

**BC Immigrant Investment Fund Ltd.**

**2019/20**  
**Annual Service Plan Report**



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Published by the BC Immigrant Investment Fund Ltd.

## Board Chair's Accountability Statement



The *BC Immigrant Investment Fund 2019/20 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2019/20 – 2021/22 Service Plan* created in February 2019. The Board is accountable for those results as reported.

A handwritten signature in black ink that reads "Jill Kot".

Jill Kot  
Board Chair  
June 25, 2020

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## Letter from the Board Chair & CEO

On behalf of the BC Immigrant Investment Fund Ltd., we are pleased to provide the 2019/20 Annual Service Plan Report.

In 2019/20, BC Immigrant Investment Fund Ltd. (BCIIF) actions aligned with the government's strategic direction as outlined in the [2019/20 Mandate Letter](#) from the Minister of Jobs, Economic Development and Competitiveness.

The BCIIF continued to demonstrate accountability for strong public sector governance and fiscal prudence in the management of its cash flows and investments. The BCIIF continued contributing towards building a strong, sustainable economy that supports jobs throughout the province by providing growing British Columbia businesses with access to venture capital. The venture capital investments made by the BCIIF have stimulated job creation in B.C., supported economic growth and allowed B.C. tech companies to grow and stay in B.C.

The B.C. Renaissance Capital Fund Ltd. (BCRCF) is a wholly owned subsidiary of the BCIIF and holds venture capital investments in two investment portfolios:

- Portfolio 1 | the BC Renaissance Capital Fund, launched in 2007, has received returns on its investments throughout 2019/20 demonstrating that the fund is maturing, and showing a favourable return pattern.
- Portfolio 2 | the \$100 million BC Tech Fund, launched in October 2016, has made commitments in ten venture capital funds as well as making direct investments in six B.C. companies.

In 2019/20, BCIIF realized a net operating income of \$0.46 million, had \$13.9 million in cash and cash equivalents and \$25.9 million invested in low-risk public sector infrastructure loans. The BCRCF invested \$86.6 million of its \$90 million commitment to venture capital funds, and as at March 31, 2020, the BC Tech Fund had invested \$41.5 million of its \$100 million in available capital.

During 2019/20, the BC Tech Fund bolstered British Columbia's start-up system by making commitments to three additional venture capital funds managed by Panache Ventures, Vanedge Capital and Voyager Capital. Capital was committed and invested in B.C. based venture capital funds during the year. In total there have been commitments made to 10 funds.

Results have been positive, and staff have worked to improve access to venture capital for British Columbia businesses and to provide continued transparency in BCIIF's business practices.



Jill Kot  
Board Chair, BC Immigrant Investment Fund

June 25, 2020



David Mortimer  
Chief Executive Officer, BC Immigrant  
Investment Fund

June 23, 2020

## Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the [Budget Transparency and Accountability Act](#) (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

## Purpose of the Organization

The BC Immigrant Investment Fund Ltd. (BCIIF) was incorporated on September 19, 2000, under the [Company Act](#) (as it was then) and then registered under the [Business Corporations Act](#) (BC). BCIIF is wholly-owned by the Province of British Columbia.

The BCIIF is an approved fund under the federal government's Immigrant Investor Program (IIP), administered by Immigration, Refugee and Citizenship Canada (IRCC). IRCC requires that funds provided to the BCIIF be invested in projects that contribute to economic development and job creation in Canada.

The money received from the IRCC is repaid to the federal government on the fifth anniversary of the loan. Although there is no interest charged on the funds, a small fee is paid to cover federal government administration. In order to participate in the IIP, the province was required to provide the federal government with a repayment guarantee of up to \$500 million.

The B.C. Renaissance Capital Fund Ltd. (BCRCF) is a Crown corporation that is a wholly-owned subsidiary of the BCIIF. The purpose of the BCRCF is to increase the amount of venture capital available to B.C.-based technology companies. This objective is achieved by making investments in B.C.-based venture capital funds; attracting venture capital funds, fund managers and investors to B.C.; and making direct co-investments in B.C.-based companies. The BCRCF's venture capital investments are managed by a private sector fund manager and include:

- **Portfolio 1 | BCRCF** is comprised of investment commitments made to nine funds between 2007 and 2011. The BCRCF investments were intended to attract venture capital fund managers and their investments to B.C.
- **Portfolio 2 | BC Tech Fund** is a \$100 million fund-of-funds<sup>1</sup> launched in 2016 that makes investments into B.C.-based venture capital funds and direct investments into B.C. technology companies. The BC Tech Fund invests at the Series A<sup>2</sup> stage of financing.

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<sup>1</sup> A fund-of-funds is a fund that invests in investment funds. In the case of the BC Tech Fund, some investments are also made directly into technology companies.

<sup>2</sup> Series A is the first round of financing given to a new business once seed capital has already been provided.

## Strategic Direction

The strategic direction set by Government in 2019/20 and expanded upon in the Board Chair’s [Mandate Letter](#) from the Minister Responsible in 2019 shaped the [2019/20 BC Immigrant Investment Fund Service Plan](#) and results reported in this annual report.

BC Immigrant Investment Fund is aligned with the following Government’s key priorities:

Government Priorities	BC Immigrant Investment Fund aligns with these priorities by:
A strong, sustainable economy	<ul style="list-style-type: none"> <li>Continuing investment in B.C. Businesses and B.C.-Based Venture Capital Funds (Objective 3.1)</li> <li>Growing the Amount of Venture Capital Invested in B.C. (Goal 4)</li> </ul>

## Operating Environment

BCIIF promotes economic development and job creation in B.C. by investing in three asset classes: public sector infrastructure loans, venture capital fund investments and cash held with the Province’s Central Deposit Program (CDP).

