

InBC Investment Corp.

2022/23
Annual Service Plan Report

August 2023



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Board Chair's Accountability Statement



The InBC Investment Corp. 2022/23 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2022/23 – 2024/25 Service Plan published in 2022. The Board is accountable for those results as reported.

Signed on behalf of the Board by:

A handwritten signature in black ink, appearing to read "Christine Bergeron", with a stylized flourish at the end.

Christine Bergeron
Board Chair, InBC Investment Corp.
August 1, 2023

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Letter from the Board Chair & CEO

On behalf of the InBC Investment Corp., we are pleased to provide the 2022/23 Annual Service Plan Report.

In 2022/23, InBC Investment Corp. (InBC) actions aligned with the government's strategic direction as outlined in the [2021/22 Mandate Letter](#) from then Minister of Jobs, Economic Recovery and Innovation, Hon. Ravi Kahlon.

InBC has set a vision to create long-term impact. In addition to achieving financial returns on investments, our triple bottom line mandate is guided by our impact investment objectives. In doing so, we can move to deliver benefits in the areas of innovation, climate action, Reconciliation and inclusive communities.

Through collaboration with partners and other investors, we are expanding B.C.'s collective investing capacity and increasing capital resources for companies and founders in the Province. This will help increase the number of scaling companies, retain intellectual property and create quality jobs across different sectors and regions.

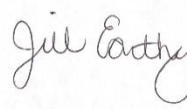
2022/23 was a productive year for InBC focused on developing our Investment Policy Statement (IPS) and building a strong operational foundation as a newly established Crown Corporation. InBC launched its IPS in October 2022. This work was done in conjunction with the Government of British Columbia to align with [B.C.'s Economic Plan](#). The IPS is a key accountability document for InBC and is issued by the Board of Directors of InBC.

By December 2022, InBC had placed its initial investments, and by March 31, 2023, had made commitments to four venture capital funds, for a total of \$35 million. As well, InBC has worked to operationalize our program to directly invest in companies in 2023.

Our work is crucial as inflation rates, interest rates, and market fluctuations impact the availability of capital to many companies. We know that through our investments, we can support building a more prosperous, sustainable and inclusive future for British Columbians.



Christine Bergeron
Board Chair
August 1, 2023



Jill Earthy
Chief Executive Officer
August 1, 2023

Purpose of the Annual Service Plan Report

This annual service plan report has been developed 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, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

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 InBC 2022/23 – 2024/25 Service Plan and the actual results reported on in this annual report.

Purpose of the Organization

InBC is a strategic investment fund with \$500 million to invest in companies and other venture capital funds to generate financial returns and achieve social and environmental benefits for the people of British Columbia. InBC has been established to provide a source of local and long-term capital for small and medium-sized businesses, placing and managing investments that support businesses and sectors that advance a prosperous, sustainable, and inclusive economy in British Columbia.

The [InBC Investment Corp. Act](#) (InBC Act) establishes the purpose and governance structure of the corporation; as well as specifying the independence of investment decision-making by establishing the Chief Investment Officer (CIO) with the sole statutory authority to make investment decisions. The InBC Act established InBC for the purpose of making investments that achieve both a financial return, and support the social, economic and environmental policy objectives of the government¹. InBC is governed by a Board of Directors, appointed by the Government of British Columbia, to oversee the affairs of the corporation to ensure prudent stewardship and alignment with policy direction from the government. The board is also responsible for the oversight of risk management of InBC.

Government and the board have approved an Investment Policy Statement (IPS) for InBC². InBC's approved IPS is the guiding framework of the investment program of InBC. The IPS describes the parameters of InBC's investment program and has enabled InBC to begin making investments aligned with its triple bottom line mandate and impact objectives.

¹ InBC Investment Corp Act. Section 4(1) Purposes of corporation.

² InBC's IPS is a key accountability document for InBC which establishes the parameters for investing and includes: impact objectives, risk tolerances, constraints and reporting requirements. The complete IPS can be found in the [corporate reports](#) section of the InBC website.

InBC has defined four impact objectives³ in the IPS to support a more prosperous, inclusive, and sustainable economy. These impact objectives are: 1) Driving climate action: Investing in solutions towards net-zero emissions and a climate resilient economy; 2) Advancing Reconciliation: Investing in solutions that strengthen partnerships and generate economic opportunities for Indigenous Peoples; 3) Elevating inclusive communities: Investing in solutions to improve outcomes for under-represented people and communities; and, 4) Innovating for the future: Investing in innovations and industries for future economic growth.

As a Crown corporation of the Province of B.C., a central element of InBC's investment objectives is the demonstrated connection to British Columbia of the venture capital funds and companies InBC invests in. The criteria used to demonstrate a strong connection to British Columbia include business activity in the province such as revenues, payroll, assets and expenses. Other indicators include head office location and where executives are based. For both companies and venture capital funds these factors play a role in weighing the connection to British Columbia.

Any investment InBC makes aligns to at least one of these impact objectives, and is individually assessed according to its: Ability to provide a return on investment and generate a profit; Strength of connection to B.C.; Alignment with one (or more) of its [impact objectives](#); and environmental, social and governance (ESG)⁴ risks.

InBC is providing a source of local, additive⁵ and patient capital to B.C.'s economy by investing in venture capital funds and directly in early stage and later stage companies. Working collaboratively with other investors and partners, InBC is placing investments in businesses and venture capital funds that can both demonstrate and measure achievement of financial returns and non-financial impacts.

