



BC Immigrant Investment Fund

ANNUAL SERVICE PLAN REPORT

2013 – 2014



Message from the Chairman to the Minister Responsible



On behalf of the Board of Directors and staff at the BC Immigrant Investment Fund, I am pleased to submit the BC Immigrant Investment Fund Ltd. (“BCIIF”) Service Plan Report for 2013/14.

BCIIF is a Crown corporation responsible for managing BC’s allocation of funds under the federal Immigrant Investment program (“IIP”). These funds are managed for investment in economic development and job creation and to repay the federal government.

In 2013/14, BCIIF realized a net operating income of \$4.8 million and had \$152 million in cash and short-term investments at year end. Under its wholly-owned subsidiary, B.C. Renaissance Capital Fund Ltd. (“BCRCF”), BCIIF continued its prudent investment approach in pursuit of venture capital. BCIIF also continued to invest in public sector infrastructure loans.

In February 2014, the federal government announced its intention to terminate the IIP, BCIIF’s primary source of capital. In response to this, the BCIIF will participate in a review process led by the Ministry of International Trade to determine the mandate for both the BCIIF and its subsidiary the BCRCF. In particular, the BCIIF will finalize a strategic business plan to support transition and manage the impact of the federal decision. The BCIIF Service Plan Report is submitted to meet the requirements of the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles and follows the 2013/14 Crown Corporation Service Plan Report and Guidelines.

This report has been prepared under the direction of BCIIF’s Board of Directors (the “Board”) and provides complete and accurate performance information on its major activities, achievements and outcomes for the 2013/14 fiscal year. This information has been prepared in a manner that is consistent with the BCIIF 2013/14 Service Plan’s performance measures and targets.

In addition, this report contains a complete set of BCIIF financial statements that were prepared and signed by officers of BCIIF and audited by the Office of the Auditor General. The Board is accountable for the contents of the report including decisions on scope, level of detail and how the information is presented. The Board is responsible for ensuring that internal controls are in place to ensure performance and financial information are accurate and timely.

All significant decisions and identified risks as at March 31, 2014 have been considered in preparing this report. It contains estimates and interpretative information that represent management’s best judgment. Any changes in BCIIF’s mandate, direction, goals, strategies, measures or targets since the 2013/14 Service Plan was released and any significant limitations in the reliability of the data are identified within this report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gordon MacDougall', written in a cursive style.

Gordon MacDougall
Chairman

June 2014
Vancouver, British Columbia

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BC Immigrant Investment Fund Ltd.

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

The Corporation is an approved fund under the federal Immigrant Investor Program (the “Program” or “IIP”), administered by Citizenship and Immigration Canada (“CIC”). The CIC regulations require approved funds participating in the Program to invest in initiatives that contribute to economic development and job creation in Canada. As a matter of practice, BCIIF routinely consults with the Program administrators to ensure compliance of its investments with the Program’s parameters.

BCIIF receives and manages B.C.’s allocation of funds under the Program. The Program confers discretion on the provinces to manage their allocation of the Program’s immigrant investor funds (“Funds”) for investment in economic development and job creation. Provincial allocations are repayable to the federal government without interest on the fifth anniversary of their receipt. Although there is no interest charged on the Funds, there is a nominal fee paid to cover federal government administration. In order to participate in the Program, the Province has

provided the federal government with a repayment guarantee of the Funds up to \$500 million.

On February 11, 2014, the federal government announced its intention to terminate the Program and eliminate the backlog of unprocessed IIP applications. Applications that were in progress at the time of termination are currently being processed with funds continuing to flow through to BCIIF.



B.C. Renaissance Capital Fund Ltd.

B.C. Renaissance Capital Fund Ltd. (“BCRCF”) is a Crown corporation that is wholly-owned by BCIIIF. It is administered by officers and staff of BCIIIF with assistance from the Ministry of Finance. The purpose of BCRCF is to attract successful venture capital managers and their capital to B.C. to develop promising, innovative technology companies in the province.

In August 2007, the provincial Treasury Board approved an allocation of \$90 million from BCIIIF to BCRCF for the purposes of pursuing investment in four key technology sectors: digital media, information technology, life sciences and clean technology.

From BCRCF’s inception in late 2007 through March 2014, the BCRCF fund managers and their syndicate partners have invested \$288 million in 32 B.C. companies. The current BCRCF portfolio consists of 27 active B.C. companies that collectively employ over 900 people.

The objectives of BCRCF are to:

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

BCRCF invests with venture capital fund managers who have a proven track record of investing successfully in one or more of the four key technology sectors. Each venture capital firm that BCRCF invests with commits to perform certain investment-related activities in B.C. in order to increase the probability of successful investment in the province. Some of these commitments include:

- Opening and maintaining offices in B.C. staffed by senior investment professionals;
- Forming strategic alliances with local venture capital firms;
- Hosting and attending investor forums in B.C. to establish networks with local stakeholders; and
- Exploring investment opportunities in the Province.



B.C. Renaissance Capital Fund Ltd., *continued*

As of March 2014, BCRCF has made investment commitments of \$90 million with eight fund managers through formal limited partnership agreements and side letter agreements. The eight fund managers are:

- ARCH Venture Partners
- Azure Capital
- iNovia Capital
- Kearny Venture Partners
- Tandem Expansion
- Vanedge Capital
- VantagePoint Capital Partners
- Yaletown Venture Partners

Collectively, venture capital fund managers affiliated with BCRCF manage more than \$2.5 billion of venture capital that is available for investment.

Each of the eight fund managers invests over a ten-year cycle. Generally, they deploy capital in the first five years and expect to realize returns in years six through ten. Because the funds were formed between 2007 and 2011, BCRCF should

realize returns between 2013 and 2022, with the bulk of the returns expected to occur in the latter half of this period. Early and modest returns have started to flow with \$1.5 million distributed in 2012/13 and \$1.1 million distributed to BCRCF during 2013/14 from the sales of portfolio companies. BCRCF staff will continue to monitor and track the underlying fund investments and the financial performance of the fund managers.





BCIIF reports to the Minister of International Trade and Minister Responsible for Asia-Pacific Strategy and Multiculturalism and is governed by an independent six- member Board of Directors appointed by the Province of B.C.

The Board of Directors provides leadership and direction to the Corporation in a manner consistent with the policies and directives of the Government of British Columbia as outlined in the annual Government's Letter of Expectations. BCIIF's Board of Directors acts in accordance with the best practices published by the Crown Agencies Resource Office and Board Resourcing and Development Office which can be found at www.gov.bc.ca/caro.

The Directors of BCIIF during the 2013/14 year were:

- Gordon MacDougall (Chair)
- Douglas Beaton
- Valli Chettiar
- Bob Gautama
- Dean Mason
- Robert Wilson

Jim Hopkins, Assistant Deputy Minister, Ministry of Finance, serves as a special advisor to the Board.

The Board has the following responsibilities:

- Ensure appropriate controls and accountabilities are in place;
- Recommend policies for investment decisions to Treasury Board;
- Approve particular investments;
- Ensure reporting requirements are fulfilled;
- Approve the annual budget; and
- Appoint auditors.

