

**EXHIBIT NO. ___(LW-3)
DOCKET NO. U-072375
2007 MERGER PROCEEDING
WITNESS: LINCOLN WEBB**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of the Joint Application of
PUGET HOLDINGS LLC
And
PUGET SOUND ENERGY, INC.
For an Order Authorizing Proposed Transaction**

Docket No. U-072375

**SECOND EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED REBUTTAL TESTIMONY OF
LINCOLN WEBB
ON BEHALF OF PUGET HOLDINGS LLC**

JULY 2, 2008

energy for change




about bcIMC

The British Columbia Investment Management Corporation (bcIMC) is an investment manager that works in partnership with our clients and consistently delivers high returns over the long term through cost effective and responsible investing.

We offer funds management services for all major asset classes: short term and fixed income securities, mortgages, Canadian, U.S., and international equities, private equities, and real estate. Our clients include public pension plans, the Provincial Government of British Columbia, public trusts, and insurance funds.

bcIMC is one of Canada's largest investment managers and administers more than \$83 billion in assets. For more information visit www.bcimc.com.

Client Profile
(\$ million at March 31, 2007)



	Assets \$	Assets %
Pension Plans	63,953	76.6
Government Bodies	12,896	15.5
Sinking Funds	4,076	4.9
Public Trusts	1,933	2.3
Government Operating Funds	586	0.7
Total	83,444	100

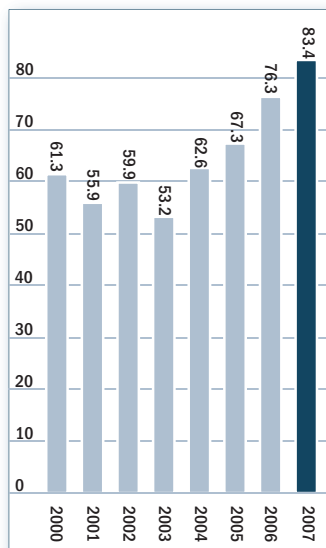
Assets under Administration
(\$ million at March 31)

	Assets \$	Assets %
Bonds	24,083	28.9
International Equities	15,116	18.1
Canadian Equities	12,942	15.4
U.S. Equities	11,396	13.7
Real Estate	9,323	11.2
Short Term Securities	4,452	5.3
Private Placements	3,389	4.1
Mortgages	2,612	3.1
Currency Overlay	131	0.2
Total	83,444	100.0

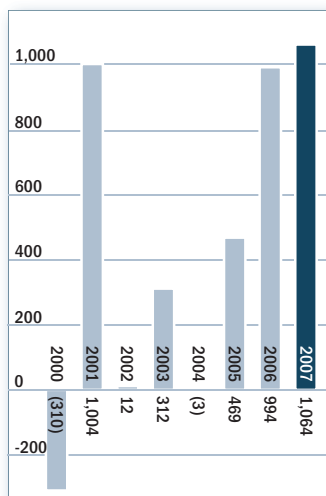
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Assets under Administration
(\$ billion for the year ended March 31)



Annual Value Added by bcIMC (\$ million) Total pension portfolio returns net of fees minus benchmark return for the year ended March 31



energy for change

Our theme “Energy for Change” highlights the commitment of our diverse professional team to prepare for and adapt to change. Incorporating new ideas and issues into our disciplined investment approach enables us to continue to pursue our clients’ long-term investment goals.

Highlights of the Year

bcIMC’s solid performance continues, and we added \$1.06 billion in value for our pension clients.

- The annualized return for a bcIMC balanced pension portfolio was 12.2 per cent for the fiscal year ended March 31, 2007.
- Our funds under management increased by \$7.1 billion.
- Met our clients’ changing investment needs by implementing new investment strategies and expanding our product range.
- In excess of \$1 billion was committed to acquiring interests in infrastructure in Canada, Chile, and the United Kingdom.
- Became a signatory to the United Nations’ Principles for Responsible Investing.
- Reviewed and enhanced our Corporate Governance and Proxy Voting Guidelines, which will come into effect in 2007.
- We strengthened our emphasis on integrating environmental, social, and governance issues into our investment analysis and decision-making.
- Committed to about 1.3 million square feet of development, which will be minimum LEED® certified.
- With the encouragement of our clients, we enhanced our disclosure on our responsible investing activities.



OUR PORTFOLIO INCLUDES PROGRESSIVE COMPANIES THAT INCORPORATE SUSTAINABLE TECHNOLOGY AND PRACTICES INTO THEIR PRODUCT LINE.

At bcIMC we direct our energy to delivering the highest returns within the risk profile of each client. We work with our clients in selecting the appropriate investment mix to meet their return requirements and offer a variety of asset classes and investment strategies.

Private Placements is an asset class with a higher risk-reward profile - offering our clients the opportunity to enhance their overall returns within a long-term diversified portfolio. We participate in privately negotiated transactions involving private, and on occasions public companies, and secure investments through either a fund structure, co-investments with other managers, or independently. Often, these investments inject additional financial capital into the company which is used for research, product development and commercialization, as well as overall expansion of the business.

Our investment in a broad range of companies positions the overall portfolio to potentially generate the long-term returns our clients require. In addition to the potential long-term financial returns, our portfolio companies such as Corix are also progressive in their business approach and incorporate sustainable technology and practices into their product line.

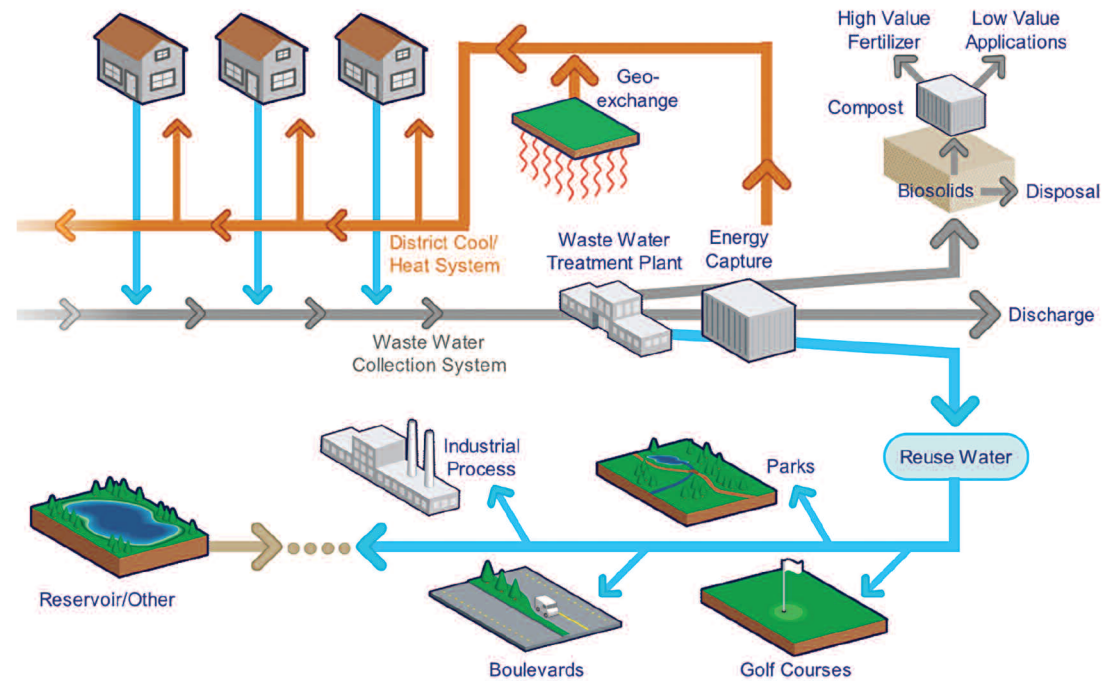
Corix, a privately held company primarily owned by bcIMC and CAI Capital Management & Co., is a B.C.-based provider of innovative solutions in the water, wastewater, and energy sectors. It helps municipalities, communities, and developers to build and manage infrastructure for

water, wastewater, and sustainable energy systems. By taking an approach that integrates these infrastructure needs, Corix is one of the few integrated companies that can help build sustainable communities.

Corix provides energy solutions as part of this integrated approach. This can include geexchange, district energy systems, and a combination of different renewable energy sources. With geexchange, Corix installs underground infrastructure that gathers the thermal energy stored within the earth and then converts it to energy that is supplied to residential and commercial clients. Corix also supplies and operates district energy systems that provide energy in the form of hot water for space and water heating to buildings in a surrounding district. With expertise in energy systems design, production, operations as well as maintenance, Corix can create new sustainable energy systems or improve existing facilities. It can even help communities who are currently "off-grid" by creating and operating sustainable energy systems that are fully independent and self-contained.

The ability to integrate traditional and non-traditional systems – while at the same time managing the latest technology and the additional training requirements that come with it – are the keys to Corix's success in building sustainable communities. Corix does this throughout North America and, with over \$300 million in annual revenues, it is one of the fastest growing companies based in British Columbia.

Corix's innovative wastewater treatment system allows for the integration of environmental technology to provide sustainable solutions for communities.



CORIX™ INTEGRATED INFRASTRUCTURE FOR A SUSTAINABLE COMMUNITY

Corix has used leading edge technology and its specialized skills to develop a model for more sustainable communities. By moving to a more fully integrated wastewater system, communities can reclaim heat and water, as well as produce compost and organic fertilizer from unwanted waste. Micro-organisms can be used to separate the organic matter from the water which, after further treatment, is diverted for the irrigation of community parks and boulevards, as well as used in industrial processes. Corix's model would also allow for the energy that is a by-product of the sewage treatment process to be captured by heat pumps and used to heat and cool homes and offices within the community. Elements of this kind of integrated infrastructure are being used in communities such as the Sun Rivers Golf Resort, British Columbia, and Fairbanks, Alaska.

energy for change | *Reducing the Environmental Footprint of our Real Estate Portfolio*



COMMERCE COURT, IN TORONTO, IS ONE OF CANADA’S PREMIER MIXED-USE COMPLEXES AND HAS ADOPTED POLICIES THAT HAVE SIGNIFICANTLY REDUCED ENERGY CONSUMPTION AND CARBON DIOXIDE EMISSIONS.

Climate change is real, and we are committed to reducing our real estate’s environmental footprint. This is driven by the derived economic value, the increased consumer interest in green buildings, as well as our clients’ interest in responsible investing.

Responsible property investing is not just about new environmentally-friendly developments; it also involves retrofitting existing buildings and introducing green maintenance and cleaning services. We strive to have third-party contractors used by our managers, Bentall Investment Management (Bentall) and GWL Realty Advisors (GWLRA), to develop, refurbish or service our properties that are proficient and knowledgeable in environmental design, technologies, and services.

Green initiatives may increase our initial costs. Mindful of our fiduciary responsibility, bcIMC and our portfolio managers consider the costs and the benefits of using green technology or pursuing certifications such as LEED, BOMA Go Green, or BOMA Go Green Plus. In cases where green initiatives enhance property income and values, it is our fiduciary duty to include sustainable technologies.

We are conscientious and persistent in our efforts to minimize our properties’ environmental footprint, and to that end we look to proven and reliable green technologies. For example, our residential investment

The World Exchange Plaza, a premier office complex in downtown Ottawa, was recently recognized by Hydro Ottawa for its investment in energy efficiency projects.

program has initiated projects that include the installation of low-flush toilets and low-flow showerheads, replacement of appliances with Energy Star certified units, as well as the installation of carbon dioxide detectors to reduce the running times of garage exhaust fans. In 2006 we built a green solution demonstration home at Fairwinds on Vancouver Island, British Columbia to showcase many of these sustainable building products and services.

When developing, we strive to integrate sustainability into service infrastructure such as storm water management, and we are selective in our choice of building materials. We also include green technologies such as deep lake cooling that works as an environmentally-friendly air conditioner.

With the assistance of our managers, we started actively pursuing these initiatives in 2005, and we are seeing the benefits. These efforts have led to an average 2.9 per cent intensity reduction of overall greenhouse gas emissions in the office component managed by GWLRA - the same as removing 602 cars from the road. Similarly, Bentall has managed projects, such as the World Exchange Plaza in Ottawa, that have received positive third-party recognition.



WHAT DID WE DO? With the assistance of our manager Bentall, we replaced the lighting in 364,000 square feet of office space and 62,000 square feet of retail space in the World Exchange Plaza with new energy efficient light fixtures.

1. About 5,500 fluorescent light fixtures were retrofitted with energy efficient light tubes, and all electromagnetic ballasts (starting mechanism) were replaced with electronic ballasts which are cooler when operating.

2. Ninety eight per cent of each fluorescent tube was recycled with the glass, aluminum, phosphor powder, and mercury separated from each tube; the copper coil found within the ballasts was also reclaimed.

3. The duration of the project, which included a lighting audit, spanned ten months. It took ten weeks to do the actual conversion.

WHAT ARE THE BENEFITS? This simple initiative has allowed the World Exchange Plaza to realize the following savings:

- ~ A 685,000 kWh per year savings – equivalent to the energy used to heat and light 69 standard houses per year;
- ~ These savings will reduce the operating costs by over \$6,000 per month; and
- ~ The reduction of greenhouse gas emissions by 137 tonnes per year – the equivalent of 27 passenger cars not driven for one year or about 5,180 propane cylinders used for home barbeques.





bcIMC HAS INVESTMENT INTERESTS IN WIND FARMS, COMPANIES THAT PRODUCE WIND TURBINES, AS WELL AS THOSE THAT MANAGE THE CONSTRUCTION OF THE ASSOCIATED INFRASTRUCTURE.

Our pension clients have long-term liabilities, and we invest in long-term assets that generate continuing cash flows over their entire lives. Increasingly, many of our clients are also interested in assets that are sustainable and take into account the environment. Investing in renewable energy is one way we meet our clients' investment objectives.

Renewable energy is derived from natural energy sources. Unlike fossil fuel, it is inexhaustible and rapidly replaced by natural processes. Fossil fuels are currently the energy source of choice, but with the widespread acceptance of the science of climate change, this is likely to change.

We invest in energy funds, some of which have renewable energy as a specific focus, as well as direct investments. Participating in externally managed funds allows bcIMC to leverage global expertise and invest in a variety of proven alternative energy technologies such as solar thermal power, wind, hydro-electricity, geothermal energy, and biomass. Our global investments also include the supply chain of these energy sources.

Pacific BioEnergy, an investment that is closer to home, has produced wood pellets since 1994 for use in the production of bio-energy. High quality wood pellets that provide cost effective renewable energy are manufactured in Prince George, British Columbia, and exported from Vancouver to clients in the United States and Europe for use in homes, industrial energy applications, and power generation. The pellets are easily transported and provide a



Pacific BioEnergy produces high quality wood pellets that are a renewable source of energy.

convenient way of distributing the natural energy found within timber. The production process does not require the harvesting of existing forests; residual waste such as sawdust, wood planer shavings sourced from local lumber producers, as well as timber infected with the mountain pine beetle is the basis of each pellet.

Increasing environmental concerns and the quest for renewable energy is allowing wood pellet biomass energy to emerge as a competitively-priced fuel source. Pacific BioEnergy has a high-quality product that is uniform in size, shape, and energy content. Wood pellets are 100 per cent natural and are recognized by Kyoto compliant signatories as a sustainable carbon neutral energy source.



WOOD PELLETS - A RENEWABLE SOURCE OF ENERGY

Bioenergy is a high efficiency energy source that is 100 per cent natural. Pellets are cylindrical and uniform in size, moisture content, and density, making it easy to handle and safe to transport and store. Each metric tonne of wood pellets produced by Pacific BioEnergy generates 18 net gigajoules (GJ) of energy, the equivalent of about 3.4 barrels of crude oil, or 1.6 tonnes of coal. Unlike fossil fuels, wood pellets do not produce mercury, sulphur or nitrogen oxide emissions.

FROM A WOOD PELLET IN PRINCE GEORGE TO ENERGY IN EUROPE

Since 1998, Pacific BioEnergy has exported over 750,000 tonnes of wood pellets to a number of companies that generate and distribute energy in several European countries. Energy is currently produced using a mixture of coal and biomass products (including wood pellets, agricultural, and food process wastes), and by 2020 the European Union requires that a greater percentage of biomass be used in the production of energy. Pacific BioEnergy's wood pellets are and have been used in power and thermal energy plants located in Belgium, the Netherlands, Denmark, and Sweden, and energy is supplied to the residential, small utility, and industrial markets.

Based on the assumption that trees are replanted, burning wood pellets to produce energy is carbon neutral. Carbon dioxide that was taken up during the growth of the tree is simply released back into the air. Unlike fossil fuels, a wood pellet does not add additional carbon dioxide to the atmosphere.

Our Chair's Message



*"Knowing is not enough; we must apply.
Willing is not enough; we must do."*

Johann Wolfgang von Goethe (1749 – 1832)

These words capture the essence of the theme for our Annual Report – Energy for Change. To operate in the dynamic capital markets where change is constant and affects our clients' portfolios, the bcIMC team must be ready to respond and make the necessary adjustments. Integrating the demands of globalization, responsible investing, and ensuring that we succeed in a highly-competitive global investment environment at times requires adjustments to our investment approach and operational systems. This calls for strength of leadership and an energetic team to successfully introduce and implement changes throughout the corporation.

