


THE OLD RULES NO LONGER APPLY: RESHAPING CANADIAN PUBLIC BROADCASTING


CBC Radio-Canada

CBC | RADIO-CANADA ANNUAL REPORT 2009-2010




PROGRAMMING SUCCESSES

ENGLISH SERVICES

- CBC Radio One and CBC Radio 2 achieved a combined national audience share – 13.8 per cent (Fall survey, Canadians 12 years of age and older), with CBC Radio One matching its all-time high of 11.1 per cent.
- In measured major English-speaking markets, 21 of 22 CBC Radio One local morning shows were ranked first, second or third (Fall 2009 survey).
- CBC Television's 2+ regular season, prime-time audience share of 9.3 per cent was up from last year's 8.6 per cent, and its share of 25-54 year-olds rose from 7.0 per cent to 8.0 per cent. The network's predominantly Canadian prime-time schedule continued to beat a key competitor's primarily American prime-time schedule.
- *CBC.ca* – Canada's most popular English-language news and media site averaged 4.8 million unique visitors monthly.

FRENCH SERVICES

- Radio-Canada strengthened its regional presence by opening two new integrated stations in Sherbrooke and Trois-Rivières, giving residents of Mauricie and the Eastern Townships access to local news and programming everyday.
- Première Chaîne morning shows in Montréal, Québec City and Ottawa ranked second or third in fiercely competitive regions.
- Two of Radio-Canada's Twitter channels ranked among the Québec top 10.
- Launched in January 2010, TOU.TV is Canada's largest French-language entertainment Web television site, recording over 745,000 connections in its first week. It now reaches over half a million unique French-speaking visitors, for a seven per cent reach.

OTHER BROADCASTING ACTIVITIES

- CBC News Express/RDI Express, the Corporation's bilingual news and information service for airports, launched in Winnipeg and Edmonton, augmenting its service in Ottawa, Toronto and Vancouver.
- Sirius Canada, in which the Corporation is a partner, completed the year with over one million subscribers. CBC|Radio-Canada has six channels on Sirius Canada.

THE FINANCIALS IN AN UNCERTAIN TIME

THE CHALLENGE

- CBC|Radio-Canada's net loss of $58.3 million in 2009-2010 is primarily explained by weak advertising revenues that were unable to compensate for programming cost increases.
- The Corporation prudently managed its resources in 2009-2010 and will continue to do so in order to ensure financial sustainability within this environment of uncertain revenues and increasing production costs.

THE RESPONSE

- CBC|Radio-Canada developed a Recovery Plan, cancelled or scaled back programming across our networks, and eliminated approximately 800 full-time positions, triggering $36 million in downsizing costs. The Corporation also sold $153 million of long-term accounts receivable.
- Together, these actions allowed CBC|Radio-Canada to achieve cost reductions related to operations.
- In recent months, the diminished advertising market has been slowly recovering to pre-recessionary levels, but remains fragmented.

THE FUTURE

- CBC|Radio-Canada will continue to focus on our three corporate priorities:

  PEOPLE – our key asset.

  PROGRAMS – our core competency.

  PUSHING FORWARD – we will adapt to challenges and exploit opportunities.
- We are completing a strategic planning process, *Driving Towards 2015*, which will bring more clarity to our decision making and allocation of scarce resources, for the purpose of better serving Canadians with high-quality content whenever, wherever and however they want it. This will allow us to become an even more successful and vibrant national public broadcaster.

For the year ended March 31	2010	2009
	(thousands of dollars)	
GOVERNMENT FUNDING AND REVENUES		
Parliamentary appropriation for operating expenditures	1,017,587	1,070,137
Amortisation of deferred capital funding and working capital	125,086	115,355
Advertising revenues	309,255	356,248
Other income, financing income and specialty services	258,426	255,904
Total	**1,710,354**	**1,797,644**
EXPENSES		
Television, radio and new media services costs	1,461,849	1,475,919
Other	328,370	371,795
Total	**1,790,219**	**1,847,714**
Non-operating revenues	**21,566**	**34,374**
Net results for the year	**(58,299)**	**(15,696)**

2009-2010: HIGHLIGHTS OF THE YEAR











TABLE OF CONTENTS

NEW REALITIES REQUIRE NEW APPROACHES: RISING TO THE CHALLENGE

See photo legends on page 107.

MESSAGE FROM THE CHAIR

THE BOARD OF DIRECTORS HAS PLAYED AN IMPORTANT ROLE DURING A VERY UNCERTAIN AND DIFFICULT FISCAL YEAR TO MARCH 31, 2010.

Along with guiding CBC|Radio-Canada through difficult challenges, the Board has contributed to significant discussions on and planning for the future of Canada's national public broadcaster.

To oversee the directions of CBC|Radio-Canada, particularly as the Corporation undertakes a new, longer-term planning process, the Board struck a Strategic Planning Committee this year. The Board also closely followed the development and implementation of the Recovery Plan, which was designed to deal with the Corporation's financial difficulties. It also advised the Senior Executive Team on the content of, and approved, its successful submission for the Government's Strategic Review.

The Board put considerable effort into individual and group outreach activities across the country in 2009–2010. These community gatherings and round table discussions were designed to provide information to the public and to targeted stakeholders on CBC|Radio-Canada's activities and to solicit feedback from Canadians.

CBC|Radio-Canada held its first annual public meeting in Ottawa on September 23, 2009. During the meeting, members of the Board and Senior Executive Team discussed the current reality and future of the Corporation. We welcomed questions live from the public and via the Web, and later posted information and representative questions and answers online. Another important session was held in Vancouver in December during the full-day public opening celebrations for the new state-of-the-art broadcasting centre. Accountability sessions such as these are important to all parties and valuable to the Board and to the Corporation as they allow for greater appreciation about what Canadians want and expect from their public broadcaster.

“AUDIENCE NUMBERS CONFIRM THAT WE ARE PROVIDING AUDIENCES WITH CONTENT THAT THEY WANT ON THE PLATFORMS OF THEIR CHOICE.”

We also said farewell to three Board members this year. The Honourable Joseph Handley, Former Premier of the Northwest Territories, contributed to the work of the Board from May 2008 to August 2009, but resigned in order to pursue other interests. We thank him for his assistance and enthusiasm during his time here. Trina McQueen and Peter Herrndorf, both of whom have devoted major portions of their careers to CBC | Radio-Canada, concluded their terms this year. On behalf of the Board and the Corporation, I would like to express our gratitude to them for their very valuable contributions over the last five years and for their enduring commitment to the public broadcaster. At the same time, we were delighted to welcome to our Board John F. Young from British Columbia.

Despite the Corporation’s challenging year, the Board was pleased to witness Canadians’ strong endorsement of CBC | Radio-Canada’s programming. Audience numbers confirm that we are providing audiences with content that they want on the platforms of their choice. Canadians believe that their national public broadcaster plays a unique and essential role in the social and cultural life of Canada.

TIM W. CASGRAIN
CHAIR, BOARD OF DIRECTORS

MESSAGE FROM THE PRESIDENT AND CEO

WE JUST WENT THROUGH THE PERFECT STORM – AN UNPRECEDENTED CONVERGENCE OF SHORT-TERM AND LONG-TERM CHALLENGES.

And, as if that were not enough, our long-term challenges were accelerated by the global economic slowdown, which had already caused the television advertising market to stagnate by 2008–2009. All Canadian conventional broadcasters suffered.

Our long-term challenges came from the broken business model underpinning conventional television broadcasting in this country, a model that does not get fixed as the economy recovers. I will return to this later.

WE DEVELOPED A RECOVERY PLAN

A global economic downturn, rising rights costs, shifts in technology and consumer behaviour: these were factors beyond CBC|Radio-Canada's control. Our job in 2009–2010 was to effectively manage what we could control. To this end, we developed a Recovery Plan to address financial pressures of $171 million – about 10 per cent of our total budget.

The Plan required difficult decisions: working with our unions to minimise the impact of cuts, we eliminated approximately 800 full-time positions across the Corporation and cancelled or scaled back many television and radio programs. These cuts triggered downsizing costs of approximately $36 million, over and above the $171 million of financial pressures, for a total impact of $207 million, or 11 per cent of our budget. To fund these costs and support programming until savings from the cuts materialised, we had to sell certain assets.

The cuts were painful for everyone, including our audiences. Yet, we kept all of our stations open across the country, allowing us to remain strongly rooted in the regions – an essential aspect of our mandate. In the end, our collective efforts paid off as we balanced our 2009–2010 budget while maintaining our regional presence and continued to attract a record number of Canadians to our programming.

UNDERSTANDING OUR AUDIENCES

The remarkable success of our programming, despite significant financial pressures, confirms that we understand what our audiences want and how to deliver it to them.

"OUR MEDIA TEAMS HAVE SUCCESSFULLY PLANNED AND EXECUTED A MULTI-YEAR RENEWAL OF OUR PROGRAMMING THAT IS NOW BEARING FRUIT."

While other conventional broadcasters struggle to maintain audience levels, CBC Television's prime-time Canadian content continues to attract more viewers. *Heartland*, *Rick Mercer Report*, *CBC's Hockey Night in Canada*, and *Dragons' Den* regularly drew million-plus audiences, and *Battle of the Blades* – with between 1.5 and two million weekly viewers – was one of our biggest hits in recent memory.

Télévision de Radio-Canada maintained its strong position in prime time, despite ever-increasing competition from reality shows and specialty channels. *Les Parent*, *L'auberge du chien noir*, *Providence*, and *Tout le monde en parle* regularly attract audiences of one million-plus.

Our radio services continue their outstanding performance, maintaining their historical levels.

Every week, our Internet sites draw six million visitors, who download 1.2 million podcasts of our programs.

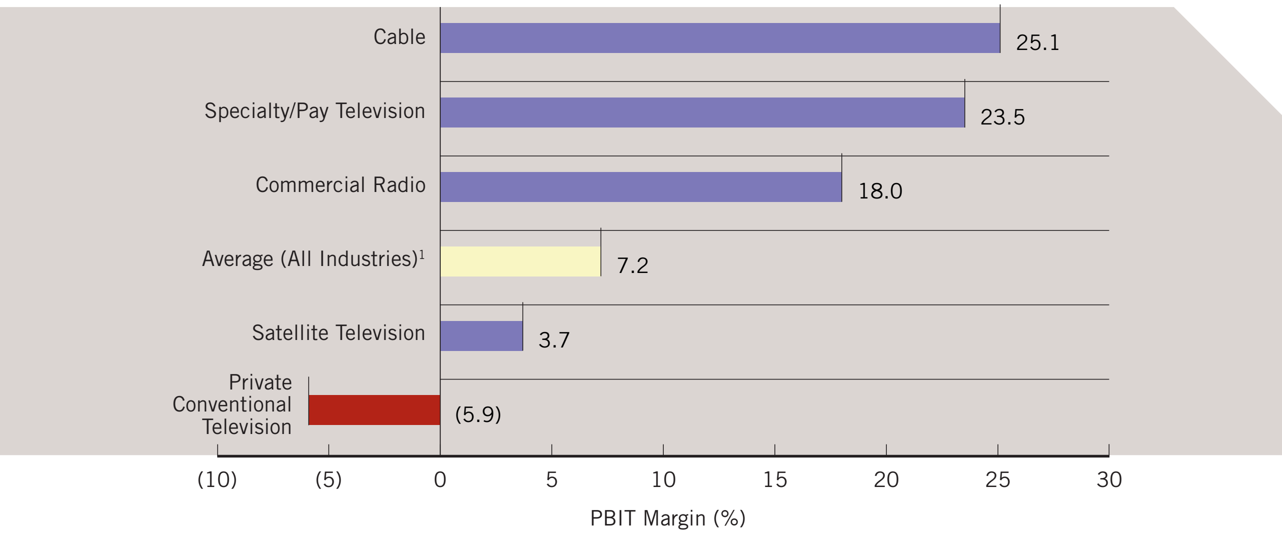
MORE OF WHAT AUDIENCES WANT

Our media teams have successfully planned and executed a multi-year renewal of our programming that is now bearing fruit.

Program renewal across all of our services has been driven by feedback from our audiences. They tell us that they want to see their lives, interests and sense of identity reflected in high-quality, engaging Canadian-made programs. Canadian content is at the core of our mandate, and we offer much more of it than any other broadcaster. In contrast to the English-language private sector's programming, which is primarily American, CBC Television's prime-time schedule is predominantly Canadian. Domestic programming of unmatched diversity and quality also fills the prime-time schedule of Télévision de Radio-Canada.

The recent renewal of CBC News was also based on extensive audience research. Canadians told us that they wanted access to news, in whatever format they prefer, 24 hours a day, seven days a week, as well as more live coverage and ways to contribute. We are delivering on these preferences, and will continue to refine and extend our integrated news programming across all of our platforms.

Audience needs have also driven our introduction of new services. Illustrating this is our online service, TOU.TV, created by Radio-Canada and offering free, any time, anywhere access to more than



CONVENTIONAL TELEVISION IS THE LEAST PROFITABLE BROADCASTING SECTOR

1 Based on Third Quarter 2009 (Statistics Canada Quarterly Financial Statistics for Enterprises Third Quarter 2009 Cat. no. 61-0008-x, Table 1-3).

Sources: CRTC statistical summaries for conventional television, conventional radio, and cable and satellite BDUs for 2009.

2,000 hours of programming from Télévision de Radio-Canada and 20 other French-language public broadcasters and production companies.

SUCCESS – YET FINANCIAL UNCERTAINTY REMAINS

In the wake of the recent financial crisis, we implemented plans to address the financial pressures. In 2009–2010, uncertainties about some of our revenue sources were resolved, but for other sources, the uncertainty remains.

CBC|Radio-Canada was subject this year to a Government Strategic Review evaluating programs and spending to identify the lowest-priority activities representing five per cent of our Government appropriation. The Government's March 2010 Budget stated that "…reallocations were not necessary as programs delivered by [CBC|Radio-Canada] are aligned with the priorities of Canadians." We are delighted with this conclusion and appreciate the Government's recognition of the value of our services to Canadians.

We were also pleased with the Government's indication of its intention to renew, for one more year, the $60 million of special funding for Canadian programming for the tenth consecutive year.

In 2008, the Canadian Radio-television and Telecommunications Commission (CRTC) created the Local Programming Improvement Fund (LPIF) to help support local television production. The LPIF contributed $19.8 million to CBC|Radio-Canada in 2009–2010.

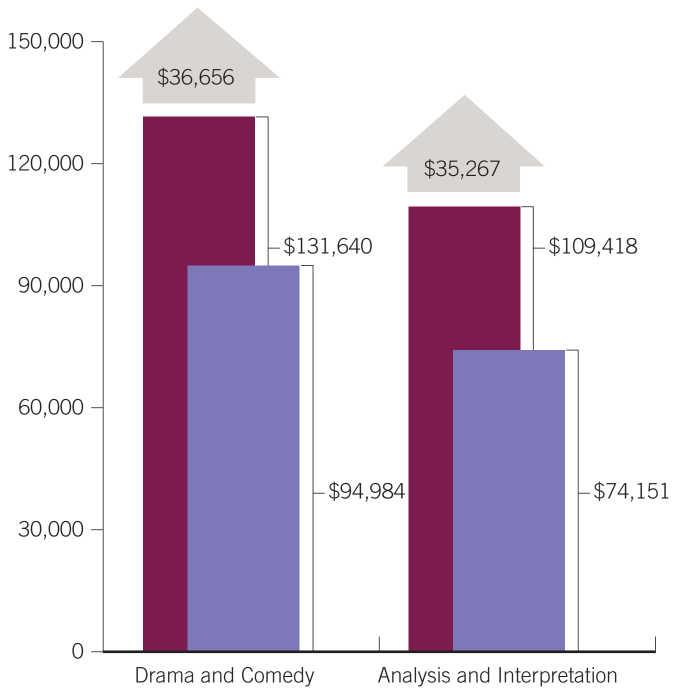
In its first year of operation, the new Canada Media Fund (CMF), replacing the Canadian Television Fund (CTF) and the Canada New Media Fund (CNMF), will provide $12.6 million less funding to content licenced and/or produced for CBC|Radio-Canada than previously under the CTF. The CMF funds will drop $3.7 million for content produced for Radio-Canada and $8.9 million for content produced for CBC. Given this, CBC|Radio-Canada expects to present less original Canadian programming.

The Fund's Board is currently deliberating a new formula for measuring audience success. If, as initially announced by the Minister of Canadian Heritage, the Fund moves to an emphasis on original first-run programming, CBC|Radio-Canada and the independent production industry should benefit.

FIXING THE BROKEN BUSINESS MODEL

Over the past five years, the CRTC has conducted three public hearings into approaches to fixing the business model for conventional television broadcasting. During the most recent, CBC|Radio-Canada argued that cable and satellite companies should pay for conventional broadcasters' signals, as they do for specialty

"...WE INVEST MORE IN THE PRODUCTION OF CANADIAN PROGRAMMING THAN ALL OF THE OTHER CONVENTIONAL BROADCASTERS COMBINED..."



CANADIAN PROGRAMMING EXPENDITURE: CBC|RADIO-CANADA VS. PRIVATE CONVENTIONAL OVER-THE-AIR TELEVISION

(thousands of dollars)

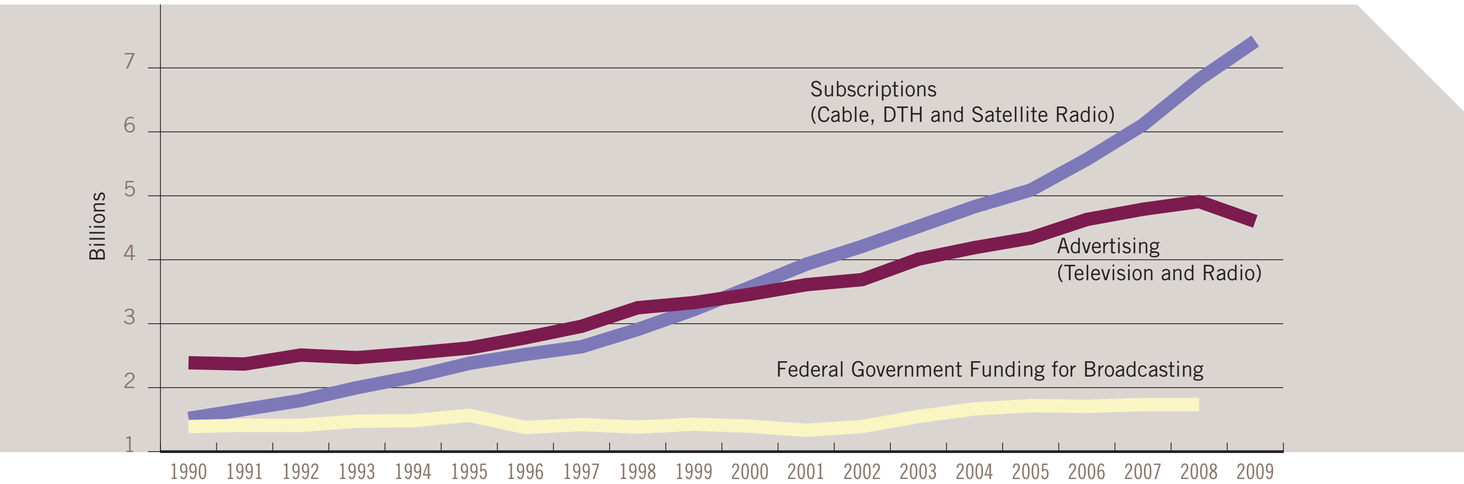
- CBC|Radio-Canada English- and French-language conventional over-the-air television
- All private Canadian conventional over-the-air television combined

Source: Conventional television CRTC Statistics Summary 2005-2009.

channels' signals. The Corporation also proposed mechanisms to protect consumers by increasing their choice and lowering the cost of entry-level service.

This issue concerns both economics and culture. Canada's conventional broadcasters are the major investors in high-quality Canadian television content, and of these, CBC|Radio-Canada is the most important: we invest more in the production of Canadian programming than all of the other conventional broadcasters combined, and we are the only broadcaster committed to airing that content during prime time, when most Canadians are watching.

The CRTC allowed private broadcasters to negotiate a fair value for their signals with cable and satellite companies, subject to confirmation of the CRTC's jurisdiction by the Federal Court of Appeal, but denied that same right to CBC|Radio-Canada. While the CRTC recognises our critical importance,



CANADIAN BROADCASTING INDUSTRY REVENUES AND FUNDING

- Advertising (Television and Radio)
- Federal Government Funding for Broadcasting
- Subscriptions (Cable, DTH and Satellite Radio)

Sources: Statistics Canada (Public Sector Statistics 2008) Cat. no. 68-213-XWE, CRTC (Aggregate Annual Returns 2009), TVB (Television Bureau of Canada 2009), PwC Global Outlook, 2009–2014.

A generation ago, subscriptions were not significant. Now they are the driving revenue source in the industry. Advertising has been growing, but recently took a set back. Public funding has been relatively flat in comparison.

financial reality and uncertain future, it has not suggested any means for our continuing to play our essential role in the system. We were extremely disappointed with the decision of the CRTC and are still evaluating its impact on us. What we do know is that we are left with an advertising market under continuing pressure, a 30-year history of stagnant public funding punctuated by periodic major cuts and a cost base that is increasing each year.

BUILDING AN EVEN BETTER PUBLIC BROADCASTER

To manage effectively in the midst of uncertainty, CBC|Radio-Canada has focused and made considerable progress on three corporate priorities: People, because they are our key asset; Programs, because they are our core competency; and Pushing Forward, because we must adapt to challenges and exploit opportunities.

PEOPLE

Over the last three years, we have successfully renegotiated collective bargaining agreements with all of our unions, with parties resolving issues with mutual respect and trust. We now have a solid foundation for improving communications and addressing issues. Good labour relations make an effective organisation and result in better programming for Canadians.

We have also continued initiatives that provide employees with the tools and knowledge to help them become more agile as they face new challenges.

PROGRAMS

We have refined our schedules to ensure that our programming remains relevant and engaging, and have continued to share resources across our media lines to create richer content for audiences, in whatever format they prefer.

PUSHING FORWARD

To help us move strongly into the future, we are working through a strategic planning process, which we call *Driving Towards 2015*. It is intended to prepare us to meet new expectations that Canadians have of their public broadcaster in a world of continuous technical revolution, rapid shifts in consumer behaviour and an uncertain economic environment. It will bring more clarity to our choices and our allocation of scarce resources.

"WE WILL CONTINUE TO SHAPE A BROADCASTING REVOLUTION THAT IS GIVING CANADIANS MORE CHOICE AND MORE OPPORTUNITY TO PARTICIPATE THAN EVER BEFORE."

Our Board of Directors' input ensures that we are all focused judiciously on our priorities and aligned around common strategies.

We also continue to be guided by three principles essential to meeting our mandate.

First, we must continue to be the home of Canadian content – the most important creator and broadcaster of programming that shapes the Canadian experience, tells Canadian stories, reflects our humour, and showcases our people, communities and geography.

