

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

For the Year Ended September 30, 2005

December 9, 2005

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, 2005 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, 2005 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, 2005
(in thousands of dollars)

	2005	2004
ASSETS		
Pooled Fund of University of Guelph Pension Plans (Note 2)	733,029	666,510
Employer contributions receivable	456	-
Other receivables	23	24
	733,508	666,534
LIABILITIES		
Accounts payable (Note 3)	6,415	7,516
	6,415	7,516
Net Assets Available for Benefits	727,093	659,018

The Pension Plans of University of Guelph
Combined Statement of Changes in Net Assets Available for Benefits
As at September 30, 2005
(in thousands of dollars)

	2005	2004
Increase in Net Assets		
Employer contributions	11,572	9,418
Member contributions	9,834	9,102
	21,406	18,520
Net increase in unrealized gain	31,299	28,862
Investment income	15,832	16,475
Net realized gain	37,861	11,875
	84,992	57,212
Total Increase in Net Assets	106,398	75,732
Decrease in Net Assets		
Pension payments	32,004	28,652
Refunds of contributions (Note 4)	4,928	3,481
Administrative expenses and professional fees (Note 5)	1,391	1,638
	38,323	33,771
Total Decrease in Net Assets	38,323	33,771
Net Increase for the Year	68,075	41,961
Net Assets at Beginning of Year, at Market Value	659,018	617,057
Net Assets at End of Year, at Market Value	727,093	659,018

The Pension Plans of University of Guelph
Notes to the Combined Financial Statements
For the Year Ended September 30, 2005

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, 2005

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, 2005 and September 30, 2004 are as follows:

[in thousands of dollars]	2005 Market Value	2004 Market Value
<i>Canadian</i>		
Bonds and debentures	244,015	223,695
Equities	172,240	163,871
Pooled equity funds	11,188	14,458
Short-term notes and treasury bills	6,399	12,769
Cash	783	37,295
	<u>434,625</u>	<u>452,088</u>
<i>Foreign</i>		
Pooled equity funds	256,488	211,542
Equities	28,658	-
Cash	10,779	643
	<u>295,925</u>	<u>212,185</u>
 Total cash and investments	 730,550	 664,273
 Accrued interest and dividends receivable	 3,202	 2,889
Accrued investment counsel and trustee fees payable	(723)	(652)
	<u>733,029</u>	<u>666,510</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, 2005, was \$679.7 million (2004 - \$644.4 million). The unrealized gain at September 30, 2005 was \$53.3 million (2004 - \$22.1 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, 2005

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, 2005.

[in thousands of dollars]	Book	Market
<i>Canadian Bonds and Debentures</i>		
Government of Canada	48,989	49,674
Canada Mortgage and Housing Corporation	47,064	46,972
Province of Ontario	13,529	14,112
Province of Quebec	11,045	11,402
Almasa Capital Inc.	7,350	7,350
<i>Canadian Equities</i>		
Toronto Dominion Bank	6,874	9,813
Manulife Financial Corp	6,196	9,133
Bank of Nova Scotia	3,471	8,270
Petro-Canada	3,827	7,941
Encana Corporation	3,343	7,662
Canadian Natural Resource	1,484	7,513
<i>Foreign Equities</i>		
SPDR Trust Units	28,974	28,658
<i>Canadian and Foreign Pooled Equity Funds</i>		
Acadian Global Equity Fund	99,929	105,646
UBS Global Equity Fund	73,903	65,224
Marvin & Palmer Global Equity Fund	30,807	34,355
LSV Global Equity Fund	29,650	29,817
Tweedy Browne Global Equity Fund	21,038	21,446
Connor Clark & Lunn Dedicated Enterprise Fund	10,135	11,188

3. Accounts Payable

[in thousands of dollars]	2005	2004
Refund of contributions plus interest	5,686	6,850
Administration fees to the University of Guelph	391	310
Provincial regulatory fees and Pension Benefit Guarantee Fund	259	245
Professional fees (actuary, audit, legal)	79	111
	6,415	7,516
	6,415	7,516

The Pension Plans of University of Guelph
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For the Year Ended September 30, 2005

4. Refunds of Contributions

[in thousands of dollars]	2005	2004
Upon termination or withdrawal	4,805	3,396
Upon death	123	85
	<u>4,928</u>	<u>3,481</u>

5. Administrative Expenses and Professional Fees

Investment counsel fees	2,003	1,881
Trustee fees	363	406
Fees incurred in the Pooled Fund	<u>2,366</u>	<u>2,287</u>
General and administrative expenses*	941	1,026
Actuarial fees	431	598
Accounting and auditing fees	19	14
Fees and expenses charged directly to the Plans	<u>1,391</u>	<u>1,638</u>
Total Administrative Expenses and Professional Fees	<u>3,757</u>	<u>3,925</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, 2005, the University of Guelph charged the Pooled Fund \$574 (2004 - \$493) for administrative services.