

# BC Immigrant Investment Fund Ltd.

## 2015/16 ANNUAL SERVICE PLAN REPORT



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**Victoria, B.C. V8T 5C3**

**Nyomi Beatty, CFO/Corporate Secretary**

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or visit our website at

***[www.bciif.ca](http://www.bciif.ca)***

## Board Chair's Accountability Statement



On behalf of the newly appointed Board of Directors and staff at the BC Immigrant Investment Fund, I am pleased to submit the BC Immigrant Investment Fund Ltd. (BCIIF) *2015/16 Annual Service Plan Report*.

The BCIIF *Annual 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 *2015/16 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 2015/16 fiscal year. This information has been prepared in a manner that is consistent with the BCIIF *Service Plan* performance measures and targets for 2015/16. All significant decisions and identified risks as at March 31, 2016 have been considered in preparing this report.

In addition, this report contains BCIIF's financial statements that were prepared and signed by officers of the BCIIF and audited by the Office of the Auditor General. The Board is accountable for the financial statements and for ensuring that internal controls are in place to generate performance and financial information that is accurate and timely.

The BCIIF *2015/16 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2015/16 – 2017/18 Service Plan*. I am accountable for those results as reported.

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

*Shannon Baskerville*  
*Board Chair*

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## Chair/CEO Report Letter

On behalf of BCIIIF, we are pleased to provide an update on the progress made toward realizing the direction identified in the mandate letter, which includes the adoption and integration of the *Taxpayer Accountability Principles* into BCIIIF and the B.C. Renaissance Capital Fund's culture.

Over the course of fiscal year 2015/16, the Crown worked collaboratively with the Ministry of International Trade to both support the mandate review and implement the subsequent



recommendations, while still adhering to the direction to make no new investment decisions during the mandate review period. The review resulted in bringing BCIIIF and the B.C. Renaissance Capital Fund Ltd. (BCRCF) back into government as of April 1, 2016, which included a change in board membership and Crown staff.

Thanks to the previous Board and management's efforts, the BCIIIF in 2015/16, realized a net operating income of \$5.0 million, had \$84.8 million in cash and short-term investments, and \$212.6 million invested in low-risk public sector infrastructure loans at year end. Through its wholly-owned subsidiary, BCRCF, BCIIIF has invested \$76.2 million of its \$90.2 million commitment to venture capital funds.



In line with *Taxpayer Accountability Principles*, the Crown ensured it applied cost consciousness to the review by utilizing government and ministry resources, to the highest degree possible, and staff from both groups engaged in regular and respectful conversations to ensure a fluid and seamless transition.

As an organization, BCIIIF maintained best business and investment practices throughout the fiscal year. This included overseeing existing investments to ensure that there was minimal exposure to triggering the federal immigrant Investor Fund loan guarantee, using the Ministry of Finance and the BC Investment Management Corporation for investment or the deposit of funds in liquid investments, and monitoring and responding to capital calls related to BCRCF's venture capital commitments.

The Crown also developed a strategic engagement plan with the Ministry to ensure accountability in relation to both the mandate and the integration of the *Taxpayer Accountability Principles*. This includes the development of regular meetings between the Deputy Minister and Board Chair, and monthly conversations between Crown and Ministry staff, which included the development of an evaluation plan.

To ensure that the *Taxpayer Accountability Principles* are integrated across the organization, we provided training to all existing staff and Board members. New staff and Board members are also familiarized with the Principles during their orientation and in training materials.



*Shannon Baskerville*  
Board Chair



*Nathan Nankivell*  
Chief Executive Officer

## **Purpose of the Organization**

The BC Immigrant Investment Fund Ltd. (the Corporation or BCIIIF) was incorporated on September 19, 2000 under the Company Act as it then was and then registered under the Business Corporations Act (BC), 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.

BCIIIF 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.

B.C. Renaissance Capital Fund Ltd. (BCRCF) is a Crown corporation that is a wholly-owned subsidiary of the BCIIIF. It is administered by officers and staff of BCRCF. 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 and generate returns on venture capital investments.

As of September 30, 2015 (the last available BCRCF Fund Manager Reporting), the BCRCF fund managers and their co-investors have invested over \$385 million in 34 B.C. companies, creating over 1,000 jobs in B.C. with \$73.5 million in capital contributed by BCRCF, representing leveraged investment of more than five to one.

## **Strategic Direction and Context**

BCIIIF is mandated to receive and manage B.C.'s allocation of funds under IIP to invest in economic development and job creation opportunities in the province. In February 2014, the federal government announced its intention to terminate the IIP. Since then, BCIIIF has worked with the Ministry of International Trade (MIT) to complete a mandate review to determine the future plans for BCIIIF and its subsidiary, BCRCF.