Climate change is an issue that is of concern to bcIMC; it impacts our natural environment, and presents opportunities and risks for the investment processes. As a major investor, we are well-positioned to make a difference. Through our efforts to reduce the impact of climate change in our clients' portfolios, we hope that we will emerge as a leader in the investment industry.

bcIMC's active board, board committees, and corporate policies provide the perspective and structure for managing change as well as ensuring efficiency and integrity in the provision of investment management services.

The Board of Directors provides direct corporate oversight of bcIMC, including the strategic and business plans, pool fund policies, risk framework, and client services. The governing fiduciaries – the client representative trustees – establish investment objectives, performance targets, and asset allocation policies by working closely with bcIMC management. This structure means that the Chief Executive Officer has a dual accountability as CEO to the Board of Directors and as CIO to the governing fiduciaries.

Last year we reported that we adopted the new Canadian Institute of Chartered Accountants (CICA) Section 5970 reporting requirements. This section of the CICA handbook establishes

a very high standard for auditing internal controls so that the Board and our clients can be comfortable with the internal controls over our investment system. This was done with the full support of management who are committed to having bcIMC operate at a high level. The work highlighted some areas requiring improvement but overall our auditor was impressed with the culture of control in bcIMC and quality of our internal controls.

Enterprise-wide risk management is vital for a firm that manages assets in excess of \$85 billion. With this in mind, we continue to focus significant resources towards risk management and measurement. We are currently testing the application of a new risk measurement system that will augment our assessment of risk within our clients' portfolios. We have also continued to refine our Legal Risk and Credit Risk Frameworks.

Transparency and open communications are elements of best governance practices. As part of our commitment, we post on the website the corporation's investment performance, investment holdings, our Service Plan, as well as information relating to the mandates of the Board and its committees. In the past year, we started disclosing our responsible investing initiatives for each quarter and enhanced our proxy voting and engagement reports. We now disclose the Audit Engagement letter on our website, and starting with this Annual Report, we have incorporated some of the best practices for disclosure regarding the Board of Directors.

bcIMC is entering its eighth year as an independent corporation, and although the Board's membership has changed over time, the directors have had exemplary attendance records. The majority of our directors are appointed by our major pension board clients. This year, John Johnston and Paul Martin stepped down as directors after three and six years service respectively. On behalf of the Board, I thank John and Paul for their valuable contribution to bcIMC's governance.

In January 2007 we welcomed Mayor Frank Leonard, appointee from the Municipal Pension Board of Trustees, and in April 2007, Ron McEachern, appointee from the Public Service Pension Board of Trustees, will assume his responsibilities as a director. John Wilson joined the Audit Committee after Roger Clarke, who served as an outside appointed member of this committee, retired in May 2006. Mr. Clarke, a retired Vice President, Finance and Chief Financial Officer of B.C. Rail had served the Audit Committee since 2001. His skills and experience have contributed to the committee carrying out its mandate, and I thank him for his dedication and commitment.

On behalf of the Board, I would like to thank our clients for their continued support, and management and staff for earning that support through their hard work, enthusiasm and discipline.



Chris Trumpy
Chair



Looking back, I consider 2006-2007 to be one of our best years. We beat our benchmark returns by 1.8 percentage points, added almost \$1.1 billion of additional value over our benchmarks to our pension clients, and achieved the goals in our three-year Service Plan.

Our success was made possible by the efforts of a dedicated team that recognized the movements in the global markets and anticipated the impact they will have on our clients' investments. Looking forward, we are committed to achieving our clients' return expectations while at the same time enhancing our responsible investing efforts.

A YEAR OF ACHIEVEMENTS

It was a year of hard work, and this report summarizes our accomplishments. There are a few that I wish to highlight. Most of our asset classes produced positive returns, and bcIMC's pooled funds generally met or exceeded benchmark returns. The Realpool, Construction Mortgage, Fixed Term Mortgage, Indexed Canadian Equity, and Indexed EAFE Funds showed strong performance against their benchmarks. The annualized performance of bcIMC's pooled funds is presented on pages 20 to 21.

Activity within each asset class was satisfying. Occupancy rates in our real estate portfolio were at their highest in six years, and significant pre-completion leasing was accomplished for three major office developments in Canada, with Bankers Court being 100 per cent pre-leased. It was a record year for our Mortgage group with over \$1.1 billion committed to new loans. On the Private Placements side, we noted a significant increase in deal flow and successfully built relationships with fund managers that participate in the infrastructure sector. Consequently, we enlarged our participation in infrastructure funds, and completed core investments such as Transelec S.A. and Thames Water.

Considerable progress was made in delivering new products and services. We added the Universe Bond, the Enhanced Europe Index, and the U.S. Social Index Funds to our product offering. With the Universe Bond Fund at \$12.5 billion by year-end, bcIMC is one of the top "go to" players for Canadian dealers when launching and pricing

new debt issues. We started servicing our mortgages in-house (previously an outsourced function) allowing for improved mortgage deal flow, cost savings, and increased client service levels.

Furthermore, we focused our energy on the systems that support our investment processes and daily operations. We continued the development of our asset allocation system, and enhanced our ability to model and track the country and sector exposure of our clients' portfolios. Our equity traders now have direct market access and the ability to use an



algorithmic trading functionality to support their buying and selling activity. The execution of our currency and fixed income trading was enhanced with the implementation of new electronic systems. Streamlining our performance reporting has been enhanced with the automation of a number of the reporting processes.

It was a year of growth, and we added 11 permanent positions in functions that included portfolio management, client servicing, and investment management administration. When recruiting, we seek

diverse and highly qualified individuals who are passionate about the investment industry and committed to providing quality service for our clients.

While these accomplishments provide a sturdy platform for service excellence, we cannot rest on our laurels. We have to look to the future and anticipate the issues that may either enhance or affect our investment performance – bringing me to the theme of our Annual Report.

ENERGY FOR CHANGE

Our theme is inspired by the topic of climate change as well as our culture of embracing the changes required to continue meeting our clients' expectations.

There is growing consensus that human activity is a significant contributor to climate change. The long-term solution is to reduce the levels of carbon dioxide and other greenhouse gases, requiring that all organizations and individuals alter their behaviour today to lessen our environmental footprint tomorrow. For bcIMC, responsible investing becomes more important. We have a role in encouraging companies to think of the long-term by reviewing their practices and developing strategies to reduce their footprint. Our role also extends to investing in clean and environmentally-friendly technologies that meet our clients' return requirements.

Pension plans account for 76.6 per cent of the assets we manage, and today we can easily envision individuals being pension plan

members for 70 years plus (35 years contributing to a plan and 35 years retirement). Consequently, short-term liquidity is less important; we have a long-term outlook and favour investments with steady, stable cash flows. This requires us to be innovative in our investment approach, to continually seek opportunities throughout the world, and at times to review and adjust our own operations.

Our commitment and energy to change starts at the top and is reflected in our corporate strategy. Our Vision states that we will be at the forefront of the industry and exceed the performance expectations of our clients, while our Mission statement confirms that we recognize our responsibility to the broader society through our governance, social, and environmental-related activities. We restructured our Service Plan and identified four key focus areas that will allow us to focus our activities to achieve the targets we have set for the corporation.



A REVIEW OF THE GLOBAL MARKETS

It was the fourth consecutive year of strong growth, and the global economy expanded 5.4 per cent. Growth was more balanced globally with North America slowing slightly, Europe staging a recovery, and emerging markets continuing to increase their share of global economic output.

The key trends within the financial markets included:

- The continued increase in short-term interest rates as central banks attempted to move from extremely easy to normal monetary conditions;
- The ongoing debate as to whether inflation would rise reflected the many cross-currents caused by fluctuations in energy and commodity prices and exchange rates;
- The inversion of the North American yield curve as bond markets remained convinced that central bank easing would follow an expected economic slowdown;
- The strengthening of corporate balance sheets driven by the continued growth in profits and modest capital expenditure;
- The continued rise of stock prices boosted by strong corporate earnings, as the broadest North American stock indices gained nearly 15 per cent, and more than double that in Europe and the emerging markets;
- Increased momentum with merger-and-acquisition activity, and
- A continued increase in the price of real estate and non-traditional assets. Despite the rise in short-term interest rates, long term rates have remained low and there is an abundance of capital.

All these trends mean that financing remains extremely easy, and the perceived risk is very low. By historical standards, there is very low volatility across most financial markets, from bonds, to equities, to currency.

Notwithstanding temporary surges in oil and commodity prices, we believe that we will remain in a low inflation environment. Interest rates are likely to remain low, even if they fluctuate in the short term. As the risk-free yield on government bonds underpins the returns on the other assets, we expect that the returns in the capital markets going forward will be lower than in the past three to four years.

Looking ahead, it will be more difficult to achieve return targets in a relatively benign economic environment with an abundance of capital. In response, some investors are taking on more risk than may be prudent. We are sticking to our discipline and our clients' mandates and will not take on unnecessary risk.

THE ENERGY TO MOVE FORWARD

To meet our clients' expectations, we must be able to respond to opportunities and challenges within the capital markets. We are in what I consider to be a unique capital market - investments are more global than ever with an unprecedented amount of capital chasing real and financial assets. In this environment, bcIMC needs to be an "active hunter" with matching management styles and can no longer be a "gatherer" of investments. This requires that we continue to expand our

global business network, build our sector and regional expertise, and be nimble in our responses to market opportunities.

The needs and expectations of our clients are also changing. Many of our clients have more complex mandates and require more sophisticated investment management services. With the expected low-return environment, we anticipate that our clients will look at opportunities with longer investment horizons and steady cash flows that provide some insulation from the effects of inflation. There is also a growing demand for an expanded product offering to satisfy the widening range of risk-return profiles amongst our clients, and we listen to our clients to understand their needs. We made a number of changes to our product line during the year, and are exploring how we can accommodate their future requirements.

As our investment approach and processes evolve, so must our risk management and mitigation practices. We regularly review the enterprise-wide risk factors and conduct annual reviews of our risk frameworks and processes, sometimes with the assistance of an external party. This initiative of stepping back and critically assessing our systems and processes allows us to reinforce a corporate culture of continually looking for improvements that will allow us to exceed the service expectations of our clients.

Responsible investing is a corporate-wide priority and signing the United Nations Principles for Responsible Investing as an asset manager

strengthened our commitment. We have an active Corporate Governance program and pursue a wide range of activities that include proxy voting and engagement with companies on the benefits of addressing long-term sustainability. We also provide input on public policy proposals, and advocate changes to the fundamentals within the investment industry. Our energy and drive in this area is being recognized as our opinions are sought by the industry and our staff are invited to address conferences.

We are progressing with our responsible property investing initiatives. During the year we clarified and shared our intent with our managers and have actively encouraged them to pursue environmental enhancements to our buildings. We also surveyed our international real estate managers on their environmental policies. It was the first time that we produced a double-bottom line Real Estate report.

We must continue to build bcIMC as a corporation. This is a multi-faceted process that requires enhancing our staffing capacity, reviewing our operational systems, as well as enhancing the expertise and experience within the corporation. The growth of bcIMC is inevitable and we are mindful that we will need to manage our corporate culture.

Participating in an active global market that functions throughout the day impacts our operations. We are piloting round-the-clock trading with the intent of introducing 24/7 operations at some future stage. Adaptations to our information technology systems are being made to accommodate the demands of global and active investing, as well as 24/7 operations.

We are a learning organization where knowledge and expertise is continually enhanced. This is enabled by supporting staff with their educational pursuits, as well as round-table discussions and interactions with industry experts. We made a concerted effort to enhance our awareness of responsible investing, the science of climate change, and the impact that it will have on long-term returns. Refereed research papers were made available, and we expanded our library to include related DVDs that our staff can view in the comfort of their home.

ACKNOWLEDGEMENTS

I recognize that the dedication of each bcIMC employee is the key to our success – without them bcIMC has no processes, products, or services. Our passion to deliver excellence in all we do will serve us well as we continue in our drive to embrace responsible investing and tackle challenges such as climate change.

In closing, I thank the Board of Directors for their support and encouragement of our initiatives and our clients for entrusting us with the management of their assets. We look forward to the prospect of continuing to deliver investment excellence while offering innovative products and services.



Doug Pearce
CEO | CIO



bcIMC has 47 clients with mandates that range from small money market to very large diversified portfolios.

OUR MANDATE

bcIMC was established by the *B.C. Public Sector Pension Plans Act* in November 1999. Our mandate is to provide funds management services to public sector pension plans, the Province of British Columbia, publicly administered trust funds, public bodies, and designated institutions. While bcIMC became operational on January 1, 2000, our investment experience is significant, dating back over 35 years.

OUR CLIENTS

Pension plans are our largest client group, accounting for 76.6 per cent of the assets we manage. These funds have long-term investment time horizons and the trustees are generally willing to engage in a significant asset/liability mismatch to enhance their long-term returns and reduce costs to the plan sponsors. However, each plan faces its own specific set of circumstances (e.g. demographic profile), and the trustees may differ in their willingness to take the risks of an asset/liability mismatch.

Almost 16 per cent of assets under our administration are managed on behalf of government and government bodies. These funds are managed in accordance with the investment time horizons of our clients, with some requiring greater liquidity, while others may seek investments that are long-term in nature.

Our clients' mandates include the management of sinking funds. These funds are established to help pay down the long-term debt obligations of clients such as the Province of British Columbia. Sinking funds are managed under tight risk parameters and have a highly controlled asset/liability mismatch. We aim to add incremental value and, in so doing, reduce debt-servicing costs to the British Columbia taxpayer.

We also manage the assets of publicly administered trust funds. The trusts have a wide range of return expectations, with some showing a greater emphasis on capital protection, short-term performance, and liquidity. Investment policies are customized to suit the specific needs and payment obligations of each fund.



Our Clients

- ~ 11 Public Sector Pension Plans*
- ~ 14 Publicly Administered Trust Funds*
- ~ 21 Government Bodies*
- ~ Province of British Columbia*

OUR INVESTMENT PORTFOLIOS

We offer our clients over 50 different investment vehicles, representing different investment strategies, that cover all major asset classes. Our approach uses a combination of internal and external portfolio managers and active enhanced and indexed strategies. Pooled portfolios enable participating clients to share cost and investment efficiencies and provide our clients with significant flexibility. Clients only invest in the pooled funds that suit their investment objectives, asset mix policies, and risk tolerances.

In an ever changing capital market, bcIMC regularly reviews the pools and the investment strategies to ensure that they continue to meet the best financial interests of our clients. A rewrite of the Pooled Fund Product Description was a significant undertaking in 2006-2007 resulting in more detailed product descriptions and an overview of principal risks and the various policies that govern each pool. The consultation process with our clients will be completed in 2007.

During the year, a number of new products were developed to meet client needs, including the Universe Bond Fund, the U.S. Social Index Fund, and the Enhanced Indexed European Equity Fund. In addition, we commenced with the restructuring of the Asian Equity Pool by changing the benchmark and adding more exposure to the rapidly growing emerging Asian markets.

OUR INVESTMENT SERVICES

The extent of bcIMC's services is made possible by the mix of bcIMC staff and external managers. Our highly skilled professional staff have financial and accounting credentials, as well as post-graduate degrees in economics, business, and law. We also maintain a global network of specialists who provide additional expertise on the major markets and different asset classes. bcIMC has over 100 external managers that are located in financial centres such as Boston, Hong Kong, London, New York, Seoul, Singapore, Tokyo, and Toronto. About 62 per cent of assets are managed by our own investment professionals, with external managers contracted to manage the remainder of the assets.

Our Vision

We will be the responsible fund manager of choice for the British Columbia public sector, at the forefront of the industry, and consistently exceeding the performance and service expectations of our clients.

Our Mission

We are accountable to our clients to provide professional fund management for all asset classes, exercising the highest standards of prudence and fiduciary responsibility. We deliver to our clients the highest return for a given level of risk at a reasonable cost, while recognizing our responsibility to the broader society through our governance, social and environmental related activities.

Our Values

Respect, Integrity, Honesty, and Trust

OUR INVESTMENT SERVICES

We offer a comprehensive portfolio of services:

INVESTMENT MANAGEMENT

- Portfolio management
- Asset mix management
- Currency hedging and overlay
- Selection and management of external managers
- Trade execution
- Settlement and custody of securities
- Security lending

INVESTMENT CONSULTING

- Economic and market analysis
- Asset liability studies
- Investment policy analysis
- Investment advice
- Legal, regulatory, and policy compliance

RISK MANAGEMENT

- Risk analysis
- Credit reviews and monitoring

CORPORATE GOVERNANCE

- Proxy voting
- Engagement

INVESTMENT MANAGEMENT ADMINISTRATION

- Investment accounting and reporting
- Performance reporting
- Responsible investing reporting
- Cash management services

INVESTMENT EDUCATION

- New trustee orientation
- Trustee conferences and events

Our Key Objectives and Achievements

we measure performance against the strategic objectives of our three-year Service Plan, a public report posted on our website – www.bcimc.com. This overview presents some of our main achievements in each area for this fiscal year

PILLAR 1: INVESTMENT RETURNS

To meet or exceed our clients' investment return expectations, subject to their tolerance for risk, net of costs.

