PENSION FUND OF THE RETIREMENT PLAN OF THE UNIVERSITY OF GUELPH

For the Year Ended September 30, 2010

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Auditors' Report

To the Board of Governors of the University of Guelph

We have audited the statement of net assets available for benefits of the Pension Fund of the Retirement Plan of the University of Guelph (the "Plan") as at September 30, 2010 and the 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 financial statements present fairly, in all material respects, the net assets available for benefits as at September 30, 2010 and the changes in net assets available for benefits for the year then ended in accordance with the basis of accounting as disclosed in note 3 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. The 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

Pension Fund of the Retirement Plan of the University of Guelph

Statement of Net Assets Available for Benefits
As at September 30, 2010
(in thousands of dollars)

	2010	Restated (Note 10) 2009
ASSETS		
Interest in Pooled Fund of University of Guelph Pension Plans (Note 2)	233,960	220,808
Employer contributions receivable	231	235
Member contributions receivable	176	154
Accrued interplan transfers	-	422
	234,367	221,619
LIABILITIES		
Accounts payable (Note 7)	646	168
Accrued interplan transfers	2,568	-
	3,214	168
Net Assets Available for Benefits	231,153	221,451

Pension Fund of the Retirement Plan of the University of Guelph

Statement of Changes in Net Assets Available for Benefits
For the year ended September 30, 2010
(in thousands of dollars)

	2010	Restated (Note 10) 2009
Increase in Net Assets		
Employer contributions	6,251	419
Member contributions	4,470	4,493
	10,721	4,912
Investment income	7,789	6,534
Net realized gains	3,454	-
Net increase in unrealized gains	2,886	31,152
	14,129	37,686
Total Increase in Net Assets	24,850	42,598
Decrease in Net Assets		
Net realized losses	-	25,490
Pension payments	8,892	8,014
Interplan transfers	2,990	43
Refunds of contributions	2,912	1,873
Administrative expenses and professional fees (Note 8)	354	373
Total Decrease in Net Assets	15,148	35,793
Net Increase (Decrease) for the Year	9,702	6,805
Net Assets at Beginning of Year as previously reported	221,451	212,606
Prior period Adjustment (Note 10)	-	2,040
Net Assets at Beginning of Year as restated	221,451	214,646
Net Assets at End of Year, at Market Value	231,153	221,451

1. Description of Plan

The following description of the Retirement Plan of the University of Guelph (the "Plan") is a summary only. For more complete information, reference should be made to the Plan Text.

General

The Plan is a contributory defined benefit pension plan and is registered with Canada Revenue Agency and the Financial Services Commission of Ontario (registration #0324624). The Plan holds units in the Pooled Fund of the University of Guelph Pension Plans. The Plan is integrated with the Canada Pension Plan ("CPP").

Plan Eligibility

The Plan covers all regular full-time and certain part-time employees other than faculty and professional staff. Effective October 1, 1997 newly hired regular full-time employees other than faculty and professional staff must become members of this pension plan. Temporary full-time and certain part-time employees, other than faculty and professional staff, may be eligible to join this plan after 24 continuous months of employment with the University of Guelph.

Service Pensions

A service pension is available based on the number of years of service, to a maximum of 35 years, times the sum of 1.5% (1.6% for USW Local 4120 members, Exempt Group members and CUPE 1334 members) of the final average earnings up to the average CPP yearly maximum pensionable earnings and 2.0% of the difference between average CPP yearly maximum pensionable earnings and final average earnings. Final average earnings are based on the employee's best 36 consecutive months of earnings. The normal retirement age is 65.

Survivor Pensions

A survivor pension is paid to a spouse, a dependent child, or a named dependent of a plan member if so elected by the plan member.

Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of contributions plus interest. Similarly, a death refund is payable to the named beneficiary of the estate of a plan member where no survivor pension is paid.