Operating Environment

In recent years, British Columbia has witnessed a significant increase in venture capital activity. Several factors contribute to this positive trend, including a supportive ecosystem, a talented pool of entrepreneurs and a diverse range of industries. The Province is home to renowned universities and research institutions, fostering a culture of innovation and attracting top-tier talent. These factors, combined with a favorable business environment, have drawn the attention of investors seeking promising investment opportunities. However, compared to companies in other provinces, B.C. companies receive the least amount of local, Canadian

³ The measurable economic, social and environmental returns, in addition to the financial returns resulting from an investment.

⁴ ESG is a framework for integrating and assessing environmentally and socially conscious factors in opportunities - environmental refers to stewardship of the natural environment; social refers to people and relationships; governance refers to responsible management. InBC is following the lead of the provincial government and will align with their ESG standards as they evolve: <https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/government-finances/debt-management/bc-esg-report.pdf>.

⁵ Additive capital refers to investments or financing that would not have been obtained otherwise from existing markets.

sourced capital (16%), with the majority of investment in B.C. companies coming from the US (65%) and foreign investors (19%)⁶.

Although B.C. remained one of the top three provinces for venture capital investment in 2022⁷, the lower percentage of available local capital increases the likelihood of growth-oriented companies leaving the Province, taking with them the valuable intellectual property and quality jobs the companies create. Additionally, ongoing economic events, such as the collapse of Silicon Valley Bank have had a significant impact on entrepreneurs and their access to venture capital⁸. Ongoing uncertainty and volatility brought about by economic factors such as inflation rates, interest rates, and market fluctuations have made investors more cautious in their investment decisions. Competition for limited venture capital resources has intensified and many entrepreneurs are finding it harder to secure funding.

Investment capital is critical for companies to scale up operations, increase sales or acquire the strategic expertise needed to succeed. The presence of capital attracts outside investment and talent. While British Columbia and Canada have a thriving business landscape, Canadian companies often face a gap in capital; especially at the very early and later stages of the business growth continuum⁹.

Capital funding gaps are often exacerbated for companies founded by entrepreneurs belonging to under-represented groups (for example: women entrepreneurs¹⁰, Indigenous entrepreneurs¹¹, black entrepreneurs¹², etc.) and companies in rural areas¹³.

Impact and innovation focused companies face additional challenges raising capital due to either non-traditional business models or the novel nature of their technology, product or service¹⁴. Due to these capital gaps, companies often have to move outside of British Columbia to access capital, taking the domestically created intellectual property with them. As a result, the British Columbian economy is not able to benefit from the longer-term returns of companies realizing their intellectual property (IP) strategy in fully developed products and services.

⁶ 2021 Canadian Venture Capital Report – An Overview, CPE Analytics.

⁷ [Canadian Venture Capital Market Overview 2022](#) . Canadian Venture Capital Private Equity Association.

⁸ [Vancouver tech responds to Silicon Valley Bank collapse \(vantechjournal.com\)](#) . Vancouver Tech Journal.

⁹ [Access to Capital for Canadian Growth-oriented, medium-sized firms](#) . Innovation Science and Economic Development Canada.

¹⁰ [The Lack of VC funding to women is a Western Societal Shortfall](#), TechCrunch.

¹¹ [Barriers to Economic Development in Indigenous Communities](#), Standing Committee on Indigenous and Northern Affairs.

¹² [Black Business Owners in Canada](#) Statistics Canada.

¹³ [Mobilizing Rural Investment Capital](#), BC Chamber of Commerce.

¹⁴ [Unlocking Growth Opportunities for Canada's Innovation Economy](#), Advancing Innovation Roundtable.

InBC is addressing these gaps by investing equity into venture capital funds and companies that align with one or more of its impact objectives and represent diverse geographic, gender and cultural backgrounds. In addition to capital, InBC is supporting the growth of portfolio companies through access to expanded networks and additional resources that will allow them to retain their operations and intellectual property here in British Columbia.

British Columbia has emerged as a vibrant hub for innovation and entrepreneurship, and the availability of venture capital plays a crucial role in supporting the growth of startups and high-potential ventures. InBC recognizes there are many entrepreneurs throughout the province with growing businesses who have the potential to contribute positively to social and environmental initiatives while generating financial returns. Significant opportunity exists through investment to support the development of businesses and sectors that advance a prosperous, sustainable, and inclusive economy.

Report on Performance: Goals, Objectives and Results

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, while generating returns that benefit all British Columbians

Objective 1.1: Make investments based on the approved investment policy statement for InBC

This objective reflects the expanded mandate of the Crown to provide a local source of capital to help B.C. businesses scale up, and make sure talent, intellectual property and quality jobs stay in the Province. The IPS defines the parameters for achieving a triple bottom line investing mandate.

Key results

- Development and approval of IPS and ongoing review of the IPS by the board to ensure alignment with InBC's mandate letter.
- Placed four investments in venture capital funds with strong connections to B.C and aligned with the IPS. The announced funds were [Evok Innovations](#), [Raven Indigenous Capital Partners](#), and [Yaletown Partners](#).
- Ongoing review of investments by the board to ensure the CIO is placing investments in accordance with the terms defined by the IPS.
- Continued engagement with communities, businesses and investors regarding the IPS.

Summary of progress made in 2022/23

The board, in concert with the CIO, developed a formal IPS to stipulate the parameters that InBC must operate within when investing and managing the assets entrusted to it by the government. In October 2022, InBC launched its approved IPS which summarizes its investment strategy and priorities. InBC's IPS aligns with the objectives of government, as reflected in the [StrongerBC Economic Plan](#).