ACHIEVEMENTS

- The combined pension client return was 12.2 per cent compared to the benchmark return of 10.4 per cent.
- Realpool produced strong one-year returns of 21.0 per cent, 14.7 percentage points above its benchmark.
- Our Indexed Canadian Equity Fund returned 14.5 per cent compared to a benchmark of 14.2 per cent.
- Our Construction Mortgage Fund returned 7.5 per cent, exceeding its benchmark by 2.4 percentage points.
- The Universe Bond Fund, launched in April 2006, is one of the largest actively managed bond funds in Canada.
- Finalized the establishment of the Enhanced Indexed European Equity Fund – the new fund will be launched in April 2007.
- Committed over \$700 million to new private equity holdings.

Note: A complete table of our pooled fund returns appears on pages 20-21.

PILLAR 2: RISK MANAGEMENT

To continually identify and manage enterprise-wide risks that may affect investment outcomes, may impact operational efficiency, and may tarnish our reputation.

ACHIEVEMENTS

- Finalized the Legal Risk Management Policy.
- Implemented a pilot project that enhanced risk measurement capabilities.
- Expanded our Credit Risk Management Policy and Framework.
- Initiated an external review of the Risk Management Frameworks for the areas of Legal, Environmental, and Operational risk.
- Enhanced the Exposure Reporting system to include country and sector exposure.
- Started the transition of bringing mortgage servicing in-house, an initiative that will increase controls and reduce costs.
- Incorporated international equity and fixed income trading into the Trade Order Management System.
- Finalized the arrangements for the establishment of a facility in another province that will be used in the event of a disaster, thereby ensuring continued investment management services.

A glossary of terms used in the report is available on page 68.

PILLAR 3: RESPONSIBLE INVESTING

To provide leadership in corporate governance and responsible investing.

ACHIEVEMENTS

- One of the first asset managers in Canada to become a signatory to the United Nations' Principles for Responsible Investing.
- Actively engaged with almost 170 companies on 11 different corporate governance and corporate responsibility themes.
- A number of our staff addressed conferences on corporate governance, climate change, and other investment-related issues.
- Launched the U.S. Social Index Fund in October 2006, providing our clients with an indexed pooled fund of socially screened U.S. equity securities.
- Our "opinion leader" views were sought in surveys conducted by the Institute of Corporate Directors and the Asian Corporate Governance Association.
- Committed to about 1.3 million square feet of development, which will be minimum LEED certified.
- Became a founding member of the North American Responsible Property Investing initiative.

PILLAR 4: BUILDING bcIMC/ CLIENT SERVICE

To develop the potential of and retain our employees, to have efficient systems and technology, to operate at a reasonable cost, and to have sound governance.

ACHIEVEMENTS

- We continued to strengthen our investment team by creating 11 new positions and investing in staff training.
- Conducted leadership assessment and supported leadership development for strategically selected staff.
- Enhanced management information systems for real estate and private placement investments.
- Broadened our client communication by offering quarterly multimedia conference webcasts.
- Improved information to clients by enhancing our performance reporting.
- Provided a two-day Trustee Orientation session for the new trustees sitting on our clients' trustee boards.
- An independent study conducted by Cost Effectiveness Management Inc. confirmed that our operating costs (17.6 cents per \$100 of assets under administration) continue to be amongst the lowest in the industry.
- Enhanced the Orientation Program for new directors of the bcIMC Board.



to fulfill our vision, our activities are centered on four key pillars

Investment Performance

Pooled Fund Annualized Returns and Benchmarks (%) – Fixed Income, Periods Ended March 31, 2007

		15 YEARS	10 YEARS	5 YEARS	3 YEARS	1 YEAR
SHORT TERM	Short Term Fund 1	4.4	3.8	3.0	3.1	4.2
	SCI 30 Day T-Bill	4.2	3.6	2.9	3.1	4.1
	Short Term Fund 2	4.6	3.9	3.1	3.2	4.3
	SCI 91 Day T-Bill	4.4	3.7	3.0	3.1	4.2
	Short Term U.S. Fund 3	4.0	2.1	(3.8)	(0.8)	4.0
	Citigroup 30 Day T-Bill	3.5	1.6	(4.0)	(1.0)	3.7
	Short Term Bond Fund		5.5	4.8	3.2	4.4
	SCI Short Term Government Bond	6.7	5.4	4.8	3.1	4.4
MORTGAGES	Fixed Term Mortgage Fund		7.6	7.2	5.5	6.1
	SCI Short Term Bond + 1%		6.6	6.0	4.3	5.6
	Construction Mortgage Fund		6.8	6.3	6.4	7.5
	SCI 1 Year T-Bill + 1%		5.2	4.4	4.0	5.1
	Specialty Mortgage Fund			8.2	7.0	6.3
	SCI 1 Year T-Bill + 2.5%		6.7	5.9	5.5	6.6
BONDS	Indexed Government Bond Fund		7.0	7.0	5.2	5.6
	SCI Universe Government Bond	8.3	6.9	6.9	5.1	5.3
	Pension Bond Fund		7.1	7.2	5.3	5.5
	SCI Universe Government Bond	8.3	6.9	6.9	5.1	5.3
	Long Term Bond Fund			10.2	8.6	6.3
	SCI Long Term Government Bond	10.4	9.2	9.9	8.3	6.3
	Universe Bond Fund¹					
	SCI Universe Bond	8.4	7.0	7.0	5.1	5.5
	Corporate High Grade Bond Fund	8.8	7.3	7.2	5.2	5.8
SCI Universe Corporate Bond	8.8	7.2	7.2	5.1	5.8	
SINKING FUNDS	BC Hydro Sinking Fund	8.2	7.1	7.4	5.8	5.5
	BC Hydro Sinking Fund Benchmark		6.7	7.1	5.6	5.3
	BC Direct Debt Sinking Fund²		7.6	7.4	5.6	5.4
	BC Direct Debt Sinking Fund Benchmark²		7.6	7.4	5.6	5.4

¹ In April 2006, bcIMC created the Universe Bond Fund. The fund combined the assets in the Corporate Investment Grade Bond Fund and the Pension Bond Fund.

² The holdings in the Schools and Education Bond Funds were transferred to the BC Direct Bond Fund on May 31, 2002. Historical numbers have been restated to reflect the combined portfolios.

NOTE: Benchmarks are presented in light blue. Actual pooled fund returns, net of costs, are in black.



PILLAR 1: INVESTMENT RETURNS

Pooled Fund Annualized Returns and Benchmarks (%) - Equities and Real Estate, Periods Ended March 31, 2007

		15 YEARS	10 YEARS	5 YEARS	3 YEARS	1 YEAR
CANADIAN STOCKS	Indexed Canadian Equity Fund	11.8	11.0	13.9	19.0	14.5
	S&P/TSX Composite	11.8	10.6	13.7	18.7	14.2
	Enhanced Canadian Equity Fund				18.9	13.1
	S&P/TSX Equity				18.7	14.2
	Active Canadian Equity Fund	12.7	11.8	13.3	17.4	11.5
	S&P/TSX Capped Equity	12.2	11.2	13.7	18.7	14.2
	Strategic Infrastructure Canadian Equity Fund					5.3
	Nominal Benchmark	8.0	8.0	8.0	8.0	8.0
U.S. STOCKS	S&P 500 Equity Fund		6.4	(0.4)	5.5	10.5
	S&P 500	10.6	6.3	(0.4)	5.5	10.5
	U.S. Value Index Fund			3.7	8.5	14.2
	S&P 500/Citigroup Value	11.6	7.3	2.3	8.6	14.2
	U.S. Social Index Fund³					
	Domini 400³			(1.0)	3.4	7.9
	Enhanced Indexed U.S. Equity Fund			(0.2)	5.6	9.8
	Russell 1000/S&P 500	10.7	6.5	(0.0)	5.6	10.5
	Active U.S. Equity Fund		6.7	0.2	5.8	7.8
	Russell 1000	10.8	6.7	0.2	6.1	10.5
Russell 2000	10.8	8.3	4.0	7.3	4.6	
INTERNATIONAL STOCKS	Indexed European Fund				17.2	24.3
	Active European Fund				17.9	25.0
	Combined European			8.1	17.4	24.6
	MSCI Europe Net	11.7	8.4	8.6	16.9	24.0
	Indexed EAFE Fund				15.0	19.2
	Active EAFE Fund				13.7	17.1
	Combined EAFE			8.2	14.3	18.0
	MSCI EAFE Net	8.9	6.4	8.6	14.7	18.9
	Asian Fund			9.6	12.0	7.3
	MSCI Pacific Net	4.8	3.0	8.9	10.1	8.7
REAL ESTATE	Realpool	10.4	12.5	14.0	19.2	21.0
	CPI + 4%	5.9	6.1	6.4	6.3	6.3

³ The U.S. Social Index Fund was launched in October 2006. The Domini 400 Index is nine years old.

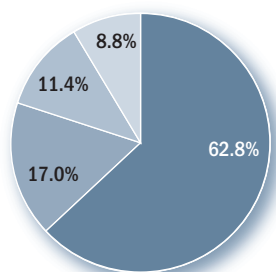
Due to their illiquid nature, the annualized performance of bcIMC's private placement, international real estate, and strategic investment and infrastructure pooled funds is excluded, as year-by-year performance returns can be misleading. To be assessed correctly, performance of these assets must be measured over the life of the respective fund.

Fixed Income and Foreign Currency

fixed income, by nature a conservative asset class, provides clients with liquidity and predictable cash flows; offering lower volatility of returns than other asset classes, it is a cornerstone on which to build a fully diversified portfolio

Portfolio of Fixed Income Assets

As at March 31, 2007



	%
Government Bonds	62.8
Corporate Bonds	17.0
Real Return Government Bonds	11.4
Cash Equivalent Securities	8.8

Our clients can invest in Canadian federal and provincial government short and long-term securities, higher quality corporate securities, and bonds backed by multilateral agencies such as the World Bank. Clients with inflation-sensitive liabilities also hold real-return bonds issued by the Government of Canada and provincial governments.

ADDING VALUE

Portfolio managers use active mandates to strive to outperform and add excess returns, known as alpha, above set benchmarks. Three main strategies are used in our attempt to add alpha:

- Yield curve positioning - where the portfolio manager positions for movements in the yield curve as interest rates adjust over time;
- Duration timing opportunities - where the portfolio manager anticipates changes in the interest rate over time;
- Security selection - where the portfolio manager hopes to outperform the benchmark by favouring securities that will outperform and avoiding securities that will underperform against the benchmark.

In addition to fixed income, we manage currency hedging and currency overlay programs. By hedging currencies, we reduce our exposure to the currencies

that we believe will depreciate over time. In doing this, we attempt to mitigate losses stemming from these exposures. With the Currency Overlay Program, we generate returns from the global foreign exchange market by using quantitative or qualitative strategies.

MARKET REVIEW AND OUTLOOK

The Canadian bond market has displayed little volatility in the past year, with the ten-year Canada bond rates trending between 3.90 and 4.65 per cent. Interest rates on two-year bonds increased, but decreased for ten-year bonds. The Bank of Canada raised rates four times in early 2006, lifting the overnight lending rate to 4.25 per cent. Due to moderating economic growth, the Bank has left rates unchanged.

With the repeal of the foreign property rule in the Income Tax Act, Canadian pension plans can hold more foreign assets, encouraging the growth of the Maple Bond sector from a market value of \$10 billion at December 2005 to a market value of \$38.5 billion in March 2007. The number of issuers that have accessed the market has also grown from 30 to 93, making it a liquid and viable component of the Canadian capital markets. We expect that our clients will add Maple Bonds to their portfolios.



PILLAR 1: INVESTMENT RETURNS

During 2006, the Canadian dollar ended its three year rally against the U.S. dollar. Although it opened and closed 2006 roughly unchanged at around 86.50 U.S. cents per Canadian dollar, during May 2006 it strengthened to over 91.0 U.S. cents per Canadian dollar, its highest level in over 30 years. We believed that the Canadian dollar would strengthen over the longer-term and maintained our tactical targets. The renewed strength in the currency reflects increased interest in Canadian assets such as resource-producing companies, and higher commodity prices.

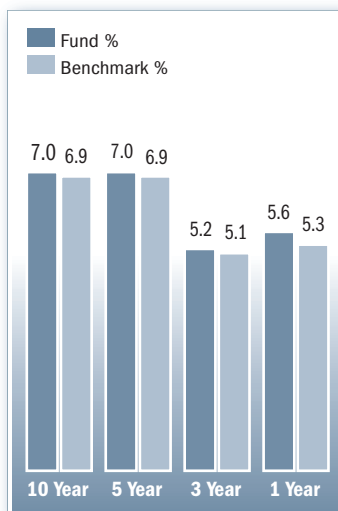
Looking ahead, we see the Canadian dollar strengthening in the long term, mostly against the U.S. dollar, as part of the adjustment of large trade and current account imbalances among the major economic blocs. But after its

latest rapid ascent, the Canadian dollar may repeat its recent pattern and pull back over the next few months.

As of mid-2007, the Canadian economy was showing signs of more rapid growth and higher inflation. The Bank of Canada has signalled that short-term interest rates hikes are likely, unless growth and inflation pressures recede. A big increase in either short- or long-term interest rates over the next year seems unlikely, given the restraining influence on the economy of an appreciating Canadian dollar.

Indexed Government Bond Fund Performance

Annualized returns for the periods ended March 31, 2007



PORTFOLIO ANALYSIS

While the low volatility within the bond market made it challenging to add value, all our fixed-income portfolios outperformed their benchmarks. Returns on the four established bond pools ranged from 5.5 per cent on our Pension Bond Fund to 6.3 per cent on our Long Term Bond Fund.

On a five-year basis, which provides a more meaningful perspective than one-year returns, fixed income portfolios have met or exceeded their respective benchmarks. Our money market and bond portfolios have generally outperformed their benchmarks, adding cumulative value for our clients.

HIGHLIGHTS

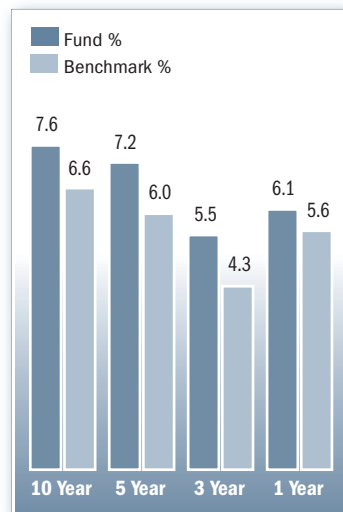
The Universe Bond Fund launched in April 2006 was the result of the reorganization and amalgamation of existing pools. The fund invests in bonds issued by federal, provincial, and municipal governments, and corporate bonds. It is benchmarked against the Scotia Capital Universe Bond Index, allowing clients to better align their fixed income portfolio. At over \$12 billion, it is one of the largest actively managed bond funds in Canada.

Mortgages

mortgages are favoured by some clients as they produce a premium over similar-term government bonds, though at greater risk and reduced liquidity

Fixed Term Mortgage Fund Performance

Annualized returns for the periods ended March 31, 2007



We provide clients with a wide range of pooled mortgage investment funds to meet their specific liquidity, duration, risk, and return objectives. The Fixed Term Mortgage Fund, Construction Mortgage Fund, and Specialty Mortgage Fund represent diverse selections of commercial mortgage assets, utilizing sound disciplines and strategies. Each fund offers enhanced fixed income returns and is diversified by property-type and geography.

ADDING VALUE

We perform a variety of business functions crucial to building and managing strong performing, risk-managed mortgage portfolios. These core functions include:

- Assessing Canadian real estate markets to evaluate strengths and weaknesses within the various geographic areas;
- Studying trends in population migration and demographics to forecast future real estate demand requirements in various urban centres;
- Performing detailed underwriting, credit, and financial analysis on all borrowers, guarantors, and major tenants to ensure cash flows are reliable and strong;
- Reviewing and approving arms-length appraisals, leases, environmental, and engineering reports prior to disbursing any loan proceeds;

- Monitoring mortgage valuations, disbursements, and other professional services provided by external agents; and
- Administering mortgage files and providing full service levels to bclMC's borrower clients.

MARKET REVIEW AND OUTLOOK

In the past year, commercial real estate values in Canada escalated to new highs. Most commercial leasing rates exhibited healthy gains, and vacancy rates were at low levels. With this significant escalation in real estate values, borrowers are seeking higher loan amounts. Therefore, greater caution is warranted to ensure property cash-flows can meet their debt obligations.

With increased competition for mortgages, and in an attempt to increase investment volumes, some lenders are relaxing their underwriting standards. As a result, aggressive loan amounts and credit spreads are becoming more common. Examples of decreased lending standards include: increased amortization schedules to 35 years, higher loan amounts (85 per cent of value), and interest-only loans. However, we are maintaining our discipline and have not relaxed our underwriting criteria.

Over the past year, building supply prices for steel, concrete, lumber, and drywall have experienced high



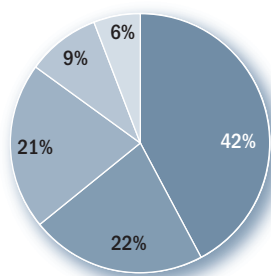
PILLAR 1: INVESTMENT RETURNS

levels of inflation. In addition, labour prices for construction trades have significantly increased, especially in western Canada. As escalating costs may negatively impact construction loan security, we are vigilant in our assessment of the construction budgets and profit margins for each project under consideration. In safeguarding our clients' interests, bcIMC only advances mortgage loans to large, sophisticated, and experienced developers that are capable of accommodating unforeseen cost escalations.

Looking ahead, we do not anticipate any significant changes in real estate values or interest rates. The construction market, driven by a combination of demand and interest rates, is likely to remain active. The current competitive environment, where excess capital pursues limited investment opportunities, will likely continue.

