

BC Immigrant Investment Fund Ltd.

2017/18
ANNUAL SERVICE PLAN REPORT

July 2018



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

BCIIF
3rd Floor-1803 Douglas St
Victoria BC V8T 5C3

or visit our website at

www.bciif.ca/

Board Chair's Accountability Statement



The *BC Immigrant Investment Fund Ltd.*'s 2017/18 Annual Service Plan Report compares the corporation's actual results to the expected results identified in the 2017/18 - 2019/20 Service Plan created in September 2017. I am accountable for those results as reported.

A handwritten signature in black ink, appearing to read 'Sandra'.

Sandra Carroll
Board Chair

Table of Contents

Board Chair's Accountability Statement.....	3
Chair/CEO Report Letter.....	5
Purpose of the Organization	6
Strategic Direction and Operating Environment	6
Report on Performance	8
Goals, Strategies, Measures and Targets	8
Financial Report	14
Discussion of Results	14
Financial Resource Summary Table	15
Auditor's Report & Audited Financial Statements	18
Appendix A – Additional Information	40
Corporate Governance	40
Organizational Overview	40
Contact Information	40
Appendix B – Subsidiaries and Operating Segments.....	41
Active Subsidiaries	41

Chair/CEO Report Letter



On behalf of the BC Immigrant Investment Fund, we are pleased to provide the 2017/18 Annual Service Plan Report.

In 2017/18, BC Immigrant Investment Fund Ltd. (BCIIF) actions aligned with the Government's strategic direction as outlined in the [2017/18 Mandate Letter](#) from the Minister of Jobs, Trade and Technology.

BCIIF continued to demonstrate accountability for strong public-sector governance including adherence to our code of conduct and continued implementation of our strategic engagement plan that establishes regular and recurring meetings between the board chair and CEO, and the sole shareholder of the BCIIF, the Minister of Jobs, Trade and Technology, and Deputy Minister. This regular engagement strategy helped to ensure BCIIF reflected the strategic interests of government and the best interest of British Columbians.



Portfolio 1 | BC Renaissance Capital Fund (BCRCF) venture capital portfolio, launched in 2007, has received returns on its investments throughout 2017/18 demonstrating that the fund is maturing, and beginning to show a favourable return pattern.

Portfolio 2 | the \$100-million BC Tech Fund, launched in October 2016 has made commitments in four venture capital (VC) funds and made investments in six B.C. companies.

In 2017/18, BCIIF realized a net operating income of \$4.9 million, had \$79.5 million in cash and short-term investments, and \$91.6 million invested in low-risk public sector infrastructure loans. The BCRCF invested \$82.2 million of its \$90.2 million commitment to venture capital funds, and as at March 31, 2018, the BC Tech Fund had invested \$10.2 million of its \$100 million.

During 2017/18, the BC Tech Fund bolstered the Province's start-up ecosystem by investing in Vancouver based Yaletown Venture Partners. Also during the year, the BC Tech Fund helped attract two Toronto based venture capital funds to open Vancouver offices. Capital has been committed to Lumira Capital Corp, which opened its third Canadian office in Vancouver and to ScaleUP Ventures, which established their second Canadian office in Vancouver. Both funds hired local partners based in B.C.

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.

A handwritten signature in blue ink, appearing to read 'S. Carroll'.

Sandra Carroll
Board Chair

A handwritten signature in blue ink, appearing to read 'N. Nankivell'.

Nathan Nankivell
Chief Executive Officer

Purpose of the Organization

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 now administered by Immigration, Refugee and Citizenship Canada (IRCC). IRCC requires that the funds provided to the BCIIF be invested in projects that contribute to economic development and job creation in Canada.

The money received from the IRCC 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 a wholly-owned subsidiary of the BCIIF. The purpose of the BCRCF is to increase the amount of venture capital available to B.C.-based technology companies. This is achieved by making investments in B.C.-based venture capital funds; attracting venture capital funds, fund managers and investors to B.C.; and making direct co-investments in B.C.-based companies. The BCRCF's venture capital investments are managed by a private sector fund manager and include:

- **Portfolio 1 | BCRCF** is comprised of investment commitments made to nine funds between 2007 and 2011. The BCRCF investments were intended to attract venture capital fund managers and their investments to B.C.
- **Portfolio 2 | BC Tech Fund** is a \$100 million fund-of-funds¹ 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 stage² of financing.

Strategic Direction and Operating Environment

The BCIIF's strategic direction, as outlined in the [2017/18 Mandate Letter](#), is aligned with the government's commitment to make life more affordable. This is accomplished by investing in B.C.-based tech companies. These investments create high paying jobs for British Columbians in all parts of the province, which makes life more affordable.

The strategic direction of the BCIIF is to build a strong, sustainable, and innovative economy that works for everyone. This is achieved by supporting broad-based economic growth in every region of

¹ A fund-of-funds is an investment strategy in which a fund invests in other investment funds. In the case of the BC Tech Fund, investments are also made directly into tech companies.

² Series A financing is the first round of financing from institutional investors after friends, family and angel investors.

the province which includes BCIIIF's long-term infrastructure loans to entities in the provincial public sector and investments made from the \$100 million BC Tech Fund.