Second, we must deliver our content across all media platforms – whenever, wherever and however audiences want it.

Finally, we must be deeply rooted in Canada's regions, reflecting local concerns and perspectives, and giving Canadians a forum for sharing stories. This regional connection is essential to our mandate, and it is why only 17 per cent of the cuts in our Recovery Plan were made in the regions.

THE FUTURE CANADIANS WANT

In 2009–2010, we demonstrated that we understand our environment and can effectively manage our challenges and opportunities.
With a new, sustainable business model and a workable, ambitious long-term strategic plan, CBC|Radio-Canada can become an even stronger and more vibrant national public broadcaster. These are the main priorities for the coming year.

We will continue to shape a broadcasting revolution that is giving Canadians more choice and more opportunity to participate than ever before. And we will ensure that our audiences continue to find the diversity and richness of Canadian experience reflected in our high-quality content.

HUBERT T. LACROIX
PRESIDENT AND CEO

BOARD OF DIRECTORS AND SENIOR EXECUTIVE TEAM

BOARD OF DIRECTORS

In accordance with the *Broadcasting Act*, the Board of Directors is responsible for the management of the Corporation. The Board is made up of 12 members, including the Chair and the President and CEO, who are appointed by the Government.

Tim W. Casgrain
Chair
Toronto, Ontario

Hubert T. Lacroix
President and CEO
Montréal, Québec

Linda Black
Calgary, Alberta

Peter D. Charbonneau
General Partner
Skypoint Capital Corporation
Ottawa, Ontario

George Cooper
Chair of the Board
McInnes Cooper
Halifax, Nova Scotia

The Honourable Joseph Handley
Former Premier of the Northwest Territories
Yellowknife, Northwest Territories
(until August 2009)

Peter Herrndorf
President and CEO
National Arts Centre
Ottawa, Ontario
(until February 2010)

Patricia A. McIver
Chartered Accountant
Richardson Partners Financial Limited
Vancouver, British Columbia

Trina McQueen
President
Hutton-Belleville Inc.
Toronto, Ontario
(until March 2010)

Brian R. Mitchell
Managing Partner
Mitchell Gattuso
Montréal, Québec

Rémi Racine
CEO and Executive Producer
Artificial Mind & Movement
Montréal, Québec

Dr. Edna Turpin
Executive Consultant
St. John's, Newfoundland and Labrador

Dr. John F. Young
Dean, College of Arts, Social and Health Sciences
University of Northern British Columbia
Prince George, British Columbia
(since September 2009)

SENIOR EXECUTIVE TEAM

The Senior Executive Team, led by the President and CEO, manages CBC | Radio-Canada's day-to-day operations.

Hubert T. Lacroix
President and CEO

Maryse Bertrand
Vice-President, Real Estate, Legal Services and General Counsel

William B. Chambers
Vice-President, Brand, Communications and Corporate Affairs

Steven Guiton
Vice-President and Chief Regulatory Officer

Sylvain Lafrance
Executive Vice-President, French Services

Katya Laviolette
Vice-President, People and Culture

Suzanne Morris
Vice-President and Chief Financial Officer (CFO)

Richard Stursberg
Executive Vice-President, English Services

Michel Tremblay
Senior Vice-President, Corporate Strategy and Business Partnerships

BOARD OF DIRECTORS YEARLY ATTENDANCE

APRIL 2009–MARCH 2010

BOARD MEMBER	BOARD (6 MEETINGS; 10 CONFERENCE CALLS)	NOMINATING AND GOVERNANCE (4 MEETINGS)	HUMAN RESOURCES AND COMPENSATION (5 MEETINGS; 3 CONFERENCE CALLS)	AUDIT (6 MEETINGS)	STANDING (5 MEETINGS)	REAL ESTATE (1 MEETING; 1 CONFERENCE CALL)	STRATEGIC PLANNING (2 MEETINGS; 4 CONFERENCE CALLS)
Tim W. Casgrain	16/16	N/A	8/8	N/A	5/5	2/2	6/6
Hubert T. Lacroix	16/16	N/A	6/6	N/A	4/5	N/A	N/A
Linda Black	15/16	4/4	3/3	N/A	5/5	N/A	2/2
Peter Charbonneau	15/16	N/A	N/A	6/6	5/5	N/A	6/6
George Cooper	15/16	4/4	N/A	N/A	4/5	N/A	2/2
Joseph Handley[1]	7/8	1/1	N/A	N/A	1/1	N/A	N/A
Peter Herrndorf[2]	10/14	3/3	N/A	N/A	3/4	N/A	4/4
Patricia McIver	15/16	N/A	N/A	6/6	5/5	2/2	N/A
Trina McQueen[3]	12/16	N/A	N/A	5/6	3/5	N/A	4/4
Brian Mitchell	15/16	N/A	N/A	6/6	5/5	2/2	N/A
Rémi Racine	14/16	N/A	8/8	N/A	4/5	2/2	5/6
Edna Turpin	16/16	N/A	7/7	6/6	5/5	N/A	N/A
John Young	7/8	2/2	N/A	N/A	4/4	N/A	N/A

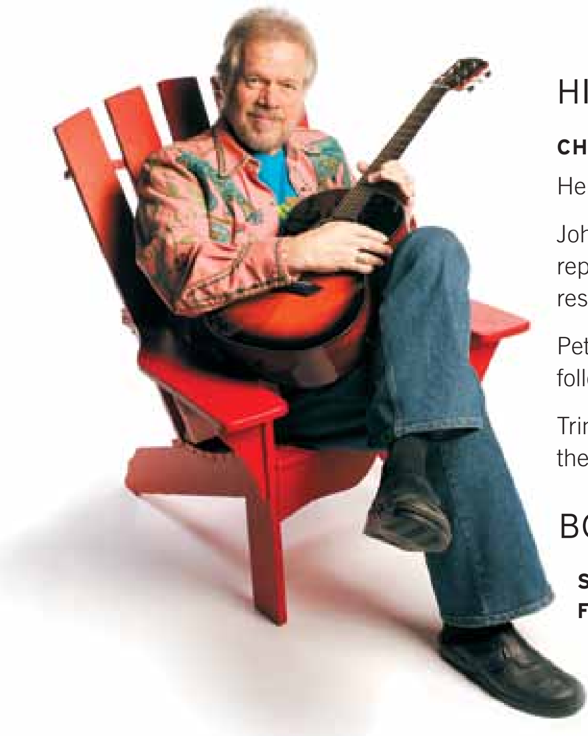
This report lists attendance from April 1, 2009 to March 31, 2010.

1 Joseph Handley resigned August 19, 2009.

2 Peter Herrndorf resigned February 10, 2010.

3 Trina McQueen resigned March 30, 2010.

GOVERNANCE



HIGHLIGHTS

CHANGES IN THE BOARD MEMBERSHIP

Here are the particulars of the changes in the Board during the year:

John F. Young, of Prince George, British Columbia, was appointed to replace the Hon. Joseph Handley of Yellowknife, Northwest Territories, who resigned on August 19, 2009.

Peter Herrndorf, of Ottawa, Ontario, resigned on February 10, 2010, following the expiry of his term as a Board member.

Trina McQueen, of Toronto, Ontario, resigned on March 30, 2010, following the expiry of her term as a Board member.

BOARD COMMITTEES

STANDING COMMITTEES ON ENGLISH- AND FRENCH-LANGUAGE BROADCASTING

These Committees are established pursuant to Section 45 of the *Broadcasting Act*. Their mandate is directed to monitoring the fulfilment by the Corporation of its French- and English-language broadcasting responsibilities and its overall mandate, as set out in the *Act*.

AUDIT COMMITTEE

The Audit Committee mandate includes oversight of the integrity of the Corporation's financial information and reporting, the framework of internal controls and risk management, and the audit process.

NOMINATING AND GOVERNANCE COMMITTEE

The Nominating and Governance Committee mandate centres on the Board's governance framework, supporting guidelines and processes. Topics covered include: Terms of Reference for the Board, the Board Chair, the President and CEO, individual Directors, and Board Committees; the process for Board assessment; Board succession; Board orientation and training; and Code of Conduct and Conflict of Interest rules for Directors.

HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee has oversight responsibility with respect to all aspects of the Corporation's Human Resources strategies, including Human Resources policies, executive compensation, succession planning, industrial relations, health and safety, and the environment.

REAL ESTATE COMMITTEE

The Real Estate Committee has oversight responsibility with respect to real estate strategic directions, policies and significant real estate projects, transactions and related initiatives involving CBC | Radio-Canada facilities.

STRATEGIC PLANNING COMMITTEE

The Strategic Planning Committee has oversight responsibility with respect to the overall strategic direction of the Corporation, with specific reference to the 2010 long-term strategic planning process (*Driving Towards 2015*).

DIRECTOR COMPENSATION

The current rules for Director Compensation are as follows:

The Chair of the Board is compensated in accordance with the terms of the Order-in-Council appointing him/her.

Directors (excluding the Chair of the Board and the President and CEO) receive meeting fees for attendance (in person) at Board and Committee meetings in accordance with the following fee schedule:

- Board — $2,000 per meeting (to a maximum of six meetings per year)
- Audit Committee — $1,300 per meeting (to a maximum of six meetings per year)
- All other Committees — $1,000 per meeting (to a maximum of four meetings per year)

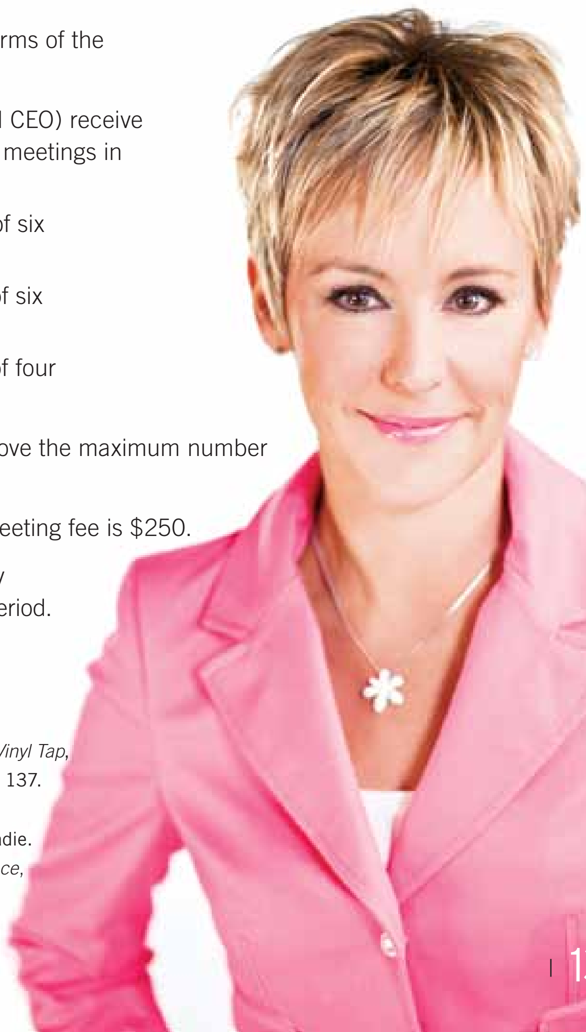
For additional meetings of the Board or a Committee over and above the maximum number indicated above, the meeting fee is $625 per meeting.

For conference call meetings of the Board or a Committee, the meeting fee is $250.

Directors are entitled to receive only one meeting fee for each day (24 hours) even if they attend more than one meeting during that period.

Directors do not receive an annual retainer for serving as a Board member of CBC | Radio-Canada.

For 2009–2010, the total amount paid in Director compensation was $172,650.00.



Photos from left to right:
Randy Bachman, *Randy Bachman's Vinyl Tap*, CBC Radio One, CBC Radio 2, Sirius 137.
Martin Robert, **Abbé Lanteigne**, *Le téléjournal / Acadie*, Télévision Acadie.
Wendy Mesley, *CBC News: Marketplace*, CBC Television, CBC News Network.

PUBLIC ACCOUNTABILITY

CORPORATE MANDATE

The Canadian Broadcasting Corporation/Société Radio-Canada (CBC|Radio-Canada or the Corporation) was first established by an Act of Parliament in 1936. The Corporation's current legislative mandate, corporate powers and governance mechanisms are set out in the 1991 *Broadcasting Act* (the *Act*).

THE ROLE OF THE CORPORATION IN THE CANADIAN BROADCASTING SYSTEM

Section 3 of the *Act* sets out the broadcasting policy for Canada and includes provisions specifically addressing the role of the Corporation in the Canadian broadcasting system. In particular, paragraphs 3(1)(l) and (m) establish a very broad mandate for CBC|Radio-Canada, requiring the Corporation to make its programming available across the country in a manner that satisfies both national and regional needs, in both English and French, while also reflecting the multicultural and multiracial nature of Canada.

In addition to this domestic mandate, CBC|Radio-Canada is also required by section 46(2) of the *Act* to provide an international service which must comply with licence conditions and regulations issued by the Canadian Radio-television and Telecommunications Commission (CRTC), as well as any directions issued by the Governor in Council.

No other Canadian broadcaster – commercial or public – has the same breadth of mandate or the same scale or scope of operations as CBC|Radio-Canada.

REGULATORY REQUIREMENTS

In the establishment and operation of its broadcasting activities, CBC|Radio-Canada must comply with the licencing and other regulatory requirements established by the CRTC under the *Act*, as well as any requirements under the *Radiocommunication*

Photos left to right:
Réjean Blais, *Le téléjournal midi / Estrie*, Télévision de Radio-Canada.
Erica Johnson, *CBC News: Marketplace*, CBC Television, CBC News Network.
Kurt Browning, *Battle of the Blades*, CBC Television.
Marie-José Turcotte, Montréal Impact, Télévision de Radio-Canada.

Act which may apply to the Corporation's use of radiocommunication spectrum.

Given the special role of CBC|Radio-Canada in the Canadian broadcasting system, there are limits set out in the *Broadcasting Act* with respect to the CRTC's regulatory authority over the Corporation.

REPORTING TO CANADIANS

CBC|Radio-Canada has an obligation to report to Canadians on the fulfilment of its commitments. This is accomplished using a variety of communications channels and vehicles.

ANNUAL PUBLIC MEETING

On September 23, 2009, CBC|Radio-Canada held its annual public meeting (APM) in Ottawa. This meeting was one aspect of an overarching public meetings initiative developed by the Corporation and approved by the Board of Directors. The APM was also in line with the expectation of the Government of Canada and the Treasury Board Secretariat that each Crown Corporation hold such a meeting to share information and solicit feedback from the public. Crown Corporations are given significant flexibility regarding the nature and scope of an APM, as well as its location and timing.

Participating in our APM were the President and CEO, the Chair and members of the Board of Directors, and the Senior Executive Team of the Corporation, who spoke about the current state of CBC|Radio-Canada and its future. Guests in the audience, as well as online, had their questions answered live. Additional questions and answers were later posted on the corporate website, along with the recorded webcast and information from the presentations.

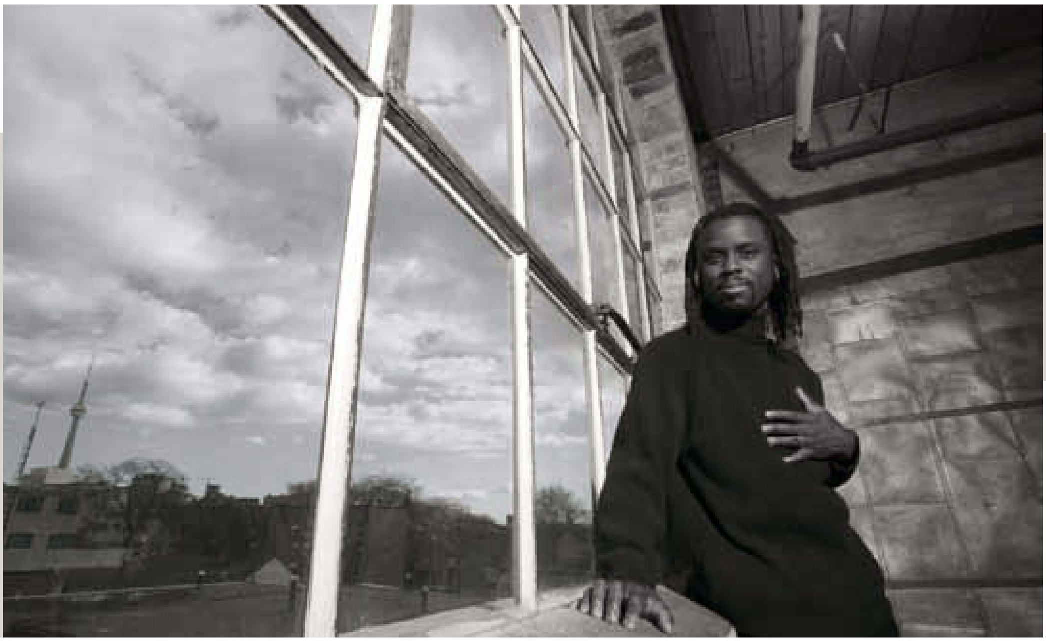
We will hold our next APM in autumn 2010. As last year, the meeting will be accessible live to the public who may join us in the designated studio or via our online webcast. Once again, we will advise the public about the upcoming APM through advertising and our online services.

OPEN AND TRANSPARENT

CBC|Radio-Canada also accounts for its activities through the Minister of Canadian Heritage and Official Languages to Parliament, through its Annual Report and Corporate Plan Summary, to the Canadian Radio-television and Telecommunications Commission (CRTC) through year-end reports and annual financial returns, and to stakeholders through ongoing dialogue and interaction and CBC|Radio-Canada websites.

Here are examples of reporting instruments:

- CBC|Radio-Canada Corporate Plan and Corporate Plan Summary
- CBC|Radio-Canada Annual Report
- Annual Report of CBC|Radio-Canada to the Canadian Radio-television and Telecommunications Commission (CRTC)
- Annual Reporting to Parliamentary Committees (Canadian Heritage, Official Languages, Public Accounts, Senate Committees)
- Auditor General Financial Audit



- Auditor General Special Examination Report
- Annual Report to the Department of Human Resources and Skills Development Canada (HRSDC) Employment Equity
- Implementation of Section 41 of the *Official Languages Act* Report
- Public Accounts of Canada
- Posting of business travel and hospitality expenses of the Chair, President and Vice-Presidents on the corporate website

JOURNALISTIC STANDARDS AND PRACTICES

CBC|Radio-Canada has an extensive code of Journalistic Standards and Practices and solid editorial control mechanisms to guide its employees and to ensure that those working on its programming remain balanced and accurate in their on-air perspectives and reporting. To address new realities, especially in a digital environment, the Journalistic Standards and Practices are being updated and will be put into effect in the coming years. Complaints from the public that are not resolved at the program level to the satisfaction of the complainants are examined and dealt with by the Corporation's two independent Ombudsmen.

In 2009–2010, the offices of the Ombudsmen (English Services and French Services combined) handled a total of 3,093 complaints, expressions of concern and other communications. There were 2,028 concerning English Services programming and 1,065 concerning French Services programming. On the English Services side, 1,204 communications fell within the mandate of the Ombudsman (news and current affairs programming), while there were 652 on the French Services side. Communications not directly related to CBC|Radio-Canada news and current affairs programming were acknowledged and forwarded to the programming departments concerned.

The Ombudsmen are completely independent of CBC|Radio-Canada programming staff and programming management and report directly to the President of the Corporation and, through the President, to the Corporation's Board of Directors. The role of the Ombudsman is pivotal in strengthening the national public broadcaster's accountability and transparency to Canadians. The Ombudsmen can be reached at:
The Ombudsman, English Services, CBC|Radio-Canada, PO Box 500, Station A, Toronto ON M5W 1E6 (*ombudsman@cbc.ca*); and,

Photos top, left to right:
Andrew Craig, *Canada Live*, CBC Radio 2.
Denis Duchesne, *Le réveil*, Première Chaîne Île-du-Prince-Édouard.
Blue Rodeo, *The Hour*, CBC Television,
bold, CBC News Network.
3600 secondes d'extase, Télévision de Radio-Canada.
Comme par magie, Télévision de Radio-Canada, ARTV.

Photos bottom, left to right: **Evan Solomon**, *Power & Politics with Evan Solomon*, CBC News Network. **Sylvie-Anne Jeanson**, *Au-delà de la 401*, Première Chaîne Ontario. **Kim Brunhuber**, *CBC News: The National*, CBC Television, CBC News Network.



Bureau de l'ombudsman, Services français, CBC | Radio-Canada, CP 6000, Montréal QC H3C 3A8 (*ombudsman@radio-canada.ca*).

CODES OF CONDUCT

CBC | Radio-Canada employees at all levels and across the Corporation are expected to adhere to the Code of Conduct and policies governing their behaviour in such areas as: conflict of interest and ethics; disclosure of wrongdoing; official languages; harassment; and political activity. The Corporation's Human Resources policies are available for viewing online at: *http://www.cbc.radio-canada.ca/docs/policies/index.shtml*.

