

Financial Statements of

**BROCK UNIVERSITY
PENSION PLAN**

Year ended June 30, 2007

Registration Number 327767



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AUDITORS' REPORT

To the Pension Committee of Brock University

We have audited the statement of net assets available for benefits of the fund of the Brock University Pension Plan as at June 30, 2007 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 the Regulations to the Pension Benefits Act (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 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 June 30, 2007 and the changes in net assets available for benefits for the year then ended in accordance with the basis of accounting described in note 1 to the financial statements.

These pension fund 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 Administrator of the Brock University Pension Plan and the Financial Services Commission of Ontario for complying with Section 76 of the Regulations to the Pension Benefits Act (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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Accountants, Licensed Public Accountants

St. Catharines, Canada
September 26, 2007

BROCK UNIVERSITY PENSION PLAN

Statement of Net Assets Available For Benefits

June 30, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|---|-----------------------|-----------------------|
| Assets | | |
| Investments, at market value (note 2) | \$ 256,433,974 | \$ 222,849,485 |
| Cash | 1,262,415 | 75,651 |
| Accrued Investment Income | 452,148 | 418,679 |
| Contributions receivable: | | |
| Employer | 633,598 | 561,366 |
| Employees | 394,487 | 343,067 |
| | 259,176,622 | 224,248,248 |
| Liabilities | | |
| Accounts payable and accrued liabilities (note 4) | 222,855 | 223,795 |
| Net assets available for benefits | \$ 258,953,767 | \$ 224,024,453 |

See accompanying notes to financial statements.

On behalf of the Pension Committee:

_____ Member

_____ Member

BROCK UNIVERSITY PENSION PLAN

Statement of Changes in Net Assets Available For Benefits

Year ended June 30, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|--|-----------------------|-----------------------|
| Increase in assets: | | |
| Investment income (note 5) | \$ 16,274,740 | \$ 11,169,742 |
| Increase in net unrealized gains | 12,889,836 | - |
| Net realized gain on sale of investments | 4,702,986 | 4,095,244 |
| Contributions: | | |
| Employer | 7,367,693 | 6,532,953 |
| Employee | 4,533,893 | 3,999,280 |
| Transfers from other pension plans | 116,522 | 183,371 |
| | <u>45,885,670</u> | <u>25,980,590</u> |
| Decrease in net assets: | | |
| Decrease in net unrealized gains | - | 3,187,375 |
| Benefit payments (note 6) | 9,918,461 | 15,833,697 |
| Administrative expenses and professional fees (note 7) | 1,037,895 | 904,237 |
| | <u>10,956,356</u> | <u>19,925,309</u> |
| Increase in net assets | 34,929,314 | 6,055,281 |
| Net assets available for benefits, beginning of year | 224,024,453 | 217,969,172 |
| Net assets available for benefits, end of year | <u>\$ 258,953,767</u> | <u>\$ 224,024,453</u> |

See accompanying notes to financial statements.

BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements

Year ended June 30, 2007

The Brock University Pension Plan (the "Plan") is a registered pension plan in the Province of Ontario under registration number 327767. The Plan is a hybrid defined benefit money purchase pension plan and provides pension benefits to substantially all employees of Brock University (the "University").

1. Significant accounting policies:

(a) Basis of presentation:

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 the Regulations to the Pension Benefits Act (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.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

(b) Investments:

Investments are stated at fair value. In determining fair values, adjustments have not been made for transaction costs as they are not considered to be significant. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of changes in net assets available for benefits as an increase/decrease in net unrealized gains.

Fair values of investments are determined as follows:

Bonds, debentures and equities are valued at year-end quoted market prices where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2007

1. Significant accounting policies (continued):

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Fund's proportionate share of underlying net assets at fair values determined using closing market prices.

(c) Net realized gain on sale of investments:

The net realized gain on sale of investments is the difference between proceeds received and the average cost of investments sold.

(d) Investment income:

Investment income, which is recorded on the accrual basis, includes interest income, dividends and pooled fund distributions.

(e) Foreign currency translation:

The fair values of foreign currency denominated investments included in the statement of net assets available for benefits are translated into Canadian dollars at year end exchange rate. Gains and losses arising from translations are included in the change in net unrealized gains.

Foreign currency denominated transactions are translated into Canadian dollars at the rate of exchange on the date of the related transaction. Cost of investments, as disclosed in note 2, are translated into Canadian dollars at the rate of exchange on the date of purchase.

(f) Income taxes:

The Plan is not subject to income taxes since it is a Registered Pension Trust as defined by the Income Tax Act.

BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2007

2. Investments:

(a) The following table summarizes investments:

| | Cost | 2007 Market value | Cost | 2006 Market value |
|-----------------------|---------------|-------------------------|---------------|-------------------------|
| Short-term notes | \$ 4,745,896 | \$ 4,745,054 | \$ 1,858,854 | \$ 1,858,839 |
| Bonds and debentures: | | | | |
| Canadian | 38,782,839 | 37,979,630 | 34,567,696 | 34,518,613 |
| Corporate shares: | | | | |
| Canadian | 21,794,237 | 42,559,385 | 22,863,609 | 39,250,080 |
| Foreign | 17,975,828 | 18,159,815 | 16,314,383 | 15,059,495 |
| Pooled funds | 131,805,187 | 152,990,090 | 118,804,799 | 132,162,458 |
| | \$215,103,987 | \$256,433,974 | \$194,409,341 | \$222,849,485 |

(b) As at June 30, 2007, the scheduled maturities for securities, excluding short term notes, having interest rate risk exposure held in the investment portfolio are as follows:

| | Average effective yield | Cost | 2007 Market value |
|---------------------------------------|----------------------------|---------------|-------------------------|
| Due after one year through five years | 5.788 | \$ 10,772,576 | \$ 10,657,958 |
| Due five years through ten years | 5.075 | 14,997,806 | 14,391,105 |
| Due ten years through twenty years | 5.183 | 4,095,792 | 4,131,175 |
| Due after twenty years | 5.463 | 8,916,665 | 8,799,392 |
| | | \$ 38,782,839 | \$ 37,979,630 |

| | Average effective yield | Cost | 2006 Market value |
|---------------------------------------|----------------------------|---------------|-------------------------|
| Due after one year through five years | 5.759 | \$ 11,166,995 | \$ 11,163,109 |
| Due five years through ten years | 5.539 | 13,417,116 | 13,098,519 |
| Due ten years through twenty years | 5.576 | 7,322,847 | 7,579,888 |
| Due after twenty years | 5.482 | 2,660,738 | 2,677,097 |
| | | \$ 34,567,696 | \$ 34,518,613 |

The average effective yield reflects the result obtained by dividing estimated annual income from a security (based on its coupon or dividend rate) into its fair value at June 30.

BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2007

3. Statutory disclosure:

The following information is provided in respect of individual investments with a cost or fair value in excess of 1% of the cost or market value of the total Plan, as required by the Ontario Pension Benefits Act:

| Security | Cost | Market value |
|---|--------------|--------------|
| Shares: | | |
| Bank of Nova Scotia | \$ 1,086,682 | \$ 2,931,785 |
| Manulife Financial Corp | 1,114,197 | 2,647,368 |
| Royal Bank of Canada | 1,022,960 | 2,756,828 |
| Pooled funds: | | |
| McLean Budden Canadian Balanced Growth Fund | 110,451,981 | 128,962,172 |
| Jarislowsky Fraser International Equity Fund | 17,073,381 | 19,272,924 |
| Jarislowsky Fraser Canadian Special Equity Fund | 2,694,538 | 3,304,758 |

4. Accounts payable and accrued liabilities:

| | 2007 | 2006 |
|---------------------------------------|------------|------------|
| Portfolio administration fees | \$ 97,070 | \$ 125,785 |
| Actuarial and other professional fees | 105,533 | 78,795 |
| Custodial fees | 12,752 | 11,715 |
| Audit fees | 7,500 | 7,500 |
| | \$ 222,855 | \$ 223,795 |

BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2007

5. Investment income:

| | 2007 | 2006 |
|---------------------------------|----------------------|----------------------|
| Cash and short-term notes | \$ 197,028 | \$ 68,756 |
| Bonds and debentures - Canadian | 2,006,680 | 2,025,741 |
| Corporate shares - Canadian | 936,551 | 911,118 |
| Pooled funds: | | |
| Canadian equity | 312,348 | 76,857 |
| Foreign equity | 1,478,906 | 565,950 |
| Balanced | 11,346,265 | 7,533,269 |
| Miscellaneous income | 1,982 | 248 |
| Foreign exchange | (5,020) | (12,197) |
| | <u>\$ 16,274,740</u> | <u>\$ 11,169,742</u> |

6. Benefit payments:

| | 2007 | 2006 |
|----------------------------------|---------------------|----------------------|
| Pension benefits | \$ 5,072,483 | \$ 4,684,620 |
| Cash refunds | 35,773 | 32,157 |
| Transfers to other pension funds | 4,810,205 | 11,116,920 |
| | <u>\$ 9,918,461</u> | <u>\$ 15,833,697</u> |

7. Administrative expenses and professional fees:

| | 2007 | 2006 |
|---------------------------------------|---------------------|-------------------|
| Portfolio administration fees | \$ 518,796 | \$ 438,889 |
| Actuarial and other professional fees | 431,571 | 383,371 |
| Custodial fees | 80,028 | 74,477 |
| Audit fees | 7,500 | 7,500 |
| | <u>\$ 1,037,895</u> | <u>\$ 904,237</u> |

BROCK UNIVERSITY PENSION PLAN

Notes to Financial Statements (continued)

Year ended June 30, 2007

8. Related party transactions:

The University provides certain administrative services to the Plan. The cost to the Plan for these services in the year ended June 30, 2007 were \$114,556 (2006 - \$76,701), being the exchange amount agreed to by the parties, and is included in the administrative fees in the statement of changes in net assets available for benefits. At June 30, 2007 accounts payable and accrued liabilities included \$57,751 (2006 - \$46,022) relating to such services.

9. Fair value of financial instruments:

The fair value of investments is disclosed in note 2. The fair value of other financial assets and liabilities being contributions receivable, and accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of these instruments.