

Financial Statements

Local Programming Improvement Fund
August 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Canadian Local Programming Improvement Fund

We have audited the accompanying financial statements of **Local Programming Improvement Fund**, which comprise the balance sheet as at August 31, 2011 and the statement of income and fund balance for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as explained below, 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 auditors' judgment, 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 auditors consider 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

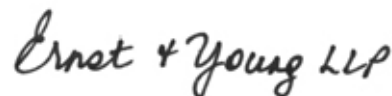
Basis for qualified opinion

The Fund contributions are based on reports of prior-year gross revenues derived from broadcasting activities provided to the Canadian Radio-television and Telecommunications Commission ["CRTC"] by the licensed terrestrial Broadcasting Distribution Unit's ["BDU"] and Direct-to-Home ["DTH"] undertakings. A summary of this information was supplied to us by the CRTC. We did not audit the reports submitted to the CRTC. Therefore, we are unable to determine whether any adjustments to the Fund contributions and Fund distributions might be necessary.

Qualified opinion

In our opinion, with the exception for the effect of these adjustments, if any, which we might have determined to be necessary as a result of the matters described in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of **Local Programming Improvement Fund** as at August 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ottawa, Canada,
December 1, 2011.



Chartered Accountants
Licensed Public Accountants

Local Programming Improvement Fund

BALANCE SHEET

As at August 31

	2011	2010
	\$	\$
ASSETS		
Cash	10,753,747	9,883,814
Contributions receivable	2,023,243	3,724,832
	<u>12,776,990</u>	<u>13,608,646</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable and accrued liabilities	22,246	16,500
Distributions payable	12,754,744	13,592,146
Total liabilities	<u>12,776,990</u>	<u>13,608,646</u>
Fund balance	<u>—</u>	<u>—</u>
	<u>12,776,990</u>	<u>13,608,646</u>

See accompanying notes

Commitment [note 5]

On behalf of the Board:

Director

Director

Local Programming Improvement Fund

STATEMENT OF INCOME AND FUND BALANCE

Year ended August 31

	2011	2010
	\$	\$
REVENUE		
Fund contributions	106,562,707	100,676,231
Interest	91,024	25,723
	<u>106,653,731</u>	<u>100,701,954</u>
EXPENSES		
Fund distributions	106,099,825	100,038,528
Fund administration	440,700	531,658
Insurance	63,234	63,705
Audit	28,809	16,500
Legal	19,830	48,848
Bank charges	1,333	1,195
Translation	—	1,520
	<u>106,653,731</u>	<u>100,701,954</u>
Net income for the year and fund balance	<u>—</u>	<u>—</u>

See accompanying notes

Local Programming Improvement Fund

NOTES TO FINANCIAL STATEMENTS

August 31, 2011

1. PURPOSE OF THE FUND

The Local Programming Improvement Fund [the "Fund" or "LPIF"] is a fund created by the Canadian Radio-television and Telecommunications Commission ["CRTC"] in October 2008 pursuant to Broadcasting Public Notice CRTC 2008-100. The purpose of the Fund is to support local programming produced by conventional television stations operating in non-metropolitan markets. The objectives of the Fund are to ensure that viewers in smaller Canadian markets continue to receive a diversity of local programming, to improve the quality and diversity of local programming in these markets and to ensure that viewers in French-language markets are not disadvantaged by the smaller size of those markets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[a] Accrual basis of accounting

Revenue and expenses are recorded on the accrual basis, whereby they are reflected in the accounts in the period during which they have been earned and incurred respectively, whether or not such transactions have been finally settled by the receipt or payment of money.

[b] Financial instruments

The Fund's financial instruments consist of cash, contributions receivable, accounts payable and accrued liabilities and distributions payable. The fair values of these financial instruments approximate their carrying values, unless otherwise stated. It is management's opinion that the Fund is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

[c] Fund contributions

The Fund is funded through contributions by licensed terrestrial BDUs and DTH undertakings. The contribution is 1.5% of the prior broadcast year's gross revenue derived from the broadcasting activities of licensees. Any adjustments are accounted for in the year during which the change is communicated to the Fund Administrator by the CRTC.

Local Programming Improvement Fund

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[d] Fund distributions

LPIF funding is distributed to eligible stations as follows: one third of total funds are divided evenly among all eligible stations in anglophone and francophone markets and the remaining two thirds are divided so that 70% goes to anglophone markets, and 30% to francophone markets. This remaining two thirds is then allocated on the basis of average net spending on local programming over three years and are proportional to the percentage of LPIF funding available to eligible stations within a linguistic market. Eligibility for participation in LPIF funding is determined by the CRTC. Any adjustments are accounted for in the year during which the change is communicated to the Fund Administrator by the CRTC.

[e] Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

3. CANADIAN LOCAL PROGRAMMING IMPROVEMENT FUND

The Canadian Local Programming Improvement Fund ["CLPIF"] oversees the administration of the Fund and the Fund Administrator's performance of its duties. Any expenses of the CLPIF are paid for and considered an expense of the Fund.

4. CAPITAL MANAGEMENT

The Fund considers its capital to be the balance maintained in its bank account. The primary objective of the Fund is to invest its capital in a manner that will allow it to continue as a going concern and to comply with its stated objectives. Capital is invested under the direction of the Board of Directors of the CLPIF with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements. The Fund is not subject to any externally imposed requirements on its capital.

5. COMMITMENT

Fund administration agreement

The CLPIF has engaged the services of a company to administer the Fund at a fee of \$400,000 plus applicable taxes for the year ending August 31, 2012.

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6. STATEMENT OF CASH FLOWS

A statement of cash flows has not been prepared as all the relevant information is apparent from the other financial statements.