atlantic Immigration Pilot program.

“We now are seeing a lot of interest in the Island, and if there is a good job, people want to move here because it is a nice community to live, it’s a nice environment and a great community to raise your kids too.” says Mohammed.

# Rodrigo Visintin – Trout River Industries

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Rodrigo, a Mechanical Engineer, and his family left their city of 13 million to find a smaller and less crowded place to build a life. Rodrigo found employment as a Mechanical Engineer Technologist with Trout River Industries through the Atlantic Immigration Pilot program.

“What I do here (Trout River Industries) is design and develop new projects for our customers and work with manufacturing and production with any questions they have in building the trailers.” says Visintin.

Trout River is a privately held Canadian company that manufactures both live bottom and patented Shuttle Floor trailers in Coleman, Prince Edward Island. Trout River specializes in live bottom conveyor trailers. Since they built their first trailer in 1999, they have grown to become Canada's

largest live bottom trailer manufacturer. Trout River is a global brand that is known for its innovation. They have a sales network of dedicated dealerships that have professional staff that has all been factory trained and carry Trout River parts to serve their clients.

Trout River HR Administrator Kelly Gavin says Rodrigo found them and told them about the AIP Program and the PEI Office of Immigration assisted in the application process. Today Rodrigo is a very valued member of the Trout River team. Not only does the skill level he brings makes them more competitive in the market, but also Gavin says he's fit in so well they can't imagine Trout River without him now. Rodrigo says it is the perfect mix of beauty and awesome people are what make him happy to work and live in PEI.

# Mursalin Abul – Coles Associates

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AFM Mursalin is happily building a career and life for his family in Prince Edward Island through the PEI Express Entry Program. Mursalin is working as a Jr. Engineer/Designer at Coles Associates and enjoys the work/life balance and opportunities that Prince Edward Island offers.

“When I was hired, my supervisor told me that we are like a small family and it seems to be true. PEI is a very attractive place for us because there are lots of things to do. My son is in swimming and he’s going to try ice hockey.” says Mursalin.

Coles Associates was started almost sixty years ago as a single person engineering shop and has grown to be the largest integrated architectural and engineering firm in the province. Mursalin’s advanced degree in process engineering and a degree in chemical engineering and Coles needs have grown in these areas and Mursalin was a great professional fit.

Coles Associates is a multi-disciplinary professional firm delivering prime consulting, architectural and engineering services including architecture and civil, municipal, structural, mechanical, process, electrical, and transportation engineering as well as project management, construction management. They provide architectural and engineering services throughout Canada and around the world, including United States, Argentina, Brazil, Uruguay, Poland, China, India, South Africa and the Caribbean.

“We have about 22 on staff and over a third have spent 90% of their careers with us. Every time we make a hire, we aim to hire a long term employee and we’ve hired Mursalin with that in mind. He truly has embraced PEI as his home.” Says Doug Coles, Vice president, Coles Associates.



# Fund Management, Lending & Strategic Initiatives

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IIDI also administers the PEI Century 2000 Fund Inc. (PEICF), 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 strategic low interest financing to PEI businesses where there will be significant economic benefit to the Province.

*General lending conditions associated with PEICF loans are as follows:*

- **Loans are available for a term of five years;**
- **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 the lending activities;**
- **Renewal financing is available for existing loans for one additional five-year term, using either a floating rate of prime plus a minimum of 1.25% pending on eligibility or a fixed rate equal to the posted five-year rate at a chartered bank;**
- **PEICF seeks similar security packages as would be ordinarily sought by a traditional chartered bank.**
- **At the end of 2017/18 the loan portfolio was \$154,487,356 with \$217,524 in loans written off during the year. This loss represents less than 0.14% of the portfolio.**

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 provincial economy. Some examples of PEICF's strategic lending activities include the participation in certain major projects that are undertaken in Albany, Bloomfield, Montague, Slemmon Park, and other communities across the

province that will significantly contribute to the future economic prosperity of Prince Edward Island.

At fiscal year-end, 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 packaged for a variety of projects.

As of March 31, 2016 IIDI acquired 100% of the outstanding common shares of Slemmon Park Corporation. Slemmon Park is a private corporation and is owned 100% by IIDI. IIDI works collaboratively with Slemmon Park Corporation on key initiatives to support economic growth.



Aerial view of Slemmon Park.