Performance measure(s) and related discussion

The IPS stipulates the parameters that InBC must operate within when investing and managing the assets entrusted to it by the government. InBC is investing through:

- Venture capital funds¹⁵ that invest across various stages of growth, including: Seed stage companies – entrepreneurs needing capital to start a business; Early stage companies – with a product in testing or pilot production; and later stage companies – with a service/product looking to scale.
- Direct investments in early and later stage companies.

No specific amount of money is allocated to any specific impact objective and investments will be placed across the spectrum of objectives. InBC aligns with global impact investing frameworks and standards to embed impact and financial criteria across the investment process¹⁶. Profits from InBC will be reinvested. The goal is to become evergreen, where InBC generates enough investment income to become financially self-sustaining in the medium to long term.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.1 An approved IPS is in place and investments are placed in accordance with the IPS ¹	IPS under development	IPS approved. 100% of investments made in accordance with the IPS	IPS approved. 100% of investments made in accordance with the IPS

Data source: InBC Investment Corp.

¹PM 1.1 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 100% and 100%, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

¹⁵ Pooled investment funds that manage the money of investors who provide private capital to start-ups and small to medium-sized businesses considered to have growth potential.

¹⁶ InBC leverages global standards and frameworks to measure impact including but not limited to the [Impact Management Project](#), [UN Principles for Responsible Investing](#), [UN Sustainable Development Goals and Targets](#), [UN Declaration on the Rights of Indigenous Peoples](#), [Global Impact Investing Network \(GIIN\)](#), [Reconciliation and Responsible Investment Initiative](#) and [International Finance Corporation's \(IFC\) Operating Principles for Impact Management](#).

As of the fiscal year-ended March 31, 2023, InBC has made investments in four venture capital funds aligned with its impact objectives, committing a total of \$35 million in capital to support the scale up of companies across different stages of growth.

Objective 1.2: Continue to establish operations for InBC

InBC's first full year of operations focused on developing an IPS and building a strong operational foundation as a newly established Crown corporation.

This objective is related to implementing the expanded mandate of InBC which necessitates the need for employing qualified, professional investment staff.

Key results

- Recruited qualified leadership and investment professionals capable of delivering InBC's triple bottom line investment program.
- Reviewed InBC's competitiveness in attracting qualified staff and developed an appropriate approach to compensation.
- Created and operationalized processes and procedures to address multi-faceted mandate.

Summary of progress made in 2022/23

The CIO and their team are key to the placement of individual investments. The CIO is, by statutory requirement, the sole investment decision-maker for InBC and is responsible for developing and implementing the IPS. A key activity for InBC has been the hiring of qualified investment staff capable of delivering on InBC's triple-bottom line investment strategy.

Attracting and securing top talent in a highly competitive market was an important priority for InBC in 2022/23. The demand for skilled professionals in the venture capital industry is high, but the pool of qualified candidates is limited. Identifying individuals with a strong track record in deal sourcing, due diligence, and portfolio management can be particularly challenging. Recruiting and retaining these staff are essential to achieving the overall investment objectives of InBC.

Through comprehensive and inclusive recruitment efforts, InBC has hired and onboarded five investment staff, including the CIO, and a total of 11 full-time employees in 2022/23.

Having investment staff hired enabled InBC to, over the course of 2022/23, develop the IPS, place investments in four venture capital funds and develop InBC's direct investment program to enable it to directly invest in companies. InBC also launched its first-time fund managers program to support increased diversity in venture capital providers in British Columbia.

Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.2 Recruitment and retention of investment staff including a Chief Investment Officer ¹	2	4	5

Data source: InBC Investment Corp.

¹PM 1.2 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 6 and 6, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

By the end of March 2023, InBC had hired five professional investment staff from a variety of investment backgrounds. With its focus on creating a positive and engaging work environment that fosters a culture of collaboration and innovation, and providing opportunities for professional development and growth, InBC was able to recruit more quickly than anticipated and was able to hire five investment staff rather than the projected four.

Goal 2: Effective placement and management of investments

Objective 2.1: Place and manage investments in accordance with the triple bottom line investment mandate

Deploying capital in accordance with InBC's approved IPS and measuring performance against the triple bottom line investment mandate is key to assessing the achievements of the fund.

Key results

- Four investments in venture capital funds were placed across InBC's impact objectives: 2 Innovating for the future; 1 Driving climate action; 1 Advancing Reconciliation.
- \$35 million capital committed.
- Developed and implemented a comprehensive reporting framework for InBC that meets statutory reporting requirements, leverages existing reporting frameworks and provides for a strategic assessment of the annual performance of all InBC venture capital funds.

Summary of progress made in 2022/23

During InBC's first year of operations four investments into venture capital funds were completed. These venture capital funds are investing in companies driving climate action, advancing Reconciliation with Indigenous Peoples, and innovating for the future in British Columbia.

Investing in venture capital funds is just the beginning of InBC's investment strategy, InBC also created the operational processes to enable investing directly in companies in 2023.

The table below summarizes InBC's investments in 2022/23.

