

Quarterly Consolidated Financial Statements of

**CANADA PENSION PLAN
INVESTMENT BOARD**

September 30, 2006

(Unaudited)

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Balance Sheet
As at September 30, 2006
(Unaudited)

<i>(\$ millions)</i>	<u>September 30, 2006</u>	<u>March 31, 2006</u>	<u>September 30, 2005</u>
ASSETS			
Investments (note 2)	\$ 101,335	\$ 89,781	\$ 77,861
Amounts receivable from pending trades	204	255	216
Premises and equipment	9	6	4
Other assets	6	6	2
TOTAL ASSETS	101,554	90,048	78,083
LIABILITIES			
Investment liabilities (note 2)	1,232	775	287
Amounts payable from pending trades	1,728	703	765
Accounts payable and accrued liabilities	23	38	32
TOTAL LIABILITIES	2,983	1,516	1,084
NET ASSETS	\$ 98,571	\$ 88,532	\$ 76,999
NET ASSETS, REPRESENTED BY			
Share capital (note 4)	\$ -	\$ -	\$ -
Accumulated net income from operations	21,269	20,092	14,097
Accumulated net transfers from the Canada Pension Plan (note 5)	77,302	68,440	62,902
NET ASSETS	\$ 98,571	\$ 88,532	\$ 76,999

The accompanying notes are an integral part of these consolidated financial statements.

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Statement of Net Income and
Accumulated Net Income from Operations
For the three and six-month periods ended September 30, 2006
(Unaudited)

(\$ millions)	Three-months ended September 30		Six-months ended September 30	
	2006	2005	2006	2005
INVESTMENT INCOME, NET OF EXTERNAL INVESTMENT MANAGEMENT FEES (note 6)	\$ 3,673	\$ 3,961	\$ 1,212	\$ 6,166
OPERATING EXPENSES				
Salaries and benefits	9	5	18	10
General operating expenses	7	5	14	9
Professional and consulting fees	1	2	3	3
	17	12	35	22
NET INCOME FROM OPERATIONS	3,656	3,949	1,177	6,144
ACCUMULATED NET INCOME FROM OPERATIONS, BEGINNING OF PERIOD	17,613	10,148	20,092	7,953
ACCUMULATED NET INCOME FROM OPERATIONS, END OF PERIOD	\$ 21,269	\$ 14,097	\$ 21,269	\$ 14,097

Consolidated Statement of Changes in Net Assets
For the three and six-month periods ended September 30, 2006
(Unaudited)

(\$ millions)	Three-months ended September 30		Six-months ended September 30	
	2006	2005	2006	2005
NET ASSETS, BEGINNING OF PERIOD	\$ 91,880	\$ 68,392	\$ 88,532	\$ 58,580
CHANGES IN NET ASSETS				
Canada Pension Plan transfers (note 5)				
Transfers from the Canada Pension Plan	7,337	8,315	17,577	18,962
Transfers to the Canada Pension Plan	(4,302)	(3,657)	(8,715)	(6,687)
Net income from operations	3,656	3,949	1,177	6,144
INCREASE IN NET ASSETS FOR THE PERIOD	6,691	8,607	10,039	18,419
NET ASSETS, END OF PERIOD	\$ 98,571	\$ 76,999	\$ 98,571	\$ 76,999

The accompanying notes are an integral part of these consolidated financial statements.

CANADA PENSION PLAN INVESTMENT BOARD

Consolidated Statement of Investment Portfolio

As at September 30, 2006

(Unaudited)

The CPP Investment Board's investments are grouped by asset class based on the intent of the investment strategies of the underlying portfolios. The investments, before allocating derivative contracts, associated money market securities and other investment receivables and liabilities to the asset classes to which they relate, are as follows:

(\$ millions)	Fair Value		
	September 30, 2006	March 31, 2006	September 30, 2005
EQUITIES (note 2)			
Canada			
Public equities	\$ 14,950	\$ 20,003	\$ 22,919
Private equities	726	628	533
	15,676	20,631	23,452
Non-Canada			
Public equities	34,109	27,743	17,292
Private equities	4,843	3,822	2,958
	38,952	31,565	20,250
TOTAL EQUITIES¹	54,628	52,196	43,702
NOMINAL FIXED INCOME			
Bonds (note 2c)	20,445	17,288	13,260
Money market securities	14,520	10,356	15,374
TOTAL NOMINAL FIXED INCOME²	34,965	27,644	28,634
INFLATION-SENSITIVE ASSETS (note 2d)			
Public real estate	1,779	1,178	1,014
Private real estate	4,386	3,676	1,745
Inflation-linked bonds	3,796	3,837	1,492
Private infrastructure	848	350	339
TOTAL INFLATION-SENSITIVE ASSETS³	10,809	9,041	4,590
INVESTMENT RECEIVABLES			
Accrued interest	578	513	389
Derivatives receivable (note 2a)	236	259	453
Dividends receivable	119	128	93
TOTAL INVESTMENT RECEIVABLES⁴	933	900	935
TOTAL INVESTMENTS	\$ 101,335	\$ 89,781	\$ 77,861
INVESTMENT LIABILITIES			
Debt on private real estate properties (note 2d)	(1,027)	(664)	(256)
Derivative liabilities (note 2a)	(205)	(111)	(31)
TOTAL INVESTMENT LIABILITIES⁵	(1,232)	(775)	(287)
Amounts receivable from pending trades ⁶	204	255	216
Amounts payable from pending trades ⁷	(1,728)	(703)	(765)
NET INVESTMENTS	\$ 98,579	\$ 88,558	\$ 77,025

Cost of investments is as follows:

¹Equities: September 30, 2006 - \$49,821; March 31, 2006 - \$43,994; September 30, 2005 - \$36,865.

²Nominal fixed income: September 30, 2006 - \$35,443; March 31, 2006 - \$28,199; September 30, 2005 - \$28,717.

³Inflation-sensitive assets: September 30, 2006 - \$10,161; March 31, 2006 - \$8,635; September 30, 2005 - \$4,436.

⁴Investment receivables: September 30, 2006 - \$700; March 31, 2006 - \$641; September 30, 2005 - \$482.

⁵Investment liabilities: September 30, 2006 - \$1,026; March 31, 2006 - \$666; September 30, 2005 - \$251.

⁶Amounts receivable from pending trades: September 30, 2006 - \$180; March 31, 2006 - \$240; September 30, 2005 - \$205.

⁷Amounts payable from pending trades: September 30, 2006 - \$1,714; March 31, 2006 - \$693; September 30, 2005 - \$741.

The accompanying notes are an integral part of these consolidated financial statements.

CANADA PENSION PLAN INVESTMENT BOARD

Consolidated Statement of Investment Portfolio

As at September 30, 2006

(Unaudited)

The CPP Investment Board's direct investments, derivatives, associated money market securities and investment receivables and liabilities are grouped by asset class based on the intent of the investment strategies of the underlying portfolios. The investments, after allocating derivative contracts, associated money market securities and other investment receivables and liabilities to the asset classes to which they relate, are as follows:

(\$ millions)	September 30, 2006		March 31, 2006		September 30, 2005	
	Fair Value	(%)	Fair Value	(%)	Fair Value	(%)
EQUITIES¹						
Canada	\$ 26,342	26.7 %	\$ 29,138	32.9 %	\$ 30,888	40.1 %
Non-Canada	39,507	40.1	32,568	36.8	23,421	30.4
	65,849	66.8	61,706	69.7	54,309	70.5
NOMINAL FIXED INCOME						
Bonds ²	20,975	21.3	17,752	20.0	13,617	17.7
Money market securities ³	1,762	1.8	601	0.7	3,941	5.1
	22,737	23.1	18,353	20.7	17,558	22.8
INFLATION-SENSITIVE ASSETS						
Real estate ^{1,4}	5,141	5.2	4,190	4.7	2,503	3.2
Inflation-linked bonds ^{1,2}	4,004	4.1	3,959	4.5	2,316	3.0
Infrastructure	848	0.8	350	0.4	339	0.5
	9,993	10.1	8,499	9.6	5,158	6.7
NET INVESTMENTS	\$ 98,579	100 %	\$ 88,558	100 %	\$ 77,025	100 %

¹ Includes derivative receivables and liabilities and associated money market securities.