As part of the mandate review, BCIIIF underwent a transition in its governance structure to reflect the outcome of the Province's venture capital review. Consistent with this, the current Board of Directors' terms expired on March 31, 2016 and, as of April 1, 2016, a new Board Chair and Board of Directors were put in place with the responsibility to report out on last year's activities and oversee the delivery of the *2016/17 – 2018/19 Service Plan*. Operations of BCIIIF have also been moved within government, which further supports the Taxpayer Accountability Principles (TAP).

Specific strategic priority actions, as per Government's and the 2015/16 Mandate Letter, have been observed during 2015/16. BCIIIF has structured its operations to respond to and to achieve those accountabilities. See Appendix C for a summary of the actions undertaken by BCIIIF to fulfill the mandate letter directions.

In response to government's introduction of TAP in July 2014, BCIIIF has established Standards of Conduct, which are publicly available on the BCIIIF website. These standards apply to management

and staff, including both direct employees and contractors of BCIIIF and BCRCF, and align with best practices for strong corporate governance. Further activities taken in response to the TAP include regularly scheduled meetings between the Board Chair and Minister, and between BCIIIF's CEO and the Ministry's Deputy Minister.

While no new investments were made during the mandate review apart from further equity investments (capital calls) made under existing VC commitments, BCIIIF continues to maintain best business and investment practices to earn positive investment returns. Consistent with our mandate, BCIIIF invests available funds with the BC Investment Management Corporation (bcIMC) and the Province's Central Deposit Program (CDP) (\$83.6 million is invested with these two organizations as of March 31, 2016), and continues to provide regular oversight of the eight venture capital fund managers.

BCIIIF also continued to maintain best business and investment monitoring practices over its three asset classes: public sector infrastructure investments, venture capital fund investments, and cash and short-term investments, through bcIMC and CDP.

## **Report on Performance**

BCIIIF's previous Board of Directors and management team aligned their 2015/16 strategic, operating and financial performance initiatives in a manner that allowed the organization to address Government's expectations as set out in the Mandate Letter, as well as to focus on the goals set out in the *2015/16 – 2017/18 Service Plan*. Details on key activities and achievements are set out below.

Throughout the 2015/16 fiscal year, BCIIIF worked in partnership with the Ministry of International Trade on the mandate review, which was completed in December 2015. During this period, BCIIIF put all new investments on hold and focused on its oversight responsibility of providing strong governance and monitoring its investment portfolio.

In line with mandate direction, the BCIIIF adopted the *Taxpayer Accountability Principles*, including the development and implementation of a Code of Conduct and a strategic engagement plan that establishes regular and recurring meetings between its Board Chair and CEO, and the Minister of International Trade and Deputy Minister. This regular engagement strategy helps to ensure that BCIIIF reflects the strategic interests of Government and the best interest of British Columbians. BCIIIF has also developed an evaluation plan with specific efficiency and performance measures to ensure that the corporation is meeting the expectations of British Columbians and Government.

BCIIIF's 2015/16 Mandate Letter reflected this period of transition. Accountabilities and outcomes set out in these documents are summarized in Appendix C.

### ***Goals, Strategies, Measures and Targets***

The *2015/16 – 2017/18 Service Plan* includes performance measures that were developed based on BCIIIF's operating environment at the time of the *Service Plan's* submission. The goals, strategies and measures selected reflected the ongoing transition of the BCIIIF, including the announced cancellation of the IIP program, the planned mandate review, and the *Government's Letter of Expectations* (GLE) and *Mandate Letter*. Performance measure targets are based on those included in the *2015/16 – 2017/18 Service Plan*.

## **Goal 1: Generate Returns that Meet or Exceed BCIIIF's Current Investment Strategy.**

Commercial returns on investments will provide liquidity for retiring the five-year immigrant investor loans from the Government of Canada and to meet capital calls on the \$90 million of commitments to the venture capital fund managers. BCIIIF's current infrastructure portfolio is comprised of long-term loan investments to the Provincial Treasury, which provides loan financing to entities in the provincial public sector. Loan investments earn yields that are equivalent to the government's cost of borrowing. Infrastructure loan investments have historically been targeted to supporting approved public sector infrastructure projects.

### **Strategies**

- Develop investment strategies that support Government's economic and jobs strategy, meet BCIIIF's risk profile, and achieve commercial returns to the BCIIIF while sustaining an investment strategy which is affordable for the Province's fiscal plan.

### **Performance Measure 1: Achieve targeted average yields on investments.**

Performance Measure	2012/13 Actual	2013/2014 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Five Year Weighted Average BCIIIF Portfolio Return <sup>1</sup>	2.54%	2.68%	2.60%	2.26%	2.51%	2.21%	2.06%
One Year Weighted Average BCIIIF Portfolio Return <sup>1</sup>	2.33%	2.33%	2.21%	1.87%	2.26% <sup>2</sup>	2.04%	1.76%

**Data Source:** Rates projected based on Canada 3-month T-bill +1.93% (long-term average spread between T-Bill and Prime). T-Bill rate based on the average of six private sector forecasters (Scotiabank\*, CIBC\*, TD\*, RBC\*, IHS Global Insight, BMO).

