For the

members of

The Edmonton

Pipe Industry

Pension Trust Fund

and

Health and Welfare Fund

2006

ANNUAL REPORT

DIRECTORY

The Edmonton Pipe Industry Pension Trust Fund
and
The Edmonton Pipe Industry Health and Welfare Fund

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Board of Trustees

Administration Services Provider

McAteer – Employee Benefit Plan Services Limited
Executive Administrator – Rick McAteer

Auditor

KPMG LLP, Chartered Accountants, Edmonton, Alberta

Legal Counsel

Fraser, Milner, Casgrain, Edmonton, Alberta

Pension Trust Fund Investment Managers

Phillips, Hager & North Investment Management Ltd., Vancouver, British Columbia
Letko Brosseau & Associates, Montreal, Quebec
Gryphon International Investment Corporation, Toronto, Ontario

Pension Trust Fund Custodian

CIBC Mellon Trust Company, Calgary, Alberta

Pension Plan Actuary

William M. Mercer Limited, Calgary, Alberta

Health and Welfare Plan Insurer

Manulife Financial, Waterloo, Ontario

Health and Welfare Fund Investment Managers

Letko Brosseau & Associates, Montreal, Quebec
Fiera YMG Capital, Toronto, Ontario

Health and Welfare Plan Employee Assistance Program Provider

Construction Employees Family Assistance Plan (CEFAP)

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Message from the Chairman

We are pleased to present the Annual Report of the Pension Trust Fund and the Health and Welfare Fund for the fiscal year ended September 30, 2006. This is the 6th Annual Report that we have provided to the members. The Annual Report provides an accounting to the members of the highlights of the Funds' activities for the past year.

Pension Trust Fund

As at September 30, 2006, the unfunded liability of the Pension Fund has further decreased to $25.1 million as compared to $54.5 million last year and the high of $115.9 million in 2002. Under the present Pension Plan structure and the actuarial assumptions used, it is estimated that all funding and solvency deficiencies will be eliminated in three years. During the coming year, the Trustees will begin planning as to when pension plan benefit improvements can be made, taking into account the Funding and Benefits Policy which is summarized elsewhere in this Annual Report.

The Pension Fund earned a rate of return of 6.6% for the year ended September 30, 2006. This is slightly above the long term investment return target of 6.25% used in the actuarial valuation. As stated in last year's Annual Report, while investment returns are important to the health of the Pension Fund, so too is the level of contributions made to the Pension Fund. As you will see from the financial statements, 66.0% of the Fund's revenues are from contributions (50.5% in 2005). The current contribution rate is $5.41 per hour worked. The continuing high level of work in Alberta has greatly assisted the Pension Fund to pay down its funding deficit. The Pension Fund’s target expectation for hours worked in the 2006 fiscal year was 8.5 million hours, and the actual hours were 10.5 million. We anticipate that the current high economic activity in our sector will continue at least for the next several years.

Health and Welfare Fund

The Health and Welfare Fund continues to be in a good financial position. As of September 30, 2006, the reserve for future plan benefits was $22.9 million and the Health and Welfare Fund equity was $30.8 million. During the year ended September 30, 2006, $15.3 million was paid out to members as benefits.

Over the course of 2006, the Trustees studied the participation in the Health and Welfare Fund's self-payment program. The Trustees are of the belief that, considering the current work environment in Alberta, allowing members to make self-payments to the Fund for an indefinite period of time was no longer warranted. Effective January 1, 2007, the maximum period that a member may make self-payments was capped at twelve consecutive months. Members who are disabled may make self-payments for a longer period of time.

We believe that the Plans’ service to members continues to be of very high quality. During the year ended September 30, 2006 over 52,000 claims were processed by the Benefit Office, and hundreds of those claims were paid to members visiting the Benefit Office to use the Plan's drop-in service. At the end of October 2006 turnaround time was 2 days from the time of receipt of the claim and the date the cheque was mailed to the member.

Status of the Lawsuit

As you were advised in last year's Annual Report, the Appeal Court of Alberta determined that the Pension Fund is to pay the legal costs of the four members (i.e. the plaintiffs who are Dennis Deans, Nelson Rissling, Terence Day and James Sharp) who have instituted a legal action against 18 of the Pension Fund's present and former Trustees, and the retired general manager. This decision then led to a request by the Union Trustees and the Employer Trustees to also have their legal costs covered under the indemnification provisions of the Pension Trust Agreement. In addition, the Pension Fund is also incurring its own legal expenses in taking all appropriate steps to protect the Pension Fund's interests. The Special Committee of the Board of Trustees (being those Trustees who are not named in the lawsuit and who have been charged with the management of the Pension Fund's actions in this matter) applied for leave to take this matter to the Supreme Court of Canada, but the application was denied.

The Pension Fund is required to pay the plaintiffs' legal costs through to the end of the examination for discovery period. At the completion of that process, the plaintiffs must re-apply to the Courts if they want to continue to have their legal expenses paid by the Pension Fund. The Courts have appointed a case management judge to preside over the management of the lawsuit. Examinations for discovery will not commence until the second or third quarter of 2007.

For the year ended September 30, 2006, the Pension Fund paid out $256,000 in legal fees and other expenses. The costs to the Pension Fund from the inception of the lawsuit to date now stand at $379,275. This lawsuit continues to affect the Pension Fund in a negative manner, using its resources to pay for expenses not related to the administration of the Pension Fund and the provision of benefits to Pension Plan members.

The legal costs facing the Pension Fund because of this action will be substantial. The Special Committee reviews each of the invoices for legal services the Pension Fund is required to pay. In addition, an officer of the Court has the right to have a final review of all legal costs charged to the Pension Fund. This review will provide the Special Committee, and the members, assurance that the cost and nature of the services charged to the Pension Fund are reasonable. Nevertheless, the use of the Pension Fund's monetary and human resources needed to manage this lawsuit will be a very material expense to the Pension Fund. As noted above, the Fund has paid almost $380,000 to the end of fiscal 2006 - yet the process to advance this suit has just begun. We believe that the legal costs that will be incurred by the Pension Fund up to the end of the examination for discovery period could be in the range of $1.5 to $2.0 million.

General Comments

During the year, Rob Kinsey resigned as a Trustee at the time of his election as the U.A. International Representative, Western Canada. Also, as of December 31, 2006, Graham Knight, an Employer Trustee, resigned from the Board. We want to thank both Rob and Graham for their service on the Board of Trustees.

Lee Adkins, Business Agent for Local 488, was elected by the members to the Board of Trustees to replace Rob Kinsey.

During the fiscal year ended September 30, 2006, the Board of Trustees met six times in full day meetings.

W.D. Grace, FCA
Chairman, Board of Trustees

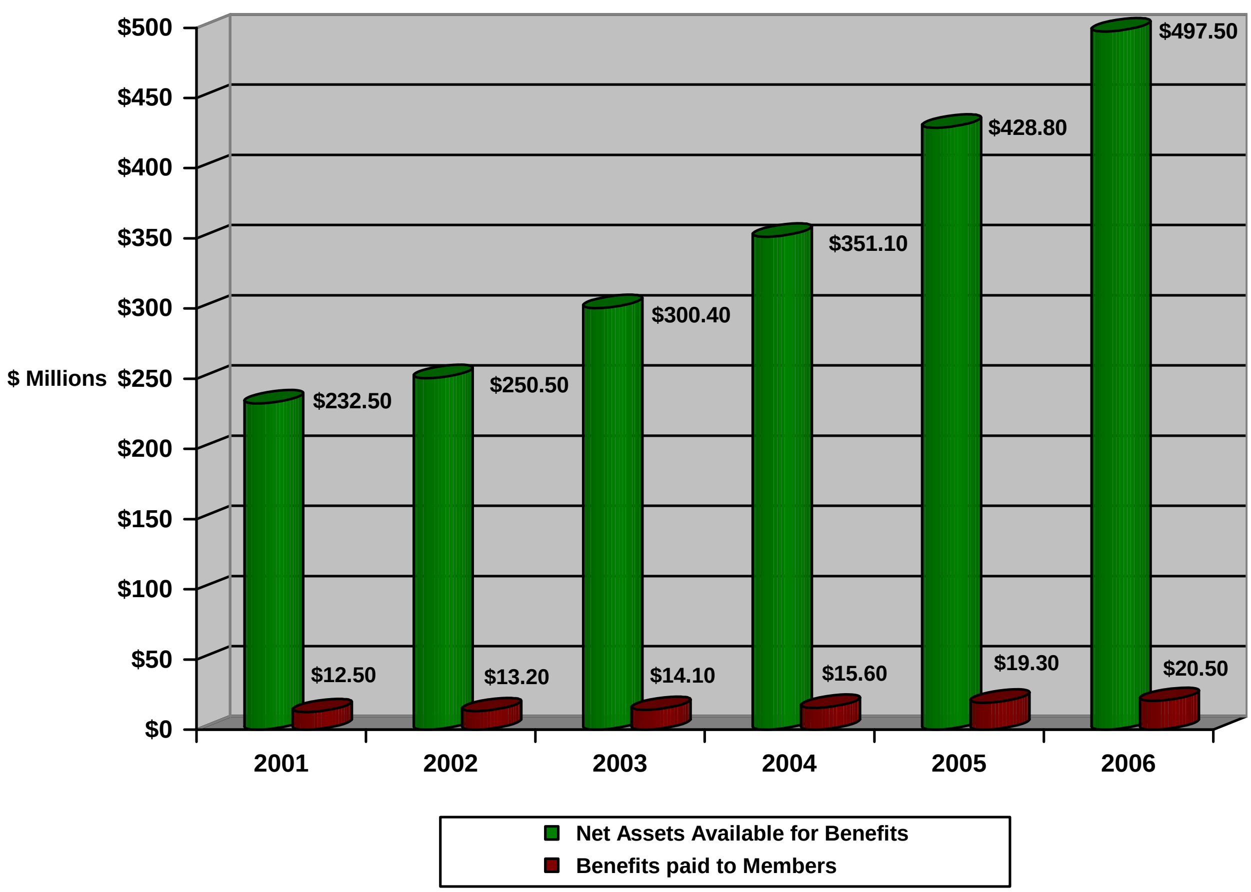
PENSION FUND HIGHLIGHTS

Pension Fund Assets

At September 30, 2006, the Pension Fund had $497.5 million in net assets available for benefits. This is an increase of $68.7 million compared to September 30, 2005. Net employer contributions increased by $10 million compared to 2005. The financial health of the Alberta energy sector has rewarded the members with increased work and, in turn, the Pension Fund has received increased contributions.