- Long Term Infrastructure Loans:** have been made to Government Reporting Entities (GREs), primarily post-secondary institutions, to support student education and knowledge-based sectors. With the 2014 federal government termination of the IIP, the BCIIF is no longer offering new infrastructure loans.
- Venture Capital Investments:** focus on funds and companies in the information and communications technology, digital media, clean tech and life science sub-sectors. Through its wholly owned subsidiary, the BCRCF, the BCIIF has two venture capital investment portfolios that are managed by a private sector fund manager, Kensington Capital Partners.
- Cash & Cash Equivalents:** are invested with the Ministry of Finance in the Central Deposit Program, which deploys short-term cash primarily for financing government’s Consolidated Revenue Fund.

Key risks faced by the BCIIF, along with strategies for their management are:

- Interest rate risk:** modest growth has kept interest rates low, resulting in reduced interest income from liquid investments. BCIIF manages exposure to interest rate volatility by holding a portfolio of long-term fixed rate and short-term floating rate investments.
- Currency risk:** venture capital investments denominated in U.S. dollars pose a foreign currency risk. BCIIF holds some U.S. dollar liquid assets and has financing available to meet all remaining U.S. dollar-based commitments.
- Credit risk:** BCIIF’s loan portfolio is at risk in the event of non-repayment by borrowers. All loans are made to GRE borrowers and structured with a corresponding general obligation ranking equivalent to other loans by the borrowers.
- Liquidity risk:** timing differences exist between cash receipts from infrastructure loans and cash repayments to the federal government. BCIIF manages this risk by holding a

significant portfolio of short-term liquid investments and seeking alternate financing when required.

- **Returns risk:** venture capital is a high-risk asset class that does not afford guaranteed returns. Venture capital investments are subject to the “J-curve effect<sup>3</sup>” typically over a 10-year fund lifecycle. Negative returns may occur in early years while new investments are being made. Gains occur in later years as portfolio companies mature and exit. Caution should be exercised regarding the expected timing and distribution of venture capital returns.
- The COVID-19 pandemic will have an impact on the future results of BCIIF. Lower interest rates will reduce the interest revenue generated on CDP balances and reduce debt servicing costs. The economic shock will impact the venture capital investments, with the underlying investments facing a difficult economic climate and an expected reduction in valuation and exit opportunities. These impacts are expected, but not quantifiable at this time. BCIIF will continue to monitor and assess the impacts that the pandemic is having on BCIIF and the underlying investments.

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<sup>3</sup> “J-curve effect” illustrates the tendency of private equity funds to deliver negative returns and cash flows in the early years and investment gains and positive cash flows later in the investment fund’s life as the portfolio companies mature and are gradually exited.



## Report on Performance: Goals, Objectives, Measures and Targets

### Goal 1: Manage Investments to Achieve Commercial Returns and Meet Repayment Obligations

#### Objective 1: Achieve Targeted Average Yields on Investments

##### Key Highlights

- BCIIIF achieved commercial returns on low-risk infrastructure loans which mitigate the higher-risk venture capital portfolio. BCIIIF's loan portfolio is comprised of long-term loans to the Provincial Treasury which in turn provided loan financing to GREs to support approved public sector infrastructure projects with loan yields equivalent to the Province of British Columbia's cost of borrowing.
- BCIIIF deposited funds with the CDP to have enough liquidity to meet five-year IIP repayment obligations to the federal government and met capital calls<sup>4</sup> for venture capital investments.

Performance Measures (%)	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
1.1a Five Year Weighted Average BCIIIF Portfolio Return	2.39	2.57	2.58	3.39 <sup>1</sup>	2.88
1.1b One Year Weighted Average BCIIIF Portfolio Return	3.04	2.68	2.65	2.48	2.53

Data source: BCIIIF's forecasted cash flows, asset balances and stated interest earned on the investment.

<sup>1</sup>This target was updated in the 2020/21 – 2022/23 Service Plan. Due to dramatic shifts in the economy following the global COVID-19 pandemic, BCIIIF may re-examine future targets.

##### Discussion of Results

Targeted yields are comparable to returns that could be realized through similar investment vehicles such as Guaranteed Investment Certificates (GIC). GIC returns are used as a comparison as BCIIIF must hold cash in short-term investments to meet cash calls for venture capital investments and repayment of debt obligations.

BCIIIF met the five-year weighted average target due to steady returns from the infrastructure loans and cash amounts held in the CDP. The one-year weighted average was just below the target rate, missing by .03 per cent. This was due to minor fluctuations in the forecast rates and balances over the year. The weighted average returns do not include venture capital returns as BCIIIF is measuring returns received from cash and short-term investments against similar investment vehicles.

<sup>4</sup> A capital call is a request by an investee for payment of any part of a financial commitment by an investor under an existing capital agreement.

## Goal 2: Enhance Operational Oversight

### Objective 2.1: Improve Operational Effectiveness

#### Key Highlights

- The Performance and Accountability Framework optimizes BCIIIF’s effectiveness and ensures alignment with government direction and the *Budget Transparency and Accountability Act*. The Performance and Accountability Framework was refreshed and implemented for 2019/20. The 2019/20 annual review concluded that BCIIIF's operations were effective and required performance measure were achieved.

Performance Measure	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
2.1 Improve Operational Effectiveness <sup>1</sup>	Update and annual review completed.	Update and annual review completed.	Update and annual review completed.	Update and annual review completed.	Update and annual review completed.