InBC Investments 2022/23*				
Fund	Evok Innovations	Raven Indigenous Capital Partners	Yaletown Partners	Fourth Venture Fund*
Established	2016	2018	2001	N/A
Aligned Impact Objective	Driving climate action	Advancing Reconciliation	Innovating for the future	Innovating for the future
InBC's Investment	\$10 million CAD in Fund II	\$5 million CAD in Raven Indigenous Impact Fund II	\$10 million CAD into Innovation Growth Fund II	\$10 million CAD
Total Fund Size	\$300 million USD	\$100 million CAD	\$200 million CAD	\$200 million USD

* In fiscal year 2022/2023, InBC also invested in a B.C.-based venture capital fund investing in life science and biotechnology companies. While this venture capital fund is still closing its funding round, InBC is respecting its commercial confidentiality.

Fund details will be disclosed on InBC's website in the later part of 2023.

Goal 3: To be an accountable, high performing organization

Objective 3.1: InBC is an effective, respected and valuable component of the investment landscape in British Columbia

This objective reflects the mandate of InBC to provide a local source of capital and to be an effective, respected and valuable component of the investment landscape in British Columbia. Strong governance and accountability frameworks, with clear lines of responsibility through to the Minister of Jobs, Economic Development and Innovation and the Minister of Finance, holding all levels of InBC accountable in meeting its corporate objectives and supporting InBC identifying short, medium, and long-term actions required to successfully deliver those objectives.

Alongside the IPS development, InBC ensured it is equipped to deliver accountable and transparent operations. Key policies have been developed and activated to support the administration of the Crown: an Impact Measurement and Management framework, Investment Risk Management Policy, Operational and IT Risk Management Policy, Ethical Wall

Policy, Enterprise Risk Management Framework, and InBC Partnerships Framework. As well, InBC engaged its first strategic planning cycle and finalized a [3-year strategic plan](#) which was publicly released in May 2023.

Operationalizing the foundational policies and processes has been a key activity for InBC. Activities supporting investment readiness include developing processes, tools and templates to screen and assess investment opportunities in an inclusive, consistent and scalable process.

Key results

- Identification, assessment and mitigation of significant risks and developing operations to mitigate and respond to those risks.
- Publication of InBC's first Annual Report in November 2022. InBC worked with the Ministry of Jobs, Economic Development and Innovation to establish and implement the annual statutory reporting requirements for InBC. Statutory requirements under the [InBC Investment Corp. Act](#) require InBC to submit annual reports to the Minister of Jobs, Economic Development and Innovation and the Minister of Finance.
- Developed communications and partnerships strategies to ensure continued engagement with stakeholders and the public.
- Worked effectively with the Board of Directors to ensure a strong operational foundation through the development of clear policies, procedures and frameworks.
- Collaborated with a variety of stakeholder and partner groups aligned with the mandate of InBC to position InBC as a trusted partner, and to drive quality and diverse investment opportunities.

Financial Report

For the auditor's report and audited financial statements, see [Appendix C](#).

Discussion of Results

InBC differentiates the results from 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 Act came into effect. Further details of these results are provided in InBC's audited financial statements (Note 11 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 Act.

The fiscal year ending March 31, 2023, was the first full year of operations for InBC. As described in the Operating Environment section of this Annual Service Plan Report, over the year, InBC has focused on finalizing its IPS, building its investment and operations team, establishing a strong operational foundation and commencing its investment program. Activities included recruitment and training of new staff, establishing InBC's Investment Policy Statement (IPS), building investment deal flow and investing in four venture capital funds in alignment with InBC's IPS. Expenses attributable to InBC's operations totaled \$3.6 million. In the year, InBC made \$35 million in new investment commitments to venture capital funds. As of March 31, 2023, \$4.8 million had been called by those venture capital funds.

Results from operations also include the revenues and expenses associated with investments that were made under agreements that were in place before the InBC 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 ending March 31, 2023, these revenues totaled \$1.1 million. Expenses from these legacy investments are \$0.9 million and include investment fees and interest costs from arrangements undertaken to finance the investments.

On a consolidated basis, InBC reported an Annual Operating Deficit of \$3.4 million.

Financial Summary

(\$000s)	2021/22 Actual	2022/23 Budget	2022/23 Actual	2022/23 Variance
Revenues				
Venture Capital Investment Income	6,590	0	673	673
Interest Revenue	376	274	382	108
Total Revenue	6,966	274	1,055	781
Expenses				
Investment Portfolio Expenses	499	371	937	566
Board of Directors	73	155	96	(59)
Salaries and Benefits	562	2,895	2,272	(623)
Facilities	197	296	276	(20)
Operations	368	1,946	892	(1,054)
Realized Investment Losses	204	0	4	4
Total Expenses	1,903	5,663	4,477	(1,186)
Annual Surplus (Deficit)	5,063	(5,389)	(3,422)	1,967
Total Debt	18,997	29,000	20,571	(8,429)
Capital Expenditures	-	-	38	38
Accumulated Surplus	69,471	63,536	66,172	2,636

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

² Budgeted revenue is based on a conservative assumption that all available funds, other than amounts required to meet venture capital commitments, will be held in liquid, interest bearing accounts. Given the uncertainty of the timing and amount of venture capital returns, venture capital revenue is reported as it is realized.

Variance and Trend Analysis

InBC Investment Corp.'s consolidated Annual Deficit was lower than the budgeted amount in fiscal 2022/23 due to unbudgeted 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. 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, further 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.

Interest Income is earned through short term holdings with the Province of British Columbia's Central Deposit Program (CDP), and through loans made to government organizations before the establishment of InBC. Interest Income is higher than budgeted primarily due to higher interest rates earned on balances on CDP deposits in the year.

