For the
members of
The Edmonton
Pipe Industry

Pension Trust Fund
and
Health and Welfare Fund

2007
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

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Phillips, Hager & North Investment Management Ltd., Vancouver, British Columbia

Letko Brosseau & Associates, Montreal, Quebec

Gryphon International Investment Corporation, Toronto, Ontario

Standard Life Investments (Private Equity) Limited, Edinburgh, Scotland

TD Capital Private Equity Investors, Toronto, Ontario

Pension Trust Fund Custodian

CIBC Mellon Trust Company, Calgary, Alberta

Pension Plan Actuary

Mercer (Canada) Limited, Calgary, Alberta

Pension Fund Investment Counsel

Asset Performance Inc., Vancouver, British Columbia

Health and Welfare Plan Insurer

Manulife Financial, Waterloo, Ontario

Health and Welfare Fund Investment Managers

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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, 2007. This is the 7th 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.

Board of Trustees

As reported in detail to the members in August 2007, the governance structure of the two Funds has changed. The amended trust agreements now provide that the Board of Trustees consists of four elected Union Trustees, which has not changed, and three Independent Trustees which includes an Independent Chairman. All decisions by the Board require the approval of two-thirds of the Trustees. A Nominating Committee, consisting of the Business Manager of the Union and a representative of Construction Labour Relations – Alberta (CLRa), considers potential Independent Trustees and, after completion of its diligence process, makes a unanimous recommendation to the Board of Trustees who then appoint the Independent Trustees to the Board. The amended trust agreements were approved by the Court of Queen's Bench of Alberta on August 13, 2007. The amended and restated trust agreements are posted on the Plans' website www.epibenefitplans.com.

The two new Independent Trustees are John Brennan, FCA and Gordon Clanachan, CA. John Brennan was with the College of Commerce at the University of Saskatchewan for 33 years. He served as Dean of the College from 1981 to 1996. For the period from 2000 to 2005, John was the Chief Executive Officer of the CA School of Business, located in Edmonton. Gordon Clanachan is a corporate director and consultant. During the 1990's he was the President and Chief Executive Officer of RaiLink Ltd., a short-line railway operating across Canada.

Pension Trust Fund

As at September 30, 2007, the Pension Plan achieved a small surplus of $12.4 million. Last year the Plan had an unfunded liability of $25.1 million. For more information, reference should be made to the section in this Report entitled Actuarial Valuation. It is important to note that the actuarial valuation of September 30, 2007 used an assumed investment return rate of 6.25% which was consistent with the rate used in the last few years. The Trustees continuously examine the relevance of the Pension Plan's actuarial assumptions. Given the current and expected volatility of world investment markets, the Trustees considered how the Pension Plan's funding would be impacted if the Plan assumed a future long term investment rate of return of 6.0% rather than 6.25%. If the Pension Plan had used an investment return assumption of 6.0% (a rate that would have probably been used if the valuation was done as of December 31, 2007) the surplus of $12.4 million would have turned into an unfunded liability of $7.8 million, a decrease of approximately $20 million in the funding status. The Trustees now have the challenge of determining whether pension plan benefit improvements can be made, taking into account the Funding and Benefits Policy and the economic outlook for the Fund. The Funding and Benefits Policy is discussed later in this Annual Report.

Message from the Chairman (Cont'd)

Pension Trust Fund (Cont'd)

The Pension Fund earned a rate of return of 8.02% for the year ended September 30, 2007 as compared to the investment rate of return assumption of 6.25% used in the actuarial valuation. The Pension Plan's target expectation for hours worked in the 2007 fiscal year was 9.5 million hours, and the actual hours worked were 11 million. We continue to be optimistic that the current high economic activity in our sector will continue at least for the next several years. It is this high level of employment activity which has allowed the Pension Plan to progress through significant funding difficulties to a position of surplus.

The Trustees continue to examine the Pension Fund's investment strategy – to diversify and expand the investment horizon. In this regard, we have made investments in private equity through two private equity funds. A private equity fund is a collective investment fund that invests in companies with the objective of obtaining a controlling interest in the target company and then to restructure its reserve capital, management and organizational structure. Our private equity investments will be limited to 5% of the Pension Fund's assets. The Trustees selected Standard Life Investments (Private Equity) Limited and TD Capital Private Equity Investors to manage the Pension Fund's private equity investments. Please refer to the section in this Report entitled Pension Investments for more information on these two investments.

In addition to the above, and consistent with the objective of providing stable returns under a prudent investment strategy, the Board of Trustees is examining two other investment vehicles – infrastructure and real estate. Any such investments would be made following a program of due diligence which includes the selection of well-known large fund investment companies that specialize in these types of investments.

The Pension Plan was amended effective January 1, 2007 whereby the latest age for receipt of a retirement pension became age 71, from age 69. This change was consistent with the amendment to the Income Tax Act, Canada. Members may now work, and continue to accrue benefits, until November 30th of the year in which the member turns age 71. Members must commence receipt of pension benefits by December 1st of the year in which they turn age 71.

Also effective January 1, 2007, the Pension Plan was amended so that a retired member, who returns to work with a Participating Employer, will accrue pension benefits on a defined contribution basis. When the member retires again, the member must apply to the Pension Plan to transfer the new contributions, together with interest, to a Locked-In Retirement Account (LIRA). Interest is calculated at the net rate of return of the Pension Fund's investments. A transfer to a LIRA may take place once. Contributions received by the Pension Fund after the LIRA transfer will not be credited to the retired member.

Health and Welfare Fund

The Health and Welfare Fund continues to be in a good financial position. As of September 30, 2007, the reserve for future plan benefits was $23.9 million and the Health and Welfare Fund equity was $39.1 million. During the year ended September 30, 2007, $16.1 million was paid out to members as benefits.

Effective July 1, 2007 the Plan was improved to update the basis of reimbursement of dental expenses. The Plan also allowed dental implants as a covered benefit. During the coming year, the Board of Trustees will continue to examine the Plan's benefits to determine if any adjustments are warranted.

Message from the Chairman (Cont'd)

Health and Welfare Fund (Cont'd)

We believe that the Health and Welfare Fund's service to members continues to be of very high quality. During the year ended September 30, 2007 over 52,000 claims were processed by the Benefit Office, and hundreds of those claims were paid over-the-counter while members visited the Benefit Office. For those members submitting their claims by mail, the turnaround time is generally 2 days from the time of receipt of the claim and the date the cheque is mailed to the member.

Status of the Lawsuit

Background

In February 2006, the Appeal Court of Alberta determined that the Pension Fund was required to pay the legal costs of the four members (i.e. the plaintiffs who are Dennis Deans, Nelson Rissling, Terence Day and James Sharpe) who 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 Pension Fund is only 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.

Current Status

In October 2007, the plaintiffs filed a discontinuance with the Court releasing the retired general manager from the lawsuit.

Examinations for discovery are scheduled to commence in the last week of January 2008 and continue one week each month through to June 2008 except for the month of May.

For the year ended September 30, 2007, the Pension Fund paid out $225,448 in legal fees and other expenses. The costs to the Pension Fund from the inception of the lawsuit to date now stand at $575,320. As stated in last year's Annual Report, 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 to be incurred by the Pension Fund through to the end of the examinations for discovery will be substantial.

General Comments

Upon the restructuring of the Board of Trustees, the Employer Trustees - Niels Frederiksen, Gordon Panas and Cliff Williams - resigned from the Board. I would like to thank these three members for their contribution and service as members of the Board of Trustees.

During the fiscal year ended September 30, 2007, the Board of Trustees met 7 times in full day meetings.

