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AFBS **2012 Annual Report**
Table of Contents

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What's the significance of the number $500,000,000?

ty AFBS Members take a total of just 180 seconds to answer that numerically-daunting question for you.

Our Collective Achievement

In this, the 2012 edition of your Digital Annual Report, you'll read the story of a remarkable achievement—your story—the story of a group of performers and writers who have successfully built one of Canada's top 200 financial organizations and accumulated a half-billion dollar nest egg for their retirement. You'll meet three child stars: one, now the Chair of your Board; the second, the recipient of this year's Leslie Yeo Award for Volunteerism; and the third, our Feature Member. Two of the three were among the first Members of AFBS back in 1975, and the third is one of the Society's newest. She is an expert practitioner of wushu, the martial arts sport popularized by Bruce Lee, Jet Li and Jackie Chan.

In video form you'll see and hear stories of good governance, of other associations who have become AFBS's partners in spearheading Canada's Creative Economy, and an explanation of how a one-time investment of $5,000 can become a $188,000 payoff. For those of you who thrive on numbers, there are also 50 pages of 2012 Financial Statements.

This Digital Annual Report is also the ongoing story of a society, The Fraternal, whose goal since 1975 has been to assist every Member in leading their own long and happy lifetime of highly individual personal and professional achievement, by providing behind-the-scenes stability, security and support. As a community of 17,000 (and growing), you are more than the sum of your parts. As Canadian performers and writers, you are part of a very creative country. Globally, Canada has a cultural impact far larger than the size of its population would suggest. Canadian artists and Canadian productions have far-flung influence. Within Canada, the working arts provide some 600,000 jobs and contribute some $50 billion to the economy. The arts represent about 4% of the Canadian GDP and a considerably larger percentage of the country's Gross National Sense of Fulfillment.

But there's more to this story. As a coalition of working artists, AFBS is just beginning to engage many more people who also call themselves artists: musicians, 3-D animators, programmers, multimedia designers, producers, and others whose New Media professions don't even have names yet but whose work will be part of Canada's rolling artistic renaissance.

The moral of this story is that we all belong together. The tighter the network, the stronger the fabric. The closer we connect and the longer we stay connected, the greater our collective achievement.
The number $1,000,000,000 can't be far away.

Rex Hagon

PERFORMER

RECIPIENT OF THE 2013 LESLIE YEO AWARD FOR VOLUNTEERISM

Rex started his acting career young, at the age of five-and-a-half, working on live TV and doing a principle role in a CBC drama, *Fall of the Rocket King*. He was also very busy doing a number of early children's TV and radio shows like *Maggie Muggins*, *Whistletown* and *Razzle Dazzle*. A turning point occurred when he landed the role of "The Kid" in *Jake and the Kid* with Murray Westgate, based on a series of short stories by W.O. Mitchell. In 1968, Rex appeared in the international series *The Forest Rangers* as Junior Ranger, Peter Keeley. The role proved to be a very powerful work experience for Rex. "*The Forest Rangers* was so rich. It was my first real opportunity to work with a range of professional directors and a constant group of talented Canadian performers for a year-and-a-half. It also provided a chance to sustain my deep love of nature, including camping and canoeing, nothing dangerous or extreme. To this day, I prefer to go to remote locations—with family or friends—and to rely simply on what we can carry in. I love the sound of rain on a tent, providing I haven't set it up in a gully."

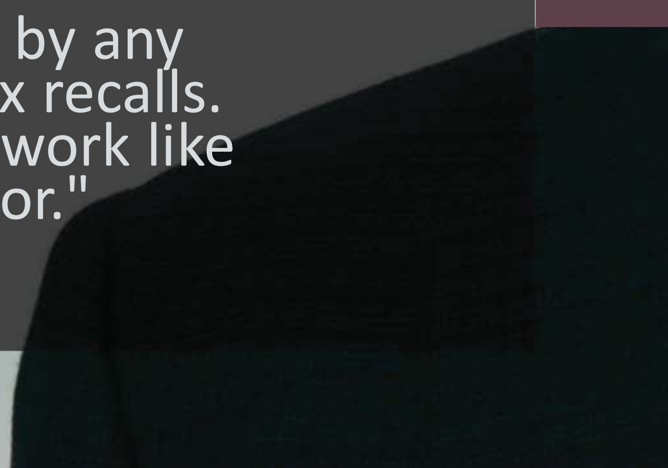
When his role on the *The Forest Rangers* ended (because he had grown too tall), he returned to reality and Toronto's Upper Canada College to complete his high school education, although he continued doing TV and radio shows along with commercials.

"I was never a brilliant student by any stretch of the imagination," Rex recalls. "I learned to memorize school work like I memorized my lines as an actor."

01
PLAY VIDEO

VIDEO:
CONGRATULATIONS F
GORDON PINSENT, C
CONLEY AND CLIVE E

02



FACTOID:
REX HAS FOUR CHILDREN – THREE SONS AND A DAUGHTER

Rex Hagon

LESLIE YEO AWARD WINNER
CONTINUED

Rex's father became seriously ill during Rex's final year at Upper Canada College, and for the next 18 months, and into his first year of university, Rex and his mother became his dad's principle caregivers. Nevertheless, Rex juggled academics and acting roles and completed his Bachelor of Arts in Sociology at the University of Toronto before being enticed by the CBC to host a national show known as *Drop-In* for three years. His next "cult" role was on TVOntario's *Polka Dot Door*, a well-loved children's show that was a staple among children from 1971 until the late 1980s. But in one of life's ironies, Rex feels he never had a chance to be a kid himself. "My mom instilled in me as a child actor that I needed to be as professional as the adult actors I worked with, that I had a responsibility to show up on time, to participate, to do my job. Although it's been a blessing to have that kind of professionalism instilled at an early age, it was also a curse. I missed the frivolity of being a kid."

Following the end of his run on *Polka Dot Door*, Rex focused on commercials, stage productions and dabbled in directing. After being in acting for 30-plus years, Rex migrated into corporate communications consulting in 1988. Typical of events in Rex's life, it was a smooth transition.

"I loved the acting, but there wasn't enough work to create a sustainable income and support my family, plus I knew I could help business people talk in an authentic way, speak with confidence and more confidently relate to a live audience—the very skills I learned as an actor. So for a few years I did both acting and consulting until I had to decide where my time could be best spent."

Through Rex Hagon & Associates, Rex continues to assist the leaders of well-known national and international corporations in communicating more effectively and in bringing words to life using a combination of story-telling techniques and very precise implementation strategies—a directness he brings to his own life, personally as well as corporately. Sometimes his instinct to manage outcomes happens in almost unimaginable ways, as his wife, Daphne, relates: "Rex certainly isn't a bystander, a spectator in life. Anything but. He's involved. He's a doer. He doesn't just walk in, he leaps in. He saved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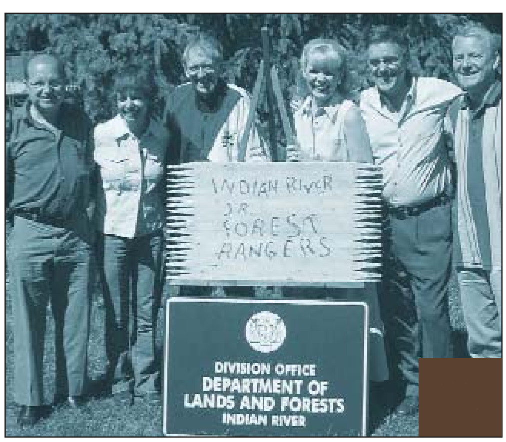
DEPARTMENT OF


INDIAN RIVER
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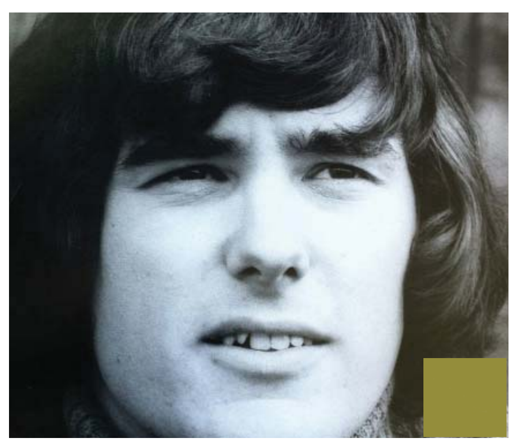
DIVISION OFFICE
DEPARTMENT OF
LANDS AND FORESTS
INDIAN RIVER



Rex Hagon

LESLIE YEO AWARD WINNER CONTINUED

a store from a serious fire by running to the owner's house and waking him up. Stopped a burglary in progress and pinned the thief down until the police arrived. Provided shelter to a woman who had been raped. When he noticed that a man had fainted and collapsed onto the electrified rail of a subway track, Rex frantically attempted to alert the station attendant, to no avail, and then immediately turned his attention to the driver of the oncoming train, but with the same result. To the dozens of other commuters standing immobilized on the platform, Rex must have appeared to be a fast-forward-moving character in an animated cartoon as he moved through the station." And although Rex was unable to stop the train entirely, the man escaped with only a ripped snow parka and a bruised arm.

"When you get that involved, you have a sense that you can make things better," Daphne concludes.

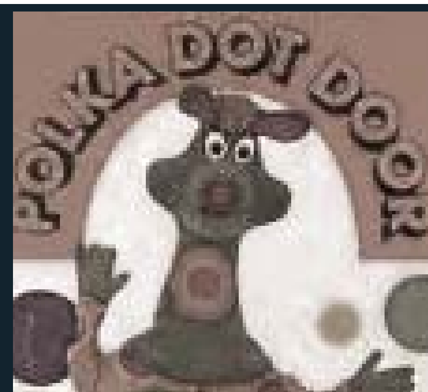
It is through Rex's volunteerism that he continues to find more ways of making things better. For his own community. For the world in general. To see just some of the ways he gives back, see the timeline on the following pages of this Digital Annual Report. One of Rex's current favourite roles is his involvement with The ManKind Project of Toronto where he currently serves on the Board as Vice-Chair. The ManKind Project is a global, non-profit, educational organization with the mission "to support men in leading meaningful lives of integrity, accountability, responsibility and emotional intelligence."

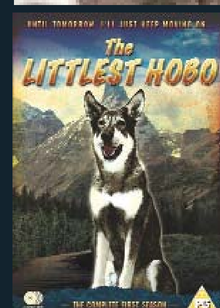
Rex also made things better at ACTRA, as Barry Flatman, one of Rex's many nominators for the Leslie Yeo Award for Volunteerism noted: "During his 15-year involvement with ACTRA, one of the longest-serving members in its history, Rex held many essential positions including President of the Toronto Branch Council and National Treasurer. Throughout, he remained a dedicated and tireless worker, working by consensus, negotiating forcefully, battling for performers' rights and inspiring others with his boundless enthusiasm. He made our union a valued and powerful partner in a healthy and prosperous industry. Every member, past and present, owes Rex a debt of gratitude."

03
PLAY VIDEO

Rex's advice to everyone he shares the world with? "Lead by example: be the change you want to see in the world. Jump in with both feet, and remember to have fun doing it."

To view Rex's 3-minute short story in video form, **CLICK HERE**.
To learn more about his current career, visit **rexhagonassociates.com.**





FILMOGRAPHY

1954-1958: ON CAMERA (TV SERIES, CBC)

1956-1958: FIRST PERFORMANCE (TV SERIES, CBC)

1963-1965: THE FOREST RANGERS (TV SERIES, CBC)

1969: ADVENTURES IN RAINBOW COUNTRY

1970-1974: DROP-IN (TV SERIES, CBC)

1970s: POLKA DOT DOOR (TV SERIES, TVONTARIO)

1971: THE REINCARNATE

1979-1985: THE LITTLEST HOBO (TV SERIES, CTV)

1980: MATT AND JENNY

1981-1982: THE SCIENCE ALLIANCE (TV SERIES, TVONTARIO)

1985-1989: ALFRED HITCHCOCK PRESENTS (TV SERIES, NBC)

1987-1994: STREET LEGAL (TV SERIES, CBC)

1988-1989: POLICE ACADEMY (ANIMATED SERIES) (TV SERIES, WARNER BROS. TELEVISION)

1988-1989: ROBOCOP: THE ANIMATED SERIES (TV SERIES, SYNDICATED)

1989-1991: BABAR (TV SERIES, HBO)

1990: PIGGSBURG PIGS! (TV SERIES, FOX KIDS)

1993-1995: THE BUSY WORLD OF RICHARD SCARRY (TV SERIES, SHOWTIME)

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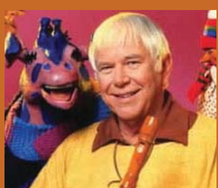
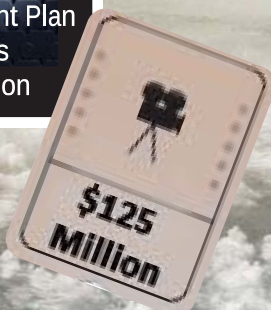
The last episode of *The Friendly Giant* appears on CBC



Rick Hanson launches his Man In Motion Tour

Retirement Plan Fund tops $100 million



"Black Monday," one of the largest stock market crashes in Wall Street history

Just two years later, over $125 million now under administration

SkyDome opens in Toronto

Colin Mochrie joins cast of British show, *Whose Line Is It Anyway?*

Persian Gulf War starts after Iraq invades Kuwait

This Hour Has 22 Minutes premieres on CBC

European Union (EU) formed

Retirement Plan Fund near $220 million

The loonie is introduced

1985 1987 1989 1991 1993 1995

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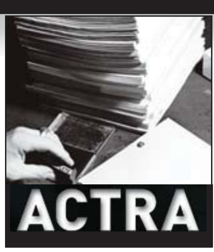


Established Rex Hagon & Associates

Co-created *Performers for Literacy*, with Jonathan Welsh

Continues his work with a number of national and international corporate leaders

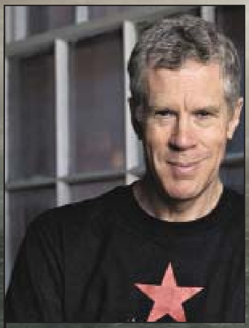
1997-2013

Gilles Villeneuve becomes the first Canadian Formula 1 champion

Robert (Bob) Underwood joins AFBS as President and CEO

World-wide New Year's Eve millennial celebrations on December 31

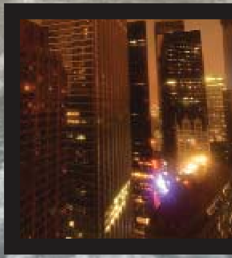
Stuart McLean receives Stephen Leacock Award for *Home From The Vinyl Café*



Trailer Park Boys premieres on Showcase

911 terrorist attack on the World Trade Center in New York City

Retirement Plan fund tops $380 Million

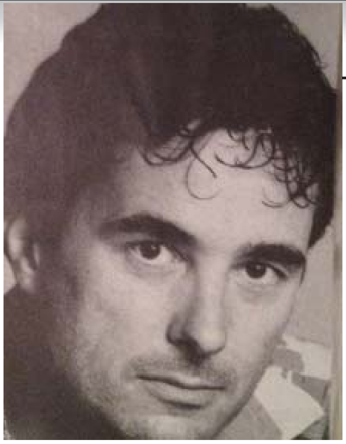


Massive power blackout hits Canada, U.S. and Britain

AFBS SINCE 1975

1997 | 1999 | 2001 | 2003

REX HAGON SINCE 1975



President of Playter Area Ratepayers Association

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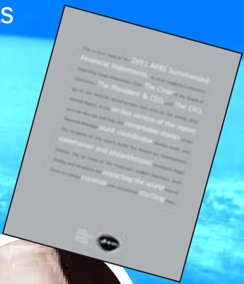
Grey's Anatomy debuts starring AFBS Member Sandra Oh

Vancouver's Joy Coghill is the first Leslie Yeo Award–winner

Corner Gas, recipient of six Gemini Awards, ends its run

AFBS publishes first Summarized Financial Statements



AFBS announces it now has $500 million in Members' assets under administration

Social media phenom Justin Bieber surpasses Lady Gaga as the most-followed person on Twitter

Global financial turmoil begins

Barack Obama becomes the first African-American president

At $2.34 million, a Jean Paul Lemieux canvas sets the record to date for a Canadian painting

2005 2007 2009 2011 2013

ard member, ronto Children's l Society 04-2013)

Participant and Vice-Chair of the ManKind Project Toronto (ongoing)

Honoured with the Leslie Yeo Award for Volunteerism

The Forest Rangers Reunion (50 Year)

Abigail Chu

PERFORMER

THIS YEAR'S FEATURE MEMBER

Twelve-year-old Abigail Chu has been competing in the sport of wushu for the past eight years. Wushu is both an exhibition and a full-contact sport derived from traditional Chinese martial arts ("Wu" is Chinese for military or martial,and "Shu" means art). In contemporary times, wushu has become an international sport and its highly-acrobatic style is reflected in the films of Bruce Lee, Jet Li and Jackie Chan. It was through one of Abigail's coaches, who regularly performs as a stunt double, that she was introduced to acting and, like wushu, performing has become one of her passions, nature being another. For Abi, there are similarities between martial arts and being in front of the camera. "Both require focus and concentration. Both require practice." (You'll find Abi at the gym two to three hours per day, five days a week). "And, for me, both are lots of fun." An "adrenaline junkie" by her own admission, Abigail thrives on the butterflies she feels in the moments before the action begins.

If that weren't enough to fill her life, she's an excellent student (Grade 7), is studying acoustic guitar, plays competitive volleyball, cross-trains and still finds time to hike and cycle with her school friends who "enjoy the outdoors as much as I do."

This always-happy, always-engaging, soon-to-be teenager has the self-discipline to be able to successfully balance school, sport and stage. Her friends always enjoy hearing about her time on set and the celebrities she has met. She's quick to add that "all of my friends are happy for me, not envious at all." Abigail has a full-time agent, but her mom, Eva, remains her manager and her 11-year-old brother, Damien, will always be her biggest fan.

01 PLAY VIDEO

VIDEO: REX HAGON, OUR LESLIE YEO AWARD–WINNER, CONGRATULATES OUR FEATURE MEMBER

02

FACTOID: AS MULTI-TALENTED AS SHE IS, ABIGAIL ADMITS WITH A GIGGLE THAT THERE'S ONE THING SHE DOESN'T DO WELL: SING.

2012

FILMOGRAPHY

- 2013: PLEASE KILL MR. KNOW IT ALL
- 2010: SCOTT PILGRIM VS. THE WORLD
- 2010: DOODLEBOPS ROCKIN' ROAD SHOW (TV SERIES, CBC)
- 2010: THE LATEST BUZZ (TV SERIES, CBC)
- 2009: SPLICE

Abigail Chu

FEATURE MEMBER CONTINUED

03

FACTOID: ABIGAIL PLAYED ALONGSIDE ADRIEN BRODY, SARAH POLLEY AND DELPHINE CHANÉAC IN SPLICE

Her favourite actor and actress? Canadians Michael Cera and Sarah Polley. Abigail appeared with Michael in 2010's *Scott Pilgrim vs. the World* and with Sarah in the 2009 Sci-Fi thriller *Splice*

Thor Bishopric

CHAIR, AFBS BOARD OF GOVERNORS

"We have a great mix of people serving as your Board of Governors. They include performers and writers plus financially and politically-savvy people from outside our industry. You get to meet them on the next page."

01
PLAY VIDEO

2012 was an outstanding year.

Dur Members' earnings were the highest ever.

Dur Members' participation in the insurance program was the highest ever.

Dur Members' personal retirement savings hit the $500,000,000.00 mark, he highest level ever.

And thanks to the success our Members enjoyed in 2012, AFBS itself lso had an outstanding year. Please watch my **Video Report** for more letails about our strong financial results.

Your Board of Governo

ors

(STANDING, LEFT TO RIGHT) Richard Hardacre, Guy Gauthier, Marie-P. (Charette) Poulin, Jani Yates, David H. Atkins, Thor Bishopric, Norm Bolen, Ferne Downey, Sugith Varughese, Corrie Coe, William Samples **(SEATED, LEFT TO RIGHT)** David Ferry, Peggy Mahon, Pierre Racicot

CLICK on each person to get to know your Governors.

Bob Underwood

PRESIDENT & CHIEF EXECUTIVE OFFICER

01 PLAY VIDEO

"It's been a feel-good story of a group of actors and screenwriters who own their own half-billion-dollar enterprise."

With our Retirement Plan balances passing the half-billion dollar mark, 2012 was a year to be remembered for AFBS. In addition to this achievement, the Society began to more fully realize its mandate to become "the premier provider of insurance and retirement services for the entire Canadian artistic community." This mandate was part of the original vision for AFBS, a vision that was first articulated some 37 years ago.

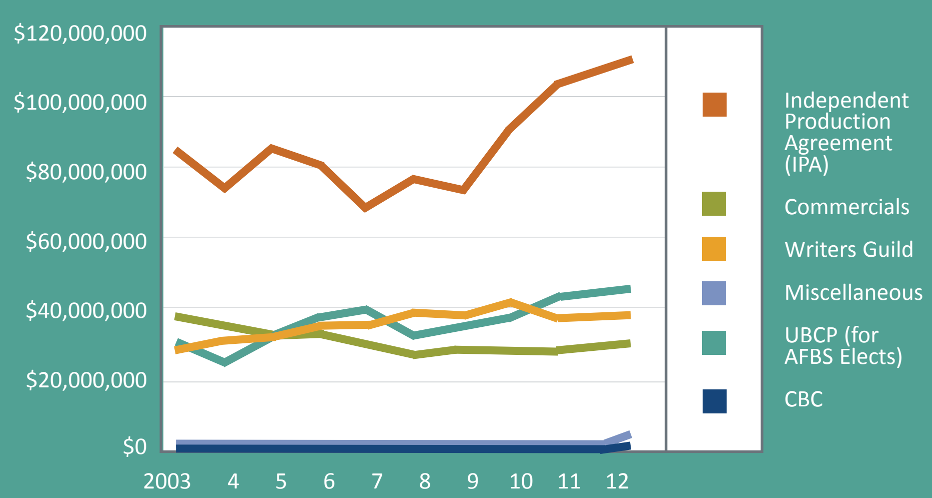
Member Work Opportunities

The year 2012 represented the highest-ever earnings year for Members overall, surpassing the previous high recorded in 2011, with insurable earnings of $225.9 million for the year.

The combination of favourable tax credits, the expansion of studio facilities in our major centres, more home-grown Canadian production, and the international success of Canadian television series paved the way for this record-setting year for our writer and performer Members.

02

Earnings by category 2003 through 2012



Insurance Services for the Canadian Artistic Community

In addition to serving the needs of our founding Guilds, ACTRA and the Writers Guild of Canada, I am pleased to report that AFBS is increasingly being recognized as the insurance brand standard for Canada's entire working arts sector. During 2012, our Writers' Coalition Program and Arts & Entertainment Plan® (A&E Plan) gained support from more than 23 writers' organizations across the country, and we can now also confirm that Canadian Actors' Equity and SOCAN (the Society of Composers, Authors and Music Publishers of Canada) were among those who elected to make our A&E Plan available to their members. I mention these two organizations specifically because of their strong influence in the creative community; SOCAN alone has more than 100,000 songwriter and music publisher members. We would like to thank ACTRA Performers Rights Society for their support as a founding partner for this program.

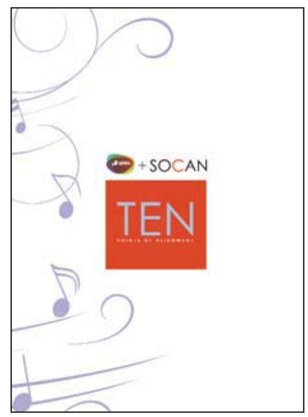
With dozens of organizations—like those two, representing a total of 200,000-plus members across the country—now recommending our insurance products, we are confident that by working hand-in-hand with each of them we can continue to convert an ever-higher percentage of their membership to our plans and programs. To do so, we have created a package of communications tools, in both printed and digital form, which allow these organizations to tell the AFBS story to their members.

Writers Coalition Program

Access Copyright
Calgary Spoken Word Festival
Canadian Authors Association
Canadian Media Guild
Canadian Science Writers' Association
Canadian Writers Group
PEN Canada
Playwrights Guild of Canada
Professional Writers Association of Canada
Quebec Writers' Federation
Speculative Fiction Canada
Storytellers of Canada
The Association of Canadian Publishers
The League of Canadian Poets
The Literary Press Group of Canada
The Word Guild/Christian Info Group
The Writers' Union of Canada
Toronto Writers' Centre
THIN AIR: Winnipeg International Writers Festival
Travel Media Association of Canada
Ottawa International Writers Festival
Kingston WritersFest
Vancouver International Writers Festival
IOFA and Harbourfront Reading Series
CANSCAIP
The Outdoor Writers of Canada
WordFest: Banff-Calgary International Writers Festival
Writers' Federation of Nova Scotia
Writers' Federation of New Brunswick
Toronto Public Library

Using a presentation we call *Ten Points of Alignment* —one that we used with great success over the past year—we will continue to reach out to the creative community. The presentation identifies 10 different values shared by AFBS, the Writers' Coalition, A&E, and the societies, associations, guilds, co-ops and collectives representing the interests of artists, from music composers to stuntmen. The clear, concise and authentic language used in our colourful *Ten Points of Alignment* presentation has resonated with the creative community. Here are the front cover and a representative two-page spread from the presentation. To view a video about the compelling message the presentation contains, **CLICK HERE**.

03
PLAY VIDEO



Arts & Entertainment Plan®

Ontario Craft Council
CARFAC Ontario
Recording Artists' Collecting Society
Canadian Dance Assembly
Canadian Actors' Equity Association
Atlantic Filmmakers Cooperative
New Brunswick Craft Council
Arts BC
ACTRA Apprentice and Background Performers
SOCAN
Screen Composers Guild of Canada
Visual Researchers Society of Canada
Visual Arts Alberta – CARFAC
Canadian Country Music Association
Union of BC Performers

Accident on Set Program

Our Accident on Set program was introduced in 2008 to provide performers and stunt performers throughout Canada with disability income and health care protection in the event of injuries on set. This producer-funded program has grown to now include the majority of all productions within the commercial film and television sector in those provinces where provincial workers' compensation for both performers and stunt performers is not mandatory. This means it includes all provinces with the exception of British Columbia, Quebec, New Brunswick and Newfoundland.

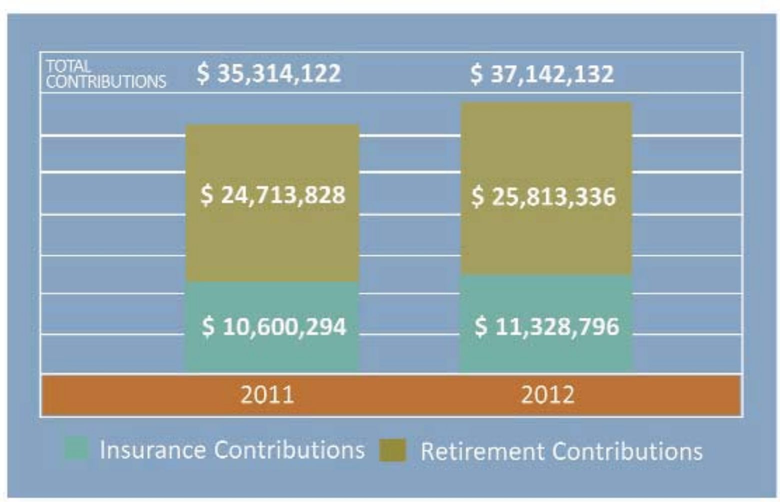
During 2012, this program paid out more than $400 thousand in disability income benefits to stunt performers who were previously excluded from benefits under provincial WCB programs.

Annual AoS Premium	
2008	$ 192,211
2009	$ 462,836
2010	$ 655,787
2011	$ 796,121
2012	$ 989,846

Since its introduction, premium revenue for our Accident on Set program has grown to almost $1 million in 2012 making this program the accepted industry standard for the production sector. In addition to providing performers with insurance protection while working on set, Accident on Set remains a positive contributor to the Society's overall financial performance, which benefits all our Members.

Members' Insurance and Retirement Contributions

Members' contributions, which are directly linked to Members' earnings, are the primary contributors to sustainable growth in our insurance and retirement operations. I am pleased to report that in 2012 those contributions reached their highest level in the history of the Society.



Insurance and retirement contributions continue to be bolstered by close to a total of $6 million in voluntary contributions from Members. These contributions allow Members to: ONE, maintain their insurance classification from the prior year; and TWO, to top-up available contribution room in their RRSP programs.

Voluntary insurance contributions for 2012 reached more than $1.37 million. It is a solid testimonial to our Members' confidence in the AFBS insurance program and Members' recognition of the value it provides. In spite of continued volatility in both the Bond and the Equity markets, contributions to both insurance and RRSP levels in 2013 suggest we will see that pattern continue.

Voluntary Retirement Contributions	
2008	$ 3,586,835
2009	$ 2,770,334
2010	$ 4,200,767
2011	$ 4,721,418
2012	$ 4,554,591

Voluntary Insurance Contributions	
2008	$ 1,052,966
2009	$ 1,192,981
2010	$ 1,238,372
2011	$ 1,347,387
2012	$ 1,373,008

The incidence of Members' RRSP withdrawals continues to be a source of ongoing concern, and we would hope that our new Financial Literacy app (which is under development for launch in 2013) will help our Members better understand the importance of preserving their RRSP balances for retirement. With the touch of a button, Members will be able to use their cell-phone, tablet or computer to see the dramatic long-range impact on their retirement of removing money from their RRSP to make an impulse purchase, be it a big-screen TV or a compact car.

With the lowest fees of any major retirement fund in Canada and an average annual compound rate of return over the General Fund's history of 10.3%, this fund has become the place where Members have chosen to park their retirement assets during periods of market volatility. **CLICK HERE** to see the value of $5,000 invested over 37 years.

04 VIEW CHART

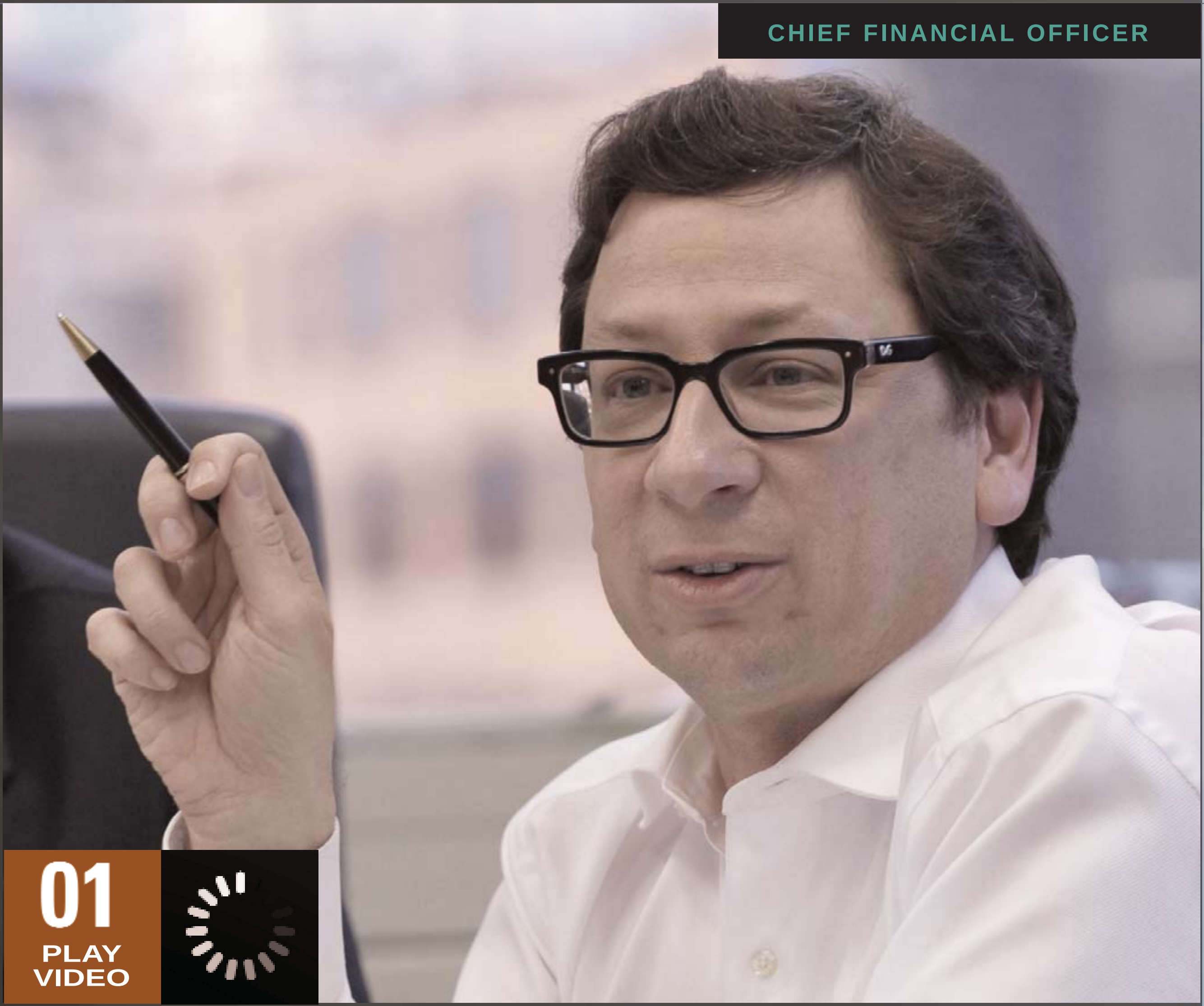
Our Tax-Free Savings Account, introduced in 2008, exceeded $1.6 million in 2012, and the low fees and performance results are clearly appealing to our Members.

On March 1st, 2013, AFBS introduced upgrades and revisions to our Members' Insurance Program which have included the addition of Travel Emergency Medical insurance to Bronze, Silver and Gold Level benefits, enhancements to some of the limits to our medical and dental reimbursement levels, and relaxation of some of the rules for reimbursement of the more commonly-claimed Health Care benefits.

05 DISCOVER MORE

Ron Zammit

CHIEF FINANCIAL OFFICER



01
PLAY VIDEO

"There are challenges to being a leader in a rapidly-changing economy, especially one with global influences. But with the assistance of one of the industry's best advisory teams, we have been able to see what's coming next."

Recovery, Milestones and More of the Same

In the investment world, 2012 could be considered a repeat of the year before. Stock markets charged ahead in the early months only to lose ground in the summer, and approached their annual peak by year's end. Where 2011 contributed the debt crisis in Europe and high government deficits, 2012 carried on these themes but added the uncertainty of the U.S. 'fiscal cliff'.

AFBS coped well within these realities. The General and Balanced funds have fully recovered from the harsh economic realities of the "great market correction" and for our Members, we reached a monumental milestone in 2012: The value of our Members' assets now exceeds $500 million providing you with the investment strength of one of the top 200 retirement funds in Canada.

With regards to insurance operations, recovery, milestones and more of the same are the operative words for 2012. The combined market value of the Society's investments in Canadian Equities and Bonds increased by more than $1.8 million providing the Society with more than $70 million to work hard for our Members in providing sustainable insurance and fraternal benefits. The Society repeated the performance of 2011, and once again had Comprehensive Income (which includes the change in the market value of the Society's investments) equal to $1.9 million before declaring a Fraternal Premium Subsidy.

The Society declared a Fraternal Premium Subsidy of $1.9 million to provide funds to Members that will stabilize the cost of insurance in current and future years.

Members' earnings increased 9% from 2011 continuing a trend of three successive years of increases. Equalization Revenues retained by the Society and used to provide subsidies to Members for their cost of insurance decreased by 3% from the prior year to $3.3 million. This marks the second year of consecutive decreases in Equalization Revenue.

The Society generated net income of $1.9 million for the year ending December 31, 2012 before considering the changes in the market value of its investment assets and the declaration of the Fraternal Premium Subsidy.

The Society's operating expenses of $8.8 million increased during the year. The **FOLLOWING TABLE** provides a comparison of the 2012 operating expenses to those incurred in 2011:

02 DISCOVER MORE

The most significant changes in operating expenses from the prior year resulted from the following:

(i) An increase in staff costs of $344,000. Staff costs include expenses related to staff payroll and expenses related to the remuneration of the Board of Governors.

Increases in staff payroll resulted from the payment of amounts under the terms of the Society's collective bargaining agreement and an increase in the number of staff. The Society increased the number of staff by two individuals in order to service the Society's expanding Writers' Coalition Program and Arts & Entertainment Plan® insurance programs, and to enhance the Society's communication initiatives.

Board remuneration was increased in the current year, the first such increase since 2003. This increase brings the Society's Board compensation policies in line with the increased Board responsibilities assigned by the Society's regulators and in line with policies of similar fraternal organizations.

(ii) An increase in communication expenses of $200,000. This increase resulted from costs associated with communication and promotion of the Society's Writers' Coalition and Arts & Entertainment insurance programs and the Society's improved Group Home & Auto Program. Additional costs were also incurred due to the restructuring of staff in the communications department.

The surplus of the Society as at December 31, 2012 continues to be at a level in excess of the target level set by the regulator, the Office of the Superintendent of Financial Institutions (OSFI), and AFBS maintains its position as a strong and solid financial organization.

Business Segments

AFBS provides services to Members through three distinct business segments: Insurance Operations, Fraternal Operations, and Retirement and Savings Operations. Each business is distinctly funded and benefits provided to Members are integrated into the Society's operation. AFBS provides insurance, health care, life and fraternal benefits as well as retirement plan programs to Members pursuant to collective bargaining agreements negotiated between the Unions (ACTRA or the Writers Guild of Canada) and Engagers.

Insurance Operations

AFBS provides life, accident, extended health, dental and short-term disability insurance to eligible Members. Eligibility for these programs is a function of the earnings a Member generates in the previous calendar year and the insurance reserves a Member has available.

AFBS uses an external Actuary to determine the level of premium required to fund each insurance classification provided by AFBS. Factors that affect the price of insurance include health and dental claim costs, investment income earned on the assets of the Society and expenses. Each of these factors affects the net income of the Society.

03
DISCOVER
MORE

INSURANCE OPERATIONS include the Accident on Set (AoS) insurance program. AoS is a comprehensive insurance program that provides eligible performers with benefits and financial protection should they be injured while on set. AFBS developed the AoS program to provide insurance coverage to performers in those provinces where mandatory workers' compensation is not available. The insurance premiums for this program are paid by Engagers and are determined by an external Actuary.

In addition to AoS, insurance operations are enhanced by the Writers' Coalition Program and the Arts & Entertainment Plan®. The Writers' Coalition Program is enjoying its second year of operation and is successfully providing drug, health and dental protection to 30 participating writer groups. Introduced in late 2011, the Arts & Entertainment Plan® now provides drug, health and dental protection to 15 participating organizations which, in addition to background and apprentice performers, includes musicians, recording artists, composers, graphic artists and dancers.

Subsidy levels play a key role in the stability of the net premium levels that Members pay for their insurance coverage. The Guild Credit subsidy is funded by Equalization Revenues received by AFBS after subsidizing the cost of retirement plan administration. A Fraternal subsidy is provided to members to reduce the costs of insurance subject to the financial results of AFBS for the previous calendar year.

BENEFITS PAID to Members decreased on an annual basis. Total insurance benefits paid on behalf of Members (net of reinsurance recovered) amounted to $7.7 million in 2012, a decrease of 3% from 2011 and is a reflection of favourable life experience. The majority of these benefits are used in the payment of prescription drugs, dental and other extended health care benefits for Members.

04
DISCOVER
MORE

Member's Insurance Reserve Accounts

Insurance contributions received from Engagers on behalf of Members are held in individual interest bearing accounts for the Members and used to pay for a Member's cost of insurance. Balances in a Member's account, after paying insurance premiums, are held to pay insurance premiums in future years. As the amounts are interest bearing, Members benefit from having a secure income producing account that provides stability in insurance coverage.

Total Member insurance reserves, or "Contributions on Deposit", were $26.5 million as at December 31, 2012 compared to $24.5 million at the end of 2011. Interest is credited monthly to Members' insurance reserves based on an APR rate which is the greater of the 3 month rate for Treasury bills as determined by the Bank of Canada (V39065) or 1%. Members who hold in excess of $4,000 in their Insurance Reserve account can access these funds on an individual-request basis.

Fraternal Operations

AFBS offers various Fraternal benefits to eligible Members and their dependants at no cost to the Member. These benefits are paid by the Society from income earned on the assets of AFBS. The most significant of these benefits is the fully subsidized health care benefit for qualifying senior Members. The Society considers this benefit essential in addressing the health care needs of our senior Members.

Other benefits provided on a Fraternal basis by AFBS include a Scholarship Program for Members and their dependants, funeral expenses, disability benefits, basic insurance coverage for all new Members and a Member and Family Assistance Program (MFAP) for qualifying Members.

05
DISCOVER MORE

FRATERNAL BENEFITS are subject to review each year and may be amended on an annual basis.

Retirement and Savings Operations

AFBS offers three retirement fund options to Members for both the Registered Retirement Savings Plan (RRSP) and the Registered Retirement Income Fund (RRIF). AFBS also offers two fund options to Members for a Tax-Free Savings Account (TFSA).

The General Fund is a balanced fund offering a mix of bonds and domestic and foreign equities.

The Bond Fund is a 100% Canadian bond fund providing a more conservative alternative to Members who wish to avoid the volatility of the equity markets.

The Fixed-Term Interest Fund is a conservative option which invests primarily in fixed-income securities of Canadian governments and short-term fixed-income securities of Canada's five largest Chartered "A" banks. As the name suggests, the fund is held by the Members to a fixed term maturity and as a result rewards the Member with a stated fixed rate of return.

A summary of the funds follows.

> Total assets of $498 million are held on behalf of Members for Retirement and Savings purposes. Fund performance information is included in quarterly publications of *Your Money Matters* and *Your RRIF Report*. These publications are also posted on AFBS's website at www.afbs.ca.
>
> Six external professional fund managers manage the funds. The investment strategy used by each manager emphasizes a conservative, prudent approach with the objective of providing consistent competitive performance returns over the long term.
>
> The Board of Governors, management and an external advisor ensure the appropriate oversight procedures are in place to ensure effective governance of the Retirement and Savings funds.

Since June of 2004, the Society has allocated the fees paid to Investment Managers directly to the RRSP funds (RRIFs are not charged). This allocation has resulted in a reduction in the rate of return going forward equal to less than ½ of one percentage point (eg: Before this allocation, if the fund returned 10% for the year, then after this allocation, the fund will return 9.5% for the year). All rates published by the Society are reported net of these costs. This allocation resulted in additional monies becoming available to provide a Fraternal Premium Subsidy to Members to offset the rising costs of insurance and decreasing Guild Subsidy.

2012

Financial Statements

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FINANCIAL REPORTING RESPONSIBILITIES

February 26, 2013

The financial statements of Actra Fraternal Benefit Society are prepared by management, who is responsible for the integrity, objectivity, reliability and fairness of the data presented, including amounts which, of necessity, must be based on estimates and informed judgements of current events and transactions.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains a system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring and training of employees, providing for an effective segregation of responsibilities and accountability for performance of those areas of responsibility.

The system of internal controls is further supported by the Audit Committee of the Board of Governors, which oversees management's responsibility for financial reporting. The Audit Committee is composed of governors who are neither officers nor employees of the Society.

The Superintendent of Financial Institutions Canada makes such periodic examination and enquiry into the affairs of the Society as it deems necessary to satisfy itself that the provisions of the Insurance Companies Act of Canada are being duly observed and that the Society is in a sound financial position.

PricewaterhouseCoopers LLP is an independent auditing firm appointed by the Members of the Society. Its responsibility is to report to the Members and the Superintendent of Financial Institutions Canada regarding the fairness of the financial statements of the Society. This responsibility is fulfilled by carrying out an examination in accordance with Canadian generally accepted auditing standards. The Auditor has full and unrestricted access to the Audit Committee to discuss its audit and related findings as to the integrity of the Society's financial reporting. The Auditor considers the work of the Appointed Actuary on the valuation of the policy liabilities included in the financial statements.

The Society's Appointed Actuary, Aon Hewitt, is appointed by the Board of Governors pursuant to Section 357 of the Insurance Companies Act of Canada. The Appointed Actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations and directives.

The Appointed Actuary is required to provide an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations of the Society. Examination of supporting data for accuracy and completeness and analysis of Society assets for their ability to support the amount of policy liabilities are important elements of the work required to form this opinion. The Appointed Actuary uses the work of the Auditor in verifying certain data files used in the actuarial valuation.

The Appointed Actuary is also required each year to analyze the financial condition of the Society and prepare a report for the Board of Governors. The analysis tests the capital adequacy of the Society for the following five years under adverse economic and business conditions.

Robert M. Underwood
President and CEO

Ron Zammit
Chief Financial Officer

REPORT OF THE APPOINTED ACTUARY

February 26, 2013

To the Members and Governors of
Actra Fraternal Benefit Society

I have valued the policy liabilities of the Actra Fraternal Benefit Society for its balance sheet at December 31, 2012 and their change in the statement of operations for the year then ended in accordance with accepted actuarial

INDEPENDENT AUDITOR'S REPORT ǑƨyəydzŜŘ

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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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

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PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

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ACTRA FRATERNAL BENEFIT SOCIETY

BALANCE SHEET as at December 31, 2012

(in thousands of dollars)

	2012 $	2011 $
Assets		
/I·ăK I·yŘ ŎI·ăK ŜIjdzʎØI·ŧŜyűă (note 6)	2,478	2,334
ŁyØŜăűΥŜyű ʎyŎ2ΥŜ I·ŎŎǈdzŜŘ	364	360
9Ijdzʎə**Ŝă** (note 7)	13,512	11,988
Bonds (note 7)	48,003	47,694
tǈ2ǇŜǈűè I·yŘ ŜIjdzǇΥŜyű (note 8)	525	352
Intangible assets (note 9)	504	526
Real estate (note 10)	344	305
Investment property (note 10)	843	746
wŜʎyƴădzǈI·yŎŜ I·ăăŜűă	31	30
wŜŎŜʎØI·ōŧŜă (note 15)	2,702	2,519
Other assets (note 16)	871	721
{ŜƎǈŜƎI·űŜŘ CdzyŘ yŜű I·ăăŜűă (note 24)	498,017	472,943
	568,194	540,518
Liabilities		
¦ yŜI·ǈyŜŘ ǇǈŜΥʎdzΥă	1,879	1,838
ŁyƴdzǈI·yŎŜ Ŏ2yűǈI·Ŏű ŧʎI·ōʎŧʎəŜă (note 11)	6,012	5,996
tǈ2ØʎăʎƷ ƬƷǈ CǈI·űŜǈyI·ŧ ǇǈŜΥʎdzΥ ădzōăʎŘè (note 12)	3,933	4,661
/ 2yűǈʎōdzə2yă 2ƴ ŘŜǇ2ăʎű	26,452	24,524
tǈ2ØʎăʎƷ ƬƷǈ a ŜΥōŜǈăǈ ŁyƴdzǈI·yŎŜ / ǈŜŘʎű (note 13)	33	364
¦ yIjdzI·ʎǓŜŘ ǈŜəǈŜΥŜyű Ŏ2yűǈʎōdzə2yă (note 14)	3,730	2,447
! ŎŎ2dzyűă ǇI·èI·ōŧŜ I·yŘ I·ŎŎǈdzŜŘ ŧʎI·ōʎŧʎəŜă	6,631	6,238
{ŜƎǈŜƎI·űŜŘ CdzyŘ ŧʎI·ōʎŧʎəŜă (note 24)	498,017	472,943
	546,687	519,011
9Ijdzʎűè		
! ǇǇǈ2ǇǈʎI·űŜŘ ădzǈǇŧdză (note 19)	792	792
¦ yI·ǇǇǈ2ǇǈʎI·űŜŘ ădzǈǇŧdză	17,692	17,688
! ŎŎdzΥdzŧI·űŜŘ 2űKŜǈ Ŏ2ΥǇǈŜKŜyƴăʎØŜ ʎyŎ2ΥŜ	3,023	3,027
	21,507	21,507
	568,194	540,518

The accompanying notes are an integral part of these financial statements.

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{dzƎʎűK ±I·ǈdzƎKŜăŜ
Governor

David Atkins
Governor

ACTRA FRATERNAL BENEFIT SOCIETY

STATEMENT OF OPERATIONS for the year ended December 31, 2012

(in thousands of dollars)

	2012 $	2011 $
Lyŏ2YŜ		
Insurance premiums earned	13,130	12,818
Insurance premiums ceded to reinsurers	(731)	(660)
Net insurance premium revenue	12,399	12,158
Investment income (note 7)	3,059	2,875
Equalization revenue	3,264	3,369
Other income	840	812
Net investment property income (note 22)	333	287
	19,895	19,501
Expenses Insurance benefits paid (note 11)	7,802	8,169
Insurance benefits recovered from reinsurers	(100)	(205)
Net insurance benefits paid	7,702	7,964
Fraternal benefits paid (note 11)	1,028	1,127
(Decrease) increase in policy liabilities (note 11)	15	(262)
Fraternal premium subsidy (note 12)	1,897	1,892
Members' Insurance Credit (note 13)	-	284
Premium taxes	236	186
Interest on contributions on deposit	221	210
Operating expenses (note 20)	8,792	8,151
	19,891	19,552
bŜű ʎyŏ2YŜ óf2ăăú Ŧ2ǋ űKŜ èŜI-ǋ	4	(51)

The accompanying notes are an integral part of these financial statements.

ACTRA FRATERNAL BENEFIT SOCIETY

STATEMENT OF COMPREHENSIVE INCOME for the year ended December 31, 2012

(in thousands of dollars)

	2012 $	2011 $
bŜű ĂyŎ2YŜ óf2ăăú Ŧ2Ŋ űKŜ èŜI-Ŋ	4	(51)
hűKŜŊ Ŏ2YǇŊŜKŜyãĂØŜ ĂyŎ2YŜ		
Change in net unrealized gains (losses) on available-for-sale financial assets		
Bonds (note 7)	(331)	1,702
Equities (note 7)	704	(1,050)
Reclassification of net realized gains to income (note 7)	(377)	(601)
hűKŜŊ Ŏ2YǇŊŜKŜyãĂØŜ ĂyŎ2YŜ óf2ăăú	(4)	51
/2YǇŊŜKŜyãĂØŜ ĂyŎ2YŜ	-	-

The accompanying notes are an integral part of these financial statements.

ACTRA FRATERNAL BENEFIT SOCIETY

STATEMENT OF CHANGES IN EQUITY for the year ended December 31, 2012

(in thousands of dollars)

2012

	Appropriated ădzǀLJfdză $	Unappropriated ădzǀLJfdză $	!ŎŎdzŶdzfl-ůŜŘ 2ůKŜǀ Ŏ2ŶLJǀŜKŜyăǀØŜ ʎyŎ2ŶŜ óf2ăăú $	Total $
.l-fl-yŎŜ π .ŜƎʎyƴʎyƎ 2Ŧ èŜl-ǀ	792	17,688	3,027	21,507
/2ŶLJǀŜKŜyăǀØŜ ʎyŎ2ŶŜ				
Net income for the year	-	4	-	4
hůKŜǀ Ŏ2ŶLJǀŜKŜyăǀØŜ f2ăă for the year	-	-	(4)	(4)
¢2ůl-f Ŏ2ŶLJǀŜKŜyăǀØŜ ʎyŎ2ŶŜ óf2ăăú Ŧ2ǀ ůKŜ èŜl-ǀ	-	4	(4)	-
.l-fl-yŎŜ π 9yŘ 2Ŧ èŜl-ǀ	792	17,692	3,023	21,507

2011

	Appropriated ădzǀLJfdză $	Unappropriated ădzǀLJfdză $	!ŎŎdzŶdzfl-ůŜŘ 2ůKŜǀ Ŏ2ŶLJǀŜKŜyăǀØŜ ʎyŎ2ŶŜ $	Total $
.l-fl-yŎŜ π .ŜƎʎyƴʎyƎ 2Ŧ èŜl-ǀ	792	17,739	2,976	21,507
/2ŶLJǀŜKŜyăǀØŜ ʎyŎ2ŶŜ				
Net loss for the year	-	(51)	-	(51)
hůKŜǀ Ŏ2ŶLJǀŜKŜyăǀØŜ ʎyŎ2ŶŜ for the year	-	-	51	51
¢2ůl-f Ŏ2ŶLJǀŜKŜyăǀØŜ ʎyŎ2ŶŜ óf2ăăú Ŧ2ǀ ůKŜ èŜl-ǀ	-	(51)	51	-
.l-fl-yŎŜ π 9yŘ 2Ŧ èŜl-ǀ	792	17,688	3,027	21,507

The accompanying notes are an integral part of these financial statements.

ACTRA FRATERNAL BENEFIT SOCIETY

STATEMENT OF CASH FLOWS for the year ended December 31, 2012

(in thousands of dollars)

	2012 $	2011 $
[illegible]		
[illegible]		
Contributions from Engagers on behalf of Members	10,450	8,802
Equalization revenue received	3,256	3,426
Investment income received	3,057	2,879
Other income received	1,180	1,102
Insurance and fraternal benefits paid	(8,080)	(8,350)
Payments to suppliers and employees	(8,072)	(6,701)
Income and premium taxes paid	(236)	(186)
Net amount paid on behalf of and due to/from Segregated Funds	1,281	485
Other items (net)	(49)	(26)
	2,787	1,431
[illegible]		
Total purchases of shares (note 7)	(820)	(311)
Total sales of bonds (note 7)	44,190	38,576
Total purchases of bonds (note 7)	(45,208)	(38,909)
Purchases of capital assets and real estate	(805)	(479)
	(2,643)	(1,123)
[illegible]	144	308
[illegible]	2,334	2,026
[illegible]	2,478	2,334

The accompanying notes are an integral part of these financial statements.

(in thousands of dollars)

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The Actra Fraternal Benefit Society (the Society) is a fraternal organization incorporated in Canada in 1975 and is licensed in all provinces to provide insurance programs to the Members of ACTRA and the Writers Guild of Canada, as well as members of other arts groups and individual members of the arts community. The address of its registered office is 1000 Yonge Street, Toronto, Ontario, Canada.

These financial statements have been authorized for issue by the Board of Governors on February 26, 2013.

The mission of the Society is as follows:

- to support the general and economic welfare of artists in Canada;
- to provide the security of an Insurance Plan with Life, Accident, Welfare, Health and Fraternal Benefits, and a Retirement Savings Plan with Retirement Benefits;
- to maintain a high standard of performance, integrity and service consistent with a constructive and arm's-length relationship with client organizations;
- to exercise due care, diligence and prudence in undertaking its responsibilities and in the best interest of the Members and Associates at all times; and
- to constantly review existing benefits and to encourage new ideas to better serve all Members and Associates of the Society.

The Society provides four distinct programs to its Members. The Life Fund provides group life insurance. The Sickness Fund provides dental, extended health and weekly indemnity insurance benefits, accidental death benefits and insurance for loss of use of limbs or faculties. The Fraternal Fund provides a variety of benefits to Members, including supplementary health care coverage and funding for scholarships, retirement home/care facilities and funeral expenses. In addition, the Society maintains separate Segregated Funds that provide a retirement savings plan, a registered retirement income fund and a tax-free savings account to Members.

The Society also provides insurance programs and savings accounts to both Members and other industry-related organizations.

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The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and effective as at December 31, 2012. The financial statements have been prepared under the historical cost convention, as modified for the revaluation of available-for-sale financial assets that have been measured at fair value, except reinsurance assets. The financial statements present, on a combined basis, the assets, liabilities, equity and results of operations of the Life, Sickness, Fraternal and Segregated Funds.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(in thousands of dollars)

All amounts in the financial statements are shown in thousands of Canadian dollars, rounded to the nearest thousand, unless otherwise stated.

- New and amended standards adopted by the Society

  Amendments to IFRS 7, Financial Instruments: Disclosures (IFRS 7), effective January 1, 2012. The amendment requires enhanced disclosures on transfers of financial assets. The disclosures promote transparency in the reporting of transfer transactions and improve the users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on the Society's financial position. The adoption of these amendments does not have an impact on the Society's financial statements in the current year, as there are no transfers of financial assets.

- New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013 and not early adopted by the Society

  Amendments to IFRS 7 on offsetting financial assets and financial liabilities promote transparency. The disclosures will enable users of financial statements to evaluate the effect, or potential effect, of netting arrangements on the Society's financial position. The Society intends to adopt these amendments no later than the accounting period beginning on or after January 1, 2013. The adoption of these amendments will have no impact on the Society's financial statements.

  IFRS 9, Financial Instruments (IFRS 9), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of International Accounting Standard IAS 39, Financial Instruments: Recognition and Measurement (IAS 39), that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the Society's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The primary change for the Society will be that its financial assets will be classified as fair value through profit or loss in place of the current classification of available-for-sale. The fair value through profit or loss classification will require the Society to recognize all changes in the fair value of financial assets in net income (loss) for the year, rather than recording changes in other comprehensive income (OCI). The Society is yet to assess the full impact of IFRS 9 and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2015.

  IFRS 13, Fair Value Measurement (IFRS 13), aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements across IFRS. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Society is yet to assess the full impact of IFRS 13 and intends to adopt IFRS 13 no later than the accounting period beginning on or after January 1, 2013.

  IAS 1, Presentation of Financial Statements, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012. The adoption of these amendments will have no impact on the Society's financial statements.

  There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Society.

(in thousands of dollars)

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Financial assets, comprising cash, short-term investments, equities and bonds, are recorded on the balance sheet at fair value on initial recognition and are subsequently accounted for based on their classification, as described below.

a) Life, Sickness and Fraternal Funds

The investments of the Life and Sickness Funds comprise cash and cash equivalents, bonds and equities.

The investments of the Fraternal Fund comprise cash and cash equivalents, bonds and equities.

All bonds and equities in the Life, Sickness and Fraternal Funds have been classified as available-for-sale financial assets.

Cash and cash equivalents are classified as loans and receivables.

Real estate in the Fraternal Fund is recorded at cost, less accumulated depreciation and any accumulated impairment losses. Net realized gains and losses are recognized in income (loss) in the year of sale.

b) Segregated Funds

The Segregated Funds' assets comprise cash, short-term investments, bonds and equities, all of which are at fair value.

Gains, income and losses arising from the Segregated Funds are disclosed in note 24 and are not reflected in the Society's statement of operations.

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a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that management has classified as available-for-sale.

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or equity prices.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Society's loans and receivables comprise trade and other receivables, and cash and short-term investments.

(in thousands of dollars)

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a) Available-for-sale financial assets

Regular way purchases and sales of financial assets are recognized on the settlement date, the date on which the financial asset is delivered to or by the Society.

Financial assets are initially recognized at fair value plus transactions costs that are directly attributable to their acquisition. Any change in fair value is recorded in OCI until the financial asset is disposed of or has become impaired. When the asset is disposed of, or its value has become impaired, the accumulated fair value adjustments recognized in accumulated other comprehensive income (AOCI) are transferred to the statement of operations as investment income.

The effective interest rate method is used to amortize the premiums or discounts on the purchase of available-for-sale financial assets.

Transaction costs are included in the cost of available-for-sale financial assets on the date of acquisition.

Interest on available-for-sale debt instruments calculated using the effective interest method is recognized in the statement of operations. Dividends on available-for-sale equity instruments are recognized in the statement of operations when the Society's right to receive the payments is established. Both are included in investment income.

A provision for impairment for equity instruments and debt securities classified as available-for-sale is established when there is objective evidence that the investment is impaired.

b) Loans and receivables

Loans and receivables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method.

A provision for impairment for loans and receivables is established when there is objective evidence the Society will not be able to collect all amounts due according to their original terms.

Financial assets are derecognized when the rights to receive cash flows from them have expired.

The Society's accounting policies relating to the impairment of financial assets are disclosed below.

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In accordance with the Society's investment policy, all investments in bonds and equities are in publicly traded, highly liquid securities. All financial instruments are traded in active markets. The determination of fair values of the investments is based on quoted market prices. The quoted market price used is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly-occurring market transactions on an arm's-length basis.

The carrying values, less impairment provision of trade receivables and payables, are assumed to approximate their fair values due to their short term to maturity. The fair value of insurance contract liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Society for similar financial instruments.

Impairment of assets

a) Financial assets

The Society assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the criteria that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for the financial asset because of financial difficulties;
- the credit rating of the issuer or debtor has been downgraded; and
- relevant industry conditions and trends.

In the case of equity investments, the criteria that there is objective evidence of an impairment loss include:

- a significant or prolonged decline in the fair value of the security below its cost;
- the dividend payments are in arrears;
- there is information available with respect to adverse effects indicating the carrying amount may not be recovered; and
- relevant industry conditions and trends.

In the case of loans and receivables, the criteria that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or debtor; and
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganization.

If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost for equities and the amortized cost for debt securities and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of operations, is removed from AOCI and recognized in the statement of operations. Impairment losses recognized in the statement of operations on equity instruments are not reversed. If, in a subsequent period, the fair value of a debt instrument classified available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of operations, the impairment loss is reversed through the statement of operations.

b) Other non-financial assets

Assets that have an indefinite useful life, for example, land, are not subject to amortization and are tested for impairment annually, and where there are indicators of impairment, the test is performed on a more frequent basis. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized

(in thousands of dollars)

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Real estate comprises the proportion of land and building at 1000 Yonge Street, Toronto, Ontario, Canada that is occupied by the Society for use in its operations.

Real estate is shown at cost, less accumulated depreciation and any accumulated impairment. All other property and equipment are stated at historical cost less accumulated depreciation and impairment. Historical costs include expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of operations during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line basis to allocate their cost over their estimated useful lives as follows:

Buildings	20 years
Office furniture and equipment	3 years
Computer equipment and systems	3 years

The asset's residual values and useful life are reviewed at the end of each reporting period and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are included under other income in the statement of operations.

Investment property

The proportion of land and buildings at 1000 Yonge Street, Toronto, Ontario, Canada held for long-term rental yields that is not occupied by the Society is classified as investment property.

Investment property comprises land and buildings at cost, less accumulated depreciation and any accumulated impairment.

Land is not depreciated. Depreciation on buildings is calculated using the straight-line basis to allocate their cost over their estimated useful lives of 20 years.

If an investment property becomes owner-occupied, it is reclassified as real estate at its proportionate carrying value.

Intangible assets

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Where computer software is not an integral part of related computer hardware, it is treated as an intangible asset and is reported at cost, less accumulated amortization and any impairments. Amortization on computer software is calculated using the straight-line method to allocate the cost over its estimated useful life, which has been estimated to be three years.

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The Society issues contracts that transfer significant insurance risk. Insurance contracts are those contracts that transfer significant insurance risk.

Liabilities arising from insurance contracts are presented as a single line item on the balance sheet, insurance contract liabilities.

A number of insurance contracts contain discretionary participating features, which the Society terms Fraternal benefits. Fraternal benefits entitle the Member to receive other benefits in addition to standard benefits for which:

- they are likely to represent a significant portion of the overall contractual benefits;
- their amount or timing is contractually at the discretion of the Society; and
- they are contractually based on the performance of the investment returns of a financial asset portfolio and/or the Society's surplus from operations.

The Society classifies its insurance contracts into three categories:

- Short-duration life insurance contracts
- Extended Health Care (EHC) contracts (eligible for Fraternal benefits)
- Short-duration Accident on Set (AoS) contracts

Short-duration life insurance contracts protect the Society's Members from the consequences of events (such as death or dismemberment) that would affect the ability of the Members to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are based on age and level of coverage and are fixed. There are no maturity or surrender benefits.

EHC contracts protect the Society's Members and their dependants from the consequences of events that result in additional health care costs that are not covered under health care programs provided by governmental bodies or other first-payer insurance policies from other insurance organizations. Dental benefits and weekly income benefits are a component of EHC contracts. Benefits are paid on occurrence of the specified insurance event, are based on age and level of coverage, and are limited to annual maximum amounts. Providing a Member meets eligibility criteria, EHC contracts provide the Member with additional Fraternal benefits. Additional Fraternal benefits are enhanced benefits that are paid on occurrence of the specified insurance event and are limited to annual and lifetime maximums. The availability of Fraternal benefits is at the discretion of the Society and is dependent on the performance of the investment returns of the Society's investment portfolio and/or the Society's surplus from operations.

AoS contracts protect the engagers of the Society's Members from the consequences of events that occur while the Members are on set in their performance of their contracts. The protection offered is designed for Engagers who become legally liable to pay compensation to injured performers. Benefits are payable to the Society's Members on occurrence of the specified insurance event and are limited to annual maximum amounts.

For all insurance contracts, premiums are recognized as revenue (insurance premiums earned) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as unearned premiums liability.

Claims and loss adjustment expenses are charged to income (loss) as incurred based on the estimated liability for compensation owed to Members. They arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Society. Liabilities for claims incurred but not reported (IBNR) are estimated from a development technique using empirical evidence and statistical analysis specific to each Member group and separately for each category of insurance. Separate statistical analysis is performed to allow for a provision for adverse deviation (PFAD) for each category of insurance. The PFAD is determined at each reporting period to ensure the appropriate provision has been made for risk and uncertainty. Changes in the PFAD are charged to the statement of operations.

(in thousands of dollars)

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Reinsurance has been purchased by the Society to reduce insurance risk by limiting the Society's exposure to any single claim for life and accident and sickness insurance benefits to $50 and $35, respectively. In addition, the Society has dual-layer catastrophic excess of loss reinsurance coverage limiting its exposure to a single common event, net of reinsurance recovery, to $225 on the first layer up to $3,750.

The Society also purchases reinsurance to reduce insurance risk by limiting the Society's exposure to any single claim for AoS benefits to two years of disability payments and reimbursements of health care expenses.

The benefits to which the Society is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

The Society assesses its reinsurance assets for impairment on a regular basis for any events that may trigger impairment. If there is objective evidence that the reinsurance asset is impaired, the Society reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the statement of operations. The Society determines impairment using the same process adopted for financial assets.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Society's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Society remains liable for the payment to the Member. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

Provisions

a) Provision for Fraternal premium subsidy

The provision for Fraternal premium subsidy represents amounts owing to Members to fund subsidized insurance premiums of future years. The provision is increased by the Fraternal premium subsidy, which is expensed annually after approval by the Board of Governors. The provision is reduced by the distribution of the Fraternal premium subsidy to the Members at the discretion of the Board of Governors on an annual basis.

The provision has no fixed terms of payment and is payable at the discretion of the Board of Governors.

b) Provision for Members' Insurance Credit

Equalization revenue represents amounts received from Engagers in respect of equalization revenue generated by guild collective bargaining agreements. Such amounts are recognized as income to the extent they are retained by the Society.

The Society reached an agreement in principle with ACTRA and the Writers Guild of Canada, whereby equalization revenue is used to fund premium subsidies for the Members of those guilds (the Members' Insurance Credit). These amounts are for the benefit of those Members working in each Guild jurisdiction that generates equalization revenue. The amounts available to be distributed to the Members are determined annually after a reduction of all expenses related to the administration of the retirement plans associated with each Guild.

The provision is expected to be paid within one year.

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Contributions on deposit represent amounts received from Engagers (plus accrued interest) in respect of Members, which are used to fund insurance premiums in the following year.

Contributions on deposit in excess of $4 are payable on demand.

(in thousands of dollars)

Accounts payable and accrued liabilities

Trade payables and accrued liabilities are classified as other financial liabilities and are presented separately as accounts payable and accrued liabilities. Trade payables and accrued liabilities are measured at amortized cost.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of operations on a straight-line basis over the period of the lease.

The Society leases certain property and equipment. The Society does not have substantially all the risks and rewards of ownership and these leases are, therefore, classified as operating leases.

Income taxes

The Fraternal, Sickness and Segregated Funds of the Society are not subject to income taxes.

Income taxes relating to the Life Fund are determined using the asset and liability method. Deferred income tax assets and liabilities are recognized for temporary differences between the income tax and accounting bases of measuring assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for income tax purposes that are more likely than not to be realized.

Revenue recognition

Revenue comprises the fair value of compensation received for services. Revenue is recognized as follows:

a) Insurance premiums

Insurance contracts for Life and Sickness are single premium contracts that have a term of 12 months or less. The premiums are charged to Members on the renewal/inception date of the insurance contract. The consideration received is deferred as a liability and recognized in the statement of operations over the life of the contract on a straight-line basis. The portion of premiums received on in-force contracts that relate to unexpired risks at the balance sheet date is reported as unearned premiums.

b) Investment income

Interest income on available-for-sale interest-bearing financial instruments, except those in the Segregated Funds, is recognized within investment income in the statement of operations using the effective interest rate method. When the financial instrument is impaired, the Society reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the financial instrument, and continues unwinding the discount as interest income.

Dividend income on available-for-sale equities, except those in the Segregated Funds, is recognized when the right to receive payment is established; this is the ex-dividend date for the equity security.

c) Equalization revenue

Equalization revenue represents amounts received from Engagers in respect of equalization revenue generated by Guild collective bargaining agreements. Such amounts are recognized when received.

d) Rental income

Rental income from investment properties is recognized when it is earned and is recorded net of operating and management expenses.

e) Other income

Other income represents amounts received from asset management and other related services offered by the Society and is recognized in the accounting period in which the services are rendered.

Fees consist primarily of investment management fees arising from services rendered in conjunction with the withdrawals of Members' investments in the Segregated Funds and the transfer of Members' segregated balances to other financial institutions.

(in thousands of dollars)

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Comprehensive income (loss) comprises net income (loss) and OCI. OCI includes changes in unrealized gains and losses on financial assets classified as available-for-sale. The changes in unrealized gains and losses are included in AOCI until recognized in the statement of operations. AOCI is included on the balance sheet as a separate component of equity.

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The Society makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year and the disclosure of contingent assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of income and expenses for the reporting period of the statement of operations.

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

a) Impairment of available-for-sale financial assets

The Society follows the guidance of IAS 39, to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement.

In making this judgement for impairments for the value of debt securities, the Society considers whether (i) the interest and payments are in arrears, (ii) the issuer of any debt securities held by the Society has reported any significant financial difficulty, (iii) the active market for that security has disappeared, (iv) the credit rating of the issuer of the debt security has been downgraded, (v) the extent and duration of the decline in value, and (vi) relevant industry conditions and trends.

In making this judgement for impairments for the value of equities, the Society considers whether (i) the dividend payments are in arrears, (ii) there has been a significant or prolonged decline in the fair value of the equities held by the Society, (iii) there is information available with respect to adverse effects indicating the carrying value of the equities may not be recovered, (iv) the extent and duration of the decline in value, and (v) relevant industry conditions and trends.

Had declines in fair values below cost or amortized cost been considered significant or prolonged, the Society would suffer reduced income of $315 (2011 - $247) as a result of transferring the unrealized losses from the AOCI reserve in bonds to the statement of operations.

b) Allocation of real estate between own-use and investment property

The Society follows the guidance of IAS 40, Investment Property, and IAS 16, Property, Plant and Equipment, with respect to property held at 1000 Yonge Street, Toronto, Ontario, Canada. This property is held as both property for own-use and as investment property. IAS 40 requires that where property is used for both own-use and income-generating purposes, the Society should account for each of these uses separately. The portion that is used for own-use should be presented as real estate, and the portion used to generate income should be presented as investment property.

Property considered as real estate is property that is occupied by the Society in order to maintain its physical operations.

Property considered as investment property is property that is held to generate both rental income and capital appreciation.

The determination of the allocation between real estate and investment property requires significant judgement. In making this judgement, the Society determined that the allocation is to be based on commercial area available for use and proportionate area available for rental use relative to the area available for own-use.

(in thousands of dollars)

c) Estimate of insurance contract liabilities

The process of determining insurance contract liabilities, including the Fraternal benefit liability, involves the estimation of the occurrence of events, which are uncertain. The risks of misestimation vary in proportion to the length of the estimation period and the volatility of assumptions.

The Fraternal benefit liability is estimated by projecting the benefits based on actual experience over the five preceding years and, after adjusting for anticipated trends, discounting the projected benefits.

In the computation of insurance contract liabilities, best-estimate assumptions have been made for many variables, including mortality, morbidity, investment returns, cost of claims, levels of administrative expenses and inflation.

The methods for arriving at the most important of these assumptions are outlined below.

Mortality: The ultimate mortality rates on a sex-distinct basis from the 1982-88 Canadian Institute of Actuaries tables are used.

Morbidity: The rate of claims is derived from industry experience studies, adjusted where appropriate for the Society's own experience.

Investment returns: Investments in bonds and short-term investments are used to support insurance contract liabilities. The projected cash flows from the investments are combined with future reinvestment rates derived from the current economic outlook and the Society's investment policy to determine expected rates of return for all future years. Uncertainty exists as to projections of future interest rates, asset default and reinvestment risks. The average estimated rate of investment return is 3.6% (2011 - 3.8%).

Expenses: Policy administration expenses and the cost of medical claims are derived from actual expenses incurred in the prior year and are sensitive to inflation.

PFAD: The basic assumptions made in establishing insurance contract liabilities are best estimates for a range of possible outcomes. To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the insurance contract liabilities are adequate to pay future benefits, actuaries are required to include a margin in each assumption. A range of allowable margins is prescribed by the Canadian Institute of Actuaries. The value of the PFAD included in the insurance contract liabilities is approximately $384 or 5.1% of total liabilities (2011 - $352 or 4.8%). The Society maintains the margins near the middle of the applicable ranges.

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The Society issues contracts that transfer insurance risk. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract this risk is random and, therefore, unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Society faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

(in thousands of dollars)

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a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS, SARS and influenza) or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier, or more, claims than expected.

As life benefits are provided under group insurance principles, there are no liabilities relating to most ongoing coverage. Although Members have certain individual rights and the Society does not have the unilateral right to cancel coverage, Members must generally remain active within a Guild to qualify for and maintain coverage. Members do not have the option of continuing coverage if they cease to belong to one of the eligible classes.

In order to reduce insurance risk, the Society purchases reinsurance.

The following table reports the year-end aggregated insured benefits for the in-force short-duration life insurance contracts.

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	Life $	AD&D $	Life $	AD&D $
2012	464,867	466,120	309,495	235,388
2011	466,381	466,568	314,346	240,090

In addition to basic life and Accidental Death and Dismemberment Benefits (AD&D), included in life benefits is the waiver of premium on disability for basic life insurance coverage only. This benefit comes into force when a Member or employee is deemed to have been permanently and totally disabled and has satisfied the prescribed waiting period as at the policy anniversary date.

b) Sources of uncertainty in the estimation of future claims payments

Other than for the testing of adequacy of the liability representing the unexpired risk at the end of the reporting period, there is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

In determining the liability for claims IBNR, it is necessary to make estimates. Uncertainty exists as to the number of claims and the amount of such claims. The method by which the Society makes these estimates is disclosed in note 2, Summary of significant accounting policies.

In determining the liability for waiver of premium, it is necessary to make estimates on the potential amount of insurance that remains in force as a result of the Members claiming total disability.

(in thousands of dollars)

c) Process used to decide on assumptions

The assumptions used for the insurance contracts disclosed in this note are as follows:

- IBNR
  - The delay in the reporting of claims is considered to be consistent with that of prior years included in the statistical analysis.
  - Claims incurred with lags beyond seven calendar years were assumed to be $nil.
- Waiver of premium
  - The valuation basis is the Group Life Waiver Study based on the Canadian Institute of Actuaries 1988-94 Canadian Group LTD Termination Experience Study with 3% interest.

d) Changes in assumptions

The Society did not change its assumptions for the insurance contracts disclosed in this note.

e) Sensitivity analysis

Incurred but not reported

	Change in liability			
	[illegible]		[illegible]	
	2012 $	**2011 $**	**2012 $**	**2011 $**
Short-duration insurance contracts (life risks only)				
Delay in reporting increase 10%	9	10	6	6
Delay in reporting decrease 10%	(9)	(9)	(6)	(6)

The above analysis is based on a change in one assumption while holding all other assumptions constant.

[illegible]

Sensitivity of the liability arising from the waiver of premium to interest rate and morbidity estimates is evaluated by the Society on an annual basis. The variance arising from the sensitivity analysis is provided for by the Society in its PFAD calculations. The PFAD arising from interest rate and morbidity sensitivity is $29 (2011 - $36).

(in thousands of dollars)

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a) Frequency and severity of claims

In addition to the liability for extended health care and dental claims, included in EHC liabilities are provisions for (i) paid-up insurance, (ii) Fraternal benefits, (iii) IBNR claims, and (iv) weekly income benefits (WIB).

Paid-up insurance represents EHC benefits provided for life for eligible Members. Effective January 1, 1995, there are no new entrants to this benefit.

WIB represent benefits paid on the occurrence of total disability.

For liabilities arising from EHC contracts, the most significant factors that could increase the overall frequency of claims are: epidemics (such as AIDS, SARS and influenza) or widespread changes in lifestyle, such as eating, smoking and exercise habits, and the inflationary cost of existing and new drugs available to treat the diseases and ailments.

As EHC benefits are provided under group insurance principles, there are no liabilities relating to ongoing coverage. Although Members have certain individual rights and the Society does not have the unilateral right to cancel coverage, Members must generally remain active within a Guild to qualify for and maintain coverage. Members do not have the option of continuing coverage if they cease to belong to one of the eligible classes.

The Society has the right to re-price the risk on renewal, which occurs on an annual basis. It also has the ability to impose deductibles and reject fraudulent or ineligible claims. These contracts are underwritten by reference to the defined benefits and limits imposed in each level of coverage made available. The Society uses its actual claims experience in its pricing determination.

Insurance risk under WIB is also dependent on economic conditions in the industry. Historical data indicates that recession and unemployment in an industry will increase the number of claims for disability benefits as well as reducing the rate of recovery from disability. The Society attempts to manage this risk through its underwriting and claims handling policies. The amount of disability benefit cover provided per individual is restricted in amount to the lesser of 60% of eligible earnings or $1 per week, and in duration to one year.

b) Sources of uncertainty in the estimation of future claims payments

In determining the liability for paid-up insurance, uncertainty arises from estimates used for mortality, morbidity and interest rates.

In determining the liability for Fraternal benefits, uncertainty arises from the estimates used for projections and the risk-free interest rate used to value the projected benefits.

In determining the liability for EHC claims and WIB claims, the Society must estimate the value of claims IBNR. IBNR factors are derived from the Society's actual EHC and WIB claims data. The Society maintains records stored by grids by the month incurred versus the month paid on a group-by-group basis. The Society's claim history is well-established and the use of empirical data specific to each individual group provides sound liability estimates.

(in thousands of dollars)

c) Process used to decide assumptions

The assumptions used for the insurance contracts disclosed in this note are as follows:

i) Paid-up insurance

- Mortality experience based on 1982-88 Canadian Institute of Actuaries sex-distinct mortality statistics
- Interest rate used for present value 2.75%
- Claims experience growth rate at 12% annual first five years, 10% annually next five years, 10% annually thereafter

ii) Fraternal benefits

- Trend analysis applied to actual experience over the five preceding years
- Discounted value of projection of claims over next three years
- Risk-free rate of return of 2.25%

iii) and iv) IBNR and WIB

- The delay in the reporting of claims is considered to be consistent with that of prior years' statistical analysis.

d) Changes in assumptions

The Society did not change its assumptions for the insurance contracts disclosed in this note.

e) Sensitivity analysis

i) Paid-up insurance

Sensitivity of the liability arising from paid-up insurance to interest rate and morbidity estimates is evaluated by the Society on an annual basis. The variance arising from the sensitivity analysis is provided for by the Society in its PFAD calculations. The PFAD arising from interest rate and morbidity sensitivity is $171 (2011 - $175).

ii) Fraternal Benefits

Sensitivity of the liability arising from Fraternal benefits to interest rate and morbidity estimates is evaluated by the Society on an annual basis. The variance arising from the sensitivity analysis is provided for by the Society in its PFAD calculations. The PFAD arising from interest rate and morbidity sensitivity is $76 (2011 - $76).

iii) IBNR and WIB

	Change in liability	
	2012 **$**	**2011** **$**
EHC contracts - IBNR and WIB		
Delay in reporting increase of 10%	103	91
Delay in reporting decrease of 10%	(103)	(91)

(in thousands of dollars)

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a) Frequency and severity of claims

For AoS risks, the frequency of claims is affected by the number of active productions and the number of performers employed by each production. The severity of claims is affected by the nature of the production (number of stunts involved) and the number of performers employed.

All AoS contracts are provided on a production-by-production basis with a term limited to the duration of each production. As a result, there are no liabilities relating to ongoing coverage.

The Society contracts a specialist claim unit to evaluate and mitigate the risks of claims. The specialist claim unit investigates and adjusts all claims on an individual basis to evaluate the extent of injury and fitness to return to work.

In order to reduce the insurance risk, the Society purchases reinsurance as disclosed in note 2.

b) Sources of uncertainty in the estimation of future claims payments

In determining the liability for AoS claims, the Society must estimate the value of IBNR claims. The estimation of IBNR is subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Society, where information about the claim event is available.

In estimating the liability for the cost of reported claims not yet paid, the Society considers any information available from its specialist and medical opinions of the claimant, and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis and projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

When possible, the Society adopts multiple techniques to estimate the required level of IBNR provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes.

c) Process used to decide on assumptions

The delay in the reporting of claims is considered to be consistent with that of prior years included in the statistical analysis.

d) Changes in assumptions

The Society did not change its assumptions for the insurance contracts disclosed in this note.

e) Sensitivity analysis

The sensitivity of the AoS liability incurred but not reported is included with EHC contracts above.

(in thousands of dollars)

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The Society's most significant exposures to financial risk are to changes in financial markets (e.g. interest rate and equity market risks) that affect the value of the Society's investments. The Society manages its liquidity risk through its investment policy requirement that all investments in bonds and equities of the Society are in publicly traded, highly liquid securities.

The Society's approach to risk management involves common measurement of risk and scope of risk coverage to allow the Society's risk position to be managed. The Society has an external investment adviser to review the risk profile of the Society's investments and provide an independent third-party report on the Society's exposure to the various risks associated with its investments. Risk management functions are applied by management of the Society, while Board of Governors' oversight remains independent of business activity, providing oversight and review.

To manage its risk exposure, the Society has risk policies in place. These policies limit the Society's exposure to major risks, such as equity, interest rate, credit and currency. The limits in these policies in aggregate remain within the Society's overall tolerance for risk, as well as its financial resources. Operating within this policy framework, the Society employs risk management models.

The Society also measures the sensitivity of net income (loss) under various scenarios. Management uses the insight gained through these scenario analyses to manage the Society's risk exposure and capital position. The models, scenarios and assumptions used are reviewed regularly and updated as necessary.

Results from the Society's analyses are presented to show the estimated sensitivity of net income (loss) and unappropriated surplus to various scenarios. For each type of market risk, the analysis shows how OCI would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. For each sensitivity test, the impact of the reasonably possible change in a single factor is shown.

The Society has classified its investment portfolio as available-for-sale, which is one of the main reasons why the sensitivity analysis performed has a different impact on net income (loss) than OCI. Unrealized gains and losses on these assets are not recognized in the statement of operations but are recorded in AOCI. As a result, economic sensitivities predominantly impact OCI but leave net income (loss) unaffected.

The sensitivity analyses reflect what the operating surplus for the year would have been had risk variables been different, based on the exposures in existence during the year. The results of the sensitivity analyses are not intended to be an accurate prediction of the Society's future unappropriated surplus or net income (loss). The sensitivity analyses do not consider all methods available to management to respond to changes in the financial environment, such as changing investment portfolio allocations or adjusting premiums. Furthermore, the results of the sensitivity analysis cannot be extrapolated for wider variations since effects tend not to be linear. No risk management process can clearly predict future results.

(in thousands of dollars)

Interest rate risk

The Society's financial assets and financial liabilities are subject to interest rate risk, as the fair value or future cash flows will fluctuate because of changes in market interest rates. The Society generates interest income on its bond investments and pays interest to Members on their contributions held on deposit by the Society. Interest income generated on bond investments is measured against the DEX Universe Bond Index and interest paid to Members on contributions on deposit monthly and is based on the 90-day T-Bill rate, as established by the Bank of Canada.

In periods of rapidly increasing interest rates, withdrawals of funds from the Society may increase. This activity may result in cash payments by the Society, requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates. This may result in realized investment losses. These cash payments to Members result in a decrease in total invested assets and a decrease in net income (loss).

During periods of sustained low interest rates, investment income may be lower because the interest income on new fixed income investments is likely to have decreased with the market interest rates. The Society employs interest rate monitoring and measurement techniques and actively manages its interest rate risk exposure.

Increases in interest rates have a negative effect on unappropriated surplus and OCI in the current year because they result in unrealized losses on investments that are carried at fair value. Over time, the short-term reduction in net income (loss) due to rising interest rates would be offset by higher net income (loss) in later years, all else being equal. Therefore, rising interest rates are not considered a long-term risk to the Society. The Society manages its interest rate risk through conservative investment policies that restrict the Society's investment managers' investment choices.

The sensitivity of investments to changes in interest rates is dependent on the maturity of debt securities. Due to the time value of money, a reduction in the interest rates would normally produce a higher value of debt securities, but would not materially affect the fair value of short-term securities and equities.

The following table shows the sensitivity of the Society's OCI to a 1% (100 basis points) and 2% (200 basis points) increase or decrease in the DEX Universe Bond Index. This analysis assumes that the Society's asset performance in 2012, relative to the index performance in 2012, would be consistent with the actual performance achieved.

[illegible]	**[illegible]**	
	2012	**2011**
	$	**$**
	increase/(decrease)	
Increase 100 basis points	457	495
Decrease 100 basis points	(458)	(496)
Increase 200 basis points	913	989
Decrease 200 basis points	(917)	(994)

The sensitivity analysis reflects the financial assets and financial liabilities held at the end of the year (excluding Segregated Fund assets).

(in thousands of dollars)

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Liquidity risk is the risk that an entity will encounter difficulty meeting cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all commitments and obligations as they fall due. To manage liquidity risk and cash flow requirements, the Society's investment policy requires all investments in bonds and equities be publicly traded and highly liquid.

The Society's expected payment of current and future obligations is $8,522 in 2013. The Society's remaining financial obligations have no fixed contractual payment obligations.

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Fluctuations in the equity, real estate and capital markets have, in the past, affected the Society's profitability, capital position and sales of equity-related products and may continue to do so. Exposure to equity and capital market risks exists in the financial assets of the Society. Financial asset exposure exists through direct equity investments, where the Society bears all or most of the volatility in returns and investment performance risk. Volatile or poor market conditions may also significantly reduce the popularity of some of the Society's retirement savings products, which could lead, ultimately, to lower financial assets' fair value held on account by the Society, increasing the fees paid by the Society to manage those accounts and, thereby, reducing net income (loss). General economic conditions may lead to significant decreases in the values of the Society's equities.

The Society monitors the performance of its equities against the S&P/TSX Composite Index. It also closely monitors other indices that will affect the retirement savings accounts of its Members and indirectly impact the performance of the Society's investment in equities.

The following table illustrates the Society's equities (excluding Segregated Fund assets) that are exposed to market risk. The table demonstrates a sensitivity analysis of OCI to reasonably possible changes in the fair value of those instruments.

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	2012 **$**	**2011** **$**
	increase/(decrease)	
Equity values increase 10%	1,139	1,267
Equity values decrease 10%	(1,166)	(1,298)

(in thousands of dollars)

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge its obligation and causes financial loss to another party. The Society is exposed to credit risk primarily on financial assets and receivables balances.

The maximum exposure to credit risk of the Society is equal to the carrying values of these financial instruments as at December 31:

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	2012 $	2011 $
Cash and cash equivalents	2,478	2,334
Investment income accrued	364	360
Receivables	2,702	2,519
Reinsurance contracts	31	30
Bonds	48,003	47,694
	53,578	52,937

The Society manages credit risk by maintaining an investment policy restricting investment managers' ability to invest in less than investment-grade bonds. The Society also utilizes a value-based investment manager to manage the equity investments of the Society. The following table sets out the credit ratings of bonds held by the Society at the balance sheet date.

The credit rating of bonds held is as follows:

	2012 $	2011 $
AAA	23,093	18,955
AA	6,751	8,664
A	18,159	20,075
	48,003	47,694

There are no overdue or impaired receivables as at December 31, 2012 and 2011.

(in thousands of dollars)

Capital risk management

The Society's objectives when managing capital are:

- to safeguard the Society's ability to continue as a going concern so that it can continue to provide services to Members at affordable prices; and
- to maintain adequate levels of available capital to provide sufficient margin over capital levels required by the Office of the Superintendent of Financial Institutions (OSFI).

The Society's capital is targeted to be managed well in excess of the minimum level of capital. The Society's Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio during December 31, 2012 and 2011 exceeded the minimum level required.

The Society's capital surplus comprises the excess of the Society's assets over its liabilities. The Society's assets comprise primarily investments in equities and bonds and include the other operating assets of the Society, such as furniture and equipment and the building from which it operates. The Society's liabilities comprise primarily contributions held on deposit for Members in order to pay for future insurance programs, as well as amounts held for future payment of existing policy obligations. In addition, liabilities include operating liabilities of the Society, such as outstanding payments to suppliers and amounts held for future distribution to Members.

The Society is regulated by OSFI and, pursuant to that oversight, is required to maintain a minimum level of capital to ensure it remains solvent. These minimum levels are calculated in accordance with the MCCSR ratio prescribed by OSFI. This formula requires amounts of surplus be maintained that vary directly with the risk characteristics of each category of financial assets and financial liabilities held by the Society.

The Society's capital level is forecast in conjunction with the annual preparation of the Dynamic Capital Adequacy Testing report prepared by the Society's independent actuary and reported on an annual basis to the Board of Governors. If at any time this ratio falls below the target range, the Board of Governors may take the following steps to restore the ratio to its target levels:

a) cease distribution of annual operating surpluses to the Membership as a Fraternal benefit for the subsidization of Members' costs for insurance;

b) develop annual operating budgets that consider generating surpluses that are to be retained until such time as the Society's MCCSR ratio is within the target range;

c) price the Society's insurance programs in such a manner that an underwriting surplus is expected to be generated; and

d) seek other methods to generate operating surplus for the Society.

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Cash and cash equivalents as at December 31 consisted of the following:

	2012 $	2011 $
Cash at bank and on hand	2,073	2,136
Cash held in investment portfolio	16	148
Short-term investments	389	50
	2,478	2,334

The effective rate on short-term investments is 0.4% (2011 - 0.8%).

(in thousands of dollars)

7 Investments

The Society categorizes all financial assets carried at fair value in its balance sheet based on a three-level valuation hierarchy. The hierarchy gives the highest level of priority to quoted prices in an active market for identical assets (level 1), whereas the lowest level of priority is assigned to unobservable valuation inputs (level 3). If the inputs used to measure the financial asset cross different levels of the hierarchy, categorization is based on the lowest level input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the overall fair value measurement of a financial asset requires judgement and considers factors specific to the financial asset. The three levels are described below.

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- Level 1 - unadjusted quoted prices in active markets for identical financial assets and financial liabilities;
- Level 2 - inputs, other than quoted prices, that are observable for the financial asset or financial liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs that are not based on observable market data. The Society does not hold any financial assets classified within this category.

The following table illustrates the classification of the Society's financial instruments within the fair value hierarchy as at December 31. This excludes segregated fund assets which are disclosed in note 25:

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	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash and cash equivalents	2,478	-	-	2,478
Equities	-	13,512	-	13,512
Bonds	-	48,003	-	48,003
	2,478	61,515	-	63,993

	CĂyI·yǑĂI·ƚ I·ăăŜűă I·ű ŦI·ꟿ ØI·ƚdžŜ I·ă I·ű 5ŜǑŜYŌŜꟿ oмĭ нлмм			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash and cash equivalents	2,334	-	-	2,334
Equities	-	11,988	-	11,988
Bonds	-	47,694	-	47,694
	2,334	59,682	-	62,016

During the years ended December 31, 2012 and 2011, there were no transfers between level 1, level 2 or level 3 of the fair value hierarchy.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the Society is the current bid price. These instruments are included in level 2. Instruments included in level 2 comprise primarily S&P/TSX Composite Index equity investments classified as available-for-sale.

Bonds classified in level 2 comprise primarily government and agency securities and certain corporate debt securities. Fair value is determined utilizing relevant information generated by market transactions involving comparable securities.

(in thousands of dollars)

The maturity profile of bonds as at December 31 is as follows:

					2012
	Within 1 year $	**Over 1 to 3 years $**	**Over 3 to 5 years $**	**Over 5 years $**	**Carrying value $**
Bonds	10,174	19,817	421	17,591	48,003
Percentage of total	21%	41%	1%	37%	100%

					2011
	Within 1 year $	**Over 1 to 3 years $**	**Over 3 to 5 years $**	**Over 5 years $**	**Carrying value $**
Bonds	7,017	18,213	1,465	20,999	47,694
Percentage of total	15%	38%	3%	44%	100%

The fair value of the Society’s investment portfolio by type of financial instrument as at December 31 is:

	2012 $	**2011 $**
Corporate bonds	23,297	24,197
Government bonds	24,706	23,497
Equities	13,512	11,988
	61,515	59,682

(in thousands of dollars)

The changes in the Society's investments are summarized in the table below:

		CI-ʎNJ ØI-fdzŜ
	9ljdzʎəŜă **$**	**Bonds** **$**
As at January 1, 2011	12,727	46,259
Additions	311	38,909
Disposals	-	(38,576)
Change in fair value	(1,050)	1,101
As at December 31, 2011	11,988	47,693
As at January 1, 2012	11,988	47,693
Additions	820	45,208
Disposals	-	(44,190)
Change in fair value	704	(708)
As at December 31, 2012	13,512	48,003

Investment income for the year ended December 31 was derived from the following:

	2012 **$**	**2011** **$**
Available-for-sale financial assets		
Dividend income	820	311
Interest income	1,863	1,963
Realized gains	377	601
	3,059	2,875

Management has reviewed currently-available information regarding available-for-sale financial assets with unrealized losses of $315 (2011 - $247) and determined that there was no impairment.

(in thousands of dollars)

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Year ended December 31, 2011				
Opening net book value	46	179	104	329
Additions	78	77	44	199
Disposals	-	-	-	-
Amortization	(15)	(104)	(57)	(176)
Cost written off	-	(382)	(62)	(444)
Accumulated amortization written off	-	382	62	444
Closing net book value	109	152	91	352
As at December 31, 2011				
Cost	308	509	2,268	3,985
Accumulated amortization	(199)	(357)	(2,177)	(2,733)
Net book value	109	152	91	352
Year ended December 31, 2012				
Opening net book value	109	152	91	352
Additions	99	71	184	354
Disposals	-	-	-	-
Amortization	(36)	(96)	(66)	(198)
Cost written off	(33)	-	-	(33)
Accumulated amortization written off	-	-	-	-
Reclassified	(5)	-	55	50
Closing net book value	134	127	264	525
As at December 31, 2012				
Cost	369	580	2,507	3,456
Accumulated amortization	(235)	(453)	(2,244)	(2,931)
Net book value	134	127	264	525

Amortization for the year of $198 (2011 - $176) has been charged to operating expenses.

Lease rentals amounting to $49 (2011 - $46) relating to the lease of office equipment have been charged to operating expenses.

Office leases for 1155 Pender Street West in Vancouver, B.C. in the amount of $32 (2011 - $31) have been charged to operating expenses.

(in thousands of dollars)

9 Intangible assets

[illegible]	2012 $	2011 $
As at January 1		
Cost	797	772
Accumulated amortization	(271)	(344)
Net book value	526	428
Year ended December 31		
Opening net book value	526	428
Additions	294	280
Amortization	(266)	(182)
Cost written off	-	(256)
Accumulated amortization written off	-	256
Reclassified	(50)	-
Closing net book value	504	526
As at December 31		
Cost	1,041	797
Accumulated amortization	(537)	(271)
Net book value	504	526

Amortization for the year of $266 (2011 - $182) has been charged to operating expenses.

(in thousands of dollars)

10 Real estate and investment property

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Real estate	239	239
Investment property	586	586
Balance - December 31	825	825

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As at January 1		
Cost	193	235
Accumulated amortization	(127)	(145)
Net book value	66	90
Year ended December 31		
Opening net book value	66	90
Additions	46	-
Amortization	(6)	(24)
Cost written off	(1)	(42)
Accumulated amortization written off	-	42
Closing net book value	105	66
As at December 31		
Cost	238	193
Accumulated amortization	(133)	(127)
Net book value	105	66

Amortization for the year of $6 (2011 - $24) has been charged to operating expenses.

(in thousands of dollars)

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As at January 1		
Cost	472	574
Accumulated amortization	(312)	(352)
Net book value	160	222
Year ended December 31		
Opening net book value	160	222
Additions	111	-
Amortization	(14)	(62)
Cost written off	-	(102)
Amortization	-	102
Closing net book value	257	160
As at December 31		
Cost	583	472
Accumulated amortization	(326)	(312)
Net book value	257	160

Amortization for the year of $14 (2011 - $62) has been charged to net real estate income.

The Society's investment in real estate and investment property is located at 1000 Yonge Street, Toronto, Ontario. Classification of the property between real estate and investment property is based on the amount of square area used as owner-occupied purposes versus the square area used for the generation of rental income. The fair value of the property on a combined basis is $4,580. The fair value was determined by an independent appraisal using the direct capitalization and discount cash flow methods. The appraisal was performed on February 7, 2012. Where there has not been a material change in fair value, the Society performs an appraisal on its real estate and investment property on a triennial basis.

The Society leases out its investment property under operating leases. The leases typically run for an initial period of two to five years. None of the leases include contingent rentals.

As at December 31, 2012, the total future minimum lease payments in respect of investment properties under non-cancellable operating leases are receivable as follows:

	$
Within 1 year	447
After 1 year but within 5 years	627
After 5 years	-
	1,074

(in thousands of dollars)

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Insurance contract liabilities represent the amounts that, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits and expenses on the life and accident and sickness policies in force. Insurance contract liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries.

The Society provides life and accident and sickness insurance to its Members. The composition of the Society's insurance contract liabilities is as follows:

	2012 **$**	**2011** **$**
Life	739	768
Accident and sickness	5,273	5,228
	6,012	5,996

Included in insurance contract liabilities in the accident and sickness line of business is the Fraternal benefit liability in the amount of $3,679 (2011 - $3,762), representing the present value of such benefits expected to be provided over the three-year period following the financial statements' date. Although these benefits are not guaranteed under the terms of the contracts issued by the Society, establishment of the liability follows a principle of actuarial practice, whereby provision is made for what might be considered as Members' reasonable expectations.

The expected maturity of the gross undiscounted Fraternal benefit liability is as follows:

	2012 **$**	**2011** **$**
Within 1 year	1,168	1,199
Over 1 to 2 years	1,266	1,295
Over 2 to 3 years	1,374	1,401
	3,808	3,895

All other insurance contract liabilities are expected to be paid within one year.

(in thousands of dollars)

[illegible]

	Life $	[illegible] $	Fraternal $	Total $
As at January 1, 2011	823	1,434	3,997	6,254
Claims incurred in the year	1,032	7,137	1,127	9,295
Claims paid in the year	(1,027)	(7,137)	(1,127)	(9,291)
Change to actuarial reserve	(60)	32	(235)	(262)
As at December 31, 2011	768	1,466	3,762	5,996
As at January 1, 2012	768	1,466	3,762	5,996
Claims incurred in the year	388	7,414	1,028	8,830
Claims paid in the year	(387)	(7,414)	(1,028)	(8,829)
Change to actuarial reserve	(30)	128	(83)	15
As at December 31, 2012	739	1,594	3,679	6,012

[illegible]

Surpluses generated by the Society as a result of insurance operations and investment portfolio performance that are not required to maintain the operating assets or regulatory capital of the Society, are returned to the Members in the form of a Fraternal premium subsidy. A Fraternal premium subsidy of $1,897 (2011 - $1,892) was recognized in the statement of operations. The Fraternal premium subsidy is distributed as a reduction from the gross insurance premium required to be paid by the Members for Life and EHC insurance on an annual basis (for policies 1000 and 3000).

[illegible]

The amount of the Fraternal premium subsidy distributed is determined by the Society on an annual basis and is based on estimates of insurance premium for the following policy year, which commences on March 1. In its estimates, the Society assumes that all Members will elect to maintain the highest level of insurance coverage available.

	2012 $	2011 $
Provision for Fraternal premium subsidy as at January 1	4,661	5,150
Fraternal premium subsidy distributed	(2,625)	(2,381)
Fraternal premium subsidy declared	1,897	1,892
Provision for Fraternal premium subsidy as at December 31	3,933	4,661
Analysis of total provision		
Current	2,702	2,646
Non-current	1,231	2,015
	3,993	4,661

(in thousands of dollars)

13 Provision for Members' Insurance Credit

Pursuant to the execution of a service agreement with ACTRA in 2007, the Society received equalization revenue net of amounts that are retained by ACTRA in accordance with collective bargaining agreements.

	2012 $	2011 $
Provision for Members' Insurance Credit as at January 1	364	780
Members' Insurance Credit distributed	(331)	(700)
Members' Insurance Credit declared	-	284
Provision for Members' Insurance Credit as at December 31	33	364

In 2012, an amount of $37 (2011 - $39) was paid to ACTRA and deducted from equalization revenue.

The provision for the Members' Insurance Credit is distributed in the following fiscal year.

14 Unqualified retirement contributions

Unqualified retirement contributions are amounts received by the Society on behalf of Members for retirement accounts yet to be registered and amounts that are in excess of the maximum contribution limits as determined by the Canada Revenue Agency. Amounts that are in excess of the maximum contribution limits are distributed to the Members in the following fiscal year.

15 Receivables

	2012 $	2011 $
Trade receivables	2,660	2,474
Other receivables	42	45
	2,702	2,519

Receivables are expected to be collected within one year. Management has reviewed receivables for impairment and has determined that no provision for impairment is required.

16 Other assets

	2012 $	2011 $
Prepaid expenses	613	454
Deferred charges	111	104
Other assets	147	163
	871	721

(in thousands of dollars)

17 Commitments

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Aggregate future commitments as at December 31 under operating leases for office equipment are as follows:

	2012 $	2011 $
2012	-	47
2013	47	47
2014	43	43
2015	15	15
2016	-	-
	105	152

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	2012 $	2011 $
Salaries and short-term employee benefits	894	781
Post-employment benefits	69	67
	963	848

Key management of the Society includes Governors, Chief Executive Officer, Chief Financial Officer and Director of Benefits. These costs have been included within operating expenses on the statement of operations.

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During 1993, the Society appropriated $1,000 in the Fraternal Fund to enhance or maintain the property located at 1000 Yonge Street, Toronto, Ontario, Canada.

To date, $208 has been incurred on such development. As at December 31, 2012, $792 (2011 - $792) remained appropriated for these future expenditures.

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	2012 $	2011 $
Salaries and benefits	3,077	2,836
Governors’ honoraria and benefits	310	207
Investment management	615	563
Other operating expenses	4,790	4,545
	8,792	8,151

(in thousands of dollars)

10 Income Taxes

The Life Fund has non-capital income tax losses and unclaimed income tax reserves of approximately $3,784 (2011 - $3,451), the future benefit of which has not been recognized in the accounts of the Society.

The non-capital income tax losses and unclaimed income tax reserves expire in the following years:

	$
2014	319
2015	799
2026	309
2027	25
2028	532
2029	107
2030	527
2031	833
2032	333
	3,784

11 Net Investment Property Income

	2012 $	2011 $
Investment property		
Rental and other income	666	651
Expenses		
Amortization	(14)	(62)
Repairs and maintenance	(80)	(56)
Other operating expenses	(239)	(246)
	(333)	(364)
Net investment property income	333	287

12 Pension Benefits

The Society contributes between 8% and 12% of each employee’s annual salary to the Society’s Retirement Savings Plan. The net pension expense in 2012 was $288 (2011 - $267). As at December 31, 2012, there were no contributions outstanding in respect of employer contributions.

(in thousands of dollars)

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The Society offers various annuity contracts to its Members. Annuity considerations received are directed to the appropriate plan in the Retirement Funds, as authorized by Section 542 of the Insurance Companies Act (Canada). The plans are administered separately from the Life, Sickness and Fraternal Funds and are unitized and valued on a monthly basis.

The Society receives contributions from Engagers for the Retirement Funds and makes payments on behalf of the Retirement Funds, including amounts related to refunds, withdrawals and income tax withholdings. Payments are also made by certain funds on behalf of other funds. The unsettled balances relating to these transactions as at December 31 have been reflected as other assets and liabilities.

	2012 $	2011 $
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Assets		
Cash and short-term investments	7,077	5,606
Equities	227,652	217,403
Bonds	187,495	179,624
Other assets	2,580	2,374
	424,804	405,007
Liabilities	63	57
Net assets	424,741	404,950
wŜ϶ʎăǘŜǁŜŘ wŜəǁŜΥŜyǘ LyǒʑΥŜ CdzyŘ		
Assets		
Cash and short-term investments	1,490	1,966
Equities	23,853	20,637
Bonds	46,152	43,924
Other assets	146	142
	71,641	66,719
Liabilities	4	3
Net assets	71,637	66,716
¢l·ÈπŦǁŜŜ {l·ØʎyɜăǃǑǑʑdzyǘ		
Assets		
Cash and short-term investments	121	24
Equities	656	564
Bonds	872	703
Other assets	7	5
	1,656	1,296
Liabilities	17	19
Net assets	1,639	1,277
	498,017	472,943

(in thousands of dollars)

Changes in Segregated Fund Net Assets	2012 $	2011 $
Segregated Fund net assets - Beginning of year	472,943	478,855
Registered Retirement Savings Plan		
Balance - Beginning of year	404,950	413,801
Contributions	22,125	21,814
Net investment income	31,145	1,656
Contract surrenders and transfers	(33,479)	(32,321)
Balance - End of year	424,741	404,950
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Balance - Beginning of year	66,716	64,240
Contributions	7,935	8,219
Net investment income	3,982	2,390
Contract surrenders and transfers	(6,996)	(8,133)
Balance - End of year	71,637	66,716
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Balance - Beginning of year	1,277	814
Contributions	340	520
Net investment income	88	14
Contract surrenders and transfers	(66)	(71)
Balance - End of year	1,639	1,277
Segregated Fund net assets - End of year	498,017	472,943

(in thousands of dollars)

As at December 31, the Segregated Fund unit values are as follows:

	2012 **$**	**2011** **$**
Registered Retirement Savings Plan		
General Fund	384	354
Bond Fund	179	174
Fixed-Term Interest Fund	10	-
Probationary Members Fund	98	101
Retired Members Fund	136	136
Registered Retirement Income Fund		
Balanced Fund	21	19
Bond Fund	20	20
Fixed-Term Interest Fund	10	-
Tax-free Savings Account		
General Fund	14	13
Bond Fund	12	12

Effective June 1, 2004, investment management fees, custodian fees and monitoring fees paid by the Society were charged to the Retirement Funds as agreed with the founding Guilds. From January 1, 2012 to December 31, 2012, a total of $ 2,080 (2011 - $2,020) was charged to these funds, representing a total charge of 0.42% (2011 - 0.43%) of the average balance of funds managed during the year.

(in thousands of dollars)

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a) Objectives and policies

The Segregated Fund’s most significant exposures to risk are to changes in financial markets (e.g. interest rate and equity market risks) that affect the value of the Segregated Fund assets. Liquidity risk is managed through investment policy requirements that all Segregated Fund investments in bonds and equities are in publicly traded highly liquid securities.

The Society’s approach to risk management of the Segregated Fund involves common measurement of risk and scope of risk coverage to allow the risk position of the Segregated Funds to be managed, including the use of an external investment adviser to review the risk profile of the investments and provide an independent third party report to the Society on the exposure to the various risks associated with its Segregated Fund assets. Risk management functions are applied by management of the Society, while Board of Governors’ oversight remains independent of business activity, providing oversight and peer review.

To manage the risk exposure of the Segregated Fund, the Society has risk policies in place. These policies limit the Segregated Fund net assets’ exposure to major risks, such as equity, interest rates, credit and currency.

The Society also measures the sensitivity of Segregated Fund net assets under various scenarios. Management uses the insight gained through these “what if?” scenarios to manage the Segregated Fund net assets’ risk exposure. The models, scenarios and assumptions used are reviewed regularly and updated as necessary.

Results of these sensitivity analyses are presented to show the estimated sensitivity of the Segregated Fund net assets to various scenarios. For each type of market risk, the analysis shows how Segregated Fund net assets would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. For each sensitivity test, the impact of the reasonably possible change in a single factor is shown.

The sensitivities reflect the impact on the net assets of the Segregated Fund during the year had risk variables been different, based on the exposures in existence during the year. The results of the sensitivities are not intended to be an accurate prediction of the Segregated Fund net assets’ performance. The analysis does not consider all methods available to management to respond to changes in the financial environment, such as changing investment portfolio allocations. Furthermore, the results of the analyses cannot be extrapolated for wider variations as effects tend not to be linear. No risk management process can clearly predict future results.

(in thousands of dollars)

b) Interest rate risk

The Society's Segregated Fund net assets are subject to interest rate risk as the fair value or future cash flows will fluctuate because of changes in market interest rates. The Segregated Fund net assets generate interest income on bond investments. Interest income generated on bond investments is measured against the DEX Universe Bond Index.

In periods of rapidly increasing interest rates, withdrawals of funds from the Segregated Fund net assets may increase. This activity may result in cash payments, requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates. These cash payments to Members result in a decrease in total assets.

During periods of sustained low interest rates, investment returns may be lower because the interest income on new fixed income investments is likely to have declined with the market interest rates. The Society engages investment managers who employ interest rate monitoring and measurement techniques and actively manage the interest rate risk exposure of the Segregated Fund net assets. Investment policies restrict the investment managers' investment choices.

The following table shows the sensitivity of the Society's Segregated Fund assets to a 1% (100 basis points) and 2% (200 basis points) increase or decrease in the DEX Universe Bond Index. This analysis assumes that the Society's asset performance in 2012, relative to the index performance in 2012, would be consistent with the actual performance achieved.

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	2012	**2011**
	$	**$**
	increase/(decrease)	
Increase 100 basis points	2,231	2,103
Decrease 100 basis points	(2,237)	(2,108)
Increase 200 basis points	4,458	4,201
Decrease 200 basis points	(4,479)	(4,221)

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty meeting cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all commitments and obligations as they fall due. To manage liquidity risk and cash flow requirements, the Society's investment policy requires all investments in the Society's Segregated Fund net assets to be publicly traded and highly liquid. The Segregated Funds are subject to withdrawal by the Members but there are no contractual obligations.

(in thousands of dollars)

d) Equity market and other investment risks

Fluctuations in the equity and capital markets have in the past affected the performance of the Society's Segregated Fund net assets and will continue to do so. Exposure to equity and capital market risk exist in the Segregated Fund net assets of the Society. Asset exposure exists through direct equity investments, where the Segregated Fund net assets bear all of the volatility in returns and investment performance risk. Volatile or poor market conditions may also significantly reduce the popularity of some of the Society's Segregated Fund net assets. This could lead ultimately to lower assets held on account and to the Society's increasing the fees charged to the Segregated Funds to manage those accounts and, thereby, reducing returns. General economic conditions may lead to significant decreases in the values of the Segregated Funds' equity investments.

The Society monitors the performance of the Segregated Fund net assets against the S&P/TSX Composite Index and the MSCI World Index. It also monitors other indices that will affect the Segregated Fund assets.

The following table illustrates the Society's equity instruments that are exposed to market risk. The table demonstrates a sensitivity analysis of Segregated Fund net assets to reasonably possible changes in the fair value of those instruments.

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	2012 **$**	**2011** **$**
	increase/(decrease)	
Equity values increase 10%	22,873	25,479
Equity values decrease 10%	(23,415)	(26,099)

e) Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge its obligation and causes financial loss to another party. Segregated Fund net assets are exposed to credit risk primarily on investments in bonds, cash and cash equivalents.

The Society manages credit risk by maintaining an investment policy restricting investment managers' ability to invest in less than investment grade bonds.

The Society's Segregated Fund investments in bonds include both investments in bonds that are held directly and investments in bonds that are held through pooled bond funds. Investments in bonds held through pooled bond funds are all rated BBB or better as at December 31, 2012 and 2011.

(in thousands of dollars)

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The Segregated Fund consists of three plans composed of the following investments:

a) Registered Retirement Savings Plan (RRSP)

- General Fund
- Bond Fund
- Fixed-Term Interest Fund
- Probationary Members Fund
- Retired Members Fund

b) Registered Retirement Income Fund (RRIF)

- Balanced Fund
- Bond Fund
- Fixed-Term Interest Fund

c) Tax-free Savings Account (TFSA)

- General Fund
- Bond Fund

As at December 31, 2012, the Segregated Fund investments include both investments that are held directly and investments that are held through pooled funds. Each plan holds the assets in the following manner:

- RRSP - equities - directly held
  - bonds - both directly held and pooled
- RRIF - all assets are held in pooled funds
- TFSA - all assets are held in pooled funds

For purposes of this note, all disclosure will include both investments that are held directly and investments that are held in pooled funds.

The Society categorizes all financial assets carried at fair value in its balance sheet based on a three-level valuation hierarchy. The hierarchy gives the highest level of priority to quoted prices in an active market for identical assets (level 1), whereas the lowest level of priority is assigned to unobservable valuation inputs (level 3). If the inputs used to measure the financial asset cross different levels of the hierarchy, categorization is based on the lowest level input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the overall fair value measurement of a financial asset requires judgement and considers factors specific to the financial asset. The three levels are described below.

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- Level 1 - unadjusted quoted prices in active markets for identical financial assets and financial liabilities;
- Level 2 - inputs, other than quoted prices, that are observable for the financial asset or financial liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs that are not based on observable market data. The Society does not hold any financial assets classified within this category.

(in thousands of dollars)

The following table illustrates the classification of the Segregated Fund investments within the fair value hierarchy:

RRSP plan

[illegible]				
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Cash and cash equivalents	7,077	-	-	7,077
Equities	-	227,652	-	227,652
Bonds	-	187,496	-	187,496
	7,077	415,148	-	422,225

[illegible]				
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Cash and cash equivalents	5,606	-	-	5,606
Equities	-	217,403	-	217,403
Bonds	-	179,625	-	179,625
	5,606	397,028	-	402,634

RRIF plan

[illegible]				
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Cash and cash equivalents	1,490	-	-	1,490
Equities	-	23,853	-	23,853
Bonds	-	46,152	-	46,152
	1,490	70,005	-	71,495

[illegible]				
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Cash and cash equivalents	1,966	-	-	1,966
Equities	-	20,637	-	20,637
Bonds	-	43,974	-	43,974
	1,966	64,611	-	66,577

(in thousands of dollars)

TFSA plan

[illegible]

	Level 1 $	Level 2 $	Level 3 $	Total $
Cash and cash equivalents	121	-	-	121
Equities	-	656	-	656
Bonds	-	872	-	872
	121	1,528	-	1,649

[illegible]

	Level 1 $	Level 2 $	Level 3 $	Total $
Cash and cash equivalents	24	-	-	24
Equities	-	564	-	564
Bonds	-	703	-	703
	24	1,267	-	1,291

During the years ended December 31, 2012 and 2011, there were no transfers between level 1, level 2 or level 3 of the fair value hierarchy.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the Society is the current bid price. These instruments are included in level 2. Instruments included in level 2 comprise primarily S&P/TSX Composite Index equity investments.

Bonds classified in level 2 comprise primarily government and agency securities and certain corporate debt securities. Fair value is determined utilizing relevant information generated by market transactions involving comparable securities.

(in thousands of dollars)

The maturity profile of bonds within the Segregated Fund portfolio as at December 31 is as follows:

2012

	Within 1 year		Over 1 to 3 years		Over 3 to 5 years		Over 5 years		/I·ÑÑèÅy∃ I·Y2dzyǘ	
	$	%	$	%	$	%	$	%	$	%
RRSP plan	27,639	15	58,777	31	22,026	12	79,053	42	187,495	100
RRIF plan	9,344	20	16,697	36	2,843	6	17,267	37	46,152	100
TFSA plan	150	17	306	35	74	8	343	39	872	100

2011

	Within 1 year		Over 1 to 3 years		Over 3 to 5 years		Over 5 years		/I·ÑÑèÅy∃ I·Y2dzyǘ	
	$	%	$	%	$	%	$	%	$	%
RRSP plan	16,789	9	54,562	30	23,733	13	84,541	47	179,625	100
RRIF plan	5,974	14	14,733	34	3,463	8	19,804	45	43,974	100
TFSA plan	80	11	223	32	77	11	323	46	703	100

The fair value of the Segregated Funds portfolio by type of financial instrument as at December 31 is:

2012

	Corporate bonds $	Government bonds $	9ljdzʌəŜă $
RRSP plan	124,686	62,810	227,652
RRIF plan	24,818	21,334	23,853
TFSA plan	736	137	656

2011

	Corporate bonds $	Government bonds $	9ljdzʌəŜă $
RRSP plan	129,251	50,374	217,403
RRIF plan	24,746	19,228	20,637
TFSA plan	433	270	564

All corporate bonds outstanding as at the balance sheet date have a minimum rating of BBB or better.

All government bonds outstanding as at the balance sheet date have a minimum rating of A or better.

All equity investments are actively traded.

Equities have no specific maturities.

(in thousands of dollars)

The credit ratings of investments in bonds within the Segregated Fund portfolio are presented below:

					2012
	AAA $	**AA** $	**A** $	**BBB** $	**Total** $
RRSP plan	45,101	54,456	82,200	5,739	187,495
RRIF plan	18,331	10,374	16,616	831	46,152
TFSA plan	83	314	455	20	872

					2011
	AAA $	**AA** $	**A** $	**BBB** $	**Total** $
RRSP plan	41,507	50,972	80,113	7,034	179,625
RRIF plan	15,667	8,997	18,077	1,233	43,974
TFSA plan	220	167	291	26	703

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Member of Actra Fraternal Benefit Society

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Member of Actra Fraternal Benefit Society

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Outside Governor

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CBC

William Samples
Member of Actra Fraternal Benefit Society

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www.a

Toronto
1000 Yonge Street,
Toronto, ON M4W 2K2
Phone: 416-967-6600
or 1-800-387-8897
Fax: 416-967-4744
or 1-888-804-8929
benefits@afbs.ca

afbs.ca

±l·yŏ2ǳǿŜǊ
320-1155 Pender St. West
Vancouver, BC V6E 2P4
Phone: 604-801-6550
or 1-866-801-6550
Fax: 604-801-6580
afbswest@afbs.ca