

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

For the Year Ended September 30, 2003

December 5, 2003

Auditors' Report

To the Governors of the University of Guelph

We have audited the combined statement of net assets available for benefits of the Pension Plans of the University of Guelph (the "Plans") as at September 30, 2003 and the combined statement of changes in net assets available for benefits for the year then ended. These financial statements have been prepared to comply with Section 76 of Regulation 909 to the Pension Benefits Act of the Province of Ontario. These financial statements are the responsibility of the pension plan's management. 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 the Plan's 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, 2003 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 financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Governors of the University of Guelph and the Financial Services Commission of Ontario for complying with Section 76 of Regulation 909 to the Pension Benefits Act of the Province of Ontario. These financial statements are not intended to be and should not be used by anyone other than the specified users or 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, 2003
(in thousands of dollars)

	2003	2002
ASSETS		
Pooled Fund of University of Guelph Pension Plans (Note 2)	622,587	561,475
Employer contributions receivable	447	325
Member contributions receivable	367	6
Other receivables	24	23
	623,425	561,829
LIABILITIES		
Accounts payable (Note 3)	6,368	3,348
	617,057	558,481
Net Assets Available for Benefits	617,057	558,481

The Pension Plans of University of Guelph
Combined Statement of Changes in Net Assets Available for Benefits
As at September 30, 2003
(in thousands of dollars)

	2003	2002
Increase in Net Assets		
Employer contributions	18,661	824
Member contributions	6,112	6,657
Public service pension supplement (Note 4)	-	621
	24,773	8,102
Net increase in unrealized gain	74,463	-
Investment income	21,145	15,832
	95,608	15,832
Total Increase in Net Assets	120,381	23,934
Decrease in Net Assets		
Net realized loss	26,608	17,930
Net decrease in unrealized gain	-	20,374
Pension payments	27,135	26,285
Refunds of contributions (Note 5)	7,169	4,130
Administrative expenses and professional fees (Note 6)	893	954
	61,805	69,673
Total Decrease in Net Assets	61,805	69,673
Net Increase (Decrease) for the Year	58,576	(45,739)
Net Assets at Beginning of Year, at Market Value	558,481	604,220
Net Assets at End of Year, at Market Value	617,057	558,481

The Pension Plans of University of Guelph
Notes to the Combined Financial Statements
For the Year Ended September 30, 2003

1. Significant Accounting Policies

Basis of Presentation

These financial statements present the net assets under the control of the administrator of the University of Guelph's three pension plans (registered with Canada Customs and Revenue Agency and the Financial Services Commission of Ontario, registration # 0324616, #0324632 and #0324624).

Basis of Accounting

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the accounting requirements prescribed by the Financial Services Commission of Ontario for financial statements under section 76 of Regulation 909 of the Pension Benefits Act of the Province of Ontario. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because it excludes the actuarial liabilities of the plan. Consequently, these financial statements do not purport to show the adequacy of the plan's assets to meet its pension obligations.

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, 2003

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, 2003 and September 30, 2002 are as follows:

[in thousands of dollars]	2003 Market Value	2002 Market Value
Canadian stocks	157,413	158,299
Canadian bonds and debentures	245,467	209,510
Foreign stocks and pooled equity funds	154,245	142,550
Canadian pooled equity funds	43,154	36,841
Short-term notes and treasury bills	19,526	11,289
Cash	13	256
	<hr/> 619,818	<hr/> 558,745
Accrued interest and dividends receivable	3,427	3,319
Accrued investment counsel and trustee fees payable	<hr/> (658)	<hr/> (589)
	<hr/> <hr/> 622,587	<hr/> <hr/> 561,475

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, 2003, was \$629.4 million (2002 - \$642.7 million). The unrealized loss at September 30, 2003 was \$6.8 million (2002 \$81.3 million).

The Pension Plans of University of Guelph
Notes to the Combined Financial Statements
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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, 2003.

[in thousands of dollars]	Book	Market
<i>Canadian Bonds and Debentures</i>		
Government of Canada	77,532	78,833
Canada Mortgage and Housing Corporation	16,558	16,871
Province of Ontario	15,351	15,708
Almasa Capital Inc.	7,350	7,350
Province of Quebec	7,046	7,393
<i>Canadian Stocks</i>		
Toronto Dominion Bank	9,089	9,113
Alcan	7,741	8,520
Barrick Gold Corporation	7,461	7,070
Canadian Imperial Bank of Commerce	7,203	9,712
BCE Inc.	7,108	6,879
Bank of Nova Scotia	5,866	10,295
Magna International	4,569	6,435
<i>Canadian and Foreign Investment Pooled Funds</i>		
UBS Global Equity Fund	75,366	56,858
Acadian Global Equity Fund	57,524	60,078
Newcastle Derivatives US Equity Fund	40,919	28,216
Marvin & Palmer Global Equity Fund	31,699	36,530
Connor Clark & Lunn Dedicated Enterprise	14,605	12,801

3. Accounts Payable

[in thousands of dollars]	2003	2002
Refund of contributions plus interest	6,105	3,063
Administration fees to the University of Guelph	177	162
Professional fees	51	89
Other	35	34
	6,368	3,348

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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. Effective October 2003, these payments are now administered separately from the registered Pension Plans.

5. Refunds of Contributions

[in thousands of dollars]	2003	2002
Upon termination or withdrawal	7,157	3,617
Upon death	12	513
	<u>7,169</u>	<u>4,130</u>

6. Administrative Expenses and Professional Fees

[in thousands of dollars]	2003	2002
Investment counsel fees	1,902	1,824
Trustee fees	409	279
Fees incurred in the Pooled Fund	<u>2,311</u>	<u>2,103</u>
Actuarial fees	485	534
General and administrative expenses	395	407
Accounting and auditing fees	13	13
Fees and expenses charged directly to the Plans	<u>893</u>	<u>954</u>
Total Administrative Expenses and Professional Fees	<u>3,204</u>	<u>3,057</u>

7. Related Party Transactions [in thousands of dollars]

During the year ended September 30, 2003, the University of Guelph charged the Pooled Fund \$360 (2002 - \$345) for administrative services.