# Appendix A | Board of Directors

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## **David Keedwell** | Chairperson

Deputy Minister | *Department of Economic Development and Tourism*

## **Jamie Aiken**

Executive Director | *IIDI*

## **John Jamieson**

Deputy Minister | *Department of Agriculture and Fisheries*

## **Dan Campbell**

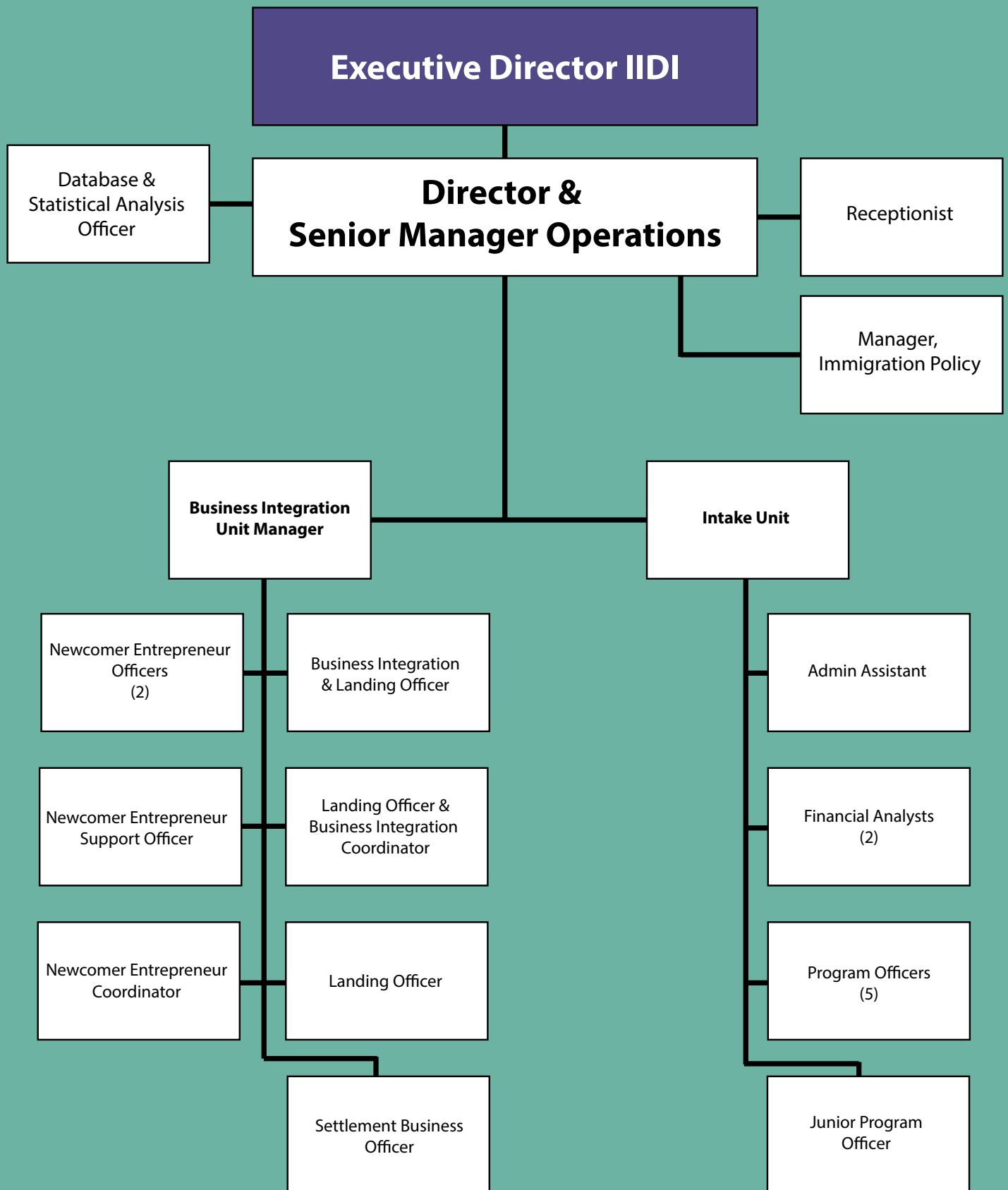
Secretary | *Treasury Board*

## **Neil Stewart**

Deputy Minister | *Department of Workforce and Advanced Learning*

*\*During the Spring 2018 Legislative Session the Province announced changes to the board of directors for IIDI. The information can be found at <https://www.princeedwardisland.ca/en/news/community-business-leaders-will-improve-transparency-investment-board>*

# Appendix B | Organizational Chart



# Appendix C | Audited Financial Statements

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# **Island Investment Development Inc.**

Consolidated Financial Statements

**March 31, 2018**

## **Island Investment Development Inc.**

Consolidated Financial Statements

**March 31, 2018**

Member of The AC Group of Independent Accounting Firms

June 11, 2018

## 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, 2018, 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*ArsenaultBestCameronEllis*

Chartered Professional Accountants

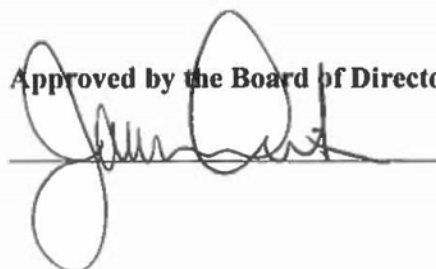
# Island Investment Development Inc.

