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**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**  
**POOLED INVESTMENT PORTFOLIOS**  
**GROUP OF FUNDS**

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Short Term Bond Fund  
Canadian Universe Bond Fund  
Fixed Term Mortgage Fund  
Construction Mortgage Fund  
Specialty Mortgage Fund  
Active Asian Equity Fund  
Active European Equity Fund  
Enhanced Indexed European Equity Fund  
Indexed European Equity Fund  
Active International Equity Fund  
Enhanced Indexed International Equity Fund  
Indexed International Equity Fund  
Strategic Investment Public Equity Fund

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**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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**British Columbia Investment Management Corporation  
Pooled Investment Portfolios**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

British Columbia Investment Management Corporation (bcIMC) manages Pooled Investment Portfolios on behalf of governing fiduciaries such as pension fund trustees and other public sector clients. This report contains the financial statements for the following Pooled Investment Portfolios for the years (or periods) ending December 31, 2007:

Short Term Bond Fund	Active Asian Equity Fund (formerly, Asian Equity Fund)	Enhanced Indexed International Equity Fund
Canadian Universe Bond Fund	Active European Equity Fund (formerly, European Equity Fund)	Indexed International Equity Fund
Fixed Term Mortgage Fund	Enhanced Indexed European Equity Fund	Strategic Investment Public Equity Fund
Construction Mortgage Fund	Indexed European Equity Fund	
Specialty Mortgage Fund	Active International Equity Fund (formerly, International Equity Fund)	

The financial statements of the Pooled Investment Portfolios have been prepared by management of bcIMC and approved by the Chief Investment Officer/Chief Executive Officer. All of the financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these statements are disclosed in note 2 to the financial statements. The statements include certain amounts that are based on management's judgement and best estimates.

bcIMC's Board has established an Audit Committee. The Committee's mandate includes making recommendations on the appointment of the external auditor for the Pooled Investment Portfolios, and reviewing the annual audited financial statements of the Pooled Investment Portfolios and the internal controls over financial reporting. The Committee reviews the recommendations of the internal and external auditors with respect to internal controls and the responses of management to those recommendations, and also meets with management and the internal and external auditors to review annual audit plans.

bcIMC maintains systems of internal control and supporting processes to provide reasonable assurance that assets are safeguarded; that transactions are appropriately authorized and recorded; and that there are no material misstatements in the financial statements. bcIMC's internal control framework includes: a strong corporate governance structure; a code of conduct that includes conflict of interest guidelines; an organizational structure that provides for appropriate segregation of duties and accountability for performance; an enterprise-wide risk management framework that identifies, monitors and reports on key risks; and Board-approved pooled investment portfolio policies and client-approved investment mandates. bcIMC's system of internal control is supported by internal and external auditors who review and evaluate internal controls and report directly to the Audit Committee.

bcIMC's external auditors, KPMG LLP, have full and unrestricted access to the Audit Committee and bcIMC management. KPMG discusses with management and the Committee the results of their audit of the Pooled Investment Portfolios' financial statements and related findings with respect to such audits. Each of the Pooled Investment Portfolio financial statements is audited by KPMG LLP in accordance with Canadian generally accepted auditing standards. KPMG LLP has performed such tests and other procedures as they considered necessary to express an opinion on the Pooled Investment Portfolio financial statements.



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Doug Pearce  
Chief Executive Officer  
Chief Investment Officer



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David Woodward  
Vice President, Finance & Operations



**KPMG LLP**  
**Chartered Accountants**  
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## AUDITORS' REPORT

To the unitholders of the following funds managed by British Columbia Investment Management Corporation (the Manager):

Short Term Bond Fund	Enhanced Indexed European Equity Fund
Canadian Universe Bond Fund	Indexed European Equity Fund
Fixed Term Mortgage Fund	Active International Equity Fund
Construction Mortgage Fund	Enhanced Indexed International Equity Fund
Specialty Mortgage Fund	Indexed International Equity Fund
Active Asian Equity Fund	Strategic Investment Public Equity Fund
Active European Equity Fund	

(collectively, the Funds)

We have audited the statements of net assets and of investments of the Funds as at December 31, 2007 and their statements of operations and changes in net assets, and, where presented, of cash flows for the year (or shorter period since establishment as indicated in note 1) ended December 31, 2007. These financial statements are the responsibility of the Funds' Manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Funds' Manager, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and investments of the Funds as at December 31, 2007, and the results of their operations, the changes in their net assets, and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada  
March 21, 2008

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**SHORT TERM BOND FUND**

**Statement of Net Assets**

**as at December 31**

**(in \$000s except number of units outstanding)**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Investments at fair value	2,449,565	1,920,594
Receivable from issue of units	925	18,825
Accrued investment income	<u>23,696</u>	<u>17,379</u>
	<u>2,474,186</u>	<u>1,956,798</u>
<b>Liabilities</b>		
bclMC funds management fees payable (note 6)	52	33
Payable for redemption of units	450	-
Custodial fees payable	12	7
Accounts payable	<u>6</u>	<u>5</u>
	<u>520</u>	<u>45</u>
<b>Net assets representing unitholders' equity</b>	<u>2,473,666</u>	<u>1,956,753</u>
Number of units outstanding (note 8)	1,242,506	1,025,928
<b>Net asset value per unit</b>	<u>1,991</u>	<u>1,907</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

**Statement of Operations and Changes in Net Assets**

**for the years ended December 31**

**(in \$000s)**

	<u>2007</u>	<u>2006</u>
Investment Income	<u>109,357</u>	<u>78,760</u>
Expenses (note 6):		
bclMC funds management fees	549	430
Custodial fees	46	32
Administrative and professional fees	<u>5</u>	<u>4</u>
	<u>600</u>	<u>466</u>
<b>Net investment income</b>	108,757	78,294
Realized and unrealized gains (losses):		
Net realized loss	(7,240)	(629)
Change in unrealized gain	<u>17,094</u>	<u>7,367</u>
	<u>9,854</u>	<u>6,738</u>
<b>Net income from operations</b>	118,611	85,032
Capital Transactions:		
Proceeds from units issued	2,560,545	1,944,067
Amounts paid for units redeemed	<u>(2,162,243)</u>	<u>(1,478,538)</u>
	<u>398,302</u>	<u>465,529</u>
Increase in net assets	516,913	550,561
Net assets, beginning of year	<u>1,956,753</u>	<u>1,406,192</u>
<b>Net Assets, end of year</b>	<u>2,473,666</u>	<u>1,956,753</u>

See accompanying Notes to Financial Statements.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**SHORT TERM BOND FUND**

**Statement of Investments  
as at December 31, 2007  
(in \$000s)**

	<b>Cost</b>	<b>Fair Value</b>				<b>Total</b>	<b>% of Fair Value</b>
		<b>Term to Maturity</b>					
		<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>No Specific Maturity</b>		
<b>Bonds</b>							
Obligations of, or guaranteed by, Government of Canada	947,324	42,338	909,004	-	-	951,342	38.9%
Obligations of, or guaranteed by, provinces other than the Province of British Columbia	173,058	-	176,687	-	-	176,687	7.2%
Obligations of, or guaranteed by other provinces	1,313,141	62,579	1,250,542	5,074	-	1,318,195	53.8%
	<u>2,433,523</u>	<u>104,917</u>	<u>2,336,233</u>	<u>5,074</u>	<u>-</u>	<u>2,446,224</u>	<u>99.9%</u>
<b>Money Market Investment</b>							
Units in British Columbia Investment Management Corporation Pooled Investment Portfolio Fund ST1	3,341	-	-	-	3,341	3,341	0.1%
<b>Total Investments</b>	<u>2,436,864</u>	<u>104,917</u>	<u>2,336,233</u>	<u>5,074</u>	<u>3,341</u>	<u>2,449,565</u>	<u>100.0%</u>
Weighted average yield to maturity for bonds		4.09%	4.21%	3.48%		4.21% <sup>1</sup>	

<sup>1</sup> The total weighted average yield to maturity does not include the money market securities with no specific maturity dates.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**CANADIAN UNIVERSE BOND FUND**

**Statement of Net Assets**

**as at December 31**

**(in \$000s except number of units outstanding)**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Investments at fair value	12,893,817	12,345,821
Receivable from sale of investments	-	481
Receivable from issue of units	150	940
Accrued investment income	<u>78,321</u>	<u>105,504</u>
	<u>12,972,288</u>	<u>12,452,746</u>
<b>Liabilities</b>		
bcIMC funds management fees payable (note 6)	277	173
Payable for purchase of investments	-	30,000
Custodial fees payable	50	27
Accounts payable	<u>6</u>	<u>4</u>
	<u>333</u>	<u>30,204</u>
<b>Net assets representing unitholders' equity</b>	<u>12,971,955</u>	<u>12,422,542</u>
Number of units outstanding (note 8)	11,853,340	11,729,058
<b>Net asset value per unit</b>	<u>1,094</u>	<u>1,059</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

