

InBC Investment Corp.

2021/22
Annual Service Plan Report

August 2022



For more information on the InBC Investment Corp contact:
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Or visit our website at

www.inbcinvestment.ca

Published by the InBC Investment Corp.

Board Chair's Accountability Statement



The *InBC Investment Corp. 2021/22 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2021/22 – 2023/24 Service Plan* created in April 2021. The Board is accountable for these results as reported.

A handwritten signature in black ink, which appears to read "Christine Bergeron". The signature is written in a cursive, flowing style.

Christine Bergeron
Board Chair
July 18, 2022

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Letter from the Board Chair & CEO

On behalf of the InBC Investment Corp., we are pleased to provide the 2021/22 Annual Service Plan Report.

In 2021/22, InBC Investment Corp. (InBC) actions aligned with the government's strategic direction as outlined in the [2021/22 Mandate Letter](#) from the Minister of Jobs, Economic Recovery and Innovation.

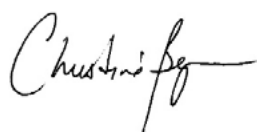
2021/22 was a year of transformation for InBC. In May of 2021, the *InBC Investment Corp. Act* was introduced to enshrine the purposes of InBC in statute. On May 6, 2021, the Board of Directors, with seven private sector and two public sector Board members, was appointed to oversee the new mandate of InBC.

InBC welcomed its inaugural Chief Executive Officer (CEO), Jill Earthy, and concluded its recruitment for a Chief Investment Officer resulting in the hiring of Leah Nguyen. In total, InBC had seven staff by the end of fiscal year 2021/22,

Substantive work on the development of an Investment Policy Statement (IPS) for InBC occurred. This work was done in conjunction with the Government of British Columbia to align with [BC's Economic Plan](#). The IPS is a key accountability document for InBC and is issued by the Board of Directors of InBC. The IPS sets the parameters for investing and lays the foundation for InBC to commence investing in 2022.

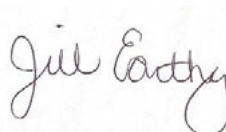
In 2021/22, InBC moved forward with its mandate established by Government and made substantive progress towards being ready to place investments in 2022.

Christine Bergeron



Board Chair, InBC Investment Corp.
July 18, 2022

Jill Earthy



Chief Executive Officer, InBC Investment Corp.
July 18, 2022

Purpose of the Annual Service Plan Report

The Annual Service Plan Report 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

InBC Investment Corp. (InBC) is an independent \$500 million strategic investment fund. The *InBC Investment Corp. Act* was enacted by the Government of British Columbia in May 2021. InBC's mission is to make life better for British Columbians through thoughtful investment decisions that will support innovation, equity, sustainability and job creation while achieving a financial return on investment.

The *InBC Investment Corp. Act* specifies independence of investment decision-making and establishes the Chief Investment Officer with the sole statutory authority to make investment decisions.

InBC provides a local source of capital to invest in high growth potential firms in B.C. with the aims of: achieving a financial return on investment; promoting values that make life better for people in B.C. including job creation, advancing reconciliation with Indigenous peoples, and promoting diversity and inclusion; and establishing B.C. as a globally competitive low-carbon jurisdiction.

Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's [2021-22 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures, and financial plan outlined in the [2021/22 InBC Investment Corp. Service Plan](#) as well as actual results reported on in this annual report.

Operating Environment

InBC is working to be at the forefront of smart, clean and productive investments that foster an innovative and inclusive economy in B.C. while delivering benefits for all British Columbians over the long term. To achieve these goals, InBC must operate within its legislated triple bottom line investment mandate that addresses financial as well as environmental and socio-economic policy goals. InBC measures success against these financial, environmental and socio-economic policy objectives.

In 2021/2022, InBC successfully attracted qualified staff to fill roles critical to the success of the organization.

InBC's mandate, service plan goals and objectives reflect a focus on establishing successful operations to achieve the mandate set by the Government of B.C. Milestones achieved to date

include establishing InBC’s Board of Directors, retaining core executive team and developing baseline operating capacity.

The COVID-19 pandemic has impacted the financial results of InBC. The economic shock has impacted its legacy venture capital investments. Some investments were negatively affected, while others have realized new opportunities from the changes associated with COVID-19. InBC will continue to monitor and assess the impacts that the pandemic is having on its legacy investments.

Work remains to build the organization’s capacity, including finalizing and implementing investment policies and procedures within a risk management framework, and incorporating measurements of impact across operations and the investment decision making process. To mitigate the risk associated with organizational and operational change, InBC continues to place significant focus on establishing successful and accountable operations.

Report on Performance: Goals, Objectives, Measures and Targets

Goal 1: Develop a strategic investment fund that supports government's objective of building a more innovative low-carbon economy by investing in high-potential B.C. businesses to help them scale up and grow in B.C

Objective 1.1: Create an approved investment policy statement for InBC

Key Highlights

- Market sounding and Board engagement has been undertaken to develop the investment policy statement.
- The IPS is a key accountability document for InBC and contains InBC’s investment objectives, risk tolerance, constraints, and reporting requirements.
- The investment policy statement was substantially drafted in 2021/22.

Performance Measure	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
1.1 An approved investment policy statement is in place.	Not applicable	Completed and approved investment policy	IPS drafted – approval deferred to July 2022	Review investment policy	Review investment policy

Data source: InBC Investment Corp.