² Includes accrued interest.

³ Includes amounts receivable/payable from pending trades, dividends receivable and accrued interest.

⁴ Net of mortgage debt on private real estate properties, as described more fully in note 2d.

The accompanying notes are an integral part of these consolidated financial statements.

CANADA PENSION PLAN INVESTMENT BOARD
Notes to the Consolidated Financial Statements
For the three and six-month periods ended September 30, 2006
(Unaudited)

ORGANIZATION

The Canada Pension Plan Investment Board (the “CPP Investment Board”) was established pursuant to the *Canada Pension Plan Investment Board Act* (the “Act”). The CPP Investment Board is a federal Crown corporation, all of the shares of which are owned by Her Majesty the Queen in right of Canada. The CPP Investment Board is responsible for assisting the Canada Pension Plan (the “CPP”) in meeting its obligations to contributors and beneficiaries under the *Canada Pension Plan*. It is responsible for managing amounts that are transferred to it under Section 108.1 of the *Canada Pension Plan*, and its interest in any bonds transferred to it (described in note 2), in the best interests of the beneficiaries and contributors. The CPP Investment Board’s assets are to be invested with a view to achieving a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day.

The consolidated financial statements provide information on the net assets managed by the CPP Investment Board as at September 30, 2006. They exclude certain assets held by the CPP but which will ultimately be transferred to the CPP Investment Board by April 2007. The remaining CPP holdings yet to be transferred to the CPP Investment Board consist of a portfolio of non-marketable federal, provincial and territorial bonds of \$4.7 billion at fair market value and are discussed in note 2. These consolidated financial statements do not include the pension liabilities of the CPP.

The CPP Investment Board has a fiscal year end of March 31.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and the requirements of the Act and the accompanying regulations. These statements follow the same accounting policies and methods of computation as the March 31, 2006 annual consolidated financial statements. These interim consolidated financial statements do not include all of the information and note disclosures required by GAAP for annual financial statements and therefore should be read in conjunction with the March 31, 2006 annual consolidated financial statements. The interim consolidated financial statements include all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of the interim period presented.

These interim consolidated financial statements present the consolidated financial position and results of operations of the CPP Investment Board, its wholly-owned subsidiaries, variable interest entities where the CPP Investment Board is the primary beneficiary and the proportionate share of the fair value of assets, liabilities and operations of privately held real estate investments in joint ventures.

Intercompany transactions and balances have been eliminated in preparing these consolidated financial statements.

Certain comparative figures have been reclassified to conform with the current period financial statement presentation.

CANADA PENSION PLAN INVESTMENT BOARD
Notes to the Consolidated Financial Statements
For the three and six-month periods ended September 30, 2006
(Unaudited)

(b) Valuation of Investments, Investment Receivables, and Investment Liabilities

Investments, investment receivables and investment liabilities are recorded on a trade date basis and are stated at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Fair value is determined as follows:

- (i) Quoted market prices for publicly traded equities and unit values for public equity funds are used to represent fair value for these investments. Unit values reflect the quoted market prices of the underlying securities. In the case where quoted market prices are not reliable, such as those for securities that are not sufficiently liquid to be used as a basis for fair value, fair value is determined using accepted industry valuation methods.
- (ii) In the case of private equity and infrastructure investments, where quoted market prices are not available, fair value is determined based on carrying values and other relevant information reported by external managers of the investments. These carrying values are determined by the external managers using accepted industry valuation methods. These methods include considerations such as earnings multiples of comparable publicly traded companies, discounted cash flows and third party transactions, or other events which would suggest a significant change in the value of the investment. On a quarterly basis, when there is evidence of a significant change in fair value, the valuation is adjusted as appropriate. In the first year of ownership, cost is generally considered to be an appropriate estimate of fair value for private equity and infrastructure investments unless there is evidence of a significant change in value.
- (iii) Quoted market prices are used to represent the fair value for marketable federal, provincial and territorial bonds. Where quoted market prices are not available, fair values are calculated using discounted cash flows based on current market yields of instruments with similar characteristics.
- (iv) Fair value for non-marketable federal, provincial and territorial bonds is calculated using discounted cash flows based on current market yields of instruments with similar characteristics, adjusted for the non-marketability and rollover provisions of the bonds.
- (v) Money market securities are recorded at cost, which, together with accrued interest income, approximates fair value.
- (vi) Quoted market prices are used to represent the fair value for public real estate investments.
- (vii) The fair value of private real estate investments is determined using accepted industry valuation methods, such as discounted cash flows and comparable purchase and sales transactions. Debt on private real estate investments is valued using discounted cash flows based on current market yields for instruments with similar characteristics. On a quarterly basis, when there is evidence of a significant change in fair value, the valuation is adjusted as appropriate. In the first year of ownership, cost is generally considered to be an appropriate estimate of fair value for private real estate investments unless there is evidence of a significant change in value.
- (viii) Quoted market prices are used to represent the fair value for inflation-linked bonds.

CANADA PENSION PLAN INVESTMENT BOARD
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(Unaudited)

- (ix) Fair value for over-the-counter derivatives such as swaps and forward contracts is determined based on the quoted market prices for underlying assets. Fair value for exchange-traded futures is based on quoted market prices.

2. INVESTMENTS AND INVESTMENT LIABILITIES

The CPP Investment Board has established investment policies which set out the manner in which assets shall be invested. In setting the policies, the CPP Investment Board takes into consideration certain specified CPP assets which are held outside of the CPP Investment Board and which are in the process of being transferred to the CPP Investment Board as set out in the following paragraph.

The *Canada Pension Plan*, the Act and an administrative agreement between Her Majesty the Queen in right of Canada and the CPP Investment Board (the "Agreement") together provide for the transfer of certain specified CPP assets currently administered by the federal government to the CPP Investment Board. These assets, totalling \$4.7 billion at fair market value as at September 30, 2006, consist of a portfolio of non-marketable federal, provincial and territorial bonds to be transferred to the CPP Investment Board in 36 installments over a period that began May 1, 2004 and ends on April 1, 2007 (see note 2c).

(a) *Derivative Contracts*

A derivative is a financial contract, the value of which is derived from the value of underlying assets, indexes, interest rates or currency exchange rates.

The CPP Investment Board uses the following types of derivative instruments as described below:

Equity and inflation-linked bond swaps

Swaps are over-the-counter contractual agreements between two counterparties to exchange financial returns with predetermined conditions based on notional amounts. Swaps are used for yield enhancement purposes and to adjust exposures to certain equities and inflation-linked bonds without directly purchasing or selling the underlying asset.

Equity, interest rate and nominal bond futures

Futures are standardized contracts transacted on an exchange to purchase or sell specified quantity of equities, interest rate sensitive financial instruments or nominal bonds at a predetermined price and date in the future. Futures are used to adjust exposure to specified equities, interest rate sensitive financial instruments and nominal bonds without directly purchasing or selling the underlying asset.

Foreign exchange forward contracts

Foreign exchange forward contracts are over-the-counter contractual agreements negotiated between two counterparties to exchange a specified amount of one currency for a specified amount of a second currency on a predetermined date in the future. Foreign exchange forward contracts are used to manage exposures to currencies other than the Canadian dollar.