During the year, the Pension Fund paid $20.5 million in benefits to members. This is an increase of $1.2 million compared to 2005's benefit payments to members.

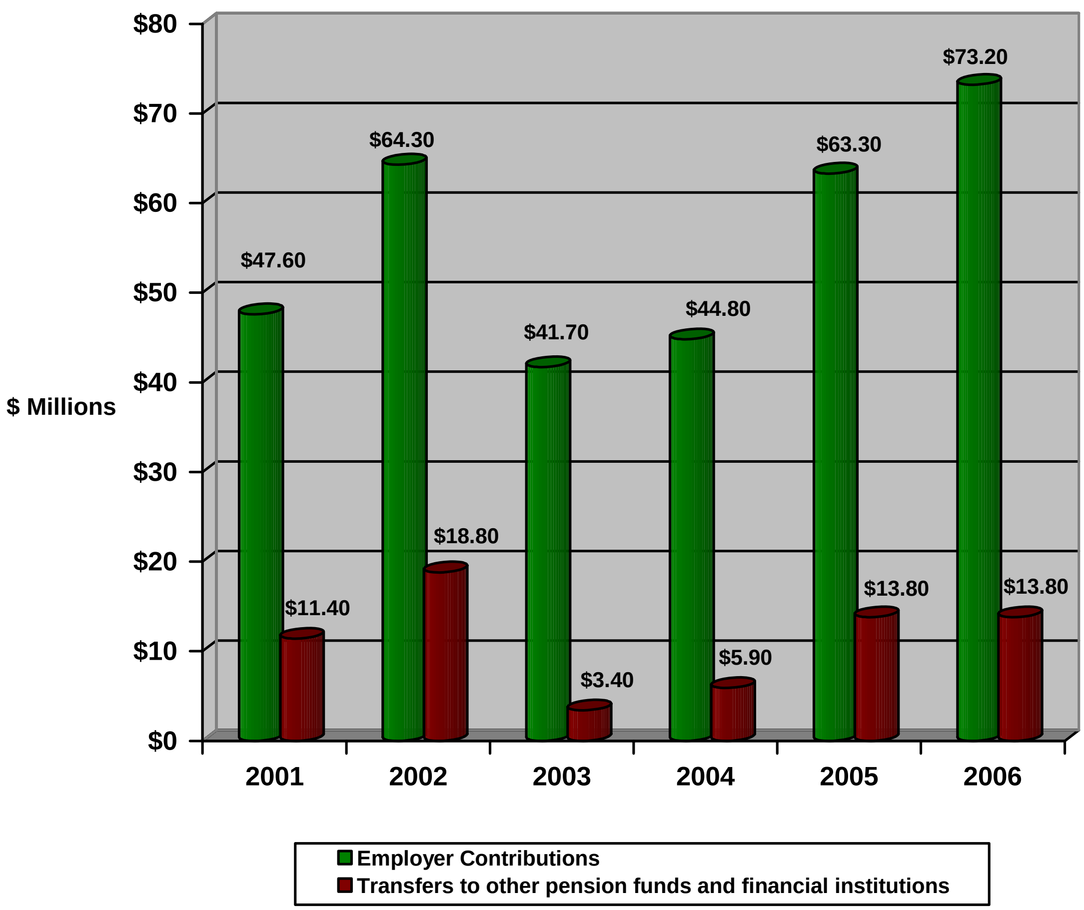
GROWTH IN PENSION FUND ASSETS 2001 - 2006



Pension Fund Contributions

During the 2006 fiscal year, contributing employers paid $73.2 million into the Pension Fund on behalf of members.

From the $73.2 million received, the Pension Fund transferred $13.8 million to other pension funds and financial institutions on behalf of members.

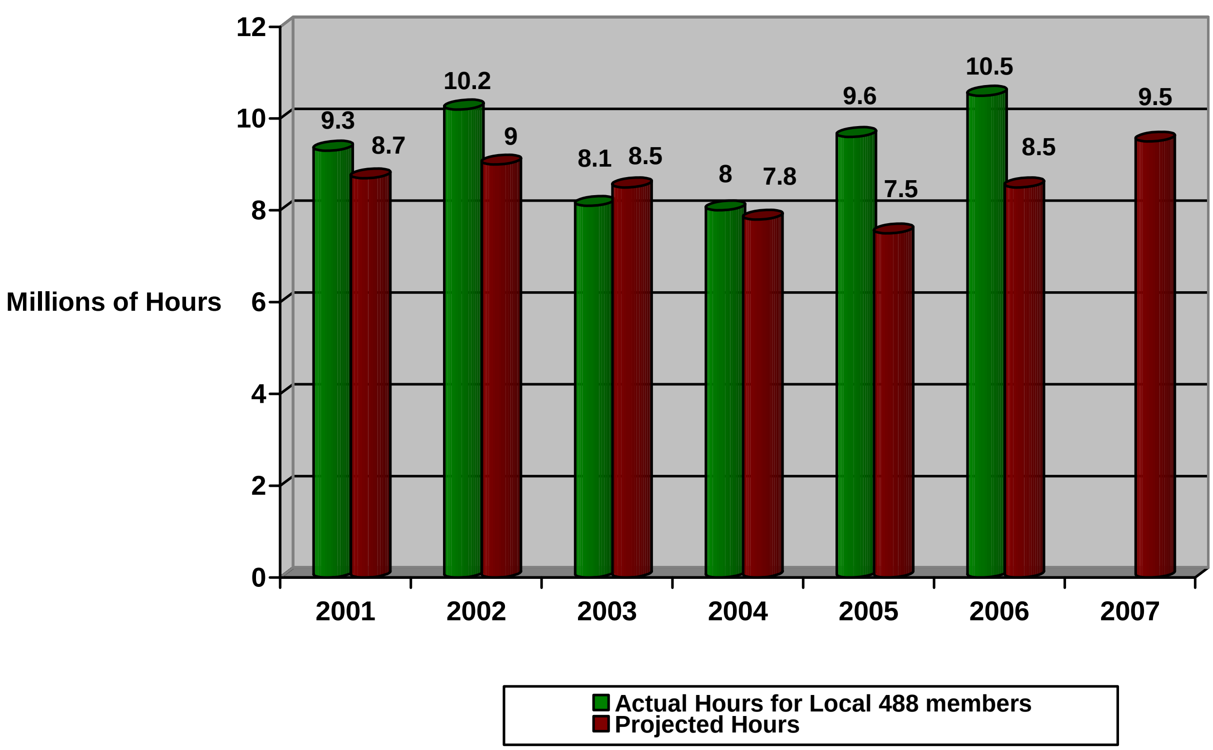


Employer Contributions and Hours Reported to the Pension Fund

During the fiscal year ended September 30, 2006, the Pension Fund received employer contributions based on 13.0 million hours worked in the Local 488 jurisdiction. The Pension Fund transferred contributions based on 2.5 million hours to other pension funds on behalf of union members who were not members of Local 488. Therefore the net contributions to the Pension Fund were based on 10.5 million hours worked by Local 488 members. For fiscal 2006 we assumed that 8.5 million hours would be worked by Local 488 members.

For the fiscal year of 2007, the Pension Fund is using an assumption that 9.5 million hours will be worked by Local 488 members. We believe this is a conservative and reasonable estimate. The assumption for hours worked, which is used for actuarial valuation purposes, is based upon discussions with the Pension Plan's actuary, input from the Trustees, information from the Union, and economic and industry research.