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

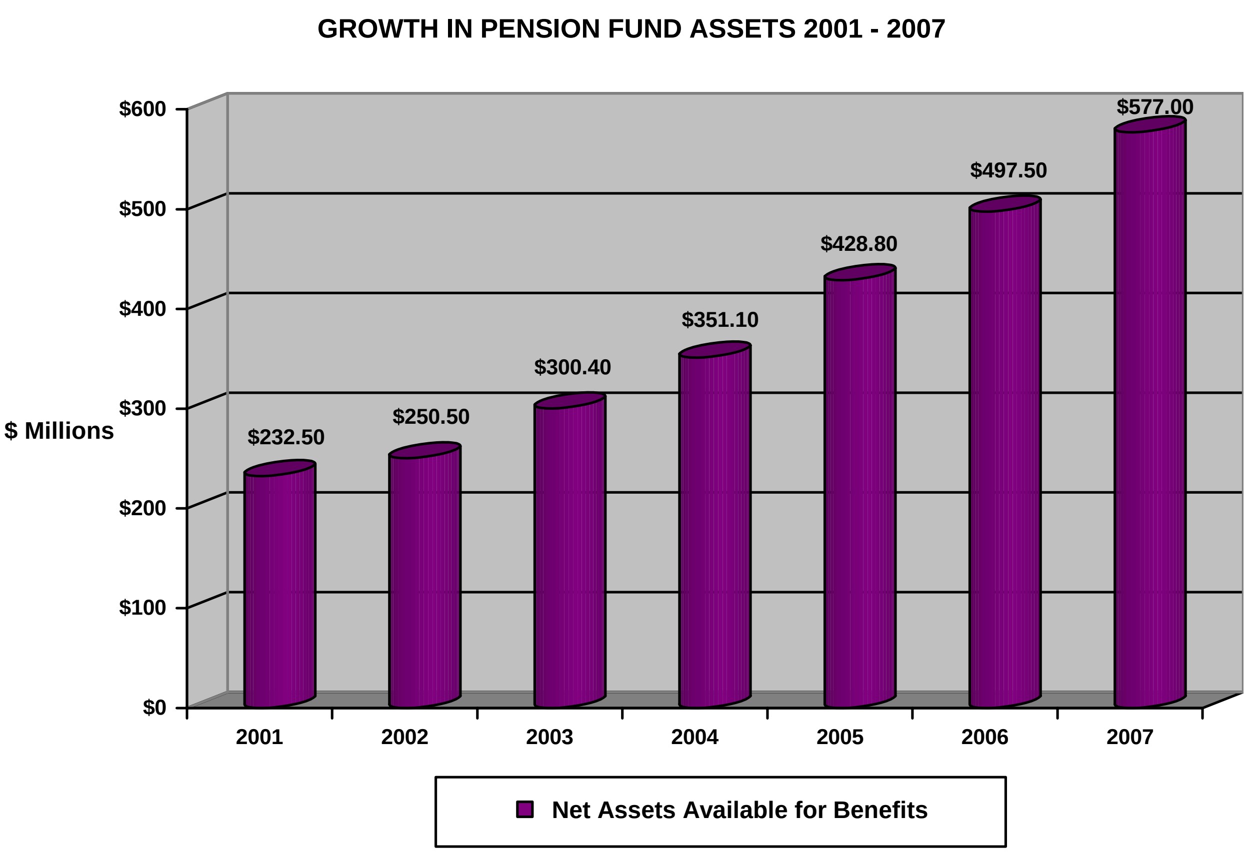
PENSION FUND HIGHLIGHTS AND COMMENTARY

Pension Fund Assets

At September 30, 2007, the Pension Fund had $577 million in net assets available for benefits. This is an increase of $79.5 million compared to the net assets available for benefits at September 30, 2006. Net employer contributions in fiscal 2007 were $62 million, an increase of $2.6 million over fiscal 2006. The net increase in 2006 contributions was $10 million over what was received in 2005 and so the exponential growth in contributions did not continue during fiscal 2007.

The Pension Fund received net contributions in respect of 11 million hours worked during fiscal 2007. As you will read throughout this Report, the Pension Plan's financial stability has been improved so that the Plan now has a going concern surplus. The high number of hours worked by Plan members has had a significant impact on the Pension Plan's financial stability.

The chart below illustrates the growth in the Pension Fund's assets.

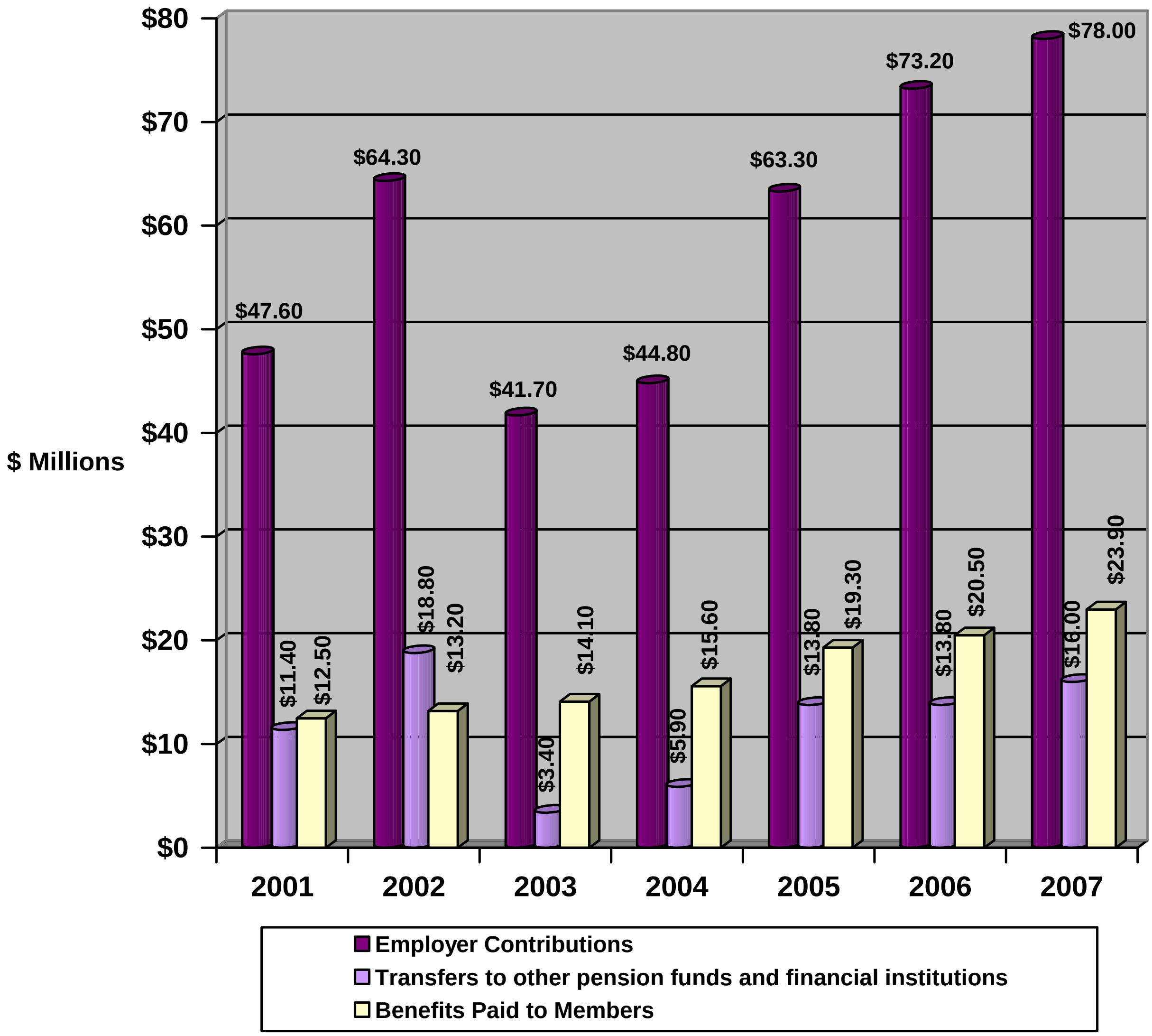


Pension Fund Contributions

During fiscal 2007, contributing employers paid $78.0 million into the Pension Fund on behalf of members.

From the $78.0 million received, the Pension Fund transferred $16.0 million to other pension funds and financial institutions on behalf of members who were subject to reciprocal agreements or who terminated membership in the Pension Plan.

During the 2007 fiscal year, the Pension Fund paid $23.9 million ($20.5 million in fiscal 2006) in pension and disability benefits, an increase of 17% over fiscal 2006.

