

SOCAN

2008 FINANCIAL REPORT



A WORD FROM SOCAN'S CHIEF FINANCIAL OFFICER

SOCAN achieved excellent financial results in 2008 and distributed a record \$198.2 million in royalties to members and international affiliated organizations. Some highlights of the year included:

- Collecting an additional \$10.4-million of Commercial Radio (Tariff 1A) revenues for the period Jan 2003 to November 2005, as a result of the Copyright Board of Canada decision in October 2005. In August and November 15, 2008, we undertook two special distributions for this tariff totaling \$16.4-million, representing the performance periods January 2003 to December 2007.
- Recognizing Ringtones (Tariff 24) revenue for the first time, with \$7.9-million for the period 2003-2008. This new tariff covers the communication to the public, by telecommunication, of telephone ringtones. The Copyright Board of Canada approved this Tariff in 2006. However, following a request by a number of parties in 2006 for judicial review, any revenues that were collected in previous years were deferred and are only recognized now in 2008.
- Collecting Internet (Tariff 22A) licence fees for online music services from 1996 to 2008. This tariff decision is still subject to judicial review and the amount of \$5.1-million has been deferred until a decision is made.

OVERALL REVENUE

SOCAN achieved total revenues of \$255.7-million in 2008 (2007: \$246.1-million), an increase of 3.9 percent or \$9.6-million. Excluding the private-copying royalties, collection of fees due to a special audit and non-recurring arrears, SOCAN's year-on-year growth rate was 4.8 percent.

There continues to be three sources of revenue: domestic performing rights licence fees (from Canadian radio, television, cable, pay audio, concerts, cinemas, ringtones and other general licensing tariffs); international royalties (via international affiliated performing rights organizations – PROs – covering foreign performances of works by SOCAN's members); and private-copying royalties.

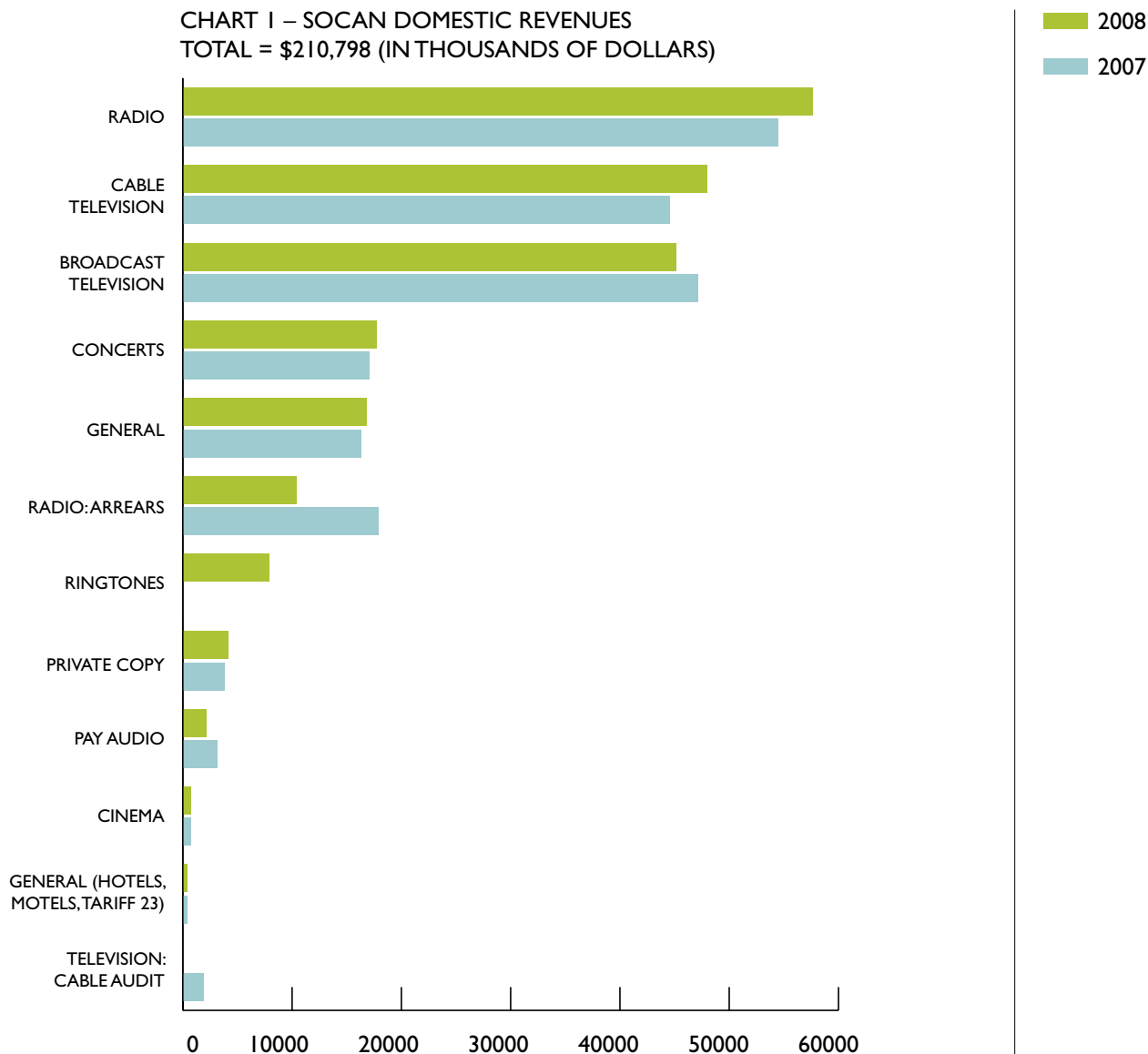
DOMESTIC REVENUE

As shown on CHART NO.1 (see page 3), SOCAN's domestic revenue for 2008 increased to \$210.8-million (2007: \$207.0-million) or \$3.8-million. Domestic revenues consist of performing rights, \$206.6-million (2007: \$203.2-million) and private-copying, \$4.2-million (2007: \$3.8-million).