Expenses

Fiscal year 2022/23 was the first full 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 include the costs of borrowing associated with InBC's investments; it also includes portfolio management fees paid to external service providers. Investment Portfolio Expenses are higher than budgeted due to the changes in interest rates on short-term borrowing experienced in the year; portfolio expenses are also higher in 2022/23 due to InBC incurring a one-time charge associated with bringing outsourced portfolio management services back into the organization.

Expenses for operations are lower than budgeted due to conservative budget assumptions. Actual expenses for the Board of Directors is lower than budget due to 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 as it onboarded new staff members. Operations expenses are lower than budgeted. The lower than budgeted operational spending is also consistent with the longer recruitment times experienced, and staff support costs being incurred over a shorter period.

Total Debt

Total Debt consists of Fiscal Agency Loans payable to the Ministry of Finance of British Columbia. The Fiscal Agency Loan balance for legacy investment decreased in 2022/23. As

legacy investments wind down and make distributions, InBC repays the loan to the Province. A new Fiscal Agency Loan was established in 2022/23 to finance investments made under the InBC Act. This balance is expected to increase over time as InBC makes new investments.

Capital Expenditures

Capital expenditure for software was not budgeted initially but was determined to be required for investment program management purposes.

Risks and Uncertainties

Risks and uncertainties include:

- **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.
- **Operational funding:** InBC relies on venture capital investment income and debt financing as sources of funding for its operations. As noted above, the amount and timing of Venture capital investment income is subject to a high degree of uncertainty. As an investor with a long-time horizon, there is risk that InBC will not have a significant source of revenue from its Venture investments in the near or medium term. Reliance of debt financing to fund InBC operations is a source of risk to the organization given the current high interest rate environment. In the short-term, InBC will manage this risk through a 5-year funding arrangement with the Province of B.C. where the Province will provide funding for InBC's operations and interest costs.
- **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. Over the past year, the Bank of Canada has increased its target rates, increasing the overall cost of borrowing. There remains uncertainty over the future of direction of future interest rate changes and this is a source of risk to InBC. Going forward, InBC will manage this risk through a 5-year funding arrangement with the Province of B.C. where the Province will provide funding for InBC's interest costs, thereby mitigating the risk of interest rate volatility on the organization. InBC will continue working with the Provincial government on a long-term arrangement.

Appendix A: Progress on Mandate Letter Priorities

The following is a summary of progress made on priorities stated in the 2021/22 Mandate Letter from the Minister Responsible.

2021/22 Mandate Letter Priority	Status as of March 31, 2023
Transition InBC to its new organizational mandate by developing and implementing a robust organizational framework that includes a governance and corporate accountability framework.	Complete: Crown Corporation has been established. Executive Team including a CEO and CIO have been hired and strong governance and accountability frameworks are in place.
Develop, report and implement an approved investment policy for the strategic investment fund.	Ongoing: InBC has an approved investment policy in place and is in the process of implementing this policy by committing capital to venture capital funds and directly into companies.
Develop and report on a performance measurement and public accountability framework.	Ongoing: InBC has established a performance measurement and accountability framework, published the first annual legislative report in 2022 and is on track to produce the annual legislative report for 2023.
<p>Oversee the Legacy Investment Portfolios and obligations:</p> <ul style="list-style-type: none"> - Continue to manage the BCRCF venture capital investment portfolios and repayments to the federal government under the Immigrant Investor Program. - Provide biannual updates regarding the venture capital funds, including how they support growth, facilitate availability of capital for B.C. technology companies and stimulate job creation in B.C. 	Ongoing: Funds are fully committed and out of their active investment phases. Investments continue to be monitored and managed. The Immigrant Investor Program is concluded, and all repayments have been made to the Federal Government.

Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

BC Renaissance Capital Fund

The BCRCF is a 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:

Jill Earchy - Chair

David Mortimer

Financial Summary

(\$000)	2021/22 Actual	2022/23 Budget	2022/23 Actual
Revenues	6,590	0,000	673
Expenses	(217)	(200)	(400)
Net Income	6,373	(200)	273

Segmented Information

Segmented information is provided to differentiate between the results from the purposes described under the InBC Investment Corp. Act and those operations that were already in place at the time the InBC Investment Corp. Act came into effect (Legacy Operations).

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

Legacy Operations reports 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 includes results from operations from the BC Immigrant Investment Fund, InBC Investment Corp.'s predecessor organization, and the subsidiary BC Renaissance Capital Fund. 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 the Legacy Fiscal Agency Loan.

InBC presents segmented information in Note 11 of its financial statements.

Financial Summary

(\$000)	InBC Operations 2022	Legacy Operations 2022	InBC Operations 2023	Legacy Operations 2023	2023 Total
Revenues	0	6,590	0	1,055	1,055
Expenses	(1,200)	(499)	(3,589)	(888)	(4,477)
Annual Surplus/(Deficit)	(1,200)	6,263	(3,589)	167	(3,422)

Note: Budget information is presented for the consolidated entity in the Financial Summary section of the report.

