

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

FINANCIAL STATEMENTS

March 31, 2016

Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of **Saskatchewan Immigrant Investor Fund Inc.**, which comprise the statement of financial position as at March 31, 2016 the statements of comprehensive loss, changes in equity and cash flows for the fifteen-month period then ended, and notes, comprising 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.

Auditors' Responsibility

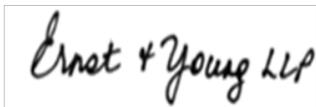
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Immigrant Investor Fund Inc. as at March 31, 2016, and its financial performance and its cash flows for the fifteen-month period then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants
Saskatoon, Saskatchewan
May 25, 2016

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

STATEMENT OF FINANCIAL POSITION

As at

(thousands of dollars)

	Note	March 31, 2016	December 31, 2014
ASSETS			
Current			
Cash and cash equivalents	4	\$ 65,665	\$ 104,204
Current portion of loans receivable	5	54,889	15,735
Interest receivable		930	387
Short-term investments	6	<u>30,113</u>	<u>25,000</u>
		151,597	145,326
Loans receivable	5	28,155	43,100
Investments	6	<u>-</u>	<u>5,000</u>
		<u>\$ 179,752</u>	<u>\$ 193,426</u>
LIABILITIES AND PROVINCE'S EQUITY			
Current			
Trade and other payables		\$ 325	\$ 177
Current portion of debt obligations	7	<u>57,559</u>	<u>6,829</u>
		57,884	7,006
Debt obligations	7	<u>125,762</u>	<u>187,891</u>
		<u>183,646</u>	<u>194,897</u>
Province of Saskatchewan's Equity			
Share capital	8	-	-
Deficit		<u>(3,894)</u>	<u>(1,471)</u>
		<u>(3,894)</u>	<u>(1,471)</u>
		<u>\$ 179,752</u>	<u>\$ 193,426</u>

Commitments 9

(See accompanying notes)

On behalf of the Board:


_____, Director


_____, Director


_____, Director

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

STATEMENT OF COMPREHENSIVE LOSS

For the period

(thousands of dollars)

	Note	Fifteen months ended March 31, 2016	Twelve months ended December 31, 2014
FINANCE INCOME	11	<u>\$ 6,229</u>	<u>\$ 5,018</u>
EXPENSES			
Finance expenses	11	4,728	3,580
Provision for loan losses	12	1,889	4,351
Management fees	10	2,007	1,069
Professional fees		<u>28</u>	<u>23</u>
		<u>8,652</u>	<u>9,023</u>
NET LOSS		(2,423)	(4,005)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS		<u>\$ (2,423)</u>	<u>\$ (4,005)</u>

(See accompanying notes)

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

STATEMENT OF CHANGES IN EQUITY

For the period

(thousands of dollars)

	Fifteen months ended March 31, 2016	Twelve months ended December 31, 2014
(DEFICIT) RETAINED EARNINGS		
(Deficit) retained earnings, beginning of period	\$ (1,471)	\$ 2,534
Net loss	<u>(2,423)</u>	<u>(4,005)</u>
Deficit, end of period	<u>(3,894)</u>	<u>(1,471)</u>
TOTAL DEFICIT	<u>\$ (3,894)</u>	<u>\$ (1,471)</u>

(See accompanying notes)

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

STATEMENT OF CASH FLOWS

For the period

(thousands of dollars)

