

# BC Immigrant Investment Fund Ltd.

## 2016/17 ANNUAL SERVICE PLAN REPORT



For more information on BC Immigrant Investment Fund Ltd. contact:

**3<sup>rd</sup> floor-1803 Douglas Street**

**Victoria, B.C. V8T 5C3**

**Bindi Sawchuk, CEO**

**[Bindi.Sawchuk@bcif.ca](mailto:Bindi.Sawchuk@bcif.ca)**

or visit our website at  
***[www.bcif.ca](http://www.bcif.ca)***

## Board Chair's Accountability Statement



I am pleased to submit the *BC Immigrant Investment Fund Ltd.'s 2016/17 Annual Service Plan Report*. This report was prepared under the BC Immigrant Investment Fund Ltd. board's direction and in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles.

*The BC Immigrant Investment Fund 2016/17 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the 2016/17 - 2018/19 Service Plan. I am accountable for those results as reported.

A handwritten signature in blue ink, appearing to read 'Shannon Baskerville', with a stylized flourish at the end.

*Shannon Baskerville*  
*Board Chair*

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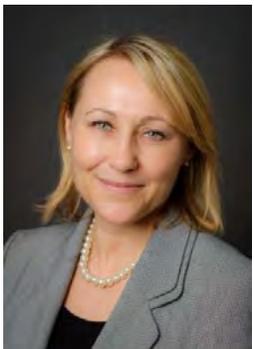
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## Chair/CEO Report Letter

On behalf of the BC Immigrant Investment Fund, we are happy to provide an update on our progress.



In 2016/17, BC Immigrant Investment Fund Ltd. (BCIIF) fully integrated the *Taxpayer Accountability Principles* which strengthen accountability, ensure the appropriate management of public funds and strengthen the relationship between government and public sector organizations. During the year, BCIIF's operations, including its goals, strategies, measures and targets, fully aligned with the *Taxpayer Accountability Principles* by emphasizing efficiency, accountability and integrity in the delivery of the organization's programs, and in managing relationships with stakeholders inside and outside the provincial government. BCIIF's actions during the year also aligned with the Government's strategic direction as outlined in the *2016/17 Mandate Letter* from the Minister of International Trade (refer to Appendix C for a summary of BCIIF's response to the strategic priorities set out in the *Mandate Letter*).



The BCIIF and its wholly owned subsidiary the B.C. Renaissance Capital Fund (BCRCF) completed its transition to public sector governance and operations in 2016/17. Building on the past success of the BCIIF / BCRCF, the Crown sought to adopt and refine top financial, business, human resource, governance and management practices throughout the transition to ensure the Crown's economic and financial mandates are achieved.

Chief among this year's successes, the BCRCF launched the \$100-million BC Tech Fund in October, 2016. The purpose of the BC Tech Fund is to generate financial return and to help promising B.C. tech companies access the early stage venture capital they need to grow and stay in B.C., which leads to a strong diversified economy and more high-paying jobs for British Columbians. The fund supports development of a more sustainable venture capital system in the province, which builds on the success of the BCRCF and the province's well developed Angel investment community.

The first BCRCF venture capital portfolio which was launched in 2008, received returns on its investments throughout 2016/17 demonstrating that the fund is maturing, and beginning to show a favourable return pattern.

In 2016/17, BCIIF realized a net operating income of \$4.1 million, had \$41.6 million in cash and short-term investments, and \$178.3 million invested in low-risk public sector infrastructure loans. The BCRCF invested \$79.4 million of its \$90.2 million commitment to venture capital funds, and as at March 31, 2017, the BC Tech Fund had invested \$4.2 million of its \$100 million.

Results have been positive and staff have worked hard to improve access to capital for British Columbia's businesses and to improve transparency in our practices.

Sincerely,



Shannon Baskerville  
Board Chair



Bindi Sawchuk  
Chief Executive Officer

## Purpose of the Organization

### **BC Immigrant Investment Fund Ltd.**

The BC Immigrant Investment Fund Ltd. (BCIIF) was incorporated on September 19, 2000 under the [Company Act](#) (as it was then) and then registered under the [Business Corporations Act](#) (BC). It is wholly-owned by the Province of British Columbia.

The BCIIF is an approved fund under the federal Immigrant Investor Program (IIP), which is administered by Citizenship and Immigration Canada (CIC). CIC requires that the funds they give the BCIIF be invested in projects that contribute to economic development and job creation in Canada.

The money received from the CIC is repayable to the federal government without interest until the fifth anniversary of the loan. Although there is no interest charged on the funds, there is a small fee paid to cover federal government administration. In order to participate in the IIP, the Province has provided the federal government with a repayment guarantee up to \$500 million.

### **B.C. Renaissance Capital Fund Ltd.**

The B.C. Renaissance Capital Fund Ltd. (BCRCF) is a Crown corporation that is wholly-owned subsidiary of the BCIIF. The purpose of BCRCF is to attract successful venture capital managers and their capital to B.C. in order to develop promising, innovative technology companies in the province and generate returns on venture capital investments. The Corporation's venture capital investments are managed by a private sector fund manager.

- **Portfolio 1 – the BCRCF** is comprised of investment commitments to eight fund managers between 2007 and 2011. The BCRCF is a mature \$90 million fund-of-funds<sup>1</sup> intended to attract venture capital fund managers and their investments to B.C.
- **Portfolio 2 – the BC Tech Fund** is a \$100 million fund-of-funds<sup>1</sup> launched in 2016 that makes investments into B.C.-based venture capital funds and direct investments into B.C. technology companies. The BC Tech Fund is focused on investments at the Series A stage<sup>2</sup> of financing.

## Strategic Direction and Context

In February 2014, the federal government announced its intention to terminate the Immigrant Investor Program. The BCIIF continues to receive smaller allocations under this program and monthly repayment obligations continue to be met with the final repayment due in 2022.

As directed in the [2016/17 Mandate Letter](#) from the Minister of International Trade, BCIIF focused on a number of specific operational priorities during the year, including:

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<sup>1</sup> A fund-of-funds is a fund that invests in investment funds. In the case of the BC Tech Fund, investments are also made directly into tech companies.

<sup>2</sup> Series A financing is the first round of financing from institutional investors after friends, family and angel investment.

- Working with the Ministry of International Trade (MIT) IIF mandate review and implement new mandate direction as a result of the federal termination of the federal Immigrant Investor Program;
- Minimizing the exposure of accessing the guarantee that the Province has given to the federal government on monies received under the Immigrant Investor Program, by maintaining best-business and investment practices to realize positive investment returns;
- Monitoring and reporting on its capital commitments of up to \$90 million in venture capital investments; and
- Use of either the Ministry of Finance or BC Investment Management Corporation for investment or deposit of funds in liquid investments, other than amounts allocated to venture capital and Government Reporting Entity investments.

See Appendix C for a summary of the actions undertaken by BCIIIF to fulfill the mandate letter directions.

The above-noted accountabilities were implemented within the framework of the [Taxpayer Accountability Principles](#) (TAP) which was introduced to strengthen accountability, promote cost control and support strategic engagement.

