

BC Immigrant Investment Fund Ltd.

2018/19
ANNUAL SERVICE PLAN REPORT
July 2019



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

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Board Chair's Accountability Statement



The *BC Immigrant Investment Fund Ltd.'s 2018/19 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2018/19 - 2020/21 Service Plan* created in February 2018. I am accountable for those results as reported.

A handwritten signature in black ink that reads "Jill Kot".

Jill Kot
Board Chair

Table of Contents

Board Chair's Accountability Statement.....	3
Chair/CEO Report Letter.....	5
Purpose of the Annual Service Plan Report	6
Purpose of the Organization	6
Strategic Direction	7
Operating Environment	7
Report on Performance.....	8
Goals, Objectives, Measures and Targets	8
Financial Report	13
Discussion of Results	13
Resource Summary	14
Auditor's Report and Audited Financial Statements	17
Appendix A – Additional Information	37
Corporate Governance	37
Organizational Overview	37
Contact Information	37
Appendix B – Subsidiaries and Operating Segments.....	38
Active Subsidiaries	38

Chair/CEO Report Letter

On behalf of the BC Immigrant Investment Fund Ltd., we are pleased to provide the 2018/19 Annual Service Plan Report.

In 2018/19, BC Immigrant Investment Fund Ltd. (BCIIF) actions aligned with the government's strategic direction as outlined in the [2018/19 Mandate Letter](#) from the Minister of Jobs, Trade and Technology.

The BCIIF continued to demonstrate accountability for strong public sector governance and fiscal prudence in the management of its cash flows and investments. The BCIIF continued contributing towards building a strong, sustainable economy that supports jobs throughout the province by providing growing British Columbia businesses with access to venture capital. The venture capital investments made by the BCIIF have stimulated job creation in B.C., supported economic growth and allowed B.C. tech companies to grow and stay in B.C.

The B.C. Renaissance Capital Fund Ltd. (BCRCF) is a wholly owned subsidiary of the BCIIF and holds venture capital investments in two investment portfolios:

Portfolio 1 | BC Renaissance Capital Fund, launched in 2007, has received returns on its investments throughout 2018/19 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 seven venture capital funds and investments in thirteen B.C. companies.

In 2018/19, BCIIF realized a net operating income of \$2.4 million, had \$13.9 million in cash and short-term investments, and \$61.8 million invested in low-risk public sector infrastructure loans. The BCRCF invested \$84.6 million of its \$90.2 million commitment to venture capital funds, and as at March 31, 2019, the BC Tech Fund had invested \$25.2 million of its \$100 million.

During 2018/19, the BC Tech Fund bolstered British Columbia's startup ecosystem by investing in Vancouver-based Framework Venture Partners. Capital was committed and invested in B.C. based venture capital funds during the year.

Results have been positive, and staff have worked hard to improve access to venture capital for British Columbia businesses and to provide continued transparency in BCIIF's business practices.



Jill Kot
Board Chair



Matthew Brown
Chief Executive Officer

Purpose of the Annual Service Plan Report

The Annual Service Plan Report (ASPR) is designed to meet the requirements of the [Budget Transparency and Accountability Act \(BTAA\)](#), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

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). BCIIF is wholly-owned by the Province of British Columbia.

The BCIIF is an approved fund under the federal government's Immigrant Investor Program (IIP), administered by Immigration, Refugee and Citizenship Canada (IRCC). IRCC requires that 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 repaid to the federal government on the fifth anniversary of the loan. Although there is no interest charged on the funds, a small fee is paid to cover federal government administration. In order to participate in the IIP, the province was required to provide the federal government with a repayment guarantee of up to \$500 million.

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 objective 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 invests at the Series A stage of financing².

¹ A fund-of-funds is a fund that invests in investment funds. In the case of the BC Tech Fund, some investments are also made directly into technology companies.

² Series A financing is the first round of financing given to a new business once seed capital has already been provided. Typically, this is when external investors are given company ownership for the first time.

