FROM IDEA TO IMPACT
Venture capital for high-potential tech companies
About the Ontario Capital Growth Corporation

Ontario Capital Growth Corporation (OCGC), the venture capital agency of the Government of Ontario (the Province), was created to promote and develop the venture capital sector in Ontario, so that more high-potential technology companies have access to the capital needed to grow and prosper. OCGC investment activities have resulted in over $300 million invested in high potential technology companies.

OCGC was established as an agency of the Crown on February 1, 2009 by the Ontario Capital Growth Corporation Act, 2008 (the Act). In accordance with the Act, OCGC:

- Makes investments in venture capital funds and technology companies;
- Manages the Ontario Emerging Technologies Fund;
- Administers its limited partnership interests in externally-managed funds;
- Provides advice to the Province on venture capital matters; and
- Supports the development of Ontario’s venture capital ecosystem and the implementation of the Province’s venture capital policies.
Message from the Chair and President & CEO

We are pleased to present the 2017-18 Annual Report of the Ontario Capital Growth Corporation (OCGC). This report highlights OCGC’s progress during the fiscal year which ended on March 31, 2018.

OCGC is focused on developing a long term, sustainable venture capital industry in Ontario, which in turn will help strengthen Ontario’s economy and create job opportunities in key economic sectors of the province. OCGC provides access to capital that will enable innovative, high potential Ontario-based companies to achieve the scale necessary to realize their full economic potential and compete in global markets. Through OCGC’s venture capital initiatives, our portfolio companies currently employ over 9,000 people in Canada, with the majority of these in Ontario, and have cumulatively recorded approximately $5.7 billion in revenues and $1.6 billion in R&D expenditures1.

To date, OCGC has made investment commitments to a number of externally-managed funds, including Ontario Venture Capital Fund LP (OVCF), Northleaf Venture Catalyst Fund LP (NVCF), ScaleUp Venture Fund I LP (SUVF) and Yaletown Innovation Growth LP (Yaletown). OCGC also makes direct investments through the Ontario Emerging Technologies Fund (OETF) alongside qualified co-investors in emerging technology companies.

The $205 million OVCF, managed by Northleaf Capital Partners, helped establish nine Ontario-based and Ontario-focused venture capital funds, providing important lead orders to those funds to raise additional capital. OVCF has also made seven direct investments in a number of successful Ontario companies, including Achievers and Shopify. Through OVCF, together with third party capital, over $1 billion has been made available to Ontario-based and Ontario-focused funds and companies.

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1 Revenues and R&D expenditures have been aggregated across OCGC’s portfolio since inception. As individual fund managers may co-invest in syndicate, the aggregated figures may overstate these metrics due to potential double counting.
The $300 million NVCF, also managed by Northleaf Capital Partners, is fully committed with a portfolio of 14 venture capital funds and 12 high potential companies with a presence in Ontario or Canada. NVCF has helped reinforce Ontario’s position as a North American leader in venture capital by attracting investment capital into the province and helping businesses compete globally. Capital committed by NVCF, together with third party capital, have collectively provided over $2 billion to funds and companies based in Ontario or Canada or to those with a Canadian presence.

The OVCF and NVCF were established to ultimately support Ontario’s continued innovation, provide evidence of the potential for long-term investment returns of venture capital as an asset class, and contribute to the creation of a globally competitive and self-sustaining venture capital industry in Ontario.

In January 2017, OCGC made an investment commitment of $25 million to SUVF as directed by the Ministry of Research, Innovation and Science (the Ministry). SUVF is expected to help start-up technology companies achieve global scale and to provide these companies with mentorship through a leadership council of approximately 30 senior business leaders and successful entrepreneurs. SUVF committed capital and third-party capital have so far provided approximately $41 million to companies with a Canadian presence, nine of which are based in Ontario.

Following the announcement of a cleantech equity fund mandate and the launch of a cleantech expression of interest in early 2017, OCGC made a $20 million investment commitment to Yaletown. Yaletown had an initial close of $100 million, with a target $200 million fund size.

As of May 2012, OETF no longer invests in new companies and only makes follow-on investments into its existing portfolio companies. To date, OETF has committed investments totalling approximately $101 million to 27 Ontario-based companies and levered an additional $350 million in third party investments.

Access to capital continues to play a critical role in accelerating the growth of innovative startups and entrepreneurial firms into medium and large companies. With a diversified portfolio of funds and companies, OCGC continues to provide a market focussed means to help develop high potential companies and to better capture the associated economic benefits over the long term.

In 2018-19, OCGC will continue to administer the OETF investment portfolio and oversee its externally-managed

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2 Includes existing committed capital and any capital reserves for anticipated follow-on investing.
3 Includes funds whose investments are focused on Canada but are not headquartered in Canada.
limited partnerships in an efficient and cost-effective manner. We will also continue to support the development of Ontario’s venture capital ecosystem and provide advice and support on the Province’s venture capital policies.

The Board of Directors would like to thank Mr. Robert Burns, who assumed the role of Interim President & CEO and offered leadership to the organization as the Board conducted its search for a permanent President & CEO.

Most importantly, we would like to thank the dedicated OCGC staff for their ongoing effort and commitment to OCGC’s continued success, as well as the members of the Board of Directors for their advice and oversight during the fiscal year. We look forward to working with both staff and the Board in the new fiscal year.

Jeff Kehoe  
Chair

Steve Romanyshyn  
President & CEO

Our Funds’ Impacts
OCGC has made investment commitments to a number of externally-managed funds, including

OVCF $90M  
NVCF $50M  
SUVF $25M  
Yaletown $20M  
Emerald $35M

OCGC also manages a portfolio of direct investments through OETF

Talent and Job Creation  
Revenue Growth  
R&D Expenditures
Build, Grow and Prosper
Supporting Ontario’s Venture Capital Ecosystem

1 Investing in Ideas
OCGC provides investment capital to Ontario’s most promising and innovative venture capital funds and companies.

2 Development and Growth
Our investments fuel development of Ontario’s innovators, job creators and wealth generators helping companies grow and scale.

3 Driving the Economy
Investing in Ontario’s venture capital sector drives economic growth and delivers good jobs and profitable returns back to the people of Ontario.

4 Benefits Beyond Capital Returns
Support of well managed venture funds initiates a virtuous cycle of expertise, success and economic value:
• More successful companies,
• More quality jobs,
• More wealth and prosperity for Ontarians.

New companies
Talent
Job Creation
Innovation
Economic growth
Management’s Discussion and Analysis

Ontario Venture Capital Market in 2017

Venture investing slowed throughout 2017 with Ontario experiencing the first significant year-over-year decline in total invested capital since the 2008-09 financial crisis. In total, approximately $1.4 billion was invested into 155 Ontario-based companies across 190 deal transactions. The 2017 total was down approximately $500 million from the 2016 post dot-com high of $1.85 billion. Ontario’s share of total invested capital in Canada has averaged 45% annually; however, Ontario’s share was 33% in 2017, down from 50% in 2016. As a result of the slowed investment pace in 2017, Ontario dropped from 4th place to 8th place in the annual ranking of North American jurisdictions.

In 2016, multiple large cap deals helped drive growth in the Ontario market, but were sparse in 2017. Only one Ontario-based company, Mississauga’s PointClickCare, secured a financing round in excess of $100 million. Ontario continues to lack venture capital funds able to support sizable investment rounds required by companies to scale effectively. Top ranking North American jurisdictions typically achieve average deal values of $10 million or more. While Ontario achieved 2016 and 2017 per deal capital totals of $8.2 million and $7.2 million respectively, it has consistently averaged less than $5 million over the past decade.

