

Quarterly Consolidated Financial Statements of

**CANADA PENSION PLAN
INVESTMENT BOARD**

September 30, 2005

(Unaudited)

CANADA PENSION PLAN INVESTMENT BOARD

Consolidated Balance Sheet

As at September 30, 2005

(Unaudited)

(\$ 000's)	September 30, 2005	March 31, 2005	September 30, 2004
ASSETS			
Investments (Note 2)	\$ 77,860,755	\$ 59,001,705	\$ 44,421,039
Amounts due from pending trades	216,518	19,468	13,424
Premises and equipment	4,133	4,040	1,051
Other assets	1,585	3,359	1,762
TOTAL ASSETS	\$ 78,082,991	\$ 59,028,572	\$ 44,437,276
LIABILITIES			
Investment liabilities (Note 2)	287,126	279,430	183,102
Amounts payable from pending trades	765,100	147,488	29,802
Accounts payable and accrued liabilities	31,524	21,875	8,890
TOTAL LIABILITIES	1,083,750	448,793	221,794
NET ASSETS	\$ 76,999,241	\$ 58,579,779	\$ 44,215,482
NET ASSETS, REPRESENTED BY			
Share capital (Note 4)	\$ -	\$ -	\$ -
Accumulated net income from operations	14,097,169	7,952,988	3,389,171
Accumulated Canada Pension Plan transfers (Note 5)	62,902,072	50,626,791	40,826,311
NET ASSETS	\$ 76,999,241	\$ 58,579,779	\$ 44,215,482

The accompanying notes to the consolidated financial statements are an integral part of this statement.

CANADA PENSION PLAN INVESTMENT BOARD

Consolidated Statement of Income and Accumulated Net Income from Operations

Three-month and six-month periods ended September 30, 2005

(Unaudited)

(\$ 000's)	Three-months ended September 30		Six-months ended September 30	
	2005	2004	2005	2004
INVESTMENT INCOME, NET OF EXTERNAL				
INVESTMENT MANAGEMENT FEES (Note 6)	\$ 3,960,878	\$ 171,345	\$ 6,166,233	\$ 432,211
OPERATING EXPENSES				
Salaries and benefits	5,127	3,139	10,271	6,047
General operating expenses	4,608	3,132	8,936	5,649
Professional and consulting fees	2,100	1,144	2,845	2,135
	11,835	7,415	22,052	13,831
NET INCOME FROM OPERATIONS	3,949,043	163,930	6,144,181	418,380
ACCUMULATED NET INCOME FROM OPERATIONS, BEGINNING OF PERIOD	10,148,126	3,225,241	7,952,988	2,970,791
ACCUMULATED NET INCOME FROM OPERATIONS, END OF PERIOD	\$ 14,097,169	\$ 3,389,171	\$ 14,097,169	\$ 3,389,171

Consolidated Statement of Changes in Net Assets

Three-month and six-month periods ended September 30, 2005

(Unaudited)

	Three-months ended September 30		Six-months ended September 30	
	2005	2004	2005	2004
NET ASSETS, BEGINNING OF PERIOD	\$ 68,392,196	\$ 38,603,195	\$ 58,579,779	\$ 32,795,346
CHANGES IN NET ASSETS				
Canada Pension Plan transfers (Note 5)				
Transfers from the Canada Pension Plan	8,314,813	6,403,029	18,962,363	11,956,428
Transfers to the Canada Pension Plan	(3,656,811)	(954,672)	(6,687,082)	(954,672)
Net income from operations	3,949,043	163,930	6,144,181	418,380
INCREASE IN NET ASSETS FOR THE PERIOD	8,607,045	5,612,287	18,419,462	11,420,136
NET ASSETS, END OF PERIOD	\$ 76,999,241	\$ 44,215,482	\$ 76,999,241	\$ 44,215,482

The accompanying notes to the consolidated financial statements are an integral part of this statement.