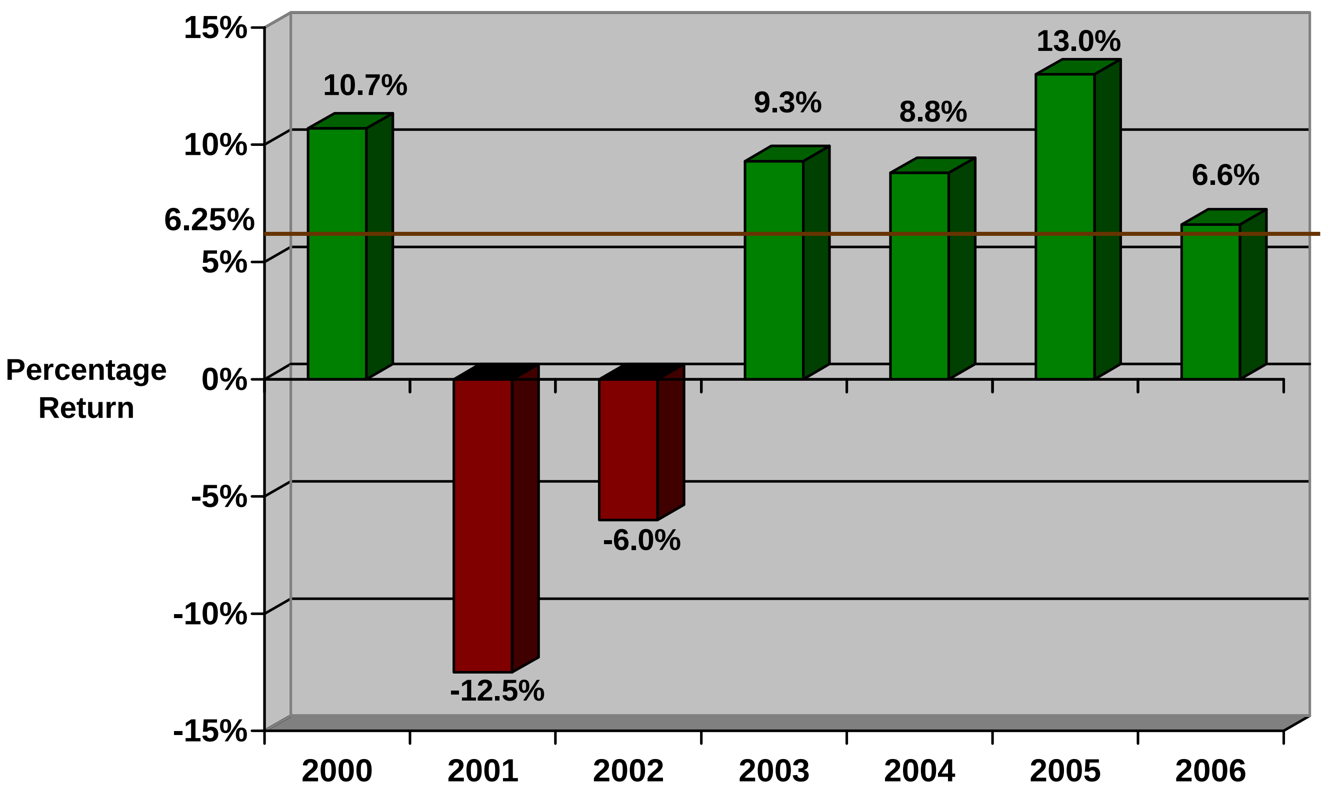
PROJECTED AND ACTUAL HOURS WORKED BY MEMBERS 2001 - 2007



Pension Fund Investment Rate of Return

For the 2006 fiscal year, the Pension Fund earned a rate of return of 6.6%. This is the fourth consecutive year that the Pension Fund surpassed its actuarial target return of 6.25%. It is important to note that total returns have fallen below the high single digit and double digit returns earned in 2003-2005. Economic research suggests that the Fund should continue to assume mid single digit returns in the short term.

THE PENSION FUND'S ANNUAL RATE OF RETURN 2000 - 2006



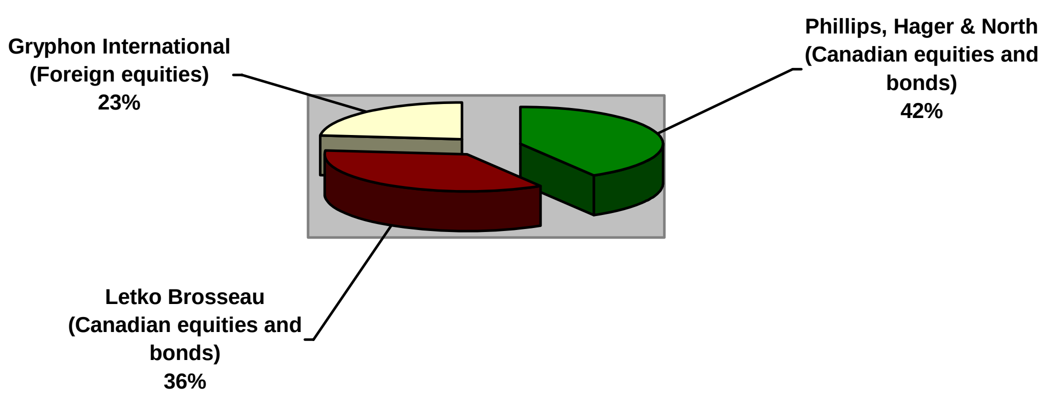
Report on Pension Fund Investments

This table outlines how the Pension Fund's assets are allocated among different classes of investments.

Asset Class	Guidelines set by Statement of Investment Policies and Procedures			Actual Allocation as of September 30, 2006 (based on market values)
	Minimum	Median	Maximum	
Cash and Cash Equivalents	0%	5%	10%	5.9%
Equities (Canadian)	15%	25%	35%	24.5%
Equities (Foreign)	10%	20%	30%	22.3%
Fixed Income (Bonds)	40%	50%	60%	47.3%

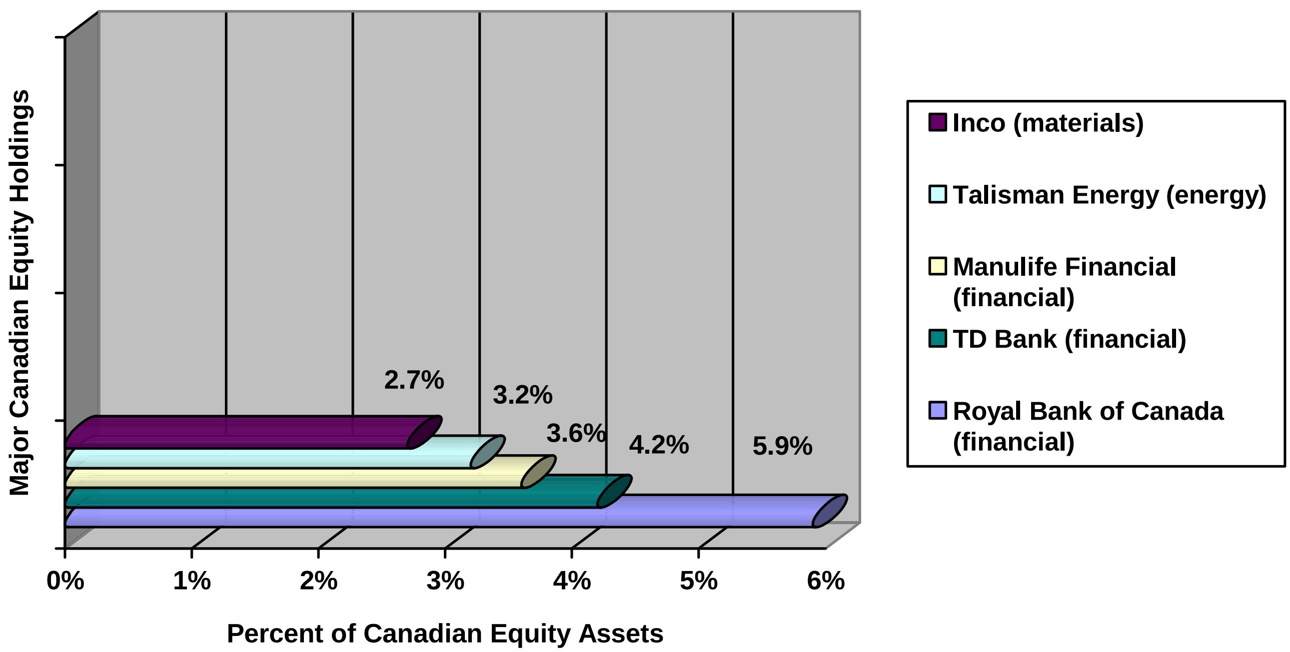
During the fiscal year ended September 30, 2006 the Pension Fund earned a net investment return of 6.6%. The Pension Fund's investment managers have the responsibility to actively manage the Fund's assets within the risk parameters approved by the Trustees. Setting risk parameters keeps the Fund's focus on benefit security – not necessarily on high absolute returns as high returns may come with a risk profile not acceptable to the Trustees. The Pension Fund's actuarial target return was 6.25%. The excess investment return helped to reduce the Pension Fund's unfunded liability. The significant decrease in the unfunded liability resulted from employer contributions which were higher than estimated.

Three independent investment managers manage the Pension Fund's investments, illustrated as follows:



Equities

At the end of the fiscal year, the Pension Fund had $121.6 million, or 24.9% of its assets invested in Canadian equities. In the Canadian equity market the materials, financials and telecommunications sectors produced the highest returns. The energy sector, which was one of the best performing sectors in fiscal 2005, had a negative return in fiscal 2006. The Fund's largest Canadian equity holdings at September 30, 2006 were:



The one year return of the Canadian equity market was 9.2%. Compare this to the 29.3% return last year. Our Canadian dollar decreased in value compared to other world currencies.

Foreign equity markets returned 9.7% this fiscal year. The United States equity market has recovered slightly from its return of 3.1% last year for a return of 6.4% this fiscal year. The European, Australian and Far East equity market return was 14.5%, still a very strong return. The quarter to quarter and year over year fluctuations in world market returns continue to confirm the importance of broad diversification across markets and sectors.

The Fund's professional investment managers are given the responsibility of making investment decisions within the asset mix range set out in the Pension Fund's investment policies.