Information and communications technology (ICT) deals continue to drive the Ontario venture marketplace. In 2017, ICT deals accounted for 81% of Ontario’s venture investment by capital invested and 77% by deal volume. Deals in life sciences totaled approximately 16% of capital commitments.

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4 All statistics, figures and data refer to calendar year and are sourced from Thomson Reuters unless otherwise noted.
which is roughly on par with recent annual averages. Cleantech investment continues to play a small role in the overall Ontario venture economy, representing only 2% of total invested capital and 4% of deal volume.

Throughout 2017, fundraising activity in Ontario totaled $482 million representing 53% of the total reported fundraising in Canada. While on track to be well short of 2016’s $1.1 billion, the amount is consistent with previous years when averaged on an annual basis. Ontario funds raising capital in 2017 included OMERS Ventures Fund III, which closed at $300 million, and Round 13 Capital, which completed a final close at $95 million.

Exit activity continues to be sporadic in Ontario. Mergers and acquisitions remain the most prominent exit vehicle, with a total of 14 deals. In 2017, Ontario recorded two venture-backed IPOs totaling $300 million.

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**Operations and Results Achieved**

OCGC is pleased to report that it has met the expectations set out in its mandate letter for the remainder of fiscal 2017-18 by:

- Implementing the necessary policies and procedures to operationalize its mandate; and
- Developing an investment planning framework, in consultation with the Ministry, to identify gaps and opportunities in Ontario’s venture capital ecosystem and guide OCGC’s future investments.

OCGC is expected to experience both investment gains and losses, which is typical for venture capital investment funds. On an aggregated basis, the interim performance of OCGC’s venture capital investments has a valuation of 1.28x as of December 31, 2017, based on multiple of capital\(^5\) up from 1.18x as of December 31, 2016 (see Figure 1).

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\(^5\) Multiple of capital as calculated is net of underlying fund manager fees, expenses and carried interest, but before OCGC’s operating costs.
OCGC Interim Fund Performance (as at December 31, 2017)

OCGC Commitments (as at December 31, 2017)

OCGC had an increase of $55 million in capital commitments in 2017 (see Figure 2). The new monies are attributed to the Cleantech Equity Fund initiative which committed $20 million to Yaletown Partners’ Innovation Growth LP and $35 million to Emerald Technology Ventures as an anchor commitment to their Canadian Cleantech Fund, which is currently fundraising towards a first close. As of December 31, 2017, approximately 71% of OCGC’s committed capital has been funded.
Impact: By the Numbers

- **9,000** Careers in Canada
- **$5.7B** Revenues
- **$1.6B** Research and Development Expenditures

OCGC’s Investments

OCGC is currently responsible for overseeing its limited partnership interests in the following externally-managed funds: OVCF and NVCF (both fund of funds), SUVF and Yaletown. OCGC is also responsible for managing and operating OETF. As well, OCGC is assisting the Province in supporting the development of Ontario’s venture capital ecosystem. Results for fiscal 2017-18 are described in the sections to follow.
During its active investment period, the Ontario Venture Capital Fund LP (OVCF) made a total of 11 fund commitments to qualified venture capital funds and seven direct co-investments in Ontario-based companies totalling over $190 million, with reserves held for additional follow-on financing to direct co-investments.

Through its investment lifecycle, capital committed by OVCF, together with third party capital, has collectively provided over $1 billion for Ontario-based/focused funds and companies. As of December 31, 2017, OVCF Ontario-based portfolio companies have cumulatively recorded $3.1 billion in revenues, $700 million in R&D expenditures⁶ and currently employ over 3,200 people⁷.

OVCF’s portfolio includes approximately $166 million in capital commitments to the following Ontario-based/focused fund managers:

OVCF’s direct investment portfolio includes seven co-investments in leading Ontario-based technology companies, such as Achievers and Shopify, totalling approximately $24 million.

⁶ Revenues and R&D expenditures have been aggregated since first OVCF investment.
⁷ As the OVCF portfolio matures and companies are exited, total employment figures within the portfolio will decrease, but these do not represent lost jobs.
As one of our earliest partners, OCGC have played a foundational role in our funds. The support they have provided to Georgian Partners has been instrumental in helping us to where we are today including enabling us to invest in great companies like Shopify, Top Hat, Integrate.ai, Freshbooks and many others.

John Berton,  
Managing Partner
The Northleaf Venture Catalyst Fund LP (NVCF) was the first fund launched under the Federal Government’s Venture Capital Action Plan and is now fully committed/reserved. To date, capital committed by NVCF and third-party capital leveraged have collectively provided over $2 billion for Canada-based/focused funds and companies. NVCF’s Canada-based portfolio companies have recorded\textsuperscript{8} $2 billion in revenues, $550 million in R&D expenditures and employ over 5,000 people\textsuperscript{9}.

NVCF has made 14 fund commitments totalling approximately $235 million to funds, including approximately $200 million to 11 Canada-based funds, eight of which are headquartered in Ontario:

NVCF has also made 12 direct co-investments totalling over $50 million, in leading Canada-based technology companies such as ecobee, Wattpad and Freshbooks.

\textsuperscript{8} Revenues, R&D expenditures and employment figures recorded as of December 31 2017.
\textsuperscript{9} Revenues and R&D expenditures have been aggregated since first NVCF investment.
The ScaleUp Venture Fund I LP (SUVF) is aimed at providing both financing and mentorship to high-growth companies in large, growing markets. SUVF is expected to provide high potential companies with a unique combination of capital and mentorship to increase the pipeline of firms that can grow into the next generation of global companies. Initial investments are expected to range from $500,000 to $3 million, with the potential for follow-on investments as portfolio companies progress. As directed by the Ministry in January 2017, OCGC committed $25 million to the SUVF.

To date, capital committed by SUVF and third-party capital leveraged have collectively provided over $41 million for early-stage technology companies. SUVF’s Ontario-based portfolio companies have recorded $17.3 million in revenues, $7.3 million in R&D expenditures and employ over 200 people.

As of March 31, 2018, SUVF’s has committed approximately $31 million to 16 investments, including 9 Ontario-based early-stage technology firms, totaling approximately $15.5 million:

10 Revenues, R&D expenditures and employment figures recorded as of December 31 2017.
11 Revenues and R&D expenditures have been aggregated since first SUVF investment.
Yaletown’s Innovation Growth LP (Yaletown) is focused on assisting Canadian technology companies to scale and become market leaders. Investments are targeted at emerging-growth companies across Canada focused on enhancing sustainability and productivity in the cleantech, intelligent industry and intelligent enterprise sectors. In 2017, OCGC committed $20 million to Yaletown as part of an initial closing by Yaletown of over $100 million. The fund is targeting a final of close of $200 million in 2018.

As of March 31, 2018, Yaletown has made two investment commitments, including Toronto-based Thoughtwire where it led a $20 million financing round:

We were delighted to have OCGC join as a limited partner, alongside other leading institutional investors such as OPTrust, in Yaletown’s Innovation Growth Fund ("IGF"). Ontario has one of the world’s most dynamic technology ecosystems. Through IGF we are supporting emerging growth companies to scale up and successfully compete globally.

