

**Lakehead University Pension
Investment Fund
Financial Statements
For the year ended December 31, 2005**

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Auditors' Report

To the Administrator of Lakehead University Pension Investment Fund

We have audited the statement of net assets available for benefits of the Lakehead University Pension Investment Fund as at December 31, 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 Fund's Administrator. 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 of the Fund as at December 31, 2005 and the changes in net assets available for benefits for the year then ended in accordance with the basis of accounting described in note 2 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 Administrator of the Fund 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.

BDO Dunwoody LLP

Chartered Accountants

Thunder Bay, Ontario
July 17, 2006

**Lakehead University Pension Investment Fund
Statement of Net Assets Available for Benefits**

For the year ended December 31	2005	2004
Assets		
Cash	\$ 446	\$ 29,944
Investments, at market value (Note 3) (Schedule) (cost 2005 - \$180,791,052; cost 2004 - \$170,307,956)	208,738,363	192,797,929
GST receivable	45,959	44,455
Sponsor's contributions receivable	263,834	244,284
Employees' contributions receivable	240,230	244,122
	209,288,832	193,360,734
Liabilities		
Accounts payable (Note 4)	310,783	267,011
Net assets available for benefits	\$ 208,978,049	\$ 193,093,723

On behalf of the Pension Plan Administrator

Lakehead University Pension Investment Fund Statement of Changes in Net Assets Available for Benefits

For the year ended December 31			2005	2004
	Professional Plan (Ontario Registration Number 246058)	Lakehead University Employee Pension Plan (Ontario Registration Number 526921)	Total	Total
Increase in net assets				
Investment income (Note 3)	\$ 12,805,494	\$ 1,913,465	\$ 14,718,959	\$ 7,428,695
Net realized gains on investments	3,878,695	579,575	4,458,270	2,087,314
Net unrealized change in market value of investments	4,730,821	706,904	5,437,725	11,343,612
Other cash receipts – pension transfers (Note 5)	131,565	19,659	151,224	137,004
	21,546,575	3,219,603	24,766,178	20,996,625
Contributions				
Employees	1,443,615	473,832	1,917,447	1,846,367
Sponsor	1,784,663	432,811	2,217,474	2,005,689
	24,774,853	4,126,246	28,901,099	24,848,681
Decrease in net assets				
Pension benefits and refunds (Note 6)	10,922,435	1,058,792	11,981,227	11,307,348
Security transfers (net)	(151)	(23)	(174)	-
Administrative expenses and professional fees (Note 7)	893,561	142,159	1,035,720	976,734
	11,815,845	1,200,928	13,016,773	12,284,082
Net increase for the year	12,959,008	2,925,318	15,884,326	12,564,599
Net assets available for benefits, beginning of year	168,025,796	25,067,927	193,093,723	180,529,124
Net assets available for benefits, end of year	\$ 180,984,804	\$ 27,993,245	\$ 208,978,049	\$ 193,093,723

The accompanying notes are an integral part of these financial statements.

Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2005

1. Description of Plans

The Lakehead University Pension Investment Fund ("the Fund") has two plans. The following description of the Professional and Administrative Staff Plan ("PP") and the Lakehead University Employee Pension Plan ("LUEPP") is a summary only. For more complete information, reference should be made to the Plan Agreements.

The assets of the Fund are held by RBC Dexia Investor Services. Jarislowsky Fraser Limited, Brandes Investment Partners, L.P. and McLean Budden Limited act as managers for the Fund and have discretionary investment authority.

The Fund is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

Professional and Administrative Staff Plan

The Plan is a contributory defined contribution pension plan. The Plan provides for a defined benefit guarantee for service prior to January 1, 1997. Under the Plan, contributions of 6.5% (2004 – 6.5%) of earnings were made by faculty and librarians and 8.05% (2004 – 7.8%) by the Plan sponsor. For other members, contributions of 8.05% (2004 – 8.05%) of earnings were made by employees and 8.05% (2004 – 8.05%) by the Plan sponsor.

Lakehead University Employee Pension Plan

The Plan is a contributory defined contribution pension plan. Under the Plan, employees contribute 7.9% (7.9% - 2005) of their earnings, except for United Steelworkers of America employees and contracted employees who contribute 7.5% and 7.15% (2004 – 7.5% and 7.15%), respectively, of their earnings. The Plan sponsor matches employee contributions.

2. Significant Accounting Policies

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 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 Fund. Consequently, these financial statements do not purport to show the adequacy of the Fund's assets to meet its pension obligations.

Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2005

2. Significant Accounting Policies (cont'd)

Investments

Market Values

All investments are stated at their estimated fair (market) value as at the statement date. Market values are determined as follows using listed market values where available:

- i) Publicly traded bonds, debentures and equities are valued at published mid-market quotations.
- ii) Mortgages, term deposits and guaranteed investment certificates are valued using current market yields.
- iii) Equity investments, including mutual funds and corporate shares, are valued at the closing sales price on the stock exchange where listed, or at the average of the closing bid and ask prices if the security did not trade on the valuation date.