## **Report on Performance**

BCIIIF's previous board of directors and management team aligned the Crown's 2016/17 strategic, operating and financial performance practices to address government's expectations as set out in the Mandate Letter, as well as to focus on the goals set out in the 2016/17 Service Plan.

The BCIIIF continues to adhere to TAP, including a code of conduct and a strategic engagement plan that establishes regular and recurring meetings between its board chair and CEO, and the Minister of International Trade and deputy minister. This regular engagement strategy helps to ensure that BCIIIF reflects the strategic interests of government and the best interest of British Columbians. BCIIIF has also developed an evaluation plan with specific efficiency and performance measures to ensure that the corporation is meeting the expectations of British Columbians and government.

In addition to the 2016/17 Service Plan goals, during 2016/17, BCRCF launched the BC Tech Fund and hired Kensington Capital Partners as the BC Tech Fund manager and to oversee BCRCF's existing venture capital commitments.

## Goals, Strategies, Measures and Targets

### ***Goal 1: Generate Returns that Meet or Exceed BCIIF's Current Investment Strategy Targets***

BCIIF's returns strategy supports government's economic priorities and achieves commercial returns, while meeting BCIIF's risk profile.

#### **Strategies**

- Achieve commercial returns on low-risk infrastructure loans, thereby mitigating the higher-risk venture capital portfolio. BCIIF's loan portfolio is comprised of long-term loans to the Provincial Treasury, which in turn provides loan financing to Government Reporting Entities to support approved public sector infrastructure projects with loan yields equivalent to government's cost of borrowing.
- Deposit funds with Central Deposit Program (CDP) and BC Investment Management Corporation (bcIMC) to have sufficient liquidity to meet five-year IIP repayment obligations to the federal government and to meet capital calls for venture capital investments.

#### **Performance Measure 1: Achieve Targeted Average Yields on Investments**

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
1.1 Five year weighted average BCIIF portfolio return <sup>1</sup>	2.68%	2.60%	2.51%	2.36%	2.42%	2.36%	2.35%
1.2 One year weighted average BCIIF portfolio return <sup>1</sup>	2.33%	2.21%	2.26%	2.63%	2.50%	2.64%	2.84%

**Data Source:** Rates projected based on Canada 3-month T-bill +1.93% (long-term average spread between T-Bill and Prime). T-Bill rate based on the average of six private sector forecasters (Scotiabank\*, CIBC\*, TD\*, RBC\*, IHS Global Insight, BMO).

<sup>1</sup> Both the 1 and 5 year weighted average BCIIF portfolio return include rates on Money Market (bcIMC and CDP) and Infrastructure investments. For clarity, this calculation does not include venture capital investments.

## Discussion

The one and five year weighted average BCIIIF portfolio return measures include Money Market assets (held in bcIMC and CDP) and infrastructure investments. Venture capital investment returns are not included.

BCIIIF exceeded its targeted five year weighted average target in 2016/17 because the majority of investments are in higher yield loans as opposed to Money Market assets, which increases the expected return yield of the portfolio.

The one year weighted average target was not achieved in 2016/17 as actual interest rates were lower than the target.

## Goal 2: Optimize BCIIIF’s Investment Strategy and Operations

BCIIIF established a goal of continuing to streamline operations and improve reporting, and formalizing its accountabilities with the introduction of a Performance and Accountability Framework (“Framework”). The Framework is designed to align with the *Taxpayer Accountability Principles* and BCIIIF’s strategic direction.

### Strategies

- Develop a formal Performance and Accountability Framework.
- Structure cost effective operations that meet strategic, business, and governance requirements.

### Performance Measure 2: BCIIIF Operational Efficiency and Effectiveness

Performance Measure	2013/14 Actual	2014/2015 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
2.1 Develop and adopt Performance and Accountability Framework	n/a <sup>1</sup>	n/a <sup>1</sup>	Framework being reviewed to align with refreshed mandate	Draft framework to be submitted to Board for approval	Framework re-drafted and reviewed based on new governance structure	Draft framework to be submitted to Board for approval	Monitor Performance and refine framework as appropriate
2.2 Expense ratio <sup>2</sup>	n/a <sup>1</sup>	Baseline to be finalized upon completion of mandate review	Review Baseline to ensure alignment with refreshed mandate	TBD <sup>2</sup>	n/a <sup>3</sup>	n/a <sup>3</sup>	n/a <sup>3</sup>

**Data Source:** BCIIIF internal draft performance and accountability framework.

<sup>1</sup>This was a new measure for 2015/16.

<sup>2</sup>TBD due to uncertainty of the timing of the transition to the new governance model, selection of private sector fund manager, and launch of the new BC Tech Fund.

<sup>3</sup>Expense ratio is no longer applicable. When BCIIIF transitioned into government for the 2016/2017 fiscal year, the corporation signed a Memorandum of Understanding with the Ministry of International Trade and Minister Responsible for the Asia Pacific Strategy and Multiculturalism. The ministry incurs operating costs on behalf of BCIIIF.

## Discussion

### Performance measure 2.1: Develop and adopt Performance and Accountability Framework

The Performance and Accountability Framework developed in 2015/2016 was reviewed and is being re-drafted based on the BCIIIF's new Public Sector operating environment. The framework continues to be refined and will be submitted to the Board for approval in 2017/18.

### Performance measure 2.2: Expense Ratio

BCIIIF's new organizational structure operates from within the Ministry of International Trade and Minister Responsible for Asia Pacific Strategy and Multiculturalism (MIT) in a more efficient model. BCIIIF's operating budget is included in MIT's budget making an industry expense ratio unnecessary.

### Goal 3: *Stimulate Commercialization of Innovation and Venture Capital Investment in B.C.*

BCRCF is structured as a fund-of-funds designed to attract world-class venture capital investors to B.C. Access to capital with a global reach and experienced management are critical to fostering commercialization and growth for B.C. companies.

### Strategies

To increase the visibility of B.C. as an attractive market for venture capital, BCRCF strives to increase domestic and international links through its fund managers, many of whom have networks around the world. To increase the probability of investments in B.C. companies, fund managers have entered into side letter agreements (legal agreements) with BCRCF in which they commit to perform investment activities in B.C.

### Performance Measure 3: BCRCF Cumulative Capital Called and Invested

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
3.1 Cumulative capital called on BCRCF's commitments to fund managers	\$59 million	\$69 million	\$76.2 million	\$81 million	\$79.4 million	\$85 million	\$89 million
3.2 Cumulative investment by BCRCF fund managers in B.C. companies	\$139 million	\$157 million	\$174 million	\$165 million	\$181 million	\$189 million	\$197 million
3.3 Cumulative investment by BCRCF fund managers and syndicate partners in B.C. companies	\$288 million	\$308 million	\$385 million	\$324 million	\$400 million	\$416 million	\$432 million

**Data Source:** Capital calls and investment amounts are based on invoices, BCRCF venture capital fund managers' audited financial statements and quarterly performance reports.

