2017
ANNUAL REPORT

Securing Retirement and Beneficiary Futures
for Ontario's Public Sector

IMCO
Investment Management
Corporation of Ontario

HIGHLIGHTS

INCORPORATED: JULY
2016

OPERATIONAL: JULY
2017

EMPLOYEES
77

ASSETS UNDER MANAGEMENT:
$60B

CLIENTS:
Ontario Pension Board, Workplace Safety and Insurance Board

GOVERNANCE:
Independently operated with a professional board of directors

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Report Note: *IMCO became operational in July 2017. Due to the truncated year, our 2017 annual report does not include the OPB and WSIB investment results for 2017.*

ABOUT IMCO

The Investment Management Corporation of Ontario (IMCO) is an investment management firm designed to serve public sector clients in Ontario. With approximately $60 billion of assets under management, IMCO is modelled after similar Canadian managers, such as the Alberta Investment Management Corporation (AIMCo), the British Columbia Investment Management Corporation (BCI) and the Caisse de dépôt et placement du Québec (CDPQ).

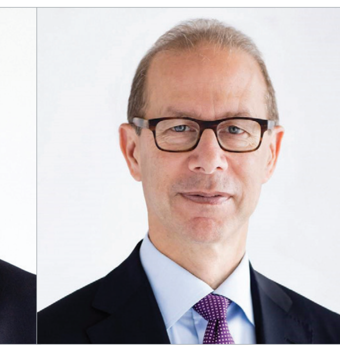
Created in 2016, IMCO's primary objective is to manage funds on behalf of public sector organizations in Ontario. Through the *Investment Management Corporation of Ontario Act (2015)*, IMCO was established as a non-share capital corporation. Participating clients get access to high quality investment advice, products and reporting on a cost recovery basis.

EXECUTIVE TEAM

BERT CLARK
President & CEO

JILL PEPALL
Executive Vice President & Chief Investment Officer

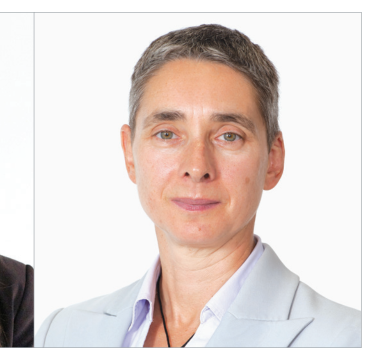
MICHAEL F. CAMPBELL
Executive Vice President, Investments & Chief Strategic Asset Allocation Officer



ALLEN GARSON
General Counsel & Corporate Secretary

MICHEL J. PARADIS
Chief Financial Officer

GAYLE FISHER
Chief Human Resources Officer & Head of Corporate Services



SASKIA GOEDHART
Chief Risk Officer

GOVERNANCE

IMCO is an independent organization that operates at arm's length from government and its clients. Our strategic and operational independence allows us to make strong investment decisions. Our belief is that strong internal governance, combined with robust compliance and reporting processes, improves investment performance.

We are guided by a highly experienced and professional Board of Directors. Board members are drawn from a variety of fields including the investment management, financial services, not-for profit, accounting and consulting sectors.

OUR CLIENTS

IMCO was designed to support Ontario's Broader Public Sector organizations. Participating clients get access to best-in-class investment advice, products and reporting on a cost recovery basis.

Initial clients include the Ontario Pension Board (OPB) and the Workplace Safety and Insurance Board (WSIB). The IMCO Act contemplates that other organizations in the Broader Public Sector may become clients, including Crown corporations, boards, commissions, universities and municipalities. IMCO is currently developing the capability to provide additional clients with investment advice, products and reporting in the near future.

BOARD MEMBERS

DAVID LEITH
Chair

ROBERT BERTRAM

HUGH G. MACKENZIE
ICD.D

COLLEEN MCMORROW
FCPA, FCA, Chair, Audit Committee

JACQUELINE MOSS
Chair, Compensation and HR Committee

VINCENZA SERA
ICD.D, Chair, Governance Committee

ERIC TRIPP

VISION

To rank among the world's leading asset managers for public-sector institutions. This will be achieved through an unwavering commitment to creating client value.

MISSION

We will provide our clients with best-in-class portfolio advice, investment products and reporting.

VALUES

INTEGRITY

We hold ourselves to the highest professional standards.

PUBLIC PURPOSE

We put our clients first, and we are proud of our public purpose.

RESPECT

We treat each other, our partners and our clients with respect.