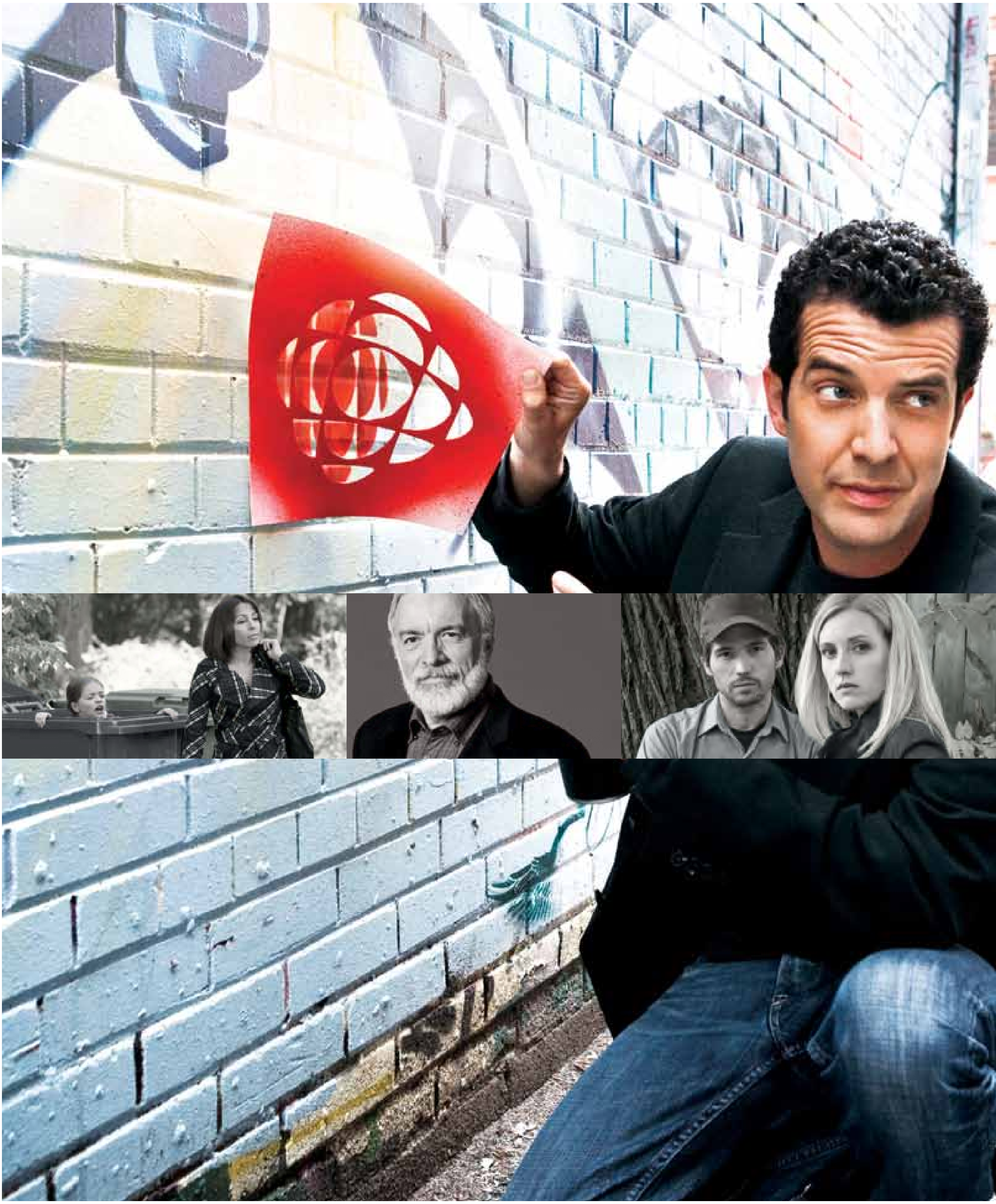
ACCESS TO INFORMATION

CBC | Radio-Canada became subject to the *Access to Information Act* on September 1, 2007. Section 68.1 of the legislation contains specific safeguards to protect the journalistic, creative and programming independence that is fundamental to a successful national public broadcaster. Similar protection has been afforded to other public broadcasters, such as the British Broadcasting Corporation and the Australian Broadcasting Corporation, under comparable legislation in those jurisdictions.

Since September 1, 2007, CBC | Radio-Canada has received more than 1,000 requests for records. Responding to this volume of requests has posed a significant challenge, and steps have been taken to allow the Corporation to meet its obligations under the legislation.

Here are the details: from September 1, 2007 to March 31, 2008, 547 requests were received. From April 1, 2008, to March 31, 2009, there were 221 requests received. From April 1, 2009 to March 31, 2010, 247 requests were received. At the end of its first year under the legislation, given the larger-than-expected number of requests, the Corporation carried over 323 requests; at the end of its second year, 108 were carried over, and at the end of its third year, 40 were carried over.

The Corporation is continuing its efforts to provide timely responses to requests, as efficiently and effectively as possible.



2009–2010 HIGHLIGHTS

ANOTHER SUCCESSFUL YEAR

CBC | Radio-Canada's media services continued to attract strong, loyal audiences in 2009–2010. Behind the scenes, the Corporation engaged its employees, created a new strategic plan for technology and opened the redeveloped Vancouver Broadcast Centre.

Large photo: **Rick Mercer**,
Rick Mercer Report, CBC Television.
Photos left to right:
La galère, Télévision de Radio-Canada.
Pierre Maisonneuve, *Maisonneuve en direct*, Première Chaîne, Sirius 94.
Aveux, Télévision de Radio-Canada.
Ian Hanomansing, *CBC News Vancouver*, *CBC News: The National*, CBC Television, CBC News Network.
Sook-Yin Lee, *Definitely Not the Opera*, CBC Radio One, Sirius 137.



HIGHLIGHTS: PROGRAMMING

ENGLISH SERVICES

- CBC Radio One and CBC Radio 2 achieved a combined national audience share – 13.8 per cent (Fall survey, Canadians 12 years of age and older), with CBC Radio One matching its all-time high of 11.1 per cent.
- In measured major English-speaking markets, 21 of 22 CBC Radio One local morning shows were ranked first, second or third (Fall 2009 survey).
- CBC Radio strongly reflects Canada's regions: 53 locations; 37 stations; 16 news bureaux; 30 local morning shows; 22 afternoon shows; over 45,000 hours of local programming.
- CBC Television's 2+ regular season, prime-time audience share of 9.3 per cent was up from last year's 8.6 per cent, and its share of 25-54 year-olds rose from 7.0 per cent to 8.0 per cent.
- Major CBC Television successes this year included *Battle of the Blades*, *Dragons' Den*, *Rick Mercer Report*, and *CBC's Hockey Night in Canada* – all drawing over one million viewers each episode during the season. *Heartland* attracted nearly one million viewers, and *Republic of Doyle* and *The Tudors* brought in over 800,000 each week.
- CBC Television News expanded local programming in 12 regions by increasing supper-hour newscasts from 60 to 90 minutes and adding a new 10-minute late-night newscast.
- The Canadian Broadcasting Centre's studio hosted *Canada for Haiti*, a commercial-free special produced collaboratively by CBC Television, CTV and Global Television, and raised more than $13.5 million for relief efforts.
- *CBC.ca* – Canada's most popular English-language news and media site – averaged 4.8 million unique visitors monthly.
- Podcast downloads increased by 50 per cent to 1.1 million per week.
- A new industry standard video player was launched in Fall 2009, delivering over 300,000 audio streams (September–December 2009) and over 550,000 video streams (March 2010) weekly.
- 335 national and international awards for radio and television combined.

Photos top, left to right:
C.A., Télévision de Radio-Canada.
Republic of Doyle, CBC Television.
Hana Gartner, *the fifth estate*,
CBC Television, CBC News Network.
Peter Mansbridge, *CBC News: The National*,
CBC Television, CBC News Network.
Photo right: **Adrienne Arsenault**,
CBC News Correspondent.

2009-2010 HIGHLIGHTS

FRENCH SERVICES

- Radio-Canada strengthened its regional presence by opening two new integrated stations in Sherbrooke and Trois-Rivières, giving residents of Mauricie and the Eastern Townships access to local news and programming everyday.
- Première Chaîne morning shows in Montréal, Québec City and Ottawa ranked second or third in fiercely competitive regions.
- Two of Radio-Canada's Twitter channels ranked among the Québec top 10.
- In June 2009, Radio de Radio-Canada released its widget, allowing listeners to tune in live anywhere, any time, and its iPhone app, which became Québec's most downloaded free app within two weeks of its launch.
- Launched in January 2010, TOU.TV is Canada's largest French-language entertainment Web television site, recording over 745,000 connections in its first week.
- In January 2010, RDI celebrated its 15th anniversary with special programming and retrospectives.
- *Découverte* drew an all-time-high of 1,113,000 viewers for its special on H1N1.
- Télévision de Radio-Canada launched successful new series – *Aveux, Kampaï! À votre santé*, *En direct de l'univers*, *Six dans la cité*, *Musée Eden*, *Mirador,* and *Trauma* – and again offered *Les Parent*, *La galère* and *Les hauts et les bas de Sophie Paquin*.
- RCI launched three multimedia initiatives linked to radio programming (*Eye on the Arctic*, *Maple Leaf Mail Bag Road Show*, and the *Roots/Racines* competition), and produced multimedia content for the Chinese-language website.
- To expand its reach, RCI developed new partnerships: 10 projects produced in-house, including the CBC Radio One flagship program, *The Link*; 28 outside projects, including co-production with Radio Beijing of clips in Mandarin on the Shanghai World Expo; and visibility agreements with the Board of Trade of Metropolitan Montreal, Vues d'Afrique and Les Rencontres internationales du documentaire de Montréal (RIDM).

OTHER BROADCASTING ACTIVITIES

- CBC News Express/RDI Express, the Corporation's bilingual news and information service for airports, launched in Winnipeg and Edmonton, augmenting its service in Ottawa, Toronto and Vancouver.
- Sirius Canada, in which the Corporation is a partner, completed the year with over one million subscribers. CBC|Radio-Canada has six channels on Sirius Canada.

HIGHLIGHTS: BEHIND THE SCENES THIS YEAR

PEOPLE AND CULTURE: ENGAGING AND DEVELOPING OUR PEOPLE

- The President and CEO regularly met with employees and the unions, strengthening working relationships for the advancement of the Corporation's strategic and operational performance.
- A major employee engagement campaign, Responsibility Matters, was launched, fielding suggestions from staff on how CBC|Radio-Canada could become an evermore financially and socially responsible business. A management committee considered over 100 suggestions that have led to changes on how we operate, from the installation of LED lighting, to the launch of paperless pay stubs and paperless distribution of the CBC|Radio-Canada Pension Plan Annual Report.
- A large workforce adjustment process resulting from significant financial challenges was managed with care to reduce its impact on employees and maintain diversity within the workforce.
- A collective agreement was reached with the Syndicat des communications de Radio-Canada (SCRC) and much effort was invested in maintaining healthy and open labour relations.
- A corporate-wide H1N1 Influenza A pandemic-ready awareness campaign provided useful information to employees. To ensure employees' protection at home and abroad, the National Crisis Management Team also led updates of pandemic plans; preparation requirements for hostile environments; and continued to develop programs for emergency preparedness, corporate security and business continuity planning. Special projects included an employee emergency information line and preparation for the Winter Olympics in Vancouver.
- The 2009–2012 Corporate Diversity and Equity Plan committed the Corporation to reflecting diversity through programming and ensuring that diversity is part of workforce recruiting and development.

Photos top, left to right:
Duncan McCue, *CBC News: The National*, CBC Television, CBC News Network.
Doris Larouche, *Café*, *boulot*, *Dodo*, Première Chaîne Saguenay-Lac-Saint-Jean.
Enquête, Télévision de Radio-Canada, RDI.
Carol Off, *As It Happens*, CBC Radio One, Sirius Satellite Radio Channel 137.

Photos bottom, left to right:
Being Erica, CBC Television.
Diane Martin, *Retour sur le monde*, Première Chaîne Québec.

2009-2010 HIGHLIGHTS

- Employees from all segments of the Corporation participated in an internal forum, sponsored by the President and CEO, to help determine how CBC|Radio-Canada can increase its public value and define its enduring contribution to Canadian democracy, culture and citizenship through its people and programs.
- The Environmental Lead Team again monitored the minimisation of the impact of our operations on the environment, engaging employees in this effort, and an environmental performance review. Achievements this year included a paper reduction campaign, continued recycling of e-waste and a cell phone take back program.
- The People and Culture portfolio's future strategies include improving internal culture, ensuring that employees' contributions are valued, fostering leadership development and talent management, and ensuring a diverse talent pool.

CBC TECHNOLOGY

- The Corporation's Technology Strategy Board (TSB), a centre for expertise and governance in the area of technology, created a strategic plan designed to guide the Corporation's decisions in this area over the next five years.
- The TSB finalised an agreement to roll out the next generation of evolved networks that will link all CBC|Radio-Canada production centres across Canada via a high-performance digital network for television, radio and Web operations.
- The TSB also proposed a transition strategy for digital television and migration to digital transmitters equipped for mobile broadcast.

REAL ESTATE

- The Vancouver Redevelopment Project integrated CBC|Radio-Canada newsroom operations with digital content management, for greater efficiency and synergy between our English and French networks and across all of our media lines. The redevelopment also improved workspaces and production infrastructures, and strengthened ties with the community. The Vancouver Broadcast Centre opened to great enthusiasm in December 2009.

CBC | RADIO-CANADA SERVICES

ALWAYS THERE FOR YOU

CBC | Radio-Canada is the only Canadian broadcaster delivering a comprehensive range of radio (commercial-free), television, Internet, and satellite-based services to Canadians, in English, French and eight Aboriginal languages. The Corporation's broadcasting reach extends across Canada and around the world, offering high-quality, distinctive content by, for and about Canadians, however and wherever they want it.

Large photo: ***Les pieds dans la marge***, Télévision de Radio-Canada.
Photos left to right:
Alain Gravel, *Enquête*, Télévision de Radio-Canada, RDI.
Heartland, CBC Television.
La galère, Télévision de Radio-Canada.
Monique Giroux, Espace musique.
The Tudors, CBC Television, **bold**, Télévision de Radio-Canada.

ENGLISH SERVICES

CBC Radio One (news, current affairs, arts, and culture via radio and Sirius Satellite Radio Channel 137)

CBC Radio 2 (classical, jazz and popular music via radio and four online channels: Classical, Jazz, Canadian Songwriters, Canadian Composers)

CBC Radio 3 (emerging Canadian music via the Internet, podcast and Sirius Satellite Radio Channel 86)

CBC Television (news, information, sports, and entertainment)

FRENCH SERVICES

Première Chaîne (information and cultural programming via radio)

Espace musique (classical, jazz, vocal, world, and emerging music via radio)

Bande à part (popular and alternative French-language music via Espace musique, the Internet, podcast, and Sirius Satellite Radio Channel 87)

Espace classique (customised classical music via the Internet)

Télévision de Radio-Canada (news, current affairs, drama, culture, variety, sports, and programming for children and youth)

Réseau de l'information de Radio-Canada (RDI) (continuous news, information and current affairs via television)

TOU.TV (on-demand Web television, created by Radio-Canada, featuring programming from 20 national and international producers and broadcasters)

ARTV (arts and culture)

COMBINED SERVICES

Radio Canada International (Canadian information and culture in seven languages via the Internet, digital and analogue shortwave, satellite, and partner stations worldwide)

RCI plus (programming in seven languages from Radio Canada International and national and international partners via Sirius Satellite Radio Channel 95)

CBC North (linking Canada's northern communities via radio and television, in English, French and eight Aboriginal languages)

CBC News Express/RDI Express (bilingual news and information service in five large Canadian airports, serving over 62 million travelers annually)

CBC | RADIO-CANADA SERVICES

CBC News Network (continuous news and information via television)

bold (drama, comedy, performing arts, and sports coverage)

documentary (Canadian and international documentaries, films and series)

CBC.ca (news, information, streaming video and audio, sports highlights, Web features, and multimedia archives)

Espace jazz (customised jazz via the Internet)

Espace monde (customised world music via the Internet)

Première plus (news, current affairs and culture, in partnership with Radio Canada International and Radio France International, via Sirius Satellite Radio Channel 94)

Sports extra (sports information and analysis via Sirius Satellite Radio Channel 96)

TV5MONDE (programming featuring diverse cultures and perspectives, from 10 broadcast partners, including Radio-Canada)

Radio-Canada.ca (news, information, streaming video and audio, and Web features)

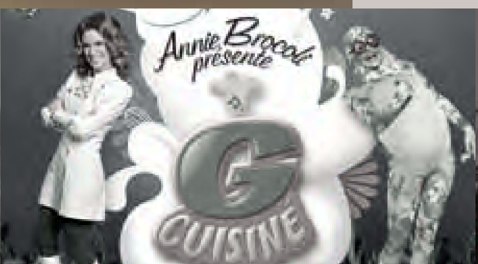
CBC Records/Les disques SRC (label recording Canadian musicians and releasing about eight CDs annually)

Mobile Services/Services mobiles (programming for mobile and iPhone sites, SMS alerting services, including CBC News Network and RDI as live streams and on-demand videos)

CBC Mobile Productions/ Les Productions mobiles de Radio-Canada (services for in-house production, and generating programming revenue by selling to the third party market)

CBC Shop/Boutique Radio-Canada (on-site and online shop selling CBC | Radio-Canada audio and audio/visual recordings of programs, as well as related merchandise)

MANAGEMENT DISCUSSION AND ANALYSIS



Large photo: **Ron James**,
The Ron James Show, CBC Television.
Photos left to right:
Tom Allen, *Shift*, CBC Radio 2.
Trauma, Télévision de Radio-Canada.
Patrick Masbourian,
Programme libre à Vancouver,
Première Chaîne.
Nahlah Ayed, CBC News
Correspondent, CBC Television,
CBC News Network.
Annie Brocoli présente G cuisiné,
Télévision de Radio-Canada.
Christiane Charette, *Christiane Charette*,
Première Chaîne, Sirius 94.

MEASURING PERFORMANCE

CBC|Radio-Canada uses a performance measurement system that links measures of performance to the Corporation's priorities. This system allows the Government and Canadians to examine CBC|Radio-Canada's annual performance results, its performance against targets, as well as performance trends.

In addition to these indicators, CBC|Radio-Canada's networks use programming indicators to assess performance against targets.

KEY PERFORMANCE INDICATORS

CORPORATE PRIORITIES: PEOPLE, PROGRAMS AND PUSHING FORWARD

CBC | Radio-Canada introduced a new strategic framework in 2008–2009, arrived at through extensive consultation with employees and the Senior Executive Team, and through consideration of the findings from an in-depth review of the environment in which the Corporation operates. This input clearly pointed to the need to focus on three key issues: People – our key asset; Programs – our core competency; and Pushing Forward – to meet current challenges and exploit opportunities. The priorities associated with each of these three key issues are as follows:

PEOPLE

- Recruit, train, retain, and engage a skilled workforce
- Reflect Canada's diversity within
- Build and continue improved relationships with the unions
- Communicate and engage our people.

PROGRAMS

- Continue to provide high-quality, distinctive Canadian content that informs, entertains, enlightens, and reflects the Canadian experience on whatever platforms Canadians consume it
- Strengthen position in the regions, using a blend of platforms to deliver appropriate services
- Increase representation of the diversity of Canada's population and its regions in the content of our programs.

PUSHING FORWARD

- Build a sustainable economic model
- Enhance transparency through real time reporting
- Invest in the appropriate technologies and infrastructure to optimise reach.

We also embarked on a new strategic planning approach, *Driving Towards 2015*, that will set our course for the future.

The following pages contain our key corporate performance indicators and our media lines' targets and results.

Photos top, left to right:
Claude Bernatchez, *Première heure*, Première Chaîne Québec. ***Belle-Baie***, Télévision de Radio-Canada. **Rassi Nashalik**, *CBC News Igalaaq*, CBC North. ***Little Mosque on the Prairie***, CBC Television.
Photo right: ***18 to Life***, CBC Television.



CORPORATE MEASURES OF PERFORMANCE

CORPORATE PRIORITY	INDICATORS	2009-2010 TARGETS	2009-2010 RESULTS	2010-2011 TARGETS
PEOPLE	CBC | RADIO-CANADA USAGE BY VISIBLE MINORITY (18+)[1]	87%	81%	81%
	VISIBLE MINORITY STAFF[2]	556	535	565
	COMMITMENT TO TRAINING AND DEVELOPMENT	$1,015 per employee	$1,035 per employee	$1,055 per employee

1 As of 2007–2008, the Corporation has adopted the definition used by Statistics Canada.

2 Excludes short-term employees up to December 31, 2009.

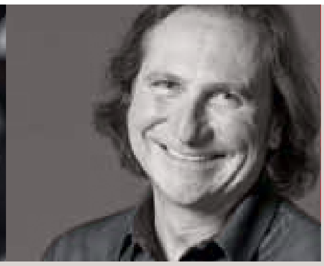
CORPORATE MEASURES OF PERFORMANCE

CORPORATE PRIORITY	INDICATORS	2009-2010 TARGETS	2009-2010 RESULTS	2010-2011 TARGETS
PROGRAMS	CANADIAN CONTENT[1]			
	CBC Television			
	Broadcast day	75%[2]	81%	75%[2]
	Prime time (Monday–Sunday, 7:00–11:00 p.m.)	80%[2]	81%	80%[2]
	Télévision de Radio-Canada			
	Broadcast day	75%[2]	80%	75%[2]
	Prime time (Monday–Sunday, 7:00–11:00 p.m.)	80%[2]	91%	80%[2]
	CBC Radio			
	Broadcast day	99%	99%	99%
	Prime time (Monday–Friday, 6:00–9:00 a.m.)	100%	100%	100%
	Radio de Radio-Canada			
	Broadcast day	99%	99%	99%
	Prime time (Monday–Friday, 6:00–9:00 a.m.)	100%	100%	100%
	DISTINCTIVENESS Main television and radio networks	90%	89%	90%
	PROGRAMS PRODUCED IN REGIONS FOR REGIONS	80,700 hours	85,794 hours	83,500 hours
	PROGRAMS PRODUCED IN REGIONS FOR NETWORK	11,900 hours	9,126 hours	8,300 hours
	EXPENDITURES ON CANADIAN PROGRAMMING	93% of programming budget	93% of programming budget	93% of programming budget
	PROGRAMMING EXPENDITURES	79% of total budget	82% of total budget	82% of total budget
	EXPENDITURES ON CROSS-MEDIA PROGRAMMING	$7.4 million	$8.3 million	$6.6 million
	CANADIANS' SATISFACTION LEVELS WITH MAIN TELEVISION AND RADIO NETWORKS	89%	88%	89%

1 Based on previous broadcast year.

2 CRTC expectations.





KEY PERFORMANCE INDICATORS

CORPORATE MEASURES OF PERFORMANCE

CORPORATE PRIORITY	INDICATORS	2009-2010 TARGETS	2009-2010 RESULTS	2010-2011 TARGETS
PUSHING FORWARD	SELF-GENERATED REVENUES[1]	$105.9 million	$113.8 million	$88.6 million
	REVENUE GENERATED FROM NEW PLATFORMS[2]	Increase of 15%	Increase of 55%	Increase of 40%
	INVESTMENT IN NEW PLATFORMS	Increase of 3%	Increase of 11%	Increase of 8%

1 Excludes television and Internet advertising revenues.

2 New platforms include all content available to watch and/or listen to on the Internet or mobile devices, such as cell phone, video iPod/MP3 player or PlayStation portable (PSP).

Photos top, left to right: **Jamie Salé**, **David Pelletier**, *Holiday Festival on Ice 2009*, CBC Television. ***CBC.ca***. ***Et Dieu créa… Laflaque***, Télévision de Radio-Canada. **Rufus Wainwright**, *Tout le monde en parle*, Télévision de Radio-Canada. **Franco Nuovo**, *C'est bien meilleur le matin*, Première Chaîne. Photo left: **Kaveri Bittira**, *CBC News: Saskatchewan*, CBC Television.

MEDIA LINES' TARGETS AND RESULTS

ENGLISH SERVICES

CBC|Radio-Canada's English Services comprise CBC Television, CBC News Network, **bold**, *documentary* (majority controlled), CBC Radio One, CBC Radio 2, CBC Radio 3, and multiple digital platforms including *CBC.ca*. CBC content is also available on new platforms through key partnerships created by the Corporation with content distributors.

All of these services report to the Executive Vice-President for English Services, allowing an integrated approach to strategic and business planning, sharing of resources and programming across the media lines, and the achievement of savings and synergies.

The year 2009–2010 was a challenging one for English Services, in light of stagnant levels in advertising revenues experienced by the broadcast industry. This loss of funding affected English Services' ability to maintain existing service levels and forced it to reduce staffing and programming expenditures.

