

Financial Statements of

**AMERICAN FEDERATION OF
MUSICIANS' AND EMPLOYERS'
PENSION WELFARE FUND
(CANADA)**

Year ended December 31, 2005



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AUDITORS' REPORT

To the Board of Trustees of American Federation of Musicians'
and Employers' Pension Welfare Fund (Canada)

We have audited the statement of net assets available for benefits of American Federation of Musicians' and Employers' Pension Welfare Fund (Canada) as at December 31, 2005 and the statement of changes in net assets available for benefits for the year then ended. These financial statements have been prepared to comply with Section 76 of the Regulations to the Pension Benefits Act (Ontario). These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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.

Contributions from employers are based on contribution and participation agreements with the American Federation of Musicians of the United States and Canada or its affiliated locals. We reviewed, on a test basis, contribution reports received from employers, but it was not practicable for us to extend our examination to determine that all contributions which should have been made under the various agreements had been received.

In our opinion, except for the effect of any adjustments which might have been required had employer contributions been submitted to additional verification, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the net assets available for benefits as at December 31, 2005 and the changes in net assets available for benefits for the year then ended in accordance with the basis of accounting described in note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Trustees of American Federation of Musicians' and Employers' Pension Welfare Fund (Canada) and the Financial Services Commission of Ontario for complying with Section 76 of the Regulations to the Pension Benefits Act (Ontario). The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Chartered Accountants

Toronto, Canada

April 14, 2006

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Statement of Net Assets Available for Benefits

December 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Cash	\$ 1,879,229	\$ 1,600,096
Accrued investment income	2,687,608	2,613,189
Contributions due from employers	1,253,666	1,087,712
GST rebate receivable	39,703	36,912
Prepaid expenses	24,402	29,342
Investments (note 2):		
Short-term notes and treasury bills	51,589,125	43,427,990
Canadian bonds	240,692,626	219,557,701
Canadian equities	160,699,312	160,096,668
Foreign equities	53,421,376	46,982,004
Foreign pooled funds	84,095,571	76,775,663
	590,498,010	546,840,026
Fixed assets (note 4)	118,739	205,111
	596,501,357	552,412,388
Liabilities		
Accounts payable and accrued liabilities	326,982	335,503
Net assets available for benefits	\$ 596,174,375	\$ 552,076,885

See accompanying notes to financial statements.

On behalf of the Board of Trustees:

_____ Trustee

_____ Trustee

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Increase in net assets:		
Investment income (note 3)	\$ 21,478,032	\$ 20,872,767
Net realized gain on sales of investments	26,812,612	12,571,617
Change in net unrealized gains	7,150,869	12,070,349
Employer contributions	6,803,958	8,188,301
	<u>62,245,471</u>	<u>53,703,034</u>
Decrease in net assets:		
Pension and death benefits	15,187,882	13,756,877
Termination payments and portability transfers	329,938	207,904
Administrative expenditures (Schedule)	2,630,161	2,512,059
	<u>18,147,981</u>	<u>16,476,840</u>
Increase in net assets	44,097,490	37,226,194
Net assets available for benefits, beginning of year	552,076,885	514,850,691
Net assets available for benefits, end of year	<u>\$ 596,174,375</u>	<u>\$ 552,076,885</u>

See accompanying notes to financial statements.

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements

Year ended December 31, 2005

American Federation of Musicians' and Employers' Pension Welfare Fund (Canada) (the "Fund"), registration number 0215145, is a Trust Fund established under an agreement and Declaration of Trust dated April 9, 1962 for the purpose of providing pension benefits to eligible employees in the music industry.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the accounting requirements prescribed by the Financial Services Commission of Ontario for financial statements under Section 76 of the Regulations to the Pension Benefits Act (Ontario). The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because it excludes the actuarial liabilities of the Fund. Consequently, these financial statements do not purport to show the adequacy of the Fund's assets to meet its pension obligations.

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

(b) Investments:

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

Fair values of investments are determined as follows:

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

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2005

1. Significant accounting policies (continued):

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

Guaranteed investment certificates are valued at the present value of estimated future cash flows discounted at interest rates in effect on the last business day of the year for investments of a similar type, quality and maturity.

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

(c) Net realized gain on sales of investments:

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

(d) Investment income:

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

(e) Foreign currency translation:

The fair values of foreign currency denominated investments included in the statement of net assets available for benefits are translated into Canadian dollars at year-end rates of exchange. Gains and losses arising from translation are included in the change in net unrealized gains. Foreign currency denominated transactions, as well as cost amounts included in note 2, are translated into Canadian dollars at the rates of exchange on the dates of the related transactions.