Discussion of Results

This objective reflects the new and expanded mandate of InBC to provide a local source of capital to help B.C. businesses scale up, and grow talent, intellectual property and quality jobs in the province. The purpose of the IPS is to clarify the parameters for achieving a triple bottom

line investing mandate. As of March 31, 2022, the IPS was substantially drafted and was pending review and approval.

The IPS is a key accountability document for InBC and is issued by the Board of Directors of InBC. The IPS will contain InBC’s investment objectives, risk tolerance, constraints, and reporting requirements. It is designed to be a strategic document and will remain in effect unless revisions are agreed to by the Board.

The IPS will stipulate the principles that InBC must adhere to when investing and managing assets entrusted it. As well, the IPS defines the roles and responsibilities of the parties involved in the investment process. Defining the role of the Board of Directors, the CEO and the Chief Investment Officer (CIO) in executing, monitoring and reporting on the performance of InBC’s investments and ensuring InBC’s assets are managed in compliance with InBC’s investment policies and guidelines.

Objective 1.2: Establish operations for InBC

Key Highlights

- An organizational structure and a human resources strategy to support InBC’s new mandate were developed.
- A compensation framework to attract qualified and capable staff was developed and approved by the Public Sector Employers' Council (PSEC).
- Recruited an executive leadership team, including hiring a Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Financial Officer (CFO), and Chief of Strategy and Operations (CSO) capable of delivering InBC’s triple bottom line investment program. These appointments were the result of a comprehensive and competitive recruitment process.

Performance Measure	2020/21 Actuals	2021/22 Target	2021/22 Actuals ²	2022/23 Target	2023/24 Target
1.2 Recruitment and retention of investment staff including a Chief Investment Officer.	Not applicable	2	1	4	6

Data source: InBC Investment Corp.

Discussion of Results

Hiring a team who can deliver on the mandate of InBC was an area of focus for InBC in 2021/22. Recruiting and retaining these staff is key to achieving the overall investment objectives of InBC. InBC established both a human resource strategy and a compensation strategy in order to proceed with a transparent and competitive hiring process to recruit the necessary staff.

In 2021/22, InBC recruited for key positions including hiring a CEO, CIO, CFO, and CSO capable of delivering InBC’s triple bottom line investment program. These appointments were

the result of a comprehensive and competitive recruitment process based on its established policies.

- Jill Earthy was named the inaugural CEO and joined InBC in December 2021. Jill has held multiple leadership positions, and prior to InBC, she was most recently the CEO of WeBC (formerly Women’s Enterprise Centre), where she led a provincial non-profit organization supporting women entrepreneurs with loans, education, mentorship and advisory services across BC. Jill has built and sold two national companies and has committed her career to mentoring entrepreneurs and growing the innovation ecosystem in Canada. She currently serves on the boards for Sustainable Development Technology Canada (SDTC), The Forum and is a Co-Chair for We for She.
- Leah Nguyen was announced as the newly appointed CIO of InBC on February 28, 2022 and assumed her new role effective April 4, 2022. Prior to InBC, Leah was an Investment Director for the TELUS Pollinator Fund for Good, one of the world’s largest corporate impact funds, where she led sourcing, evaluating, and executing investment opportunities aligned with the Fund’s impact investing mandate. She is active in the start-up and investor ecosystem and has experience building high-performing, mission-driven teams that leverage technology and innovation to drive sustainable, inclusive solutions.
- David Mortimer joined InBC as permanent CFO in March 2022 after working on the development of the organization for the previous 18 months. With over 14 years of public finance experience, David has a wealth of knowledge in the public sector including financial operations, financial planning and procurement, as well as experience in the Province of BC’s investment and venture capital programs.
- Juvarya Veltkamp was announced as CSO on March 8, 2022. Juvarya is a values-driven leader that strives to galvanize change, putting people and planet at the heart of decision-making, while fostering innovation. Prior to InBC, and with background expertise in green buildings, climate change, and economic development, Juvarya created and executed the City of Vancouver’s 10-year Green Economy action plan, which during her tenure delivered clean growth and nearly doubled green jobs in the city.

As of March 31, 2022, the InBC team was comprised of seven people serving finance and operations functions including the CEO and CFO. Investment staff targets were not met, due to a challenging labour market, only 1 staff, CIO Leah Nguyen was hired.

Goal 2: Effective management of investments and portfolios

Objective 2.1: Manage investment portfolios

Key Highlights

- The BC Tech Fund has made 10 investments into venture capital (VC) funds, which have a presence and are investing in B.C. The VC fund investment period for the BC Tech Fund closed in October of 2020.
- The BC Tech Fund has made 10 direct investments into B.C.-based companies. The direct investment period for the BC Tech Fund closed in October 2021.
- 48 B.C.-based companies have received investment through the BC Tech Fund.

Performance Measures	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
2.1a Cumulative number of investment commitments made to B.C. businesses from the BC Tech Fund.	34	36	48	38	40
2.1b Cumulative number of investment commitments made to B.C.-based VC Funds from the BC Tech Fund.	10	10	10	10	10

Data source: Quarterly performance reports from BC Tech Fund manager for December 31, 2021.

Discussion of Results

InBC exceeded the 2021/22 targets for performance measure 2.1a. Calculations for 2.1a include businesses within underlying VC investments. Target levels were chosen based on total funds available for investing, 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. Over the last number of years, this target has been repeatedly revised upward to reflect the number of B.C. businesses that have received investment from the BC Tech Fund, either directly or indirectly through underlying funds. As the investment period for the BC Tech Fund has ended in October 2021, this performance measure has been retired.

