

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

For the Year Ended September 30, 2006

March 22, 2007

Auditors' Report

To the Board of 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, 2006 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, 2006 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 Board of 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, 2006
(in thousands of dollars)

	2006	2005
ASSETS		
Pooled Fund of University of Guelph Pension Plans (Note 2)	806,465	733,029
Employer contributions receivable	791	456
Member contributions receivable	420	-
Other receivables	-	23
	807,676	733,508
LIABILITIES		
Accounts payable (Note 3)	8,100	6,415
Net Assets Available for Benefits	799,576	727,093

The Pension Plans of University of Guelph
Combined Statement of Changes in Net Assets Available for Benefits
As at September 30, 2006
(in thousands of dollars)

	2006	2005
Increase in Net Assets		
Member contributions	9,724	9,834
Employer contributions	1,215	11,572
	10,939	21,406
Net increase in unrealized gain	54,974	31,299
Investment income	28,062	15,832
Net realized gain	24,836	37,861
	107,872	84,992
Total Increase in Net Assets	118,811	106,398
Decrease in Net Assets		
Pension payments	34,868	32,004
Refunds of contributions (Note 4)	10,314	4,928
Administrative expenses and professional fees (Note 5)	1,146	1,391
	46,328	38,323
Total Decrease in Net Assets	46,328	38,323
Net Increase for the Year	72,483	68,075
Net Assets at Beginning of Year, at Market Value	727,093	659,018
Net Assets at End of Year, at Market Value	799,576	727,093

The Pension Plans of University of Guelph
Notes to the Combined Financial Statements
For the Year Ended September 30, 2006

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. Each of the University of Guelph Pension Plans pro-rata share of investment income, is calculated based on the units held by each plan in the Pooled Fund.

Net Realized Gain

The net realized gain 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, 2006

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, 2006 and September 30, 2005 are as follows:

<i>Canadian</i>		
Bonds and debentures	238,167	244,015
Equities	240,681	172,240
Pooled equity funds	3,116	11,188
Short-term notes and treasury bills	5,026	6,399
Cash	251	783
	<u>487,241</u>	<u>434,625</u>
<i>Foreign</i>		
Pooled equity funds	249,228	256,488
Equities	51,084	28,658
Cash	16,272	10,779
	<u>316,584</u>	<u>295,925</u>
 Total cash and investments	 803,825	 730,550
 Accrued interest and dividends receivable	 3,581	 3,202
Accrued investment counsel and trustee fees payable	(941)	(723)
	<u> </u>	<u> </u>
 Total market value of Pooled Fund net assets	 <u>806,465</u>	 <u>733,029</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, 2006, was \$698.1 million (2005 - \$679.7 million). The unrealized gain at September 30, 2006 was \$108.4 million (2005 - \$53.3 million).

Certain comparative numbers have been reclassified to conform with the presentation adopted for the current year.

The Pension Plans of University of Guelph

Notes to the Combined Financial Statements

For the Year Ended September 30, 2006

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 book or market value of total pension fund assets at September 30, 2006.

[in thousands of dollars]	Book	Market
<i>Canadian Bonds and Debentures</i>		
Canada Mortgage and Housing Corporation	41,023	41,061
Government of Canada	36,561	37,579
Province of Ontario	15,141	15,674
Province of Quebec	15,047	15,524
<i>Canadian Equities</i>		
Teranet Income Fund	6,617	52,583
Manulife Financial Corp	6,483	10,674
Toronto Dominion Bank	6,147	10,063
Royal Bank of Canada	5,998	8,333
<i>Foreign Equities</i>		
SPDR Trust Units	23,180	23,882
<i>Canadian and Foreign Pooled Equity Funds</i>		
Acadian Global Equity Fund	100,238	109,635
LSV Global Equity Fund	65,130	69,820
Marvin & Palmer Global Equity Fund	33,344	35,428
Tweedy Browne Global Equity Fund	30,747	34,344

3. Accounts Payable

[in thousands of dollars]	2006	2005
Refund of contributions plus interest	7,567	5,686
Administration fees to the University of Guelph	417	391
Professional fees (actuary, audit, legal)	116	79
Provincial regulatory fees and Pension Benefit Guarantee Fund	-	259
	<u>8,100</u>	<u>6,415</u>

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4. Refunds of Contributions

[in thousands of dollars]	2006	2005
Upon termination or withdrawal	9,976	4,805
Upon death	338	123
	<u>10,314</u>	<u>4,928</u>

5. Administrative Expenses and Professional Fees

[in thousands of dollars]	2006	2005
Investment counsel fees	2,604	2,003
Trustee fees	499	363
Fees incurred in the Pooled Fund	<u>3,103</u>	<u>2,366</u>
General and administrative expenses*	737	941
Actuarial fees	388	431
Accounting and auditing fees	21	19
Fees and expenses charged directly to the Plans	<u>1,146</u>	<u>1,391</u>
Total Administrative Expenses and Professional Fees	<u>4,249</u>	<u>3,757</u>

* includes administration fees payable to the University of Guelph, Provincial regulatory fees and Pension Benefit Guarantee Fund.

6. Related Party Transactions [in thousands of dollars]

During the year ended September 30, 2006, the University of Guelph charged the Pooled Fund \$600 (2005 - \$574) for administrative services.