BCIIIF supports the following Ministry of Jobs, Trade and Technology's mandated priorities:

1. Establish B.C. as a preferred location for new and emerging technologies by supporting venture capital investment in B.C. start-ups, and taking measures to increase the growth of domestic B.C. tech companies.
2. Ensure that the benefits of technology and innovation are felt around the province by working with rural and northern communities and equity-seeking groups to make strategic investments that support innovation and job growth.

By supporting the Ministry's mandated priorities, BCIIIF is helping government build a strong, sustainable and innovative economy that works for all British Columbians.

BCIIIF promotes economic development and job creation in B.C. by investing in three asset classes: public sector infrastructure loans, venture capital fund investments, and cash and short-term investments through the Province's Central Deposit Program (CDP) and the British Columbia Investment Management Corporation (bcIMC).

Long Term Infrastructure Loans have been made to Government Reporting Entities (GRE), primarily post-secondary institutions, to support student education and knowledge-based sectors. With the 2014 federal termination of the IIP, the BCIIIF is no longer offering new infrastructure loans.

Venture Capital Investments focus on funds and companies in the information and communications technology, digital media, clean tech, and life science sub-sectors. Through its wholly owned subsidiary, the BCRCF, the BCIIIF has two venture capital investment portfolios that are managed by a private sector fund manager, Kensington Capital Partners.

Cash & Short-Term Investments in government and corporate debt securities are managed by bcIMC. Since 2013, cash funds have also been invested with the Ministry of Finance in the CDP, which deploys short-term cash primarily for financing government's Consolidated Revenue Fund.

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

- **Interest rate risk:** modest growth has kept interest rates low, resulting in reduced interest income from liquid investments. 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 U.S. dollar liquid assets 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. All loans are made to GRE borrowers and structured with a corresponding general obligation ranking equivalent to other loans by the borrowers.
- **Liquidity risk:** 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 and seeking alternate financing when required.

- **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. Negative returns may occur in early years while new investments are being made. Gains occur in later years as portfolio companies mature and exit. Caution should be exercised regarding the expected timing and distribution of venture capital returns.

Report on Performance

BCIIF’s board of directors and management team aligned the Crown’s 2017/18 strategic, operating, and financial performance practices to address government’s expectations as set out in the [2017/18 Mandate Letter](#), as well as to focus on the goals set out in the 2017/18 Service Plan.

In 2017/18, BCIIF continued to demonstrate accountability for strong public-sector governance, including adherence to its code of conduct. BCIIF also continued implementation of its strategic engagement plan that establishes regular and recurring meetings between its board chair and CEO, and the sole shareholder of the BCIIF, the Minister of Jobs, Trade and Technology, and Deputy Minister. This regular engagement strategy helped to ensure BCIIF reflected the strategic interests of government and the best interest of British Columbians.

Goals, Strategies, Measures and Targets

Goal 1: Generate Returns that Meet or Exceed BCIIF’s Current Investment Strategy Targets.

Strategies

- BCIIF achieves commercial returns on low-risk infrastructure loans which mitigates 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 GRE to support approved public-sector infrastructure projects with loan yields equivalent to Government’s cost of borrowing.
- BCIIF deposits funds with CDP and bcIMC to have sufficient liquidity to meet five-year IIP repayment obligations to the federal government and to meet capital calls³ for venture capital investments.

³ The BCRCF has investment obligations to fund managers (referred to as ‘committed capital’). When fund managers request capital to make investments into companies it is referred to as a “capital call”.

Performance Measure 1: Achieve Targeted Average Yields on Investments.

Performance Measures		2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
1.1	Five Year Weighted Average BCIF Portfolio Return	2.51%	2.42%	2.31%	2.37%	2.35%	2.62%
1.2	One Year Weighted Average BCIF Portfolio Return	2.26%	2.49%	2.38%	2.95%	2.62%	2.81%

Discussion

Targeted yields are comparable to returns that could be realized through similar investment vehicles such as Guaranteed Investment Certificates (GIC). GIC returns are used as a comparison as BCIF must hold cash in short-term investments to meet cash calls for venture capital investments and debt obligations.

BCIF exceeded both the five year and one year weighted average targets due to realizing a significant foreign exchange gain from the sale of US dollar short term investments. The weighted average returns do not include venture capital returns as BCIF is measuring returns received from cash and short-term investments against similar investment vehicles.

Goal 2: Optimize BCIF's Investment Strategy and Operations.

Strategies

- Develop and implement a Performance and Accountability Framework to optimize BCIF's effectiveness and ensure alignment with government's direction and the *Budget Transparency and Accountability Act*.

Performance Measure 2: BCIF Operational Effectiveness.

Performance Measure		2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
2.1	Develop and adopt Performance and Accountability Framework	Framework being reviewed to align with refreshed mandate	Framework re-drafted and reviewed based on new governance structure	Draft framework to be submitted to board for approval	Framework developed and approved by the board	N/A	N/A

Discussion

In 2017/18, BCIIIF's Performance and Accountability Framework was developed and approved by the board. The framework includes a clear set of performance and accountability metrics with a set of outcomes that align with BCIIIF's and government's shared goals. This performance measure was retired in the 2018/19 – 2020/21 Service Plan. As such, future targets are not considered.