## Consolidated Statement of Financial Position

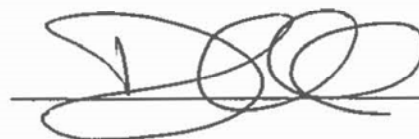
As at March 31, 2018

	2018	2017
	\$	\$
<b>Assets</b>		
Cash	13,019,938	22,697,691
Marketable securities	58,058,707	48,776,782
Accounts receivable (notes 6 and 15)	1,173,258	1,191,202
Prepaid expense	15,868	42,760
Inventory (note 14)	118,553	114,947
Demand loan receivable (note 8)	6,998,502	6,998,502
Notes receivable (note 9)	127,230,212	130,976,635
Advances to related company (note 15)	3,431,483	2,633,938
Investment in private companies (note 10)	2,440,511	1,434,373
Deferred financing costs (note 11)	570,336	1,464,698
Property and equipment (Schedule and note 14)	2,655,394	1,441,186
Investment properties (notes 7 and 14)	8,852,423	8,271,472
Restricted funds (note 12)		
Cash and marketable securities	215,097,010	208,324,461
	<u>439,662,195</u>	<u>434,368,647</u>
<b>Liabilities</b>		
Bank indebtedness	-	100,756
Accounts payable and accrued liabilities (notes 13 and 15)	4,031,429	3,056,153
Notes payable (note 14)	70,429,498	98,259,170
Restricted funds (note 12)	215,097,010	208,324,461
	<u>289,557,937</u>	<u>309,740,540</u>
<b>Contingent liability (note 17)</b>		
<b>Retained earnings</b>		
	<u>150,104,258</u>	<u>124,628,107</u>
	<u>439,662,195</u>	<u>434,368,647</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, 2018

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	2018 \$	2017 \$
<b>Retained earnings - Beginning of year</b>	124,628,107	96,334,714
Net earnings for the year	<u>25,476,151</u>	<u>28,293,393</u>
<b>Retained earnings - End of year</b>	<u>150,104,258</u>	<u>124,628,107</u>



# Island Investment Development Inc.

## Consolidated Statement of Comprehensive Income

For the year ended March 31, 2018

	2018	2017
	\$	\$
<b>Revenue</b>		
Interest on notes and loan receivable (note 15)	5,461,300	5,765,026
Investment income on marketable securities	5,263,371	5,681,015
Provincial Nominee Program fees	2,390,170	3,637,750
Provincial Nominee Program defaults	17,649,983	18,030,000
Property operations (note 15)	9,218,997	8,164,498
Miscellaneous revenue	350,000	350,053
	<hr/> 40,333,821	<hr/> 41,628,342
<b>Expenses</b>		
Doubtful accounts	270,946	163,523
Education contribution	1,507,687	379,236
Equipment	11,225	28,912
Grants - private companies	244,261	232,335
Interest and bank charges	1,153	691
Interest on notes payable (note 15)	179,931	303,515
Management fees (note 15)	535,000	535,000
Meetings and conferences	11,521	28,298
Office	47,763	43,080
Professional fees	221,463	182,889
Promotion and advertising	8,308	5,517
Property operations (note 15)	7,612,025	7,272,375
Provision for possible losses	1,045,357	1,048,990
Rent (note 15)	50,000	50,000
Salaries (note 15)	1,631,074	1,254,301
Travel	38,698	39,447
Amortization	539,124	450,360
Amortization of deferred financing costs	904,058	1,334,711
	<hr/> 14,859,594	<hr/> 13,353,180
<b>Operating earnings</b>	<hr/> 25,474,227	<hr/> 28,275,162
<b>Other income</b>		
Gain on sale of property and equipment	929	18,231
Interest income	995	-
	<hr/> 1,924	<hr/> 18,231
<b>Net earnings for the year</b>	<hr/> 25,476,151	<hr/> 28,293,393

# Island Investment Development Inc.

## Consolidated Statement of Cash Flows

For the year ended March 31, 2018

	2018	2017
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net earnings for the year	25,476,151	28,293,393
Items not affecting cash		
Amortization of deferred financing costs	904,058	1,334,711
Amortization	539,124	450,360
Gain on sale of property and equipment	(929)	(18,231)
Provision for possible losses	1,045,357	1,048,990
	27,963,761	31,109,223
Net change in non-cash working capital items		
Decrease in accounts receivable	17,944	149,953
Decrease in prepaid expense	26,892	28,754
Decrease (increase) in inventory	(3,606)	1,573
Decrease in income taxes receivable	-	263,533
Increase (decrease) in accounts payable and accrued liabilities	975,276	(1,200,243)
	28,980,267	30,352,793
<b>Financing activities</b>		
Increase (decrease) in bank indebtedness	(100,756)	51,867
Decrease in notes payable - net	(27,829,672)	(43,053,475)
Increase in advances to related company	(797,545)	(347,629)
	(28,727,973)	(43,349,237)
<b>Investing activities</b>		
Increase in investment in private companies	(1,006,138)	(490,245)
Decrease (increase) in marketable securities - net	(9,281,925)	14,635,312
Increase in restricted funds - cash and marketable securities	(6,772,549)	(32,178,725)
Increase in restricted funds - liability	6,772,549	32,178,725
Decrease in notes receivable - net	2,701,066	6,860,506
Additions to property and equipment	(1,990,622)	(526,465)
Additions to investment properties	(911,266)	(619,449)
Capital grants received	560,728	209,207
Proceeds on disposal of property and equipment	7,806	18,231
Increase in deferred financing costs	(9,696)	(24,003)
	(9,930,047)	20,063,094
<b>Increase (decrease) in cash</b>	(9,677,753)	7,066,650
<b>Cash - Beginning of year</b>	22,697,691	15,631,041
<b>Cash - End of year</b>	13,019,938	22,697,691