<sup>1</sup> This performance measure was re-worded in the 2020/21 – 2022/23 Service Plan and will be re-evaluated on a regular basis given widespread economic disruption due to the COVID-19 pandemic.

#### Discussion of Results

In 2017/18, BCIIIF’s Performance and Accountability Framework was developed and approved by the board. The framework includes a clear set of performance and accountability metrics with a set of outcomes that align with BCIIIF’s and government’s shared goals. The framework is updated and refined annually to ensure BCIIIF is adapting to environmental changes while achieving all goals set by the BCIIIF Board and mandated by the Minister of Jobs, Economic Development and Competitiveness.

### Goal 3: Utilize Venture Capital Investments to Build a Stronger Venture Capital Ecosystem in B.C.

#### Objective 3.1: Continued Investment in B.C. Businesses and B.C. Based Venture Capital Funds

##### Key Highlights

- BC Tech Fund investments were made into B.C.-based venture capital funds to increase the number of funds and professional fund managers in B.C.
- BC Tech Fund investments led to investments in B.C.-based companies.
- Collaboration with the BC Tech Fund manager to implement system building activities leading to more B.C.-based venture capital funds and investments in B.C.-based companies.

Performance Measures	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
3.1a Cumulative number of investment commitments made to B.C. Businesses from the BC Tech Fund and underlying VC Funds <sup>1</sup>	13	13	31	15	17
3.1b Cumulative number of investment commitments made to B.C. based VC Funds from the BC Tech Fund <sup>1</sup>	7	7	10	7	7

Data source: Quarterly performance reports from BC Tech Fund manager.

<sup>1</sup>2020/21 and 2021/22 targets for these performance measures were increased in the 2020/21 – 2022/23 Service Plan and will be re-evaluated on a regular basis given widespread economic disruption due to the COVID-19 pandemic.

##### Discussion of Results

BCIIF exceeded 2019/20 targets for cumulative number of investment commitments made to B.C. businesses from the BC Tech Fund and the cumulative number of investment commitments made to B.C. based VC Funds.

As of March 31, 2020, investment commitments were made to ten funds: Vanedge Capital II, Lumira Ventures III, ScaleUp Venture Fund I, Yaletown Innovation Growth, Versant Voyageurs I, Pangaea Ventures Fund IV, Framework Venture Partners I, Panache Ventures Investment Fund, Vanedge Capital III and Voyager Capital Fund V.

Target levels for investment commitments made to B.C. businesses were based on the projected deployment of capital by funds the BC Tech Fund invested in. Target levels for fund investments were chosen based on: expectations about the number of funds that would be actively fund raising in FY 19/20; the length of the BC Tech Fund's investment period; the number of funds that meet the BC Tech Fund's investment thesis; and, considering the average financial commitment available per investment.

## Goal 4: Grow the Amount of Venture Capital Invested in B.C.

### Objective 4.1: Capital Called by B.C. Investee Companies and Invested in B.C. Based VC Funds

#### Key Highlights

- To increase access to capital in B.C., the BCRCF has invested in two venture capital portfolios:
  - Portfolio 1 – the BCRCF: is designed to attract world-class venture capital investors to B.C. investment opportunities. From 2007 to 2011, nine investments totalling \$90 million in capital commitments were made with eight expert fund managers. Portfolio 1 increases domestic and international linkages through its fund managers, many of whom have networks extending around the world. To increase the probability of investments in B.C. companies, fund managers have entered into side letter agreements with the BCRCF under which they commit to perform investment activities in B.C.
  - Portfolio 2 – the BC Tech Fund: is designed to stimulate the quantity of local venture capital available for B.C. businesses. To this end, the \$100 million Fund invests in B.C.-based venture capital funds and B.C.-based companies. The BC Tech Fund manager has an extensive investment network, which helps leverage capital from other sources into B.C.

Performance Measures (\$M)	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
Portfolio 1					
4.1a Cumulative capital called on BCRCF's commitments to fund managers <sup>1</sup>	\$84.6	\$84	\$86.6	\$84.5	\$85
4.1b Cumulative investment by BCRCF fund managers and syndicate partners in B.C. companies <sup>1</sup>	\$669.3	\$669	\$742.9	\$669	\$669
Portfolio 2					
4.1c Cumulative capital called on BC Tech Fund commitment <sup>1</sup>	\$25.2	\$62	\$41.5	\$66	\$70
4.1d Cumulative investment by fund managers and syndicate partners in B.C. companies <sup>1</sup>	\$133.5	\$260	\$704.7	\$280	\$300

Data Source: Capital calls and investment amounts are based on invoices, audited financial statements and quarterly performance reports from the BCRCF and BC Tech Fund managers.

<sup>1</sup>2020/21 and 2021/22 Targets for all these performance measures were updated in the 2020/21 – 2022/23 Service Plan and will be re-evaluated on a regular basis given widespread economic disruption due to the COVID-19 pandemic.

## **Discussion of Results**

Portfolio 1 is seeing decreased capital calls each year, due to the maturity of the fund. As a result, only a few minor follow-on investments are being made.

Portfolio 2 did not meet the target for the cumulative capital calls made on the committed amounts. The commitments have been made to underlying funds, but the capital calls on those commitments have occurred at a slower pace than originally forecast, as these funds conduct due diligence to identify and select promising investments. The cumulative investment by fund managers and syndicate partners, has exceeded initial targets.