InBC met the performance measure target for 2.1b. The number of funds that received BC Tech Fund investment has remained stable as the funds available for fund investments from the BC Tech Fund have been committed, and no new fund commitments will be made. With the closure of the investment period for the BC Tech Fund, this performance measure has been retired.

Objective 2.2: Increasing capital provided to B.C. Companies and Funds

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.

Performance Measures	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
Portfolio 1 – BC Renaissance Capital Fund (BCRCF) (\$M)					
2.2a Cumulative capital called on BCRCF’s commitments to fund managers.	\$86.5	\$86.5	\$86.6	\$86.5	\$87.0
2.2b Cumulative investment by BCRCF fund managers and syndicate partners in B.C. companies.	\$684.9	\$680.0	\$684.2	\$680.0	\$680.0
Portfolio 2 – BC Tech Fund (\$M)					
2.2c Cumulative capital called on BC Tech Fund commitment.	\$55.3	\$60.0	\$68.3	\$70.0	\$80.0
2.2d Cumulative investment by fund managers and syndicate partners in B.C. companies.	\$867.7	\$700.0	\$1,700	\$800.0	\$850.0

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 of Results

InBC has achieved its 2021/22 Portfolio 1 target for cumulative capital called for target 2.2a. The target for 2.2b was exceeded as there were additional investments made into B.C. companies by the syndicate partners, the figure decreased slightly from 2020/21 as a result of foreign exchange conversion on US dollar denominated funds. Funds in Portfolio 1 are not anticipated to call the full \$90m committed as investments have reached maturity.

InBC achieved both of the 2021/22 Portfolio 2 BC Tech Fund targets. Targets for Portfolio 2 were developed considering the investment period of the BC Tech Fund, past investment patterns of similar fund-of-funds. 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. InBC significantly exceeded the target in 2.2d, with a higher total leverage than forecast. This is indicative of the many new investments made by Portfolio 2 fund managers during the year, along with larger financing rounds since the initial commitment of the BC Tech Fund.

Portfolio 1 is near maturity, and the BC Tech Fund has completed its investment period. As a result, these performance measures are now retired.

Goal 3: An accountable, high-performing organization

Objective 3.1: Develop a governance and accountability framework for InBC

Key Highlights

- Board Governance Manual and Conflict of Interest Policy, InBC Recruitment and Compensation Policy have been created.

Performance Measure	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
3.1 Development of a governance and accountability framework.	Not applicable	Framework completed	Framework completed	Framework reviewed	Framework reviewed

Data source: InBC Investment Corp.

Discussion of Results

Establishing a strong governance and accountability framework with clear lines of accountability through to the Minister holds all levels of InBC accountable in meeting its corporate objectives and supports InBC in identifying the short, medium and long-term actions required to successfully deliver those objectives.

Clear governance and accountability structures with defined roles and responsibilities and is critical to establishing an accountable and high performing organization. The Board Governance Manual and Code of Conduct/Conflict of Interest Policy sets out the governance structure and policies pursuant to which the Board exercises its legislated duty under section 11 of the *InBC Investment Act*. As well, the manual includes the Code of Conduct/Conflict of Interest Policy applicable to directors and senior officers, on the disclosure of interests and the handling of conflicts of interest. The Board approved the Board Governance Manual and Conflict of Interest Policy on September 27, 2021. This document is publicly available on [InBC's website](#).

As well, the InBC Board of Directors is statutorily required to meet at minimum six times per year. The Board met seven times for regular Board meetings in 2021/22

Objective 3.2: Develop a performance measurement and accountability framework for InBC

Key Highlights

- Establishing investment performance parameters that measure financial as well as policy goals. These parameters constitute a triple bottom line, where InBC measures success against both financial as well as economic and societal policy objectives.
- Performance parameters are a component of the IPS. The IPS was substantially completed in 2021/22 and will be published in 2022.

Performance Measure	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
3.2 Development of a performance measurement framework.	Not applicable	Performance measurement framework developed	Framework nearing completion	Performance measurement framework reviewed	Performance measurement framework reviewed

Data source: InBC Investment Corp.

Discussion of Results

Development of performance measures ensures that InBC establishes and reviews key performance metrics and accountabilities. The Board reviews and validates the performance and accountability framework regularly to ensure the outcomes of InBC’s activities are measured and disclosed in alignment with Government’s strategic objectives.

The framework will continue to be updated and refined to ensure InBC is adapting to environmental changes while achieving all goals set by the corporation and mandated by the Government. This will include the development and implementation of a performance measurement framework for the organization, individual team members and for investments in 22/23.

Financial Report

For the auditor's report and audited financial statements, [see Appendix C](#). These can also be found on the [InBC Investment Corp.'s website](#).

Discussion of Results

InBC differentiates the results from new operations for the purposes described in the *InBC Investment Corp. Act* from the results from operations relating to legacy operations that were in place at the time the *InBC Investment Corp. Act* came into effect. Further details of these results are provided in InBC's audited financial statements (Note 13 Segmented Information).

Results from InBC Operations include the revenues and expenses recognized for the purposes of the Corporation, as described in Section 4 of the *InBC Investment Corp. Act*.

The fiscal year ended March 31, 2022, was the first year of operations for InBC. As described in the Operating Environment section of this Annual Service Plan Report, over the year InBC has worked to establish baseline operations which included establishing a Board of Directors, recruiting key staff, leasing premises and developing its governance and operating policy framework. Expenses attributable to these activities totaled \$1.2 million.