Salil Munjal, 
Managing Partner, 
Yaletown Partners
OETF was launched in 2009 in response to the financial crisis. OETF invests much needed capital to high potential private Ontario companies where access to capital is the most challenging in the clean technology, life science and advanced health technology, and digital media and ICT sectors. OETF’s portfolio of companies is well represented and dispersed throughout the major urban centers of southern Ontario referred to as Ontario’s Innovation SuperCorridor.

Portfolio Diversification

- 36% Expansion/Later Stage
- 64% Early Stage
- 28% Life Sciences
- 50% Digital Media/ICT
- 13% Kitchener-Waterloo
- 77% Greater Toronto Area
- 22% Clean Tech
- 10% Ottawa
Early investments like those made by the Ontario Capital Growth Corporation (OCGC) allowed ecobee to focus on meaningful innovation that placed customer needs at the forefront of our early product development decisions. Without the strong vote of confidence given by early partners such as OCGC, ecobee would not be the smart home leader that it is today.

Stuart Lombard, 
Founder and CEO of ecobee.
Ontario Venture Capital Ecosystem Activities

OCGC supports the development of Ontario’s venture capital ecosystem by:

- Participating in venture capital initiatives to raise awareness of investment opportunities in Ontario, as well as to gather market intelligence to support venture capital public policies and gather data on opportunities generated;
- Working with the Ministry on venture capital public policies to support the Province’s efforts to strengthen the venture capital ecosystem in Ontario;
- Providing advice to the Province on venture capital matters; and,
- Seeking to enhance the venture capital community’s awareness of the full range of other government and private sector initiatives that support venture capital and innovation in Ontario.

To that end, OCGC participated in several events this past fiscal year and proactively engaged with investors, including hosting a number of international investment delegations, to increase the profile of its portfolio companies and to support Ontario emerging technology companies in gaining access to the broader investment community. Events included:

- Canada’s Venture Capital and Private Equity Association (CVCA) Annual Conference;
- Life Sciences Ontario Annual Policy Forum;
- BDC Corporation Innovation Summit;
- OCE Discovery;
- Canadian Innovation Exchange; and
- A number of additional important forums, panels, round tables, and pitch competitions, conferences hosted by industry stakeholders, such as the National Angel Capital Organization, C100, the Toronto Stock Exchange, Ontario Centres of Excellence, Institutional Limited Partners Association (ILPA), and several accelerators and incubators.
Ontario Capital Growth Corporation

Financial Statements

Management’s Responsibility for Financial Reporting

June 11, 2018

The accompanying financial statements of the Ontario Capital Growth Corporation (OCGC) have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of Management. 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. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to March 31, 2018.

Management maintains a system of internal controls designed to provide a reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provide for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Ministry of Finance has the ability to independently evaluate the effectiveness of these internal controls on an ongoing basis and, as applicable, report its findings to Management and the Audit and Risk Committee of the Board of Directors.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. The Audit and Risk Committee assists the Board of Directors in carrying out these responsibilities. It meets periodically with Management, internal auditors and the external auditor, as applicable, to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by an independent auditor, Deloitte LLP. The auditor’s responsibility is to express an opinion on whether OCGC’s financial statements fairly represent OCGC’s financial position in accordance with Canadian public sector accounting standards. The auditor’s report, which appears on the following page, outlines the scope of the auditor’s examination and its opinion.

On behalf of Management:

Steve Romanyshyn,
President and Chief Executive Officer
Independent Auditor’s Report

To the Board of Directors of Ontario Capital Growth Corporation

We have audited the accompanying financial statements of the Ontario Capital Growth Corporation, which comprise the Statement of Financial Position as at March 31, 2018, the statements of operations and changes in accumulated operating surplus, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Capital Growth Corporation as at March 31, 2018, and the results of its operations, change in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter
The statement of financial position as at March 31, 2017 and the statements of operations and changes in accumulated operating surplus, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended were audited by another auditor who issues an unmodified opinion on June 20, 2017.

Chartered Professional Accountants
Licensed Public Accountants
June 18, 2018

Deloitte LLP
400 Applewood Crescent, Suite 500
Vaughan ON L4K 0C3, Canada
Tel: 416-601-6150 Fax: 416-601-6151
www.deloitte.ca
## Statement of Financial Position

As at March 31, 2018
(Canadian dollars)

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<td>Accumulated operating surplus</td>
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Accumulated surplus is comprised of

The accompanying notes are an integral part of the financial statements.

Approved by the Board

Director

[Signature]

2017-2018 Annual Report
## Statement of Operations and Changes in Accumulated Operating Surplus

### Year ended March 31, 2018
(Canadian dollars)

The accompanying notes are an integral part of the financial statements.

### Revenues

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<thead>
<tr>
<th>Notes</th>
<th>Budget</th>
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<td>Funding and transfer payments from the Province of Ontario</td>
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### Expenses

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<th>Notes</th>
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### Annual surplus

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<th>2017</th>
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<tr>
<td>Annual surplus</td>
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<td>Accumulated operating surplus, beginning of year</td>
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<td>263,791,514</td>
</tr>
<tr>
<td>Accumulated operating surplus, end of year</td>
<td>359,752,514</td>
<td>363,610,185</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
Ontario Capital Growth Corporation

Statement of Remeasurement Gains and Losses

Year ended March 31, 2018
(Canadian dollars)

<table>
<thead>
<tr>
<th></th>
<th>2018 Budget</th>
<th>2018 Actual</th>
<th>2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated remeasurement gains, beginning of year</td>
<td>$560,642</td>
<td>$560,642</td>
<td>$955,367</td>
</tr>
<tr>
<td>Unrealized gains (losses) attributable to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>—</td>
<td>(186)</td>
<td>(813,432)</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>—</td>
<td>(33,023)</td>
<td>(33,692)</td>
</tr>
<tr>
<td>OETF portfolio investments</td>
<td>439,358</td>
<td>450,665</td>
<td>452,399</td>
</tr>
<tr>
<td>Accumulated remeasurement gains, end of year</td>
<td>439,358</td>
<td>417,456</td>
<td>(394,725)</td>
</tr>
<tr>
<td></td>
<td>1,000,000</td>
<td>978,098</td>
<td>560,642</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.

Ontario Capital Growth Corporation

Statement of Change in Net Financial Assets

Year ended March 31, 2018
(Canadian dollars)

<table>
<thead>
<tr>
<th></th>
<th>2018 Budget</th>
<th>2018 Actual</th>
<th>2017 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual surplus</td>
<td>95,961,000</td>
<td>99,818,671</td>
<td>36,961,969</td>
</tr>
<tr>
<td>Net remeasurement gains (losses)</td>
<td>439,358</td>
<td>417,456</td>
<td>(394,725)</td>
</tr>
<tr>
<td>Increase in net financial assets</td>
<td>96,400,358</td>
<td>100,236,127</td>
<td>36,567,244</td>
</tr>
<tr>
<td>Net financial assets, beginning of year</td>
<td>264,352,156</td>
<td>264,352,156</td>
<td>227,784,912</td>
</tr>
<tr>
<td>Net financial assets, end of year</td>
<td>360,752,514</td>
<td>364,588,283</td>
<td>264,352,156</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
# Statement of Cash Flows

