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

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Realpool Investment 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 Realpool Investment Fund for the year ending December 31, 2007:

The financial statements have been prepared by management of bcIMC and approved by the Chief Investment Officer/Chief Executive Officer. 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 financial statements and related findings with respect to such audits. The financial statements are 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 financial statements.



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Doug Pearce  
Chief Executive Officer  
Chief Investment Officer



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David Woodward  
Vice President, Finance & Operations



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**Chartered Accountants**  
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## AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the statements of net assets and investments of bcIMC Realpool Investment Fund (the Fund) as at December 31, 2007 and the statements of operations and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Fund's Manager, British Columbia Investment Management Corporation. 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 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 Fund's 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 Fund as at December 31, 2007, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a decorative underline.

Chartered Accountants

Vancouver, Canada  
April 25, 2008

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

**REALPOOL INVESTMENT 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	\$ 10,544,938	\$ 7,843,656
Cash	7,172	4,214
Receivable from issue of units	75,000	-
Accrued investment income	106	18,046
	<u>10,627,216</u>	<u>7,865,916</u>
<b>Liabilities</b>		
bclMC funds management fees payable (note 5)	282	149
Accounts payable	11,131	274
	<u>11,413</u>	<u>423</u>
<b>Net assets representing unitholders' equity</b>	<u>\$ 10,615,803</u>	<u>\$ 7,865,493</u>
Number of units outstanding (note 8)	1,986,243	1,784,910
<b>Net asset value per unit</b>	<u>\$ 5,345</u>	<u>\$ 4,407</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:		
Investment income	\$ 14,855	\$ 10,017
Expenses (note 5):		
bclMC funds management fees	2,623	1,963
Custodial fees	2	2
Administrative and professional fees	22,374	1,451
	<u>24,999</u>	<u>3,416</u>
<b>Net investment income (loss)</b>	(10,144)	6,601
Realized and unrealized gains:		
Net realized gain	167,380	89,019
Change in unrealized gain	1,578,074	1,475,799
	<u>1,745,454</u>	<u>1,564,818</u>
<b>Net income from operations</b>	1,735,310	1,571,419
Capital Transactions:		
Proceeds from units issued	1,015,322	333,496
Amounts paid for units redeemed	(322)	(38,496)
	<u>1,015,000</u>	<u>295,000</u>
Increase in net assets	2,750,310	1,866,419
Net assets, beginning of year	<u>7,865,493</u>	<u>5,999,074</u>
<b>Net Assets, end of year</b>	<u>\$ 10,615,803</u>	<u>\$ 7,865,493</u>

See accompanying Notes to Financial Statements.

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

**REALPOOL INVESTMENT 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	\$ 1,735,310	\$ 1,571,419
Items not affecting cash:		
Net realized gain	(167,380)	(89,019)
Change in unrealized gain	(1,578,074)	(1,475,799)
	<u>(10,144)</u>	<u>6,601</u>
Changes in non-cash operating accounts:		
Accrued investment income	17,940	(5,322)
bcIMC funds management fees payable	133	16
Receivable for issue of units	(75,000)	-
Payable for redemption of units	-	(10,000)
Accounts payable	10,857	(55)
	<u>(56,214)</u>	<u>(8,760)</u>
<b>Cash flows from investing activities</b>		
Proceeds from investments	3,287,736	828,269
Purchase of investments	(4,243,564)	(1,124,364)
	<u>(955,828)</u>	<u>(296,095)</u>
<b>Cash flows from financing activities</b>		
Proceeds from units issued	1,015,322	333,496
Amounts paid for units redeemed	(322)	(38,496)
	<u>1,015,000</u>	<u>295,000</u>
<b>Net increase (decrease) in cash</b>	2,958	(9,855)
<b>Cash, beginning of year</b>	<u>4,214</u>	<u>14,069</u>
<b>Cash, end of year</b>	<u>\$ 7,172</u>	<u>\$ 4,214</u>

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

	<u>Cost</u>	<u>Fair Value</u>	<u>% of Fair Value</u>
<b>Private Real Estate Investments (Schedule One)</b>			
Common Shares in Canadian Corporations	\$ 4,932,656	\$ 9,895,961	93.9%
<b>Private Debt Investment (see below)</b>			
Canadian Variable-Rate Notes	436,948	436,948	4.1%
Canadian Promissory Note	30,690	30,690	0.3%
	<u>467,638</u>	<u>467,638</u>	<u>4.4%</u>
<b>Money Market Investments</b>			
Units in British Columbia Investment Management Corporation Pooled Investment Portfolio			
Fund ST1	596	596	0.0%
Fund ST2	180,776	180,743	1.7%
	<u>181,372</u>	<u>181,339</u>	<u>1.7%</u>
<b>Total Investments</b>	<u>\$ 5,581,666</u>	<u>\$ 10,544,938</u>	<u>100.0%</u>

-The Canadian Variable-Rate Notes have maturities ranging from September 2017 to December 2017 and variable interest rates from 4.5% to 12%.

-The Canadian Promissory Note has no maturity date and carries an interest rate from 8% to 12%.

