



## 2014-2015 Q2 BUDGETARY MANAGEMENT REPORT

<b>TO:</b>	Board of Directors / Audit Committee
<b>MEETING:</b>	November 19, 2014
<b>FROM:</b>	Michael Mooney, Acting Vice-President and CFO
<b>PURPOSE:</b>	Quarterly information report on budgetary results at September 30, 2014
<b>DATE:</b>	November 13, 2014

### SIGNIFICANT POINTS:

- N/A





**QUARTERLY BUDGETARY MANAGEMENT REPORT**  
**For the six-month period ended September 30<sup>th</sup>, 2014**

November 2014

Confidential for Internal Purposes

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## **QUARTERLY FINANCIAL MANAGEMENT REPORT**

**For the six-month period ended September 30, 2014.**

### **Financial Reporting Basis**

CBC/Radio-Canada is required to submit Annual Reports to the Minister of Canadian Heritage containing audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The Corporation also prepares quarterly financial reports on the same basis.

In addition, for management purposes, CBC/Radio-Canada reports its financial results on a budget basis, which differs from IFRS. Certain non-cash items such as accrued pension plan expenses and other employee future benefits and amortisation are not recognised on a budget basis.

### **Financial Review and Analysis Content**

The review and analysis of CBC/Radio-Canada's financial results for the six months ended September 30, 2014 is presented here on a budget basis.

This report presents and analyses segmented results of operations for the six-month period ended September 30, 2014, compared to the year-to-date budget, and year-end forecasts. Segmented results are presented for English and French Services, and Non-Media Services.

In addition, an overview of the capital budget and a cash forecast are presented for the six months ended September 30, 2014.

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**Financial Highlights**

**For the six-month period ended September 30**

**(Excluding SiriusXM share sale and downsizing costs related to the \$45 million planned reductions)**

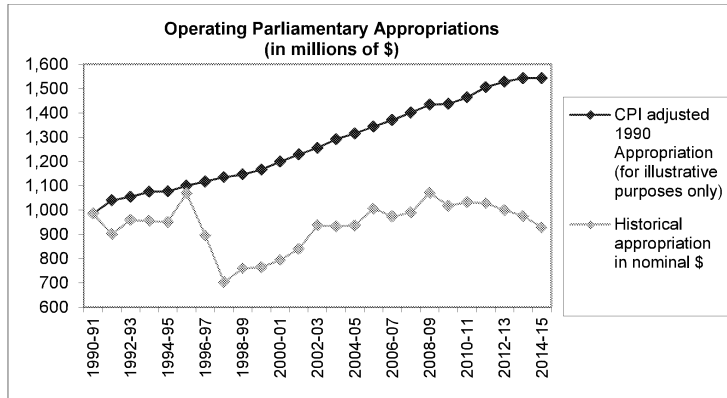
**(Includes downsizing costs related to \$130 million planned reductions)**

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**Sources of Funds**  
**For the six-month period ended September 30**  
**(Excluding SiriusXM share sale)**



\* Includes Sirius special dividends.

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**Expenditures**

**For the six-month period ended September 30**

(Excluding downsizing costs related to the \$45 million planned reductions)

(Includes downsizing costs related to \$130 million planned reductions)



**Overview of the first six months ended September 30**  
**Net position including ARTV, Documentary Channel and**  
**Gain / (Loss) on disposal of property and equipment**  
**(in \$000's)**

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	Comparison to Prior Year		
	2014/2015 Actuals	2013/2014 Actuals	Variance
<b>Investments in ARTV</b>			
Revenues (Net of inter-company transactions)	6,209	7,156	(947)
Expenses	5,823	6,693	870
<b>NET POSITION - ARTV</b>	<b>386</b>	<b>463</b>	<b>(77)</b>
<b>Investments in Documentary Channel</b>			
Revenues (Net of inter-company transactions)	1,744	1,395	349
Expenses	2,167	2,002	(165)
<b>NET POSITION - Documentary Channel</b>	<b>(423)</b>	<b>(607)</b>	<b>184</b>
<b>NET POSITION - Investments</b>	<b>(37)</b>	<b>(144)</b>	<b>107</b>
<b>Gain / (Loss) on disposal of property and equipment</b>	<b>5,467</b>	<b>0</b>	<b>5,467</b>
<b>NET POSITION - Including investments</b>			
<b>Results on a current operating basis *</b>	<b>(67,352)</b>	<b>8,853</b>	<b>(76,205)</b>

