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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  
Mezzanine Mortgage Fund  
Active Canadian Small Cap Equity Fund  
Active U.S. Small Cap Equity Fund  
Active Japan Equity Fund  
Active Asian Ex-Japan Equity Fund  
Active European Equity Fund  
Enhanced Indexed European Equity Fund  
Indexed European Equity Fund  
Active EAFE Equity Fund  
Enhanced Indexed EAFE Equity Fund  
Indexed EAFE Equity Fund  
Strategic Investment Public Equity Fund

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**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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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, 2008:

Short Term Bond Fund	Active Asian ex-Japan Equity Fund (formerly, Active Asian Equity Fund)
Canadian Universe Bond Fund	Active European Equity Fund
Fixed Term Mortgage Fund	Enhanced Indexed European Equity Fund
Construction Mortgage Fund	Indexed European Equity Fund
Mezzanine Mortgage Fund	Active EAFE Equity Fund (formerly, Active International Equity Fund)
Active Canadian Small Cap Equity Fund	Enhanced Indexed EAFE Equity Fund (formerly, Enhanced Indexed International Equity Fund)
Active U.S. Small Cap Equity Fund	Indexed EAFE Equity Fund (formerly, Indexed International Equity Fund)
Active Japan Equity Fund	Strategic Investment Public 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, reviewing the external audit plan; reviewing bcIMC's Report on Controls Placed in Operation and Tests of Operating Effectiveness of Controls for the Investment System of British Columbia Investment Management Corporation, and receiving the annual audited financial statements of the Pooled Investment Portfolios. 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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Canada

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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 EAFE Equity Fund
Construction Mortgage Fund	(formerly, Active International Equity Fund)
Mezzanine Mortgage Fund	Enhanced Indexed EAFE Equity Fund
(formerly, Specialty Mortgage Fund)	(formerly, Enhanced Indexed International Equity Fund)
Active Canadian Small Cap Equity Fund	Indexed EAFE Equity Fund
Active U.S. Small Cap Equity Fund	(formerly, Indexed International Equity Fund)
Active Japan Equity Fund	Strategic Investment Public Equity Fund
Active Asian Ex-Japan Equity Fund	
(formerly, Active Asian 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, 2008 and their statements of operations and change in net assets, and of cash flows for the year (or shorter period since establishment as indicated in note 1) ended December 31, 2008. 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 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, 2008, 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

May 5, 2009

**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>2008</u>	<u>2007</u>
<b>Assets</b>		
Investments at fair value	817,417	2,449,565
Receivable from sale of investments	100,216	-
Receivable from issue of units	-	925
Accrued investment income	3,327	23,696
	<u>920,960</u>	<u>2,474,186</u>
<b>Liabilities</b>		
bclMC funds management fees payable (note 8)	32	52
Payable for redemption of units	100,000	450
External management fees payable	-	-
Custodial fees payable	6	12
Accounts payable	6	6
	<u>100,044</u>	<u>520</u>
<b>Net assets representing unitholders' equity</b>	<u>820,916</u>	<u>2,473,666</u>
Number of units outstanding (note 9)	376,146	1,242,506
<b>Net asset value per unit</b>	<u>2,182</u>	<u>1,991</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

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

for the year ended December 31

(in \$000s)

	<u>2008</u>	<u>2007</u>
Investment Income	57,852	109,357
Expenses (note 8):		
bclMC funds management fees	512	549
Custodial fees	31	46
Administrative and professional fees	4	5
	<u>547</u>	<u>600</u>
<b>Net investment income</b>	57,305	108,757
Realized and unrealized gains (losses):		
Net realized gain (loss)	60,268	(7,240)
Change in unrealized gain	20,845	17,094
	<u>81,113</u>	<u>9,854</u>
<b>Net income from operations</b>	138,418	118,611
Capital Transactions:		
Proceeds from units issued	1,755,106	2,560,545
Amounts paid for units redeemed	(3,545,779)	(2,162,243)
	<u>(1,790,673)</u>	<u>398,302</u>
Increase (decrease) in net assets	(1,652,255)	516,913
Net assets, beginning of year, as previously reported	2,473,666	1,956,753
Transitional adjustment (note 3)	(495)	-
<b>Net Assets, end of year</b>	<u>820,916</u>	<u>2,473,666</u>

See accompanying Notes to Financial Statements.

## SHORT TERM BOND FUND

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

	2008	2007
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net income from operations	138,418	118,611
Items not affecting cash:		
Amortization of premiums and discounts	10,110	23,632
Net realized loss (gain)	(60,268)	7,240
Change in unrealized gain	(20,845)	(17,094)
	67,415	132,389
Changes in non-cash operating accounts:		
Receivable from sale of investments	(100,216)	-
Receivable from issue of units	925	17,900
Accrued investment income	20,369	(6,317)
bcIMC funds management fees payable	(20)	19
Payable for redemption of units	99,550	450
Custodial fees payable	(6)	5
Accounts payable	-	1
	88,017	144,447
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	9,847,286	13,796,591
Amounts paid for purchase of investments	(8,144,630)	(14,339,340)
	1,702,656	(542,749)
<b>Cash flows from financing activities</b>		
Proceeds from units issued	1,755,106	2,560,545
Amounts paid for units redeemed	(3,545,779)	(2,162,243)
	(1,790,673)	398,302
<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 (in \$000s)

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds:</b>				
Federal Government	469,934	451,956	951,342	947,324
Provincial Government	336,250	321,261	1,494,882	1,486,199
Municipal Government	5,597	5,513	-	-
	811,782	778,729	2,446,224	2,433,523
<b>Money Market Investments:</b>				
Units in bcIMC Pooled Investment Portfolio Fund ST1	5,635	5,636	3,341	3,341
<b>Total Investments</b>	817,417	784,365	2,449,565	2,436,864

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Short Term Bond Fund (the Fund) is to increase returns relative to the Fund's benchmark, the DEX Short Term Government Bond Index. The Fund is actively managed. The portfolio manager attempts to increase the returns relative to the Fund's benchmark by employing the following strategies:

- anticipating yield curve changes,
- anticipating credit spread changes,
- quality swaps,
- yield pickups, and
- sector strategies.

The Fund invests primarily in Canadian dollar denominated debt securities issued by, or guaranteed by, the Government of Canada, sovereign governments or supranational entities. The Fund may also hold swapped deposits and units in the bclMC Canadian Money Market Fund (ST1) for cash management purposes. Debt securities issued by non-Canadian entities must be rated "BBB low" or better by Standard & Poor's or have an equivalent rating from another credit rating agency. The Fund may not invest in derivatives with exception of the securities noted above.

The Fund's activities expose it to a variety of financial risks as described below.

**Credit Risk**

As at December 31, the Fund invested in debt instruments with the following credit ratings:

BONDS BY CREDIT RATING (\$000s)	2008		2007	
	Total	% of Total	Total	% of Total
AAA/AA	726,964	89.6%	1,572,092	64.3%
A	84,818	10.4%	874,132	35.7%
<b>Total Bonds</b>	<b>811,782</b>	<b>100.0%</b>	<b>2,446,224</b>	<b>100.0%</b>

**Interest Rate Risk**

As at December 31, the Fund invested in debt instruments with the following terms to maturity and average effective yield:

BONDS BY MATURITY DATE (\$000s)	2008		2007	
	Total	Avg Effective Yield	Total	Avg Effective Yield
Within 1 year	146,140	0.32%	104,917	4.09%
1 to 5 years	665,642	2.29%	2,336,233	4.21%
5 to 10 years	-	0.00%	5,074	3.48%
<b>Total Bonds</b>	<b>811,782</b>	<b>1.94%</b>	<b>2,446,224</b>	<b>4.21%</b>

The duration is to be managed within ± 20 percent of the benchmark duration. The maximum term to maturity is 5 years.

If prevailing interest rates increased or decreased by 1% (100 bps), with all others variables held constant, net assets would have decreased or increased, respectively, by approximately \$24,110,000. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

**Other Price Risk**

The Fund is not exposed to other price risk since the Fund's assets and liabilities are fixed income instruments.

**Currency Risk**

The Fund is not exposed to currency risk since the Fund's assets and liabilities are not denominated in foreign currency.

**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>2008</u>	<u>2007</u>
<b>Assets</b>		
Investments at fair value	14,769,172	12,893,817
Receivable from sale of investments	50,327	-
Receivable from issue of units	-	150
Accrued investment income	118,552	78,321
	<u>14,938,051</u>	<u>12,972,288</u>
<b>Liabilities</b>		
bciMC funds management fees payable (note 8)	318	277
Payable for purchase of investments	91,239	-
Custodial fees payable	68	50
Accounts payable	6	6
	<u>91,631</u>	<u>333</u>
<b>Net assets representing unitholders' equity</b>	<u>14,846,420</u>	<u>12,971,955</u>
Number of units outstanding (note 9)	12,860.348	11,853.340
<b>Net asset value per unit</b>	<u>1,154</u>	<u>1,094</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

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

**for the year ended December 31**

**(in \$000s)**

	<u>2008</u>	<u>2007</u>
Investment Income	643,437	565,217
Expenses (note 8):		
bciMC funds management fees	4,104	2,753
Custodial fees	265	227
Administrative and professional fees	4	5
	<u>4,373</u>	<u>2,985</u>
<b>Net investment income</b>	639,064	562,232
Realized and unrealized gains (losses):		
Net realized gain (loss)	227,577	(97,440)
Change in unrealized loss	(99,413)	(42,821)
	<u>128,164</u>	<u>(140,261)</u>
<b>Net income from operations</b>	767,228	421,971
Capital Transactions:		
Proceeds from units issued	2,854,916	981,958
Amounts paid for units redeemed	(1,739,866)	(854,516)
	<u>1,115,050</u>	<u>127,442</u>
Increase in net assets	1,882,278	549,413
Net assets, beginning of year, as previously reported	12,971,955	12,422,542
Transitional adjustment (note 3)	(7,813)	-
<b>Net Assets, end of year</b>	<u>14,846,420</u>	<u>12,971,955</u>

See accompanying Notes to Financial Statements.

## CANADIAN UNIVERSE BOND FUND

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

	2008	2007
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net income from operations	767,228	421,971
Items not affecting cash:		
Amortization of premiums and discounts	1,202	(7,612)
Net realized loss (gain)	(227,577)	97,440
Change in unrealized loss	99,413	42,821
	<u>640,266</u>	<u>554,620</u>
Changes in non-cash operating accounts:		
Receivable from sale of investments	(50,327)	481
Receivable from issue of units	150	790
Accrued investment income	(40,231)	27,183
bclMC funds management fees payable	41	104
Payable for purchase of investments	91,239	(30,000)
Custodial fees payable	18	23
Accounts payable	-	2
	<u>641,157</u>	<u>553,203</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	62,892,748	48,801,921
Amounts paid for purchase of investments	(64,648,955)	(49,482,566)
	<u>(1,756,207)</u>	<u>(680,645)</u>
<b>Cash flows from financing activities</b>		
Proceeds from units issued	2,854,916	981,958
Amounts paid for units redeemed	(1,739,866)	(854,516)
	<u>1,115,050</u>	<u>127,442</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 (in \$000s)

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds:</b>				
Federal Government	6,942,834	6,676,293	6,320,492	6,258,648
Provincial Government	2,207,157	2,200,478	1,851,944	1,821,048
Municipal Government	143,296	142,068	-	-
Corporate	4,843,613	5,180,790	4,116,025	4,170,852
Maple	<u>373,997</u>	<u>378,483</u>	<u>428,292</u>	<u>426,209</u>
	<u>14,510,897</u>	<u>14,578,112</u>	<u>12,716,753</u>	<u>12,676,757</u>
<b>Money Market Investments:</b>				
Units in bclMC Pooled Investment Portfolio Fund ST1	<u>258,275</u>	<u>258,291</u>	<u>177,064</u>	<u>177,064</u>
<b>Total Investments</b>	<u>14,769,172</u>	<u>14,836,403</u>	<u>12,893,817</u>	<u>12,853,821</u>



**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Canadian Universe Bond Fund (the Fund) is to increase returns relative to the Fund's benchmark, the DEX Universe Bond Index. The Fund is actively managed. The portfolio manager attempts to increase the returns relative to the Fund's benchmark by employing the following strategies:

- anticipating yield curve changes,
- anticipating credit spread changes,
- quality swaps,
- yield pickups, and
- sector strategies.

The Fund invests in the following securities:

- government and investment-grade corporate debt securities, denominated in Canadian dollars with a term to maturity of up to 30 years
- fixed income securities that are issued, insured or guaranteed by the Government of Canada or a provincial or municipal government,
- Canadian dollar denominated fixed income securities issued or guaranteed by a sovereign government or supranational entity,
- Canadian dollar denominated fixed income securities issued by corporations, trusts, income trusts, limited partnerships and non-profit entities such as airports, universities and pension funds,
- private placement fixed income securities with prior CIO approval, and
- bclMC Canadian Money Market Fund (ST1) or the bclMC Canadian Money Market Fund (ST2) for cash management purposes.

The following restrictions apply to the holding of securities in the Fund:

- Corporate, and government debt securities issued by non-Canadian entities held by the Fund shall be rated "BBB low" or better by Standard & Poor's or have an equivalent rating from another credit rating agency.
- Not more than 10 percent of the market value of the Fund shall be invested in the debt of any one company.
- The Fund's allocation to corporate bonds shall not exceed 20 percentage points above the weighting of corporate bonds within the Index.

**Currency Risk**

The Fund is not exposed to currency risk since all cash and investments are denominated in Canadian dollars.

- The Fund's weighting of BBB bonds shall not exceed 2 percentage points above the weighting of BBB bonds within the Index.
- The Fund may not invest in derivatives.

If any issue is downgraded below the approved credit standard, bclMC has the discretion to determine the appropriate timing of any sale so as to maximize sale proceeds.

The Fund's activities expose it to a variety of financial risks as described below.

**Credit Risk**

As at December 31, the Pool invested in debt instruments with the following credit ratings:

BONDS BY CREDIT RATING (\$000s)	2008		2007	
	Total	% of Total	Total	% of Total
AAA/AA	11,867,531	81.8%	10,758,864	84.6%
A	2,415,755	16.6%	1,838,721	14.5%
BBB	227,611	1.6%	119,168	0.9%
<b>Total Bonds</b>	<b>14,510,897</b>	<b>100.0%</b>	<b>12,716,753</b>	<b>100.0%</b>

**Interest Rate Risk**

As at December 31, the Fund invested in debt instruments with the following terms to maturity and average effective yield:

BONDS BY MATURITY DATE (\$000s)	2008		2007	
	Total	Avg Effective Yield	Total	Avg Effective Yield
Within 1 year	75,117	3.62%	-	0.00%
1 to 5 years	5,818,869	2.87%	2,012,284	4.21%
5 to 10 years	3,643,212	4.86%	10,704,469	4.63%
Over 10 years	4,973,699	5.40%	-	0.00%
<b>Total Bonds</b>	<b>14,510,897</b>	<b>4.19%</b>	<b>12,716,753</b>	<b>4.57%</b>

The duration is to be managed within ± 20 percent of the benchmark duration.

If prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$972,230,000. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

**Other Price Risk**

The Fund is not exposed to other price risk since the Fund's assets and liabilities are fixed income instruments.

**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>2008</u>	<u>2007</u>
<b>Assets</b>		
Investments at fair value	2,830,060	2,218,905
Receivable from issue of units	<u>200,000</u>	<u>102,000</u>
	<u>3,030,060</u>	<u>2,320,905</u>
<b>Liabilities</b>		
bciMC funds management fees payable (note 8)	101	85
Payable for redemption of units	217,000	-
Accounts payable	<u>47</u>	<u>54</u>
	<u>217,148</u>	<u>139</u>
<b>Net assets representing unitholders' equity</b>	<u><u>2,812,912</u></u>	<u><u>2,320,766</u></u>
Number of units outstanding (note 9)	1,029.656	903.162
<b>Net asset value per unit</b>	<u><u>2,732</u></u>	<u><u>2,570</u></u>



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Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

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

**for the year ended December 31**

**(in \$000s)**

	<u>2008</u>	<u>2007</u>
Investment Income	<u>37,653</u>	<u>138,950</u>
Expenses (note 8):		
bciMC funds management fees	1,235	871
Administrative and professional fees	29	72
Custodial fees	<u>2</u>	<u>-</u>
	<u>1,266</u>	<u>943</u>
<b>Net investment income</b>	36,387	138,007
Realized and unrealized gains (losses):		
Net realized gain	13	-
Change in unrealized gain (loss)	<u>121,746</u>	<u>(59,580)</u>
	<u>121,759</u>	<u>(59,580)</u>
<b>Net income from operations</b>	158,146	78,427
Capital Transactions:		
Proceeds from units issued	770,963	417,715
Amounts paid for units redeemed	<u>(436,963)</u>	<u>(223,715)</u>
	<u>334,000</u>	<u>194,000</u>
Increase in net assets	492,146	272,427
Net assets, beginning of year	<u>2,320,766</u>	<u>2,048,339</u>
<b>Net Assets, end of year</b>	<u><u>2,812,912</u></u>	<u><u>2,320,766</u></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 year ended December 31  
(in \$000s)**

	<u>2008</u>	<u>2007</u>
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net income from operations	158,146	78,427
Items not affecting cash:		
Net realized gain	(13)	-
Change in unrealized gain (loss)	<u>(121,746)</u>	<u>59,580</u>
	36,387	138,007
Changes in non-cash operating accounts:		
bcIMC funds management fees payable	16	21
Receivable from issue of units	(98,000)	(102,000)
Payable for redemption of units	217,000	(34,000)
Accounts payable	<u>(7)</u>	<u>41</u>
	<u>155,396</u>	<u>2,069</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	572,497	549,339
Purchase of investments	<u>(1,061,893)</u>	<u>(745,408)</u>
	<u>(489,396)</u>	<u>(196,069)</u>
<b>Cash flows from financing activities</b>		
Proceeds from units issued	770,963	417,715
Amounts paid for units redeemed	<u>(436,963)</u>	<u>(223,715)</u>
	<u>334,000</u>	<u>194,000</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  
(in \$000s)**

	<u>2008</u>		<u>2007</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<b>Mortgage Investments<sup>1</sup>:</b>	2,791,891	2,590,496	2,217,912	2,138,268
<b>Money Market Investments:</b>				
Units in bcIMC Pooled Investment Portfolio Fund ST1	<u>38,169</u>	<u>38,175</u>	<u>993</u>	<u>993</u>
<b>Total Investments</b>	<u>2,830,060</u>	<u>2,628,671</u>	<u>2,218,905</u>	<u>2,139,261</u>

<sup>1</sup>The mortgage investments are held through limited partnerships.