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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## 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, 2018.

## 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 subsidiaries, Prince Edward Island Century 2000 Fund Inc. (Century 2000 Fund) and Slemon Park Corporation.

### (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.

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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(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:

- 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 companies.

- 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 company.

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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- 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.

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.

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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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.

- 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. Bank indebtedness is considered to be a financing activity.

- (f) Inventory

Inventories are valued at the lower of cost and net realizable value. Costs are assigned using the specific item formula for food inventory. Costs include all expenses directly attributable to the purchase and delivery of the product to the Company's location. Oil inventory is valued at the lower of cost and net realizable value and is recorded at invoice cost on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

- (g) 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.

- (h) Property and equipment

Property and equipment are recorded at the fair value on the transition date of April 1, 2015 to IFRS for Slemon Park Corporation, a subsidiary, as deemed cost, with additions since that time measured at historic cost. Subsequent to initial recognition, property and equipment is recorded at cost less accumulated amortization and accumulated impairment losses. The company allocates the amount recognized in respect of each item in property and equipment to its significant components and amortizes each component separately.

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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Amortization is recognized so as to write-off the cost less residual values over the useful lives of the assets. The estimated useful lives, residual values and amortization method are reviewed at each year-end with the effect of any changes in estimates accounted for on a prospective basis.

Amortization rates are as follows:

Sewer and water infrastructure	2% - 4%	declining balance
Paving	8%	declining balance
Buildings and improvements	4% - 20%	declining balance
Furniture and equipment	20%	declining balance
Motor vehicles	30%	declining balance
Computer equipment and software	30%	declining balance

As asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. No property and equipment were identified as impaired as at March 31, 2018.

(i) Investment properties

Investment properties include land and buildings held to earn rental income. Investment properties are recorded at the fair value on the transition date of April 1, 2015 to IFRS of Slemon Park Corporation, a subsidiary, as deemed cost, with additions since that time measured at historic cost. Subsequent to its initial recognition, investment properties are recorded at cost less accumulated amortization and accumulated impairment losses. The company allocates the amount recognized in respect of each item in investment properties to its significant components and amortizes each component separately.

Amortization is recognized so as to write-off the cost less residual values over the useful lives of the assets. The estimated useful lives, residual values and amortization method are reviewed at each year-end with the effect of any changes in estimates accounted for on a prospective basis.

Amortization rates are as follows:

Buildings	4% - 20%	declining balance
Roads and paving	8%	declining balance

Investment properties are derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on retirement or disposal of investment properties are recognized in the income statement in the year of retirement or disposal.

(j) Capitalization policy

*Acquisition, construction or development over time:*

The cost of a capital asset includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity.

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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The cost of capital assets includes the purchase price and other acquisition costs such as installation costs including architectural, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties, testing, interest and preparation charges.

*Betterment:*

The cost incurred to enhance the service potential of a capital asset is a betterment. Service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, associated operating costs are lowered, the life or useful life is extended, or the quality of output is improved. The cost incurred in the maintenance of the service potential of a capital asset is a repair, not a betterment. If a cost has the attributes of both a repair and a betterment, the portion considered to be a betterment is included in the cost of the capital asset.

*Government assistance:*

Government assistance towards acquisition of capital assets will be deducted from the related capital assets with any amortization calculated on the net amount.

*Buildings and renovations:*

All expenditures that provide future benefit beyond the annual operating period and which are an integral component of the building are classified as an addition to the building.

(k) Impairment of long-lived assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. The company tests long-lived assets for impairment on an annual basis or whenever events or changes in circumstances indicate that its carrying amount of the asset is not recoverable and exceeds its fair value. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its recoverable amount. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the higher of fair value less costs to disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

(l) 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.



# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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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.

Accommodation, food and beverage, sports centre, retail and airport operation revenues, included in property operations, are measured at the fair value of the consideration received or receivable less any trade discounts or volume rebates. Revenues are recognized when the goods or services have been provided to the customer, it is probable that the associated economic benefit will flow to the company and the amount of revenue can be reliably measured.

