BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

REALPOOL INVESTMENT FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

British Columbia Investment Management Corporation
Realpool Investment Fund

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

British Columbia Investment Management Corporation [bcIMC] manages the Realpool Investment Fund [Fund] on behalf of governing fiduciaries such as pension fund trustees and other public sector clients.:

The 2014 financial statements of the Fund have been prepared by management of bcIMC and approved by the Chief Investment Officer/Chief Executive Officer. The financial statements have been prepared in accordance with International Financial Reporting Standards. The significant accounting policies used in the preparation of these statements are disclosed in note 3 to the financial statements. The statements include certain amounts that are based on management's judgment and best estimates.

bcIMC's Board has established an Audit Committee. The Committee's mandate includes making recommendations on the appointment of the external auditor for the Realpool Investment Fund, reviewing the external audit plan; reviewing bcIMC's Service Organization Controls Report for the Investment System of British Columbia Investment Management Corporation, and receiving the annual audited financial statements of the Realpool Investment Fund. The Committee reviews the recommendations of the internal and external auditors with respect to internal controls and the responses of management to those recommendations, and also meets with management and the internal and external auditors to review annual audit plans.

bcIMC maintains systems of internal control and supporting processes to provide reasonable assurance that assets are safeguarded; that transactions are appropriately authorized and recorded; and that there are no material misstatements in the financial statements. bcIMC's internal control framework includes: a strong corporate governance structure; a code of conduct that includes conflict of interest guidelines; an organizational structure that provides for appropriate segregation of duties and accountability for performance; an enterprise-wide risk management framework that identifies, monitors and reports on key risks; and Board-approved Pooled Investment Portfolio Policies and client-approved investment mandates. bcIMC's system of internal control is supported by external auditors who review and evaluate internal controls and report directly to the Audit Committee.

The Fund's external auditors, Ernst & Young LLP ["Ernst & Young"], have full and unrestricted access to the Audit Committee and bcIMC management. Ernst & Young discusses with management and the Committee the results of their audit of the Fund's financial statements and related findings with respect to such audit. The Fund is audited by Ernst & Young in accordance with Canadian generally accepted auditing standards. Ernst & Young has performed such tests and other procedures as they considered necessary to express an opinion on the Fund's financial statements.
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[s] Gordon Fyfe	[s] David Woodward
Gordon Fyfe	David Woodward
Chief Executive Officer/Chief Investment Officer	Senior Vice President, Finance

Victoria, British Columbia
April 2, 2015

INDEPENDENT AUDITORS' REPORT

To the Unitholders of
Realpool Investment Fund

We have audited the accompanying financial statements of **Realpool Investment Fund**, which comprise the statements of financial position as at December 31, 2014 and 2013, and January 1, 2013, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Realpool Investment Fund** as at December 31, 2014 and 2013, and January 1, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

Ernst & Young LLP
Chartered Accountants

Vancouver, Canada
April 2, 2015

Statement of Financial Position
(all amounts in thousands *except per unit amounts)*

	Note	December 31, 2014	December 31, 2013	January 1, 2013
Assets				
Investments at fair value through profit or loss	4,7	$ 15,964,062	$ 14,403,596	$ 13,267,589
Accrued investment income		206	102	37
Receivable from issue of redeemable units		170,000	425,000	180,000
Cash		71,798	57,775	31,128
Total assets		16,206,066	14,886,473	13,478,754
Liabilities				
Accounts payable		821	1,265	959
bcIMC funds management fees payable	5	753	232	505
Total liabilities excluding net assets attributable to holders of redeemable units		1,574	1,497	1,464
Net assets attributable to holders of redeemable units		$16,204,492	$ 14,884,976	$ 13,477,290
Number of redeemable units outstanding	6	*1,949.108*	*1,935.740*	*1,890.845*
Net assets attributable to holders of redeemable units per unit		$ 8,314	$ 7,690	$ 7,128

[s] Gordon Fyfe
Gordon Fyfe
Chief Executive Officer
Chief Investment Officer

Statement of Comprehensive Income
(all amounts in thousands)