INNOVATION AND CONTINUOUS IMPROVEMENT

We strive to adopt practices that reflect global leadership and thinking.

COLLABORATION

We work as a single and unified team to achieve our common objectives.

WHAT WE BELIEVE

Our Investment Beliefs guide how we approach investment decisions on behalf of our clients. Emphasizing IMCO's fiduciary and risk management responsibilities, these beliefs are an important part of our governance model and form the basis of our long-term investment strategy.

1. **Asset allocation is among the most important determinants of investment returns and risk.**

   We believe that, by providing strong in-house asset allocation advice and a diverse range of investment products, we can position our clients to achieve sustained, long-term results that exceed their required rate of return.

2. **Understanding and managing risk is at the core of investing.**

   We believe that the ultimate risk for our clients is their inability to meet their promised financial obligations. True diversification and capital preservation are key to mitigating this risk, and strong risk management systems and practices support improved investment decision making. A robust risk framework and client engagement guides our investment activities.

3. **Costs matter.**

   We believe that results must be evaluated on a risk-adjusted return, after all costs, basis. While passive investing typically leads to lower costs, we believe that active investing can create the potential for higher net returns for our clients. As a result, we will always evaluate whether active versus passive, internal versus external, or public versus private, approaches are appropriate, based on several factors, including costs, potential to achieve outperformance, and benefits in terms of risk oversight.

4. **Good governance improves investment performance.**

   We believe that our strategic and operational independence allows us to make strong investment decisions that are not influenced by extraneous considerations. We believe that strong internal governance, combined with robust compliance and reporting processes, improves investment performance.

5. **Incorporating environmental, social and governance (ESG) factors in the investment process helps to better manage risk and contribute to long-term performance.**

   We believe ESG factors must be considered across asset classes. We support ESG initiatives that seek improved corporate disclosure which, in turn, empower long-term investors to more effectively evaluate risk and return.

6. **We are prudent investors.**

   We believe that sustained material investment outperformance is difficult to achieve, and that over-confidence can lead to imprudent investment decisions. Therefore, we will promote an internal culture that focuses on delivering value over the long-term, and that is distinguished by prudence, humility and ongoing awareness of the important objectives of our clients.

7. **Our people are our most valuable assets.**

   We believe that attracting, developing and retaining world-class talent is critical to being competitive in a global investing landscape. We believe that people who are engaged and passionate continuously seek ways to improve our business and feel empowered to adapt to change. Client service is our central focus, with our interests being closely aligned with our clients' interests. As a result, our culture, and how we measure the performance of our employees, is aligned with our clients' investment objectives and risk appetite.

STARTING STRONG:
2017 Accomplishments

2017 was a landmark year for IMCO. In six short months, we assumed the responsibilities of managing $60 billion in assets and grew our team to over 70 employees. This was an outstanding accomplishment considering that IMCO did not inherit many of the basic functions that typically exist in an institutional asset manager, such as a client service team, unified IT and HR systems, and a range of investment products.

Creating a new asset manager required a highly strategic and nimble approach to building our organization in 2017. Here are several of the major accomplishments that propelled IMCO forward:

- We successfully transitioned client assets to IMCO without disrupting service levels, while generating strong investment results and maintaining costs in line with our peers;
- Foundational values and investment beliefs were developed to guide employees and to reflect IMCO's ambitious potential;
- Development of a long-term business strategy, including key corporate initiatives, got underway;
- Development of investment products for current and future clients commenced;
- Critical corporate policies and programs were developed, including a code of conduct and whistleblower and corporate insurance programs;
- Key leaders were brought on board, including a General Counsel and a Chief Risk Officer, while structural re-alignments of staff occurred, including integration of investment staff into one unified team;
- An industry-competitive and comprehensive benefits and compensation program was established, including a provision to include employees in the Ontario Public Service Pension Plan; and
- We began to evolve our brand and establish our public reputation by designing a new website, establishing a social media presence and participating in top-tier media conversations.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Investment Management Corporation of Ontario

We have audited the accompanying financial statements of **Investment Management Corporation of Ontario**, which comprise the statement of financial position as at December 31, 2017, and the statements of net income (loss), changes in members' surplus (deficit) 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 International Financial Reporting 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.