**Schedule One - Additional Information on Private Real Estate Investments  
as at December 31, 2007  
(in \$000s)**

The Canadian Corporations owned by the pooled investment portfolio hold the following underlying net assets:

	<u>Fair Value</u>	<u>% of Fair Value</u>
Retail Properties	\$ 1,157,831	11.7%
Office Properties	5,548,405	56.1%
Industrial Properties	1,563,775	15.8%
Residential Properties	1,842,735	18.6%
Retirement Homes	147,640	1.5%
Hospitality Properties	722,650	7.3%
Property Under Development	637,889	6.4%
Units in Canadian Limited Partnerships	159,876	1.6%
	<u>11,780,801</u>	<u>119.0%</u>
Net Operating Assets and Liabilities	(1,884,840)	(19.0%)
	<u>\$ 9,895,961</u>	<u>100.0%</u>

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL INVESTMENT FUND  
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 Realpool Investment Fund (the "Fund") was established on July 3, 1991 and invests in diversified Canadian income-producing properties including institutional-grade Canadian office, industrial, residential, retail and mixed use properties.

**2. Significant Accounting Policies**

a) Basis of Presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Certain comparative figures have been reclassified to conform to the current year's presentation.

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 and debentures are valued at their closing sale price on the valuation date. 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.
- (iii) Non-hospitality real estate properties are valued by the Fund's external asset managers at the end of each quarter and are formally appraised externally once every ten to eighteen months by accredited independent appraisers. Hospitality real estate properties are valued based on external valuation reports. Investments in real estate joint ventures are accounted for by the proportionate consolidation method.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**  
**REALPOOL INVESTMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Significant Accounting Policies (continued)**

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. Brokerage commissions are initially capitalized into the cost of the related investment. Pursuit costs are charged to net income of the Fund in the period incurred.

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 the investments 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 cost for real estate and amortized cost for money market securities, bonds and debentures. 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 for money market securities, bonds and debentures.

d) Issue and Redemption of Units

Participation in the Fund is expressed in units, each unit giving its holder a proportionate share in the net assets of the Fund. The initial value of a unit of the Fund was \$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. All unit transactions are recorded on a trade date basis.

f) Income Taxes

Under paragraph 104(6) of the *Income Tax Act (Canada)*, the Fund may deduct from its 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 Fund are distributed to the unitholders through actual cash distributions or an increase in the tax cost of the units prior to the end of the calendar year, resulting in no Canadian taxes payable for the pooled investment portfolios. The corporations held by the Fund 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 real estate investments, management relies on external appraisers' or external asset managers' assumptions regarding 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. If the underlying assumptions change, the reported fair values may change by a material amount.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL INVESTMENT FUND  
NOTES TO THE FINANCIAL STATEMENTS  
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**3. Future Accounting Policy Changes**

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 Fund 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 Fund 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, and 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 under Canadian GAAP 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 must be charged to net income in the period in which they are incurred. The current accounting practices of the Fund has been to add these expenses to the cost of the securities purchased or deduct them from the proceeds of sale. Starting January 1, 2008, these transaction costs will be charged to net income of the respective pooled investment fund in the period incurred.

**4. Financial Instruments**

Financial instruments are legally enforceable agreements between two or more parties, expressing a contractual right or a right to a payment of money. Financial instruments held by the pooled investment portfolio include derivatives, investments and the investment-related assets and liabilities. Financial instruments are exposed to interest rate, market and credit risks.

a) 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 changes in nominal and real interest rates. The Fund has established duration bands based on their relevant benchmark to avoid undue interest rate risk. The terms to maturity, interest rates and the nature of the investments are shown in the Statement of Investments for notes to provide further information on interest rate risk.

b) Market Risk

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



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

**4. Financial Instruments (continued)**

c) Credit Risk

The Fund is exposed to a credit risk if a borrower defaults or becomes insolvent or if a party fails to deliver under a contract and the rights to any claims become unenforceable. To avoid undue credit risk, the Fund has established specific investment criteria, such as minimum credit ratings for investees and counterparties and maximum concentrations with given counterparties. The Statement of Investments shows the percentage of money market and private debt investments held with a particular group of counterparties to provide further information on credit risk.

d) Fair Value of Investment-Related Assets and Liabilities

The Fund's investments are carried at fair value. The investment-related assets and liabilities are carried at cost. 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. Expenses**

Management fees are paid to external fund managers by the Fund for providing investment management and advisory services. Third party costs attributable to the Fund are thereby shared on a pro-rata basis by the unitholders. Other costs initially borne by bcIMC are recovered from the Fund by charging management fees, which are calculated on a cost recovery basis.

**6. Commitments**

Wholly-owned corporations of the Fund have property purchase and development commitments of \$452.9 million and have issued letters of credit totalling \$12.5 million.

**7. Contingencies**

Certain investments of the Fund may, in the normal course of business activities, be involved in disputes with third parties. bcIMC management assesses the likelihood of loss relating to any disputes and has determined that such disputes would not have a material impact on the net asset value of the Fund.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL INVESTMENT FUND  
NOTES TO THE FINANCIAL STATEMENTS  
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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:

	<u>2007</u>	<u>2006</u>
Outstanding, beginning of year	1,784.910	1,714.914
Issued	201.399	79.474
Redeemed	<u>(0.066)</u>	<u>(9.478)</u>
Outstanding, end of year	<u>1,986.243</u>	<u>1,784.910</u>