	Note	Year Ended December 31, 2014	Year Ended December 31, 2013
Income			
Interest Income		$ 108,431	$ 97,566
Dividend Income		960	399
Income from ST funds		869	$ 2,084
Change in fair value of investments			
Net realized gain		123,924	826,194
Net change in unrealizedgain		987,067	145,750
Total income		1,221,251	1,071,993
Expense			
Commissions and stock exchange fees		14	22
bcIMC funds management fees	5	8,596	7,148
Custodial fees		2	3
Administrative and professional fees		1,825	2,134
Total expenses		10,437	9,307
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		1,210,814	1,062,686
Distributions to holders of redeemable units		(355,457)	(922,536)
Increase in net assets attributable to holders of redeemable units		$ 855,357	$ 140,150

See accompanying notes to financial statements

Statement of Change in Net Assets Attributable to Holders of Redeemable Units
(all amounts in thousands *except per unit amounts)*

	Year Ended December 31, 2014	Year Ended December 31, 2013
Balance, beginning of year	$ 14,884,976	$ 13,477,290
Increase in net assets attributable to holders of redeemable units	855,357	140,150
Redeemable unit transactions:		
Proceeds from units issued	310,000	525,000
Reinvestment of distributions	355,457	922,536
Amounts paid for units redeemed	(201,298)	(180,000)
Net increase from redeemable unit transactions	1,319,516	1,407,686
Balance, end of year	$ 16,204,492	$ 14,884,976

Statement of Cash Flows
(all amounts in thousands *except per unit amounts)*

	Year Ended December 31, 2014	Year Ended December 31, 2013
Cash flow provided by (used in):		
Operating activities:		
Increase in net assets attributable to holders of redeemable units	$ 855,357	$ 140,150
Adjustments for:		
Interest income	(108,431)	(97,566)
Dividend income	(960)	(399)
Net realized gain from investments	(123,924)	(826,194)
Net change in unrealized gain from investments	(987,067)	(145,750)
Interest received	108,402	97,537
Dividends received	885	363
Distributions	355,457	922,536
Proceeds from sale of investments	1,947,632	2,189,099
Amounts paid for the purchase of investments	(2,397,107)	(2,353,162)
Changes in non-cash working capital		
Accounts payable	(444)	306
bcIMC funds management fees payable	521	(273)
Cash flows provided by (used in) operating activities	(349,679)	(73,353)
Financing activities:		
Proceeds from issue of redeemable units	565,000	280,000
Payments on redemption of redeemable units	(201,298)	(180,000)
Cash flows provided by (used in) financing activities	363,702	100,000
Net increase in cash	14,023	26,647
Cash, beginning of year	57,775	31,128
Cash, end of year	$ 71,798	$ 57,775

See accompanying notes to financial statements

Schedule of Investments
[in 000s]

	December 31, 2014		December 31, 2013		January 1, 2013	
	Fair Value	**Cost**	**Fair Value**	**Cost**	**Fair Value**	**Cost**
Real estate investments[1]	$ 15,857,858	$ 8,321,194	$ 14,361,608	$ 7,811,554	$ 13,202,012	$ 6,799,816
Public equity investments	30,764	32,426	7,823	9,815	-	-
Money market investments:						
Units in bcIMC pooled investment portfolio						
Fund ST1	74,769	74,770	21,136	21,136	31,736	31,736
Fund ST2	671	671	13,029	13,157	33,841	33,853
Total Investments	$15,964,062	$ 8,429,061	$ 14,403,596	$ 7,855,662	$ 13,267,589	$ 6,865,405

1 Real estate investments are held through private corporations, trusts, and limited partnerships funded by a combination of equity and debt. *[note 4]*

See accompanying notes to financial statements

1. THE PORTFOLIO

British Columbia Investment Management Corporation [“bcIMC”] was established under the Public Sector Pension Plans Act as a trust company authorized to carry on trust business and investment management services. The address of the bcIMC's registered office is at 301 - 2940 Jutland Road, Victoria, British Columbia Canada. These financial statements have been prepared by bcIMC and are the responsibility of bcIMC management.