Results from operations also include the revenues and expenses associated with investments that were made under agreements that were in place before the *InBC Investment Corp. Act* came into force on May 20, 2021. Revenues include interest income from loans made to government entities under the Immigrant Investor Program and Venture Capital Investment Income from Portfolios 1 and 2. For the fiscal year ended March 31, 2022, these revenues totaled \$6.8 million. Expenses from these legacy investments are \$0.5 million and include investment fees and interest costs from arrangements undertaken to finance the investments.

On a consolidated basis InBC reported an Annual Operating Surplus of \$5.0 million.

Financial Summary¹

(\$000)	2020/21 Actual	2021/22 Budget	2021/22 Actual	2021/22 Variance
Revenue				
Venture Capital Investment Income	6,963	-	6,590	6,590
Realized Investment Gains/(Losses)	251	-	(204)	(204)
Interest Revenue	614 ³	344	376	32
Total Revenue	7,828³	344²	6,762	6,418
Expenses				
Investment Portfolio Expenses	698 ³	489	499	10
Board of Directors	-	230	73	(157)
Salaries and Benefits	-	1,524	562	(962)
Facilities	-	191	197	6
Operations	-	1,429	368	(1,061)
Total Expenses	698	3,863	1,699	(2,164)
Annual Surplus (Deficit)	7,130	(3,519)	5,063	8,582
Total Liabilities	37,110	40,362	19,260	(21,102)
Capital Expenditures	-	210	-	(210)
Accumulated Surplus	64,189	57,616	69,471	11,855

Note 1: The financial summary was prepared based on current Generally Accepted Accounting Principles as established by the Canadian Public Sector Accounting Board.

Note 2: 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. Given the uncertainty of the timing and amount of venture capital returns, Venture Capital Investment Income is reported as it is realized.

Note 3: Interest expense amounts were reclassified for presentation purposes in 2021/22, with the corresponding change applied to 2020/21. In the 2020/21 ASPR, the Total Revenue was \$7,751 and the Investment Portfolio Expenses were \$621. There is no change to the Annual Surplus.

Variance and Trend Analysis

InBC Investment Corp.'s consolidated Annual Surplus exceeded the amount budgeted in fiscal 2021/22 due to higher than budgeted Venture Capital Investment Income realized from venture capital portfolio distributions, and lower than budgeted operating expenditures.

Revenues

Venture Capital Investment Income is not estimated in building InBC's fiscal targets because the timing and amount of distributions from investments in venture capital funds cannot be forecast with certainty. This causes Venture Capital Investment Income to be higher than budgeted in 2021/22. Venture Capital Investment Income is recognized when distributions from investments exceed the investments' cost base. As venture capital portfolio investments of the BC Renaissance Capital Fund (BCRCF) mature, more frequent distributions are anticipated; however, due to the unpredictable nature of distributions, a trend may not be observable when comparing this year's results to prior fiscal year figures.

In fiscal 2021/22, Realized Investment Losses are attributable to changes in the price of marketable investments held by the BCRCF.

Expenses

Actual expenses are lower than budgeted. Fiscal year 2021/22 was the first year of InBC Investment Corp.'s operations under its new mandate, and variances to budget are attributable to conservative assumptions in the annual budget, and longer than anticipated recruitment times to onboard InBC's staff.

Investment Portfolio Expenses decreased year over year primarily due to a decrease in losses recorded on venture capital investments year over year. The variance of actual Investment Portfolio Expenses against budget is attributable to the changes in interest rates on short-term borrowing experienced in the year.

Expenses for the Board of Directors, Salaries and Benefits, Facilities and Operations are new expense items for InBC Investment Corp. in fiscal year 2021/22 and are attributable to InBC's new mandate to administer a \$500 million strategic investment fund under the *InBC Investment Corp. Act*. Variance of actual expenses for the Board of Directors to the budget is due to fewer overall board meetings because of a partial year of operations, lower committee costs, and fewer Directors claiming compensation than originally budgeted. Salaries and Benefits are lower than budgeted because of InBC experiencing longer recruitment periods for key staff members, including its Chief Executive Officer and Chief Investment Officer, and the resulting cascading effect of delayed recruitment of other staff. Operations expenses are lower than budgeted because of partial year operations of InBC, and lower operating activity due to lower than anticipated staff levels.

Total Liabilities

Total Liabilities consist primarily of a Fiscal Agency Loan payable to the Ministry of Finance of British Columbia, and Immigrant Investor Program (IIP) Promissory Notes payable to Immigrations, Refugees & Citizenship Canada (IRCC). Higher than anticipated distributions

from venture capital investments allowed InBC to repay its Fiscal Agency Loan balance by approximately \$16 million in 2021/22. Promissory notes payable were repaid in full to IRCC on November 30, 2021.

Capital Expenditures

Capital Expenditures of \$0.210 million were budgeted for leasehold improvements in 2021/22. These capital expenditures were anticipated for renovations required for new premises. InBC secured premises in the year that did not require any material leasehold improvement capital expenditures.