**Statement of Operations and Changes in Net Assets**

**for the years ended December 31**

**(in \$000s)**

	<u>2007</u>	<u>2006</u>
Investment Income	<u>565,217</u>	<u>348,870</u>
Expenses (note 6):		
bcIMC funds management fees	2,753	1,761
Custodial fees	227	98
Administrative and professional fees	<u>5</u>	<u>4</u>
	<u>2,985</u>	<u>1,863</u>
<b>Net investment income</b>	562,232	347,007
Realized and unrealized gains (losses):		
Net realized gain (loss)	(97,440)	191,069
Change in unrealized gain (loss)	<u>(42,821)</u>	<u>82,816</u>
	<u>(140,261)</u>	<u>273,885</u>
<b>Net income from operations</b>	421,971	620,892
Capital Transactions:		
Proceeds from units issued	981,958	11,970,232
Amounts paid for units redeemed	<u>(854,516)</u>	<u>(168,582)</u>
	<u>127,442</u>	<u>11,801,650</u>
Increase in net assets	549,413	12,422,542
Net assets, beginning of year	<u>12,422,542</u>	<u>-</u>
<b>Net Assets, end of year</b>	<u>12,971,955</u>	<u>12,422,542</u>

See accompanying Notes to Financial Statements.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**CANADIAN UNIVERSE BOND FUND**

**Statement of Investments**  
**As at December 31, 2007**  
**(in \$000s)**

	<u>Cost</u>	<u>Fair Value</u>			<u>Total</u>	<u>% of Fair Value</u>
		<u>1-5 Years</u>	<u>Over 5 Years</u>	<u>No Specific Maturity</u>		
<b>Bonds</b>						
Obligations of, or guaranteed by, Government of Canada	6,258,648	1,977,734	4,342,758	-	6,320,492	49.0%
Obligations of, or guaranteed by, the Province of British Columbia	270,322	-	279,359	-	279,359	2.2%
Obligations of, or guaranteed by, provinces other than the Province of British Columbia	1,550,726	-	1,572,585	-	1,572,585	12.2%
Canadian dollar-denominated obligations issued by non-Canadian entities in the Canadian market	426,209	34,550	393,742	-	428,292	3.3%
Debentures issued by corporations incorporated under the laws of Canada or a province	<u>4,170,852</u>	<u>-</u>	<u>4,116,025</u>	<u>-</u>	<u>4,116,025</u>	<u>31.9%</u>
	<u>12,676,757</u>	<u>2,012,284</u>	<u>10,704,469</u>	<u>-</u>	<u>12,716,753</u>	<u>98.6%</u>
<b>Money Market Investments</b>						
Units in British Columbia Investment Management Corporation Pooled Investment Portfolio Fund ST1	<u>177,064</u>	<u>-</u>	<u>-</u>	<u>177,064</u>	<u>177,064</u>	<u>1.4%</u>
<b>Total Investments</b>	<u>12,853,821</u>	<u>2,012,284</u>	<u>10,704,469</u>	<u>177,064</u>	<u>12,893,817</u>	<u>100.0%</u>
Weighted average yield to maturity for bonds		4.21%	4.63%		4.57% <sup>1</sup>	

<sup>1</sup> The total weighted average yield to maturity does not include the money market securities with no specific maturity dates.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**FIXED TERM MORTGAGE FUND**

**Statement of Net Assets**

**as at December 31**

**(in \$000s except number of units outstanding)**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Investments at fair value	2,218,905	2,082,416
Receivable from issue of units	102,000	-
	<u>2,320,905</u>	<u>2,082,416</u>
<b>Liabilities</b>		
bciMC funds management fees payable (note 6)	85	64
Payable for redemption of units	-	34,000
Accounts payable	54	13
	<u>139</u>	<u>34,077</u>
<b>Net assets representing unitholders' equity</b>	<u>2,320,766</u>	<u>2,048,339</u>
Number of units outstanding (note 8)	903.162	827.875
<b>Net asset value per unit</b>	<u>2,570</u>	<u>2,474</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

**Statement of Operations and Changes in Net Assets**

**for the years ended December 31**

**(in \$000s)**

	<u>2007</u>	<u>2006</u>
Investment Income	138,950	31,624
Expenses (note 6):		
bciMC funds management fees	871	740
Mortgage servicing fees	-	186
Custodial fees	-	1
Administrative and professional fees	72	50
	<u>943</u>	<u>977</u>
<b>Net investment income (loss)</b>	138,007	30,647
Realized and unrealized gains (losses):		
Net realized loss	-	(1,005)
Change in unrealized gain (loss)	(59,580)	63,060
	<u>(59,580)</u>	<u>62,055</u>
<b>Net income from operations</b>	78,427	92,702
Capital Transactions:		
Proceeds from units issued	417,715	289,103
Amounts paid for units redeemed	(223,715)	(107,103)
	<u>194,000</u>	<u>182,000</u>
Increase in net assets	272,427	274,702
Net assets, beginning of year	<u>2,048,339</u>	<u>1,773,637</u>
<b>Net Assets, end of year</b>	<u>2,320,766</u>	<u>2,048,339</u>

See accompanying Notes to Financial Statements.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**FIXED TERM MORTGAGE FUND**

**Statement of Cash Flows  
for the years ended December 31  
(in \$000s)**

	<u>2007</u>	<u>2006</u>
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net income from operations	78,427	92,702
Items not affecting cash:		
Net realized loss	-	1,005
Change in unrealized gain	59,580	(63,060)
	<u>138,007</u>	<u>30,647</u>
Changes in non-cash operating accounts:		
Accounts receivable	-	1,292
Accrued investment income	-	8,785
Receivable from issue of units	(102,000)	-
bclMC funds management fees payable	21	2
Payable for redemption of units	(34,000)	(4,000)
Mortgage servicing fees payable	-	(95)
Accounts payable	41	5
	<u>2,069</u>	<u>36,636</u>
<b>Cash flows from investing activities</b>		
Repayment of mortgages	-	1,828,921
Advances on mortgages	-	(164,243)
Proceeds from sale of investments	549,339	588,776
Purchase of investments	(745,408)	(2,472,090)
	<u>(196,069)</u>	<u>(218,636)</u>
<b>Cash flows from financing activities</b>		
Proceeds from units issued	417,715	289,103
Amounts paid for units redeemed	(223,715)	(107,103)
	<u>194,000</u>	<u>182,000</u>
<b>Net increase in cash</b>	-	-
<b>Cash, beginning of year</b>	-	-
<b>Cash, end of year</b>	-	-

**Statement of Investments  
as at December 31, 2007  
(in \$000s)**

	<u>Cost</u>	<u>Fair Value</u>	<u>% of Fair Value</u>
<b>Mortgage Investment (Schedule One)</b>			
Units in Limited Partnership	2,138,268	2,217,912	100.0%
<b>Money Market Investment</b>			
Units in British Columbia Investment Management Corporation Pooled Investment Portfolio Fund ST1	993	993	0.0%
<b>Total Investments</b>	<u>2,139,261</u>	<u>2,218,905</u>	<u>100.0%</u>

**Schedule One - Additional Information on Mortgage Investment  
as at December 31, 2007**

The Limited Partnership owned by the pooled investment portfolio holds the following mortgages, other investments and net investment-related payables:

	<u>Fair Value (\$000s)</u>	<u>Weighted Average Term to Maturity</u>	<u>Number of Mortgages</u>
<b>Mortgage Sector</b>			
Retail	640,867	5.7 years	41
Office	505,140	6.2 years	40
Industrial	407,578	6.0 years	39
Residential	357,983	4.2 years	36
Other	121,948	8.6 years	5
Total Mortgages	2,033,516		<u>161</u>
Money Market Investments	44,731		
Mortgage Bonds	139,708		
Net Investment-Related Payables	(43)		
	<u>2,217,912</u>		

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**CONSTRUCTION MORTGAGE FUND**

**Statement of Net Assets**

**as at December 31**

**(in \$000s except number of units outstanding)**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Investments at fair value	800,766	473,132
Receivable from issue of units	6,000	12,000
	<u>806,766</u>	<u>485,132</u>
<b>Liabilities</b>		
bcIMC funds management fees payable (note 6)	46	32
Accounts payable	46	13
	<u>92</u>	<u>45</u>
<b>Net assets representing unitholders' equity</b>	<u>806,674</u>	<u>485,087</u>
Number of units outstanding (note 8)	352,031	226,762
<b>Net asset value per unit</b>	<u>2,291</u>	<u>2,139</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

**Statement of Operations and Changes in Net Assets**

**for the years ended December 31**

**(in \$000s)**

	<u>2007</u>	<u>2006</u>
Investment Income	4,313	870
Expenses (note 6):		
bcIMC funds management fees	418	358
Mortgage servicing fees	-	14
Administrative and professional fees	61	40
	<u>479</u>	<u>412</u>
<b>Net investment income</b>	3,834	458
Realized gains:		
Change in unrealized gain	38,753	27,539
<b>Net income from operations</b>	42,587	27,997
Capital Transactions:		
Proceeds from units issued	336,040	123,773
Amounts paid for units redeemed	(57,040)	(1,773)
	<u>279,000</u>	<u>122,000</u>
Increase in net assets	321,587	149,997
Net assets, beginning of year	485,087	335,090
<b>Net Assets, end of year</b>	<u>806,674</u>	<u>485,087</u>

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**CONSTRUCTION MORTGAGE FUND**

