MANITOBA
OPPORTUNITIES FUND

Annual Report

March 31, 2023

MINISTER OF ECONOMIC DEVELOPMENT, INVESTMENT, TRADE AND NATURAL RESOURCES

Room 358
Legislative Building
Winnipeg, Manitoba R3C 0V8
CANADA

Her Honour The Honourable Anita R. Neville, P.C., O.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

Your Honour:

I am pleased to present the Annual Report for the Manitoba Opportunities Fund Limited for the fiscal year ending March 31, 2023.

Respectfully submitted,

Honourable Jamie Moses
Minister

Manitoba
Economic Development, Investment, Trade and Natural Resources
Finance and Administration
405 – 800 Portage Avenue
Winnipeg Manitoba

Honourable Jamie Moses
Minister
Economic Development, Investment, Trade and Natural Resources
Room 358 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister Moses:

On behalf of the Board of Manitoba Opportunities Fund, it is my pleasure to submit the Annual Report of the Manitoba Opportunities Fund Limited for the fiscal year ended March 31, 2023, as required by Section 67 of The Financial Administration Act.

Respectfully submitted,

MBallantyne

Melissa Ballantyne
Vice-Chair of the Board
Manitoba Opportunities Fund

Financial Statements of

MANITOBA OPPORTUNITIES FUND LTD.

Year ended March 31, 2023

MANITOBA OPPORTUNITIES FUND LTD.

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Manitoba Opportunities Fund Ltd. are the responsibility of the management and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to June 27, 2023.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the external audit is to express an independent opinion on whether the financial statements of Manitoba Opportunities Fund Ltd. are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Manitoba Opportunities Fund Ltd.

Ms. Amy Jordan, General Manager

June 27, 2023

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Manitoba Opportunities Fund Ltd.

Opinion

We have audited the financial statements of Manitoba Opportunities Fund Ltd. (the "Entity"), which comprise the statement of financial position as at March 31, 2023, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of operations, its changes in net financial assets 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 Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 auditors' 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

June 27, 2023

MANITOBA OPPORTUNITIES FUND LTD.

Statement of Financial Position

Year ended March 31, 2023, with comparative information for 2022

		2023		2022
Financial Assets				
Cash equivalents (note 3)	$	215,222	$	211,372
Portfolio investments (note 4)		–		964,021
Accrued interest receivable		261		40
	$	215,483	$	1,175,433
Liabilities				
Accounts payable and accrued liabilities	$	6,191	$	5,714
Borrowings (note 5)		–		475,596
		6,191		481,310
Net financial assets	$	209,292	$	694,123
Non-Financial Assets				
Deferred charges	$	–	$	3,119
Accumulated surplus	$	209,292	$	697,242

The accompanying notes form an integral part of these financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

MANITOBA OPPORTUNITIES FUND LTD.

Statement of Operations and Accumulated Surplus

Year ended March 31, 2023, with comparative information for 2022

	Budget	2023	2022
Income:			
Investment income	$ 1,000	$ 12,448	$ 20,466
Other income	–	8,556	–
	1,000	21,004	20,466
Expenses:			
Amortization of deferred charges	4,800	3,119	4,787
Program administration	4,500	5,834	5,216
	9,300	8,953	10,003
Transfer of investments to Manitoba Development Corporation (note 4)	–	500,001	–
Annual surplus (deficit)	(8,300)	(487,950)	10,463
Accumulated surplus, beginning of year		697,242	686,779
Accumulated surplus, end of year	$ 1,000	$ 209,292	$ 697,242

The accompanying notes form an integral part of these financial statements.

MANITOBA OPPORTUNITIES FUND LTD.

Statement of Changes in Net Financial Assets

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Annual surplus (deficit)	$ (487,950)	$ 10,463
Deferred charges:		
Amortization of deferred charges	3,119	4,787
Increase (decrease) in net financial assets	(484,831)	15,250
Net financial assets, beginning of year	694,123	678,873
Net financial assets, end of year	$ 209,292	$ 694,123

The accompanying notes form an integral part of these financial statements.

MANITOBA OPPORTUNITIES FUND LTD.

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	$ (487,950)	$ 10,463
Amortization of deferred charges	3,119	4,787
Increase in present value of portfolio investments	(3,020)	(11,445)
Other income	(8,556)	–
Transfer of investments to Manitoba Development Corporation (note 4)	500,001	–
Changes in:		
Accrued interest receivable	(221)	207
Accounts payable and accrued liabilities	477	(4,438)
Government transfers payable	–	(16,500,000)
Net cash provided by operating activities	3,850	(16,500,426)
Investing activities:		
Redemption of portfolio investments	467,040	477,628
Financing activities:		
Repayment of borrowings	(467,040)	(477,628)
Increase (decrease) in cash equivalents	3,850	(16,500,426)
Cash equivalents, beginning of year	211,372	16,711,798
Cash equivalents, end of year	$ 215,222	$ 211,372

The accompanying notes form an integral part of these financial statements.

MANITOBA OPPORTUNITIES FUND LTD.

Notes to Financial Statements

Year ended March 31, 2023

1. Nature of operations and economic dependence:

Manitoba Opportunities Fund Ltd. (the “organization”) was incorporated under the laws of Manitoba on April 3, 2003. The organization was formed due to the requirements of the Funding Agreement between the Minister of Citizenship and Immigration and the Manitoba Fund dated October 21, 2003 to function as an "approved fund" under the Federal Immigrant Investor Program (FIIP). In addition, the organization administers the Manitoba Innovation Growth Side Car Fund on behalf of the Province of Manitoba. The Minister of Finance holds the one class A common share issued as a designated representative of His Majesty the King in Right of the Province of Manitoba with a value of nil. The organization considers itself to be an Other Government Organization as defined by the Chartered Professional Accountants of the Canada Public Sector Accounting Handbook.