PERFORMING RIGHTS REVENUE

The increase for performing rights year-over-year is \$3.4-million. The major increases are due to the collection of ringtones arrears (\$7.9-million), strong subscriber numbers and cable advertising revenues (\$3.4-million), increased advertising revenues for radio (\$3.1-million) and increases of other revenues (\$1.4-million). These increases were offset by a 2007 collection of revenues as a result of a cable audit (\$1.9-million), the decline in advertising revenues for television (\$2.0-million), reduced fees from pay audio (\$1.0-million) and the timing of collections for commercial Radio 1A arrears (January 2003-November 2005) of \$7.5-million. Excluding the effect of private-copying royalties and 'non-normative' events such as the cable audit, arrears collections in both 2007 and 2008, SOCAN's performing rights revenue rose by 2.6 percent in 2008.

CHART I – SOCAN DOMESTIC REVENUES
TOTAL = \$210,798 (IN THOUSANDS OF DOLLARS)



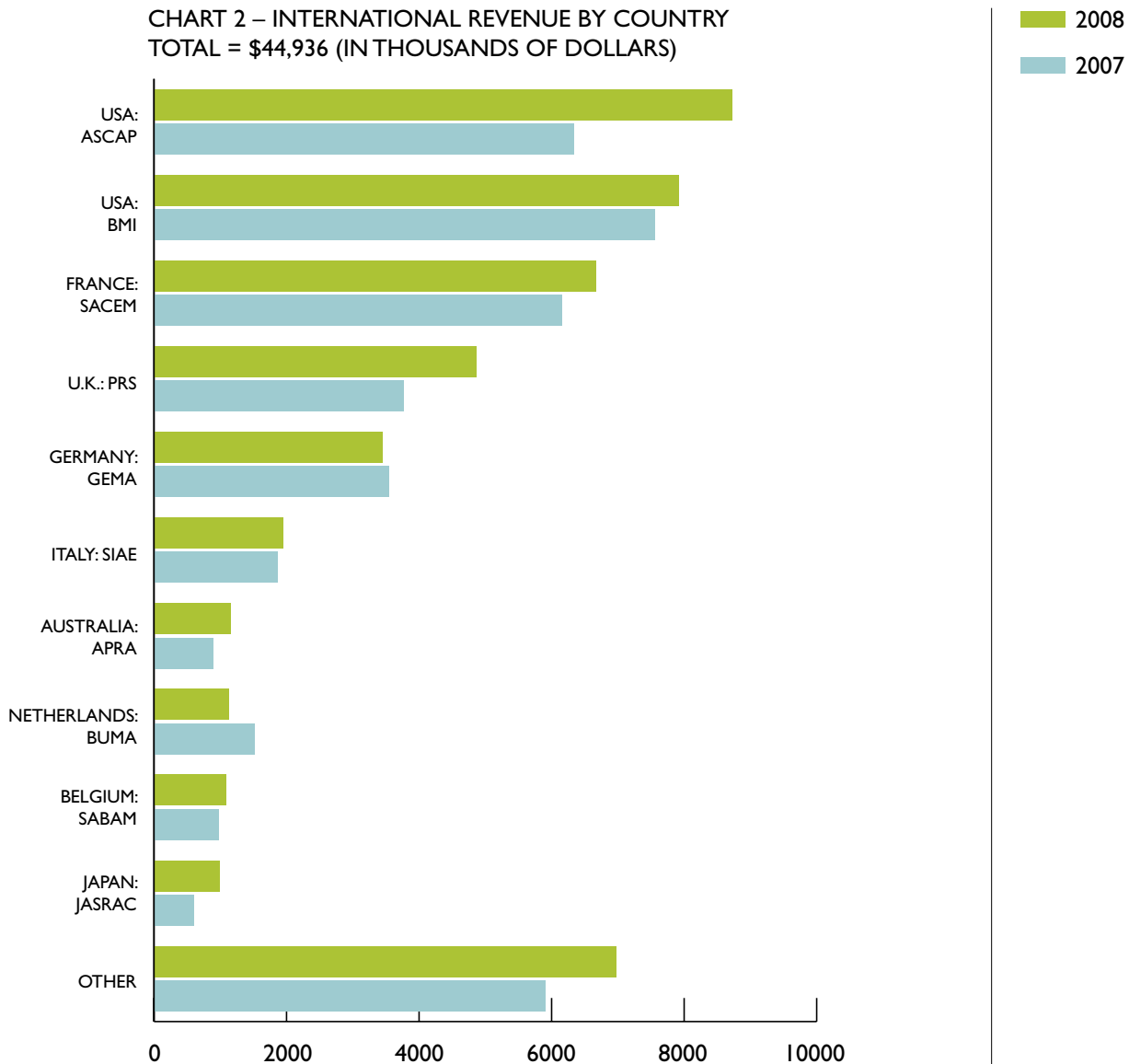
PRIVATE-COPYING ROYALTIES

SOCAN is a member of the Canadian Private Copying Collective (CPCC). The CPCC collects private-copying revenues generated by the sale of blank CDs, audiotapes and similar media. The resulting funds are distributed based on radio airplay and CD sales. SOCAN then claims private-copying royalties on behalf of those members who have assigned SOCAN the right to collect these royalties. In 2008, SOCAN received \$4.2-million (2007: \$3.8-million) from the CPCC.

SOCAN's 2008 private-copying revenue related to works that received radio airplay and enjoyed CD sales in the period 2000-2007. Further private-copying royalties are being distributed throughout 2009 but the magnitude of these distributions will not be known until the claim process with the CPCC is complete.

SOCAN continues to deduct only the direct costs incurred in the distribution of private-copying royalties. In 2008, these direct overhead charges averaged 2.3 percent (2007: 4.4 percent).

CHART 2 – INTERNATIONAL REVENUE BY COUNTRY
TOTAL = \$44,936 (IN THOUSANDS OF DOLLARS)