Auditors' 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 auditors' 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 auditors consider 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 **Investment Management Corporation of Ontario** as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 29, 2018

STATEMENT OF FINANCIAL POSITION

As at December 31

	2017 $	2016 $
Assets		
Cash *(note 7)*	**9,938,498**	1,138,158
Accounts receivable *(note 7)*	**6,096,308**	186,278
HST receivable	**766,395**	—
Prepaid expenses	**487,304**	67,275
Capital assets, net *(note 9)*	**1,500,647**	—
Total assets	**18,789,152**	1,391,711
Liabilities and members' surplus (deficit)		
Accounts payable and accrued liabilities *(note 7)*	**17,877,948**	813,974
HST payable	**526,410**	122,819
Deferred income *(note 7)*	**384,794**	212,061
Promissory notes *(note 4)*	**—**	1,463,706
Total liabilities	**18,789,152**	2,612,560
Commitments *(note 6)*		
Members' surplus (deficit) *(note 5)*	**—**	(1,220,849)
Total liabilities and members' surplus	**18,789,152**	1,391,711

On behalf of the Board:

(signed)
David G. Leith
Director

(signed)
Colleen McMorrow
Director

See accompanying notes

STATEMENT OF NET INCOME (LOSS)

	For the year ended December 31, 2017 $	For the six-month period ended December 31, 2016 $
Operating expenses		
Salaries and employee benefits	**19,111,955**	1,387,588
Investment management costs	**3,074,478**	–
Professional fees	**2,215,288**	841,475
Facilities	**1,325,685**	48,016
Pension	**1,088,930**	6,898
Travel and promotion	**658,421**	13,393
Administrative	**336,222**	83,344
Insurance	**295,487**	27,083
Amortization on capital assets (note 9)	**221,438**	–
Foreign exchange loss	**66,525**	–
Other	**40,975**	–
Interest on promissory notes	**–**	36,518
	28,435,404	2,444,315
Recoveries and other income		
Recovery of operating costs from members	**29,638,870**	1,220,848
Interest income on deposits	**17,383**	2,618
	29,656,253	1,223,466
Net income (loss) for the period	**1,220,849**	(1,220,849)

See accompanying notes

STATEMENT OF CHANGES IN MEMBERS' SURPLUS (DEFICIT)

	OPB $	WSIB $	Total $
For the year ended December 31, 2017			
Balance, beginning of period	**–**	**(1,220,849)**	**(1,220,849)**
Net income (loss) for the period	**–**	**1,220,849**	**1,220,849**
Balance, end of period	**–**	**–**	**–**
For the six-month period ended December 31, 2016			
Balance, beginning of period	–	–	–
Net income (loss) for the period	–	(1,220,849)	(1,220,849)
Balance, end of period	–	(1,220,849)	(1,220,849)

See accompanying notes

STATEMENT OF CASH FLOWS

	For the year ended December 31, 2017 $	For the six-month period ended December 31, 2016 $
Operating activities		
Net income (loss) for the period	**1,220,849**	(1,220,849)
Add (deduct) items not affecting cash		
Amortization on capital assets *(note 9)*	**221,438**	–
Interest expense	**–**	36,518
Recovery of costs from members	**–**	(1,220,848)
Net change in non-cash working capital balances related to operations		
Change in accounts receivable	**(5,910,030)**	(186,278)
Change in accounts payable and accrued liabilities	**17,063,974**	813,974
Change in other	**(610,100)**	55,544
Cash provided by (used in) operating activities	**11,986,131**	(1,721,939)
Investing activities		
Purchase of capital assets *(note 9)*	**(1,722,085)**	–
Cash used in investing activities	**(1,722,085)**	–
Financing activities		
Proceeds from issuance of promissory notes	**–**	2,860,097
Repayment of promissory notes *(note 4)*	**(1,463,706)**	–
Cash provided by (used in) financing activities	**(1,463,706)**	2,860,097
Net increase in cash during the period	**8,800,340**	1,138,158
Cash, at beginning of period	**1,138,158**	–
Cash, at end of period	**9,938,498**	1,138,158

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. Nature of operations

Investment Management Corporation of Ontario (in French, Société ontarienne de gestion des placements) ("IMCO" or the "Corporation") was incorporated as a not-for-profit corporation on July 1, 2016 by proclamation of the *Investment Management Corporation of Ontario Act*, 2015. IMCO was established as a non-share corporation to enable Ontario's Broader Public Sector ("BPS") organizations to lessen costs and increase returns by pooling their assets. Pooling of assets is expected to lower administrative costs, which will help improve return on investments. IMCO is headquartered in Toronto, Ontario, Canada.