Revenue from commercial and residential rental operations, included in property operations, is recognized straight-line over the terms of the leases when collection is reasonably assured. The difference between the rental revenue recognized and the amounts contractually due under the lease agreements is recorded in trade receivables. The company retains substantially all of the benefits and risks of ownership of its income properties and, therefore, accounts for its leases with tenants as operating leases. Realty tax and operating cost recoveries, and other incidental income are recognized on an accrual basis.

Miscellaneous revenue is recognized in the period in which the transaction or events that give rise to the revenue occur and collection is reasonably assured.

(m) Government assistance and other grants

The Governments of Canada and Prince Edward Island have contributed money to fund renovations to existing facilities and to assist the management of Slemon Park Corporation. Grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. These funds, along with other grants received, are credited to the operating expenses or capital assets to which they relate. During the year, \$560,728 (2017 - \$209,207) in grants were received or receivable related to water and sewer utility capital projects and credited to property and equipment.

(n) 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, 2018

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(o) Future accounting standards and reporting changes

The following are future changes in accounting policies not yet effective as of March 31, 2018.

IFRS 9, Financial Instruments, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, which enhanced disclosures about risk management activity. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and will be applied retrospectively. The company has not yet begun the process of evaluating the impact of this standards on its financial instruments.

IFRS 15, Revenue from Contracts with Customers, which will replace IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue - Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurements of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The company has not yet begun the process of evaluating the impact of this standard on its financial statements.

IFRS 16 was issued by the IASB on January 13, 2016. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. The company has not yet begun the process of evaluating the impact of the standard on its financial instruments.

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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## 3 Agent agreement

### Prince Edward Island Century 2000 Fund Inc.

The Federal Minister of Citizenship and Immigration acts as an Agent for the company and Crown corporations of other participating provinces by receiving investments from immigrant investors and disbursing them to the provincial Crown corporations 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 is paid to the party that 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 to the party that 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 promissory note 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.

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:

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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## *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 companies, 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.

## *Estimated useful lives of investment properties and property and equipment*

Management estimates the useful lives of investment properties and property and equipment based on the period during which assets are expected to be available for use. The amounts and timing of recorded amortization expense of investment properties and property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, legal and other limits to use. It is possible that changes in these factors may cause changes in the estimated useful lives of the company's investment properties and property and equipment in the future.

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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## *Investment properties fair value*

The fair market value of investment property is disclosed on an annual basis as of the statement of financial position date. This fair value information is also used to calculate potential impairment losses as of the statement of financial position date. The valuations are prepared using recognized valuation techniques to determine the fair value. The determination of the fair value requires the use of estimates on future cash flows from assets and discount rates applicable to those assets. These estimates are based on local market conditions existing at the statement of financial position date, including the impact of recent market transactions.

## *Investment properties and property and equipment*

The company's accounting policies related to investment properties and property and equipment are described in note 2. In applying these policies, judgment is applied to determine the significant components of each asset, including the useful lives over which componentized assets are to be amortized. Judgment is also required in determining what assets are classified as property, plant and equipment and what assets are classified as investment property.

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

## 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:

	2018		2017	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Assets carried at fair value</b>				
Financial assets held for trading	273,155,717	273,155,717	257,101,243	257,101,243
<b>Assets carried at amortized cost</b>				
Notes, receivables and advances	138,833,455	138,833,455	141,800,277	141,800,277
Cash	13,019,938	13,019,938	22,697,691	22,697,691
Investment available for sale	2,440,511	2,440,511	1,434,373	1,434,373
	154,293,904	154,293,904	165,932,341	165,932,341
<b>Liabilities carried at amortized cost</b>				
Bank indebtedness	-	-	100,756	100,756
Accounts payable and accrued liabilities	4,031,429	4,031,429	3,056,153	3,056,153
Notes payable	70,429,498	70,429,498	98,259,170	98,259,170
Restricted funds	215,097,010	215,097,010	208,324,461	208,324,461
	289,557,937	289,557,937	309,740,540	309,740,540

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

## 6 Accounts receivable

	2018 \$	2017 \$
Trade	1,534,009	974,274
Related party	411,165	618,012
Other	-	9,039
Less: Allowance for doubtful accounts	(771,916)	(410,123)
	1,173,258	1,191,202

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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## 7 Investment properties

The fair market value of investment properties as of March 31, 2018 is \$11,054,068 (2017 - \$9,940,725). The investment properties have been valued using a capitalized net operating income method. Using this method, capitalization rates are applied to net operating income (revenues less property operating expenses). The key assumption is the capitalization rate of 10% to 14% (2017 - 10% to 14%) plus a discount applied in a recent transaction between unrelated market participants which reflects the special nature and location of the assets. This discount is to reflect the specialized assets and their location. This valuation process would be classified as Level 3 of the fair value hierarchy.