See accompanying Notes to Financial Statements.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Fixed Term Mortgage Fund (the Fund) is to increase returns relative to the Fund's benchmark, the DEX Short Term Bond Index plus 100 basis points (to compensate for illiquidity and credit risk relative to the bond index).

The Fund is actively managed. Portfolio managers utilize a multi-factor risk rating model to assess risk levels of individual investment opportunities. The risk factors that are evaluated include location, structure quality, tenant quality, borrower and covenantor's financial strength, loan to value levels, debt servicing ability, and borrower's experience. This information is used to determine the risk premium for each mortgage investment. The Fund maintains a prudent level of diversification by property type, geographic location, investment size, and risk.

The Fund invests in the following securities:

- high quality privately negotiated fixed term commercial and multi-family residential mortgages, which may be shared loans with other investors,
- Canadian fixed term first mortgages,
- Canadian fixed term second and third mortgages and first mortgage bonds, with CIO approval,
- government debt securities with a maximum term to maturity of 5 years, and
- bcIMC Canadian Money Market Fund (ST1), bcIMC Canadian Money Market Fund (ST2)

The following restrictions apply to the Fund:

- Mortgages must be eligible investments under the *Pensions Benefits Standards Act*.
- The Fund does not provide mortgages on single-family houses or properties classified solely as recreational or on raw land unless it is tied to a credible inspection, current appraisal and a current environmental audit.
- The Fund may not invest in derivatives.

The Fund holds most of its investments through a corporation. The corporation holds the following investments and other net receivables:

	2008		2007	
	Total	% of Total	Total	% of Total
<b>(\$000s)</b>				
Fixed-Rate Mortgages	2,537,175	90.9%	2,033,516	91.7%
Mortgage Bonds	129,941	4.7%	139,708	6.3%
Money Market Investments	112,441	4.0%	44,731	2.0%
Other Net Receivables	12,334	0.4%	(43)	0.0%
	<b>2,791,891</b>	<b>100.00%</b>	<b>2,217,912</b>	<b>100.0%</b>

The Fund's activities expose it to a variety of financial risks. For purposes of describing the financial risks of the Fund, the composition of the investments held by the limited partnership have been considered.

**Credit Risk**

The majority of the Fund's holdings are in uninsured first mortgages where the possibility of a borrower defaulting on payment obligations exists. To reduce default risk, the Pool invests in uninsured mortgages with conservative loan to value ratios. No uninsured mortgages will be entered into if they exceed a 75% loan-to-value ratio at inception and no insured mortgages will be entered into if they exceed a 95% loan-to-value ratio at inception. Also, all mortgages will include additional collateral and guarantees from borrowers. The fair value of the Fund's mortgage and money market investments represents the Fund's maximum exposure to credit risk.

*Mortgages by Industry Sector*

Investments in the Fund are diversified across industry sectors. Sectors to which the pool had exposure as at December 31 are as follows

INDUSTRY SECTOR (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Industrial	739,671	29.1%	640,867	31.6%
Office	557,361	22.0%	505,140	24.8%
Residential	378,811	14.9%	407,578	20.0%
Retail	844,247	33.3%	357,983	17.6%
Other	17,084	0.7%	121,948	6.0%
<b>Total Mortgages</b>	<b>2,537,175</b>	<b>100.0%</b>	<b>2,033,516</b>	<b>100.0%</b>

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

INDUSTRY SECTOR (Number of Mortgages)	2008		2007	
	Total	% of Total	Total	% of Total
Industrial	43	25.7%	39	24.2%
Office	40	24.0%	40	24.8%
Residential	37	22.2%	36	22.4%
Retail	44	26.3%	41	25.5%
Other	3	1.8%	5	3.1%
<b>Total Mortgages</b>	<b>167</b>	<b>100.0%</b>	<b>161</b>	<b>100.0%</b>

**Interest Rate Risk**

The Fund invests in fixed term mortgages with maturities typically ranging from 1 – 5 years. The maximum duration of the Fund is 5 years. Lending rates for mortgages are determined based on the current yield of Government of Canada debt securities with a similar term to maturity plus a risk and liquidity premium.

As at December 31, the Fund invested in mortgages with the following terms to maturity:

MORTGAGES BY MATURITY DATE (\$000s)	2008		2007	
	Total	Avg Effective Yield	Total	Avg Effective Yield
Within 1 year	142,294	5.03%	196,850	3.45%
1 to 5 years	1,188,525	4.21%	819,363	4.75%
5 to 10 years	1,160,259	6.12%	952,761	5.64%
Over 10 years	46,097	12.34%	64,542	5.52%
<b>Total Mortgages</b>	<b>2,537,175</b>	<b>5.07%</b>	<b>2,033,516</b>	<b>5.06%</b>

If prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, net assets would have decreased or increased, by approximately \$95,932,000 and \$107,967,000 respectively.

**Other Price Risk**

The Fund is not exposed to other price risk since the Fund's assets and liabilities are fixed income instruments.

**Currency Risk**

The Fund is not exposed to currency risk since the Fund's assets and liabilities are not denominated in foreign currency.

**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>2008</u>	<u>2007</u>
<b>Assets</b>		
Investments at fair value	735,654	800,766
Receivable from issue of units	-	6,000
	<u>735,654</u>	<u>806,766</u>
<b>Liabilities</b>		
bciMC funds management fees payable (note 8)	34	46
Payable for redemption of units	37,000	-
Accounts payable	41	46
	<u>37,075</u>	<u>92</u>
<b>Net assets representing unitholders' equity</b>	<u><u>698,579</u></u>	<u><u>806,674</u></u>
Number of units outstanding (note 9)	286.369	352.031
<b>Net asset value per unit</b>	<u><u>2,439</u></u>	<u><u>2,291</u></u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

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

**for the year ended December 31**

**(in \$000s)**

	<u>2008</u>	<u>2007</u>
Investment Income	20,816	4,313
Expenses (note 8):		
bciMC funds management fees	456	418
Administrative and professional fees	25	61
Custodial fees	1	-
	<u>482</u>	<u>479</u>
<b>Net investment income</b>	20,334	3,834
Realized and unrealized gains:		
Net realized gain	6	-
Change in unrealized gain	30,065	38,753
	<u>30,071</u>	<u>38,753</u>
<b>Net income from operations</b>	50,405	42,587
Capital Transactions:		
Proceeds from units issued	144,030	336,040
Amounts paid for units redeemed	(302,530)	(57,040)
	<u>(158,500)</u>	<u>279,000</u>
Increase (decrease) in net assets	(108,095)	321,587
Net assets, beginning of year	806,674	485,087
<b>Net Assets, end of year</b>	<u><u>698,579</u></u>	<u><u>806,674</u></u>

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

**CONSTRUCTION MORTGAGE FUND**

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

	<u>2008</u>	<u>2007</u>
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net income from operations	50,405	42,587
Items not affecting cash:		
Net realized gain	(6)	-
Change in unrealized gain	<u>(30,065)</u>	<u>(38,753)</u>
	20,334	3,834
Changes in non-cash operating accounts:		
bclMC funds management fees payable	(12)	14
Receivable from issue of units	6,000	6,000
Payable for redemption of units	37,000	-
Accounts payable	<u>(5)</u>	<u>33</u>
	<u>63,317</u>	<u>9,881</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	288,561	360,173
Purchase of investments	<u>(193,378)</u>	<u>(649,054)</u>
	<u>95,183</u>	<u>(288,881)</u>
<b>Cash flows from financing activities</b>		
Proceeds from units issued	144,030	336,040
Amounts paid for units redeemed	<u>(302,530)</u>	<u>(57,040)</u>
	<u>(158,500)</u>	<u>279,000</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  
(in \$000s)**

	<u>2008</u>		<u>2007</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<b>Mortgage Investments<sup>1</sup>:</b>	696,513	590,837	798,505	722,897
<b>Money Market Investments:</b>				
Units in bclMC Pooled Investment Portfolio Fund ST1	<u>39,141</u>	<u>39,143</u>	<u>2,261</u>	<u>2,261</u>
<b>Total Investments</b>	<u>735,654</u>	<u>629,980</u>	<u>800,766</u>	<u>725,158</u>

<sup>1</sup>The mortgage investments are held through a private corporation.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Construction Mortgage Fund (the Fund) is to increase returns relative to the Fund's benchmark, the DEX One Year Treasury Bill Index plus 100 basis points (to compensate for illiquidity and credit risk relative to the index). Portfolio managers utilize a multi-factor risk rating model to assess risk levels of individual investment opportunities. The risk factors that are evaluated include location, structure quality, tenant quality, borrower and covenantor's financial strength, loan to value levels, loan to cost levels, debt servicing ability, and developer's experience. This information is used to determine the risk premium for each mortgage investment.

The risks associated with construction projects are mitigated by requiring the involvement of only experienced developers, obtaining construction engineer evaluations, requiring specified pre-sales/pre-leasing levels and minimum profit margin levels, as well as obtaining additional security provisions from borrowers.

The Fund invests in the following securities:

- high quality privately negotiated mortgages, which may be shared loans with other investors,
- Canadian construction first, and second, and third mortgages with CIO approval,
- Canadian first, second and third mortgages on raw land provided they are tied to a credible development plan and have CIO approval, and
- bclMC Canadian Money Market Funds (ST1) and (ST2)

The following restrictions apply to the holding of securities in the Fund:

- Mortgages must be eligible investments under the *Pensions Benefits Standards Act*.
- The Fund does not provide mortgages on single-family houses, properties classified solely as recreational or raw land unless it is tied to a credible inspection, current appraisal and a current environmental audit.
- The Fund may not invest in derivatives.

The Fund holds most of its investments through a corporation. The corporation holds the following investments and other net receivables:

	2008		2007	
	Total	% of Total	Total	% of Total
(\$000s)				
Fixed-Rate Mortgages	9,950	1.4%	62,038	7.8%
Variable Rate Mortgages	607,148	87.2%	598,210	74.9%
Money Market Investments	74,797	10.7%	135,857	17.0%
Other Net Receivables	4,618	0.7%	2,400	0.3%
	<b>696,513</b>	<b>100.00%</b>	<b>798,505</b>	<b>100.0%</b>

The Fund's activities expose it to a variety of financial risks. For purposes of describing the financial risks of the Fund, the composition of the investments held by the corporation have been considered.

**Credit Risk**

The majority of the Fund's holdings are in uninsured first mortgages where the possibility of a borrower defaulting on payment obligations exists. To reduce default risk, the Fund invests in uninsured mortgages with conservative loan to value ratios. No uninsured mortgages will be entered into if they exceed a 75% loan-to-value ratio at inception and no insured mortgages will be entered into if they exceed a 95% loan-to-value ratio at inception. Also, all mortgages will include additional collateral and guarantees from borrowers. The fair value of the Fund's mortgage and money market investments represents the Fund's maximum exposure to credit risk.

*Mortgages by Industry Sector*

Investments in the Fund are diversified across industry sectors. Sectors to which the pool had exposure as at December 31 are as follows:

INDUSTRY SECTOR (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Industrial	29,781	4.8%	22,270	3.4%
Office	149,520	24.2%	22,598	3.4%
Residential	427,052	69.3%	530,255	80.3%
Retail	10,745	1.7%	85,125	12.9%
<b>Total Mortgages</b>	<b>617,098</b>	<b>100.0%</b>	<b>660,248</b>	<b>100.0%</b>



**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

INDUSTRY SECTOR (Number of Mortgages)	2008		2007	
	Total	% of Total	Total	% of Total
Industrial	4	11.1%	3	8.8%
Office	3	8.3%	1	2.9%
Residential	27	75.0%	27	79.5%
Retail	2	5.6%	3	8.8%
<b>Total Mortgages</b>	<b>36</b>	<b>100.0%</b>	<b>34</b>	<b>100.0%</b>

**Interest Rate Risk**

The Fund invests in construction mortgages with terms ranging from 1 to 4 years. The maximum duration of the Fund is 1.5 years. As at December 31, the Pool invested in mortgages with the following terms to maturity:

MORTGAGES BY MATURITY DATE (\$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Within 1 year	355,549	57.6%	449,556	68.1%
1 to 5 years	261,549	42.4%	210,692	31.9%
<b>Total Mortgages</b>	<b>617,098</b>	<b>100.00%</b>	<b>660,248</b>	<b>100.00%</b>

Construction mortgages are usually extended with floating interest rates based on bank prime lending rates plus a risk and liquidity premium. Therefore, the Fund does not have significant exposure to interest rate risk.

**Other Price Risk**

The Fund is not exposed to other price risk since the Fund's assets and liabilities are fixed income instruments.

**Currency Risk**

The Fund is not exposed to currency risk since the Fund's assets and liabilities are not denominated in foreign currency.

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

**MEZZANINE MORTGAGE FUND**

**Statement of Net Assets**

**as at December 31**

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

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Investments at fair value	198,577	199,651
Accrued investment income	<u>178</u>	<u>285</u>
	<u>198,755</u>	<u>199,936</u>
<b>Liabilities</b>		
bclMC funds management fees payable (note 8)	9	8
Payable for redemption of units	4,600	7,000
Accounts payable	<u>19</u>	<u>19</u>
	<u>4,628</u>	<u>7,027</u>
<b>Net assets representing unitholders' equity</b>	<u><u>194,127</u></u>	<u><u>192,909</u></u>
Number of units outstanding (note 9)	88.375	97.303
<b>Net asset value per unit</b>	<u><u>2,197</u></u>	<u><u>1,983</u></u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

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

**for the year ended December 31**

**(in \$000s)**

	<u>2008</u>	<u>2007</u>
Investment Income	<u>7,676</u>	<u>1,352</u>
Expenses (note 8):		
bclMC funds management fees	105	61
Administrative and professional fees	12	20
Mortgage servicing fees	<u>7</u>	<u>-</u>
	<u>124</u>	<u>81</u>
<b>Net investment income</b>	7,552	1,271
Realized and unrealized gains (losses):		
Net realized loss	-	(46)
Change in unrealized gain	<u>13,266</u>	<u>16,830</u>
	<u>13,266</u>	<u>16,784</u>
<b>Net income from operations</b>	20,818	18,055
Capital Transactions:		
Proceeds from units issued	38,790	62,609
Amounts paid for units redeemed	<u>(58,390)</u>	<u>(9,309)</u>
	<u>(19,600)</u>	<u>53,300</u>
Increase in net assets	1,218	71,355
Net assets, beginning of year	<u>192,909</u>	<u>121,554</u>
<b>Net Assets, end of year</b>	<u><u>194,127</u></u>	<u><u>192,909</u></u>

See accompanying Notes to Financial Statements.

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

**MEZZANINE MORTGAGE FUND**

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

	<u>2008</u>	<u>2007</u>
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net income from operations	20,818	18,055
Items not affecting cash:		
Net realized loss	-	46
Change in unrealized gain	<u>(13,266)</u>	<u>(16,830)</u>
	7,552	1,271
Changes in non-cash operating accounts:		
Receivable from sale of investments	-	3,150
Accrued investment income	107	(54)
bclMC funds management fees payable	1	7
Payable for redemption of units	(2,400)	7,000
Mortgage servicing fees payable	-	7
	<u>5,260</u>	<u>11,381</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	64,390	56,021
Purchase of investments	<u>(50,050)</u>	<u>(120,702)</u>
	14,340	(64,681)
<b>Cash flows from financing activities</b>		
Proceeds from units issued	38,790	62,609
Amounts paid for units redeemed	<u>(58,390)</u>	<u>(9,309)</u>
	<u>(19,600)</u>	<u>53,300</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  
(in \$000s)**

	<u>2008</u>		<u>2007</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<b>Mortgage Investments<sup>1</sup>:</b>	192,424	155,005	192,475	168,322
<b>Money Market Investments:</b>				
Units in bclMC Pooled				
Investment Portfolio Fund ST1	<u>6,153</u>	<u>6,153</u>	<u>7,176</u>	<u>7,176</u>
<b>Total Investments</b>	<u>198,577</u>	<u>161,158</u>	<u>199,651</u>	<u>175,498</u>

<sup>1</sup>The mortgage investments are held through a private corporation and a property trust.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Mezzanine Mortgage Fund (the Fund) is to increase returns relative to the Fund's benchmark, the DEX One Year Treasury Bill Index plus 250 basis points (to compensate for illiquidity and credit risk relative to the index). Portfolio managers utilize a multi-factor risk rating model to assess risk levels of individual investment opportunities. The risk factors that are evaluated include location, structure quality, tenant quality, borrower and covenantor's financial strength, loan to value levels, loan to cost levels, debt servicing ability, and developer's experience.

The Fund maintains a prudent level of diversification. The additional risks associated with construction projects are mitigated by requiring the involvement of only experienced developers, obtaining construction engineer evaluations, requiring significant pre-sales/pre-leasing levels and sufficient profit margin levels, as well as obtaining additional security provisions from borrowers.

The Fund invests in the following securities:

- privately negotiated higher risk mortgages, which may be shared loans with other investors,
- Canadian first, second, and third mortgages; and/or equity participation investments with CIO approval,
- Units/shares in Canadian mortgage trust, mortgage funds, limited partnerships, co-investment agreements with CIO approval, and
- bcIMC Canadian Money Market Funds (ST1) and (ST2)

The following restrictions apply to the holding of securities in the Fund:

- Mortgages must be eligible investments under the *Pensions Benefits Standards Act*.
- The Fund does not provide mortgages on single-family houses, properties classified solely as recreational or raw land unless it is tied to a credible inspection, current appraisal and a current environmental audit.
- The Fund may not invest in derivatives.

The Fund holds most of its investments through corporations and limited partnerships. The corporations and limited partnership hold the following investments and other net receivables:

	2008		2007	
	Total	% of Total	Total	% of Total
(\$000s)				
Fixed-Rate Mortgages	106,325	55.3%	100,793	52.3%
Variable-Rate Mortgages	21,561	11.2%	37,781	19.6%
Other Investments	47,841	24.9%	42,289	22.0%
Money Market Investments	15,104	7.8%	9,729	5.1%
Other Net Payables	1,593	0.8%	1,883	1.0%
	<b>192,424</b>	<b>100.00%</b>	<b>192,475</b>	<b>100.0%</b>

**Credit Risk**

The Fund invests in highly leveraged properties where the possibility of a borrower defaulting on payment obligations is higher than conventional mortgages. In the event of a default, the Fund may hold assets that otherwise would not be permitted provided the holdings are approved by the CIO and accepting the assets is deemed to be in the best interest of the Fund participants. The fair value of the Fund's mortgage and money market investments represents the Fund's maximum exposure to credit risk.