Mortgage Holdings by Property Type

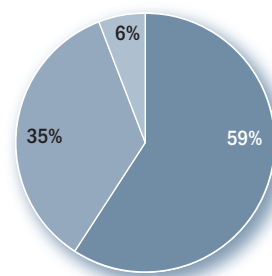
As at March 31, 2007



	%
Residential	42
Office	22
Retail	21
Industrial	9
Other	6

Mortgage Holdings by Fund Type

As at March 31, 2007



	%
Fixed Term	59
Construction	35
Specialty	6

PORTFOLIO ANALYSIS

In 2006, our three mortgage funds achieved significant premiums over comparable, short duration, fixed income funds. Both the Fixed Term Mortgage and the Construction Mortgage Funds' one-year returns exceeded their respective benchmarks with annualized returns of 6.1 per cent and 7.5 per cent respectively. Performance was primarily due to virtually no problems with mortgage arrears. The one-year return for the Specialty Mortgage Fund fell short of its one-year benchmark due to the timing of a loss provision in one of the Limited Partnership funds in which it participated. However, over five years the fund has outperformed its benchmark by 2.3 percentage points.

HIGHLIGHTS

Within this competitive mortgage lending environment, we committed \$1.1 billion of new commercial mortgages in 2006-2007. At a fund level, growth in mortgage commitments increased 9.0 per cent over the past fiscal year.

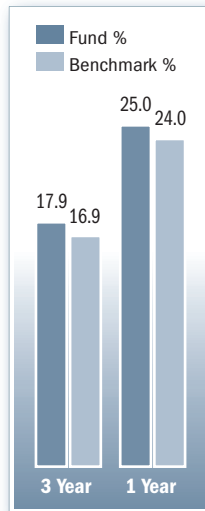
The functions of the department were expanded to include in-house mortgage servicing. The internalization of this new function began in 2006 and is expected to be completed by May 2007. Additional positions were created to manage this function, and our mortgage information systems were enhanced to accommodate the monitoring of detailed mortgage information. Internal mortgage servicing will reduce costs, increase deal flow, and enhance client service levels.

Public Equities

an investment in equities provides a higher return than asset classes such as fixed income and cash, but at a higher level of risk

Active European Fund Performance

Annualized returns for the periods ended March 31, 2007



We have a range of equity products diversified by markets and investment styles (indexed, enhanced indexed, and actively managed). Indexed funds (about 47 per cent of public equity assets) are administered internally. Enhanced index funds are managed using a combination of internal and external management. Twenty-two investment firms manage our active public equity pools.

ADDING VALUE

We aim for returns that exceed the benchmark, at all times emphasizing the benefits of diversification, disciplined decision-making, and due diligence through considered and thoughtful examination of investment decisions. We believe that our clients' investment objectives are best served through a combination of management styles.

MARKET REVIEW AND OUTLOOK

It was another strong year for equity returns. In Canada, the S&P/TSX Equity-Only Index returned 14.2 per cent, with commodities, telecommunications and financials leading the market. The U.S. market performed well, returning 10.5 per cent in Canadian dollar terms. Returns in Europe were 24 per cent in Canadian dollar terms, driven by attractive valuations,

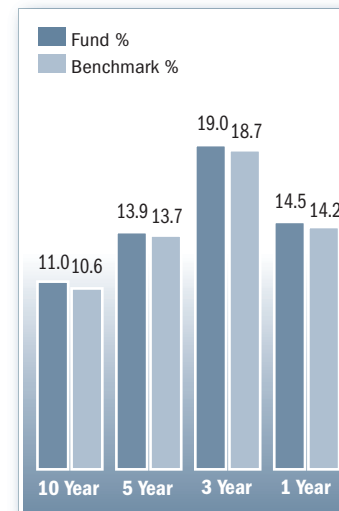
investor appetite, as well as low interest rates and accessible credit that encouraged merger and acquisition activity.

As Asian markets continued to have strong returns, we allocated more assets to companies in these markets. While the MSCI Asia Pacific ex-Japan markets gained 25.9 per cent for the year in Canadian dollars, returns for Japan were a disappointing 1.9 per cent. Even so, we continued to invest in Japan, believing that it is moving past its economic woes, and in particular that Japanese companies will benefit from China's rapid industrialization. However, we expect the Japanese

market to be more volatile than other Asian markets.

Indexed Canadian Equity Fund Performance

Annualized returns for the periods ended March 31, 2007



As we enter the fifth potential year of positive returns, there are warning signs. The widespread downturn in the U.S. housing market is worrying. An economic slowdown in the U.S. will reduce earnings, diminish market gains, and would clearly hurt



PILLAR 1: INVESTMENT RETURNS

Canadian companies. We are concerned that commodity prices may decline and impact the Canadian market that has been driven by the energy and materials sectors. The strengthening emerging markets, particularly China and India, also present potential investment opportunities, but pressures there are building with valuations becoming stretched and increasing signs of speculative behaviour. Still we continue to favour equities, and are mindful of the future downside risks.

PORTFOLIO ANALYSIS

Index funds generally met or exceeded their benchmarks, while the Indexed EAFE Equity Fund and Indexed European Equity Fund continued to outperform.

Enhanced index funds, including our internally managed Enhanced Indexed U.S. Fund, had disappointing returns as the markets tended not to reward companies with strong, high quality financial characteristics.

The absolute returns for our active pools were strong although they generally lagged their benchmarks. The Active Equity Fund underperformed and the benefit of favouring other Asian markets over Japan was offset by poor performance by our active managers. Returns for the Active Canadian Equity

Fund fell short due to the underweighting of the materials and financials sectors. Our Active U.S. Equity Fund underperformed, along with the majority of funds actively managed in the U.S. The U.S. market has many blue-chip and investment-worthy companies, and with the availability of quality information, it is sometimes difficult to beat the industry benchmarks. Our Active European Equity Fund continued to outperform its benchmark, following the major restructuring undertaken in 2005.

HIGHLIGHTS

The year saw the introduction of the U.S. Social Index Fund (see page 38), the establishment of the Enhanced Indexed European Equity Fund, and the restructuring of the Asian Equity Fund.

After more than two years of development by our staff, the preparation for the Enhanced Indexed European Equity Fund was completed. This fund will give participating clients exposure to European stocks, and is based on quantitative models similar to those used for the Enhanced Indexed U.S. Equity Fund. The fund will be launched in April 2007.

To increase exposure to emerging Asian markets, we restructured the Asian Equity Fund and will change the benchmark to the MSCI All Country Asia Pacific Index in the new fiscal year. Existing assets within the fund were also reallocated to three new managers, all dedicated to the Pacific ex-Japan markets.

There was significant activity with the implementation of asset mix changes in the actively managed pools. Based on our outlook and adjustments to our clients' asset mixes, Canadian equity allocations were reduced significantly. Within the Active Canadian Equity Fund, mandates were rebalanced. Going forward, we will conduct an intensive review of the mandates for actively managed pools.

Regional Allocation of Public Equities

As at March 31, 2007



Private Placements

bcIMC invests in equity, debt, or hybrid securities of private companies, and in some cases, public companies - investments that are illiquid in nature, with investment horizons typically over ten years

Our program consists of private placement pools created for each calendar which then in turn invest in externally managed private equity funds and direct investments in specific companies. By investing in the pools for successive years, our clients obtain a broad diversification of investments and management styles with exposure to companies in different stages of their development.

Investing since 1996, bcIMC has built a well-diversified private equity program that is well positioned to potentially deliver the long-term returns that our clients require. To date, we have committed \$5.7 billion to 137 private equity investments.

ADDING VALUE

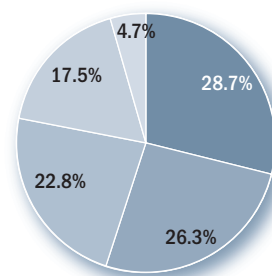
Private placement investing requires extensive knowledge of the financial markets, regional and country economies, as well as an in-depth understanding of industry sectors, specific firms, and products. We invest in limited partnership funds, managed by external general partners, as well as directly in companies. Investments are negotiated and

underwritten to achieve expected returns greater than historical public market returns.

Through externally managed funds we leverage global expertise that assists our investment sourcing and evaluation. We identify and build relationships with top-tier external managers and aim to achieve or surpass best practices in conducting investment due diligence and in post-investment monitoring. At year end, we maintained relationships with 67 external managers.

Regional Distribution of Private Placements

As at March 31, 2007



	%
U.S.	28.7
Europe	26.3
Canada	22.8
Asia	17.5
Emerging Markets	4.7

MARKET REVIEW AND OUTLOOK

Private equity fundraising is expected to remain robust through 2007 with strong overall industry returns and the participation of new institutional investors in this asset class continuing to drive demand for top tier managers. Increased inflow of new private equity capital into the established markets of North America and Western Europe is substantially increasing the competition for assets and serve to limit the availability of attractive investment opportunities. This, combined with higher purchase valuations and the increased use of



PILLAR 1: INVESTMENT RETURNS

debt to fund larger acquisitions, could moderate returns to investors whom as a whole have enjoyed a number of consecutive years of attractive returns.

We are monitoring private equity market developments and, where appropriate, adjusting our strategies to reflect trends and events within the asset class and financial markets. We continue to seek selective exposure in the promising markets of Japan, India, China, Central and Eastern Europe, and Latin America. In addition, we have invested in alternative private equity strategies that complement our portfolio's current exposure, which may provide more attractive returns should debt markets become less accommodating and the risk of corporate debt default increases.

PORTFOLIO ANALYSIS

On an overall program level, Private Placement returns in 2006 were robust - with particularly strong returns from the program's buyout portfolio. Most regions within the portfolio performed well - with particular out-performance by our Asian, European, and emerging markets portfolios.

HIGHLIGHTS

We committed \$716 million in the past year to new investments that included:

- A co-investment in Dutch Cable alongside Cinven Partners. Dutch Cable, the largest cable operator in the Netherlands, services 55 per cent of the European cable market. bcIMC's relationship with Cinven Partners, an established investment manager in the European market, dates back to 1996;
- A commitment to Affinity Asia III, a fund that will focus on private market investments in the mature markets of Australia, Hong Kong, Japan, Korea, Taiwan, and Singapore, as well in the developing market of China; and

- Building new relationships with top-performing buyout managers, Leonard Green & Partners and Hellman & Friedman Investors, and restructuring specialists, Oaktree Capital Management and TPG Credit Management. We also made new investments with existing Canadian buyout general partners Tricor Pacific Capital Partners and Richardson Financial Group.

a well-diversified private equity program

We distributed over \$412 million to clients participating in the Private Placements program. Significant events that generated attractive investment returns included:

- The realization of our investment in Dental Technologies Inc., a North American dental lab consolidator. Our investment was made in 2002 in a syndicate co-led by BC Mercantile and Banyan Capital. The financing funded the acquisition of targeted dental labs that produce stable annual cash flows in key regional areas;
- The sale by our partner, Advent International, of an interest in Boart Longyear, a global drilling service provider based in Australia. This company was purchased in 2005, and the implementation of a restructuring plan significantly strengthened the company and improved its sales and revenues; and
- The sale by our long-standing general partner, HSBC Capital (Canada) Inc. of a holding in the Encore Group of metals service centre companies, headquartered in Edmonton, Alberta that distributes specialty metals, steel sheet, and coil products to the North American market. Our partner acquired the Encore Group in March 2004 and worked with management to improve sales and revenues.

Real Estate

building a diversified portfolio, producing stable income returns, and achieving attractive capital returns over the longer term is bcIMC's real estate investment strategy

We began investing in real estate in 1991, and today we manage over \$9 billion of real estate around the world. Our interests include industrial, institutional-grade office, residential, retail, and mixed-use properties. Our portfolio, which includes limited partnerships, is managed with the assistance of ten external managers.

ADDING VALUE

We invest in assets diversified by property type, location, investment size, and investment risk. We focus on acquiring real estate in geographic regions with strong and growing economies, and investments are only made when there is a reasonable expectation that our expected returns can be achieved over a ten-year horizon. Our investments cover the entire spectrum – purchasing existing buildings, improving older buildings, and developing new properties. Our policy is to divest assets when we believe their value has been optimized and capital can be better deployed elsewhere.

Our international program aims to provide investors with real estate returns that are higher than the

domestic program, focusing on externally managed private funds as well as direct deals. Investments are usually structured as limited partnerships or private companies. Strategic relationships with skilled managers may also be developed during the investment process.

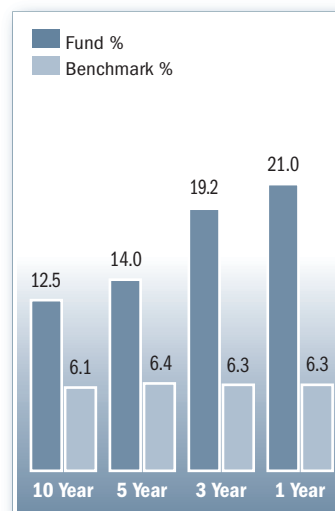
MARKET REVIEW AND OUTLOOK

The strong Canadian economy and increased consumer confidence meant that 2006 was an exceptionally strong year for Canadian real estate; this is expected to continue into 2007.

There was an increased demand for office space, and since 2003, market vacancies have steadily declined from 10.8 per cent to 6.5 per cent. Decreasing availability and continuing demand allows bcIMC to expect continued favourable office market conditions for 2007. Similarly, the strong economy, boosted by relatively high commodity prices, is driving the industrial market in Calgary and Vancouver. Demand and supply of industrial space remained active and in balance, and brisk leasing activity and declining vacancy rates across Canadian markets are expected to continue.

Realpool Fund Performance

Annualized returns for the periods ended March 31, 2007





PILLAR 1: INVESTMENT RETURNS

The robust economy and worker migration increased demand for rental housing in western Canada, increasing rental rates and tightening the overall market. With the rising costs of new construction, and the declining affordability of home ownership, we expect the demand for rental accommodation to continue. The retail sector remains attractive; increased consumer confidence contributed to strong retail sales, and stable interest rates have translated into healthy consumer spending.

The global real estate markets continued to see an abundance of capital, and a strong demand for income-producing properties, which inevitably has led to diminishing returns. In Europe, a growing economy and increasing employment helped reinforce the demand for office and retail properties and affordable housing. Japan's office and retail sectors also strengthened, driven in part by corporate expansions and improvements in labour market conditions. And despite political unrest in Mexico, its economy continued to grow, and the middle-class spurred demand for retail and residential property. However, the slowing growth of the U.S. economy is likely to affect real estate sectors in northern Mexico.

PORTFOLIO ANALYSIS

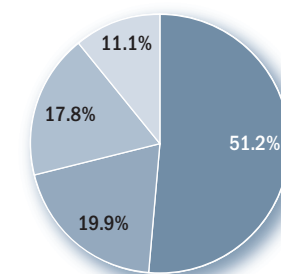
Domestic real estate had another strong year with a 21.0 per cent return. The robust economy and unprecedented demand for commercial and residential real estate by both domestic and foreign investors has contributed to the return. Investments in international real estate funds made at the start of the international program (1999) are well into their liquidation phase. Sales of these assets are benefiting from strong market conditions, and in most cases achieving expected or higher-than-expected fund returns. The more recent international funds continue to acquire assets in an increasingly competitive environment.

Certain funds have taken the opportunity to sell properties ahead of schedule and at prices that are above underwriting values. Direct investments in Mexico, the U.S., and the United Kingdom have all benefited from strong markets.

HIGHLIGHTS

- Acquired 11 Canadian properties for approximately \$500 million. These acquisitions included over three million square feet of rentable office, industrial, and retail space, as well as over one thousand acres of developable land. This includes the purchase of the SUN-X portfolio in Manitoba, a 46-building industrial portfolio including 35 acres of developable land;
- Developed 701,000 square feet of office, retail, and industrial use, and managed 13 active developments throughout Canada;
- Realized \$107 million through the sale of five properties - retail, office, industrial properties, and land;
- Purchased an interest in Bentall Capital LP - a real estate advisory and services organization supplying asset management, property management, leasing, and development services to major institutional and private investors in Canada and the U.S.;
- Committed to the Brascan Brazil Real Estate Partners Fund - an investment in premier shopping centre assets in Brazil's major markets; and
- Purchased interests in two U.S. based real estate advisory firms in partnership with SITQ and Bentall Management.

Domestic Real Estate Assets by Product Type
As at March 31, 2007



	%
Office	51.2
Residential	19.9
Industrial	17.8
Retail	11.1

Strategic Investments and Infrastructure

tangible assets with favourable risk-return characteristics that have the potential for stable returns and cash flows over the longer term

bcIMC began this program in 2002, offering clients the ability to gain investment exposure to assets traditionally associated with the core infrastructure of modern economies. Investments are global in scope and may cut across traditional asset class boundaries; a single investment may include fixed income, real estate, and public or private equity.

As of March 31, 2007, this program was over \$2.3 billion in size, of which \$900 million was committed during the last fiscal year. The program consisted of ten fund investments that are managed by external general partners and nine direct investments.

ADDING VALUE

The focus of this program is to invest in strategic companies or stable, cash-yielding regulated assets which through holding long-term offer the potential to produce attractive returns within a relatively low risk context. This program invests in both publicly traded securities and privately negotiated transactions.