Risks and Uncertainties

Risks and uncertainties, including, but not limited to the risks in the Operating Environment section are as follows:

- **Investment:** Venture capital investment valuations and the timing and amount of venture capital investment capital calls and distributions are not estimable with certainty. This impacts InBC's ability to forecast and budget for the timing and magnitude of Venture Capital Investment Income and anticipate investment cash flows from venture capital investments. This uncertainty is caused in part by the nature of venture capital investments which are not traded on active exchanges, and therefore are not liquid, and do not have quoted market prices. Venture capital investment fund managers give little advance notice of upcoming capital calls and distributions for their funds; this creates uncertainty with respect to aspects of InBC's cash management. In response to this risk, InBC invests with a long-time horizon in mind and has established borrowing facilities with the Ministry of Finance to maintain sufficient cash balances in liquid, interest bearing accounts to meet capital calls and fund operating activities until venture capital investment returns are realized.
- **Interest Rates:** InBC finances operating expenses and venture capital investment with a Fiscal Agency Loan arranged through the Ministry of Finance. The Fiscal Agency Loan is short term borrowing, refinanced on a quarterly basis. With the Bank of Canada's recent increases to its target rates, and with further increases anticipated, InBC expects its interest costs associated with its Fiscal Agency Loan to increase. InBC has historically managed its exposure to interest rate changes through interest rate derivatives arranged through the Ministry of Finance.
- **Workforce:** InBC is currently seeking to attract and retain qualified investment staff to fill roles critical to the success of the organization. Potential challenges may arise due to the competitive labour market. In response to this risk, InBC has established a compensation framework that reflects the need to compensate staff comparably to similar organizations, and the need to maintain a meaningful degree of competitiveness with the relevant external labour market.
- **Organizational change:** InBC is currently engaged in an organizational transformation to meet its expanded mandate. InBC is managing this risk by establishing board committees

to provide oversight on governance and risk, and InBC management is developing a risk management framework to guide operational and investment decisions. Work remains to build the organization's capacity and finalize and implement investment policies and procedures within a risk management framework.

- **Pandemic:** The COVID-19 pandemic has impacted the financial results of InBC. The economic shock has impacted the venture capital investments. Some investments will be negatively affected, while others have realized new opportunities from the changes associated with COVID-19. InBC will continue to monitor and assess the impacts that the pandemic is having on its investments.

Appendix A: Additional Information

Organizational Overview

To learn more about how InBC is structured, please refer to the web page at:

<https://www.inbcinvestment.ca/what-we-do/>

Corporate Governance

InBC is governed by an up to nine-member Board of Directors, made up of both public and private sector members, who are accountable to the Minister of Jobs, Economic Recovery and Innovation and the Minister of Finance. The board's direction is implemented by management, who carry out the day-to-day operations of the corporation under supervision of the Chief Executive Officer.

For more information on InBC's Board of Directors, please refer to the web page at:

<https://www.inbcinvestment.ca/who-we-are/>

Contact Information

Additional information regarding InBC can be found at www.inbcinvestment.ca

Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

The BCRCF is a Crown corporation wholly owned by InBC. The BCRCF is charged with managing legacy portfolio assets inherited by InBC Investment Corp in 2020.

The BCRCF has venture capital investments in key technology sectors of information technology, digital media, clean technology, and life sciences. Investments are housed within two portfolios:

- BC Renaissance Capital Fund (Portfolio 1)
- BC Tech Fund (Portfolio 2)

Both Portfolio 1 and Portfolio 2 are now fully committed.

Board of Directors:

- Bobbi Plecas - Chair
- Heather Wood

Financial Summary – B.C. Renaissance Capital Fund Ltd.

(\$000)	2020/21 Actual	2021/22 Budget	2021/22 Actual
Total Revenues	6,963	0,000	6,590
Total Expenses	(428)	(230)	(217)
Net Income	6,535	(230)	6,373

Summary of BCRCF's Portfolios

Portfolio	Year	Fund Manager	Fund
1 – BCRCF	2007	ARCH Venture Partners VantagePoint Capital Partners	ARCH Venture Fund VII VantagePoint CleanTech Partners II VantagePoint Venture Partners 2006
	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

InBC Investment Corp.

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 Panache Ventures Voyager Capital Vanedge Capital	Framework Venture Partners I Panache Ventures Invest Fund 2018 Voyager Capital Fund V Vanedge Capital III

Portfolio	Year	Fund Manager	Company
2 – BC Tech Fund Investments in B.C. based companies	2016	BC Tech Fund	Mojio
	2017	BC Tech Fund	Foodie (exited)
	2018	BC Tech Fund	Eventbase
	2019	BC Tech Fund	D-Wave
	2019	BC Tech Fund	Procurify
	2019	BC Tech Fund	Tasktop (exited)
	2020	BC Tech Fund	Thinkific
	2021	BC Tech Fund	Pela
	2021	BC Tech Fund	Commit
	2021	BC Tech Fund	Spare Labs

Appendix C: Auditor's Report and Audited Financial Statements



Consolidated Financial Statements of

INBC INVESTMENT CORP.

Year Ended March 31, 2022

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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 is described in Note 4 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.

Grant Thornton 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 InBC Investment Corp.,




David Mortimer, CPA, CA | CFO
Vancouver, BC
June 17, 2022

Jill Earthy, MBA | CEO

Independent auditor's report

To the Board of Directors of InBC Investment Corp.

Opinion

We have audited the consolidated financial statements of InBC Investment Corp. ("the Corporation"), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, change in net financial assets and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of InBC Investment Corp. as at March 31, 2022, and its results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 our 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 Corporation's internal control.
- 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation 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.

We 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 we identify during our audit.

Grant Thornton LLP

Chartered Professional Accountants

Victoria, Canada
June 17, 2022

INBC INVESTMENT CORP.