Summary of BCRCF Portfolios

Portfolio	Year	Fund Manager	Fund
1 – BCRCF	2007	ARCH Venture Partners	ARCH Venture Fund VII
		VantagePoint Capital Partners	VantagePoint CleanTech Partners II
			VantagePoint Venture Partners 2006
	2009	Vanedge Capital	Vanedge Capital I
		Tandem Expansion	Tandem Expansion Fund I
		Yaletown Venture Partners	Yaletown Ventures II
	2011	Azure Capital	Azure Capital Partners III
		iNovia Capital	iNovia Investment Fund III
2 – BC Tech Fund	2016	Vanedge Capital	Vanedge Capital II
Investments in B.C.-based funds	2017	Lumira Capital Corp	Lumira Ventures III
		ScaleUp Ventures	ScaleUp Venture Fund I
		Yaletown Venture Partners	Yaletown Innovation Growth
	2018	Pangaea Ventures Ltd	Pangaea Ventures Fund IV
		Versant Ventures	Versant Voyageurs I
	2019	Framework Venture Partners	Framework Venture Partners I
		Panache Ventures	Panache Ventures Investment Fund 2018
		Voyager Capital	Voyager Capital Fund V

		Vanedge Capital	Vanedge Capital III
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Portfolio	Year	Fund Manager	Company
2 – BC Tech Fund Investments in B.C.-based companies	2016	BC Tech Fund	Mojio
	2017	BC Tech Fund	Foodee (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, 2023



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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 2 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 his opinion on the consolidated financial statements. The external auditor has full and free access to financial management of the Corporation and meets when required. The accompanying Auditor's Report outlines his responsibilities, the scope of his examination and his opinion on the consolidated financial statements.

On behalf of InBC Investment Corp.,



David Mortimer, CPA, CA | CFO
Vancouver, BC
June 22, 2023



Jill Earthy, MBA | CEO



Independent Auditor's Report

*To the Board of Directors of InBC Investment Corp., and
To the Minister of Jobs, Economic Development and Innovation, Province of British Columbia*

Opinion

I have audited the accompanying consolidated financial statements of InBC Investment Corp. ("the Corporation"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations and change in 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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2023, and the results of its operations, change in its net financial assets, cash flows and remeasurement gains and losses for the year then ended in accordance with Canadian Public Sector Accounting Standards.

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 Corporation in accordance with the ethical requirements that are relevant to my audit of the Corporation's 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 consolidated financial statements. The other information comprises the information included in the 2022/23 Annual Service Plan Report, a draft of which I obtained prior to the date of this auditor's report, and the Statement of Financial Information for the year ended March 31, 2023, which is expected to be made available to me after that date, 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.

Independent Auditor's Report

InBC Investment Corp.

If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, 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.

When I read the final 2022/23 Annual Service Plan Report and the Statement of Financial Information for the year ended March 31, 2023, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

Other Matters

The consolidated financial statements of the Corporation for the year ended March 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on June 17, 2022.

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 Corporation'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 Corporation will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the Corporation's 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 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

Independent Auditor's Report

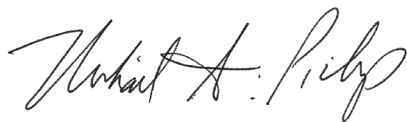
InBC Investment Corp.

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 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 Corporation'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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group 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 communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Michael A. Pickup, FCPA, FCA
Auditor General of British Columbia

Victoria, British Columbia, Canada
June 28, 2023

INBC INVESTMENT CORP.

Consolidated Statement of Financial Position

(in \$000)

As at March 31

2023

2022

Financial Assets

Cash	4,742	5,783
Investments	220	-
Accounts Receivable	96	8
Loans Receivable (Note 3)	5,764	8,754
Derivatives (Note 5)	36	-
Venture Investments - Legacy (Note 4)	72,740	74,175
Venture Investments - InBC Investment Corp. (Note 4)	4,777	-
	88,375	88,720

Liabilities

Accounts Payable and Accrued Liabilities	1,332	35
Derivatives (Note 5)	-	82
Due to Related Parties (Note 10)	437	146
Fiscal Agency Loan - Legacy (Note 6)	16,167	18,997
Fiscal Agency Loan - InBC Investment Corp. (Note 6)	4,404	-
	22,340	19,260
	66,035	69,460

Net Financial Assets

Non-Financial Assets

Tangible capital assets (Note 7)	38	-
Prepaid Expenses	99	11
	137	11

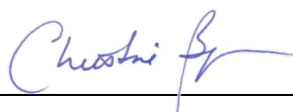
Accumulated Surplus

Accumulated Surplus is comprised of:

Accumulated Operating Surplus	66,131	69,553
Accumulated Remeasurement Gains	41	(82)
	66,172	69,471

Commitments (Note 9)

Approved by the Board



Christine Bergeron | Chair – Board of Directors



Suzanne Trottier | Vice Chair – Board of Directors

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

INBC INVESTMENT CORP.

Consolidated Statement of Operations and Change in Accumulated Surplus

(in \$000)

For the Year Ended March 31	Budgeted Figures (Note 13)	2023	2022
Revenues:			
Venture Capital Investment Income	-	673	6,590
Interest Income	274	382	376
	274	1,055	6,966
Expenses (Note 11)	5,663	4,477	1,903
Annual Operating (Deficit) Surplus	(5,389)	(3,422)	5,063
Accumulated Annual Operating Surplus, Beginning of Year	69,553	69,553	64,490
Accumulated Annual Operating Surplus, End of Year	64,164	66,131	69,553

Consolidated Statement of Remeasurement Gains and Losses

(in \$000)

For the Year Ended March 31	2023	2022
Accumulated Remeasurement (Losses) at the beginning of the year	(82)	(301)
Unrealized Gains (Losses) attributable to:		
Derivatives	148	(16)
Investments	5	-
Amounts Reclassified to the Statement of Operations		
Derivatives	(30)	235
Change in Remeasurement Gains (Losses) for the Year	123	219
Accumulated Remeasurement Gains (Losses), End of the Year	41	(82)

INBC INVESTMENT CORP.