A withdrawal refund, with interest on the contributions, is payable when the University of Guelph receives an application, subject to lock-in provisions, from a plan member who ceases to be employed by the University of Guelph.

Vesting

Pension benefits vest in the plan member immediately upon joining the Plan.

1. Description of Plan (continued)

Income Taxes

The Plan is a registered pension plan as defined in the Income Tax Act (Canada) and, as such, is exempt from income taxes.

Funding Policy

In accordance with the Plan Text, plan members, who do not belong to USW 4120, the Exempt Group, or CUPE 1334, are required to contribute 4.55% of their salary up to CPP yearly maximum pensionable earnings and 6.25% of their salary above the CPP yearly maximum pensionable earnings to the Plan. USW 4120, Exempt Group and CUPE 1334 plan members are required to contribute 6.16%, 5.94% and 5.62% respectively, of their salary up to CPP yearly maximum pensionable earnings and 6.25% of their salary above the CPP yearly maximum pensionable earnings to the Plan. CUPE 1334 plan members contribute 7.32% on salary above the CPP yearly maximum pensionable earnings. The University of Guelph is required to provide any additional funding, based on actuarial valuations (the most recent actuarial valuation filed with the Financial Services Commission of Ontario was prepared as of August 1, 2007), necessary to ensure that defined benefits will be fully provided for at retirement.

2. Interest in Pooled Fund

The assets of the Plan are administered in a Pooled Fund, which includes the assets of other University of Guelph pension plans. The Plan holds units in the Pooled Fund and these units had a fair value of $234.0 million (2009 - $220.8 million) and a book value of $220.9 million (2009 - $210.6 million) at September 30, 2010. The unrealized gain at September 30, 2010 was $13.1 million (2009 - $10.2 million).

The fair value of the units in the Pooled Fund reflects the fair value of the underlying assets of the Pooled Fund where available, or comparable security prices as appropriate.

3. Significant Accounting Policies

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.

3. Significant Accounting Policies (continued)

Change in Accounting Policies

During 2009, The Canadian Institute of Chartered Accountants (CICA) amended Handbook Section 3862, Financial Instruments - Disclosures. The amendment included the requirement for enhanced disclosure on the inputs to fair value measurement. This disclosure includes the classification within a hierarchy that prioritizes the inputs to fair value measurement. The hierarchy places the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to inputs not based on observable market data (Level 3).

The only impact of the amendment is enhanced disclosure, which has been provided in Note 5. As permitted by the transition rules of the amendment, comparative information has not been provided.

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. The Plan's pro-rata share of investment income, is calculated based on the units held by each plan in the Pooled Fund.

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, Benefit Payments and Refunds

Contributions, benefit payments and refunds are recorded on the accrual basis.

4. Investment Risk Management

The objective of the Plan is to achieve medium to long-term growth of its investment portfolio to provide the Plan with assets sufficient to meet members' pension benefit obligations. The Plan's investment policy is established by the Board of Governors and is set out in the statement of investment policies and procedures (the SIPP).

The Plan invests in pooled funds that are in turn invested in government and government guaranteed bonds, corporate bonds, debentures, and equity securities. The investment managers of the funds must adhere to the investment policies established by the Board of Governors governing these funds which are monitored by the Investment Management Committee. The Plan's investing activities expose it to a variety of direct and indirect financial risks including market risk, credit risk and liquidity risk.

The allocation of assets among the various types of investments and the performance of investments held by the Plan are monitored by the Plan's investment managers on a monthly basis and are reviewed by the Investment Management Committee on a quarterly basis.

4. Investment Risk Management (continued)

The Pension Committee oversees how management monitors compliance with the Plan's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the long-term objectives of the Plan.

a. Market Risk

The Plan's investments are susceptible to market risk, which is defined as the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risk: currency risk, interest rate risk and other price risk.