Under the Public Sector Pension Plans Act and the Pooled Investment Portfolios Regulation, B.C. Reg. 447/99, bcIMC may establish and operate pooled investment portfolios “…. in which money from trust funds, special funds or other funds, other public money and the money of government bodies and designated institutions may be combined in common for the purpose of investment by means of investment units of participation in a pooled investment portfolio.” In addition, pooled investment portfolios previously established under the Financial Administration Act and the Pooled Investment Portfolios Regulation (“Regulations”), B.C. Reg. 84/86, were continued under the Pooled Investment Portfolios Regulation, B.C. Reg. 447/99, to be held in trust by bcIMC and invested by the Chief Investment Officer of bcIMC.

The Realpool Investment Fund [the “Fund”] was established on July 3, 1991 and invests in diversified Canadian income-producing properties including institutional-grade Canadian office, industrial, residential, retail, hospitality, mixed-use properties, publicly traded equities, fixed income and money market instruments

2. BASIS OF PRESENTATION

(a) First time adoption of IFRS

The financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”). This is the first time that the Fund has prepared the financial statements in accordance with IFRS, and IFRS 1 *First – Time Adoption of International Financial Reporting Standards* has been applied. Previously, the Fund prepared the financial statements in accordance with Canadian Generally Accepted Accounting Principles as defined in Part V of the pre-changeover accounting standards of the CPA Canada Handbook and specifically Accounting Guideline 18 – *Investment Companies*. The Fund has consistently applied the accounting policies used in the preparation of the opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Details of transition from Canadian GAAP to IFRS are provided in note 11. The financial statements were authorized for issue by the Chief Executive Officer / Chief Investment Officer April 2, 2015.

(b) Basis of consolidation

Real estate investments are held through subsidiaries of the Fund, which include private corporations, trusts, and limited partnerships funded by a combination of equity and debt. The Fund is an investment entity, and as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are classified as fair value through profit and loss, and measured at fair value.

(c) Basis of measurement

The financial statements have been prepared on a historical cost basis except for investments held at fair value through profit and loss which are measured at fair value.

2. BASIS OF PRESENTATION (continued)

(d) Functional and presentation currency

These financial statements are presented in Canadian dollars which is the Fund's functional currency.

(e) Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. In determining the fair value of some of its investments, management reviews and assesses external managers' estimates and assumptions regarding investment industry performance and prospects, as well as general business and economic conditions that prevail or are expected to prevail. By nature, these asset valuations are subjective and do not necessarily result in precise determinations. Financial results as determined by actual events could differ from those estimates and assumptions, and the difference could be material.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year is included in note 8 and relate to the determination of fair value of investments with significant unobservable inputs.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

(*i*) Recognition and measurement

Financial instruments are required to be classified into one of the following categories: held-for-trading, fair value through profit or loss ("FVTPL"), available-for-sale, loans and receivables, assets held-to-maturity, and other financial liabilities. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as held-for-trading or fair value through profit or loss in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities held for trading or at fair value through profit or loss are recognized initially on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets only when the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(*i*) Recognition and measurement (continued)

The Fund has not classified any financial instruments as available-for-sale or assets held to maturity.

(*ii*) Fair value through profit and loss

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the Statement of Comprehensive Income The Fund’s investments are designated as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Funds use the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day’s bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the management determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund’s policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs.

(*iii*) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Fund’s other financial liabilities are comprised of accounts payable, custodial fees payable, payable for purchase of investments, payable for redemption of units, external management fees payable, interest payable and bcIMC funds management fees payable.

(b) Redeemable units

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. In accordance with the Regulations, the Fund is required to distribute, to holders of the Fund’s redeemable units, the taxable income and taxable capital gains of the Fund at least annually. Accordingly, such units are classified as financial liabilities at FVTPL and measured at redemption amount (NAV). Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of bcIMC.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Issue and redemption of units

Participation in the Fund is expressed in units. The initial value of a unit of the Fund on inception was $1 million. For each subsequent unit issuance and redemption, the unit value is determined by dividing the fair value of the net assets of the portfolio by the total number of units outstanding. Where the Fund invests in another bcIMC Fund, the unit issuances and redemptions are transacted on the same basis as client transactions. All unit transactions are recorded on a trade date basis.