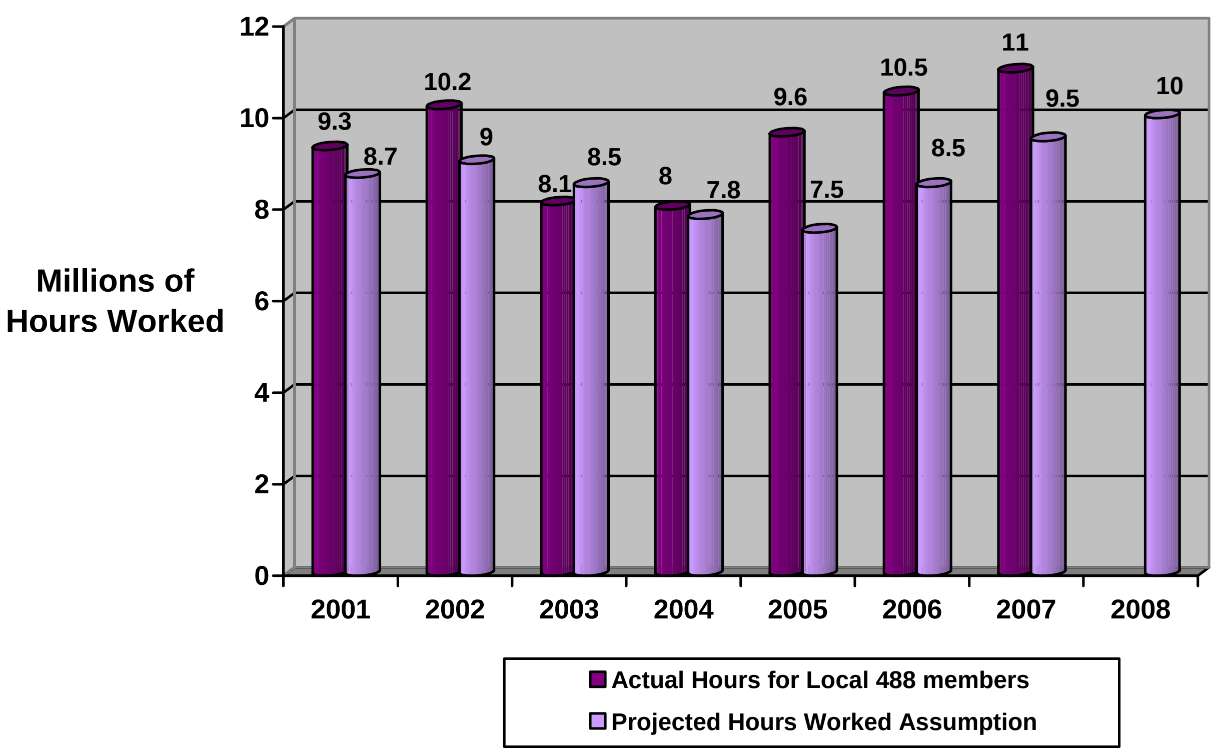


Employer Contributions and Hours Reported to the Pension Fund

During the fiscal year ended September 30, 2007, the Pension Fund received employer contributions based on 13.9 million hours worked in the Local 488 jurisdiction. The Pension Fund transferred contributions based on 2.9 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 11 million hours worked by Local 488 members. For fiscal 2007 we assumed that 9.5 million hours would be worked by Local 488 members.

For the fiscal year of 2008, the Pension Plan is using an assumption that 10 million hours will be worked by Local 488 members. The Trustees gather information about the work outlook for Local 488 members from many sources including Local 488 and other reliable industry research resources. The Trustees' assumption for hours worked, used for actuarial valuation purposes, is also discussed with the Pension Plan's actuary. The Trustees consider the hours worked assumption to be realistic and with sufficient margin in case there is a downturn in the work available to Local 488 members.

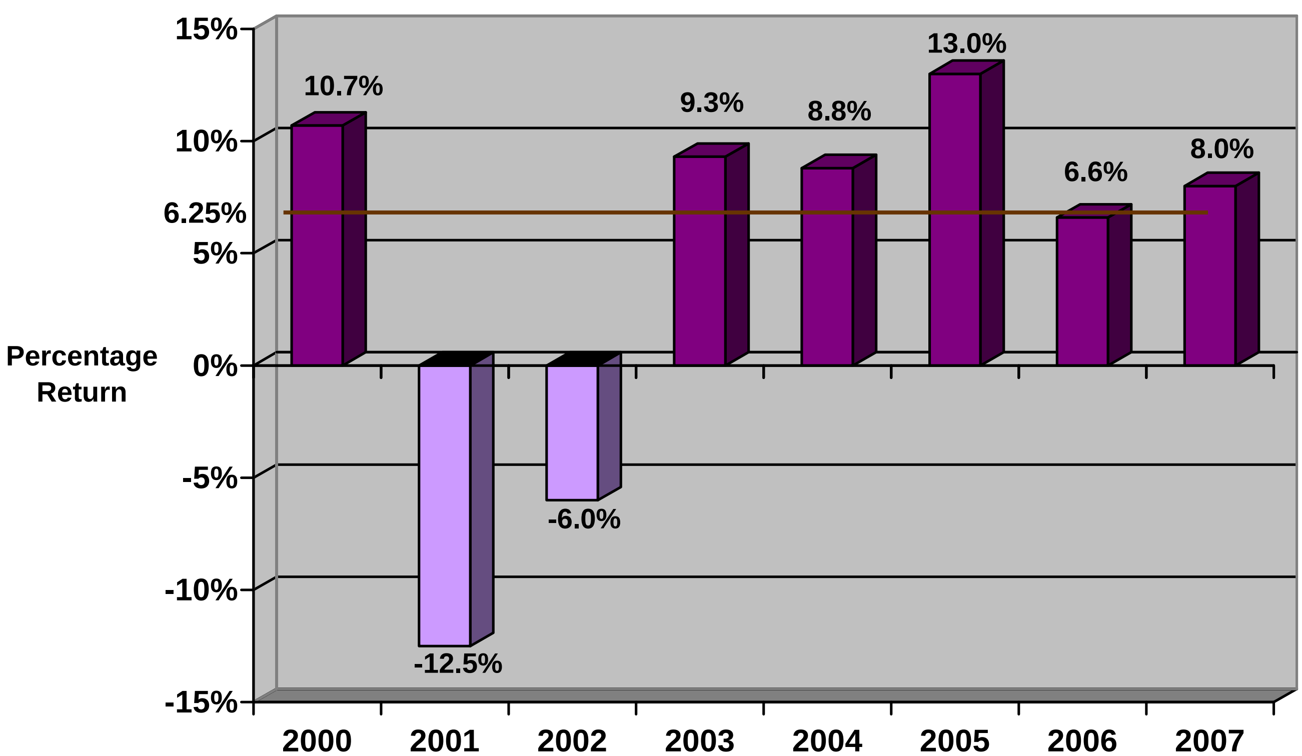
PROJECTED AND ACTUAL HOURS WORKED BY MEMBERS 2001 - 2008



Pension Fund Investment Rate of Return

For the 2007 fiscal year, the Pension Fund earned a rate of return of 8.02%. This is the fifth consecutive year that the Pension Fund surpassed its actuarial target investment return of 6.25%. It is important to note that, while the return for fiscal 2007 improved over the return for fiscal 2006, the trend is toward a decrease in total returns and movement toward single digit returns. Many economists and financial analysts predict that the high returns earned in 2003-2005 and earlier periods will not arise again. The Pension Fund's investment advisors continue to recommend that the Trustees' future investment return expectations not exceed 8% on a long term basis. When the Trustees include margins for poor investment performance, the result is an assumed long term investment rate of return of 6.25%. This assumption is revisited every year to acknowledge any structural changes in the investment markets.

THE PENSION FUND'S ANNUAL RATE OF RETURN 2000 - 2007



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, 2007 (based on market values)
	Minimum	Median	Maximum	
Cash and Cash Equivalents	0%	5%	10%	6.3%
Private Equities	0%	5%	10%	0.4%
Publicly Traded Equities (Canadian)	15%	25%	35%	28.6%
Publicly Traded Equities (Foreign)	10%	15%	30%	22.7%
Fixed Income (Bonds)	40%	50%	60%	42.0%

During the fiscal year ended September 30, 2007 the Pension Fund earned a net investment return of 8.02%. The Pension Plan's target return for net investment income was 6.25%

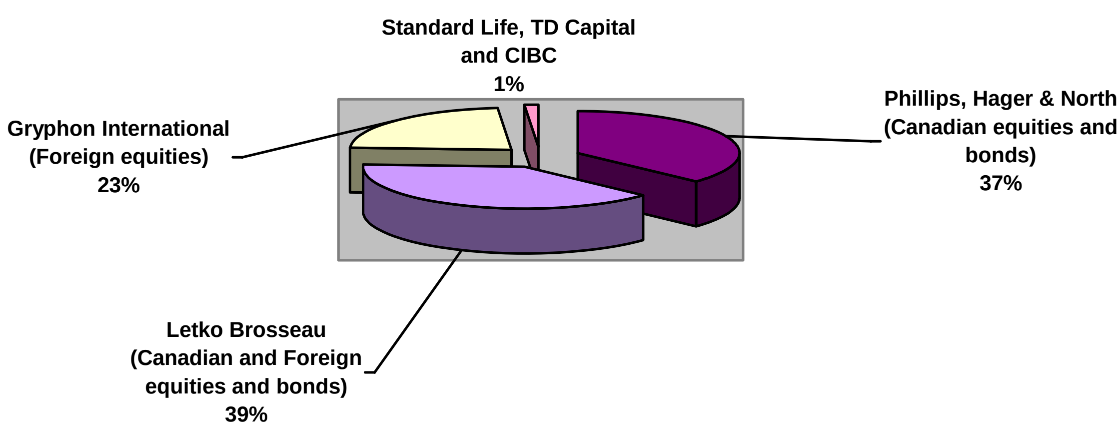
The high number of hours worked and the excess investment return, over the assumed return of 6.25%, worked in unison to allow the Pension Plan to progress to a going concern surplus position at the end of fiscal 2007. At the end of 2006 the Pension Plan had an unfunded liability of $25 million. At September 30, 2007 the Pension Plan recorded a surplus of $12.4 million.