Actual results for performance measures 4.1b and 4.1d exceeded 2019/20 targets. These targets were developed considering the stage of the investment life cycle of the fund and past investment patterns. Results are impacted by the timing of decisions made by the BC Tech Fund manager, and decisions of underlying fund managers. Last year, Portfolio 1 fund managers drew additional capital to support their portfolio companies and provided additional follow-on investments in BC companies. In 2019/20, the Portfolio 2 fund manager invested in 4 additional venture funds, bringing the total of funds invested in to 10. These new funds have made a number of investments in B.C. companies, significantly increasing the actual results reported under performance measure 4.1d.

Future targets for Portfolio 2 were developed considering the investment period of the BC Tech Fund, past investment patterns of similar fund-of-funds, and the impact that the BC Tech Fund investment restrictions would have on fund managers. As noted, these targets have been updated in the 2020/21 – 2022/23 Service Plan.

## Financial Report

### Discussion of Results

#### Portfolio Balances as of March 31, 2020:

- A total of \$13.9 million in cash, invested in the CDP.
- \$25.9 million in loan and interest receivable from the infrastructure loan portfolio.
- \$62.7 million in venture capital fund investments in BCRCF Portfolio 1 and BC Tech Fund Portfolio 2.

#### Portfolio Activity:

- New venture capital investment of \$17.4 million was called during the year.
- \$4.4 million was received from BCRCF Portfolio 1.
- An additional \$13.6 million was borrowed under the Fiscal Agency Loan<sup>5</sup>.
- BCIIF received \$159,000 from the IIP and repaid \$38.4 million to the federal government for the IIP.
- BCIIF received venture capital revenue of \$116,000 from the venture capital investment portfolio. Venture capital income is unpredictable as fund managers do not provide notice of an impending distribution to maintain confidentiality of information relating to the sale or merger of investee companies.

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<sup>5</sup> Most Crown corporation and agency borrowing is done through the B.C. Ministry of Finance Fiscal Agency Loan Program. Under this program, the provincial government borrows directly in the capital markets and off-lends the bond proceeds to government or government bodies under the same terms as the bond issuance. The BCIIF is accessing a Fiscal Agency Loan from the Ministry of Finance due to a cash shortfall from a timing mismatch between cash inflows from investments and repayment obligations

## Financial Summary

\$000	2018/19 Actual	2019/20 Budget	2019/20 Actual	2019/20 Variance
<b>Operating Revenue</b>				
Venture Capital Investment Income	544	-	116	116
Realized Investment Gains	500	-	(15)	(15)
Interest Income	2,968	1,530	1,626	96
<b>Total Revenue</b>	<b>4,012</b>	<b>1,530</b>	<b>1,727</b>	<b>197</b>
<b>Operating Expenses</b>				
Amortization of promissory note discount	1,065	172	176	4
Debt Service Costs	237	623	719	96
Investment fees	299	275	276	1
Office and business expenses	11	-	2	2
Venture capital investment losses	-	-	93	93
<b>Total Expenses</b>	<b>1,612</b>	<b>1,070</b>	<b>1,266</b>	<b>196</b>
<b>Annual Surplus</b>	<b>2,400</b>	<b>460</b>	<b>461</b>	<b>1</b>
<b>Total Liabilities</b>	<b>69,738</b>	<b>36,273</b>	<b>45,451</b>	<b>9,178</b>
<b>Accumulated Surpluses</b>	<b>57,174</b>	<b>58,208</b>	<b>57,123</b>	<b>(1,085)</b>

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

**Note 2:** Budgeted revenue is based on a conservative assumption that all available funds, other than amounts required to meet venture capital commitments, will be invested in liquid financial instruments, earning returns based on the Treasury Board Staff interest rate forecast. Given the uncertainty of the timing and amount of venture capital returns, venture capital income is reported as it is realized.

**Note 3:** Further information on program funding and vote recoveries is available in the Estimates and Supplement to the Estimates.

## Variance and Trend Analysis

BCIIF's total revenue is higher than budgeted and lower than 2018/19 actuals. Net income from operations is higher than budgeted and lower than 2018/19 actuals. Revenue and net income decreased from the prior year due to smaller revenue amounts from BCRCF distributions and a reduction in revenue from infrastructure loans as several loans were fully repaid during the year.

Analysis includes:

- Interest income is higher than budgeted due to balances in interest earning accounts being higher than anticipated. Interest income is lower than 2018/19 actuals due to decreasing balances of infrastructure loans receivable. Interest income is expected to trend down in subsequent years due to decreasing investment account balances and loan receivable balances.
- Venture Capital Investment Income is higher than budgeted, but lower than 2018/19. Several income distributions were received during the year; however, these were smaller

than the distributions that were received in the prior year. BCIIF does not budget for venture capital returns due to the unpredictability and high-risk nature of the investments.

- Debt Service Costs are higher than budgeted as there was increased borrowing on the Fiscal Agency Loan over the full 12 months of the year, whereas in 2018/19, it was a smaller balance over a portion of the fiscal year.
- Total Expenses are slightly higher than budgeted due to the debt service costs and venture capital investment loss, but lower than 2018/19 due to the reduction of commission amortization due to the large amount of IIP repayments that occurred over the fiscal year.