<sup>1</sup> Both the 1 and 5 year weighted average BCIIIF portfolio return include rates on Money Market (bcIMC and CDP and Infrastructure investments. For clarity, this calculation does not include Venture Capital Investments.

<sup>2</sup> Actual 1 year weighted average BCIIIF portfolio return was higher than expected. This is due to more distributions from the venture capital investments and therefore more funds being held than expected.

### **Discussion**

Targeted average yields were achieved during the 2015/16 period. These returns were realized as the BCIIIF followed government's direction to make no new investments during the mandate review period. During the fiscal year, surplus funds, not invested in infrastructure loans or venture capital, were invested with either the Ministry of Finance or bcIMC. No funds were invested in Money Market instruments.

The performance measures were developed using a portfolio of five-year Government of Canada par bonds over a rolling five year period to construct a one-year and five-year performance benchmark.



Further, the benchmark assumed that \$20 million would be invested in Money Market instruments for liquidity purposes. This benchmark reflects BCIIIF's historical investment strategy and performance as well as its preferred investment term, which is aligned with its five-year obligation to repay funds to the federal IIP.

Both the one and five year weighted average BCIIIF portfolio return include Money Market (bcIMC and CDP) and infrastructure investments. For clarity, this calculation does not include Venture Capital investments. As indicated in the above table, the portfolio returns have exceeded the targeted amounts and have remained relatively stable from year to year.

## ***Goal 2: Optimize BCIIIF's Investment Strategy and Operations***

Building on the work completed in 2014/2015, BCIIIF established a goal of continuing to improve operations and reporting, and formalizing its accountabilities with the introduction of a Performance and Accountability Framework ("Framework"). The Framework was designed to align with the *Taxpayer Accountability Principles* and BCIIIF's strategic direction.

### **Strategies**

- Develop a formal Performance and Accountability Framework
- Structure cost effective operations that meet strategic, business, and governance requirements

### **Performance Measure 2: BCIIIF Operational Efficiency and Effectiveness**

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target <sup>4</sup>	2017/18 Target <sup>4</sup>
Develop and adopt performance and accountability framework	n/a <sup>1</sup>	n/a <sup>1</sup>	Framework is under development	Develop Framework and Submit to Board for Approval	Framework being reviewed to align with refreshed mandate	Implement Framework	Monitor Performance and Update Framework
Expense ratio <sup>2</sup>	n/a <sup>3</sup>	n/a <sup>3</sup>	Baseline to be finalized upon completion of mandate review	Establish baseline	Review Baseline to ensure alignment with refreshed mandate	Maintain or improve	Maintain or improve

**Data Source:** BCIIIF internal performance and accountability framework and internal BCIIIF calculations.

<sup>1</sup> This is a new measure for 2015/16.

<sup>2</sup> Expense ratio will be derived from BCIIIF's audited consolidated financial statements. The metric will be compared to the management fee charged by publicly owned institutional investment organizations, which have similar investment and operational requirements.

<sup>3</sup> This is a new measure for 2015/16.

<sup>4</sup> The above target information is from the *2015/16 – 2017/18 Service Plan*. As of April 1, 2016, the new board of directors of BCIIIF and BCRCF are all B.C. Public Service employees and the management team are employees of the Ministry of International Trade and Responsible for Asia Pacific Strategy and Multiculturalism (MIT). As a result, expenses will be flowing through MIT and as such these performance measures have been altered in the *2016/17–2018/19 Service Plan*.

**Performance Measure: Develop and Adopt Performance and Accountability Framework**

The Performance and Accountability Framework was completed during the fiscal year and includes an entity-wide risk management framework and venture capital dashboard.

**Performance Measure: Expense ratio**

The expense ratio is the ratio of total expenses to total assets, derived from the Corporation’s audited consolidated financial statements. The ratio, once finalized to reflect the BCIIIF's new operational environment, will provide a baseline of assessing operational and management costs.

**Discussion**

Both targets were achieved during the fiscal year. Management continues to maintain and improve upon the framework and venture capital dashboard.

**Goal 3: *Stimulate Commercialization of Innovation and Venture Capital Investments in B.C.***

The BCRCF, which is structured as a ‘fund of funds’, is unique in its approach to attracting world-class venture capital investors. Access to capital with a global reach and experienced executive management is critical to foster commercialization and growth for B.C. companies. To increase the visibility of British Columbia as an attractive market for venture capital opportunities, the BCRCF strives to increase domestic and international ties through its fund managers. To increase the probability of investments in B.C. companies, the BCRCF fund managers have entered into side letter agreements with BCRCF, under which they commit to perform investment activities in British Columbia.

**Strategies**

- Develop key relationships and networks that support B.C.’s \$90 million venture capital commitment and encourage investment in B.C. companies.
- Leverage BCRCF’s venture capital investments to attract new investment in B.C. companies focused in the Information Technology, Life Sciences, Digital Media, and Clean Technology sectors.