This overview is intended to identify the impact of CBC/Radio-Canada's share in ARTV and Documentary Channel, which is included in the consolidated Financial Statements in accordance with IFRS but not included in the financial reports on a budgetary basis.

\* These amounts are shown in the MD&A section of the September 30<sup>th</sup> Quarterly Report

**Overview for the six-month month period ended September 30  
(\$000's)**

	Comparison to Budget (April to September)			Annual Basis (April to March)		
	2014/2015 Actuals	2014/2015 Budget	Variance	2014/2015 Forecast	2014/2015 Budget	Variance
<b>SOURCE OF FUNDS</b>						
<b>Government Funding and Carryover</b>						
Parliamentary Appropriation - Drawdown (Used for) generated by working capital						
<b>Parliamentary Appropriation</b>						
Prior Year Carryover						
<b>Government Funding and Carryover</b>						
<b>Local Programming Improvement Fund</b>						
English Television						
French Television						
<b>Local Programming Improvement Fund</b>						
<b>Revenues</b>						
<b>Advertising Revenues</b>						
English Services						
French Services						
<b>Advertising Revenues</b>						
<b>Miscellaneous Revenues</b>						
English Services						
French Services						
Others						
<b>Miscellaneous Revenues</b>						
<b>Subscriber Revenues</b>						
CBC News Network						
Réseau de l'information						
Explora						
Tou.tv						
Curio						
<b>Revenues-Subscriber</b>						
<b>Total Revenues</b>						
<b>TOTAL SOURCE OF FUNDS</b>						
<b>APPLICATION OF FUNDS</b>						
<b>Expenditures</b>						
English Services						
French Services						
Other Non-Media Services						
Committed Reserve						
<b>TOTAL APPLICATION OF FUNDS (1)</b>						
<b>NET POSITION - Before Exceptional Items</b>						
Net proceeds from sale of Sirius shares (2)						
Downsizing costs related to \$45 million shortfall (3)						
Downsizing costs related to Space For Us All						
<b>NET POSITION</b>						

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Overview Comments

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Advertising Revenue Update (Based on August 2014 TVB report)

**Consolidated English Services  
For the six-month period ended September 30  
(\$000's)**

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	Comparison to Budget					
	Comparison to Budget (April to September)			Annual Basis (April to March)		
	2014/2015 Actuals	2014/2015 Budget	Variance	2014/2015 Forecast	2014/2015 Budget	Variance
<b>SOURCE OF FUNDS</b>						
Parliamentary Appropriation						
Prior Year Carryover						
<b>Government Funding and Carryover</b>						
<b>Local Programming Improvement Fund</b>						
<b>Revenues</b>						
Advertising - Television						
Advertising - Digital Services						
Advertising - Hockey (TV / Digital Services)						
Advertising - Contrats/Value-added						
Advertising - Radio						
Advertising - FIFA						
Miscellaneous - Television						
Miscellaneous - Hockey						
Miscellaneous - Hockey Rogers WIK						
Advertising - CBC News Network						
Subscriber and other revenue - CBC News Network						
Subscriber and other revenue - Curio						
Miscellaneous - Merchandising						
Miscellaneous - Mobile Productions						
Miscellaneous - FIFA						
Miscellaneous - Radio						
<b>Total Revenues</b>						
<b>TOTAL SOURCE OF FUNDS</b>						
<b>APPLICATION OF FUNDS</b>						
Sports (excluding hockey and FIFA)						
Hockey (rights and production)						
Hockey (Rogers deal)						
FIFA						
Arts and Entertainment						
News and Current affairs						
CBC News Network						
Talk Radio						
Music						
Media Library and Archives						
Technical Services						
Mobiles						
Communications and Research						
Revenue Group						
General Administration						
Revenue Reserve						
Other Programming and Commitments						
<b>TOTAL APPLICATION OF FUNDS</b>						
<b>NET POSITION</b>						