CANADA PENSION PLAN INVESTMENT BOARD
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All derivative contracts have a term to maturity of one year or less. Notional amounts of derivative contracts are used to compute the cash flows and for determining the fair value of the contracts. Notional amounts are not recorded as assets or liabilities on the balance sheet.

The notional amounts and fair value of derivative contracts held are as follows:

(\$ millions)	September 30, 2006		March 31, 2006		September 30, 2005	
	Notional Amount	Fair Value	Notional Amount	Fair value	Notional Amount	Fair Value
Equity swaps	\$ 10,609	\$ 45	\$ 8,874	\$ 169	\$ 7,025	\$ 411
Equity futures	1,250	-	1,047	(2)	3,468	6
Foreign exchange forward contracts	12,313	(14)	6,184	(14)	2,539	5
Inflation-linked bond swaps	-	-	126	(5)	824	-
Bond futures	983	-	-	-	-	-
Interest rate futures	3,740	-	-	-	-	-
Total	\$ 28,895	\$ 31	\$ 16,231	\$ 148	\$ 13,856	\$ 422

(b) *Private equity investments*

Private equity investments are generally made directly or through ownership in limited partnership arrangements which have a typical term of 10 years. The private equity investments represent equity ownerships or investments with the risk and return characteristics of equity.

With respect to limited partnership arrangements, the CPP Investment Board advances capital to the limited partnerships, a portion of which, commonly referred to as management fees, is used by the general partners to select and provide ongoing management support to the underlying companies. Management fees generally vary between 1% and 2% of the total amount committed to the limited partnerships, and are included as part of the CPP Investment Board's cost of the investments. During the three and six-month periods ended September 30, 2006, management fees of \$30.3 million and \$56.3 million, respectively (three and six-month periods ended September 30, 2005 - \$17.5 million and \$37.9 million, respectively) were included in the capital advanced to the limited partnerships and recorded as part of the cost of the investment. As discussed more fully in note 1b, the carrying values of these investments are reviewed quarterly and any resulting adjustments are reflected as unrealized gains or losses in investment income (see note 6).

(c) *Bonds*

Bonds consist of marketable and non-marketable federal, provincial and territorial Canadian government bonds. At September 30, 2006, the fair market value of bonds consisted of marketable government bonds in the amount of \$4.0 million (March 31, 2006 - \$nil; September 30, 2005 - \$nil) and non-marketable government bonds in the amount of \$20,441 million (March 31, 2006 - \$17,288 million; September 30, 2005 - \$13,260 million).

The transfer to the CPP Investment Board of the CPP portfolio of non-marketable federal, provincial and territorial bonds began on May 1, 2004. Bonds of \$2.0 billion based on fair market value at the time of transfer were transferred during the three-month period ended September 30, 2006.

CANADA PENSION PLAN INVESTMENT BOARD
Notes to the Consolidated Financial Statements
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(Unaudited)

The non-marketable bonds issued by the provinces and territories and purchased by the CPP prior to 1998 contain a rollover provision which will permit these issuers, at their option, to roll over the bonds for a further 20-year term at a rate based on capital markets borrowing rates existing at the time of rollover. The non-marketable bonds are also redeemable at the option of the issuers for redemption amounts calculated in accordance with Section 110 of the *Canada Pension Plan*.

Effective June 2005, the Agreement was amended to permit the CPP Investment Board to purchase replacement bonds directly from a province or territory upon the maturity of the non-marketable bonds issued by the provinces and territories prior to 1998, subject to the relevant province or territory having entered into an agreement with the CPP Investment Board. The maximum term of such securities is 30 years including rollover periods. The issuer may elect to have the CPP Investment Board purchase a replacement debt security or securities in a total principal amount not exceeding the principal amount of the maturing security for a term of not less than five years and not greater than 30 years. Such replacement bonds contain rollover provisions which will permit the issuer, at its option, to roll over the debt security for successive terms of not less than five years and subject in all cases to the maximum 30 years outside maturity date. The replacement bonds are also redeemable at the option of the provinces or territories prior to maturity. Agreements between the CPP Investment Board and the relevant provinces or territories were effective commencing July 1, 2005.