Expenses in 2019/20 include:

- Debt Service Costs relating to the \$40.1 million Fiscal Agency Loan from the Ministry of Finance.
- Investment fees include management fees paid to Kensington Capital for management of BCRCF's venture capital portfolio 1, and debt management fees paid to the Provincial Treasury for managing the derivative<sup>6</sup> for BCIIF.
- Venture capital losses are higher than budgeted and higher than 2018/19. Public Sector Accounting Standards require management to assess financial assets to determine whether there is any evidence of impairment. In 2019/20, venture capital investments were assessed for impairment and it was determined that one of the BCRCF investments had a permanent decrease in value, bringing its fair value to \$93.3 thousand less than the cost of the investment. As a result, venture capital investment losses have been recorded in the current year to reflect this decline in value of the investment. There was no evidence of impairment when the assessment was conducted in 2018/19.
- Total Debt owed to the Government of Canada has decreased and will trend down as BCIIF continues to meet repayment obligations. No new allocations are expected to be received.
- Total Liabilities are lower than 2018/19 as the debt to IRCC is decreasing, despite an additional \$13.6 million being borrowed by a Fiscal Agency Loan from the Ministry of Finance.

## **Risks and Uncertainties**

The above financial information is prepared based on Public Sector Accounting Standards in Canada.

Risks and uncertainties, some of which are beyond BCIIF's control, including, but not limited to, the risks discussed above in the Operating Environment section are as follows:

- Venture capital investment income and losses are difficult to forecast. As venture capital funds are at or near maturity and proceeds from the investments can be estimated, income and losses can be estimated. However, as venture capital funds are at or near maturity, General Partners are able to request an extension of term for their fund based on the

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<sup>6</sup> The BCIIF has entered an interest rate swap with the Minister of Finance where it will pay a fixed rate of interest instead of variable rate at the time financing is required, this financial product is known as a derivative. The derivative mitigates the risk of rising future interest rates when the Corporation must access financing.



Limited Partnership Agreement. Forecasts change once terms are extended and the fund is no longer near maturity.

- Income is difficult to predict and, therefore, cash flow and cash needs are difficult to predict as fund managers give no indication that a distribution from the funds is imminent. As noted above, venture capital fund managers maintain confidentiality of business sales and mergers to not compromise the transaction. Notification is often provided the day prior to receipt of funds.
- The COVID-19 pandemic will have an impact on the future results of BCIIF. Lower interest rates will reduce the interest revenue generated on CDP balances and reduce debt servicing costs. The economic shock will impact the venture capital investments, with the underlying investments facing a difficult economic climate and an expected reduction in valuation and exit opportunities. These impacts are expected, but not quantifiable at this time. BCIIF will continue to monitor and assess the impacts that the pandemic is having on BCIIF and the underlying investments.

## **Auditor's Report and Audited Financial Statements**

Consolidated Financial Statements of

**BC IMMIGRANT INVESTMENT FUND LTD.**

**Year Ended March 31, 2020**

**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 annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

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

On behalf of BC Immigrant Investment Fund Ltd.,



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Evan Machin CPA, CA | CFO



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David Mortimer CPA, CA | CEO

Victoria BC  
June 10, 2020



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## Independent auditor's report

To the Board of Directors of BC Immigrant Investment Fund

### Opinion

We have audited the consolidated financial statements of BC Immigrant Investment Fund ("the Entity"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, change in net financial assets and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of BC Immigrant Investment Fund as at March 31, 2020, and its results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

### Basis for Opinion

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

### Other Matter

The consolidated financial statements for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on June 13, 2019.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal

control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Grant Thornton LLP*

Chartered Professional Accountants

Victoria, Canada

June 10, 2020

Audit | Tax | Advisory

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**BC IMMIGRANT INVESTMENT FUND LTD.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(in \$000)

As at March 31

	2020	2019
<b>Financial Assets</b>		
Cash	13,903	13,963
Accounts Receivable	-	1
Loan Receivable (Note 4)	25,928	61,838
Derivatives (Note 5)	-	273
Venture Investments (Note 6)	62,743	50,835
	<u>102,574</u>	<u>126,912</u>
<b>Liabilities</b>		
Derivatives (Note 5)	237	-
Fiscal Agency Loan (Note 7)	40,136	26,628
Promissory Notes (Note 8)	5,078	43,110
	<u>45,451</u>	<u>69,738</u>
<b>Net Financial Assets</b>	<u>57,123</u>	<u>57,174</u>
<b>Accumulated Surplus</b>	<u>57,123</u>	<u>57,174</u>
Accumulated Surplus is comprised of:		
Accumulated Operating Surplus	57,360	56,899
Accumulated Remeasurement Gains	(237)	273
	<u>57,123</u>	<u>57,174</u>

Significant Events (Note 2)

Commitments (Note 10)

Approved by the Board



Jill Kot | Chair – Board of Directors



Amy Miller | Member – Board of Directors

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

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**BC IMMIGRANT INVESTMENT FUND LTD.**

**CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGE IN ACCUMULATED SURPLUS**

(in \$000)

For the Year Ended March 31	Budgeted Figures (Note 14)	2020	2019
<b>Revenues:</b>			
Venture Capital Investment Income	-	116	544
Realized Investment (Loss)/Gain	-	(15)	500
Interest Income	1,530	1,626	2,968
	1,530	1,727	4,012
<b>Expenses (Note 13)</b>			
	1,070	1,266	1,612
Annual Operating Surplus	460	461	2,400
Accumulated Annual Operating Surplus, Beginning of Year	56,899	56,899	54,499
Accumulated Annual Operating Surplus, End of Year	57,359	57,360	56,899

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

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**BC IMMIGRANT INVESTMENT FUND LTD.**

**CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES**

(in \$000)

For the Year Ended March 31	2020	2019
Accumulated Remeasurement Gains at the beginning of the year	275	671
Unrealized Gains (Losses) attributable to:		
Derivatives	(324)	(349)
Foreign Exchange Gain	-	726
Investment Gain	-	73
Amounts Reclassified to the Statement of Operations		
Foreign Exchange	-	(698)
Investment	12	(150)
Change in Remeasurement (Losses) Gains for the Year	<u>(512)</u>	<u>(396)</u>
Accumulated Remeasurement Gains, End of the Year	<u>(237)</u>	275