Fixed Income

At the end of the fiscal year, the Pension Fund's fixed income investments totaled $228.8 million which is approximately 46.8% of the Pension Fund's total net assets. Fixed income investments include corporate bonds as well as bonds issued by the Canadian and provincial governments. For the year ended September 30, 2006 the broad based Canadian bond market return was 4.0%. During the year the Trustees amended the Fund's investment policy to allocate the majority of the bond portfolio to long bonds. Long bonds are more representative of the Pension Fund's liabilities. This change in bond portfolio structure was made January 1, 2006. During the fiscal year ended September 30, 2006 the Long-Term bond index return was 6.0%. In an environment where lower interest rates are predicted, the Fund's long-term bond portfolio is expected to outperform the broader Canadian bond market.

Investment Policy

In our last Annual Report we advised that the Trustees had retained Mercer Human Resource Consulting to conduct a study of the Pension Fund's assets and liabilities. The study concluded that a modification to the Fund's investment policy was indicated. The changes made to the investment policy were positive for the Fund's investment returns this year. The Fund decreased its concentration in Canadian equity in favour of Foreign equity. Foreign equity markets had higher returns than Canadian markets this year. The Fund amended its bond structure to focus on long-term bonds. Long-term bonds outperformed in the Canadian bond market this year. The table below summarizes the changes in the Fund's investment policy.

	Current Target	Previous Target
Canadian Equities	20%	25%
Non-Canadian Equities	25%	20%
Fixed Income Securities	53%	50%
Cash	2%	5%

The Trustees, after a lengthy evaluation, concluded that the Fund should further diversify the investment portfolio. To this end, in fiscal 2007, the Fund has made a commitment to invest up to $8.0 million in a pooled fund called European Strategic Partners 2006, managed by Standard Life Investments based in Scotland.

PENSION PLAN BENEFITS – FUNDING AND BENEFIT POLICY

As you have read above, and will see in the next section, the Plan is becoming financially stronger every year. The Plan's funded ratio, on a going concern basis, was 95%. Last year the funded ratio was 89%. The main reason for the improvement in the funded ratio was increased contributions from employers. On a solvency basis, the Plan's funded ratio improved to 87% from 83%. Increased contributions from employers helped to strengthen the solvency ratio. However, a higher interest rate basis, as prescribed by Alberta pension regulation, also made a significant contribution to the improved solvency funding ratio. We are pleased that the Plan has been returning to financial health within a fairly short timeframe.

Plan members will justifiably ask "does the improved health of the Pension Plan mean benefit improvements?" In 2002, the Trustees established a Funding and Benefits Policy which is their guidance for future improvements in benefits. The Trustees are committed to securing the solid funding of the Plan. The Trustees will consider benefit improvements when:

a) the proposed benefit improvements will not cause the funded ratio of the Plan, on a solvency basis, to fall below 85%; and

b) the total hourly actuarial cost of benefits is not more than 90% of the contribution rate.

When benefit improvements are considered, the Trustees have agreed upon the following additional parameters:

a) the pension accrual rate will be adjusted to reflect the contribution rate paid to the Pension Plan. Although contributions to the Plan have increased since 1992, there has been no increase in the benefit accrual rate of $87.00 for every 1,800 hours worked. Instead, the higher contributions received by the Plan have been used to pay down the Plan's unfunded liabilities.

b) benefits to active and retired members will be improved if it is determined that the funding is available due to better than anticipated returns on investments. If this is found to be the case, the funding excess will be used for benefit improvements on a prorata basis. This basis will reflect the assets attributed to retired members and those attributed to active members.

The stated priority of the Trustees is to improve the pension accrual rate since more than 14 years have passed without an increase in the pension earned by active members. The Trustees will balance this priority with an objective to increase benefits paid to pensioners which is reflective of the increase in the cost of living.

The Trustees are committed to managing the Funding and Benefit Policy of the Plan as described. This Policy is critical to the Board's operations. It will also serve to help Plan members set their expectations. It is the Trustees' intent to communicate with all Plan members when we are in the position of making benefit improvements so that members will be able to see how the Trustees reached their decisions.

ACTUARIAL VALUATION

Membership Data	2006	2005	2004	2003	2002	2001
Number of active members	6283	5937	5193	5488	5547	5287
Average age of active members (in years)	40.1	40.1	41.1	40.5	40.2	39.8
Average hours worked	1802	1696	1633	1668	1979	2017
Number of pensioners (including disabled)	1704	1597	1488	1404	1308	1243
Average age of pensioners (in years)	68.6	68.5	68.5	68.4	68.2	68.1

The Pension Fund has a policy of conducting an annual actuarial valuation. The actuarial valuation is prepared by the Plan's actuary. The actuarial valuation assists the Trustees in their management of the Pension Fund by measuring the changes in the Pension Fund's assets and liabilities. In preparing the actuarial valuation, the actuary evaluates the growth of the Pension Fund's liabilities and assets, and the type of investments owned by the Pension Fund. The actuary uses accepted actuarial standards to estimate the future rate of return of the Pension Fund's investments. The actuary also considers the negotiated contribution rate established in the collective agreements and the estimated number of hours to be worked by the Plan's members.

Each year the Trustees review the assumptions to be included in the preparation of the upcoming actuarial valuation. The Trustees are confident that the Plan's assumptions reflect conservative and realistic forecasts about the Plan's future.

There are many assumptions included in the preparation of an actuarial valuation. The two most important assumptions are:

- *The rate of return that the Pension Fund's investments will earn.* This assumption predicts the future growth of the Pension Fund's assets.

  For the 2006 valuation, the target rate of return continued to be 6.25%. This is the average rate that the Pension Fund is expected to earn in the longer term. However over short periods of time the Fund's actual investment returns will be higher or lower than the 6.25% average return expectation. The Plan's investment return assumption is based on a complete study of financial market behavior and the return expectations of economists and investment professionals. This actuarial assumption was confirmed by the asset liability study completed by the Trustees.

- *The number of hours each member will work in the future.* This assumption predicts the amount of contributions the Pension Fund will receive each year. The contribution rate is set out in the collective agreement and is a defined amount to be paid per hour worked. The more hours worked by Local 488 members, the higher the total amount of contributions that are paid to the Pension Fund. Contributions are invested and are used to pay the Plan's benefits. For the fiscal year ended September 30, 2006, Local 488 members worked a total of 10.5 million hours, well over the forecast of 8.5 million hours. For the fiscal year ending September 30, 2007 the Plan's assumption is that Local 488 members will work 9.5 million hours. This assumption was derived after consideration of economic forecasts and in consultation with the Plan's actuary. The assumption regarding hours worked is closely monitored and revisited every year based on the best information available.

For the fiscal year ending September 30, 2006, the actuary has provided an Actuarial Cost Certificate which confirms that the current employer contribution rate is sufficient to meet the Pension Plan's current service and special payment requirements for the next five years. The Trustees have filed the actuarial valuation with the Pension Plan regulators.

Roles and Responsibilities

A number of parties are responsible for ensuring that the Pension Fund is maintained in a financially sound way that will provide pension earnings for members over the long term. They include:

Board of Trustees

The Board of Trustees has overall responsibility for the Pension Fund, including supervision of the administration services provider, the investment managers and others. The Board is also responsible for the approval of the annual audited financial statements. The Board is made up of:

- four trustees appointed by the employers who contribute to the Funds,
- four trustees elected by Local Union 488 members,
- an independent chairman.

The Board's Audit Committee meets with the administration services provider and the external auditors to review the financial statements and examine other auditing and accounting matters. The committee examines the quality of the financial statement disclosure, the accounting principles applied and any significant judgements affecting the financial statements. The audited financial statements in this report have been approved by the Audit Committee and the Board of Trustees.

Administration services provider

The administration services provider operates and manages the Pension Trust Fund and the Health and Welfare Fund, and is responsible for providing quality service to the members. The administration services provider develops and maintains high-quality systems for internal accounting and administrative control. These systems are designed to provide reasonable assurance that transactions are properly authorized, reliable financial records are maintained, financial information is accurate and reliable, and assets are appropriately accounted for and adequately safeguarded. The administration services provider is also responsible for preparing financial statements in accordance with Canadian generally accepted accounting principles.

Actuary

The actuary is appointed by the Board of Trustees and carries out an annual valuation of the Pension Plan's actuarial liabilities in accordance with accepted actuarial principles. This process involves analyzing the benefits to be provided under the Pension Plan, including any increases to benefits. The actuary also provides advice to the Board of Trustees on funding and benefit policies, asset and liability structure, and other matters.

External auditors

The external auditors are appointed by the Board of Trustees. Their responsibility, the scope of their examination and their opinion is set out in the Auditors' Report. The external auditors have full and unrestricted access to staff of the administration services provider and the Audit Committee to discuss any findings related to the integrity of the financial reporting and the adequacy of internal control systems on which they rely for the purposes of their audit. The external auditors rely on the work of the actuary for the actuarial liabilities disclosed in the notes to the financial statements.

Custodian

The custodian holds the Pension Fund's assets and executes trades under the direction of the Pension Fund's investment managers. The custodian is appointed by the Board of Trustees.