CANADA PENSION PLAN INVESTMENT BOARD

Consolidated Statement of Investment Portfolio

As at September 30, 2005

(Unaudited)

The CPP Investment Board's investments, before allocating derivative contracts and associated money market securities and other investment liabilities and receivables to the asset classes to which they relate, are as follows:

(\$ 000's)	Fair Value		
	September 30, 2005	March 31, 2005	September 30, 2004
EQUITIES (Note 2)			
Canada			
Public markets	\$ 22,919,413	\$ 21,044,008	\$ 19,839,808
Private markets	532,476	511,969	359,627
	23,451,889	21,555,977	20,199,435
Non-Canada			
Public markets	17,292,093	12,646,146	9,330,924
Private markets	2,958,084	2,393,996	1,847,580
	20,250,177	15,040,142	11,178,504
TOTAL EQUITIES ¹	43,702,066	36,596,119	31,377,939
REAL RETURN ASSETS (Note 2c)			
Public markets real estate	1,014,367	384,000	336,985
Private markets real estate	1,745,052	638,200	451,928
Inflation linked bonds	1,492,037	-	-
Private markets infrastructure	338,738	230,125	55,792
TOTAL REAL RETURN ASSETS ²	4,590,194	1,252,325	844,705
NOMINAL FIXED INCOME			
Bonds (Note 2d)	13,259,935	8,507,114	3,912,029
Money market securities	15,374,177	12,066,774	7,974,071
TOTAL NOMINAL FIXED INCOME ³	28,634,112	20,573,888	11,886,100
INVESTMENT RECEIVABLES			
Derivative receivables (Note 2a)	453,170	240,168	132,173
Dividends receivable	92,484	85,536	63,442
Accrued interest	388,729	253,669	116,680
TOTAL INVESTMENT RECEIVABLES ⁴	934,383	579,373	312,295
TOTAL INVESTMENTS	77,860,755	59,001,705	44,421,039
INVESTMENT LIABILITIES			
Debt on real estate properties (Note 2c)	(256,502)	(241,752)	(169,207)
Derivative liabilities (Note 2a)	(30,624)	(37,678)	(13,895)
TOTAL INVESTMENT LIABILITIES ⁵	(287,126)	(279,430)	(183,102)
NET INVESTMENTS	\$ 77,573,629	\$ 58,722,275	\$ 44,237,937

Cost of Investments is as follows:

¹ Equities: September 30, 2005 - \$36,864,888; March 31, 2005 - \$32,140,629; September 30, 2004 - \$29,503,563

² Real Return Assets: September 30, 2005 - \$4,435,812; March 31, 2005 - \$1,222,360; September 30, 2004 - \$885,612

³ Nominal Fixed Income: September 30, 2005 - \$28,716,963; March 31, 2005 - \$20,613,699; September 30, 2004 - \$11,902,738

⁴ Investment Receivables: September 30, 2005 - \$482,358; March 31, 2005 - \$339,677; September 30, 2004 - \$180,438

⁵ Investment Liabilities: September 30, 2005 - \$250,505; March 31, 2005 - \$234,259; September 30, 2004 - \$168,029

The accompanying notes to the consolidated financial statements are an integral part of this statement.

CANADA PENSION PLAN INVESTMENT BOARD

Consolidated Statement of Investment Portfolio

As at September 30, 2005

(Unaudited)

The CPP Investment Board's investments, after allocating derivative contracts, associated money market securities and other investment liabilities and receivables to the asset classes to which they relate, are as follows:

(\$ 000's)	September 30, 2005		March 31, 2005		September 30, 2004	
	Fair Value	(%)	Fair Value	(%)	Fair Value	(%)
EQUITIES¹						
Canada	\$ 30,888,331	39.8%	\$ 27,668,469	47.1%	\$ 24,621,256	55.7%
Non-Canada	23,421,334	30.2%	20,882,401	35.6%	14,192,812	32.1%
REAL RETURN ASSETS						
Real estate ²	2,502,917	3.2%	780,448	1.3%	619,706	1.4%
Infrastructure	338,738	0.4%	230,125	0.4%	55,792	0.1%
Inflation linked bonds ³	2,316,385	3.0%	-	-	-	-
NOMINAL FIXED INCOME						
Bonds ³	13,616,444	17.6%	8,749,337	14.9%	4,025,621	9.1%
Money market securities ⁴	4,489,480	5.8%	411,495	0.7%	722,750	1.6%
	\$ 77,573,629	100.0%	\$ 58,722,275	100.0%	\$ 44,237,937	100.0%

¹ Includes derivative contracts and associated money market securities.