Frameworks set internal key performance indicators as well as organizational outcomes to ensure effective oversight and enhance managerial efficacy. The framework will continue to be updated and refined to ensure BCIIIF is adapting to environmental changes while achieving all goals set by BCIIIF and mandated by the Ministry.

Goal 3: Contribute to a stronger B.C. Venture Capital System.

The Province's 2015/16 venture capital policy review recognized that B.C. has an emerging, high-potential venture capital system which will fuel sustained growth in the technology sector as it matures. To realize this growth, venture capital system development activities are focused on:

- Addressing the “series A-round” venture capital funding gap in B.C. so that technology companies can grow and stay in B.C.
- Expanding the number of high performing venture capital funds in B.C. to provide capital and expertise to emerging B.C. technology companies.
- Increasing the competitiveness of B.C.'s venture capital system by facilitating greater cohesion to respond effectively to rapid changes in the venture capital environment.

Strategies

- Continue to utilize the \$100 million BC Tech Fund to address the A-round funding gap and ensure that investments benefit B.C. technology companies.
- Ensure that BC Tech Fund investments are made into B.C.-based venture capital funds to increase the number of funds and grow the number of fund managers in B.C.
- Collaborate with the BC Tech Fund manager to implement initial system building activities.

Performance Measure 3: Cumulative Investment Commitments to Funds and B.C. Businesses.

Performance Measures		2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
3.1	Cumulative number of investment commitments made to B.C. Businesses from the BC Tech Fund	1	6	6	10	12
3.2	Cumulative number of investment commitments made to B.C.-based VC Funds from the BC Tech Fund	1	6	4	6	6

Discussion

BCIIF met 2017/18 targets for cumulative number of investment commitments made to B.C. businesses from the BC Tech Fund. The cumulative number of investment commitments made to B.C. – based VC Funds was not met. The BC Tech Fund performs extensive due diligence on new investments to find the right, high-performing funds and companies to invest in. Due diligence is time consuming and funds must meet the specific investment profile of the BC Tech Fund as noted in the Limited Partnership Agreement. Fund managers must also be actively fundraising and both the fund manager and the BC Tech Fund manager must agree on investment terms before an investment is completed.

As of March 31, 2018 investment commitments were made to four funds: Vanedge II, Lumira, ScaleUp Ventures and Yaletown. While Vanedge and Yaletown are Vancouver based, Lumira and ScaleUp Ventures are new to B.C. and opened offices with managing partners delivering on the BC Tech Fund's goal of increasing the number of funds in B.C.⁴. The BC Tech Fund expects to conclude two fund investments currently under consideration in the first half of fiscal year 2018/19.

Target levels for investment commitments made to BC businesses were made based on the projected deployment of capital by funds the BC Tech Fund invested in. Target levels for fund investments were chosen based on expectations about the number of funds that would be actively fund raising in FY 17/18 as well as the length of the BC Tech Fund's investment period, the number of funds that meet the BC Tech Fund's investment thesis and considering the average financial commitment available per investment.

Goal 4: Stimulate Commercialization of Innovation and Venture Capital Investment in B.C.

Strategies

To increase access to capital in B.C., the BCRCF has invested in two venture capital portfolios:

- **Portfolio 1 – the BCRCF** is designed to attract world-class venture capital investors to B.C. investment opportunities. From 2007 to 2011, nine investments totalling \$90 million in capital commitments were made with eight expert fund managers. Portfolio 1 increases domestic and international linkages through its fund managers, many of whom have networks extending around the world. To increase the probability of investments in B.C. companies, fund managers have entered into side letter agreements with the BCRCF under which they commit to perform investment activities in B.C.
- **Portfolio 2 – the BC Tech Fund** is designed to stimulate the quantity of local venture capital available for B.C. businesses. To this end, the \$100 million Fund invests in B.C.-based venture

⁴ Lumira Capital focuses on transformational health care and life science companies. ScaleUp Ventures invests in fast-growing companies with a clear focus on building scalable businesses that disrupt large mature markets or become category leaders in emerging markets.

capital funds and B.C.-based companies. The [BC Tech Fund manager⁵](#) has an extensive investment network, which will help leverage capital from other sources into B.C.

In our 2018/19 – 2020/21 Service Plan released September 2017 BCIIIF combined its cumulative investment performance measures for both Portfolio 1 and 2. The new cumulative investment measures now include both fund manager investment and investment by syndicate partners. Targets have been combined and have changed from the 2017/18 – 2019/20 Service Plan.

Performance Measure 4: Cumulative Capital Called and Invested by the BCRCF Portfolio 1 (2007-2011)

Performance Measures	2016/17 Actual	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
4.1 Cumulative capital called on BCRCF's commitments to fund managers	\$79.4 million	\$85 million	\$83 million	\$83 million	\$83 million
4.2 Cumulative investment by BCRCF fund managers in B.C. companies ⁶	\$181million	\$189 million	\$586.7 million ⁷	\$587 million	\$587 million
4.3 Cumulative investment by syndicate partners in B.C. companies ⁸	\$400 million	\$416 million			

Data Source: Capital calls and investment amounts are based on invoices, audited financial statements and quarterly performance reports from the BCRCF and BC Tech Fund managers.