**Statement of Cash Flows  
for the years ended December 31  
(in \$000s)**

	<u>2007</u>	<u>2006</u>
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net income from operations	42,587	27,997
Items not affecting cash:		
Change in unrealized gain	<u>(38,753)</u>	<u>(27,539)</u>
	3,834	458
Changes in non-cash operating accounts:		
Receivable from issue of units	6,000	(11,503)
bcIMC funds management fees payable	14	-
Mortgage servicing fees payable	-	(7)
Accounts payable	<u>33</u>	<u>5</u>
	<u>9,881</u>	<u>(11,047)</u>
<b>Cash flows from investing activities</b>		
Repayment of mortgages	-	117,749
Advances on mortgages	-	(8,470)
Proceeds from sale of investments	360,173	116,850
Purchase of investments	<u>(649,054)</u>	<u>(337,082)</u>
	<u>(288,881)</u>	<u>(110,953)</u>
<b>Cash flows from financing activities</b>		
Proceeds from units issued	336,040	123,773
Amounts paid for units redeemed	<u>(57,040)</u>	<u>(1,773)</u>
	<u>279,000</u>	<u>122,000</u>
<b>Net increase in cash</b>	-	-
<b>Cash, beginning of year</b>	-	-
<b>Cash, end of year</b>	<u>-</u>	<u>-</u>

**Statement of Investments  
as at December 31, 2007  
(in \$000s)**

	<u>Cost</u>	<u>Fair Value</u>	<u>% of Fair Value</u>
<b>Mortgage Investment (Schedule One)</b>			
Common Shares in Canadian corporation	722,897	798,505	99.7%
<b>Money Market Investment</b>			
Units in British Columbia Investment Management Corporation Pooled Investment Portfolio			
Fund ST1	<u>2,261</u>	<u>2,261</u>	<u>0.3%</u>
<b>Total Investments</b>	<u>725,158</u>	<u>800,766</u>	<u>100.0%</u>

**Schedule One - Additional Information on Mortgage Investment  
as at December 31, 2007**

The Canadian corporation owned by the pooled investment portfolio hold the following mortgages, other investments and net investment-related receivables:

	Fair Value (\$000s)	Weighted Average Term to Maturity	Number of Mortgages
<b>Mortgage Sector</b>			
Office	22,715	1.8 years	1
Retail	85,503	0.2 years	3
Industrial	22,384	1.2 years	3
Residential	<u>531,948</u>	0.9 years	<u>27</u>
Total Mortgages	662,550		<u>34</u>
Money Market Investments	135,857		
Net Investment-Related Receivables	<u>98</u>		
	<u>798,505</u>		

See accompanying Notes to Financial Statements.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**SPECIALTY MORTGAGE FUND**

**Statement of Net Assets**

**as at December 31**

**(in \$000s except number of units outstanding)**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Investments at fair value	199,651	118,186
Receivable from sale of investments	-	3,150
Accrued investment income	<u>285</u>	<u>231</u>
	<u>199,936</u>	<u>121,567</u>
<b>Liabilities</b>		
bclMC funds management fees payable (note 6)	8	1
Payable for redemption of units	7,000	-
Accounts payable	<u>19</u>	<u>12</u>
	<u>7,027</u>	<u>13</u>
<b>Net assets representing unitholders' equity</b>	<u><u>192,909</u></u>	<u><u>121,554</u></u>
Number of units outstanding (note 8)	97.303	68.437
<b>Net asset value per unit</b>	<u><u>1,983</u></u>	<u><u>1,776</u></u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

**Statement of Operations and Changes in Net Assets**

**for the years ended December 31**

**(in \$000s)**

	<u>2007</u>	<u>2006</u>
Investment Income	<u>1,352</u>	<u>1,103</u>
Expenses (note 6):		
bclMC funds management fees	61	26
Mortgage servicing fees	-	2
Administrative and professional fees	<u>20</u>	<u>12</u>
	<u>81</u>	<u>40</u>
<b>Net investment income</b>	1,271	1,063
Realized and unrealized gains (losses):		
Net realized gain (loss)	(46)	396
Change in unrealized gain	<u>16,830</u>	<u>7,383</u>
	<u>16,784</u>	<u>7,779</u>
<b>Net income from operations</b>	18,055	8,842
Capital Transactions:		
Proceeds from units issued	62,609	48,203
Amounts paid for units redeemed	<u>(9,309)</u>	<u>(4,129)</u>
	<u>53,300</u>	<u>44,074</u>
Increase in net assets	71,355	52,916
Net assets, beginning of year	<u>121,554</u>	<u>68,638</u>
<b>Net Assets, end of year</b>	<u><u>192,909</u></u>	<u><u>121,554</u></u>

See accompanying Notes to Financial Statements.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**SPECIALTY MORTGAGE FUND**

**Statement of Cash Flows  
for the years ended December 31  
(in \$000s)**

	<u>2007</u>	<u>2006</u>
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net income from operations	18,055	8,842
Items not affecting cash:		
Net realized loss (gain)	46	(396)
Change in unrealized gain	<u>(16,830)</u>	<u>(7,383)</u>
	1,271	1,063
Changes in non-cash operating accounts:		
Receivable from sale of investments	3,150	(3,150)
Accrued investment income	(54)	32
bcIMC funds management fees payable	7	(2)
Mortgage servicing fees payable	-	(1)
Payable for redemption of units	7,000	-
Accounts payable	<u>7</u>	<u>6</u>
	<u>11,381</u>	<u>(2,052)</u>
<b>Cash flows from investing activities</b>		
Repayment of mortgages	-	16,940
Advances on mortgages	-	-
Proceeds from sale of investments	56,021	50,700
Purchase of investments	<u>(120,702)</u>	<u>(109,662)</u>
	<u>(64,681)</u>	<u>(42,022)</u>
<b>Cash flows from financing activities</b>		
Proceeds from units issued	62,609	48,203
Amounts paid for units redeemed	<u>(9,309)</u>	<u>(4,129)</u>
	<u>53,300</u>	<u>44,074</u>
<b>Net increase (decrease) in cash</b>	-	-
<b>Cash, beginning of year</b>	-	-
<b>Cash, end of year</b>	<u>-</u>	<u>-</u>

**Statement of Investments  
as at December 31, 2007  
(in \$000s)**

	<u>Cost</u>	<u>Fair Value</u>	<u>% of Fair Value</u>
<b>Mortgage Investments (Schedule One)</b>			
Common Shares in Canadian corporations	156,322	180,475	90.4%
Units in Property Trust	<u>12,000</u>	<u>12,000</u>	6.0%
	<u>168,322</u>	<u>192,475</u>	<u>96.4%</u>
<b>Money Market Investment</b>			
Units in British Columbia Investment Management Corporation Pooled Investment Portfolio Fund ST1	<u>7,176</u>	<u>7,176</u>	3.6%
<b>Total Investments</b>	<u>175,498</u>	<u>199,651</u>	<u>100.0%</u>

**Schedule One - Additional Information on Mortgage Investments  
as at December 31, 2007**

The Canadian corporation and Property Trust owned by the pooled investment portfolio hold the following mortgages, other investments and net investment-related receivables:

	<u>Fair Value (\$000s)</u>	<u>Weighted Average Term to Maturity</u>	<u>Number of Mortgages</u>
<b>Mortgage Sector</b>			
Retail	1,296	6.0 years	1
Office	39,143	1.8 years	7
Residential	98,807	2.8 years	12
Other	<u>43,500</u>	3.0 years	<u>4</u>
Total Mortgages	182,746		<u>24</u>
Net Investment-Related Receivables	<u>9,729</u>		
	<u>192,475</u>		

See accompanying Notes to Financial Statements.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**ACTIVE ASIAN EQUITY FUND**

**Statement of Net Assets**

**as at December 31**

**(in \$000s except number of units outstanding)**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Investments at fair value	2,659,653	2,643,454
Cash	45,911	23,951
Receivable from sale of investments	8,255	23,343
Receivable from issue of units	-	300
Accrued investment income	1,327	1,350
	<u>2,715,146</u>	<u>2,692,398</u>
<b>Liabilities</b>		
bclMC funds management fees payable (note 6)	60	37
Payable for purchase of investments	8,806	7,868
External management fees payable	2,776	1,987
Custodial fees payable	370	197
Accounts payable	5	5
	<u>12,017</u>	<u>10,094</u>
<b>Net assets representing unitholders' equity</b>	<u>2,703,129</u>	<u>2,682,304</u>
Number of units outstanding (note 8)	1,409,797	1,396,373
<b>Net asset value per unit</b>	<u>1,917</u>	<u>1,921</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

**Statement of Operations and Changes in Net Assets**

**for the years ended December 31**

**(in \$000s)**

	<u>2007</u>	<u>2006</u>
Investment Income	56,194	41,847
Expenses (note 6):		
bclMC funds management fees	629	498
External management fees	10,194	7,557
Custodial fees	1,502	815
Administrative and professional fees	32	13
	<u>12,357</u>	<u>8,883</u>
<b>Net investment income</b>	43,837	32,964
Realized and unrealized gains (losses):		
Net realized gain	214,141 <sup>1</sup>	230,731 <sup>1</sup>
Change in unrealized gain (loss)	(263,953) <sup>1</sup>	49,656 <sup>1</sup>
	<u>(49,812)</u>	<u>280,387</u>
<b>Net income (loss) from operations</b>	(5,975)	313,351
Capital Transactions:		
Proceeds from units issued	219,738	74,864
Amounts paid for units redeemed	(192,938)	(73,414)
	<u>26,800</u>	<u>1,450</u>
Increase in net assets	20,825	314,801
Net assets, beginning of year	<u>2,682,304</u>	<u>2,367,503</u>
<b>Net Assets, end of year</b>	<u>2,703,129</u>	<u>2,682,304</u>

<sup>1</sup> The net realized gain and change in unrealized gain (loss) include the following exchange gains (losses):

(321,165)	38,322
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**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**ACTIVE ASIAN EQUITY FUND**