The success of the Pension Plan for fiscal 2007, when measured by its going concern surplus, was not a result of taking undue risks in the Pension Fund's investments. The Pension Fund's investment managers have the responsibility to actively manage the Fund's assets within the prudent risk control measures approved by the Trustees. Setting risk parameters keeps the Fund's focus on benefit security which is paramount to the Trustees. The Pension Fund would likely earn higher investment income by investing in riskier securities. However adding unduly to the risk profile of the Fund is not consistent with a clear policy of protecting the existing benefits promised to members of the Pension Plan.

During fiscal 2007, the Pension Fund invested 0.4% of its assets in private equity investments. These financial instruments are managed by professional investment advisors selected by the Trustees following a program of due diligence. TD Capital Private Equity Investors and Standard Life Investments (Private Equity) Limited invested approximately $1.6 million of the Pension Fund's assets at September 30, 2007. The Trustees have amended the Statement of Investment Policies and Procedures to target 5% of the Pension Fund for investments in private equity. The Trustees, like many other pension funds managers, believe that private equity can provide superior returns over the long term. Diversification of the Pension Fund's assets across many classes of investment helps to enhance returns while, in fact, lowering the overall volatility of the Pension Fund.

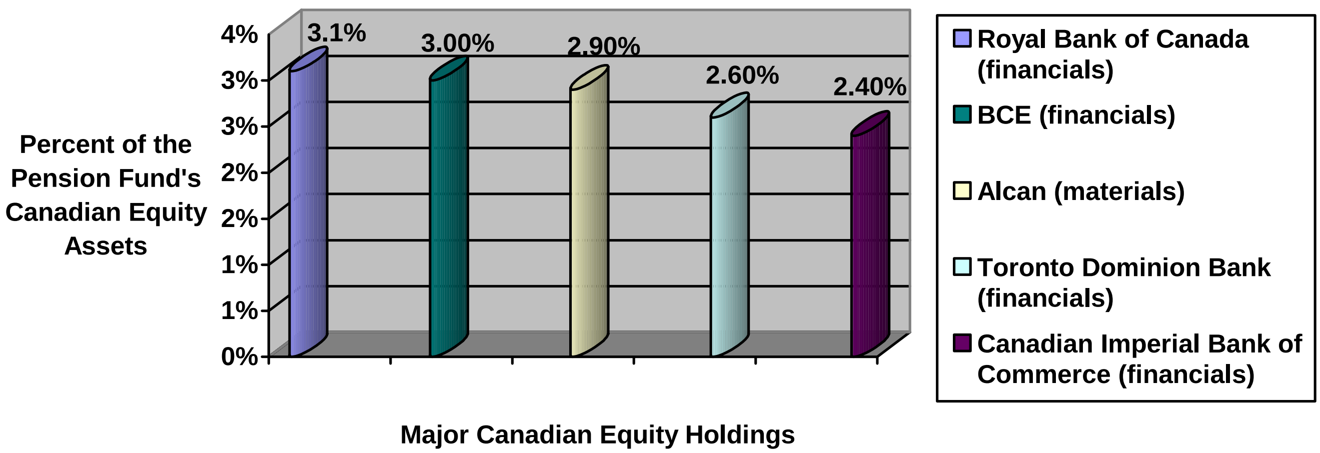
During fiscal 2008 the Trustees will continue to examine the merits of other investment classes such as professionally managed real estate and infrastructure investments. The Trustees will also review the target asset mix of the Pension Fund to ensure that it remains appropriate for the Pension Plan.

Five independent investment managers manage the Pension Fund's investments. CIBC Mellon, the Fund's Custodian, manages the Fund's short term cash assets (which are less than 1% of the total Fund). The Trustees exercise a routine evaluation of available cash flow at each month end to ensure that the maximum amount of assets is invested at all times. The allocation of Fund assets to the independent investment managers is illustrated as follows:



Equities

At the end of the fiscal year, the Pension Fund had $162 million, or 28.6% of its assets, invested in Canadian equities. In the Canadian equity market the information technology, materials, industrials and telecommunications sectors produced the highest returns in fiscal 2007. The energy sector, which has been highly volatile over the last three years, had a return of 14.7% this year. The Fund's largest Canadian equity holdings at September 30, 2007 were:



The one year return of the Canadian equity market was 22.8%. Compare this to the 9.2% return returned by the broad Canadian equity market in the year ended September 30, 2006.

The Pension Fund had 22.7% of its assets invested in non-Canadian publicly traded equities. The United States equity market had a return of 4.0% this year. The increase in the value of the Canadian dollar greatly diminished returns from foreign markets. The S & P 500 Index, which measures the equity returns of the broad U.S. market, had a local currency return of 16.4%. When converted to Canadian currency, the return was 4.0%. The only currencies which retained strength against the Canadian dollar were the French franc and the German mark.

The European, Australian and Far East equity market Canadian dollar return was 11.5%, again a strong return. The Trustees are committed to maintaining a widely diversified portfolio of investments to protect the Fund, as much as possible, from the volatility risk in the markets. We are braced for a fiscal 2008 that is sure to bring continued significant market uncertainty and negativity brought about, in part, by the subprime mortgage problems in the United States. Markets are also deeply affected by the prospect of a slowdown in global growth, particularly in the United States. Canada's equity markets have fared well, so far, in the face of significant market volatility. However it cannot be forgotten that Canada is part of the larger global economy and will be impacted by important financial events around the planet.

The Pension Fund has a Statement of Investment Policies and Procedures which, after the conduct of due diligence, sets out the prudent asset mix strategy of the Fund. The Trustees retain professional investment managers to implement their asset mix strategy. Investment managers are subject to ongoing monitoring and measurement against established goals. The Trustees retain independent investment counsel to measure the results of the Fund's investments.

Fixed Income

At the end of the fiscal year, the Pension Fund's fixed income investments totaled $237.6 million which is approximately 42.0% of the Pension Fund's total assets. Fixed income investments include corporate bonds as well as bonds issued by Canadian federal and provincial governments. For the year ended September 30, 2007 the broad based Canadian bond market return, measured by the DEX Universe, was 1.6%.

In the 2006 Annual Report we informed members that the Pension Fund's Statement of Investment Policies and Procedures was amended so that the majority of the Fund's fixed income assets would be invested in long duration Canadian bonds. Pension professionals believe that long duration bonds are more representative of the Pension Plan's liabilities. During the fiscal year ended September 30, 2007 the Long-Term bond index return was -0.6%. The Trustees believe, after considering the market guidance of experienced investment professionals, long term interest rates will trend downward. A downward trend in interest rates will have a positive result on the Fund's long-term bond investments.

Investment Policy

In our 2005 Annual Report we advised members that the Trustees retained Mercer Human Resource Consulting to conduct a study of the Pension Fund's assets and liabilities. The study concluded that, in order to continue to protect the Pension Plan's benefits using a prudent investment strategy, modification to the Fund's investment policy was indicated. Overall, the Fund decreased its concentration in Canadian equity and increased its concentration to Foreign equity including Private Equity.

During fiscal 2007 the Trustees continued to diversify the Fund by making a total allocation, of up to 5% of the total Fund, to a series of private equity funds. The Trustees, to date, have invested approximately $1.6 million (0.4% of the total Fund) in private equity. The Trustees expect to continue private equity investments, each after a course of due diligence. The managers retained to manage the Fund's private equity portfolios are Standard Life Investments (Private Equity) Limited and TD Capital Private Equity Investors.

Also during fiscal 2007, the Trustees diversified the assets which can be invested by Letko Brosseau to include Foreign equities. Letko, which has managed assets for the Fund since 2003, has a strong track record for management of global equities. The Trustees continue to monitor all Fund managers with a view to ensuring that the Fund retains the "best in class" all within their investment strategy which is grounded in prudence.

PENSION PLAN BENEFITS – FUNDING AND BENEFIT POLICY

As you have already read, and will see in the next section, the Plan has substantially improved its financial stability. The Plan's funded ratio, on a going concern basis, was 102%, up from 95% at the end of fiscal 2006. The main reason for the continued improvement in the funded ratio was increased contributions from employers due to the high number of hours worked by members.

On a solvency basis, the Plan's solvency funding ratio improved to 97% from 87%. Increased contributions from employers because of the high number of hours worked by members, helped to strengthen the solvency ratio. Unlike the going concern funded ratio, the major impact on the Plan's solvency ratio came from the prescribed interest rate used to calculate solvency liabilities. This rate increased significantly from the rate used for the 2006 solvency valuation. This is a metric which is external to the Pension Plan and over which the Trustees have no control or discretion. If the interest rate had been lower, the Pension Plan's solvency result would have worsened. Overall, we are pleased about the Plan's consistent progress toward financial health.

Given the improved funding status of the Pension Plan, members may justifiably ask "does the improved health of the Pension Plan mean benefit improvements?" In 2002, the Trustees established a Funding and Benefits Policy, a document which is their guidance for future benefit improvements. 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.