Consolidated Statement of Change in Net Financial Assets

(in \$000)

For the Year Ended March 31	2023	2022
Annual Operating (Deficit) Surplus	(3,422)	5,063
Acquisition of tangible capital assets	(38)	-
Acquisition of prepaid expenses	(135)	(11)
Use of prepaid expenses	47	-
	(88)	(11)
Effect of Remeasurement Gains/(Losses)	123	219
Increase (Decrease) in Net Financial Assets	(3,425)	5,271
Net Financial Assets, Beginning of the Year	69,460	64,189
Net Financial Assets, End of the Year	66,035	69,460

INBC INVESTMENT CORP.

Consolidated Statement of Cash Flows

(in \$000)

For the Year Ended March 31	2023	2022
Operating Transactions:		
Annual (Deficit) Surplus	(3,422)	5,063
Items not involving Cash:		
Amortization of Promissory Discount	-	16
Gains on Venture Capital distributions	(215)	(6,590)
Realized Investment Loss	4	204
Changes in non-cash Operating Working Capital:		
Accounts Receivable	(87)	(8)
Prepaid Expenses	(88)	(11)
Accounts Payable and Accrued Liabilities	253	35
Accrued Interest on Fiscal Agency Loan	136	10
Accrued Loan Interest Receivable	8	15
Due to Related Parties	315	140
Cash (used for) Operating Activities	(3,096)	(1,126)
Capital Transactions:		
Acquisition of tangible capital assets	(38)	-
Cash (used for) Capital Activities	(38)	-
Financing Transactions:		
Cash received / (repaid) from Fiscal Agency Loans	1,438	(15,992)
Repayment of Promissory Notes	-	(1,840)
Cash provided by / (used in) Financing Activities	1,438	(17,832)
Investing Transactions:		
Repayment of Loan Principal	2,982	5,383
Capital calls to Venture Capital Funds	(13,082)	(15,493)
Returns from Venture Capital Funds	10,755	21,150
Cash provided by Investing Activities	655	11,040
(Decrease) in Cash	(1,041)	(7,918)
Cash, Beginning of Year	5,783	13,701
Cash, End of Year	4,742	5,783

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

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 *Company Act* and was wholly owned by the Province of British Columbia.

On May 20, 2021, legislation was enacted that changed the corporate structure of InBC. The Corporation is now incorporated under the *InBC Investment Corp. Act*, with two shares issued. One share is held by the Minister of Finance and one share is held by the Minister of Jobs, Economic Development 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 administers 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.

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

2. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses

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

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is 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 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 9*) 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 a 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 5*).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible Capital Assets

Tangible capital assets (*Note 7*) are initially recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. The cost, less residual value of the tangible capital assets, are amortized on a straight line basis over their estimated useful life as follows:

Asset Class:	Software	Useful Life:	3 years
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Assets under construction are not amortized until the asset is available for productive use.

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 12*). 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.

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 Corporation has provided definitions of segments used by the Corporation as well as presented financial information of the segments in *Note 11*.

INBC INVESTMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2023
(tabular figures in \$000)



3. LOANS RECEIVABLE

	2023	2022
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.	5,764	6,252
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 was paid out August 17, 2022.	-	2,502
Total loans receivable	5,764	8,754

4. VENTURE INVESTMENTS

Venture Investments - Legacy

Through its subsidiary the Corporation holds investments made under agreements put in place before the *InBC Investment Corp. Act* came into force on May 20, 2021. The Corporation's subsidiary, the BCRCF, has two legacy 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 for BCRCF are:

	2023	2022
Canadian Dollar Venture Funds		
Cumulative contributions to date	128,885	119,614
Cumulative returns of capital	(57,449)	(47,050)
Total Canadian Dollar Venture Funds	71,436	72,564
US Dollar Venture Funds		
Cumulative contributions to date	41,307	41,252
Cumulative returns of capital	(18,711)	(18,349)
US Dollar Venture Funds	22,596	22,903
Combined Canadian and US Dollar Funds	94,032	95,467
Less cumulative impairments	(21,292)	(21,292)
Venture Capital Investments -Legacy	72,740	74,175

4. VENTURE INVESTMENTS *(Continued)*

Venture Investments – InBC Investment Corp.

The *InBC Investment Corp. Act* establishes the Corporation for the purposes of making investments that:

- a) Achieve a financial return
- b) Support the social, economic and environmental policy objectives of the government.

The following investments were made subsequent to May 20, 2021, for the purposes of the Corporation established in the *InBC Investment Corp. Act*:

	2023	2022
Canadian Dollar Venture Funds		
Cumulative contributions to date	2,373	-
Cumulative returns of capital	-	-
Total Canadian Dollar Venture Funds	2,373	-
US Dollar Venture Funds		
Cumulative contributions to date	2,404	-
Cumulative returns of capital	-	-
US Dollar Venture Funds	2,404	-
Combined Canadian and US Dollar Funds	4,777	-
Less cumulative impairments	-	-
Venture Capital Investments - InBC	4,777	-

During the year, impairments totaling \$0 (2022: \$0) in venture capital investments were identified by management and reported on the consolidated statement of operations.

5. DERIVATIVES

	2023	2022
Minister of Finance interest rate swap, fixed at 1.65 % commencing in 2017 through 2023	36	(82)

The Corporation entered an interest rate swap with the Minister of Finance where it will pay a fixed rate of interest instead of a 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, 2023, the present value of cash inflows is greater than the cash outflows.

