

Management's Responsibility for Financial Statements

Responsibility for the integrity and objectivity of the accompanying financial statements of the British Columbia Investment Management Corporation (the "Corporation") rests with management. The financial statements cover the five month period from the date of incorporation on November 1, 1999 to March 31, 2000. Operations began January 1, 2000. The financial statements, which by necessity include some amounts that are based on management's best estimates and judgements, are prepared in accordance with generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and present fairly the Corporation's financial position and results of operations. 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 financial statements have been examined by the Corporation's independent auditor, the Auditor General of British Columbia, and his report is presented herein.



Doug Pearce
Chief Executive Officer



Neil Muth
Vice President, Finance & Operations

Report of the Auditor General of British Columbia

*To the Members of the Investment Management Board
of the British Columbia Investment Management Corporation, and*

*To the Minister of Finance and Corporate Relations,
Province of British Columbia:*

I have audited the balance sheet of the *British Columbia Investment Management Corporation* as at March 31, 2000 and the statements of operations and changes in financial position for the period from November 1, 1999 to March 31, 2000. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the *British Columbia Investment Management Corporation* as at March 31, 2000 and the results of its operations and the changes in its financial position for the period from November 1, 1999 to March 31, 2000 in accordance with generally accepted accounting principles.



Wayne Strelieff, CA
Auditor General

*Victoria, British Columbia
May 24, 2000*

British Columbia Investment Management Corporation

Balance Sheet

as at March 31, 2000

ASSETS

Current assets

Cash	\$ 40,877
Temporary investments	1,645,871
Pooled investment portfolio direct costs receivable (note 4)	13,309,197
Fees and other accounts receivable	972,135
Prepaid expenses	245,985
	<u>16,214,065</u>

Organization costs 196,440

Capital assets (note 5) 118,129

\$16,528,634

LIABILITIES AND EQUITY

Current liabilities

Pooled investment portfolio direct costs payable (note 4)	\$13,278,082
Other accounts payable and accrued liabilities	2,677,899
Deferred income	12,089
	<u>15,968,070</u>

Equity

Share capital (note 6)	10
Contributed surplus (note 7)	290,085
Retained earnings	270,469
	<u>560,564</u>


\$16,528,634

Commitments (note 3)

See accompanying notes to financial statements.

On Behalf Of The Board

 Director

 Director

British Columbia Investment Management Corporation

Statement of Operations

for the period ended March 31, 2000

REVENUES

Funds management fees	\$ 2,865,678
Recoveries of pooled investment portfolio direct costs	13,493,098
Other	552
Total revenues	\$16,359,328

EXPENSES

Pooled investment portfolio direct costs (note 4)	\$13,493,098
Salaries and benefits	1,359,230
Professional services	561,710
Systems operations	187,305
Insurance	77,000
Office and business expenditures	82,356
Rent	49,953
Other	57,135
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	15,867,787
Writedown of contributed assets (note 7)	210,733
Amortization and depreciation	10,339
Total expenses	\$16,088,859

NET INCOME

\$ 270,469

See accompanying notes to financial statements.

British Columbia Investment Management Corporation

Statement of Changes in Financial Position

for the period ended March 31, 2000

Cash provided by (used for):	
Operating activities:	
Income for the period	\$ 270,469
Items not involving cash:	
Writedown of contributed assets	210,733
Amortization and depreciation	10,339
Cash flow from operations	<u>491,541</u>
Changes in non-cash working capital:	
Accounts receivable	(14,281,332)
Prepaid expenses	(245,985)
Accounts payable	15,955,981
Deferred income	12,089
	<u>1,932,294</u>
Investing activities:	
Investments	(1,645,871)
Organization costs	(206,779)
Capital assets	(38,777)
	<u>(1,891,427)</u>
Financing activities:	
Share capital	10
	<u>10</u>
Increase (decrease) in cash position	<u>40,877</u>
Cash position, beginning of period	0
Cash position, end of period	<u>\$ 40,877</u>

See accompanying notes to financial statements.

British Columbia Investment Management Corporation

Notes to Financial Statements

for the period ended March 31, 2000

1. Purpose

British Columbia Investment Management Corporation (the "Corporation") was established as a Crown corporation of the Province of British Columbia (the "Province") on November 1, 1999 under section 16 of the *Public Sector Pension Plans Act, S.B.C. 1999 c44* (the "Act").