Board Committees

Finance and Audit

Purpose: The purpose of the Finance and Audit Committee is to assist the Board of Directors in fulfilling its obligations and oversight responsibilities relating to financial planning, audit process, financial reporting, system of corporate controls, and risk management, and when required, make recommendations to the full Board of Directors for approval.

Members: Dean Mason (Chair), Douglas Beaton, and Rob Wilson

Governance and Human Resources

Purpose: The purpose of the Governance and Human Resources Committee is to assist the Board of Directors in fulfilling its obligations and oversight responsibilities relating to corporate governance and human resources, including staff structure, succession planning, annual review processes, human resource policies and codes of conduct.

Members: Valli Chettiar (Chair), Gordon MacDougall, and Bob Gautama

Officers

The Officers of BCIIIF in 2013/14 were:

1. Terry Gelinas, Comptroller
2. Shauna Turner, Acting Chief Executive Officer

The Directors of BCRCF are the same as Directors of BCIIIF. The Officers of BCRCF are the same as Officers of BCIIIF.

There are two full-time equivalent employees devoted to BCIIIF management and reporting in addition to Board member commitments. More information about corporate governance can be found on the BCIIIF website at:

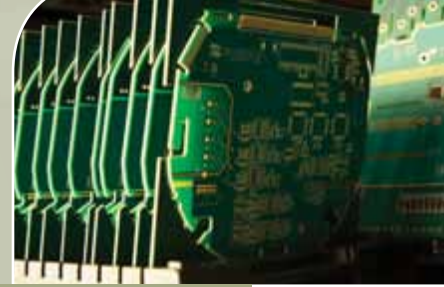
www.bciif.ca/bciif/about/governance.html

Corporate Values

Integrity – the Corporation, its Board, and its subsidiary will act honestly, in good faith and in the best interests of BCIIIF.

Accountability – BCIIIF will operate with fiscal responsibility to maximize the financial returns from the funds invested.

Economic Development – BCIIIF will, to the extent consistent with its fiscal responsibility, invest in initiatives that promote economic development and create employment in B.C.



Federal Immigrant Investor Program

Under the Program's provincial allocation formula, BCIIIF manages \$440 million as of March 31, 2014. With the announcement of the Program's elimination and its impact on provincial allocations, BCIIIF will continue to manage the timely repayment of federal funds and ensure that investments are managed in accordance with repayment terms and obligations.

BCIIIF is required to return funds to the federal government five years after receipt. Accordingly, BCIIIF must continue to manage its investments to:

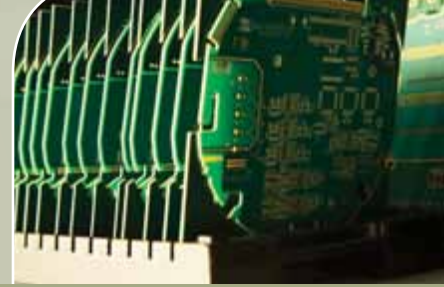
1. Provide for needed liquidity in the future;
2. Maximize investment returns, and;
3. Satisfy the Program's economic development criteria.



University of Victoria – Technology Enterprise Facility (TEF)



British Columbia Institute of Technology – Aerospace Technology Campus



Investments

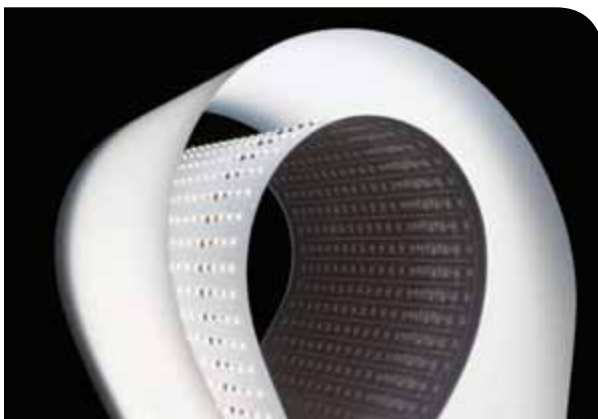
The funds are targeted broadly for economic development and job creation in the province. More specifically, they have been directed to two distinct areas -- public sector infrastructure investments and venture capital fund investments.

Through BCIF, B.C. continues to invest in public sector infrastructure to meet the needs of a growing economy, including multi-billion dollar investments to build and upgrade schools, universities, colleges, hospitals, roads, and bridges. To date, BCIF has issued 11 loans for a total value of \$412 million, creating over 2,500 full-time jobs.

The BCRCF fund managers and their syndicate partners have invested \$288 million in 32 B.C. companies. The current portfolio consists of 27 B.C. companies that collectively employ over

900 people. In addition to capital, the BCRCF fund managers provide global connections to build industry-leading companies and to take them into global markets. Many of the B.C. portfolio companies garnered prestigious international recognitions for innovation and exported B.C. home-grown technologies across North America and Europe.

The infrastructure and venture capital portfolio companies are located throughout B.C. Among the five regions listed on the map, Metro Vancouver accounted for the majority of the investments. The venture capital fund managers attributed Metro Vancouver's attractiveness to the high density of entrepreneurial talent and start-up activity.



Cooledge Lighting Inc.

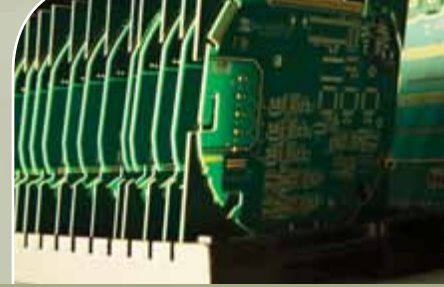


Cooledge Lighting Inc.

Investments, *continued*

Figure 1: BCIIIF and BCRCF investments by region.





Investments, continued

I. Public Sector Infrastructure Investments

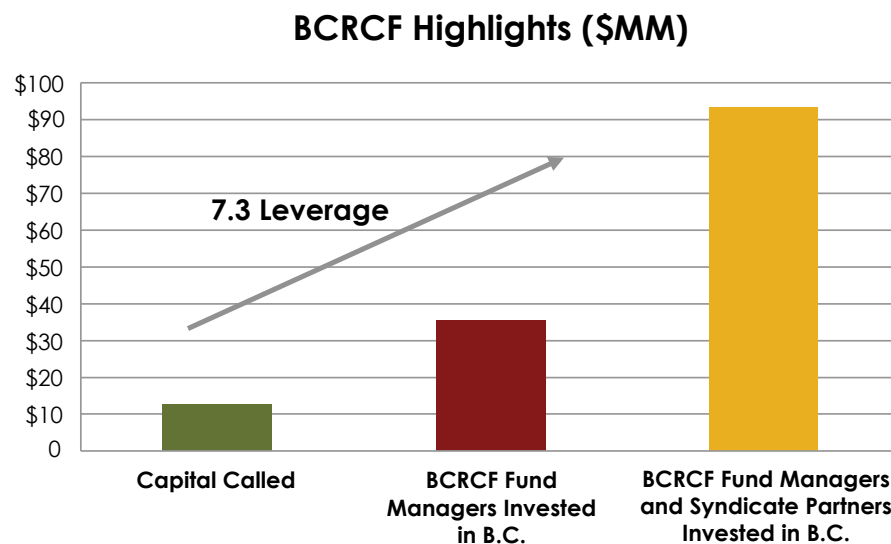
In 2013-14, BCIF made a loan of \$10 million to the University of Victoria to help fund critical infrastructure related to the Centre for Athletics, Recreation and Special Abilities.