	Note	Fifteen months ended March 31, 2016	Twelve months ended December 31, 2014
OPERATING ACTIVITIES			
Net loss		\$ (2,423)	\$ (4,005)
Adjustments to reconcile net loss to cash used in operating activities:			
Finance income	11	(6,229)	(5,018)
Finance expenses	11	4,728	3,580
Provision for loan losses	12	1,889	4,351
Loans issued		(112,763)	(78,137)
Loan principal repayments		86,975	59,451
Interest and credit facility fees received		5,249	3,290
Net change in non-cash working capital balance related to operations:			
Increase in trade and other payables		<u>148</u>	<u>76</u>
Net cash used in operating activities		<u>(22,426)</u>	<u>(16,412)</u>
INVESTING ACTIVITIES			
Purchase of investments		(25,000)	(30,000)
Maturity of investments		<u>25,000</u>	<u>-</u>
Net cash used in investing activities		<u>-</u>	<u>(30,000)</u>
FINANCING ACTIVITIES			
Proceeds from debt obligations, net of transaction costs		2,381	27,085
Repayment of debt obligations		<u>(18,494)</u>	<u>-</u>
Net cash (used in) from financing activities		<u>(16,113)</u>	<u>27,085</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD		(38,539)	(19,327)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		<u>104,204</u>	<u>123,531</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD		<u>\$ 65,665</u>	<u>\$ 104,204</u>

(See accompanying notes)

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

1. General information

Saskatchewan Immigrant Investor Fund Inc. (the Corporation) is a corporation domiciled in Canada. The address of the Corporation's registered office and principal place of business is 830 - 410 22nd Street East, Saskatoon, SK, S7K 5T6.

The Corporation was established on October 6, 2010 under *The Business Corporations Act*. The Corporation is a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Saskatchewan provincial Crown corporation. Accordingly, the accounts of the Corporation are consolidated in the annual financial statements of CIC.

The Corporation was established to participate in the Government of Canada's Immigrant Investor Program (IIP). The Corporation uses IIP funds to deliver the Government of Saskatchewan's Headstart on a Home program that assists builders and developers in building affordable housing. Federal legislation to terminate the IIP was enacted on June 19, 2014 and the Corporation will cease operations under this program five years after the final allocation of IIP funds is received.

Due to the Corporation's ownership structure, it is not subject to provincial or federal income tax.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements were authorized for issue by the Board of Directors on May 25, 2016.

b) Change of year end

The Corporation has been directed by the provincial government to change its fiscal year-end to March 31 to coincide with that of the Province of Saskatchewan. As a result, the first complete audited fiscal period consists of the fifteen months ended March 31, 2016. Comparative information presented in these financial statements is for the audited twelve month period ended December 31, 2014 and, as a result, information contained in these financial statements is not entirely comparable with previously reported information.

c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for cash and cash equivalents which are carried at fair value through profit and loss.

d) Functional and presentation currency

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

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2. Basis of preparation (continued)

e) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant items subject to estimates and assumptions include the effective interest rate used to determine the fair value upon initial recognition, carrying amount and fair value of debt obligations (Notes 7 and 14), the fair value upon initial recognition and carrying amount of loans receivable (Note 5) and the allowance for loan losses (Note 5).

f) Use of judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements that affect the application of accounting policies.

Significant items subject to judgement include the accounting policies listed in Note 3.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

a) Cash and cash equivalents

Cash and cash equivalents include cash on deposit at financial institutions and short-term investments that have a maturity date of ninety days or less. Cash and cash equivalents are restricted for use under the IIP.

b) Financial instruments

The Corporation recognizes financial assets and liabilities on the date originated. On initial recognition, financial instruments are measured at fair value plus incremental direct transaction costs for financial instruments that are not classified at fair value through profit or loss. Transaction costs for financial instruments classified at fair value through profit or loss are recognized immediately in net earnings. Measurement in subsequent periods depends on the classification of the financial instrument.

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

3. Summary of significant accounting policies (continued)

b) Financial instruments (continued)

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred assets that is created or retained by the Corporation is recognized as a separate asset or liability.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Corporation does not net financial assets or liabilities for presentation in the Statement of Financial Position.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on fair value. Cash and cash equivalents are classified as held-for-trading and considered financial assets at fair value through profit and loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments. Interest receivable, short-term investments and loans receivable are classified as loans and receivables. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method, net of any allowance for loan losses.

Other liabilities

Other liabilities are non-derivative financial liabilities that are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial liabilities are accounted for at amortized cost using the effective interest method. The Corporation classifies trade and other payables and debt obligations as other liabilities.

Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in net earnings.

The Corporation had no contracts with embedded derivatives at the end of any period presented.

