

RETIREMENT PLAN OF THE UNIVERSITY OF GUELPH

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 statement of net assets available for benefits of the Retirement Plan of the University of Guelph (the "Plan") as at September 30, 2005 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, 2005 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

Retirement Plan of University of Guelph
Statement of Net Assets Available for Benefits
As at September 30, 2005
(in thousands of dollars)

	2005	2004
ASSETS		
Interest in Pooled Fund of University of Guelph Pension Plans (Note 2)	187,350	167,557
Employer contributions receivable	103	-
Other receivables	5	5
	187,458	167,562
LIABILITIES		
Accounts payable (Note 4)	1,914	1,541
Accrued interplan transfers	916	543
	2,830	2,084
Net Assets Available for Benefits	184,628	165,478

Retirement Plan of University of Guelph
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	3,898	3,256
Member contributions	3,057	3,023
	6,955	6,279
Net increase in unrealized gain	8,029	7,138
Investment income	3,978	4,132
Net realized gain	9,607	2,938
	21,614	14,208
Total Increase in Net Assets	28,569	20,487
Decrease in Net Assets		
Pension payments	6,753	6,083
Refunds of contributions (Note 5)	1,942	805
Interplan transfers	373	543
Administrative expenses and professional fees (Note 6)	351	389
	9,419	7,820
Total Decrease in Net Assets	9,419	7,820
Net Increase for the Year	19,150	12,667
Net Assets at Beginning of Year, at Market Value	165,478	152,811
Net Assets at End of Year, at Market Value	184,628	165,478

Retirement Plan of University of Guelph
Notes to the Financial Statements
For the Year Ended September 30, 2005

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.

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% 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.

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

Vesting

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

Retirement Plan of University of Guelph
Notes to the Financial Statements
For the Year Ended September 30, 2005

1. Description of Plan (continued)

Income Taxes

The Plan is a registered pension trust 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 are required to contribute 4.55% of their salary up to CPP yearly maximum pensionable earnings and 6.25% of their salary above CPP yearly maximum pensionable earnings to the Plan. The University of Guelph is required to provide any additional funding, based on actuarial valuations, necessary to ensure that defined benefits will be fully provided for at retirement. The most recent actuarial valuation for funding purposes was prepared by Towers Perrin as of September 30, 2003 and a copy of this valuation was filed with the Financial Services Commission of Ontario.

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 market value of \$187.3 million (2004 - \$167.6 million) and a book value of \$173.8 million (2004 - \$162.0 million) at September 30, 2005. The unrealized gain at September 30, 2005 was \$13.5 million (2004 - \$5.6 million).

The market value of the units in the Pooled Fund reflects the market value of the underlying assets of the Pooled Fund where available, or comparable security prices as appropriate. The Pooled Fund holds investments in the following categories: cash, treasury bills, Government of Canada Bonds, bonds and debentures issued by Canadian corporations, shares and pooled funds.

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.

Retirement Plan of University of Guelph
Notes to the Financial Statements
For the Year Ended September 30, 2005

3. Significant Accounting Policies (continued)

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 total investment income is calculated based on the units held by the 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 in the Pooled Fund 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.

4. Accounts Payable

[in thousands of dollars]	2005	2004
Refund of contributions plus interest	1,728	1,378
Administration fees to the University of Guelph	98	72
Provincial regulatory fees and Pension Benefit Guarantee Fund	68	65
Professional fees	20	26
	1,914	1,541
	1,914	1,541

5. Refunds of Contributions

[in thousands of dollars]	2005	2004
Upon termination or withdrawal	1,819	720
Upon death	123	85
	1,942	805
	1,942	805

Retirement Plan of University of Guelph
Notes to the Financial Statements
For the Year Ended September 30, 2005

6. Administrative Expenses and Professional Fees

[in thousands of dollars]	2005	2004
General and administrative expenses*	236	239
Actuarial fees	110	147
Accounting and auditing fees	5	3
	<u>351</u>	<u>389</u>

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

7. 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. Of these charges, \$140 (2004 – \$114) related to the retirement plan.