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2005

1. Significant accounting policies (continued):

(f) Contributions:

Contributions are recorded upon the basis of reports received from the employers concerned. The accompanying financial statements reflect contributions due from employers in respect of engagements prior to December 31, 2005, as reported to April 14, 2006.

(g) Fixed assets:

Fixed assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis so as to amortize the cost of the assets over their estimated useful lives as follows:

Furniture, office and computer equipment and vehicles	5 years
Computer software	3 years

2. Investments:

The following table summarizes investments at cost:

	2005	2004
Short-term notes and treasury bills	\$ 51,591,610	\$ 43,820,253
Canadian bonds:		
Government	142,628,336	133,150,339
Corporate	91,029,684	77,844,936
Canadian equities	94,981,202	103,858,947
Foreign equities	46,085,454	38,678,402
Foreign pooled funds	78,724,212	71,180,506
	\$ 505,040,498	\$ 468,533,383

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2005

2. Investments (continued):

Details of short-term notes and treasury bills and bonds at fair value are as follows:

	Maturity	Fair value	Average yield
Short-term notes and treasury bills	January 2006 - October 2006	\$ 51,589,125	3.3 - 4.6
Canadian bonds:			
Supranationals	February 2035	\$ 736,341	4.8
Federal	September 2008 - June 2033	91,765,272	4.0 - 5.5
Provincial	December 2007 - September 2035	54,448,130	3.8 - 5.8
Municipal	June 2033	474,235	5.0
Corporate	May 2007 - December 2049	93,268,648	1.7 - 8.3
		\$ 240,692,626	

Individual investments where either the market value or book value exceeds 1% of the total for the Fund are as follows:

	Book value	Market value
Short-term notes, treasury bills and bonds:		
Government of Canada	\$ 56,714,314	\$ 62,687,798
Province of Ontario	28,055,263	29,465,201
Canadian equities:		
Bank of Nova Scotia	3,898,941	9,285,675
Manulife Financial Corp.	4,899,122	9,556,435
Royal Bank of Canada	4,134,716	9,488,737
Talisman Energy Inc.	1,811,117	7,460,684
Toronto Dominion Bank	4,530,846	9,196,397
Foreign pooled funds:		
McLean Budden American Equity Pooled Fund	40,096,388	38,694,251
McLean Budden Offshore Equity Fund	35,320,941	42,446,777

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2005

3. Investment income:

	2005	2004
Short-term notes and treasury bills	\$ 1,433,948	\$ 783,251
Canadian bonds	11,518,499	11,900,233
Canadian equities	2,760,731	2,714,670
Foreign equities	5,787,709	5,445,531
Other	(22,855)	29,082
	\$ 21,478,032	\$ 20,872,767

4. Fixed assets:

			2005	2004
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and office equipment	\$ 36,471	\$ 11,172	\$ 25,299	\$ 31,455
Computer software and equipment	312,220	218,780	93,440	163,121
Vehicles	52,675	52,675	-	10,535
	\$ 401,366	\$ 282,627	\$ 118,739	\$ 205,111

5. Commitments:

At December 31, 2005, the Fund is committed under an operating lease for rental of office space until 2016, which requires minimum rental payments as follows (excluding taxes and operating costs):

2006	\$ 37,200
2007	40,800
2008	40,800
2009	40,800
2010	40,800
Thereafter	275,400

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2005

6. Fair values of financial assets and financial liabilities:

The fair values of investments are as described in note 1(b). The fair values of other financial assets and liabilities, being cash, accrued investment income, contributions due from employers, GST rebate receivable and accounts payable and accrued liabilities, approximate their carrying values due to the short-term nature of these instruments.

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Schedule of Administrative Expenditures

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Investment advisory fees	\$ 1,031,098	\$ 964,576
Salaries	573,125	555,083
Actuarial and consulting services	135,810	105,500
Custodian fees	134,650	124,512
Office rent and operating	107,760	107,543
Amortization	107,142	141,872
Legal fees	90,370	59,674
GST	79,406	73,825
Dues, fees and licenses	78,475	73,547
Data processing	72,117	77,451
Education and development	38,359	33,585
Accounting fees	24,000	24,000
Insurance	23,381	21,720
Office supplies	20,096	15,248
Audit	19,000	18,500
Printing	15,080	6,864
Postage	13,251	20,191
Travel and conference	12,290	6,500
Telephone	12,149	11,770
Trustees' meetings	12,044	15,238
Translation and newsletter	11,113	29,045
Bank charges	9,473	14,382
Advertising and promotion	4,348	2,578
Staff development	3,437	3,886
Miscellaneous	2,187	4,969
	\$ 2,630,161	\$ 2,512,059