II. Venture Capital Investments

BCRCF has committed \$90 million to nine fund managers for venture capital investments. BCRCF fund managers draw down funds from committed capital as required to support their investment activities.









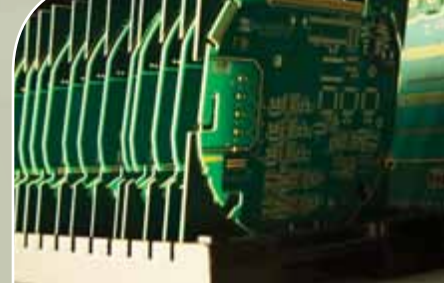
Figure 2: In 2013/14 BCRCF attracted 7.3x more new investment than capital contributed to fund managers.



Investments, *continued*

In addition to the existing portfolio of investees, BCRCF fund managers and their syndicate partners invested in the following B.C. companies during the 2013/14 fiscal year:

	<p>BitStew, based in Vancouver, provides utilities with high-performance real-time analytics and visualization of the smart grid network through its Grid Director platform. To date Yaletown has invested \$2.5 million with syndicate partners investing an additional \$2.6 million.</p>
	<p>With staff in Victoria, Boundless, formerly OpenGeo, is the creator of the OpenGeo Suite, the world’s leading commercial open source geospatial software platform. Their global customer base uses the Boundless platform to deploy solutions for web mapping, transportation, telecommunications, open government, and a range of other solutions. Vanedge committed to Series A investment in Boundless along with syndicate partners.</p>
	<p>Elastic Path Software builds ecommerce software that powers the next generation of digital experience to drive engagement and conversion. Yaletown has invested \$5.0 million with an additional \$5.0 million invested from syndicate partners.</p>
	<p>Based in Vancouver, Indicee Inc.’s technology enables ordinary business users to consolidate, analyze and share their business data through a web-based software-as-a-service platform that is both simple and secure. Yaletown has invested \$3.2 million in Indicee, attracted an additional \$12.4 million from syndicate partners.</p> <p>Subsequent to fiscal year 2013/14, Indicee was acquired by US-based Dun & Bradstreet (NYSE:DNB) the world’s leading source of commercial information and insight on businesses. Indicee’s Vancouver-based employees will join the global D&B team as part of a newly created Cloud Innovation Center.</p>
	<p>Based in Vancouver, Monexa provides a cloud-based billing and subscription commerce platform for companies of all sizes that run recurring revenue businesses. To date Yaletown has invested \$2.0 million in Monexa.</p>
	<p>Partnerpedia Solutions, based in Vancouver, develops mobile application management software for IT departments as well as OEMs under private label. In July 2013 the company was acquired by BMC Software. Yaletown first invested in Partnerpedia in 2009/10, and invested a total of \$2.5 million, attracting an additional \$2.5 million from syndicate partners.</p>



Investments, *continued*

	<p>Based on Vancouver, PHEMI Health Systems develops analytics and process automation software for patient care and healthcare research, focusing on major disease categories such as Cardiology and HIV/AIDS. Yaletown invested \$0.3 million in PHEMI and attracted an additional \$2.5 million from syndicate partners.</p>
	<p>Pretio, based in Victoria, provides a proprietary platform that connects user actions (social sharing, commenting, and revisiting) with targeted, real world rewards from brands. Yaletown has invested \$0.1 million in Pretio with an additional \$0.25 million in partner investment.</p>
	<p>Based in Vancouver, Sokanu provides a proprietary psychometric assessment application for career seekers and enterprises to match, prioritize and structure the hiring process. Yaletown invested \$0.1 million in Sokanu, with an additional \$1.05 million attracted from syndicate partners.</p>
	<p>Tasktop, based in Vancouver, provides the only enterprise-scale application lifecycle management (ALM) synchronization solution. Yaletown has invested \$0.5 million in Tasktop, attracting an additional \$0.8 million in syndicate partner investment.</p>
	<p>Based in Victoria, Tutela's analytic solutions imbed in mobile applications to monitor and crowdsource network performance from the perspective of actual customers. Yaletown has invested \$0.3 million in Tutela with an additional \$0.6 million from syndicate partners.</p>
	<p>Wurdtech, based in Vancouver is a software company providing protection for mission critical connected devices against the persistent and dynamic threat of cyber attack. Backed by investment from Vanedge and syndicate partners, Wurdtech designs and develops cyber-risk and security compliance solutions for industrial automation industries.</p> <p>Subsequent to the 2013/14 fiscal year, Wurdtech was acquired by GE (NYSE: GE). Wurdtech will retain its name and operate as a wholly owned subsidiary to continue providing a focus on services to its broader customer base.</p>

Investments, *continued*

Money Market and Central Depository Investments

Both Money Market and Central Depository Investments provide BCIIIF with the liquidity required to repay the federal IIP on scheduled repayment terms and honour its obligations to make committed but not-yet-called venture capital investments with selected funds. Money Market Investments is an investment pool managed by the British Columbia Investment Management Corporation (“bcIMC”) and comprised of short-term, low risk, and high quality government and corporate debt securities. Funds are also invested in Government’s Central Deposit Program (“CDP”), which uses the

short-term monies, primarily, for financing the Consolidated Revenue Fund and provides competitive returns to BCIIIF. Investment in the CDP is a new activity for BCIIIF, anticipated to largely replace Money Market Investments. The CDP provides the benefit of monies remaining available to BCIIIF for the purpose of liquidity and future investments. Monies in the CDP optimize deployment of cash in the Government Reporting Entity by providing government with an internal short-term source of capital at a competitive rate which minimizes taxpayer-supported debt.



Report on Goals, Strategies, Performance Measures and Targets



The 2013/14 Service Plan includes performance measures that were selected based on BCIIIF's reporting capabilities at the time of plan submission. As the reporting capabilities evolve, BCIIIF will include additional measures that will enhance performance analysis. The 2014/15 to 2016/17 Service Plan includes a benchmark for a five-year weighted average against which BCIIIF's financial performance can be compared.

Goal 1: To generate commercial returns on investments

BCIIIF's investment portfolio is comprised of public infrastructure loans, venture capital fund investments and money market instruments.

Strategies

- Invest in public infrastructure.
- Invest with venture capital fund managers with a track record of success.