Discussion

BCIIIF fell short of meeting the 2017/18 target for cumulative capital calls and cumulative investment in B.C. companies. Future targets for measure 4.1 have been adjusted down for 2018/19 and 2019/20 to reflect information received from BCRCF fund managers that indicates no further investments are being made in new or existing companies as the funds are past their investment period. While BCRCF funds are fully committed and corresponding capital calls may still be made, the total value of the capital calls is expected to be less than originally projected.

⁵ The BC Tech Fund manager also oversee existing Portfolio 1 | BCRCF Investments

⁶ Cumulative investment by fund managers in B.C. companies is the sum total investment by each fund manager into B.C. companies.

⁷ Actual cumulative investment equals the sum of total investment by fund managers plus syndicate partners (sum of Performance Measures 4.2 and 4.3).

⁸ Cumulative investment by syndicate partners in B.C. companies is the sum total invested by companies outside of the funds into the same B.C. companies.

Performance Measure 5: Cumulative Capital Called and Invested by the BC Tech Fund, Portfolio 2 (2016-2020)

Performance Measures	2016/17 Actual	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
5.1 Cumulative capital called on BC Tech Fund commitment	\$6.8 million	\$12 million	\$10.2 million	\$37 million	\$62 million
5.2 Cumulative investment by fund managers in B.C. companies ⁶	\$4.5 million	\$40 million	\$69.9 million ⁹	\$200 million	\$260 million
5.3 Cumulative investment by syndicate partners in B.C. companies ⁸	\$22.4 million	\$60 million			

Data Source: Capital calls and investment amounts are based on invoices, BC Tech Fund venture capital fund managers' audited financial statements and quarterly performance reports from the BC Tech Fund managers.

Discussion

The targets for capital calls were missed as they were based on the assumption that six fund investments would be made and the fund managers would actively be making investments and calling capital. While fund managers are actively investing in B.C. technology companies, they are applying extensive due diligence processes to identify companies that have the greatest potential. This has slowed their pace of investment. In some cases, fund managers are also using lines of credit to fund investments, which have delayed their calls for capital from the BC Tech Fund.

Forecasts and targets for Portfolio 2 were developed considering the investment period of the BC Tech Fund, past investment patterns of similar fund-of-funds, and the impact that the BC Tech Fund investment restrictions would have on fund managers. Forecasts contain elements that are not within direct control of the BCRCF or its fund manager. An example is capital being invested by investee funds based on their investment strategy and capital being invested by the other syndicate partners. BC Tech Fund investments are also subject to the number of high quality BC-based funds that are actively raising funds and meet the BC Tech Fund's investment restrictions.

⁹ Actual cumulative investment equals the sum of total investment by fund managers plus syndicate partners (sum of Performance Measures 5.2 and 5.3).

Financial Report

Discussion of Results

BCIIF continues best-business and investment practices to earn positive investment returns. BCIIF invests available funds in Money Market assets with 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.

Highlights

Portfolio Balances as of March 31, 2018:

- A total of \$79.5 million invested in Money Market assets.
- \$91.6 million in loan and interest receivable from the infrastructure loan portfolio.
- \$44.3 million in venture capital fund investments in BCRCF Portfolio 1 and BC Tech Fund Portfolio 2.
- Total value of \$625,000 in derivatives held.

Portfolio Activity:

- New venture capital investment of \$9.3 million was called during the year.
- \$16.2 million was received from BCRCF Portfolio 1.
- BCIIF received \$827,000 in new funds from the IIP and repaid \$58.8 million to the federal government for the IIP.
- BCIIF entered into a Derivative Product Transaction Agreement. Ministry of Finance's Debt Management Branch has assisted BCIIF in entering into a plain vanilla interest rate swap. BCIIF will pay a fixed rate of interest instead of the variable rate when BCIIF will require financing. The derivative is being utilized to hedge against rising interest rates and was entered into under the expectation that BCIIF will require access to funds in the 2018/19 fiscal year. Access to financing may be required due to the mismatch of timing from cash inflows from investments and repayment obligations. Current value of the derivative is \$625,000 as the interest rate BCIIF will pay is lower than the variable rate of interest available in the market.
- BCIIF received venture capital revenue of \$14.8 million from the venture capital investment portfolio. Venture capital income is difficult to predict as fund managers do not provide notice of an impending distribution in order to maintain confidentiality of information relating to the sale or merger of investee companies. The increase of revenue created a surplus of \$4.9 million for 2017/18 fiscal year.

Financial Resource Summary Table

\$ '000s	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Budget	2017/18 Actual	2017/18 Variance
Operating Revenue						
Venture Capital Investment Income	3,075	10,576	1,177	-	14,815	14,815
Realized Investment Gains	114	952	2	179	705	526
Interest Income	9,190	7,611	6,326	4,213	4,675	462
Total Revenue	12,379	19,139	7,505	4,392	20,195	15,803
Operating Expenses						
Advertising and Promotion	68	68	-	-	-	-
Amortization of promissory note discount	5,775	4,581	3,294	2,150	2,291	141
Board of Director fees	94	88	-	-	-	-
Director Support Services	70	72	-	-	8	8
Investment fees	159	(1)	156	294	317	23
Office and business expenses	125	94	(14)	-	-	-
Professional fees	347	261	-	-	-	-
Salary, wages & benefits	458	557	-	-	(2)	(2)
Venture capital investment losses	-	8,366	-	-	12,654	12,654
Total Expenses	7,096	14,086	3,436	2,444	15,268	12,824
Annual Surplus	5,283	5,023	4,069	1,948	4,927	2,979
Total Liabilities/Debt	414,663	303,933	216,668	154,436	160,892	6,456
Accumulated Surpluses	50,341	54,976	52,226	54,174	55,170	996

(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 Jobs, Trade and Technology.

