

BCIF Management Ltd.
Consolidated Financial Statements
For the seven month period ended
October 31, 2006

**BCIF Management Ltd.
Consolidated Financial Statements
For the seven month period ended
October 31, 2006**

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Auditors' Report

**To the Shareholder of
BCIF Management Ltd.**

We have audited the Consolidated Balance Sheet of BCIF Management Ltd. as at October 31, 2006 and the Consolidated Statements of Operations and Deficit and Cash Flows for the seven month period then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 Company as at October 31, 2006 and the results of its operations and cash flows for the seven month period then ended in accordance with Canadian generally accepted accounting principles disclosed in the Summary of Significant Accounting Policies. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

BDO Dunwoody LLP

Chartered Accountants

Vancouver, British Columbia
January 4, 2007

BCIF Management Ltd.
Consolidated Balance Sheet

October 31,
2006

March 31,
2006

Assets

Current

Cash (Note 2)	\$	37,900	\$	1,543,695
Accrued interest receivable		546		325,913
Current portion of loans receivable (Note 3)		-		8,704,067

		38,446		10,573,675
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Bond issue costs (Note 4)

		-		36,122
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	\$	38,446	\$	10,609,797
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Liabilities and Shareholder's Deficiency

Liabilities

Current

Accounts payable and accrued liabilities	\$	19,197	\$	26,423
Current portion of bonds payable (Note 5)		1,472,518		12,200,000
Due to the Ministry of Economic Development		-		100

		1,491,715		12,226,523
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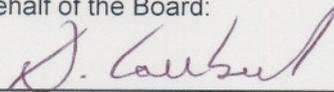
Shareholder's deficiency

Share capital (Note 6)		100		100
Deficit		(1,453,369)		(1,616,826)

		(1,453,269)		(1,616,726)
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	\$	38,446	\$	10,609,797
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On behalf of the Board:



Director

BCIF Management Ltd.
Consolidated Statement of Operations and Deficit

	Period ended October 31, 2006	Year ended March 31, 2006
<hr/>		
Revenue		
Investment income	\$ 275,605	\$ 670,566
Expenses		
Amortization of bond issue costs	36,122	54,563
Annual fees	5,067	15,200
Bond interest	3,814	252,044
Consulting	44,097	149,672
Issue expenses	13,157	-
Professional fees	9,891	12,222
	<hr/> 112,148	<hr/> 483,701
Net income for the period	163,457	186,865
Deficit, beginning of period	<hr/> (1,616,826)	<hr/> (1,803,691)
Deficit, end of period	<hr/> \$ (1,453,369)	<hr/> \$ (1,616,826)

BCIF Management Ltd.
Consolidated Statement of Cash Flows

	Period ended October 31, 2006	Year ended March 31, 2006
Cash provided by (used in)		
Operating activities		
Net income for the period	\$ 163,457	\$ 186,865
Item not involving cash		
Amortization of bond issue costs	<u>36,122</u>	54,563
	199,579	241,428
Changes in non-cash working capital balances		
Accounts payable and accrued liabilities	<u>325,367</u>	202,900
	<u>(7,226)</u>	(21,651)
	517,720	422,677
Investing activity		
Repayment of loans receivable	<u>8,704,067</u>	1,361,725
Financing activities		
Repayment of bonds payable (Note 5)	(10,727,482)	(800,000)
Bond issue costs	-	(20,144)
Due to Ministry of Economic Development	<u>(100)</u>	-
	<u>(10,727,582)</u>	(820,144)
Increase (decrease) in cash during the period	(1,505,795)	964,258
Cash, beginning of period	<u>1,543,695</u>	579,437
Cash, end of period	\$ 37,900	\$ 1,543,695
Supplemental information		
Interest received	\$ 600,972	\$ 873,466
Interest paid	\$ 3,814	\$ 252,044

BCIF Management Ltd.
Summary of Significant Accounting Policies

October 31, 2006

Basis of Consolidation

These financial statements consolidate the balance sheet, statement of operations and retained earnings (deficit) and cash flows for BCIF Management Ltd. with that of its wholly-owned subsidiary British Columbia Investment Fund Ltd. All inter-company charges and transactions have been eliminated in these consolidated financial statements.

Bond Issue Costs

Bond issue costs consist of direct costs incurred in issuing the bonds, including sales commissions, escrow agent fees, management fees, legal and other professional fees. They also include start-up costs and costs of preparing the Memorandum (Note 1).

The bond issue costs are amortized on a straight-line basis over the period from the date the bonds are issued to their maturity date. The bonds are for a term of five years commencing from the date on which at least 70% of the bond proceeds are invested in the active business operations of Eligible Businesses as defined in the Memorandum. For bond issue costs associated with funds not yet invested in the active operations of Eligible Businesses, the costs are amortized over the projected life of the bonds.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accrued interest receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Revenue Recognition

Investment income consists of interest from loan investments as well as from cash deposits. All interest is recognized on an accrual basis.