Strategic Direction

The strategic direction set by government in 2017 and expanded upon in the [2018/19 Mandate Letter](#) from the Minister, shaped the [2018/19 Service Plan](#) and the results reported in this ASPR.

The following table highlights the key goals, objectives or strategies that support the key priority of government as identified in the 2018/19 BCIIIF Service Plan:

Government Priority	BC Immigrant Investment Fund Ltd. Aligns with This Priority By:
A strong, sustainable economy	<ul style="list-style-type: none"> • Continuing investment in B.C. Businesses and B.C.-Based Venture Capital Funds (Objective 3.1) • Growing the Amount of Venture Capital Invested in B.C. (Goal 4)

Operating Environment

BCIIF 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).

- 1) **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 government termination of the IIP, the BCIIIF is no longer offering new infrastructure loans.
- 2) **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.
- 3) **Cash & Short-Term Investments:** are invested with the Ministry of Finance in the Central Deposit Program, which deploys short-term cash primarily for financing government's Consolidated Revenue Fund.

Key risks faced by the BCIIIF, 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 some U.S. dollar liquid assets and has financing available 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”³ 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

Goals, Objectives, Measures and Targets

Goal 1: Manage Investments to Achieve Commercial Returns and Meet Repayment Obligations

Objective 1: Achieve Targeted Average Yields on Investments

Key Highlights:

- BCIIIF achieved commercial returns on low-risk infrastructure loans which mitigates the higher-risk venture capital portfolio. BCIIIF’s loan portfolio is comprised of long-term loans to the Provincial Treasury which in turn provided loan financing to GRE’s to support approved public sector infrastructure projects with loan yields equivalent to the Province of British Columbia’s cost of borrowing.
- BCIIIF deposited funds with CDP to have sufficient liquidity to meet five-year IIP repayment obligations to the federal government and met capital calls⁴ for venture capital investments.

Performance Measures		2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.1	Five Year Weighted Average BCIIIF Portfolio Return	2.42%	2.37%	2.35%	2.40%	2.57%	3.39%
1.2	One Year Weighted Average BCIIIF Portfolio Return	2.49%	2.95%	2.62%	3.12%	2.68%	2.48%

Data Source: BCIIIF’s forecasted cash flows and stated interest earned on the investment. Original 2018/19 Targets from the 2018/19 – 2020/21 Service Plan released in February 2018 were later updated in the 2017/18 Annual Service Plan Report, released in August 2018. These figures were updated from 2.32% and 2.74% respectively to 2.35% and 2.62%.

³ J curve is used to illustrate the historical tendency of private equity funds to deliver negative returns in early years and investment gains in the outlying years as the portfolios of companies mature.

⁴ 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”.

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 BCIIIF must hold cash in short-term investments to meet cash calls for venture capital investments and debt obligations.

BCIIIF exceeded both the five year and one year weighted average targets due to realizing foreign exchange gains on the sale of US dollar short-term investments, in addition to steady returns from the infrastructure loans and cash amounts held in the CDP. The weighted average returns do not include venture capital returns as BCIIIF is measuring returns received from cash and short-term investments against similar investment vehicles.

Goal 2: Enhance Operational Oversight

Objective 2: Improve Operational Effectiveness

Key Highlights:

- A Performance and Accountability Framework to optimize BCIIIF's effectiveness and ensure alignment with government direction and the [Budget Transparency and Accountability Act](#) was developed and implemented.

Performance Measure	2016/17 Actuals	2017/18 Actual	2018/19 Actuals	2019/20 Target	2020/21 Target
2.1 Develop and adopt Performance and Accountability Framework	Framework re-drafted and reviewed based on new governance structure	Framework developed and approved by the board	Framework implemented	Continued implementation	Continued implementation

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 the BCIIIF Board and mandated by the Minister of Jobs, Trades, and Technology.

Goal 3: Utilize Venture Capital Investments to Build a Stronger B.C. Venture Capital Ecosystem in B.C.

Objective 3: Continued investment in B.C. Businesses and B.C.-Based Venture Capital Funds

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.