(d) Income recognition

Interest income is recognized on an accrual basis using the effective interest method and is included in investment income. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date and is included in investment income. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments. The year-over-year change in the difference between the fair value and the cost of the investments and foreign currency contracts held at year end is recognized as a net change in unrealized appreciation. Commissions, stock exchange fees and other identifiable transaction costs that are directly attributable to the acquisition or disposal of an investment are expensed as incurred. Pursuit costs are charged to net income of the Fund in the period incurred.

(e) Income taxes

The Fund qualifies as an inter-vivos trust under the subsection 108(1) of the Income Tax Act (Canada). All of the Fund's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Income taxes of the Fund's underlying investments that are taxable entities are accounted for in determining the fair value of the respective investments.

(f) Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statements of the Fund, with the possible exception of IFRS 9, *Financial Instruments*.

IFRS 9 deals with recognition, de-recognition, classification and measurement, impairment and hedge accounting of financial instruments and its requirements represent a significant change from the existing requirements in IAS 39, *Financial Instruments: Recognition and Measurement*, in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

The effective date of this standard is January 1, 2018, but early adoption is permitted. The management is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a significant impact on the financial statements since the Fund's financial assets are currently measured at fair value or amortized cost.

4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

The Fund manages the following types of investments and determines fair value as follows:

(a) Real estate investments

Real estate investments consist of equity and debt investments in 116 wholly-owned (December 31, 2013 – 89, January 1, 2013 – 87) and 8 partially owned (December 31, 2013 – 8, January 1, 2013 – 8) subsidiary entities; corporations, limited partnerships and trusts (all established in Canada). These subsidiaries qualify as investments and are not consolidated in the financial statements of the Fund but are instead reported at fair value.

The fair value of subsidiary entities (corporations, limited partnerships and trusts) is determined by the Net Asset Value of the entity, which is a sum of the fair value of the real estate properties and underlying entities, net of the fair value of issued mortgages and notes and the other short term assets and liabilities. Fair value for the real estate properties and/or other entities held by the subsidiaries is primarily determined using discounted cash flows based on various factors such as operating income, discount rate and terminal capitalization rates.

The fair value of the debt investments in subsidiaries approximates their face value unless the equity value of the subsidiary is determined to be negative (i.e. the loan to the subsidiary is impaired). In these cases, the fair value of the loan to the subsidiary is adjusted for the equity shortfall.

(b) Public equity investments

Public equity investments consist of publicly traded shares. Fair value is based on quoted market prices.

(c) Money market investments

The Fund holds units in two bcIMC money market fund. The units of the money market funds are valued based on the sum of the fair value of the net assets of the funds.

5. RELATED PARTY TRANSACTIONS

Third party costs that are attributable to the Fund are charged directly to the Fund. Other costs initially borne by bcIMC are recovered from the Fund through management fees charged by bcIMC, which are calculated on a cost recovery basis. bcIMC management fees and the corresponding payable are disclosed in the Fund's Statement of Comprehensive Income and Statement of Financial Position.

6. REDEEMABLE UNITS

The Fund is authorized to issue an unlimited number of redeemable units. Redeemable units issued and outstanding represent the capital of the Fund. The Fund is not subject to any internally or externally imposed restrictions on its capital. bcIMC manages the capital of the Fund in accordance with the Fund's investment objectives, including managing the redeemable units to ensure a stable base to maximize returns to all investors, and managing liquidity in order to meet redemptions.

6. REDEEMABLE UNITS (continued)

The following is a summary of the changes in redeemable units outstanding during the year:

Description	**2014 (in number of units)**	**2013 (in number of units)**
Outstanding, beginning of year	1,935.740	1,890.845
Issued	38.424	68.704
Issued on reinvestment of distributions	44.220	121.487
Consolidation of units	(44.220)	(121.487)
Redeemed	(25.055)	(23.809)
Outstanding, end of year	**1,949,108**	**1,935.740**

7. FINANCIAL RISK MANAGEMENT

(a) Risk management framework

The investment objective of the Fund is to provide clients with exposure to a portfolio of Canadian real estate and real estate-related investments. The Fund's holdings are highly diversified by property type, geographic location, investment size, and investment risk. The Fund primarily concentrates on high quality income producing Canadian office, industrial, residential, retail, hospitality and mixed-use properties located in geographic regions that have strong and growing economies. The Fund's investment strategy is to be well diversified and to hold quality properties that will perform well across multiple economic cycles. Real estate investments are only made when there is a reasonable expectation that return objectives can be achieved over a ten year horizon.