**Performance Measure 3: BCRCF Cumulative Capital Called and Invested**

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Cumulative capital call on BCRCF’s commitments to fund managers.	\$47 million	\$59 million	\$69 million	\$75 million	\$76.2 million	\$80 million	\$84 million

Cumulative investment by BCRCF fund managers in B.C. companies	\$104 million	\$139 million	\$157 million	\$150 million	\$174 million <sup>1</sup>	\$160 million	\$168 million
Cumulative investment by BCRCF fund managers and syndicate partners in B.C. companies	\$196 million	\$288 million	\$308 million	\$310 million	\$385 million	\$320 million	\$336 million

**Data Source:** Capital calls and investment amounts are based on invoices, BCRCF venture capital fund managers' audited financial statements and quarterly performance reports.

<sup>1</sup> As of September 30, 2015.

### Performance Measure 3: BCRCF Cumulative Capital Called and Invested

For forecast purposes, BCIF and BCRCF have used the historical leverage factor of 2.0 times and 3.5 times the capital called to B.C. investments for these targets. From BCRCF's inception in late 2007 through to the most recent reporting period available, the BCRCF fund managers and their syndicate partners have invested amounts in excess of these targets, with \$174 million being invested in B.C. companies by BCRCF's fund managers, and a total of \$385 million invested by these fund managers and syndicate partners. A total of 34 B.C. companies have received funds as a result of BCRCF's venture capital investments, creating employment for more than 1,060 British Columbians.<sup>1</sup>

### Discussion

All targets were achieved during the fiscal year. These performance targets demonstrate the significant amount of additional capital attracted to B.C. as a result of BCRCF's investments. BCRCF fund managers maintain and develop key relationships and networks that encourage investment in B.C. companies. Although BCRCF funds are fully committed and many BCRCF fund managers are at or near the end of their investment periods, follow-on investments and corresponding capital calls are still being made.

<sup>1</sup> Based on information provided by Venture Capital Funds.

## Financial Report

### Discussion of Results

As a result of the mandate review, no new investments or commitments were made for 2015/16. BCIIIF's Board of Directors and management continued to focus on ensuring appropriate governance and oversight of the organization's legacy investment portfolio.

#### Key highlights for the year include:

- A total of \$83.6 million invested with CDP and bcIMC as at March 31, 2016.
- \$212.6 million principal and accrued interest in loans as at March 31, 2016 to provincial capital infrastructure projects.
- Additional \$7.2 million in capital called on venture capital investments.
- Venture capital distributions were received in the amount of \$30.7 million representing \$12.4 million as a return of capital and \$9.3 million as a return on capital.
- \$3.2 million in new funds received through the IIP; and \$118.6 million repaid during the year, including \$5.3 million of commission costs which BCIIIF is required to pay to the IIP at the same time as the loans are repaid.
- Interest income of \$7.6 million exceeded budget by \$714 thousand.
- Realized investment gain was lower than the prior year and budget due to remeasurement of investment valuation. Reflecting this, unrealized gains on investments switched to a loss this year of \$1.3 million versus a gain of \$1.3 million in the prior year.
- Operating costs (expenses other than amortization of the promissory note commission) under budget by \$115 thousand.

### Consolidated Statement of Operations, 2013/14 – 2017/2018

\$ '000's	2013/14 Actual	2014/15 Actual	2015/16 Budget <sup>2</sup>	2015/16 Actual	2016/17 Budget	2017/18 Budget
<b>Revenue</b>						
Realized Investment Gains	1,153	114	2,293	952	-	-
Interest Income	8,778	9,190	6,897	7,611	6,074	3,861
Venture capital investment income	1,110	3,075	-	10,576	3,971	179
<b>Total Revenue</b>	<b>11,041</b>	<b>12,379</b>	<b>9,190</b>	<b>19,139</b>	<b>10,045</b>	<b>4,040</b>
<b>Expenses</b>						
Advertising & promotion <sup>1</sup>	47	68	60	68	60	60
Board of Director fees & expenses <sup>2</sup>	91	94	120	88	120	120

Board of Director support services	53	70	94	72	94	94
Salary, wages & benefits <sup>3</sup>	285	458	566	557	566	566
Investment fees <sup>4</sup>	192	159	176	(1)	176	176
Office & business expenses	60	125	101	94	101	101
Professional fees	145	347	257	261	257	257
Amortization of discount	5,363	5,775	4,462	4,581	3,160	2,150
Venture capital investment losses	-	-	-	8,366	-	-
<b>Total Expenses</b>	<b>6,236</b>	<b>7,096</b>	<b>5,836</b>	<b>14,086</b>	<b>4,534</b>	<b>3,524</b>
<b>Net Income from Operations</b>	<b>4,805</b>	<b>5,283</b>	<b>3,354</b>	<b>5,053</b>	<b>5,511</b>	<b>516</b>
<b>Accumulated surplus/ Retained earnings</b>	<b>42,613</b>	<b>47,896</b>	<b>50,033</b>	<b>52,949</b>	<b>58,460</b>	<b>58,976</b>
<b>Debt to Canada<sup>5</sup></b>	<b>440,311</b>	<b>414,489</b>	<b>412,423</b>	<b>303,605</b>	<b>310,708</b>	<b>224,099</b>
<b>Total Liabilities</b>	<b>440,391</b>	<b>414,663</b>	<b>412,423</b>	<b>303,678</b>	<b>310,708</b>	<b>224,099</b>