*Mortgages by Industry Sector*

Investments in the Fund are diversified across industry sectors. Sectors to which the pool had exposure as at December 31 are as follows:

INDUSTRY SECTOR (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Industrial	15,152	11.8%	4,305	3.1%
Office	31,678	24.8%	38,841	28.0%
Residential	53,407	41.8%	67,311	48.6%
Retail	1,247	1.0%	1,286	0.9%
Other	26,402	20.6%	26,831	19.4%
<b>Total Mortgages</b>	<b>127,886</b>	<b>100.0%</b>	<b>138,574</b>	<b>100.0%</b>

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

INDUSTRY SECTOR (Number of Mortgages)	2008		2007	
	Total	% of Total	Total	% of Total
Industrial	3	14.3%	1	4.8%
Office	3	14.3%	7	33.3%
Residential	12	57.1%	10	47.6%
Retail	1	4.8%	1	4.8%
Other	2	9.5%	2	9.5%
<b>Total Mortgages</b>	<b>21</b>	<b>100.0%</b>	<b>21</b>	<b>100.0%</b>

**Interest Rate Risk**

Mezzanine mortgages may have fixed or floating interest rates, adding a large risk premium onto Government of Canada bond yields or bank prime lending rates. Mortgage terms may involve equity participation in the development project to achieve higher internal rates of return.

As at December 31, the Pool invested in mortgages with the following terms to maturity:

MORTGAGES BY MATURITY DATE (\$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Within 1 year	92,030	72.0%	58,703	42.36%
1 to 5 years	16,794	13.1%	68,872	49.70%
5 to 10 years	19,062	14.9%	10,999	7.94%
<b>Total Mortgages</b>	<b>127,886</b>	<b>100.00%</b>	<b>138,574</b>	<b>100.00%</b>

The majority of the mortgages have a term to maturity within 1 year or have terms with floating interest rates based on bank prime lending rates plus a risk and liquidity premium. Therefore, the Fund does not have significant exposure to interest rate risk.

**Other Price Risk**

The Fund is not exposed to other price risk since the Fund's assets and liabilities are fixed income instruments.

**Currency Risk**

The Fund is not exposed to currency risk since the Fund's assets and liabilities are not denominated in foreign currency.

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

**ACTIVE CANADIAN SMALL CAP EQUITY FUND**

**Statement of Net Assets**

as at December 31

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

	<u>2008</u> (note 1)
<b>Assets</b>	
Investments at fair value	80,158
Cash	2,030
Receivable from sale of investments	448
Accrued investment income	179
	<u>82,815</u>
<b>Liabilities</b>	
bclMC funds management fees payable (note 8)	6
Payable for purchase of investments	215
External management fees payable	181
Custodial fees payable	8
Accounts payable	4
	<u>414</u>
<b>Net assets representing unitholders' equity</b>	<u>82,401</u>
Number of units outstanding (note 9)	147.049
<b>Net asset value per unit</b>	<u>560</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

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

for the period ended December 31

(in \$000s)

	<u>2008</u> (note 1)
Investment Income	<u>1,082</u>
Expenses (note 8):	
Commissions and stock exchange fees	837
bclMC funds management fees	51
External management fees	507
Custodial fees	29
Administrative and professional fees	4
	<u>1,428</u>
<b>Net investment income</b>	(346)
Realized and unrealized losses:	
Net realized loss	(15,260) <sup>1</sup>
Unrealized loss	(42,002) <sup>1</sup>
	<u>(57,262)</u>
<b>Net loss from operations</b>	(57,608)
Capital Transactions:	
Proceeds from units issued	140,009
Amounts paid for units redeemed	-
	<u>140,009</u>
Increase in net assets	82,401
Net assets, beginning of year	<u>-</u>
<b>Net Assets, end of year</b>	<u>82,401</u>

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

2

## ACTIVE CANADIAN SMALL CAP EQUITY FUND

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

	<u>2008</u> (note 1)
<b>Cash flow provided by (used for):</b>	
<b>Cash flows from operating activities</b>	
Net loss from operations	(57,608)
Items not affecting cash:	
Net realized loss	15,260
Unrealized loss	42,002
	<u>(346)</u>
Changes in non-cash operating accounts:	
Receivable from sale of investments	(448)
Accrued investment income	(179)
bclMC funds management fees payable	6
Payable for purchase of investments	215
External management fees payable	181
Custodial fees payable	8
Accounts payable	4
	<u>(559)</u>
<b>Cash flows from investing activities</b>	
Proceeds from sale of investments	192,289
Amounts paid for purchase of investments	(329,709)
	<u>(137,420)</u>
<b>Cash flows from financing activities</b>	
Proceeds from units issued	140,009
Amounts paid for units redeemed	-
	<u>140,009</u>
<b>Net increase in cash</b>	2,030
<b>Cash, beginning of year</b>	<u>-</u>
<b>Cash, end of year</b>	<u><u>2,030</u></u>

### Statement of Investments as at December 31 (in \$000s)

	<u>2008</u>	
	<u>Fair Value</u>	<u>Cost</u>
<b>Equities:</b>		
Publicly Traded	76,215	118,217
<b>Money Market Investments:</b>		
Units in bclMC Pooled Investment Portfolio Fund ST2	3,943	3,943
<b>Total Investments</b>	<u><u>80,158</u></u>	<u><u>122,160</u></u>

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Active Canadian Small Cap Equity Fund (the Fund) is to provide clients with a higher rate of return than the S&P/TSX Small Cap Equity Index, the Fund's benchmark. The Fund provides clients with a diversity of active management investment styles (e.g., value, growth, and market oriented), exposure to a variety of market outlooks, and exposure to the various segments of Canadian small cap equity markets. Active managers within the Fund are selected to add value over full market cycles. The managers operate independently of each other and are given specific value added targets, consistent with their expected risk profile. Each manager may have a different approach to risk. The Fund is diversified on an industry sector basis, reducing exposure to risks.

The Fund invests in the following securities:

- publicly traded common stock or common stock equivalents of Canadian equities with a small to mid-level range of capitalization,
- publicly traded income trust units,
- exchange traded funds based on the Fund's Index or a similar index,
- units in Manager's pooled funds provided such holdings are permissible investments for the Fund,
- private placements (defined as off-exchange purchase of securities that have limited transferability) with CIO approval,
- other derivative instruments with CIO approval , and
- money market securities rated A-1 (low) or better, and units of bclMC's Money Market Fund ST1 or ST2.

The following restrictions apply to the Fund:

- Up to 20% of the Pool's assets over any 3 month period or up to 15% of the Fund's assets over any 12 month period may be invested in money market securities rated A-1(low) or better, or in units of bclMC's Money Market Fund ST1 or ST2.
- Investments in the securities of a single company are limited to 10% of the market value of the Fund.

The Fund's activities expose it to a variety of financial risks as described below.

**Credit Risk**

The majority of the Fund's financial assets and liabilities are held in securities that are not subject to credit risk.

**Interest Rate Risk**

The majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing market interest rates.

**Other Price Risk**

*Equity by Industry Sector*

Industry sectors to which the Fund had exposure as at December 31 are as follows:

INDUSTRY SECTOR (in \$000s)	2008	
	Total	% of Total
Consumer Discretionary	6,497	8.5%
Consumer Staple	3,389	4.4%
Energy	16,500	21.6%
Financial Services	6,468	8.5%
Health Care	3,709	4.9%
Industrial Products	6,576	8.6%
Information Technology	6,394	8.4%
Materials and Processing	22,508	29.6%
Telecommunication Services	517	0.7%
Utilities	3,657	4.8%
<b>Total Equities</b>	<b>76,215</b>	<b>100.0%</b>

The expected impact on the Net Assets of the Fund, assuming a 10 percent increase/decrease in the Fund's benchmark over the next year, would be an increase/decrease of \$6.554, 000. This forecast is estimated based on the risk/return characteristics of the Fund's benchmark and the Fund's actual holdings as at December 31, 2008, and assuming all other variables are held constant. BarraOne, a product of MSCI Barra Inc., is used to forecast the Fund's beta and provide other analytics and data that are used in the preparation of the forecast. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

*Equity by Geographic Region*

All of the Fund's equity investments are exposed to the Canadian market.

**Currency Risk**

The Fund is not exposed to significant currency risk since the majority of the Fund's asset and liabilities are not denominated in foreign currency.



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

**ACTIVE U.S. SMALL CAP EQUITY FUND**

**Statement of Net Assets**

as at December 31

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

	<u>2008</u> (note 1)
<b>Assets</b>	
Investments at fair value	111,420
Cash	3,405
Receivable from sale of investments	158
Accrued investment income	49
	<u>115,032</u>
<b>Liabilities</b>	
bclMC funds management fees payable (note 8)	6
Payable for purchase of investments	282
External management fees payable	250
Custodial fees payable	11
Accounts payable	4
	<u>553</u>
<b>Net assets representing unitholders' equity</b>	<u>114,479</u>
Number of units outstanding (note 9)	123,296
<b>Net asset value per unit</b>	<u>928</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

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

for the period ended December 31

(in \$000s)

	<u>2008</u> (note 1)
Investment Income	1,369
Foreign exchange gains	<u>1,191</u>
	<u>2,560</u>
Expenses (note 8):	
External management fees	1,002
Commissions and stock exchange fees	358
bclMC funds management fees	63
Custodial fees	37
Administrative and professional fees	4
	<u>1,464</u>
<b>Net investment income</b>	1,096
Realized and unrealized losses:	
Net realized loss	(933) <sup>1</sup>
Unrealized loss	<u>(7,884)<sup>1</sup></u>
	<u>(8,817)</u>
<b>Net loss from operations</b>	(7,721)
Capital Transactions:	
Proceeds from units issued	146,200
Amounts paid for units redeemed	<u>(24,000)</u>
	<u>122,200</u>
Increase in net assets	114,479
Net assets, beginning of year	<u>-</u>
<b>Net Assets, end of year</b>	<u>114,479</u>

<sup>1</sup> The net realized loss and unrealized loss include the following exchange gain: 23,571

## ACTIVE U.S. SMALL CAP EQUITY FUND

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

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	<u>2008</u> (note 1)
<b>Cash flow provided by (used for):</b>	
<b>Cash flows from operating activities</b>	
Net loss from operations	(7,721)
Items not affecting cash:	
Net realized loss	933
Unrealized loss	<u>7,884</u>
	1,096
Changes in non-cash operating accounts:	
Receivable from sale of investments	(158)
Accrued investment income	(49)
bclMC funds management fees payable	6
Payable for purchase of investments	282
External management fees payable	250
Custodial fees payable	11
Accounts payable	<u>4</u>
	<u>1,442</u>
<b>Cash flows from investing activities</b>	
Proceeds from sale of investments	78,822
Amounts paid for purchase of investments	<u>(199,059)</u>
	<u>(120,237)</u>
<b>Cash flows from financing activities</b>	
Proceeds from units issued	146,200
Amounts paid for units redeemed	<u>(24,000)</u>
	<u>122,200</u>
<b>Net increase in cash</b>	3,405
<b>Cash, beginning of year</b>	<u>-</u>
<b>Cash, end of year</b>	<u><u>3,405</u></u>

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### Statement of Investments as at December 31 (in \$000s)

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	<u>2008</u>	
	<u>Fair Value</u>	<u>Cost</u>
<b>Equities:</b>		
Publicly Traded	111,299	119,183
<b>Money Market Investments:</b>		
Units in bclMC Pooled Investment Portfolio Fund ST2	<u>121</u>	<u>121</u>
<b>Total Investments</b>	<u><u>111,420</u></u>	<u><u>119,304</u></u>

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Active U.S. Small Cap Equity Fund (the Fund) is to provide clients with a higher rate of return than the Russell 2000 Total Return Index, the Fund's benchmark. The Fund provides clients with a diversity of active management investment styles (e.g., value, growth, and market oriented), exposure to a variety of market outlooks, and exposure to the various segments of U.S. small cap equity markets. Active managers within the Fund are selected to add value over full market cycles. The managers operate independently of each other and are given specific value added targets, consistent with their expected risk profile. Each manager may have a different approach to risk. The Fund is diversified on an industry sector basis.

The Fund invests in the following securities:

- publicly traded common stock or common stock equivalents of U.S. equities with a small to mid-level range of capitalization,
- exchange traded funds based on the Fund's Index or a subset of the Index,
- international exchange-listed depository receipts of U.S. listed companies,
- units in Manager's pooled funds provided such holdings are permissible investments for the Fund,
- private placements (defined as off-exchange purchase of securities that have limited transferability) with CIO approval,
- other derivative instruments with CIO approval , and
- money market securities rated A-1(low) or better, and units of bcIMC's Money Market Funds.

The following restrictions apply to the Fund:

- Up to 20% of the Pool's assets over any 3 month period or up to 15% of the Fund's assets over any 12 month period may be invested in money market securities rated A-1(low) or better, or in units of bcIMC's Money Market Funds.
- Investments in the securities of a single company are limited to 10% of the market value of the Fund.

The Fund's activities expose it to a variety of financial risks as described below.

**Credit Risk**

The majority of the Fund's financial assets and liabilities are held in securities that are not subject to credit risk

**Interest Rate Risk**

The majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing market interest rates.

**Other Price Risk**

*Equity by Industry Sector*

Industry sectors to which the Fund had exposure as at December 31 are as follows:

INDUSTRY SECTOR (in \$000s)	2008	
	Total	% of Total
Consumer Discretionary	15,622	14.0%
Consumer Staple	4,236	3.8%
Energy	10,225	9.2%
Financial Services	22,919	20.6%
Health Care	17,105	15.4%
Industrial Products	15,678	14.1%
Information Technology	14,355	12.9%
Materials and Processing	5,241	4.7%
Telecommunication Services	761	0.7%
Utilities	5,157	4.6%
<b>Total Equities</b>	<b>111,299</b>	<b>100.0%</b>

The expected impact on the Net Assets of the Fund, assuming a 10 percent increase/decrease in the Fund's benchmark over the next year, would be an increase/decrease of \$10,907,000. This forecast is estimated based on the risk/return characteristics of the Fund's benchmark and the Fund's actual holdings as at December 31, 2008, and assuming all other variables are held constant. BarraOne, a product of MSCI Barra Inc., is used to forecast the Fund's beta and provide other analytics and data that are used in the preparation of the forecast. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

*Equity by Geographic Region*

All of the Fund's equity investments are exposed to U.S. market.

**Currency Risk**

The Fund holds cash and investments denominated in U.S. currency totalling \$114,645,000. As at December 31, if the Canadian dollar had strengthened/weakened by 1 percent in relation to the U.S. currency, holding all other variables constant, net assets would have decreased/increased by \$1,146,450.

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

**ACTIVE JAPAN EQUITY FUND**

**Statement of Net Assets**

**as at December 31**

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

	<b>2008</b>
	<b>(note 1)</b>
<b>Assets</b>	
Investments at fair value	664,625
Unrealized gain on foreign currency contracts (Schedule One)	1
Cash	14,693
Receivable from sale of investments	5,124
Accrued investment income	462
	<b>684,905</b>
<b>Liabilities</b>	
Unrealized loss on foreign currency contracts (Schedule One)	3
bciMC funds management fees payable (note 8)	16
Payable for purchase of investments	5,860
External management fees payable	1,049
Custodial fees payable	30
Accounts payable	4
	<b>6,962</b>
<b>Net assets representing unitholders' equity</b>	<b>677,943</b>
Number of units outstanding (note 9)	764,441
<b>Net asset value per unit</b>	<b>887</b>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

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

**for the period ended December 31**

**(in \$000s)**

	<b>2008</b>
	<b>(note 1)</b>
Investment Income	2,484
Foreign exchange gains	9,636
	<b>12,120</b>
Expenses (note 8):	
External management fees	1,282
Commissions and stock exchange fees	559
bciMC funds management fees	122
Custodial fees	66
Administrative and professional fees	4
	<b>2,033</b>
<b>Net investment income</b>	<b>10,087</b>
Realized and unrealized losses:	
Net realized loss	(102,921) <sup>1</sup>
Unrealized loss	(13,363) <sup>1</sup>
	<b>(116,284)</b>
<b>Net loss from operations</b>	<b>(106,197)</b>
Capital Transactions:	
Proceeds from units issued	896,728
Amounts paid for units redeemed	(112,588)
	<b>784,140</b>
Increase in net assets	677,943
Net assets, beginning of year	-
<b>Net Assets, end of year</b>	<b>677,943</b>

<sup>1</sup> The net realized loss and unrealized loss include the following gains:

198,843

## ACTIVE JAPAN EQUITY FUND

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

	<u>2008</u> (note 1)
<b>Cash flow provided by (used for):</b>	
<b>Cash flows from operating activities</b>	
Net loss from operations	(106,197)
Items not affecting cash:	
Net realized loss	102,921
Change in unrealized loss	<u>13,363</u>
	10,087
Changes in non-cash operating accounts:	
Receivable from sale of investments	(5,124)
Accrued investment income	(462)
bcIMC funds management fees payable	16
Payable for purchase of investments	5,860
External management fees payable	1,049
Custodial fees payable	30
Accounts payable	4
	<u>11,460</u>
<b>Cash flows from investing activities</b>	
Proceeds from sale of investments	435,741
Amounts paid for purchase of investments	<u>(1,216,648)</u>
	(780,907)
<b>Cash flows from financing activities</b>	
Proceeds from units issued	896,728
Amounts paid for units redeemed	<u>(112,588)</u>
	784,140
<b>Net increase in cash</b>	14,693
<b>Cash, beginning of year</b>	<u>-</u>
<b>Cash, end of year</b>	<u><u>14,693</u></u>

### Statement of Investments as at December 31 (in \$000s)

	<u>2008</u>	
	<u>Fair Value</u>	<u>Cost</u>
<b>Equities:</b>		
Publicly Traded	664,526	677,889
<b>Money Market Investments:</b>		
Units in bcIMC Pooled Investment Portfolio Fund ST2	<u>99</u>	<u>99</u>
<b>Total Investments</b>	<u><u>664,625</u></u>	<u><u>677,988</u></u>

### Schedule One - Foreign Currency Contracts as at December 31, 2008

	<u>Number of Contracts</u>	<u>Expiry Dates</u>	<u>Notional Value (\$000s)</u>	<u>Unrealized Gain (Loss) (\$000s)</u>
	1	January 2009	25	1
	2	January 2009	524	(3)

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Active Japan Equity Fund (the Fund) is to provide clients with a higher rate of return than the Morgan Stanley Capital International (MSCI) Japan Net Index, the Fund's benchmark. The Fund provides clients with a diversity of active management investment styles (e.g., value, growth, and market oriented), exposure to a variety of market outlooks, and exposure to the various segments of Japanese equity markets. Active managers within the Fund are selected to add value over full market cycles. The managers operate independently of each other and are given specific value added targets, consistent with their expected risk profile. Each manager may have a different approach to risk management.