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

3. Summary of significant accounting policies (continued)

b) Financial instruments (continued)

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Fair values are estimates using valuation methods which are significantly affected by management's assumptions used concerning, for example, the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

c) Impairments

Interest receivable and loans receivable are assessed quarterly to determine whether there is objective evidence of impairment. These financial assets are considered impaired if objective evidence indicates that a loss event has occurred subsequent to initial recognition and the loss event has a negative effect on estimated future cash flows that can be estimated reliably.

Objective evidence that these financial assets are impaired can include indications that: the debtor is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization; restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise; or there is a measurable decrease in estimated future cash flows as evidenced by adverse changes in the payment status of the debtor or economic conditions that correlate with defaults. The realizable value of collateral is also considered when assessing impairment.

Loans receivable are individually assessed for specific impairment. Loans receivable are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal or interest. Whenever a payment is 90 days past due, loans receivable are classified as impaired unless fully secured and collection efforts are reasonably expected to result in payment within 180 days of the amount becoming past due.

When a loan is identified as impaired, the carrying amount is reduced to its estimated recoverable amount, which is measured by discounting expected future cash flows at the original effective interest rate inherent in the loan, including cash flows that may result from the realization of collateral less cost to sell. Impairment losses on loans are recognized in net earnings immediately as a provision for loan losses, and reflected as an allowance for loan losses against loans receivable on the Statement of Financial Position.

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

3. Summary of significant accounting policies (continued)

c) Impairments (continued)

When a loan is identified as impaired, any previously accrued but unpaid interest is charged to the provision for loan losses. Interest on the impaired loan continues to be recognized through the unwinding of the discount. Interest received on impaired loans is credited to its carrying value. If the loan receivable is completely written off, subsequent interest payments are credited to the provision for loan losses.

Loans receivable are returned to performing status when all past due amounts, including interest, have been collected, loan impairments have been reversed, and the credit quality has improved such that timely collection of principal and interest is reasonably assured.

An impairment loss is reversed to net earnings if the reversal can be related objectively to an event occurring after the impairment loss was recognized and the amount can be estimated reliably. A recovery of amounts previously written off and any increase in the carrying value of the loan are credited to the allowance for loan losses. Where a portion of a loan is written off and the remaining balance is restructured, the new loan is recognized when collectability of principal or interest is reasonably assured, and payments are not 90 days past due.

d) Collateral

Any collateral assets acquired as security for troubled loans are recorded at fair value less costs of disposition. The fair value of collateral is based on appraised market values for similar properties in the community in which the collateral is located. Any excess of the carrying value of the loan over the recorded fair value of the assets acquired is recognized by a charge to the provision for loan losses.

e) Finance income and expenses

Finance income is recognized on the statement of comprehensive loss on an accrual basis and consists of interest income from cash and cash equivalents, interest income from investments, interest income and credit facility fees from performing loans receivable, interest income from impaired loans from the unwinding of discounted expected future cash flows, and premiums on debt obligations.

Debt obligations are accreted to the repayment amounts through a charge to finance expenses on the Statement of Comprehensive Loss.

On the Statement of Cash Flows, interest received is classified as an operating activity.

f) New standard not yet adopted

IFRS 9, *Financial Instruments* was issued by the IASB on November 12, 2009 and will replace International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 is not yet effective for the period ended March 31, 2016, and has not been applied in preparing these financial statements.

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

3. Summary of significant accounting policies (continued)

f) New standard not yet adopted (continued)

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Under IFRS 9, financial assets will generally be measured initially at fair value plus particular transaction costs, and subsequently at either amortized cost or fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's credit risk in other comprehensive income, rather than within net earnings. This standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied prospectively. The Corporation does not intend to early adopt this standard but is reviewing it to determine the potential impact, if any, on the financial statements.

4. Cash and cash equivalents

Cash and cash equivalents have an effective interest rate of 1.1 per cent (December 31, 2014 - 1.4 per cent).

