

**THE PENSION PLANS OF THE UNIVERSITY OF GUELPH
COMBINED FINANCIAL STATEMENTS**

For the Year Ended September 30, 2002

December 13, 2002

Auditors' Report

To the Governors of the University of Guelph

We have audited the combined statement of net assets available for benefits of the funds of the Pension Plans of the University of Guelph (the "Plans") as at September 30, 2002 and the combined statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the University's administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the combined net assets available for benefits as at September 30, 2002 and the combined changes in net assets available for benefits for the year then ended in accordance with the basis of accounting as disclosed in note 1 to the financial statements.

These pension fund financial statements and our report thereon have been prepared for filing with the Financial Services Commission of Ontario and are not appropriate for any other purpose.

PricewaterhouseCoopers LLP

Chartered Accountants

The Pension Plans of University of Guelph
Combined Statement of Net Assets Available for Benefits
As at September 30, 2002
(in thousands of dollars)

	2002	2001
ASSETS		
Pooled Fund of University of Guelph Pension Plans (Note 2)	561,475	607,868
Employer contributions receivable	325	-
Member contributions receivable	6	-
Other receivables	23	22
	561,829	607,890
LIABILITIES		
Accounts payable (Note 3)	3,348	3,670
	558,481	604,220
Net Assets Available for Benefits	558,481	604,220

The Pension Plans of University of Guelph
Combined Statement of Changes in Net Assets Available for Benefits
As at September 30, 2002
(in thousands of dollars)

	2002	2001
Increase in Net Assets		
Member contributions	6,657	24
Employer contributions	824	-
Public service pension supplement (Note 4)	621	635
	8,102	659
Investment income	15,832	16,606
Total Increase in Net Assets	23,934	17,265
Decrease in Net Assets		
Net realized loss	17,930	4,559
Net decrease in unrealized gain	20,374	103,016
Pension payments	26,285	24,733
Refunds of contributions (Note 5)	4,130	2,702
Administrative expenses and professional fees (Note 6)	954	879
	69,673	135,889
Total Decrease in Net Assets	69,673	135,889
Net Decrease for the Year	(45,739)	(118,624)
Net Assets at Beginning of Year, at Market Value	604,220	722,844
Net Assets at End of Year, at Market Value	558,481	604,220

The Pension Plans of University of Guelph
Notes to the Combined Financial Statements
For the Year Ended September 30, 2002

1. Significant Accounting Policies

Basis of Presentation

The accompanying combined financial statements have been prepared for filing with the Financial Services Commission of Ontario. They have been prepared in accordance with Canadian generally accepted accounting principles except that the pension obligations have not been disclosed. These financial statements present the net assets under the control of the administrator of the University of Guelph Pension Plans.

Pooled Fund

The assets of the University of Guelph pension plans are administered as a Pooled Fund. The value of the Pooled Fund is based on the market value of the underlying investments. Market values are determined using listed market values where available or comparable security prices as appropriate. Each of the University of Guelph Pension Plans interest in the Pooled Fund, is calculated based on the units held by each plan in the Pooled Fund.

Investment Income

Investment income consists of interest income, recognized as it accrues, plus dividend income, recognized as of the ex-dividend date, less investment counsel fees and trustee fees.

Net Realized Gain (Loss)

The net realized gain (loss) is based on the sale or transfer of underlying investments in the Pooled Fund. Gains and losses on the sale of investments are recorded at the settlement date and are based on the average cost of the securities.

Contributions and Benefit Payments

Contributions and benefit payments are recorded on the accrual basis.

The Pension Plans of University of Guelph
Notes to the Combined Financial Statements
For the Year Ended September 30, 2002

2. Pooled Fund of University of Guelph Pension Plans

- (a) The quoted market values of investments in the Pooled Fund, related accrued interest and dividend income receivable, and accrued investment counsel and trustee fees payable as at September 30, 2002 and September 30, 2001 are as follows:

[in thousands of dollars]	2002 Market Value	2001 Market Value
Canadian stocks	158,299	163,330
Canadian bonds and debentures	209,510	221,601
Foreign stocks and pooled investment funds	142,550	167,364
Canadian pooled investment funds	36,841	36,427
Short-term notes and treasury bills	11,289	17,690
Cash	256	(1,890)
	<u>558,745</u>	<u>604,522</u>
Accrued interest and dividends receivable	3,319	4,024
Accrued investment counsel and trustee fees payable	(589)	(678)
	<u>561,475</u>	<u>607,868</u>

Fluctuations in the comparative figures noted above reflect changes in both asset mix and year end market values of securities held in the Pooled Fund.

The book value of assets held in the Pooled Fund at September 30, 2002, was \$642.7 million (2001 - \$668.8 million). The unrealized loss at September 30, 2002 was \$81.3 million (2001 \$60.9 million).

The Pension Plans of University of Guelph
Notes to the Combined Financial Statements
For the Year Ended September 30, 2002

2. Pooled Fund of University of Guelph Pension Plans (continued)

(b) Individually Significant Investments

The book or market value of the following investments exceeds 1% of the cost or market value of total pension fund assets at September 30, 2002.

[in thousands of dollars]	Book	Market
<i>Canadian Bonds and Debentures</i>		
Government of Canada	102,795	106,243
Canada Mortgage and Housing Corporation	12,288	12,620
Province of Ontario	9,577	9,976
Almasa Capital Inc.	7,350	7,350
<i>Canadian Stocks</i>		
Nortel Networks	20,621	1,024
Toronto Dominion Bank	9,727	7,093
BCE Inc.	8,539	7,945
Canadian Imperial Bank of Commerce	7,058	6,949
Bank of Nova Scotia	6,386	7,995
Alcan	6,606	5,207
<i>Canadian and Foreign Investment Pooled Funds</i>		
UBS Global Equity Fund	71,257	50,461
Acadian Global Equity Fund	63,291	55,650
Newcastle Derivatives US Equity Fund	40,919	22,400
Marvin & Palmer Global Equity Fund	40,091	36,362
Perigee Corporate Bond Fund	19,584	20,354
Connor Clark & Lunn Dedicated Enterprise	12,014	10,515

3. Accounts Payable

[in thousands of dollars]	2002	2001
Refund of contributions plus interest	3,063	3,415
Administration fees to the University of Guelph	162	150
Professional fees	89	87
Other	34	18
	3,348	3,670

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4. Public Service Pension Supplement

The Public Service Pension Supplement refers to funds received from the Ministry of Training Colleges and Universities in support of additional pension payments made to those University retirees who were former Ontario government employees transferred to the University when it was created in 1965.

5. Refunds of Contributions

[in thousands of dollars]	2002	2001
Upon termination or withdrawal	3,617	2,643
Upon death	513	59
	<u>4,130</u>	<u>2,702</u>

6. Administrative Expenses and Professional Fees

[in thousands of dollars]	2002	2001
Investment counsel fees	1,824	2,204
Trustee fees	279	264
Fees incurred in the Pooled Fund	<u>2,103</u>	<u>2,468</u>
Actuarial fees	534	521
General and administrative expenses	407	343
Accounting and auditing fees	13	15
Fees and expenses charged directly to the Plans	<u>954</u>	<u>879</u>
Total Administrative Expenses and Professional Fees	<u>3,057</u>	<u>3,347</u>

7. Related Party Transactions [in thousands of dollars]

During the year ended September 30, 2002, the University of Guelph charged the Pooled Fund \$345 (2001 - \$334) for administrative services.