The Fund is diversified on an industry sector basis, reducing exposure to firm specific risks. However, the Fund's holdings may be more concentrated in certain industry sectors than the Index.

The Fund invests in the following securities:

- publicly traded common stock or common stock equivalents of Japanese companies,
- exchange traded funds based on the Index or countries/regions within the Index,
- international exchange-listed depository receipts of Japanese listed companies,
- units in the Managers' pooled funds provided such holdings are permissible investments of the Fund,
- private placements (defined as off-exchange purchase of securities that may have limited transferability) with CIO approval,
- forward contracts for currency conversions and/or currency hedging,
- other derivative instruments with CIO approval , and
- money market securities rated A-1 (low) or better, and units of bcIMC's Money Market Funds.

The following restrictions apply to the Fund:

- Up to 20% of the Pool's assets over any 3 month period or up to 15% of the Fund's assets over any 12 month period may be invested in money market securities rated A-1(low) or better, or in units of bcIMC's Money Market Funds.
- Investments in the securities of a single company are limited to 10% of the market value of the Fund.

The Fund's activities expose it to a variety of financial risks as described below.

**Credit Risk**

The majority of the Fund's financial assets and liabilities are held in securities that are not subject to credit risk.

**Interest Rate Risk**

The majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing market interest rates.

**Other Price Risk**

*Equity by Industry Sector*

Industry sectors to which the Fund had exposure as at December 31 are as follows:

INDUSTRY SECTOR (in \$000s)	2008	
	Total	% of Total
Consumer Discretionary	110,740	16.7%
Consumer Staple	55,880	8.4%
Energy	13,133	2.0%
Financial Services	121,310	18.2%
Health Care	70,888	10.7%
Industrial Products	105,343	15.9%
Information Technology	84,130	12.7%
Materials and Processing	26,906	4.0%
Telecommunication Services	66,752	10.0%
Utilities	9,444	1.4%
<b>Total Equities</b>	<b>664,526</b>	<b>100.0%</b>

The expected impact on the Net Assets of the Fund, assuming a 10 percent increase/decrease in the Fund's benchmark over the next year, would be an increase/decrease of \$63,794,000.

This forecast is estimated based on the risk/return characteristics of the Fund's benchmark and the Fund's actual holdings as at December 31, 2008, and assuming all other variables are held constant. BarraOne, a product of MSCI Barra Inc., is used to forecast the Fund's beta and provide other analytics and data that are used in the preparation of the forecast. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

*Equity by Geographic Region*

All of the Fund's equity investments are exposed to the Japanese market.

**Currency Risk**

Currencies to which the Fund had exposure as at December 31 are as follows:

CURRENCY (\$000s)	2008	
	Total	% of Total
Canadian Dollar	(753)	(0.1%)
Japanese Yen	678,312	100.0%
United States Dollar	384	0.1%
<b>Total Net Assets</b>	<b>677,943</b>	<b>100.0%</b>

As at December 31, if the Canadian dollar had strengthened/weakened by 1 percent in relation to all other currencies, holding all other variables constant, net assets would have decreased/increased by \$6,787,000.

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

**ACTIVE ASIAN EX-JAPAN EQUITY FUND**

**Statement of Net Assets**

as at December 31

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

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Investments at fair value	1,185,228	2,659,653
Cash	54,407	45,911
Receivable from sale of investments	565	8,255
Accrued investment income	720	1,327
Withholding taxes receivable	8	-
	<u>1,240,928</u>	<u>2,715,146</u>
<b>Liabilities</b>		
Unrealized loss on foreign currency contracts (Schedule One)	4	-
bclMC funds management fees payable (note 8)	30	60
Payable for purchase of investments	126	8,806
External management fees payable	1,384	2,776
Custodial fees payable	347	370
Accounts payable	7	5
	<u>1,898</u>	<u>12,017</u>
<b>Net assets representing unitholders' equity</b>	<u>1,239,030</u>	<u>2,703,129</u>
Number of units outstanding (note 9)	965.197	1,409.797
<b>Net asset value per unit</b>	<u>1,284</u>	<u>1,917</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

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

for the year ended December 31

(in \$000s)

	<u>2008</u>	<u>2007</u>
Investment Income	48,776	56,194
Expenses (note 8):		
Foreign exchange losses	12,001	8,365
External management fees	7,648	10,194
Commissions and stock exchange fees	6,681	-
Custodial fees	1,721	1,502
bclMC funds management fees	581	629
Administrative and professional fees	39	32
	<u>28,671</u>	<u>20,722</u>
<b>Net investment income</b>	20,105	35,472
Realized and unrealized gains (losses):		
Net realized gain (loss)	(241,603) <sup>1</sup>	222,506 <sup>1</sup>
Change in unrealized loss	(483,926) <sup>1</sup>	(263,953) <sup>1</sup>
	<u>(725,529)</u>	<u>(41,447)</u>
<b>Net loss from operations</b>	(705,424)	(5,975)
Capital Transactions:		
Proceeds from units issued	165,176	219,738
Amounts paid for units redeemed	(921,886)	(192,938)
	<u>(756,710)</u>	<u>26,800</u>
Increase (decrease) in net assets	(1,462,134)	20,825
Net assets, beginning of year, as previously reported	2,703,129	2,682,304
Transitional adjustment (note 3)	(1,965)	-
<b>Net Assets, end of year</b>	<u>1,239,030</u>	<u>2,703,129</u>

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

(264,525)	(312,800)
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## ACTIVE ASIAN EX-JAPAN EQUITY FUND

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

	2008	2007
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net loss from operations	(705,424)	(5,975)
Items not affecting cash:		
Net realized loss (gain)	241,603	(222,506)
Change in unrealized loss	483,926	263,953
	20,105	35,472
Changes in non-cash operating accounts:		
Receivable from sale of investments	7,690	15,088
Receivable from issue of units	-	300
Accrued investment income	607	23
Withholding taxes receivable	(8)	-
bcIMC funds management fees payable	(30)	23
Payable for purchase of investments	(8,680)	938
External management fees payable	(1,392)	789
Custodial fees payable	(23)	173
Accounts payable	2	-
	18,271	52,806
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	6,316,757	4,347,081
Amounts paid for purchase of investments	(5,569,822)	(4,404,727)
	746,935	(57,646)
<b>Cash flows from financing activities</b>		
Proceeds from units issued	165,176	219,738
Amounts paid for units redeemed	(921,886)	(192,938)
	(756,710)	26,800
<b>Net increase in cash</b>	8,496	21,960
<b>Cash, beginning of year</b>	45,911	23,951
<b>Cash, end of year</b>	54,407	45,911

### Statement of Investments as at December 31 (in \$000s)

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
<b>Equities:</b>				
Publicly Traded	1,184,011	1,453,053	2,654,076	2,440,811
<b>Money Market Investments:</b>				
Corporate	-	-	5,336	5,336
Units in bcIMC Pooled				
Investment Portfolio Fund ST2	1,217	1,215	241	241
<b>Total Investments</b>	<u>1,185,228</u>	<u>1,454,268</u>	<u>2,659,653</u>	<u>2,446,388</u>

### Schedule One - Foreign Currency Contracts as at December 31, 2008

Number of Contracts	Expiry Dates	Notional Value (\$000s)	Unrealized Loss (\$000s)
2	January 2009	407	(4)

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Active Asian Ex-Japan Equity Fund (the Fund) is to provide clients with a higher rate of return than the Morgan Stanley Capital International (MSCI) All Country Asia ex-Japan Net Index, the Fund's benchmark. The Fund provides clients with a diversity of active management investment styles (e.g., value, growth, and market oriented), exposure to a variety of market outlooks, and exposure to the various segments of Asian equity markets other than Japan. Active managers within the Fund are selected to add value over full market cycles. The managers operate independently of each other and are given specific value added targets, consistent with their expected risk profile. Each manager may have a different approach to risk management.

The Fund is diversified on a geographic and industry sector basis, reducing exposure to firm specific risks. However, the Fund's holdings may be more concentrated in certain geographic regions and industry sectors than the Index.

The Fund invests in the following securities:

- publicly traded common stock or common stock equivalents of Asia Pacific companies, excluding Japan,
- exchange traded funds based on the Index or countries/regions within the Index,
- international exchange-listed depository receipts of non-Japanese, Asia Pacific listed companies,
- units in the Managers' pooled funds provided such holdings are permissible investments of the Fund,
- private placements with CIO approval,
- forward contracts for currency conversions and/or currency hedging,
- other derivative instruments with CIO approval , and
- money market securities rated A-1 (low) or better, and units of bclMC's Money Market Funds.

The following restrictions apply to the Fund:

- Up to 20% of the Pool's assets over any 3 month period or up to 15% of the Fund's assets over any 12 month period may be invested in money market securities rated A-1(low), or better or in units of bclMC's Money Market Funds.
- Investments in the securities of a single company are limited to 10% of the market value of the Fund.

The Fund's activities expose it to a variety of financial risks as described below.

**Credit Risk**

The majority of the Fund's financial assets and liabilities are held in securities that are not subject to credit risk.

**Interest Rate Risk**

The majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing market interest rates.

**Other Price Risk**

*Equity by Industry Sector*

Industry sectors to which the Fund had exposure as at December 31 are as follows:

INDUSTRY SECTOR (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Consumer Discretionary	67,598	5.7%	351,579	13.2%
Consumer Staple	61,903	5.2%	133,053	5.0%
Energy	92,148	7.8%	122,696	4.6%
Financial Services	407,467	34.5%	791,038	29.9%
Health Care	32,031	2.7%	68,803	2.6%
Industrial Products	106,315	9.0%	382,333	14.4%
Information Technology	146,601	12.4%	381,972	14.4%
Materials and Processing	92,895	7.8%	260,161	9.8%
Telecommunication Services	143,771	12.1%	148,453	5.6%
Utilities	33,282	2.8%	13,988	0.5%
<b>Total Equities</b>	<b>1,184,011</b>	<b>100.0%</b>	<b>2,654,076</b>	<b>100.0%</b>

The expected impact on the Net Assets of the Fund, assuming a 10 percent increase/decrease in the Fund's benchmark over the next year, would be an increase/decrease of \$103,009,000. This forecast is estimated based on the risk/return characteristics of the Fund's benchmark and the Fund's actual holdings as at December 31, 2008, and assuming all other variables are held constant. BarraOne, a product of MSCI Barra Inc., is used to forecast the Fund's beta and provide other analytics and data that are used in the preparation of the forecast. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

*Equity by Geographic Region*

Geographic regions to which the Fund had exposure as at December 31 are as follows:

GEOGRAPHIC REGION (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Australia	174,760	14.8%	279,726	10.5%
China	278,468	23.5%	267,043	10.1%
Hong Kong	116,433	9.8%	237,606	9.0%
India	140,532	11.9%	214,574	8.1%
Indonesia	15,660	1.3%	71,157	2.7%
Japan	866	0.1%	928,878	34.9%
Korea	151,932	12.9%	229,191	8.6%
Malaysia	15,852	1.3%	58,175	2.2%
Philippines	6,181	0.5%	13,114	0.5%
Singapore	114,306	9.7%	146,296	5.5%
Taiwan	111,254	9.4%	149,388	5.6%
Thailand	28,786	2.4%	36,196	1.4%
United Kingdom	10,030	0.8%	22,732	0.9%
United States	18,951	1.6%	-	0.0%
<b>Total Equities</b>	<b>1,184,011</b>	<b>100.0%</b>	<b>2,654,076</b>	<b>100.0%</b>

**Currency Risk**

Currencies to which the Fund had exposure as at December 31 are as follows:

CURRENCY (\$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Australian Dollar	175,669	14.2%	286,874	10.6%
British Pound Sterling	10,030	0.8%	13,226	0.5%
Canadian Dollar	24,133	1.9%	8,096	0.3%
Euro	8	0.0%	-	0.0%
Hong Kong Dollar	389,383	31.4%	510,882	18.9%
Indian Rupee	15,731	1.3%	71,440	2.6%
Indonesian Rupiah	138,160	11.2%	178,257	6.6%
Japanese Yen	-	0.0%	945,856	35.0%
Korean Won	153,143	12.3%	228,024	8.4%
Malaysian Ringgit	15,852	1.3%	58,598	2.2%
New Zealand Dollar	-	0.0%	1	0.0%
Philippine Peso	6,190	0.5%	13,131	0.5%
Singapore Dollar	95,155	7.7%	115,094	4.3%
Taiwan Dollar	112,445	9.1%	146,825	5.4%
Thai Baht	28,787	2.3%	35,635	1.3%
United States Dollar	74,344	6.0%	91,190	3.4%
<b>Total Net Assets</b>	<b>1,239,030</b>	<b>100.0%</b>	<b>2,703,129</b>	<b>100.0%</b>

As at December 31, if the Canadian dollar had strengthened/weakened by 1 percent in relation to all other currencies, holding all other variables constant, net assets would have decreased/increased by \$12,149,000.

**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>2008</u>	<u>2007</u>
<b>Assets</b>		
Investments at fair value	1,147,244	2,116,921
Unrealized gain on foreign currency contracts (Schedule One and Two)	4	2,086
Cash	26,245	19,462
Receivable from sale of investments	3,302	13,139
Accrued investment income	1,225	1,697
Withholding taxes receivable	631	731
	<u>1,178,651</u>	<u>2,154,036</u>
<b>Liabilities</b>		
Unrealized loss on foreign currency contracts (Schedule One and Two)	6	1
bcIMC funds management fees payable (note 8)	36	49
Payable for purchase of investments	2,543	1,735
External management fees payable	1,810	2,746
Custodial fees payable	121	190
Accounts payable	6	5
	<u>4,522</u>	<u>4,726</u>
<b>Net assets representing unitholders' equity</b>	<u>1,174,129</u>	<u>2,149,310</u>
Number of units outstanding (note 9)	1,120,016	1,315,441
<b>Net asset value per unit</b>	<u>1,048</u>	<u>1,634</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

**Statement of Operations and Change in Net Assets  
for the year ended December 31  
(in \$000s)**

	<u>2008</u>	<u>2007</u>
Investment Income	62,678	69,892
Foreign exchange gains	16,688	-
	<u>79,366</u>	<u>69,892</u>
Expenses (note 8):		
Foreign exchange losses	-	639
External management fees	7,221	9,688
Commissions and stock exchange fees	3,885	-
bcIMC funds management fees	566	546
Custodial fees	563	835
Administrative and professional fees	4	6
	<u>12,239</u>	<u>11,714</u>
<b>Net investment income</b>	67,127	58,178
Realized and unrealized gains (losses):		
Net realized gain (loss)	(258,959) <sup>1</sup>	181,205 <sup>1</sup>
Change in unrealized loss	(487,498) <sup>1</sup>	(380,332) <sup>1</sup>
	<u>(746,457)</u>	<u>(199,127)</u>
<b>Net loss from operations</b>	(679,330)	(140,949)
Capital Transactions:		
Proceeds from units issued	99,613	90,020
Amounts paid for units redeemed	(394,728)	(88,970)
	<u>(295,115)</u>	<u>1,050</u>
Decrease in net assets	(974,445)	(139,899)
Net assets, beginning of year, as previously reported	2,149,310	2,289,209
Transitional adjustment (note 3)	(736)	-
<b>Net Assets, end of year</b>	<u>1,174,129</u>	<u>2,149,310</u>

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

133,540	(195,759)
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## ACTIVE EUROPEAN EQUITY FUND

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

	2008	2007
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net loss from operations	(679,330)	(140,949)
Items not affecting cash:		
Net realized loss (gain)	258,959	(181,205)
Change in unrealized loss	487,498	380,332
	67,127	58,178
Changes in non-cash operating accounts:		
Receivable from sale of investments	9,837	(12,095)
Accrued investment income	472	134
Withholding taxes receivable	100	(102)
bcIMC funds management fees payable	(13)	17
Payable for purchase of investments	808	798
External management fees payable	(936)	313
Custodial fees payable	(69)	18
Accounts payable	1	-
	77,327	47,261
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	1,477,760	1,235,696
Amounts paid for purchase of investments	(1,253,189)	(1,280,365)
	224,571	(44,669)
<b>Cash flows from financing activities</b>		
Proceeds from units issued	99,613	90,020
Amounts paid for units redeemed	(394,728)	(88,970)
	(295,115)	1,050
<b>Net increase in cash</b>	6,783	3,642
<b>Cash, beginning of year</b>	19,462	15,820
<b>Cash, end of year</b>	26,245	19,462

### Statement of Investments as at December 31 (in \$000s)

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
<b>Equities:</b>				
Publicly Traded	1,147,043	1,502,644	2,116,452	1,989,685
<b>Money Market Investments:</b>				
Units in bcIMC Pooled				
Investment Portfolio Fund ST2	201	201	469	469
<b>Total Investments</b>	<u>1,147,244</u>	<u>1,502,845</u>	<u>2,116,921</u>	<u>1,990,154</u>

### Schedule One - Foreign Currency Contracts as at December 31, 2008

Number of Contracts	Expiry Dates	Notional Value (\$000s)	Unrealized Gain (Loss) (\$000s)
2	January 2009	944	4
1	January 2009	1,078	(6)

### Schedule Two - Foreign Currency Contracts as at December 31, 2007

Number of Contracts	Expiry Dates	Notional Value (\$000s)	Unrealized Gain (Loss) (\$000s)
6	March 2008	161,700	2,086
4	January 2008	679	(1)

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Active European Equity Fund (the Fund) is to provide clients with a higher rate of return than the Morgan Stanley Capital International (MSCI) Europe Net Index, the Fund's benchmark. The Fund provides clients with a diversity of active management investment styles (e.g., value, growth, and market oriented), exposure to a variety of market outlooks, and exposure to the various segments of European markets, including emerging markets. Active managers within the Fund are selected to add value over full market cycles. The managers operate independently of each other and are given specific value added targets, consistent with their expected risk profile. Each manager may have a different approach to risk management.

The Fund is diversified on a geographic and industry sector basis, reducing exposure to firm specific risks. However, the Fund's holdings may be more concentrated in certain geographic regions and industry sectors than the Index.