Rationale

BCIIIF's fixed income portfolio is comprised of (1) long-term loans to entities in the provincial public sector, which yield returns equal to the Province's cost of funds; and (2) short-term, money market investments to provide required liquidity for retiring revolving five-year immigrant investor loans from the federal government and meet cash calls on the \$90 million of commitments to the venture capital fund managers.

Public Infrastructure Loans

PERFORMANCE MEASURE (\$ millions)	ACTUAL			TARGET ¹			VARIANCE
	11/12	12/13	13/14	13/14	14/15	15/16	13/14
1. New investments made within public infrastructure	95	45	10	40	55	0	-30
2. Cumulative investments made within public infrastructure ²	358	402	412	443	498	498	-31

1. Target loans based on a five-year term with equal payments at rates comparable with five-year B.C. bonds.
2. This represents the actual amount of loans provided for the public sector infrastructure projects and not the outstanding loan balance as these loans amortize annually.

Report on Goals, Strategies, Performance Measures and Targets | *continued*

Data Sources For Performance Measures

The data is drawn from loan agreements between BCIF and the Province of British Columbia for the period April 1, 2013 to March 31, 2014.

Performance Analysis

In 2013/14, BCIF made a loan of \$10 million to the University of Victoria to help finance critical infrastructure related to the Centre for Athletics, Recreation and Special Abilities.

The decision to make this loan was due to i) better than expected federal allocations that increased cash balances, and ii) superior financial returns on the public infrastructure loan portfolio as yields on longer-term loans are preferable to idle cash balances in bcIMC.

Following the approval of this new loan and due to the transition of the Corporation toward a new operating model, BCIF Management and Board of Directors restricted new infrastructure lending in order to explore investment that is aligned with B.C. economic opportunities and respond to the direction provided in the Government's Letter of Expectations.



Report on Goals, Strategies, Performance Measures and Targets | *continued*



Money Market Investments Portfolio

BCIIF's fixed income portfolio returns are calculated based on BCIIF's high-quality investments in public infrastructure, at yields commensurate with the risk of the Province of British Columbia. The column titled "Effective Yield (excluding cash on hand)," refers to BCIIF's portfolio returns excluding the impact

of the short term money market holdings. The column titled "Effective Yield (including cash on hand)" refers to BCIIF's portfolio returns including the impact of short-term rates on the overall portfolio. BCIIF portfolio return is annual-equivalent-return calculated on a time-weighted average basis over a five-year period.

PERFORMANCE MEASURE	EFFECTIVE YIELD (EXCLUDING CASH ON HAND)					
	ACTUALS			TARGETS		
	11/12	12/13	13/14	13/14	14/15	15/16
1. BCIIF Portfolio return	3.72%	2.59%	2.68%	2.64%	2.63%	2.67%
2. Rolling Government of Canada 7yr Benchmark	2.83%	2.33%	2.50%	N/A	N/A	N/A
3. Portfolio return over Benchmark	0.89%	0.26%	0.18%	N/A	N/A	N/A

PERFORMANCE MEASURE	EFFECTIVE YIELD (INCLUDING CASH ON HAND)					
	ACTUALS			TARGETS		
	11/12	12/13	13/14	13/14	14/15	15/16
1. BCIIF Portfolio return	3.46%	2.71%	2.46%	2.72%	2.75%	2.65%
2. Rolling Government of Canada 7yr Benchmark	2.83%	2.33%	2.34%	N/A	N/A	N/A
3. Portfolio return over Benchmark	0.63%	0.38%	0.12%	N/A	N/A	N/A

Report on Goals, Strategies, Performance Measures and Targets | *continued*

Importance Of The Performance Measures

It is not possible to measure the portfolio's performance against established industry indices because the portfolio management is limited by several non-market constraints including the inability to own or trade into other fixed income instruments or to invest in terms longer than five years, and the requirement to keep substantial reserves in low-yielding money market securities. Further, BCIF must wait to find suitable public sector loan opportunities, all of which adds low-yielding money market returns to the portfolio.

Data Sources For Performance Measures

- A portfolio of seven-year Government of Canada ("GoC") par bonds over a rolling five-year period is used to construct the benchmark.
- For benchmarking purposes the use of a rolling GoC seven-year bond portfolio with duration of approximately five years is appropriate because it reflects BCIF's obligation to repay funds to the federal IIP program and is the "riskless" GoC rate for money of this duration.

Performance Analysis

- The BCIF Portfolio exceeded its market-based benchmark under both scenarios, including and excluding the impact of money market securities held for liquidity purposes. The restriction of new infrastructure lending due to the transition of BCIF / BCRCF and the elimination of the federal IIP has impacted the overall investment portfolio, resulting in an increase in cash and money market investments yielding lower rates than originally estimated due to a low interest rate market environment.



Goal 2:

To stimulate economic development through the commercialization of innovation and venture capital investment in high technology in B.C.

Strategies

- Invest up to \$90 million with venture capital fund managers with a track record of success.
- Leverage BCRCF's venture capital investments to attract new investment in B.C. companies focused in the clean technology, digital media, life sciences, and information technology sectors.

PERFORMANCE MEASURE (\$ millions)	ACTUAL			TARGET ¹			VARIANCE
	11/12	12/13	13/14	13/14	14/15	15/16	13/14
1. Cumulative capital call on BCRCF's commitments to Fund Managers	35	47	59	60	75	75	-1
2. Cumulative Investment by BCRCF Fund Managers in B.C. Companies	87	104	139	120	150	150	19
3. Cumulative Investment by BCRCF Fund Managers and Syndicate Partners in B.C. Companies	141	196	288	210	263	263	78

Importance of the Performance Measures

The venture capital fund managers draw down BCRCF's capital commitment when they complete a financing round in a given portfolio company. Each round of financing is comprised of one or more investments, depending on the presence of co-investors. Aggregate investments in B.C. companies indicate our progress in achieving the objectives of increasing the probability that innovative new goods and services in B.C. gain full-scale commercialization and increasing the depth of the venture capital market in B.C.

Report on Goals, Strategies, Performance Measures and Targets | *continued*

Performance Analysis

The BCRCF fund managers and their syndicate partners have invested an aggregate of \$288 million in B.C. companies since inception. These results demonstrated a leverage factor of 4.9 times the BCRCF contribution of \$59.2 million, compared to the target of 3.5 times.

Slow economic growth and resistance to risk continue to dampen opportunities to exit companies. Thus, caution must be exercised to manage expectations about the timing of venture capital returns, which are expected to be realized in the latter half of the fund's life. In anticipation of a longer path to liquidity, fund managers will likely redirect capital to shore up existing portfolio companies and be more cautious with the rate at which they deploy capital.

Data Sources For Performance Measures

The data is drawn from BCRCF's asset management system and the venture capital fund managers' quarterly reports for the period April 1, 2013 to March 31, 2014.