Preferred assets include regulated and long dated contracted infrastructure, including pipelines, electricity transmission lines, airports, roads, and bridges, as well as companies with tangible assets such as oil reserves and timberland. Structured and managed correctly, these assets hold the potential to provide strong cash flows and investment yields and stable returns.

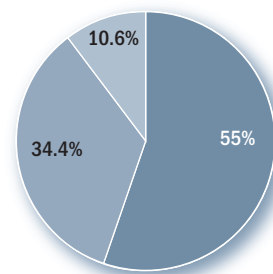
Investments are also made in companies that will emerge to provide infrastructure type returns or are viewed as potential strategic long term investment positions. Individual investments, particularly those within the private equity markets, often require holding periods for a minimum of 15 to 20 years, matching well with the long-term focus of many of our clients.

REVIEW AND OUTLOOK

During the year, we evaluated a number of potential private market infrastructure investments. This included review of opportunities in the waste and wastewater sector, electricity transmission, ocean port container terminals, and natural gas

Strategic Investments and Infrastructure Fund

By asset class, at March 31, 2007



	%
Private Placements	55.0
Equities	34.4
Real Estate	10.6



PILLAR 1: INVESTMENT RETURNS

storage and distribution assets. After conducting extensive due diligence, we acquired significant direct interests in Transelec S.A., Corix Group, Inc., Aquarion Water, and Thames Water.

The public equity component of this program consists primarily of investments in Canadian companies engaged in the production of energy and materials, transportation, and asset management. Other commodity-related investments, such as timberland, are also held through the real estate component of this program.

We believe that the long-term outlook for infrastructure and related assets remains strong. Economic growth and broadening global trade continue to spur strong demand for investment in new infrastructure and maintenance of existing assets.

HIGHLIGHTS

We acquired significant interests in several core infrastructure assets:

- **Transelec S.A.** – we participated with Brookfield Asset Management in the U.S. \$1.55 billion acquisition of Transelec S.A. from Hydro Quebec. Transelec S.A., the largest electricity transmission company in Chile, owns and operates over 8,000 kilometres of transmissions lines and 51 substations. The company supplies power to 99 per cent of the Chilean population.
- **Corix Group** – we acquired an interest in Corix alongside general partner CAI Capital Partners & Co. The company operates 105 water, wastewater, and energy systems throughout western Canada, holds 50 per cent of a

privately-held regulated utility that provides water and wastewater services to customers in Alaska, supplies waterworks products in western Canada, and offers metering services throughout North America.

- **Aquarion Water** – we committed to purchase the company alongside Macquarie Essential Assets Partnership. Aquarion Water is one of the ten largest investor-owned water utilities in the U.S. and the largest privately-owned water utility in New England. The company provides regulated water treatment and distribution services to over 200,000 households and businesses located primarily in Connecticut, New York, New Hampshire, and Massachusetts.
- **Thames Water Holdings PLC** – we acquired this company alongside Macquarie and other investors. With over 4,000 employees, it is the largest water and wastewater treatment company in the United Kingdom, with eight-million water customers and 13-million sewerage customers in London and southeast England.

Regional Allocation of Strategic Investments and Infrastructure Fund

As at March 31, 2007



Risk Management

*identifying and managing risk
is as important as generating
returns*

bcIMC's RISK MANAGEMENT ENVIRONMENT

Risk management is a comprehensive process that requires communication, judgement, and knowledge of capital markets, investment products, legislation, and other guiding principles. Our Board manages bcIMC's strategic risk, monitors situations that could affect our reputation, and ensures that the enterprise-wide risk management framework is functioning effectively. The CEO/CIO, supported by the five risk management leads, reviews the policy framework and practices and oversees the corporate-wide implementation of risk management measures. Our framework aims to ensure that strategic, reputation, investment-related, legal, and operational risks are identified, assessed, managed, and monitored.

Going forward, our Internal Auditor will systematically review our risk control activities, identify areas for improvement, and interact with the risk management leads. The Internal Auditor reports to the CEO/CIO and the Audit Committee.

Senior management plays an active role in risk



management. Each department prepares and maintains operational risk registers that are regularly discussed with the CEO/CIO and the risk management lead.

These registers are summarized to provide a corporate perspective and reported to the Board at each quarterly meeting.

Considerable importance is placed on upholding an ethical environment. Adherence to the Code of Conduct is required at all times, and each year the Board reviews a compliance report. Corporate policies that outline accountabilities and authorities are

regularly reviewed and posted to the staff intranet. In addition, confidentiality walls around asset classes engaged in direct investments are established to protect against inadvertent insider trading violations.

CONTINUING DEVELOPMENT OF bcIMC's RISK FRAMEWORK

Our risk management framework is not static; we regularly review our existing framework and seek ways to enhance our risk management processes.



PILLAR 2: RISK MANAGEMENT

A priority for the year was the review of the Credit Risk Policy. While bcIMC has credit risk policies in place, the revised policy provides a framework for the management of credit risk throughout bcIMC. Credit risk exposure within areas such as fixed income, securities lending, mortgages, and approved brokers and derivatives counterparties are addressed.

Market risk is inherent in investment management; we research and develop policies for measuring and responding to market risk, and assess asset mix combinations and investment strategies. Measurement is equally important, and the implementation of a pilot Risk Measurement system was a key initiative. With the assistance of this system, we will be able to more effectively measure the market risk exposure of certain portfolios and strategies. Information from this system will be an important part of monitoring results and the on-going management of our clients' assets.

Our Environmental Risk Management Framework outlines the environmental policies and procedures that are required to manage both existing and potential risk. To ensure corporate awareness of environmental risks and an understanding of the impact on the investment process, educational sessions involving environmental experts were arranged throughout the year.

Similarly, ensuring that staff are adequately informed of changes within the legal framework is an ongoing priority. With the assistance of external counsel, we implemented a system that enables staff to be notified of legal developments in a timely fashion and also allows for regular discussions with legal counsel on their implications.

Our frameworks are based on a self-assessment of risks, and independent reviews ensure that we are comprehensive in identifying risks and accurate in assessing and mitigating the risks. During the year, a review of our Environmental, Legal, and Operational Risk Management Frameworks by Deloitte and Touche was initiated, with completion expected in the first half of the new fiscal year.

our risk management framework is not static; we regularly review our existing framework

In addition, the rigorous Section 5970 audit of the Report on Controls over the Investment System, conducted by KPMG LLP, demonstrated that we have made improvements to a generally strong financial reporting and control environment.

ENSURING THE CONTINUITY OF OUR BUSINESS

Our business continuity planning (BCP) involves the development, maintenance, and testing of action plans to respond to a crisis, disaster, or risk event that threatens the ongoing operations of the corporation. This ensures that our processes continue with minimal adverse impact on clients, investments, and our staff.

During the year we secured a permanent out-of-province recovery site that will allow us to continue operations in the event of a widespread disaster in the Victoria and Lower Mainland area.

We successfully completed a number of disaster recovery tests. Results from these exercises were analyzed, and our recovery plans were updated where necessary.

Responsible Investing

bcIMC aims to add value by taking into account the non-financial issues that impact long-term investment performance

For investors with long-term liabilities, such as our pension clients, the performance of the investment over the extended period is of greater importance than the quarter-to-quarter performance. With fiduciary obligations at the forefront of our actions, we aim to add value by taking into account the issues that impact long-term investment performance.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ADVOCACY

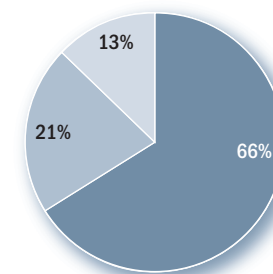
Shareholders can influence the affairs of a corporation in which they invest by exercising their proxy voting rights and directly engaging management and directors. We actively use both mechanisms to encourage portfolio companies to strive for high environmental, social, and corporate governance standards.

The promotion of strong corporate governance policies is an ongoing commitment. We believe that well-governed companies will generally outperform others and can attract investors to finance further growth, while poor corporate governance policies weaken a company's potential. More recently, we have used our investor influence to ensure that portfolio companies are developing responsible environmental and social policies. We believe that poor environmental and social policies can damage a company's reputation

and long-term financial performance.

We substantially revised our Corporate Governance Guidelines to reflect our clients' interest in global diversification and responsible investing. The revised Guidelines reflect our good governance expectations of the international companies our clients own and reinforce our strategic goal of being in the forefront of the industry on governance and corporate responsibility matters. The new Corporate Governance Principles and Proxy Voting Guidelines will be published in 2007.

2006-2007 Proxy Votes by Region



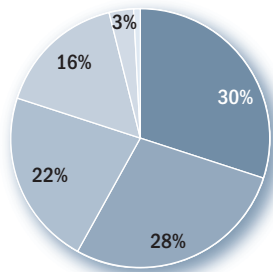
Geographic Region	%
United States	66
Canada	21
International	13



PROXY VOTING: On behalf of our clients, we vote on all resolutions at the annual general meetings (AGMs) and extraordinary general meetings (EGMs) of the Canadian and U.S. companies in which we invest. We also vote at the AGMs and EGMs of the most valuable international companies our clients own (the largest 75 per cent, by market capitalization, of non-North American holdings). Voting is one of the primary ways in which we use clients' share ownership rights to encourage high standards of corporate governance and social and environmental responsibility, thereby

enhancing company financial performance and shareholder value.

2006 - 2007 Proxy Votes by Category



	%
Shareholder Rights	30
Board of Directors	28
Auditor	22
Executive Compensation	16
Environment and Social Responsibility	3
Takeover Protection	1

A review of bcIMC's proxy voting record for 2006-2007 shows that we opposed management almost 40 per cent of the time on a total of nearly 5,300 agenda items. We opposed proposals involving executive compensation 70 per cent of the time, and we voted against 37 per cent of the company takeovers/mergers and acquisitions proposals; as for requests related to community health and safety, human rights, labour, and the environment, we voted in support of almost 50 per cent of the proposals.

ENGAGEMENT: We directly engage with companies in discussion on environmental, social, and governance (ESG) issues. These interactions, while allowing us to better understand the policies of the companies we invest in, also form a key part of our equity investment process given the importance our portfolio managers attach to the role directors play in overseeing the direction and management of a company.

Highlights of the past year include:

- Contacting portfolio companies domiciled in British Columbia regarding the disclosure and management of their greenhouse gas emissions and encouraging their participation in the fifth Carbon Disclosure Project;
- Communicating with companies about reforming their director election process from a plurality standard to a majority vote; as of March 31, 2007, approximately 60 Canadian companies had adopted a majority vote policy; and

Engagement Themes in 2006-2007	
Theme	Number of Discussions
Board Policies	43
Environmental Risk Management	31
Exercise of Voting Rights	29
Dividend Policy	24
Executive Compensation	11
Employee Relationships	11
Community Relationships	7
Capital Structure	6
Takeover Protection	3
Auditor	2
Board and Committee Structure	2
TOTAL	169

Responsible Investing

- Encouraging several foreign companies to increase their dividend payout in the coming year or to provide an adequate explanation for their retention of capital. Our engagement has been successful as we have started to see higher dividend payout ratios from these companies.

COLLABORATION: Through coalition networks, bclMC collaborates with like-minded investors to add resources and heft to our engagement efforts.

bclMC collaborates with

- ~ *Asian Corporate Governance Association (ACGA)*
- ~ *Canadian Coalition for Good Governance (CCGG)*
- ~ *Carbon Disclosure Project (CDP)*
- ~ *International Corporate Governance Network (ICGN)*
- ~ *Investor Network on Climate Risk (INCR)*
- ~ *Responsible Property Investing Project (RPI)*
- ~ *UNEP Finance Initiative (UNEPFI)*
- ~ *UN Principles for Responsible Investing (PRI)*

In 2006, we were the only Canadian manager among a group of U.S. institutional investors who requested that the U.S. Securities and Exchange Commission provide improved guidance and enforcement of U.S. company disclosure requirements particularly related to the financial risks of climate change.

TRANSPARENCY: In the past year, we modified our website to include a Responsible Investing section that discloses our philosophy, approach, standards, and reporting on ESG matters. This section is updated with news items, such as speeches made by our staff, submissions, research papers, and conferences on corporate governance and corporate responsibility topics. On a quarterly basis, we post our complete proxy voting record and highlights of our responsible investing activity.

RESPONSIBILITY IN OUR INVESTMENT PRACTICES

In response to client demand, we expanded our product range to include socially screened equities. The U.S. Social Index Fund, operational since November 2006, is benchmarked against the Domini Social Index 400, which incorporates environmental, social, and governance principles in its index membership selection process.



PILLAR 3: RESPONSIBLE INVESTING

Responsible property investing is a major focus of our real estate investments, and during the year we further clarified our philosophy and goals. While this spells out our future path, bcIMC is already well on its way to incorporating environmentally sound practices into our real estate initiatives.

In fiscal 2007, we committed to 1.3-million square feet of development that will be a minimum of LEED certified. Over 50 per cent of our office portfolio is BOMA Go Green certified, and over two million square feet has BOMA Go Green Plus certification. Two retail properties received BOMA Go Green certification, with Willowbrook Shopping Centre being the first regional shopping centre in

British Columbia to be certified. In our industrial portfolio, 1.7 million square feet met BOMA Go Green standards in 2006.

Our mortgage program also gives consideration to environmentally sound developments. While we will give preference to these projects, loans are evaluated in line with our clients' risk-return requirements. bcIMC has financed a construction loan for a mixed-use LEED Platinum building with more than 33,900 square feet of commercial space and over 120 condominium units. During the year, we also committed about \$70 million to finance 700 residential units for seniors throughout Canada.

*responsible property investing
is a major focus of our real
estate investments*

The promotion of good governance is an established part of bcIMC's public equities program. We are broadening our interest in good corporate governance to include the private companies in which our Private Placements program invests. The initiative is expected to result in a list of recommendations to be made to the boards of directors, management teams and advisory committees of companies in which bcIMC becomes a direct or co-investor. The recommendations are expected to include proposals relating to director independence, executive remuneration, risk management and, for companies working in environmentally sensitive or hazardous businesses, health, safety and environmental best practices. An initiative has also been started to formalize the relationship and responsibilities of directors who are requested to serve on the boards of directors of companies as bcIMC's nominee.



Willowbrook Shopping Centre is the first regional shopping centre in British Columbia to receive BOMA Go Green certification.

Building bcIMC/Client Service

bcIMC's success as an investment manager is largely dependent on its highly skilled and experienced team, use of quality information technology, and responsive client servicing

PROVIDING CLIENT SERVICE

Aligning service to client priorities is a key focus for bcIMC and is increasing in importance as the investment markets become more competitive, client expectations change, and investment mandates become more complex.

We ensure client satisfaction by:

- Seeking to deliver the highest returns for a given level of risk;
- Working in partnership with our clients to understand their goals and investment needs; and
- Developing investment products that are in the financial best interests of our clients.

While providing client service is a corporate priority, bcIMC has a team that provides specialist client relationship services, complementing the skills of our investment team. Our client services analysts, who have investment-related backgrounds, provide a link between determining the needs of our clients and the technical aspects of the investment processes, as well



our client services team ensures that the lines of communication are kept open

as responding to client queries on general investment advice, governance, responsible investing, and risk-related issues.

Working in partnership with our clients means that we are involved with our clients throughout the investment process. This partnership begins with a

two-day Orientation Session, where new pension trustees are introduced to bcIMC's asset classes, the client services and investment team, as well as investment activities such as corporate governance and risk management. A concerted effort is made throughout the investment process to

engage our clients and their governing fiduciaries on matters affecting their objectives. Our client services team ensures that the lines of communication are kept open and that queries and requests are resolved in a thorough and timely basis. In addition to regular meetings, personal interactions, and discussions, our clients receive reports with updates on market trends, emerging issues, performance, responsible investing activities, and bcIMC's ongoing initiatives.



In the past year, client service was enhanced through initiatives that improved client communication, client education, and interaction between bcIMC and our clients. We introduced webcasts, allowing clients to participate in virtual meetings and discussions on the capital markets, the economic outlook, and other issues of interest. Webcasts are also posted to the extranet sites of our largest clients.

aligning service to client priorities is a key focus

Client education remains a priority with the presentation of information sessions at various client meetings. Enhancing our clients' understanding of the capital markets is a key aspect of our service, and in 2006 we interacted with them on risk measurement and furthered their understanding of investing in private equity and real estate. Another initiative included the preparation of a display that showcased bcIMC's asset classes and allowed our investment team to interact with the plan members of one of our largest clients. In addition, our continued participation in the B.C. Public Sector Pension Conference allows bcIMC to profile trends and new investment thinking.

We enlarged the client services team in 2006 and will continue to recruit additional client specialists in 2007. New client specialists undergo extensive training to familiarize them with our products and services, risk management, performance reporting, and the requirements of each client. Training and development of our client analysts is an ongoing priority.

OUR INFORMATION TECHNOLOGY

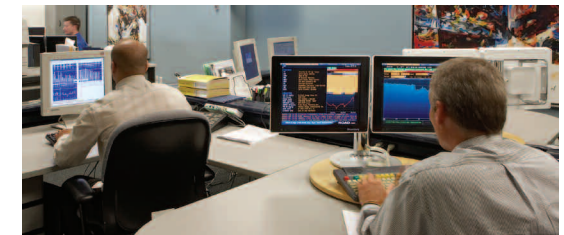
Continuous review and improvement of systems applications and technical architecture is necessary for bcIMC to remain in tune with the global markets and our client needs.