BCRCF's forecasts use a leverage factor of 2.0 to 3.5 times the capital called in establishing targets.

## **Discussion**

As a result of BCRCF investments, cumulative investment targets were exceeded in 2016/17 demonstrating that a significant amount of additional capital was invested in B.C. BCRCF fund managers developed and maintained key relationships and networks that encourage investment in B.C. companies.

The cumulative capital called on BCRCF's commitments to fund managers was \$79.4 million in 2016/17 versus the target of \$81 million because the investee funds have reached, or are nearing the end of their investment period.

Since inception, BCRCF fund managers and their syndicate partners have exceeded investment targets. A total of \$181 million has been invested in B.C. companies by BCRCF fund managers, and \$400 million by BCRCF fund managers and syndicate partners. This investment has created more than 1,205 jobs in 34 B.C. companies.

## **Financial Report**

### **Discussion of Results and Financial Report Summary Table**

BCIIF continues best-business and investment practices to earn positive investment returns. As mandated, BCIIF invests available funds in Money Market assets with the bcIMC and CDP.

BCIIF also maintains best business and investment monitoring practices over its three asset classes: public sector infrastructure investments; venture capital fund investments; and Money Market assets.

#### **Portfolio Balances as of March 31, 2017:**

- A total of \$41.6 million invested in Money Market assets.
- Loan principal and accrued interest for provincial capital infrastructure projects contributed \$178.3 million.
- Venture Capital investments held in BCRCF Portfolio 1 and BC Tech Fund Portfolio 2 totaled \$49 million.

#### **Portfolio Activity:**

- New venture capital investment of \$3.2 million was called in BCRCF Portfolio 1.
- BCIIF received \$838,000 in new funds and repaid \$91.2 million in the IIP<sup>3</sup>.
- Interest income from infrastructure loans and Money Market assets totaled \$6.2 million.

#### **Variance and Trend Analysis**

BCIIF's total revenue was lower than budgeted in 2016/17 and lower than 2015/16 actuals. Net income from operations was lower than budgeted and higher than 2015/16 actuals. BCIIF does not budget for venture capital returns due to the unpredictability and high-risk nature of the investments. Net income is higher in 2016/17 than 2015/16 because there are no administrative expenses in

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<sup>3</sup> When the federal IIP was terminated in 2014 it had a significant backlog of applications which continue to be processed and resulted in BCIIF receiving \$838,000 in new funds in 2016/17. BCIIF is required to repay IIP allocations after 5 years, and those repayments totalled \$91 million in 2016/17.

BCIIF's new operating environment. As of April 1, 2016, the board of directors of BCIIF and BCRCF are all B.C. Public Service employees and the management team are employees of MIT. Expenses are borne by MIT.

Analysis includes:

- Realized investment gains: Realized investment gains are generated from disposition of bcIMC investments. BCIIF did not dispose of bcIMC investments to meet cash needs; therefore gains are lower than budgeted and lower than fiscal 2015/16. Realized investment loss is due to foreign exchange loss on the disposal of US denominated VC distributions. The foreign exchange at the time of purchase was greater than the foreign exchange at the time of sale.
- Interest income: Interest income is higher than budgeted due to two factors: an interest rate increase on funds held at the Ministry of Finance; and balances in interest earning accounts being higher than anticipated.

Interest income is lower than 2015/16 actuals due to decreasing balances of infrastructure loans receivable. Interest income will trend down in subsequent years due to decreasing investment account balances and loan receivable balances.

- Venture Capital Investment Income: During the year, BCIIF changed its accounting policy for distributions received from its venture capital portfolio. Previously, BCIIF recorded distributions as a mixture of return of capital and revenue from a return on capital. The accounting policy change was adopted to recognize proceeds from fund distributions in a manner that aligns with terms set out in Fund Limited Partnership Agreements (LPAs). For each LPA, distributions are first provided as return of capital until all paid in capital has been returned. Revenue from a return on capital is only reported once all paid in capital has been returned. BCIIF income from distributions reported in prior years has been adjusted to conform to the policy change.
- Expenses: Expenses in 2016/17 include:
  - bcIMC investment management fees are incurred for managing short-term investments. Results are higher than budgeted because expense assumptions post-transition didn't include management fees.
  - Professional fees reflect a credit because of an over- accrual in 2015/16.
- Debt to Canada: Total Debt to Canada was higher than budgeted as BCIIF did not anticipate continuing to receive new allocations; however, some small allocations continue to be dispersed. Total debt year over year has decreased and will trend down as BCIIF continues to meet repayment obligations.
- Total Liabilities: Total liabilities are lower in 2016/17 than 2015/16 because operating liabilities are now part of the MIT budget, and the Debt to Canada is decreasing.

## Risks and Uncertainties

Key risks faced by the Corporation, along with strategies for their management are:

- **Interest rate risk:** Interest rate risk arises from the possibility that changes in market interest rates will affect future cash flows. BCIIIF manages exposure to interest rate volatility by holding a portfolio of long-term fixed rate and short-term floating rate investments.
- **Currency risk:** Venture capital investments denominated in U.S. dollars pose a foreign currency risk. BCIIIF holds significant U.S. dollar liquid assets which are sufficient to meet all remaining U.S. dollar-based commitments.
- **Credit risk:** BCIIIF's loan portfolio is at risk in the event of non-repayment by borrowers. This is mitigated by the fact that all loans are made to Government Related Entities and structured with a corresponding general obligation ranking equivalent to other loans by the borrowers.

BCIIIF is exposed to credit risk associated with its cash deposits and investments. This risk is mitigated by placing deposits and investments in recognized British Columbia institutions, with investments consisting entirely of high-quality short-term funds. Therefore credit risk arising from cash deposits and investments is considered negligible.

BCIIIF is also exposed to credit risk in the event its returns from the venture capital initiatives are below cost. BCIIIF's investment portfolio diversification is based on an investment strategy developed to generate returns to cover potential losses from its higher risk investments.

- **Liquidity risk:** Liquidity risk is the risk that BCIIIF will encounter difficulty in meeting loan repayment obligations. Timing differences exist between cash receipts from infrastructure loans and cash repayments to the federal government. BCIIIF manages this risk by holding a significant portfolio of short-term liquid investments.

BCIIIF is also exposed to liquidity risk associated with the venture capital initiatives. Venture capital investments cannot be readily sold in the open market. BCIIIF attempts to manage liquidity risk by utilizing the expertise and skills of institutional venture capital managers with a track record of commercial returns.

- **Returns risk:** Venture capital is a high risk asset class that does not afford guaranteed returns. Venture capital investments are subject to the "J-curve effect" typically over a 10-year fund lifecycle, whereby negative returns may occur in early years, while new investments are being made. Gains occur in later years as portfolio companies mature and exit. Historically, returns begin three to five years after a fund's investment period ends. BCIIIF exercises caution regarding the expected timing of venture capital returns by not forecasting expected returns.