**Statement of Investments  
As at December 31, 2007  
(in \$000s)**

	<u>Cost</u>	<u>Fair Value</u>	<u>% of Fair Value</u>
<b>Public Equity Investments</b>			
Common and Preferred Stock:			
Australia	233,900	279,726	10.5%
Bermuda	2,588	-	-
China	202,557	267,043	10.0%
Hong Kong	172,484	237,606	8.9%
India	163,567	214,574	8.1%
Indonesia	50,879	71,157	2.7%
Japan	1,016,840	928,878	34.9%
Korea	222,418	229,191	8.6%
Malaysia	50,693	58,175	2.2%
Philippines	13,196	13,114	0.5%
Singapore	115,842	146,296	5.5%
Taiwan	147,994	149,388	5.6%
Thailand	31,664	36,196	1.4%
United Kingdom	16,189	22,732	0.9%
	<u>2,440,811</u>	<u>2,654,076</u>	<u>99.8%</u>
<b>Money Market Investments</b>			
Obligations issued by corporations incorporated under the laws of Canada or a province (Schedule One)			
	5,336	5,336	0.2%
Units in British Columbia Investment Management Corporation Pooled Investment Portfolio			
Fund ST2	241	241	0.0%
	<u>5,577</u>	<u>5,577</u>	<u>0.2%</u>
<b>Total Investments</b>	<u>2,446,388</u>	<u>2,659,653</u>	<u>100.0%</u>

**Schedule One - Terms and Weighted Average Yields for Money Market Investments  
As at December 31, 2007**

	<u>Fair Value (\$000s)</u>	<u>Term to Maturity</u>	<u>Weighted Average Yield to Maturity</u>
Obligations issued by corporations incorporated under the laws of Canada or a province	5,336	Within 1 Year	8.90%

*See accompanying Notes to Financial Statements.*

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**ACTIVE EUROPEAN EQUITY FUND**

**Statement of Net Assets**

**as at December 31**

**(in \$000s except number of units outstanding)**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Investments at fair value	2,116,921	2,275,379
Unrealized gain on foreign currency contracts (Schedule One)	2,085	-
Cash	19,462	15,820
Receivable from sale of investments	13,139	1,044
Accrued investment income	1,697	1,831
Withholding taxes receivable	731	629
	<u>2,154,035</u>	<u>2,294,703</u>
<b>Liabilities</b>		
Unrealized loss on foreign currency contracts	-	1,915
bclMC funds management fees payable (note 6)	49	32
Payable for purchase of investments	1,735	937
External management fees payable	2,746	2,433
Custodial fees payable	190	172
Accounts payable	5	5
	<u>4,725</u>	<u>5,494</u>
<b>Net assets representing unitholders' equity</b>	<u>2,149,310</u>	<u>2,289,209</u>
Number of units outstanding (note 8)	1,315.441	1,314.838
<b>Net asset value per unit</b>	<u>1,634</u>	<u>1,741</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

**Statement of Operations and Changes in Net Assets**

**for the years ended December 31**

**(in \$000s)**

	<u>2007</u>	<u>2006</u>
Investment Income	69,892	48,567
Expenses (note 6):		
bclMC funds management fees	546	369
External management fees	9,688	8,010
Custodial fees	835	658
Administrative and professional fees	6	4
	<u>11,075</u>	<u>9,041</u>
<b>Net investment income</b>	58,817	39,526
Realized and unrealized gains (losses):		
Net realized gain	180,566 <sup>1</sup>	105,016 <sup>1</sup>
Change in unrealized gain (loss)	<u>(380,332)<sup>1</sup></u>	<u>445,360<sup>1</sup></u>
	<u>(199,766)</u>	<u>550,376</u>
<b>Net income (loss) from operations</b>	(140,949)	589,902
Capital Transactions:		
Proceeds from units issued	90,020	400,012
Amounts paid for units redeemed	<u>(88,970)</u>	<u>(75,562)</u>
	<u>1,050</u>	<u>324,450</u>
Increase (decrease) in net assets	(139,899)	914,352
Net assets, beginning of year	<u>2,289,209</u>	<u>1,374,857</u>
<b>Net Assets, end of year</b>	<u>2,149,310</u>	<u>2,289,209</u>

<sup>1</sup> The net realized gain and change in unrealized gain (loss) include the following exchange gains (losses):

(196,398)	197,607
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**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**ACTIVE EUROPEAN EQUITY FUND**

**Statement of Investments  
as at December 31, 2007  
(in \$000s)**

	<u>Cost</u>	<u>Fair Value</u>	<u>% of Fair Value</u>
<b>Public Equity Investments</b>			
Common and Preferred Stock:			
Austria	4,922	9,477	0.4%
Belgium	48,169	39,114	1.9%
Denmark	8,562	13,953	0.7%
Finland	49,490	53,527	2.5%
France	311,094	330,037	15.6%
Germany	322,599	397,077	18.8%
Greece	20,247	25,186	1.2%
Hungary	2,359	2,563	0.1%
Ireland	16,025	11,306	0.5%
Italy	129,064	133,650	6.3%
Netherlands	149,136	158,967	7.5%
Norway	44,600	43,843	2.1%
Portugal	3,010	4,791	0.2%
Spain	64,078	72,715	3.4%
Sweden	70,166	61,055	2.9%
Switzerland	153,383	160,892	7.6%
Turkey	20,342	27,629	1.3%
United Kingdom	572,439	570,670	27.0%
	<u>1,989,685</u>	<u>2,116,452</u>	100.0%
<b>Money Market Investment</b>			
Units in British Columbia Investment Management Corporation Pooled Investment Portfolio			
Fund ST2	469	469	0.0%
<b>Total Investments</b>	<u>1,990,154</u>	<u>2,116,921</u>	100.0%

**Schedule One - Unrealized Gain on Foreign Currency Contracts  
as at December 31, 2007**

<u>No of Contracts</u>	<u>Expiry Dates</u>	<u>Notional Value (\$000s)</u>	<u>Unrealized Gain (Loss) (\$000s)</u>
4	January 2008	679	(1)
6	March 2008	161,700	2,086
<u>10</u>		<u>162,379</u>	<u>2,085</u>

*See accompanying Notes to Financial Statements.*

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**ENHANCED INDEXED EUROPEAN EQUITY FUND**

**Statement of Net Assets**

**as at December 31**

**(in \$000s except number of units outstanding)**

	<b>2007</b>
	<b>(note 1)</b>
<b>Assets</b>	
Investments at fair value	320,759
Cash	61
Receivable from sale of investments	893
Accrued investment income	326
Withholding taxes receivable	69
	<b>322,108</b>
<b>Liabilities</b>	
bciMC funds management fees payable (note 6)	22
Custodial fees payable	63
Accounts payable	5
	<b>90</b>
<b>Net assets representing unitholders' equity</b>	<b>322,018</b>
Number of units outstanding (note 8)	350,000
<b>Net asset value per unit</b>	<b>920</b>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

**Statement of Operations and Changes in Net Assets**

**for the nine months ended December 31**

**(in \$000s)**

	<b>2007</b>
	<b>(note 1)</b>
Investment Income	8,678
Expenses (note 6):	
bciMC funds management fees	169
Custodial fees	200
Administrative and professional fees	4
	<b>373</b>
<b>Net investment income</b>	<b>8,305</b>
Realized and unrealized losses:	
Net realized loss	(24,607) <sup>1</sup>
Change in unrealized loss	(11,680) <sup>1</sup>
	<b>(36,287)</b>
<b>Net loss from operations</b>	<b>(27,982)</b>
Capital Transactions:	
Proceeds from units issued	364,503
Amounts paid for units redeemed	(14,503)
	<b>350,000</b>
Increase in net assets	322,018
Net assets, beginning of year	-
<b>Net Assets, end of year</b>	<b>322,018</b>

<sup>1</sup> The net realized loss and change in unrealized loss include the following exchange losses: (32,042)

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**ENHANCED INDEXED EUROPEAN EQUITY FUND**

**Statement of Investments**  
**as at December 31, 2007**  
**(in \$000s)**

	<u>Cost</u>	<u>Fair Value</u>	<u>% of Fair Value</u>
<b>Public Equity Investments</b>			
Common and Preferred Stock:			
Austria	1,286	1,087	0.3%
Belgium	3,917	3,316	1.0%
Denmark	5,955	6,048	1.9%
Finland	6,663	8,082	2.5%
France	50,771	49,091	15.4%
Germany	41,116	44,430	13.9%
Greece	7,906	8,006	2.5%
Ireland	2,081	1,895	0.6%
Italy	19,099	17,290	5.4%
Netherlands	11,608	11,051	3.4%
Norway	7,513	7,024	2.2%
Portugal	2,264	2,157	0.7%
Spain	22,159	22,133	6.9%
Sweden	13,575	11,461	3.6%
Switzerland	35,118	31,822	9.9%
United Kingdom	100,828	95,327	29.7%
	<u>331,859</u>	<u>320,220</u>	<u>99.9%</u>
Exchange Traded Funds	512	471	0.1%
	<u>332,371</u>	<u>320,691</u>	<u>100.0%</u>
<b>Money Market Investment</b>			
Units in British Columbia Investment Management Corporation Pooled Investment Portfolio			
Fund ST2	68	68	0.0%
<b>Total Investments</b>	<u>332,439</u>	<u>320,759</u>	<u>100.0%</u>

*See accompanying Notes to Financial Statements.*

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**INDEXED EUROPEAN EQUITY FUND**