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

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**BC IMMIGRANT INVESTMENT FUND LTD.**

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

(in \$000)

For the Year Ended March 31	2020	2019
Annual Operating Surplus	461	2,400
Effect of Remeasurement (Losses)	(512)	(396)
(Decrease) Increase in Net Financial Assets	(51)	2,004
Net Financial Assets, Beginning of the Year	57,174	55,170
Net Financial Assets, End of the Year	57,123	57,174

*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	2020	2019
<b>Operating Transactions:</b>		
Annual Surplus	461	2,400
Items not involving Cash:		
Amortization of Promissory Discount	176	1,063
Gains on Venture Capital distributions	(116)	-
Impairment loss on Venture Capital investment	93	-
Realized Investment Loss (Gain)	15	(700)
Changes in non-cash Operating Working Capital:		
Accounts Receivable	1	-
Accrued Interest on Fiscal Agency Loan	(92)	228
Accrued Loan Interest Receivable	47	53
<b>Cash provided by Operating Activities</b>	<b>585</b>	<b>3,248</b>
<b>Financing Transactions:</b>		
Cash received from Fiscal Agency Loan	13,600	26,400
Cash received from Promissory Notes	148	-
Repayment/Refund of Promissory Notes	(38,356)	(118,847)
<b>Cash used in Financing Activities</b>	<b>(24,608)</b>	<b>(92,447)</b>
<b>Investing Transactions:</b>		
Net Sale (Purchase) of Investments	(15)	35,170
Repayment of Loan Principal	35,863	29,708
Capital calls to Venture Capital Funds	(17,422)	(16,815)
Returns from Venture Capital Funds	5,537	10,278
<b>Cash provided by Investing Activities</b>	<b>23,963</b>	<b>58,341</b>
<b>Increase (Decrease) in Cash</b>	<b>(60)</b>	<b>(30,838)</b>
Cash, Beginning of Year	13,963	44,821
<b>Cash, End of Year</b>	<b>13,903</b>	<b>13,983</b>

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

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**BC IMMIGRANT INVESTMENT FUND LTD.**

**NOTES TO THE FINANCIAL STATEMENTS**

March 31, 2020

**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 provided 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 Program is now closed.

The accumulated operating surplus includes one issued common share of the Corporation, of nominal value, which is held by the Minister of Jobs, Economic Development and Competitiveness.

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 initiatives the Corporation has invested in have included loans made to public sector entities for infrastructure projects as well as investments in venture capital to help build British Columbia's technology sector.

On October 22, 2007, B.C. Renaissance Capital Fund Ltd. (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 have been the same as those for the Corporation. The primary business of BCRCF, a Limited Partner in venture capital funds, is to stimulate economic development and generate returns.

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

**2. SIGNIFICANT EVENTS**

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

The negative market impacts of COVID-19 have impacted the valuation of the Corporation's venture capital investment portfolios. However, the permanent impact of such negative market events is not determinable due to the illiquid nature of the Corporation's venture capital investments. Management believes that any decrease in fair value of the Corporation's venture capital investments is temporary rather than a permanent impairment.

Management will continue to monitor the market impacts of COVID-19 on the valuation of its investment portfolios.

**3. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

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

**BC IMMIGRANT INVESTMENT FUND LTD.**

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

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

*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, BICRCF. All intercompany transactions and balances have been eliminated upon consolidation.

*Revenue Recognition*

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

Venture Capital Investment Income represents BICRCF's portion of distribution of proceeds resulting from the divestiture of investments held by the Funds. Income is recognized once all paid in capital to the fund has been returned.

Realized investment gains represents realized investment and foreign exchange gains and losses earned in operating cash accounts and investments, and is recognized on the sale of investments.

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

*Expenses*

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

*Promissory Note Discount*

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

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

*Foreign Currency Translation*

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

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

*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 FINANCIAL STATEMENTS

March 31, 2020

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

*Financial Instruments*

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

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

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

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

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

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

*i. Cash*

Cash includes both cash and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. The investments are held for the purpose of meeting short-term cash commitments rather than for investing. They are reported at cost.

*ii. Accounts and loans receivable*

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

*iii. Venture investments*

The Corporation invests in venture investments as a Limited Partner. These investments are reported at cost as there is no quoted market price in an active market.

**BC IMMIGRANT INVESTMENT FUND LTD.**

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

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

*iv. Debt and other financial liabilities*

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

*v. Derivative Product Transactions*

The Corporation has entered into an interest rate swap where it will pay a fixed rate of interest instead of variable rate at the time the financing is required. Derivatives are reported at fair value using Level 1 valuation (Note 5).

**4. LOANS RECEIVABLE**

	2020	2019
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.	7,192	7,643
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 3.48% over a 10 year term. The outstanding balance of this loan was paid in full on December 16, 2019.	-	8,763
Due from the Province of British Columbia, principal of \$73,000,000, 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.	6,498	14,923
Due from the Province of British Columbia, principal of \$30,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 2.11% over a 9 year term. The outstanding balance of this loan was paid in full on September 16, 2019.	-	13,563
Due from the Province of British Columbia, principal of \$43,000,000, 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.	12,238	16,944
Total loans receivable	<u>25,928</u>	<u>61,836</u>

**BC IMMIGRANT INVESTMENT FUND LTD.**

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

**5. DERIVATIVES**

	2020	2019
Minister of Finance interest rate swap, fixed at 1.65% commencing in 2017 through 2023	(237)	273

The Corporation has entered into an interest rate swap with the Minister of Finance where it will pay a fixed rate of interest instead of variable rate at the time financing is required. The derivative mitigates the risk of rising future interest rates when the Corporation must access financing. Fair value of the derivative product is calculated as the present value of the future cash outflows and inflows relating to the derivative arrangement. Based on interest rates at March 31, 2020 the present value of cash inflows is less than the cash outflows.