Supplementary Amortized Cost Values

Bonds, debentures and mortgages are carried at amortized cost. When there has been a loss in the value of investments that is other than a temporary decline, the investment is written down and the loss is recognized as part of "net realized gains (losses) on investments". Investments in bonds, debentures and corporate shares denominated in foreign currencies are translated to Canadian currency at historical rates of exchange.

Investment Income

Dividend income is recognized as of the ex-dividend date. The purchase and sale of securities are recorded on a trade date basis.

Realized gains and losses from security transactions are based on the average cost of the security.

Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2005

3. Investments and Investment Income

The cost and market values of investments at December 31, 2005 and 2004 are provided in the attached schedule.

Investment income

	<u>2005</u>	<u>2004</u>
Bonds and debentures - Canadian	\$ 5,046,396	\$ 3,512,679
Corporate shares - Canadian	5,419,048	2,280,049
Foreign - Global	4,175,822	1,590,844
Short-term notes and treasury bills	74,619	44,411
Other	<u>3,074</u>	<u>712</u>
	<u>\$ 14,718,959</u>	<u>\$ 7,428,695</u>

Individually significant investments

The cost or market value of the following investments exceeds 1% of the cost or market value of total pension fund investments at December 31, 2005:

	<u>2005 Cost</u>	<u>2005 Market Value</u>
Canadian Equity Fund		
McLean Budden Investments (1)		
Equity Growth Fund	\$ 23,171,972	\$ 28,451,427
Jarislowsky Fraser Investments (3)		
Equity Fund	\$ 32,224,648	\$ 54,447,767
Foreign Equity Fund		
Brandes Pooled Investments (2)		
Global Equity Unit Trust	\$ 52,776,838	\$ 51,080,168

Lakehead University Pension Investment Fund
Notes to Financial Statements

December 31, 2005

3. Investments and Investment Income (cont'd)

	<u>2005 Cost</u>	<u>2005 Market Value</u>
Fixed Income Fund		
McLean Budden Investments (1)		
Fixed Income Pool Fund	\$ 22,808,684	\$ 23,582,644
Bond Fund		
Jarislowsky Fraser Investments (3)		
Bond Fund	\$ 47,346,374	\$ 48,964,863
Money Market Fund		
McLean Budden Investments (1)		
Pooled Money Market Fund	\$ 2,211,494	\$ 2,211,494

(1) McLean Budden Investments are pooled funds administered by McLean Budden Limited.

(2) Brandes Pooled Investments are pooled funds administered by Brandes Investment Partners, L.P.

(3) Jarislowsky Fraser Investments are pooled funds administered by Jarislowsky Fraser Limited.

Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2005

4. Accounts Payable

	2005	2004
Management fees	\$ 303,783	\$ 260,011
Audit accrual	7,000	7,000
	\$ 310,783	\$ 267,011

5. Pension Transfers

The balance of pension transfers for the year includes pension transfers from Lakehead University Employee Pension Plan to the Professional Administrative Staff Plan in the amount of \$23,507 (2004 - \$545,653). Funds are transferred for members of the LUEPP that transfer to the PP when changing benefit classification effective January 1, 2005.

6. Pension Benefits and Refunds

	2005	2004
Pension benefits	\$ 7,347,992	\$ 7,140,166
Refunds	4,633,235	4,167,182
	\$ 11,981,227	\$ 11,307,348

7. Administrative Expenses and Professional Fees

	2005	2004
Investment management fees	\$ 798,640	\$ 757,587
Actuarial fees	89,238	74,148
Investment counselling	26,750	26,750
Consulting fees	48,043	69,229
Audit fees	6,955	6,955
Custodial service fees	78,909	79,549
Other – Pension Commission	33,144	6,971
Goods and services tax rebate	(45,959)	(44,455)
	\$ 1,035,720	\$ 976,734

Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2005

8. Related Party Transactions

The Pension Fund does not hold any securities of the employer sponsor or its related parties.

9. Income Taxes

The Fund is not subject to income tax since it is a Registered Pension Trust as defined by the Income Tax Act (Canada).

Lakehead University Pension Investment Fund Schedule – Cost and Market Values of Investments

For the year ended December 31	2005		2004	
	Cost	Market Value	Cost	Market Value
Brandes Global Equity Unit Trust	\$ 52,776,838	\$ 51,080,168	\$ 48,601,015	\$ 49,136,952
Corporate shares - Canadian	251,042	-	263,385	-
Jarislowsky Fraser Bond Fund	47,346,374	48,964,863	40,758,454	43,640,694
Jarislowsky Fraser Equity Fund	32,224,648	54,447,767	34,482,591	50,106,353
McLean Budden Equity Growth Fund	23,171,972	28,451,427	22,960,918	25,653,907
McLean Budden Fixed Income Pool Fund	22,808,684	23,582,644	21,347,312	22,365,742
McLean Budden Money Market Fund	2,211,494	2,211,494	1,894,281	1,894,281
	\$ 180,791,052	\$ 208,738,363	\$ 170,307,956	\$ 192,797,929

The accompanying notes are an integral part of these financial statements.