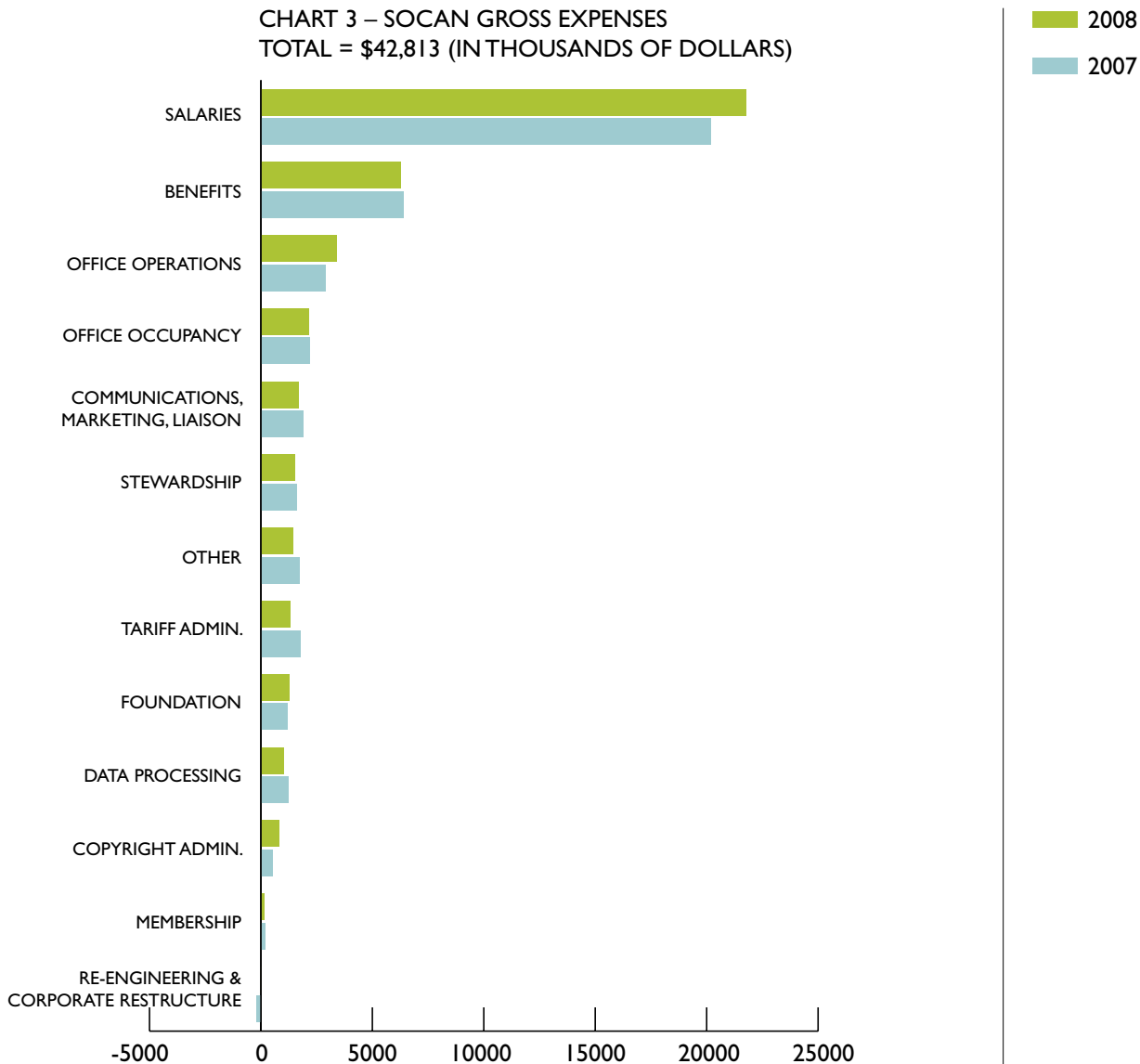
INTERNATIONAL ROYALTIES

Royalties from international affiliated PROs increased \$5.8-million in 2008, for a total of \$44.9-million (2007: \$39.1-million), reflecting the higher-earning performances that SOCAN members enjoyed on the international scene.

CHART NO. 2 shows a breakdown of SOCAN's international revenue for the top ten PROs for the past two years. The top two earning affiliate PROs for SOCAN members were ASCAP and BMI from the U.S.A. In 2008, approximately \$16.6-million was collected, representing 37.0 percent of total international royalties. The next top earning society was SACEM from France where SOCAN collected royalty income of \$6.7-million, representing 14.8 percent of total international royalties. The top ten PROs represented 84.5 percent of SOCAN's international royalties.

TABLE NO. 1 (see page 8) details the international revenue received from each PRO and the distributions paid by SOCAN to each PRO.

CHART 3 – SOCAN GROSS EXPENSES
TOTAL = \$42,813 (IN THOUSANDS OF DOLLARS)



EXPENSES

SOCAN’s net administrative expenses (gross expenses offset by other income, which mainly consists of investment and rental income) increased to \$35.2-million from the 2007 figure of \$34.2-million. This is a result of an increase in gross administrative expenses of \$1.0-million, explained below. The other income did not change significantly year-over-year. Net administrative expenses in 2008 represent 13.8 percent of total revenues (2007: 13.9 percent).

As shown in CHART NO. 3, SOCAN’s 2008 gross expenses of \$42.8-million were 2.5 percent higher than in 2007. Listed below are explanations of some of the 2008 vs. 2007 expenses by cost category, with the percentage of total gross expenses in parentheses as shown in the chart.

SALARIES & BENEFITS (65.4 PERCENT)

SOCAN’s most significant expense lies in human resources, with an average of 315 full and part-time employees in five offices across the country. In 2008, compensation was up by \$1.4-million from the previous year, mainly attributable to an increase in SOCAN salaries and the number of staff.



OFFICE OPERATIONS (7.9 PERCENT)

Expenses in this area relate to equipment purchases and leases, telephone and fax, office supplies, subscriptions, postage, couriers, insurance, etc. There was an increase of \$493,000 from 2007 due mainly to a foreign exchange loss on the month-end U.S. bank account, arising from the large fluctuations in the value of the Canadian Dollar throughout the year.

COPYRIGHT ADMINISTRATION (1.9 PERCENT)

This category includes costs related to all litigation matters, such as infringement actions and licence fee collections, which increased year-over-year by \$277,000.

TARIFF ADMINISTRATION (3.1 PERCENT)

This includes costs related to copyright-reform initiatives and Copyright Board hearings to approve changes in licensing tariffs. The 2008 figure is \$441,000 lower than in the previous year, as a result of major hearings in 2007 for Internet and Satellite Radio not repeated in 2008.

COMMUNICATIONS, MARKETING, LIAISON (4.0 PERCENT)

Included here are costs relating to advertising, awards, e-newsletters and print publications, the SOCAN website, sponsorship of industry events, materials production and design. Expenses were lower than 2007 by \$204,000, partly due sponsorship commitments not repeated and reduced printing and design work for projects no longer required.

OTHER (3.4 PERCENT)

The decrease of \$279,000 from 2007 is related to reduced travel and the reversal of provisions no longer required.