If benefit improvements can be 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 Fund. Although contributions to the Fund have increased since 1992, there has been no increase in the benefit accrual rate of $87.00 for every 1,800 hours worked. The higher contributions received by the Fund 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 address the pension accrual rate. This priority is established to acknowledge that more than 15 years have passed without an increase in the pensions earned by active members. The Trustees must balance this priority with the consideration of increasing benefits paid to pensioners – the cost of living has continued to increase and pensioners receive a fixed income.

The Trustees have announced that, effective January 1, 2007, the Plan was amended to allow a defined contribution benefit accrual for retired members who return to work in participating employment. The current annual cost of this benefit improvement is expected to be almost $2.4 million.

The Trustees will manage the Plan's benefits in accordance with the Funding and Benefit Policy. While this Policy is an important core governance principle of the Plan from the Trustees' perspective, it also helps members to understand the process the Trustees must use to evaluate future benefits. The Trustees' policy is to inform members about their decision-making process so that members will have a greater understanding about how conclusions are reached by the Trustees.

ACTUARIAL VALUATION

Membership Data	2007	2006	2005	2004	2003	2002	2001
Number of active members	7122	6283	5937	5193	5488	5547	5287
Average age of active members (in years)	40.1	40.1	40.1	41.1	40.5	40.2	39.8
Average hours worked	1696	1802	1696	1633	1668	1979	2017
Number of pensioners (including disabled)	1831	1704	1597	1488	1404	1308	1243
Average age of pensioners (in years)	68.7	68.6	68.5	68.5	68.4	68.2	68.1

An actuarial valuation is a sophisticated mathematical tool which informs the Trustees as to whether the Pension Fund has enough assets to provide the benefits promised by the Pension Plan. The actuarial valuation is prepared, every year, by a professional actuary. The actuary uses accepted actuarial standards to estimate the future rate of growth of the Pension Plan's liabilities and matches this against the expected assets of the Pension Fund. The actuary takes into consideration 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 actuary's preparation of the upcoming actuarial valuation. The Trustees are confident that the Plan's assumptions continue to be 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.

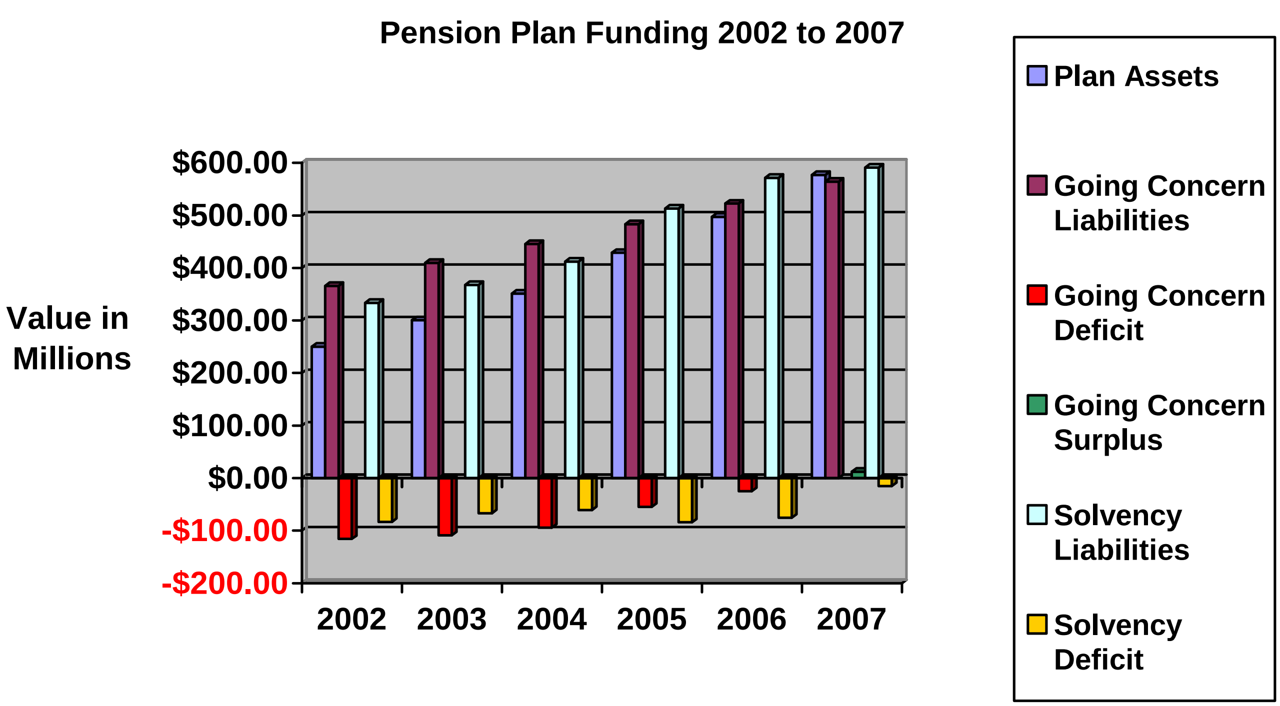
  For the 2007 valuation, the target rate of return on Fund investments continued to be 6.25%. This is the average rate that the Pension Fund is expected to earn in the long term. However, over short periods of time, the Fund's actual investment returns will be higher or lower than our 6.25% average return 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.

ACTUARIAL VALUATION (Cont'd)

- *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, 2007, Local 488 members worked a total of 11 million hours, well over the forecast of 9.5 million hours. For the fiscal year ending September 30, 2008 the Plan's assumption is that Local 488 members will work 10 million hours. The assumption regarding hours worked is closely monitored and revisited every year.

For the fiscal year ending September 30, 2007, 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 solvency payment requirements for the next four years. Based on the Plan's projections for investment income and hours worked, and assuming no benefit improvements are made, the Plan's solvency deficiency will be eliminated by the end of fiscal 2008. The Trustees have filed the actuarial valuation with the Pension Plan regulators.

The Pension Plan's funding status from 2002 to 2007 is shown in the illustration:



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 Local Union 488 members,
- three independent trustees selected by a nominating committee comprised of a representative of Local Union 488 and Construction Labour Relations – Alberta (CLRa). Included in this group is the 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 is appointed by the Board of Trustees 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, 2007 and the statements of changes in net assets available for plan benefits and changes in funding excess (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, 2007 and the changes in net assets available for benefits and funding excess (unfunded liability) for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Edmonton, Canada
December 7, 2007

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Net Assets and Accrued Pension Liability

September 30, 2007, with comparative figures for 2006

	2007	2006
ASSETS		
Investments (Schedule 1)	$ 565,798,082	$ 488,087,016
Cash	8,216,205	5,826,024
Contributions receivable	6,860,266	6,645,302
GST recoverable	153,732	98,929
Prepaid expenses and deposits	272	3,018
Cash surrender value of life insurance policy (note 7)	166,180	159,229
	581,194,737	500,819,518
LIABILITIES		
Accounts payable and accrued liabilities	806,139	1,019,526
Amounts due to other pension funds (note 3)	3,124,763	2,071,385
Retirement benefit obligation (note 7)	178,869	186,464
Due to The Edmonton Pipe Industry Health and Welfare Fund (note 5)	102,249	45,378
	4,212,020	3,322,753
Net assets available for benefits	576,982,717	497,496,765
Accrued pension liability (note 6)	564,541,717	522,549,765
Funding excess (unfunded liability) (note 6)	$ 12,441,000	$ (25,053,000)

Statement of claim (note 4)

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, 2007, with comparative figures for 2006

	2007	2006
Contributions received:		
Employer contributions	$ 75,332,247	$ 68,625,494
Pension credits and reciprocal transfers	2,667,112	4,542,118
	77,999,359	73,167,612
Terminations and reciprocal transfers	(16,023,907)	(13,763,256)
	61,975,452	59,404,356
Net investment and other income		
Net investment income (Schedule 2)	42,374,475	30,508,682
Other income, net	54,839	54,644
	42,429,314	30,563,326
Payments made		
Pension and disability benefits	23,931,084	20,449,189
Administrative expenses (Schedule 3)	987,730	862,654
	24,918,814	21,311,843
Increase in net assets	79,485,952	68,655,839
Net assets available for benefits, beginning of year	497,496,765	428,840,926
Net assets available for benefits, end of year	$ 576,982,717	$ 497,496,765

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Changes in Funding Excess (Unfunded Liability)

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

	2007	2006
Unfunded liability at beginning of year	$ (25,053,000)	$ (54,482,000)
Interest at 6.25% on unfunded liability	(1,566,000)	(3,405,000)
Net experience gains	9,352,000	3,884,000
Special payments to eliminate the unfunded liability	29,674,000	28,641,000
Net impact of other elements of gains and adjustments	34,000	309,000
Funding excess (unfunded liability) at end of year	$ 12,441,000	$ (25,053,000)

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 August 13, 2007. 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 includes all restatements and amendments to September 30, 2007. 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 by an arbitration award dated November 6, 2007 for the period until April 30, 2011.

