

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

For the Year Ended September 30, 2008

February 25, 2009

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, 2008 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, 2008 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, 2008
(in thousands of dollars)

	2008	2007
ASSETS		
Pooled Fund of University of Guelph Pension Plans (Note 2)	805,056	892,431
Member contributions receivable	565	-
	805,621	892,431
LIABILITIES		
Accounts payable (Note 3)	9,380	7,514
	796,241	884,917
Net Assets Available for Benefits	796,241	884,917

The Pension Plans of University of Guelph
Combined Statement of Changes in Net Assets Available for Benefits
As at September 30, 2008
(in thousands of dollars)

	2008	2007
Increase in Net Assets		
Employer contributions	41,098	48,324
Member contributions	12,984	10,613
	54,082	58,937
Realized income	47,843	111,204
	101,925	170,141
Total Increase in Net Assets		
Decrease in Net Assets		
Net decrease in unrealized gain	142,635	41,972
Pension payments	37,038	36,199
Refunds of contributions	9,593	5,182
Administrative expenses and professional fees (Note 4)	1,335	1,447
	190,601	84,800
Total Decrease in Net Assets	190,601	84,800
Net Increase (Decrease) for the Year	(88,676)	85,341
Net Assets at Beginning of Year, at Market Value	884,917	799,576
Net Assets at End of Year, at Market Value	796,241	884,917

The Pension Plans of University of Guelph
Notes to the Combined Financial Statements
For the Year Ended September 30, 2008

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.

Realized Income

Realized income consists of realized gains and losses on the sale of investments, recorded at the settlement date and based on the average cost of the securities, plus 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 realized income, is calculated based on the units held by each plan in the Pooled Fund.

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, 2008

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, 2008 and September 30, 2007 are as follows:

[in thousands of dollars]	2008	2007
<i>Canadian</i>		
Bonds and debentures	276,983	266,801
Equities	174,167	232,218
Cash	(3,862)	36,454
Short-term notes and treasury bills	59,642	5,152
Pooled equity funds	1,110	1,410
	<u>508,040</u>	<u>542,035</u>
<i>Foreign</i>		
Equities	276,808	328,295
Index funds	-	12,190
Bonds and debentures	3,849	3,458
Cash	11,883	2,497
	<u>292,540</u>	<u>346,440</u>
Total cash and investments	800,580	888,475
Accrued interest and dividends receivable	5,090	4,735
Accrued investment counsel and trustee fees payable	(614)	(779)
	<u>805,056</u>	<u>892,431</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, 2008, was \$881.3 million (2007 - \$826.0 million). The unrealized loss at September 30, 2008 was \$76.3 million (2007 - \$66.4 million gain).

The Pension Plans of University of Guelph
Notes to the Combined Financial Statements
For the Year Ended September 30, 2008

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, 2008.

[in thousands of dollars]	Book	Market
<i>Canadian Cash & Equivalents</i>		
RBC Dexia Investor Services STIF SER II	54,074	54,074
<i>Canadian Bonds and Debentures</i>		
Canada Mortgage and Housing Corporation	61,073	61,765
Government of Canada	46,054	46,066
Province of Ontario	20,305	19,937
Province of Quebec	17,965	17,726
<i>Canadian Equities</i>		
Encana Corporation Common	6,839	9,104
Manulife Financial Corporation Common	5,976	8,330
Teranet Income Fund	1,807	14,783
Toronto Dominion Bank	7,090	8,961
<i>Foreign Equities</i>		
SPDR Trust Units	82,648	64,942

3. Accounts Payable

[in thousands of dollars]	2008	2007
Refund of contributions plus interest	8,867	6,918
Administration fees to the University of Guelph	380	414
Professional fees (actuary, audit, legal)	96	150
Provincial regulatory fees and Pension Benefit Guarantee Fund	37	32
	9,380	7,514

The Pension Plans of University of Guelph
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For the Year Ended September 30, 2008

4. Administrative Expenses and Professional Fees

[in thousands of dollars]	2008	2007
<i>Pooled Level Fees</i>		
Investment Management Fees	2,324	2,746
Custodial and Performance Management Fees	561	618
	<u>2,885</u>	<u>3,364</u>
<i>Plan Level Expenses</i>		
University of Guelph Administrative Fee	564	597
<u>Professional Fees:</u>		
Actuarial Fees	673	737
Legal, Accounting and Auditing Fees	27	36
Other Fees*	71	77
	<u>1,335</u>	<u>1,447</u>
Total Administrative Expenses and Professional Fees	<u>4,220</u>	<u>4,811</u>

* includes Provincial regulatory fees and Pension Benefit Guarantee Fund.

5. Related Party Transactions [in thousands of dollars]

During the year ended September 30, 2008, the University of Guelph charged the Pooled Fund \$564 (2007 - \$597) for administrative services.