**Financial Resource Summary Table <sup>1</sup>**

\$ '000's	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Budget	2016/17 Actual	2016/17 Variance	2015/16- 2016/17 Variance
<b>Revenue</b>							
Realized investment gains	1,153	114	952	3,971	2	(3,769)	(950)
Interest income	8,778	9,190	7,611	6,074	6,326	1,285	(1,285)
Venture capital investment income	-	-	9,236		1,177	1,177	(2,361)
<b>Total Revenue</b>	<b>9,931</b>	<b>9,304</b>	<b>17,799</b>	<b>10,045</b>	<b>7,505</b>	<b>(2,540)</b>	<b>(4,603)</b>
<b>Operating Expenses</b>							
Advertising and promotion	47	68	68			--	(68)
Board of director fees & expenses	91	94	88			--	(88)
Board of director support services	53	70	72			--	(72)
Salary, wages & benefits	285	458	557			--	(557)
Investment fees	192	159	(1)		156	156	157
Office & business expenses	60	125	94			--	(94)
Professional fees	145	347	261		(14)	(14)	(275)
Amortization of discount	5,363	5,775	4,581	3,160	3,294	134	(1,287)
Venture capital investment losses			8,366				(8,366)
<b>Total Expenses</b>	<b>6,236</b>	<b>7,096</b>	<b>14,086</b>	<b>3,160</b>	<b>3,436</b>	<b>276</b>	<b>(10,650)</b>
<b>Net Income from Operations</b>	<b>3,695</b>	<b>2,208</b>	<b>3,713</b>	<b>6,885</b>	<b>4,069</b>	<b>(2,816)</b>	<b>356</b>
<b>Accumulated Surplus/Retained Earnings</b>	<b>39,582</b>	<b>41,790</b>	<b>45,503</b>	<b>52,388</b>	<b>49,572</b>	<b>(2,816)</b>	<b>4,069</b>
<b>Debt to Canada</b>	<b>440,311</b>	<b>414,489</b>	<b>303,605</b>	<b>214,672</b>	<b>216,537</b>	<b>1,865</b>	<b>(87,068)</b>
<b>Total Liabilities</b>	<b>440,391</b>	<b>414,663</b>	<b>303,678</b>	<b>214,846</b>	<b>216,739</b>	<b>1,893</b>	<b>(86,939)</b>

**GENERAL NOTES:**

(a) Budgeted revenue is based on a conservative assumption that all available funds, other than amounts required to meet venture capital commitments, will be invested in liquid financial instruments, earning returns based on the Treasury Board Staff interest rate forecast. Given the uncertainty of the timing and quantum of venture capital returns, venture capital income is reported as it is realized.

(b) The above budgeted information is from the 2016/17-2018/19 Service Plan. As of April 1, 2016, the board of directors of BCIIIF and BCRCF are all B.C. Public Service employees and the management team are employees of the Ministry of International Trade and Minister Responsible for Asia Pacific Strategy and Multiculturalism. As a result, expenses budgeted out for future years were uncertain.

**NOTES:**

Note 1: The above financial information was prepared based on current Generally Accepted Accounting Principles.

## **Auditors Report and Audited Financial Statements**

Consolidated Financial Statements of  
**BC IMMIGRANT INVESTMENT  
FUND LTD.**  
Year Ended March 31, 2017

**MANAGEMENT'S REPORT**

**Management's Responsibility for the Consolidated Financial Statements**

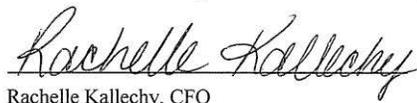
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews internal consolidated financial statements on a quarterly basis and external audited consolidated financial statements yearly. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The Auditor General of British Columbia conducts an independent examination, in accordance with Canadian auditing standards, and expresses her opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Corporation and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of BC Immigrant Investment Fund Ltd,

  
Rachelle Kallechy, CFO

Victoria, B.C.  
June 26, 2017

  
Bindi Sawchuk, CEO



## **INDEPENDENT AUDITOR'S REPORT**

*To the Board of Directors of BC Immigrant Investment Fund Ltd., and  
To the Minister of International Trade and the Minister Responsible for the Asia Pacific Strategy  
and Multiculturalism, Province of British Columbia*

I have audited the accompanying consolidated financial statements of BC Immigrant Investment Fund Ltd. ("the entity"), which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statement of operations and accumulated surplus, statement of remeasurement gains and losses, statement of changes in net financial assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

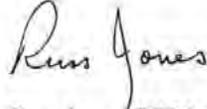
BC IMMIGRANT INVESTMENT FUND LTD.  
Independent Auditor's Report

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***Opinion***

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BC Immigrant Investment Fund Ltd. as at March 31, 2017, and the results of its operations, changes in its remeasurement gains and losses, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

*Victoria, British Columbia*  
June 26, 2017



Russ Jones, FCPA, FCA  
Deputy Auditor General



OFFICE OF THE  
Auditor General  
of British Columbia

**BC IMMIGRANT INVESTMENT FUND LTD.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*(in \$000)*

AS AT MARCH 31	2017	2016 (Restated Note 13)
<b>Financial Assets</b>		
Cash	9,954	55,911
Investments	31,612	28,878
Accounts receivable	1	2
Loan receivable <i>(Note 4)</i>	178,289	212,593
Venture investments <i>(Note 5)</i>	49,038	54,066
	<u>268,894</u>	<u>351,450</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	131	328
Promissory notes <i>(Note 6)</i>	216,537	303,605
	<u>216,668</u>	<u>303,933</u>
<b>Net Financial Assets</b>	52,226	47,517
<b>Non-Financial Assets</b>		
Prepaid expenses	-	13
	<u>52,226</u>	<u>47,530</u>
<b>Accumulated Surplus</b>	<u>52,226</u>	<u>47,530</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	49,572	45,503
Accumulated remeasurement gains	2,654	2,027
	<u>52,226</u>	<u>47,530</u>

SIGNIFICANT EVENTS *(Note 2)*

COMMITMENTS *(Note 8)*

APPROVED BY THE BOARD:

 Director  
 Director

*The accompanying notes are an integral part of these consolidated financial statements.*

**BC IMMIGRANT INVESTMENT FUND LTD.**

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
(in \$000)

FOR THE YEAR ENDED MARCH 31	Budgeted Figures (Note 12)	2017	2016 (Restated Note 13)
Revenues:			
Venture capital investment income	-	1,177	9,236
Realized investment gain	3,971	2	952
Interest income	6,074	6,326	7,611
	<u>10,045</u>	<u>7,505</u>	<u>17,799</u>
Expenses (Note 11):	<u>3,160</u>	<u>3,436</u>	<u>14,086</u>
Annual operating surplus	6,885	4,069	3,713
Accumulated annual operating surplus at beginning of year, As previously reported	<u>47,896</u>	<u>52,949</u>	<u>47,896</u>
Adjustments to accumulated surplus		(7,446)	(6,106)
Accumulated annual operating surplus at beginning of year, as restated	<u>47,896</u>	<u>45,503</u>	<u>41,790</u>
Accumulated annual operating surplus at end of year	<u>54,781</u>	<u>49,572</u>	<u>45,503</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**BC IMMIGRANT INVESTMENT FUND LTD.**

**CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES**  
*(in \$000)*

<b>FOR THE YEAR ENDED MARCH 31</b>	<b>2017</b>	<b>2016</b>
Accumulated remeasurement gains at the beginning of the year	<u>2,027</u>	<u>2,445</u>
Unrealized gains attributable to:		
Foreign exchange gain	597	1,765
Investment gain	32	(1,333)
Amounts reclassified to the statement of operations		
Foreign exchange	(2)	(850)
Investment	<u>-</u>	<u>1</u>
Change in remeasurement gains for the year	<u>627</u>	<u>(418)</u>
Accumulated remeasurement gains at the end of the year	<u>2,654</u>	<u>2,027</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**BC IMMIGRANT INVESTMENT FUND LTD.**

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

*(in \$000)*

<b>FOR THE YEAR ENDED MARCH 31</b>	<b>2017</b>	<b>2016 (Restated Note 13)</b>
Annual operating surplus	4,069	3,713
Acquisition of prepaid expenses	-	(21)
Use of prepaid expenses	<u>13</u>	<u>15</u>
	4,082	3,707
Effect of remeasurement gains	<u>627</u>	<u>(418)</u>
Increase in net financial assets	4,709	3,289
Net financial assets at the beginning of the year, as previously reported		50,334
Effect of financial asset restatement		<u>(6,106)</u>
Net financial assets at the beginning of year, restated	47,517	44,228
Net financial assets at the end of the year	<u>52,226</u>	<u>47,517</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**BC IMMIGRANT INVESTMENT FUND LTD.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

*(in \$000)*

<b>FOR THE YEAR ENDED MARCH 31</b>	<b>2017</b>	<b>2016 (Restated Note 13)</b>
Operating transactions:		
Annual Surplus	4,069	3,713
Items not involving cash:		
Gains on Venture Capital distributions	(1,173)	(9,236)
Amortization of promissory discount	3,294	4,581
Realized investment gain	(2)	(952)
Impairment loss on venture capital investments		8,366
Changes in non-cash operating working capital:		
Accounts receivable	-	2
Prepaid expenses	13	(6)
Accounts payable	(193)	154
Accrued loan interest	95	64
Cash provided by operating activities	<u>6,103</u>	<u>6,686</u>
Financing transactions:		
Cash received from promissory notes	838	3,093
Repayment/refund of promissory notes	<u>(91,201)</u>	<u>(118,558)</u>
Cash provided by financing activities	<u>(90,363)</u>	<u>(115,465)</u>
Investing transactions:		
Purchase of investments, net of redemptions	(2,105)	(7,454)
Repayment of loan principal	34,209	30,182
Capital calls to venture capital funds	(7,619)	(7,791)
Returns from venture capital funds	<u>13,818</u>	<u>15,496</u>
Cash provided by investing activities	<u>38,303</u>	<u>30,433</u>
Increase (decrease) in cash	(45,957)	(78,346)
Cash at beginning of year	<u>55,911</u>	<u>134,257</u>
Cash at end of year	<u>9,954</u>	<u>55,911</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2017**

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**1. NATURE OF BUSINESS**

BC Immigrant Investment Fund Ltd. (the “Corporation”) was incorporated on September 19, 2000, under the laws of British Columbia and is wholly owned by the Province of British Columbia.

The Corporation is an approved fund under the Federal Immigrant Investor Program (the “Program”). The Program provides an opportunity for experienced business persons to immigrate to Canada after making an investment in a fund approved by a Province and the Minister of Citizenship and Immigration. The accumulated operating surplus includes one issued common share of the Corporation, of nominal value, which is held by the Minister of International Trade and Minister Responsible for the Asia Pacific Strategy and Multiculturalism. The Minister acts as agent for approved funds by receiving investments from immigrant investors and disbursing them to approved funds according to an allocation formula set out in the Immigration Regulations, 1978. The regulations require approved funds participating in the Program to invest in economic initiatives, which will create employment in Canada to foster the development of a strong and viable economy.

The Minister of Finance acts as a fiscal agent for the Corporation. The Corporation is exempt from federal and provincial taxes.

**2. SIGNIFICANT EVENTS**

On February 11, 2014, the Federal Government announced its intention to terminate the existing Federal Immigrant Investor Program. Investor applications that were in progress at that time are currently being processed with the allocation of the funds continuing to flow through to the Corporation. It is expected that the allocations of the funds to the Corporation will continue through the next fiscal year, although the amounts received are expected to be lower than has historically been the case. The current cash flows from the Corporation continue to meet all repayment obligations to the Federal Government.

On October 13, 2016, the B.C. Renaissance Capital Fund Ltd. (“BCRCF”) entered into a Limited Partnership Agreement with BC Tech Fund GP Inc. to form BC Tech Fund Limited Partnership (“BC Tech Fund”). BC Tech Fund is a limited partnership under the laws of the Province of British Columbia.

The purpose of the BC Tech Fund is to invest in B.C. based venture capital funds and B.C. based companies in order to achieve superior long-term financial returns while strengthening and growing the venture capital system in the Province of British Columbia to fuel long term economic growth and diversification.

BCRCF has committed \$100M of capital to the BC Tech Fund. (Note 8)

**3. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

These consolidated financial statements are prepared by management in accordance with generally accepted accounting principles established by the Canadian Public Sector Accounting Board.

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2017**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Basis of Consolidation*

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of the Corporation and its wholly owned subsidiary, BCRCF. All intercompany transactions and balances have been eliminated upon consolidation.

On October 22, 2007, BCRCF was incorporated under the *Business Corporations Act* and is a wholly-owned subsidiary of the BC Immigrant Investment Fund Ltd. Since incorporation, the management team and Board of Directors for BCRCF are the same as those for the Corporation. The primary business of BCRCF, a Fund of Funds, is to stimulate economic development and generate returns.

*Prepaid Expenses*

Prepaid expenses include software licensing and educational course amounts and are charged to expense over the period expected to benefit from it.

*Revenue Recognition*

Revenues are recognized in the period in which the transactions or events occurred that gave rise to revenues.

Venture Capital Investment Income represents BCRCF's portion of distribution of proceeds resulting from the divestiture of investments held by the Funds. Income is recognized once all paid in capital to the fund has been returned. Previously BCIF recorded revenue based on venture fund description of source transactions. (Note 13)

Realized investment gains represents realized investment and foreign exchange gains and losses earned in operating cash accounts and investments, and is recognized on an accrual basis.

Interest income from loans receivable is recognized on an accrual basis.

*Expenses*

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

*Promissory Note Discount*

Promissory notes are received at a discount. The discount is recognized as an expense on a straight-line basis over the term of the promissory notes.

As promissory notes were established by the Immigration Regulations, 1978, they are not considered financial instruments and the discount is not recognized as interest expense.