The terms to maturity of the marketable and non-marketable bonds as at September 30, 2006, not including any rollover options, are as follows:

(\$ millions)	Terms to Maturity				
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total
Government of Canada bonds	\$ 644	\$ 1,093	\$ 11	\$ 1	\$ 1,749
Provincial and territorial bonds	1,361	7,026	1,876	8,433	18,696
Total	\$ 2,005	\$ 8,119	\$ 1,887	\$ 8,434	\$ 20,445

(d) Inflation-sensitive assets

- (i) The CPP Investment Board obtains exposure to real estate through investments in publicly traded securities and privately held real estate.

Private real estate investments are held by a wholly-owned subsidiary and are managed on behalf of the CPP Investment Board by external advisors and managers through co-ownership arrangements. As at September 30, 2006, the subsidiary's share of these investments includes assets of \$4,386 million (March 31, 2006 - \$3,676 million; September 30, 2005 - \$1,745 million) and \$1,027 million of secured debt (March 31, 2006 - \$664 million; September 30, 2005 - \$256 million), with a weighted average fixed interest rate of 6.21% and terms to maturity of one to 21 years.

CANADA PENSION PLAN INVESTMENT BOARD
Notes to the Consolidated Financial Statements
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(Unaudited)

Included in the private real estate are investments in joint ventures. The CPP Investment Board's proportionate interest in joint ventures is summarized as follows:

(\$ millions)	Proportionate Share of Net Assets		
	September 30, 2006		September 30, 2005
Assets	\$ 3,945	\$ 3,312	\$ 1,559
Liabilities	1,027	664	256
	\$ 2,918	\$ 2,648	\$ 1,303

(\$ millions)	Proportionate Share of Net Income			
	Three-months ended September 30		Six-months ended September 30	
	2006	2005	2006	2005
Revenue	\$ 123	\$ 43	\$ 236	\$ 65
Expenses	(81)	(28)	(154)	(41)
	\$ 42	\$ 15	\$ 82	\$ 24

- (ii) Infrastructure investments are generally made directly or through limited partnership arrangements which have a typical term of 10 years. The investments represent ownerships in entities that invest in infrastructure assets. Management fees for limited partnership infrastructure investments are treated similarly to private equity management fees as discussed in note 2b. During the three and six-month periods ended September 30, 2006, management fees included in the capital advanced to the limited partnerships were \$nil and \$0.8 million, respectively (three and six-month periods ended September 30, 2005 - \$nil and \$nil, respectively).
- (iii) The terms to maturity of the inflation-linked bonds held by the CPP Investment Board as at September 30, 2006 are as follows:

(\$ millions)	Terms to Maturity				Total
	Within 1 year	1 to 5 Years	6 to 10 Years	Over 10 Years	
Inflation-linked bonds	\$ -	\$ 336	\$ 528	\$ 2,932	\$ 3,796

(e) *Securities lending*

The CPP Investment Board participates in a securities lending program to enhance portfolio returns. Credit risk associated with the securities lending program is mitigated by requiring the borrower to provide daily collateral in the form of readily marketable investments of greater market value than the securities loaned. As at September 30, 2006, the CPP Investment Board's investments include securities loaned with an estimated fair value of \$2,094 million (March 31, 2006 - \$1,847 million; September 30, 2005 - \$1,454 million). The fair value of collateral received in respect of the securities loaned is \$2,203 million (March 31, 2006 - \$1,942 million; September 30, 2005 - \$1,529 million).

CANADA PENSION PLAN INVESTMENT BOARD
Notes to the Consolidated Financial Statements
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(Unaudited)

3. CREDIT FACILITIES

The CPP Investment Board maintains \$1.5 billion (March 31, 2006 - \$1.5 billion; September 30, 2005 - \$1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at September 30, 2006, the total amount drawn on the credit facilities is \$nil (March 31, 2006 - \$nil; September 30, 2005 - \$nil).