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

Note 2: Further information on program funding and vote recoveries is available in the Estimates and Supplement to the Estimates.

Variance and Trend Analysis

BCIIIF's total revenue is higher than budgeted in 2017/18 and higher than 2016/17 actuals. Net income from operations is higher than budgeted and higher than 2016/17 actuals. Net income is higher in 2017/18 because BCIIIF received large distributions from the venture capital investment portfolio. 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 JTT. Expenses are borne by JTT.

Analysis includes:

- **Realized investment gains** are generated from disposition of bcIMC investments. BCIIIF disposed of US dollar investments to realize a large foreign exchange gain. The foreign exchange gain was due to the difference between the lower-valued Canadian and higher-valued US dollar. Gains are higher than budgeted and higher than fiscal 2016/17 due to the US dollar investment sale.
- **Interest income** is higher than budgeted due to balances in interest earning accounts being higher than anticipated. Interest income is lower than 2016/17 actuals due to decreasing balances of infrastructure loans receivable. Interest income is expected to trend down in subsequent years due to decreasing investment account balances and loan receivable balances.
- **Venture Capital Investment Income** is higher than budgeted and higher than 2016/17 due to large distributions from venture capital investments. BCIIIF does not budget for venture capital returns due to the unpredictability and high-risk nature of the investments.
- **Total Expenses** are higher than budgeted and higher than 2016/17 due to the write-down of venture capital investments.

Expenses in 2017/18 include:

- Director support services were incurred in 2016 to educate the board of directors on crown corporation governance following Crown Agencies and Board Resourcing Office's best practices for public sector organizations. The outstanding invoices were brought to the attention of current management during the 2017/18 fiscal year and reported in the current year.
- Investment management fees include fees paid to bcIMC, Kensington Capital, and Provincial Treasury. bcIMC fees are incurred for managing BCIIIF's short-term investment portfolio. Management fees are paid to Kensington Capital for management of BCRCF's venture capital portfolio 1. Provincial Treasury is paid debt management fees for managing the derivative for BCIIIF. Results are higher than budgeted because additional transactions occurred in the bcIMC portfolio. In addition, investment management fees are higher than 2016/17 fiscal year as Kensington Capital earned two quarters of management fees in 2016/17 as opposed to the full year in 2017/18.
- Salary, wages and benefits reflect a credit because of receipt of an employment credit from the federal government relating to the 2016/17 fiscal year.
- Venture capital investment losses are both higher than budgeted and higher than 2016/17. Public Sector Accounting Standards require management to assess financial assets to determine whether there is any evidence of impairment. Venture capital investments were assessed for impairment and it was determined that BCRCF is estimated to receive \$12.654 million less than the cost of the investments. As such venture capital investment losses have been reported in the current year to reflect the decline in value of the investments.
- **Total Debt to Canada** was higher than budgeted as BCIIIF 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 BCIIIF continues to meet repayment obligations.

- **Total Liabilities** are lower in 2017/18 than 2016/17 because the Debt to Canada is decreasing. Total liabilities are higher than budgeted as BCIIIF received new allocations from the federal government that were not anticipated.

Risks and Uncertainties

The above financial information is prepared based on Public Sector Accounting Standards in Canada.

Risks and uncertainties, some of which are beyond BCIIIF's control, including, but not limited to, the risks discussed above in the Operating Environment section are as follows:

1. Venture capital investment income and losses are difficult to forecast. As venture capital funds are at or near maturity and proceeds from the investments can be estimated, income and losses can be estimated. However, as venture capital funds are at or near maturity, General Partners are able to request an extension of term for their fund based on the Limited Partnership Agreement. Forecasts change once terms are extended and the fund is no longer near maturity.

Income is difficult to predict and, therefore, cash flow and cash needs are difficult to predict as fund managers give no indication that a distribution from the funds is imminent. As noted above, venture capital fund managers maintain confidentiality of business sales and mergers to not compromise the transaction. Notification is often provided the day prior to receipt of funds.

2. Based on forecasted cash flow, the BCIIIF may experience a cash shortfall in 2018/19 which would require a Fiscal Agency Loan from the Ministry of Finance to meet repayment obligations. This cash shortfall is a result of a timing mismatch between cash inflows from investments and repayment requirements. BCIIIF entered into a short-term financing arrangement and derivative product transaction agreement with the Minister of Finance to ensure repayment obligations to the federal government are met.

The derivative BCIIIF became counterparty to a plain vanilla interest rate swap. The interest rate swap was chosen as interest rates are expected to rise by the time BCIIIF is required to access funding. Instead of paying the higher variable interest rate at some point in the future, BCIIIF will pay a fixed interest rate. There is a risk that interest rates may fall and BCIIIF would therefore be paying a higher rate than what is available to access.