SOCAN DISTRIBUTIONS

SOCAN's total royalty distributions in 2008 amounted to \$198.2-million (2007: \$180.9-million), including special distributions as explained below. Of these distribution amounts, performing rights for 2008 totaled \$194.1-million (2007: \$176.7-million) and private-copying for 2008 totaled \$4.1-million (2007: \$4.2-million). Member advances are reflected in these numbers. Excluding private-copying and member advances, SOCAN's total royalty distributions in 2008 amounted to \$192.7-million (2007: \$177.3-million). Further details can be found in TABLE NO. 2 (see page 10).

SPECIAL DISTRIBUTIONS

SOCAN had two special distributions: one in August and one in November 2008 (included in the total \$192.7-million) totalling \$16.4 million for Commercial Radio (Tariff 1A) for the performance periods of January 2003 - December 2007. The majority of these royalties were distributed to radio earners for \$13.4-million (Radio \$9.0 million; Survey \$1.2-million and Census \$3.2) and the remaining of \$3.0 million was distributed as an overhead rebate to non-radio earning members who shared in other distribution pools during the years 2003-2007 (see page 9).

WRITER/COMPOSER DISTRIBUTIONS

SOCAN continues to pay out two different types of royalties: performing rights and private-copying. TABLE NO. 3 summarizes the normative distribution (excluding all special distributions related to domestic revenues for 2008 and 2007) to SOCAN writer/composer members under three sections:

TABLE NO. 3 – SOCAN WRITER/COMPOSER 2008 VS. 2007 (IN THOUSANDS OF DOLLARS)

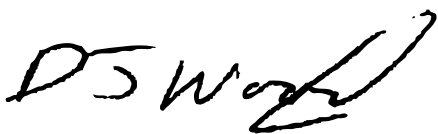
	Amount of Distribution to Writer/Composer			Number of Writers/Composers			Average Distribution per Writer/Composer		
	2008	2007	%	2008	2007	%	2008	2007	%
Cable TV	8,636	7,618	13	9,490	8,869	7	910	859	6
Broadcast TV	9,069	9,295	-2	7,183	6,732	7	1,263	1,381	-9
Radio & General*	8,826	8,600	3	17,154	15,692	9	515	548	-6
Concerts	1,454	1,387	5	4,749	5,022	-5	306	276	11
Cinema	16	15	7	1,045	692	51	15	22	-29
Pay Audio	347	449	-23	7,320	6,831	7	47	66	-28
International Affiliated Societies	34,308	35,264	-3	11,576	10,940	6	2,964	3,223	-8
Private Copying	1,128	1,090	3	5,846	3,751	56	193	291	-34

*Note: With the change in the distribution methodology from one radio pool to three pools, Census, Survey, and CBC, in 2007, the 2008 results have been consolidated for comparative purposes.

- **Amount of distribution to writer/composers:** Cable Television, Radio & General, Concerts, Cinema and Private Copying were all up in 2008, with Cable showing a healthy 13% rise. Broadcast Television and International Affiliated Organizations were down slightly (2% and 3% respectively) in 2008 and Pay Audio is down 23% due to a change in the Tariff.
- **Number of writer/composers receiving a distribution:** With the exception of Concerts, where there was a 5% decrease, all pools saw an increase in the number of members receiving a distribution in 2008. Cinema saw a rise in excess of 50% year-over-year due to the pool now also including Hotel and Motel distributions.
- **Average distribution per writer/composer:** For Cable Television the 13% increase in the amount distributed was greater than the 7% increase in the number of writer/composers receiving a distribution and so the average distribution increased. This was attributable to an increased number of subscribers and higher revenues. For Concert earners the average distribution per writer/composer increased by 11% due to an increase in the amount distributed and a reduction the number of members receiving that money.

The average royalty distribution for Radio & General performances decreased 6% year over year because, although there were moderate increases in the amounts` distributed, there were more members sharing in these increases and so the average distribution amount went down. This was also the case for Cinema and private-copying distributions where over 50% more writer/composers received a distribution.

The average distribution from Broadcast Television, Pay Audio and International Affiliated Societies decreased because there was also an increase in the number of writers/composers receiving a distribution but in this case a reduction in the amount distributed. For Broadcast Television and Pay Audio this is attributable to decreased revenues.



David Wood
Chief Financial Officer
June 2009



TABLE I – ROYALTIES FROM AND TO INTERNATIONAL PROS (IN THOUSANDS OF DOLLARS)

COUNTRY		REVENUE FROM INTERNATIONAL PROS		DISTRIBUTION TO INTERNATIONAL PROS	
		2008	2007	2008	2007
Argentina	SADIAC	117	88	20	19
Australia	APRA	1,161	891	732	811
Austria	AKM	557	378	44	29
Belgium	SABAM	1,088	977	159	107
Brazil	Various	287	213	56	34
Croatia	HDS	40	103	-	-
Czech Republic	OSA	102	82	8	12
Denmark	KODA	521	619	59	54
Finland	TEOSTO	379	486	61	65
France	SACEM	6,671	6,157	2,773	2,240
Germany	GEMA	3,448	3,551	409	529
Greece	AEPI	146	115	7	19
Hong Kong	CASH	130	97	28	14
Hungary	ARTISJUS	227	319	10	5
Ireland	IMRO	317	252	107	97
Israel	ACUM	174	89	4	7
Italy	SIAE	1,955	1,861	376	406
Japan	JASRAC	997	606	132	71
Mexico	SACM	127	65	25	31
Netherlands	BUMA	1,133	1,523	122	108
Norway	TONO	289	349	33	30
Poland	ZAIKS	327	437	37	14
Portugal	SPA	82	49	9	9
Romania	UCMR	298	165	29	2
Russia	RAO	90	46	6	5
Slovak Republic	SOZA	55	35	-	2
South Africa	SAMRO	196	226	33	76
Spain	SGAE	1,122	365	130	127
Sweden	STIM	635	643	277	208
Switzerland	SUISA	440	370	110	184
United Kingdom	PRS	4,860	3,763	8,236	7,735
United States	(See below)	16,701	14,035	52,282	47,838
Other PROs	(See Below)	264	176	42	36
Returns to PROs	Various	-	-	(87)	(72)
TOTAL		44,936	39,131	66,269	60,852
United States	ASCAP	8,730	6,333	27,196	23,930
	BMI	7,917	7,565	23,121	21,980
	SESAC	54	137	1,965	1,928
Total United States		16,701	14,035	52,282	47,838

"Other PROs" include those that have distributed or received \$50,000 or less in 2007 and 2008 (Barbados/COSCAP, Bulgaria/MUSICAUTOR, Chile/SCD, China/MCSC, Colombia/SAYCO, Costa Rica/ACAM, Cuba/ACDAM, Estonia/EAU, Iceland/STEE, Ivory Coast/BURDA, Korea/KOMCA, Latvia/AKKA/LAA, Malaysia/MACP, Mauritius/MASA, Peru/APDAYC, Phillipines/FILSCAP, Senegal/BSDA, Singapore/COMPASS, Slovenia/SAZAS, Taiwan/Various, Thailand/MCT, Trinidad/COTT, Turkey/MESAM, Uruguay/AGADU, Venezuela/SACVEN, Yugoslavia/SOKOJ).