Investment managers

The investment managers each direct a portfolio of assets on behalf of the Pension Fund, within guidelines set by the Board of Trustees through the Statement of Investment Policies and Procedures. The investment managers are appointed by the Board of Trustees.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

AUDITORS' REPORT

To the Board of Trustees of The Edmonton Pipe Industry Pension Trust Fund

We have audited the statement of net assets and accrued pension liability of The Edmonton Pipe Industry Pension Trust Fund as at September 30, 2006 and the statements of changes in net assets available for plan benefits and changes in unfunded liability for the year then ended. These financial statements are the responsibility of the management of The Edmonton Pipe Industry Pension Trust Fund. 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 and accrued pension liability of The Edmonton Pipe Industry Pension Trust Fund as at September 30, 2006 and the changes in net assets and unfunded liability for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Edmonton, Canada
December 8, 2006

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Net Assets and Accrued Pension Liability

September 30, 2006, with comparative figures for 2005

	2006	2005
ASSETS		
Investments (Schedule 1)		
Cash and cash equivalents	$ 28,670,951	$ 38,841,842
Equities	230,599,669	187,060,792
Fixed income securities	228,816,396	191,843,570
	488,087,016	417,746,204
Cash	5,826,024	7,367,238
Contributions receivable	6,645,302	8,354,040
GST recoverable	98,929	83,541
Prepaid expenses and deposits	3,018	1,827
Cash surrender value of life insurance policy (note 7)	159,229	159,258
	500,819,518	433,712,108
LIABILITIES		
Accounts payable and accrued liabilities	1,019,526	602,639
Amounts payable under reciprocal transfer agreements (note 3)	2,071,385	4,073,126
Retirement benefit obligation (note 7)	186,464	193,582
Due to The Edmonton Pipe Industry Health and Welfare Fund (note 5)	45,378	1,835
	3,322,753	4,871,182
Net assets available for benefits	497,496,765	428,840,926
Unfunded liability (note 6)	25,053,000	54,482,000
Contingent liability (note 4)		
Accrued pension liability (note 6)	$ 522,549,765	$ 483,322,926

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Changes in Net Assets Available for Plan Benefits

Year ended September 30, 2006, with comparative figures for 2005

	2006	2005
Contributions received:		
Employer contributions	$ 68,625,494	$ 62,358,926
Pension credits and reciprocal transfers	4,542,118	907,556
	73,167,612	63,266,482
Terminations and reciprocal transfers	13,763,256	13,850,066
	59,404,356	49,416,416
Net investment and other income		
Net investment income (Schedule 2)	30,508,682	48,293,242
Other income, net	54,644	133,450
	30,563,326	48,426,692
Payments made		
Pension and disability benefits	20,449,189	19,293,098
Administrative expenses (Schedule 3)	862,654	763,556
	21,311,843	20,056,654
Increase in net assets	68,655,839	77,786,454
Net assets available for benefits, beginning of year	428,840,926	351,054,472
Net assets available for benefits, end of year	$ 497,496,765	$ 428,840,926

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Changes in Unfunded Liability

Year ended September 30, 2006, with comparative figures for 2005

	2006	2005
Unfunded liability at beginning of year	$ 54,482,000	$ 94,296,000
Interest at 6.25% on unfunded liability	3,405,000	5,894,000
Net experience gains	(3,884,000)	(21,696,000)
Special payments to eliminate the unfunded liability	(28,641,000)	(23,655,000)
Net impact of other elements of gains and adjustments	(309,000)	(357,000)
Unfunded liability at end of year	$ 25,053,000	$ 54,482,000

See accompanying notes to financial statements.

Note 1

Description of the Plan

The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local 488 (the "Union") and the Construction Labour Relations - an Alberta Association Mechanical (Provincial) Trade Division Pursuant to Registration Certificate No. 27 (the "Party Employers") entered into an agreement and declaration of trust dated October 1, 1968 (the "Pension Trust Agreement") which has been amended and restated as of December 21, 2001. The Pension Trust Agreement provides for the establishment, maintenance, investment and administration of a trust fund known as The Edmonton Pipe Industry Pension Trust Fund (the "Pension Fund") created pursuant to The Edmonton Pipe Industry Pension Plan (the "Plan") which was last restated as of April 1, 2005. The Plan includes all amendments to March 31, 2005. The Plan itself was established pursuant to a collective agreement between the Union and the Party Employers dated May 1, 1965 (the "Collective Agreement") and renewed as of May 3, 2004 for the period until April 30, 2007.

The following is a brief summary of the main provisions of the Plan in effect on September 30, 2006. It is not intended as a complete description of the Plan. For more complete information, reference should be made to the Plan documents.

(a) Eligibility for membership:

The Plan covers employees of the Party Employers that are bound by the Collective Agreement to contribute to the Pension Fund and other parties as determined by the Plan.

(b) Membership and credited service:

Members receive credit for hours earned. For each full 100 covered hours, a member earns a monthly pension credit of $4.83 for service on and after October 1, 1992. Members working a range of 1,800 to 1,899 hours in a year would earn a year's credit of $87.

(c) Contributions:

Members do not contribute to the Fund. Employers contribute to the Pension Fund at the rate specified in the Collective Agreement.

(d) Retirement dates:

(i) Normal retirement date:

The normal retirement date is the first day of the month coincident with or next following the member's 65th birthday.

Note 1

Description of the Plan (Cont'd)

(ii) Early retirement date:

If a member has a vested pension, the member may choose to retire as early as age 55.

(iii) Postponed retirement:

Pension commencement may be postponed, and pension credits may continue to accrue up to the end of November for the year during which the member attains age 69.

(e) Retirement benefits:

(i) Normal retirement:

If a member retires on his normal retirement date, the member will be entitled to the pension that was accrued prior to retirement.

(ii) Early retirement pension:

If a member retires early, he will be entitled to a pension that is calculated the same way as for a normal retirement. If the member does not qualify for the special early retirement pension:

1. His earned pension is actuarially reduced from age 65; or
2. For a qualified member retiring after age 60, his earned pension is reduced by 3 percent for each year that his actual retirement age precedes the normal retirement age.

A qualified member retiring after attaining age 58, but prior to his normal retirement age, is entitled to a special early retirement benefit if the sum of his age and years of credited service equal at least 80 points for ages 58 and 59, and 75 points after age 60, provided he has at least 15 years of credited service. The special early retirement benefit is an unreduced pension commencing on his early retirement date.

(iii) Postponed retirement pension:

A member may elect to postpone retirement. In that case, benefits continue to accrue.

Upon the member's actual retirement date, he will be entitled to his accrued benefit without any actuarial adjustment or increase.

Note 1

Description of the Plan (Cont'd)

(f) Survivor benefits:

(i) Death prior to receipt of a pension:

If a member not in receipt of a pension dies after accruing a vested pension, his surviving spouse shall receive an immediate lifetime pension. The amount of monthly pension payable to her is the lesser of the amount of the monthly pension earned by the member prior to his death or 66-2/3% of his earned pension plus the amount he would have earned had he worked to age 65, subject to the minimum standards under the Employment Pension Plans Act.

No death benefit is payable in respect of any accrued pension which was not vested in the member at the time of his death. Benefits earned prior to October 1, 1999 vest after the member completes five years of vesting service. Benefits earned after September 30, 1999 vest after the member completes two years of vesting service.

If a member dies without a spouse after obtaining two years of vesting service, the member's beneficiary or estate shall receive the commuted value of any vested pension earned after September 30, 1999.

(ii) Death while in receipt of a pension:

For a member in receipt of a pension who does not have a spouse at the time of his death, all payments would cease upon the death of the member.

For a member who retired prior to January 1, 1992 who has a spouse at the time of his death, 75% of his monthly pension will be payable to his spouse after his death. For a member who retired on or after January 1, 1992 who has a spouse at the time of his death, the normal form of pension provides that 66-2/3% of his monthly pension will be payable to his spouse after his death.

Notwithstanding the foregoing, for a member who retired prior to the introduction of the long-term disability plan who dies prior to age 65 while in receipt of a disability pension, the spouse shall receive a survivor pension equal to the lesser of 66-2/3% of the monthly pension the member was receiving at the time of his death and the amount of pension accrued by the member to the date of his death.

For any member who elected an optional form of pension at the time of his retirement, any applicable survivor benefits will be payable in accordance with the terms of the optional form of pension chosen.

Note 1

Description of the Plan (Cont'd)

(g) Termination benefits:

A member terminating membership in the Plan after seven years of vesting service is entitled to receive a deferred pension from the Plan. A member terminating membership in the Plan after five years of vesting service is entitled to a deferred pension from the Plan in respect of his credited service after October 1, 1986. A member terminating his membership in the Plan after two years of vesting service is entitled to a deferred pension from the Plan in respect of his credited service after October 1, 1999. A member terminating membership before two years of vesting service, is not entitled to receive any benefits from the Plan.

The normal, special and early retirement provisions applicable to a qualified member with deferred pension entitlements correspond to the provisions applicable to a qualified member as noted under the Retirement benefits section above. For other members entitled to deferred pensions, the pension is payable commencing at age 65. However, a member may elect to receive an actuarially reduced early retirement pension as early as age 55.

If a member is entitled to a deferred pension, he may also transfer the commuted value of that pension into another retirement vehicle in accordance with the applicable federal and provincial legislation.

(h) Disability:

A member who is in receipt of benefits from the long-term disability plan sponsored by The Edmonton Pipe Industry Health and Welfare Fund ("Health and Welfare Fund") shall be credited with deemed hours of covered employment at the average rate earned by all active members during the previous plan year.

All other members with a vested pension who become totally and permanently disabled are entitled to receive an immediate monthly pension equal to the vested pension earned prior to their becoming disabled.

Note 2

Summary of significant accounting policies

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of certain assets and liabilities is dependent upon future events and/or actuarial valuations, the preparation of financial statements for a period necessarily involves the use of estimates and approximations, which have been made using careful judgment. Actual results could differ materially from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Note 2

Summary of significant accounting policies (Cont'd)

(a) Basis of presentation:

These financial statements present information about the aggregate financial position of the Pension Fund and the net assets available to meet future benefit payments. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

(b) Common expenses:

Certain expenses are shared equally between the Pension Fund and The Edmonton Pipe Industry Health and Welfare Fund ("Health and Welfare Fund"), an organization operated out of the same premises and under the same Board of Trustees and management.

