

Quarterly Financial Statements of

**CANADA PENSION PLAN
INVESTMENT BOARD**

*June 30, 2001
(Unaudited)*

CANADA PENSION PLAN INVESTMENT BOARD

Balance Sheet

June 30, 2001

(Unaudited)

(\$ 000's)	<u>June 30, 2001</u>	<u>March 31, 2001</u>
ASSETS		
Investments (Note 2)		
Canadian equities	\$ 7,817,953	\$ 5,024,457
Non-Canadian equities	3,148,387	2,130,419
TOTAL INVESTMENTS	10,966,340	7,154,876
Dividends receivable	2,748	493
Cash and short-term investments	195	546
Other assets	467	428
TOTAL ASSETS	10,969,750	7,156,343
LIABILITIES		
Accounts payable and accrued liabilities	2,636	2,174
TOTAL LIABILITIES	2,636	2,174
NET ASSETS	\$ 10,967,114	\$ 7,154,169
NET ASSETS, REPRESENTED BY		
Share capital	\$ -	\$ -
Accumulated net loss from operations	(335,666)	(391,252)
Accumulated Canada Pension Plan transfers	11,302,780	7,545,421
NET ASSETS	\$ 10,967,114	\$ 7,154,169

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Income and Accumulated Net Income/(Loss) from Operations

Three-month period ended June 30, 2001

(Unaudited)

(\$ 000's)	June 30, 2001	June 30, 2000
INVESTMENT INCOME/(LOSS)		
Canadian equities	\$ 125,919	\$ 301,187
Non-Canadian equities	(67,802)	(6,859)
	58,117	294,328
INVESTMENT AND ADMINISTRATIVE EXPENSES		
Salaries and benefits	1,063	347
External investment management fees	698	241
Operating expenses	612	465
Professional and consulting fees	158	310
	2,531	1,363
NET INCOME FROM OPERATIONS	55,586	292,965
ACCUMULATED NET INCOME/(LOSS) FROM OPERATIONS, BEGINNING OF PERIOD	(391,252)	460,338
ACCUMULATED NET INCOME/(LOSS) FROM OPERATIONS, END OF PERIOD	\$ (335,666)	\$ 753,303

Statement of Changes in Net Assets

Three-month period ended June 30, 2001

(Unaudited)

(\$ 000's)	June 30, 2001	June 30, 2000
NET ASSETS, BEGINNING OF PERIOD	\$ 7,154,169	\$ 2,391,793
CHANGES IN NET ASSETS		
Canada Pension Plan transfers	3,757,359	2,156,569
Net income from operations	55,586	292,965
INCREASE IN NET ASSETS FOR THE PERIOD	3,812,945	2,449,534
NET ASSETS, END OF PERIOD	\$ 10,967,114	\$ 4,841,327

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Investment Portfolio

June 30, 2001

(Unaudited)

(\$ 000's)	Fair Value of Investments		
	June 30, 2001	March 31, 2001	June 30, 2000
CANADIAN EQUITIES (Note 2)			
Canadian Equities - TSE 300 (Combination of index funds and direct security investments that substantially replicate the TSE 300)	\$ 6,465,533	\$ 3,057,054	\$ 3,976,697
Other Canadian Equities (Diversified portfolio of pooled fund and direct security investments - Note 2)	1,352,420	1,967,403	-
Total Canadian Equities			
(Cost June 2001 - \$ 8,279,637 March 2001 - \$ 5,635,082 June 2000 - \$ 3,363,132)	7,817,953	5,024,457	3,976,697
NON-CANADIAN EQUITIES (Note 2)			
US Equity Index Fund - S&P 500	1,628,007	1,069,852	435,067
EAFE Equity Index Fund	1,520,380	1,060,567	428,285
Total Non-Canadian Equities			
(Cost June 2001 - \$ 3,494,094 March 2001 - \$ 2,407,243 June 2000 - \$ 832,439)	3,148,387	2,130,419	863,352
TOTAL INVESTMENTS	\$ 10,966,340	\$ 7,154,876	\$ 4,840,049
% OF PORTFOLIO			
Total Canadian Equities	71.3%	70.2%	82.2%
Total Non-Canadian Equities	28.7%	29.8%	17.8%
	100.0%	100.0%	100.0%

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

June 30, 2001

(Unaudited)

ORGANIZATION

The Canada Pension Plan Investment Board (the "CPP Investment Board") was formed pursuant to the *Canada Pension Plan Investment Board Act* (the "Act"). The CPP Investment Board is responsible for managing amounts that are transferred to it under Section 111 of the *Canada Pension Plan* in the best interests of the beneficiaries and contributors under that Act. The amounts 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 Canada Pension Plan (the "CPP") and the ability of the CPP to meet its financial obligations.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements present the financial position and operations of the CPP Investment Board as a separate legal entity, and therefore include only a portion of the assets (as described in Note 2) and none of the pension liabilities of the CPP. These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the requirements of the Act and the accompanying regulations (the "Regulations") and follow the same accounting policies and methods of computation as the March 31, 2001 annual financial statements. The interim statements should be read in conjunction with the March 31, 2001 annual financial statements, as they do not include all information and notes required by GAAP for annual financial statements.

Valuation of investments

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

Market prices for securities and unit values for pooled and mutual funds are used to represent fair value for the investments. Unit values reflect the quoted market prices of the underlying securities.

2. INVESTMENTS

The CPP Investment Board has established investment policies which set out the manner in which assets shall be invested. In determining the asset mix, the CPP Investment Board must take into consideration certain assets of the CPP which are held outside of the CPP Investment Board. As at June 30, 2001, these assets totalled approximately \$37.0 billion (at cost) and consisted primarily of government debt obligations. As a result, and in accordance with investment policies, 100% of the CPP Investment Board's investments are allocated to equities.

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

June 30, 2001

(Unaudited)

2. INVESTMENTS (continued)

The Regulations allow the active management of up to 50% of Canadian equities, on a book value basis. The Regulations restrict the remaining investments in Canadian equities to substantially replicate the composition of one or more broad market indices. As at June 30, 2001, approximately 83% of Canadian equity investments, on a book value basis, substantially replicated the Toronto Stock Exchange 300 Composite Index.

The CPP Investment Board's investment policies require that non-Canadian equities substantially replicate broad market indices. Non-Canadian equities are held in funds that substantially replicate the Morgan Stanley Capital International EAFE Index and the Standard & Poor's 500 Index. Investments are not hedged against changes in foreign currency exchange rates.

3. COMPARATIVE FIGURES

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