**Year ended March 31, 2018**  
*(Canadian dollars)*

<table>
<thead>
<tr>
<th>Operating transactions</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual surplus</td>
<td>99,818,671</td>
<td>36,961,969</td>
</tr>
<tr>
<td>Realized gains on sale of OETF investments</td>
<td>(9,864,249)</td>
<td>(655,767)</td>
</tr>
<tr>
<td>Realized gains on sale of OVCF investments</td>
<td>(1,991,340)</td>
<td>(5,121,691)</td>
</tr>
<tr>
<td>Impairment of OETF portfolio investment</td>
<td>11,609,565</td>
<td>2,265,810</td>
</tr>
<tr>
<td>Changes in non-cash operating balances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in accounts receivable</td>
<td>(1,029,331)</td>
<td>(324,149)</td>
</tr>
<tr>
<td>(Decrease) increase in accounts payable and accrued liabilities</td>
<td>(42,469)</td>
<td>57,262</td>
</tr>
<tr>
<td></td>
<td>98,500,847</td>
<td>33,183,434</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investing transactions</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from disposal and redemptions of marketable securities</td>
<td>496,772,093</td>
<td>142,418,283</td>
</tr>
<tr>
<td>Purchase of marketable securities</td>
<td>(601,424,257)</td>
<td>(146,185,925)</td>
</tr>
<tr>
<td>Purchase of investments in OVCF</td>
<td>(5,850,000)</td>
<td>(6,466,594)</td>
</tr>
<tr>
<td>Proceeds from investments in OVCF</td>
<td>1,991,340</td>
<td>5,121,691</td>
</tr>
<tr>
<td>Return of capital from OVCF</td>
<td>781,695</td>
<td>1,677,744</td>
</tr>
<tr>
<td>Purchase of investments in NVCF</td>
<td>—</td>
<td>(19,930,273)</td>
</tr>
<tr>
<td>Purchase of investments in SUVF</td>
<td>(2,000,000)</td>
<td>(4,250,000)</td>
</tr>
<tr>
<td>Purchase of investments in Yaletown</td>
<td>(1,000,000)</td>
<td>—</td>
</tr>
<tr>
<td>Sale of investments in OETF</td>
<td>14,861,679</td>
<td>5,343,367</td>
</tr>
<tr>
<td>Purchase of investments in OETF</td>
<td>(4,568,964)</td>
<td>(5,955,652)</td>
</tr>
<tr>
<td></td>
<td>(100,436,414)</td>
<td>(28,227,359)</td>
</tr>
</tbody>
</table>

(DEcrease) increase in cash and cash equivalents during the year  
*(Canadian dollars)*

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1,935,567)</td>
<td>4,956,075</td>
</tr>
</tbody>
</table>

Cash and cash equivalents, beginning of year  
*(Canadian dollars)*

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,607,854</td>
<td>7,651,779</td>
</tr>
</tbody>
</table>

Cash and cash equivalents, end of year  
*(Canadian dollars)*

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,672,287</td>
<td>12,607,854</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
1. Description of business
The Ontario Capital Growth Corporation (OCGC or the Corporation) is a corporation without share capital, established under the Ontario Capital Growth Corporation Act, 2008 (the Act), which was proclaimed in force as at February 1, 2009 as an agency of the Ministry of Research and Innovation (MRI). In May 2016, MRI was reorganized as the Ministry of Research, Innovation and Science (collectively, the Ministry). As at March 31, 2018, OCGC is responsible to the Minister of Research, Innovation and Science (the Minister).

The legislative authority of the Corporation is set out in the Act. Under Section 4 of the Act, the objects of the Corporation are:

a) to receive, hold, administer and otherwise deal with the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP;

b) to receive, hold and deal with property, whether real or personal, in connection with the objects described in Section 4(a); and

c) to carry out the other objects that are prescribed by regulations.

Ontario Regulation 278/09 made under the Act prescribed additional objects of the Corporation. As of November 2017, the following are prescribed as classes of investments for the purposes of clause 4(b) of the Act:

i) Investments in venture capital funds that invest in, for-profit businesses, if the venture capital fund’s investments include investments in private businesses, or

ii) Investments in venture capital funds that invest in for-profit businesses that are, (1) private businesses, or (2) public businesses, if the Corporation, (a) invested in the business when it was a private business, or (b) has an investment in a venture capital fund described in paragraph 1 that made a direct or indirect investment in the business when it was a private business.

iii) Investments in businesses that the Corporation considers to be emerging technology businesses, which portfolio shall be known in English as the Ontario Emerging Technologies Fund and in French as Fonds ontarien de développement des technologies émergentes.

The following are prescribed as additional objects of the Corporation for the purposes of clause 4(c) of the Act:

1) To develop or participate in conferences or other events regarding venture capital matters.

2) To collect, analyze or distribute information regarding venture capital matters.

3) To provide advice to the Government of Ontario on venture capital matters.

4) To undertake other activities that are similar or related to the objects described in paragraphs 1, 2 and 3.

As of March 31, 2018, the Corporation has venture capital investments outstanding in five funds: (1) the Ontario Venture Capital Fund LP (OVCF); (2) the Ontario Emerging Technologies Fund (OETF); (3) the Northleaf Venture Catalyst Fund LP (NVCF); (4) the ScaleUP Venture Fund I, LP (SUVF); and (5) the Yaletown Innovation Growth LP (Yaletown). Additional information leading to the formation of the funds may be found in Notes 6, 7, 8, 9, and 10, respectively.

As required by the Agencies and Appointments Directive, the Corporation and the Minister have entered into a memorandum of understanding, which outlines the operational, administrative, financial and other relationships that exist between the Minister, the Ministry and the Corporation.

OCGC claims exemption from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act (Canada). As a provincial entity listed in Schedule A of the Canada-Ontario Reciprocal Taxation Agreement, OCGC can claim government rebates of the Harmonized Sales Tax (HST). Under the pay-and-rebate model, OCGC pays the HST on taxable supplies and services, and subsequently applies for a rebate of the HST paid.

The Province of Ontario has classified OCGC as an Operational Enterprise Agency with the same fiscal year ending March 31.

2. Summary of significant accounting policies
The Corporation’s functional and presentation currency is the Canadian dollar. These financial statement have been prepared in accordance with Canadian public sector accounting standards (PSAS) established by the Canadian Public Sector Accounting Board. The more significant accounting policies of the Corporation are summarized below.

Cash and cash equivalents
Cash and cash equivalents include demand deposits that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents include investments that are short-term and highly liquid and have maturities of less than three months from the original purchase date.
** Marketable securities**
Investments in securities that are traded in an active market are measured at fair value as at March 31, with any unrealized gain or loss recognized on the statement of remeasurement gains and losses. Remeasurement gains and losses related to a particular investment are reclassified to the statement of operations and changes in accumulated operating surplus when that investment is settled. Fair value includes the value of accrued interest, as applicable.

Investments in securities that are not traded in an active market are measured at cost. Impairment losses, which are other than temporary, are recognized in the statement of operations and changes in accumulated operating surplus when they occur.

**Investments in limited partnerships**
Investments in OVCF, NVCF, SUVF and Yaletown are classified as financial instruments and carried at cost based on the capital calls made by their respective general partner. These investments are not traded in an active market; therefore, the fair values of the investments are not readily determinable. The investments are subsequently tested for impairment annually and any losses due to impairment are recognized immediately in the statement of operations and changes in accumulated operating surplus.