**6. VENTURE INVESTMENTS**

BCRCF has two venture investment portfolios. In portfolio one, BCRCF has investments as a limited partner in nine venture funds. In portfolio two, BCRCF invests in the BC Tech Fund as a limited partner.

Cumulative contributions and returns of capital to date are:

	2020	2019
Canadian Dollar Venture Funds		
Cumulative contributions to date	88,731	71,338
Cumulative returns of capital	(28,767)	(24,334)
Total Canadian Dollar Venture Funds	59,964	47,004
US Dollar Venture Funds		
Cumulative contributions to date	41,055	41,003
Cumulative returns of capital	(17,162)	(16,172)
US Dollar Venture Funds	23,893	24,831
Combined Canadian and US Dollar Funds	83,857	71,835
Less cumulative impairments	(21,114)	(21,020)
Venture Capital Investments	62,743	50,815

During the year, impairments totaling \$93.3 thousand (2019: \$0 thousand) in venture capital investments were identified by management and reported on the consolidated statement of operations.

**7. FISCAL AGENCY LOAN**

On March 31, 2017, the BC Immigrant Investment Fund Ltd. entered into a Short-Term Borrowing Facility with the Minister of Finance. The maximum principal amount of the credit facility is \$80 million. The interest rate has been fixed at 1.65% by entering into an interest rate swap as described in Note 4. The contract was fully executed June 7, 2017. The purpose of the Short-Term Borrowing Facility is to meet all capital call commitments and repayment obligations to the Federal Government. The Corporation accessed the short term financing on October 13, 2018 in order to meet its capital call and repayment obligations.

**BC IMMIGRANT INVESTMENT FUND LTD.**

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

**8. PROMISSORY NOTES**

On February 11, 2014, the Federal Government announced its intention to terminate the existing Federal Immigrant Investor Program. Investor applications that were in progress at that time have been processed and all allocation of the funds have now flowed through to the Corporation.

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.

	2020	2019
Total promissory notes, beginning of year	43,338	162,255
Additions during the year	159	-
Repaid or refunded during the year	(38,356)	(118,917)
	5,141	43,338
Net promissory note discount end of year	(63)	(228)
Promissory notes, end of year	5,078	43,110

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

Year	Amount
2021	3,298
2022	830
2023	834
2024	-
2025	139

**9. RISK MANAGEMENT**

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

*Credit Risk*

Credit risk is the risk associated with the inability of a third party to fulfill payment obligations. The Corporation is exposed to credit risk in the event of non-performance by a public sector borrower to a maximum value of the value of loans receivable. The Corporation 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.

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.



**BC IMMIGRANT INVESTMENT FUND LTD.**

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

**9. RISK MANAGEMENT (Continued)**

*Market Risk (Currency Risk, Interest rate Risk and Other Price Risk)*

*Currency Risk*

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

Through the Corporation's venture capital initiative, the Corporation has a total of \$322 thousand USD (2019 - \$362 thousand USD) in remaining venture capital commitments and holds \$9.7 million USD in venture capital investments (2019: \$10.4 million USD) and \$0 USD (2019: \$107 thousand USD) in cash. Returns generated from investments in these venture capital funds will 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. At the statement of financial position date, currency risk is negligible because the Corporation has sufficient cash and financing available to satisfy commitments made.

US dollar investments held to provide funds for anticipated US dollar venture capital commitments have resulted in unrealized foreign exchange losses of \$0 (2019 - \$1 thousand) being recognized in the consolidated statement of remeasurement gains and losses.

*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 the Central Deposit Program on a floating rate basis.

If the Corporation were to have experienced a 1% change in the interest rate earned this would have impacted interest income in the approximate amount of \$0.6 million (2019 - \$1.1 million) calculated as 1% of the average book value of investments throughout the year.

The Corporation manages its exposure to interest rate on future cash borrowings by entering into a Derivative Product Transaction Agreement where the Corporation will pay a fixed rate of interest instead of the variable rate of interest at the time financing is required.

*Other Price Risk*

Other price risk is the risk that the market value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation is exposed to other price risk through 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 8).

**BC IMMIGRANT INVESTMENT FUND LTD.**

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

**9. RISK MANAGEMENT (Continued)**

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

**10. COMMITMENTS**

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

	2020	2019
Total USD investment commitments (USD)	38,987	38,987
USD investment commitments transferred to date (USD)	(38,465)	(38,425)
Remaining USD investment commitments (USD)	522	562
Remaining USD investment commitments translated to CAD	678	751
Total CAD investment commitments	151,000	151,000
CAD investment commitments transferred to date	(87,861)	(70,488)
Remaining CAD investment commitments	63,139	80,512
Aggregate remaining investment commitments	63,817	81,262

**11. INDEMNITIES**

As part of the Corporation's initiative to develop a portfolio of venture investments it has entered into the following partnerships:

Portfolio 1: Arch Venture Fund VII, L.P., VantagePoint Clean Tech Partners II, L.P., VantagePoint Venture Partners 2006 (Q), L.P., Azure Capital Partners III, L.P., Yaletown Ventures II, L.P., Tandem Expansion Fund I, L.P., (the Partnerships), VanEdge Capital I, L.P., iNovia Investment Fund III L.P; and

Portfolio 2: BC Tech Fund.