The Fund invests in the following assets:

- eligible real estate investments for pension plans under the Pensions Benefits Standards Act (B.C.);
- real estate-related investments, including trust units, partnership interests, shares and debt;
- units in the Managers' pooled funds provided such holding are permissible investments for the Fund;
- government debt securities with a maximum term to maturity of one year; and
- bcIMC Canadian Money Market Funds ST1 and ST2.

The following restrictions apply to the Fund's use of debt financing:

- it may only be used in a prudent manner for real estate and real estate-related investment;
- it may not be created if, as a result, the debt to market value ratio of the overall real estate portfolio would exceed 25 percent, except in the case of assumption or renewal of existing debt; and
- another 5 percent is allowed for the assumption or renewal of existing debt.

7. FINANCIAL RISK MANAGEMENT (continued)

(a) Risk management framework (continued)

bcIMC, as trustee of the Fund, has the power to vary the investments and assets of the Fund and reinvest proceeds realized from the investments of the Fund all within the bounds of the investment policies, rules and restrictions established for and governing the Fund.

The Fund's activities expose it to a variety of financial risks. For purposes of describing the financial risks of the Fund, the composition of the net assets held by the underlying corporations, trusts, limited partnerships, and money market funds and their investing activities have been considered. As of December 31, 2014, December 31, 2013 and January 1, 2013, the corporations, trusts and limited partnerships hold the following underlying net assets:

	December 31, 2014		**December 31, 2013**		**January 1, 2013**	
	Total [in 000s]	**% of Total**	**Total [in 000s]**	**% of Total**	**Total [in 000s]**	**% of Total**
Real estate properties	$18,877,290	119.0	$17,385,409	121.1	$15,772,493	119.5
Direct Private Debt	151,800	1.0	121,000	0.8	138,200	1.0
Direct Private Equity	122,486	0.8	109,494	0.8	127,420	1.0
Mortgages	(854,551)	(5.4)	(931,053)	(6.5)	(1,215,655)	(9.2)
Notes payable	(2,129,455)	(13.4)	(2,088,613)	(14.6)	(1,618,074)	(12.3)
Other net assets	(309,712)	(2.0)	(234,629)	(1.6)	(2,372)	0.0
	$15,857,858	**100.0**	**$14,361,608**	**100.0**	**$13,202,012**	**100.0**

(b) Credit risk

Credit risk arises from the possibility that tenants, hotel guests and third party hotel owners may experience financial difficulty and be unable to meet their obligations to Fund's subsidiary entities. The Fund's credit risk is limited to the recorded amount of these obligations. To mitigate these risks, the Fund has a diverse set of tenants in a variety of industries, and the Fund performs ongoing credit evaluations of its customers and establishes allowances for potential losses.

(c) Liquidity risk

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

7. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Fund's income or the fair value of its holdings of financial instruments.

(i) Interest rate risk

Interest rate risk is the risk that the market value or cash flows of interest-bearing investments will fluctuate due to changes in market interest rates. The variable interest rate notes and fixed rate notes of the Fund are receivable from the underlying corporations and limited partnerships, so the Fund is not subject to interest rate risk on these financial instruments.

The mortgages of the underlying non-consolidated corporations bear interest rates up to 8.95% [2013 -8.95%] with a weighted average rate of 2.96% [2013 - 4.32%]. They are due at various dates to 2046. Principal payments on the mortgages are due as follows:

	Principal Repayments [in 000s]
2015	84,079
2016	170,910
2017	161,319
2018	61,945
2019	20,176
2020 and thereafter	327,425
Net unamortized discount	(309)
	825,545

7. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

The notes payable of the underlying non-consolidated corporations are unsecured and have the following terms and interest rates:

Issue	Maturity date	Interest rate	2014 Fair Value [in 000s]	2013 Fair Value [in 000s]
Series 4	February 10, 2015	4.65%	$ 150,448	$ 155,329
Series 6	January 5, 2018	5.65%	222,509	224,139
Series 7	January 29, 2015	3.38%	200,230	204,395
Series 8	March 7, 2019	2.96%	518,871	502,798
Series 9	June 29, 2017	2.65%	256,308	253,722
Series 10	June 29, 2022	3.51%	264,775	244,965
Series 11	August 2, 2018	2.79%	516,314	503,265
			$ 2,129,455	**$2,088,613**

As at December 31, 2014, if the interest rates increased or decreased by 1% with other variables held constant, the fair value of the mortgages and notes payable would decrease by $76,453 and increase by $80,405, respectively.