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**Consolidated English Services Results Comments**

**Consolidated French Services  
For the six-month period ended September 30  
(\$000's)**

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	Comparison to Budget					
	Comparison to Budget (April to September)			Annual Basis (April to March)		
	2014/2015 Actuals	2014/2015 Budget	Variance to Budget	2014/2015 Forecast	2014/2015 Budget	Variance
<b>SOURCE OF FUNDS</b>						
Parliamentary Appropriation						
Prior Year Carryover						
<b>Total Government Funding and Carryover</b>						
<b>Local Programming Improvement Fund</b>						
<b>Revenues</b>						
Advertising - Television						
Advertising - Digital Services						
Advertising - Contrats/Value-added						
Advertising - radio						
Advertising - FIFA						
Miscellaneous - Television						
Advertising - Réseau de l'information						
Subscriber and Other Revenue - Réseau de l'information						
Advertising - Explora						
Subscriber and Other Revenue - Explora						
Subscriber and Other Revenue - Tou.tv EXTRA						
Subscriber and Other Revenue - Curio						
Miscellaneous - FIFA						
<b>Total Revenues</b>						
<b>TOTAL SOURCE OF FUNDS</b>						
<b>APPLICATION OF FUNDS</b>						
Sports						
FIFA						
Arts and Entertainment						
News and Current affairs						
Réseau de l'information						
Talk Radio						
Music						
Explora						
Media Library and Archives						
Technical Services						
Communications and Research						
Revenue Group						
General Administration						
Training						
Revenue Reserve						
Other Programming and Commitments						
<b>TOTAL APPLICATION OF FUNDS</b>						
<b>NET POSITION</b>						

Consolidated French Services Results Comments

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**Non-Media Services and Committed Reserves  
For the six-month period ended September 30  
(\$000's)**

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	Comparison to Budget (April to September)			Annual Basis (April to March)		
	2014/2015 Actuals	2014/2015 Budget	Variance to Budget	2014/2015 Forecast	2014/2015 Budget	Variance
<b>SOURCES OF FUNDS</b>						
Parliamentary Appropriation						
Prior Year Carryover						
<b>Total Government Funding and Carryover</b>						
<b>Miscellaneous Revenues</b>						
CBC Transmission and Distribution	5,080					
Real Estate Services	4,818					
Sirius - Programs Sales	1,050					
Sirius - Dividends	14,196					
Research and Analysis	150					
Canadian Claimant Group Royalties (CCG)	29					
CRRRA	3,184					
Interest and Other Administration Revenues	1,080					
Capital Recoveries	1,021					
<b>Total Miscellaneous Revenues</b>	<b>30,608</b>					
<b>TOTAL SOURCE OF FUNDS</b>	<b>141,604</b>					
<b>APPLICATION OF FUNDS</b>						
Infrastructure and Technology Services	82,569					
General and Administration Services	28,419					
Corporate Expenses	13,750					
<b>Total for Non-Media Services *</b>	<b>124,738</b>					
Committed Reserves *	1,528					
<b>TOTAL APPLICATION OF FUNDS</b>	<b>126,266</b>					
<b>NET POSITION</b>						

\* See details on separate schedules

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**Non-Media Services and Committed Reserve Results Comments**

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**Non-Media Services - Application of funds  
For the six-month period ended September 30  
(\$000's)**

	Comparison to Budget (April to September)			Annual Basis (April to March)		
	2014/2015 Actuals	2014/2015 Budget	Variance to Budget	2014/2015 Forecast	2014/2015 Budget	Variance
<b>APPLICATION OF FUNDS</b>						
<b>Infrastructure and Technology Services :</b>						
Real Estate Services	48,505					
METS (excluding T&D)	20,343					
CBC Transmission and Distribution	13,664					
Technology Strategy Executive Team	57					
<b>Total - Infrastructure and Technology Services</b>	<b>82,569</b>					
<b>General and Administration Services :</b>						
Office of the President and CEO	556					
Office of the Chairperson and Board of Directors	189					
Branding, Communications and Corporate Affairs	2,557					
Internal Audit	521					
People and Culture	6,533					
Regulatory Affairs	789					
Research and Analysis	2,019					
General Counsel and Corporate Secretariat	4,979					
Corporate Finance and Administration	5,085					
Shared Services	4,834					
Ombudsman - Toronto	164					
Ombudsman - Montreal	193					
<b>Total - General and Administration Services</b>	<b>28,419</b>					
<b>Corporate Expenses :</b>						
Severance Pay and Other Personnel Costs	8,124					
Dental Plan and EAP	1,878					
Training and Development	2,451					
Insurance, Forms, Taxes, Foreign Exchange, etc.	1,297					
<b>Total - Corporate Expenses</b>	<b>13,750</b>					
<b>TOTAL APPLICATION OF FUNDS</b>	<b>124,738</b>					

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Committed Reserve (in millions of \$)	2014/2015 Year-to-date (April to September)			2014/2015 Annual Basis (April to March)		
	Actuals	Budget	Variance	Forecast	Budget	Variance

### **Reconciliation of Net Results of Operations IFRS to Budget Basis**

The Corporation receives a significant portion of its funding through Parliamentary appropriations, based primarily on cash flow requirements. Expenses recognized in the Condensed Consolidated Statement of Income in one year may be funded through Parliamentary appropriations in other years. Accordingly, the Corporation's net results of operations for the period on a budget basis differ from those on an International Financial Reporting Standards basis. The differences are outlined below:

<b>For the period ended September 30</b>	<b>2014</b>	<b>2013</b>
	<i>(thousands of dollars)</i>	
<b>Net results for the period on an IFRS basis</b>	<b>(86,776)</b>	<b>(24,660)</b>
<b>Items not generating operating funds</b>		
Amortization of deferred capital funding	(51,896)	(55,550)
(Gain) / loss on disposal of property and equipment	(5,467)	2,274
Parliamentary appropriation for working capital	(2,000)	(2,000)
Specialty services consolidated revenue (ARTV & <i>documentary</i> )	(7,953)	(8,551)
Accretion of promissory notes and Stock options	52	(66)
Dividends not recognized in net results	14,196	3,348
Recognition of Allied lease revenue	(3,551)	(3,551)
Rogers	177	-
Other	(2,931)	(1,266)
	<b>(59,373)</b>	<b>(65,362)</b>
<b>Items not requiring operating funds</b>		
Depreciation of property and equipment and amortization of intangible assets	63,298	64,996
Indirect costs allocated to programming assets	(8,811)	(9,131)
Pension plans and other employee future benefits	23,883	31,617
Annual leave	(1,993)	3,337
Specialty services consolidated expenses (ARTV & <i>documentary</i> )	7,990	8,695
Gain on investment in Sirius	(12,341)	(1,073)
Decommissioning liability	(280)	(1,558)
Rogers	(148)	-
Stingray payment	(300)	-
Other	2,069	2,136
	<b>73,367</b>	<b>99,019</b>
Net position - Investments in ARTV and <i>documentary</i>	(37)	(144)
Gain / (loss) on disposal of property and equipment	5,467	-
<b>Results on a current operating basis</b>	<b>(67,352)</b>	<b>8,853</b>

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**Cash Flows  
as at September 30, 2014**