	<b>Land</b>	<b>Buildings, roads and paving</b>	<b>Total</b>
	\$	\$	\$
<b>Cost</b>			
Balance - March 31, 2017	1,414,252	7,607,643	9,021,895
Additions	-	911,266	911,266
Disposals	-	(6,877)	(6,877)
<b>Balance - March 31, 2018</b>	<u>1,414,252</u>	<u>8,512,032</u>	<u>9,926,284</u>
<b>Accumulated amortization</b>			
Balance - March 31, 2017	-	(750,423)	(750,423)
Amortization expense	-	(323,438)	(323,438)
<b>Balance - March 31, 2018</b>	<u>-</u>	<u>(1,073,861)</u>	<u>(1,073,861)</u>
<b>Net carrying value</b>			
March 31, 2017	<u>1,414,252</u>	<u>6,857,220</u>	<u>8,271,472</u>
<b>March 31, 2018</b>	<u>1,414,252</u>	<u>7,438,171</u>	<u>8,852,423</u>

The future minimum lease payments to be received under non-cancelable operating leases in aggregate for each of the following periods:

	\$
Under 1 year	1,647,697
2 to 5 years	5,008,322
Over 5 years	<u>6,906,113</u>
<b>Total</b>	<u>13,562,132</u>

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

## 8 Demand loan receivable

The company entered into an agreement with Finance PEI, a provincial Crown corporation, to provide a \$15,000,000 revolving line of credit. The balance of the line of credit at March 31, 2018 is \$6,998,502 (2017 - \$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.

## 9 Notes receivable

			2018	2017
	Total	Impaired loans included in total	Net	Net
	\$	\$	\$	\$
<b>Working capital</b>				
Manufacturing and processing	4,818,165	2,494,825	2,981,381	3,199,664
<b>Long-term loans</b>				
Manufacturing and processing	52,122,272	8,042,853	48,580,893	47,595,380
Technology	1,503,062	1,303,062	1,303,062	1,103,062
Aerospace	61,671	-	61,671	653,882
Tourism	19,790,424	975,590	19,498,424	15,235,380
General business	71,070,093	45,868,439	52,195,382	51,931,458
Bioscience	1,836,000	1,661,000	1,136,000	9,585,669
	146,383,522	57,850,944	122,775,432	126,104,831
<b>Accrued interest</b>	3,285,669	-	1,473,399	1,672,140
	154,487,356	60,345,769	127,230,212	130,976,635

The fair value of the collateral held by the company as security for the impaired loans was \$47,709,977 (2017 - \$47,201,704). 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.



# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

*Continuity of individual allowance*

	<b>Beginning balance</b>	<b>Provision/ reversal</b>	<b>Write-off</b>	<b>2018 Ending Balance</b>	<b>2017 Ending Balance</b>
	\$	\$	\$	\$	\$
<b>Working capital</b>					
Manufacturing and processing	1,836,784	-	-	1,836,784	1,836,784
<b>Long-term loans</b>					
Manufacturing and processing	3,019,827	717,422	195,870	3,541,379	3,019,827
Technology	200,000	-	-	200,000	200,000
Tourism	292,000	-	-	292,000	292,000
General business	18,900,434	(25,723)	-	18,874,711	18,900,434
Bioscience	700,000	-	-	700,000	700,000
	23,112,261	691,699	195,870	23,608,090	23,112,261
<b>Accrued interest</b>	1,480,266	353,658	21,654	1,812,270	1,480,266
	26,429,311	1,045,357	217,524	27,257,144	26,429,311

*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:

	<b>90 - 120 days</b>	<b>120 - 150 days</b>	<b>150 - 180 days</b>	<b>+180 days</b>	<b>Total</b>
	\$	\$	\$	\$	\$
As at:					
March 31, 2018	-	169,555	-	9,730,564	9,900,119
March 31, 2017	-	-	-	11,450,046	11,450,046

During the years ended March 31, 2018 and 2017, the company did not acquire any assets in respect of delinquent loans.

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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Related party notes:

Included in long-term loans manufacturing and processing are unsecured notes receivable due from Finance PEI of \$3,076,822 (2017 - \$3,130,720).

Included in accrued interest is \$747,707 (2017 - \$665,239) from Finance PEI.

## 10 Investment in private companies

	2018	2017
	\$	\$
Investment in private companies		
Atlantic Canada Regional Venture Fund LP	1,740,511	1,434,373
Island Capital Partners Seed Investment Fund	700,000	-
	<u>2,440,511</u>	<u>1,434,373</u>

## 11 Deferred financing costs

	2018		2017	
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Commissions	4,186,240	3,615,904	570,336	1,464,698

## 12 Restricted funds

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

	2018	2017
	\$	\$
Good Faith deposits	179,073	329,073
Entrepreneur Program deposits	-	100,000
Language deposits	41,665	81,665
Escrow deposits - business impact category	214,576,272	207,513,723
Intermediary deposits	300,000	300,000
	<u>215,097,010</u>	<u>208,324,461</u>

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

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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## 13 Accounts payable and accrued liabilities