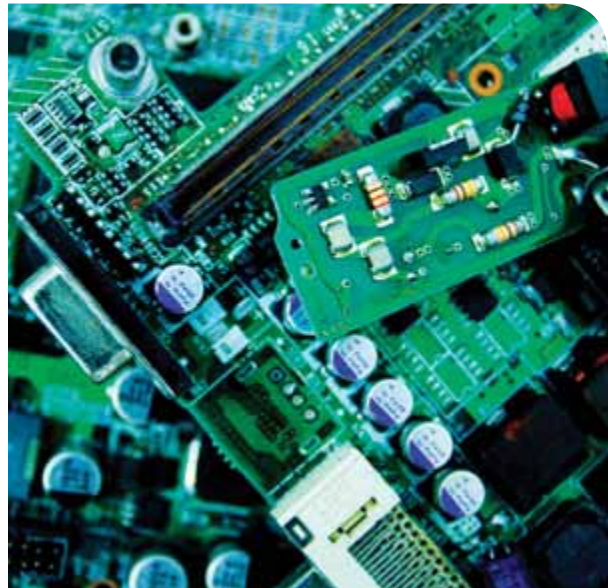


Key Assumptions

This report on performance includes forecast information that, in the opinion of the Board of Directors and their advisors, is based on reasonable assumptions.

BCIIF assumes that the federal Program will continue to provide monthly allocations at the current levels throughout the first half of the next fiscal year. Through the first half 2014, BCIIF receipts are consistent with historic levels and on pace to meet revised annual targets.

Actual results may differ materially from previous forecast information as a result of various factors, some of which are beyond the BCIIF's control.



Risks

Steps described below outline how BCIIF's Board and management characterize BCIIF's identified risks.

Termination Of Federal Immigrant Investor Program

In February 2014, the federal government announced its intention to terminate the IIP, BCIIF's primary source of capital. In response to this, BCIIF will participate in a review process led by the Ministry of International Trade to determine the mandate for both BCIIF and its subsidiary BCRCF. In particular, BCIIF will finalize a strategic business plan to support transition and manage the impact of the federal decision.

Risks, *continued*

Interest Rate Risk

Interest rate risk means changes in interest rates may affect the financial position of BCIF. BCIF manages its exposure to interest rate risk by holding a portfolio of fixed and floating rate investments. BCIF has invested its funds in capital projects with fixed rate obligations and investments in bcIMC on a floating rate basis. Material movements in interest rates will impact revenues from the floating rate portfolio, and the return on new funds and re-investment of capital in the future.

Persistent economic stagnation continues to result in a low interest rate environment which in turn has significantly reduced interest income from short-term investments. This low interest rate environment is likely to continue into 2014/15 and would impact BCIF investments with bcIMC.

Market Risk

Market risk is the risk of changes in the value of venture capital investments. These investments are at the high end of the risk spectrum, typically in illiquid private companies. Further cash distributions from venture capital partnerships are not expected to begin until more than five years after the date of initial capital commitment, i.e. starting in 2013. Note that BCRCF has begun to experience some distributions, with a \$1.5 million distribution in fiscal 2012/13 and more than \$1.1 in additional distributions during the 2013/14 fiscal year.

The BCRCF has managed this risk by conducting due diligence, with the assistance of an independent financial advisor, on each of the prospective venture capital fund managers. The purpose of the due diligence was to confirm that each of the fund managers has a demonstrated track record of successful investing in high technology businesses in the four key sectors. Furthermore, BCRCF diversifies its venture capital investments across industries and geographic regions and limits its allocation to no more than 20% of any given individual venture capital fund.

The venture capital investments also pose foreign currency risk because some of the selected funds are denominated in U.S. dollars. BCIF mitigated this currency risk by purchasing U.S. dollars in 2007 at an exchange rate of approximately one-to-one (Canadian dollar at par with U.S. dollar).

Progress Towards the 2013/14 Government's Letter of Expectations¹

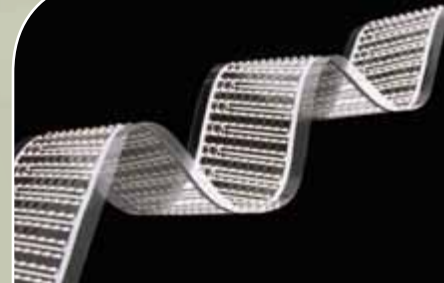


For 2013/14, the Government provided direction to BCIIIF that was consistent with the Province's general direction to Crown corporations. This was contained in the Government's Letter of Expectations and included specific governance instructions regarding the roles and responsibilities of the signatories. In addition, the Government directed BCIIIF to take the following specific actions:

- **BCIIIF will monitor and report on its capital commitments of up to \$90 million in venture capital investments.**
As of April 2012 BCRCF had committed \$90 million to eight fund managers. This completes the \$90 million in capital commitments that BCIIIF has allocated to BCRCF for venture capital investments.
- **BCIIIF will invest available funds in Government's Reporting Entity to finance provincially-approved capital projects that also qualify under the applicable federal regulations.**
In 2013-14, BCIIIF made a loan of \$10 million to the University of Victoria to help fund critical infrastructure projects.
- **BCIIIF will use British Columbia Investment Management Corporation ("bcIMC") for investment of funds in liquid investments, other than amounts allocated to venture capital and Government Reporting Entity investments.**
In 2013-14, BCIIIF continued to use bcIMC's services and the Province's Central Deposit Program to invest \$152 million in liquid instruments.
- **BCIIIF will explore opportunities to invest its capital in ways that meet its core objectives and support the Government's economic and jobs strategy.**
BCIIIF and the Ministry are working together to identify new investment opportunities that are consistent with the Government's economic and jobs strategy, while satisfying BCIIIF's asset allocation and risk management requirements.

1. This GLE was prepared in the fall of 2013, before the government of British Columbia was advised that the Immigrant Investor Program would be terminated.

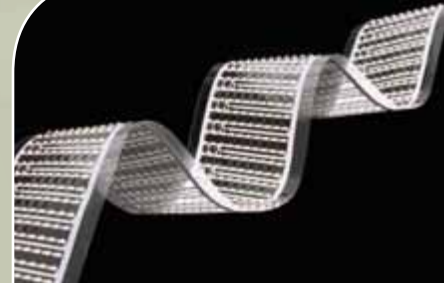
Financial Report: Consolidated Financial Statements and Notes



BCIIF Consolidated Statement of Operations: Actuals and Forecasts 2012/13 to 2016/17

(in \$000s) FISCAL YEAR	ACTUAL 12/13	ACTUALS 13/14	FORECAST 13/14	VARIANCE	BUDGET 14/15	BUDGET 15/16	BUDGET 16/17
REVENUE (1)							
Investment income	1,984	2,263	2,469	-206	1,802	2,293	3,971
Interest income	9,611	8,778	8,613	165	7,695	6,897	6,074
	11,595	11,041	11,082	-41	9,497	9,190	10,045
EXPENSE							
Advertising & promotion (2)	52	47	62	-15	60	60	60
Board of Director fees & expenses (3)	68	91	106	-15	120	120	120
Board of Director support services (4)	27	53	125	-72	94	94	94
Salary, wages & benefits (5)	183	285	296	-11	566	566	566
Investment fees (6)	189	192	221	-29	176	176	176
Office & business expenses	78	60	108	-48	101	101	101
Professional fees	205	145	190	-45	257	257	257
Amortization of discount	5,437	5,363	5,377	-14	4,555	4,555	4,555
	6,239	6,236	6,485	-249	5,928	5,928	5,928
ANNUAL OPERATING SURPLUS	5,356	4,805	4,596	209	3,569	3,262	4,117
RETAINED EARNINGS, end of year	37,808	42,613	42,404	209	45,973	49,235	53,352
DEBT TO CANADA, end of year (7)	362,904	440,311	444,044		441,431	384,718	355,491