TABLE 2 – DISTRIBUTION BY POOL, BY MEMBER TYPE AND INTERNATIONAL AFFILIATION
(IN THOUSANDS OF DOLLARS)

	SOCAN Writers		SOCAN Publishers		Affiliated PROs		Total	
Normative Distributions	2008	2007	2008	2007	2008	2007	2008	2007
Cable Television	8,636	7,618	14,423	12,311	14,725	13,182	37,784	33,111
Broadcast Television	9,069	9,294	13,990	14,327	13,327	13,958	36,386	37,579
Radio and General	0	4,274	0	8,036	0	10,734	0	23,044
Radio – Census	4,618	2,109	11,192	5,228	13,670	6,777	29,480	14,114
Radio – Survey	2,268	1,209	4,842	2,443	6,165	3,248	13,275	6,900
Radio – CBC	1,940	1,009	1,546	769	2,359	1,091	5,845	2,869
Concerts	1,454	1,387	2,993	3,860	3,912	6,249	8,359	11,496
Cinema + Hotel, Motel Services	16	15	356	236	508	337	880	588
Pay Audio	347	451	697	872	1,106	1,414	2,150	2,737
	28,348	27,366	50,039	48,082	55,772	56,990	134,159	132,438
International Affiliated Societies	34,308	35,265	7,274	7,873	533	732	42,115	43,870
	62,656	62,631	57,313	55,955	56,305	57,722	176,274	176,308
Distributions in advance of normal payment date	492	(331)	880	(306)	-	-	1,372	(637)
Performing Rights	63,148	62,300	58,193	55,649	56,305	57,722	177,646	175,671
Private Copying	1,128	1,090	585	649	2,403	2,502	4,116	4,241
								-
Total Normative Distributions	64,276	63,390	58,778	56,298	58,708	60,224	181,762	179,912
Special Distributions								
Arrears for Radio IA								
Television – Cable	235		377		415		1,027	
Television – Broadcast	327		486		513		1,326	
Radio and General	1,561		3,202		4,257		9,020	
Radio – Census	486		1,188		1,496		3,170	
Radio – Survey	237		477		618		1,332	
Radio – CBC	18		14		20		52	
Concerts	56		114		169		339	
Cinema + Hotel, Motel Services	1	22	10	372	15	628	26	1,022
Pay Audio	19		37		58		114	
Total Special Distributions	2,940	22	5,905	372	7,561	628	16,406	1,022

TABLE 2 – DISTRIBUTION BY POOL, BY MEMBER TYPE AND INTERNATIONAL AFFILIATION (CONT)

	SOCAN Writers		SOCAN Publishers		Affiliated PROs		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Total Distributions								
Cable Television	8,871	7,618	14,800	12,311	15,140	13,182	38,811	33,111
Broadcast Television	9,396	9,294	14,476	14,327	13,840	13,958	37,712	37,579
Radio and General	1,561	4,274	3,202	8,036	4,257	10,734	9,020	23,044
Radio – Census	5,104	2,109	12,380	5,228	15,166	6,777	32,650	14,114
Radio – Survey	2,505	1,209	5,319	2,443	6,783	3,248	14,607	6,900
Radio – CBC	1,958	1,009	1,560	769	2,379	1,091	5,897	2,869
Concerts	1,510	1,387	3,107	3,860	4,081	6,249	8,698	11,496
Cinema + Hotel, Motel Services	17	37	366	608	523	965	906	1,610
Pay Audio	366	451	734	872	1,164	1,414	2,264	2,737
	31,288	27,388	55,944	48,454	63,333	57,618	150,565	133,460
International Affiliated Societies	34,308	35,265	7,274	7,873	533	732	42,115	43,870
	65,596	62,653	63,218	56,327	63,866	58,350	192,680	177,330
Distributions in advance of normal payment date	492	(331)	880	(306)	-	-	1,372	(637)
Performing Rights	66,088	62,322	64,098	56,021	63,866	58,350	194,052	176,693
Private-copying	1,128	1,090	585	649	2,403	2,502	4,116	4,241
Total Distributions	67,216	63,412	64,683	56,670	66,269	60,852	198,168	180,934

AUDITORS' REPORT

To the Members of the Society of Composers, Authors and Music Publishers of Canada

We have audited the statement of financial position of the Society of Composers, Authors and Music Publishers of Canada as at December 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

February 20, 2009

STATEMENT OF FINANCIAL POSITION

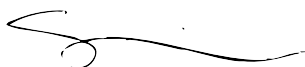
(IN THOUSANDS OF DOLLARS)

December 31, 2008, with comparative figures for 2007

	2008	2007
ASSETS		
Current assets:		
Cash	\$16,085	\$12,836
Accounts receivable and other assets (note 3)	13,495	14,412
Short-term investments (note 4)	74,785	60,940
Other securities (note 4)	86,094	85,167
Total	190,459	173,355
Capital assets (note 5)	10,131	10,061
Accrued benefit asset - pension (note 8)	1,883	1,210
Total	\$202,473	\$184,626
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other liabilities (note 6)	\$7,689	\$7,533
Deferred revenue (note 7)	7,277	9,718
Total	14,966	17,251
Accrued benefit liability – other employee future benefits (note 8)	10,994	9,577
Royalties owing to music copyright owners (members and affiliated societies):		
From distributions allocated	5,999	4,937
From distribution fund (note 9)	174,097	151,767
Total	180,096	156,704
	206,056	183,532
Net assets:		
Net unrealized gain (loss) on investments	(3,583)	1,094
Commitments and contingencies (note 12)		
Total	\$ 202,473	\$ 184,626