The Fund invests in the following securities:

- publicly traded common stock or common stock equivalents of European companies,
- exchange traded funds based on the Index or countries/regions within the Index,
- international exchange-listed depository receipts of European listed companies,
- units in the Managers' pooled funds provided such holdings are permissible investments of the Fund,
- private placements (defined as off-exchange purchase of securities that may have limited transferability) with CIO approval,
- forward contracts for currency conversions and/or currency hedging,
- other derivative instruments with CIO approval , and
- money market securities rated A-1 (low) or better, and units of bclMC's Money Market Funds.

The following restrictions apply to the Fund:

- Up to 20% of the Pool's assets over any 3 month period or up to 15% of the Fund's assets over any 12 month period may be invested in money market securities rated A-1(low) or better, or in units of bclMC's Money Market Funds.
- Investments in European emerging markets and investments in the securities of a single company are both limited to 10% of the market value of the Fund.

The Fund's activities expose it to a variety of financial risks as described below.

**Credit Risk**

The majority of the Fund's financial assets and liabilities are held in securities that are not subject to credit risk.

**Interest Rate Risk**

The majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing market interest rates.

**Other Price Risk**

*Equity by Industry Sector*

Industry sectors to which the Fund had exposure as at December 31 are as follows:

INDUSTRY SECTOR (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Consumer Discretionary	73,733	6.4%	194,483	9.2%
Consumer Staple	138,440	12.1%	188,607	8.9%
Energy	142,549	12.4%	257,042	12.1%
Financial Services	213,819	18.7%	535,689	25.4%
Health Care	178,549	15.6%	125,790	5.9%
Industrial Products	92,938	8.1%	215,266	10.2%
Information Technology	50,049	4.4%	79,238	3.7%
Materials and Processing	63,271	5.5%	254,133	12.0%
Telecommunication Services	101,411	8.8%	112,080	5.3%
Utilities	92,284	8.0%	154,124	7.3%
<b>Total Equities</b>	<b>1,147,043</b>	<b>100.0%</b>	<b>2,116,452</b>	<b>100.0%</b>

The expected impact on the Net Assets of the Fund, assuming a 10 percent increase/decrease in the Fund's benchmark over the next year, would be an increase/decrease of \$116,998,000. This forecast is estimated based on the risk/return characteristics of the Fund's benchmark and the Fund's actual holdings as at December 31, 2008, and assuming all other variables are held constant. BarraOne, a product of MSCI Barra Inc., is used to forecast the Fund's beta and provide other analytics and data that are used in the preparation of the forecast. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

*Equity by Geographic Region*

Geographic regions to which the Fund had exposure as at December 31 are as follows:

GEOGRAPHIC REGION (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Austria	1,597	0.1%	9,477	0.4%
Belgium	14,099	1.2%	39,114	1.8%
Denmark	9,713	0.8%	13,953	0.7%
Finland	22,924	2.0%	53,527	2.5%
France	207,118	18.2%	330,037	15.6%
Germany	193,189	16.9%	397,077	18.9%
Greece	7,429	0.6%	25,186	1.2%
Ireland	-	0.0%	11,306	0.5%
Italy	44,409	3.9%	133,650	6.3%
Netherlands	72,293	6.3%	158,967	7.5%
Norway	20,797	1.8%	43,843	2.1%
Portugal	2,143	0.2%	4,791	0.2%
Spain	48,845	4.3%	72,715	3.4%
Sweden	18,560	1.6%	61,055	2.9%
Switzerland	116,173	10.1%	160,892	7.6%
United Kingdom	340,967	29.7%	570,670	27.0%
Non-Indexed Countries	26,787	2.3%	30,192	1.4%
<b>Total Equities</b>	<b>1,147,043</b>	<b>100.0%</b>	<b>2,116,452</b>	<b>100.0%</b>

**Currency Risk**

Currencies to which the Fund had exposure as at December 31 are as follows:

CURRENCY (\$000s)	2008		2007	
	Total	% of Total	Total	% of Total
British Pound Sterling	309,304	26.3%	529,360	24.6%
Canadian Dollar	2,981	0.3%	68,263	3.2%
Czech Koruna	372	0.0%	-	0.0%
Danish Krone	10,185	0.9%	14,052	0.7%
Euro	658,891	56.1%	1,235,575	57.5%
Hungarian Forint	158	0.0%	2,674	0.1%
Norwegian Krone	21,384	1.8%	43,892	2.0%
Polish Zloty	8,643	0.7%	18	0.0%
Swedish Krone	19,613	1.7%	61,795	2.9%
Swiss Franc	121,540	10.4%	149,105	6.9%
Turkish Lira	13,218	1.1%	27,924	1.3%
United States Dollar	7,840	0.7%	16,652	0.8%
<b>Total Net Assets</b>	<b>1,174,129</b>	<b>100.0%</b>	<b>2,149,310</b>	<b>100.0%</b>

As at December 31, if the Canadian dollar had strengthened/weakened by 1 percent in relation to all other currencies, holding all other variables constant, net assets would have decreased/increased by \$11,711,000.

**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)**

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Investments at fair value	213,106	320,759
Cash	269	61
Receivable from sale of investments	-	893
Accrued investment income	330	326
Withholding taxes receivable	67	69
	<u>213,772</u>	<u>322,108</u>
<b>Liabilities</b>		
bclMC funds management fees payable (note 8)	25	22
Custodial fees payable	48	63
Accounts payable	7	5
	<u>80</u>	<u>90</u>
<b>Net assets representing unitholders' equity</b>	<u>213,692</u>	<u>322,018</u>
Number of units outstanding (note 9)	350,000	350,000
<b>Net asset value per unit</b>	<u>611</u>	<u>920</u>



Doug Pearce

Chief Executive Officer

Chief Investment Officer

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

**for the year ended December 31**

**(in \$000s)**

	<u>2008</u>	<u>2007</u>
Investment Income	10,261	8,678
Foreign exchange gains	31	-
	<u>10,292</u>	<u>8,678</u>
<b>Expenses (note 8):</b>		
Foreign exchange losses	-	167
Commissions and stock exchange fees	873	-
bclMC funds management fees	282	169
Custodial fees	230	200
Administrative and professional fees	4	4
	<u>1,389</u>	<u>540</u>
<b>Net investment income</b>	8,903	8,138
<b>Realized and unrealized losses:</b>		
Net realized loss	(72,427) <sup>1</sup>	(24,440) <sup>1</sup>
Change in unrealized loss	(44,694) <sup>1</sup>	(11,680) <sup>1</sup>
	<u>(117,121)</u>	<u>(36,120)</u>
<b>Net loss from operations</b>	(108,218)	(27,982)
<b>Capital Transactions:</b>		
Proceeds from units issued	20,146	364,503
Amounts paid for units redeemed	(20,146)	(14,503)
	<u>-</u>	<u>350,000</u>
Decrease in net assets	(108,218)	322,018
Net assets, beginning of year, as previously reported	322,018	-
Transitional adjustment (note 3)	(108)	-
<b>Net Assets, end of year</b>	<u>213,692</u>	<u>322,018</u>

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

25,396	(31,875)
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## ENHANCED INDEXED EUROPEAN EQUITY FUND

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

	2008	2007
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net loss from operations	(108,218)	(27,982)
Items not affecting cash:		
Net realized loss	72,427	24,440
Change in unrealized loss	44,694	11,680
	8,903	8,138
Changes in non-cash operating accounts:		
Receivable from sale of investments	893	(893)
Accrued investment income	(4)	(326)
Withholding taxes receivable	2	(69)
bclMC funds management fees payable	3	22
Custodial fees payable	(15)	63
Accounts payable	2	5
	9,784	6,940
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	358,817	350,601
Amounts paid for purchase of investments	(368,393)	(707,480)
	(9,576)	(356,879)
<b>Cash flows from financing activities</b>		
Proceeds from units issued	20,146	364,503
Amounts paid for units redeemed	(20,146)	(14,503)
	-	350,000
<b>Net increase in cash</b>	208	61
<b>Cash, beginning of year</b>	61	-
<b>Cash, end of year</b>	269	61

### Statement of Investments as at December 31 (in \$000s)

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
<b>Equities:</b>				
Publicly Traded	213,060	269,106	320,691	332,371
<b>Money Market Investments:</b>				
Units in bclMC Pooled Investment Portfolio Fund ST2	46	46	68	68
<b>Total Investments</b>	213,106	269,152	320,759	332,439

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Enhanced Indexed European Equity Fund (the Fund) is to provide clients with a higher rate of return than the Morgan Stanley Capital International (MSCI) Europe Net Index, the Fund's benchmark. Enhanced indexing combines the value adding strategies of active management with the risk controls of indexing.

The Enhanced Indexed European Equity Fund differs from the Active European Equity Fund in that it takes a lower level of active management risk and will more closely reflect the sector and financial characteristics of the benchmark. The Fund is managed internally with the bcIMC portfolio manager seeking to outperform the Index through superior stock selection by using quantitative analysis to forecast a stock's relative performance. The Fund is diversified on a geographic and industry sector basis, reducing exposure to firm specific risks.

The Fund invests in the following securities:

- publicly traded common stock or common stock equivalents of benchmark member companies,
- exchange traded funds based on the Index or countries/regions within the Index,
- unleveraged futures based on the Index,
- international exchange-listed depository receipts of European listed companies,
- private placements (defined as off-exchange purchase of securities that may have limited transferability) with CIO approval,
- forward contracts for currency conversions and/or currency hedging,
- other derivative instruments with CIO approval , and
- units of bcIMC Money Market Funds.

The following restrictions apply to the Fund:

- Up to 10% of the Fund's assets can be held over any 12 month period in units of bcIMC's Money Market Funds.
- Investments in the securities of a single company are limited to 10% of the market value of the Fund

The Fund's activities expose it to a variety of financial risks as described below.

**Credit Risk**

The majority of the Fund's financial assets and liabilities are held in securities that are not subject to credit risk.

**Interest Rate Risk**

The majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing market interest rates.

**Other Price Risk**

*Equity by Industry Sector*

Industry sectors to which the Fund had exposure as at December 31 are as follows:

INDUSTRY SECTOR (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Consumer Discretionary	16,299	7.6%	28,977	9.0%
Consumer Staple	25,761	12.1%	31,541	9.8%
Energy	25,442	11.9%	33,036	10.4%
Financial Services	44,029	20.6%	84,135	26.3%
Health Care	24,956	11.7%	23,269	7.3%
Industrial Products	20,349	9.6%	33,722	10.5%
Information Technology	6,337	3.0%	11,199	3.5%
Materials and Processing	14,598	6.9%	28,597	8.9%
Telecommunication Services	17,534	8.2%	23,881	7.4%
Utilities	16,788	7.9%	21,863	6.8%
Other	967	0.5%	471	0.1%
<b>Total Equities</b>	<b>213,060</b>	<b>100.0%</b>	<b>320,691</b>	<b>100.0%</b>

The expected impact on the Net Assets of the Fund, assuming a 10 percent increase/decrease in the Fund's benchmark over the next year, would be an increase/decrease of \$20,667,000.

This forecast is estimated based on the risk/return characteristics of the Fund's benchmark and the Fund's actual holdings as at December 31, 2008, and assuming all other variables are held constant. BarraOne, a product of MSCI Barra Inc., is used to forecast the Fund's beta and provide other analytics and data that are used in the preparation of the forecast. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

*Equity by Geographic Region*

Geographic regions to which the Fund had exposure as at December 31 are as follows:

GEOGRAPHIC REGION (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Austria	1,202	0.6%	1,087	0.3%
Belgium	3,544	1.7%	3,316	1.0%
Denmark	3,573	1.7%	6,048	1.9%
Finland	7,431	3.5%	8,082	2.5%
France	30,751	14.3%	49,091	15.4%
Germany	26,440	12.4%	44,430	13.9%
Greece	1,081	0.5%	8,006	2.5%
Ireland	755	0.4%	1,895	0.6%
Italy	11,380	5.3%	17,290	5.4%
Netherlands	7,086	3.3%	11,051	3.4%
Norway	1,707	0.8%	7,024	2.2%
Portugal	734	0.3%	2,157	0.7%
Spain	16,289	7.6%	22,133	6.9%
Sweden	6,500	3.1%	11,461	3.6%
Switzerland	26,536	12.5%	31,822	9.9%
United Kingdom	67,084	31.5%	95,327	29.7%
Non-Indexed Countries	967	0.5%	471	0.1%
<b>Total Equities</b>	<b>213,060</b>	<b>100.0%</b>	<b>320,691</b>	<b>100.0%</b>

**Currency Risk**

Currencies to which the Fund had exposure as at December 31 are as follows:

CURRENCY (\$000s)	2008		2007	
	Total	% of Total	Total	% of Total
British Pound Sterling	65,019	30.4%	92,724	28.8%
Canadian Dollar	67	0.0%	(21)	0.0%
Danish Krone	3,573	1.7%	6,050	1.9%
Euro	109,180	51.2%	172,315	53.4%
Norwegian Krone	1,707	0.8%	7,024	2.2%
Swedish Krone	6,500	3.0%	11,461	3.6%
Swiss Franc	26,540	12.4%	31,873	9.9%
United States Dollar	1,106	0.5%	592	0.2%
<b>Total Net Assets</b>	<b>213,692</b>	<b>100.0%</b>	<b>322,018</b>	<b>100.0%</b>

As at December 31, if the Canadian dollar had strengthened/weakened by 1 percent in relation to all other currencies, holding all other variables constant, net assets would have decreased/increased by \$2,136,000.

**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>2008</u>	<u>2007</u>
<b>Assets</b>		
Investments at fair value	933,912	1,725,256
Cash	285	443
Receivable from sale of investments	-	3,335
Accrued investment income	1,500	1,909
Withholding taxes receivable	332	550
	<u>936,029</u>	<u>1,731,493</u>
<b>Liabilities</b>		
Unrealized loss on foreign currency contracts (Schedule One)	-	4
bcIMC funds management fees payable (note 8)	33	47
Custodial fees payable	94	152
Accounts payable	6	6
	<u>133</u>	<u>209</u>
<b>Net assets representing unitholders' equity</b>	<u>935,896</u>	<u>1,731,284</u>
Number of units outstanding (note 9)	895.343	1,116.246
<b>Net asset value per unit</b>	<u>1,045</u>	<u>1,551</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

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

**for the year ended December 31**

**(in \$000s)**

	<u>2008</u>	<u>2007</u>
Investment Income	53,212	58,420
<b>Expenses (note 8):</b>		
Foreign exchange losses	1,531	1,880
bcIMC funds management fees	523	568
Commissions and stock exchange fees	358	-
External management fees payable	-	-
Custodial fees	444	641
Administrative and professional fees	4	6
	<u>2,860</u>	<u>3,095</u>
<b>Net investment income</b>	50,352	55,325
<b>Realized and unrealized gains (losses):</b>		
Net realized gain	7,245 <sup>1</sup>	166,995 <sup>1</sup>
Change in unrealized loss	<u>(565,064)<sup>1</sup></u>	<u>(271,147)<sup>1</sup></u>
	<u>(557,819)</u>	<u>(104,152)</u>
<b>Net loss from operations</b>	(507,467)	(48,827)
<b>Capital Transactions:</b>		
Proceeds from units issued	108,903	90,849
Amounts paid for units redeemed	<u>(396,403)</u>	<u>(533,849)</u>
	<u>(287,500)</u>	<u>(443,000)</u>
Decrease in net assets	(794,967)	(491,827)
Net assets, beginning of year, as previously reported	1,731,284	2,223,111
Transitional adjustment (note 3)	<u>(421)</u>	<u>-</u>
<b>Net Assets, end of year</b>	<u>935,896</u>	<u>1,731,284</u>

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

154,415	(162,889)
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## INDEXED EUROPEAN EQUITY FUND

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

	2008	2007
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net loss from operations	(507,467)	(48,827)
Items not affecting cash:		
Net realized gain	(7,245)	(166,995)
Change in unrealized loss	565,064	271,147
	50,352	55,325
Changes in non-cash operating accounts:		
Receivable from sale of investments	3,335	(2,515)
Accrued investment income	409	509
Withholding taxes receivable	218	13
bcIMC funds management fees payable (note 6)	(14)	8
Payable for purchase of investments	-	(847)
Custodial fees payable	(58)	20
Accounts payable	-	1
	54,242	52,514
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	447,145	656,259
Amounts paid for purchase of investments	(214,045)	(265,647)
	233,100	390,612
<b>Cash flows from financing activities</b>		
Proceeds from units issued	108,903	90,849
Amounts paid for units redeemed	(396,403)	(533,849)
	(287,500)	(443,000)
<b>Net increase in cash</b>	(158)	126
<b>Cash, beginning of year</b>	443	317
<b>Cash, end of year</b>	285	443

### Statement of Investments as at December 31 (in \$000s)

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
<b>Equities:</b>				
Publicly Traded	933,887	1,139,308	1,725,094	1,366,205
<b>Money Market Investments:</b>				
Units in bcIMC Pooled Investment Portfolio Fund ST2	25	25	162	162
<b>Total Investments</b>	<u>933,912</u>	<u>1,139,333</u>	<u>1,725,256</u>	<u>1,366,367</u>

### Schedule One - Foreign Currency Contracts as at December 31, 2007

Number of Contracts	Expiry Dates	Notional Value (\$000s)	Unrealized Gain (Loss) (\$000s)
6	January 2009	861	(4)

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Indexed European Equity Fund (the Fund) is to generate a risk/return profile that is very similar to the Morgan Stanley Capital International (MSCI) Europe Net Index, the Fund's benchmark. The Fund is managed internally by bclMC and is a full replication index. Performance results will track quite closely to the underlying benchmark. bclMC portfolio managers hold all company, sector, and country allocations at or near their benchmark weights but have discretion to determine the appropriate timing of implementing Index changes. The Fund is diversified on a geographic and industry sector basis, reducing exposure to firm specific risks.

The Fund invests in the following securities:

- publicly traded common stock or common stock equivalents of benchmark member companies,
- exchange traded funds based on the Index or countries/regions within the Index,
- international exchange-listed depository receipts of European listed companies,
- private placements (defined as off-exchange purchase of securities that may have limited transferability) with CIO approval,
- forward contracts for currency conversions and/or currency hedging,
- other derivative instruments with CIO approval , and
- units of bclMC's Money Market Funds.
- 

The following restrictions apply to the Fund:

- Up to 0.5% of the Fund's assets can be invested in units of bclMC's Money Market Funds.

The Fund's activities expose it to a variety of financial risks as described below.

**Credit Risk**

The majority of the Fund's financial assets and liabilities are held in securities that are not subject to credit risk.

**Interest Rate Risk**

The majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing market interest rates.