**Statement of Net Assets**

**as at December 31**

**(in \$000s except number of units outstanding)**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Investments at fair value	1,725,256	2,220,016
Cash	443	317
Receivable from sale of investments	3,335	820
Accrued investment income	1,909	2,418
Withholding taxes receivable	550	563
	<u>1,731,493</u>	<u>2,224,134</u>
<b>Liabilities</b>		
Unrealized loss on foreign currency contracts (Schedule One)	4	-
bclMC funds management fees payable (note 6)	47	39
Payable for purchase of investments	-	847
Custodial fees payable	152	132
Accounts payable	6	5
	<u>209</u>	<u>1,023</u>
<b>Net assets representing unitholders' equity</b>	<u>1,731,284</u>	<u>2,223,111</u>
Number of units outstanding (note 8)	1,116.246	1,387.827
<b>Net asset value per unit</b>	<u>1,551</u>	<u>1,602</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

**Statement of Operations and Changes in Net Assets**

**for the years ended December 31**

**(in \$000s)**

	<u>2007</u>	<u>2006</u>
Investment Income	58,420	59,411
Expenses (note 6):		
bclMC funds management fees	568	476
Custodial fees	641	534
Administrative and professional fees	6	6
	<u>1,215</u>	<u>1,016</u>
<b>Net investment income</b>	57,205	58,395
Realized and unrealized gains (losses):		
Net realized gain	165,115 <sup>1</sup>	18,619 <sup>1</sup>
Change in unrealized gain (loss)	<u>(271,147)<sup>1</sup></u>	<u>479,191<sup>1</sup></u>
	<u>(106,032)</u>	<u>497,810</u>
<b>Net income (loss) from operations</b>	(48,827)	556,205
Capital Transactions:		
Proceeds from units issued	90,849	74,086
Amounts paid for units redeemed	<u>(533,849)</u>	<u>(49,086)</u>
	<u>(443,000)</u>	<u>25,000</u>
Increase (decrease) in net assets	(491,827)	581,205
Net assets, beginning of year	<u>2,223,111</u>	<u>1,641,906</u>
<b>Net Assets, end of year</b>	<u>1,731,284</u>	<u>\$ 2,223,111</u>

<sup>1</sup> The net realized gain and change in unrealized gain (loss) include the following exchange losses:

(164,769)	(199,459)
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**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**INDEXED EUROPEAN EQUITY FUND**

**Statement of Investments**  
**As at December 31, 2007**  
**(in \$000s)**

	<u>Cost</u>	<u>Fair Value</u>	<u>% of Fair Value</u>
<b>Public Equity Investments</b>			
Common and Preferred Stock:			
Austria	11,283	14,176	0.8%
Belgium	25,628	30,383	1.8%
Denmark	14,306	22,919	1.3%
Finland	28,738	45,867	2.7%
France	204,833	261,128	15.1%
Germany	152,927	231,397	13.4%
Greece	11,136	18,792	1.1%
Ireland	15,036	16,045	0.9%
Italy	84,668	97,588	5.7%
Netherlands	60,791	73,620	4.3%
Norway	15,168	26,551	1.5%
Portugal	6,675	8,971	0.5%
Spain	72,033	106,978	6.2%
Sweden	43,746	57,217	3.3%
Switzerland	131,554	163,650	9.5%
United Kingdom	484,036	546,375	31.7%
United States	1,445	1,312	0.1%
	<u>1,364,003</u>	<u>1,722,969</u>	<u>99.9%</u>
Exchange Traded Funds	2,202	2,125	0.1%
	<u>1,366,205</u>	<u>1,725,094</u>	<u>100.0%</u>
<b>Money Market Investments</b>			
Units in British Columbia Investment Management Corporation Pooled Investment Portfolio			
Fund ST2	162	162	0.0%
	<u>1,366,367</u>	<u>1,725,256</u>	<u>100.0%</u>

**Schedule One - Unrealized Loss on Foreign Currency Contracts**  
**As at December 31, 2007**

<u>No of Contracts</u>	<u>Expiry Dates</u>	<u>Notional Value (\$000s)</u>	<u>Unrealized Loss (\$000s)</u>
6	January 2008	861	(4)

*See accompanying Notes to Financial Statements.*

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**ACTIVE INTERNATIONAL EQUITY FUND**

**Statement of Net Assets**

**as at December 31**

**(in \$000s except number of units outstanding)**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Investments at fair value	2,754,231	3,925,876
Unrealized gain on foreign currency contracts (Schedule One)	1,587	156
Cash	48,381	109,046
Receivable from sale of investments	4,135	2,301
Accrued investment income	3,197	3,943
Withholding taxes receivable	1,306	1,333
	<u>2,812,837</u>	<u>4,042,655</u>
<b>Liabilities</b>		
bclMC funds management fees payable (note 6)	60	55
Payable for purchase of investments	7,292	6,086
External management fees payable	3,051	2,876
Custodial fees payable	314	250
Accounts payable	7	5
	<u>10,724</u>	<u>9,272</u>
<b>Net assets representing unitholders' equity</b>	<u>2,802,113</u>	<u>4,033,383</u>
Number of units outstanding (note 8)	1,732.469	2,323.492
<b>Net asset value per unit</b>	<u>1,617</u>	<u>1,736</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

**Statement of Operations and Changes in Net Assets**

**for the years ended December 31**

**(in \$000s)**

	<u>2007</u>	<u>2006</u>
Investment Income	116,010	93,833
Expenses (note 6):		
bclMC funds management fees	887	712
External management fees	12,086	10,785
Custodial fees	1,293	1,029
Administrative and professional fees	10	12
	<u>14,276</u>	<u>12,538</u>
<b>Net investment income</b>	101,734	81,295
Realized and unrealized gains (losses):		
Net realized gain	566,497 <sup>1</sup>	140,103 <sup>1</sup>
Change in unrealized gain (loss)	<u>(957,729)<sup>1</sup></u>	<u>591,854<sup>1</sup></u>
	<u>(391,232)</u>	<u>731,957</u>
<b>Net income (loss) from operations</b>	(289,498)	813,252
Capital Transactions:		
Proceeds from units issued	172,606	142,674
Amounts paid for units redeemed	<u>(1,114,378)</u>	<u>(190,954)</u>
	<u>(941,772)</u>	<u>(48,280)</u>
Increase (decrease) in net assets	(1,231,270)	764,972
Net assets, beginning of year	<u>4,033,383</u>	<u>3,268,411</u>
<b>Net Assets, end of year</b>	<u>2,802,113</u>	<u>4,033,383</u>

<sup>1</sup> The net realized gain and change in unrealized gain (loss) include the following exchange gains (losses):

(383,675)	242,025
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**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**ACTIVE INTERNATIONAL EQUITY FUND**

**Statement of Investments  
as at December 31, 2007  
(in \$000s)**

	<u>Cost</u>	<u>Fair Value</u>	<u>% of Fair Value</u>
<b>Public Equity Investments</b>			
Common and Preferred Stock:			
Australia	104,223	115,246	4.2%
Austria	19,587	19,116	0.7%
Belgium	57,448	55,478	2.0%
Brazil	21,865	35,712	1.3%
Canada	4,117	3,845	0.1%
China	16,916	18,455	0.7%
Egypt	4,737	6,202	0.2%
Finland	20,322	23,745	0.9%
France	246,783	282,142	10.2%
Germany	259,403	278,291	10.1%
Greece	29,841	33,005	1.2%
Hong Kong	75,719	73,596	2.7%
India	1,138	1,650	0.1%
Indonesia	2,447	2,067	0.1%
Ireland	22,238	21,522	0.8%
Israel	6,438	6,692	0.3%
Italy	148,185	150,052	5.4%
Japan	502,016	452,701	16.4%
Korea	17,053	17,634	0.6%
Luxembourg	836	698	0.0%
Malaysia	21,632	23,574	0.9%
Mexico	3,652	5,543	0.2%
Netherlands	116,366	115,518	4.2%
New Zealand	123	125	0.0%
Norway	40,484	37,796	1.4%
Panama	1,263	1,388	0.1%
Portugal	5,889	8,440	0.3%
Singapore	59,614	63,212	2.3%
South Africa	7,775	8,614	0.3%
Spain	90,219	100,226	3.6%
Sweden	38,778	40,866	1.5%
Switzerland	183,317	194,497	7.1%
Taiwan	28,942	25,803	0.9%
Thailand	14,029	17,861	0.6%
Turkey	15,451	16,687	0.6%
United Kingdom	499,989	490,827	17.8%
United States	4,710	5,272	0.2%
	<u>2,693,545</u>	<u>2,754,098</u>	100.0%
<b>Money Market Investment</b>			
Units in British Columbia Investment Management Corporation Pooled Investment Portfolio			
Fund ST2	133	133	0.0%
<b>Total Investments</b>	<u><u>2,693,678</u></u>	<u><u>2,754,231</u></u>	100.0%

**Schedule One - Unrealized Gain on Foreign Currency Contracts  
as at December 31, 2007**

<u>No of Contracts</u>	<u>Expiry Dates</u>	<u>Notional Value (\$000s)</u>	<u>Unrealized Gain (\$000s)</u>
12	January 2008	8,628	41
9	March 2008	204,005	1,546
<u>21</u>		<u>212,633</u>	<u>1,587</u>

See accompanying Notes to Financial Statements.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**ENHANCED INDEXED INTERNATIONAL EQUITY FUND**