	2018	2017
	\$	\$
Trade payables and accruals	2,164,208	2,447,489
Government remittances	-	17,897
Related entities	265,680	103,754
Province of Prince Edward Island	1,422,630	276,601
Other	178,911	210,412
	<hr/>	<hr/>
	4,031,429	3,056,153
	<hr/>	<hr/>

## 14 Notes payable

	2018	2017
	\$	\$
<u>Prince Edward Island Century 2000 Fund Inc.</u>		
Non-interest bearing notes payable, nominally dated with commencement dates ranging from April 1, 2013 to April 1, 2018, repayable in full in five years from the commencement date pursuant to the federally administered Immigrant Investor Program	64,416,711	89,305,244
<u>Island Investment Development Inc.</u>		
1.61% term loan, due August 2018, from the Province of Prince Edward Island, payable in quarterly payments of \$146,575 including interest, unsecured	5,155,214	-
2.46% term loan, due November 2022, to the Province of Prince Edward Island, payable in quarterly payments of \$47,962 including interest, unsecured	857,573	-
3.11% term loan, repaid during the year	-	4,350,603
Treasury Board loan, repaid during the year	-	1,823,005
Accrued interest payable	-	31,397
<u>Slemon Park Corporation</u>		
3.519% term loan, repaid during the year	-	941,999
3.506% term loan, repaid during the year	-	1,806,922
	<hr/>	<hr/>
	70,429,498	98,259,170
	<hr/>	<hr/>

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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## Prince Edward Island Century 2000 Fund Inc.

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.

## Slemon Park Corporation

As additional security for certain long-term debt and an authorized operating line of credit of \$900,000, Slemon Park Corporation has provided a location specific general security agreement over all present and future personal property of certain buildings, a floating charge over inventory and appliances of the residential units, an assignment of residential rents, an assignment of specific commercial rents, a first fixed charge mortgage with cash value insurance coverage over the residential units, a collateral mortgage over certain properties and a general assignment of book debts.

The principal payments due on the notes payable over the next five years are as follows:

	\$
Year ending March 31, 2019	53,442,963
2018	14,439,115
2021	1,611,232
2022	545,284
2023	390,903

## 15 Related party transactions

### Related parties

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

### Related party balances

Included in accounts receivable is nil (2017 - \$210,909) to Finance PEI.

Included in accounts payable and accrued liabilities is \$85,887 (2017 - \$87,095) to Innovation P.E.I., \$123,793 (2017 - nil) to Finance PEI, \$56,000 (2017 - nil) to Tourism PEI and \$1,231,856 (2017 - \$136,936) to the Province of Prince Edward Island.

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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Advances to related company:

	2018	2017
	\$	\$
Finance PEI	3,431,483	2,633,938

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

## Transactions

Included in interest on notes and loan receivable is \$196,873 (2017 - \$178,912) from Finance PEI.

Included in expenses are management fees of \$535,000 (2017 - \$535,000) and rent of \$50,000 (2017 - \$50,000) to Finance PEI and interest on notes payable of \$133,156 (2017 - \$163,183) to the Province of Prince Edward Island.

Included in property operations is revenue of \$1,381,955 (2017 - \$1,000,065) and purchases of \$606,879 (2017 - \$642,710) from enterprises controlled by the Province of Prince Edward Island.

During the year, a note receivable was transferred from Prince Edward Island Century 2000 Fund Inc. to Finance PEI at its carrying amount of \$1,512,557.

## Compensation of directors and key management personnel

The remuneration of directors and key management personnel during 2018 and 2017 were as follows:

	2018	2017
	\$	\$
Salaries	552,136	495,626

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 (2017 - \$535,000) management fee paid to Finance PEI.

## 16 Commitments

Prince Edward Island Century 2000 Fund Inc. loans approved but not disbursed at March 31, 2018 amount to \$4,205,170 (2017 - \$6,131,697).

Island Investment Development Inc. has committed to, but not disbursed \$2,059,487 (2017 - \$1,065,627) in advances to private companies.

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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## 17 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.

## 18 Comparative figures

Certain comparative figures presented for the 2017 fiscal year have been restated to conform with the financial statement presentation adopted in the current year.

## 19 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.

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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

	2018	2017
	\$	\$
Cash	13,019,938	22,697,691
Marketable securities	58,058,707	48,776,782
Accounts receivable	1,173,258	1,191,202
Demand loan receivable	6,998,502	6,998,502
Notes receivable	127,230,212	130,976,635
Advances to related companies	3,431,483	2,633,938
Investment in private company	2,440,511	1,434,373
Restricted funds	215,097,010	208,324,461
	<u>427,449,621</u>	<u>423,033,584</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.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2018

