

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000**

1. The Portfolios

The Financial Administration Act, section 43, subsection 1, authorizes the Minister of Finance and Corporate Relations to establish and operate pooled investment portfolios "... in which the 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." Prior to January 1, 2000, under the authority of section 41 of the Financial Administration Act, the Chief Investment Officer of the Province of British Columbia was authorized to exercise the investment powers, duties and functions of the Minister of Finance and Corporate Relations in respect of these funds. Effective January 1, 2000, as a consequence of amendments to section 41 of the Financial Administration Act and the enactment of the Public Sector Pension Plans Act, the British Columbia Investment Management Corporation (bcIMC) was authorized to exercise the investment powers, duties and functions of the Minister of Finance and Corporate Relations in respect of these funds, including the management of the pooled investment portfolios.

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 staff and effective January 1, 2000, are the responsibility of bcIMC management. Each portfolio established under B.C. Reg. 84/86, the Pooled Investment Portfolios Regulation, was continued under the Public Sector Pension Plans Act and the regulations. All assets held in a portfolio by the Minister of Finance and Corporate Relations or the Chief Investment Officer under the Financial Administration Act immediately before January 1, 2000, continued to be held in the portfolio on January 1, 2000, in trust, by bcIMC. Each participating fund allocated units of a portfolio immediately before January 1, 2000, continued to be allocated those units of the portfolio on January 1, 2000, with bcIMC holding those units as agent for the participating fund.

The portfolios consist of investments, authorized by Section 40, subsections 1, 4 and 6, and Section 43, subsection 8, of the Financial Administration Act.

Fund ST1 was established on April 21, 1986, and invests primarily in Canadian money market investments maturing within one month.

Fund ST2 was established on September 19, 1986, and invests primarily in Canadian money market investments maturing within 15 months.

Fund ST3 was established on August 1, 1990, and invests primarily in U.S. money market investments maturing within one month.

The Indexed Government Bond Fund was established on September 1, 1993, and invests primarily in bonds which are issued or guaranteed by the government of Canada or a provincial government.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000**

1. The Portfolios (Continued)

The Long Term Bond Fund was established on February 1, 1999, and invests primarily in bonds which are issued or guaranteed by the government of Canada or a provincial government.

The British Columbia Focus Fund was established on March 31, 1994. Its investments are long term in nature and are generally made in partnership with other investors, outside the structure of public markets. The partnerships invest primarily in debt and equity investments in Canadian companies situated in British Columbia. Investments are generally related to venture capital, buy-out financing or expansion and development financing for companies at various stages of development. The fund was closed as at September 1, 1994. Distribution of net assets to the unitholders will be made as investments are wound up.

The Indexed Canadian Equity Fund was established on December 12, 1989, and invests primarily in common stock of the Canadian companies that comprise the Toronto Stock Exchange 300 Composite Index.

The Active Canadian Equity Fund was established on July 26, 1990, and invests primarily in diversified portfolios of common shares of Canadian companies.

The TSE 100 Index Equity Fund was established on June 27, 1994, and invests primarily in common stock of the Canadian companies that comprise the Toronto Stock Exchange 100 Composite Index.

The Active U.S. Equity Fund was established on October 20, 1993, and invests primarily in diversified portfolios of common stock of U.S. companies.

The S & P 500 Index Equity Fund was established on February 6, 1995, and invests primarily in common stock of the U.S. companies that comprise the Standard and Poors 500 Composite Index.

The U.S. Index Enhanced Equity Fund was established on September 1, 1998, and invests primarily in common stock of U.S. companies.

Participation in each portfolio is expressed in units, each unit giving its holder a proportionate share in net assets. Unitholders may only acquire and redeem units on respective valuation dates. The value of a unit is \$1 million on establishment, and on subsequent valuation dates is determined by dividing the market value of the net assets of the portfolio by the total number of units outstanding.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000**

1. The Portfolios (Continued)

The number of portfolio units available for issue is unlimited, except for the British Columbia Focus Fund. The British Columbia Focus Fund is a closed-end fund, which was limited in participation to a prescribed set of unitholders at the time the fund was established. As noted above, the British Columbia Focus Fund has not issued new units of investment since September 1, 1994.

The financial statements of Fund ST3 are presented in U.S. dollars.

For the Active U.S. Equity Fund, the S & P 500 Index Equity Fund and the U.S. Index Enhanced Equity Fund, the \$1 million unit value equated to \$1.321 million, \$1.398 million and \$1.553 million in translated Canadian dollars respectively, based on foreign currency exchange rates on the funds' establishment dates as noted above. The financial statements of the U.S. equity funds are presented in Canadian dollars.

2. Significant Accounting Policies

a) Valuation of Investments

Short term investments are valued at market derived from external quotations. Securities listed on a stock exchange 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 price. 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.

Private placement investments are valued by the external managers at their estimates of fair value. Fair value is defined as the expected realization if investments were disposed of in an orderly distribution over a reasonable period of time. These valuations are reviewed by management.

b) Measurement Uncertainty

Financial statements prepared in conformity with generally accepted accounting principles require management to make certain estimates and assumptions which can affect the reported balances. In determining the market value of some of its investments, particularly private placements, management relies on external fund managers' assumptions regarding investment industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. By nature, these asset valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the reported market values may change by a material amount.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000**

2. Significant Accounting Policies (Continued)

c) Investment Transactions and Income

Investment transactions are accounted for on the trade date basis, except for private placement investments which are recorded on the closing date. 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. Realized gains and losses and unrealized appreciation or depreciation of investments are calculated based on the average cost for equities, cost for private placements, and amortized cost for money market securities and bonds. 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

The issue and redemption of units are recorded on the trade date basis (see note 3).

e) Foreign Currency Translation

Assets, liabilities and commitments in foreign currencies are translated into Canadian dollars at the fiscal year-end exchange rate. Income, purchases and sales of investments are translated at the rate prevailing on the respective dates of such transactions. Realized and unrealized gains and losses include foreign currency translations.