**Statement of Net Assets**

**as at December 31**

**(in \$000s except number of units outstanding)**

	<b>2007</b>
	<b>(note 1)</b>
<b>Assets</b>	
Investments at fair value	927,534
Cash	10,053
Receivable from issue of units	120
Accrued investment income	664
	<b>938,371</b>
<b>Liabilities</b>	
Unrealized loss on foreign currency contracts (Schedule One)	5,515
bclMC funds management fees payable (note 6)	19
External management fees payable	58
Custodial fees payable	18
Accounts payable	5
	<b>5,615</b>
<b>Net assets representing unitholders' equity</b>	<b>932,756</b>
Number of units outstanding (note 8)	918,880
<b>Net asset value per unit</b>	<b>1,015</b>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

**Statement of Operations and Changes in Net Assets**

**for the two months ended December 31**

**(in \$000s)**

	<b>2007</b>
	<b>(note 1)</b>
Investment Income	2,481
Expenses (note 6):	
bclMC funds management fees	19
External management fees	58
Custodial fees	18
Administrative and professional fees	4
	<b>99</b>
<b>Net investment income</b>	<b>2,382</b>
Realized and unrealized gains (losses):	
Net realized loss	(201) <sup>1</sup>
Change in unrealized gain	11,694 <sup>1</sup>
	<b>11,493</b>
<b>Net income from operations</b>	<b>13,875</b>
Capital Transactions:	
Proceeds from units issued	918,881
Amounts paid for units redeemed	-
	<b>918,881</b>
Increase in net assets	932,756
Net assets, beginning of year	-
<b>Net Assets, end of year</b>	<b>932,756</b>

<sup>1</sup> The net realized loss and change in unrealized gain include the following exchange losses:

(1,600)

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**ENHANCED INDEXED INTERNATIONAL EQUITY FUND**

**Statement of Investments  
as at December 31, 2007  
(in \$000s)**

	<u>Cost</u>	<u>Fair Value</u>	<u>% of Fair Value</u>
<b>Public Equity Investments</b>			
Common and Preferred Stock:			
Australia	50,761	50,534	5.4%
Austria	4,324	4,496	0.5%
Belgium	9,027	9,290	1.0%
China	8	9	0.0%
Denmark	4,088	4,014	0.4%
Finland	18,023	18,271	2.0%
France	92,831	94,846	10.2%
Germany	87,172	94,760	10.2%
Greece	5,574	5,886	0.6%
Hong Kong	15,968	16,999	1.8%
Ireland	6,804	7,365	0.8%
Italy	29,229	29,528	3.2%
Japan	195,154	194,331	21.0%
Netherlands	23,643	23,940	2.6%
Norway	8,285	8,310	0.9%
Singapore	8,553	8,952	1.0%
Spain	46,634	45,365	4.9%
Sweden	10,028	9,755	1.1%
Switzerland	62,333	62,402	6.7%
United Kingdom	235,063	236,235	25.5%
United States	2,193	2,246	0.2%
<b>Total Investments</b>	<u>915,695</u>	<u>927,534</u>	<u>100.0%</u>

**Schedule One - Unrealized Loss on Foreign Currency Contracts  
as at December 31, 2007**

<u>No of Contracts</u>	<u>Expiry Dates</u>	<u>Notional Value (\$000s)</u>	<u>Unrealized Loss (\$000s)</u>
4	March 2008	79,617	(5,515)

*See accompanying Notes to Financial Statements.*

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**INDEXED INTERNATIONAL EQUITY FUND**

**Statement of Net Assets**

**as at December 31**

**(in \$000s except number of units outstanding)**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Investments at fair value	2,816,909	3,236,851
Unrealized gain on foreign currency contracts (Schedule One)	2	-
Cash	1,444	388
Receivable from sale of investments	3,406	2,086
Accrued investment income	2,915	3,088
Withholding taxes receivable	687	604
	<u>2,825,363</u>	<u>3,243,017</u>
<b>Liabilities</b>		
bclMC funds management fees payable (note 6)	66	51
Payable for purchase of investments	-	2,312
Custodial fees payable	240	165
Accounts payable	6	5
	<u>312</u>	<u>2,533</u>
<b>Net assets representing unitholders' equity</b>	<u>2,825,051</u>	<u>3,240,484</u>
Number of units outstanding (note 8)	1,911.843	2,072.891
<b>Net asset value per unit</b>	<u>1,478</u>	<u>1,563</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

**Statement of Operations and Changes in Net Assets**

**for the years ended December 31**

**(in \$000s)**

	<u>2007</u>	<u>2006</u>
Investment Income	92,882	76,871
Expenses (note 6):		
bclMC funds management fees	823	643
Custodial fees	983	704
Administrative and professional fees	6	7
	<u>1,812</u>	<u>1,354</u>
<b>Net investment income</b>	91,070	75,517
Realized and unrealized gains (losses):		
Net realized gain	188,997 <sup>1</sup>	28,248 <sup>1</sup>
Change in unrealized gain (loss)	<u>(447,432)</u> <sup>1</sup>	<u>568,683</u> <sup>1</sup>
	<u>(258,435)</u>	<u>596,931</u>
<b>Net income (loss) from operations</b>	(167,365)	672,448
Capital Transactions:		
Proceeds from units issued	681,203	162,735
Amounts paid for units redeemed	<u>(929,271)</u>	<u>(145,927)</u>
	<u>(248,068)</u>	<u>16,808</u>
Increase (decrease) in net assets	(415,433)	689,256
Net assets, beginning of year	<u>3,240,484</u>	<u>2,551,228</u>
<b>Net Assets, end of year</b>	<u>2,825,051</u>	<u>3,240,484</u>

<sup>1</sup> The net realized gain and change in unrealized gain (loss) include the following exchange gains (losses):

(303,540)	199,339
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**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**INDEXED INTERNATIONAL EQUITY FUND**

**Statement of Investments  
as at December 31, 2007  
(in \$000s)**

	<u>Cost</u>	<u>Fair Value</u>	<u>% of Fair Value</u>
<b>Public Equity Investments</b>			
Common and Preferred Stock:			
Australia	128,909	181,588	6.5%
Austria	12,816	16,223	0.6%
Belgium	31,077	34,766	1.2%
Denmark	17,309	26,124	0.9%
Finland	34,160	52,295	1.9%
France	243,455	298,380	10.6%
Germany	182,097	264,306	9.4%
Greece	13,413	21,481	0.8%
Hong Kong	46,801	68,267	2.4%
Ireland	17,881	17,998	0.6%
Italy	100,052	111,435	4.0%
Japan	570,089	560,713	19.9%
Netherlands	72,190	84,602	3.0%
New Zealand	3,758	3,969	0.1%
Norway	18,879	30,754	1.1%
Portugal	7,665	10,309	0.4%
Singapore	21,507	31,379	1.1%
Spain	86,833	122,238	4.3%
Sweden	53,387	65,486	2.3%
Switzerland	158,063	187,178	6.6%
United Kingdom	571,292	624,127	22.2%
United States	1,470	1,333	0.0%
	<u>2,393,103</u>	<u>2,814,951</u>	<u>99.9%</u>
Exchange Traded Funds	1,947	1,786	0.1%
	<u>2,395,050</u>	<u>2,816,737</u>	<u>100.0%</u>
<b>Money Market Investment</b>			
Units in British Columbia Investment Management Corporation Pooled Investment Portfolio			
Fund ST2	172	172	0.0%
<b>Total Investments</b>	<u>2,395,222</u>	<u>2,816,909</u>	<u>100.0%</u>

**Schedule One - Unrealized Gain on Foreign Currency Contracts  
as at December 31, 2007**

No of Contracts	Expiry Dates	Notional Value (\$000s)	Unrealized Gain (\$000s)
5	January 2008	768	2

*See accompanying Notes to Financial Statements.*

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**STRATEGIC INVESTMENT PUBLIC EQUITY FUND**

**Statement of Net Assets**

**as at December 31**

**(in \$000s except number of units outstanding)**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Investments at fair value	832,540	802,201
Accrued investment income	<u>1,768</u>	<u>1,306</u>
	<u>834,308</u>	<u>803,507</u>
<b>Liabilities</b>		
bclMC funds management fees payable (note 6)	44	-
Custodial fees payable	3	-
Accounts payable	<u>6</u>	<u>40</u>
	<u>53</u>	<u>40</u>
<b>Net assets representing unitholders' equity</b>	<u>834,255</u>	<u>803,467</u>
Number of units outstanding (note 8)	502.389	503.151
<b>Net asset value per unit</b>	<u>1,661</u>	<u>1,597</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

**Statement of Operations and Changes in Net Assets**

**for the year ended December 31**

**(in \$000s)**

	<u>2007</u>	<u>2006</u>
Investment Income	<u>12,095</u>	<u>12,476</u>
Expenses (note 6):		
bclMC funds management fees	489	387
Custodial fees payable	13	14
Administrative and professional fees	<u>5</u>	<u>5</u>
	<u>507</u>	<u>406</u>
<b>Net investment income</b>	11,588	12,070
Realized and unrealized gains:		
Net realized gain	7,228 <sup>1</sup>	13,393 <sup>1</sup>
Change in unrealized gain	<u>14,972<sup>1</sup></u>	<u>101,524<sup>1</sup></u>
	<u>22,200</u>	<u>114,917</u>
<b>Net income from operations</b>	33,788	126,987
Capital Transactions:		
Proceeds from units issued	90,395	232,110
Amounts paid for units redeemed	<u>(93,395)</u>	<u>(260,110)</u>
	<u>(3,000)</u>	<u>(28,000)</u>
Increase in net assets	30,788	98,987
Net assets, beginning of year	<u>803,467</u>	<u>704,480</u>
<b>Net Assets, end of year</b>	<u>834,255</u>	<u>803,467</u>