Key Highlights:

- BC Tech Fund investments were made into B.C.-based venture capital funds to increase the number of funds and professional fund managers in B.C.
- BC Tech Fund investments led to investments in B.C.-based companies.
- Collaboration with the BC Tech Fund manager to implement system building activities leading to more B.C.-based venture capital funds and investments in B.C.-based companies.

Performance Measures	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
3.1 Cumulative number of investment commitments made to B.C. businesses from the BC Tech Fund	1	9	10	13	15	17
3.2 Cumulative number of investment commitments made to B.C.-based VC Funds from the BC Tech Fund	1	4	6	7	7	7

Data Source: Quarterly performance reports from BC Tech Fund manager.

Discussion

BCIIF met 2018/19 targets for cumulative number of investment commitments made to B.C. businesses from the BC Tech Fund and the cumulative number of investment commitments made to B.C. based VC Funds. The targets for 2019/20 and 2020/21 have been revised upwards in this Service Plan Report, from 13/7 and 15/7 respectively, as a result of already meeting previous targets during 2018/19.

As of March 31, 2019, investment commitments were made to seven funds: Vanedge II, Lumira Capital IV, ScaleUp Venture Fund I, Yaletown Innovation Growth, Versant Voyageurs I, Pangaea Ventures Fund IV and Framework Venture Partners I.

Target levels for investment commitments made to B.C. businesses were 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 18/19; 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: Grow the Amount of Venture Capital Invested in B.C.

Objective 4: Capital called by B.C. investee companies and invested in B.C.-based VC Funds

Key Highlights:

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 capital funds and B.C.-based companies. The [BC Tech Fund manager](#)⁵ has an extensive investment network, which helps leverage capital from other sources into B.C.

The 2018/19 – 2020/21 BCIF Service Plan released February 2018 combined the 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.

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

Performance Measures (\$M)	2016/17 Actual	2017/18 Actuals	2018/19 Target	2018/19 Actual	2019/20 Target	2020/21 Target
Portfolio 1 - BCRCF						
4.1a Cumulative capital called on BCRCF's commitments to fund managers	\$79.4	\$83.0	\$83.5	\$84.6	\$85.0	\$85.5
4.1b Cumulative investment by BCRCF fund managers and syndicate partners in B.C. companies	\$581.0	\$586.7	\$669.0	\$669.3	\$669.5	\$669.5
Portfolio 2 – BC Tech Fund						
4.1c Cumulative capital called on BC Tech Fund commitment	\$6.8	\$10.2	\$22.0	\$25.2	\$37.0	\$62.0
4.1d Cumulative investment by fund managers and syndicate partners in B.C. companies	\$26.9	\$69.9	\$85.0	\$100.6	\$200.0	\$260.0

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

Portfolio 1 is seeing decreased capital calls each year, due to the maturity of the fund. As a result, only a few minor follow-on investments are being made. The 4.1a and 4.1b targets for 2019/20 and 2020/21 have been revised upwards from 84.0/669.0 and 84.5/669.0 respectively as the previous targets were met in 2018/19.

Portfolio 2 achieved both the cumulative capital committed and cumulative investment by fund managers and syndicate partners, based on revised targets from the 19/20 Service Plan. These goals (4.1c & 4.1d) were revised in the 2019/20 Service Plan, which was released in February 2019 as they were acknowledged to be not achievable. The 2018/19 service plan reflected a target of \$37.0 and \$200.0 for measure 4.1c and 4.1d respectively. The future targets have been adjusted in this report for these same reasons. The goals for 4.1c and 4.1d have been adjusted down from 62.0/260.0 for 2019/20 and 66.0/280.0 for 2020/21. These targets were adjusted down as fund managers are applying extensive due diligence processes to identify companies that have the greatest potential, which has slowed their pace of investment. As a result, new portfolio 2 investments have taken longer than originally forecast.

Future 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. These performance measures contain elements that are not within the 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 dependent on the number of high-quality B.C.-based funds that are actively raising funds and which also meet the BC Tech Fund's investment restrictions.

Financial Report

Discussion of Results

BCIIF continues best-business and investment practices to earn positive investment returns. BCIIF invests available funds in the CDP to earn interest and provide cash for central government's use.