*Foreign Currency Translation*

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2017**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Foreign currency transactions are translated at the exchange rate prevailing at the date of transactions.

Monetary assets and liabilities, and non-monetary items included in the fair value measurement category denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

*Measurement Uncertainty*

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include the valuation of venture capital investments for any possible impairment.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

*Financial Instruments*

Equity instruments quoted in an active market are measured at fair value. All other financial assets and financial liabilities are measured at cost or amortized cost. The following classification system is used to describe the basis of the inputs used to measure the fair value of financial instruments in the fair value measurement category:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
Level 3	Inputs for the asset or liabilities that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the consolidated statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the consolidated statement of remeasurement gains and losses and recognized in the consolidated statement of operations. Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations.

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**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2017**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

i. Cash

Cash includes both cash and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. The investments have a maturity of six months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing. They consist of equities which are reported at fair value and are measured using a Level 1 valuation.

ii. Investments

The Corporation invests in pooled fund products managed by the British Columbia Investments Management Corporation (bcIMC), a corporation established under the *Public Sector Pension Plans Act*.

Equity investments quoted in an active market are reported at fair value using a Level 1 valuation.

iii. Accounts and loans receivable

Accounts and loans receivable are recorded at amortized cost using the effective interest method less any amount for valuation allowance. Valuation allowances are made to reflect loans receivable at the lower of amortized cost and net recoverable value, when collectability and risk of loss exists. Changes in valuation allowance are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectible.

iv. Venture investments

The Corporation invests in venture investments as a Limited Partner. These investments are reported at cost as there is no quoted market price in an active market.

v. Debt and other financial liabilities

All debt and other financial liabilities are recorded using cost or amortized cost.

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2017**

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**4. LOANS RECEIVABLE**

	<b>March 31 2017</b>	<b>March 31 2016</b>
Due from British Columbia Institute of Technology, principal of \$60,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 2.70% over a 6 year term. The outstanding balance of this loan will be due in full on August 1, 2017.	44,376	46,401
Due from University of the Fraser Valley, principal of \$13,919,748, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 5.15% over a 25 year term. The outstanding balance of this loan will be due in full on August 1, 2017.	10,651	11,091
Due from University of Victoria, principal of \$5,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 4.75% over a 20 year term. The loan was paid in full March 1, 2017.	-	3,328
Due from University of Victoria, principal of \$10,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 2.48% over a 10 year term. The outstanding balance of this loan will be due in full on May 2, 2023.	8,517	8,938
Due from Nicola Valley Institute of Technology, principal of \$3,300,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 4.9% over a 30 year term. The outstanding balance of this loan will be due in full on September 1, 2017. The loan had an interest free period which impacted the accounting balance and effective rate of loan. For accounting purposes, the estimated interest foregone has been recorded as an increase in the loan receivable using the effective interest method to the maturity date of the loan and will be accredited to interest income over the term of the loan. As a result, the effective interest rate on the loan is 4.77% per annum.	2,725	2,800
Carried Forward	66,269	72,558

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2017**

Brought forward	66,269	72,558
Due from Simon Fraser University, principal of \$5,100,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 5.20% over a 30 year term. The balance was paid in full March 1, 2017.	-	410
Due from the Province of British Columbia, principal of \$100,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 3.46% over a 10 year term. The outstanding balance of this loan will be due in full on December 16, 2019.	31,060	41,644
Due from the Province of British Columbia, principal of \$75,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 3.18% over a 10 year term. The outstanding balance of this loan will be due on December 9, 2020.	30,999	38,662
Due from the Province of British Columbia, principal of \$50,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 2.15% over a 9 year term. The outstanding balance of this loan will be due on September 16, 2019.	23,886	28,863
Due from the Province of British Columbia, principal of \$45,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 2.24% over a 10 year term. The outstanding balance of this loan will be due on December 8, 2022.	26,075	30,456
Total loans receivable	178,289	212,593

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2017**

**5. VENTURE INVESTMENTS**

The B.C. Renaissance Capital Fund Ltd. ("BCRCF") has two venture investment portfolios (2016 – 1 portfolio). In portfolio one, BCRCF invests in funds as a limited partner and has investments in nine venture funds with ownership percentages varying from 0.50% to 16.7%. In portfolio two, BCRCF invests in the BC Tech Fund as a limited partner with an ownership percentage of 99%. Cumulative contributions and returns of capital to date are:

	<b>March 31 2017</b>	<b>March 31 2016 (Restated Note 13)</b>
<b>Canadian Dollar Funds</b>		
Cumulative contributions to date	45,837	39,181
Cumulative returns of capital	19,528	8,434
<b>US Dollar Funds</b>		
Cumulative contributions to date	40,426	39,464
Cumulative returns of capital	9,330	7,778

An impairment totaling \$0 (2016: \$8.37 million) in venture capital investments was identified by management and reported on the Consolidated Statement of Operations. The sum of Canadian Dollar Funds and US Dollar Funds less their respective cumulative returns of capital, and adjusting for the prior year impairment, brings total venture investments to a closing balance of \$49 million as at March 31, 2017 (2016: \$54 million).

**6. PROMISSORY NOTES**

The funds received from the Federal Immigrant Investor Program are repayable, without interest, five years after they are received. The obligation of the Corporation is represented by non-transferable zero interest promissory notes. The Province of British Columbia fully guarantees these funds up to a maximum of \$500 million.

Promissory note discount represents the amounts withheld on promissory notes received. The amount is amortized over the life of the note.

	<b>March 31 2017</b>	<b>March 31 2016</b>
Total promissory notes, beginning of year	310,378	414,489
Additions during the year	899	14,447
Repaid or refunded during the year	(91,163)	(118,558)

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**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2017**

<b>6. PROMISSORY NOTES (continued)</b>		
	220,114	310,378
Net promissory note discount end of year	(3,577)	(6,773)
Promissory notes, end of year	216,537	303,605

The estimated principal payments over the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2018	62,229
2019	118,068
2020	35,621
2021	3,297
2022	899

**7. RISK MANAGEMENT**

The investment activities of the Corporation expose it to a variety of financial risks including credit risk, market risk (which includes currency risk, interest rate and other price risk) and liquidity risk.

*Credit Risk*

Credit risk is the risk associated with the inability of a third party to fulfill payment obligations. The Corporation is exposed to credit risk in the event of non-performance by a public sector borrower to a maximum value of the value of loans receivable. The Corporation assesses this risk when considering loans. For the most part an unsecured and general obligation from the public sector institution is judged sufficient to mitigate credit risk; however, the Corporation has taken property as collateral on the loan to Simon Fraser University to further mitigate potential credit risks.

The Corporation is exposed to credit risk associated with its cash deposits and investments. This risk is mitigated by placing deposits and investments in recognized British Columbia institutions, with investments consisting entirely of high-quality short-term funds. Therefore credit risk arising from cash deposits and investments is considered negligible.

The Corporation is also exposed to credit risk in the event its returns from the venture capital initiatives are below cost. The Corporation's investment portfolio diversification is based on an investment strategy developed to generate returns to cover potential losses from its higher risk investments.