5. Loans receivable

The Corporation has loans receivable with various builders and developers which are used to construct housing units for subsequent sale to eligible parties. Principal is repayable on demand. In the absence of a demand for principal repayment, principal is repayable upon the sale of individual units and no later than loan maturity which is typically eighteen to twenty-four months from the date of the initial advance of the loan.

Accrued interest is receivable on demand. In the absence of such demand, interest is receivable monthly. Interest is subject to the following terms:

- a) At a fixed rate of 4.0 per cent calculated daily and receivable monthly in arrears during construction;
- b) In the event of default, the borrower pays interest at a fixed rate of 4.0 per cent with interest on overdue interest at the same rate, compounded monthly;
- c) Upon demand being made, interest is receivable both before and after maturity or default at the Bank of Canada prime rate plus 5.0 per cent with interest on overdue interest at the same rate, compounded monthly.

During the fifteen months ended March 31, 2016, credit facility fees of \$nil (twelve months ended December 31, 2014 - \$70 thousand) were added to the principal balance of outstanding loans. At March 31, 2016, there are a total of 27 (December 31, 2014 - 22) loans receivable outstanding with a weighted average interest rate of 4.70 per cent (December 31, 2014 - 4.84 per cent).

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

5. Loans receivable (continued)

The carrying amount of loans receivable are comprised of the following (thousands of dollars):

	March 31, 2016	December 31, 2014
Loans receivable	\$ 88,338	\$ 62,549
Allowance for loan losses	<u>(5,294)</u>	<u>(3,714)</u>
	83,044	58,835
Less current portion	<u>(54,889)</u>	<u>(15,735)</u>
	<u>\$ 28,155</u>	<u>\$ 43,100</u>

The allowance for loan losses, which provides an indication of potential impairment losses on loans, is reviewed quarterly based on a specific analysis of each loan for collectability. At March 31, 2016, the gross amount of impaired loans was \$10.0 million (December 31, 2014 - \$10.0 million) and loans of \$6.6 million (December 31, 2014 - \$1.8 million) were past due but not impaired. Changes in the allowance for loan losses during the periods are as follows (thousands of dollars):

	Fifteen months ended March 31, 2016	Twelve months ended December 31, 2014
Opening balance	\$ 3,714	\$ -
Provision for loan losses	1,889	3,838
Interest on impaired loans	<u>(309)</u>	<u>(124)</u>
Ending balance	<u>\$ 5,294</u>	<u>\$ 3,714</u>

6. Investments

(thousands of dollars)

	March 31, 2016	December 31, 2014
Term deposit, 1.92% interest, matures December 12, 2016	\$ 25,000	\$ -
Term deposit, 2.25% interest, matures December 24, 2016	5,113	5,000
Term deposit, 2.07% interest, matured December 12, 2015	<u>-</u>	<u>25,000</u>
	<u>30,113</u>	<u>\$ 30,000</u>

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

7. Debt obligations

Pursuant to Order in Council 590/2010, the Corporation is authorized to:

- a) Borrow, and have outstanding at any time, a maximum aggregate principal sum of \$230.0 million from the IIP with interest and principal payable in a manner determined by the Corporation;
- b) Provide, and have outstanding at any time, a maximum aggregate principal sum of \$230.0 million in loans, indemnities, or financial assistance utilizing the funds received under the IIP to any business organization under terms and conditions acceptable to the Corporation, and with interest and principal payable in a manner determined by the Corporation.

The Corporation incurs debt obligations from funds received under the IIP in accordance with the terms and conditions set out in an agreement between the federal Minister of Citizenship and Immigration and the Corporation. The agreement states that the federal Minister, as agent of the Corporation, receives funds from immigrant investors and transfers Saskatchewan's share of the funds (the Provincial Allocation) to the Corporation. The Corporation will repay each Provincial Allocation received without interest five years from the date that the funds were received, along with a commission paid to intermediaries for introducing new immigrant investors under the IIP. The commission rate is either 5 per cent or 7 per cent, and is determined by the size of the immigrant investment received by the federal Minister.