2014/2015 Forecast						2013/2014 Actual				
	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Total	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Total
<b>Opening balance</b> <sup>(1)</sup>	53,466	130,724	82,865	73,680	53,466	45,339	60,024	71,859	30,582	45,339
<b>Inflows</b>										
Appropriations received <sup>(2)</sup>	245,000	125,000				300 000	250 000	248 699	284 769	1,083,468
Revenues <sup>(3)</sup>	274,598	214,773				192 906	192 850	162 537	216 684	764,977
Dividend from XM Sirius	12,321	1,875				1,473	1,875	1,875	1,875	7,098
Sale of XM Sirius shares	-	33,548				-	-	-	-	-
<b>Outflows</b>										
Expenditures <sup>(3)</sup>	(454,661)	(423,055)				( 479 694)	( 432 890)	( 454 388)	( 480 444)	(1,847,416)
<b>Ending balance</b> <sup>(1)</sup>	130,724	82,865				60,024	71,859	30,582	53,466	53,466
	<sup>(4)</sup>	<sup>(4)</sup>								

**Note 4:** The first six months of 2014/2015 are actual results.

**Note 5:** The forecast amounts from October to December 2014 were obtained from the following sources:

**Cash Inflows:** Revenues are forecasted by Shared Services - accounts receivable and French and English Services. They include advertising and subscriber revenues as well as other sources of income such as investment income.

**Cash Outflows:** Forecasts are provided by English Services, French Services, Shared Services - Payroll, Corporate Finance, Real Estate Division and other components.

The forecasted amounts for January to March 2015 are derived from the business forecasts for the year, adjusted for non-cash and special transactions and historical trends.

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**Capital Budget Report as at September 30, 2014**

s.18(a)

s.18(b)

2014/2015 Capital Budget Overview as at September 30, 2014  
(\$000's)

<u>Investment Class</u>	<u>Capital Plan</u>	<u>Forecasted Expenditures</u>	<u>Surplus/ (Deficit)</u>	<u>Actual Expenditures to Date</u>	<u>As % of Forecast</u>
Mission Critical					
Efficiency Projects					
Transmission Strategy					
Growing the Business					
Legal and Regulatory					
Payback Projects					
Minor Capital					
Corporate Contingency					
Impact of approved plan being higher than available capital **					
<b>Total</b>	-	-			

<u>Component</u>	<u>Capital Plan</u>	<u>Forecasted Expenditures</u>	<u>Surplus/ (Deficit)</u>	<u>Actual Expenditures to Date</u>	<u>As % of Forecast</u>
English Television (ETN)					
French Television (FTN)					
English Radio (ERN)					
French Radio (FRN)					
English New Media (ENM)					
French New Media (FNM)					
Information Technology (IT)					
Real Estate (RE)					
Capital Leases					
Telecommunication (TEL)					
Transmission Division (T&D)					
Human Resources (HR)					
Corporate Components					
Fleet Management					
Mobile Division					
Minor Capital					
Enterprise Wide (EW):					
<i>Moncton Consolidation</i>					
<i>Media Asset Management</i>					
<i>On-Air Core Upgrade</i>					
Halifax Consolidation					
Relocation Sudbury					
Disaster Recovery					
<i>Others</i>					
Corporate Contingency					
Impact of approved plan being higher than available capital **					
<b>Total</b>	-	-			



2014/2015 Capital Budget Overview as at September 30, 2014  
Variance Analysis by Component

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**Capital Investment Plan**  
**Board of Directors Projects > \$5 million (in \$000's)**  
**Forecasted Expenditures to Project Completion (including related operating expenditures)**

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PROJECTS APPROVED								
Projects	Component	Original Budget Approved by Board Resolution	Latest Approval Date	Project Closing Forecast/ Actual Date	Total Budget Approved by BOD Resolution	Budget Released	Total Forecasted Expenditures	Total Forecasted Surplus/ (Deficit)

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s.18(b)

Board approved projects with forecasted deficits  
as at September 30, 2014  
('000\$)

Projects	Component	Original Budget Approved by Board Resolution	Total Budget Approved by BOD Resolution	Other sources of funds	Budget Released	Total Forecasted Expenditures as at September 30, 2014	Total Forecasted Surplus/ (Deficit) including other sources of funds	Supplemental Funds Required

**s.18(a)**

**s.18(b)**

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Benefit Tracking  
Board of Directors Projects  
Forecasted Benefits as of September 30, 2014