Ontario is working to improve the management of BPS investment funds, including public sector pensions, through the creation of the Corporation, which will provide investment management and advisory services to participating organizations.

The founding members and initial clients of IMCO are the Ontario Pension Board ("OPB") and the Workplace Safety and Insurance Board ("WSIB") (collectively, the "Founding Members" or "Clients"). OPB is the administrator of the Public Service Pension Plan ("PSPP" or the "Plan"), a major defined benefit pension plan sponsored by the Government of Ontario. PSPP membership is made up of employees of the provincial government and its agencies, boards, and commissions. WSIB is an independent agency, consisting of Insurance Fund, Employees' Pension Plan and Loss of Retirement Income Fund, that administers compensation and no-fault insurance for Ontario workplaces. These two members, with combined investment assets of approximately $60 billion, have funded the initial start-up costs of IMCO. IMCO commenced commercial operations in July 2017 and currently provides investment management and advisory services to the Clients on a full cost recovery basis, without profit.

Participation of BPS organizations to receive IMCO's services is voluntary and members of IMCO will retain responsibility for determining how their assets are invested via provision of individualized Strategic Asset Allocations (i.e. asset mix) and other specifications as outlined in their respective Investment Management Agreements ("IMA").

On July 10, 2017, OPB signed an IMA with IMCO. Effective this date, IMCO is generally the sole and exclusive investment manager and non-exclusive investment advisor for OPB.

On July 24, 2017, WSIB signed an IMA with IMCO. Effective this date, IMCO is generally the sole and exclusive investment manager and non-exclusive investment advisor for WSIB.

As of the IMA effective date of each Founding Member, IMCO made offers of employment to select employees of each Founding Member on terms agreed to by all parties. With the exception of one, all accepted such offers of employment.

On July 24, 2017, WSIB and OPB signed an Implementation and Support Agreement ("ISA") with IMCO. The ISA outlines the processes for cost allocation, recovery and containment, budgeting, admission of new members, pooling of assets, and certain other relevant matters.

The Clients agreed to a cost recovery methodology, which ensures the continuous operations of IMCO. Accordingly, these financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. IMCO allocates to and recovers all of its operational costs from the Clients based on the approved cost allocation principles outlined in the ISA.

2. Basis of presentation

(a) Statement of compliance

These financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issuance by the Board of Directors on March 29, 2018.

(b) Use of estimates and judgments

The preparation of the financial statements requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and judgments are made based on information available as of the date of issuance of the financial statements. Accordingly, although actual results may differ from these amounts, the differences are not expected to be material.

3. Summary of significant accounting policies

The following is a summary of the significant accounting policies followed by management of the Corporation in the preparation of these financial statements.

(a) Financial Instruments

Financial assets may be designated as either held at fair value through profit or loss (“FVTPL”), held to maturity (“HTM”), or loans and receivables. Financial liabilities may be classified as either held for trading (“HFT”) or other financial liabilities. All financial instruments are initially measured at the transacted value. After initial recognition, financial instruments classified as FVTPL or HFT are measured at fair value. Changes in fair value of financial instruments are reflected in net income. All other financial instruments, which include those classified as HTM investments, loans and receivables, and other financial liabilities, are measured at amortized cost.

Financial instruments included in the Company’s accounts have the following classifications:

- All receivables are classified as loans and receivables and reported at amortized cost.
- All payables and accrued liabilities, deferred income and promissory notes are classified as other financial liabilities and reported at amortized cost.

(b) Prepaid expenses

Prepaid expenses primarily consist of prepaid insurance, travel and security deposits.

(c) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the capital assets as follows:

Furniture and fixtures	10 years
Leasehold improvements	Term of lease

(d) Employee benefits

The employees of the Corporation participate in the Plan, which is a multi-employer contributory defined benefit pension plan in accordance with the *Public Service Pension Act*, 1990. OPB administers the Plan, including payment of pension benefits to employees. The Province of Ontario is the sole sponsor (the “Sponsor”) of the Plan. This Plan is accounted for as a defined contribution plan because insufficient information is provided to the Corporation or otherwise available for the Corporation to apply defined benefit plan accounting to this pension plan.

The Plan Sponsor is responsible for ensuring that the pension plan is financially viable. Any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Corporation. The Corporation is not exposed to any liability to the Plan for other entities’ obligations under the terms and conditions of the Plan.