**Ontario Emerging Technologies Fund (OETF)**
The investments in OETF are classified as financial instruments and carried at cost or amortized cost, which represents fair value at the time of acquisition. The co-investments made in OETF are recorded at cost, which represents fair value at the time of acquisition. Investments in OETF that are quoted in an active market are measured at fair value at March 31. Any unrealized gain or loss is recognized in the statement of remeasurement gains and losses until the investment is derecognized in which the gain or loss is recognized in the statement of operations and changes in accumulated operating surplus. All other investments in OETF are measured at cost or amortized cost. As part of the reporting process to the Government of Ontario, the Corporation is required to carry out periodic valuations of OETF investments to determine whether there has been an other than temporary loss in value that would indicate impairment. If the investments are determined to be impaired, they are written down to the new carrying value and the impairment expense is recognized immediately in the statement of operations and changes in accumulated operating surplus. Furthermore, to the extent that a security held in OETF represents a compound financial instrument with an embedded derivative, such as an equity conversion option, the value of that derivative at acquisition should be measured at fair value unless that derivative is linked to and must be settled by delivery of unquoted equity instruments, in which case, the derivative would be required to be measured at cost. For derivatives classified to the fair value category, value is first determined by referencing a quoted price in an active market, or in the absence of this, by applying a suitable valuation technique.

**Revenue recognition**
Interest income is recognized as it is earned. For marketable securities and OETF investments, interest income is accrued using the effective interest rate method. Interest income is recorded on an accrual basis in accordance with the terms of the purchase agreement and to the extent that such amounts are expected to be collected.
Dividend income is recognized in the year the Corporation becomes entitled to receive the dividend as per the terms and conditions of the share issuance.

Realized gains on the sale of OETF investments are recognized in the year the Corporation becomes entitled to receive the proceeds as per the terms and conditions of the respective disposition.

Distributions from OVCF, NVCF, SUVF and Yaletown are recognized in the year the Corporation becomes entitled to receive the distribution as per the terms and conditions of the respective limited partnership agreement.

OETF, NVCF, SUVF, CEF and LSVCF funding received represents monies transferred from the Ministry to the Corporation, as described in Notes 7, 8, 9, 17 and 16, respectively. The funding is recognized when received.

**Expense categories**
Cash management fees primarily represent fees paid to the Ontario Financing Authority (OFA) for cash management and related services.

Professional fees relate to fees paid to third party service providers.

Board and committee member expenses represent monies paid to board and committee members according to the Board and Committee Members Remuneration Policy, which conforms with the Agencies and Appointments Directive of Management Board of Cabinet (February 2015). In 2015, the Canada Revenue Agency (CRA) ruled that part-time per diem appointees (PTPDAs) are to be treated as employees (a) to be taxable supply; and (b) paid for per diem services, since CRA does not consider appointees (PTPDAs) are to be treated as employees Revenue Agency (CRA) ruled that part-time per diem of Cabinet (February 2015). In 2015, the Canada and Appointments Directive of Management Board Remuneration Policy, which conforms with the Agencies according to the Board and Committee Members monies paid to board and committee members service providers.
Professional fees relate to fees paid to third party
Board and committee member expenses represent monies paid to board and committee members according to the Board and Committee Members Remuneration Policy, which conforms with the Agencies and Appointments Directive of Management Board of Cabinet (February 2015). In 2015, the Canada Revenue Agency (CRA) ruled that part-time per diem appointees (PTPDAs) are to be treated as employees (a) to be taxable supply; and (b) Employment Insurance is applicable. PTPDAs cannot participate in Canada Pension Plan with respect to their PTPDA services.

Reimbursements to the Ministry represent direct OCGC expenses paid by the Ministry on its behalf for administrative purposes only.

**Foreign currency translation**
Foreign currency gains and losses on monetary items are recognized immediately in the statement of operations and changes in accumulated operating surplus. Unrealized foreign currency gains and losses on marketable securities, investments in OVCF, investments in NVCF, investments in SUVF, investments in Yaletown and OETF investments are recognized in the statement of remeasurement gains and losses. Unrealized foreign currency exchange gains and losses are reclassified from the statement of remeasurement gains and losses to the statement of operations and changes in accumulated operating surplus when the financial instrument is derecognized.

**Measurement uncertainty**
The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates are based on the best information available at the time of preparation of the financial statements and are periodically reviewed to reflect new information as it becomes available. Actual results could differ from those estimates. Accounts involving significant estimates include the valuation of OVCF, OETF, NVCF, SUVF and Yaletown.

3. **Financial instruments**
The Corporation has exposure to credit risk, liquidity risk, currency risk, interest rate risk and other price risk arising from financial instruments. This note presents information about OCGC’s exposure to each of these risks.

**Credit risk**
Credit risk arises from the potential a counterparty will fail to perform its obligations. The Corporation is currently exposed to credit risk through its holdings of convertible debt instruments in OETF.

The Corporation considers obligations of the Governments of Ontario and Canada to be relatively risk-free (Note 5).

**Liquidity risk**
Liquidity risk is the risk an entity will encounter difficulty in raising funds to meet both expected and unexpected cash demands associated with its financial liabilities. The Corporation manages liquidity risk by maintaining holdings of cash or highly liquid investments. In addition, the Ministry provides funding to the Corporation to meet obligations as required.

**Currency risk**
Currency risk is the risk to the Corporation’s results of operations that arises from fluctuations of foreign currency exchange rates and the degree of volatility of these rates. The Corporation’s exposure to foreign currency exchange risk is limited to holding US dollar cash and cash equivalents and holding OETF investments denominated in US dollars. OCGC does not hedge its US dollar exposure. The Corporation had a net exposure of $11,229,599 US dollar as at March 31, 2018 ($4,037,509 in 2017). A 5% increase (5% decrease) of the Canadian dollar against the US dollar as at March 31, 2018 would result in an impact of $561,480 ($201,875 in 2017) on the statement of remeasurement gains and losses with no impact on the annual surplus. In practice, the actual trading results may differ from this sensitivity analysis and the impact could be material.

**Interest rate risk**
Interest rate risk is the risk the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its short-term marketable securities and OETF investments. Risks from interest
rate fluctuations for marketable securities are minimal due to the investments being held for a term of three years or less to match the OVCF, NVCF, SUVF and Yaletown drawdowns projected by their respective fund managers. The impact of interest rate fluctuations on OETF investments are considered minimal as these instruments are primarily held for purposes of capital appreciation.

**Other price risk**
Other price risk is the risk the value of financial instruments will fluctuate as a result of changes in market prices or from factors specific to an individual investment. The maximum risk resulting from the financial instruments is equivalent to their fair value. The marketable securities consist of treasury bills that are not subject to significant price risk. As at March 31, 2018, if the value of the investments in OVCF, NVCF, SUVF, Yaletown and OETF had increased or decreased by 5% and all other variables held constant, the value of the investments would have changed by $7,970,594 ($8,146,557 in 2017). Investments made through OVCF, NVCF, SUVF, Yaletown or in OETF are highly illiquid, do not have a readily determinable market price, and are generally in early stage companies where the ultimate value that may be realized by OCGC on eventual disposition is inherently unpredictable.

Returns on these investments will depend on factors specific to each company (such as financial performance, product viability and quality of management), and external forces (such as the economic environment and technological progress by competitors). The carrying value of the OETF portfolio is measured at cost less changes for any other than temporary impairment in value at the statement of financial position date; however, the amounts that may ultimately be realized could be materially different.

**4. Accounts receivable**
As a Schedule A provincial agency, OCGC is required to follow the pay and rebate model with respect to HST applied to direct purchases. The Corporation pays the HST on its purchases and, subsequently, files a monthly rebate claim with the Canada Revenue Agency for the HST paid. HST rebates receivable as at March 31, 2018 amounted to $3,289 ($10,209 in 2017).

