

Quarterly Financial Statements of

**CANADA PENSION PLAN
INVESTMENT BOARD**

December 31, 1998

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Net Assets

December 31, 1998

(unaudited)

ASSETS

Investments	\$ -
Allocation from the CPP Account (Note 3)	115,588
Cash	249,928
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	365,516

LIABILITIES

Accrued liabilities	365,516
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NET ASSETS	\$ -
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CANADA PENSION PLAN INVESTMENT BOARD

Statement of Changes in Net Assets

December 31, 1998

(unaudited)

NET ASSETS, BEGINNING OF PERIOD	\$ -
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INVESTMENT ACTIVITIES

Investment income	-
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ADMINISTRATIVE ACTIVITIES

Professional and consulting fees	184,342
Directors' expenses	94,283
Administrative expenses	86,963
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	365,588

Allocation from the CPP Account (Note 3)	(365,588)
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CHANGE IN NET ASSETS FOR THE PERIOD AND

NET ASSETS, END OF PERIOD	\$ -
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CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

December 31, 1998

(unaudited)

1. ORGANIZATION

The Canada Pension Plan Investment Board (the "Investment Board") was formed pursuant to the Canada Pension Plan Investment Board Act (the "Act").

The mandate of the Investment Board is to invest amounts that are transferred to it under the Act in the best interests of the Canada Pension Plan (the "CPP") contributors and beneficiaries. The 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.

The Board commenced operations in the quarter commencing October, 1998.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements represent the operations of the Investment Board, and therefore do not include the assets (approximately \$36.5 billion at December 31, 1998 consisting primarily of government debt obligations) or the liabilities of the CPP Account.

These financial statements are prepared in accordance with generally accepted accounting principles.

Investment income, administration expenses, and allocations from the CPP Account for start-up expenditures are recorded on an accrual basis.

3. ALLOCATION FROM THE CPP ACCOUNT FOR START-UP EXPENDITURES

The Investment Board has access to an allocation of \$6,000,000 for start-up expenditures to be drawn down as required. The amount accrued to date is \$365,588 of which \$250,000 has been received in cash.