(ii) Real estate risk

The Fund has identified the following risks associated with the real estate portfolio:

- The cost of development projects may increase if there are delays in the planning process. The Fund uses advisers who are experts in the specific planning requirements in the project's location in order to reduce the risks that may arise in the planning process.
- The exposure of the fair values of the Fund to market and occupier fundamentals.

7. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risk (continued)

(iii) Other valuation risk

As at December 31, underlying real estate investment properties held by the Fund are diversified across the following property sectors:

	2014		2013	
	Total [in 000s]	**% of Total**	**Total [in 000s]**	**% of Total**
Retail	$1,936,300	10.3	$1,449,300	8.5
Office	8,067,580	42.7	7,897,806	45.4
Industrial	1,932,180	10.2	1,903,133	10.9
Residential	2,740,120	14.5	2,621,650	15.1
Hospitality	1,296,006	6.9	893,401	5.1
Land lease communities	1,239,136	6.6	1,312,204	7.5
Land held for development/property under development	1,665,968	8.8	1,307,915	7.5
	$18,877,290	**100.0**	**$17,385,409**	**100.0**

As at December 31, underlying real estate investment properties held by the Fund are diversified across the following geographic regions in Canada:

	2014		2013	
	Total [in 000s]	**% of Total**	**Total [in 000s]**	**% of Total**
British Columbia	$3,493,525	18.5	$3,208,324	18.7
Alberta	6,373,308	33.8	6,143,053	35.3
Saskatchewan	195,310	1.0	194,002	1.1
Manitoba	266,763	1.4	247,688	1.4
Ontario	7,382,724	39.1	6,499,152	37.4
Quebec	789,220	4.2	771,465	4.4
Prince Edward Island	7,846	0.1	7,838	-
New Brunswick	45,200	0.2	42,690	0.2
Nova Scotia	298,274	1.6	248,958	1.4
Newfoundland	25,120	0.1	22,239	0.1
	$18,877,290	**100.0**	**$17,385,409**	**100.0**

8. FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Funds determine fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Funds measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly unobservable.

The tables below shows investments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. All fair value measurements are recurring.

	2014				**2013**			
	Level 1 [in 000s]	**Level 2 [in 000s]**	**Level 3 [in 000s]**	**Total [in 000s]**	**Level 1 [in 000s]**	**Level 2 [in 000s]**	**Level 3 [in 000s]**	**Total [in 000s]**
Real estate investments	$ -	$ -	$15,857,858	$15,857,858	$ -	$ -	$14,361,608	$14,361,608
Public equity investments	30,764	-	-	30,764	7,823	-	-	7,823
Money market investments	-	75,440	-	75,440	-	34,165	-	34,165
	$30,764	**$75,440**	**$15,857,858**	**$15,964,062**	**$7,823**	**$34,165**	**$14,361,608**	**$14,403,596**

During 2014 and 2013, there were no transfers between Levels 1 and 2.

The carrying amount of the Fund's net assets attributable to redeemable units also approximates fair value as they are measured at the redemption amount and are classified as Level 2 in the fair value hierarchy.

8. FAIR VALUE MEASUREMENT (continued)

(a) Fair value hierarchy (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 of the fair value hierarchy.

2014	
	Real estate investments [in 000s]
Balance, beginning of year	$14,361,608
Total gains recognized in profit or loss	124,083
Purchases	1,429,642
Sales	(1,044,085)
Total unrealized gains for the period included in profit or loss	986,610
Balance, end of year	$15,857,858

2013	
	Real estate investments [in 000s]
Balance, beginning of year	$13,202,012
Total gains recognized in profit or loss	825,805
Purchases	1,395,000
Sales	(1,209,067)
Total unrealized gains for the period included in profit or loss	147,858
Balance, end of year	$14,361,608

(b) Valuation models

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Fund uses widely recognized valuation methods for determining the fair value of common and more simple financial instruments such as money market instruments that use only observable market data which requires little management judgment and estimation. Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exists and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other factors used in estimating discount rates, money market prices, and foreign currency exchange rates in estimating valuations of foreign currency contracts.