## GENERAL NOTES:

(a) The above financial information was prepared based on current Generally Accepted Accounting Principles.

(b) Budgeted revenue is based on a conservative assumption that all available funds, other than amounts required to meet venture capital commitments, will be invested in liquid financial instruments, earning returns based on the Treasury Board Staff interest rate forecast. Given the uncertainty of the timing and quantum of venture capital returns, venture capital income is reported as it is realized.

(c) The above budgeted information is from *the 2015/16 – 2017/18 Service Plan*. As of April 1, 2016, the new board of directors of BCIIIF and BCRCF are all B.C. Public Service employees and the management team are employees of the Ministry of International Trade and Responsible for Asia Pacific Strategy and Multiculturalism. As a result, expenses budgeted out for future years will be minimal and expected to include ‘amortization of discount’ and ‘salary, wages and benefits’ for employees kept on payroll for the transition period ending June 30, 2016.

## NOTES:

<sup>1</sup> Advertising & promotion expenses are used to attract venture fund managers to B.C. investment opportunities in targeted sectors.

<sup>2</sup> Board of director support services include advisory and corporate secretariat services.

<sup>3</sup> Salary, wages & benefits reflect BCIIIF’s independent operations. This expense has increased each year due to more staff being employed as operations warranted. Current year actual is less than budgeted due to staff not being replaced through the period of transition.

<sup>4</sup> Investment fees include bcIMC and Corporate Project Finance management fees that cover costs for managing the short-term investments and public infrastructure loans. Forecasted investment fees are decreasing to reflect a reduction in investment under bcIMC’s management.

<sup>5</sup> BCIIIF continues to receive monthly allocations from the Government of Canada. The debt to Canada is supported by a Provincial guarantee.

*Auditor's Report and Audited Financial Statements*

Consolidated Financial Statements of

**BC IMMIGRANT INVESTMENT  
FUND LTD.**

**Year Ended March 31, 2016**

**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.

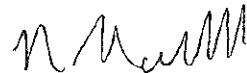
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized 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 fulfils its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews internal consolidated financial statements on a quarterly basis and external audited consolidated financial statements yearly. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

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

On behalf of BC Immigrant Investment Fund Ltd,

  
\_\_\_\_\_  
Nyomi Beatty, CFO

  
\_\_\_\_\_  
Nathan Nankivell, CEO

Victoria, B.C.  
June 1, 2016



## **INDEPENDENT AUDITOR'S REPORT**

*To the Board of Directors of 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., which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statement of operations, statement of remeasurement gains and losses, statement of changes in net financial assets and statement of 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.



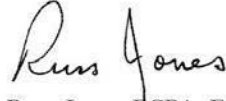
BC IMMIGRANT INVESTMENT FUND LTD.  
Independent Auditor's Report

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*Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BC Immigrant Investment Fund Ltd. as at March 31, 2016, and the results of its operations, changes in its remeasurement gains and losses, its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Victoria, British Columbia*  
June 1, 2016

  
Russ Jones, FCPA, FCA  
Deputy Auditor General



OFFICE OF THE  
Auditor General  
of British Columbia

**BC IMMIGRANT INVESTMENT FUND LTD.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*(in \$000)*

AS AT MARCH 31	2016	2015
<b>Financial Assets</b>		
Cash	55,911	134,257
Investments	28,878	20,890
Accounts receivable	2	3
Loan receivable <i>(Note 4)</i>	212,593	242,839
Venture investments <i>(Note 5)</i>	61,512	67,008
	<u>358,896</u>	<u>464,997</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	328	174
Promissory notes <i>(Note 6)</i>	303,605	414,489
	<u>303,933</u>	<u>414,663</u>
<b>Net Financial Assets</b>	54,963	50,334
<b>Non-Financial Assets</b>		
Prepaid expenses	13	7
<b>Accumulated Surplus</b>	<u>54,976</u>	<u>50,341</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	52,949	47,896
Accumulated remeasurement gains	2,027	2,445
	<u>54,976</u>	<u>50,341</u>