Use of Estimates

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

October 31, 2006

1. Nature of Operations and Ability to Continue as a Going Concern

BCIF Management Ltd. (the "Company") was incorporated under the British Columbia Company Act on December 23, 1994. The Company's name was changed from BCGF Management Ltd. to the present name on October 25, 1995. The Company was incorporated to provide fund management services to the Company's wholly-owned subsidiary, the British Columbia Investment Fund Ltd. (the "Fund"), and to facilitate the approval of the Fund as an Approved Fund under the Immigration Act and Regulations as prescribed in the Management Agreement attached to the Offering Memorandum of its subsidiary dated October 28, 1995 (the "Memorandum"). The Company is wholly-owned by the Province of British Columbia and is not subject to income taxes.

Pursuant to the Memorandum, the Company receives a commission equal to seven percent of the gross proceeds of the subscription amount received from the sale of each and every unit of the bond and may distribute all or part of the sales commission to any sub-agents. The Company also receives a management fee up to a maximum of three percent of the net book value of the Fund as at the end of the immediately preceding fiscal year.

As at October 31, 2006 a resolution was passed by the Board of Directors confirming the payment of residual funds to the bond holders as the result of all loans receivable being collected. As the Company has distributed substantially all its assets to the bond holders, any remaining liability to the bond holders will not likely be satisfied. The small amount of residual cash remaining in the Fund is held for the purpose of settling current and future legal and accounting liabilities.

The financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has a remaining liability of \$1,472,518 to the bond holders as noted in the preceding paragraph, a working capital deficit of \$1,435,269 and an accumulated deficit of \$1,453,369 at October 31, 2006. These factors raise uncertainty about the Company's ability to continue as a going concern. The future of the Company is dependent on the continued support of the shareholder and directors and the successful completion of new financing arrangements, none of which are contemplated at this time. Accordingly, these financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2. Cash

The Company's bank accounts are held at one chartered bank and a lawyer's trust account. The bank accounts earn interest at prime less 1.90%.

BCIF Management Ltd.
Notes to Consolidated Financial Statements

October 31, 2006

3. Loans Receivable

	<u>October 31, 2006</u>	<u>March 31, 2006</u>
The Company's loan receivables are comprised as follows:		
Loan receivable from No. 209 Cathedral Ventures Ltd.	\$ -	\$ 10,000
Loan receivable from NJC Lease Company Ltd.	-	2,649,343
Loan receivable from Retirement Residences Real Estate Investment Trust	-	<u>6,044,724</u>
		- 8,704,067
Less: current portion	-	<u>(8,704,067)</u>
	<u>\$ -</u>	<u>\$ -</u>

4. Bond Issue Costs

	<u>October 31, 2006</u>	<u>March 31, 2006</u>
Bond issue costs	\$ 2,368,268	\$ 2,368,268
Less: accumulated amortization	<u>(2,368,268)</u>	<u>(2,332,146)</u>
	<u>\$ -</u>	<u>\$ 36,122</u>

BCIF Management Ltd.
Notes to Consolidated Financial Statements

October 31, 2006

5. Bonds Payable

During the year, the Fund cancelled all remaining (2006 - 4 partial bond units) bond units for gross disbursement of \$10,727,482 (2006 - \$800,000). The balance as at October 31, 2006 is \$1,472,518.

The Class "A" bonds mature five years from the date when at least 70% of the bond proceeds are invested in the active business operations of Eligible Businesses, as defined in the Memorandum (the "Hold Period"). The Class "B" bonds mature five years from the date of the last investor's Hold Period and may be entitled to a bonus payment based on the Fund's net asset value as defined in the Memorandum. Both bonds bear simple interest at an annual rate of 2%, payable annually on March 31 and are non-transferable with the exception of the right to sell back the bonds to the Fund in the event the investor is refused a Canadian immigrant visa. The bonds are unsecured and are not guaranteed. In addition, neither the Government of Canada nor the Province of British Columbia offer any guarantees or assurances of any investment return or the repayment of the principal amount of the bonds.

Fair value information on bonds payable has been omitted because it is not practical to determine the fair value of this financial instrument due to its unique characteristics and the lack of an organized market where this financial instrument can be traded.

It is unlikely that further payments will be made to the bond holders. Any future impact on the Company's financial statements is not determinable.

6. Share Capital

	<u>October 31,</u> <u>2006</u>	<u>March 31,</u> <u>2006</u>
Authorized:		
100,000 Common shares, no par value		
Issued:		
100 Common shares	<u>\$ 100</u>	<u>\$ 100</u>