In addition, there is no agreed allocation of a deficit or surplus on wind-up or withdrawal by the Corporation from the Plan. Payments made to the Plan are recognized as an expense when employees have rendered the service entitling them to the contributions. Information on the level of participation of the Corporation in the Plan compared with other participating entities is not available. The Corporation’s contributions are disclosed in the Statement of net income (loss) under Pension expense. The expected contributions for the Plan for fiscal 2018 are not available.

(e) Functional currency

All figures presented in the financial statements and note disclosures to the financial statements are reflected in Canadian dollars, which is the functional currency of the Corporation.

(f) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the exchange rates prevailing at the dates of the transactions. The monetary assets and liabilities denominated in foreign currencies are translated at the rates in effect at year-end.

(g) Income taxes

IMCO is a not-for-profit corporation without share capital and accordingly, no provision for income taxes has been recorded in these financial statements.

4. Promissory notes with related parties

On July 27, 2016, IMCO entered into a Funding Agreement with OPB and WSIB, which was amended on September 30, 2016, to fund IMCO’s operations during the start-up period as defined in the Funding Agreement.

The Funding Agreement sets out the basis on which monies could be advanced from OPB and WSIB to IMCO on a loan basis through promissory notes during the start-up period. The promissory notes bore interest at prime rate plus 2%, calculated daily. Interest was capitalized on a semi-annual basis on June 30 and December 31 of each calendar year. The promissory notes and interest thereon were payable on demand.

As at December 31, 2016, IMCO had a promissory note payable for $1,463,706. The amount related to WSIB as the OPB amount was settled through a set-off Agreement at the end of 2016. From January 1, 2017 to June 30, 2017, OPB and WSIB provided additional funding, as part of the Funding Agreement. Effective June 30, 2017, IMCO closed out the Funding Agreement with both OPB and WSIB through new set-off Agreements, by setting-off the amounts owing under the promissory notes. The promissory note payable to OPB was $2,800,456 and was set-off against cost recovery billings of $2,800,456 for the period from January 1, 2017 to June 30, 2017. The promissory note payable to WSIB was $4,293,071, which consisted of the opening balance of $1,463,706 and $2,829,365 additional funding received in the first six months of the year. The outstanding balance for WSIB was set-off against cost recovery billings of $4,293,071 for the period from date of inception to June 30, 2017. Accordingly, as at June 30, 2017, the OPB and WSIB promissory notes were repaid in full and settled. No new promissory notes were issued during remainder of the year. There was no outstanding amount at year-end.

5. Members’ surplus (deficit)

As described in note 4, IMCO did not enter into a set-off Agreement with WSIB at the end of 2016. As such, expenses allocated to WSIB resulted in a Members’ Deficit in 2016. IMCO invoiced WSIB for the recovery of costs for the period of inception to close out of the Funding Agreements, effective June 30, 2017, which eliminated the Members’ Deficit.

6. Commitments

IMCO leases two office spaces, one of which is a sublease from OPB and another independently. Both leases are classified as operating leases. The future minimum lease payments for the sublease from OPB extends through to December 31, 2019 and totals $9,565,355. The future minimum lease payments for the lease entered directly by IMCO extends through to December 31, 2020 and totals $2,907,071.

	Sublease $	Operating lease $	Total $
2018	4,735,324	949,899	5,685,223
2019	4,830,031	968,897	5,798,928
2020	—	988,275	988,275
	9,565,355	2,907,071	12,472,426

7. Related party transactions

Remuneration of senior management and directors is as follows:

	2017 $	2016 $
Key management personnel and directors	3,274,911	560,411

IMCO incurs operational expenses, which are recovered from the Clients at the beginning of each month based on the cost recovery principles agreed to with its Clients in the ISA. At the end of 2017, IMCO recovered amounts in excess of operational expenses incurred totaling $384,794 (2016 - $212,061), recorded as deferred income.

As at December 31, 2017, of the total accounts receivable balance, the amount pertaining to the recoverable operational expenses totals $2,936,400 (2016 - $186,278) and is due from the Clients for cost recoveries, including HST. The remaining portion relates to amounts receivable for agency fees paid on behalf of the Clients.

As an agent, IMCO administers external management fees, custodian fees, and other investment related fees pertaining to the assets managed on behalf of the Clients. The contracts relating to these fees are with the Clients, and therefore not liabilities of the Corporation. These fees are collected from the Clients, and subsequently paid to external vendors upon receipt of billings.