BCIIF maintains best business and investment monitoring practices over its three asset classes: public sector infrastructure investments, venture capital fund investments, and cash.

Highlights

Portfolio Balances as of March 31, 2019:

- A total of \$13.9 million in cash, invested in the CDP.
- Short Term investments with the British Columbia Investment Management Corporation (BCI) were liquidated and used to fulfil repayment obligations and capital calls.
- \$61.8 million in loan and interest receivable from the infrastructure loan portfolio.
- \$50.8 million in venture capital fund investments in BCRCF Portfolio 1 and BC Tech Fund Portfolio 2.
- Total value of \$275,000 in derivatives held.

Portfolio Activity:

- New venture capital investment of \$16.8 million was called during the year.
- \$10.2 million was received from BCRCF Portfolio 1.
- BCIIF received no new funds from the IIP and repaid \$118.9 million to the federal government for the IIP.
- BCIIF obtained and accessed \$26 million in financing via a Fiscal Agency Loan from the Ministry of Finance. This financing has been anticipated for several years and was required due to the mismatch of timing from cash inflows from investments and repayment obligations. A derivative is being utilized to hedge against rising interest rates and was entered into under the expectation that BCIIF would require access to funds in the 2018/19 fiscal year.
- BCIIF entered into a Derivative Product Transaction Agreement during 2017/18 to minimize interest expense by locking the interest rate for any financing required by BCIIF. 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 on required financing. Current value of the derivative is \$275,000 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 \$544,000 from the venture capital investment portfolio. Venture capital income is unpredictable as fund managers do not provide notice of an impending distribution to maintain confidentiality of information relating to the sale or merger of investee companies.

Resource Summary

\$ '000s	2017/18 Actual	2018/19 Budget	2018/19 Actual	2018/19 Variance
Operating Revenue				
Venture Capital Investment Income	14,815	-	544	544
Realized Investment Gains	705	142	500	358
Interest Income	4,675	2,318	2,968	650
Total Revenue	20,195	2,460	4,012	1,552
Operating Expenses				
Advertising and Promotion	-	-	-	-
Amortization of promissory note discount	2,291	1,133	1,065	-68
Board of Director fees	-	-	-	-
Director Support Services	8	-	-	-
Debt Service Costs	-	171	237	66
Investment fees	317	284	299	15
Office and business expenses	-	-	11	11
Professional fees	-	-	-	-
Salary, wages & benefits	(2)	-	-	-
Venture capital investment losses	12,654	-	-	-
Total Expenses	15,268	1,588	1,612	24
Annual Surplus	4,927	872	2,400	1,528
Total Liabilities/Debt	160,892	61,563	69,738	8,175
Accumulated Surpluses	55,170	49,529	57,174	7,645

Note 1: 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 amount of venture capital returns, venture capital income is reported as it is realized.

Note 2: The above financial information was prepared based on current Generally Accepted Accounting Principles.

Note 3: Further information on program funding and vote recoveries is available in the Estimates and Supplement to the Estimates.

Variance and Trend Analysis

BCIIF's total revenue is higher than budgeted in 2018/19 and lower than 2017/18 actuals. Net income from operations is higher than budgeted and lower than 2017/18 actuals. Revenue and net income decreased from the prior year due to BCIIF receiving large distributions from the venture capital investment portfolio in 2017/18.

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 the Ministry of Jobs, Trade and Technology (JTT). Expenses are borne by JTT.

Analysis includes:

- **Realized investment gains** are generated from disposition of BCI investments. BCIIF disposed of all BCI investments to fulfil repayment obligations and meet capital calls.
- **Interest income** is higher than budgeted due to balances in interest earning accounts being higher than anticipated. Interest income is lower than 2017/18 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, but lower than 2017/18. Several income distributions were received during the year; however, these were smaller than the large distributions that were received in the prior year. BCIIF does not budget for venture capital returns due to the unpredictability and high-risk nature of the investments.
- **Total Expenses** are slightly higher than budgeted and substantially lower than 2017/18 due to a large write-down of venture capital investments which occurred in the prior year.

