NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED

FINANCIAL STATEMENTS

MARCH 31, 2012

Collins Barrow
Chartered Accountants

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INDEX
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Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of **Nova Scotia Strategic Opportunities Fund Incorporated**, which comprise the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of operations and change in net financial debt and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Nova Scotia Strategic Opportunities Fund Incorporated** as at March 31, 2012, March 31, 2011 and April 1, 2010, and the results of its operations and change in net debt and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Collins Barrow N.S. Inc

Dartmouth, Nova Scotia
May 30, 2012

Chartered Accountants

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED
STATEMENT OF OPERATIONS AND CHANGE IN NET FINANCIAL DEBT
FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
	$	$
INTEREST REVENUE	**2,577,998**	1,613,460
EXPENSES		
Amortization of deferred financing costs	**2,683,762**	2,029,719
Interest and bank charges	**22**	21
Professional fees	**58,724**	18,963
Travel	**-**	1,193
	2,742,508	2,049,896
DEFICIT	**(164,510)**	(436,436)
ACCUMULATED DEFICIT - beginning of year		
As previously stated	**(999,376)**	(2,303,607)
Impact of the change in the basis of accounting (Note 2)	**-**	1,740,667
As restated	**(999,376)**	(562,940)
ACCUMULATED DEFICIT - end of year	**(1,163,886)**	(999,376)

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED
BALANCE SHEET
AS AT MARCH 31, 2012

	Mar 31 2012	Mar 31 2011	Apr 1 2010
	$	$	$
FINANCIAL ASSETS			
CURRENT			
Cash	**4,385,595**	10,299,568	40,748,807
Accounts receivable	**36,739**	110,228	11,251
Promissory note receivable (Note 4)	**128,143,238**	87,523,558	34,999,845
	132,565,572	97,933,354	75,759,903
LOANS RECEIVABLE AND ACCRUED INTEREST(Note 5)	**74,591,442**	66,979,432	31,266,082
	207,157,014	164,912,786	107,025,985
LIABILITIES			
Accounts payable	**19,328**	55,816	5,681
Deposits received in advance	**4,263,134**	2,084,458	3,778,763
	4,282,462	2,140,274	3,784,444
OBLIGATIONS TO INVESTORS (Note 6)	**204,038,437**	163,771,887	103,804,480
	208,320,899	165,912,161	107,588,924
ACCUMULATED DEFICIT			
SHARE CAPITAL (Note 9)	**1**	1	1
NET DEBT	**(1,163,886)**	(999,376)	(562,940)
	(1,163,885)	(999,375)	(562,939)
	207,157,014	164,912,786	107,025,985

Approved by the Board

_____ **Director** _____ **Director**

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
	$	$
CASH PROVIDED BY (USED FOR)		
OPERATIONS		
Deficit	(164,510)	(436,436)
Items not affecting cash		
Amortization of deferred financing costs	2,683,762	2,029,719
	2,519,252	1,593,283
Changes in non-cash working capital items		
Account receivable	73,489	(98,977)
Accounts payable	(36,488)	50,135
Deposits received in advance	2,178,676	(1,694,305)
	4,734,929	(149,864)
FINANCING		
Deferred financing costs	(2,677,102)	(4,327,430)
Received from investors	40,259,890	62,265,118
	37,582,788	57,937,688
INVESTING		
Promissory note receivable	(40,619,680)	(52,523,713)
Loans receivable and accrued interest	(7,612,010)	(35,713,350)
	(48,231,690)	(88,237,063)
CHANGE IN CASH	(5,913,973)	(30,449,239)
CASH - beginning of year	10,299,568	40,748,807
CASH - end of year	4,385,595	10,299,568

1. PURPOSE OF THE ORGANIZATION

The Nova Scotia Strategic Opportunities Fund Incorporated ("Fund") is a corporation owned and established by the Province of Nova Scotia for the purpose of receiving and managing allocations under the federal Immigrant Investor Program (IIP). The IIP is an investment program designed to deliver low cost funding to support provincial and territorial economic development and job creation priorities. Provincial allocations are repayable to the federal government within five years of receipt by the Fund on behalf of the Province. The Province has provided a guarantee of repayment to the federal government to secure participation in the program.

The Fund is incorporated under the laws of the Province of Nova Scotia. As a Crown entity of the Province of Nova Scotia it is not subject to provincial or federal income taxes.

2. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

Effective April 01, 2011, the Company has adopted the public sector accounting standards, in accordance with Canadian generally accepted accounting principles.

These are the Fund's first financial statements prepared in accordance with these public sector accounting standards.

The impact of adopting these standards was accounted for in accumulated deficit at the date of transition, April 01, 2010.

A. Loans Receivable

As at April 01, 2010, the Fund accounted for its loans receivable at the lower of cost and net recoverable value.

Based on previous financial statements $	Changes in net financial debt $	PSA Restated April 1, 2010 $
29,525,415	1,740,667	31,266,082

2. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARD (Continued)

B. Reconciliation of accumulated deficit debt as at April 01, 2010

The effect to the opening accumulated deficit as at April 01, 2010 of adopting PSA is as follows:

	Note	$
Accumulated deficit as at April 1, 2010 as previously stated		(2,303,607)
Changes in accumulated deficit		
Loans receivable	A	1,740,667
Total changes	B	1,740,667
Accumulated deficit as at April 1, 2010 as per PSA		(562,940)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements were prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Cash

Cash consists of bank balances.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used when accounting for items and matters such as allowance for uncollectible accounts receivable, amortization and asset valuations. Actual results could differ from those estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans receivable

Loans receivable are initially recorded at cost and subsequently revalued at the lower of cost or net recoverable value. Loans receivables are written down when there is an indication that the loan amount will not be recoverable. Interest on the loans is accrued monthly.

Revenue recognition

Interest is recognized on an accrual basis and accrued interest is based on the rate assigned to the asset.

4. PROMISSORY NOTE RECEIVABLE

The note receivable bears interest at 0.95% and is due from the Province of Nova Scotia within 30 days.

5. LOANS RECEIVABLE AND ACCRUED INTEREST

All loans except for one bear interest compounded annually. The remaining loan bears interest compounded semi-annually. The loan principal and interest are due five years from the date of issue. On a weighted average basis, the portfolio bears interest of 2.14%.

	2012	2011
	$	$
Face value of loans	**73,296,395**	66,296,395
Accrued interest	**1,295,047**	683,037
	74,591,442	66,979,432

6. OBLIGATIONS TO INVESTORS

One of the conditions for the issuance of a visa to immigrants under the Citizenship and Immigration Canada (CIC), Business Immigration Program, is that an immigrant must invest $800,000 in Canada for a period of five years. Prior to December 1, 2010 the investment required was $400,000. The amount of the investment is allocated to the participating provinces on the first day of the second month following the month payment is received from the investor. $400,000 of the $800,000 is divided equally among the participating provinces while the remaining $400,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces.

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

Obligations to investors at March 31, 2012 totalled $212,388,939. Scheduled repayment dates are as follows:

	$
2013	4,377,156
2014	52,138,146
2015	53,351,995
2016	62,261,752
2017	40,259,890
	212,388,939
Deferred financing costs	(8,350,502)
Total	204,038,437

7. RELATED PARTY TRANSACTIONS

For administrative purposes, the Fund is managed by the Province of Nova Scotia Department of Economic and Rural Development and Tourism. Short-term investments for cash management purposes are made by the Department of Finance. The full amounts of investments made are carried on the corporation's books as a promissory note receivable from the Department of Finance. Expenses related to salaries and administration are incurred directly by the Department of Economic and Rural Development and Tourism and no provision is made in these financial statements for these expenses.

8. ECONOMIC DEPENDENCE

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

9. SHARE CAPITAL

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

	2012 $	2011 $
Issued		
1 common shares	1	1

10. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, accounts receivable, promissory note receivable, loans receivable, accounts payable and obligations to investors.

Risks and concentrations

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at March 31, 2012.

It is management's opinion that the Company is not exposed to significant currency, and price risks from its financial instruments. The risks arising on financial instruments are limited to the following:

10. FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the company to concentrations of credit risk consist of cash and loans receivable. The Company deposits its cash in reputable financial institutions and therefore believes the risk of loss to be remote. The Company is exposed to credit risk from loans receivable. A provision for impairment of loans receivable is established when there is objective evidence that the Company will not be able to collect all amounts due.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The entity is exposed to this risk mainly in respect of its accounts payable and obligations to investors. The Company generates enough cash from operating activities to fund operations and fulfill obligations as they become due. Sufficient financing facilities are in place should cash requirements exceed cash generated from operations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The entity is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its financial assets at variable interest rates.

11. COMPARATIVE FIGURES

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