<sup>1</sup> The net realized gain and change in unrealized gain include the following exchange losses:

(8,455)	(9,132)
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**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS**

**STRATEGIC INVESTMENT PUBLIC EQUITY FUND**

**Statement of Investments**  
as at December 31, 2007  
(in \$000s)

	<u>Cost</u>	<u>Fair Value</u>	<u>% of Fair Value</u>
<b>Canadian Public Equity Investments</b>			
Common and Preferred Stock:			
Energy	370,364	574,753	69.0%
Financial Services	43,014	77,170	9.3%
Industrial Products	78,469	86,376	10.4%
Materials and Processing	90,864	83,087	10.0%
	<u>582,711</u>	<u>821,386</u>	<u>98.7%</u>
<b>Short Term Investment</b>			
Units in British Columbia Investment Management Corporation Pooled Investment Portfolio			
Fund ST2	<u>11,155</u>	<u>11,154</u>	<u>1.3%</u>
<b>Total Investments</b>	<u><u>593,866</u></u>	<u><u>832,540</u></u>	<u><u>100.0%</u></u>

*See accompanying Notes to Financial Statements.*

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
 POOLED INVESTMENT PORTFOLIOS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

**1. The Portfolios**

British Columbia Investment Management Corporation ("bcIMC") was established under the *Public Sector Pension Plans Act* as a trust company authorized to carry on trust business and investment management services. These financial statements have been prepared by bcIMC and are the responsibility of bcIMC management.

Under the *Public Sector Pension Plans Act* and the *Pooled Investment Portfolios Regulation*, B.C. Reg. 447/99, bcIMC may establish and operate pooled investment portfolios "... in which money from trust funds, special funds or other funds, other public money and the money of government bodies and designated institutions may be combined in common for the purpose of investment by means of investment units of participation in a pooled investment portfolio." In addition, pooled investment portfolios previously established under the *Financial Administration Act* and the *Pooled Investment Portfolios Regulation*, B.C. Reg. 84/86, were continued under the *Pooled Investment Portfolios Regulation*, B.C. Reg. 447/99, to be held in trust by bcIMC and invested by the Chief Investment Officer of bcIMC.

The Bond, Equity, Mortgage and Strategic Public Equity Funds have the following investment mandates and were established on the following dates:

<b>Pooled Investment Portfolios</b>	<b>Investment Mandates</b>	<b>Dates Established</b>
Short Term Bond Fund	Canadian federal and provincial government short-term bonds and Canadian dollar short-term fixed income securities issued, insured or guaranteed by sovereign governments and supranational debt securities	November 1, 1995
Canadian Universe Bond Fund	Government and investment-grade corporate debt issues, denominated in Canadian currency	April 20, 2006
Fixed Term Mortgage Fund	Canadian fixed term commercial and multi-family residential mortgages	June 30, 1995
Construction Mortgage Fund	Canadian construction mortgages	December 1, 1995
Specialty Mortgage Fund	Canadian high-ratio construction and mezzanine mortgages	September 28, 1999
Active Asian Equity Fund (formerly, Asian Equity Fund)	Diversified portfolio of Pacific Basin equity securities	January 2, 1998
Active European Equity Fund (formerly, European Equity Fund)	Diversified portfolio of European securities	January 2, 1998
Enhanced Indexed European Equity Fund	Diversified portfolio of European securities	April 2, 2007*
Indexed European Equity Fund	Securities comprising the Morgan Stanley Capital International Europe Net Index	January 1, 2004
Active International Equity Fund (formerly, International Equity Fund)	Diversified portfolio of European, Australasian, and Far East securities	January 2, 1998
Enhanced Indexed International Equity Fund	Diversified portfolio of European, Australasian, and Far East securities	November 16, 2007*
Indexed International Equity Fund	Securities comprising the Morgan Stanley Capital International Europe, Australasia Far East Net Index	January 1, 2004
Strategic Investment Public Equity Fund	Strategic investments in public companies having cash flows, high dividend yields, toll-type revenues with regulated rates of return, and/or strong balance sheets with a significant component of real assets (physical resources or infrastructure related)	January 1, 2005

\*As these Pooled Investment Portfolios were established in 2007, no comparative balances have been presented in their respective financial statements.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**  
**POOLED INVESTMENT PORTFOLIOS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**2. Significant Accounting Policies**

a) Basis of Presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

A Statement of Cash Flow was not prepared for pooled investment portfolios where substantially all of the investments are considered highly liquid as the required information is adequately disclosed in the respective Statement of Operations and Changes in Net Assets.

b) Valuation

Investments and investment-related receivables and liabilities are stated at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties under no compulsion to act.

Fair value is determined as follows:

- (i) Money market securities values are derived from external market quotations.
- (ii) Bonds, debentures, real return bonds, and public equities (including exchange traded funds) are valued at their closing sale price on the valuation date. Securities not traded on that date are valued at the mean price between the latest bid and asked quotations. Securities not listed on any stock exchange, or which are traded over-the-counter, are valued in the same manner based on available public quotations from recognized dealers in such securities or at the price estimated by the fund manager to be the fair value. Forward foreign currency contracts are valued at the prevailing forward exchange rates on the valuation date.
- (iii) Derivatives, including foreign currency contracts, are valued based on the quoted market prices for the underlying assets.
- (iv) Fixed rate mortgages are valued by an independent external source based on a discounted cash flow model that includes a credit risk spread. Variable rate mortgages are valued at par plus accrued interest less any charges for impairment.

c) Income Recognition

Investment transactions are accounted for on a trade date basis. Dividend income is recognized on the ex-dividend date and interest income on the accrual basis. Income on foreign investments is reported net of withholding tax expense. Brokerage commissions are initially capitalized into the cost of the related investment. Pursuit costs are charged to net income of the respective pooled investment portfolios in the period incurred.

Gains (losses) on the settlement of foreign currency contracts, translation gains (losses) on foreign denominated monetary balances and investments, and gains (losses) on the sale of investments are recorded as net realized gains (losses). Gain (loss) on the sale of investments is calculated as the difference between the sales proceeds and cost, less related disposition costs. The year-over-year change in the difference between the fair value and the cost of investments and foreign currency contracts held at year end is recognized as an unrealized gain (loss). The cost used for the calculation of realized gain (loss) and change in unrealized gain (loss) is based on historical cost for foreign exchange contracts, average cost for equities, and amortized cost for money market securities, bonds and

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**  
**POOLED INVESTMENT PORTFOLIOS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**2. Significant Accounting Policies (continued)**

mortgages. The amortized cost is the cost of acquisition adjusted by amortization of discounts and premiums on a true constant yield basis over the terms of the investments.

d) Issue and Redemption of Units

Participation in each pooled investment portfolio is expressed in units, each unit giving its holder a proportionate share in the net assets of the respective pooled investment portfolio. The initial value of a unit of a pooled investment portfolio on inception is \$1 million. For each subsequent unit issuance and redemption, the unit value is determined by dividing the fair value of the net assets of the portfolio by the total number of units outstanding. Where one pooled investment portfolio invests in another pooled investment portfolio, the unit issuances and redemptions are transacted on the same basis as client transactions. All unit transactions are recorded on a trade date basis.

The pooled investment portfolios are open-ended funds where the number of units available for issue is unlimited and the proportion of units issued or redeemed by each client on a particular valuation date depends on changes to their desired asset allocation.

e) Foreign Currency Translation

The financial statements of the pooled investment portfolios are presented in Canadian dollars. Assets, liabilities and commitments in foreign currencies are translated into Canadian dollars at the current exchange rate. Investment income and expenses, and purchases and sales of investments are translated at the rate prevailing on the respective dates of such transactions. Realized gain (loss) and change in unrealized gain (loss) include foreign currency translation gains (losses), which have been footnoted and disclosed in each Statement of Operations and Changes in Net Assets.

f) Income Taxes

Under paragraph 104(6) of the *Income Tax Act (Canada)*, the pooled investment portfolios may deduct from their taxable income any amounts that are distributed to beneficiaries (i.e. unitholders) and taxable in their hands. All income and net taxable capital gains earned by the pooled investment portfolio are distributed to the unitholders through either actual cash distributions or an increase in the tax cost of the units prior to the end of each calendar year, resulting in no Canadian taxes being payable for the pooled investment portfolios. The intermediary holding corporations held by the pooled investment portfolios are exempt from Canadian tax under section 149 (o.2) of the *Income Tax Act (Canada)*.

g) Use of Estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make certain estimates and assumptions that can affect the reported balances. In determining the fair value of some of its investments, management relies on external managers' estimates and assumptions regarding investment industry performance and prospects, as well as general business and economic conditions that prevail or are expected to prevail. By nature, these asset valuations are subjective and do not necessarily result in precise determinations. Financial results as determined by actual events that could differ from those estimates and assumptions, and the difference could be material.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**  
**POOLED INVESTMENT PORTFOLIOS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**3. Future Accounting Policy Changes**

Section 3855, Financial Instruments – Recognition and Measurement

On April 1, 2005, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 3855, “Financial Instruments – Recognition and Measurement” of the CICA Handbook – Accounting, which establishes Canadian generally accepted accounting principles (GAAP) for measuring financial assets, financial liabilities and non-financial derivatives. Section 3855 will apply to the pooled investment portfolios for the fiscal year beginning on January 1, 2008.