Expenses in 2018/19 include:

- Debt Service Costs relating to the \$26 million in financing that was obtained from central government during the year.
- Investment management fees include fees paid to BCI, Kensington Capital, and Provincial Treasury. BCI fees are incurred for managing BCIIF'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 BCIIF. Results are higher than budgeted because of transactions required to liquidate the BCI portfolio.
- There were no venture capital investment losses in 2018/19. Public Sector Accounting Standards require management to assess financial assets to determine whether there is any evidence of impairment. In 2017/18, venture capital investments were assessed for impairment and it was determined that BCRCF was estimated to receive \$12 million less than the cost of the investments at that time. There was no evidence of material impairment when the assessment was conducted in 2018/19.
- **Total Debt to Government of Canada** has decreased and will trend down as BCIIF continues to meet repayment obligations. No new allocations are expected to be received.
- **Total Liabilities** are lower than 2017/18 as the debt to IRCC is decreasing, despite the addition of \$26.6 million from a Fiscal Agency Loan from the Ministry of Finance.

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 an additional cash shortfall in 2019/20 which would require additional drawing on the 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 has 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.

Auditor's Report and Audited Financial Statements

**Consolidated Financial Statements of
BC IMMIGRANT INVESTMENT FUND LTD.
Year Ended March 31, 2019**

MANAGEMENT'S REPORT

Management's Responsibility for the Consolidated Financial Statements

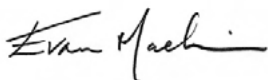
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial 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 annually. 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 their 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.,



Evan Machin CPA, CA | CFO



Matthew Brown | CEO

Victoria BC
June 13, 2019



INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of BC Immigrant Investment Fund Ltd., and
To the Minister of Minister of Jobs, Trade and Technology, Province of British Columbia*

Opinion

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, 2019, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2019, and the results of its operations, change 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 (PSAS).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Accompanying Information

Management is responsible for the other information accompanying the financial statements. The other information comprises the information included in Annual Service Plan Report but does not include the consolidated financial statements and my auditor's report thereon.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information that I have obtained prior to the date of my auditor's report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained during the audit or otherwise appears to be materially misstated.

Prior to the date of my auditor's report I obtained Annual Service Plan Report. If, based on the work I have performed on this other information, I conclude that there is a material misstatement therein, I am required to report that fact in this auditor's report. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements.

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the entity will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of Financial Statements

My objectives are to obtain reasonable assurance about whether the entity's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Obtain an understanding of internal control relevant to the audit 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.



BC IMMIGRANT INVESTMENT FUND LTD.
Independent Auditor's Report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within BC Immigrant Investment Fund Ltd. to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the entity audit and I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Stuart Newton, CPA, CA
Deputy Auditor General

Victoria, British Columbia, Canada
June 13, 2019



BC IMMIGRANT INVESTMENT FUND LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in \$000)

As at March 31	2019	2018
Financial Assets		
Cash	13,963	44,821
Investments (Note 4)	-	34,716
Accounts Receivable	1	1
Loan Receivable (Note 5)	61,838	91,601
Derivatives (Note 6)	275	625
Venture Investments (Note 7)	50,835	44,298
	126,912	216,062
Liabilities		
Fiscal Agency Loan (Note 2)	26,628	-
Promissory Notes (Note 8)	43,110	160,892
	69,738	160,892
Net Financial Assets	57,174	55,170
Accumulated Surplus	57,174	55,170
Accumulated Surplus is comprised of:		
Accumulated Operating Surplus	56,899	54,499
Accumulated Remeasurement Gains	275	671
	57,174	55,170

Significant Events (Note 2)

Commitments (Note 10)

Approved by the Board



Jill Kot | Chair – Board of Directors



Silas Brownsey | Member – Board of Directors

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

BC IMMIGRANT INVESTMENT FUND LTD.