Financial Report: Consolidated Financial Statements and Notes



Key Assumptions

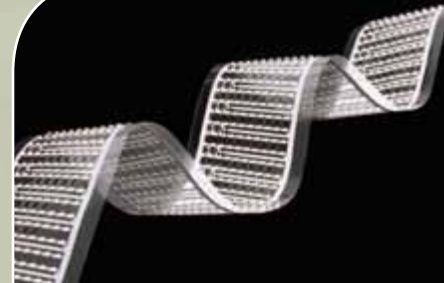
The above financial information, including forecast information, was prepared based on current Canadian Generally Accepted Accounting Principles (“GAAP”). The BCIIIF forecast assumes that the federal IIP will continue to provide monthly allocations through at least the first half of the new fiscal year.

Actual revenues were slightly lower than budgeted for 2013/14 due to lower federal allocations than forecast. Expenses for 2013/14 were also lower than anticipated which resulted in a net increase to the operating surplus.

This Service Plan incorporates “forward-looking statements” including information related to anticipated growth in revenues, growth in retained earnings, investment performance, expense levels, as well as the expected effects of interest rate changes. Actual results may differ materially from those in the forward-looking information as a result of various factors, some of which are beyond the BCIIIF’s control, including but not limited to those discussed under the “Risks” section.

Notes

1. Revenue is based on a conservative assumption that all available funds, other than amounts required to meet venture capital commitments, will be invested in liquid financial instruments, earning returns based on the Treasury Board Staff interest rate forecast. As BCIIIF is in a transition period, the infrastructure loans forecasted in prior year Service Plans have been reallocated to Central Depository Investments.
2. Advertising & promotion expenses are used to attract venture fund managers to BC investment opportunities in targeted sectors.
3. BCIIIF’s Board of Directors were appointed on July 18, 2012. The 2012/13 Board of director fees and expenses represent the Directors’ terms for the partial year. The expenses are expected to rise in 2014/15 due to the anticipated meeting schedule of Board/ Committee meetings required during the forecasted term.
4. Board of Director support services include advisory and corporate secretariat services.
5. Salary, wages & benefits are forecasted to reflect BCIIIF’s transition to independent operations. In prior years, partial salaries and travel expenses were recovered from BCIIIF to compensate provincial government for the fractional time provided by government staff in their duties related to BCIIIF and BCRCF.
6. Investment fees include bcIMC and Corporate Project Finance management fees that cover costs for managing the short-term investments and public infrastructure loans respectively. Forecasted investment fees are decreasing to reflect a reduction in investment under bcIMC’s management. While investments costs are reduced, they will not go to zero as a portion of capital; in particular, US dollar investments will remain with bcIMC.
7. BCIIIF receives monthly allocations from the Government of Canada. The debt to Canada is supported by a Provincial guarantee. For details, see the “Organizational Overview” section.



Management's Discussion And Analysis

BCRCF is focused on four objectives to build anchor companies and foster a sustainable venture capital ecosystem in B.C. The following is a summary of our accomplishments in 2013-14 with respect to venture capital.

OBJECTIVE	OUTCOME
Generate superior, risk-adjusted returns for the capital committed.	Received \$1.0 million distributions from venture capital portfolio from the sales of portfolio companies.
Increase the probability that innovative new goods and services in B.C. gain full-scale commercialization.	Leveraged our \$12.7 million capital called into \$92.3 million invested in B.C. companies, a leverage factor of 7.3 times. Sponsored investor forums to ensure venture capital and angel investor engagement in various entrepreneurial events.
Increase the depth of the venture capital market in B.C.	Through its venture fund managers in 2013-14, BCRCF supported a net increase of 150 jobs and leveraged fund investments to attract \$92.3 million in additional capital for BC companies.
Enhance the visibility of B.C. as an attractive market for venture capital opportunities in North America and globally.	Raised B.C.'s profile by leveraging sponsorship in various venture capital industry events. Engaged with non-domiciled venture capital fund managers to explore investment opportunities in B.C.

Information on Subsidiary



As described above, BCIIIF has one subsidiary, the B.C. Renaissance Capital Fund (BCRCF). The purpose of the subsidiary is to invest in venture capital.

On October 22, 2007, BCRCF was incorporated under the *Business Corporations Act* and is a wholly-owned subsidiary of BCIIIF. Since incorporation, the management team and Board of Directors for BCRCF are the same as those for the Corporation. The Province's objectives in venture capital investing include strengthening the local venture capital industry, attracting new institutional investors capable of financing the growth of anchor companies and generating superior, risk-adjusted returns for the capital committed.

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

Contact Information

All correspondence and/or enquiries should be directed to:

BC Immigrant Investment Fund Ltd.

Suite 310, 865 Hornby Street

Vancouver, BC, V6Z 2G3

www.bciif.ca





Consolidated Financial Statements of

**BC IMMIGRANT INVESTMENT
FUND LTD.**

Year Ended March 31, 2014

MANAGEMENT'S REPORT

Management's Responsibility for the Consolidated Financial Statements

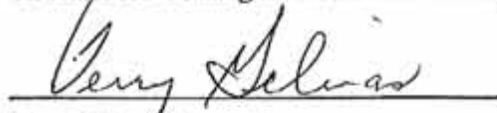
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial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

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

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

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

On behalf of BC Immigrant Investment Fund Ltd,


Terry Gelinas, Comptroller


Shauna Turner, Acting CEO

Victoria, B.C.
May 26, 2014



INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying consolidated financial statements of BC Immigrant Investment Fund Ltd. (“the entity”), which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the BC Immigrant Investment Fund Ltd. as at March 31, 2014, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Victoria, British Columbia
May 26, 2014



Russ Jones, MBA, CPA, CA
Auditor General

BC IMMIGRANT INVESTMENT FUND LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in \$000)

AS AT MARCH 31, 2014 **2014** **2013**

Financial Assets

Cash	137,402	285
Investments	15,078	25,033
Accounts receivable	1	1
Loan receivable (Note 4)	272,190	328,850
Venture investments (Note 5)	59,181	46,902
	483,852	401,071

Liabilities

Accounts payable and accrued liabilities	80	135
Promissory notes (Note 6)	440,311	362,904
	440,391	363,039

Net financial Assets 43,461 38,032

Non-financial assets

Prepaid expenses	13	5
	13	5

Accumulated surplus 43,474 38,037

Accumulated surplus is comprised of:		
Accumulated operating surplus	42,613	37,808
Accumulated remeasurement gains	861	229
	43,474	38,037