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2017**

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**7. RISK MANAGEMENT (continued)**

***Market Risk***

***Currency Risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Corporation is exposed to foreign currency exchange risk as a result of its investments in US venture capital initiatives, US investments and US dollar holdings.

Through the Corporation's venture capital initiative, the Corporation has a total of \$1.28 million USD (2016 - \$2.02 million USD) in remaining venture capital commitments, and holds approximately \$19.3 million USD (2016 - \$17.43 million USD) in investments and cash. At the statement of financial position date, currency risk is negligible because the Corporation has sufficient USD on hand to satisfy commitments made.

The Corporation manages its foreign currency risk by holding funds that are required to meet US venture capital commitments in US dollar cash and US dollar investments that generate annual returns. Returns generated from investments in venture capital funds will also be in US dollars. As the timing and value of returns from these investments cannot be reasonably estimated, the impact of currency rate fluctuations can also not be estimated.

US dollar investments held to provide funds for anticipated US dollar venture capital commitments have resulted in unrealized foreign exchange gains of \$2.63 million (2016 - \$1.77 million) being recognized in the Statement of Remeasurement Gains.

***Interest Rate Risk***

Interest rate risk arises from the possibility that changes in market interest rates will affect future cash flows or fair values of financial instruments. The Corporation is exposed to interest rate risk through its investments. The Corporation manages its exposure to interest rate risk by holding a portfolio of fixed and floating rate investments. The Corporation has invested its funds in loans receivable with fixed rate returns and investments with British Columbia Investment Management Corporation (bcIMC) on a floating rate basis.

If the Corporation were to have experienced a 1% change in the interest rate earned this would have impacted interest income in the approximate amount of \$2.6 million (2016 - \$3.4 million) calculated as 1% of the average book value of investments throughout the year.

***Other Price Risk***

Other price risk is the risk that the market value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation is exposed to other price risk through both its investments and venture capital investments. Venture capital investments carry a high risk; however, the Corporation mitigates the risk by utilizing the expertise and skills of institutional venture capital managers with a track record of commercial returns.

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2017**

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**7. RISK MANAGEMENT (continued)**

*Liquidity Risk*

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. In connection with the Corporation's ongoing financing of operations including refinancing risk, management aims to ensure adequate liquidity of investments. The Corporation manages its liquidity risk by placing deposits in cash and extremely liquid negotiable instruments, and monitoring the duration of lending/investing activities of the Corporation to coincide with five year forecasted repayment obligations (Note 6).

The Corporation is also exposed to liquidity risk associated with the venture capital initiatives. The Corporation cannot readily sell the investments. As the Corporation invests in early stage venture capital initiatives that have a limited history of operations and whose business activities tend to be speculative, there is no assurance that such investments will provide positive future cash flows. The Corporation attempts to manage liquidity risk by utilizing the expertise and skills of institutional venture capital managers with a track record of commercial returns.

**8. COMMITMENTS**

B.C. Renaissance Capital Fund Ltd. has commitments in both CAD and USD to invest as a Limited Partner in certain venture capital funds. The following table summarizes the total investment commitments, transfers made to date and total commitments remaining:

	<b>March 31 2017</b>	<b>March 31 2016</b>
Total USD investment commitments (USD)	39,280	39,280
USD investment commitments transferred to date (USD)	(38,003)	(37,262)
Remaining USD investment commitments (USD)	1,277	2,018
Remaining USD investment commitments translated to CAD	1,701	2,617
Total CAD investment commitments	151,000	51,000
CAD investment commitments transferred to date	(45,837)	(38,994)
Remaining CAD investment commitments	105,163	12,006
Aggregate remaining investment commitments	106,864	14,623

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2017**

**9. INDEMNITIES**

As part of the Corporation's initiative to develop a portfolio of venture investments it has entered into the following partnerships:

Portfolio 1: Arch Venture Fund VII, L.P., Kearny Venture Partners, L.P., VantagePoint Clean Tech Partners II, L.P., VantagePoint Venture Partners 2006 (Q), L.P., Azure Capital Partners III, L.P., Yaletown Ventures II, L.P., Tandem Expansion Fund I, L.P., (the Partnerships), VanEdge Capital I, L.P., iNovia Investment Fund III L.P; and

Portfolio 2: BC Tech Fund.

Under the terms of the partnership agreements, each Partnership has agreed to indemnify its General Partner (including their members, employees and agents) for certain liabilities, which the General Partner may incur as a result of activities undertaken in their capacity as General Partners. Management believes that no such liabilities exist at March 31, 2017.

**10. RELATED PARTY TRANSACTIONS**

The Corporation is related through common ownership to all Province of British Columbia ministries, agencies, Crown corporations and all other public sector organizations. Transactions with these entities are in the normal course of operations and are recorded at the exchange amount.

As of April 1, 2017, BCIIF has a Memorandum of Understanding that the Ministry of International Trade and Minister Responsible for Asia Pacific Strategy and Multiculturalism will incur the cost of operating expenditures on behalf of BCIIF without expectation of reimbursement. BCIIF will continue to record expenditures due to the amortization of promissory notes, investment management fees, and investment losses (if any) as disclosed in note 11.

The Province of British Columbia has provided a guarantee to the federal government for the balance of the promissory notes payable up to a maximum of \$500 million.

Assets and liabilities with related parties include:

	<b>March 31 2017</b>	<b>March 31 2016</b>
Cash (investment account)	9,399	54,736
Accounts receivable	1	2
Loans receivable <i>(Note 4)</i>	178,289	212,593
Accounts payable and accrued liabilities	-	(36)

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2017**

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**10. RELATED PARTY TRANSACTIONS (continued)**

The consolidated statement of operations includes the following transactions with related parties:

	<b>March 31 2017</b>	<b>March 31 2016</b>
Interest Income	6,326	7,611
Professional fees	-	36

**11. EXPENSES BY OBJECT**

The following is a summary of expenses by object:

	<b>March 31 2017</b>	<b>March 31 2016</b>
Advertising and promotion	-	68
Amortization of promissory note discount	3,294	4,581
Investment fees	156	(1)
Board of Director fees	-	88
Director support services	-	72
Office and business expenses	(14)	94
Professional fees	-	261
Salary, wages and benefits	-	557
Venture capital investment losses		8,366
	<b>3,436</b>	<b>14,086</b>

**12. BUDGETED FIGURES**

Budgeted figures have been provided for comparison purposes and have been derived from the 2016/17 Service Plan approved by the Board Chair on February 16, 2016.

**13. PRIOR YEAR RESTATEMENT**

During the year, BCIIIF changed its accounting policy for distributions received from its venture capital portfolio. Previously BCIIIF recorded distributions as a mixture of return of capital and revenue based on venture fund description of source transactions. The accounting policy change was adopted to recognize proceeds from fund distributions in alignment with terms set out in the Limited Partnership Agreements. For each agreement, distributions are first reported as return of capital until all paid in capital has been returned. Revenue is only reported once all paid in capital has been returned.