Realized gains on the sale of OETF investments are recognized in the year the Corporation becomes entitled to receive the proceeds as per the terms and conditions of the respective dispositions. Accounts receivable, as a result of dispositions of OETF investments made in 2018, amounted to $1,373,013 ($336,762 in 2017).

**5. Marketable securities**
OCGC may temporarily invest any monies not immediately required to carry out its objectives in:
- debt obligations of or guaranteed by the Government of Canada or a province of Canada; or
- interest bearing accounts and short-term certificates of deposit issued or guaranteed by a chartered bank, trust company, credit union or caisse populaire.

The value of investments in marketable securities as at March 31 are as follows:

<table>
<thead>
<tr>
<th>Par value</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Province of Ontario treasury bills, due dates ranging from June 20, 2018 to March 6, 2019 average coupon rate of 0.00%</td>
<td>69,549,000</td>
</tr>
<tr>
<td>Province of Ontario treasury bills, due dates ranging from April 25, 2018 to June 27, 2018 average coupon rate of 0.00%</td>
<td>124,759,000</td>
</tr>
<tr>
<td>Total</td>
<td>194,308,000</td>
</tr>
</tbody>
</table>

Fair value includes any accrued interest owing on the treasury bills.

The fair value of the marketable securities may fluctuate depending on changes in interest rates. For the year ended March 31, 2018, a change in interest rates of 1.0% would result in an impact of $1,933,638 ($887,456 in 2017) to the results of operations.

**6. Ontario Venture Capital Fund LP (OVCF)**
In June 2008, the OVCF was established with an investment commitment from the Province of Ontario of $90 million. OVCF is a $205 million joint initiative of the Government of Ontario and private institutional investors, formed to invest primarily in Ontario based and Ontario focused venture capital and growth equity funds that support innovative, high potential companies.

The investment in OVCF is carried at cost, based on the capital calls made by the OVCF general partner. As OVCF is not traded in an active market, the fair value of the investment is not readily determinable.

<table>
<thead>
<tr>
<th>Par value</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
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<td>124,759,000</td>
</tr>
<tr>
<td>Total</td>
<td>194,308,000</td>
</tr>
</tbody>
</table>
7. Ontario Emerging Technologies Fund (OETF)
OETF was launched in July 2009 with a commitment from the Province of Ontario to provide funding of $250 million. OETF, as a direct co-investment fund, makes investments into innovative high potential companies alongside other qualified investors with a proven track record of success. Investments are in three strategic sectors: (a) clean technology; (b) digital media and information and communication technologies; and (c) life sciences and advanced health technologies.

On May 30, 2012, the Corporation implemented a pause on any new investments under OETF for an indefinite period of time. This decision did not affect the Corporation’s ability to continue to make follow-on investments into existing portfolio companies and did not affect investments in-process that had already been approved by OCGC’s Board of Directors but had not yet closed.

For the year ended March 31, 2018, the aggregate OETF transfer payments received from the Ministry were $8,800,000 ($7,800,000 in 2017).

8. Northleaf Venture Catalyst Fund LP (NVCF)
In January 2014, the NVCF was established with an initial investment commitment of $36.25 million from the Corporation. As at July 2015, OCGC had increased its commitment to a final total of $50 million. NVCF is a $300 million joint initiative of the Government of Ontario, Government of Canada and the private sector, formed to invest primarily in Canadian venture capital funds that support innovative, high potential companies.

The investment in NVCF is carried at cost, based on the capital calls net of any return of recallable capital made by the NVCF general partner. As NVCF is not traded in an active market, the fair value of the investment is not readily determinable.

9. ScaleUP Venture Fund I, LP (SUVF)
In February 2017, the Corporation made an investment commitment of $25 million to the SUVF. SUVF is a joint initiative of the Government of Ontario and the private sector, formed to invest primarily in promising Ontario-based start-ups that have shown initial market success and demonstrate strong growth potential, but require new investment financing and mentorship to expand their operations. The final fund size is $106 million.

The investment in SUVF is carried at cost, based on the capital calls net of any return of recallable capital made by the SUVF general partner. As SUVF is not traded in an active market, the fair value of the investment is not readily determinable.

10. Yaletown Innovation Growth LP (Yaletown)
In October 2017, the Corporation made an investment commitment of $20 million to the Yaletown Innovation Growth LP. Yaletown is a joint initiative of the Government of Ontario and other public and private sector, formed with a focus on information-technology, energy technology and clean-technology companies in Canada and the United States. The total fund size is $100 million as of March 31, 2018.

The investment in Yaletown is carried at cost, based on the capital calls net of any return of recallable capital made by the Yaletown general partner. As Yaletown is not traded in an active market, the fair value of the investment is not readily determinable.

11. Contractual commitments
OCGC has the following contractual commitments:

a) In accordance with a financial service agreement between the OFA and OCGC, OFA conducts investment and cash management services for the government. OCGC pays OFA a fee for these services based on assets under management and reimburses for other related activities on a cost recovery basis.

b) Pursuant to the OVCF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2018, the total uncalled commitment is $15,975,537 ($21,825,537 in 2017) to be drawn down over the remaining years of the limited partnership.

c) Pursuant to the NVCF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2018, there is no further uncalled commitment (nil in 2017) to be drawn over the remaining years of the limited partnership.

d) Pursuant to the SUVF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2018, the total uncalled commitment is $18,750,000 ($20,750,000 in 2017) to be drawn down over the remaining years of the limited partnership.

e) Pursuant to the Yaletown limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2018, the total uncalled commitment is $19,000,000 (nil in 2017) to be drawn down over the remaining years of the limited partnership.

f) In accordance with the contract between Ernst & Young LLP (E&Y) and OCGC, E&Y conducts due diligence services and activities to qualify OETF co-investors. OCGC pays both fixed and hourly rates for these services and activities, respectively.

g) In accordance with the contract between LP Analyst and OCGC, LP Analyst provides investment consulting services including sourcing strategy, conducts due diligence services and activities for potential new fund investments, provides business advice to support negotiation, and undertake portfolio monitoring and reporting. OCGC pays both fixed and hourly rates for these services and activities, respectively.
h) In accordance with the contract between Covington Capital Corporation (Covington) and OCGC, Covington conducts services and activities to qualify, monitor, and exit OETF’s investments. OCGC pays both fixed and hourly rates for these services and activities, respectively.

i) In accordance with the contract between Weiler & Company and OCGC, Weiler & Company performs accounting functions relating to the operations of OCGC. OCGC pays an hourly rate for these services.

12. Investments in OETF
Investments in OETF can take the form of equity, warrants or convertible debt transacted in Canadian dollars (CAD) or US dollars (USD). The investments in OETF as at March 31 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acquisition cost</td>
<td>Carrying value</td>
</tr>
<tr>
<td>CAD investments</td>
<td>$32,354,381</td>
<td>$27,056,001</td>
</tr>
<tr>
<td>USD investments</td>
<td>$1,413,160</td>
<td>$3,729,101</td>
</tr>
</tbody>
</table>

* Represents historical cost net of investments exited and investments written off to nil.
** Represents follow-up on investments committed to by the Corporation but not yet executed.