An additional risk is BCIIIF may not require financing as cash inflows from venture capital investments may meet all repayment obligations. If adequate cash flow from venture capital investments is received BCIIIF may be paying interest on funds that are not required.

BCIIIF management and Board of Directors review market rates and cash flows monthly and quarterly to mitigate risks and uncertainties of BCIIIF.

Auditor's Report & Audited Financial Statements

Consolidated Financial Statements of

**BC IMMIGRANT INVESTMENT
FUND LTD.**

Year Ended March 31, 2018

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.

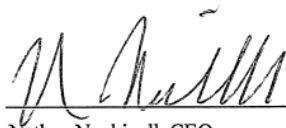
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized 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


Nathan Nankivell, CEO

Victoria, B.C.
June 26, 2018



OFFICE OF THE
Auditor General
of British Columbia

623 Fort Street
Victoria, British Columbia
Canada V8W 1G1
P: 250.419.6100
F: 250.387.1230
www.bcauditor.com

INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of BC Immigrant Investment Fund Ltd., and
To the Minister of Jobs, Trade and Technology, 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, 2018, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial assets and 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 judgement, 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.

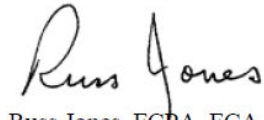
In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

BC IMMIGRANT INVESTMENT FUND LTD.
Independent Auditor's Report

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, 2018, and the results of its operations, changes in remeasurement gains and losses, 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 29, 2018


Russ Jones, FCPA, FCA
Deputy Auditor General

BC IMMIGRANT INVESTMENT FUND LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

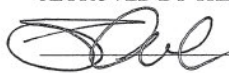
(in \$000)

AS AT MARCH 31	2018	2017
Financial Assets		
Cash	44,821	9,954
Investments (Note 4)	34,716	31,612
Accounts receivable	1	1
Loan receivable (Note 5)	91,601	178,289
Derivatives (Note 6)	625	-
Venture investments (Note 7)	44,298	49,038
	<u>216,062</u>	<u>268,894</u>
Liabilities		
Accounts payable and accrued liabilities	-	131
Promissory notes (Note 8)	160,892	216,537
	<u>160,892</u>	<u>216,668</u>
Net Financial Assets	55,170	52,226
Accumulated Surplus	<u>55,170</u>	<u>52,226</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	54,499	49,572
Accumulated remeasurement gains	671	2,654
	<u>55,170</u>	<u>52,226</u>

SIGNIFICANT EVENTS (Note 2)

COMMITMENTS (Note 10)

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 14)	2018	2017
<hr/>			
Revenues:			
Venture capital investment income	-	14,815	1,177
Realized investment gain	179	705	2
Interest income	4,164	4,675	6,326
	<hr/>	<hr/>	<hr/>
	4,343	20,195	7,505
Expenses (Note 13):	<hr/>	<hr/>	<hr/>
	2,163	15,268	3,436
Annual operating surplus	2,180	4,927	4,069
Accumulated annual operating surplus, beginning of year	72,611	49,572	45,503
Accumulated annual operating surplus at end of year	<hr/>	<hr/>	<hr/>
	74,791	54,499	49,572

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)

FOR THE YEAR ENDED MARCH 31	2018	2017
Accumulated remeasurement gains at the beginning of the year	2,654	2,027
Unrealized gains (losses) attributable to:		
Derivatives	625	-
Foreign exchange (loss) gain	(1,946)	597
Investment gain	42	32
Amounts reclassified to the statement of operations		
Foreign exchange	(712)	(2)
Investment	8	-
Change in remeasurement (losses) gains for the year	(1,983)	627
Accumulated remeasurement gains at the end of the year	671	2,654

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)

FOR THE YEAR ENDED MARCH 31	2018	2017
Annual operating surplus	4,927	4,069
Use of prepaid expenses	-	13
	4,927	4,082
Effect of remeasurement (losses) gains	(1,983)	627
Increase in net financial assets	2,944	4,709
Net financial assets, beginning of the year	52,226	47,517
Net financial assets, end of the year	55,170	52,226

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

BC IMMIGRANT INVESTMENT FUND LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in \$000)

FOR THE YEAR ENDED MARCH 31	2018	2017
Operating transactions:		
Annual Surplus	4,927	4,069
Items not involving cash:		
Gains on Venture Capital distributions	(14,815)	(1,173)
Amortization of promissory discount	2,291	3,294
Realized investment gain	(705)	(2)
Impairment loss on venture capital investments	12,654	-
Changes in non-cash operating working capital:		
Prepaid expenses	-	13
Accounts payable	(131)	(193)
Accrued loan interest	345	95
Cash provided by operating activities	<u>4,566</u>	<u>6,103</u>
Financing transactions:		
Cash received from promissory notes	827	838
Repayment/refund of promissory notes	<u>(58,763)</u>	<u>(91,201)</u>
Cash provided by financing activities	<u>(57,936)</u>	<u>(90,363)</u>
Investing transactions:		
Purchase of investments, net of redemptions	(5,007)	(2,105)
Repayment of loan principal	86,343	34,209
Capital calls to venture capital funds	(9,282)	(7,619)
Returns from venture capital funds	<u>16,183</u>	<u>13,818</u>
Cash provided by investing activities	<u>88,237</u>	<u>38,303</u>
Increase (decrease) in cash	34,867	(45,957)
Cash at beginning of year	<u>9,954</u>	<u>55,911</u>
Cash at end of year	<u><u>44,821</u></u>	<u><u>9,954</u></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, 2018

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 Jobs, Trade and Technology. 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 Corporation entered into a Short Term Borrowing Facility to ensure all repayment obligations to the Federal Government are met.