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2017**

**13. PRIOR YEAR RESTATEMENT (continued)**

The following table summarizes the effect of this change for each financial line item affected.

Statement of Financial Position	As Previously reported, March 31, 2016	Adjustment	Restated March 31, 2016
Venture investments	61,512	(7,446)	54,066
Net financial assets	54,963	(7,446)	47,517
Accumulated surplus	54,976	(7,446)	47,530
Accumulated operating surplus	52,949	(7,446)	45,503
<b>Statement of Operations and Accumulated Surplus</b>			
Venture capital investment income	10,576	(1,340)	9,236
Annual operating surplus	5,053	(1,340)	3,713
Accumulated annual operating surplus at beginning of year	47,896	(6,106)	41,790
Accumulated annual operating surplus at end of year	52,949	(7,446)	45,503
<b>Statement of Changes in Net Financial Assets</b>			
Annual operating surplus	5,053	(1,340)	3,713
Increase in net financial assets	4,629	(1,340)	3,289
Net financial assets at the beginning of the year	50,334	(6,106)	44,228
Net financial assets at the end of the year	54,963	(7,446)	47,517
<b>Statement of Changes in Cash Flows</b>			
Annual Surplus	5,053	(1,340)	3,713
Gains on venture capital distributions	(10,576)	1,340	(9,236)

## Appendix A - Subsidiaries and Operating Segments

**Venture Capital Investments:** The BC Immigrant Investment Fund (BCIIF) includes two venture capital portfolios through the B.C. Renaissance Capital Fund (BCRCF), a wholly-owned subsidiary of BCIIF. The members of the board of directors and management are the same as the BCIIF. Venture capital investments focus on funds and companies in the information and communications technology, digital media, clean tech, and life science sub-sectors. The Corporation's venture capital investments are managed by a private sector fund manager.

- **Portfolio 1 – the BCRCF** is comprised of investment commitments to eight fund managers between 2007 and 2011. The BCRCF is a matured \$90-million fund-of-funds intended to attract venture capital fund managers and their investments to B.C.
- **Portfolio 2 – the BC Tech Fund** is a \$100-million fund-of-funds<sup>4</sup> launched in 2016 that makes investments into B.C.-based venture capital funds and direct investments into B.C. technology companies. The BC Tech Fund is focused on investments at the Series A stage<sup>5</sup> of financing.

### Summary of BCRCF's Fund-of-Funds Portfolios

Portfolio	Year	Fund	Company
1 – BCRCF	2007	ARCH Venture Partners VantagePoint Capital Partners Kearny Venture Partners	N/A
	2009	Vanedge Capital Partners LTD Tandem Expansion Yaletown Venture Partners	N/A
	2011	Azure Capital Novia Capital	N/A
2 – BC Tech Fund	2016	Vanedge II (Vanedge Capital Partners LTD)	Mojio (B.C. Company)

<sup>4</sup> A fund-of-funds is a fund that invests in investment funds. In the case of the BC Tech Fund, investments are also made directly into tech companies.

<sup>5</sup> Series A financing is the first round of financing from institutional investors after friends, family and angel investment.

## BCRCF: Summary Financial Outlook Table

<b>(\$000)</b>	<b>2015/16 Actual</b>	<b>2016/17 Actual</b>	<b>2017/18 Budget</b>	<b>2018/19 Budget</b>	<b>2019/20 Budget</b>
<b>Total Revenue<sup>1</sup></b>	<b>9,236</b>	<b>1,177</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

<sup>1</sup> BCRCF financial accounts are consolidated into the parent company statements of BCIIIF. To be conservative given the high-risk nature of venture capital investments, venture capital income is reported as it is realized.

## **Appendix B – Additional Information**

### ***BC Immigrant Investment Fund (BCIIF)***

Additional information on BCIIF can be found at: <http://bciif.ca/about-bciif/overview/>

Standards of Conduct: <http://bciif.ca/wp-content/uploads/2015/06/Standards-of-Conduct-2014.pdf>

### ***B.C. Renaissance Capital Fund Ltd. (BCRCF)***

Additional information on investment strategy, venture capital fund managers, and investee companies of BCRCF, a wholly-owned subsidiary of BCIIF, can be found at: <http://bciif.ca/about-bcrf/overview/>

### ***Corporate Governance***

We are governed by a board of directors that is responsible to the minister responsible for the implementation of government direction. The board's direction is implemented by management, who carry out the day-to-day operations of the corporation under the supervision of the CEO. For more information on corporate governance, please refer to our web page at: <http://bciif.ca/about-bciif/leadership/>

### ***Organizational Overview***

For information on our organizational structure, please refer to our web page at: <http://bciif.ca/about-bciif/leadership/>

### ***Contact Information***

For more information on BC Immigrant Investment Fund Ltd. contact:

3rd floor-1803 Douglas Street  
Victoria, B.C. V8T 5C3

Bindi Sawchuk, CEO  
[Bindi.Sawchuk@bciif.ca](mailto:Bindi.Sawchuk@bciif.ca)  
250 952-0614

or visit our website at: [www.bciif.ca](http://www.bciif.ca)

## Appendix C – Crown Corporations Mandate and Actions Summary

In the 2016/17 Mandate Letter from the minister responsible, BCIIIF received direction on strategic priorities for the 2016/17 fiscal year. Government mandated direction and the Crown corporation's resulting actions are:

Mandate Letter Direction	Crown Corporation's Action
As a result of the federal termination of the federal Immigrant Investor Program, the BC Investment Corporation will work with the Ministry of International Trade to complete the BCIIIF mandate review and implement new mandate direction. During this review period, no new investment opportunities are to be pursued.	BCIIIF worked in partnership with the Ministry of International Trade on the mandate review which was completed in December, 2015. During this period, the BCIIIF put all new investments on hold.  BCRCF launched the \$100 million BC Tech Fund as a result of the mandate review and new mandate direction.
To minimize the exposure of accessing the guarantee that the Province has given to the federal government on monies received under the Immigrant Investor Program, by maintaining best-business and investment practices to realize positive investment returns.	BCIIIF met its monthly federal IIP repayment obligations in part due to best-business and investment practices. BCIIIF invests funds with the BC Investment Management Corporation (bcIMC) and the Province's Central Deposit Program (CDP) ensuring adequate liquidity to meet cash payment requirements.  Also see Goal 1 and related performance measurement.
To monitor and report on its capital commitments of up to \$90 million in venture capital investments.	BCIIIF/BCRCF monitored the performance of its investments through quarterly reporting to the ministry, board of directors and central government.
To use either the Ministry of Finance or BC Investment Management Corporation for investment or deposit of funds in liquid investments, other than amounts allocated to venture capital and Government Reporting Entity investments.	BCIIIF held short-term investments in an investment pool managed by bcIMC comprised of short-term, low risk, and high quality government and corporate debt securities.  Since 2013, BCIIIF funds have also been invested with the Ministry of Finance in the CDP, which deploys the short-term monies primarily for financing the Consolidated Revenue Fund.