All investments have been made in accordance with OETF guidelines. As at March 31, 2018, the OETF investment portfolio consisted of investments in 8 different companies, ranging from 0.03% to 3.49% of net assets. The percentage calculations exclude impaired investments in companies with a nominal or nil carrying value.

13. Income on investment in funds
For the year ended March 31, 2018, the Corporation recognized $1,149,101 ($1,318,977 in 2017) of investment income in funds.

14. Impairment of OETF investments
For the year ended March 31, 2018, impairment charges of $11,609,565 ($2,265,810 in 2017) in OETF investments were identified by management and were recognized in the statement of operations and changes in accumulated operating surplus.

15. Accounts payable
The Corporation and the Ministry carry out their respective operations on a shared cost basis. The Corporation reimburses the Ministry for certain expenses incurred on its behalf. These expenses may include but are not limited to staff salaries, benefits, information technology allocations per staff member, accommodations, external legal services, website development, French language translation, and other services.

Recognition and measurement of any reimbursement is subject to annual reconciliation between the Corporation and the Ministry, and approval of the extent and scope of the Ministry services to be provided.

The Corporation accrues eligible expenses reimbursable to the Ministry under accounts payable based on estimates provided by the Ministry that can be independently verified by the Corporation. Reimbursement payable in arrears as at March 31, 2018 amounted to $95,193 ($90,628 in 2017).

The remaining balance as at March 31, 2018 in the amount of $140,781 ($187,815 in 2017) represents payables in arrears to miscellaneous service providers.

16. Life Sciences Venture Capital Fund (LSVCF)
In March 2018, the Government of Ontario announced up to $50 million to establish a new Life Science Venture Capital Fund (LSVCF). The Ministry entered into the LSVCF transfer payment agreement with OCGC and subsequently disbursed $35 million to the Corporation. Folded into this initiative was $10 million disbursed in 2014 originally to establish a new life sciences seed venture capital fund.

As at March 31, 2018, the LSVCF initiative remains in development.
17. Cleantech Equity Fund (CEF)
The 2016 Ontario Budget committed $55 million to develop new approaches to making equity investments by the Province in clean technology ("cleantech") firms. The 2016 Ontario Fall Economic Statement reaffirmed this commitment, indicating the intention of the Province to take steps to promote the establishment of one or more cleantech equity funds through which the Province’s budget commitment can be invested.

OCGC will implement this initiative by establishing one or more limited partnerships in which the Corporation will participate as a limited partner on the same terms as the other limited partners.

In August 2017, the Ministry entered into the CEF transfer payment agreement with OCGC and subsequently $55 million to the Corporation.

In November 2017, the Ontario Capital Growth Corporation made an initial investment commitment of $20 million to the Yaletown Innovation Growth LP.

As at March 31, 2018, the second CEF initiative remains in development.

18. Related party transactions
As of March 31, 2018, the Corporation has related party transactions with the Ministry of Research, Innovation and Science (MRIS), the Ministry of Economic Development and Growth ("MEDG"), the Ontario Financing Authority ("OFA"), and the Province of Ontario.

OCGC has no tangible capital assets or liabilities. It is subject to a policy whereby the Ministry or another government organization provides for the management of assets and liabilities used for, or as the result of, the provision of services to the Corporation (e.g. payroll, accommodation, utilities, information technology and communications services, et cetera).

OCGC has limited resources to issue cheques or transact wire transfers to pay its direct suppliers and service providers. With the approval of the Ministry’s controllership office, OCGC utilizes the Ministry’s access to Ontario Shares Services ("OSS") to indirectly pay most of its suppliers and service providers. OSS journals these payments though the government’s integrated financial information system ("IFIS") to cost centres of the Ministry. In turn, OCGC is invoiced by the Ministry quarterly for reimbursements.

The provision of services to the Corporation by a related party is subject to a policy of reimbursement for the costs of such services or service level agreement fee. If the Corporation has no “unrestricted” financial resources and/or has exhausted eligible transfer payments to reimburse the Ministry, the Ministry will offset such expenses in arrears from the Ministry’s other direct operating expenses (“ODOE”) budget line. The Ministry’s contingent liability to the Corporation was noted in each of the OVCF, OETF, NVCF, SUVF, CEF and LSVCF submissions to Treasury Board and the Management Board of Cabinet that were subsequently approved.

19. Non-financial assets
The Corporation does not have any tangible capital assets or prepaid expenses. An inventory of office supplies is held for use and expensed in the year in which they are purchased. The total cost of these supplies is not material to the financial statements and they are expected to be used up in a period of less than one year from their purchase date.
Corporate Governance

Overview

OCGC is an agent of the Crown characterized by Management Board of Cabinet (MBC) Directive as a board-governed provincial agency. More specifically, OCGC is prescribed as a public body and a Commission public body in accordance with Ontario Regulation 146/10 under the Public Service of Ontario Act, 2006. OCGC is not organizationally part of the Ministry of Research, Innovation and Science (the Ministry), but it is considered to be within government.

Corporate governance involves processes that permit the effective supervision and management of OCGC’s activities by senior management, the Board of Directors and the Minister of Research, Innovation, and Science (the Minister). It includes identifying individuals and groups responsible for activities and specifying their roles.

Accountability and Responsibilities

OCGC’s accountability structure flows from its governing statute, the Ontario Capital Growth Corporation Act, 2008 (the Act). The Minister is responsible for the administration of the Act with respect to OCGC. The Act, together with directives issued by Management Board of Cabinet (MBC), the Minister and the Public Service Commission relating to Crown agencies, form a framework under which OCGC is governed.

Each year, the Minister is required to submit the Annual Report to the Lieutenant Governor in Council and then table the report in the Legislature. In addition, the Minister reviews and approves OCGC’s annual business plan. The Minister also maintains communications with OCGC, through its Chair, regarding government policies and expectations relevant to OCGC.
The Chair is accountable to the Minister for the performance of OCGC in fulfilling its mandate. The Chair is responsible for providing advice and information to the Minister with regard to the operation and affairs of OCGC. In addition, the Chair provides leadership to OCGC. The Deputy Minister of the Ministry ensures organizational capacity in the Ministry to monitor OCGC, and ensuring it manages its risks appropriately.

The Board is appointed by the Lieutenant Governor in Council and is accountable to the Minister through the Chair. The Board performs a supervisory role. It oversees the management of the business and affairs of OCGC to ensure that OCGC’s mandate is fulfilled. The Board is comprised of both public servants employed by the Crown and independent directors. The Board meets at least quarterly and receives regular reports from the President & CEO and OCGC staff concerning the operations of OCGC and its compliance with applicable laws and policies. Standards of conduct for Board members are set out in a Board-approved Code of Conduct.

There are also two committees of the Board to assist it in supervising the management of OCGC. The Audit & Risk Committee (ARC) approves an annual audit plan prepared by OCGC’s independent external auditors and liaises as appropriate with OCGC’s internal auditors and the Auditor General of Ontario regarding financial reporting and internal controls. The ARC also reviews financial policies and financial statements and recommends these for approval by the Board. In addition, the ARC reviews OCGC’s major risks and mitigation strategies. The Human Resource Committee assists the Board in ensuring appropriate measures are in place relating to compensation, performance evaluation, and training for staff in critical areas.