The enhancement of our trading systems and capabilities was a priority for the year. Our public equity trading systems now allow for algorithmic trading and direct market access.

An electronic fixed income trade order management system, also implemented during the year, allows for straight through processing of Canadian fixed income securities while at the same time strengthening controls.

The establishment of the systems architecture for bcIMC's in-house mortgage servicing initiative was another priority. The functionality and reporting capabilities of the existing software were improved, and applications for the electronic collection of mortgage payments were implemented. The portfolio management and reporting systems supporting the new investment products were also completed during the course of the year.

Successful investment and risk management depends on the quality and timeliness of information that our people have. This is an ongoing initiative,



investment and risk management depends on the quality and timeliness of information

Building bcIMC/Client Service

and in the past year we enhanced our asset allocation system, as well as our exposure systems to include country and sector information. In addition, our real estate systems were adapted to allow our portfolio managers to measure and monitor risks associated with tenant exposure. We also started a three-year project that involves the migration of our legacy applications and architecture to improved technology that will facilitate enhanced integration and the easier exchange of information.

While having readily available information is crucial to our business, its protection is equally important. Security enhancements ensure that security patches are regularly installed and that our infrastructure is protected from spyware and adware. In addition, our electronic information is backed-up in an earthquake-free location, thereby allowing bcIMC to continue to provide investment management services in the event of a disaster.

Attention was also given to addressing the issues raised by the 2005-2006 Section 5970 Report on Controls over the Investment System audit. The adjustments were reviewed by KPMG LLP in the 2006-2007 audit, and our systems now meet the rigorous Section 5970 standards.

COST EFFECTIVENESS

Providing investment management services at a reasonable cost is one of our operating principles. The size of assets under administration and the pooling of clients' assets offer economies of scale that reduce costs, enabling us to charge our clients lower fees relative to our peer group. Cost advantages are also achieved by managing 62 per cent of assets internally.

Our fee structure is related to the types of assets under management and to the proportion of assets in clients' portfolios that are managed externally. If a client shifted their assets towards direct private investments and away from the public markets, or from an indexed approach to active management, this will generate higher costs for bcIMC and result in higher fees for the client.

For 2006-2007, our operating costs were 17.6 cents per \$100 of assets under administration. According to the independent studies by the Cost Effectiveness Management Inc., our fees continue to be among the lowest per dollar of assets managed in the industry.



OUR PEOPLE

Our people and their expertise is the foundation of bcIMC's ability to deliver the investment returns that our clients expect.

OUR TEAM: We have a highly skilled, result- and service-oriented team that is passionate about the investment industry. Our team is a culturally diverse group of highly educated individuals whose combined focus on client services, risk management, and first-class ethics have allowed and will continue to allow bcIMC to deliver positive results. Within bcIMC, seasoned professionals manage our clients' portfolios and also mentor bright new investment professionals, creating an innovative and creative work environment that proactively seeks investment opportunities and business efficiencies.

BUILDING OUR TEAM: bcIMC is growing and the strength and quality of our team plays a fundamental role in our continued success. In the past year, we devoted considerable energy to the expansion of the team and recruitment of new staff members.

Growth in Staff Complement

For the year ended March 31

Year	# of Employees
2000	63
2001	81
2002	89
2003	93
2004	98
2005	105
2006	116
2007	129

Effective April 1, 2006, the Board approved the creation of 11 new positions, and by year-end we had a staff complement of 129 positions. Additional capacity was assigned to the functions of portfolio management, client relationships, legal and accounting services, as well as other support-related roles. This growth is necessary as many of our clients have complex mandates that require specialized services. Our investment management operations and product lines have also increased in complexity, necessitating the need for additional expertise in investment processes and related functions. Looking ahead, we anticipate that our staff complement will continue to expand and that additional positions will be created throughout the corporation.

*our people and their expertise
is bcIMC's foundation*

In recognition of the importance placed on hiring highly specialized professionals who, above all, share our business ethics, we apply disciplined due diligence in the selection of new employees. Successful recruiting requires that we be innovative and assertive in our recruiting activities, with preference given to high potential candidates who are suited to our corporate culture and capable of growing under the guidance and mentorship of our senior investment professionals. During the year, our recruiting activity focused on filling the newly created positions and the vacancies that occurred, resulting in the hiring of 23 individuals on a permanent basis, four temporary hires, and 11 internal transfers and promotions.

As we become more global in our investment outlook and operations, diversity of skills and exposure to global economies becomes an increasingly important aspect of the bcIMC team. Our staff have garnered international awareness and credibility, and have business contacts in various countries that

Building bcIMC/Client Service

our people have a variety of professional designations including:

- ~ Chartered Financial Analyst*
- ~ Chartered Alternative Investment Analyst*
- ~ Certified Financial Planner*
- ~ Certified Real Estate Finance Professional*
- ~ Accounting (CA, CGA, and CMA)*
- ~ Certified Human Resources Professional*
- ~ Associate Business Continuity Professional*
- ~ Microsoft Certified Solution Developer*

are advantageous when seeking potential investment opportunities. We celebrate cultural diversity and view differences of perspectives as an opportunity to leverage a creative and high performance work environment.

DEVELOPING OUR TEAM: We rely heavily on the intellectual capital possessed by our staff in all areas of expertise associated with business, global investments, and information technology. At times, sourcing this expertise can be challenging, demanding that we "grow-our-own" staffing requirements by ensuring that the skills and knowledge of the team are continually enhanced.

We provide staff with an opportunity to work in a challenging and rewarding environment. New staff members participate in an orientation program and are then rapidly integrated into the bcIMC team. Investment deals and projects that at times may involve a variety of professional disciplines, also provide for a stimulating work experience.

Maintaining skills and knowledge in the dynamic and specialized world of investment management is essential. Our team continues to enhance their expertise with training and professional development. We encourage our support staff to enrol in investment-

related courses such as the Canadian Securities Course, thereby ensuring that there is foundation of investment-related knowledge throughout our staff complement. Staff seeking to obtain professional designations in areas such as financial and investment analysis, accounting, information technology and other areas relevant to our core business, are also encouraged. Leadership and management skills are equally important and we support strategically selected staff in enhancing their leadership capacity through programs offered by universities.

The training and development activity provided through academic sources is complemented by on-site sessions by prominent investment analysts and guest speakers addressing topics of current interest. We also deliver on-site workshops and roundtable discussions on business-related subjects that are of corporate-wide interest, at times inviting external professionals or using our own expertise to share knowledge and theories. In addition, we encourage our staff to participate in conferences and seminars, and to also share their knowledge by speaking, lecturing or tutoring in a range of investment-related conferences and courses.



AN EMPLOYER OF CHOICE: Our investment performance and reputation is critical to our ability to retain our clients. We believe that the professional people needed to deliver consistent and market-competitive results seek not only a stimulating working environment, but also recognition and reward for their achievements.

*a challenging and rewarding
work environment*

We recognize the need to balance attractive remuneration with the importance of providing a reasonable-cost service for our clients. Yet, our compensation and incentives must be competitive within the investment industry to attract and retain the high calibre staff our clients expect.

Compensation is based on the philosophy set by our Human Resource and Compensation Committee and approved by the Board of Directors. In setting our remuneration and incentive policies, we believe that they must:

- Align with bcIMC's business strategy and the interests of our clients;
- Be competitive against industry benchmarks; and
- Recognize superior performance.

Our current compensation philosophy is to target the median among other large in-house pension fund managers in Canada. Taking into account the competitive recruitment environment within the industry and the need to recruit and retain talented professionals, our Human Resource and Compensation Committee reviewed the existing compensation philosophy. Going forward, our philosophy is to pay median base salary levels among

large in-house public pension fund managers in Canada, complemented by performance incentive plans designed to foster alignment of employee interests with those of our clients. The revised philosophy will come into effect in April 2007.

Our compensation structure consists of base salary, performance-based remuneration, and a comprehensive benefit coverage.



*our offices are located in the scenic Selkirk Waterfront in
Victoria, British Columbia*

Our Board of Directors



Front left, seated: Chris Trumpy.
 Back, left-right: Paul Martin, Joan Axford, John Wilson,
 Sid Fattedad, Frank Leonard.
 Pictured at left; Bob Elton.

CHRIS TRUMPY, CHAIR

Victoria, British Columbia.

Date Joined Board: November 1999.

Current term to June 5, 2008.

Independent. Appointed by B.C.'s Minister of Finance.

Chris Trumpy is B.C.'s Deputy Minister of the Ministry of Environment and previously the Deputy Minister of the Ministry of Sustainable Resource Management, the Deputy Minister of the Ministry of Finance and Corporate Relations, as well as the Deputy Minister of the Ministry of Provincial Revenue. Chris is a Certified General Accountant and holds a B.Comm from the University of British Columbia.

bcIMC Committees:	Chair Audit Committee
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Chair Positions:	Term
Land and Water British Columbia Inc.	2004 - 2006

Directorships During the Last Five Years:	Term	Committee Appointments
Fraser Basin Council	2004 - present	-
Land and Water British Columbia Inc.	2004 - 2005	-

Other Appointments:	Term	Committee Appointments
Living Rivers Trust Advisory Committee	2005 - present	-
Pacific Salmon Endowment Fund Society (ad hoc member)	2005 - present	-
Westshore Basketball Society	2006 - present	-

JOAN AXFORD, DIRECTOR

Victoria, British Columbia.

Date Joined Board: November 1999.

Current term to December 31, 2008.

Independent. Appointed by the Teachers' Pension Board of Trustees.

Joan Axford is the Secretary-Treasurer for School District No. 63 (Saanich) and has been involved in public education since 1983. This included work with school districts and the Ministry of Education. Joan is a professional accountant and holds a CMA designation.

bcIMC Committees:	Chair Human Resources and Compensation Committee
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Other Appointments:	Term	Committee Appointments
Teachers' Pension Plan (Trustee)	1999 - present	Benefits and Communications Committee

BOB ELTON, DIRECTOR

Vancouver, British Columbia.

Date Joined Board: January 2003.

Current term to December 31, 2007.

Independent. Appointed by B.C.'s Minister of Finance.

Bob Elton is the President and CEO of BC Hydro. Prior to this, he served as Executive Vice President, Finance and Chief Financial Officer of BC Hydro and as Chief Financial Officer of Powerex, a subsidiary company of BC Hydro. Previously, he was a partner with PricewaterhouseCoopers LLP and the Chief Financial Officer of Eldorado Gold Corporation. Bob is a Chartered Accountant, a Chartered Business Valuator, and a Fellow of the Institute of Chartered Accountants of British Columbia. Bob holds a M.A. from Cambridge University, United Kingdom.

bcIMC Committees:	Member of the Audit Committee
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Chair Positions:	Term
Canadian Business for Social Responsibility	2004 - present

Directorships During the Last Five Years:	Term	Committee Appointments
Accenture Business System for Utilities	2003 - present	-
Simon Fraser University	2006 - present	-
Vancouver Board of Trade	2004 - present	-

Our Board of Directors

SID FATTEDAD, DIRECTOR

Vancouver, British Columbia.

Date Joined Board: November 1999.

Current term to April 30, 2008.

Independent. Appointed by B.C.'s Minister of Finance.

Sid Fattedad is the Chief Financial Officer for WorkSafeBC. Previously, he was the Senior Vice President of Customer Service for Canadian Pacific Airlines and held other executive management positions during his 25 years at the corporation. Sid is a Fellow of the Certified General Accountants Association of Canada, and is a recipient of the prestigious John Leslie Award from the Association for exemplary public service. He is also a recipient of the Canada 125 Award for outstanding service to Canada.

bclMC Committees:	Member of the Human Resources and Compensation Committee
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Chair Positions:	Term
Coast Mountain Bus Company	2005 - present

Directorships During the Last Five Years:	Term	Committee Appointments
Coast Mountain Bus Company	2005 - present	-
Industrial Alliance Pacific	2007 - present	Audit Committee Finance Committee House Committee Pension Committee
Terminal City Club of Vancouver	2002 - present	-

Other Appointments:	Term	Committee Appointments
WCB Superannuation Plan (Trustee)	1994 - present	-

FRANK LEONARD, DIRECTOR

Saanich, British Columbia.

Date Joined Board: January 2007.

Current term to December 31 2009.

Independent. Appointed by the Municipal Pension Board of Trustees.

Frank Leonard is the Mayor of the District of Saanich and was first elected in 1996 after serving on the Council since 1986. Prior to his election as Mayor, Frank managed three Victoria Tire Ltd. Stores in Greater Victoria. He is active on boards and committees of community and business organizations in Victoria; he was the President of the Greater Victoria Chamber of Commerce in 1985 and served as a director of Tourism Victoria as well as the Greater Victoria Economic Development Commission. Frank is currently a part-time business management instructor at the University of Victoria and was an MBA advisor at Royal Roads University. He holds a B.A. (Honours) and a M.A. from the University of Victoria.

Chair Positions:	Term
Municipal Finance Authority	2000 - present
Saanich Police Board	1996 - present
Union of B.C. Municipalities	2003 - 2004

Directorships During the Last Five Years:	Term	Committee Appointments
Capital Regional District and Capital Regional Hospital District	1987 - present	Finance and Administration
Federation of Canadian Municipalities	2006 - present	Community Safety
F.V. Leonard Holdings Ltd.	1974 - present	-
Union of B.C. Municipalities	1999 - 2005	-
Victoria Regional Transit Commission	1996 - present	-
Victoria Tire Ltd.	1974 - present	-

Other Appointments:	Term	Committee Appointments
Municipal Pension Plan (Trustee)	2002 - present	Investment Committee Employer Eligibility Committee

PAUL MARTIN, DIRECTOR

New Westminster, British Columbia.

Date Joined Board: September 2001.

Ended March 31, 2007.

Independent. Appointed by the Public Service Pension Board of Trustees.

Paul Martin is the Staff Representative for the B.C. Government and Services Employees' Union. As a social policy researcher, Paul has worked exclusively on pensions and pension policy since 1987. He has been on the consultative and advisory boards of the Public Service and College Plans, participated in the Canadian Pension and Benefits Institute, and is a member of the Pension Benefits Standard Advisory Council and the National Union of Public and General Employees Pension Committee. Paul holds a B.A. from the University of Victoria and a diploma in Public Sector Management from the School of Public Administration, University of Victoria.

bcIMC Committees:	Member of Human Resources and Compensation Committee
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Other Appointments:	Term	Committee Appointments
Regional Council of the Canadian Pension and Benefits Institute Pacific	2004 - present	-
College Pension Board of Trustees (Alternate)	2001 - present	-
Public Service Pension Board (Trustee)	2001 - present	-

JOHN WILSON, DIRECTOR

New Westminster, British Columbia.

Date Joined Board: September 2005.

Current term to August 31, 2007.

Independent. Appointed by the College Pension Board of Trustees

John Wilson is an instructor at the School of Business, Capilano College. Previously, he was a general practice manager and computer audit specialist with Coopers & Lybrand and was one of Canada's early Certified Information Systems Auditors. After joining Capilano College, John became involved in the faculty association and has acted as Chief Negotiator and Chief Steward and is currently the President. John has been active on pension issues for nearly 20 years and is involved in provincial pension issues on behalf of the Federation of Post Secondary Educators of B.C. John is a Chartered Accountant and recently obtained the ICD.D certification.

bcIMC Committees:	Member of the Audit Committee
--------------------------	-------------------------------

Chair Positions:	Term
British Columbia Pension Corporation	2000 - 2001 2002 - 2003 2004 - 2005
Capilano College Faculty Association	2006 - present
Congregation of Shiloh-Sixth Avenue United Church	2004 - 2006
Federation of Post Secondary Educators Pension Advisory Committee	2002 - 2004

Directorships During the Last Five Years:	Term	Committee Appointments
British Columbia Pension Corporation	2000 - 2005	Audit and Finance Committee Human Resources Committee
Capilano College Faculty Association	1986 - 2006	Joint Standing Committee Bargaining Committee
iGEN Knowledge Solutions	2000 - present	-

Other Appointments:	Term	Committee Appointments
College Pension Plan (Trustee)	2000 - present	
Congregation of Shiloh-Sixth Avenue United Church	2004 - 2006	Joint Needs Assessment
United Church of New Westminster	2002 - 2004	Joint Needs Assessment

Our Corporate Governance

the Board of Directors is responsible for overseeing the operations of bcIMC, for reviewing and monitoring the performance of the CEO/CIO, and for providing proper reporting and accountability to bcIMC's clients

The Board is also required to approve pooled fund investment policies, to select and appoint our CEO/CIO and auditors, to approve the business plan and annual budget, and to establish an employee classification system and compensation scale.

Investment professionals under the supervision of the CEO/CIO make all investment decisions within the framework of the policies approved by the Board and established by bcIMC's clients.

COMPOSITION OF THE BOARD

The B.C. *Public Sector Pension Plans Act* (the Act) requires our Board to have seven directors as follows:

- One director appointed by the College Pension Board from among its members;
- One director appointed by the Municipal Pension Board from among its members;
- One director appointed by the Public Service Pension Board from among its members;
- One director appointed by the Teachers' Pension Board from among its members;
- Two directors, representative of other clients, appointed by B.C.'s Minister of Finance; and
- One other director appointed by B.C.'s Minister of Finance and designated to be the Chair of the Board.