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director



STATEMENT OF OPERATIONS

(IN THOUSANDS OF DOLLARS)

Year ended December 31, 2008, with comparative figures for 2007

	2008			2007		
	Performing rights	Private copy	Total	Performing Rights	Private Copy	Total
Fees from Canadian licensees	\$206,611	\$ –	\$206,611	\$203,180	\$ –	\$203,180
Royalties received from international affiliated societies	44,936	–	44,936	39,131	–	39,131
Private copy royalties	–	4,187	4,187	–	3,820	3,820
Total	251,547	4,187	255,734	242,311	3,820	246,131
Expenses and other income:						
Administrative expenses	(42,680)	(133)	(42,813)	(41,649)	(129)	(41,778)
Investment and rental income (note 11)	7,577	–	7,577	7,578	–	7,578
Total	(35,103)	(133)	(35,236)	(34,071)	(129)	(34,200)
Total distributable income	216,444	4,054	220,498	208,240	3,691	211,931
Allocated to royalties owing to music copyright owners (note 9)	216,444	4,054	220,498	208,240	3,691	211,931
Unallocated revenue	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –

See accompanying notes to financial statements

STATEMENT OF CHANGES IN NET ASSETS

(IN THOUSANDS OF DOLLARS)

Year ended December 31, 2008, with comparative figures for 2007

	Net unrealized gain (loss) on investments	
	2008	2007
Net assets, beginning of year	\$1,094	\$ –
Adjustment to opening net assets	–	1,799
Net change in unrealized loss on investments	(4,677)	(705)
Net assets, end of year	\$(3,583)	\$1,094

See accompanying notes to financial statements



STATEMENT OF CASH FLOWS

(IN THOUSANDS OF DOLLARS)

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating activities:		
Increase in royalties owing to music copyright owners	\$23,392	\$31,241
Employer future benefit contributions	(2,322)	(2,533)
Items not involving cash:		
Amortization of capital assets	1,359	1,342
Employee future benefit expense	3,066	3,460
Change in non-cash operating working capital	(1,368)	(21,938)
Total	24,127	11,572
Investing activities:		
Purchase of capital assets	(1,429)	(553)
Purchase of short-term investments, net	(13,845)	(14,657)
Sale (purchase) of other securities	(5,604)	5,488
Total	(20,878)	(9,722)
Increase in cash	3,249	1,850
Cash, beginning of year	12,836	10,986
Cash, end of year	\$16,085	\$12,836

See accompanying notes to financial statements

The Society of Composers, Authors and Music Publishers of Canada (“SOCAN”) is a not-for-profit organization, incorporated without share capital on March 16, 1990 under Part II of the Canada Corporations Act, which administers, for copyright-protected musical works, the right to perform in public and to communicate to the public by telecommunication in Canada. SOCAN collects license fees on behalf of music copyright owners pursuant to tariffs proposed by SOCAN, and approved by a quasi-judicial federal tribunal, the Copyright Board. Licensees can and do object to proposed tariffs, and public hearings can be, and are, held at which SOCAN acts to support the rights of its members and international affiliates. SOCAN also has reciprocal contracts of affiliation with similar societies throughout the world, which provide for the exchange of copyright royalties. Total revenue, net of operating expenses, is distributed to members and to affiliated societies on account of their members pursuant to distribution rules approved by the Board of Directors. Amounts generally become distributable upon receipt of the related fees and royalties.

SOCAN is a non-profit organization under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

SOCAN controls a wholly owned subsidiary, Canadian Music Rights Joint Venture Inc. (“CMRJV”). CMRJV was established to allow SOCAN to fund and participate in joint ventures.

I. SIGNIFICANT ACCOUNTING POLICIES:

The following is a summary of the significant accounting policies followed by SOCAN, which are in accordance with Canadian generally accepted accounting principles:

(A) FINANCIAL INSTRUMENTS OTHER THAN INVESTMENTS:

SOCAN designates its cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and other liabilities are classified as other financial liabilities, which are measured at amortized cost.

In accordance with the Accounting Standards Board’s decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within The Canadian Institute of Chartered Accountants’ (“CICA”) Handbook Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments – Presentation, SOCAN has elected not to adopt these standards in its financial statements.

The carrying values of cash, accounts receivable, accounts payable and other liabilities and royalties owing to music copyright owners approximate fair values due to the immediate or short-term nature of these financial instruments.

(B) INVESTMENTS:

Short-term investments have maturities of less than one year. Other securities include fixed income investments and equities. Investments are classified as available-for-sale and stated at fair value. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of changes in net assets.

Fixed income securities and equities are valued at year-end quoted market prices,

where available. Where quoted market prices are not available, estimated fair values are calculated using comparable securities.

Transaction costs that are directly attributable to the acquisition of investments are not considered significant and are expensed when paid. Investment purchase and sale transactions are accounted for on the trade date.

Funds awaiting distribution are invested in marketable securities to provide a reasonable return while the distribution is being allocated.

(C) INVESTMENT INCOME:

Investment income, which is recorded on the accrual basis, includes interest income, dividends and net gain (loss) on sale of securities.

(D) RECOGNITION OF FEES AND ROYALTIES:

Fees from Canadian licensees and royalties from international affiliated societies are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Private copy royalties are recognized when received.

(E) CAPITAL ASSETS:

Capital assets, other than land and artwork, are carried at cost less accumulated amortization. Land and artwork are carried at cost.

Capital assets are amortized on a straight-line basis over their estimated useful lives. Prior to 1994, the building was not amortized.

Annual amortization rates used are as follows:

Building and building improvements:	3.7%
Leasehold improvements:	Over term of lease
Furniture, fixtures and equipment:	20.0% - 33.3%

(F) EMPLOYEE FUTURE BENEFITS:

The cost of pensions and other retirement benefits earned by employees is determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date, December 31, on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

For the purpose of calculating the expected return on pension plan assets, those assets are valued at fair value. The most recent actuarial valuation of the pension plan for funding purposes was as of January 1, 2008 and the next required valuation will be as of January 1, 2011.

The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of the plan assets and the transitional asset are amortized over the average remaining service life of active employees. The average remaining service period of the active employees covered by the pension plan is 14.8 years (2007 – 14 years). The average remaining service period of the active employees covered by the post-retirement benefits plan is 14.8 years (2007 – 14.8 years).