8. FAIR VALUE MEASUREMENT (continued)

(b) Valuation models (continued)

Observable prices and model inputs are usually available in the market for equity securities. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, such as private equity and debt, the Fund uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Fund believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Fund and the counterparties where appropriate.

(c) Valuation framework

The Fund has an established framework with respect to the measurement of fair values and applies the following specific controls in relation to the determination of fair values:

- verification of observable pricing inputs;
- appraisal of domestic real estate properties once every ten to eighteen months by accredited independent appraisers;
- analysis and investigation of significant valuation movements; and
- review of unobservable inputs and valuation adjustments.

When third party information, such as broker quotes or pricing services, is used to measure fair value, then bcIMC management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations are appropriate. This includes:

- verifying that the broker or pricing service is approved by the Fund for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

8. FAIR VALUE MEASUREMENT (continued)

(d) Significant unobservable inputs used in measuring fair value

2014				
	Fair Value (in 000s)	**Valuation Technique**	**Unobservable Input**	**Sensitivity To Change in Significant Unobservable Input**
Real estate investments	$15,857,858	Unadjusted Net Asset Value	Net Asset Value is compiled by external investment managers based on various unobservable inputs as applicable to each underlying investment.	The estimated fair value would increase (decrease) if the following changes were made to valuations of the underlying investments in the investees and unlisted private equity investee funds: - the discount rates were lower (higher), - the EV/EBITDA multiples were higher (lower); or - a change in the annual revenue growth rate is accompanied by a directionally similar change in the EBITDA margin.
	$15,857,858			

2013				
	Fair Value (in 000s)	**Valuation Technique**	**Unobservable Input**	**Sensitivity To Change in Significant Unobservable Input**
Real estate investments	$14,361,608	Unadjusted Net Asset Value	Net Asset Value is compiled by external investment managers based on various unobservable inputs as applicable to each underlying investment.	The estimated fair value would increase (decrease) if the following changes were made to valuations of the underlying investments in the investees and unlisted private equity investee funds: - the discount rates were lower (higher), - the EV/EBITDA multiples were higher (lower); or - a change in the annual revenue growth rate is accompanied by a directionally similar change in the EBITDA margin.
	$14,361,608			

Significant unobservable inputs are developed as follows:

(i) Enterprise Value (“EV”) and earnings before interest tax depreciation and amortization (“EBITDA”) multiples:

Represent amounts that market participants would use when pricing the investments. EV and EBITDA multiples are selected from comparable public companies based on geographic location, industry, size, target markets, and other factors that management considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA and further discounted for considerations such as the lack of marketability and other difference between the comparable peer group and specific company.

8. FAIR VALUE MEASUREMENT (continued)

(d) Significant unobservable inputs used in measuring fair value (continued)

(ii) Discount rate:

Represents the discount rate applied to the expected future cash flows of each underlying real estate property or investment held in the private equity investment. bcIMC management assesses both the risk premium and the appropriate risk-free rate based on the economic environment in which the investee operates to determine the discount rate. The discount rate is adjusted for such matters as liquidity differences, credit and market factors. Cash flows used in the discounted cash flow model are based on projected cash flows or earnings of the respective underlying real estate property or investment.

(e) Effects of unobservable input on fair value measurement

Although the Fund believes its estimates of fair value in Level 3 are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value and net assets attributable to holders of redeemable units. The following table shows how the net assets attributable to holders of redeemable units would change if the valuation of the private equity and private debt investments were calculated by adjusting the respective net assets and debt by 10%

	2014 [in 000s]	**2013 [in 000s]**
Favourable	$1,585,786	$1,436,103
Unfavourable	($1,585,786)	($1,436,103)

(f) Other financial instruments

The carrying value of cash, receivable from issuance of units, accrued investment income, accounts payable bcIMC funds management fees payable, and custodial fees payable approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

9. INVOLVEMENT WITH SUBSIDIARIES AND ASSOCIATES

The Fund’s investments are held primarily through 116 wholly owned and 9 partially owned subsidiary entities, all of which constitute structured entities. Structured entities are entities that have been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. These structured entities have been set up by bcIMC to manage credit and other risks that may arise in the course of administering the underlying investments.