**Other Price Risk**

*Equity by Industry Sector*

Industry sectors to which the Fund had exposure as at December 31 are as follows:

INDUSTRY SECTOR (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Consumer Discretionary	72,811	7.8%	155,470	9.0%
Consumer Staple	113,065	12.1%	169,589	9.8%
Energy	111,319	11.9%	178,768	10.4%
Financial Services	194,567	20.9%	451,599	26.2%
Health Care	109,658	11.7%	124,549	7.2%
Industrial Products	89,342	9.6%	180,970	10.5%
Information Technology	27,927	3.0%	60,139	3.5%
Materials and Processing	63,226	6.8%	155,821	9.0%
Telecommunication Services	76,758	8.2%	128,633	7.5%
Utilities	74,840	8.0%	117,431	6.8%
Other	374	0.0%	2,125	0.1%
<b>Total Equities</b>	<b>933,887</b>	<b>100.0%</b>	<b>1,725,094</b>	<b>100.0%</b>

The expected impact on the Net Assets of the Fund, assuming a 10 percent increase/decrease in the Fund's benchmark over the next year, would be an increase/decrease of \$93,389,000.

This forecast is estimated based on the risk/return characteristics of the Fund's benchmark and the Fund's actual holdings as at December 31, 2008, and assuming all other variables are held constant. BarraOne, a product of MSCI Barra Inc., is used to forecast the Fund's beta and provide other analytics and data that are used in the preparation of the forecast. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

*Equity by Geographic Region*

Geographic regions to which the Fund had exposure as at December 31 are as follows:

GEOGRAPHIC REGION (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Austria	4,470	0.5%	14,176	0.8%
Belgium	10,729	1.1%	30,383	1.8%
Denmark	11,940	1.3%	22,919	1.3%
Finland	19,808	2.1%	45,867	2.7%
France	153,345	16.4%	261,128	15.1%
Germany	123,963	13.3%	231,397	13.4%
Greece	6,894	0.7%	18,792	1.1%
Ireland	4,407	0.5%	16,045	0.9%
Italy	52,080	5.6%	97,588	5.7%
Netherlands	36,376	3.9%	73,620	4.3%
Norway	8,660	0.9%	26,551	1.5%
Portugal	4,731	0.5%	8,971	0.5%
Spain	64,620	6.9%	106,978	6.2%
Sweden	28,656	3.1%	57,217	3.3%
Switzerland	118,463	12.7%	163,650	9.5%
United Kingdom	283,024	30.3%	546,375	31.7%
Non-Indexed Countries	1,721	0.2%	3,437	0.2%
<b>Total Equities</b>	<b>933,887</b>	<b>100.0%</b>	<b>1,725,094</b>	<b>100.0%</b>

**Currency Risk**

Currencies to which the Fund had exposure as at December 31 are as follows:

CURRENCY (\$000s)	2008		2007	
	Total	% of Total	Total	% of Total
British Pound Sterling	268,310	28.7%	524,753	30.3%
Canadian Dollar	(8)	0.0%	(44)	0.0%
Danish Krone	11,941	1.3%	22,920	1.3%
Euro	497,720	53.1%	932,341	54.0%
Norwegian Krone	8,660	0.9%	26,552	1.5%
Swedish Krone	28,656	3.1%	57,220	3.3%
Swiss Franc	119,842	12.8%	165,242	9.5%
United States Dollar	775	0.1%	2,300	0.1%
<b>Total Net Assets</b>	<b>935,896</b>	<b>100.0%</b>	<b>1,731,284</b>	<b>100.0%</b>

As at December 31, if the Canadian dollar had strengthened/weakened by 1 percent in relation to all other currencies, holding all other variables constant, net assets would have decreased/increased by \$9,359,000.

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

**ACTIVE EAFE EQUITY FUND**

**Statement of Net Assets**

**as at December 31**

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

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Investments at fair value	1,844,338	2,754,231
Unrealized gain on foreign currency contracts (Schedule One and Two)	27	1,587
Cash	47,132	48,381
Receivable from sale of investments	1,707	4,135
Accrued investment income	1,962	3,197
Withholding taxes receivable	768	1,306
	<u>1,895,934</u>	<u>2,812,837</u>
<b>Liabilities</b>		
Unrealized loss on foreign currency contracts (Schedule One)	14	-
bclMC funds management fees payable (note 8)	47	60
Payable for purchase of investments	259	7,292
External management fees payable	2,605	3,051
Custodial fees payable	259	314
Accounts payable	6	7
	<u>3,190</u>	<u>10,724</u>
<b>Net assets representing unitholders' equity</b>	<u>1,892,744</u>	<u>2,802,113</u>
Number of units outstanding (note 9)	1,761,020	1,732,469
<b>Net asset value per unit</b>	<u>1,075</u>	<u>1,617</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

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

**for the year ended December 31**

**(in \$000s)**

	<u>2008</u>	<u>2007</u>
Investment Income	94,798	116,010
Expenses (note 8):		
Foreign exchange losses	11,547	8,363
External management fees	9,017	12,086
Commissions and stock exchange fees	6,022	-
Custodial fees	1,034	1,293
bclMC funds management fees	745	887
Administrative and professional fees	15	10
	<u>28,380</u>	<u>22,639</u>
<b>Net investment income</b>	66,418	93,371
Realized and unrealized gains (losses):		
Net realized gain (loss)	(409,249) <sup>1</sup>	574,860 <sup>1</sup>
Change in unrealized loss	(605,585) <sup>1</sup>	(957,729) <sup>1</sup>
	<u>(1,014,834)</u>	<u>(382,869)</u>
<b>Net loss from operations</b>	(948,416)	(289,498)
Capital Transactions:		
Proceeds from units issued	154,703	172,606
Amounts paid for units redeemed	(114,525)	(1,114,378)
	<u>40,178</u>	<u>(941,772)</u>
Decrease in net assets	(908,238)	(1,231,270)
Net assets, beginning of year, as previously reported	2,802,113	4,033,383
Transitional adjustment (note 3)	(1,131)	-
<b>Net Assets, end of year</b>	<u>1,892,744</u>	<u>2,802,113</u>

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

358,913	(375,312)
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## ACTIVE EAFE EQUITY FUND

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

	2008	2007
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net loss from operations	(948,416)	(289,498)
Items not affecting cash:		
Net realized loss (gain)	409,249	(574,860)
Change in unrealized loss	605,585	957,729
	66,418	93,371
Changes in non-cash operating accounts:		
Receivable from sale of investments	2,428	(1,834)
Accrued investment income	1,235	746
Withholding taxes receivable	538	27
bcIMC funds management fees payable	(13)	5
Payable for purchase of investments	(7,033)	1,206
External management fees payable	(446)	175
Custodial fees payable	(55)	64
Accounts payable	(1)	2
	63,071	93,762
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	1,929,944	3,970,545
Amounts paid for purchase of investments	(2,034,442)	(3,183,200)
	(104,498)	787,345
<b>Cash flows from financing activities</b>		
Proceeds from units issued	154,703	172,606
Amounts paid for units redeemed	(114,525)	(1,114,378)
	40,178	(941,772)
<b>Net increase in cash</b>	(1,249)	(60,665)
<b>Cash, beginning of year</b>	48,381	109,046
<b>Cash, end of year</b>	47,132	48,381

### Statement of Investments as at December 31 (in \$000s)

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
<b>Equities:</b>				
Publicly Traded	1,842,704	2,382,326	2,754,098	2,693,545
<b>Money Market Investments:</b>				
Units in bcIMC Pooled				
Investment Portfolio Fund ST2	1,634	1,630	133	133
<b>Total Investments</b>	<u>1,844,338</u>	<u>2,383,956</u>	<u>2,754,231</u>	<u>2,693,678</u>

### Schedule One - Foreign Currency Contracts As at December 31, 2008

Number of Contracts	Expiry Dates	Notional Value (\$000s)	Unrealized Gain (Loss) (\$000s)
6	January 2009	2,826	27
4	January 2009	1,898	(14)

### Schedule One - Foreign Currency Contracts As at December 31, 2007

Number of Contracts	Expiry Dates	Notional Value (\$000s)	Unrealized Gain (Loss) (\$000s)
12	January 2008	8,628	41
9	March 2008	204,005	1,546

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Active EAFE Equity Fund (the Fund) is to provide clients with a higher rate of return than the Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE) Net Index, the Fund's benchmark. The Fund provides clients with a diversity of active management investment styles (e.g., value, growth, and market oriented), exposure to a variety of market outlooks, and exposure to the various segments of international markets, including emerging markets. Active managers within the Fund are selected to add value over full market cycles. The managers operate independently of each other and are given specific value added targets, consistent with their expected risk profile. Each manager may have a different approach to risk management.

The Fund is diversified on a geographic and industry sector basis, reducing exposure to firm specific risks. However, the Fund's holdings may be more concentrated in certain geographic regions and industry sectors than the Index.

The Fund invests in the following securities:

- publicly traded common stock or common stock equivalents of international companies,
- exchange traded funds based on the Index or countries/regions within the Index,
- international exchange-listed depository receipts of European and Asian listed companies,
- units in the Managers' pooled funds provided such holdings are permissible investments of the Fund,
- private placements (defined as off-exchange purchase of securities that may have limited transferability) with CIO approval,
- forward contracts for currency conversions and/or currency hedging,
- other derivative instruments with CIO approval , and
- money market securities rated A-1 (low) or better, and units of bclMC's Money Market Funds.

The following restrictions apply to the Fund:

- Up to 20% of the Pool's assets over any 3 month period or up to 15% of the Fund's assets over any 12 month period may be invested in money market securities rated A-1(low) or better, or in units of bclMC's Money Market Funds.
- Investments in the securities of a single company are limited to 10% of the market value of the Fund.

The Fund's activities expose it to a variety of financial risks as described below.

**Credit Risk**

The majority of the Fund's financial assets and liabilities are held in securities that are not subject to credit risk.

**Interest Rate Risk**

The majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing market interest rates.

**Other Price Risk**

*Equity by Industry Sector*

Industry sectors to which the Fund had exposure as at December 31 are as follows:

INDUSTRY SECTOR (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Consumer Discretionary	181,645	9.9%	332,231	12.1%
Consumer Staple	170,332	9.2%	157,371	5.7%
Energy	169,430	9.2%	254,881	9.3%
Financial Services	407,751	22.1%	760,266	27.5%
Health Care	173,101	9.4%	170,424	6.2%
Industrial Products	227,293	12.3%	354,545	12.8%
Information Technology	100,808	5.5%	128,688	4.7%
Materials and Processing	105,775	5.7%	255,115	9.3%
Telecommunication Services	171,117	9.3%	189,459	6.9%
Utilities	135,452	7.4%	151,118	5.5%
<b>Total Equities</b>	<b>1,842,704</b>	<b>100.0%</b>	<b>2,754,098</b>	<b>100.0%</b>

The expected impact on the Net Assets of the Fund, assuming a 10 percent increase/decrease in the Fund's benchmark over the next year, would be an increase/decrease of \$186,113,000.

This forecast is estimated based on the risk/return characteristics of the Fund's benchmark and the Fund's actual holdings as at December 31, 2008, and assuming all other variables are held constant. BarraOne, a product of MSCI Barra Inc., is used to forecast the Fund's beta and provide other analytics and data that are used in the preparation of the forecast. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

*Equity by Geographic Region*

Geographic regions to which the Fund had exposure as at December 31 are as follows:

GEOGRAPHIC REGION (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Australia	43,309	2.4%	115,246	4.2%
Austria	11,521	0.6%	19,116	0.7%
Belgium	26,733	1.5%	55,478	2.0%
Denmark	7,891	0.4%	-	0.0%
Finland	18,274	1.0%	23,745	0.9%
France	199,565	10.7%	282,142	10.2%
Germany	167,791	9.1%	278,291	10.1%
Greece	16,583	0.9%	33,005	1.2%
Hong Kong	40,826	2.2%	73,596	2.7%
Ireland	10,829	0.6%	21,522	0.8%
Italy	82,048	4.5%	150,052	5.4%
Japan	391,090	21.1%	452,701	16.4%
Netherlands	43,507	2.4%	115,518	4.2%
New Zealand	80	0.0%	125	0.0%
Norway	10,477	0.6%	37,796	1.4%
Portugal	4,777	0.3%	8,440	0.3%
Singapore	34,431	1.9%	63,212	2.3%
Spain	101,969	5.5%	100,226	3.6%
Sweden	32,991	1.8%	40,866	1.5%
Switzerland	172,579	9.4%	194,497	7.1%
United Kingdom	292,674	15.9%	490,827	17.8%
Non-Indexed Countries	132,759	7.2%	197,697	7.2%
<b>Total Equities</b>	<b>1,842,704</b>	<b>100.0%</b>	<b>2,754,098</b>	<b>100.0%</b>

**Currency Risk**

Currencies to which the Fund had exposure as at December 31 are as follows:

CURRENCY (\$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Australian Dollar	44,665	2.4%	116,032	4.1%
Brazilian Real	4,049	0.2%	4,754	0.2%
British Pound Sterling	235,570	12.4%	448,189	16.0%
Canadian Dollar	21,291	1.1%	102,961	3.7%
Danish Krone	7,890	0.4%	-	0.0%
Euro	727,728	38.3%	1,105,157	39.4%
Hong Kong Dollar	48,480	2.6%	88,435	3.2%
Indian Rupee	11,340	0.6%	-	0.0%
Israeli Ringgit	1	0.0%	1,781	0.1%
Japanese Yen	410,355	21.7%	404,655	14.4%
Korean Won	14,347	0.8%	18,892	0.7%
Malaysian Ringgit	8,732	0.5%	23,731	0.8%
Mexican Peso	1,373	0.1%	1,379	0.0%
New Zealand Dollar	82	0.0%	126	0.0%
Norwegian Krone	10,508	0.6%	37,955	1.4%
Polish Zloty	1,985	0.1%	-	0.0%
Singapore Dollar	25,050	1.3%	53,894	1.9%
South African Rand	9,537	0.5%	8,696	0.3%
Swedish Krona	33,903	1.8%	41,056	1.5%
Swiss Franc	173,695	9.2%	183,404	6.5%
Taiwan Dollar	9,218	0.5%	12,848	0.5%
Thai Baht	6,312	0.3%	17,861	0.6%
Turkish Lira	7,399	0.4%	13,258	0.5%
United States Dollar	79,234	4.2%	117,049	4.2%
<b>Total Net Assets</b>	<b>1,892,744</b>	<b>100.0%</b>	<b>2,802,113</b>	<b>100.0%</b>

As at December 31, if the Canadian dollar had strengthened/weakened by 1 percent in relation to all other currencies, holding all other variables constant, net assets would have decreased/increased by \$18,715,000.

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

**ENHANCED INDEXED EAFE EQUITY FUND**

**Statement of Net Assets**

as at December 31

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

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Investments at fair value	674,740	927,534
Cash	9,191	10,053
Receivable from sale of investments	450	-
Receivable from issue of units	-	120
Accrued investment income	961	664
Withholding taxes receivable	131	-
	<u>685,473</u>	<u>938,371</u>
<b>Liabilities</b>		
Unrealized loss on foreign currency contracts (Schedule One)	-	5,515
bcIMC funds management fees payable (note 8)	15	19
External management fees payable	743	58
Custodial fees payable	48	18
Accounts payable	6	5
	<u>812</u>	<u>5,615</u>
<b>Net assets representing unitholders' equity</b>	<u>684,661</u>	<u>932,756</u>
Number of units outstanding (note 9)	1,039.687	918.880
<b>Net asset value per unit</b>	<u>659</u>	<u>1,015</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

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

for the year ended December 31

(in \$000s)

	<u>2008</u>	<u>2007</u>
Investment Income	30,039	2,481
Foreign exchange gains	332	-
	<u>30,371</u>	<u>2,481</u>
<b>Expenses (note 8):</b>		
External management fees	1,856	58
Commissions and stock exchange fees	1,199	-
bcIMC funds management fees	248	19
Custodial fees	243	18
Administrative and professional fees	4	4
Foreign exchange losses	-	157
	<u>3,550</u>	<u>256</u>
<b>Net investment income</b>	26,821	2,225
<b>Realized and unrealized gains (losses):</b>		
Net realized loss	(73,384) <sup>1</sup>	(44) <sup>1</sup>
Change in unrealized gain (loss)	(305,719) <sup>1</sup>	11,694 <sup>1</sup>
	<u>(379,103)</u>	<u>11,650</u>
<b>Net income (loss) from operations</b>	(352,282)	13,875
<b>Capital Transactions:</b>		
Proceeds from units issued	146,712	918,881
Amounts paid for units redeemed	(42,183)	-
	<u>104,529</u>	<u>918,881</u>
Increase (decrease) in net assets	(247,753)	932,756
Net assets, beginning of year, as previously reported	932,756	-
Transitional adjustment (note 3)	(342)	-
<b>Net Assets, end of year</b>	<u>684,661</u>	<u>932,756</u>

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

91,574	(1,443)
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## ENHANCED INDEXED EAFE EQUITY FUND

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

	2008	2007
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net income (loss) from operations	(352,282)	13,875
Items not affecting cash:		
Net realized loss	73,384	44
Change in unrealized loss (gain)	305,719	(11,694)
	26,821	2,225
Changes in non-cash operating accounts:		
Receivable from sale of investments	(450)	(120)
Receivable from issue of units	120	
Accrued investment income	(297)	(664)
Withholding taxes receivable	(131)	
bcIMC funds management fees payable	(4)	19
External management fees payable	685	58
Custodial fees payable	30	18
Accounts payable	1	5
	26,775	1,541
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	441,894	121,670
Amounts paid for purchase of investments	(574,060)	(1,032,039)
	(132,166)	(910,369)
<b>Cash flows from financing activities</b>		
Proceeds from units issued	146,712	918,881
Amounts paid for units redeemed	(42,183)	-
	104,529	918,881
<b>Net increase in cash</b>	(862)	10,053
<b>Cash, beginning of year</b>	10,053	-
<b>Cash, end of year</b>	9,191	10,053

### Statement of Investments as at December 31 (in \$000s)

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
<b>Equities:</b>				
Publicly Traded	674,556	974,065	927,534	915,694
<b>Money Market Investments:</b>				
Units in bcIMC Pooled				
Investment Portfolio Fund ST2	184	184	-	-
<b>Total Investments</b>	<u>674,740</u>	<u>974,249</u>	<u>927,534</u>	<u>915,694</u>

### Schedule One - Foreign Currency Contracts As at December 31, 2007

Number of Contracts	Expiry Dates	Notional Value (\$000s)	Unrealized Gain (Loss) (\$000s)
4	March 2008	79,617	(5,515)

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Enhanced Indexed EAFE Equity Fund (the Fund) is to provide clients with a higher rate of return than the Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE) Net Index, the Fund's benchmark. Enhanced indexing combines the value adding strategies of active management with the risk controls of indexing.