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plan invests in the units of pooled funds, which in turn invest in a diversified portfolio of assets. While the underlying investments of the Plan are susceptible to both currency and interest rate risk, the risk to the Plan is indirect in nature. Given the Plan is not directly holding any investments denominated in a foreign currency or any interest sensitive securities, the Plan has no direct exposure to currency or interest risk.

Other price risk is risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The investments of the Plan are directly exposed to other price risk. If the unit price of the pooled funds were to increase or decrease by 1%, with all other variables being held constant, the impact on the net assets available for benefits would be approximately $2.3 million.

As noted above, the Plan manages its market risk by investing in pooled funds and by monitoring the performance of the individual pooled funds and compliance of each investment manager with the set investment policies.

b. Credit Risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Plan is indirectly susceptible to credit risk through its investments in pooled funds. The Plan views the risk in this area to be insignificant.

c. Liquidity Risk

Liquidity risk is the risk the Plan may be unable to meet obligations in a timely manner. In addition to recurring expenses, the Plan is called upon to meet regular pension benefit payments as well as lump sum transfers that may occur upon retirement or termination of qualifying Plan members. The risk the Plan would be unable to meet such obligations is managed through the Plan's ongoing monitoring of the individual investment managers and in their ability to liquidate investments in which the Plan has invested. The risk in this area is assessed by the Plan to be insignificant.

5. Fair Value Measurement

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the data used to perform each evaluation. The fair value hierarchy is made up of the following levels:

Level 1 – Unadjusted quoted prices in an active market for identical assets or liabilities.
Level 2 – Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – Inputs based on unobservable market data.

The fair value hierarchy requires the use of observable data from active financial markets each time such data exists. Where a financial instrument contains inputs from multiple levels, it is classified at the lowest level of the hierarchy for which significant input has been considered in measuring fair value.

The following table presents the Plan's financial assets evaluated at fair value as at September 30, 2010, classified according to the fair value hierarchy described above:

[in thousands of dollars]	Level 1	Level 2	Level 3	2010 Total
Interest in Pooled Fund of University of Guelph Pension Plans		233,960		233,960

6. Management of Capital

The capital of the Plan is represented by the net assets available for benefits. The University of Guelph's objective when managing the Plan's capital is to safeguard the assets of the Plan to support the Plan's investment objectives. Investment performance and asset allocation is reviewed by the Investment Management Committee of the Board of Trustees and is reported to the Pension Committee.

7. Accounts Payable

[in thousands of dollars]	2010	2009
Refund of contributions plus interest	306	7
Administration fees to the University of Guelph	281	116
Professional fees	39	28
Provincial regulatory fees and Pension Benefit Guarantee Fund	20	17
	646	168

8. Administrative Expenses and Professional Fees

[in thousands of dollars]	2010	2009
University of Guelph Administrative Fee	166	158
Professional Fees:		
Actuarial Fees	149	153
Legal, Accounting and Auditing Fees	9	11
Other Fees*	30	51
	354	373

* includes Provincial regulatory fees and Pension Benefit Guarantee Fund.

9. Related Party Transactions [in thousands of dollars]

During the year ended September 30, 2010, the University of Guelph charged the Pooled Fund $622 (2009 - $615) for administrative services. Of these charges, $166 (2009 – $158) related to the retirement plan.

10. Prior Period Adjustment

During the year the University of Guelph discovered that amounts had been accrued as owing to plan members who were members of the plan and had not submitted application for refund. As a result, amounts were incorrectly recorded as refunds of contributions in the Statement of Changes in Net Assets Available for Benefits and as accounts payable in the Statement of Net Assets Available for Benefits.

The effect of the correction of error done retroactively with restatement is summarized below:

[in thousands of dollars]	2009	2009 (restated)
Accounts payable	1,783	168
Refunds of Contributions	1,448	1,873
Net Assets available for benefits - Beginning of year	212,606	214,646
Net Assets available for benefits - End of year	219,836	221,451

11. Comparative Numbers

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