² Net of mortgage debt on real estate properties as described more fully in Note 2c.

³ Includes accrued interest.

⁴ Includes dividends receivable and accrued interest on money market securities.

The accompanying notes to the consolidated financial statements are an integral part of this statement

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Consolidated Financial Statements

Three-month and six-month periods ended September 30, 2005

(Unaudited)

(\$000's)

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 debt securities transferred to it (described in Note 2), in the best interests of the beneficiaries and contributors under that Act. 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 CPP Investment Board has a fiscal year end of March 31.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of presentation*

These financial statements present the consolidated financial position and operations of the CPP Investment Board and its wholly-owned subsidiaries and include the proportionate share of the fair value of assets, liabilities and operations of privately held real estate investments in joint ventures.

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. These statements follow the same accounting policies and methods of computation as the March 31, 2005 annual financial statements. The interim financial statements should be read in conjunction with the March 31, 2005 annual financial statements, as they do not include all information and notes required by GAAP for annual financial statements.

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

(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 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.

Fair value is determined as follows:

- (i) Quoted closing 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.

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Consolidated Financial Statements

Three-month and six-month periods ended September 30, 2005

(Unaudited)

(\$000's)

- (ii) In the case of private equity and infrastructure investments, where quoted market prices are not available, fair value is determined at least annually, commencing after the first year of ownership, 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 suggest material impairment or improvement 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 an indication of permanent impairment of value.
- (iii) The fair value of private market investments in real estate properties is determined annually, commencing after the first year of ownership, using accepted industry valuation methods, such as discounted cash flows and comparable purchase and sales transactions. Debt on 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 real estate unless there is an indication of permanent impairment of value.
- (iv) 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.
- (v) Quoted market prices are used to represent the fair value for inflation linked bonds.
- (vi) Quoted market prices are used to represent the fair value for public market real estate.
- (vii) Fair value for non-marketable federal, provincial and territorial debt securities 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.
- (viii) Money market securities are recorded at cost which, together with accrued interest income, approximates fair value.

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 determining its target asset weights, 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

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Consolidated Financial Statements

Three-month and six-month periods ended September 30, 2005

(Unaudited)

(\$000's)

the transfer of certain specified CPP assets currently administered by the federal government to the CPP Investment Board. These assets include a portfolio of non-marketable federal, provincial and territorial debt securities 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 2d). The assets also include a cash operating reserve transferred to the CPP Investment Board in 12 equal installments over a period that began in September 2004 and ended in August 2005. As at September 30, 2005, the remaining assets yet to be transferred consist of debt securities which total approximately \$12.7 billion at cost (March 31, 2005 - \$20.1 billion; September 30, 2004 - \$ 27.7 billion).

The Consolidated Statement of Investment Portfolio provides information on the investments and related receivables and liabilities held as at September 30, 2005.

(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 derivatives to replicate the return of Canadian and Non-Canadian equities and Non-Canadian inflation linked bonds to manage asset weights and currency exposure. The CPP Investment Board has swaps outstanding to exchange money market interest payments for equity and inflation linked bond payments. The CPP Investment Board also uses exchange-traded futures contracts and foreign exchange forwards to either increase or reduce exposure to underlying equity market or currency movements.

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 as at September 30 are as follows:

(\$ 000's)	September 30, 2005		March 31, 2005		September 30, 2004	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Equity swaps	\$ 7,025,490	\$ 410,952	\$ 5,918,228	\$ 206,321	\$ 4,339,601	\$ 122,005
Equity futures	3,467,910	6,407	6,061,262	(6,190)	2,975,246	(723)
Foreign exchange forwards	2,538,995	4,693	2,093,348	2,359	1,397,882	(3,004)
Inflation linked bond swaps	823,854	494	-	-	-	-
Total	\$ 13,856,249	\$ 422,546	\$ 14,072,838	\$ 202,490	\$ 8,712,729	\$ 118,278

(b) *Private equity investments*

Private equity investments are generally made by buying interests in limited partnerships with a typical term of 10 years. The private equity investments represent equity ownerships or investments with the risk and return characteristics of equity.