On March 31, 2017, the BC Immigrant Investment Fund Ltd. entered into a Short Term Borrowing Facility with the Minister of Finance. The maximum principal amount of the credit facility is \$80M. The contract was fully executed June 7, 2017. The purpose of the Short Term Borrowing Facility is to meet all capital call commitments and repayment obligations to the Federal Government. As at March 31, 2018 the Corporation has not accessed the short term financing as the cash flow of the Corporation has met all capital call and repayment obligations.

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.

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, B.C. Renaissance Capital Fund Ltd. (BCRCF). All intercompany

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Limited Partner in Venture Capital funds, is to stimulate economic development and generate returns.

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.

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

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 consolidated statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the consolidated statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the consolidated statement of remeasurement gains and losses.

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and derivatives 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.

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.

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

vi. Derivative Product Transactions

The Corporation has entered into an interest rate swap where it will pay a fixed rate of interest instead of variable rate at the time the financing is required. Derivatives are reported at fair value using Level 1 valuation (Note 6).

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2018

4. INVESTMENTS

	March 31, 2018		March 31, 2017	
	Fair Value	Cost	Fair Value	Cost
Canadian short-term pooled funds	19,468	19,467	10,129	10,124
U.S. Dollar short-term pooled funds	15,248	15,190	21,483	18,962
Total Investments	34,716	34,657	31,612	29,086

5. LOANS RECEIVABLE

	March 31 2018	March 31 2017
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 loan was paid in full on August 1, 2017.	-	44,376
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 loan was paid in full on August 1, 2017.	-	10,651
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.	8,085	8,517
Carried Forward	8,085	63,544

BC IMMIGRANT INVESTMENT FUND LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***(Tabular amounts in \$000)***FOR THE YEAR ENDED MARCH 31, 2018**

Brought Forward	8,085	63,544
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 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. The loan was paid in full on October 2, 2017.	-	2,725
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.	20,104	31,060
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.	23,089	30,999
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.	18,774	23,886
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.	21,549	26,075
Total loans receivable	91,601	178,289

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2018

6. DERIVATIVES

	March 31 2018	March 31 2017
Minister of Finance interest rate swap, fixed at 1.65 % commencing in 2017 through 2023	625	-

The Corporation has entered into an interest rate swap with the Minister of Finance where it will pay a fixed rate of interest instead of variable rate at the time financing is required. The derivative mitigates the risk of rising future interest rates when the Corporation must access financing. Fair value of the derivative product is calculated as the present value of the future cash outflows and inflows relating to the derivative arrangement. Based on interest rates at March 31, 2018 the present value of cash inflows exceeds cash outflows.

7. VENTURE INVESTMENTS

BCRCF has two venture investment portfolios. In portfolio one, BCRCF invests in funds as a limited partner and has investments in nine venture funds. In portfolio two, BCRCF invests in the BC Tech Fund as a limited partner.

Cumulative contributions and returns of capital to date are:

	March 31 2018	March 31 2017
Canadian Dollar Venture Funds		
Cumulative contributions to date	54,574	45,837
Cumulative returns of capital	(20,897)	(19,528)
Total Canadian Dollar Venture Funds	33,677	26,309
US Dollar Venture Funds		
Cumulative contributions to date	40,971	40,426
Cumulative returns of capital	(9,330)	(9,330)
US Dollar Venture Funds	31,641	31,096
Combined Canadian and US Dollar Funds	65,318	57,405
Less cumulative impairments	(21,020)	(8,367)
Venture Capital Investments	44,298	49,038

During the year, impairments totaling \$12.65 million (2017: \$0) in venture capital investments were identified by management and reported on the consolidated statement of operations.

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2018

8. 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.

	March 31 2018	March 31 2017
Total promissory notes, beginning of year	220,114	310,378
Additions during the year	983	899
Repaid or refunded during the year	(58,842)	(91,163)
	162,255	220,114
Net promissory note discount end of year	(1,363)	(3,577)
Promissory notes, end of year	160,892	216,537

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

<u>Year</u>	<u>Amount</u>
2019	121,780
2020	35,494
2021	3,297
2022	830
2023	854

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2018

9. 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.

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.

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 \$879 thousand USD (2017 - \$1.28 million USD) in remaining venture capital commitments, and holds approximately \$15.2 million USD (2017 - \$19.3 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 losses of \$29 thousand (2017 - \$2.63 million) being recognized in the consolidated statement of remeasurement gains and losses.

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2018

9. RISK MANAGEMENT (continued)

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 \$1.8 million (2017 - \$2.6 million) calculated as 1% of the average book value of investments throughout the year.