(G) INVESTMENT IN CMRJV:

CMRJV is accounted for in SOCAN's financial statements using the equity method. The activities of CMRJV are not material to these financial statements.

(H) TRANSLATION OF FOREIGN CURRENCIES:

Assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at exchange rates prevailing at the year-end date. Revenue and expenses have been translated using exchange rates prevailing on the transaction date. Gains and losses arising from these translation policies are included in the statement of operations.

(I) USE OF ESTIMATES:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. ACCOUNTING POLICY CHANGE:

Effective January 1, 2008, SOCAN retroactively adopted the changes to the recommendations in CICA Handbook Section 4400, Financial Statement Presentation by Not-for-Profit Organizations, that eliminate the requirement to separately disclose the amount of net assets invested in capital assets. SOCAN has therefore eliminated from the financial statements details about the amount of net assets invested in capital assets and the calculation of this amount. As a result, SOCAN has reclassified the comparative net assets figures to include the amount of net assets invested in capital assets as at January 1, 2007 and January 1, 2008.

3. ACCOUNTS RECEIVABLE AND OTHER ASSETS:

	2008	2007
Accrued license fees	\$ 10,803	\$ 11,338
Other receivables	1,005	1,936
Other assets	1,687	1,138
Total	\$ 13,495	\$ 14,412

4. SHORT-TERM INVESTMENTS AND OTHER SECURITIES:

Short-term investments consist of bankers' acceptances, treasury bills and notes bearing interest at rates ranging from 0.82% to 2.83% and maturing January 6, 2009 to September 3, 2009. It also includes a bond fund consisting of various short-term instruments.

Other securities are as follows:

	2008			2007		
	Principal Amount	Amortized Cost	Fair Value	Principal Amount	Amortized Cost	Fair Value
Government of Canada:						
Due less than one year	\$2,600	\$3,302	\$4,341	\$ –	\$ –	\$ –
Due after one through five years	–	–	–	4,000	4,288	4,239
Due after five years	–	–	–	5,220	5,972	7,167
Canadian provincial and public authorities and companies:						
Due in one year or less	–	–	–	715	721	719
Due after one through five years	–	–	–	9,089	9,316	8,981
Due after five years	–	–	–	21,280	21,390	21,674
Corporate:						
Due in one year or less	3,000	3,223	3,032	–	–	–
Due after one through five years	25,009	25,370	25,875	7,164	7,734	7,717
Due after five years	29,885	30,696	31,769	3,975	4,147	4,176
Mortgage-backed:						
Due after one through five years	9,050	9,092	9,733	12,700	12,875	12,925
Equities:						
Domestic	–	3,658	3,472	–	3,475	4,556
Foreign	–	14,372	7,872	–	14,172	13,013
Total	\$69,544	\$89,713	\$86,094	\$64,143	\$84,090	\$85,167

Details of significant terms and conditions and exposures to interest rate risk on these investments are as follows:

	Interest Receivable Basis	2008	2007
		Average Effective Rates	Average Effective Rates
Government of Canada	Semi-annual	2.50%	3.55%
Canadian provincial and public authorities and companies	Semi-annual	–	4.94%
Corporate	Semi-annual	4.85%	5.29%
Mortgage-backed	Semi-annual	4.05%	4.30%

5. CAPITAL ASSETS:

			2008	2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$3,073	\$ –	\$3,073	\$3,073
Building and building improvements	9,522	5,067	4,455	4,403
Leasehold improvements	131	16	115	–
Furniture, fixtures and equipment	17,524	15,132	2,392	2,489
Computer software development costs	5,898	5,898	–	–
Artwork	96	–	96	96
Total	\$36,244	\$26,113	\$10,131	\$10,061

Amortization charges included in administrative expenses amounted to \$1,359 (2007 – \$1,342).

6. ACCOUNTS PAYABLE AND OTHER LIABILITIES:

	2008	2007
Accounts payable	\$1,935	\$2,705
Accrued expenses	4,011	4,466
Ringtones refund (Tariff 24)	1,081	–
Radio refund (Tariff 1A)	152	152
TV retransmission refund (Tariff 42)	300	–
Cable refund (Tariff 17)	210	210
Total	\$7,689	\$7,533

7. DEFERRED REVENUE:

	2008	2007
Tariffs under appeal:		
Internet (Tariff 22A)	\$5,107	\$ –
Ringtones (Tariff 24)	–	6,727
License fees received in advance	2,170	2,991
Total	\$7,277	\$9,718

In 2007, SOCAN collected ringtones (Tariff 24) license fees from 2003 to 2007. These fees were subject to judicial review and SOCAN deferred the \$6,727 collected. In 2008, the Supreme Court of Canada issued a decision such that these fees are now recognized in SOCAN's statement of operations for 2008.

In 2008, SOCAN collected internet (Tariff 22A) license fees for online music services from 1996 to 2008; however, this tariff decision is still subject to judicial review and the amount of \$5,107 has been deferred until a final decision is made.

8. EMPLOYEE FUTURE BENEFITS:

SOCAN sponsors a contributory defined benefit pension plan and an executive retirement arrangement ("SERP"), which cover substantially all employees. The plans provide pensions based on length of service and final average earnings. SOCAN also sponsors a retiree medical benefit plan which covers certain health care costs for employees.

Information about SOCAN's employee benefit plans as at December 31, 2008 and 2007, in aggregate, is as follows:

	Pension plan		SERP		Retiree Medical Benefit Plan	
	2008	2007	2008	2007	2008	2007
Fair value of plans' assets	\$25,739	\$31,902	\$ -	\$ -	\$ -	\$ -
Accrued benefit obligations	29,371	30,929	7,177	7,283	3,260	3,883
Funded surplus (deficit)	\$(3,632)	\$973	\$(7,177)	\$(7,283)	\$(3,260)	\$(3,883)

Pension plan assets consist of:

	Pension plan	
	2008	2007
Equity securities	42.1%	49.4%
Debt securities	38.4%	34.5%
Other	19.5%	16.1%
	100.0%	100.0%

Continuity of the accrued benefit liability (asset) is as follows:

2008	Pension Plan	SERP	Retiree Medical Benefit Plan	Total
Balance, beginning of year	\$(1,210)	\$6,761	\$2,816	\$8,367
Benefit expenses	1,383	967	716	3,066
Employer contributions	(2,056)	(168)	(98)	(2,322)
Balance, end of year	\$(1,883)	\$7,560	\$3,434	\$9,111