The Enhanced Indexed EAFE Equity Fund differs from the Active EAFE Equity Fund in that it takes a lower level of active management risk and will more closely reflect the sector and financial characteristics of the benchmark. The portfolio manager will typically try to outperform the benchmark through company selection. The Fund is diversified on a geographic and industry sector basis, reducing exposure to firm specific risks.

The Fund invests in the following securities:

- publicly traded common stock or common stock equivalents of European, Australasian and Far East companies,
- exchange traded funds based on the Index or countries/regions within the Index,
- unleveraged futures based on the Index,
- international exchange-listed depository receipts of European and Asian listed companies,
- private placements (defined as off-exchange purchase of securities that may have limited transferability) with CIO approval,
- forward contracts for currency conversions and/or currency hedging,
- other derivative instruments with CIO approval , and
- units of bcIMC's Money Market Funds.

The following restrictions apply to the Fund:

- Up to 10% of the Fund's assets can be held over any 12 month period in units of bcIMC's Money Market Funds.
- Investments in the securities of a single company are limited to 10% of the market value of the Fund

The Fund's activities expose it to a variety of financial risks as described below.

**Credit Risk**

The majority of the Fund's financial assets and liabilities are held in securities that are not subject to credit risk.

**Interest Rate Risk**

The majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing market interest rates.

**Other Price Risk**

*Equity by Industry Sector*

Industry sectors to which the Fund had exposure as at December 31 are as follows:

INDUSTRY SECTOR (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Consumer Discretionary	64,387	9.5%	99,728	10.8%
Consumer Staple	61,245	9.1%	70,855	7.6%
Energy	67,759	10.0%	72,419	7.8%
Financial Services	144,504	21.5%	239,809	25.9%
Health Care	70,361	10.4%	67,887	7.3%
Industrial Products	65,922	9.8%	114,300	12.3%
Information Technology	36,330	5.4%	59,779	6.4%
Materials and Processing	58,682	8.7%	99,958	10.8%
Telecommunication Services	56,030	8.3%	56,189	6.1%
Utilities	49,336	7.3%	46,610	5.0%
<b>Total Equities</b>	<b>674,556</b>	<b>100.0%</b>	<b>927,534</b>	<b>100.0%</b>

The expected impact on the Net Assets of the Fund, assuming a 10 percent increase/decrease in the Fund's benchmark over the next year, would be an increase/decrease of \$68,805,000.

This forecast is estimated based on the risk/return characteristics of the Fund's benchmark and the Fund's actual holdings as at December 31, 2008, and assuming all other variables are held constant. BarraOne, a product of MSCI Barra Inc., is used to forecast the Fund's beta and provide other analytics and data that are used in the preparation of the forecast. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

*Equity by Geographic Region*

Geographic regions to which the Fund had exposure as at December 31 are as follows:

GEOGRAPHIC REGION (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Australia	34,118	5.1%	50,534	5.4%
Belgium	1,333	0.2%	4,496	0.5%
Belgium	3,377	0.5%	9,290	1.0%
Denmark	5,592	0.8%	4,014	0.4%
Finland	7,361	1.1%	18,271	2.0%
France	67,237	10.0%	94,846	10.2%
Germany	70,080	10.4%	94,760	10.2%
Greece	4,702	0.7%	5,886	0.6%
Hong Kong	5,122	0.8%	16,999	1.8%
Ireland	2,926	0.4%	7,365	0.8%
Italy	22,401	3.3%	29,528	3.2%
Japan	180,785	26.7%	194,331	21.0%
Netherlands	18,962	2.8%	23,940	2.6%
Norway	7,218	1.1%	8,310	0.9%
Singapore	791	0.1%	8,952	1.0%
Spain	28,073	4.2%	45,365	4.9%
Sweden	10,041	1.5%	9,755	1.1%
Switzerland	51,620	7.7%	62,402	6.7%
United Kingdom	152,787	22.6%	236,235	25.5%
Non-Indexed Countries	30	0.0%	2,255	0.2%
<b>Total Equities</b>	<b>674,556</b>	<b>100.0%</b>	<b>927,534</b>	<b>100.0%</b>

**Currency Risk**

Currencies to which the Fund had exposure as at December 31 are as follows:

CURRENCY (\$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Australian Dollar	34,173	5.0%	50,557	5.4%
British Pound Sterling	147,348	21.5%	236,704	25.4%
Canadian Dollar	8,364	1.2%	63,617	6.8%
Danish Krone	5,592	0.8%	4,014	0.4%
Euro	233,372	34.1%	333,790	35.8%
Hong Kong Dollar	5,125	0.7%	4,701	0.5%
Japanese Yen	180,916	26.4%	184,035	19.7%
Norwegian Krone	7,218	1.1%	8,310	0.9%
Singapore Dollar	791	0.1%	8,998	1.0%
Swedish Krona	10,041	1.5%	15,488	1.7%
Swiss Franc	51,620	7.5%	22,526	2.4%
United States Dollar	101	0.0%	16	0.0%
<b>Total Net Assets</b>	<b>684,661</b>	<b>99.9%</b>	<b>932,756</b>	<b>100.0%</b>

As at December 31, if the Canadian dollar had strengthened/weakened by 1 percent in relation to all other currencies, holding all other variables constant, net assets would have decreased/increased by \$6,763,000.

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

**INDEXED EAFE EQUITY FUND**

**Statement of Net Assets**

**as at December 31**

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

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Investments at fair value	1,666,724	2,816,909
Unrealized gain on foreign currency contracts (Schedule One and Two)	2	2
Cash	273	1,444
Receivable from sale of investments	-	3,406
Accrued investment income	2,267	2,915
Withholding taxes receivable	399	687
	<u>1,669,665</u>	<u>2,825,363</u>
<b>Liabilities</b>		
bclMC funds management fees payable (note 8)	43	66
Custodial fees payable	127	240
Accounts payable	6	6
	<u>176</u>	<u>312</u>
<b>Net assets representing unitholders' equity</b>	<u>1,669,489</u>	<u>2,825,051</u>
Number of units outstanding (note 9)	1,586.144	1,911.843
<b>Net asset value per unit</b>	<u>1,053</u>	<u>1,478</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

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

**for the year ended December 31**

**(in \$000s)**

	<u>2008</u>	<u>2007</u>
Investment Income	81,016	92,882
Expenses (note 8):		
Commissions and stock exchange fees	1,022	-
Foreign exchange losses	780	3,231
bclMC funds management fees	720	823
Custodial fees	632	983
Administrative and professional fees	4	6
	<u>3,158</u>	<u>5,043</u>
<b>Net investment income</b>	77,858	87,839
Realized and unrealized gains (losses):		
Net realized gain	6,282 <sup>1</sup>	192,228 <sup>1</sup>
Change in unrealized loss	(727,352) <sup>1</sup>	(447,432) <sup>1</sup>
	<u>(721,070)</u>	<u>(255,204)</u>
<b>Net loss from operations</b>	(643,212)	(167,365)
Capital Transactions:		
Proceeds from units issued	882,604	681,203
Amounts paid for units redeemed	(1,393,644)	(929,271)
	<u>(511,040)</u>	<u>(248,068)</u>
Decrease in net assets	(1,154,252)	(415,433)
Net assets, beginning of year, as previously reported	2,825,051	3,240,484
Transitional adjustment (note 3)	(1,310)	-
<b>Net Assets, end of year</b>	<u>1,669,489</u>	<u>2,825,051</u>

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

405,773	(300,309)
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## INDEXED EAFE EQUITY FUND

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

	2008	2007
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net loss from operations	(643,212)	(167,365)
Items not affecting cash:		
Net realized gain	(6,282)	(192,228)
Change in unrealized loss	727,352	447,432
	77,858	87,839
Changes in non-cash operating accounts:		
Receivable from sale of investments	3,406	(1,320)
Accrued investment income	648	173
Withholding taxes receivable	288	(83)
bcIMC funds management fees payable	(23)	15
Payable for purchase of investments	-	(2,312)
Custodial fees payable	(113)	75
Accounts payable	-	1
	82,064	84,388
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	1,036,184	1,179,398
Amounts paid for purchase of investments	(608,379)	(1,014,662)
	427,805	164,736
<b>Cash flows from financing activities</b>		
Proceeds from units issued	882,604	681,203
Amounts paid for units redeemed	(1,393,644)	(929,271)
	(511,040)	(248,068)
<b>Net increase in cash</b>	(1,171)	1,056
<b>Cash, beginning of year</b>	1,444	388
<b>Cash, end of year</b>	273	1,444

### Statement of Investments as at December 31 (in \$000s)

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
<b>Equities:</b>				
Publicly Traded	1,666,644	1,971,745	2,816,737	2,395,050
<b>Money Market Investments:</b>				
Units in bcIMC Pooled Investment Portfolio Fund ST2	80	80	172	172
<b>Total Investments</b>	<u>1,666,724</u>	<u>1,971,825</u>	<u>2,816,909</u>	<u>2,395,222</u>

### Schedule One - Foreign Currency Contracts as at December 31, 2008

Number of Contracts	Expiry Dates	Notional Value (\$000s)	Unrealized Gain (\$000s)
5	January 2009	177	2

### Schedule One - Foreign Currency Contracts as at December 31, 2007

Number of Contracts	Expiry Dates	Notional Value (\$000s)	Unrealized Gain (\$000s)
5	January 2008	768	2

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Indexed EAFE Equity Fund (the Fund) is to generate a risk/return profile that is very similar to the Morgan Stanley Capital International (MSCI) Europe, Australasia, Far East (EAFE) Net Index, the Fund's benchmark. The Fund is managed internally by bcIMC and is a full replication index. Performance results will track quite closely to the underlying benchmark. bcIMC portfolio managers hold all company, sector, and country allocations at or near their benchmark weights but have discretion to determine the appropriate timing of implementing Index changes. The Fund is diversified on a geographic and industry sector basis, reducing exposure to firm specific risks.

The Fund invests in the following securities:

- publicly traded common stock or common stock equivalents of benchmark member companies,
- exchange traded funds based on the Index or countries/regions within the Index,
- international exchange-listed depository receipts of European and Asian listed companies,
- private placements (defined as off-exchange purchase of securities that may have limited transferability) with CIO approval,
- forward contracts for currency conversions and/or currency hedging,
- other derivative instruments with CIO approval , and
- units of bcIMC's Money Market Funds.

The following restrictions apply to the Fund:

- Up to 0.5% of the Fund's assets can be invested in units of bcIMC's Money Market Funds.

The Fund's activities expose it to a variety of financial risks as described below.

**Credit Risk**

The majority of the Fund's financial assets and liabilities are held in securities that are not subject to credit risk.

**Interest Rate Risk**

The majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing market interest rates.

**Other Price Risk**

*Equity by Industry Sector*

Industry sectors to which the Fund had exposure as at December 31 are as follows:

INDUSTRY SECTOR (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Consumer Discretionary	160,346	9.6%	306,229	10.9%
Consumer Staple	171,050	10.3%	240,072	8.5%
Energy	142,638	8.6%	221,330	7.9%
Financial Services	376,086	22.7%	756,358	26.9%
Health Care	162,301	9.7%	178,486	6.3%
Industrial Products	192,290	11.5%	339,354	12.0%
Information Technology	85,414	5.1%	154,022	5.5%
Materials and Processing	130,698	7.8%	278,424	9.9%
Telecommunication Services	116,046	7.0%	174,606	6.2%
Utilities	128,811	7.7%	166,054	5.9%
Other	964	0.1%	1,802	0.1%
<b>Total Equities</b>	<b>1,666,644</b>	<b>100.0%</b>	<b>2,816,737</b>	<b>100.0%</b>

The expected impact on the Net Assets of the Fund, assuming a 10 percent increase/decrease in the Fund's benchmark over the next year, would be an increase/decrease of \$166,664,000.

This forecast is estimated based on the risk/return characteristics of the Fund's benchmark and the Fund's actual holdings as at December 31, 2008, and assuming all other variables are held constant. BarraOne, a product of MSCI Barra Inc., is used to forecast the Fund's beta and provide other analytics and data that are used in the preparation of the forecast. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

*Equity by Geographic Region*

Geographic regions to which the Fund had exposure as at December 31 are as follows:

GEOGRAPHIC REGION (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Australia	98,118	5.9%	181,588	6.4%
Belgium	12,533	0.8%	34,766	1.2%
Denmark	14,060	0.8%	26,125	0.9%
Finland	23,310	1.4%	52,295	1.9%
France	179,917	10.8%	298,380	10.6%
Germany	145,367	8.7%	264,306	9.4%
Greece	7,912	0.5%	21,481	0.8%
Ireland	4,923	0.3%	17,998	0.6%
Italy	61,225	3.7%	111,435	4.0%
Netherlands	42,986	2.6%	84,602	3.0%
Norway	10,233	0.6%	30,755	1.1%
Portugal	5,180	0.3%	10,309	0.4%
Spain	75,670	4.5%	122,238	4.3%
Sweden	33,457	2.0%	65,486	2.3%
Switzerland	138,747	8.3%	187,178	6.6%
United Kingdom	331,909	19.9%	624,127	22.2%
Non-Indexed Countries	481,097	28.9%	683,668	24.3%
<b>Total Equities</b>	<b>1,666,644</b>	<b>100.0%</b>	<b>2,816,737</b>	<b>100.0%</b>

**Currency Risk**

Currencies to which the Fund had exposure as at December 31 are as follows:

CURRENCY (\$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Australian Dollar	98,839	5.9%	182,658	6.5%
British Pound Sterling	311,654	18.7%	596,279	21.1%
Canadian Dollar	(95)	0.0%	(82)	0.0%
Danish Krone	14,060	0.8%	26,126	0.9%
Euro	585,716	35.1%	1,067,806	37.8%
Hong Kong Dollar	33,560	2.0%	68,511	2.4%
Japanese Yen	421,745	25.3%	561,299	19.9%
New Zealand Dollar	1,349	0.1%	3,970	0.1%
Norwegian Krone	10,233	0.6%	30,755	1.1%
Singapore Dollar	17,335	1.0%	31,438	1.1%
Swedish Krona	33,457	2.0%	65,435	2.3%
Swiss Franc	140,375	8.4%	188,866	6.7%
United States Dollar	1,261	0.1%	1,990	0.1%
<b>Total Net Assets</b>	<b>1,669,489</b>	<b>100.0%</b>	<b>2,825,051</b>	<b>100.0%</b>

As at December 31, if the Canadian dollar had strengthened/weakened by 1 percent in relation to all other currencies, holding all other variables constant, net assets would have decreased/increased by \$16,696,000.

**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>2008</u>	<u>2007</u>
<b>Assets</b>		
Investments at fair value	549,714	832,540
Accrued investment income	<u>1,746</u>	<u>1,768</u>
	<u>551,460</u>	<u>834,308</u>
<b>Liabilities</b>		
bclMC funds management fees payable (note 8)	45	44
Payable for purchase of investments	853	-
Custodial fees payable	3	3
Accounts payable	<u>6</u>	<u>6</u>
	<u>907</u>	<u>53</u>
<b>Net assets representing unitholders' equity</b>	<u>550,553</u>	<u>834,255</u>
Number of units outstanding (note 9)	560.180	502.389
<b>Net asset value per unit</b>	<u>983</u>	<u>1,661</u>



Doug Pearce  
Chief Executive Officer  
Chief Investment Officer

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

for the year ended December 31

(in \$000s)

	<u>2008</u>	<u>2007</u>
Investment Income	<u>15,263</u>	<u>12,095</u>
Expenses (note 8):		
Commissions and stock exchange fees	153	-
bclMC funds management fees	572	489
Custodial fees payable	13	13
Administrative and professional fees	<u>4</u>	<u>5</u>
	<u>742</u>	<u>507</u>
<b>Net investment income</b>	14,521	11,588
Realized and unrealized gains (losses):		
Net realized gain (loss)	(27,971) <sup>1</sup>	7,228 <sup>1</sup>
Change in unrealized gain (loss)	<u>(339,934)<sup>1</sup></u>	<u>14,972<sup>1</sup></u>
	<u>(367,905)</u>	<u>22,200</u>
<b>Net income (loss) from operations</b>	(353,384)	33,788
Capital Transactions:		
Proceeds from units issued	93,510	90,395
Amounts paid for units redeemed	<u>(23,510)</u>	<u>(93,395)</u>
	<u>70,000</u>	<u>(3,000)</u>
Increase (decrease) in net assets	(283,384)	30,788
Net assets, beginning of year, as previously reported	834,255	803,467
Transitional adjustment (note 3)	<u>(318)</u>	<u>-</u>
<b>Net Assets, end of year</b>	<u>550,553</u> -	<u>834,255</u>

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

29	(8,455)
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## STRATEGIC INVESTMENT PUBLIC EQUITY FUND

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

	2008	2007
<b>Cash flow provided by (used for):</b>		
<b>Cash flows from operating activities</b>		
Net income (loss) from operations	(353,384)	33,788
Items not affecting cash:		
Net realized loss (gain)	27,971	(7,228)
Change in unrealized loss (gain)	339,934	(14,972)
	14,521	11,588
Changes in non-cash operating accounts:		
Accrued investment income	22	(462)
bclMC funds management fees payable	(1)	44
Payable for purchase of investments	853	-
Custodial fees payable	-	3
Accounts payable	-	(34)
	15,395	11,139
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	73,400	241,771
Amounts paid for purchase of investments	(158,795)	(249,910)
	(85,395)	(8,139)
<b>Cash flows from financing activities</b>		
Proceeds from units issued	93,510	90,395
Amounts paid for units redeemed	(23,510)	(93,395)
	70,000	(3,000)
<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 (in \$000s)

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
<b>Equities:</b>				
Publicly Traded	522,433	623,720	821,386	582,711
<b>Money Market Investments:</b>				
Units in bclMC Pooled Investment Portfolio Fund ST2	27,281	27,286	11,154	11,155
<b>Total Investments</b>	<u>549,714</u>	<u>651,007</u>	<u>832,540</u>	<u>593,866</u>

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO**

**DISCUSSION OF FINANCIAL RISK MANAGEMENT**

The investment objective of the Strategic Investment Public Equity Fund (the Fund) is to provide exposure to strategic investments in public companies that have strong cash flows, high dividend yields, toll-type revenues with regulated rates of return, and/or strong balance sheets with a significant component of real estate. The Fund is managed internally by bclMC using a longer term “buy and hold” strategy. The Fund is part of the overall Strategic Investments and Infrastructure Program which seeks to invest in tangible long-life assets with potential for strong cash flows and favourable risk-return characteristics.

