

Quarterly Financial Statements of

**CANADA PENSION PLAN
INVESTMENT BOARD**

June 30, 2002

(Unaudited)

CANADA PENSION PLAN INVESTMENT BOARD

Balance Sheet

June 30, 2002

(Unaudited)

<i>(\$ 000's)</i>	<u>June 30, 2002</u>	<u>March 31, 2002</u>	<u>June 30, 2001</u>
ASSETS			
Investments (Note 2)	\$ 17,174,161	\$ 14,289,378	\$ 10,966,340
Dividends receivable	25,584	-	2,748
Due from brokers	24,032	2,343	-
Premises and equipment	1,223	1,278	237
Other assets	677	79	425
TOTAL ASSETS	17,225,677	14,293,078	10,969,750
LIABILITIES			
Accounts payable and accrued liabilities	4,828	4,730	2,636
Due to brokers	125,463	3,382	-
TOTAL LIABILITIES	130,291	8,112	2,636
NET ASSETS	\$ 17,095,386	\$ 14,284,966	\$ 10,967,114
NET ASSETS, REPRESENTED BY			
Share capital	\$ -	\$ -	\$ -
Accumulated net loss from operations	(1,633,922)	(86,626)	(335,666)
Accumulated Canada Pension Plan transfers	18,729,308	14,371,592	11,302,780
NET ASSETS	\$ 17,095,386	\$ 14,284,966	\$ 10,967,114

CANADA PENSION PLAN INVESTMENT BOARD

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

Three-months ended June 30, 2002

(Unaudited)

(\$ 000's)	Three months ended June 30	
	2002	2001
INVESTMENT INCOME/(LOSS)	\$ (1,543,626)	\$ 58,117
INVESTMENT AND ADMINISTRATIVE EXPENSES		
Salaries and benefits	1,342	1,063
General operating expenses	1,061	612
External investment management fees	859	698
Professional and consulting fees	408	158
	3,670	2,531
NET INCOME/(LOSS) FROM OPERATIONS	(1,547,296)	55,586
ACCUMULATED NET LOSS FROM OPERATIONS, BEGINNING OF PERIOD	(86,626)	(391,252)
ACCUMULATED NET LOSS FROM OPERATIONS, END OF PERIOD	\$ (1,633,922)	\$ (335,666)

Statement of Changes in Net Assets

Three-months ended June 30, 2002

(Unaudited)

(\$ 000's)	Three months ended June 30	
	2002	2001
NET ASSETS, BEGINNING OF PERIOD	\$ 14,284,966	\$ 7,154,169
CHANGES IN NET ASSETS		
Canada Pension Plan transfers	4,357,716	3,757,359
Net income/(loss) from operations	(1,547,296)	55,586
INCREASE IN NET ASSETS FOR THE PERIOD	2,810,420	3,812,945
NET ASSETS, END OF PERIOD	\$ 17,095,386	\$ 10,967,114

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Investment Portfolio

June 30, 2002

(Unaudited)

(\$000's)	Fair Value of Investments					
	June 30, 2002		March 31, 2002		June 30, 2001	
EQUITIES (Note 2)						
Canada						
Public Markets	\$ 11,518,705	67.1%	\$ 9,824,428	68.8%	\$ 7,817,953	71.3%
Private Markets	146,032	0.9%	144,207	1.0%	-	-
	11,664,737	68.0%	9,968,635	69.8%	7,817,953	71.3%
United States						
Public Markets	2,221,226	12.9%	1,861,021	13.0%	1,628,007	14.8%
Private Markets	433,837	2.5%	304,445	2.1%	-	-
	2,655,063	15.4%	2,165,466	15.1%	1,628,007	14.8%
Non-North America						
Public Markets	2,249,229	13.1%	1,971,484	13.8%	1,520,380	13.9%
Private Markets	70,595	0.4%	11,606	0.1%	-	-
	2,319,824	13.5%	1,983,090	13.9%	1,520,380	13.9%
TOTAL EQUITIES						
(Cost June 2002 -	\$18,684,293					
March 2002 -	\$14,546,009					
June 2001 -	\$11,773,731)	16,639,624	96.9%	14,117,191	98.8%	10,966,340
						100.0%
REAL ESTATE (Note 2)						
Publicly Traded Securities						
(Cost June 2002 -	\$ 280,789					
March 2002 -	\$ 144,442					
June 2001 -	\$ Nil)	271,500	1.6%	145,141	1.0%	-
						-
OTHER INVESTMENTS						
Money Market Securities						
(Cost June 2002 -	\$ 263,042					
March 2002 -	\$ 27,046					
June 2001 -	\$ Nil)	263,037	1.5%	27,046	0.2%	-
						-
TOTAL INVESTMENTS	\$ 17,174,161	100.0%	\$ 14,289,378	100.0%	\$ 10,966,340	100.0%

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

June 30, 2002

(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 consolidated financial position and operations of the CPP Investment Board and its wholly-owned subsidiary. The financial statements 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 and follow the same accounting policies and methods of computation as the March 31, 2002 annual financial statements. The interim statements should be read in conjunction with the March 31, 2002 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.

Quoted market prices for publicly traded securities and unit values for pooled funds are used to represent fair value for these investments. Unit values reflect the quoted market prices of the underlying securities. In the case of private market investments, where quoted market prices are not available, fair value is determined utilizing valuations provided by external managers who use applicable industry valuation methods such as earnings multiples of comparable publicly traded companies, discounted cash flows, and appraisals. In the first year of ownership, cost is generally considered to be an appropriate estimate of fair value for private market investments, unless there is an indication of permanent impairment of value.

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

June 30, 2002

(Unaudited)

2. INVESTMENTS

The CPP Investment Board has established an Investment Statement and Investment Policies which set out the manner in which assets shall be invested. The majority of the CPP Investment Board's investments are allocated to public and private equities in the Canadian, United States and Non-North American markets. 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, 2002, these assets totalled approximately \$34.3 billion (at cost) (June 30, 2001 - \$37.0 billion) and consisted primarily of government debt obligations.

As at June 30, 2002, the investments in Canadian public market equities substantially replicate the composition of the S&P/TSX Composite Index. The United States and Non-North America public market equities are held in funds that substantially replicate the Standard & Poor's ("S&P") 500 Index and the Morgan Stanley Capital International ("MSCI") EAFE Index, respectively.

As at June 30, 2002, 3.8% (2001 – 0%) of investments are held in private market equities. These investments, currently in Canada, the United States, and Western Europe, are generally made by taking an interest in funds managed by third parties. The underlying investments represent equity ownership or investments with the risk and return characteristics of equity.

During the quarter, the CPP Investment Board increased its exposure to real estate investments through the purchase of publicly traded securities.

3. COMMITMENTS

The CPP Investment Board has committed to enter into private market investment transactions, which will be funded over the next several years in accordance with the terms and conditions agreed to. As at June 30, 2002, these outstanding commitments totaled \$2.8 billion (2001 – \$Nil).

4. LEGISLATIVE AMENDMENT

An Act to amend the *Canada Pension Plan* and the *Canada Pension Plan Investment Board Act* was introduced in the House of Commons of Canada on June 6, 2002. If enacted, it will permit the cash balance held in the Canada Pension Plan Account to be transferred to the CPP Investment Board and will provide a means by which the CPP Investment Board will be required to transfer funds to the government to meet immediate obligations. It will also provide for the transfer to the CPP Investment Board, over a three-year period on a pro-rata basis, the right, title or interest in each security held in the CPP's government bond portfolio, currently administered by the Minister of Finance.

5. COMPARATIVE FIGURES

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