	2017 $	2016 $
Agency fees collected from members	106,269,036	–
Agency fees paid or payable on behalf of members		
Investment management fees	95,365,364	–
Custodial and other investment related fees	10,903,672	–
	106,269,036	–

As at December 31, 2017, included in Cash and Accounts payable and accrued liabilities is an amount of $4,168,031 relating to agency fees collected but not yet billed by external vendors.

OPB administers payroll and benefits for IMCO employees. OPB's technology infrastructure is also provided to IMCO for certain business activities. OPB does not charge IMCO for providing these services.

OPB administers the PSPP, in which all IMCO employees participate. In relation to this service, IMCO remits to OPB the employee contribution and employer match portion. Legacy OPB employees who joined IMCO continue as members in the PSPP. Whereas for legacy WSIB employees, work is underway between OPB, WSIB, IMCO, and the Financial Services Commission of Ontario ("FSCO") to determine whether the affected employees will have the option of transferring their WSIB pension credits into the PSPP. As at December 31, 2017, FSCO had not approved the potential transfer of pension credits for the affected employees. After a decision is made by FSCO, IMCO will determine any impact regarding its pension obligation.

For all legacy OPB and WSIB employees who joined IMCO, an accrual pertaining to their vacation earnings and usage was made as at December 31, 2017.

Notes 4 and 5 describe other related party transactions recorded during the year.

8. Letter of credit

On July 19, 2017, IMCO obtained a letter of credit ("LC") from a financial institution with the ability to draw up to $1,250,000. The LC is renewed automatically every six months. The LC is used to guarantee the PSPP for six months of contributions (both employer and employee). A LC fee of 0.475% per annum is charged on the face amount payable monthly.

The current LC expired on January 19, 2018 and was subsequently renewed for another six-month period with an expiry date of June 19, 2018.

As at December 31, 2017, there were no amounts drawn on the LC.

9. Capital assets

Capital assets are comprised of the following:

	Furniture and fixtures $	Leasehold improvements $	Total $
Cost:			
Balance, at December 31, 2016	–	–	–
Additions	462,309	1,259,776	1,722,085
Disposals	–	–	–
Balance, at December 31, 2017	**462,309**	**1,259,776**	**1,722,085**
Accumulated amortization:			
Balance, at December 31, 2016	–	–	–
Amortization expense	22,933	198,505	221,438
Disposals	–	–	–
Balance, at December 31, 2017	**22,933**	**198,505**	**221,438**
Net book value:			
At December 31, 2016	–	–	–
At December 31, 2017	**439,376**	**1,061,271**	**1,500,647**

10. Financial risk management

The various risks which the Corporation is exposed to and the Corporation's policies and processes to measure and manage them are set out below:

(a) Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default of a counterparty on their obligation to the Corporation. The maximum exposure of the Corporation to credit risk is the carrying amount of the financial instruments.

(b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Corporation. The Corporation's exposure to interest rate risk is mostly related to the floating interest rate on the promissory notes. The promissory notes were extinguished on July 30, 2017 and, therefore, the Corporation does not have significant exposure to interest rate risk.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation cannot meet a demand for cash or fund its obligations as they come due. The Corporation is entirely dependent upon support from its Clients to meet its obligations as they become due. The Corporation's management is responsible for ensuring adequate funds exist to support business strategies and operational growth. The Corporation manages its liquidity risk by forecasting cash flows and anticipated operating activities. Senior management is also actively involved in the review and approval of planned expenditures.

11. Future changes in accounting policies

(a) IFRS 9 – Financial Instruments

The IASB has published the final version of IFRS 9 – *Financial Instruments*, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's work on the replacement of IAS 39 – *Financial Instruments: Recognition and Measurement* and applies to classification and measurement of financial assets and financial liabilities. The standard supersedes all previous versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018. The Corporation has assessed the impact of adopting IFRS 9 and concluded that there is no impact.

(b) IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers*, which replaces IAS 18 – Revenue, and IAS 11 – *Construction Contracts*, and the related interpretations on revenue recognition. IFRS 15 sets out the requirements for recognizing revenue that applies to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. It establishes a single, comprehensive framework for revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Corporation has assessed the impact of adopting IFRS 15 and concluded that there is no impact.

(c) IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases*, which will replace the previous lease standard, IAS 17 – *Leases*, and related interpretations. The new standard requires lessees to recognize assets and liabilities for most leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Corporation is currently assessing the impact of adopting IFRS 16.

INVESTMENT MANAGEMENT CORPORATION OF ONTARIO

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