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	<b>Budgeted Figures (Note 12)</b>	<b>2016</b>	<b>2015</b>
Revenues:			
Venture capital investment income	-	10,576	3,075
Realized investment gain	2,293	952	114
Interest income	6,897	7,611	9,190
	<u>9,190</u>	<u>19,139</u>	<u>12,379</u>
Expenses <i>(Note 11)</i> :	<u>5,836</u>	<u>14,086</u>	<u>7,096</u>
Annual operating surplus	3,354	5,053	5,283
Accumulated annual operating surplus at beginning of year	<u>47,896</u>	<u>47,896</u>	<u>42,613</u>
Accumulated annual operating surplus at end of year	<u>51,250</u>	<u>52,949</u>	<u>47,896</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	2016	2015
Accumulated remeasurement gains at the beginning of the year	2,445	861
Unrealized gains attributable to:		
Foreign exchange gain	1,764	268
Investment gain/(loss)	(1,333)	1,314
Amounts reclassified to the Consolidated Statement of Operations		
Foreign exchange	(850)	2
Investment	1	-
Change in remeasurement gains/(losses) for the year	(418)	1,584
Accumulated remeasurement gains at the end of the year	2,027	2,445

*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	2016	2015
Annual operating surplus	5,053	5,283
Acquisition of prepaid expenses	(21)	(21)
Use of prepaid expenses	<u>15</u>	<u>27</u>
	5,047	5,289
Effect of remeasurement gains	<u>(418)</u>	<u>1,584</u>
Increase in net financial assets	4,629	6,873
Net financial assets at the beginning of the year	<u>50,334</u>	<u>43,461</u>
Net financial assets at the end of the year	<u><u>54,963</u></u>	<u><u>50,334</u></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	2016	2015
Operating transactions:		
Annual Surplus	5,053	5,283
Adjustments for:		
Gains on venture capital distributions	(10,576)	(3,329)
Realized investment gain	(952)	(114)
Amortization of promissory discount	4,581	5,775
Impairment loss on venture capital investments	8,366	
Changes in non-cash operating working capital:		
Accounts receivable	2	(2)
Prepaid expenses	(6)	6
Accounts payable	154	94
Accrued loan interest	64	37
Cash provided by operating activities	<u>6,686</u>	<u>7,750</u>
Financing transactions:		
Cash received from promissory notes	3,093	33,617
Repayment/refund of promissory notes	(118,558)	(65,214)
Cash used in financing activities	<u>(115,465)</u>	<u>(31,597)</u>
Investing transactions:		
Purchase of investments, net of redemptions	(7,454)	(4,114)
Repayment of loan principal	30,182	29,314
Capital calls to venture capital funds	(7,791)	(11,002)
Distributions from venture capital funds	15,496	6,504
Cash provided by investing activities	<u>30,433</u>	<u>20,702</u>
Increase (decrease) in cash	(78,346)	(3,145)
Cash at beginning of year	<u>134,257</u>	<u>137,402</u>
Cash at end of year	<u>55,911</u>	<u>134,257</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, 2016**

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**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 expected that the allocations of the funds to the Corporation will continue through the next fiscal year, although the amounts received are expected to be lower than has historically been the case. The current cash flows from the Corporation continue to meet all repayment obligations to the Federal Government.

**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.

*Prepaid Expenses*

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

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2016**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Revenue Recognition*

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

Venture Capital Investment Income represents BCRCF's portion of realized gains/(losses) on the distribution of proceeds resulting from the divestiture of investments held by the Funds.

Realized investment gains represents realized investment and foreign exchange gains and losses earned in operating cash accounts and investments, and is recognized on an accrual basis.

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

*Expenses*

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

*Promissory Note Discount*

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

As promissory notes were established by the Immigration Regulations, 1978, they are not considered financial instruments and the discount is not recognized as interest expense.

*Foreign Currency Translation*

Foreign currency transactions are translated at the exchange rate prevailing at the date of transactions.

Monetary assets and liabilities, and non-monetary items included in the fair value measurement category denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the Consolidated Statement of Remeasurement Gains and Losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the Consolidated Statement of Operations, and the cumulative amount of remeasurement gains and losses is reversed in the 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.

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**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2016**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
Level 3	Inputs for the asset or liabilities that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the Consolidated Statement of Remeasurement Gains and Losses. Upon settlement, the cumulative gain or loss is reclassified from the Consolidated Statement of Remeasurement Gains and Losses and recognized in the Consolidated Statement of Operations. Interest and dividends attributable to financial instruments are reported in the Consolidated Statement of Operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Consolidated 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 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, 2016**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

- iii. Accounts and loans receivable  

Accounts and loans receivable are recorded at amortized cost using the effective interest method less any amount for valuation allowance. Valuation allowances are made to reflect loans receivable at the lower of amortized cost and net recoverable value, when collectability and risk of loss exists. Changes in valuation allowance are recognized in the Consolidated Statement of Operations. Interest is accrued on loans receivable to the extent it is deemed collectible.
- iv. Venture investments  

The Corporation invests in venture investments as a Limited Partner. These investments are reported at cost as there is no quoted market price in an active market. Venture capital investments may be adjusted for any impairment write-downs.
- v. Debt and other financial liabilities  