The following is a brief summary of the main provisions of the Plan in effect on September 30, 2007. 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.

(c) Contributions:

Members do not contribute to the Pension 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)

(d) Retirement dates (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 of the year during which the member attains age 71.

(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 pension 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 pension 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.

(i) Post retirement benefits for retired members:

An amendment to the Pension Plan was approved by Trustees on September 7, 2007, effective January 1, 2007, to permit contributions for retired members under Age 71 returning to work with a contributing employer to accrue for the benefit of the retired member. The contributions received by the Pension Fund, for work periods after the retired members' initial retirement date, are held with the general assets of the Pension Fund and are immediately vested. Upon subsequent retirement, a benefit will be transferred to a Locked-In Retirement Account (LIRA) on behalf of the retired member.

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.

(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) Investments:

Investments are stated at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of the investments is determined as follows:

a. Canadian and Non-Canadian equities and fixed income securities are valued on the basis of market price.

b. Private equities are held through ownership in limited partnership arrangements. In the first year of ownership, which is the case for the Pension Fund, cost is generally considered an appropriate estimate of value unless there is evidence of a significant change in value.

c. Cash and cash equivalents are recorded at cost which, together with accrued interest income, approximate fair value.

The Pension Fund's investments 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 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.

Note 2

Summary of significant accounting policies (Cont'd)

(c) Other financial assets and financial liabilities:

The fair value of other financial assets and financial liabilities approximate their carrying values. It is management's opinion that these financial instruments are not exposed to significant interest, currency or credit risks.

(d) Foreign exchange:

Foreign currency transactions are translated into Canadian dollars using daily rates. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

(e) Investment income recognition:

Investment income is recorded on the accrual basis and includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the year, dividend income and interest income.

(f) 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.

Note 3

Amount due to other pension funds

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

Note 4

Statement of claim

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 named the former general manager and 18 particular 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 Branch to have the Pension Fund pay their legal costs to advance the lawsuit. The request was again denied.

Note 4 (Cont'd)

Statement of claim (Cont'd)

On June 9, 2004, the plaintiffs filed an Appeal to the Alberta Court of Appeal. A Memorandum of Judgement 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.

On November 22, 2005, 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 Judgement allowing payment of the Plaintiffs' interim costs stands.

Since December 2005, the legal action has been under the supervision of a Case Management Justice of the Court of Queen's Bench of Alberta. 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.

Examinations for discovery are scheduled to commence in January, 2008.

Since the commencement of the legal action, the former general manager and two trustees have been released from the lawsuit by the plaintiffs.

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

Statement of Claim (Cont'd)

The litigation expenses, as shown in schedule 3, and the cumulative expense from the inception of the legal action to September 30, 2007, are as follows:

	From Inception	2007	2006
Legal fees – Pension Fund	$ 283,908	$ 60,262	$ 130,026
Legal fees – Plaintiffs	202,498	139,421	63,077
Legal fees – Defendants	81,431	25,765	55,666
Other expenses	7,483	--	7,483
	$ 575,320	$ 225,448	$ 256,252

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 Plan was carried out by Mercer Human Resource Consulting ("Mercer") and their determination of the unfunded position of the Pension Plan as of September 30, 2007 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, are as follows:

Note 6

Obligation for pension benefits (Cont'd)

	2007		2006	
	Valuation assumption	Actual	Valuation assumption	Actual
Net investment return	6.25%	8.02%	6.25%	6.62%
Hours worked	9,500,000	10,994,312	8,500,000	10,496,509

The net investment return is net of all investment and administrative expenses.

The plan's funded position on a going concern basis is as follows:

	2007	2006
	(000's)	(000's)
Net assets available for benefits	$ 576,983	$ 497,497
Actuarial liability – present value of accrued benefits for:		
Active members	$ 295,189	277,436
Pensioners and survivors	205,080	183,639
Disabled pensioners	30,028	31,069
Deferred pensioners	31,879	30,406
Post-retirement benefits for active retired members	2,366	-
	564,542	522,550
Funding excess (unfunded liability) as determined on a Going concern basis	$ 12,441	$ (25,053)
Funded ratio	102%	95%

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, 2007 has been determined by Mercer as follows:

Note 6

Obligation for pension benefits (Cont'd)

	2007		2006
	($000's)		($000's)
Net assets available for benefits	$ 576,983	$	497,497
Termination expenses	(1,250)		(1,250)
Net value of assets available to provide benefits	575,733		496,247
Actuarial liability - present value of accrued benefits for:			
Active members	277,929		273,175
Pensioners and survivors	235,319		218,538
Disabled pensioners	37,865		42,693
Deferred pensioners	37,550		37,393
Post-retirement benefits for active retired members	2,366		-
Total solvency liability	591,029		571,799
Solvency deficiency	$ (15,296)	$	(75,552)
Solvency ratio (net assets available to provide benefits less/total solvency liability)	97%		87%

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, 2007, the policy had a cash surrender value of $166,180 (2006 - $159,229) 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, 2007, with comparative figures for 2006

	2007	2006
Phillips Hager and North Investment Management Ltd.:		
Cash and cash equivalents	$ 8,937,198	$ 5,881,057
Canadian equities	58,875,203	57,832,988
Fixed income securities	141,923,320	135,265,152
	209,735,721	198,979,197
CIBC Global Asset Management Inc.:		
Cash and cash equivalents	5,655,024	3,185,057
	5,655,024	3,185,057
Letko Brosseau & Associates Inc.:		
Cash and cash equivalents	21,334,145	14,926,265
Canadian equities	103,097,364	63,769,986
Fixed income securities	95,685,896	93,551,244
	220,117,405	172,247,495
Gryphon International Investment Corporation:		
Cash and cash equivalents	28,111	4,678,572
Non-Canadian equities	128,681,253	108,996,695
	128,709,364	113,675,267
Standard Life Investments (Private Equity) Limited:		
Cash and cash equivalents	35	-
Private equities	1,346,124	-
	1,346,159	-
TD Capital Private Equity Investors:		
Cash and cash equivalents	-	-
Private equities	234,409	-
	234,409	-
	$ 565,798,082	$ 488,087,016

	$	%	$	%
Summary:				
Cash and cash equivalents	35,954,513	6.3	28,670,951	5.9
Canadian equities	161,972,567	28.6	121,602,974	24.9
Non-Canadian equities	128,681,253	22.7	108,996,695	22.3
Private equities	1,580,533	0.4	-	-
Fixed income securities	237,609,216	42.0	228,816,396	46.9
	565,798,082	100.0	488,087,016	100.0

Schedule 2

Net Investment Income

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

	2007	2006
Change in fair value of investments	$ (36,736,744)	$ 3,930,475
Realized gains on sale of investments	64,603,980	11,975,605
Interest income	5,318,737	5,841,179
Dividend income	10,790,554	10,175,110
Other interest, net	305,902	266,493
	44,282,429	32,188,862
Investment manager fees	(1,553,430)	(1,325,658)
Custodian fees	(354,524)	(354,522)
Net investment income	$ 42,374,475	$ 30,508,682

Schedule 3

Administrative Expenses

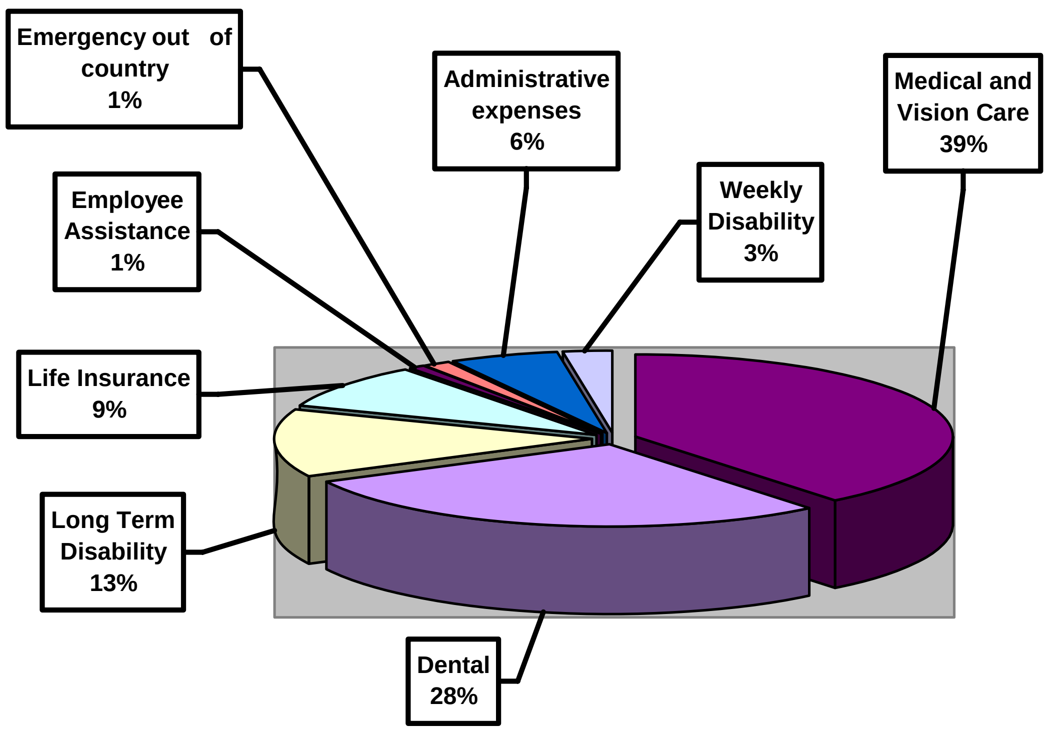
Year ended September 30, 2007, with comparative figures for 2006