The Fund invests in the following securities:

- publicly traded common stock or common stock equivalents including preferred shares, instalment receipts, convertible securities, as well as rights and warrants received via corporate actions,
- private placements (defined as an off-exchange purchase of securities that have limited transferability) with CIO approval,
- futures and other derivative instruments with CIO approval , and
- units of bclMC Canadian Money Market Fund (ST1), bclMC Canadian Money Market Fund (ST2), and/or bclMC US Dollar Money Market Fund (ST3).

The Fund's activities expose it to a variety of financial risks as described below.

**Credit Risk**

The majority of the Fund's financial assets and liabilities are held in securities that are not subject to credit risk.

**Interest Rate Risk**

The majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing market interest rates.

**Other Price Risk**

*Equity by Industry Sector*

Industry sectors to which the Fund had exposure as at December 31 are as follows:

INDUSTRY SECTOR (in \$000s)	2008		2007	
	Total	% of Total	Total	% of Total
Energy	351,274	67.3%	574,753	70.0%
Financial Services	48,267	9.2%	77,170	9.4%
Industrial Products	78,516	15.0%	86,376	10.5%
Materials and Processing	44,376	8.5%	83,087	10.1%
<b>Total Equities</b>	<b>522,433</b>	<b>100.0%</b>	<b>821,386</b>	<b>100.0%</b>

The expected impact on the Net Assets of the Fund, assuming a 10 percent increase/decrease in the Fund's benchmark over the next year, would be an increase/decrease of \$61,125,000. This forecast is estimated based on the risk/return characteristics of the Fund's benchmark and the Fund's actual holdings as at December 31, 2008, and assuming all other variables are held constant. BarraOne, a product of MSCI Barra Inc., is used to forecast the Fund's beta and provide other analytics and data that are used in the preparation of the forecast. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

*Equity by Geographic Region*

All of the Fund's equity investments are exposed to the Canadian market.

**Currency Risk**

The Fund is not exposed to currency risk since the Fund's asset and liabilities are not denominated in foreign currency.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
 POOLED INVESTMENT PORTFOLIOS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2008**

**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 (the Funds) 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 were established on the following dates:

<b>Fund</b>	<b>Dates Established</b>
Short Term Bond Fund	November 1, 1995
Canadian Universe Bond Fund	April 20, 2006
Fixed Term Mortgage Fund	June 30, 1995
Construction Mortgage Fund	December 1, 1995
Mezzanine Mortgage Fund (formerly named, Specialty Mortgage Fund)	September 28, 1999
Active Canadian Small Cap Equity Fund*	March 20, 2008
Active U.S. Small Cap Equity Fund*	March 13, 2008
Active Japan Equity Fund *	June 30, 2008
Active Asian Ex-Japan Equity Fund (formerly named, Active Asian Equity Fund )	January 2, 1998
Active European Equity Fund	January 2, 1998
Enhanced Indexed European Equity Fund	April 2, 2007
Indexed European Equity Fund	January 1, 2004
Active EAFE Equity Fund (formerly named, Active International Equity Fund)	January 2, 1998
Enhanced Indexed EAFE Equity Fund (formerly named, Enhanced Indexed International Equity Fund)	November 16, 2007
Indexed EAFE Equity Fund (formerly named, Indexed International Equity Fund)	January 1, 2004
Strategic Investment Public Equity Fund	January 1, 2004

\* As these Funds were established in 2008, no comparative balances have been presented in their respective financial statements.

**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.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS  
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**2. Significant Accounting Policies (continued)**

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 provided by recognized data suppliers in the securities industry.
- (ii) Bonds, debentures, real return bonds, and public equities (including exchange traded funds) are valued at bid prices 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 quotes from recognized data suppliers in the securities industry or at the price estimated by the fund manager to be the fair value.
- (iii) Derivatives, including foreign currency contracts, are valued at the quoted market prices for the underlying assets or at prevailing spot and forward exchange rates on the valuation date. Swaps and options are valued based on the quoted market prices for the underlying assets or other accepted industry valuation methods where there are no quoted market prices.
- (iv) Fixed-rate, fixed-term mortgages are valued based on a discounted cash flow model that uses a risk free rate of return and a mortgage credit spread for each mortgage using information received from independent external sources. Variable rate mortgages are determined based on the principal balance of the mortgages less any provisions 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. Commissions, stock exchange fees and other identifiable transaction costs that are directly attributable to the acquisition or disposal of an investment are expensed as incurred. Pursuit costs are charged to net income of the respective Funds in the period incurred.

Gains and losses on the settlement of foreign currency contracts, translation gains and losses on foreign denominated monetary balances and investments, and gains and losses on the sale of investments are recorded as net realized gains and losses. Gain and losses on the sale of investments are calculated as the difference between the sales proceeds and cost. 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 gains and loss. The cost used for the calculation of realized gain and losses and change in unrealized gains and losses is based on historical cost for foreign exchange contracts, average cost for equities, and amortized cost for money market securities, bonds and 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.



**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**  
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**2. Significant Accounting Policies (continued)**

d) Issue and Redemption of Units

Participation in each Fund is expressed in units, each unit giving its holder a proportionate share in the net assets of the respective Fund. The initial value of a unit of a Fund 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 Fund invests in another Fund, the unit issuances and redemptions are transacted on the same basis as client transactions. All unit transactions are recorded on a trade date basis.

All of the Funds were open-ended Funds throughout the year where the number of units available for issue was unlimited and the proportion of units issued or redeemed by each client on a particular valuation date depended on changes to their desired asset allocation. On December 31, 2008, the Mezzanine Mortgage Fund became a closed-ended Fund. Future participation in that Fund will be limited to the set of unitholders in the Fund on December 31, 2008 and will be based on their proportionate share in the net assets at that time. All unit transactions for closed-ended pools will be participated in by the prescribed set of unitholders based on their pro-rata basis of participation.

e) Foreign Currency Translation

The financial statements of the Funds are presented in Canadian dollars. Assets, liabilities and commitments in foreign currencies are translated into Canadian dollars at the current exchange rate on December 31. 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 Funds 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 Fund 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 Funds. The intermediary holding corporations held by the Funds 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 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  
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**3. Adoption of New Accounting Standards**

On January 1, 2008, the Funds adopted the following standards issued by the Canadian Institute of Chartered Accountants (CICA):

- a) Section 3855, Financial Instruments – Recognition and Measurement (Section 3855),
- b) Section 3862, Financial Instruments – Disclosures (Section 3862), and
- c) Section 1535, Capital Disclosures (Section 1535).

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 establishes Canadian GAAP for measuring financial assets, financial liabilities, and non-financial derivatives. The Funds' financial instruments include cash, investments, accounts receivable, accrued investment income, withholding taxes receivable, receivable from sale of investments, receivable from issuance of units, bcIMC fund management fees payable, external manager fees payable, custodial fees payable, accounts payable, payable for purchase of investments, and payable for redemption of units. Since the Funds are considered investment companies, the changes in accounting policy resulting from adoption of Section 3855 are limited to the recognition and fair value measurement considerations. The Funds' assets and liabilities are carried at fair value.

Section 3855 requires that securities traded in active markets to be measured at bid prices. The Funds have adopted bid prices for financial reporting (GAAP NAV) but have continued to use closing prices for the purchase and redemptions of units (transactional NAV), in line with industry practice. A transition adjustment has been recorded to the opening balances of net assets for each Fund, as applicable. Reconciliations between the transactional NAVs and the GAAP NAVs calculated in accordance with Section 3855 are shown in note 5.

Section 3855 also requires identifiable transaction costs, such as brokerage commissions and stock exchange fees, incurred in the purchase and sale of securities to be expensed as incurred rather than capitalized to the cost of the securities purchased or deducted from the proceeds of sale. Starting January 1, 2008, for financial reporting purposes, these transaction costs have been expensed in the Statement of Operations and Changes in Net Assets of the respective Funds in the period incurred. However, this change will have no impact on net assets since there will be an equal and offsetting change on the net realized or unrealized gain (loss), as applicable.

Section 3862, Financial Instruments – Disclosures

This new section enhances 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. They have no impact on the recognition and measurement of financial instruments. The new disclosures are shown in note 6 and following each Fund's financial statements under the section "Discussion of Financial Risk Management".

Section 1535, Capital Disclosures

Section 1535 requires an entity to disclose its objectives, policies and processes for managing capital which is the net assets for the Funds. This standard has no impact on the recognition and measurement of financial instruments. The new disclosures are shown in notes 6 and 9.

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**  
**POOLED INVESTMENT PORTFOLIOS**  
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**4. Future Accounting Changes**

In January 2006, the Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of this plan, accounting standards in Canada are expected to converge with International Financial Reporting Standards (IFRS) in 2011. Management continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS, and has assigned appropriate resources to facilitate compliance. The Funds' date of transition for reporting purposes will be January 1, 2011 following which date all financial information will be reported in accordance with IFRS on a go forward basis, but including comparative amounts for the year ended December 31, 2010.

**5. Reconciliation of Net Asset Value**

For financial reporting purposes, as required by Section 3855 (see note 3), the fair value of securities traded in an active market is calculated using bid prices (GAAP NAV). For purposes of transacting purchases and redemption of units of Funds, the fair value of securities traded in an active market is calculated using closing prices (transactional NAV). Reconciliations between transactional NAV and GAAP NAV as at December 31, 2008 follow:

Fund	Net Asset Values			Net Asset Values per Unit		
	Transactional NAV (\$000s)	Bid Pricing Impact (\$000s)	GAAP NAV (\$000s)	Transactional NAV per Unit (\$000s)	Bid Pricing Impact (\$000s)	GAAP NAV per Unit (\$000s)
Short Term Bond Fund	820,917	(1)	820,916	2,182	-	2,182
Canadian Universe Bond Fund	14,846,421	(1)	14,846,420	1,154	-	1,154
Fixed Term Mortgage Fund	2,812,912	-	2,812,912	2,732	-	2,732
Construction Mortgage Fund	698,579	-	698,579	2,439	-	2,439
Mezzanine Mortgage Fund	194,127	-	194,127	2,197	-	2,197
Active Canadian Small Cap Equity Fund	83,267	(866)	82,401	566	(6)	560
Active U.S. Small Cap Equity Fund	114,758	(279)	114,479	931	(9)	922
Active Japan Equity Fund	677,943	-	677,943	887	-	887
Active Asian Ex-Japan Equity Fund	1,240,418	(1,388)	1,239,030	1,285	(1)	1,284
Active European Equity Fund	1,174,591	(462)	1,174,129	1,049	(1)	1,048
Enhanced Indexed European Equity Fund	213,821	(129)	213,692	611	-	611
Indexed European Equity Fund	936,388	(492)	935,896	1,046	(1)	1,045
Active EAFE Equity Fund	1,894,180	(1,436)	1,892,744	1,076	(1)	1,075
Enhanced Indexed EAFE Fund	685,307	(646)	684,661	659	-	659
Indexed EAFE Equity Fund	1,670,629	(1,140)	1,669,489	1,053	-	1,053
Strategic Investment Public Equity Fund	551,626	(1,073)	550,553	985	(2)	983

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**  
**POOLED INVESTMENT PORTFOLIOS**  
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**6. Financial Risk Management**

Each Fund has its own investment objectives. The Fund's overall risk management program seeks to minimize the potentially adverse effect of risk on the Fund's financial performance in a manner consistent with the Fund's investment objectives. In the normal course of business, each Fund is exposed to financial risks including credit risk, liquidity risk, and market risk (including interest rate risk, currency and other price risk). The level of risk varies depending on the investment objective of the Fund and the type of investments it holds.

a) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment it has entered into, resulting in a financial loss to the Fund. The market value of fixed income instruments and derivatives involves assessing the credit worthiness of the issuer, and represents the maximum credit risk exposure for a Fund. To avoid undue credit risk, the Funds have established specific investment criteria, such as minimum credit ratings for investees and counterparties and maximum concentrations with given counterparties. All investment transactions are settled or paid upon delivery with approved brokers. The risk of default is considered minimal since the delivery of securities sold is only made after the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade fails if either party fails to meet its obligations. See additional discussion of credit risk in the Discussion of Financial Risk Management following each Fund's financial statements.

b) Liquidity Risk

Liquidity risk is the risk that a Fund will be unable to generate sufficient cash in a timely manner or at a reasonable price to meet commitments as they come due. Each Fund is exposed to the liquidity risk associated with the requirement to redeem units. Units of a Fund may only be acquired by eligible clients or client groups in accordance with the Fund's purchasing limits that may be established by the Chief Investment Officer (CIO). In order to protect the interest of all clients, the CIO may also establish redemption limits for each Fund. The purchase and redemption limits may vary depending on market circumstances, client demand, and the liquidity of the underlying investments.

c) Interest Rate Risk

Interest rate risk is the risk that the market value or cash flows of interest-bearing investments will fluctuate due to changes in market interest rates. The money market investments, bonds and mortgages are subject to interest rate risk. The Funds that hold these investments have established duration bands based on their relevant benchmark to avoid undue interest rate risk. See additional discussion of interest rate risk in the Discussion of Financial Risk Management following each Fund's financial statements.

d) Currency Risk

Currency risk is the risk that the value of investments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Some funds are exposed to currency risk through holding of investments, investment receivables, and investment liabilities in various currencies. The Funds may use foreign currency contracts to hedge some foreign currency exposure on 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. See additional discussion of currency risk in the Discussion of Financial Risk Management following each Fund's financial statements.

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**6. Financial Risk Management (continued)**

e) Other Price Risk

Market risk is the risk that the value of an investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). These changes can be caused by factors specific to the individual investment, class of investment or factors affecting all investments. All financial instruments are subject to other price risk and a potential loss of capital. The maximum risk is determined by the market value of the financial instruments, except for options and future contracts. The Funds may not sell short, borrow securities, or purchase securities on margin, which limits the potential loss of capital. There are established investment criteria for each Fund related to diversification of investments and investment mandates for external managers to avoid undue market risk. See additional discussion of other price risk in the Discussion of Financial Risk Management following each Fund's financial statements.

f) 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 bclMC, the fair values of the investment-related assets and liabilities approximate their carrying values given their short-term nature.

**7. Derivatives**

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indexes, interest rates or currency exchange rates. Derivative transactions are conducted either in the over-the-counter market directly between the two counterparties or on regulated exchange markets. The Funds 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 Funds during the year included 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 at a point in time 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 are included in 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 notional amount, number of contracts and expiry periods for the foreign currency contracts are shown in Schedule One – Foreign Currency Contracts.

**8. Expenses**

Third party costs that are attributable to a specific Fund 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 Funds in which clients participate by bclMC charging management fees, which are calculated on a cost recovery basis.

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**9. Units Outstanding**

Units issued and outstanding represent the capital of each Fund. The Funds are not permitted to issue debt as part of their capital structure. bcIMC manages the capital of the Funds in accordance with the Fund's investment objectives, including managing liquidity in order to meet redemptions as discussed in note 6. The Statement of Changes in Net Assets identifies changes in each Fund's capital during the period. 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>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Outstanding, beginning of year	1,242.506	1,025.928	11,853.340	11,729.058	903.162	827.875
Issued	850.206	1,329.150	2,546.040	927.601	289.057	164.207
Redeemed	(1,716.566)	(1,112.572)	(1,539.032)	(803.319)	(162.564)	(88.920)
Outstanding, end of year	<u>376.146</u>	<u>1,242.506</u>	<u>12,860.348</u>	<u>11,853.340</u>	<u>1,029.656</u>	<u>903.162</u>

  

	<b>CONSTRUCTION MORTGAGE FUND</b>		<b>SPECIALTY MORTGAGE FUND</b>		<b>ACTIVE CANADIAN SMALL CAP EQUITY</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008 (note 1)</b>
Outstanding, beginning of year	352.031	226.762	97.303	68.437	
Issued	60.616	151.200	18.525	33.617	147.049
Redeemed	(126.278)	(25.931)	(27.453)	(4.751)	-
Outstanding, end of year	<u>286.369</u>	<u>352.031</u>	<u>88.375</u>	<u>97.303</u>	<u>147.049</u>

  

	<b>ACTIVE U.S. SMALL CAP EQUITY FUND</b>		<b>ACTIVE JAPAN EQUITY FUND</b>		<b>ACTIVE ASIAN EX-JAPAN EQUITY FUND</b>	
	<b>2008 (note 1)</b>		<b>2008 (note 1)</b>		<b>2008</b>	<b>2007</b>
Outstanding, beginning of year	-		-		1,409.797	1,396.373
Issued	146.183		897.072		110.948	113.693
Redeemed	(22.886)		(132.631)		(555.548)	(100.269)
Outstanding, end of year	<u>123.297</u>		<u>764.441</u>		<u>965.197</u>	<u>1,409.797</u>

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
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**9. Units Outstanding (continued)**

	<b>ACTIVE EUROPEAN EQUITY FUND</b>		<b>ENHANCED INDEXED EUROPEAN EQUITY FUND</b>		<b>INDEXED EUROPEAN EUROPEAN EQUITY FUND</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	Outstanding, beginning of year	1,315.441	1,314.838	350.000	-	1,116.246
Issued	71.392	49.458	25.192	364.348	78.773	54.075
Redeemed	(266.817)	(48.855)	(25.192)	(14.348)	(299.676)	(325.656)
Outstanding, end of year	<u>1,120.016</u>	<u>1,315.441</u>	<u>350.000</u>	<u>350.000</u>	<u>895.343</u>	<u>1,116.246</u>

	<b>ACTIVE EAFE EQUITY FUND</b>		<b>ENHANCED EAFE EQUITY FUND</b>		<b>INDEXED EAFE EQUITY FUND</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	Outstanding, beginning of year	1,732.469	2,323.492	918.880	-	1,911.843
Issued	109.403	97.615	170.128	918.880	739.587	426.664
Redeemed	(80.852)	(688.638)	(49.321)	-	(1,065.286)	(587.712)
Outstanding, end of year	<u>1,761.020</u>	<u>1,732.469</u>	<u>1,039.687</u>	<u>918.880</u>	<u>1,586.144</u>	<u>1,911.843</u>

	<b>STRATEGIC INVESTMENT PUBLIC EQUITY FUND</b>	
	<b>2008</b>	<b>2007</b>
	Outstanding, beginning of year	502.389
Issued	72.343	54.224
Redeemed	(14.552)	(54.986)
Outstanding, end of year	<u>560.180</u>	<u>502.389</u>