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGE IN ACCUMULATED SURPLUS

(in \$000)

For the Year Ended March 31	Budgeted Figures (Note 14)	2019	2018
Revenues:			
Venture Capital Investment Income	-	544	14,815
Realized Investment Gain	142	500	705
Interest Income	2,318	2,968	4,675
	2,460	4,012	20,195
Expenses (Note 13)	1,588	1,612	15,268
Annual Operating Surplus	872	2,400	4,927
Accumulated Annual Operating Surplus, Beginning of Year	54,499	54,499	49,572
Accumulated Annual Operating Surplus, End of Year	55,371	56,899	54,499

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	2019	2018
Accumulated Remeasurement Gains at the beginning of the year	671	2,654
Unrealized Gains (Losses) attributable to:		
Derivatives	(349)	625
Foreign Exchange (Loss) Gain	726	(1,946)
Investment Gain	75	42
Amounts Reclassified to the Statement of Operations		
Foreign Exchange	(698)	(712)
Investment	(150)	8
Change in Remeasurement (Losses) Gains for the Year	(396)	(1,983)
Accumulated Remeasurement Gains, End of the Year	275	671

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	2019	2018
Annual Operating Surplus	2,400	4,927
Effect of Remeasurement (Losses) Gains	(396)	(1,983)
Increase in Net Financial Assets	2,004	2,944
Net Financial Assets, Beginning of the Year	55,170	52,226
Net Financial Assets, End of the Year	57,174	55,170

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	2019	2018
Operating Transactions:		
Annual Surplus	2,400	4,927
Items not involving Cash:		
Gains on Venture Capital Distributions	-	(14,815)
Amortization of Promissory Discount	1,065	2,291
Realized Investment Gain	(500)	(705)
Impairment Loss on Venture Capital Investments	-	12,654
Changes in non-cash Operating Working Capital:		
Accounts Payable	-	(131)
Accrued Interest on Fiscal Agency Loan	228	-
Accrued Loan Interest	55	345
Cash provided by Operating Activities	3,248	4,566
Financing Transactions:		
Cash received from Fiscal Agency Loan	26,400	-
Cash received from Promissory Notes	-	827
Repayment/Refund of Promissory Notes	(118,847)	(58,763)
Cash provided by Financing Activities	(92,447)	(57,936)
Investing Transactions:		
Net Sale (Purchase) of Investments	35,170	(5,007)
Repayment of Loan Principal	29,708	86,343
Capital calls to Venture Capital Funds	(16,815)	(9,282)
Returns from Venture Capital Funds	10,278	16,183
Cash provided by Investing Activities	58,341	88,237
Increase (Decrease) in Cash	(30,858)	34,867
Cash, Beginning of Year	44,821	9,954
Cash, End of Year	13,963	44,821

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

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

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 provided 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 have been processed and all allocation of the funds have now flowed through to the Corporation.

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 \$80 million. The interest rate has been fixed at 1.65% by entering into an interest rate swap as described in Note 6. 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. The Corporation accessed the short term financing on October 15, 2018 in order to meet its 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 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 have been 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.

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the sale of investments.

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 are 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.

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.

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 had invested in pooled fund products managed by the British Columbia Investment Management Corporation (BCI), 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.

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

4. INVESTMENTS

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Canadian short-term pooled funds	-	-	19,468	19,467
U.S. Dollar short-term pooled funds	-	-	15,248	15,190
Total Investments	-	-	34,716	34,657

BC IMMIGRANT INVESTMENT FUND LTD.
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

5. LOANS RECEIVABLE

	2019	2018
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.	7,645	8,085
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.	8,763	20,104
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.	14,923	23,089
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.	13,563	18,774
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.	16,944	21,549
Total loans receivable	61,838	91,601

6. DERIVATIVES

	2019	2018
Minister of Finance interest rate swap, fixed at 1.65 % commencing in 2017 through 2023	275	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.