Under Section 3855, the fair value of financial instruments traded in active markets must be measured based on their bid prices. Currently, the fair value of these financial instruments is measured based on the last traded price of the day (the closing price), where available, for both Canadian GAAP and the calculation of the Net Asset Value (NAV) for purchases and redemptions of units. After the introduction of Section 3855 on January 1, 2008, the pooled investment portfolios will continue to measure the fair value of financial instruments traded in active markets at closing prices when calculating the NAVs for the purchase and redemptions of units, in line with industry practice, but will measure the fair value of these financial instruments at bid prices for financial reporting under Canadian GAAP. Reconciliations between the NAVs calculated for the purchases and redemptions of units and the NAVs calculated in accordance with Section 3855 will be reported in the financial statements, beginning December 31, 2008.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities be charged to net income in the period in which they are incurred. The current accounting practice of the pooled investment portfolios is to add these expenses to the cost of the securities purchased or deduct them from the proceeds of sale. Starting January 1, 2008, for financial reporting purposes, these transaction costs will be charged to net income of the respective pooled investment fund in the period incurred. However, this change will have no impact on net income since there will be an equal and offsetting change on the net realized or unrealized gain (loss), as applicable.

Neither of these changes under Section 3855 will result in the restatement of comparative figures for 2007 as the new standard requires retrospective adoption without restatement. However, with respect to the change in valuation, a transition adjustment will be recorded to the opening balances of net assets and investments, as applicable.

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation

Section 3862, Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation of the CICA Handbook will be applicable to the Funds for their fiscal year beginning January 1, 2008. These new sections enhance existing disclosure and presentation of the nature and scope of the risks associated with financial instruments as well as the way these risks are managed. These standards have no impact on the recognition or measurement of financial instruments.

**4. Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments held by the pooled investment portfolios include derivatives, investments and the investment-related assets and liabilities. Financial instruments may be exposed to foreign currency, interest rate, market and credit risks.

a) Foreign Currency Risk

The pooled investment portfolios are exposed to currency risk through holding of investments, investment receivables, and investment liabilities in various currencies. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of the investments and investment-related receivables and liabilities. The pooled investment portfolios may use foreign currency contracts to hedge some foreign currency exposure on

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**4. Financial Instruments (continued)**

investment-related receivables and liabilities, and engage in the buying and selling of currencies through the spot market, forward contracts, equity index futures contracts, and/or options in order to achieve the desired currency exposure. The net currency exposure is shown in the Statements of Investments for the pooled investment portfolios that hold investments and investment-related receivables and liabilities denominated in foreign currencies.

b) Interest Rate Risk

Interest rate risk refers to the effect on the market value of assets and liabilities due to fluctuations in both long-term and short-term nominal and real interest rates. The pooled investment portfolios that primarily hold money market securities, bonds and mortgages have established duration bands based on their relevant benchmark to avoid undue interest rate risk. The terms to maturity, average effective yield and the nature of the investment are shown in the Statements of Investments for money market securities and bonds to provide further information on interest rate risk.

c) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment or class of investment or factors affecting all investments. There are established investment criteria for each pooled investment portfolio related to diversification of investments investment mandates for the external managers to avoid undue market risk. The Statements of Investments show the percentage of investments held in particular industry sectors for publicly traded Canadian and U.S. equities and for mortgages to provide further information on market risk.

d) Credit Risk

The pooled investment portfolios are exposed to a credit risk that a borrower may default or become insolvent or that a party may fail to deliver under a contract and the rights to any claims may become unenforceable. To avoid undue credit risk, the pooled investment portfolios have established specific investment criteria, such as minimum credit ratings for investees and counterparties and maximum concentrations with given counterparties. The Statements of Investments show the percentage of money market and bond investments held with a particular group of counterparties (i.e. Government of Canada, Province of British Columbia, other provinces or corporations) to provide further information on credit risk.

e) Fair Value of Investment-Related Assets and Liabilities

Each pooled investment portfolio's investments and derivatives are carried at fair value. In the opinion of bcIMC, the fair values of the investment-related assets and liabilities approximate their carrying values given their short-term nature.

**5. Derivatives**

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets or indices. Derivative transactions are conducted either in the over-the-counter market directly between the two counterparties or on regulated exchange markets. The pooled investment portfolios use derivative financial instruments, when appropriate, to assist in the management of financial risks, including interest rate, foreign currency, and market risks. The financial derivative contracts entered into by the pooled investment portfolios during the year included foreign currency contracts.

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**5. Derivatives (continued)**

Foreign Currency Contracts

Foreign currency contracts are agreements to exchange a specified amount of one currency for another currency on a specific date in the future for a specified price. In the case of foreign currency contracts, the notional value represents the amount to be exchanged on the future contract date. The fair value of the foreign currency contracts is calculated as the difference between the amount to be exchanged on the future contract date and the amount that would be exchanged using the prevailing forward foreign currency rates. The unrealized gains (losses) on unexpired foreign currency contracts as at December 31, 2007 are shown as Unrealized Gain (Loss) on Foreign Currency Contracts on the Statements of Net Assets, and included in the Change in Unrealized Gain (Loss) on the Statements of Operations and Changes in Net Assets. The number of foreign currency contracts and respective expiry dates are shown in the schedules, following the Statement of Investments, for each pooled investment portfolio that holds them.

**6. Expenses**

Third party costs that are attributable to a specific pooled investment portfolio are charged to that portfolio and thereby shared on a pro-rata basis by the portfolio unitholders. Other costs initially borne by bclMC are recovered from the various pooled investment portfolios in which clients participate by bclMC charging management fees, which are calculated on a cost recovery basis.

**7. Termination of Pooled Investment Portfolios**

The Canadian Corporate High-Grade Bond Fund and the Pension Bond Fund were wound up on November 27, 2007. The following table shows the net assets on wind up and income earned by the respective pooled investment portfolio for the period:

<b>Pooled Investment Portfolios</b>	<b>Net Assets on Wind Up (in \$ millions)</b>	<b>Net Income from Operations (in \$ millions)</b>	<b>Realized Gain (Loss) (in \$ millions)</b>	<b>Change in Unrealized Loss (in \$ millions)</b>
Canadian Corporate High-Grade Bond Fund	151.4	11.0	2.8	5.5
Pension Bond Fund	430.3	15.5	(0.3)	0.5

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**8. Units Outstanding**

The number of portfolio units available for issue is unlimited. The following is a summary of the changes in units outstanding during the year:

	<b>SHORT TERM BOND FUND</b>		<b>CANADIAN UNIVERSE BOND FUND</b>		<b>FIXED TERM MORTGAGE FUND</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Outstanding, beginning of year	1,025.928	766.319	11,729.058	-	827.875	753.726
Issued	1,329.150	1,049.670	927.601	11,893.705	164.207	118.713
Redeemed	(1,112.572)	(790.061)	(803.319)	(164.647)	(88.920)	(44.564)
Outstanding, end of year	<u>1,242.506</u>	<u>1,025.928</u>	<u>11,853.340</u>	<u>11,729.058</u>	<u>903.162</u>	<u>827.875</u>
	<b>CONSTRUCTION MORTGAGE FUND</b>		<b>SPECIALTY MORTGAGE FUND</b>		<b>ACTIVE ASIAN EQUITY FUND</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Outstanding, beginning of year	226.762	168.019	68.437	42.307	1,396.373	1,395.532
Issued	151.200	59.620	33.617	28.546	113.693	44.553
Redeemed	(25.931)	(0.877)	(4.751)	(2.416)	(100.269)	(43.712)
Outstanding, end of year	<u>352.031</u>	<u>226.762</u>	<u>97.303</u>	<u>68.437</u>	<u>1,409.797</u>	<u>1,396.373</u>
	<b>ACTIVE EUROPEAN EQUITY FUND</b>		<b>ENHANCED INDEXED EUROPEAN EQUITY FUND</b>		<b>INDEXED EUROPEAN EQUITY FUND</b>	
	<b>2007</b>	<b>2006</b>	<b>2007 (note 1)</b>		<b>2007</b>	<b>2006</b>
Outstanding, beginning of year	1,314.838	1,078.843	-		1,387.827	1,368.810
Issued	49.458	289.296	364.348		54.075	56.584
Redeemed	(48.855)	(53.301)	(14.348)		(325.656)	(37.567)
Outstanding, end of year	<u>1,315.441</u>	<u>1,314.838</u>	<u>350.000</u>		<u>1,116.246</u>	<u>1,387.827</u>

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**8. Units Outstanding (continued)**

	<b>ACTIVE INTERNATIONAL EQUITY FUND</b>		<b>ENHANCED INDEXED INTERNATIONAL EQUITY FUND</b>		<b>INDEXED INTERNATIONAL EQUITY FUND</b>	
	<u>2007</u>	<u>2006</u>	<u>2007 (note 1)</u>		<u>2007</u>	<u>2006</u>
Outstanding, beginning of year	2,323.492	2,354.034	-		2,072.891	2,059.499
Issued	97.615	96.011	918.880		426.664	120.463
Redeemed	(688.638)	(126.554)	-		(587.712)	(107.071)
Outstanding, end of year	<u>1,732.469</u>	<u>2,323.492</u>	<u>918.880</u>		<u>1,911.843</u>	<u>2,072.891</u>
	<b>STRATEGIC INVESTMENT PUBLIC EQUITY FUND</b>					
	<u>2007</u>	<u>2006</u>				
Outstanding, beginning of year	503.151	522.950				
Issued	54.224	184.815				
Redeemed	(54.986)	(204.614)				
Outstanding, end of year	<u>502.389</u>	<u>503.151</u>				