During 2014 and 2013, the Fund provided financial support to subsidiaries or associates for investment and operation activities and has committed to providing financial support under loan arrangements or shareholder’s resolutions as needed.

10. INVOLVEMENT WITH STRUCTURED ENTITIES

In addition to the entities listed in note 9, the Fund holds interests in other structured entities which are comprised of a directly held trust and two directly held investee money market funds. All of these entities are organized as unit trusts. The entities have been constituted to manage assets on behalf of third party investors and are financed through the issuance of units to investors. The table below sets out the interests held by the Fund in these other structured entities:

Entity	Number of Entities as at December 31, 2014	Total Net Assets of Entities December 31, 2014 [in 000s]	Carrying Amount December 31, 2014 [in 000s]	Number of Entities as at December 31, 2013	Total Net Assets of Entities December 31, 2013 [in 000s]	Carrying Amount December 31, 2013 [in 000s]	Number of Entities as at January 31, 2013	Total Net Assets of Entities January 31, 2013 [in 000s]	Carrying Amount January 31, 2013 [in 000s]
Investment in trusts	2	$568,374	$568,374	1	$65,229	$65,229	1	$41,728	$41,728
Unlisted managed funds	2	$8,411,772	$75,440	2	$3,147,940	$34,165	2	$2,538,612	$65,577
		$8,980,146	**$643,814**		**$3,213,169**	**$99,394**		**$2,580,340**	**$107,305**

The carrying amount of the investments held in these underlying funds represents the Fund's maximum exposure to loss. The Fund has commitments to provide financial support to wholly-owned subsidiaries to fund day-to-day operations and investment activity. During 2014 the Fund provided $557,723,000 (2013 - $21,045,000) in financial support to the trusts for investment activities.

11. INCOME TAXES

The net capital losses for the Fund were $159 as of December 31, 2014 (2013 - Nil). The losses are available to be carried forward indefinitely and applied against future net realized capital gains.

12 COMMITMENTS AND CONTINGENCIES

The Fund, its wholly owned corporations and limited partnerships have property purchase and development commitments of $307,581 [2013- $1,022,049], unfunded commitments to certain investment funds of Nil [2013 – 4,400], and commercial purchasing card lines of credit of $3,700 [2013 - $3,700], and have issued letters of credit totalling $43,241 [2013 – 45,472].

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

12 COMMITMENTS AND CONTINGENCIES (continued)

As a crown agent and pursuant to its enabling legislation, bcIMC is immune from taxation, including in respect of assets it holds in the Fund. In 2009, bcIMC was advised that Canada was in discussions with the Province regarding the application of goods and services tax and/or harmonized sales tax ("GST") to costs recovered by bcIMC from assets held by bcIMC in pooled investment portfolios. That discussion has been ongoing for the past six years with minimal progress. As a consequence, in December 2013 bcIMC filed a petition in the Supreme Court of British Columbia seeking a declaration confirming its crown immunity in respect of GST relating to costs recovered from assets held in pooled investment portfolios. Management is of the opinion that the Court will not deny bcIMC the ability to rely on its statutory crown immunity and has therefore not accrued any liability for tax. However if the Court determines that GST applies to bcIMC in respect of costs recovered by it from assets held in pooled investment portfolios, management estimates that the maximum cumulative GST owing at $3,362 or 2.0 basis points.

13. TRANSITION TO IFRS:

The nature and the effect of the Fund's transition to IFRS is summarized below.

(a) Transition elections:

The only voluntary exemption adopted by the Funds upon transition was the ability to designate a financial asset or financial liability at "FVTPL" upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*, accordingly no adjustments to measurement were required.

(b) Classification of redeemable units issued by the Fund:

On transition to IFRS, bcIMC has reassessed whether the Fund's redeemable units meet the criteria in IAS 32 for classification as equity. Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's redeemable units do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS.