

Financial Statements of

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

Year ended December 31, 2006



KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

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, 2006 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, 2006 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, Licensed Public Accountants

Toronto, Canada

April 13, 2007

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

Statement of Net Assets Available for Benefits

December 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Cash	\$ 5,956,997	\$ 1,879,229
Accrued investment income	3,051,822	2,687,608
Contributions due from employers	875,135	1,253,666
GST rebate receivable	38,955	39,703
Prepaid expenses	21,683	24,402
Investments (note 2):		
Short-term notes and treasury bills	34,624,673	51,589,125
Canadian bonds	234,369,565	240,692,626
Canadian equities	186,956,404	160,699,312
Foreign equities	102,416,998	53,421,376
Foreign pooled funds	84,261,046	84,095,571
Foreign government bonds	1,531,034	—
	644,159,720	590,498,010
Fixed assets (note 4)	122,669	118,739
	654,226,981	596,501,357
Liabilities		
Accounts payable and accrued liabilities	363,890	326,982
Net assets available for benefits	\$ 653,863,091	\$ 596,174,375

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, 2006, with comparative figures for 2005

	2006	2005
Increase in net assets:		
Investment income (note 3)	\$ 25,133,996	\$ 21,478,032
Net realized gain on sales of investments	13,740,396	26,812,612
Change in net unrealized gains	30,660,668	7,150,869
<u>Employer contributions</u>	<u>7,854,474</u>	<u>6,803,958</u>
	77,389,534	62,245,471
Decrease in net assets:		
Pension and death benefits	16,469,743	15,187,882
Termination payments and portability transfers	417,558	329,938
<u>Administrative expenditures (Schedule)</u>	<u>2,813,517</u>	<u>2,630,161</u>
	19,700,818	18,147,981
Increase in net assets	57,688,716	44,097,490
Net assets available for benefits, beginning of year	596,174,375	552,076,885
Net assets available for benefits, end of year	\$ 653,863,091	\$ 596,174,375

See accompanying notes to financial statements.

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

Notes to Financial Statements

Year ended December 31, 2006

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.

The last actuarial valuation of the Fund was conducted by The Segal Company Ltd., as of January 1, 2005.

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.

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

Notes to Financial Statements (continued)

Year ended December 31, 2006

1. Significant accounting policies (continued):

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.

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, 2006

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, 2006, as reported to April 13, 2007.

(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

(h) Income taxes:

The Plan is a registered pension plan, as defined by the Income Tax Act (Canada), and, accordingly, is not subject to income taxes.

2. Investments:

The following table summarizes investments at cost:

	2006	2005
Short-term notes and treasury bills	\$ 34,624,673	\$ 51,591,610
Canadian bonds:		
Government	126,226,629	142,628,336
Corporate	103,628,845	91,029,684
Canadian equities	105,902,381	94,981,202
Foreign equities	87,314,980	46,085,454
Foreign pooled funds	68,879,218	78,724,212
Foreign government bonds	1,464,814	—
	\$ 528,041,540	\$ 505,040,498

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

Notes to Financial Statements (continued)

Year ended December 31, 2006

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 2007 - November 2007	\$	34,624,673	4.200% - 7.100%
Canadian bonds:				
Supranationals	February 2035	\$	686,466	4.750%
Federal	September 2008 - June 2033		73,601,877	3.750% - 8.000%
Provincial	November 2009 - June 2037		54,326,326	4.300% - 9.375%
Municipal	June 2033		711,744	5.900%
Corporate	September 2008 - June 2049		105,043,152	3.318% - 10.800%
Foreign bonds:				
Government	August 2012 - November 2014		1,531,034	4.250% - 4.375%
		\$	235,900,599	

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	\$ 45,822,380	\$ 47,384,327
Province of Ontario	14,222,601	15,235,850
Discount notes	6,511,663	6,511,663
Canadian equities:		
Bank of Nova Scotia	4,438,042	10,511,175
Manulife Financial Corp.	5,587,555	11,095,126
Royal Bank of Canada	3,333,103	8,876,670
Talisman Energy Inc.	2,316,932	7,450,047
Toronto Dominion Bank	4,512,823	9,734,306
Rogers Communications Inc.	3,280,402	7,073,248
Foreign pooled funds:		
McLean Budden American Equity Pooled Fund	39,215,644	53,694,422
McLean Budden Offshore Equity Fund	29,663,574	30,566,624

The foreign pooled funds are operated by McLean Budden, holding U.S. and foreign equities.

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

Notes to Financial Statements (continued)

Year ended December 31, 2006

3. Investment income:

	2006	2005
Short-term notes and treasury bills	\$ 1,766,316	\$ 1,433,948
Canadian bonds	12,015,710	11,518,499
Canadian equities	3,056,644	2,760,731
Foreign equities and pooled funds	8,566,983	5,787,709
Foreign government bonds	44,963	-
Foreign exchange losses	(343,571)	(23,128)
Other	26,951	273
	\$ 25,133,996	\$ 21,478,032

4. Fixed assets:

			2006	2005
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and office equipment	\$ 26,931	\$ 7,315	\$ 19,616	\$ 25,299
Computer software and equipment	126,139	63,692	62,447	93,440
Vehicles	43,460	2,854	40,606	-
	\$ 196,530	\$ 73,861	\$ 122,669	\$ 118,739

5. Commitments:

At December 31, 2006, 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):

2007	\$ 40,800
2008	40,800
2009	40,800
2010	40,800
2011	42,840
Thereafter	232,560
	\$ 438,600

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

Notes to Financial Statements (continued)

Year ended December 31, 2006

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.

7. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

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

Schedule of Administrative Expenditures

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Investment manager fees	\$ 1,201,363	\$ 1,031,098
Salaries	576,864	573,125
Custodian fees	159,539	134,650
Office rent and operating	103,311	107,760
Legal fees	103,016	90,370
Actuarial services	88,913	105,810
GST	77,910	79,406
Dues, fees and licenses	76,590	78,475
Amortization	73,861	107,142
Data processing	68,967	72,117
Members/locals education	40,720	-
Investment consulting fees	30,000	30,000
Audit	28,750	19,000
Accounting fees	27,000	24,000
Office supplies	23,693	20,096
Insurance	22,909	23,381
Education and development	22,453	38,359
Travel and conference	15,998	12,290
Postage	15,476	13,251
Trustees' meetings	13,372	12,044
Telephone	11,830	12,149
Bank charges	8,252	9,473
Translation and newsletter	7,774	11,113
Staff development	4,517	3,437
Printing	4,204	15,080
Advertising and promotion	2,660	4,348
Automobile	2,335	-
Miscellaneous	1,240	2,187
	\$ 2,813,517	\$ 2,630,161