Despite these financial challenges, English Services met or surpassed the majority of the performance targets for the year. CBC Radio One achieved its highest-ever national audience share (11.1 per cent) while CBC Television increased its regular season, prime-time share from 8.6 per cent in 2008–2009 to 9.3 per cent in 2009–2010. At the same time, CBC Television's predominantly Canadian prime-time schedule continued to beat a key competitor's primarily American prime-time schedule by more than half a share point. This represents an historic achievement for English-language television in Canada.

Photos top, left to right:
Steven and Chris, CBC Television.
CBC.ca. Yamma Mamma, CBC Television.
Mary Ito, *Fresh Air*, CBC Radio One.
Stuart McLean, *The Vinyl Cafe*, CBC Radio One, CBC Radio 2, Sirius 137.
Photos bottom, left to right:
Peter Armstrong, *World Report*, CBC Radio One.
Anna Maria Tremonti, *The Current*, CBC Radio One, Sirius 137.



ENGLISH SERVICES' STRATEGIC OBJECTIVES

English Services continued its commitment to offer high-quality and engaging Canadian programming to a wide audience. English Services' goal is to provide Canadians with programming they want – where, when and how they want it. In order to increase the value of CBC services to Canadians, as measured by usage, four strategic objectives were established for the year:

- Grow CBC Radio One share and CBC Radio 2 share.
- Grow CBC Television share.
- Continue news renewal and strengthen position in the regions.
- Invest in new platforms.

To measure the success of English Services as an integrated content company, CBC set out six main performance indicators, as shown in the following table. The goal of serving Canadians is represented by four of these indicators measured by audience share for the conventional television and radio networks and ranking in new platforms, indicating the extent of usage by the public. Distribution of specialty television services, CBC News Network (formerly CBC Newsworld), **bold** and *documentary*, is also key to providing this content to Canadians. Success in these measures demonstrates how CBC's distinctive, high-quality and popular programming both resonates with Canadians and fulfils CBC's mandate to inform, enlighten and entertain.

In order to pursue these strategic priorities, sound financial management is required to ensure appropriate resources are available for Canadian programming. CBC earns substantial self-generated revenues in the competitive marketplace (through advertising, subscriptions and other initiatives) which, when added to Government appropriations, permit the Corporation to offer Canadian content to the extent that it currently does. Furthermore, prudent cost management is another cornerstone to ensure maximum resources are directed to programming on all platforms (television, radio and new platforms).

ENGLISH SERVICES' PERFORMANCE INDICATORS

PERFORMANCE INDICATORS		2009-2010 TARGETS	2009-2010 RESULTS	2010-2011 TARGETS
RADIO SHARE (12+ fall survey S4)	Combined	13.5%	13.8%	14.1%
TELEVISION SHARE (2+ regular season)	CBC Television (prime time)	8.5%	9.3%[1]	8.7%[2]
	CBC News Network (all day)	1.4%	1.0%	1.0%
NEW PLATFORMS (2+ comScore Monthly Average Unique Visitors)	*CBC.ca*	Number 1	Number 1[3]	5,602,000[4]
	CBC News Online	—	—	3,900,000[4]
	CBC Sports Online	Number 2	Number 2[3]	1,074,000[4]
	CBC Entertainment Online	—	—	1,344,000[4]
REVENUES (conventional, specialty and online)[5]	Total revenues	$292 million[6]	$311 million	$328 million
SUBSCRIBER COUNT	CBC News Network	10.5 million	10.8 million	10.8 million
	bold	1.1 million	1.1 million	2.5 million
	documentary	1.2 million	1.3 million	2.3 million
COSTS[7]	Total costs	$766 million	$786 million	$807 million

1 Season-to-date 2009–2010: weeks 5–32, excluding weeks 25–26 (Olympics).

2 Under the new PPM measurement system, in 2009–2010, not all tuning in to the television universe was captured. In the future, BBM expects to increase coverage to a larger percentage of all tuning in. Therefore, the same audience level for any broadcaster would yield a lower share in this scenario.

3 For 2009–2010, the target was established as a ranking of sites in that category, excluding foreign content providers and any content aggregators. For 2010–2011, the target was established for Monthly Average Unique Visitors for the September 2010 to March 2011 period.

4 September 2010 through March 2011.

5 Including contra, excluding Local Programming Improvement Fund (LPIF) revenues, The Documentary Channel (*documentary*) at 82% (except for the 2009–2010 target, which is The Documentary Channel (*documentary*) at 100%).

6 This target was established excluding contra/barter revenues of $3 million in value, and results for 2009–2010 include that amount.

7 English Services including The Documentary Channel (*documentary*) at 100% for the 2009–2010 target; and at 82% for the 2009–2010 results and the 2010–2011 target.

Photos left to right:
Deck the Halls with Steven and Chris, CBC Television.
Suhana Meharchand, *CBC News Now*, CBC News Network.
Mark Kelley, *Connect with Mark Kelley*, CBC News Network.
CBC.ca.
David Suzuki, *The Nature of Things*, CBC Television, CBC News Network.

MEDIA LINES' TARGETS AND RESULTS

ENGLISH SERVICES' FUTURE DIRECTIONS

GROW TELEVISION SHARE AND AUDIENCES

- Continue past success in addressing English Canada's most significant cultural challenge: the absence of Canadian entertainment programming (especially in prime time) that Canadians want to watch.
- Continue to focus on successful format and series programs.
- Continue commitment to documentaries in prime time (and on the dedicated *documentary* specialty service).
- Continue to focus on professional and amateur sports of importance to Canadians (hockey, FIFA, skiing, curling).

GROW CBC RADIO ONE SHARE AND CBC RADIO 2 SHARE

- Continue CBC Radio One program redevelopment in the key regional communities.
- Evolve the program development process to emphasise multi-platform opportunities and develop "break-out" shows.
- Evolve the CBC Radio 2 service in the context of English Services' overall music strategy.
- Develop a sustainable audience demographic mix and broaden the reach for CBC Radio 2.
- Monetise off-air content.

CONTINUE NEWS RENEWAL AND STRENGTHEN OUR POSITION IN THE REGIONS

- Increase, broaden and diversify audiences to CBC News on all platforms (television, radio and new platforms).
- Increase personal relevance for, and engagement with, audiences.
- Provide service to Canadians on all platforms in an appropriate manner.
- Continue elevated level of local content begun in 2009–2010.

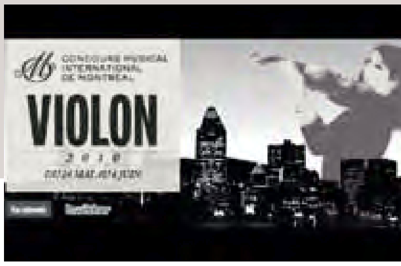
INVEST IN NEW PLATFORMS

- Continue to enhance *CBC.ca* functionality, quality and media player and social media capabilities.
- Continue to migrate CBC content (television, radio) to the online space.
- Continue to partner with "best in class" in the industry to provide as wide a footprint of CBC content as possible.

VALUE OUR PEOPLE AS OUR GREATEST RESOURCE

- Reflect Canada's diversity through a long-term diversity strategy.
- Ensure that the workforce is engaged, and facilitate corporate cultural change.
- Continue to build a positive long-term union-management relationship.

MEDIA LINES' TARGETS AND RESULTS



FRENCH SERVICES

CBC | Radio-Canada's French Services comprise Télévision de Radio-Canada, Réseau de l'information de Radio-Canada (RDI), Première Chaîne, Espace musique, Espace jazz, Espace classique, Espace monde, Bande à part, Radio Canada International (RCI), *Radio-Canada.ca*, and TOU.TV. All of these services report to the Executive Vice-President for French Services. This integrated approach facilitates the development of a global vision for French Services that recognises the individual strengths and distinctive character of each media line while promoting the overarching goal of improving the quality of the democratic and cultural life of Canadians. The Corporation is also a partner in ARTV and TV5MONDE.

The year 2009–2010 was a challenging one for French Services, in light of stagnant levels in advertising revenues experienced by the broadcast industry. This loss of funding affected French Services' ability to maintain existing service levels and forced it to reduce staffing and programming expenditures.

Despite these financial challenges, French Services achieved excellent results for 2009–2010. First, Radio de Radio-Canada and Télévision de Radio-Canada continued to hold their solid positions amongst francophones, in the face of ever-growing competition from private broadcasters. In fall 2009, Radio de Radio-Canada recorded its highest reach ever, with 1,454,000 listeners across Canada and a 19 per cent share of the French-speaking radio audience. Télévision de Radio-Canada remains the country's second most-watched French-language television network, with an 18.6 per cent prime-time market share.

It was also a good year for Radio-Canada's digital services. In 2009–2010, *Radio-Canada.ca* recaptured the top spot among the country's French-language media sites, with 1.2 million unique French-speaking visitors and a 23 per cent reach. Launched by Radio-Canada in late January 2010, TOU.TV, Canada's leading French-language Web television site, recorded 5.5 million requested video streams in two months. It now reaches over half a million unique French-speaking visitors, for a seven per cent reach.

FRENCH SERVICES' STRATEGIC OBJECTIVES

French Services continued implementing the three-year strategic plan it introduced in 2008–2009. This plan still reflects Radio-Canada's vision to become an integrated multiplatform media organisation – a leading creator and broadcaster of multimedia content in the French-speaking world.

To this end, French Services began by creating the new position of Senior Executive Director, Revenue, whose goal it is to implement a business model that is sustainable, profitable and efficient. By centralising its revenue management, adopting a 360-degree strategy and achieving ongoing efficiencies throughout the organisation, Radio-Canada managed to exceed its financial objectives, as witnessed by the indicators shown in the table below.

On the programming side, initiatives included increasing our regional presence by opening two new integrated regional broadcasting centres in Sherbrooke and Trois-Rivières, as well as adding a number of regional *Téléjournal* newscasts. Radio-Canada also undertook a review of its news operations, with an emphasis on creating an integrated model better suited to today's media landscape. Radio-Canada also launched new digital services, such as the Web television site, TOU.TV, and the specialty Web radio service, Espace monde, as it strives to deliver an increasingly multiplatform program offering grounded in 21st-century realities.

With regard to the organisation and its people, French Services continues to further its objective of adapting and strengthening its organisational capabilities so that it can better meet the challenges of being an integrated multiplatform media organisation. The resources committed to achieving this objective include implementing a workforce adjustment plan (while minimising the impact on employees and on French Services' strategic directions); rearranging work environments; and developing talent.

This strategy aims to strengthen the public broadcaster's brand so that it continues to be as distinctive as ever, while promoting the values of quality and credibility that will make Radio-Canada recognisable to Canadians, regardless of the platform on which they choose to receive its content.

As shown in the performance indicators in the table below, Radio-Canada commands a strong position in the French-speaking market and the adopted strategy will help maintain its leadership role.

As for Radio Canada International, the network's organisational priority for 2009–2010 was to review its role and continue integrating with French Services, in order to make RCI the voice of Canada abroad and to better reflect the changing face of Canada.

Photos top, left to right: ***Espace classique***.
Jean-François Lépine, *Une heure sur terre*, Télévision de Radio-Canada, RDI.
Providence, Télévision de Radio-Canada.
Radio-Canada.ca.
Catherine Lachaussée, *Ça me dit de prendre le temps*, Première Chaîne Québec.
Photo left: **Jean-René Dufort**, *Infoman*, Télévision de Radio-Canada.

FRENCH SERVICES' PERFORMANCE INDICATORS

PERFORMANCE INDICATORS		2009-2010 TARGETS	2009-2010 RESULTS	2010-2011 TARGETS
RADIO SHARE (12+ fall survey S4)	Combined	19.4%	19.0%	19.0%
TELEVISION SHARE (2+ regular season)	Télévision de Radio-Canada (prime time)	18.9%	18.6%	18.5%
RADIO-CANADA.CA (2+ comScore unique/ reach)	Unique francophone visitors	1.0 million	1.2 million[1]	1.8 million[2]
REVENUES (conventional, specialty and online)	Total revenues	$173.7 million	$190.5 million	$190.7 million
SUBSCRIBER COUNT	RDI	10.4 million	10.8 million	10.8 million
COSTS[3]	Total costs	$576.1 million[4]	$556.1 million	$588.9 million

1 Monthly total unique francophone visitors who used the site from home.

2 Monthly average unique francophone visitors (all ages) combined for *Radio-Canada.ca*, TOU.TV and *bandeapart.ca* from September 1, 2010 to March 31, 2011.

3 Includes LPIF expenditures.

4 French Services' annual spending budget up until March 31, 2010.

Photos top, left to right, pages 40-41:
Les Boys, Télévision de Radio-Canada.
Les Parent, Télévision de Radio-Canada.
Les chroniques d'une mère indigne,
Radio-Canada.ca.
Dany Turcotte, *La petite séduction*,
Télévision de Radio-Canada.
Photo right: **Carl Bernier**, *Bernier et Cie*,
Première Chaîne Ottawa-Gatineau.

Photos, pages 42-43:
Large photo:
Guy A. Lepage, **Dany Turcotte**,
Tout le monde en parle,
Télévision de Radio-Canada.
Photos top, left to right:
Ron MacLean,
CBC's Hockey Night in Canada,
Battle of the Blades, CBC Television.
Rick MacInnes-Rae,
Dispatches, CBC Radio One, Sirius 137.
Garvia Bailey, *Big City, Small World*,
CBC Radio One.
Espace musique.
L'auberge du chien noir,
Télévision de Radio-Canada.

FRENCH SERVICES' FUTURE DIRECTIONS

LEAD IN THE DEVELOPMENT AND OFFER OF DIGITAL CONTENT AND SERVICES

- Enrich TOU.TV programming and reinforce *Radio-Canada.ca*.
- Develop and launch new content and applications for mobile platforms.
- Create Espace chanson and redesign music websites.

REVAMP NEWS OFFERING

- Introduce new formats for *Le téléjournal*.
- Fully integrate network newsrooms (television, radio, Web).
- Integrate assignment, planning and expertise centres.

DEVELOP ASSETS AND AUDIENCES

- Use a 360° approach to manage potential content revenue.
- Maximise all key revenue streams.
- Manage the impact of the deregulation of specialty service distribution fees.
- Optimise satellite distribution of regional signals.
- Forge new partnerships.

CONTINUE WITH MULTIPLATFORM INTEGRATION

- Develop new, attention-grabbing multiplatform initiatives.
- Apply for licences for new specialty services and develop a viable business model.
- Recruit and train personnel to meet the new requirements of the integrated multiplatform media organisation model.

INCREASE REGIONAL PRESENCE

- Optimise use of the Local Programming Improvement Fund.
- Develop a new Web service for the north and south shores of Montréal.
- Open an integrated station in Saguenay.
- Redeploy regional services in Eastern Québec.
- Introduce regional on-air presence on Espace musique.

ENHANCE NETWORK PERFORMANCE

- Television: ensure performance, flow and competitiveness of the program schedule.
- Radio: review strategy for Première Chaîne and introduce regional on-air presence on Espace musique.
- RDI: develop a programming strategy to face the competition.
- ARTV: consolidate share ownership.

PROTECT AND STRENGTHEN THE BRAND

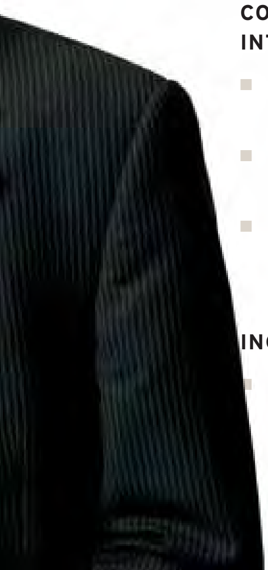
- Develop a strategy to enter into high-visibility strategic partnerships.
- Develop the relationship between Canadians and the public broadcaster.
- Engage and strengthen buy-in amongst employees with regards to the Corporation's brand and attributes.

INVEST IN PEOPLE

- Adapt the management structure and processes to support our personnel in the implementation of French Services' strategic initiatives.
- Develop and engage managers and employees.
- Strengthen productive relations with the unions.

RCI

- Secure added visibility for RCI-produced multilingual content.
- Encourage recent immigrants to take part in Canadian culture and democracy.



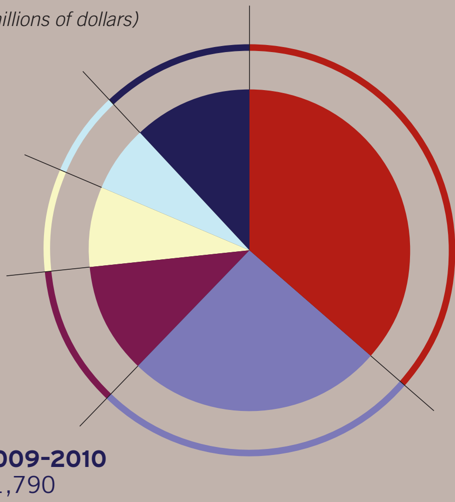
FINANCIAL REVIEW

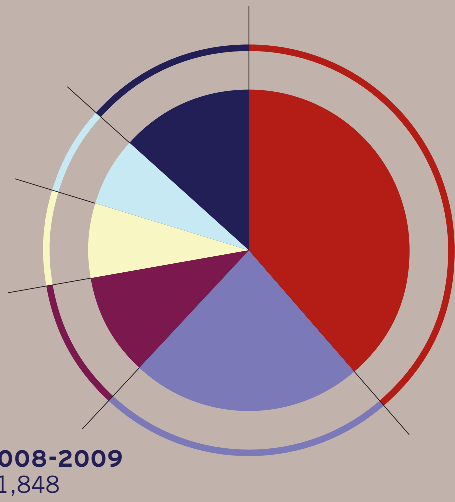
CBC | RADIO-CANADA ACHIEVED ONGOING SUCCESS WITH AUDIENCES ACROSS ALL OF OUR SERVICES IN 2009–2010, OVERCOMING SIGNIFICANT FINANCIAL CHALLENGES.

The global economic slowdown, an environment of stagnant television advertising revenues, rising production costs, funding uncertainty – these short-term and long-term issues required the Corporation to develop and execute a Recovery Plan that eliminated approximately 800 full-time positions and included program cuts. This section details the impacts of our financial challenges and highlights how the Recovery Plan and our new long-term strategic planning process will allow us to meet these challenges while continuing to fulfil the terms of our mandate as Canada's national public broadcaster. The section begins with a review of 2009–2010 and concludes with our outlook for 2010–2011.

OPERATING EXPENSES*

(millions of dollars)



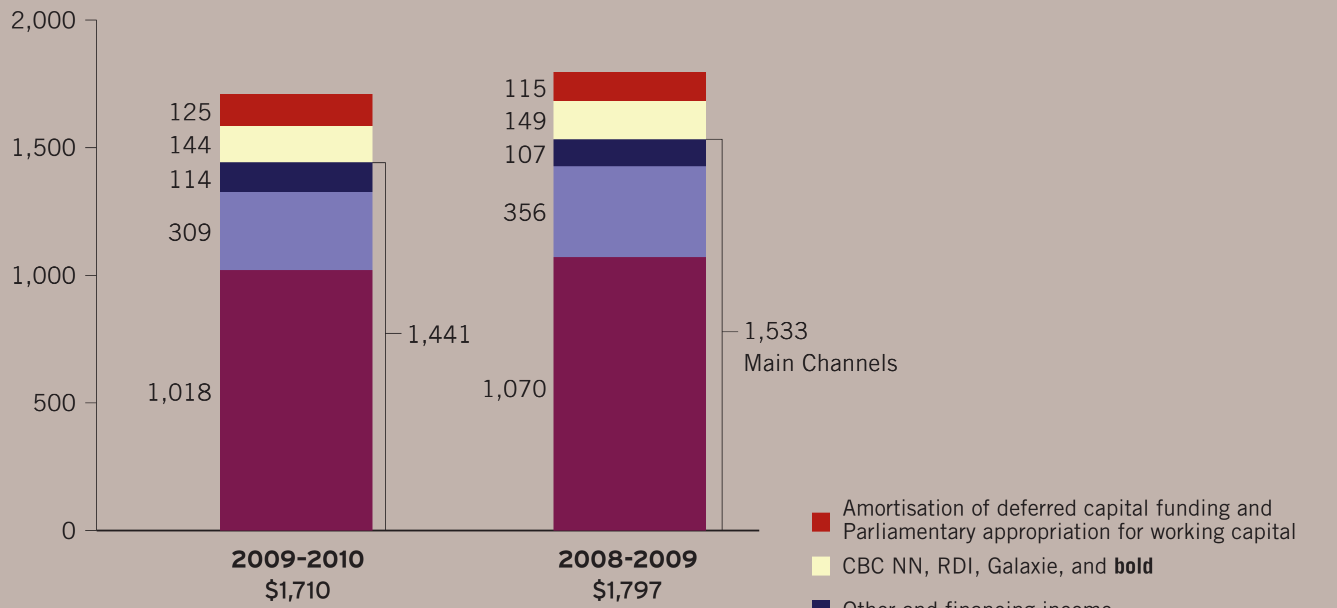


	2009-2010		2008-2009	
CBC Television	$655	36%	$718	39%
Télévision de Radio-Canada	$459	26%	$429	23%
CBC Radio	$202	11%	$192	10%
Radio de Radio-Canada	$145	8%	$137	7%
Specialty services	$118	7%	$129	7%
Other	$211	12%	$243	14%
	$ 1,790	**100%**	**$1,848**	**100%**

** Excluding recovery of income and large corporations taxes and minority interests.*

REVENUES AND OPERATING SOURCES OF FUNDS CBC|RADIO-CANADA

(millions of dollars)



THE YEAR IN REVIEW

For the year ended March 31	2010	2009
	(thousands of dollars)	
GOVERNMENT FUNDING AND REVENUES		
Parliamentary appropriation for operating expenditures	1,017,587	1,070,137
Amortisation of deferred capital funding and working capital	125,086	115,355
Advertising revenues	309,255	356,248
Other income, financing income and specialty services	258,426	255,904
Total	**1,710,354**	**1,797,644**
EXPENSES		
Television, radio and new media services costs	1,461,849	1,475,919
Other	328,370	371,795
Total	**1,790,219**	**1,847,714**
Non-operating revenues	**21,566**	**34,374**
Net results for the year	**(58,299)**	**(15,696)**

This section comments on the operations and financial condition of the Corporation for the year ending March 31, 2010, and should be read together with the consolidated financial statements and accompanying notes. The section also presents brief insights into the year to come and contains statements regarding future events. Such statements require us to make assumptions and are subject to inherent risks and uncertainties. Actual outcomes could differ materially from expectations expressed in forward-looking information.

FINANCIAL REVIEW

IMPACT OF THE ECONOMIC SLOWDOWN

Canada suffered less than many countries from the most severe global economic slowdown in a generation, yet many industries were plunged into financial crisis, including the broadcasting sector.

CBC|Radio-Canada's net loss of $58.3 million in 2009–2010 is primarily explained by weak advertising revenues that were unable to compensate for programming cost increases. This shortfall was addressed through operating cost reductions which were funded with the proceeds gained from the sale of long-term notes receivable. The original receivables had been recognised as revenue in prior years.