The Corporation assumed responsibility for the funds management services previously provided by the Office of the Chief Investment Officer (the "OCIO"), a division of the Ministry of Finance and Corporate Relations, on January 1, 2000. The Corporation is responsible for managing the assets of various public sector pension funds, the Province, provincial government bodies (Crown corporations and institutions) and public sector trust funds.

The Corporation is exempt from federal and provincial income taxes.

2. Assets under administration

The estimated market value of assets managed by the Corporation on behalf of various trust funds and its other clients is approximately \$61 billion as at March 31, 2000.

These assets may be invested in segregated investments, or be aggregated in one or more of the 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 clients' accounts are not consolidated in the financial statements of the Corporation.

3. Significant accounting policies

Basis of presentation – The Corporation's financial statements are prepared on an accrual basis, in accordance with generally accepted accounting principles of the Canadian Institute of Chartered Accountants.

Temporary investments – Temporary investments consist of units in the Corporation's Canadian Money Market Fund ST1. They are recorded at the lower of cost or market value.

British Columbia Investment Management Corporation

Notes to Financial Statements

for the period ended March 31, 2000

Capital assets – Assets with a cost greater than \$5,000 are recorded at cost less accumulated depreciation. Software development costs, including labour and material costs for design, construction, testing, implementation and other related costs, are capitalized for business systems expected to be of continuing benefit to the Corporation.

Depreciation is calculated on a straight-line basis over the estimated useful life, beginning in the month of acquisition, using the following rates:

Furniture and equipment	10 years
Mainframe, mini computers and related software	5 years
Personal computer hardware, peripherals and related software	3 years

Organization costs – Organization costs incurred in establishing the Corporation are capitalized and amortized over five years.

Commitments – The Corporation has entered into a lease agreement for office space having an original term extending over five years, commencing July 2000. Minimum annual rentals under this agreement by fiscal year ending March 31 are:

2001 - \$288,000
2002 - 384,000
2003 - 384,000
2004 - 384,000
2005 - 384,000
2006 - 96,000

Revenue – Section 24 of the Act requires the Corporation to recover all its operating costs and capital expenditures. Recoverable costs include all accrued expenditures and exclude non-cash items such as depreciation.

Revenues are received from the Corporation's accrued investment income (including realized gains and losses), from direct costs recovered from the pooled investment portfolios and from funds management fees charged to investment clients.

Direct cost recoveries and funds management fees are recorded as the related costs are incurred.

Use of estimates – The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts on the Balance Sheet and Statement of Operations at the date of the financial statements. Actual results could differ from these estimates.

British Columbia Investment Management Corporation

Notes to Financial Statements

for the period ended March 31, 2000

4. Pooled investment portfolio direct costs

In order to provide funds management services, the Corporation enters into contracts with third parties for investment management, custodial, legal and other services. Third party costs that are attributable to a specific pooled investment portfolio are charged to that portfolio and shared on a pro-rata basis by the portfolio unitholders.

5. Capital assets

	Transfer from Province	Additions	Depreciation	Ending Balance Mar 31/00
Computer software under development	\$79,352	\$38,777	- 0 -	\$118,129

6. Share capital

The capital of the Corporation is one share with a par value of \$10. The share is issued and registered in the name of the Minister of Finance and Corporate Relations on behalf of the Province of British Columbia.

7. Contributed surplus

The transfer of assets at net book value from the Province to the Corporation on commencement of operations resulted in a contributed surplus of \$290,085. Of this amount, \$79,352 was capitalized in accordance with the Corporation's accounting policies for capital assets (note 3). The balance of \$210,733 consists of assets whose book value is each less than \$5,000. This amount is recorded on the Statement of Operations under the heading "writedown of contributed assets".

8. Related party transactions

The Corporation is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities are considered to be in the normal course of operations.

9. Pension plan

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act, S.B.C. 1999 c44*. As of April 1, 2000 the British Columbia Pension Corporation (formerly the Superannuation Commission) administers the Plan, including the payment of pension benefits on behalf of employers and employees to whom the Act applies. The Plan is a defined benefit pension plan. The financial position of the Plan is described in the financial statements of the Plan included in the Public Accounts of the Province. The Province has statutory responsibility for any unfunded liability. The most recent actuarial valuation as at March 31, 1999 has determined that the Plan is in a surplus position.

British Columbia Investment Management Corporation

Notes to Financial Statements

for the period ended March 31, 2000

10. Financial instruments

The Corporation's financial instruments consist of cash, temporary investments, accounts receivable and accounts payable. It is management's opinion that the Corporation is not exposed to significant risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.