Under the terms of the partnership agreements, each Partnership has agreed to indemnify its General Partner (including their members, employees and agents) for certain liabilities, which the General Partner may incur as a result of activities undertaken in their capacity as General Partners. Management believes that no such liabilities exist at March 31, 2020.

**BC IMMIGRANT INVESTMENT FUND LTD.**

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

**12. RELATED PARTY TRANSACTIONS**

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

As of April 1, 2017, BCIF has a Memorandum of Understanding that the Ministry of Jobs, Economic Development and Competitiveness will incur the cost of operating expenditures on behalf of BCIF without expectation of reimbursement. BCIF will continue to record expenditures due to the amortization of promissory notes, investment management fees, and investment losses (if any) as disclosed in note 13.

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:

	2020	2019
Cash (CDF)	13,896	10,953
Loans receivable (Note 4)	25,928	61,838
Fiscal Agency Loan (Note 7)	40,136	26,628

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

	2020	2019
Interest Income	1,626	2,633
Debt service costs	705	231

**13. EXPENSES BY OBJECT**

The following is a summary of expenses by object:

	2020	2019
Amortization of promissory note discount	176	1,063
Debt service costs	719	237
Investment fees	276	299
Miscellaneous expenses	2	11
Venture Capital investment losses	93	-
	<b>1,266</b>	<b>1,612</b>

**14. BUDGETED FIGURES**

Budgeted figures have been provided for comparison purposes and have been derived from the 2019/20 Service Plan approved by the Board Chair on January 22, 2019.

## Appendix A: Additional Information

### Organizational Overview

The BC Immigrant Investment Fund Ltd. (BCIIF) was incorporated on September 19, 2000 under the [Company Act](#) (as it was then) and then registered under the [Business Corporations Act](#) (BC). BCIIF is wholly-owned by the Province of British Columbia.

The BCIIF is an approved fund under the federal government's Immigrant Investor Program (IIP), administered by Immigration, Refugee and Citizenship Canada (IRCC). IRCC requires that funds provided to the BCIIF be invested in projects that contribute to economic development and job creation in Canada.

The B.C. Renaissance Capital Fund Ltd. (BCRCF) is a Crown corporation that is a wholly-owned subsidiary of the BCIIF. The purpose of the BCRCF is to increase the amount of venture capital available to B.C.-based technology companies. The BCRCF's venture capital investments are managed by a private sector fund manager and include:

#### *Portfolio 1 | 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://bciif.ca/BCRCF/>

Fund manager profiles and B.C. investment details can be found by clicking on the link above.

#### *Portfolio 2 | BC Tech Fund*

Additional information on investment strategy, manager of the BC Tech Fund, and portfolio investments can be found at: <http://bciif.ca/BCRCF/>

### Corporate Governance

The BCIIF /BCRCF are incorporated under the [BC Business Corporations Act](#). The Minister of JEDC is the sole shareholder of both corporations. The Board is comprised of three appointed public service members:

- Chair: Jill Kot
- Director: Silas Brownsey
- Director: Amy Miller

Additional information regarding BCIIF, mission and values, leadership, and corporate governance information can be found at: <http://bciif.ca/bciif/overview/>

### Contact Information

For more information on BC Immigrant Investment Fund Ltd. contact:

BCIIF

5th Floor-800 Johnson St

Victoria B.C. V8W 1N3

or visit our website at: [www.bciif.ca](http://www.bciif.ca)

## Appendix B: Subsidiaries and Operating Segments

### Active Subsidiaries

The B.C. Renaissance Capital Fund Ltd. (BCRCF) is a Crown corporation wholly-owned by the BCIIIF. The Board of Directors and management are the same as the BCIIIF. Like the BCIIIF, the BCRCF aligns its activities with the BCIIIF's strategic priorities and fiscal plan.

In August 2007, the provincial Treasury Board approved an allocation of \$90.2 million from the BCIIIF to the BCRCF for venture capital investments in key technology sectors of information technology, digital media, clean technology and life sciences.

In 2016 a further \$100 million was approved to support the BC Tech Fund, bringing BCRCF's total venture capital commitments to \$190.2 million. The objectives of the BCRCF's venture capital investments 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 and increase the quantity of venture capital available in B.C.
- Enhance the visibility of B.C. as an attractive market for venture capital opportunities in North America and globally

The BCRCF is the venture capital component of the larger BCIIIF investment portfolio. Financial and operational risks or opportunities facing BCRCF are reflected in the BCIIIF Service Plan.

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

(\$m)	2018/19 Actual	2019/20 Budget	2019/20 Actual	2019/20 Budget Variance
<b>Total Revenue</b>	544	-	116	116
<b>Total Expenses</b>	(299)	(269)	(276)	(7)
<b>Net Income (Loss)</b>	<b>245</b>	<b>(269)</b>	<b>(160)</b>	<b>109</b>

**Summary of BCIF’s Portfolios**

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

<b>Portfolio</b>	<b>Year</b>	<b>Fund Manager</b>	<b>Company</b>
<b>2 – BC Tech Fund Investments in B.C. based companies</b>	2016	BC Tech Fund	Mojio
	2017	BC Tech Fund	Foodee
	2018	BC Tech Fund	Eventbase
	2019	BC Tech Fund	D-Wave
	2019	BC Tech Fund	Procurify
	2019	BC Tech Fund	Tasktop