We have made these nominating bodies aware of the criteria relating to knowledge, skills and experience we look for in bcIMC directors. These criteria are disclosed on our website.

BOARD INDEPENDENCE

All directors and the Board Chair are non-executive directors and independent of management. The Board appoints the CEO/CIO and conducts an annual review of his performance.

BOARD ACTIVITY AND COMMITTEES

The Board meets on a quarterly basis. Meetings are scheduled in advance. Additional meetings are arranged when business issues arise and require immediate Board attention. The Board also holds an annual strategic retreat.

The Board has two standing committees:

- The Audit Committee, which meets at least three times a year, is comprised of three directors and oversees bcIMC's audit programs, financial management controls, and financial reporting.
- The Human Resource and Compensation Committee, which meets at least twice a year, is comprised of three directors and reviews matters relating to human resource strategies, compensation philosophy, succession management, performance incentive plans, and employee classification systems.

The CEO/CIO attends all Board and Committee meetings.

DIRECTOR ATTENDANCE

The following table lists the Board and Committee meetings held in 2006-2007 and the number attended

by each director. Directors who are members of Committees are expected to attend Committee meetings; directors who are not Committee members may be invited to attend meetings as a guest.

Director Attendance of bcIMC Board and Committee Meetings				
	Board	Strategy Retreat	Audit Committee	Human Resources & Compensation
	Attended	Attended	Attended	Attended
Chris Trumpy	4/4 (Chair)	1/1	3/3 (Chair)	1/1 ¹
Joan Axford	4/4	1/1		4/4 (Chair)
Bob Elton	3/4	1/1	3/3	
Sid Fattedad	4/4	1/1		4/4
John Johnston	3/3 ²	1/1		
Frank Leonard	1/1 ³	n/a		
Paul Martin	4/4	1/1		4/4
John Wilson	4/4	1/1	3/3 ⁴	4/4 ⁵
Roger Clarke			1/1 ⁶	

¹ Chris Trumpy is not a member of the Human Resources and Compensation Committee but attended one meeting as a guest.

² John Johnston resigned from the Board December 31, 2006.

³ Frank Leonard was appointed to the Board effective January 1, 2007.

⁴ John Wilson attended one meeting of the Audit Committee as a guest before becoming a member of the Committee.

⁵ John Wilson is not a member of the Human Resources Committee but attended four meetings as a guest.

⁶ Roger Clarke, a non-director Audit Committee member was replaced by John Wilson on September 11, 2006.

DIRECTOR ORIENTATION

bcIMC maintains an orientation program for new directors. The New Director Orientation program is comprised of written materials and a scheduled orientation event. Each new director receives a binder with up-to-date information on the functions and responsibilities of the Board, bcIMC's business plan and budget, our organizational structure and risk management program, the Board Recovery Plan, and a report on key operational functions. During the orientation session, bcIMC's values and strategy are outlined and the material within the Binder is reviewed.

CODE OF CONDUCT

The Code of Conduct for Directors, posted on the bcIMC website, prescribes the minimum standard of conduct required of all directors. Directors must make timely disclosure of any direct or indirect interest, material or not, in any proposed or completed bcIMC contract, transaction, or investment. Directors must also abstain from voting on matters in which they have a personal interest.

COMPENSATION

DIRECTOR: The Act provides that bcIMC may pay directors for their service on the Board or Board Committees that is consistent with the Province of British Columbia's Treasury Board guidelines. Directors cannot receive additional remuneration for Board or Committee service if they are already being remunerated, in which case fees may be paid to the directors' employer to compensate the employer for the director's time.

During 2006, and with the assistance of Executive Risk Governance Advisors, the Board reviewed the remuneration for the Board of Directors in comparison with our peer group. The Board concluded that the current provisions for remuneration were appropriate.

EXECUTIVE: bcIMC's reputation and success as an investment manager is largely dependent on the expertise and skills of our employees. Investment management is knowledge-intensive and our activities are conducted with the understanding that we have a fiduciary obligation to act in the best financial interests of our clients. In addition, the ability to achieve the corporation's long-term goals is dependent on the leadership and effectiveness of bcIMC's executive management.

We seek to recruit and retain executive management staff that provide leadership in global investment management and business-related functions. Our executives are remunerated in line with the Board-approved compensation

Our Corporate Governance

philosophy that benchmarks remuneration with the investment industry.

Our compensation structure for executive management consists of a base salary, performance-based remuneration, and a comprehensive benefit coverage. The compensation table represents disclosure of

base salary, annual bonus, long-term incentives, and other compensation earned in 2006-2007 by the five most highly compensated executive officers. Compensation for bclMC's entire staff complement was \$15.8 million.

Executive Compensation Paid in 2006-2007					
Name and Principal Position	Base Salary ¹	Annual Bonus ²	Long-Term Incentive Plan ³	Benefits and Other Compensation ⁴	Total Compensation
Doug Pearce, CEO/CIO	337,496	148,068	65,415	48,034	599,013
Bryan Thomson, VP Public Equities	199,029	74,803	44,440	28,533	346,805
Daryl Jones, VP Consulting and Client Services	179,684	73,780	45,919	28,044 ⁵	327,427
Dean Atkins, VP Mortgages	169,288	73,260	41,684	28,134	312,365
Chuck Swanson, VP Real Estate	169,288	71,010	41,684	26,598	308,579

¹ Base Salary: The 2006-2007 base salary of executive officers is guided by the Board approved compensation philosophy to target median salaries; using relevant market data provided by the external sources of Towers Perrin Investment Management Compensation Survey, and Mercer Canadian Investment Management Compensation Survey.

² Annual Bonus: Our performance-based pay links performance payments to the overall investment performance, the department's role in attaining investment returns and business objectives, as well as the individual's contribution to defined results. Performance of bclMC's products is measured against industry benchmarks, and performance payment is made only if actual performance meets or exceeds the benchmarks.

Every member of the team participates in the Annual Incentive Plan which is calculated as a percentage of salary, weighted to reflect the role and impact the position has on the corporate business. Performance is rated in accordance with three value drivers:

- Total Fund Performance – to align overall employee performance with client expectations and to promote corporate-wide teamwork;
- Business Unit Performance – to recognize both investment and non-investment performance objective achievement of the business unit team; and
- Individual Contribution – to recognize and reward individuals' efforts.

³ Long-term Incentive Plan: Key members of the team have the opportunity to earn additional remuneration under this plan. Payment is calculated as a percentage of base pay; with the first payment being made following four years of employment, and subject to four-year investment returns that exceed their benchmark. This plan is designed to retain key personnel and promote consistently positive, long-term investment returns.

⁴ Other Compensation: Includes employer funded benefits and provisions such as medical, dental, extended health, life insurance coverage, parking, annual vacation, and contributions to a defined benefit pension plan. The employer also contributes to legislated benefits such as Workers' Compensation, Employment Insurance, and the Canadian Pension Plan.

⁵ Includes a payout of vacation entitlement.

BOARD EVALUATION AND ASSESSMENT

In 2006, the directors completed a Board self-evaluation process designed to enable the directors to assess the effectiveness of the Board in key areas and elicit suggestions for improvement. The results were discussed by the Board, which identified issues and areas that required additional or new emphasis. The process is administered by the Human Resources and Compensation Committee.

CONTINUING DIRECTOR EDUCATION

The Continuing Director Education program is a combination of courses and conferences offered by external parties and regular discussions on pre-determined topics with our executive management.

While directors take personal responsibility for selecting educational opportunities, directors are encouraged to enroll in professional development courses and participate in industry-related conferences or seminars.

Continuing Director Education			
Date	Topic	Presented/Hosted By	Attended By
August 27-30, 2006	Alternative Investments	International Foundation of Employee Benefits Investment Institute	Paul Martin
May, June, September November, 2006	Strategic Direction and Risks, Financial Strategy, Risks and Disclosure, Human Performance And Assessing Enterprise Risk, Directing Extreme and Unique Events	Institute of Corporate Directors: Director Certification Course	John Wilson
February 16, 2007	20 Questions Directors Should Ask About Crown Corporation Governance	Institute of Corporate Directors	

All expenses are reimbursed by bcIMC. The Board of Directors' extranet provides directors with an online listing of conferences, seminars, and courses and information related to the event.

GOVERNANCE INITIATIVES

The Board continually reviews and improves its oversight practices to reflect industry guidelines and recommendations. During the year, the Board undertook a range of governance-related initiatives, in particular:

- Appointed Mercer Human Resource Consulting to review and benchmark bcIMC's compensation philosophy and remuneration packages against comparable organizations within Canada;
- Considered the 2005-2006 report on the Section 5970 audit of the Report on Controls over the Investment System and set a more rigorous standard for the audit of internal financial controls;
- Modified the cycle of Board meetings to allow for an increased focus on issues of a strategic nature that may affect bcIMC and deserve consideration and debate; and
- Reviewed and enhanced the New Director Orientation program so as to provide a more focused and concise introduction to bcIMC and the requirements of a director.

The Board also considered a number of initiatives critical to maintaining the proficiency of the corporation.

Highlights include:

- The review and approval in principle of the revised product descriptions of the Pooled Investment Portfolios; and
- The review of business continuity plans and contingency strategies in the event of business disruptions.

Giving Back to the Community

we take pride in being a responsible citizen in the investment industry and our local community

AN ACTIVE PARTICIPANT IN THE INVESTMENT AND PENSION INDUSTRY

We believe that sharing our knowledge and experience with our peers reaps long-term benefits for all parties. During the year, we hosted delegations from Alberta Investment Management, Arizona State Retirement System, and New Brunswick Investment Management Corporation. We were also honoured to host a Japanese delegation from the Pension Fund Association for Local Government Officials, providing us with the opportunity to share our experiences and extend our business networks.

We also provide speakers for industry and educative programs such as conferences, seminars, and industry workshops. In the past year, our staff have shared leading edge thinking at events such as the Calgary Real Estate Forum, Green Mountain Summit on Investor Responsibility, Japan Corporate Governance

Conference, U.S. Bank Economic Outlook Forum, and the Vancouver Valuation Summit.

We are an active participant in industry and professional associations such as the Canadian

Venture Capital Association, the Pacific Pension Institute based in San Francisco, and the Pension Investment Association of Canada. Our staff play an active role in executive and support positions in a range of industry and professional associations such as the Victoria branch of the Chartered Financial Analyst Institute.



doug pearce speaking at the vancouver valuation summit, march 2007

GUIDING THE INVESTMENT PROFESSIONALS OF THE FUTURE

We have established relationships with the business programs of Simon Fraser University, the University of British Columbia, and the University of Victoria. We interact with faculty and students on industry-

related research, oversee and mentor portfolio management simulations, and participate in panel discussions regarding financial trends and issues. We are also represented on the SFU Executive Council, providing advice to the faculty on the course content and future business directions for the MBA program.

During the year, we offered work programs to five students from these universities. During the four month period, students are integrated into the bcIMC team and are assigned projects and tasks related to the daily investment operations. We have also established an internship program where we offer employment to promising students. During the one-year terms, the interns rotate through several departments and gain exposure to the entire organization.

We also advise students on résumés, interview skills, and preparation for a career in the investment industry. Our staff have spoken at university-arranged workshops and participated in mock interviews, at times providing candid yet supportive advice on interviewing for investment-related positions.

CONTRIBUTING TO THE LOCAL COMMUNITY

Our staff continue to support the United Way campaign which assists 41 local charitable organizations. We earned our first Platinum Plaque in recognition of our efforts in achieving an annual dollar value of donations in the top

20 per cent of our industry for 11 consecutive years.

Other staff initiatives include donating to the Burnside Gorge Community Association's Christmas Hampers, which benefits families in need. We also dressed down for one day, wearing jeans to work in support of the BC Children's Hospital Foundation's Jeans Day fundraising event. Our staff also donate blood as a team through the Canadian Blood Services' Partner for Life program.

bcIMC AND THE ENVIRONMENT

We acknowledge our responsibilities as a corporate citizen, and we undertake initiatives to minimize waste and reduce energy consumption within our Victoria office.

Our Annual Report is printed on paper that is made from 100 per cent post-consumer recycled content and is Forest Stewardship Council (FSC) certified. The FSC logo, printed on our back cover, is our assurance that the paper is sourced from suppliers that support the growth of responsible forest management.



our staff participate in corporate challenges such as rowing and marathons, some of which raise funds for local charities and associations

Management's Responsibility for Financial Statements



Location: 3rd Floor, 2940 Jutland Road, Victoria, B.C. V8T 5K6

Mailing Address: PO Box 9910, Victoria, B.C. V8W 9R1

MAY 1, 2007

Responsibility for the integrity and objectivity of the accompanying consolidated financial statements of the British Columbia Investment Management Corporation (the "Corporation") rests with management. The financial statements, which by necessity include some amounts that are based on management's best estimates and judgements, are prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within the framework of the significant accounting policies summarized in the financial statements and present fairly the Corporation's financial position, results of operations, and cash flow. The financial statements have been reviewed and approved by the Corporation's Board of Directors.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records maintained. The internal accounting control process includes management's communication to employees of policies that govern ethical business conduct.

These consolidated financial statements have been examined by the Corporation's independent auditor, KPMG LLP, and their report is presented herein.

A handwritten signature in black ink, appearing to read 'D Pearce', written over a horizontal line.

Doug Pearce
Chief Executive Officer
Chief Investment Officer

A handwritten signature in black ink, appearing to read 'D Woodward', written over a horizontal line.

David Woodward
Vice President, Finance & Operations

Auditor's Report to the Shareholder



We have audited the consolidated balance sheet of British Columbia Investment Management Corporation as at March 31, 2007 and the consolidated statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is stylized and appears to be written in a cursive or semi-cursive font.

Chartered Accountants

Vancouver, Canada
May 1, 2007

Consolidated Balance Sheet

AS AT MARCH 31

ASSETS

Current assets

- Cash and short-term investments *(note 4)*
- Accounts Receivable
 - Direct costs *(note 5)*
 - Fees and other
- Prepaid expenses

Capital assets *(note 6)*

LIABILITIES AND EQUITY

Current liabilities

- Accounts payable and accrued liabilities
 - Direct costs *(note 5)*
 - Other *(note 7 and 8)*

Long-term employee benefits *(note 7)*

Equity

- Share capital *(note 1)*
- General reserve
- Retained earnings

Commitments *(note 9)*

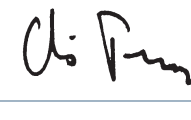
See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

	2007 (\$000's)	2006 (\$000's)
Cash and short-term investments <i>(note 4)</i>	7,210	6,515
Accounts Receivable		
Direct costs <i>(note 5)</i>	32,246	37,709
Fees and other	2,780	1,418
Prepaid expenses	341	252
	<u>42,577</u>	<u>45,894</u>
Capital assets <i>(note 6)</i>	894	1,101
	<u>43,471</u>	<u>46,995</u>
Accounts payable and accrued liabilities		
Direct costs <i>(note 5)</i>	30,635	36,672
Other <i>(note 7 and 8)</i>	8,541	6,058
	<u>39,176</u>	<u>42,730</u>
Long-term employee benefits <i>(note 7)</i>	1,927	1,796
	<u>41,103</u>	<u>44,526</u>
Share capital <i>(note 1)</i>	-	-
General reserve	1,243	1,243
Retained earnings	1,125	1,226
	<u>2,368</u>	<u>2,469</u>
	<u>43,471</u>	<u>46,995</u>



Director



Director

Consolidated Statement of Operations and Retained Earnings

YEAR ENDED MARCH 31

	2007 (\$000's)	2006 (\$000's)
REVENUES		
Recoveries of direct costs <i>(note 5)</i>	118,038	113,442
Funds management fees	22,240	18,907
Other	229	169
Total Revenues	<u>140,507</u>	<u>132,518</u>
EXPENSES		
Direct costs <i>(note 5)</i>	118,038	113,442
Salaries and benefits	15,809	13,567
Systems operations <i>(note 8)</i>	2,424	2,201
Office and business <i>(note 8)</i>	1,521	1,164
Rent	862	820
Insurance	660	670
Other	1,294	806
Total Expenses	<u>140,608</u>	<u>132,670</u>
NET LOSS	(101)	(152)
RETAINED EARNINGS – beginning of year	<u>1,226</u>	<u>1,378</u>
RETAINED EARNINGS – end of year	<u><u>1,125</u></u>	<u><u>1,226</u></u>

See accompanying notes to consolidated financial statements.

British Columbia Investment Management Corporation
 Consolidated Statement of Cash Flows

YEAR ENDED MARCH 31

	2007 (\$000's)	2006 (\$000's)
CASH FLOW PROVIDED BY (USED FOR):		
Operating activities		
Net loss for the year	(101)	(152)
Items not involving cash – Amortization	307	343
Changes in operating accounts		
Accounts receivable	4,101	(17,195)
Prepaid expenses	(89)	(73)
Accounts payable and accrued liabilities	(3,554)	18,118
Long-term employee benefits	131	115
Cash flows from operating activities	<u>795</u>	<u>1,156</u>
Investing activities		
Capital assets	<u>(100)</u>	<u>(90)</u>
INCREASE IN CASH AND SHORT-TERM INVESTMENTS	695	1,066
CASH AND SHORT-TERM INVESTMENTS – beginning of year	<u>6,515</u>	<u>5,449</u>
CASH AND SHORT-TERM INVESTMENTS – end of year	<u><u>7,210</u></u>	<u><u>6,515</u></u>

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2007

1. Nature of Operations

The British Columbia Investment Management Corporation (the “Corporation”) is a Crown corporation under section 16 of the *Public Sector Pension Plans Act*, S.B.C. 1999 c44 (the “Act”). The capital of the Corporation is one share with a par value of ten dollars. The share is issued and registered in the name of the Minister of Finance on behalf of the Province of British Columbia (the “Province”).