	2007	2006
Direct expenses:		
Administration fees	$ 328,943	$ 299,742
Litigation expenses (note 4)	225,448	256,252
Actuarial and consulting fees	115,418	89,750
Independent trustees	40,225	38,641
Audit	41,181	28,188
Legal	84,017	27,722
Retirement benefit, net	11,792	12,268
Registration	33,000	7,000
Office expenses	6,384	4,339
Other expenses (income)	(5,755)	3,579
	880,653	767,481
Common expenses shared with the Health and Welfare Fund (note 2(f)):		
Rent	50,000	50,000
Postage	58,629	45,659
Office expenses	39,729	35,406
Annual Report to members	31,766	29,153
Travel, conferences and meeting expenses	17,672	14,411
Insurance	10,651	5,348
Other shared expenses	5,706	10,370
	214,153	190,347
Less Health and Welfare Fund's share	(107,076)	(95,174)
	107,077	95,173
	$ 987,730	$ 862,654

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY

This chart illustrates how the Health and Welfare Fund's revenue was spent during fiscal 2007:



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, 2007, on average, the Plan provided benefits to 5,555 active members, 684 retired members, 57 disabled members and 68 widows of members. The Plan provided self-payment benefits to 398 members.

HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY (Cont'd)

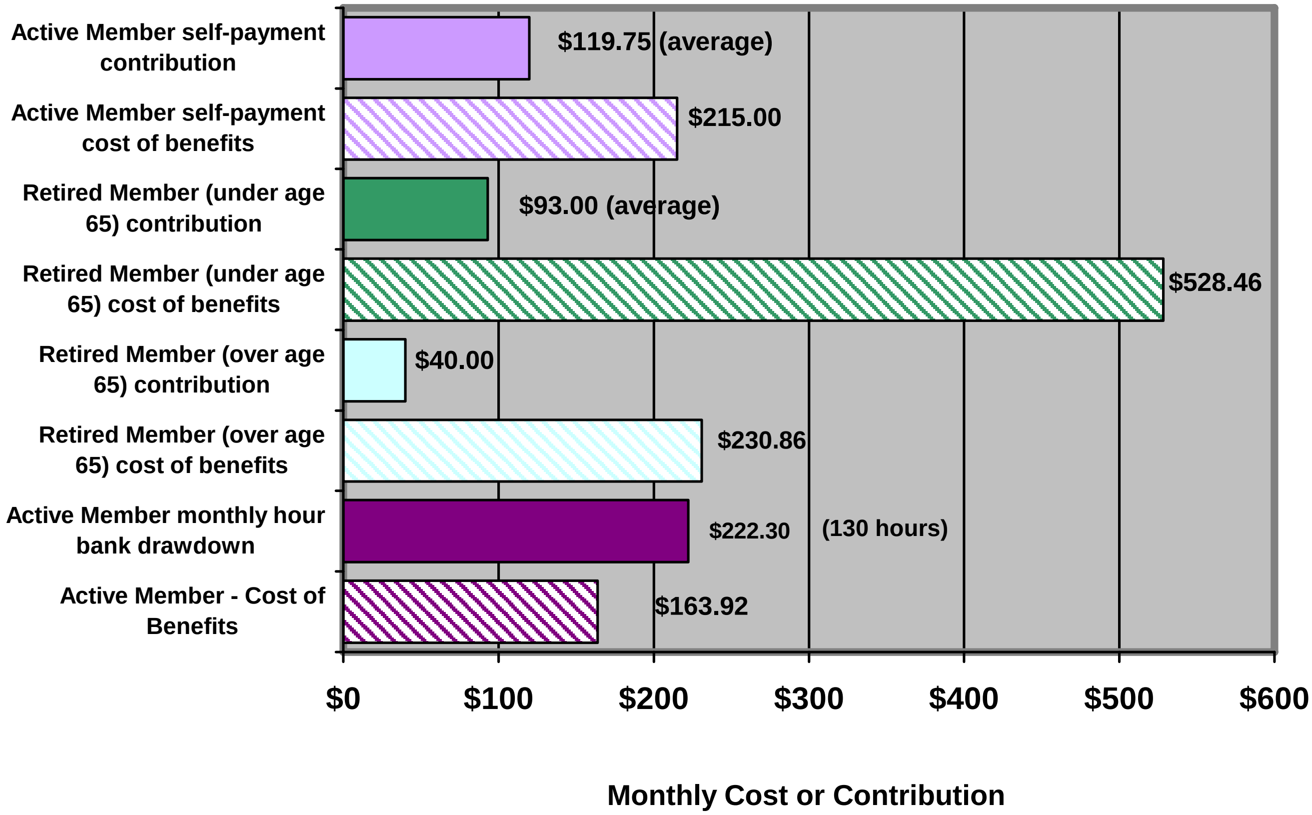
A main objective of the Trustees is to provide life, disability, health and dental benefits which are sustainable throughout the members' careers. Further, the Trustees wish to provide important benefits to the Plan's retirees. In order to be able to provide a lifetime of benefits to Plan members, the Trustees continually monitor the progress of the Plan to ensure that it has the necessary resources to meet the Trustees' goal. The Trustees have additional priorities which include clear and timely communication with members. Resources have been allocated to these efforts including updating of the Plan's booklets and the ongoing refreshment of the Plan website at www.epibenefitplans.com. The Trustees have also set standards for member service. The Benefit Office provides personal and professional guidance by answering thousands of telephone calls and written correspondence every year. Hundreds of members take the time to visit the Benefit Office where they are always welcome.

Retiree benefits are a foundation of the Plan. The Trustees continue to examine the Retiree benefit system in order to ascertain whether the current funding will provide life long Retiree benefits. The Trustees know, from a special actuarial study, that the Fund requires reserves of over $200 million to be able to continue providing the existing Retiree benefits under the current regime. In fiscal 2008, the Trustees will continue their examination and deliberation about how benefits are provided to retirees. This will be a significant undertaking and the result of the Trustees' work will have an important impact on the Plan.

During fiscal 2007 the Trustees completed their program of due diligence on the self payment benefits afforded to members. The Trustees found that the amount paid by members using the self pay facility was outpaced by the cost of benefits provided under the self pay program. The Plan also allowed self payments to continue indefinitely. The Trustees felt that the primary purpose of self payment benefits is to provide short term relief from unemployment or other circumstances that prevent a member from maintaining coverage by virtue of working contributions. The Trustees concluded that it was important to return to this fundamental Plan goal and, effective January 1, 2007, the self pay benefit rules were changed so that members would be permitted to make self payments for up to 12 consecutive months. The self payment amount was also increased to reflect the cost of providing the benefits chosen by the member. While, in the short term, the self pay benefits cost more (due to members carefully planning their health care expenditures before the new limit was exhausted and their self pay coverage expired), ultimately these changes will substantially improve the management of the Plan.

The graph on the next page shows the relationship between the average monthly self-payment contribution, or hour bank drawdown, and the average monthly cost of benefits paid by the Plan in fiscal 2007.

HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY (Cont'd)



Effective July 1, 2007 the Plan was improved to:

a) update the basis of reimbursement for dental expenses to reflect inflation in dental care costs up to 2005;

b) include dental implants as a covered expense under the dental plan. This benefit is included under the existing $2,000 per person calendar year maximum benefit;

c) include coverage for prescription drugs used for the treatment of erectile dysfunction. Coverage for these drugs is provided with 10% co-insurance paid by the member.

The Trustees continue to monitor the benefits provided by the Plan with a view to ensuring that the benefits are responsive to today's health care environment.

The Fund earned investment income of $3.4 million. Investment income is derived from the Fund's investment in a diversified portfolio managed by Letko Brosseau & Associates and from a series of guaranteed interest certificates and short term money market investments. The Fund's first investment in the Letko Brosseau diversified fund was $13.1 million. At the end of fiscal 2007, the invested assets managed by Letko Brosseau had increased to $19.3 million which includes investment income and additional capital investments. The Fund's investments are managed following an investment policy approved by the Trustees. Investment income is important to the Plan because, as demonstrated earlier, some of the Plan's benefits are highly subsidized and investment income helps to support these subsidies.