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

**4. LOANS RECEIVABLE**

	<b>March 31 2016</b>	<b>March 31 2015</b>
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.	46,193	48,359
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.	10,996	11,502
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.	3,302	3,599
Carried forward	60,491	63,460

**BC IMMIGRANT INVESTMENT FUND LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***(Tabular amounts in \$000)***FOR THE YEAR ENDED MARCH 31, 2016****4. LOANS RECEIVABLE (continued)**

	<b>March 31 2016</b>	<b>March 31 2015</b>
Brought forward	60,491	63,460
Due from University of Victoria, principal of \$10,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 2.48% over a 10 year term. The outstanding balance of this loan will be due in full on May 2, 2023.	8,902	9,324
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.	2,789	2,872
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.	408	717
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.	41,586	51,871
Due from the Province of British Columbia, principal of \$75,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 3.18% over a 10 year term. The outstanding balance of this loan will be due on December 9, 2020.	38,589	46,087
Carried forward	152,765	174,331

**BC IMMIGRANT INVESTMENT FUND LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***(Tabular amounts in \$000)***FOR THE YEAR ENDED MARCH 31, 2016****4. LOANS RECEIVABLE (continued)**

	<b>March 31 2016</b>	<b>March 31 2015</b>
Brought forward	152,765	174,331
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.	28,838	33,748
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.	30,375	34,760
Total loans receivable	<u>211,978</u>	<u>242,839</u>

**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 16.7%. Cumulative contributions and returns of capital to date are:

	<b>March 31 2016</b>	<b>March 31 2015</b>
<b>Canadian Dollar Funds</b>		
Cumulative contributions to date	38,926	34,210
Cumulative returns of capital	6,130	1,519
<b>US Dollar Funds</b>		
Cumulative contributions to date	37,262	35,156
Cumulative returns of capital	2,265	2,296

An impairment totaling \$8.37 million (2015:\$0) in venture capital investments was identified by management and is reported on the Consolidated Statement of Operations.

**BC IMMIGRANT INVESTMENT FUND LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***(Tabular amounts in \$000)***FOR THE YEAR ENDED MARCH 31, 2016****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.

	<b>March 31 2016</b>	<b>March 31 2015</b>
Total promissory notes, beginning of year	414,489	455,186
Additions during the year	14,447	35,782
Repaid or refunded during the year	(118,558)	(65,214)
	<u>310,378</u>	<u>425,754</u>
Net promissory note discount end of year	(6,773)	(11,265)
	<u>303,605</u>	<u>414,489</u>

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

<u>Year</u>	<u>Amount</u>
2016	91,208
2017	62,294
2018	118,695
2019	35,748
2020 and thereafter	2,433

**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.

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2016**

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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 \$2.02 million USD (2015 - \$4.12 million USD) in remaining venture capital commitments, and holds approximately \$17.43 million USD (2015 - \$7.34 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 \$1.77 million (2015 - \$0.268 million) being recognized in the Statement of Remeasurement Gains and Losses.

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2016**

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**7. RISK MANAGEMENT (continued)**

*Interest Rate Risk*

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

If the Corporation were to have experienced a 1% change in the interest rate earned this would have impacted interest income in the approximate amount of \$3.4 million (2015 - \$4.1 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 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).

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

**BC IMMIGRANT INVESTMENT FUND LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***(Tabular amounts in \$000)***FOR THE YEAR ENDED MARCH 31, 2016****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:

	<b>March 31 2016</b>	<b>March 31 2015</b>
Total USD investment commitments (USD)	39,280	39,280
USD investment commitments transferred to date (USD)	<u>(37,262)</u>	<u>(35,156)</u>
Remaining USD investment commitments (USD)	<u>2,018</u>	<u>4,124</u>
Remaining USD investment commitments translated to CAD	<u>2,617</u>	<u>5,230</u>
Total CAD investment commitments	51,000	51,000
CAD investment commitments transferred to date	<u>(38,926)</u>	<u>(33,713)</u>
Remaining CAD investment commitments	<u>12,074</u>	<u>17,287</u>
Aggregate remaining investment commitments	<u>14,691</u>	<u>22,517</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, 2016.