Along with other conventional broadcasters, CBC|Radio-Canada felt the impact of stagnant television advertising revenues as companies affected by the slowdown continued their spending restraint. At the same time, we were also faced with increased programming and fixed costs compared to last year and to lower-than-anticipated salary inflation funding.

The weakness in television advertising revenues was made worse but was not caused by the economic downturn. Driven by increased competition from specialty channels, the Internet and other media platforms, television advertising revenues ceased to increase regularly several years ago, a situation that has undermined the business model for all conventional television broadcasters. Our business plans, which project that television advertising revenues will reach about $318 million in 2010–2011 (an amount virtually unchanged from three years ago), have partially addressed this situation by increasing our focus on integrated sales efforts.

RESPONSE TO THE CRISIS – OUR FINANCIAL RECOVERY PLAN

In this climate of uncertainty – where the volatile advertising market continued to be difficult to forecast – we began 2009–2010 with financial pressures of $171 million. Unlike our private sector competitors, the Corporation has limited financial flexibility as it is unable to borrow to raise working capital and has no access to banking credit lines to manage its financial position. To balance our 2009–2010 budget, we made difficult financial decisions, guided by the overriding consideration that cuts must not damage our ability to remain a highly relevant public broadcaster for the 21st century.

To address this situation, we developed and successfully implemented a two-year financial Recovery Plan. This required eliminating approximately 800 positions (full-time equivalents) across the Corporation. Staff reductions commenced with voluntary departures in May 2009 and were substantially completed by the end of September 2009. The Plan also required the cancellation or scaling back of many programs, as well as increased program repeats throughout our schedules to make up for reduced content production. At the network level, current affairs, drama, music, and special event programming was reduced. In the regions, radio and television programming was reduced. Other impacts included reductions in services to minority language communities, elimination of Ukrainian and Cantonese programming on Radio Canada International and a cut in executive compensation.

The cost of making these reductions and program cuts included approximately $36 million in severance charges, over and above the $171 million of financial pressures, for a total impact of $207 million or 11 per cent of our budget.

SALE OF ASSETS REQUIRED

To fund the Recovery Plan and support programming until the savings from the budget reductions have materialised, the Corporation has sold its two long-term receivables.

In September 2009, the receivables from Stingray Digital Group, relating to the November 2007 sale of CBC | Radio-Canada's pay audio service Galaxie, were sold for $20.1 million.

In December 2009, the Corporation concluded the sale of the Ontrea Inc. receivables, tied to the past sale of land adjacent to the Canadian Broadcasting Centre in Toronto. The transaction raised $133 million, net of transaction costs.

These two sales generated $153 million to finance the two-year Recovery Plan, allowing the Corporation to address ongoing financial pressures, including $22 million in 2010–2011 in lost revenue as a result of the receivables sales, lower than previously anticipated advertising revenues in a recovering advertising market, continuing increases in programming and other costs, and the costs of maintaining and replacing aging infrastructure.

CBC PENSION PLAN

Continued economic volatility over the last year challenged all pension plans, including the defined-benefit CBC Pension Plan, but the Plan's conservative and diversified asset mix protected the value of those assets. The CBC Pension Plan delivered an investment return of 13.1 per cent for calendar year 2009. The CBC Pension Plan Annual Report, which is available at *cbc.radio-canada.ca*, indicated that the Plan remains in a relatively solid financial position.

The net assets of the Plan increased from $3,810 million in 2008 to $4,153 million at the end of 2009, an increase of $343 million. As at December 31, 2009, the Plan's surplus, on a going concern basis, was estimated to be $427 million and the Plan's deficit, on a solvency or wind-up basis, was estimated to be $383 million, as falling interest rates caused solvency liabilities to rise over the year. This resulted in a going concern funding ratio of 112 per cent and a solvency ratio of 92 per cent, which places the Plan in the estimated top 20 per cent of Canadian pension plans according to a recent industry survey. This estimated financial position as at December 31, 2009, was determined based on projections and estimates from the Plan's last actuarial valuation, which was performed as at December 31, 2008.

In October 2009, the Minister of Finance released a proposed reform plan for federal private pension legislation and for the regulatory framework under which the CBC Pension Plan is governed. The proposed amendments include, amongst other things, measures to reduce funding volatility to enable plan sponsors to better manage their funding obligations, including a new standard for establishing minimum funding requirements on a solvency basis. A full assessment of the amendments will be possible when the related regulations are available. The effective dates of those amendments have not been announced in full as yet, and CBC | Radio-Canada continues to study the proposals and their impact.

LOOKING FORWARD: CHALLENGES AND OPPORTUNITIES FOR 2010–2011

ADDITIONAL FUNDING SOURCES: SOME RESOLUTION BUT UNCERTAINTY REMAINS

This year, several Government and Canadian Radio-television and Telecommunications Commission (CRTC) decisions had major impacts on key funding sources for the Corporation.

GOVERNMENT FUNDING

CBC|Radio-Canada was subject in 2009–2010 to a Government Strategic Review evaluating programs and spending to identify the lowest-priority activities representing five per cent of our Government appropriation. The Government's March 2010 Budget stated "…reallocations were not necessary as programs delivered by [CBC|Radio-Canada] are aligned with the priorities of Canadians." This outcome removed some of the financial pressure facing the Corporation in 2010–2011, and we appreciate the Government's recognition of our services.

In March 2010, the Government also confirmed its intention to renew for an additional year the $60 million in funding for the Corporation to cover Canadian programming initiatives. CBC|Radio-Canada has been receiving this special funding on a year-by-year basis since 2001. It allows us to make enhanced investments in Canadian programming that would not otherwise be produced. While there is no confirmation, we are hopeful that this special funding will continue beyond 2010–2011.

At the same time, the Government's March 2010 Budget included federal deficit-reduction measures that affect all Crown departments, agencies and corporations, including a freeze on appropriation levels and elimination of salary inflation funding for the next three years. CBC|Radio-Canada has addressed this issue in its 2010–2011 business plans.

LOCAL PROGRAMMING IMPROVEMENT FUND

In March 2010, the CRTC announced a policy decision about the Local Programming Improvement Fund (LPIF). The LPIF was created in 2008 to encourage broadcasters to provide diverse local television programming to smaller Canadian markets. The CRTC ruled that the LPIF would be maintained in its current form. As a result, cable and satellite companies, also called broadcasting distribution undertakings (BDUs), will continue to contribute 1.5 per cent of their gross broadcasting revenues to support local television programming in markets with populations of less than one million.

The CRTC's decision was favourable for CBC|Radio-Canada and good for the broadcasting industry overall. The LPIF contributed $20 million to the Corporation in 2009–2010 and is expected to contribute $34 million in 2010–2011. This funding allows us to sustain and, in many regions, expand and enhance our local programming in communities across the country. The CRTC will conduct a comprehensive review of the LPIF in 2011–2012.

VALUE-FOR-SIGNAL

Another CRTC decision, also in March 2010, was a significant disappointment to CBC|Radio-Canada. In its new framework for conventional television broadcasting, the CRTC allowed private broadcasters to negotiate a fair value for their signals with BDUs but denied that same right to CBC|Radio-Canada.

The CRTC ruled that private television broadcasters should be permitted to negotiate with BDUs to establish "the fair value of the product provided by those broadcasters to the BDU." Under the proposed regime, each private broadcaster must choose between remaining under the status quo regime of current regulatory protections, or entering into market-based negotiations with BDUs. If a broadcaster and a BDU cannot come to an agreement, the broadcaster can require the BDU to cease broadcasting its programming.

The CRTC excluded CBC|Radio-Canada from this arrangement, stating that "it would be inconsistent to permit CBC|Radio-Canada to require deletion of its programming from a BDU and hence prevent the public from receiving its programming." The CRTC also stated that the Corporation's "distinctive situation and needs" will be addressed in the context of its licence renewal process, anticipated to occur in 2011–2012.

During public hearings in 2009 that considered arguments for and against value-for-signal, the CRTC received conflicting legal opinions on whether or not it has the authority to require negotiations between broadcasters and BDUs. To resolve this uncertainty, the CRTC asked the Federal Court of Appeal for clarification on CRTC jurisdiction under the *Broadcasting Act*. The CRTC asked the Court to expedite its request, and the hearing is set for September 2010.

CANADA MEDIA FUND

For 2010–2011, the new Canada Media Fund (CMF) will provide $12.6 million less funding to content licenced and/or produced for CBC/Radio-Canada than was provided by its predecessor, the Canadian Television Fund (CTF) in 2009–2010. As a result, CBC|Radio-Canada, which invests more in Canadian television programming than all other conventional television networks combined, expects to present less original Canadian programming. The final funding allocation rules for the CMF will not be in place until 2010–2011. It is our hope that the final rules will reflect the CMF's new policy direction, which places emphasis on the support of original, first-run television programming in prime time, when most Canadians are watching.

SPECIALTY SERVICES AND OTHER REVENUES – KEY FUNDING SOURCES

Along with its annual appropriation of funds from Parliament and its advertising revenues, CBC|Radio-Canada relies on revenues from subscription services and ancillary activities.

CBC|Radio-Canada generates subscription revenues from its wholly owned specialty services, CBC News Network, **bold**, and Réseau de l'information de Radio-Canada (RDI), and from our 82 per cent ownership of *documentary*. Subcription revenues are relatively steady and were not adversely affected by the economic downturn. The Corporation continues to pursue projects for additional specialty channels.

The CRTC eliminated wholesale rate regulation in its 2006 Digital Migration Framework policy. In that policy decision, the CRTC indicated that it expected that established wholesale rates would likely continue, or if they did not, could provide a useful reference point for dealing with rate disputes between BDUs and broadcasters. The CRTC also indicated, in another major policy decision, that if BDUs were to drop or substantially alter the terms of carriage for Canadian news specialty services, that it would consider applications from those services for mandatory distribution at a regulated rate. The possibility of this action combined with CBC|Radio-Canada's ability to successfully negotiate to maintain these wholesale rates has mitigated a significant amount of the risk associated with rate deregulation.

A key aspect of CBC|Radio-Canada's strategy is to find ways to leverage our assets to generate revenue that can then be reinvested in programming. Self-generated revenue comes from across the Corporation. For example, the media generate revenue through program sales, facilities rentals, CBC News Express/RDI Express in airports, and advertising on *CBC.ca* and *Radio-Canada.ca*. Other revenues are generated from merchandising, building rentals, parking fees, and leasing space on our transmitters. While these revenues can vary significantly from year to year, making it challenging to include them in our long-term planning, self-generated revenues play a critical role in allowing us to renew and extend our programming to reach more Canadians in more ways with the content they want. CBC|Radio-Canada is increasingly focused on integrating its sales approach across all of its services and platforms in order to maximise these revenues.

ONGOING CAPITAL FUNDING PRESSURES

In addition to uncertainty about operational funding, the Corporation is also facing continuing capital funding pressures that make it difficult to respond to all demands within the limits of our existing capital budget.

In 2009, the Corporation created a Technology Strategy Board (TSB), representing both its media and technology units, to take CBC|Radio-Canada into the future and help manage its capital pressures. The TSB oversees the governance of the Corporation's technology infrastructure and has been charged with producing and implementing a corporate-wide technology strategy to guide the Corporation's decisions in this challenging and highly promising area over the next five years.

Many of the capital pressures are the unavoidable consequence of technological changes in the capital intensive broadcasting industry, including the transition to HD and DTV, and the transition to computer and software-based production systems that demand a faster replacement cycle.

An additional factor is the CRTC's decision requiring a significant roll-out of DTV transmitters by August 2011 in their defined mandatory markets across Canada. CBC|Radio-Canada is examining this CRTC document and will see, with its existing resources, how much it can reasonably accomplish in this regard.

This problem is exacerbated by the overlap with the replacement cycle for aging transmission towers and radio transmitters introduced during the Accelerated Coverage Program (ACP) of the late 1970s and early 1980s. A new Transmitter Asset Strategy is being developed to address this issue. It is expected that the strategy will be approved and put into effect early in the next fiscal year.

Overall, the Corporation's base capital appropriation has not increased since the 1990s and is now insufficient to address the convergence of these pressures. Transfers of Parliamentary appropriations from the operating budget continue to be required to fund the Corporation's capital budget.

Over the next three years, the Corporation plans to spend approximately 37 per cent of its capital budget on production infrastructure and 30 per cent on presentation, collection, distribution and delivery. We plan to invest the remaining 33 per cent in enterprise systems and technology infrastructure, property management, fleet, and other minor capital purchases.

NEW STRATEGIC PLANNING PROCESS

To ensure that CBC|Radio-Canada has the capacity to adapt quickly to changing conditions in the broadcasting environment, in early 2010 we began to develop a forward-looking strategic plan that we call *Driving Towards 2015*. By bringing more clarity to the Corporation's strategic choices and to our allocation of scarce resources, this new long-term strategic plan will help to ensure that we address our ongoing financial challenges and continue to lead the transformation of Canadian broadcasting. We believe that both the planning process and the plan itself represent a very positive step forward, the results of which will benefit Canadians by helping us to deliver even more effectively on our mandate. The plan is expected to be completed in the fall of 2010 and implementation will start with the 2011–2012 business plans.

ENHANCING CORPORATE TRANSPARENCY

A key aspect of one of the Corporation's three corporate priorities, Pushing Forward, is to enhance corporate transparency. In this spirit, the following sections provide an overview of the Corporation's risk management process, key risks, internal controls, and more comprehensive financial reporting standards for the coming year.

RISK MANAGEMENT

As Canada's national public broadcaster, CBC|Radio-Canada occupies a special place in the Canadian broadcasting system and faces a unique set of risks to its plans and operations. Like all broadcasters, the Corporation must adapt to technological changes, shifts in demographics, evolving consumer demands, as well as structural changes in the industry. As a public broadcaster with a statutory mandate to serve all Canadians, however, CBC|Radio-Canada also faces a unique set of financial and political risks.

CBC|Radio-Canada's Risk Management Program is an enterprise-wide framework integrated into business processes. Responsibility for risk management is shared amongst CBC|Radio-Canada's Board of Directors; the Board's Audit Committee; the Senior Executive Team; Internal Audit; and operational units.

The Board oversees CBC|Radio-Canada's key risks at a governance level, approves major policies and ensures that the processes and systems required to manage risks effectively are in place.

The Board's Audit Committee monitors key risks by discussing their status with management at quarterly Audit Committee meetings, and by ensuring that management has programs for evaluating the effectiveness of internal controls.

The Senior Executive Team identifies and manages risks, reports on CBC|Radio-Canada's key risks to the Audit Committee and to the Board, recommends policies, and oversees financial reporting and internal control systems.

Internal Audit plans its audits in accordance with the results of the risk assessment process, ensuring that major risks are covered on a rotational basis by the annual audit plan.

Media and support business units identify and assess risks through the annual business plan process, and develop and execute detailed action plans to manage key risks. Risks are prioritised, based on their potential impacts and on their likelihood of occurring, and are reported to the Board of Director's Audit Committee on a quarterly basis.

KEY RISKS

The following table discusses the key risks faced by CBC|Radio-Canada during fiscal 2009–2010:

LEGEND

Risk Trend: ▼ Decreasing ▶ Stable ▲ Increasing

KEY RISK	RISK MITIGATION	RISK TREND 2009–2010	FUTURE IMPACT
Advertising Revenue • Softening advertising market due to general economic conditions. • Shift from conventional television advertising to specialty channel and broadband advertising.	• Reduced costs through implementation of Recovery Plan. • Continued to evolve strategies based on traditional, integrated and digital sales targets. Entry into more comprehensive on-demand market.	▼	• Advertising revenues are expected to stabilise in 2010–2011. Reserves have been set aside as a contingency. • Continue to review business opportunities to broaden CBC|Radio-Canada's reach. Specialty channel projects are under development.
Government Policy The impact of government policies on the broadcasting and communications industries may affect the business model of broadcasters, including CBC|Radio-Canada.	• Discussed issues with Government officials. • Participated in committees and studies. • Continued developing a new economic model to sustain CBC|Radio-Canada.	▶	• Continue with risk mitigation strategies undertaken in 2009–2010.
Government Funding Government fiscal pressures may affect CBC|Radio-Canada funding: • Renewal of $60 million received on a one-time basis since 2001–2002. • Strategic Review initiated by the Federal Government during 2009–2010.	• Conducted scenario planning for potential outcomes. • Provided comprehensive Strategic Review Report to Government.	▲	• Intention to renew $60 million confirmed for 2010–2011. • Strategic Review results were issued in the Federal Budget tabled in March 2010. The Review concluded that no reduction of CBC|Radio-Canada's funding was deemed necessary. • The Government introduced a deficit reduction agenda in the Federal Budget; therefore, funding declines remain a key risk.

KEY RISK	RISK MITIGATION	RISK TREND 2009-2010	FUTURE IMPACT
Strategy, Budget and Planning • Meeting Recovery Plan cost reduction targets. • Limited financial flexibility. • Delay in timing of asset sale approvals affects implementation of the Recovery Plan. • Structural changes in the conventional broadcasting sector require long-term strategy reformulation.	• Implemented and monitored Recovery Plan. Targeted budget reductions achieved. • Asset sales were successfully completed. • More transparency to stakeholders by increasing the volume and frequency of financial information made public.	▶	• Launch in January 2010 of a review of CBC|Radio-Canada's long-term strategy. • The March 2010 Federal Budget froze operating appropriation budgets at March 2010 levels. Salary inflation will not be funded for the next three years. • Develop a quarterly financial reporting plan for external reporting.
Infrastructure Replacements & Optimisation Limited resources to meet capital asset needs for:		▶	
• Building repairs and renovation.	• Scheduled and prioritised maintenance, with emphasis on health and safety and business continuation.		• Additional budgets over the next three years have been allocated to priority building maintenance projects.
• Replacement of aging broadcasting equipment and transition to high definition (HD) production.	• Replacement will continue with available resources on a prioritised basis. Majority of production facilities in Montréal and Toronto network centres have been converted to HD.		• Comprehensive review of major asset pools and refresh rates is underway. • Replacement will continue with available resources on a prioritised basis.
• Radio transmitter sites across the country are nearing the end of their useful life.	• Funded incrementally from current capital budget on an absolute need basis. To monetise its television and radio transmitter infrastructure, CBC|Radio-Canada issued a public Request For Proposal in 2009–2010. Industry proposals did not present a compelling opportunity, however.		• A new transmitter asset strategy is being developed to reduce the size and investment requirements of the current system.
• Exploiting real estate assets to reduce excess space and reduce costs.	• Reviewed options for exploiting excess space.		• Continue to review options for exploiting excess space.

KEY RISK	RISK MITIGATION	RISK TREND 2009–2010	FUTURE IMPACT
DTV Transition In March 2010, the CRTC reaffirmed the deadline for transition to Digital Television (DTV) over-the-air transmission as August 31, 2011, and increased the planned markets to be served by DTV. The CRTC's plan would require CBC/Radio-Canada to install additional transmitters beyond its existing plan.	• As of March 2010, the total number of transmitters on air is eight. • CBC/Radio-Canada has undertaken a detailed assessment of its ability to meet the CRTC's plan.	▲	• Monitor and assess further developments and continue engaging with the regulatory community.
Regulatory Decisions • Value-for-signal and Local Programming Improvement Fund (LPIF). A decision to not grant value-for-signal (VFS) would leave CBC/Radio-Canada reliant on two uncertain sources of funding (conventional television advertising and Government funding).	• Worked with stakeholders and industry to demonstrate why CBC/Radio-Canada, like other broadcasters, should be able to charge for what it produces. • Maximised LPIF eligibility.	▲	• In March 2010, CBC/Radio-Canada was denied the right to negotiate fair value for its signals with cable and satellite companies; private broadcasters were given the right. The CRTC's framework for VFS has been sent to the Federal Court by the CRTC in order to confirm its legality. • The CRTC indicated that "…the distinctive situation and needs of the CBC/Radio-Canada will be addressed in the context of the public broadcaster's next licence renewal." • LPIF funding has been confirmed by the CRTC for the broadcast year ending August 2011. CBC/Radio-Canada expects to receive $34 million.
• Licence Review. Licence renewal hearings for all of the Corporation's English-language services (television and radio) may occur in 2010–2011 or be deferred to 2011–2012. The French-language licence hearings are expected after the English-language services hearings.	• Will work with CRTC to reach mutually acceptable conditions of licence.		• The licence renewal schedule has not yet been officially announced by the CRTC, but CBC/Radio-Canada's hearings are expected to occur in the 2011–2012 to 2012–2013 period.

KEY RISK	RISK MITIGATION	RISK TREND 2009-2010	FUTURE IMPACT
CMF (formerly CTF) Challenges Canada Media Fund (CMF), created in March 2009 to replace the Canadian Television Fund (CTF) and the Canada New Media Fund (CNMF), could result in reduced benefit for CBC|Radio-Canada.	• Proactively advanced the Corporation's position with the CMF, including active participation in the CMF National Focus group.	▲	• In April 2010, CBC|Radio-Canada was informed that its CMF access for the upcoming broadcast year would be $96.5 million, a $12.6 million reduction from last year. • Impacts are being reviewed, but will result in less original prime-time Canadian programming being presented by CBC|Radio-Canada. • New CMF funding allocation rules are under development and are expected to be in place for fiscal 2011–2012.
Impact of Consolidation and Emerging Platforms • Consolidation. Structural changes in the industry may affect CBC|Radio-Canada's relative position in the marketplace.	• Monitored developments and assessed impact on CBC|Radio-Canada. • Developed contingency plans as necessary.	►	• Potential changes to foreign ownership rules and/or a major domestic player change in the broadcasting industry may create additional challenges.
• Emerging Platforms. Loss of conventional broadcast audiences to emerging platforms.	• Developed enhanced emerging platform strategies and began implementation.		• Continue to implement enhanced emerging platform strategies.
Business Interruption Unforeseen event could affect the Corporation's ability to deliver services.	• Ensured emergency plans and business continuity plans were updated. • Continued investment in an IT Disaster Recovery Plan on all mission-critical systems.	►	• Continue to develop and test plans.
Conversion to IFRS CBC|Radio-Canada will need to adopt International Financial Reporting Standards (IFRS) for the year ending March 31, 2012.	• Comprehensive IFRS transition project is being implemented.	▼	• During 2010–2011, comparative information on an IFRS basis will be developed.
Challenges to Recruiting, Training, Retaining, and Empowering a Skilled Workforce	• Communicated CBC|Radio-Canada's mission and strategies. • Formulated diversity strategy and equity action plan. • Implemented talent management strategy.	►	• Continue employee communication strategy. • Continue to implement the 2009–2012 Corporate Diversity and Equity Action Plan. • Continue talent management strategy implementation.

INTERNAL CONTROLS

The Corporation uses a risk-based internal control process, based on the Committee of Sponsoring Organizations' (COSO) framework, under which the Corporation annually reviews and assesses key internal controls over financial reporting. This process is evolving towards the best practice requirements from the Proposed Certification Regime for Crown Corporations of the Treasury Board Secretariat (TBS), as well as National Instrument 52-109 of the Canadian Securities Administration (CSA), even though CBC | Radio-Canada is not subject to CSA requirements.