Funds are received through the IIP on a monthly basis, net of commissions, with the amount dependent on the Provincial Allocation. Funds received carry an effective interest rate of 1.89 per cent (December 31, 2014 - 1.97 per cent). On the date funds are received, the implicit interest rate differs from the effective interest rate resulting in the Corporation recording a premium. The premium is unwound over the five year term through an increase in interest expense. At March 31, 2016, unamortized premiums were \$2.0 million (December 31, 2014 - \$3.5 million).

Amounts repayable to the Government of Canada, as agent, over the next five fiscal years are as follows (thousands of dollars):

2017	\$	58,155
2018		36,576
2019		71,040
2020		21,668
2021		<u>1,987</u>
		189,426
Less amount representing interest		<u>(6,105)</u>
		183,321
Due within one year		<u>(57,559)</u>
	\$	<u>125,762</u>

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

8. Share capital

	March 31, 2016	December 31, 2014
Authorized - 1 common voting share		
Issued and outstanding - 1 share	<u>\$ 1</u>	<u>\$ 1</u>

9. Commitments

In addition to loans previously advanced on or before March 31, 2016, the Corporation has committed to providing \$82.4 million (December 31, 2014 - \$147 million) to builders and developers.

10. Management fees

Under the terms of a management services agreement with the Corporation, Westcap Mgt. Ltd. provides general management and administration of the business and affairs of the Corporation for an annual management fee equal to 2 per cent of the current loans balance, calculated and payable monthly in arrears over the term of the management services agreement which expires November 30, 2020.

At March 31, 2016, \$289 thousand (December 31, 2014 - \$122 thousand) is payable to Westcap Mgt. Ltd. and is included in trade and other payables.

11. Finance income and expenses

(thousands of dollars)

	Fifteen months ended March 31, 2016	Twelve months ended December 31, 2014
Interest income from cash and investments	\$ 2,054	\$ 1,763
Interest income from performing loans receivable	3,846	2,110
Interest income - unwinding of discount on impaired loans	310	124
Credit facility fees	5	70
Premiums - debt obligations	<u>14</u>	<u>951</u>
Finance income	<u>6,229</u>	<u>5,018</u>
Interest expense - debt obligations	<u>(4,728)</u>	<u>(3,580)</u>
Finance expenses	<u>(4,728)</u>	<u>(3,580)</u>
Net finance income	<u>\$ 1,501</u>	<u>\$ 1,438</u>

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

12. Provision for loan losses

(thousands of dollars)

	Fifteen months ended March 31, 2016	Twelve months ended December 31 2014
Impairment loss on loans receivable	\$ 1,889	\$ 3,838
Accrued and unpaid interest receivable on impaired loans	<u>-</u>	<u>513</u>
	<u>\$ 1,889</u>	<u>\$ 4,351</u>

13. Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). The Corporation has elected to take a partial exemption under IAS 24, *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

CIC provides management and governance services to the Corporation without charge.

14. Financial risk management

Fair value hierarchy

The Corporation has classified the fair value of its financial instruments using the following hierarchy based on the nature of inputs used in the valuation:

- Level 1** Where quoted prices are readily available from an active market.
- Level 2** Valuation model not using quoted prices, but still predominantly observable market inputs such as market interest rates.
- Level 3** Fair values determined based on inputs that are not based on observable market data.

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

14. Financial risk management (continued)

Fair value hierarchy (continued)

The Corporation has made the following classifications:

- Cash and cash equivalents are classified as level 1.
- Loans receivable are classified as level 3. Fair value is calculated by discounting the value of payments due at prime plus a risk premium specific to the developer over the remaining term of the loan. Fair value at March 31, 2016 is \$82.7 million (December 31, 2014 - \$60.7 million).
- Debt obligations are classified as level 2. Fair value is calculated by discounting the value of payments due at interest rates for Government of Saskatchewan bonds with similar maturity dates. Fair value at March 31, 2016 is \$184.4 million (December 31, 2014 - \$195.0 million).
- Interest receivable and trade and other payables have not been classified in the fair value hierarchy given that carrying value approximates fair value due to immediate or short-term maturity. Investments have not been classified within the hierarchy since the effective interest rates approximate market interest rates for similar instruments and, as a result, the carrying amount of investments approximates their fair value.