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

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Consolidated Financial Statements

Three-month and six-month periods ended September 30, 2005

(Unaudited)

(\$000's)

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-month and six-month periods ended September 30, 2005, management fees of \$17.5 million and \$37.9 million, respectively (three-month and six-month periods ended September 30, 2004 - \$13.1 million and \$28.9 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 at least annually and any resulting adjustments are reflected as unrealized gains or losses in investment income.

(c) *Real return assets*

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 subsidiary and are managed on behalf of the CPP Investment Board by external advisors and managers through co-ownership arrangements. As at September 30, 2005, the subsidiary's share of these investments includes assets of \$1,745,052 (March 31, 2005 - \$638,200; September 30, 2004 - \$451,928) and \$256,502 of liabilities related to mortgage debt (March 31, 2005 - \$241,752; September 30, 2004 - \$169,207), with a weighted average fixed interest rate of 7.55% and terms to maturity of two to 21 years.

The CPP Investment Board currently uses direct ownership and ownership through limited partnership arrangements to invest in infrastructure. The investments represent ownerships in entities that invest in infrastructure assets which are expected to provide predictable cash flows. Management fees for infrastructure investments are treated similar to private equity management fees as discussed in Note 2b. During the three-month and six-month periods ended September 30, 2005, management fees included in the capital advanced to the limited partnerships were \$nil and \$nil, respectively (three-month and six-month periods ended September 30, 2004 - \$0.9 million and \$1.1 million, respectively).

(d) *Bonds*

The transfer to the CPP Investment Board of the CPP portfolio of non-marketable federal, provincial and territorial debt securities began on May 1, 2004. Interests in debt securities of \$2,360,646 based on fair market value at the time of transfer were transferred during the three-month period ended September 30, 2005.

The non-marketable debt securities 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 debt securities are also redeemable at the option of the issuers for redemption amounts calculated in accordance with Section 110 of the *Canada Pension Plan*.

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Consolidated Financial Statements

Three-month and six-month periods ended September 30, 2005

(Unaudited)

(\$000's)

In June 2005, the Agreement was amended to permit the CPP Investment Board to purchase replacement debt securities directly from a province or territory upon the maturity of the non-marketable debt securities issued by the provinces and territories prior to 1998, and 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 debt securities 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 year outside maturity date. The replacement debt securities 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 July 1, 2005.

The terms to maturity of the bonds as at September 30, 2005, not including any rollover options, are as follows:

(\$ 000's)	Terms to Maturity				
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total
Government of Canada bonds	\$ 605,541	\$ 1,047,913	\$ 38,375	\$ -	\$ 1,691,829
Provincial and Territorial bonds	620,771	3,917,519	2,294,584	4,735,232	11,568,106
Total	\$ 1,226,312	\$ 4,965,432	\$ 2,332,959	\$ 4,735,232	\$ 13,259,935

(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, 2005, the CPP Investment Board's investments include securities loaned with an estimated fair value of \$1,454 million (March 31, 2005 - \$1,423 million; September 30, 2004 - \$671 million). The fair value of collateral received in respect of the securities loaned is \$1,529 million (March 31, 2005 - \$1,496 million; September 30, 2004 - \$705 million).

3. CREDIT FACILITIES

The CPP Investment Board maintains \$1.5 billion (March 31, 2005 - \$1.6 billion; September 30, 2004 - \$1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at September 30, 2005, the total amount drawn on the credit facilities is \$nil (March 31, 2005 - \$nil; September 30, 2004 - \$nil).