The President & CEO works under the direction of the Chair and the Board and provides regular reports on OCGC’s performance to the Board. Given that the President & CEO is employed under Part III of the Public Service of Ontario Act, 2006, the President & CEO is also responsible for consulting with the Deputy Minister of the Ministry as needed on matters of mutual importance, including services provided by the Ministry, and on Treasury Board/MBC, government directives and Ministry policies. The President & CEO is responsible for managing the day-to-day operations and ongoing activities of OCGC, including the supervision of staff, in accordance with government policies.
Financial Reporting Requirements

OCGC prepares audited annual financial statements in accordance with the Canadian Public Sector Accounting Board Standards of the Chartered Professional Accountants of Canada. The financial statements are reviewed and recommended by the ARC and approved by the Board. The annual financial statements are audited by OCGC’s independent external auditor who expresses an opinion on whether they present the financial results fairly and in accordance with Canadian Public Sector Accounting Standards. The findings are reviewed by the ARC and the Board. These audited financial statements are tabled in the Ontario Legislature as part of the Annual Report and are included in Volume 2 of the Public Accounts of the Province. Unaudited financial statements are prepared quarterly and presented to the ARC and the Board.

Internal Controls

Management is responsible for establishing and maintaining internal controls to provide reasonable assurance regarding the reliability of financial reporting, to safeguard OCGC’s assets and to manage its liabilities.

In meeting its responsibility for the reliability and timeliness of financial information, OCGC uses a comprehensive system of internal controls, including organizational and procedural controls. The system of internal controls includes:

- Comprehensive business planning;
- Written communications of policies and procedures governing corporate conduct and risk management;
- Segregation of duties;
- Maintenance and retention of detailed records;
- Responsible delegation of authority and personal accountability;
- Careful selection and training of personnel; and
- Maintenance of updated accounting and financial risk policies.

As part of its annual business plan, OCGC conducts an overall assessment of corporate-wide risks and develops appropriate mitigation strategies.

Operations

In keeping with the original OCGC model, OCGC continues to operate as a small agency with a limited number of staff involved in operations, governance, financial controls and investments, and supported by external service providers having specialized investment knowledge in fund evaluation, direct co-investment and fund-of-fund investments, as well as audit and bookkeeping.
As at March 31, 2018

Members of the Board of Directors

Jeff Kehoe, Chair
Date of initial appointment to OCGC Board: July 2014
End of current term: April 2018

Jeff Kehoe is the Director of Enforcement at the Ontario Securities Commission. Prior to joining the OSC, he was Managing Partner and General Counsel at Difference Capital Inc. He has over a decade of experience overseeing the Canadian Capital Markets as Director and Vice-President of Enforcement at the Investment Industry Regulatory Organization of Canada (IIROC). Prior to IIROC, he served as a Crown Attorney and Department of Justice Crown Counsel. Mr. Kehoe has a Bachelor of Laws degree from the University of Windsor, a Juris Doctor degree from the University of Detroit Mercy, a Master of Laws degree specializing in securities law from Osgoode Hall Law School, a Certified Regulatory and Compliance Professional certificate from Wharton University of Pennsylvania and has received securities regulation training from Harvard. He currently serves on both private and public boards including charitable non-profit organizations. He completed the Rotman Institute Corporate Directors program (ICD. D).

Gadi Mayman, Vice-Chair
Date of initial appointment to OCGC Board: February 2009
End of current term: January 2020

As CEO of the Ontario Financing Authority, Gadi Mayman is responsible for the Province’s borrowing and debt management strategy, corporate and electricity finance projects, and its banking and capital markets relationships. Prior to joining the Ontario Ministry of Finance, Mr. Mayman worked at the Export Development Corporation in Ottawa and in the International Division of the TD Bank. He received a Bachelor of Applied Science in Industrial Engineering from the University of Toronto in 1981, and a Master of Business Administration from the University of Western Ontario in 1988. Mr. Mayman is the CEO of Ontario Electricity Financial Corporation, and a member of its Board of Directors. He is also on the boards of the OFA, Infrastructure Ontario, and the Ontario Capital Growth Corporation. He is Co-Chair of the Joint Nuclear Funds Investment Committee, a joint OFA and OPG Committee.
Annie Ropar, Member  
*Date of initial appointment to OCGC Board: April 2014  
End of current term: April 2021*  
Annie Ropar serves as a director on the boards of the Ontario Capital Growth Corporation and the Princess Margaret Cancer Foundation. She is the Chief Financial Officer of Aequitas NEO Exchange Inc. and has been with the company since its inception. Previously, Ms. Ropar was Managing Director, Global Equities at RBC Capital Markets where she was responsible for business management and strategy execution for the institutional sales and trading side of the business. During her career at RBC, she was also a Partner with RBC Capital Partners overseeing the bank’s private equity activities. Prior to RBC, Ms. Ropar spent seven years at CIT Group Inc. as Senior Vice-President and Group CFO of what was then their Structured Finance Division. Ms. Ropar is a Canadian CA, CPA, and also holds a U.S. CPA designation.

Tony Rockingham, Member  
*Date of initial appointment to OCGC Board: February 2009  
End of current term<sup>12</sup>: December 2018*  
Tony Rockingham retired in 2011 after spending more than 30 years with the Ontario civil service. While with the Ontario government, he held senior positions with the Ministry of Energy, the Ministry of the Environment and the Ministry of Research and Innovation. Mr. Rockingham is a former OPS employee member of the Board of both the Ontario Capital Growth Corporation and the Ontario Immigrant Investor Corporation. Prior to joining the government, he worked at the national electricity utility in England and a battery manufacturer in Toronto. Mr. Rockingham holds a Bachelor of Science degree in Industrial Engineering from the University of Toronto and a Ph.D. in Mechanical Engineering from the Imperial College of Science and Technology, London, England.

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**Board Remuneration**  
The total remuneration paid to board members in fiscal 2017-18 was $2,100.

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<sup>12</sup> Mr. Rockingham’s Order in Council appointment expired March 18, 2018 and he was subsequently re-appointed April 11, 2018
Risk Management Policies and Procedures

As part of its annual business plan, OCGC conducts an overall assessment of corporate-wide risks and develops appropriate mitigation strategies. OCGC’s risk management plan is based on the requirements contained in the Agencies & Appointments Directive.¹³ The risk management plan considers the management of both internal and external risk exposures. The framework for OCGC’s risk management plan, includes, but is not limited to the following risks:

- Financial risk;
- Human Resources risk;
- Operational risk; and
- Strategic risk.

In addition to OCGC’s Annual Business Plan, a full risk assessment is provided semi-annually to the Board. The Board is also informed of real or potential exposure to risk through regular updates by the President & CEO.

¹³ Effective April 2017 and may be amended from time to time.
Outlook for Fiscal 2018-19

To help increase the level of venture capital available to emerging, innovative companies in Ontario’s life sciences companies, OCGC issued an expression of interest and is expected to make investment commitments to one or more life sciences funds. OCGC will seek to identify investment opportunities to ensure that promising, high potential companies have access to the capital they need to grow and prosper in Ontario.

For fiscal 2018-19, OCGC will also continue to:

- Manage the OETF investment portfolio;
- Administer OCGC’s limited partnership interests in externally-managed funds; and
- Support the development of Ontario’s venture capital ecosystem and the implementation of the Province’s venture capital policies.
Contact Information

For general inquiries and information, please contact OCGC at:

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Toronto, ON M5G 1Z6

Direct: 416-325-6874
Toll-free: 1-877-422-5818
Email: ocgc@ontario.ca
Web: www.ontario.ca/ocgc

To receive any section of this report, or the report in its entirety, in a more accessible, alternative format, please contact ocgc@ontario.ca.