Consolidated Statement of Financial Position

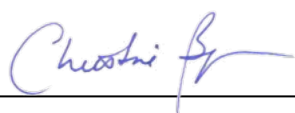
(in \$000)

As at March 31	2022	2021
Financial Assets		
Cash	5,783	13,701
Accounts Receivable	8	-
Loans Receivable (Note 4)	8,754	14,152
Venture Investments (Note 5)	74,175	73,446
	88,720	101,299
Liabilities		
Accounts Payable and Accrued Liabilities	35	-
Derivatives (Note 6)	82	301
Due to Related Parties (Note 12)	146	6
Fiscal Agency Loan (Note 7)	18,997	34,979
Promissory Notes (Note 8)	-	1,824
	19,260	37,110
Net Financial Assets	69,460	64,189
Non-Financial Assets		
Prepaid Expenses	11	-
Accumulated Surplus	69,471	64,189
Accumulated Surplus is comprised of:		
Accumulated Operating Surplus	69,553	64,490
Accumulated Remeasurement Gains	(82)	(301)
	69,471	64,189

Significant Events (Note 2)

Commitments (Note 10)

Approved by the Board



Christine Bergeron | Chair – Board of Directors



Suzanne Trottier | Vice Chair – Board of Directors

INBC INVESTMENT CORP.

Consolidated Statement of Operations and Change in Accumulated Surplus

(in \$000)

For the Year Ended March 31	Budgeted Figures <i>(Note 15)</i>	2022	2021
Revenues:			
Venture Capital Investment Income	-	6,590	6,963
Realized Investment (Loss)/Gain	-	(204)	251
Interest Income	344	376	614
	344	6,762	7,828
Expenses (Note 13)	3,863	1,699	698
Annual Operating Surplus	(3,519)	5,063	7,130
Accumulated Annual Operating Surplus, Beginning of Year	64,490	64,490	57,360
Accumulated Annual Operating Surplus, End of Year	60,971	69,553	64,490

Consolidated Statement of Remeasurement Gains and Losses

(in \$000)

For the Year Ended March 31	2022	2021
Accumulated Remeasurement (Losses) at the beginning of the year	(301)	(237)
Unrealized (Losses) attributable to:		
Derivatives	(16)	(149)
Amounts Reclassified to the Statement of Operations		
Derivatives	235	85
Change in Remeasurement Gains (Losses) for the Year	219	(64)
Accumulated Remeasurement (Losses), End of the Year	(82)	(301)

INBC INVESTMENT CORP.

Consolidated Statement of Change in Net Financial Assets

(in \$000)

For the Year Ended March 31	2022	2021
Annual Operating Surplus	5,063	7,130
Effect of Remeasurement Gains/(Losses)	219	(64)
Increase in Net Financial Assets	5,282	7,066
Net Financial Assets, Beginning of the Year	64,189	57,123
Net Financial Assets, End of the Year	69,471	64,189

Consolidated Statement of Cash Flows

(in \$000)

For the Year Ended March 31	2022	2021
Operating Transactions:		
Annual Surplus	5,063	7,130
Items not involving Cash:		
Amortization of Promissory Discount	16	43
Gains on Venture Capital distributions	(6,590)	(6,963)
Impairment loss on Venture Capital investment	-	179
Realized Investment (Gain) Loss	204	(251)
Changes in non-cash Operating Working Capital:		
Accounts Receivable	(8)	-
Prepaid Expenses	(11)	-
Accounts Payable and Accrued Liabilities	35	-
Accrued Interest on Fiscal Agency Loan	10	(135)
Accrued Loan Interest Receivable	15	28
Due to Related Parties	140	6
Cash provided by Operating Activities	(1,126)	37
Financing Transactions:		
Cash (repaid)/received from Fiscal Agency Loan	(15,992)	(5,022)
Repayment of Promissory Notes	(1,840)	(3,297)
Cash used in Financing Activities	(17,832)	(8,319)
Investing Transactions:		
Repayment of Loan Principal	5,383	11,748
Capital calls to Venture Capital Funds	(15,493)	(15,564)
Returns from Venture Capital Funds	21,150	11,896
Cash provided by Investing Activities	11,040	8,080
(Decrease) in Cash	(7,918)	(202)
Cash, Beginning of Year	13,701	13,903
Cash, End of Year	5,783	13,701

Notes to Consolidated Financial Statements

1. NATURE OF BUSINESS

InBC Investment Corp. (the “Corporation”) was created on September 17, 2020 by renaming the BC Immigrant Investment Fund Ltd. (BCIIF). The BCIIF was incorporated on September 19, 2000, under the *Business Corporations Act* and is wholly owned by the Province of British Columbia.

On May 20, 2021, legislation was enacted that changed the corporate structure of InBC. The Corporation will now be incorporated under the *InBC Investment Corp. Act*, with two shares issued. One share will be held by the Minister of Finance and one share will be held by the Minister of Jobs, Economic Recovery and Innovation. The Corporation’s Board of Directors is comprised of nine members, seven of whom are from outside government.

On October 22, 2007, the B.C. Renaissance Capital Fund Ltd. (BCRCF) was incorporated under the *Business Corporations Act* and is a wholly owned subsidiary of InBC Investment Corp. The primary business of BCRCF, a Limited Partner in venture capital funds, is to stimulate economic development and generate returns.