As an approved fund under the FIIP, the objective is to hold and invest the provincial allocation of immigrants’ investments made through the Federal Department of Immigration, Refugees and Citizenship Canada (IRCC) Immigrant Investor Program. The FIIP sought to attract experienced persons and capital to Canada. Prior to December 1, 2010 investors had to demonstrate business experience, a minimum net worth of CDN $800,000 and make an investment of CDN $400,000. In 2010, IRCC made changes to the FIIP. Effective December 1, 2010, applicants were required to meet a minimum personal net worth requirement of $1.6 million, and make an investment deposit of $800,000. The funds invested are distributed among participating provinces. After five years, the organization returns (“repays”) the provincial allocation, without interest, to IRCC who then returns the funds to the individual investors who have become Permanent Residents of Canada. However, prior to the approval and issuance of a Permanent Resident’s Visa, an investor may be refused or withdraw from the program and IRCC will request that the organization repay the provincial allocation of the individual investment at such time.

Manitoba, as a participating province, through the organization invests the provincial allocation funds for a period of five years. The purpose of the interest income generated on the funds is to create jobs and help the Manitoba economy grow.

In February 2014, IRCC announced the phase out of the Federal Immigrant Investor Program. The repayment period for the organization ended on November 30, 2022, when the final repayment of the remaining provincial allocations was made.

MANITOBA OPPORTUNITIES FUND LTD.

2. Significant accounting policies:

The organization's financial statements have been prepared by management in accordance with Canadian public sector accounting standards as defined by the Chartered Professional Accountants of Canada.

(a) Revenue recognition:

Interest revenue on temporary investments is recorded on an accrual basis. Investment income on portfolio investments is determined by the difference in the present value of the term note and the cost of the term note.

(b) Government transfers:

Government transfers are recognized as expenses in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(c) Contributed services:

During the year, the Province of Manitoba provided office space and other administrative services to the organization at no cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

(d) Deferred charges:

Deferred charges, which reflect the handling fee to be paid to the Government of Canada upon repayment of funds, are amortized over the five year term the related deposits are held.

(e) Cash equivalents:

Cash equivalents include term deposits with the Province of Manitoba with maturities of up to three months.

(f) Portfolio investments:

Portfolio investments consist of provincial bonds, term notes with the Province of Manitoba and equity investments.

2. Significant accounting policies (continued):

The organization's investments in provincial bonds are recorded at amortized cost. Discounts and premiums arising on the purchase of these bonds are amortized over the term of the bond to maturity. The term notes are recorded at cost which represents the discounted value of the term notes. Over time, the value of the term notes increases equal to the effective interest rates on the term notes. The increase in the present value of term notes during the year is recorded as an increase in the portfolio investments and as investment income.

The organization's equity investments relate to share capital and are recorded at cost.

When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss in the provision for decline in value of investments.

(g) Financial instruments:

Financial instruments are recorded at fair value or exchange amount on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The organization has not elected to carry any such group of financial instruments at fair value.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant items subject to estimates include the carrying value of portfolio investments. Actual results could differ from those estimates.

MANITOBA OPPORTUNITIES FUND LTD.

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Cash equivalents:

Cash equivalents consist of 30 to 90 day term deposits held by the Province of Manitoba.

4. Portfolio investments:

Portfolio investments are comprised of the following:

		2023		2022
Term notes	$	–	$	464,020
Equity investments		–		500,001
	$	–	$	964,021

At March 31, 2022, the term notes were made up of five-year zero-coupon term notes which the organization purchased from the Province of Manitoba to correspond with provincial allocations received. During the year ended March 31, 2023, all remaining term notes were redeemed and the amounts were used to repay remaining borrowings (note 5).

Equity investments managed for the Province of Manitoba under the Manitoba Innovation Growth Side Car Fund consisted of the following:

		2023		2022
Cubresa Inc.	$	–	$	1
Librestream Technologies Ltd.		–		500,000
	$	–	$	500,001

During the year ended March 31, 2023, the board of directors approved the transfer of the equity investments to Manitoba Development Corporation for nominal consideration.

MANITOBA OPPORTUNITIES FUND LTD.

Notes to Financial Statements (continued)

Year ended March 31, 2023

5. Borrowings:

The borrowings represent the provincial allocation of immigrants' investments repayable to the Federal Government five years after the Federal Government has distributed these funds to Manitoba Opportunities Fund Ltd. A handling fee is deducted prior to the funds being advanced to Manitoba Opportunities Fund Ltd. During the year ended March 31, 2023, all remaining borrowings were repaid.

6. Financial risks and concentration of risk:

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the organization to credit risk consist principally of cash equivalents and portfolio investments.

The maximum exposure of the organization to credit risk at March 31 is:

	2023	2022
Cash equivalents	$ 215,222	$ 211,372
Portfolio investments	–	964,021
	$ 215,222	$ 1,175,393

The organization is not exposed to significant credit risk as the term deposits and term notes are primarily held by the Minister of Finance.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to term deposits with the Minister of Finance. The term deposits are interest bearing with short-term to maturity. As the term deposits are normally held to maturity, changes in interest rates do not affect their value.

6. Financial risks and concentration of risk (continued):

(iii) Liquidity risk:

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they come due.

The organization manages liquidity risk by maintaining adequate cash and cash equivalent balances and, until the repayment of all borrowings (note 5), matching its purchasing of five-year zero-coupon bonds with the allocation of immigrants' investments and the related borrowings.

There have been no significant changes to the organization's exposure to financial risks and concentration of risk and how they arise nor how they are managed since the previous period.