(c) Financial instruments:

The Pension Fund's financial instruments consist of cash and cash equivalents, fixed income securities and equities which are carried at market value and are exposed to market risk due to changing equity market conditions and interest rate risk due to short-term changes in nominal interest rates. The Pension Plan's exposure to market risk and interest rate risk is determined by the investment portfolio which, as at September 30, 2006, was comprised of 5.9% in cash and cash equivalents (2005 – 9.3%), 47.3% in fixed income securities (2005 – 46.5%) and 46.8% in equities (2005 – 44.2%). The Pension Fund manages market and interest rate risk by establishing investment mix limits.

The Pension Fund is also exposed to credit risk arising from the potential of issuers of securities to default on their contractual obligations to the Pension Fund. Such risk is mitigated by limiting the purchase of fixed income securities to those having a credit rating of BBB or higher by the Dominion Bond Rating Service. The Pension Fund is exposed to foreign currency risk arising from its holdings of foreign currency denominated equities and fixed income securities.

The Pension Fund has other financial instruments consisting of cash, contributions and accounts receivable, cash surrender value of a life insurance policy, accounts payable and accrued liabilities, reciprocal transfers payable, retirement benefit obligation and amounts due to the Health and Welfare Fund. Unless otherwise noted, it is management's opinion that the Pension Fund is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

Note 3

Reciprocal transfer agreements

The Pension Fund has entered into reciprocal agreements with other pension funds. These agreements provide that contributions received on account of employees working in a jurisdiction other than their local union are remitted on a monthly basis to the local union of which they are a member.

Note 4

Contingent liability

A statement of claim was issued in the Court of Queen's Bench of Alberta by a plaintiff on June 26, 2002. In June 2003, four individuals applied to the Court and became substituted for the original nominal plaintiff, purportedly on behalf of all beneficiaries of the Plan. The statement of claim does not name the Pension Fund as a defendant but names the former general manager and 18 present and former trustees. In August 2003, the four nominal plaintiffs commenced a Court application to have the Pension Fund pay their legal costs to advance the lawsuit. The plaintiffs' request for costs from the Pension Fund was denied at this stage of the litigation. In March 2004, the four plaintiffs renewed their request to the Court of Queen's Bench to have the Pension Fund pay their legal costs to advance the lawsuit. The request was again denied. On June 9, 2004, the plaintiffs filed an Appeal to the Alberta Court of Appeal.

A Memorandum of Judgment was issued by the Appeal Court on October 27, 2005 whereby the appeal was allowed and interim costs were awarded to the plaintiffs from the Pension Fund through examinations for discovery, with leave to apply thereafter.

The Pension Fund established a Special Committee of the Board of Trustees, consisting of those trustees who are not named as defendants in the action, to have the responsibility for the management of this legal action. The Special Committee instructed legal counsel to proceed with an application to seek leave for this matter to be heard by the Supreme Court of Canada. The Supreme Court denied leave and the Court of Appeal Judgment allowing payment of the Plaintiffs' interim costs stands.

The legal action is now under the supervision of a Case Management Justice. The Plaintiffs and Defendants are represented by legal counsel with respect to the litigation of the merits of the claim. The Pension Fund has been added as an interested Third Party due to its role as payer of costs.

The potential cost to the Pension Fund is not determinable; however such costs could be substantial. At this point in time, the legal action is in the early stages. The costs to the Pension Fund will be limited to legal costs due to Court direction, indemnification obligations pursuant to the Trust Agreement and involvement in the action as indicated above.

Note 4

Contingent liability (Cont'd)

The litigation expenses, as shown on Schedule 3, consist of the following:

	2006	2005
Legal fees – Pension Fund	$ 130,026	$ 17,398
Legal fees – Plaintiffs	63,077	–
Legal fees – Defendants	55,666	–
Other expenses	7,483	–
	$ 256,252	$ 17,398

Note 5

Due to The Edmonton Pipe Industry Health and Welfare Fund

The amount due to The Edmonton Pipe Industry Health and Welfare Fund is non-interest bearing, unsecured and has no set terms of repayment.

Note 6

Obligation for pension benefits

These financial statements do not purport to indicate whether the assets of the Pension Fund, together with investment earnings thereon, plus future contributions, will be sufficient to finance all benefits to be provided under the Plan. An actuarial valuation of the Pension Fund was carried out by Mercer Human Resource Consulting ("Mercer") and their determination of the unfunded liability position of the Pension Fund as of September 30, 2006 is set out below. The actuarial valuation is conducted on a going-concern basis whereby the relationship between assets and the value of accumulated benefits is determined, using the unit credit actuarial cost method assuming the Plan is maintained indefinitely.

The assumptions used in the valuation were developed as the best estimate of expected future market conditions and other future events. After consultation with Mercer, the Board of Trustees adopted this best estimate. The major assumptions used in the annual valuations, with the comparison to the actual, were as follows:

Note 6

Obligation for pension benefits (Cont'd)

	2006		2005	
	Valuation assumption	Actual	Valuation assumption	Actual
Net investment return	6.25%	6.6%	6.25%	13.0%
Hours worked	8,500,000	10,496,509	7,500,000	9,647,491

	2006 (000's)	2005 (000's)
Net assets available for benefits	$ 497,497	$ 428,841
Actuarial liability - present value of accrued benefits for:		
Active members	277,436	256,513
Pensioners and survivors	183,639	164,548
Disabled pensioners	31,069	32,785
Deferred pensioners	30,406	29,477
	522,550	483,323
Unfunded liability (as determined on a going concern basis)	$ (25,053)	$ (54,482)
Funded ratio	95%	89%

The Alberta Employment Pension Plans Act requires that a plan be valued on a solvency basis whereby the values of a plan's assets and liabilities are related to the corresponding values calculated as though the plan were wound up and settled on the valuation date. The solvency position as of September 30, 2006 has been determined by Mercer as follows:

Note 6

Obligation for pension benefits (Cont'd)

	2006	2005
	($000's)	($000's)
Net assets available for benefits	$ 497,497	$ 428,841
Present value of established special payments	61,989	40,673
Termination expenses	(1,250)	(1,250)
Net value of assets available to provide benefits	558,236	468,264
Actuarial liability - present value of accrued benefits for:		
Active members	273,175	244,574
Pensioners and survivors	218,538	191,531
Disabled pensioners	37,393	42,053
Deferred pensioners	42,693	34,826
	571,799	512,984
Solvency deficiency	$ (13,563)	$ (44,720)
Solvency ratio (net assets available for benefits less termination expenses/total liability)	87%	83%

Note 7

Retirement benefit obligation

In 1984, the Pension Fund entered into an executive compensation agreement to provide for a supplemental pension payable to the general manager employed by the Pension Fund. The liability for the supplemental pension is funded by a life insurance policy which names the Pension Fund as the beneficiary. As at September 30, 2006, the policy had a cash surrender value of $159,229 (2005 - $159,258) and a total death benefit payable to the Pension Fund of $430,076. Payment of the pension commenced October 1, 2004 upon the retirement of the general manager.

Schedule 1

Investments

Year ended September 30, 2006, with comparative figures for 2005

	2006 Market value	2005 Market value
Phillips Hager and North Investment Management Ltd.:		
Cash and cash equivalents	$ 5,881,057	$ 16,546,467
Canadian equities	57,832,988	52,941,791
Fixed income securities	135,265,152	118,214,566
	198,979,197	187,702,824
TAL Global Asset Management Inc.:		
Cash and cash equivalents	3,185,057	1,823,588
Letko Brosseau & Associates Inc.:		
Cash and cash equivalents	14,926,265	17,208,183
Canadian equities	63,769,986	64,789,151
Fixed income securities	93,551,244	73,629,004
	172,247,495	155,626,338
Gryphon International Investment Corporation:		
Cash and cash equivalents	4,678,572	3,263,604
International equities	108,996,695	69,329,850
	113,675,267	72,593,454
	$ 488,087,016	$ 417,746,204

Schedule 2

Net Investment Income

Year ended September 30, 2006, with comparative figures for 2005

	2006	2005
Change in fair value of investments	$ 3,930,475	$ 35,110,108
Realized gain on sale of investments	11,975,605	1,376,541
Interest income	5,841,179	7,279,794
Dividend income	10,175,110	5,820,695
Other interest, net	266,493	134,369
	32,188,862	49,721,507
Investment manager fees	(1,325,658)	(1,130,722)
Custodian fees	(354,522)	(297,543)
Net investment income	$ 30,508,682	$ 48,293,242