In 2009–2010, the Corporation assessed the effectiveness of internal controls on financial reporting. The assessment concluded that the controls are operating effectively and identified some opportunities for improvement, which will be addressed in the coming year. The assessment did not cover internal disclosure controls and procedures, which have not yet been documented and evaluated.

MORE THOROUGH REPORTING STANDARDS

QUARTERLY REPORTING

As a result of Bill C-51 being passed by Parliament in December 2009, all Crown Corporations will be required to issue financial reports, including Management Discussion and Analysis (MD&A), within 60 days of the end of every quarter (excluding quarters when annual reports are published). The first required report will be for the quarter ending June 30, 2011. In May 2010, the Treasury Board Secretariat issued Standards on Quarterly Financial Reports for Crown Corporations.

The quarterly reports will need to include the following:

- Complete financial statements (with comparison to prior year)
- Narrative discussion
- Risk analysis
- Analysis of significant changes to the business since the publication of the most recent Annual Report
- Reporting on the use of appropriations
- Attestation by senior officials (i.e., CEO/CFO).

CBC | Radio-Canada is committed to developing best-in-class quarterly financial reports and has established a Steering Committee and plan to achieve implementation of the new requirements.

CRITICAL ACCOUNTING ESTIMATES

The Corporation's significant accounting policies are described in the notes to the consolidated financial statements. The preparation of the financial statements in conformity with Canadian generally accepted accounting standards requires the use of estimates, judgment and assumptions.

Critical accounting estimates include the useful lives of programming assets, the useful lives of property, equipment and intangibles, contingencies and employee-related liabilities.

USEFUL LIVES OF PROGRAMMING ASSETS

Management determines the useful lives of programming assets based on past broadcast experiences, audience results and future telecast plans. The expense recognition schedule is reviewed periodically or when significant changes in the programming schedule are made. Detailed information on the expense recognition schedule is provided in Note 2 E to the consolidated financial statements.

PROPERTY, EQUIPMENT AND INTANGIBLES

Property, equipment and intangible assets are amortised over their estimated useful lives. Useful lives are based on management's best estimate of the periods of service provided by the assets. Detailed information on the estimated useful lives are presented in Note 2 F and G to the consolidated financial statements.

CONTINGENCIES

Contingencies are recorded as liabilities to the extent that it is likely that the future events will result in a loss and the amount of such loss can be reasonably estimated. Further information on the Corporation's contingencies is provided in Note 18 to the consolidated financial statements.

EMPLOYEE FUTURE BENEFITS

Pension and other employee benefit costs and obligations are dependent on the use of assumptions to calculate such amounts. The discount rate, the expected long-term rate of return on plan assets and the long-term rate of compensation increases are all important elements in determining the costs and obligations. All assumptions are reviewed by management on an annual basis. Additional information on assumptions used for calculating pension and other employee benefit costs and obligations are presented in Note 10 to the consolidated financial statements.

ADOPTION OF NEW ACCOUNTING STANDARDS

The consolidated financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set out by the Canadian Institute of Chartered Accountants (CICA). The impact of current year changes in Canadian GAAP is described below:

GOODWILL AND INTANGIBLE ASSETS

Effective April 1, 2009, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Section 3064 Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible assets. This new section establishes standards for the recognition, measurement, presentation, and disclosure of goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Following the adoption of Section 3064, the Corporation has reclassified prior period figures to reflect this change. The new standard required the Corporation to reclassify the net carrying value of computer software that met the definition of intangible assets from property and equipment to intangible assets.

FINANCIAL INSTRUMENTS

In June 2009, the CICA issued amendments to Section 3862 Financial Instruments – Disclosures that increase harmonisation with International Financial Reporting Standards (IFRS). Section 3862 provides expanded disclosure requirements regarding fair value measurements, including the relative reliability of the inputs used in those measurements and the liquidity risk of financial instruments. The standard also requires disclosure of a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The applicable disclosures required under this standard are reflected in the Corporation's consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the Canadian Accounting Standards Board of the CICA announced that all publicly accountable Canadian reporting entities will adopt IFRS as Canadian generally accepted principles for years beginning on or after January 1, 2011. The changeover date for full adoption of IFRS will be April 1, 2011, for the Corporation. The Corporation's 2011–2012 consolidated financial statements must comply with IFRS. The standards also require that the Corporation present complete comparative figures based on IFRS methodology in the 2011–2012 consolidated financial statements.

In September 2009, the Public Sector Accounting Board approved amendments to the Introduction to Public Sector Accounting Standards. Following these amendments, the Corporation is now classified as an "other government organisation" (OGO). As an OGO, the Corporation must determine the most appropriate basis of accounting. After assessing various factors, the Corporation has established that IFRS is the most appropriate basis of accounting.

IFRS TRANSITION PLAN

To meet the IFRS transition requirements, CBC|Radio-Canada has established an enterprise-wide multidisciplinary IFRS project team governed by a Steering Committee. As part of the IFRS changeover plan and governance model, the project provides regular progress reporting to the Audit Committee of the Board of Directors.

The transition plan comprises three phases: (i) IFRS diagnostic assessment and planning; (ii) detailed evaluation and implementation; and, (iii) completion and integration of all system and process changes.

To date, CBC|Radio-Canada has completed the analysis of the impact of IFRS on external financial reporting and has successfully implemented the parallel reporting solution to be used for the 2010–2011 reporting year. In addition, the Corporation is performing a business impacts analysis, identifying the potential impacts to the people and processes involved to transact and monitor our business. Activities are underway to ensure adequate training of those affected and to modify processes and systems to ensure readiness for 2011.

IFRS TRANSITION IMPACT

Although quantification of the financial impacts due to the transition to IFRS on CBC|Radio-Canada is currently in progress and has not been finalised, based on our implementation activities to date and the standards in effect as of March 31, 2010, we expect the required changes to our accounting policies to have a material impact on our financial statements. There will be adjustments to our opening equity upon implementation of these standards in addition to changes to the Corporation's consolidated financial statements presentation and expanded financial statement note disclosure.

The first-time adoption of IFRS requires that the Corporation adjust its accounting policies to meet the requirements of IFRS in effect on the transition date. These policies will form the ongoing basis of accounting for the Corporation. First-time adoption also requires that, upon initial application, these policies are retrospectively applied subject to some elective or prescribed areas where prospective application is either permitted or required.

While IFRS represents a principle-based framework similar to Canadian GAAP in many aspects, there are significant requirement differences in some areas with respect to recognition, measurement and disclosure. At this time, the Corporation has identified major differences relating to:

- Property and equipment
- Employee future benefits (including pensions).

IFRS 1 – FIRST-TIME ADOPTION OF IFRS

IFRS 1 *First-time Adoption of IFRS* ("IFRS 1") is applicable when an entity adopts IFRS for the first time by an explicit and unreserved statement of compliance to IFRS in its financial statements. Although the adoption of the IFRS standards is to be presented retrospectively, IFRS 1 provides certain elective exemptions that provide an alternative implementation basis.

CBC|Radio-Canada has not yet finalised all such first-time adoption decisions, but expects to exercise elective exemptions in the following areas:

- Business combinations
- Property and equipment (fair value on transition for selected assets)
- Leases (IFRIC 4 "Determining whether an arrangement contains a lease")
- Assets and liabilities of subsidiaries and associates
- Decommissioning liabilities included in the cost of property, plant and equipment
- Borrowing costs.

IAS 16 – PROPERTY, PLANT AND EQUIPMENT

IAS 16 *Property, Plant and Equipment* ("IAS 16") permits a choice between the revaluation model and cost model for the Corporation's plant and equipment. Consistent with the current policy, CBC|Radio-Canada will apply the cost model. The Corporation expects to elect to apply the Deemed Cost Election under IFRS 1 to revalue its real estate land and building assets to their fair market value upon the transition date of April 1, 2010. The difference between the carrying amount and the fair value of these assets will be reflected as an adjustment to our opening retained earnings. We expect this adjustment to be material.

All other property and equipment are expected to be transitioned at their current cost.

IAS 19 – EMPLOYEE BENEFITS

The application of IAS 19 *Employee Benefits* ("IAS 19") will primarily affect the accounting for the Corporation's pension costs and obligations. Although the impacts of the options available under IFRS 1 and IAS 19 are currently being analysed by CBC|Radio-Canada, we anticipate the adjustments to our opening retained earnings to be material. The final decisions as to elections of transitional provisions and post-transitional policies will be made during the current fiscal year.

IAS 36 – IMPAIRMENT OF ASSETS

The IFRS guidance under IAS 36 *Impairment of Assets* ("IAS 36") differs from Canadian GAAP with respect to the definitions of impairment and recoverability, as well as in the methodologies used to calculate future cash flows. The standard does not provide guidance for an entity that, as a Crown Corporation, receives a significant portion of its cash flows from Government appropriations. The Corporation will include Government appropriations in the cash flow estimates used to calculate recoverability as defined in IAS 36.

We do not expect material adjustments as a result of the transition to this IFRS standard.

IAS 38 – INTANGIBLE ASSETS

In February 2008, the CICA issued Section 3064 *Goodwill and Intangible Assets* ("CICA 3064"), guidance that the Corporation adopted effective April 1, 2009. CICA 3064 provides the Canadian equivalent of IAS 38 *Intangible Assets* ("IAS 38"). As a result of the new guidance, CBC|Radio-Canada has adopted the accounting methodology of CICA 3064, and consequently, IAS 38 for programming assets.

We did not have material adjustments as a result of adopting this standard.

EVOLUTION OF IFRS STANDARDS

During the 2010 and 2011 calendar years, the International Accounting Standards Board (IASB) anticipates the completion of several projects that will result in the changes to IFRS standards currently in effect. The Corporation monitors the status of these projects and, when possible, considers the impacts of any actual or potential changes to the IFRS in its changeover plan.

ANALYSIS OF THE 2009–2010 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

ASSETS

(thousands of dollars)

	2010	2009	Variance	%
Cash	50,003	33,160	16,843	50.8%

Cash increased by $16.8 million mainly due to lower programming related disbursements as well as cash management initiatives related to the Corporation's financial recovery plan.

	2010	2009	Variance	%
Accounts receivable	194,512	153,012	41,500	27.1%

Accounts receivable increased by $41.5 million mainly due to a portion of the Parliamentary appropriation (Supplementary C) which was approved by the Government as of March 31, 2010, but received during April 2010.

	2010	2009	Variance	%
Programming	178,243	202,887	(24,644)	(12.1%)

Programming assets decreased by $24.6 million mainly due to a decrease in the level of programming rights available for broadcast as of March 31, 2010. Depending upon their availability for broadcast, programming rights are presented as programming (when immediately available) or prepaid expenses (when available within 12 months) or deferred charges (when available for broadcast after more than 12 months).

	2010	2009	Variance	%
Prepaid expenses	148,215	57,905	90,310	156.0%

Prepaid expenses increased by $90.3 million primarily as the result of a higher level of sports and other programming rights paid in advance in 2009–2010 for broadcast in future periods.

	2010	2009	Variance	%
Intangible assets	47,725	59,735	(12,010)	(20.1%)

Intangible assets, which are comprised of software related assets, decreased by $12 million year over year mainly due to the associated amortisation expense. Intangible assets are amortised over a three to five year period.

	2010	2009	Variance	%
Long-term receivables	11,794	76,985	(65,191)	(84.7%)

Long-term receivables decreased by $65.2 million principally due to the sale of future Ontrea receivables to a qualified special purpose entity (Monetisation Trust). Additional information regarding the sale is provided in Notes 7 and 13 to the consolidated financial statements. These receivables from Ontrea were tied to the previous sale of land adjacent to the Canadian Broadcasting Centre in Toronto and were monetised to allow the Corporation to complete its financial Recovery Plan in 2009–2010.

	2010	2009	Variance	%
Investment in sales-type leases	-	60,786	(60,786)	(100.0%)

The **investment in sales-type leases** was sold to the qualified special purpose entity (Monetisation Trust) in 2009–2010. Additional information about this agreement is provided in Notes 7 and 13 to the consolidated financial statements.

LIABILITIES

(thousands of dollars)

	2010	2009	Variance	%
Accounts payable and accrued liabilities	176,497	141,041	35,456	25.1%

Accounts payable and accrued liabilities increased year over year by $35.5 million due to timing differences in the Corporation's purchasing and payment profile.

	2010	2009	Variance	%
Pension plans and employee-related liabilities [current]	130,899	157,219	(26,320)	(16.7%)

As of March 31, 2010, the majority of the contractual termination benefits relating to the workforce reduction plan announced and accrued in 2008–2009 were paid. This mainly explains the decrease of $26.3 million in **pension plans and employee-related liabilities [current].**

	2010	2009	Variance	%
Financial guarantee	10,419	-	10,419	n/a

The **Financial guarantee** relates to the sale of receivables to the qualified special purpose entity (Monetisation Trust). The Corporation provided an absolute and unconditional guarantee for the full and timely payment of receivables by the ultimate debtors. More information about this financial guarantee is provided in Notes 7 and 13 to the consolidated financial statements.

	2010	2009	Variance	%
Financial liability related to the monetisation of receivables (current and long-term)	20,395	-	20,395	n/a

Financial liability related to the monetisation of receivables relates to the Galaxie receivables, and is attributable to the transfer of receivables to an unrelated third party under the Corporations' financial Recovery Plan in 2009–2010. The Corporation was entitled to receive certain payments as a result of the sale of the Galaxie service, transaction described in Note 22 to the consolidated financial statements. In September 2009, the Corporation entered into a transaction with an unrelated third party to monetise the outstanding receivables. Since the transaction does not meet all of the conditions to be recorded as a sale of receivables under Canadian generally accepted accounting principles, the Corporation continues to carry the transferred receivables on its Consolidated Balance Sheet and has recognised a financial liability for the amount of consideration received. More information about this agreement is provided in Notes 7 and 14 to the consolidated financial statements.

	2010	2009	Variance	%
Deferred revenues (current and long-term)	4,488	19,108	(14,620)	(76.5%)

The decrease of $14.6 million in **deferred revenue** is mainly due to changes under the Affiliate Agency agreement and the Asset Purchase agreement between CBC|Radio-Canada and Stingray Digital Group Inc. (the Acquirer). In October 2009, remaining broadcasting distribution undertakings (BDU) contracts have been assigned to the Acquirer. In 2009–2010, revenues representing $16.3 million were recognised and presented as Non-operating revenues in the Consolidated Statement of Operations.

	2010	2009	Variance	%
Pension plans and employee-related liabilities [long-term]	412,732	393,974	18,758	4.8%

The variance in **pension plans and employee-related liabilities [long-term]** is mainly caused by an increase in amortisation of actuarial losses partially offset by a change in discount rates from 5.25% to 5.75%.

CONSOLIDATED STATEMENT OF OPERATIONS

REVENUES

(thousands of dollars)

	2010	2009	Variance	%
Advertising	309,255	356,248	(46,993)	(13.2%)

Total **advertising revenues** were lower by $47 million in 2009–2010, mainly due to the Beijing 2008 Olympic Games held in 2008–2009 and also reflecting the continued slow recovery of advertising levels in the television broadcast sector.

	2010	2009	Variance	%
Other income	107,021	95,375	11,646	12.2%

Other income increased by $11.6 million mainly due to new contributions received from the Local Programming Improvement Fund (LPIF). This impact of the new contribution is partially offset by losses resulting from the fair value of financial instruments and exchange rates.

EXPENSES

(thousands of dollars)

	2010	2009	Variance	%
Television, radio and new media services costs	1,461,849	1,475,919	(14,070)	(0.10%)

Television, radio and new media services costs decreased by $14.1 million principally due to the Beijing 2008 Olympic Games costs included in the 2008–2009 results. The decrease is partially offset by increased Pension Plan costs. Increased programming rights costs and additional investments in marketing and sales also offset a portion of the decrease.

	2010	2009	Variance	%
Specialty services	118,331	129,375	(11,044)	(8.5%)

The decrease in **specialty services** costs is mainly explained by Galaxie's operations which were fully transferred to Stingray Digital Group Inc. as of October 30, 2009, partially offset by an increase in CBC News Network costs resulting from a change in programming strategy.

	2010	2009	Variance	%
Payments to private stations	3,697	10,002	(6,305)	(63.0%)

Payments to private stations decreased by $6.3 million as a result of the acquisition of stations in Jonquière, Sherbrooke and Trois-Rivières. The transmission of Radio-Canada programming in these markets was previously supported through affiliation agreements.

	2010	2009	Variance	%
Workforce reduction plan	907	34,993	(34,086)	(97.4%)

Most of the costs relating to the **workforce reduction plan** were accrued in 2009 and paid in 2010. It is expected that a remaining $1.9 million will be paid in 2010–2011.

GOVERNMENT FUNDING

(thousands of dollars)

	2010	2009	Variance	%
Parliamentary appropriation for operating expenditures	1,017,587	1,070,137	(52,550)	(4.9%)

The decrease in **Parliamentary appropriation for operating expenditures** is partially explained by a transfer to capital funding $20.6 million higher than in the previous year. Further, the funding cut for procurement efficiency announced in the 2007 Federal Budget increased by $2.9 million in 2009–2010 (from $6.6 million in 2008–2009 to $9.5 million in 2009–2010).

In addition, in 2008–2009 appropriations included $20 million reprofiled from a prior year to help fund the Beijing Summer Olympics, which was a non-recurring item.

NON-OPERATING REVENUES

(thousands of dollars)

	2010	2009	Variance	%
Gain on sale of receivables	5,240	-	5,240	n/a

The **gain on sale of receivables** represents the net gain resulting from the monetisation promissory notes as well as finance lease receivables transferred to the qualified special purpose entity (Monetisation Trust) as described in Note 7 to the consolidated financial statements.

	2010	2009	Variance	%
Galaxie non-operating revenues	16,326	34,374	(18,048)	(52.5%)

Galaxie **non-operating revenues** represent a portion of the revenues relating to the sale of Galaxie. Since all of the remaining BDU contracts have been assigned as of March 31, 2010, the oustanding balance of deferred revenues relating to the sale of Galaxie has been recognised in 2009–2010 non-operating revenues.

NET RESULTS FOR THE YEAR

(thousands of dollars)

	2010	2009	Variance	%
Net results for the year	(58,299)	(15,696)	(42,603)	(271.4%)

The 2009–2010 **net results of the year** represent a loss of $58.3 million, mainly explained by a shortfall resulting from advertising revenue decreases and programming cost increases. This shortfall was addressed through the Corporation's Recovery Plan in 2009–2010, which was funded by the proceeds generated from the sale/monetisation of receivables. Those proceeds were largely recognised in the income statement in previous years, years in which the sale of assets occurred.

FINANCIAL HIGHLIGHTS FROM THE PAST FIVE YEARS

For the year ended March 31	2010	2009	2008	2007	2006
			(millions of dollars)		
GOVERNMENT FUNDING AND REVENUES					
Parliamentary appropriation for operating expenditures	1,018	1,070	990	974	1,006
Amortisation of deferred capital funding and working capital	125	115	106	97	122
Advertising revenues	309	356	317	319	305
Other income, financing income and specialty services	258	257	246	240	238
Total	**1,710**	**1,798**	**1,659**	**1,630**	**1,671**
EXPENSES					
Television, radio and new media services costs	1,462	1,476	1,409	1,377	1,367
Other	328	372	322	318	344
Total	**1,790**	**1,848**	**1,731**	**1,695**	**1,711**
Non-operating revenues	**22**	**34**	**38**	**-**	**-**
Net results for the year	**(58)**	**(16)**	**(34)**	**(65)**	**(40)**

LIQUIDITY RATIO

For the year ended March 31	2010	2009	2008	2007	2006
Current ratio[1]	1.64	1.41	1.47	1.30	1.46
Quick ratio[2]	1.12	0.77	0.83	0.88	1.02

1 *Current assets/current liabilities*

2 *(Current assets-programming and merchandising)/current liabilities*

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements and all other information presented in this Annual Report are the responsibility of management and have been reviewed and approved by the Board of Directors of the Corporation. These consolidated financial statements, which include amounts based on management's best estimates as determined through experience and judgement, have been properly prepared within reasonable limits of materiality and are in accordance with Canadian generally accepted accounting principles.

Management of the Corporation maintains books of account, records, financial and management controls, and information systems, which are designed to provide reliable and accurate financial information on a timely basis. The controls provide reasonable assurance that assets are safeguarded, that resources are managed economically and efficiently in the attainment of corporate objectives, that the operations of the Corporation are carried out effectively and that transactions are in accordance with the applicable provisions of part X of the *Financial Administration Act*, part III of the *Broadcasting Act* and the by-laws of the Corporation.

The Corporation's Internal Auditor has the responsibility for assessing the Corporation's systems, procedures and practices. The Auditor General of Canada conducts an independent audit of the annual consolidated financial statements and reports on her audit to the Minister of Canadian Heritage and Official Languages.

The Board of Directors' Audit Committee, which consists of five members, none of whom is an officer of the Corporation, reviews and advises the Board on the consolidated financial statements and the Auditor General's report thereto. The Audit Committee oversees the activities of Internal Audit and meets with management, the Internal Auditor and the Auditor General on a regular basis to discuss the financial reporting process as well as auditing, accounting and reporting issues.

Ottawa, Canada
May 26, 2010

President and Chief Executive Officer

Vice-President and Chief Financial Officer

AUDITOR'S REPORT

To the Minister of Canadian Heritage and Official Languages

I have audited the consolidated balance sheet of the Canadian Broadcasting Corporation as at March 31, 2010 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 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 *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with the applicable provisions of Part X of the *Financial Administration Act*, Part III of the *Broadcasting Act* and the by-laws of the Corporation.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
May 26, 2010

CONSOLIDATED BALANCE SHEET

As at March 31

	2010	2009
	(thousands of dollars)	
ASSETS		
Current		
Cash	50,003	33,160
Accounts receivable	194,512	153,012
Programming (NOTE 4)	178,243	202,887
Merchandising inventory	1,703	5,747
Prepaid expenses	148,215	57,905
Net investment in sales-type leases	-	2,068
Derivative financial instruments (NOTE 26)	-	4,559
	572,676	**459,338**
Long-term		
Property and equipment (NOTE 5)	925,812	929,982
Intangible assets (NOTE 6)	47,725	59,735
Long-term receivables (NOTE 7)	11,794	76,985
Net investment in sales-type leases	-	60,786
Deferred charges	14,763	12,514
Long-term investments (NOTE 8)	7,260	6,565
	1,580,030	**1,605,905**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (NOTE 9)	176,497	141,041
Pension plans and employee-related liabilities (NOTE 10)	130,899	157,219
Bonds payable (NOTE 12)	19,223	18,834
Financial guarantee (NOTE 13)	10,419	-
Financial liability related to the monetisation of receivables (NOTE 14)	10,174	-
Deferred revenues	2,185	8,625
Derivative financial instruments (NOTE 26)	297	-
	349,694	**325,719**
Long-term		
Long-term investments (NOTE 8)	1,417	1,417
Deferred revenues	2,303	10,483
Pension plans and employee-related liabilities (NOTE 10)	412,732	393,974
Bonds payable (NOTE 12)	309,179	318,412
Financial liability related to the monetisation of receivables (NOTE 14)	10,221	-
Deferred capital funding (NOTE 15)	632,221	635,378
	1,368,073	**1,359,664**
Minority interests	**319**	**279**
EQUITY		
Retained earnings (deficit) (NOTE 16)	(138,056)	(79,757)
	(138,056)	**(79,757)**
	1,580,030	**1,605,905**

Commitments and contingencies (NOTES 17 and 18)

The accompanying notes form an integral part of the consolidated financial statements.