SIGNIFICANT EVENTS (Note 2)

COMMITMENTS (Note 8)

APPROVED BY THE BOARD

 Director
 Director

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

BC IMMIGRANT INVESTMENT FUND LTD.**CONSOLIDATED STATEMENT OF OPERATIONS***(in \$000)*

FOR THE YEAR ENDED MARCH 31, 2014	Budgeted Figures (Note 12)	2014	2013
Revenues:			
Venture capital investment income	-	1,110	1,545
Investment income	497	1,153	439
Interest income	8,716	8,778	9,611
	<u>9,213</u>	<u>11,041</u>	<u>11,595</u>
Expenses:			
Public Sector Infrastructure Investment Program <i>(Note 11)</i>	5,245	5,898	5,895
Venture Capital Investment Program <i>(Note 11)</i>	333	338	344
	<u>5,578</u>	<u>6,236</u>	<u>6,239</u>
Annual operating surplus	3,635	4,805	5,356
Accumulated annual operating surplus at beginning of year	37,808	37,808	32,452
Accumulated annual operating surplus at end of year	<u>41,443</u>	<u>42,613</u>	<u>37,808</u>

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

BC IMMIGRANT INVESTMENT FUND LTD.**CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES***(in \$000)***FOR THE YEAR ENDED MARCH 31, 2014****2014****2013**

Accumulated remeasurement gains and (losses) at the beginning of the year	229	(67)
Unrealized gains (losses) attributable to:		
Foreign exchange gain (loss)	361	269
Investment gain (loss)	11	56
Amounts reclassified to the statement of operations		
Foreign exchange	292	(28)
Investment	(32)	(1)
Change in remeasurement gains for the year	632	296
Accumulated remeasurement gains at the end of the year	861	229

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

BC IMMIGRANT INVESTMENT FUND LTD.**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS***(in \$000)***FOR THE YEAR ENDED MARCH 31, 2014****2014****2013**

Annual operating surplus	4,805	5,356
Acquisition of prepaid expenses	(27)	(15)
Use of prepaid expenses	<u>19</u>	<u>15</u>
	4,797	5,356
Effect of remeasurement gains and losses	<u>632</u>	<u>296</u>
Increase in net financial assets	5,429	5,652
Net financial assets at the beginning of the year	<u>38,032</u>	<u>32,380</u>
Net financial assets at the end of the year	<u>43,461</u>	<u>38,032</u>

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

BC IMMIGRANT INVESTMENT FUND LTD.**CONSOLIDATED STATEMENT OF CASH FLOWS***(in \$000)***FOR THE YEAR ENDED MARCH 31, 2014****2014****2013**

	2014	2013
Operating transactions:		
Annual Surplus	4,805	5,356
Items not involving cash:		
Amortization of promissory discount	5,364	5,436
Share distribution from venture capital funds	(70)	-
Investment income allocation from bcIMC	(818)	(354)
Changes in non-cash operating working capital:		
Accounts receivable	-	1
Prepaid expenses	(8)	-
Accounts payable	(55)	(5)
Accrued loan interest	182	(39)
Cash provided by operating activities	<u>9,400</u>	<u>10,395</u>
Financing transactions:		
Cash received from promissory notes	111,901	58,429
Repayment/refund of promissory notes	<u>(39,858)</u>	<u>(99,141)</u>
Cash provided by financing activities	<u>72,043</u>	<u>(40,712)</u>
Investing transactions:		
Redemptions of investments, net of purchases	11,475	52,526
Repayment of loan principal	66,478	29,185
Loans issued to related parties	(10,000)	(45,000)
Capital calls to venture capital funds	(12,678)	(12,523)
Return of capital from venture capital funds	<u>399</u>	<u>339</u>
Cash provided by investing activities	<u>55,674</u>	<u>24,527</u>
Increase (decrease) in cash	137,117	(5,790)
Cash at beginning of year	<u>285</u>	<u>6,075</u>
Cash at end of year	<u>137,402</u>	<u>285</u>

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

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2014

1. NATURE OF BUSINESS

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

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

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

2. SIGNIFICANT EVENTS

On February 11, 2014, the Federal Government announced its intention to terminate the existing Federal Immigrant Investor Program. Investor applications that were in progress at that time are currently being processed with the allocation of the funds continuing to flow through to the Corporation. It is undeterminable at this time when and if the allocations of the funds to the Corporation will discontinue, and its impact to the Corporation's assets, liabilities, and future operations. The current cash flows from the Corporation continue to meet all repayment obligations to the Federal Government.

BC Immigrant Investment Fund is in the process of developing a strategic business plan to support transition and manage the impact of the federal decision to terminate the Program.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Consolidation

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of the Corporation and its wholly owned subsidiary, B.C. Renaissance Capital Fund Ltd. ("BCRCF"). All intercompany transactions and balances have been eliminated upon consolidation.

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

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Expenses

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

Revenue Recognition

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

Investment income represents interest and realized foreign exchange gains and losses earned in operating cash accounts and investments and is recognized on an accrual basis.

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

Expenses

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

Promissory Note Discount

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

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

Financial Instruments

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

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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

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

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

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

i. Cash

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

ii. Investments

The Corporation invests in publicly traded equities on a segregated basis (held directly), and through pooled fund products managed by the British Columbia Investments Management Corporation (bcIMC), a corporation established under the *Public Sector Pension Plans Act*.

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

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Changes in valuation allowance are recognized in the statement of operations. 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.

iv. Debt and other financial liabilities

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

4. LOANS RECEIVABLE

	March 31 2014	March 31 2013
Due from British Columbia Institute of Technology, principal of \$60,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 2.70% over a 6 year term. The outstanding balance of this loan will be due in full on August 1, 2017.	50,274	52,143
Due from University of the Fraser Valley, principal of \$13,919,748, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 5.15% over a 25 year term. The outstanding balance of this loan will be due in full on August 1, 2017.	11,899	12,277
Due from University of Victoria, principal of \$5,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 4.75% over a 20 year term. The outstanding balance of this loan will be due in full on March 1, 2017.	3,770	3,977
Carried forward	65,943	68,397

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2014

4. LOANS RECEIVABLE (continued)

	March 31 2014	March 31 2013
Brought forward	65,943	68,397
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.	9,747	-
Due from Nicola Valley Institute of Technology, principal of \$3,300,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 4.9% over a 30 year term. The outstanding balance of this loan will be due in full on September 1, 2017. The loan had an interest free period which impacted the accounting balance and effective rate of loan. For accounting purposes, the estimated interest foregone has been recorded as an increase in the loan receivable using the effective interest method to the maturity date of the loan and will be accredited to interest income over the term of the loan. As a result, the effective interest rate on the loan is 4.77% per annum.	2,960	3,031
Due from Simon Fraser University, principal of \$5,100,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 5.20% over a 30 year term. The outstanding balance of this loan will be due in full on June 1, 2017.	1,008	1,285
Due from the Province of British Columbia, principal of \$100,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 3.46% over a 10 year term. The outstanding balance of this loan will be due in full on December 16, 2019.	61,751	71,296
Due from the Province of British Columbia, principal of \$75,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 3.18% over a 10 year term. The outstanding balance of this loan will be due on December 9, 2020.	53,280	60,249
Carried forward	194,689	204,258

