

Financial Statements of

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

Year ended December 31, 2004



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, 2004 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 susceptible of 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, 2004 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 22, 2005

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

Statement of Net Assets Available for Benefits

December 31, 2004, with comparative figures for 2003

	2004	2003
Assets		
Cash	\$ 1,600,096	\$ 524,114
Accrued investment income	2,613,189	2,523,765
Contributions due from employers	1,087,712	680,457
GST rebate receivable	36,912	38,073
Prepaid expenses	29,342	22,739
Investments (note 2):		
Short-term notes and treasury bills	43,427,990	43,689,245
Canadian bonds	219,557,701	205,241,855
Canadian equities	160,096,668	151,030,291
Foreign equities	46,982,004	40,695,855
Foreign pooled funds	76,775,663	70,406,179
	546,840,026	511,063,425
Fixed assets (note 4)	205,111	290,950
	552,412,388	515,143,523
Liabilities		
Accounts payable and accrued expenses	335,503	292,832
Net assets available for benefits	\$ 552,076,885	\$ 514,850,691

See accompanying notes to financial statements.

On behalf of the Board:

_____ 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, 2004, with comparative figures for 2003

	2004	2003
Increase in net assets:		
Investment income (note 3)	\$ 20,872,767	\$ 17,524,794
Net realized gain on sales of investments	12,571,617	1,388,629
Employer contributions	8,188,301	6,289,620
Change in net unrealized gains	12,070,349	32,456,470
	<u>53,703,034</u>	<u>57,659,513</u>
Decrease in net assets:		
Pension and death benefits	13,756,877	12,349,906
Termination payments and portability transfers	207,904	352,090
Administrative expenditures (Schedule)	2,512,059	2,465,314
	<u>16,476,840</u>	<u>15,167,310</u>
Increase in net assets	37,226,194	42,492,203
Net assets available for benefits, beginning of year	514,850,691	472,358,488
Net assets available for benefits, end of year	<u>\$ 552,076,885</u>	<u>\$ 514,850,691</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, 2004

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, 2004

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) 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, 2004, as reported to April 22, 2005.

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

Notes to Financial Statements (continued)

Year ended December 31, 2004

1. Significant accounting policies (continued):

(f) 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 and office equipment and vehicles	5 years
Computer software and equipment	3 - 5 years
Leasehold improvements	Term of lease

2. Investments:

The following table summarizes investments at cost:

	2004	2003
Short-term notes and treasury bills	\$ 43,820,253	\$ 44,622,416
Canadian bonds:		
Government	133,150,339	120,040,095
Corporate	77,844,936	77,739,484
Canadian equities	102,013,882	104,812,917
Foreign equities	38,678,402	31,492,324
Foreign pooled funds	71,180,506	64,274,830
	\$ 466,688,318	\$ 442,982,066

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

Notes to Financial Statements (continued)

Year ended December 31, 2004

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 2005 - December 2005	\$ 43,427,990	2.1 - 9.2
Canadian bonds:			
Federal	December 2006 - January 2033	\$ 93,473,967	3.0 - 7.0
Provincial	November 2009 - March 2033	43,947,455	4.8 - 6.0
Municipal	June 2033	430,426	5.5
Corporate	May 2006 - December 2049	81,705,853	4.1 - 8.0
		\$ 219,557,701	

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
Pooled Funds:		
McLean Budden American Equity Pooled Fund	\$ 34,783,782	\$ 34,917,575
McLean Budden Offshore Equity Fund	33,146,756	39,023,152
Bonds and treasury bills:		
Government of Canada	81,770,155	84,444,977
Province of Ontario	9,218,724	9,789,420
Quebec Government US DN	8,433,770	8,196,954
Equities:		
Bank of Nova Scotia	4,295,307	9,137,150
Manulife Financial Corp	4,876,838	8,182,580
Royal Bank of Canada	3,535,700	7,016,100
Talisman Energy Inc.	3,238,103	7,550,490
Toronto Dominion Bank	4,902,560	8,361,600

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

Notes to Financial Statements (continued)

Year ended December 31, 2004

3. Investment income:

	2004	2003
Short-term notes and treasury bills	\$ 783,251	\$ 810,791
Canadian bonds	11,900,233	11,093,582
Canadian equities	2,714,670	2,598,881
Foreign equities	5,445,531	3,036,975
Other investments	29,082	(15,435)
	<u>\$ 20,872,767</u>	<u>\$ 17,524,794</u>

4. Fixed assets:

	2004	2003
Furniture and office equipment	\$ 213,764	\$ 184,195
Computer software and equipment	1,475,020	1,448,556
Leasehold improvements	41,652	41,652
Vehicles	52,675	52,675
	<u>1,783,111</u>	<u>1,727,078</u>
Less accumulated amortization	1,578,000	1,436,128
	<u>\$ 205,111</u>	<u>\$ 290,950</u>

5. Commitments:

At December 31, 2004, the Fund is committed under an operating lease for rental of office space until 2006, which requires minimum rental payments as follows (excluding taxes and operating costs):

2005	\$ 35,000
2006	27,000

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

Notes to Financial Statements (continued)

Year ended December 31, 2004

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 expenses, 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, 2004, with comparative figures for 2003

	2004	2003
Investment advisory fees	\$ 964,576	\$ 871,869
Salaries	555,083	540,694
Amortization	141,872	186,017
Custodian fees	124,512	128,935
Actuarial and consulting services	105,500	125,550
Office rent and operating	107,543	110,344
Data processing	77,451	100,802
GST	73,825	76,145
Education and development	33,585	35,037
Travel and conference	6,500	8,628
Dues, fees and licenses	73,547	52,807
Translation and newsletter	29,045	26,968
Legal fees	59,674	46,143
Office supplies	15,248	13,670
Postage	20,191	24,064
Printing	6,864	13,609
Audit	18,500	19,000
Accounting fees	24,000	24,000
Telephone	11,770	10,981
Trustees' meetings	15,238	17,116
Staff development	3,886	2,680
Insurance	21,720	17,965
Bank charges	14,382	1,155
Miscellaneous	4,969	9,862
Advertising and promotion	2,578	1,273
	\$ 2,512,059	\$ 2,465,314