**BC IMMIGRANT INVESTMENT FUND LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***(Tabular amounts in \$000)***FOR THE YEAR ENDED MARCH 31, 2016****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:

	<b>March 31 2016</b>	<b>March 31 2015</b>
Cash (investment account)	54,736	133,716
Accounts receivable	2	3
Loans receivable <i>(Note 4)</i>	211,978	242,839
Accounts payable and accrued liabilities	(36)	(106)

The Consolidated Statement of Operations includes the following transactions with related parties:

	<b>March 31 2016</b>	<b>March 31 2015</b>
Interest Income	7,611	9,190
Professional fees	36	184

**11. EXPENSES BY OBJECT**

The following is a summary of expenses by object:

	<b>March 31 2016</b>	<b>March 31 2015</b>
Advertising and promotion	68	68
Amortization of promissory note discount	4,581	5,775
Investment fees	(1)	159
Board of Director fees	88	94
Director support services	72	70
Office and business expenses	94	125
Professional fees	261	347
Salary, wages and benefits	557	458
Venture capital investment losses <i>(Note 5)</i>	8,366	-
	<b>14,086</b>	<b>7,096</b>

**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in \$000)*

**FOR THE YEAR ENDED MARCH 31, 2016**

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**12. BUDGETED FIGURES**

Budgeted figures have been provided for comparison purposes and have been derived from the 2015/16 Service Plan approved by the Board Chair on January 9, 2015.

**13. COMPARATIVE FIGURES**

Certain 2015 comparative figures have been reclassified to conform to the current year's financial statement presentation.

## Appendix A: Subsidiaries and Operating Segments

The B.C. Renaissance Capital Fund Ltd. is a Crown corporation that is wholly-owned by the BCIIIF. The members of the Board of Directors and management are the same as the BCIIIF.

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. The objectives of the BCRCF are to:

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

As of March 2016, BCRCF has made investment commitments of \$90 million with the following eight fund managers through formal limited partnership agreements and side letter agreements:

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

BCRCF invests with venture capital fund managers who have a 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. such as forming strategic alliances with local venture capital firms, participating in investor forums in B.C. to establish networks with stakeholders, and exploring investment opportunities in the Province.

### BCRCF: Summary Financial Outlook Table

\$ '000's	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Budget	2015/16 Actual
<b>Revenues</b>	1,545	1,110	3,075	N/A	945

**Note:** All BCRCF revenues and expenses are included in the consolidated statements of BCIIIF. Given the high-risk nature of venture capital investments, venture capital investment income is reported as it is realized.

## **Appendix B: Additional Information**

### ***BC Immigrant Investment Fund (BCIIF)***

Additional information on BCIIF can be found at <http://bciiif.ca/about-bciiif/overview/>

*Standards of Conduct*: <http://bciiif.ca/wp-content/uploads/2015/06/Standards-of-Conduct-2014.pdf>

### ***B.C. Renaissance Capital Fund Ltd. (BCRCF)***

Additional information on investment strategy, venture capital fund managers and investee companies of BCRCF, a wholly-owned subsidiary of BCIIF, can be found at: <http://bciiif.ca/about-bcrf/overview/>

### ***Corporate Governance***

The remuneration for Directors of the BC Immigrant Investment Fund Ltd. is governed by Treasury Board. The board's direction is implemented by management, who carries out the day-to-day operations of the corporation under the supervision of the Chief Executive Officer. *Taxpayer Accountability Principles* such as respect and integrity are included the BC Immigrant Investment Fund Ltd.'s *Standards of Conduct*.

## Appendix C: Crown Corporations Mandate and Actions Summary

In the 2015/16 *Mandate Letter* from the minister responsible, BCIIF received direction on strategic priorities for the 2015/16 fiscal year. These priorities and the Crown corporation's resulting actions are summarized below:

Mandate Letter Direction	Crown corporation's Action
As a result of the federal termination of the federal Immigrant Investor Program, the BC Investment Corporation will work with the Ministry of International Trade to complete the BCIIF mandate review and implement new mandate direction. During this review period no new investment opportunities are to be pursued.	BCIIF worked in partnership with the Ministry of International Trade on the mandate review, which was completed in December, 2015. During this period, the BCIIF put all new investments on hold.
To minimize the exposure of accessing the guarantee that the Province has given to the federal government on monies received under the Immigrant Investor Program, by maintaining best business and investment practices to realize positive investment returns.	While no new investments were made during the mandate review apart from further equity investments (capital calls) made under existing VC commitments, BCIIF continues to maintain best business and investment practices to earn positive investment returns. Consistent with our mandate, BCIIF invests available funds with the BC Investment Management Corporation (bcIMC) and the Province's Central Deposit Program (CDP) (\$83.6 million is invested with these two organizations as of March 31, 2016), and continues to provide regular oversight of the eight venture capital fund managers.  Also see Goal 1 and related performance measurement.
To monitor and report on its capital commitments of up to \$90 million in venture capital investments.	Over the year, BCIIF focused on its oversight responsibility of providing strong governance and monitoring its investment portfolio for both the BCIIF and BCRCF.  Also see Goal 3 and related performance measurement.
To use either the Ministry of Finance or BC Investment Management Corporation for investment or deposit of funds in liquid investments, other than amounts allocated to venture capital and Government Reporting Entity investments.	BCIIF's short-term investments are in an investment pool managed by bcIMC comprised of short-term, low risk, and high quality government and corporate debt securities. Since 2013, funds have also been invested with the Ministry of Finance in the Central Deposit Program (CDP), which deploys the short-term monies primarily for financing the Consolidated Revenue Fund.