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2014

4. LOANS RECEIVABLE (continued)

	March 31 2014	March 31 2013
Brought forward	194,689	204,258
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 2.15% over a 2 year term. The balance of this loan was paid in full on April 21, 2013.	-	38,289
Due from the Province of British Columbia, principal of \$50,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 2.15% over a 9 year term. The outstanding balance of this loan will be due on September 16, 2019.	38,530	43,212
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.	38,971	43,091
Total loans receivable	272,190	328,850

5. VENTURE INVESTMENTS

The B.C. Renaissance Capital Fund Ltd. invests in funds as a limited partner and has investments in nine venture funds with ownership percentages varying from 0.50% to 15.14%. To date the value of the investments total \$59.18 million (2013 - \$46.90 million). During the year there was a return of capital of \$0.40 million from one venture investment which was subsequently recycled back to the venture fund. This transaction did not impact the total commitment level for the investment. In 2012 there was a return of capital of \$0.34 million from one venture investment.

BC IMMIGRANT INVESTMENT FUND LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in \$000)

FOR THE YEAR ENDED MARCH 31, 2014

6. PROMISSORY NOTES

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

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

	<u>March 31</u> <u>2014</u>	<u>March 31</u> <u>2013</u>
Total promissory notes, beginning of year	376,349	413,195
Additions during the year	118,695	62,294
Repaid or refunded during the year	(39,858)	(99,140)
	<u>455,186</u>	<u>376,349</u>
Net promissory note discount end of year	(14,875)	(13,445)
	<u>440,311</u>	<u>362,904</u>

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

<u>Year</u>	<u>Amount</u>
2015	64,696
2016	118,542
2017	91,144
2018	62,228
2019	118,576

7. RISK MANAGEMENT

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

Credit Risk

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

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7. RISK MANAGEMENT (continued)

Credit Risk (continued)

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

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

Market Risk

Currency Risk

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

Through the Corporation's venture capital initiative, the Corporation has a total of \$7.11 million USD (2013 - \$12.90 million USD) in remaining venture capital commitments, and holds approximately \$8.28 million USD (2013 - \$14.00 million USD) in investments and cash. At the statement of financial position date, currency risk is negligible because the Corporation has sufficient USD on hand to satisfy commitments made.

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

US dollar investments held to provide funds for anticipated US dollar venture capital commitments have resulted in unrealized foreign exchange gains of \$0.63 million (2013 - \$0.27 million) being recognized in net income.

As at March 31, 2014, the Corporation has made transfers totaling \$32.17 million USD which has translated to \$33.38 million CAD equivalent based on the foreign exchange rates in effect at the time of the capital calls. The \$32.17 million USD would translate to \$31.68 million CAD based on the foreign exchange rate in effect when the funds were invested in USD investments to be held for the purposes of making capital calls. Therefore, the Corporation has saved \$1.70 million CAD at March 31, 2014 on capital calls made by having converted CAD funds to USD investments.

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7. RISK MANAGEMENT (continued)

Currency Risk (continued)

As at March 31, 2013, the Corporation had made transfers totaling \$26.36 million USD which translated to \$27.28 million CAD equivalent based on the foreign exchange rates in effect at the time of the capital calls. The \$26.36 million USD would translate to \$25.96 million CAD based on the foreign exchange rate in effect when the funds were invested in USD investments to be held for the purposes of making capital calls. Therefore, the Corporation saved \$1.32 million CAD at March 31, 2013, on capital calls made by having converted CAD funds to USD investments.

Interest Rate Risk

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

If the Corporation were to have experienced a 1% change in the interest rate earned this would have impacted interest income in the approximate amount of \$0.73 million (2013 - \$0.47 million) calculated as 1% of the average book value of investments throughout the year.

Other Price Risk

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

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 is exposed to liquidity risk as the future amounts of the Federal Immigrant Investor Program receipts are unknown to the Corporation. The Corporation manages its liquidity risk by placing deposits in cash and extremely liquid negotiable instruments, and monitoring the duration of lending/investing activities of the Corporation to coincide with five year forecasted repayment obligations (Note 6) as well as anticipated periods if the \$500 million maximum funding from the Immigrant Investor Program is reached and additional funding would be temporarily halted.

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7. RISK MANAGEMENT (continued)

Liquidity Risk (continued)

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

8. COMMITMENTS

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

	<u>March 31</u> <u>2014</u>	<u>March 31</u> <u>2013</u>
Total USD investment commitments (USD)	39,280	39,280
USD investment commitments transferred to date (USD)	<u>(32,169)</u>	<u>(26,357)</u>
Remaining USD investment commitments (USD)	<u>7,111</u>	<u>12,923</u>
Remaining USD investment commitments translated to CAD	<u>7,859</u>	<u>13,130</u>
Total CAD investment commitments	51,000	51,000
CAD investment commitments transferred to date	<u>(26,139)</u>	<u>(19,962)</u>
Remaining CAD investment commitments	<u>24,861</u>	<u>31,038</u>
Aggregate remaining investment commitments	<u>32,720</u>	<u>44,168</u>

9. INDEMNITIES

As part of the Corporation's initiative to develop a portfolio of venture investments it has entered into the following partnerships: Arch Venture Fund VII, L.P., Kearny Venture Partners, L.P., VantagePoint Clean Tech Partners II, L.P., VantagePoint Venture Partners 2006 (Q), L.P., Azure Capital Partners III, L.P. Yaletown Ventures II, L.P., Tandem Expansion Fund I, L.P., (the Partnerships), VanEdge Capital I, L.P., and iNovia Investment Fund III L.P. Under the terms of the partnership agreements, each Partnership has agreed to indemnify its General Partner (including their members, employees and agents) for certain liabilities, which the General Partner may incur as a result of activities undertaken in their capacity as General Partners. Management believes that no such liabilities exist at March 31, 2014.

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10. RELATED PARTY TRANSACTIONS

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

The Province provides certain general administrative services to the Corporation on a cost recovery basis.

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

Assets and liabilities with related parties include:

	March 31 2014	March 31 2013
Loans receivable (Note 4)	272,190	328,850
Accounts payable and accrued liabilities	(36)	(99)

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

	March 31 2014	March 31 2013
Interest income	8,770	9,599
Investment fees	140	140
Professional fees	321	219

11. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	March 31 2014	March 31 2013
Advertising and promotion	47	52
Amortization of promissory note discount	5,363	5,437
Investment fees	192	189
Board of Director fees	91	68
Director support services	53	27
Office and business expenses	60	78
Professional fees	145	205
Salary, wages and benefits	285	183
	<u>6,236</u>	<u>6,239</u>

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12. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the 2013/14 Service Plan approved by the Board Chair on February 19, 2013.