InBC will administer a \$500 million strategic investment fund, established for the purpose of investing to achieve a financial return and in accordance with the policy objectives of the government as set out in the mandate letter to the Corporation signed by the two ministers. The *InBC Investment Corp. Act* continues all assets, liabilities, and activities of the Corporation, including responsibility for its subsidiary, the BCRCF. These expanded operations will result in increased investment activity by the Corporation, as well as the Corporation incurring additional expenses, such as salaries, facilities, and administration costs. These increased activities will be financed through past investments and the returns of the BCRCF, with additional debt coordinated through the Ministry of Finance.

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

2. SIGNIFICANT EVENTS

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

COVID-19 has impacted the valuation of the Corporation’s venture capital investment portfolios. Any permanent negative impact of these market events is not determinable due to the illiquid nature of the Corporation’s venture capital investments.

The duration and impact of COVID-19, as well as the effectiveness of government and central bank responses, remain unclear currently. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of operations of the corporation for future periods. Management will continue to monitor the market impacts of COVID-19 on the valuation of its investment portfolios.

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, the BCRCF. All intercompany transactions and balances have been eliminated upon consolidation.

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 accounts 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.

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 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.

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 are held for the purpose of meeting short-term cash commitments rather than for investing. They are reported at cost.

ii. 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. Interest is accrued on loans receivable to the extent it is deemed collectible.

iii. 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.

Investment Commitments (*Note 10*) to venture capital funds are not recorded as liabilities on the statement of financial position until a capital call is issued by the venture capital fund. The liability exists until the capital call is funded, generally within five business days.

iv. Debt and other financial liabilities

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

v. 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 based on a schedule of anticipated draws from the Fiscal Agency Loan. Derivatives are reported at fair value using Level 1 valuation (*Note 6*).

Employee Future Benefits

The Corporation accrues employee vacation entitlements, included in amounts due to related parties.

The Corporation is a member of the Public Service Pension Plan (*Note 14*). The plan is a defined benefit plan, providing pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. The Public Service Pension Plan is a multi-employer jointly trusted plan. As the assets and liabilities of the plan are not segregated by employer, the plan is accounted for as a defined contribution plan and any company contributions to the plan are expensed as incurred.

INBC INVESTMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(tabular figures in \$000)



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segmented Disclosure

A segment is defined as a distinguishable activity or group of activities of a Company for which it is appropriate to separately report financial information. The Company has provided definitions of segments used by the Company as well as presented financial information of the segments in Note 13.

4. LOANS RECEIVABLE

	2022	2021
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.	6,252	6,728
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.	2,502	7,424
Total loans receivable	8,754	14,152

INBC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

(tabular figures in \$000)**5. 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:

	2022	2021
Canadian Dollar Venture Funds		
Cumulative contributions to date	119,614	104,137
Cumulative returns of capital	(47,050)	(33,274)
Total Canadian Dollar Venture Funds	72,564	70,863
US Dollar Venture Funds		
Cumulative contributions to date	41,252	41,213
Cumulative returns of capital	(18,349)	(17,338)
US Dollar Venture Funds	22,903	23,875
Combined Canadian and US Dollar Funds	95,467	94,738
Less cumulative impairments	(21,292)	(21,292)
Venture Capital Investments	74,175	73,446

During the year, impairments totaling \$0 (2021: \$178.7 thousand) in venture capital investments were identified by management and reported on the consolidated statement of operations.

6. DERIVATIVES

	2022	2021
Minister of Finance interest rate swap, fixed at 1.65 % commencing in 2017 through 2023	(82)	(301)

The Corporation has entered an interest rate swap with the Minister of Finance where it will pay a fixed rate of interest instead of variable rate based on a schedule of anticipated draws on the Fiscal Agency Loan. The derivative was established in 2017 to mitigate the risk of rising future interest rates. 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, 2022 the present value of cash inflows is less than the cash outflows.

7. FISCAL AGENCY LOAN

On March 31, 2017, the Corporation entered into a short-term borrowing facility with the Minister of Finance. The maximum principal amount of the facility is \$80 million. The contract was fully executed June 7, 2017. The purpose of the short term borrowing facility is to fund venture capital commitments and operating expenses of InBC. The Corporation first accessed the short term financing on October 15, 2018. At March 31, 2022, the interest rate on the fiscal agency loan is 0.28%.

8. PROMISSORY NOTES

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.

During the fiscal year, the Federal Government contacted the provinces regarding a proposal to repay outstanding funds owing to the Federal Immigrant Investment Program before March 31, 2022. The Corporation repaid its outstanding balance on November 30, 2021.

	2022	2021
Total promissory notes, beginning of year	1,844	5,141
Repaid or refunded during the year	(1,844)	(3,297)
	-	1,844
Net promissory note discount, end of year	-	(20)
Promissory notes, end of year	-	1,824

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 assessed this risk when considering loans. 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. This risk is mitigated by placing deposits in recognized British Columbia institutions. Credit risk arising from cash deposits 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 because of its investments in US venture capital funds.

9. RISK MANAGEMENT (Continued)

Through the Corporation's venture capital initiative, the Corporation has a total of \$375 thousand USD (2021: \$406 thousand USD) remaining in venture capital commitments and holds \$8.6 million USD in venture capital investments (2021: \$9.4 million USD). Returns generated from investments in these venture capital funds will be in US dollars. The timing and value of returns from these investments cannot be reasonably estimated and so the impact of currency rate fluctuations can also not be estimated. At March 31, 2022, currency risk is negligible as the Corporation has sufficient cash and financing available to satisfy commitments made.

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 invested cash and fiscal agency loan. The Corporation has invested its funds in loans receivable with fixed rate returns and investments with 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 \$0.2 million (2021 - \$0.3 million) calculated as 1% of the average book value of investments throughout the year.

