

**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 fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews internal consolidated financial statements on a quarterly basis and external audited consolidated financial statements 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.

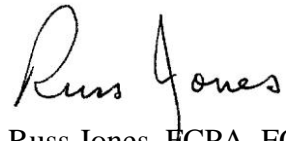
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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.

***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




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

<b>AS AT MARCH 31</b>	<b>2016</b>	<b>2015</b>
<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)*

<b>FOR THE YEAR ENDED MARCH 31</b>	<b>Budgeted Figures (Note 12)</b>	<b>2016</b>	<b>2015</b>
<hr/>			
Revenues:			
Venture capital investment income	-	10,576	3,075
Realized investment gain	2,293	952	114
Interest income	6,897	7,611	9,190
	<hr/>	<hr/>	<hr/>
	9,190	19,139	12,379
Expenses <i>(Note 11)</i> :	<hr/>	<hr/>	<hr/>
	5,836	14,086	7,096
Annual operating surplus	3,354	5,053	5,283
Accumulated annual operating surplus at beginning of year	<hr/>	<hr/>	<hr/>
	47,896	47,896	42,613
Accumulated annual operating surplus at end of year	<hr/>	<hr/>	<hr/>
	51,250	52,949	47,896

*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)*

<b>FOR THE YEAR ENDED MARCH 31</b>	<b>2016</b>	<b>2015</b>
Accumulated remeasurement gains at the beginning of the year	<u>2,445</u>	<u>861</u>
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	<u>1</u>	<u>-</u>
Change in remeasurement gains/(losses) for the year	<u>(418)</u>	<u>1,584</u>
Accumulated remeasurement gains at the end of the year	<u><u>2,027</u></u>	<u><u>2,445</u></u>

*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)*

<b>FOR THE YEAR ENDED MARCH 31</b>	<b>2016</b>	<b>2015</b>
Annual operating surplus	5,053	5,283
Acquisition of prepaid expenses	(21)	(21)
Use of prepaid expenses	15	27
	<u>5,047</u>	<u>5,289</u>
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>54,963</u>	<u>50,334</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	<u>(118,558)</u>	<u>(65,214)</u>
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	<u>15,496</u>	<u>6,504</u>
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.

# 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)

#### *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

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#### 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	211,978	242,839

#### 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

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#### 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)
	<hr/> 310,378	<hr/> 425,754
Net promissory note discount end of year	(6,773)	(11,265)
	<hr/>	<hr/>
Promissory notes, end of year	<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)	(37,262)	(35,156)
Remaining USD investment commitments (USD)	2,018	4,124
Remaining USD investment commitments translated to CAD	2,617	5,230
Total CAD investment commitments	51,000	51,000
CAD investment commitments transferred to date	(38,926)	(33,713)
Remaining CAD investment commitments	12,074	17,287
Aggregate remaining investment commitments	14,691	22,517

#### 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

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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:

	<b>March 31 2016</b>	<b>March 31 2015</b>
Cash (investment account)	54,736	133,716
Accounts receivable	2	3
Loans receivable (Note 4)	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 (Note 5)	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.