4. SHARE CAPITAL

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Consolidated Financial Statements

Three-month and six-month periods ended September 30, 2005

(Unaudited)

(\$000's)

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. In accordance with the Agreement discussed in Note 2, the monthly transfers of the cash operating reserve were used to reduce the cash returned to the CPP for benefits and expenses as noted above. Transfer of the CPP's cash operating reserve was completed in August 2005.

During the three-month period ended September 30, 2005, the total of \$8,314,813 transferred to the CPP Investment Board includes bonds of \$2,360,646 based on fair market value at the time of transfer, and cash of \$5,954,167. During the same period, a total of \$3,656,811 (net of the cash operating reserve entitlement of \$1,086,988) was returned to the CPP to meet the liquidity requirements of the CPP.

As at September 30, 2005, accumulated transfers of \$62,902,072 (March 31, 2005 - \$50,626,791; September 30, 2004 - \$40,826,311) from the CPP include transfers from the CPP of \$76,258,114 (March 31, 2005 - \$57,295,751; September 30, 2004 - \$41,780,983), net of transfers to the CPP of \$13,356,042 (March 31, 2005 - \$6,668,960; September 30, 2004 - \$954,672).

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 public markets investments are expensed as incurred. These fees include an incentive portion that fluctuates with investment performance. Investment management fees for private markets 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 2c.

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Consolidated Financial Statements

Three-month and six-month periods ended September 30, 2005

(Unaudited)

(\$000's)

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

(\$ 000's)	Three-months ended September 30		Six-months ended September 30	
	2005	2004	2005	2004
Equities	\$ 3,892,863	\$ 90,687	\$ 5,633,356	\$ 343,348
Less: Public markets external investment management fees	(14,654)	(2,022)	(22,040)	(2,634)
	3,878,209	88,665	5,611,316	340,714
Real return assets	144,610	(324)	187,441	11,732
Less: Private markets real estate external investment management fees	(2,306)	(874)	(3,020)	(1,851)
	142,304	(1,198)	184,421	9,881
Nominal fixed income	(59,635)	83,878	370,496	81,616
Investment income, net of external investment management fees ¹	\$ 3,960,878	\$ 171,345	\$ 6,166,233	\$ 432,211

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, distributions from partnerships and trusts, operating income from private market real estate investments, net of external investment management fees.

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, 2005, the remaining commitments total \$6.7 billion (March 31, 2005 - \$5.4 billion; September 30, 2004 - \$4.5 billion).

As at September 30, 2005, the organization has made lease commitments of \$26.5 million (March 31, 2005 - \$20 million; September 30, 2004 - \$6.3 million) over the next nine years.

8. GUARANTEES AND INDEMNIFICATIONS

The CPP Investment Board provides guarantees to its officers, directors and various counterparties as part of its standard indemnification agreements. Under these agreements, 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 for such indemnifications.

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Consolidated Financial Statements

Three-month and six-month periods ended September 30, 2005

(Unaudited)

(\$000's)

9. SUBSEQUENT EVENTS

On October 21, 2005, a newly-formed company ("Newco"), owned by a consortium in which the CPP Investment Board is a 50% participant, completed the acquisition of O&Y Properties Corporation, including its approximately 41% ownership of O&Y Real Estate Investment Trust ("O&Y REIT").

On October 17, 2005, it was also announced that all of the conditions of the take-over bid for limited voting units of O&Y REIT made by Newco had been satisfied or waived and a further 51% of such units were subsequently taken up and paid for pursuant to that bid. The consortium intends to cause O&Y REIT to effect a subsequent acquisition transaction whereby all issued and outstanding limited voting units of O&Y REIT will be redeemed for cash and has called a meeting of O&Y REIT unitholders for November 28, 2005 to approve that transaction. Since the majority of the minority limited voting units were acquired by Newco under the takeover bid, such units can and will be voted in favour of the subsequent acquisition transaction thereby ensuring that it will be approved. As part of the subsequent acquisition transaction, further transactions will be undertaken which will result in the CPP Investment Board becoming the owner of 50% of the underlying assets of O&Y REIT. The combined total consideration, involved in the acquisition, including the assumption of debt, is approximately \$2 billion. The CPP Investment Board's net investment will total approximately \$600 million.