

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

For the Year Ended September 30, 2007

March 10, 2008

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, 2007 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, 2007 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, Licensed Public Accountants

The Pension Plans of University of Guelph
Combined Statement of Net Assets Available for Benefits
As at September 30, 2007
(in thousands of dollars)

	2007	2006
ASSETS		
Pooled Fund of University of Guelph Pension Plans (Note 2)	892,431	806,465
Employer contributions receivable	-	791
Member contributions receivable	-	420
	892,431	807,676
LIABILITIES		
Accounts payable (Note 3)	7,514	8,100
	884,917	799,576
Net Assets Available for Benefits	884,917	799,576

The Pension Plans of University of Guelph
Combined Statement of Changes in Net Assets Available for Benefits
As at September 30, 2007
(in thousands of dollars)

	2007	2006
Increase in Net Assets		
Employer contributions	48,324	1,215
Member contributions	10,613	9,724
	58,937	10,939
Investment income	76,164	28,062
Net realized gain	35,040	24,836
Net increase in unrealized gain	-	54,974
	111,204	107,872
Total Increase in Net Assets	170,141	118,811
Decrease in Net Assets		
Net decrease in unrealized gain	41,972	-
Pension payments	36,199	34,868
Refunds of contributions	5,182	10,314
Administrative expenses and professional fees (Note 4)	1,447	1,146
	84,800	46,328
Total Decrease in Net Assets	84,800	46,328
Net Increase for the Year	85,341	72,483
Net Assets at Beginning of Year, at Market Value	799,576	727,093
Net Assets at End of Year, at Market Value	884,917	799,576

The Pension Plans of University of Guelph
Notes to the Combined Financial Statements
For the Year Ended September 30, 2007

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, Benefit Payments and Refunds

Contributions, benefit payments and refunds 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, 2007

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, 2007 and September 30, 2006 are as follows:

[in thousands of dollars]	2007	2006
<i>Canadian</i>		
Bonds and debentures	266,801	238,167
Equities	232,218	240,681
Cash	36,454	251
Short-term notes and treasury bills	5,152	5,026
Pooled equity funds	1,410	3,116
	<u>542,035</u>	<u>487,241</u>
<i>Foreign</i>		
Equities	328,295	284,987
Index funds	12,190	15,325
Bonds and debentures	3,458	-
Cash	2,497	16,272
	<u>346,440</u>	<u>316,584</u>
 Total cash and investments	 888,475	 803,825
 Accrued interest and dividends receivable	 4,735	 3,581
Accrued investment counsel and trustee fees payable	(779)	(941)
	<u>892,431</u>	<u>806,465</u>
 Total market value of Pooled Fund net assets	 <u>892,431</u>	 <u>806,465</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, 2007, was \$826.0 million (2006 - \$698.1 million). The unrealized gain at September 30, 2007 was \$66.4 million (2006 - \$108.4 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, 2007

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, 2007.

[in thousands of dollars]	Book	Market
<i>Canadian Bonds and Debentures</i>		
Canada Mortgage and Housing Corporation	77,642	72,542
Government of Canada	35,280	34,793
Province of Ontario	16,367	16,322
Province of Quebec	16,302	16,238
<i>Canadian Equities</i>		
Teranet Income Fund	5,036	37,335
<i>Foreign Equities</i>		
SPDR Trust Units	80,715	77,723
Ishares - Morgan Stanley Int'l EAFE Fund	9,798	12,190

3. Accounts Payable

[in thousands of dollars]	2007	2006
Refund of contributions plus interest	6,918	7,567
Administration fees to the University of Guelph	414	417
Professional fees (actuary, audit, legal)	150	116
Provincial regulatory fees and Pension Benefit Guarantee Fund	32	-
	<u>7,514</u>	<u>8,100</u>

The Pension Plans of University of Guelph
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For the Year Ended September 30, 2007

4. Administrative Expenses and Professional Fees

[in thousands of dollars]	2007	2006
<i>Pooled Level Fees</i>		
Investment Management Fees	2,746	2,604
Custodial and Performance Management Fees	618	499
	3,364	3,103
<i>Plan Level Expenses</i>		
University of Guelph Administrative Fee	597	600
<u>Professional Fees:</u>		
Actuarial Fees	737	388
Legal, Accounting and Auditing Fees	36	55
Other Fees*	77	103
	1,447	1,146
Total Administrative Expenses and Professional Fees	4,811	4,249

* includes Provincial regulatory fees and Pension Benefit Guarantee Fund.

5. Related Party Transactions [in thousands of dollars]

During the year ended September 30, 2007, the University of Guelph charged the Pooled Fund \$597 (2006 - \$600) for administrative services.

6. Subsequent Event

On September 30, 2006 the University filed its required valuation results for all three pension plans. As a result of those valuations the minimum contribution requirements for the plans increased to approximately \$45 million per year. Given the significant size and resultant impact on the University's financial position of the required contributions, the Board of Governors through the Pension Committee, instructed the plans actuaries to review options to reduce the contributions within the context of existing legislation while maintaining the University's financial obligations to the plans.

The recommended options were to change the filing date of the plans to August 1, 2007 and to make special payments totaling \$28.0 million to the Professional (\$16.1 million) and Retirement (\$11.9 million) Plans. On November 22, 2007 these recommendations were approved by the Board of Governors. The special payments were made on November 27, 2007. The result is that minimum contributions over the next three years (2007 to 2010) will be significantly lower when compared to the September 30, 2006 valuation requirements. This did not affect the net assets of the plans as of September 30, 2007.