6. FISCAL AGENCY LOAN

Fiscal Agency Loan - Legacy

InBC Investment Corp. assumed responsibility for all obligations of the BCIF when the Corporation was established under the *InBC Investment Corp. Act* on May 20, 2021. On March 31, 2017, the BCIF 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 from BCRCF and operating expenses of InBC. The Corporation first accessed the short-term financing on October 15, 2018. At March 31, 2023, the interest rate on this legacy fiscal agency loan is 4.37%.

Fiscal Agency Loan – InBC Investment Corp.

On November 28, 2022, the Corporation entered into a borrowing facility with the Minister of Finance. The maximum principal amount of the facility is \$500 million. The purpose of the borrowing facility is to fund strategic investments as set out by the *InBC Investment Corp. Act*. The Corporation first accessed the financing on December 1, 2022. At March 31, 2023, the interest rate on the statutory fiscal agency loan is 4.40%.

7. TANGIBLE CAPITAL ASSETS

Cost	Software - 2023	Software - 2022
Beginning balance	-	-
Additions	38	-
Year-end balance	38	-
Accumulated Amortization		
Beginning balance	-	-
Additions	-	-
Year-end Balance	-	-
Net Book Value	38	-

8. 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

8. RISK MANAGEMENT (Continued)

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 investments 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 and commitments made in US dollars.

Through the Corporation's venture capital investments, the Corporation has a total of \$13.4 million USD (2022: \$375 thousand USD) remaining in venture capital commitments and holds \$10.2 million USD in venture capital investments (2022: \$8.6 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.

The Corporation has also made agreements for software licenses where payment is made in US dollars. These total \$141 thousand (2022: \$0). At March 31, 2023, 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 loans. 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 \$0.1 million (2022 - \$0.2 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 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.

8. RISK MANAGEMENT *(Continued)*

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 investments. The Corporation cannot readily sell the investments. As the Corporation invests in early-stage venture capital investments 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.

9. COMMITMENTS

The Corporation has commitments in both CAD and USD to invest as a Limited Partner in certain venture capital funds. Commitments as a Limited Partner made after the *InBC Investment Corp. Act* came into force are identified as InBC commitments, prior commitments are identified as Legacy. The following table summarizes the total investment commitments, transfers made to date and total investment commitments remaining:

	InBC	Legacy	2023	2022
Total USD investment commitments (USD)	14,803	38,987	53,790	38,987
USD investment commitments transferred to date (USD)	(1,766)	(38,652)	(40,418)	(38,612)
Remaining USD investment commitments (USD)	13,037	335	13,372	375
Remaining USD investment commitments translated to CAD	17,643	453	18,096	469
Total CAD investment commitments	15,000	151,000	166,000	151,000
CAD investment commitments transferred to date	(2,373)	(125,997)	(128,370)	(116,726)
Remaining CAD investment commitments	12,627	25,003	37,630	34,274
Aggregate remaining investment commitments	30,270	25,456	55,726	34,742

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9. COMMITMENTS (Continued)

The Corporation has entered into contractual arrangements to lease office space in Vancouver. The Corporation also has operational commitments for software licenses, data subscriptions and operational agreements. 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:

	2024	2025	2026	2027
Property Lease	286.3	297.6	297.6	124.0
Other operational commitments	159.2	90.9	20.0	-
Total	445.5	388.5	317.6	124.0

10. RELATED PARTY TRANSACTIONS

The Corporation is related through common ownership to all Province of British Columbia ministries, agencies, Crown corporations and all other public sector organizations. The Corporation's related parties also include key management personnel which include the directors, and senior management of the Corporation. Transactions with these entities and individuals are in the normal course of operations and are recorded at the exchange amount. Assets and liabilities with related parties include:

	2023	2022
Cash (CDP)	4,691	5,719
Loans receivable (Note 3)	5,764	8,754
Derivatives (Note 5)	36	(82)
Fiscal Agency Loans (Note 6)	20,571	18,997
Due to Related Parties	437	146

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

	2023	2022
Interest Income	382	216
Interest expense	537	266
Board of Director fees	96	73
Facilities	276	197
Office and miscellaneous expenses	104	48
Professional fees	31	61
Salaries, wages and benefits	1,964	562

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11. 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 reports 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:

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

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

Legacy Operations: Legacy Operations reports 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 the Legacy Fiscal Agency Loan.

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

	InBC Operations	Legacy Operations	2023 Total	2022 Total
Revenues:				
Venture Capital Investment Income	-	673	673	6,590
Interest Income	-	382	382	376
	-	1,055	1,055	6,966
Amortization of promissory note discount	-	-	-	16
Board of Director fees	96	-	96	73
Facilities	276	-	276	197
Interest expense	53	484	537	266
Investment fees	-	400	400	217
Office and miscellaneous expenses	360	-	360	76
Professional fees	532	-	532	292
Realized investment loss	-	4	4	204
Salaries, wages and benefits	2,272	-	2,272	562
Expenses	3,589	888	4,477	1,903
Annual Surplus / (Deficit)	(3,589)	167	(3,422)	5,063

12. 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 2, the plan is accounted for as a defined contribution plan. For the year ended March 31, 2023, the Corporation paid \$170,793 (2022 - \$22,642) for employer contributions to the plan.

13. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the 2022/23 Service Plan approved by the Board Chair in February 2022.

14. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified in order to provide presentational consistency with the current year.