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, 2007 and the statement of operations and changes in 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Edmonton, Canada
December 7, 2007

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Financial Position

September 30, 2007, with comparative figures for 2006

	2007	2006
Assets		
Cash	$ 5,993,428	$ 10,550,167
Investments (note 3)	56,671,300	42,822,847
Contributions receivable	2,558,986	2,282,899
Accrued interest	330,106	120,823
Prepaid expenses and deposits	16,443	13,404
Due from The Edmonton Pipe Industry Pension Trust Fund (note 4)	102,249	45,378
	$ 65,672,512	$ 55,835,518
Liabilities and Members' Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 219,416	$ 148,680
Amounts due to other health and welfare funds (note 5)	1,000,376	649,925
Reserve for unpaid claims	1,461,559	1,290,600
Reserve for advance contributions	44,892	45,155
	2,726,243	2,134,360
Members' equity:		
Reserve for future plan benefits (note 6)	23,861,023	22,859,129
Fund equity	39,085,246	30,842,029
	62,946,269	53,701,158
	$ 65,672,512	$ 55,835,518

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Operations and Changes in Fund Equity

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

	2007	2006
Revenue:		
Employer contributions	$ 25,938,961	$ 23,918,136
Members' and pensioners' cash contributions	680,619	867,854
Reciprocal transfers from other health and welfare funds (note 5)	404,346	307,261
Members' optional insurance contributions	46,822	50,014
Reciprocal transfers to other health and welfare funds (note 5)	(5,120,125)	(4,468,294)
	21,950,623	20,674,971
Net investment income (Schedule 1)	3,422,108	1,812,871
	25,372,731	22,487,842
Benefit expenses:		
Health, dental, vision and short-term disability claims paid	11,204,127	10,406,845
Long-term disability premiums	2,146,804	2,542,848
Life insurance premiums	1,419,550	1,297,320
Accidental death and dismemberment premiums	347,421	339,610
Claims administration fees	396,610	320,250
Employee assistance program	146,365	214,125
Out-of-country insurance premiums	222,435	114,948
Members' optional life insurance premiums	48,733	44,287
Increase (decrease) in reserve for unpaid claims	170,959	(15,300)
	16,103,004	15,264,933
Excess of revenue over benefit expenses	9,269,727	7,222,909
Administrative expenses (see Schedule 2)	509,514	451,649
Excess of revenue over expenses	8,760,213	6,771,260
Fund equity, beginning of year, as previously reported	30,842,029	22,650,237
Implementation of financial instruments standards (note 2(a))	484,898	-
Fund equity, beginning of year, as restated	31,326,927	$ 22,650,237
Transfer (to) from reserve for future plan benefits	(1,001,894)	1,420,532
Fund equity, end of year	$ 39,085,246	$ 30,842,029

See accompanying notes to financial statements.

Note 1

Nature of the Fund

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 May 7, 1965 (the “Health and Welfare Trust Agreement”) which has been amended and restated as of August 13, 2007. The Health and Welfare Trust Agreement provides for the establishment, maintenance, administration and investment of a fund known as The Edmonton Pipe Industry Health and Welfare Fund (the “Health and Welfare Fund”) for the purposes of paying benefits in accordance with the terms and conditions of the Health and Welfare Plan (the “Health and Welfare Plan”) to members and their beneficiaries. The Health and Welfare Plan was last amended as of July 1, 2007.

Members do not contribute to the Health and Welfare Fund. Employers contribute to the Health and Welfare Fund at the rate specified in a collective agreement. The collective agreement was last renewed by an arbitration award dated November 6, 2007 for the period until April 30, 2011.

Benefits provided under the Health and Welfare Plan are paid for by the Health and Welfare Fund. For more complete information, reference should be made to the Health and Welfare Fund 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 short-term 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.

(a) Change in accounting policies:

On October 1, 2006, the Health and Welfare Fund adopted the Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3855 "Financial Instruments Recognition and Measurement" and Section 3861 "Financial Instruments – Disclosure and Presentation". Under these standards, all financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instruments as held-for-trading, held-to-maturity, available for-sale, and loans and receivables for financial assets, and held-for trading or other for financial liabilities. In accordance with the transitional provisions of the standards, prior periods have not been restated for the adoption of these new standards.

The transition adjustments attributable to the re-measurements of financial assets in the amount of $484,898 were credited to fund equity at October 1, 2006.

The impact of these changes to net investment income related to unrealized increases in the fair value adjustments during the 2007 fiscal year is an increase of $1,104,042.

(b) Investments

Investments have been classified as held-for-trading and recorded at market value. Investment income includes dividend and interest income, and realized and unrealized investment gains and losses. Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the statement of operations, reported directly in net assets. Transaction costs are expensed as incurred.

Note 2

Significant accounting policies (Cont'd)

(b) Investments (Cont'd):

The Health and Welfare Fund's investments 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 Health and Welfare Fund manages market and interest rate risk by establishing investment mix limits. The Health and Welfare Fund is also exposed to credit risk arising from the potential of issuers of securities to default on their contractual obligations to the Health and Welfare 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 Health and Welfare Fund is exposed to foreign currency risk arising from its holdings of foreign currency denominated equities and fixed income securities.

(c) Other financial assets and financial liabilities:

Contributions and accounts receivable, accrued interest and due from the Edmonton Pipe Industry Pension Trust Fund have been classified as loans and receivables and are measured at amortized cost using the effective interest rate method. Accounts payable, accrued liabilities, and amounts due to other health and welfare funds are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. The fair values of these other financial assets and financial liabilities approximate their carrying values.

It is management's opinion that these financial instruments are not exposed to significant interest, currency or credit risks.

(d) Investment income recognition:

Investment income is recorded on the accrual basis and includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the year, dividend income and interest income.

(e) 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.

(f) 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.

Note 3

Investments

	Rate	Maturity	2007 (Fair value)	2006 (Carrying value)
Canadian Western Bank	4.48%	October 2, 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
HSBC Bank of Canada	4.55%	September 8, 2008	6,000,000	6,000,000
Canadian Western Bank	4.25%	March 13, 2008	6,000,000	–
Canadian Western Bank	4.30%	April 3, 2008	6,000,000	–
HSBC Bank of Canada	4.90%	December 3, 2007	6,000,000	–
Canadian Western Bank	4.93%	December 4, 2007	6,000,000	–
Canadian Western Bank	4.76%	September 27, 2008	1,958,906	–
			31,958,906	24,000,000
Letko Brosseau & Associates balanced fund 2006 fair value $13,610,037)			19,310,424	13,125,136
Fiera (formerly YMG) Capital Management Inc., - money market pooled funds			5,401,970	5,199,681
CIBC Mellon – money market fund			-	498,030
			$ 56,671,300	$ 42,822,847

Note 4

Due from The Edmonton Pipe Industry Pension Trust Fund

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

Note 5

Amounts due to other health and welfare funds

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's are remitted on a monthly basis to the welfare fund in which the employees are members.

Note 6

Reserve for future plan benefits

The reserve for future plan benefits is established by the Trustees to support the payment of benefits to members and their beneficiaries. The reserve for future plan benefits of $23,861,023 as of September 30, 2007 (2006 - $22,859,129) is comprised of two components calculated as follows:

(a) For active members, an estimate based on:

  (i) the average actual cost of benefits for such members for the 12 months ended September 30, 2007 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 estimate based on the average actual cost of benefits for such group of persons for the 12 months ended September 30, 2007 multiplied by 3 years.

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 1 – Net Investment Income

As at September 30, 2007, with comparative figures for 2006

	2007	2006
Increase in fair value of investments	$ 1,104,042	$ -
Interest income	1,790,065	1,701,896
Pooled investment income	582,648	141,931
	3,476,755	1,843,827
Investment management fees	54,647	30,956
Net investment income	$ 3,422,108	$ 1,812,871

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Schedule 2 – Administrative Expenses

As at September 30, 2007, with comparative figures for 2006

	2007	2006
Direct expenses:		
Administration fees	$ 321,034	$ 296,551
Independent trustees	17,225	16,012
Audit	16,695	14,172
Office expenses	22,630	11,066
Postage	9,326	-
Legal	7,434	6,418
Bank charges	2,127	5,056
Computer maintenance	5,405	-
Consulting	-	4,795
Accounting and computer processing	40	2,368
Other expenses	522	-
	402,438	356,475
Common expenses shared with the Pension Fund (note 2(e)):		
Rent	50,000	50,000
Postage	58,629	45,659
Office expenses	39,729	35,406
Annual Report to members	31,765	29,153
Travel, conferences and meeting expenses	17,673	14,411
Other shared expenses	5,706	10,370
Insurance	10,651	5,348
	214,153	190,347
Less Pension Fund's share	(107,077)	(95,173)
	107,076	95,174
	$ 509,514	$ 451,649