Schedule 3

Administrative Expenses

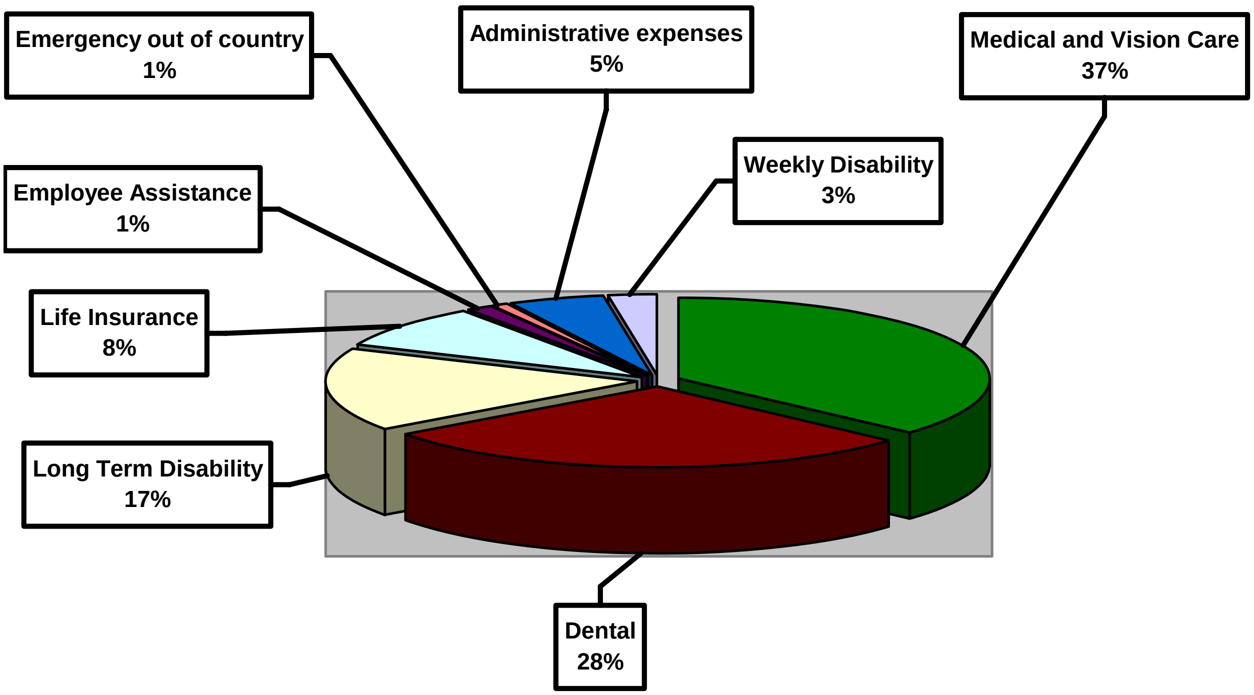
Year ended September 30, 2006, with comparative figures for 2005

	2006	2005
Direct expenses:		
Administration fees	$ 299,742	$ 303,521
Litigation expenses (note 4)	256,252	17,398
Actuarial fee and consulting	89,750	221,888
Independent chairman	38,641	33,971
Audit	28,188	54,011
Legal	27,722	31,372
Retirement benefit, net	12,268	15,413
Registration	7,000	7,000
Office expenses	4,339	–
Other expenses	3,579	3,260
Amortization	–	1,190
	767,481	689,024
Common expenses shared with the Health and Welfare Fund (note 5):		
Rent	50,000	49,960
Postage	45,659	–
Office expenses	35,406	37,831
Annual Report to members	29,153	31,577
Travel, conferences and meeting expenses	14,411	20,676
Insurance	5,348	2,732
Other shared expenses	10,370	6,288
	190,347	149,064
Less Health and Welfare Fund's share	(95,174)	(74,532)
	95,173	74,532
	$ 862,654	$ 763,556

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

HEALTH AND WELFARE FUND HIGHLIGHTS

This chart illustrates how the Health and Welfare Fund's revenue is spent:



The Health and Welfare Plan covers active members, disabled and retired members, widows of active and retired members and their eligible dependants. The Plan is supported by a variety of funding arrangements including contracts of insurance with Manulife Financial. The Medical, Dental, Vision Care and Weekly Disability benefits are funded solely by the assets of the Health and Welfare Fund.

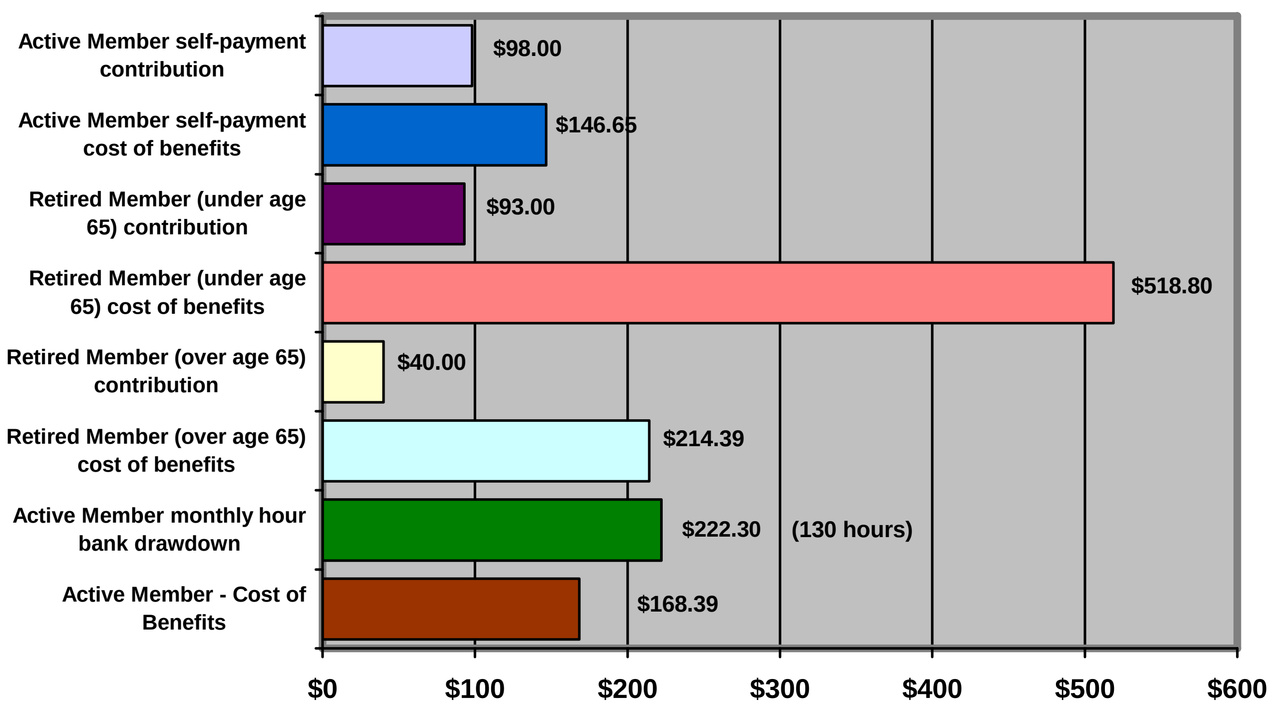
During the year ended September 30, 2006, on average, the Plan provided benefits to 5,251 active members, 636 retired members, 64 disabled members and 67 widows of members. The Plan provided self-payment benefits to 561 members.

HEALTH AND WELFARE FUND HIGHLIGHTS (Cont'd)

During the year, the Trustees examined the funding for all benefits, with a special focus on determining whether the self-payment amount was reasonable and sustainable. The Trustees concluded that a significant change in the Active member self-payment program was warranted. The Plan was providing benefits to approximately 561 Active members – those who no longer had employer contributions reported on their behalf. Until January 1, 2007, these members were able to continue self-payment benefits indefinitely. The diagram below shows that the Fund is heavily subsidizing these self-payment benefits – the average contribution from the self-paying member was $98.00 per month whereas the average cost of monthly benefits paid to self-paying members was $146.65. Effective January 1, 2007 the Trustees announced that the maximum period of self-payment benefits will be 12 consecutive months. In addition, the self-payment contribution charged will more closely reflect the cost of benefits.

The Trustees' objective is to ensure that the Plan's benefits are sustainable into the future. During the year, the Trustees commissioned an actuarial review of the cost of Retiree benefits. This review concluded that, in order to fund the cost of Retiree benefits for the future, the Fund would need to set aside a reserve of $200 Million. The Trustees are continuing to evaluate the cost of Retiree benefits provided and the self-payment amount paid for these benefits.

This diagram shows the relationship between the self-payment contribution, or hour bank drawdown, and the cost of benefits paid by the Plan in 2006:



HEALTH AND WELFARE FUND HIGHLIGHTS (Cont'd)

During the fiscal year ended September 30, 2006 the Trustees improved the governance of the Health and Welfare Plan in the following ways:

1. The period of time allowed to file claims for the Plan's weekly disability benefit was extended from 30 days to 60 days from the date of disability;

2. Disabilities incurred after March 31, 2006 are not covered by the Plan if the disability is related to a motor vehicle accident. This change ensures that the Plan pays benefits for disabilities that are not protected by another form of insurance.

3. An investment policy was approved which allows the Fund's monies to be invested in professionally managed accounts. The Trustees selected Letko Brosseau to manage assets on behalf of the Fund. The Trustees' goal is to achieve superior investment income which can be used to support the Plan's benefits. At September 30, 2006 $13.1 million was invested in a balanced fund of Canadian equities, Canadian bonds and foreign equities. In addition, the Fund had $24 million invested in guaranteed interest deposits and $5.6 million invested in short term cash instruments.

4. The Trustees commissioned an actuarial study to determine the cost of funding the benefits provided to Retired members. The conclusion of the actuarial study was that the future cost of retiree benefits will be in the range of $150 million to $200 million. If the Trustees were to fund for these future benefits, the annual cost would be $15 million to $20 million. Retiree benefits are paid mostly from the Fund's reserves, excess contributions from active members and offset somewhat by contributions from Retired members. The Trustees continue to examine the sustainability of the present funding of retiree benefits.