On January 1, 2000, the Corporation assumed responsibility for the fund management services previously provided by the Office of the Chief Investment Officer, a division of the Ministry of Finance. In accordance with the Act, the Corporation, as agent, can manage the assets of various public sector pension funds, the Province, provincial government bodies (Crown corporations and institutions) and publicly-administered trust funds.

The estimated market value of assets managed by the Corporation as of March 31, 2007 was \$83 billion (2006: \$76 billion). Of that, \$64 billion (2006: \$57 billion) is administered on behalf of pension funds and \$19 billion (2006: \$19 billion) on behalf of various trust funds and other clients. These assets are invested in segregated investments or aggregated in one or more pooled investment portfolios managed by the Corporation. The Corporation annually prepares separate audited financial statements for all pooled investment portfolios with more than one beneficial owner. The financial statements of the pooled investment portfolios and segregated assets held in trust for clients are not consolidated in the financial statements of the Corporation.

The Corporation, in its role of providing fund management services, may control the general partner of certain limited partnerships through which investments are made on behalf of the Corporation’s clients. The general partners are incorporated companies in which the Corporation holds the voting shares, which entitle the Corporation to a nominal beneficial interest. Clients hold their share of investments either through a pooled investment portfolio or on a segregated basis. The financial statements of general partner entities which are controlled and in which the Corporation has a beneficial interest (referred to as subsidiaries) are consolidated in the Corporation’s financial statements and include:

Subsidiary	Ownership of Voting Shares	Participation Interest
bcIMC Holdco (2007) Inc.	100%	Lesser of 0.001% or \$10,000
4245997 Canada Inc.	100%	1/3 of 0.00001%
bcIMC Fixed Term Corporation	100%	0.01%

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2007

The Corporation, as agent, makes investments on behalf of its clients and may also establish companies in which it holds, as trustee, voting (but non-participating) shares for the sole purpose of managing specific investments. As the Corporation has no beneficial interest in these entities, they are not consolidated in the Corporation’s financial statements.

The Corporation recovers all operating expenses and capital expenditures on a cost recovery basis.

As an agent of the Crown, the Corporation is exempt from federal and provincial income taxes.

2. Significant Accounting Policies

Basis of Presentation – The Corporation’s financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Short-Term Investments – Short-term investments are comprised of money market funds, which are readily convertible to cash and are not subject to significant changes in value.

Capital Assets – Capital assets are recorded at cost less accumulated amortization. Software development costs, including labour and material costs for design, construction, testing, and implementation, are capitalized when the related business systems are expected to be of continuing benefit to the Corporation.

Amortization is calculated on a straight-line basis over the following estimated useful asset lives:

Furniture, equipment	10 years
Computers and related software	5 years
Personal computer hardware, peripherals, related software	3 years

Leasehold improvements and interests are amortized on a straight-line basis over the remaining current lease term.

Long-term Incentive Plan – The Company provides a retention incentive to employees in senior staff positions through a long-term incentive plan (“LTIP”). Eligible staff are entitled to their first LTIP payment after four complete fiscal years of employment with the Corporation. LTIP is accrued for eligible employees at an amount equal to one quarter of the estimated aggregate pay-out for the current year and each of the following three years. The estimated payments for years beyond the next fiscal year are recorded as a long-term liability.

YEAR ENDED MARCH 31, 2007

Post-Employment Benefits

a) The Corporation and its employees contribute to the Public Service Pension Plan (the “Plan”) in accordance with the Act. The British Columbia Pension Corporation administers the Plan, including payment of pension benefits, to employees to whom the Act applies. The Plan is a multi-employer defined benefit pension plan, and accordingly the Corporation’s annual cost is represented by contributions required for the respective year. The Plan operates under joint trusteeship between the employers and the Plan members, who share in the risks and rewards associated with the Plan’s unfunded liability or surplus. The most recent actuarial valuation as of March 31, 2005 indicated that the Plan is in an unfunded liability position, which resulted in a pension contribution rate increase of 1.88% for both employers and employees.

The Corporation’s annual cost of employee benefits under the Plan amounted to \$921,000 (2006: \$642,000).

b) Employees are also entitled to a retiring allowance as provided for under their terms of employment. As employees render the services necessary to earn the benefit, the Corporation estimates and accrues the future obligation for retiring allowances. The accrued liability for retiring allowances, included in other accounts payable and accrued liabilities, is \$545,000 (2006: \$428,000). The retiring allowance is an unfunded program with no specific assets segregated to meet the obligations when they come due.

Revenues – Revenues are received from: recoveries of direct costs related to the pooled investment portfolios and segregated investments; fees charged for funds management services; and the Corporation’s investments.

Direct cost recoveries and funds management fees revenues are accrued as the related costs are incurred and as management services are provided. Fees are charged at a level that allows the Corporation to recover all cash outlays and accrued expenses, including capital expenditures.

General Reserve – General reserves for future expenditures may be appropriated from retained earnings at the discretion of the Board.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2007

Measurement Uncertainty – The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts on the Consolidated Balance Sheet and Consolidated Statement of Operations and Retained Earnings. Subjective estimates include post-employment benefits and long-term incentive plan accruals. Management believes its estimates to be appropriate, however, actual results could differ and any differences will be reflected in the future period in which they are identified.

Comparative Figures – Certain 2006 comparative figures have been reclassified to conform to the current year’s presentation.

3. Future Accounting Changes

The Canadian Institute of Chartered Accountants has issued new standards over the recognition and measurement of financial instruments that are effective for the Corporation on April 1, 2008. The Corporation does not expect that the impact of these new standards will have a material effect on its financial statements.

4. Cash and Short-Term Investments (\$000's)

Short-term investments consist of units in pooled investment portfolios managed by the Corporation, specifically the Canadian Money Market Fund ST2 and the U.S. Money Market Fund ST3. U.S. dollar investments are translated at the year-end foreign exchange rate.

	2007	2006
Cash	230	62
Short-term investments	6,980	6,453
	<u>7,210</u>	<u>6,515</u>

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2007

5. Direct Costs (\$000's)

The Corporation contracts with third parties for investment, custodial, legal, audit, and other services.

a) Costs related to providing funds management services and administering investments on behalf of a specific client's segregated investment or a pooled investment portfolio administered by the Corporation are recovered directly from that entity. These direct costs are shown as expenses, and the recovery of these costs as revenue, in the Consolidated Statement of Operations and Retained Earnings.

	2007	2006
Investment services	107,103	104,336
Custodial	7,130	6,313
Legal, audit, other	3,804	2,793
	<u>118,038</u>	<u>113,442</u>

b) The direct costs receivable reflects amounts not yet recovered from pooled investment portfolios or segregated investment clients, and the direct costs payable balance is the amount accrued and owing to direct cost service providers.

6. Capital Assets (\$000's)

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Furniture, equipment	405	214	191	199
Computers and related software	1,191	840	351	471
Leasehold improvements and interests	772	420	352	431
	<u>2,368</u>	<u>1,474</u>	<u>894</u>	<u>1,101</u>

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2007

7. Long-Term Employee Benefits (\$000's)

	2007	2006
Accrual for employee benefits	2,753	2,534
Less short-term portion, included in Accounts payable and accrued liabilities - Other	826	738
Long-term employee benefits	<u>1,927</u>	<u>1,796</u>

8. Related Party Transactions

The Corporation is related to all Province of British Columbia ministries, agencies, and Crown corporations through common ownership. Related party transactions included in other accounts payable and accrued liabilities total \$111,000 (2006: \$37,000).

Transactions with these entities are in the normal course of operations and are recorded at the exchange amounts. Services obtained from the Province and Crown corporations during the year totaled \$480,000 (2006: \$1,110,000) which included \$292,000 (2006: \$231,000) for system operations, \$188,000 (2006: \$106,000) for office and business services, and nil (2006: \$713,000) for rent.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2007

9. Commitments (\$000's)

The Corporation leases premises under various operating leases which expire in 2010 and 2012.

Future minimum payments, by fiscal year and in aggregate, are as follows:

2008	\$	893
2009		893
2010		758
2011		84
2012		84
		<u>\$ 2,712</u>

10. Fair Values

The carrying values of cash and short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

The fair value of long-term liabilities is less than its carrying value because the amounts are due in years after 2008, and they do not bear interest. The fair value of the long-term liabilities is estimated by management to be approximately \$1.6 million which was estimated by discounting the future cash flows using the Government of Canada bond rate over a comparable term to maturity.

ABSOLUTE RETURN

An investment objective to seek positive returns in both up and down markets. This contrasts with the relative return, which measures a fund manager's performance as compared to a market benchmark.

ACTIVE MANAGEMENT

An investment management approach that aims to achieve returns above a set benchmark.

ALGORITHMIC TRADING

Trading in which buy or sell orders of a defined quantity are determined by a quantitative model that automatically generates the timing and size of orders based on goals specified by the parameters and constraints of the algorithm.

ALPHA

The "value-added" relative to the market benchmark.

ANNUAL RATE OF RETURN

The rate of return generated over a 12-month period.

ANNUALIZED RATE OF RETURN

A rate of return that reflects the impact of compounding and is geometrically linked to express the results as a compounded annual rate of return.

ASSET / LIABILITY

Devising an investment strategy that takes into account the nature and growth of the liabilities.

BENCHMARK

A standard or point of reference used to assess investment performance. These typically are recognized market indexes that measure the price movements of representative securities.

BOMA GO GREEN

A voluntary "best practices" environmental certification program, designed for existing or occupied buildings and offered by BOMA Canada.

BOMA GO GREEN PLUS

As an extension of the BOMA Go Green program, this certification provides benchmarks and scoring reports on how a building is performing according to certain criteria.

DIVERSIFICATION

Spreading the risk by investing in a variety of assets or through a number of managers.

ENHANCED INDEXING

An investment strategy that attempts to add incremental returns above the benchmark with a relatively low level of active risk.

FIDUCIARY

An individual, organization, or association with control or influence over the property of another party, and legally obligated to act in the best financial interests of the beneficiaries.

INDEXED MANAGEMENT

A low-cost, low-risk way for clients to receive an equity market return plus an incremental return added by bclMC's professionals.

INTENSITY REDUCTION OF GHG

Accounts for the decrease in the production of GHG over time. By comparison, an absolute GHG reduction compares total GHG emissions in a particular year to those in a base year.

LEED

An acronym for Leadership in Energy and Environmental Design, a voluntary, consensus-based national standard for developing high-performance, sustainable buildings sponsored by the U.S. Green Building Council.

MAPLE BONDS

Bonds issued by non-Canadian borrowers, both governments and corporations, in the domestic bond market.

OVERNIGHT LENDING RATE

The interest rate paid by chartered banks when they borrow from each other and from other financial institutions.

PORTFOLIO

Refers to the mix of assets held by a client and is a combined holding of more than one stock, bond, cash equivalent, or other asset.

SECTION 5970 REPORT

An independent report prepared and audited under Section 5970 of the Canadian Institute of Chartered Accountants' handbook. It examines and reports on the internal controls that are used for the recording and reporting of information used in the preparation of the entity's financial statements.

UNDERWRITING

The process of quantifying the risks involved in a specific loan and setting suitable terms and conditions.

YIELD CURVE

At any particular time, the relation between bond yields and maturity lengths. The yield curve usually has a positive slope (i.e., yields on long-term bonds generally exceed yields on short-term bonds). In an inverted yield curve, long-term yields are lower than short-term yields.

AUDITOR

- KPMG LLP

CURRENCY

- Bridgewater Associates Inc.
- Mellon Capital Management
- State Street Associates Currency Management

GLOBAL CUSTODIAN

- RBC Dexia Investor Services Trust

LEGAL ADVISORS

- Blake Casells & Graydon LLP
- Lawson Lundell LLP
- Lane Powell PC
- McCullough, O'Connor & Irwin LLP

MORTGAGES

- Bentall Capital LP
- Canadian Mortgage Loan Services Ltd.
- Dale & Lessmann LLP
- Tricon Capital Group Inc.

PRIVATE PLACEMENTS

- Adams Street Partners LLC
- Advent International Corporation
- Affinity Equity Partners
- AIG Capital Partners Inc.
- AIG Highstar Capital LLC
- Apollo Management LP
- ArcLight Capital Partners LLC
- AsiaVest Partners, TCW/YFY (Taiwan), Ltd.

- Banyan Capital Partners
- BC Partners, Inc.
- Birch Hill Private Equity
- Blackstone Management Partners V LLC
- CAI Advisors & Co.
- Callisto Capital Management Inc.
- Canaan Equity Partners II LLC
- Candover Partners Ltd.
- Carlyle/Riverstone Renewable Energy Partners LP
- Cartesian Capital Group LLC
- Cascadia Partners LLC
- CCMP Asia Equity Partners II LP
- Celtic House General Partner Inc.
- Cinven Capital Management Ltd.
- CVC Asia Pacific (Japan) Ltd.
- CVC Capital Partners Ltd.
- Draper Fisher Jurvetson
- Energy Capital Partners
- First Reserve Corporation
- Francisco Partners
- Glenmount International LP
- Greenstone Venture Partners
- GrowthWorks Capital Ltd.
- H & Q Asia Pacific
- HarbourVest Partners LLC
- Hellman & Friedman Capital Partners LLC
- HSBC Capital Canada Inc.
- Industri Kapital AB
- Kern Energy Partners Management Ltd.
- Leonard Green & Partners LP
- Macquarie Bank Ltd.
- Macquarie North America Ltd.

- MatlinPatterson Global Partners
- McKenna Gale Capital Inc.
- McLean Watson Capital Inc.
- MDS Capital Corp.
- Mercantile Bancorp Ltd.
- Mezzanine Management Ltd.
- MWI & Partners Inc.
- Newbridge Capital
- Norvest Capital Partners Inc.
- Oaktree Capital Management LLC
- Pacven Walden Inc.
- PAMA Group Inc.
- Pantheon Ventures Ltd.
- Penfund Management Ltd.
- Polaris Venture Partners
- PrimePartners Asset Management Ltd.
- RFG Management Ltd.
- SVG Advisers Inc.
- Synectic Ventures LLC
- Tailwind Capital Partners
- Telsoft Ventures Inc.
- Texas Pacific Group
- Tricor Pacific Capital Inc.
- TriWest Capital Partners
- Ventures West Management Inc.
- Wellspring Capital Partners
- Yaletown Venture Partners

PUBLIC EQUITIES

- Aberdeen Asset Management Asia Ltd.
- Acadian Asset Management Inc.
- AllianceBernstein LP
- Bank of Ireland Asset Management

- Barclays Global Investors Ltd.
- Bissett Investment Management
- Clay Finlay Inc.
- Connor, Clark & Lunn Investment Management Ltd.
- GE Asset Management Inc.
- Guardian Capital LP
- Jarislowsky Fraser Ltd.
- J.P. Morgan Asset Management
- McLean Budden
- Montag & Caldwell Investment Counsel
- Oechsle International Advisors Ltd.
- Phillips, Hager & North Investment Management Ltd.
- Pictet Asset Management Ltd.
- Pyrford International Inc.
- TT International Ltd.
- UBS Global Asset Management
- Van Berkomp and Associates Inc.
- Wellington Management Company LLP

REAL ESTATE

- Apex LP
- Bentall Capital LP
- Bentall Investment Management
- Brookfield Asset Management Inc.
- Doughty Hanson & Co.
- GWL Realty Advisor Inc.
- LaSalle Investment Management
- Lowe Enterprises
- Macquarie GPA
- Prudential Real Estate Investors

Doug Pearce

Chief Executive Officer and Chief Investment Officer

Dean Atkins

VP Mortgages

Paul Flanagan

VP Fixed Income

Chuck Swanson

VP Real Estate

Bryan Thomson

VP Equity Investments

Lincoln Webb

VP Private Placements

Robert des Trois Maisons

VP Legal Affairs and General Counsel

Daryl Jones

VP Consulting and Client Services

Kim Thornber

VP Trade Management and Compliance

Dave Woodward

VP Finance and Operations

Eco-Audit Environmental Benefits Statement

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The FSC logo is our assurance that the paper is sourced from suppliers that support the growth of responsible forest management. By using this environmentally friendly paper, bclMC has saved the following resources:

virgin wood fibre 4 tons	wastewater 9,380 gallons	solid waste 1,205 pounds	greenhouse gases 2,260 pounds CO ² equivalent	energy 18 million BTU's
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Investment
Management
Corporation



This annual report has been made carbon neutral, as well as environmentally neutral through Zerofootprint. The carbon emissions emitted by its printing, manufacturing, and transporting have been offset through an ISO-certified forestry project in British Columbia. In addition, the trees and water used in the production of the publication have been offset through projects with regional conservation authorities.

COURIER ADDRESS:

3rd Floor, 2940 Jutland Road
Victoria, BC V8T 5K6

MAILING ADDRESS:

PO Box 9910,
Victoria, BC V8W 9R1

TELEPHONE 250 356-0263

FACSIMILE 250 387-7874

E-MAIL communications@bcimc.com

WEB www.bcimc.com