Interest rate risk

Interest rate price risk reflects the risk that the Corporation's earnings will fluctuate due to changes in interest rates. The Corporation's cash and cash equivalents are at floating rates and will adjust to fluctuations in the interest rate environment. The Corporation does not believe that the impact of fluctuations in interest rates on interest income from cash and cash equivalents will be significant and therefore has not provided a sensitivity analysis of the impact on net earnings.

The Corporation is not exposed to interest rate risk on its investments or fixed rate loans receivable and therefore a sensitivity analysis of the impact of changes in interest rates on net earnings has not been provided.

The Corporation is not exposed to interest rate risk on the debt obligations given that interest rates on those borrowings are fixed. A sensitivity analysis of the impact of changes in interest rates on net earnings has therefore not been provided.

Credit risk

Credit risk is the risk that a counterparty will fail to perform its obligations. The Corporation's maximum credit risk exposure is equal to the carrying value of cash and cash equivalents, interest receivable, investments and loans receivable.

The credit risk associated with cash and cash equivalents and investments is considered minimal since the amounts are being held by chartered banks, and by credit unions whose deposits are guaranteed by Credit Union Deposit Guarantee Corporation.

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

14. Financial risk management (continued)

Credit risk (continued)

Concentration of credit risk relates to groups of counterparties that are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Corporation has material concentrations of credit risk on its loan receivables which are due from builders and developers located in Saskatchewan and therefore could be similarly impacted by changes in the Saskatchewan economy. However, the loans are diversified with companies and in communities throughout Saskatchewan and therefore may not be identically impacted by changes in the overall Saskatchewan economy. The Corporation performs due diligence and maintains credit policies and limits in respect to potential loans. Credit risk is also mitigated through the Corporation holding a first charge mortgage security interest in the units constructed and the land upon which the units are constructed, which are located in various communities throughout Saskatchewan.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. As a subsidiary of CIC, the Corporation has access to capital markets through the Saskatchewan Ministry of Finance. Also, amounts due under the debt obligations are guaranteed by the Saskatchewan Ministry of Finance.

The following summarizes the contractual maturities of the Corporation's financial liabilities at March 31, 2016 (thousands of dollars):

	Carrying Amount	Contractual Cash Flows				
		Total	0-6 Months	7-12 Months	1-2 Years	3-5 Years
Debt obligations	\$ 183,321	\$ 189,426	\$ 25,681	\$ 32,474	\$ 36,576	\$ 94,695
Trade and other payables	<u>325</u>	<u>325</u>	<u>325</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 183,646</u>	<u>\$ 189,751</u>	<u>\$ 26,006</u>	<u>\$ 32,474</u>	<u>\$ 36,576</u>	<u>\$ 94,695</u>

The following summarizes the contractual maturities of the Corporation's financial liabilities at December 31, 2014 (thousands of dollars):

	Carrying Amount	Contractual Cash Flows				
		Total	0-6 Months	7-12 Months	1-2 Years	3-5 Years
Debt obligations	\$ 194,720	\$ 205,382	\$ -	\$ 6,996	\$ 52,002	\$ 146,384
Trade and other payables	<u>178</u>	<u>178</u>	<u>178</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 194,898</u>	<u>\$ 205,560</u>	<u>\$ 178</u>	<u>\$ 6,996</u>	<u>\$ 52,002</u>	<u>\$ 146,384</u>

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

15. Capital management

The Corporation's objective when managing capital is to ensure adequate capital to support its mandate to deliver the Government of Saskatchewan's Headstart on a Home program while effectively monitoring the legal limitations disclosed in Note 7 and repayment obligations to the Government of Canada.

The Corporation's capital structure consists entirely of amounts received under the IIP. Debt obligations under the IIP are guaranteed by the Saskatchewan Ministry of Finance.

The Corporation has complied with requirements of the IIP and the legal limitations described in Note 7. The Corporation made no changes in its approach to capital management during the period.