4. SHARE CAPITAL

The issued and authorized share capital of the CPP Investment Board is \$100 divided into 10 shares having a par value of \$10 each. The shares are owned by Her Majesty the Queen in right of Canada.

5. CANADA PENSION PLAN TRANSFERS

Pursuant to Section 108.1 of the *Canada Pension Plan* and the Agreement, referred to in note 2 above, amounts not required to meet specified obligations of the CPP are transferred to the CPP Investment Board. The funds originate from employer and employee contributions to the CPP, proceeds of maturing and redeemed government bonds held in a portfolio administered by the federal government and interest income generated from this portfolio.

The CPP Investment Board is responsible for providing cash management services to the CPP, including the periodic return, on at least a monthly basis, of funds required to meet CPP benefits and expenses.

During the three-month period ended September 30, 2006, a total of \$7.3 billion was transferred to the CPP Investment Board, including bonds of \$2.0 billion, based on fair market value at the time of transfer, and cash of \$5.3 billion. During the same period, a total of \$4.3 billion was returned to the CPP to meet its liquidity requirements.

The accumulated transfers are as follows:

(\$ millions)	September 30, 2006		March 31, 2006		September 30, 2005	
Accumulated transfers from CPP	\$	109,372	\$	91,795	\$	76,258
Accumulated transfers to CPP		(32,070)		(23,355)		(13,356)
Accumulated net transfers from CPP	\$	77,302	\$	68,440	\$	62,902

CANADA PENSION PLAN INVESTMENT BOARD
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(Unaudited)

6. INVESTMENT INCOME, NET OF EXTERNAL INVESTMENT MANAGEMENT FEES

Investment income is reported net of external investment management fees. Investment management fees in respect of publicly traded investments are expensed as incurred. These fees include an incentive portion that fluctuates with investment performance. Investment management fees for private real estate investments are deducted by the asset manager before the CPP Investment Board receives its share of net operating income from the properties. For a discussion of private equity and infrastructure management fees, see notes 2b and 2d.

Investment income by asset class, net of external investment management fees and after giving effect to derivative contracts and investment receivables and liabilities, are as follows:

(\$ millions)	Three-months ended September 30		Six-months ended September 30	
	2006	2005	2006	2005
Equities	\$ 2,445	\$ 3,893	\$ (1)	\$ 5,633
Less: External investment management fees	3	(15)	(3)	(22)
	2,448	3,878	(4)	5,611
Nominal fixed income	892	(60)	796	371
Inflation-sensitive assets	336	145	424	187
Less: External investment management fees	(3)	(2)	(4)	(3)
	333	143	420	184
Investment income, net of external investment management fees ¹	\$ 3,673	\$ 3,961	\$ 1,212	\$ 6,166

¹Includes realized gains and losses on disposal of investments; unrealized gains and losses on investments held at quarter end; dividend income (recognized on ex-dividend date); interest income; operating income from private real estate investments, net of debt interest; securities lending income and foreign exchange gains and losses.

7. COMMITMENTS

The CPP Investment Board has committed to enter into investment transactions, which will be funded over the next several years in accordance with the agreed terms and conditions. As at September 30, 2006, the remaining commitments total \$10.6 billion (March 31, 2006 - \$8.3 billion; September 30, 2005 - \$6.7 billion).

As at September 30, 2006, the CPP Investment Board has made lease commitments of \$37.9 million (March 31, 2006 - \$26.0 million; September 30, 2005 - \$26.5 million) over the next eight years.

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8. GUARANTEES AND INDEMNIFICATIONS

The CPP Investment Board provides indemnifications to its officers, directors and, in certain circumstances, to various counterparties. The CPP Investment Board may be required to compensate these parties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The contingent nature of the indemnification agreements prevents the CPP Investment Board from making a reasonable estimate of the maximum potential payments the CPP Investment Board could be required to make. To date, the CPP Investment Board has not received any claims nor made any payments pursuant to such indemnifications.