2007	Pension Plan	SERP	Retiree Medical Benefit Plan	Total
Balance, beginning of year	\$(920)	\$6,013	\$2,347	\$7,440
Benefit expenses	1,947	916	597	3,460
Employer contributions	(2,237)	(168)	(128)	(2,533)
Balance, end of year	\$(1,210)	\$6,761	\$2,816	\$8,367

The significant actuarial assumptions adopted in measuring the accrued benefit obligations as of December 31 are as follows:

	Pension Plan & SERP		Retiree Medical Benefit Plan	
	2008	2007	2008	2007
Accrued benefit obligation:				
Discount rate	7.25%	5.75%	6.75%	5.75%
Rate of compensation increase	5.00%	5.00%	–	–
Benefit costs:				
Discount rate	7.25%	5.75%	6.75%	5.75%
Expected long-term rate of return on plan assets	6.25%	6.25%	–	–
Rate of compensation increase	5.00%	5.00%	–	–

Other information about the employee benefit plans is as follows:

	Pension Plan		SERP		Retiree medical benefit plan	
	2008	2007	2008	2007	2008	2007
Employer contributions	\$2,056	\$2,237	\$168	\$168	\$98	\$128
Employees' contributions	515	477	–	–	–	–
Benefits paid	1,056	1,376	168	168	98	128

9. ROYALTIES OWING TO MUSIC COPYRIGHT OWNERS:

The availability of funds for distribution is dependent upon the realization of assets at not less than their carrying values in the financial statements.

2008	Performing Rights	Private Copy	Total
Balance, beginning of year	\$149,941	\$1,826	\$151,767
Distributable income	216,444	4,054	220,498
Distributions	(194,052)	(4,116)	(198,168)
Balance, end of year	\$172,333	\$1,764	\$174,097

2007	Performing Rights	Private Copy	Total
Balance, beginning of year	\$118,394	\$2,376	\$120,770
Distributable income	208,240	3,691	211,931
Distributions	(176,693)	(4,241)	(180,934)
Balance, end of year	\$149,941	\$1,826	\$151,767

10. THE SOCAN FOUNDATION:

Included in administrative expenses is \$1,290 (2007 – \$1,201) in funding to The SOCAN Foundation - La Fondation SOCAN (the "Foundation"). Included in other assets is \$396 (2007 - \$247) owing from the Foundation.

SOCAN has the ability to control the Foundation by virtue of common membership in the Boards of Directors of the two organizations. The Foundation was incorporated by Letters Patent under the provisions of Part II of the Canada Corporations Act on May 13, 1976. The Foundation is a not-for-profit organization under the Income Tax Act (Canada), set up to promote and further the publication, recording, distribution and performance of music generally in Canada.

Summary financial information for the Foundation for the year ended December 31 is as follows:

	2008	2007
Total assets	\$5,041	\$4,782
Total liabilities	854	630
Net assets	\$4,187	\$4,152
Revenue	\$2,344	\$2,402
Expenses	(2,189)	(2,209)
Unrealized losses	(120)	(35)
Change in net assets	\$35	\$158

Commencing in fiscal 2002, the Foundation began to administer the Creators' Assistance Program on behalf of the Department of Canadian Heritage. The results of this program are included in the above amounts.

II. INVESTMENT AND RENTAL INCOME:

	2008	2007
Interest income	\$6,509	\$6,884
Dividend income	302	286
Rental and miscellaneous income	885	759
Net realized gain on sale of investments	323	118
Brokerage and investment consulting fees	(442)	(469)
Total	\$7,577	\$7,578

12. COMMITMENTS AND CONTINGENCIES:

(a) SOCAN has various operating lease commitments for branch office premises, vehicles and office equipment. The future minimum lease payments inclusive of maintenance costs and realty taxes for years subsequent to December 31, 2008 are as follows:

2009	\$1,078
2010	959
2011	877
2012	792
2013	583
Thereafter	589
Total	\$4,878

(b) SOCAN has provided three letters of credit totalling \$4,017 and has pledged \$4,017 short-term investments as collateral for the letters of credit. The letters of credit expire in August 2009.

(c) In 2005, the Copyright Board of Canada changed the revenue base for radio (Tariff 1A) calculations from "Gross Income" to "Advertising Revenue", effective 2003. Following this decision, in October 2008, the Federal Court declared that the broadcasters were permitted to exclude the fair market value of production services from the revenue on which the radio license fees are calculated for the period from 2003 to 2008. Certain broadcasters have advised of their intention to set off against future royalty payments the amount they calculate they have over-paid for the period from 2003 to 2008 because they have not made any deduction for the fair market value of production services. SOCAN has not received the calculations of this fair market value of production services from the broadcasters in order to determine the amount of the liability, if any, which covers the period from 2003 to 2008. Because SOCAN does not have the information to determine this amount, no provision has been made in the financial statements.

13. RISK MANAGEMENT:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate, market and foreign currency risks. SOCAN has formal policies and procedures that establish target asset mix. SOCAN's policies also require diversification of investments within categories, and set limits on exposure to individual investments.

(A) INTEREST RATE RISK:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by SOCAN. SOCAN manages this risk by holding primarily debt issued by the Government of Canada and Corporate companies and by staggering the terms of the securities held.

(B) MARKET RISK:

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose SOCAN to a risk of loss. SOCAN mitigates this risk through controls to monitor and limit concentration levels.

(C) FOREIGN CURRENCY RISK:

Foreign currency risk arises from gains and losses due to fluctuations in foreign currency exchange rates on SOCAN's foreign equity securities.

14. COMPARATIVE FIGURES:

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

SOCAN EXECUTIVE MANAGEMENT

André LeBel
Chief Executive Officer

Joel Grad
Executive Vice President & Chief Operating Officer

David Wood
Chief Financial Officer

Randy Wark
Vice President – Human Resources & Chief Administrative Officer

C. Paul Spurgeon
Vice President – Legal Services & General Counsel

France Lafleur
Vice President – Membership and Communications & Marketing, and
General Manager, Québec

Kent Sturgeon
Vice President – Member Relations & General Manager, West Coast Division

Jeff King
Vice President – Licensing

Marian Wilson
Vice President – Information Technology

Christian Sarrazin
Vice President – Industry Relations and Strategic Intelligence

Dan Greenwood
Vice President – Corporate Planning and Business Change

Michael Lewin
Vice President – Distribution Operations