APPROVED BY THE BOARD OF DIRECTORS:

Tim W. Casgrain — DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended March 31

	2010	2009
	(thousands of dollars)	
REVENUES		
Advertising	309,255	356,248
Specialty services (NOTE 19)	144,352	148,777
Other income (NOTE 20)	107,021	95,375
Financing income	7,053	11,752
	567,681	**612,152**
EXPENSES		
Television, radio and new media services costs	1,461,849	1,475,919
Specialty services (NOTE 19)	118,331	129,375
Amortisation of property and equipment	110,063	105,241
Amortisation of intangible assets	17,617	12,682
Transmission, distribution and collection	61,562	63,653
Corporate management	16,255	15,721
Payments to private stations	3,697	10,002
Workforce reduction plan (NOTE 10)	907	34,993
Loss from investments in entities subject to significant influence	-	136
	1,790,281	**1,847,722**
Operating loss before Government funding, non-operating revenues, taxes and minority interests	**(1,222,600)**	**(1,235,570)**
GOVERNMENT FUNDING		
Parliamentary appropriation for operating expenditures (NOTE 21)	1,017,587	1,070,137
Parliamentary appropriation for working capital (NOTE 21)	4,000	4,000
Amortisation of deferred capital funding (NOTE 15)	121,086	111,355
	1,142,673	**1,185,492**
Net results before non-operating revenues, taxes and minority interests	**(79,927)**	**(50,078)**
NON-OPERATING REVENUES		
Gain on the sale of receivables	5,240	-
Galaxie non-operating revenues (NOTE 22)	16,326	34,374
	21,566	**34,374**
Net results before taxes and minority interests	**(58,361)**	**(15,704)**
TAXES AND MINORITY INTERESTS		
Recovery of income and large corporations taxes (NOTE 23)	101	-
Minority interests	(39)	8
	62	**8**
Net results for the year	**(58,299)**	**(15,696)**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the year ended March 31

	2010	2009
	(thousands of dollars)	
Net results for the year	**(58,299)**	**(15,696)**
Other comprehensive income		
Net changes in cash flow hedges:		
Reclassification of losses on derivatives designated as cash flow hedges to the net results	-	7,873
Total other comprehensive income	**-**	**7,873**
Total comprehensive income (loss) for the year	**(58,299)**	**(7,823)**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31

	2010	2009
	(thousands of dollars)	
Retained earnings (deficit)		
Balance, beginning of the year	(79,757)	(64,061)
Net results for the year	(58,299)	(15,696)
Retained earnings (deficit), end of the year	**(138,056)**	**(79,757)**
Accumulated other comprehensive income		
Accumulated other comprehensive income (loss), beginning of the year	-	(7,873)
Other comprehensive income for the year	-	7,873
Accumulated other comprehensive income, end of the year	**-**	**-**
Total equity	**(138,056)**	**(79,757)**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

	2010	2009
	(thousands of dollars)	
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net results for the period	(58,299)	(15,696)
Items not involving cash:		
Loss (gain) on disposal of equipment	(1,355)	71
Gain on the sale of receivables	(5,240)	-
Change from fair value of financial instruments	4,856	(3,208)
Amortisation of property and equipment	110,063	105,241
Amortisation of intangible assets	17,617	12,682
Impairment of property and equipment	-	1,517
Loss (gain) from investments in entities subject to significant influence	(440)	136
Change in deferred charges	14,763	4,361
Amortisation of deferred capital funding	(121,086)	(111,355)
Change in deferred revenues [long-term]	(8,180)	(31,149)
Change in long-term receivables	(669)	(3,964)
Change in pension plans and employee-related liabilities [current]	108	(1,304)
Change in pension plans and employee-related liabilities [long-term]	18,758	14,214
Change in minority interests	40	(8)
Net change in non-cash working capital balances (NOTE 24)	(95,085)	14,690
	(124,149)	**(13,772)**
FINANCING ACTIVITIES		
Parliamentary appropriations (NOTE 21):		
Capital funding	117,929	96,677
Financial liability related to the monetisation of receivables	10,221	-
Repayment of bonds payable	(8,575)	(7,964)
	119,575	**88,713**
INVESTING ACTIVITIES		
Acquisition of property and equipment	(105,178)	(76,337)
Acquisition of intangible assets	(4,620)	(26,170)
Purchase of long-term investments	(255)	(2,015)
Capital recovery from notes receivable	1,193	1,496
Capital recovery from net investment in sales-type leases	1,265	1,586
Capital recovery sale of Galaxie	10,500	9,500
Deferred charges	(17,011)	(9,811)
Proceeds from disposal of equipment	1,911	1,966
Proceeds from sale of receivables	133,612	-
	21,417	**(99,785)**
Change in cash	**16,843**	**(24,844)**
Cash, beginning of year	**33,160**	**58,004**
Cash, end of year	**50,003**	**33,160**
Supplementary information:		
Interest paid	24,464	25,075
Income tax paid (received)	(101)	2

The accompanying notes form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

1. AUTHORITY AND OBJECTIVE

CBC | Radio-Canada (the Corporation) was first established by the 1936 *Canadian Broadcasting Act* and continued by the 1958, 1968 and 1991 *Broadcasting Acts*. The Corporation is an agent of Her Majesty and all assets and liabilities are those of the Government.

As the national public broadcaster, the Corporation provides radio, television and new media services in both official languages incorporating predominantly and distinctively Canadian programs to reflect Canada and its regions to national and regional audiences.

The Corporation is accountable to Parliament through the Minister of Canadian Heritage and Official Languages and in accordance with section 85(1.1) of the *Financial Administration Act*, the Corporation is exempt from Divisions I to IV of Part X of this *Act*, except for subsection 105(2) and sections 113.1, 119, 131 to 148, and 154.01.

The Corporation is a federal Crown Corporation subject to federal corporate income tax by virtue of the *Income Tax Act* (Canada) and the Regulations thereto. The Corporation is not subject to any provincial corporate income taxes but is subject to sales taxes at both the federal and provincial levels.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and include the following significant accounting policies.

A. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and of the two variable interest entities (VIEs) for which the Corporation is the primary beneficiary: the Broadcast Centre Trust and The Documentary Channel (*documentary*).

B. PARLIAMENTARY APPROPRIATIONS

The Corporation receives a substantial portion of its funding from the Government of Canada. Parliamentary appropriations for operating expenditures and Parliamentary appropriations for working capital are recognised in the Consolidated Statement of Operations in the fiscal year for which the appropriations were approved. Parliamentary appropriations for property and equipment and intangible assets subject to amortisation are recorded as deferred capital funding on the Consolidated Balance Sheet, and are amortised on the same basis and over the same periods as the related property and equipment and intangible assets. The Parliamentary appropriations for the purchase of land are recorded in the Consolidated Statement of Changes in Equity.

C. FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rates in effect at the balance sheet date and non-monetary items are translated at rates in effect when the assets were acquired or obligations incurred unless such items are carried at market value, in which case they are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates during the year. All exchange gains or losses are included in determining net results for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. FINANCIAL INSTRUMENTS

(i) Financial Instruments – Recognition and Measurement

Financial assets are classified either as held to maturity, held for trading, available for sale or loans, and receivables, while financial liabilities are classified as either held for trading or other financial liabilities.

Held-to-maturity (HTM) – Financial assets classified as HTM are measured at amortised cost using the effective interest rate method. Interest income, calculated using the effective interest rate method, is recorded in financing income.

Held for trading (HFT) – Financial assets and financial liabilities classified as HFT are measured at fair value, with gains or losses and transaction costs recorded in the net results in the year in which they arise.

Available-for-sale (AFS) – Financial assets classified as AFS are measured at fair value, except for investments in equity instruments classified as AFS that do not have a quoted market price in an active market, which are measured at cost. Unrealised gains or losses are recognised in other comprehensive income (OCI), except for other than temporary impairment losses, which are recognised in net results. Upon derecognition of a financial asset or when other than temporary loss is incurred, the cumulative gains or losses, previously recognised in accumulated other comprehensive income (AOCI) are reclassified to net results.

Loans and receivables (L&R) – Financial assets classified as L&R are measured at fair value upon initial recognition and are subsequently measured at amortised cost using the effective interest rate method. Interest income, calculated using the effective interest rate method, is recorded in financing income.

Other financial liabilities (OFL) – Financial liabilities classified as OFL are measured at amortised cost using the effective interest rate method. Interest expenses, calculated using the effective interest rate method, are recorded in expenses.

The Corporation's financial assets and financial liabilities are classified and measured as follows:

ASSET/LIABILITY	CLASSIFICATION	MEASUREMENT
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortised cost
Long-term investments[1]	Available-for-sale	Fair value[2]
Long-term receivables	Loans and receivables	Amortised cost
Accounts payable and accrued liabilities	Other liabilities	Amortised cost
Pension plans and employee-related liabilities [current]	Other liabilities	Amortised cost
Financial guarantee	Held for trading	Fair value
Financial liability related to the monetisation of receivables	Other liabilities	Amortised cost
Bonds payable	Other liabilities	Amortised cost
Derivatives	Held for trading	Fair value

1 *Only investments in which the Corporation does not exercise significant influence.*

2 *Investments in equity instruments that do not have a quoted market price in an active market are measured at cost.*

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

For disclosure purposes, all financial instruments measured at fair value need to be categorised into one of the three hierarchy levels described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

(ii) Derivatives – Forward Contracts Designated as Hedges

The Corporation uses derivative financial instruments to manage the risk of loss due to movements in foreign exchange rates. The Corporation's policy is not to utilise derivative financial instruments for speculative purposes.

Forward exchange contracts are contractual obligations in which two counterparties agree to exchange one currency for another at a specified price for settlement at a predetermined future date. Forward exchange contracts are used by the Corporation to manage the risk of loss due to movements in foreign exchange rates, relating to future contractual payments. Since these payments are denominated in foreign currency, the Corporation is exposed to fluctuation in cash flows resulting from changes in exchange rates.

A derivative must be designated in a hedging relationship and be effective to be accounted for as a hedge. Effectiveness is achieved if the cash flows or fair values of the derivative substantially offset changes in cash flow or fair value of the hedged position and the timing is similar.

The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. This process includes linking all derivatives to specific firm commitments. The Corporation also formally assesses, both at the hedge's inception and on a quarterly basis, whether the forward exchange contracts that are used in hedging transactions are highly effective in offsetting changes in cash flows of assets acquired or liabilities incurred.

The fair values of forward contracts that are eligible hedges are presented in the Consolidated Balance Sheet; the positive fair value is reported as derivative financial instruments as a component of total assets and derivatives with a negative fair value are reported as a component of total liabilities. The change in the fair value is charged or credited in the Consolidated Statement of Comprehensive Income (Loss) until the asset is acquired or the liability is incurred; the hedging relationship ceases to be effective; the hedging relationship designation is terminated, in which case, the unrealised gains or losses are removed from the Other Comprehensive Income to net results of the year. Any derivative financial instrument held by the Corporation that is not or is no longer designated as an eligible hedge is carried at fair value on the Consolidated Balance Sheet, and any change in the fair value is recorded to the Consolidated Statement of Operations as other income (net gain or loss from fair value of financial instruments).

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(iii) Derivatives – Other Forward Contracts

The Corporation does not apply hedge accounting for forward exchange contracts purchased to minimise the currency risk related to its foreign bureau operations.

The fair values of these forward exchange contracts are presented in the Consolidated Balance Sheet; the positive fair values are reported as derivative financial instruments as a component of total assets and the negative fair values are reported as a component of total liabilities. The change in the fair value is recorded in the Consolidated Statement of Operations as other income (net gain or loss from fair value of financial instruments).

E. PROGRAMMING

Programming consists of internally produced television programs, externally produced television programs which require the Corporation's involvement during the production and acquired licence agreements for programming material.

Programming completed and in process of production (excluding acquired licence agreements) is recorded at cost less accumulated amortisation and accumulated impairment losses, on an individual basis. Cost includes the cost of materials and services, labour and other direct expenses applicable to programming. Programming costs are recognised in the television, radio and new media services costs of the Consolidated Statement of Operations, primarily as described below, or when deemed unusable or when sold.

The payments made under the terms of each acquired licence agreement are recorded as prepaid expenses and recorded as programming when the following criteria are met: cost is determined, material is accepted and the program is available for broadcast. Costs are charged to operations as described below, or when deemed unusable or when sold.

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

The expense recognition schedule is based on past broadcast experiences, audience results and future telecast plans. For programs with multiple telecasts, management uses the following recognition basis:

CATEGORY	EXPENSE RECOGNITION SCHEDULE BY TELECAST
Movies	50%/30%/20%
Dramatic series, comedy series, animated programs, mini-series (excluding strips[1])	70%/30%
Family drama series telecast as strips	50%/30%/20%
Other drama series telecast as strips	Evenly over telecast up to a maximum of five telecasts
Arts, music and variety (excluding strips)	70%/30%
Arts, music and variety series telecast as strips	50%/30%/20%
Documentaries	CBC Television: 70%/30% Télévision de Radio-Canada: 100%
Documentaries telecast as strips	Evenly over telecast up to a maximum of five telecasts
Factual, information education and game shows (excluding strips)	70%/30%
Factual, information education and game shows telecast as strips	Evenly over telecast up to a maximum of five telecasts
Children – animated and pre-school programs	Evenly over each telecast to a maximum of five telecasts
Youth drama programs	70%/30%
Other youth programs	33%/33%/34%

1 *Method of broadcasting consecutive episodes.*

Programming is reviewed for impairment on an annual basis. Any impairment is charged to operations.

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated amortisation and accumulated impairment losses. The cost of assets constructed by the Corporation includes material, direct labour and related overheads. Amounts included in capital projects in progress are transferred to the appropriate property and equipment classification upon completion, and are amortised once available for production or service.

Amortisation is calculated on the straight-line method using rates based on the estimated useful life of the property and equipment, as follows:

Buildings	33 years
Technical equipment	
Transmitters and towers	20 years
Electrical equipment	16 years
Other	8 years
Furnishings and office equipment	10 years
Computers (hardware)	
Servers	5 years
Microcomputers	3 years
Automotive	
Specialised vehicles	20 years
Television and radio news trucks, 5-ton and 10-ton heavy trucks	12 years
Snowmobiles, all-terrain vehicles	10 years
Utility vehicles, vans	8 years
Automobiles and minivans	5 years

Leasehold improvements are capitalised and amortised over the shorter of the lease term and the asset's useful economic life.

G. INTANGIBLE ASSETS

The Corporation's intangible assets comprise software acquired separately and internally developed software for internal use.

Software acquired separately is recorded at cost at the acquisition date. Subsequently, it is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives (three to five years). The estimated useful life and amortisation method are reviewed at the end of each fiscal year, with the effect of any changes in estimate being accounted for on a prospective basis.

Expenditures relating to internally developed computer software applications are capitalised to the extent that the project is technically feasible, sufficient resources exist to complete its development and it is probable that the asset will generate future economic benefits.

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

The amount initially recognised for internally developed software is the sum of the expenditure incurred from the date the intangible asset first meets the recognition criteria listed above. Amortisation is recognised on a straight-line basis over the estimated useful lives (three to five years). Where no internally developed software can be recognised, development expenditure is recognised in the Consolidated Statement of Operations in the period in which it is incurred.

Subsequent to initial recognition, internally developed software is reported at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each fiscal year, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets are assessed for indications of impairment during the annual review of intangible assets' useful lives.

H. NET INVESTMENT IN SALES-TYPE LEASES

Assets leased under terms that transfer substantially all of the benefits and risks of ownership to the lessee are accounted for as sales-type leases.

Financing income from sales-type leases is recognised in a manner that produces a constant rate of return on the investment in the leases. The investment in the leases is composed of net aggregate minimum lease payments less unearned financing income.

I. DEFERRED CHARGES

Deferred charges are mainly comprised of broadcast rights paid that are not yet available for broadcast and will be transferred to programming when the rights become available.

J. LONG-TERM INVESTMENTS

Investments in entities over which the Corporation does not exercise significant influence are classified as AFS. They are recorded at cost since there is no quoted market price for these types of investments. Investments in entities over which the Corporation exercises significant influence are accounted for using the equity method. Under this method, the Corporation's investment is initially recorded at cost and adjusted thereafter to include the Corporation's pro-rata share of earnings of the investee. Gains from investments in entities subject to significant influence are recorded in other income, while losses are recorded as loss from investments in entities subject to significant influence. When net losses from an equity accounted for investment exceed its carrying amount, the investment balance is reduced to zero and additional losses are not provided for, unless the Corporation is committed to providing financial support to the investee.

Investments are reviewed for impairment when events or changes in circumstances indicate that there is a loss in value. If there is evidence that the loss is due to circumstances other than a temporary decline, the investment will be written down to recognise the loss, which is recorded as a loss from investments in entities subject to significant influence in the Consolidated Statement of Operations.

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

K. PENSION COST AND OBLIGATION

The Corporation provides pensions based on the length of service and final average earnings of its employees, as classified under defined benefit retirement pension arrangements.

The cost of pension benefits earned by employees is determined on an actuarial basis using the projected benefit method pro-rated on service and management's best assumptions, such as the expected long-term rate of return on plan assets, rate of compensation, inflation, retirement ages of employees, and mortality of members.

The pension costs are determined using the cost of employee pension benefits for the current year's service, the interest cost on the accrued benefit obligation, the expected investment return on the actuarial value of plan assets, the amortisation of the transitional asset, the amortisation of net actuarial gains and losses, and the amortisation of past service costs. The market-related value of plan assets is used for the purpose of calculating the expected return on plan assets. The method used to determine the market-related value consists of spreading a given year's realised and unrealised capital gains and losses uniformly over that year and the three subsequent years.

The discount rate used to determine the accrued benefit obligation is based on the interest rate inherent in the amount at which the accrued benefit obligation could be settled.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortised over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plans is between 6.0 and 13.5 years (2009 – between 6.0 and 13.5 years).

On April 1, 2000, the Corporation adopted the new accounting standard on employee future benefits using the prospective application method. The Corporation is amortising the transitional pension asset on a straight-line basis over 13.5 years, which was the average remaining service period of the active employees expected to receive benefits under the Pension Plan as of April 1, 2000.

Past service costs arising from plan amendments are deferred and amortised on a straight-line basis over the average remaining service period of employees active at the date of amendment.

L. EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS

The Corporation provides employee future benefits such as termination benefits and other benefits, including continuation of benefits coverage for employees on long-term disability, post-retirement life insurance, health and dental benefits, and workers' compensation.

The cost of these benefits is determined on an actuarial basis using the projected benefit method pro-rated on service and management's best assumptions, such as salary increases, inflation, retirement ages of employees, mortality of members, and expected health care costs.

For employee termination benefits and post-retirement life insurance, the transitional obligation and the net actuarial gains or losses are amortised over the average remaining service period of the employee group. The transitional obligation and the net actuarial gains or losses for continuation of benefits for employees on long-term disability and workers' compensation are amortised over the expected average remaining duration of payments. The amortisation periods used for these plans are between 7.0 and 15.7 years (2009 – between 7.0 and 15.7 years).

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

M. INCOME TAXES

The Corporation follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are recognised for the estimated future tax consequences attributable to differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases. The rates used to calculate the future income tax assets and liabilities are the enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. If realisation of future income tax assets is considered more unlikely than likely, a valuation allowance is provided.

N. REVENUE RECOGNITION

(i) Advertising Revenues

Revenues from the sale of advertising airtime are recognised when the advertisement has been broadcast, the Corporation has no remaining obligations and collectability is reasonably assured.

(ii) Specialty Services

Revenues from specialty services include the sale of advertising airtime, subscriber revenues and the sale of programs by the specialty channels to third-party broadcasters. Revenues from the sale of advertising airtime are recognised when the advertisement has been broadcast. Revenues from program sales and subscriber fees are recognised when the delivery has occurred, or when services have been provided and the Corporation has no remaining obligations and collectability is reasonably assured.

(iii) Other Income

Other income includes revenues from the leasing of space, facilities and services; program sales; commercial production sales; host broadcaster's activities; and net gains from disposal of equipment. These are recognised when the delivery has occurred, or when services have been provided and the Corporation has no remaining obligations and collectability is reasonably assured.

Other income also includes net gains or losses from derivatives not designated as hedges, losses from ineffective hedges and gains from effective hedges once the asset has been acquired, the liability has been incurred or the hedging relationship designation is terminated.

Contributions from the Local Programming Improvement Fund are also included in other income and are recognised when earned.

(iv) Financing Income

Financing income includes interest revenues from bank accounts, investments in sales-type leases, and notes receivable. Interest is recognised in the year it is earned.

O. TRANSFER OF ACCOUNTS RECEIVABLE

The Corporation accounts for the transfer of accounts receivable to unrelated parties as a sale, provided that control over the receivables has been surrendered and consideration other than beneficial interests in the transferred receivables has been received in exchange. If these criteria are not satisfied, the transfer is treated as a secured borrowing.

When treated as a sale, the accounts receivable are removed from the Consolidated Balance Sheet, the assets received and the liabilities incurred are recognised at fair value and a gain or loss on sale is recorded in the Consolidated Statement of Operations. The gain or loss on sale of the receivables depends in part on the previous carrying value of the receivables involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer. Fair values are estimated based on the present value of future expected cash flows using management's best estimates of the key assumptions.

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

When treated as a secured borrowing, the Corporation continues to account for transferred receivables after the transaction on the same basis as beforehand, and accounts for the secured borrowing in accordance with its accounting policies for liabilities of a similar nature.

P. DEFERRED REVENUES

Deferred revenues are recognised as revenues when the services are provided.

Q. TELEVISION, RADIO AND NEW MEDIA SERVICES COSTS

Television, radio and new media services costs include all costs related to the production of programs, including direct out-of-pocket expenditures, departmental and administration expenses and the cost of activities related to technical labour and facilities. A portion of the costs of operational support provided by services such as Human Resources, Finance and Administration, Building Management and other shared services are also included in the related costs. Television, radio and new media services costs also include programming-related activities such as Marketing and Sales, Merchandising, New Media, and Communications.

R. MEASUREMENT UNCERTAINTY

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the year. Pension plans and employee-related liabilities, estimated useful lives of property and equipment and intangibles, estimated useful lives of programming, contingent liabilities, and fair value measurement of derivatives are the most significant items where estimates are used. Actual results could significantly differ from those estimated.