	<b>2018</b>				
	<b>Under 1 year \$</b>	<b>Between 1 - 2 years \$</b>	<b>Between 2 - 5 years \$</b>	<b>Over 5 years \$</b>	<b>Total \$</b>
Accounts payable and accrued liabilities	4,031,429	-	-	-	4,031,429
Note payable	53,442,963	14,439,116	2,547,419	-	70,429,498
Restricted funds	215,097,010	-	-	-	215,097,010
	<u>272,571,402</u>	<u>14,439,116</u>	<u>2,547,419</u>	<u>-</u>	<u>289,557,937</u>

	<b>2017</b>				
	<b>Under 1 year \$</b>	<b>Between 1 - 2 years \$</b>	<b>Between 2 - 5 years \$</b>	<b>Over 5 years \$</b>	<b>Total \$</b>
Bank indebtedness	100,756	-	-	-	100,756
Accounts payable and accrued liabilities	3,056,153	-	-	-	3,056,153
Note payable	30,479,551	48,722,418	18,630,478	426,723	98,259,170
Restricted funds	208,324,461	-	-	-	208,324,461
	<u>241,960,921</u>	<u>48,722,418</u>	<u>18,630,478</u>	<u>426,723</u>	<u>309,740,540</u>

As at March 31, 2018, the company has \$286,175,655 (2017 - \$279,798,934) 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.



# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2018

(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 \$
<b>Assets</b>					
Cash	13,019,938	-	-	-	13,019,938
Marketable securities	58,058,707	-	-	-	58,058,707
Accounts receivable	-	-	-	1,173,258	1,173,258
Prepaid expenses	-	-	-	15,868	15,868
Inventory	-	-	-	118,553	118,553
Demand loan receivable	6,998,502	-	-	-	6,998,502
Effective interest rate	1.13%				
Note receivable (net of allowance for losses)	31,214,447	75,316,934	19,225,432	1,473,399	127,230,212
Effective interest rate	4.16%	4.34%	2.00%		
Advances to related company	-	-	-	3,431,483	3,431,483
Investment in private companies	-	-	-	2,440,511	2,440,511
Deferred financing costs	-	-	-	570,336	570,336
Property and equipment	-	-	-	2,655,394	2,655,394
Investment properties	-	-	-	8,852,423	8,852,423
Restricted funds	-	-	-	215,097,010	215,097,010
<b>Total assets</b>	<b>109,291,594</b>	<b>75,316,934</b>	<b>19,225,432</b>	<b>235,828,235</b>	<b>439,662,195</b>
<b>Liabilities and surplus</b>					
Accounts payable and accrued liabilities	-	-	-	4,031,429	4,031,429
Note payable	53,442,963	16,986,535	-	-	70,429,498
Restricted funds	29,073			215,067,937	215,097,010
Effective interest rate	1.86%				
Surplus	-	-	-	150,104,258	150,104,258
<b>Total liabilities and surplus</b>	<b>53,472,036</b>	<b>16,986,535</b>	<b>-</b>	<b>369,203,624</b>	<b>439,662,195</b>
<b>Interest rate sensitivity gap</b>	<b>55,819,558</b>	<b>58,330,399</b>	<b>19,225,432</b>	<b>(133,375,389)</b>	<b>-</b>

(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.

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2018

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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.

(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.

## Island Investment Development Inc.

### Schedule of Property and Equipment

For the year ended March 31, 2018

Schedule

	Cost 2018				Accumulated amortization 2018			2018
	Beginning \$	Additions \$	Grants Received \$	Ending \$	Beginning \$	Amortization \$	Ending \$	Net book value \$
Land	30,043	-	-	30,043	-	-	-	30,043
Buildings and improvements	758,577	121,067	-	879,644	149,315	27,760	177,075	702,569
Paving and water and sewer	215,071	1,703,074	(560,728)	1,357,417	51,736	48,858	100,594	1,256,823
Furniture and equipment	895,963	98,646	-	994,609	305,888	115,854	421,742	572,867
Motor vehicles	49,856	50,591	-	100,447	24,711	13,630	38,341	62,106
Computer equipment and software	75,601	17,244	-	92,845	52,275	9,584	61,859	30,986
	2,025,111	1,990,622	(560,728)	3,455,005	583,925	215,686	799,611	2,655,394

	Cost 2017				Accumulated amortization 2017			2017
	Beginning \$	Additions \$	Grants Received \$	Ending \$	Beginning \$	Amortization \$	Ending \$	Net book value \$
Land	30,043	-	-	30,043	-	-	-	30,043
Buildings and improvements	713,758	44,819	-	758,577	124,614	24,701	149,315	609,262
Paving and water and sewer	47,589	376,689	(209,207)	215,071	47,589	4,147	51,736	163,335
Furniture and equipment	812,817	83,146	-	895,963	184,607	121,281	305,888	590,075
Motor vehicles	33,856	16,000	-	49,856	17,363	7,348	24,711	25,145
Computer equipment and software	69,790	5,811	-	75,601	43,523	8,752	52,275	23,326
	1,707,853	526,465	(209,207)	2,025,111	417,696	166,229	583,925	1,441,186