3. Change in Accounting Policy

In prior fiscal years, capital transactions traded and settled on the same business day. Beginning in January 2000, capital transactions settle three business days after the trade date. Accordingly, for capital transactions pending on March 31, 2000, the amounts receivable from issue of units or payable for redemption of units and the corresponding units transacted have been recorded on the Statement of Net Assets and the proceeds and redemptions have been recorded on the Statement of Changes in Net Assets.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000**

4. Risk Management

In general, all pooled investment portfolios are exposed to price risk and credit risk. There are three types of price risk: currency risk, interest rate risk and market risk. Currency risk relates to the possibility that investments may change in value due to future changes in foreign exchange rates. Interest rate risk relates to the possibility that investments may change in value due to future changes in market interest rates. Market risk relates to the possibility that investments may change in value due to future changes in market prices. Credit risk relates to the possibility that a loss may occur if another party fails to discharge an obligation. In order to avoid undue investment risk, bcIMC has established specific investment criteria for each pooled investment portfolio, such as minimum credit ratings for investees and counterparties, and investment diversification requirements. There is no undisclosed exposure in the funds' investments.

5. Expenses

Custodial fees are applicable to the money market funds, the bond funds and the equity funds. Management fees are paid by the Active Canadian Equity Fund, the Active U.S. Equity Fund and the U.S. Index Enhanced Equity Fund to external fund managers for providing investment management and advisory services. For the British Columbia Focus Fund, in most cases, management fees are expenses of the various partnership investments - not of the fund. Where management fees are incurred directly by the fund, they are reported on the financial statements. Brokerage fees are incorporated into the cost and proceeds of equity and bond transactions.

6. Related Party Transactions

All inter-portfolio transactions are conducted at market value.

Third party costs that are attributable to a specific pooled investment portfolio are charged to that portfolio and shared on a pro-rata basis by the portfolio unitholders. Other costs are borne by bcIMC. bcIMC recovers these costs by charging the unitholders a management fee. This fee is calculated based on the market value of the unitholders' investment holdings administered by bcIMC.

7. Commitments

The British Columbia Focus Fund has outstanding commitments to invest an additional \$2.5 million with external managers.

8. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
 POOLED INVESTMENT PORTFOLIOS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2000**

9. Units Outstanding

The following is a summary of the changes in units outstanding during the year:

	FUND ST1		FUND ST2		FUND ST3	
	2000	1999	2000	1999	2000	1999
Outstanding, beginning of year	282.687	479.599	618.886	807.817	84.387	157.894
Issued	7,933.300	8,387.144	2,213.650	2,169.570	376.235	491.354
Redeemed	<u>(7,545.756)</u>	<u>(8,584.056)</u>	<u>(1,954.528)</u>	<u>(2,358.501)</u>	<u>(360.477)</u>	<u>(564.861)</u>
Outstanding, end of year	<u>670.231</u>	<u>282.687</u>	<u>878.008</u>	<u>618.886</u>	<u>100.145</u>	<u>84.387</u>

	INDEXED GOVERNMENT BOND FUND		LONG TERM BOND FUND		BRITISH COLUMBIA FOCUS FUND	
	2000	1999	2000	1999	2000	1999
Outstanding, beginning of year	97.702	111.281	201.991	-	30.179	41.450
Issued	15.471	9.882	-	201.991	-	-
Redeemed	<u>(7.147)</u>	<u>(23.461)</u>	<u>-</u>	<u>-</u>	<u>(7.223)</u>	<u>(11.271)</u>
Outstanding, end of year	<u>106.026</u>	<u>97.702</u>	<u>201.991</u>	<u>201.991</u>	<u>22.956</u>	<u>30.179</u>

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000

9. Units Outstanding (Continued)

	INDEXED CANADIAN EQUITY FUND		ACTIVE CANADIAN EQUITY FUND		TSE 100 INDEX EQUITY FUND	
	2000	1999	2000	1999	2000	1999
Outstanding, beginning of year	3,067.810	3,165.918	1,440.394	1,364.558	1,654.321	1,588.717
Issued	176.771	121.665	170.580	75.836	10.367	320.370
Redeemed	<u>(363.412)</u>	<u>(219.773)</u>	<u>(94.811)</u>	<u>-</u>	<u>(606.667)</u>	<u>(254.766)</u>
Outstanding, end of year	<u><u>2,881.169</u></u>	<u><u>3,067.810</u></u>	<u><u>1,516.163</u></u>	<u><u>1,440.394</u></u>	<u><u>1,058.021</u></u>	<u><u>1,654.321</u></u>
	ACTIVE U.S. EQUITY FUND		S & P 500 INDEX EQUITY FUND		U.S. INDEX ENHANCED EQUITY FUND	
	2000	1999	2000	1999	2000	1999
Outstanding, beginning of year	443.878	626.839	532.242	769.951	200.011	-
Issued	29.676	35.357	27.184	90.315	2.040	200.011
Redeemed	<u>(6.272)</u>	<u>(218.318)</u>	<u>(62.925)</u>	<u>(328.024)</u>	<u>(1.998)</u>	<u>-</u>
Outstanding, end of year	<u><u>467.282</u></u>	<u><u>443.878</u></u>	<u><u>496.501</u></u>	<u><u>532.242</u></u>	<u><u>200.053</u></u>	<u><u>200.011</u></u>