BC IMMIGRANT INVESTMENT FUND LTD.
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

7. VENTURE INVESTMENTS

BCRCF has two venture investment portfolios. In portfolio one, BCRCF has investments as a limited partner 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:

	2019	2018
Canadian Dollar Venture Funds		
Cumulative contributions to date	71,358	54,574
Cumulative returns of capital	(24,334)	(20,897)
Total Canadian Dollar Venture Funds	47,024	33,677
US Dollar Venture Funds		
Cumulative contributions to date	41,003	40,971
Cumulative returns of capital	(16,172)	(9,330)
US Dollar Venture Funds	24,831	31,641
Combined Canadian and US Dollar Funds	71,855	65,318
Less cumulative impairments	(21,020)	(21,020)
Venture Capital Investments	50,835	44,298

During the year, impairments totaling \$0 (2018: \$12.65 million) in venture capital investments were identified by management and reported on the consolidated statement of operations.

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.

	2019	2018
Total promissory notes, beginning of year	162,255	220,114
Additions during the year	-	983
Repaid or refunded during the year	(118,917)	(58,842)
	43,338	162,255
Net promissory note discount end of year	(228)	(1,363)
Promissory notes, end of year	43,110	160,892

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

8 PROMISSORY NOTES (Continued)

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

Year	Amount
2020	38,357
2021	3,297
2022	830
2023	854
2024	-

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 risk 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, Interest rate Risk and Other Price 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 and USD holdings.

Through the Corporation's venture capital initiative, the Corporation has a total of \$562 thousand USD (2018 - \$879 thousand USD) in remaining venture capital commitments, and holds approximately \$107 thousand USD (2018 - \$15.2 million USD) in investments and cash. At the statement of financial position date, currency risk is negligible because the Corporation has sufficient cash and financing available 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 \$1 thousand (2018 - \$29 thousand) being recognized in the consolidated statement of remeasurement gains and losses.

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

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 (BCI) and the Central Deposit Program 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 \$1.1 million (2018 - \$1.8 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 FINANCIAL STATEMENTS

March 31, 2019

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:

	2019	2018
Total USD investment commitments (USD)	38,987	39,280
USD investment commitments transferred to date (USD)	(38,425)	(38,401)
Remaining USD investment commitments (USD)	562	879
Remaining USD investment commitments translated to CAD	751	1,133
Total CAD investment commitments	151,000	151,000
CAD investment commitments transferred to date	(70,488)	(53,703)
Remaining CAD investment commitments	80,512	97,297
Aggregate remaining investment commitments	81,262	98,430

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, 2019.

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, BCIF has a Memorandum of Understanding that the Ministry of Jobs, Trade and Technology will incur the cost of operating expenditures on behalf of BCIF without expectation of reimbursement. BCIF 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.

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

12 RELATED PARTY TRANSACTIONS (Continued)

Assets and liabilities with related parties include:

	2019	2018
Cash (investment account)	10,953	41,351
Loans receivable (Note 5)	61,838	91,601
Fiscal Agency Loan	26,628	-

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

	2019	2018
Interest Income	2,635	4,229
Debt service costs	231	-

13. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2019	2018
Amortization of promissory note discount	1,065	2,291
Debt service costs	237	-
Investment fees	299	317
Miscellaneous expenses	11	6
Venture capital investment losses	-	12,654
	1,612	15,268

14. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the 2018/19 Service Plan approved by the Board Chair on January 24, 2018.

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: www.bciif.ca 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
5th Floor-800 Johnson St
Victoria B.C. V8W 1N3

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)	2017/18 Actual	2018/19 Budget	2018/19 Actual	2019/20 Budget
Total Revenue	14,815	-	544	-
Total Expenses	(12,939)	(284)	(299)	(269)
Net Income (Loss)	1,876	(284)	245	(269)

Summary of BCIIIF'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
	2018	Pangaea Ventures Ltd Versant Ventures	Pangaea Ventures Versant Ventures
	2019	Framework Venture Partners	FVP I

Portfolio	Year	Fund Manager	Company
2 – BC Tech Fund Investments in B.C. based companies	2016	BC Tech Fund	Mojo
	2017	BC Tech Fund	Foodee Media Inc
	2018	BC Tech Fund	eventbase
	2019	BC Tech Fund	D-Wave