The Corporation manages its exposure to interest rate on future cash borrowings by entering into a Derivative Product Transaction Agreement where the Corporation will pay a fixed rate of interest instead of the variable rate of interest at the time financing is required.

Other Price Risk

Other price risk is the risk that the market value of 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.

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 8).

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.

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2018

10. COMMITMENTS

BCRCF 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:

	March 31 2018	March 31 2017
Total USD investment commitments (USD)	39,280	39,280
USD investment commitments transferred to date (USD)	(38,401)	(38,003)
Remaining USD investment commitments (USD)	879	1,277
Remaining USD investment commitments translated to CAD	1,133	1,701
Total CAD investment commitments	151,000	151,000
CAD investment commitments transferred to date	(53,703)	(45,837)
Remaining CAD investment commitments	97,297	105,163
Aggregate remaining investment commitments	98,430	106,864

11. 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, 2018.

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2018

12. 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, BCIIIF 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 BCIIIF without expectation of reimbursement. BCIIIF will continue to record expenditures due to the amortization of promissory notes, investment management fees, and investment losses (if any) as disclosed in note 13.

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:

	March 31 2018	March 31 2017
Cash (investment account)	41,351	9,399
Accounts receivable	1	1
Loans receivable <i>(Note 5)</i>	91,601	178,289

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

	March 31 2018	March 31 2017
Interest Income	4,229	6,178

13. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	March 31 2018	March 31 2017
Amortization of promissory note discount	2,291	3,294
Investment fees	317	156
Miscellaneous expenses	6	(14)
Venture capital investment losses	12,654	-
	15,268	3,436

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2018

14. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the 2017/18 Service Plan approved by the Board Chair on January 27, 2017.

Appendix A – Additional Information

BC Immigrant Investment Fund Ltd. (BCIIF)

Corporate Governance

An [Organizational overview](#) of BCIIF, [mission and values](#), [leadership, and corporate governance information](#) and [Standards of Conduct](#) (includes all information and disclosure requirements of the Crown Agencies and Board Resourcing Office) can be found starting here: and by examining subsequent drop-down menu links.

Organizational Overview

Portfolio 1 | 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/BCRCF/>
Fund manager profiles and B.C. investment details can be found by clicking on the link above.

Portfolio 2 | BC Tech Fund

Additional information on investment strategy, manager of the BC Tech Fund, and portfolio investments can be found by clicking on the link above.

Contact Information

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

BCIIF
3rd Floor-1803 Douglas St
Victoria BC V8T 5C3

or visit our website at: www.bciif.ca

Appendix B – Subsidiaries and Operating Segments

Active Subsidiaries

The B.C. Renaissance Capital Fund Ltd. is a Crown corporation wholly-owned by the BCIIIF. The Board of Directors and management are the same as the BCIIIF. Like the BCIIIF, the BCRCF aligns its activities with the BCIIIF's strategic priorities and fiscal plan.

In August 2007, the provincial Treasury Board approved an allocation of \$90.2 million from the BCIIIF to the BCRCF for venture capital investments in key technology sectors of *information technology, digital media, clean technology and life sciences*.

In 2016 a further \$100 million was approved to support the BC Tech Fund, bringing BCRCF's total venture capital commitments to \$190.2 million. The objectives of the BCRCF's venture capital investments are to:

- Generate positive returns for the capital committed
- Increase the probability that innovative new goods and services in B.C. gain full-scale commercialization
- Increase the depth of the venture capital market and increase the quantity of venture capital available in B.C.
- Enhance the visibility of B.C. as an attractive market for venture capital opportunities in North America and globally

The BCRCF is the venture capital component of the larger BCIIIF investment portfolio. Financial and operational risks or opportunities facing BCRCF are reflected in the BCIIIF Service Plan.

Summary Financial Outlook Table for Each Active Subsidiary

(\$m)	2016/17 Actual	2017/18 Actual	2018/19 Budget	2019/20 Budget
Total Revenue	1,177	14,815	-	-
Total Expenses	-	(12,939)	-	-
Net Income (Loss)	1,177	1,876	-	-

Summary of BCIIF's Portfolios

Portfolio	Year	Fund Manager	Fund
1 – BCRCF	2007	ARCH Venture Partners VantagePoint Capital Partners Kearny Venture Partners	ARCH Venture Fund VII VantagePoint CleanTech Partners II VantagePoint Venture Partners 2006 Kearny Venture Partners
	2009	Vanedge Capital Tandem Expansion Yaletown Venture Partners	Vanedge Capital I Tandem Expansion Fund I Yaletown Ventures II
	2011	Azure Capital iNovia Capital	Azure Capital Partners III iNovia Investment Fund III
2 – BC Tech Fund Investments in B.C. based funds	2016	Vanedge Capital	Vanedge II
	2017	Lumira Capital Corp ScaleUp Ventures Yaletown Venture Partners	Lumira Capital IV ScaleUp Venture Fund 1 Yaletown Innovation Growth Fund

Portfolio	Year	Fund Manager	Company
2 – BC Tech Fund Investments in B.C. based companies	2016	BC Tech Fund	Mojio
	2017	BC Tech Fund	Foodee Media Inc