5. The Plan has launched its website - *epibenefitplans.com.* It contains current information important to Plan members. Please be sure to visit and bookmark this website.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

AUDITORS' REPORT

To the Board of Trustees of The Edmonton Pipe Industry Health and Welfare Fund

We have audited the statement of financial position of The Edmonton Pipe Industry Health and Welfare Fund as at September 30, 2006 and the statement of operations and fund equity for the year then ended. These financial statements are the responsibility of the management of The Edmonton Pipe Industry Health and Welfare Fund. 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 financial position of The Edmonton Pipe Industry Health and Welfare Fund as at September 30, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Edmonton, Canada
December 8, 2006

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Financial Position

September 30, 2006, with comparative figures for 2005

	2006	2005
Assets		
Cash	$ 10,550,167	$ 11,694,906
Investments (note 3)	42,822,847	35,517,127
Contributions and accounts receivable	2,282,899	2,828,318
Accrued interest	120,823	104,679
Prepaid expenses and deposits	13,404	11,981
Due from The Edmonton Pipe Industry Pension Trust Fund (note 6)	45,378	1,835
	$ 55,835,518	$ 50,158,846
Liabilities and Members' Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 148,680	$ 591,927
Amounts payable under reciprocal transfer agreements (note 4)	649,925	1,292,240
Reserve for unpaid claims	1,290,600	1,305,900
Reserve for advance contributions	45,155	38,880
	2,134,360	3,228,947
Members' equity:		
Reserve for future plan benefits (note 5)	22,859,129	24,279,662
Fund equity	30,842,029	22,650,237
	53,701,158	46,929,899
	$ 55,835,518	$ 50,158,846

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Operations and Fund Equity

Year ended September 30, 2006, with comparative figures for 2005

	2006	2005
Revenue:		
Employer contributions	$ 23,918,136	$ 21,432,374
Members' and pensioners' cash contributions	867,854	979,287
Reciprocal contributions from other Locals (note 4)	307,261	285,208
Members' optional insurance contributions	50,014	(8,705)
Reciprocal transfers to other Locals (note 4)	(4,468,294)	(4,531,586)
	20,674,971	18,156,578
Investment income, net of management fees	1,812,871	1,418,101
	22,487,842	19,574,679
Benefit expenses:		
Health, dental, vision and weekly disability claims paid	10,406,845	9,477,463
Long-term disability premiums	2,542,848	2,231,020
Life insurance premiums	1,297,320	1,772,882
Accidental death and dismemberment premiums	339,610	305,058
Claims administration fees	320,250	321,000
Employee assistance program	214,125	65,548
Out-of-country insurance premiums	114,948	86,224
Members' optional life insurance premiums	44,287	47,799
Decrease in reserve for unpaid claims	(15,300)	(194,100)
	15,264,933	14,112,894
Excess of revenue over benefit expenses	7,222,909	5,461,785
Administrative expenses (see Schedule)	451,649	454,721
Excess of revenue over benefit and administrative expenses	6,771,260	5,007,064
Other income (expense)	–	(334)
Excess of revenue over expenses	6,771,260	5,006,730
Fund equity, beginning of year	22,650,237	23,893,467
Transfer from (to) reserve for future plan benefits	1,420,532	(6,249,960)
Fund equity, end of year	$ 30,842,029	$ 22,650,237

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements

As at September 30, 2006, with comparative figures for 2005

Note 1

Nature of the Fund

U.A. Local 488 (the "Union") and the Construction Labour Relations – an Alberta Association Mechanical (Provincial) Trade Division Pursuant to registration certificate No. 27 (the "Party Employers") established The Edmonton Pipe Industry Health and Welfare Fund (the "Health and Welfare Fund") for the purpose of paying benefits in accordance with the terms and conditions of the Health and Welfare Plan to members and their beneficiaries.

Contributions are made to the Health and Welfare Fund pursuant to a collective agreement between the Union and Party Employers. Benefits provided under the Health and Welfare Plan is paid for by the Health and Welfare Fund. For more complete information, reference should be made to the Health and Welfare Trust Agreement and the Health and Welfare Plan documents.

These financial statements present information about the aggregate financial position of the Health and Welfare Fund, its operations and changes in fund equity. These financial statements do not portray the financial position of the Health and Welfare Plan, its funding requirements nor the benefit security of individual Plan members.

The benefits provided by the Health and Welfare Plan are funded using a variety of methods as set out below:

a) the health, dental, vision and weekly disability benefits are funded solely by the assets of the Health and Welfare Fund;

b) the long-term disability, accidental death and dismemberment, and optional life insurance benefits are provided by Manulife Financial under a contract of insurance which uses a pooled funding method;

c) the Member and dependent life insurance benefits are provided under contract with Manulife Financial. This contract has a hold-harmless provision which may require that the Health and Welfare Fund pay any shortfall of premiums which are insufficient to pay claims;

d) the administration of the out-of-country insurance is arranged under contract with Global Excel; and

e) the employee assistance program is administered by the Construction Employees Family Assistance Program.

The Board of Trustees reserves the right to amend or terminate any of the benefits under the Health and Welfare Plan.

Note 2

Significant accounting policies

The financial statements of the Health and Welfare Fund have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations, particularly for the reserve for unpaid claims and the reserve for future plan benefits. The estimates and approximations have been made using careful judgment. Actual results could materially differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Note 2

Significant accounting policies (Cont'd)

Investments

Investments are recorded at cost. Pooled fund investments include money market, money market pooled funds and balanced funds that are widely held and diversified. Investment income on pooled funds is recognized when received. A loss in value of the investment portfolio, other than a temporary decline, is recorded as an expense in the period that it is determined.

Common expenses

Certain expenses are shared equally between the Health and Welfare Fund and The Edmonton Pipe Industry Pension Trust Fund ("Pension Fund"), an organization operated out of the same premises and under the same Board of Trustees and management.

Financial instruments

The Health and Welfare Fund's financial instruments consist of cash, investments, contributions and accounts receivable, accrued interest, amounts due from the Pension Fund, accounts payable and accrued liabilities and amounts payable under reciprocal transfer agreements. The investments of the Health and Welfare Fund, which consist of term deposits, money market and pooled funds, are recorded at cost and are exposed to interest rate risk due to short-term changes in nominal interest rates. Unless otherwise noted, the fair value of the Health and Welfare Fund's investments approximate their carrying value. It is management's opinion that the Health and Welfare Fund is not exposed to significant interest, currency or credit risks related to its other financial instruments. The fair value of other financial instruments approximates their carrying values.

Income taxes

The Health and Welfare Fund is a trust recognized administratively by the Canada Revenue Agency. The investment income earned by the Health and Welfare Fund is subject to income tax; however, there are sufficient deductions to offset the income and thereby not incur tax.

As at September 30, 2006, with comparative figures for 2005

Note 3

Investments

	Rate	Maturity	2006	2005
Canadian Western Bank	2.70%	October 3, 2005	$ –	$ 6,000,000
Canadian Western Bank	2.87%	December 6, 2005	–	6,000,000
Canadian Western Bank	3.96%	September 5, 2006	–	6,000,000
Canadian Western Bank	4.48%	October 2, 2006	6,000,000	–
Canadian Western Bank	4.30%	September 5, 2007	6,000,000	–
HSBC Bank of Canada	4.28%	September 3, 2007	6,000,000	6,000,000
HSBC Bank of Canada	4.55%	September 8, 2008	6,000,000	6,000,000
			24,000,000	30,000,000
Letko Brosseau & Associates - balanced fund (market value $13,610,037)			13,125,136	–
YMG Capital Management Inc., - money market pooled funds			5,199,681	5,034,731
CIBC Mellon - money market fund			498,030	482,396
			$ 42,822,847	$ 35,517,127

Note 4

Reciprocal transfer agreements

The Health and Welfare Fund has entered into reciprocal agreements with other health and welfare funds. These agreements provide that contributions received on account of employees working in a jurisdiction other than their local union are remitted on a monthly basis to the local union of which they are a member.

Note 5

Reserve for future plan benefits

The reserve for future plan benefits is a provision established by the Trustees to support the payment of benefits to members and their beneficiaries. The reserve for future plan benefits of $22,859,129 as of September 30, 2006 (2005 - $24,279,662) is comprised of two components calculated as follows:

(a) For active members, an estimated provision based on (i) the average actual cost of benefits for such members for the 12 months ended September 30, 2006 multiplied by (ii) the estimated number of months of coverage determined by dividing the accumulated hour bank for all active members by 130 hours; and

(b) For retired, disabled and widows of deceased members, an estimated provision based on (i) the average actual cost of benefits for such group of persons for the 12 months ended September 30, 2006 multiplied by (ii) 36 months.

Note 6

Due from The Edmonton Pipe Industry Pension Trust Fund

The amount due from the Pension Fund is non-interest bearing, unsecured and has no set terms of repayment.

Note 7

Statement of cash flows

A statement of cash flows has not been presented as management believes that a separate statement would not result in any additional useful information. The general cash flow information is readily apparent from the statement of operations and fund equity.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Schedule of Administrative Expenses

As at September 30, 2006, with comparative figures for 2005

	2006	2005
Direct expenses:		
Administration fees	$ 296,551	$ 302,596
Independent chairman	16,012	16,050
Audit	14,172	19,712
Office expenses	11,066	–
Legal	6,418	6,963
Bank charges	5,056	14,733
Consulting	4,795	–
Accounting and computer processing	2,368	642
Miscellaneous	37	18,279
Amortization	–	1,214
	356,475	380,189
Common expenses shared with the Pension Fund:		
Rent	50,000	49,960
Postage	45,659	–
Office expenses	35,406	35,960
Annual Report to members	29,153	31,577
Travel, conferences and meeting expenses	14,411	20,676
Other shared expenses	10,370	8,159
Insurance	5,348	2,732
	190,347	149,064
Less Pension Fund's share	(95,173)	(74,532)
	95,174	74,532
	$ 451,649	$ 454,721