The Corporation is also exposed to interest rate risk through the unhedged portion of the fiscal agency loan borrowings. The unhedged portion is subject to quarterly refinancing at prevailing market interest rates. As a result, interest expense will fluctuate based on market interest rates and the amount borrowed.

The Corporation manages its exposure to interest rate by hedging 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 its 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.

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.

INBC INVESTMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022
(tabular figures in \$000)



10. COMMITMENTS

The 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 investment commitments remaining:

	2022	2021
Total USD investment commitments (USD)	38,987	38,987
USD investment commitments transferred to date (USD)	(38,612)	(38,581)
Remaining USD investment commitments (USD)	375	406
Remaining USD investment commitments translated to CAD	469	510
Total CAD investment commitments	151,000	151,000
CAD investment commitments transferred to date	(116,726)	(101,785)
Remaining CAD investment commitments	34,274	49,215
Aggregate remaining investment commitments	34,742	49,725

The BCRCF has an ongoing agreement with Kensington Capital Advisors Inc. to act as the investment manager for the BC Renaissance Capital Fund portfolio of venture capital investments. This is separate from Kensington Capital's role as the General Partner of the BC Tech Fund. The annual cost of this commitment is \$200,000.

The corporation has entered into contractual arrangements to lease office space in Vancouver and for a data subscription. These contractual obligations will become liabilities in the future when the terms of the contract are met. Disclosure relates to the unperformed portion of the contracts:

	2023	2024	2025	2026	2027
Property Lease	264.5	267.3	297.6	297.6	297.6
Data subscription (USD translated to CAD)	35.6	48.7	-	-	-

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., 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

INBC INVESTMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022
(tabular figures in \$000)



result of activities undertaken in their capacity as General Partners. Management believes that no such liabilities exist at March 31, 2022.

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.

Between April 1, 2017 and June 30, 2021, InBC had a Memorandum of Understanding that the Ministry of Jobs, Economic Recovery and Innovation would incur the cost of operating expenditures on behalf of InBC without expectation of reimbursement. Subsequent to June 30, the Corporation incurs the cost of its operating expenditures unless otherwise disclosed in these notes.

Assets and liabilities with related parties include:

	2022	2021
Cash (CDP)	5,719	13,697
Loans receivable <i>(Note 4)</i>	2,502	14,152
Fiscal Agency Loan <i>(Note 7)</i>	18,997	34,979
Due to Related Parties	146	6

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

	2022	2021
Interest Income	216	614
Interest expense	266	141
Facilities	197	-
Office and miscellaneous expenses	48	3
Professional fees	61	79
Salaries, wages and benefits	562	-

INBC INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

(tabular figures in \$000)



13. SEGMENTED INFORMATION

Segmented information is provided to differentiate between the results from operations relating to legacy operations that were in place at the time the *InBC Investment Corp. Act* came into effect.

InBC Operations: InBC Operations will report the revenues and expenses recognized for the purposes of the Corporation, as described in Section 4 of the *InBC Investment Corp. Act*:

The purposes of the corporation are as follows:

- a. to make investments that achieve a financial return;
- b. to make investments that support the social, economic and environmental policy objectives of the government.

InBC Operations will report the results of investments made for the purposes of the corporation under *InBC Investment Corp. Act*, and report the expenses associated with administering those investments, including the costs of salaries and benefits, operations, and financing the costs.

Legacy Operations: Legacy Operations will report the revenues and expenses associated with investments that were made under agreements that were in place before the *InBC Investment Corp. Act* came into force on May 20, 2021. This segment reports interest income from loans made to government entities under the Immigrant Investor Program, Venture Capital Investment Income from Portfolios 1 and 2, and the costs associated with administering those investments, including investment fees and interest costs from arrangements undertaken to finance those loans and venture capital portfolios.

The following is a summary of revenues and expenses by segment:

	InBC Operations	Legacy Operations	2022 Total	2021 Total
Revenues:				
Venture Capital Investment Income	-	6,590	6,590	6,963
Realized Investment (Loss)/Gain	-	(204)	(204)	251
Interest Income	-	376	376	614
	-	6,762	6,762	7,828
Amortization of promissory note discount	-	16	16	43
Board of Director fees	73	-	73	-
Facilities	197	-	197	-
Interest expense	-	266	266	141
Investment fees	-	217	217	249
Office and miscellaneous expenses	76	-	76	7
Professional fees	292	-	292	79
Salaries, wages and benefits	562	-	562	-
Venture capital impairment loss	-	-	-	179
Expenses	1,200	499	1,699	698
Annual Surplus (deficit)	(1,200)	6,263	5,063	7,130

14. EMPLOYEE FUTURE BENEFITS

The Corporation and its employees contribute to the Public Service Pension Plan, which is a multiemployer jointly trusted plan. The plan is a defined benefit plan, providing pension on retirement based on the member's age of retirement, length of service and highest earnings averaged over five years. The board of trustees of the plan represents plan members and employers and is responsible for the management of the plan including investment of the assets and administration of the plan. The most recent actuarial valuation for the Public Service Pension Plan as at March 31, 2020 indicated a \$2,667 million funding surplus for basic pension benefits on a going concern basis. As described in Note 3, the plan is accounted for as a defined contribution plan. For the year ended March 31, 2022, the Corporation paid \$22,642 (2021 - \$0) for employer contributions to the plan.

15. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the 2021/22 Service Plan approved by the Board Chair in April 2021.