

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

For the Year Ended September 30, 2004

December 10, 2004

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, 2004 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, 2004 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

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

The Pension Plans of University of Guelph
Combined Statement of Net Assets Available for Benefits
As at September 30, 2004
(in thousands of dollars)

	2004	2003
ASSETS		
Pooled Fund of University of Guelph Pension Plans (Note 2)	666,510	622,587
Employer contributions receivable	-	447
Member contributions receivable	-	367
Other receivables	24	24
	666,534	623,425
LIABILITIES		
Accounts payable (Note 3)	7,516	6,368
	659,018	617,057
Net Assets Available for Benefits	659,018	617,057

The Pension Plans of University of Guelph
Combined Statement of Changes in Net Assets Available for Benefits
As at September 30, 2004
(in thousands of dollars)

	2004	2003
Increase in Net Assets		
Employer contributions	9,418	18,661
Member contributions	9,102	6,112
	18,520	24,773
Net increase in unrealized gain	28,862	74,463
Investment income	16,475	21,145
Net realized gain	11,875	-
	57,212	95,608
Total Increase in Net Assets	75,732	120,381
Decrease in Net Assets		
Pension payments	28,652	27,135
Net realized loss	-	26,608
Refunds of contributions (Note 4)	3,481	7,169
Administrative expenses and professional fees (Note 5)	1,638	893
	33,771	61,805
Total Decrease in Net Assets	33,771	61,805
Net Increase for the Year	41,961	58,576
Net Assets at Beginning of Year, at Market Value	617,057	558,481
Net Assets at End of Year, at Market Value	659,018	617,057

The Pension Plans of University of Guelph
Notes to the Combined Financial Statements
For the Year Ended September 30, 2004

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 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, 2004

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, 2004 and September 30, 2003 are as follows:

[in thousands of dollars]	2004 Market Value	2003 Market Value
Canadian bonds and debentures	223,695	245,467
Foreign stocks and pooled equity funds	211,764	154,245
Canadian stocks	163,871	157,413
Cash	37,716	13
Canadian pooled equity funds	14,458	43,154
Short-term notes and treasury bills	12,769	19,526
	<u>664,273</u>	<u>619,818</u>
Accrued interest and dividends receivable	2,889	3,427
Accrued investment counsel and trustee fees payable	<u>(652)</u>	<u>(658)</u>
	<u><u>666,510</u></u>	<u><u>622,587</u></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, 2004, was \$644.4 million (2003 - \$629.4 million). The unrealized gain at September 30, 2004 was \$22.1 million (2003 - \$6.8 million unrealized loss).

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, 2004.

[in thousands of dollars]	Book	Market
<i>Canadian Bonds and Debentures</i>		
Government of Canada	48,972	49,191
Canada Mortgage and Housing Corporation	43,794	43,835
Province of Ontario	16,299	16,497
Province of Quebec	10,157	10,421
Almasa Capital Inc.	7,350	7,350
<i>Canadian Stocks</i>		
Toronto Dominion Bank	7,101	8,453
Nortel Networks	6,661	2,995
Manulife Financial Corp	5,908	8,194
Alcan	5,681	7,157
Petro-Canada	5,117	6,798
Canadian Imperial Bank of Commerce	4,906	8,161
Bank of Nova Scotia	4,417	9,226
<i>Canadian and Foreign Investment Pooled Funds</i>		
UBS Equity Funds	90,686	76,627
Acadian Global Equity Fund	84,765	87,418
Marvin & Palmer Global Equity Fund	45,540	47,498
Connor Clark & Lunn Dedicated Enterprise	13,312	12,618

3. Accounts Payable

[in thousands of dollars]	2004	2003
Refund of contributions plus interest	6,850	6,105
Administration fees to the University of Guelph	310	177
Professional fees	111	51
Other	245	35
	7,516	6,368
	7,516	6,368

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4. Refunds of Contributions

[in thousands of dollars]	2004	2003
Upon termination or withdrawal	3,396	7,157
Upon death	85	12
	<u>3,481</u>	<u>7,169</u>

5. Administrative Expenses and Professional Fees

[in thousands of dollars]	2004	2003
Investment counsel fees	1,881	1,902
Trustee fees	406	409
Fees incurred in the Pooled Fund	<u>2,287</u>	<u>2,311</u>
General and administrative expenses	1,026	395
Actuarial fees	598	485
Accounting and auditing fees	14	13
Fees and expenses charged directly to the Plans	<u>1,638</u>	<u>893</u>
Total Administrative Expenses and Professional Fees	<u>3,925</u>	<u>3,204</u>

6. Related Party Transactions [in thousands of dollars]

During the year ended September 30, 2004, the University of Guelph charged the Pooled Fund \$493 (2003 - \$360) for administrative services.