3. ACCOUNTING STANDARDS

A. CHANGES IN ACCOUNTING STANDARDS

(i) Intangible Assets

Effective April 1, 2009, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Section 3064 Goodwill and Intangible Assets which replaced Section 3062, Goodwill and Other Intangible assets. This new section establishes standards for the recognition, measurement, presentation, and disclosure of goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Following the adoption of Section 3064, the Corporation has reclassified prior year figures to reflect this change. The new standard required the Corporation to reclassify the net carrying value of computer software, which met the new definition of intangible assets, from property and equipment to intangible assets.

3. ACCOUNTING STANDARDS (*continued*)

The impact of this change in accounting standards on the current and prior year balances is as follows:

CONSOLIDATED BALANCE SHEET

	2010	2009
	(thousands of dollars)	
ASSETS		
(Decrease) in property and equipment	(47,725)	(59,735)
Increase in intangible assets	47,725	59,735
	-	-

CONSOLIDATED STATEMENT OF OPERATIONS

	2010	2009
	(thousands of dollars)	
EXPENSES		
(Decrease) in amortisation of property and equipment	(17,617)	(12,682)
Increase in amortisation of intangible assets	17,617	12,682
	-	-

(ii) Financial Instruments

In June 2009, the CICA issued amendments to Section 3862 Financial Instruments – Disclosures which increase harmonisation with International Financial Reporting Standards (IFRS). Section 3862 provides expanded disclosure requirements regarding fair value measurements including the relative reliability of the inputs used in those measurements and the liquidity risk of financial instruments. The standard also requires disclosure of a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The applicable disclosures required under this standard are included in Note 26. The accounting policy on financial instruments, as presented in Note 2, was updated to include additional information on the three-level hierarchy.

B. FUTURE ACCOUNTING CHANGES

In February 2008, the Canadian Accounting Standards Board of the CICA announced that all publicly accountable Canadian reporting entities will adopt IFRS as Canadian GAAP for years beginning on or after January 1, 2011.

In September 2009, the Public Sector Accounting Board approved amendments to “Introduction to Public Sector Accounting Standards”. Following these amendments, the Corporation is now classified as an other government organisation (OGO). As an OGO, the Corporation is required to assess the most appropriate basis of accounting. After assessing various factors, the Corporation has determined that IFRS constitutes the most appropriate basis of accounting.

The changeover date for full adoption of IFRS will be April 1, 2011, for the Corporation. The Corporation’s 2011–2012 consolidated financial statements will comply with IFRS. The standards also require that the Corporation present complete comparative figures based on IFRS methodology in the 2011–2012 consolidated financial statements. The Corporation is currently reviewing the standards and assessing the potential impact on its consolidated financial statements.

4. PROGRAMMING

A. PROGRAMMING

	2010	2009
	(thousands of dollars)	
Programs completed	95,905	122,106
Programs in process of production	49,274	37,293
Broadcast rights available for broadcast	33,064	43,488
	178,243	**202,887**

The programming write-offs represent $17.7 million in 2010 ($16.2 million in 2009) and are recorded in the Consolidated Statement of Operations as television, radio and new media services costs.

B. COLLECTION

The Corporation owns a collection of audio and video material, costumes and puppets, which have historical and cultural significance to Canadians. Part of the collection is also used from time to time, when needed. The value of the collection is not reflected in the consolidated financial statements of the Corporation.

5. PROPERTY AND EQUIPMENT

A. COST AND ACCUMULATED AMORTISATION

	2010			2009
	Cost	**Accumulated amortisation**	**Net book value**	
	(thousands of dollars)			
Land	20,467	-	20,467	20,467
Buildings	970,104	(534,748)	435,356	399,759
Technical equipment	1,344,230	(991,181)	353,049	362,142
Computers, furnishings and office equipment	92,400	(65,161)	27,239	25,359
Automotive	48,583	(38,573)	10,010	10,914
Leasehold improvements	58,558	(20,468)	38,090	33,547
Capital projects in progress	41,601	-	41,601	77,794
	2,575,943	**(1,650,131)**	**925,812**	**929,982** [1]

1 *Costs and accumulated amortisation of property and equipment as at March 31, 2009, amounted to $2,506.5 million and $1,576.5 million, respectively.*

B. IMPAIRMENT

There were no indicators of impairment as of March 31, 2010; therefore no impairment expense was recorded ($1.5 million in 2009).

6. INTANGIBLE ASSETS

A. COST AND ACCUMULATED AMORTISATION

	2010			2009
	Cost	Accumulated amortisation	Net book value	
	(thousands of dollars)			
Software	133,465	(87,877)	45,588	58,463
Software development in progress	2,137	-	2,137	1,272
	135,602	**(87,877)**	**47,725**	**59,735[1]**

1 Costs and accumulated amortisation of intangible assets as at March 31, 2009, amounted to $134.6 million and $74.9 million, respectively.

The aggregate amount of intangible assets that were acquired during the year represented $0.4 million (2009 – $0.3 million), while those that were developed during the year amounted to $4.2 million (2009 – $25.9 million).

7. LONG-TERM RECEIVABLES

	2010	2009
	(thousands of dollars)	
Ontrea	-	55,360
Galaxie	10,090	19,921
Other long-term receivables	1,704	1,704
	11,794	**76,985**

A. SALE OF RECEIVABLES – ONTREA

In connection with certain real estate sale transactions in 2003 and prior years, the Corporation received a portion of the sale proceeds in amortising promissory notes from institutional investors. These promissory notes receivable with the carrying value of $56.1 million as well as the finance lease receivables with the carrying value of $61.6 million were monetised in December 2009 using the Monetisation Trust, a qualified special purpose entity. The Monetisation Trust is not consolidated within the Corporation's financial statements and its sole business purpose is to hold the receivables and issue fixed rate notes, which are secured by the receivables, to third parties (until 2027). The value of these debt securities is equal to approximately 97.6 per cent of the value of the receivables. The gain on sale of these receivables to the Monetisation Trust in the amount of $5.2 million is included in the gain on the sale of receivables on the Consolidated Statement of Operations for the year ended March 31, 2010. Based on the contractual terms, the Corporation does not expect any prepayments of the transferred receivables.

The amounts collected for receivables are available only for payment of the Monetisation Trust's debt or other obligations. The Corporation provided an absolute and unconditional guarantee to the Monetisation Trust of the full and timely payment of receivables by the ultimate debtors. In addition, the Corporation entered into an agreement with the Monetisation Trust to provide support to the extent that the Monetisation Trust is unable to pay its ongoing expenses and tax liabilities. There were no amounts accrued with respect to the support agreement as at March 31, 2010.

7. LONG-TERM RECEIVABLES (*continued*)

The Corporation's retained interest consists principally of the cash reserve account that comprises amounts reserved at inception of the Monetisation Trust and the net excess cash flows (the difference between the interest received on the receivables and the interest paid on the debt issued by the Trust to third parties). The balance of the cash reserve account, if any, reverts to the Corporation at the final maturity date of the Monetisation Trust's third-party debt. The Corporation's retained interest is included in accounts receivable on the Consolidated Balance Sheet.

The Corporation retains servicing of the receivables through the Financial Servicing Agreement with the Monetisation Trust. Shortly after the transfer, the Corporation entered into a sub-servicing agreement with an independent third party. The Corporation nonetheless remains fully responsible to the Monetisation Trust for servicing the receivables.

B. MONETISATION OF RECEIVABLES – GALAXIE

The Corporation was entitled to receive certain payments as a result of the Galaxie transaction described in Note 22. In September 2009, the Corporation entered into a transaction with an unrelated third party to monetise the outstanding receivables in the amount of $21 million, of which $14 million was guaranteed by a financial institution. The monetisation transaction does not qualify as a sale and is accounted for as a secured borrowing. The Corporation continues to carry the transferred receivables on its Consolidated Balance Sheet and has also recognised a financial liability ("Financial liability related to the monetisation of receivables") for the amount of consideration received.

8. LONG-TERM INVESTMENTS

	2010			2009		
	Significant influence	**Other**	**Total**	**Significant influence**	**Other**	**Total**
			(thousands of dollars)			
ASSETS						
ARTV Inc.[1]	7,243	-	7,243	6,548	-	6,548
Portfolio investments	-	17	17	-	17	17
	7,243	**17**	**7,260**	**6,548**	**17**	**6,565**
LIABILITIES						
Sirius Canada Inc.	**(13,417)** [2-3]	**12,000** [4]	**(1,417)**	**(13,417)** [2-3]	**12,000** [4]	**(1,417)**

1 *ARTV inc. is a French-language arts and entertainment specialty channel. In 2009–2010, the Corporation acquired additional shares issued by ARTV for an amount of $255,000. With this additional acquisition, the Corporation owns 62 per cent of ARTV, but does not control its activities, as 66 2/3 per cent of the voting shares are required to assume control.*

2 *The Corporation has invested $25.05 in class A shares of Sirius Canada Inc., which represents a 40.0 per cent voting interest and 25.05 per cent participation. These shares are entitled to receive dividends equal to their participation rate.*

3 *The Corporation committed to invest an additional $1.4 million in class C shares of Sirius Canada Inc. The Corporation has not committed to assume any additional financial risk. The Corporation's proportionate share of the unrecognised loss is $14.9 million (2009 – $18.1 million).*

4 *The Corporation invested $12 million in class C shares of Sirius Canada Inc., which are entitled to a preferential cumulative dividend of eight per cent per annum on the redemption price. These shares may be redeemed at any time by Sirius Canada Inc.*

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
	(thousands of dollars)	
Trade payables	57,278	37,997
Accruals	117,309	97,270
Other	1,910	5,774
	176,497	**141,041**

10. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES

Employee-related liabilities are as follows:

	2010	2009	2010	2009
	Current		**Long-term**	
	(thousands of dollars)			
Accrued pension benefit liability	-	-	255,749	232,767
Employee future benefits other than pensions	-	-	156,775	160,999
Vacation pay	58,845	61,960	-	-
Workforce reduction and other	12,308	39,593	-	-
Salary-related liabilities	59,746	55,666	208	208
	130,899	**157,219**	**412,732**	**393,974**

A. THE CORPORATION PENSION PLANS AND OTHER EMPLOYEE FUTURE BENEFITS

The Corporation maintains a contributory defined benefit pension plan, the CBC | Radio-Canada Pension Plan, covering substantially all employees of the Corporation. Retirement benefits are based on the length of pensionable service and on the average of the best five consecutive years of pensionable salary in the last 10 years of employment. Employees are required to contribute a percentage of their pensionable salary to the plan, with the Corporation providing the balance of the funding, as required, based on actuarial valuations. The Corporation also maintains unfunded non-contributory defined benefit pension arrangements. All plans are subject to an actuarial valuation, which is made at least on a triennial basis. The latest valuation available was made in December 2008. The next valuation is required no later than December 2011.

The Corporation also provides employee future benefits such as termination benefits and other benefits, including continuation of benefits coverage for employees on long-term disability, post-retirement life insurance, health and dental benefits, and workers' compensation. The last actuarial valuations for employee termination benefits and for post-retirement life insurance benefits were made in December 2009.

The measurement date for the pension plan assets and the accrued benefit obligation is March 31.

10. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES (*continued*)

	2010	2009
Assumptions – annual rates		
Expected long-term rate of return on plan assets	6.25%	6.25%
Discount rate used for the calculation of the benefit costs	5.75%	5.25%
Discount rate used for the calculation of the obligation	5.00%	5.75%
Long-term rate of compensation increase, excluding merit and promotion	3.25%	3.25%
Health care cost trend rate	7.5% until 2019; 4.5% thereafter	8.5% for 5 years; 4.5% thereafter
Indexation of pensions in payment	1.9%	1.9%

	2010	2009
	(thousands of dollars)	
Annual amount		
Employee contributions – pension plans	38,503	33,407
Benefit payments for the year – pension plans	226,831	213,890
Benefit payments for the year – other employee future benefits	18,147	13,822

10. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES (*continued*)

	2010		2009	
	The Corporation pension plans	Other employee future benefits	The Corporation pension plans	Other employee future benefits
	(thousands of dollars)			
Fair value of plan assets, end of year	4,199,746	-	3,750,644	-
Accrued benefit obligation, end of year	(4,526,346)	(137,413)	(4,085,585)	(159,075)
Surplus (deficit), end of year	**(326,600)**	**(137,413)**	**(334,941)**	**(159,075)**
Unamortised past service costs	34,041	(2,511)	43,789	(2,930)
Unamortised net actuarial losses (gains)	362,958	(27,273)	477,661	(11,293)
Unamortised transitional (asset) obligation	(326,148)	10,422	(419,276)	12,299
Accrued benefit liability, end of year	**(255,749)**	**(156,775)**	**(232,767)**	**(160,999)**
Accrued benefit liability, beginning of year	**(232,767)**	**(160,999)**	**(223,307)**	**(156,229)**
Employee future benefits costs				
Current service cost	(64,701)	(6,544)	(76,720)	(7,650)
Interest on accrued benefit obligation	(231,362)	(7,984)	(220,115)	(8,585)
Expected return on actuarial value of assets	230,304	-	254,445	-
Amortisation of past service costs	(9,748)	419	(9,748)	419
Amortisation of transitional asset (obligation)	93,128	(1,877)	92,996	(2,657)
Amortisation of actuarial losses	(97,519)	2,063	(78,110)	(119)
Employee future benefits costs for the year	**(79,898)**	**(13,923)**	**(37,252)**	**(18,592)**
Corporation pension plan contributions	54,914	-	26,306	-
Benefit payments for unfunded plans	2,002	18,147	1,486	13,822
Total cash payments	**56,916**	**18,147**	**27,792**	**13,822**
Accrued benefit liability, end of year	**(255,749)**	**(156,775)**	**(232,767)**	**(160,999)**

As at March 31, 2010, the accrued benefit obligation for the CBC | Radio-Canada Pension Plan and for the unfunded benefit pension arrangements represented respectively $4,459.1 million (2009– $4,029.8 million) and $67.2 million (2009 – $55.8 million).

	2010	2009
	Percentage of plan assets (based on fair value)	
Asset category		
Fixed income	49%	61%
Canadian equities	12%	8%
Global equities	25%	16%
Strategic[1]	14%	14%
Bond overlay	-	1%
	100%	**100%**

1 Strategic investments include real estate, private placements, hedge funds, and infrastructure funds.

10. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES (*continued*)

B. WORKFORCE REDUCTION PLAN

On March 25, 2009, the Corporation announced a workforce reduction plan to deal with the financial pressures facing the Corporation. The plan was divided into two steps: as a first step, the Corporation was offering a voluntary retirement incentive program (VRIP) to eligible employees. As a second step, and depending on the number of departures resulting from the VRIP, the Corporation announced involuntary departures. The total costs incurred for the workforce reduction plan represents $35.9 million. A remaining balance of $1.9 million is expected to be paid in 2010–2011.

11. VARIABLE INTEREST ENTITIES

Under the CICA Accounting Guideline 15 (AcG-15), Variable Interest Entities (VIE) are defined as entities that do not have sufficient equity at risk to finance their activities without additional subordinated financial support, or where the equity holders lack the overall characteristics of a controlling financial interest. The guideline requires that a VIE be consolidated with the financial results of the entity deemed to be the primary beneficiary of the majority of the VIEs' expected losses and its expected residual returns, or both. The Corporation holds interest in three VIEs.

A. BROADCAST CENTRE TRUST

The Broadcast Centre Trust (the Trust) is a charitable trust that is a lessee under a long-term lease with the Corporation for the land on which the Canadian Broadcasting Centre (the building) is located in Toronto. The rent during the term is the sum of one dollar, paid on October 1, 1988. The Trust is also a lessor under a long-term sub-lease with the Corporation for the Canadian Broadcasting Centre. In order to finance the construction of the building, the Trust issued $400 million of bonds on January 30, 1997, which are guaranteed by the rent payments for the premises occupied by the Corporation. The rent payable by the Corporation to the Trust covers all interest and principal on the bonds, all other payments on the bonds and all operating expenses and liabilities of the Trust. The Corporation is deemed to be the primary beneficiary of the Trust and, accordingly, the financial results of the Trust are consolidated in the Corporation's books.

B. THE DOCUMENTARY CHANNEL (*documentary*)

The Corporation owns 82 per cent partnership interest in The Documentary Channel (*documentary*), a specialty service broadcasting documentaries. The Corporation is deemed the primary beneficiary, since it holds variable interest that would cause the Corporation to absorb a majority of the expected losses or residual returns of the partnership. Accordingly, The Documentary Channel (*documentary*) financial results are consolidated in the Corporation's books.

C. SIRIUS

The Corporation holds a variable interest in Sirius Canada Inc., a provider of satellite radio in Canada, offering over 160 satellite radio channels. Sirius Canada Inc. broadcasts its signal through proprietary satellite network and uplink, and subscribers receive a radio signal through satellite radios which are sold at consumer retailers. The Corporation's maximum exposure to losses includes its investment of $12 million plus a commitment to invest an additional $1.4 million. The Corporation is not deemed to be the primary beneficiary of Sirius Canada Inc. This investment is accounted for using the equity method for class A shares and the cost method for class C shares (Note 8).

12. BONDS PAYABLE

The Corporation, through its relationship with the Broadcast Centre Trust (Note 11), guarantees the bonds payable with its rent payments for the premises occupied by the Corporation in Toronto. The Trust issued $400 million in secured bonds on January 30, 1997. These bonds bear a fixed interest rate of 7.53 per cent annually and require blended semi-annual payments of $16.5 million, which will retire the following principal amounts:

	(thousands of dollars)
2011 (including accrued interest of $10.0 million)	19,223
2012	9,941
2013	10,704
2014	11,525
2015	12,409
2016 to 2027	264,600
	328,402
Less: current portion	(19,223)
	309,179

Interest expense included in current year's expenses is $24.3 million (2009 – $24.8 million).

13. FINANCIAL GUARANTEE

The Corporation provided an absolute and unconditional guarantee, as part of the sale of receivables (Note 7A), of the full payment and timely payments of receivables by the ultimate debtors until 2027. The fair value of the financial guarantee is determined by comparing the fair value of the receivables with guarantee to the fair value of the receivables absent of a guarantee. The fees for this guarantee of $10.6 million were paid up front by the Monetisation Trust. The fair value of the guarantee as of March 31, 2010, is $10.4 million.

The maximum amount the Corporation could be required to settle under the financial guarantee contract if the fully guaranteed amount is claimed by the counterparty to the guarantee is $199.4 million. Based on expectations at the end of the reporting period, the Corporation considers that it is more likely than not that no amount will be payable under the arrangement.

14. FINANCIAL LIABILITY RELATED TO THE MONETISATION OF RECEIVABLES

The Corporation recognised a financial liability for the transfer of receivables for which the control of receivables has not been surrendered at the reporting date. The carrying value of the receivables as at March 31, 2010, is $20.4 million.

The liability bears a fixed interest rate of 4.5 per cent and will be amortised over the term of the receivables as follows:

	(thousands of dollars)
2011	10,174
2012	10,221
	20,395
Less: current portion	(10,174)
	10,221

15. DEFERRED CAPITAL FUNDING

	2010	2009
	(thousands of dollars)	
Balance, beginning of year	**635,378**	**650,056**
Capital funding received (NOTE 21)	117,929	96,677
Amortisation of deferred capital funding	(121,086)	(111,355)
Balance, end of year	**632,221**	**635,378**

16. RETAINED EARNINGS (DEFICIT)

The deficit represents liabilities incurred by the Corporation that have not yet been funded through Parliamentary appropriations or other sources of revenue. A significant component of the deficit is a result of unfunded employee future benefits that will be paid by the Corporation.

The deficit incorporates working capital appropriations received since 1958, which have accumulated to $167 million as at March 31, 2010 (2009 – $163 million). The working capital appropriation is provided to fund working capital investments required by the Corporation. The Corporation must maintain a working capital that is higher than the accumulated working capital appropriations. For the purpose of this calculation, the working capital represents the excess of current assets over current liabilities, excluding the liabilities relating to annual leave and time off in lieu that will not result in a cash outflow.

17. COMMITMENTS

A. PROGRAM-RELATED AND OTHER

As at March 31, 2010, commitments for sports rights amounted to $379.8 million (2009 – $519.1 million); procured programs, film rights and co-productions amounted to $89.6 million (2009 – $132.1 million); property and equipment amounted to $9.4 million (2009 – $15.5 million); and other commitments amounted to $436.7 million (2009 – $520.0 million), for total commitments of $915.5 million (2009 – $1,186.7 million). Future annual payments as of March 31, 2010, are as follows:

	(thousands of dollars)
2011	177,245
2012	154,100
2013	153,985
2014	145,831
2015	70,759
2016 to 2020	213,539
Total future payments	**915,459**

17. COMMITMENTS (*continued*)

B. OPERATING LEASES

The operating leases consist mainly of property leases, network distribution leases and equipment leases. Future annual payments related to operating leases as of March 31, 2010, are as follows:

	(thousands of dollars)
2011	41,047
2012	32,544
2013	29,576
2014	27,956
2015	26,453
2016 to 2024	137,262
Total future payments	**294,838**

18. CONTINGENCIES

A. CLAIMS AND LITIGATIONS

Various claims and legal proceedings have been asserted or instituted against the Corporation. Some of these claims demand large monetary damages or other form of relief and could result in significant expenditures. Litigations are subject to many uncertainties and the outcome of individual matters is not always predictable. Contingent liabilities are potential liabilities, which may become actual liabilities when one or more future events occur or fail to occur. To the extent that it is likely that the future event will result in a loss and the amount of such loss can be reasonably estimated, a liability has been accrued and an expense recorded.

In April 2010, the Supreme Court of Canada ruled in favour of the City of Montreal in a multi-year legal battle over how CBC|Radio-Canada calculates its payments in lieu of taxes to the City. An estimated liability was accrued pending the court decision.

B. ENVIRONMENTAL CONTINGENCIES

Polychlorinated Biphenyls (PCBs) concentrations which exceed the ministère du Développement durable, de l'Environnement et des Parcs (MDDEP) industrial site criterion, were identified in the soil at the former Corporation AM transmission site in Rimouski. At this time, the Corporation is assessing the options available to address the clean up of the contaminated soil; however, it is not possible to estimate the impact of this situation on the Corporation's financial results.

19. SPECIALTY SERVICES

The Corporation operates CBC News Network (CBC NN) and the Réseau de l'information de Radio-Canada (RDI), under CRTC licence conditions that require the reporting of incremental costs and revenues. Galaxie and **bold** are also reported on an incremental cost basis. On an incremental basis, only expenses that are charged directly to the specialty services are reported. Indirect costs for support services are not allocated to specialty services and expenses relating to long-term employee future benefits are recognised only when the related benefits are paid by the specialty services. In accordance with Canadian GAAP, however, the Corporation has included in the financial results of the specialty services the portion of earned long-term employee future benefits relating to their respective employees.

	2010					
	Revenues	**Expenses including employee future benefits expenses**	**Total**	**Repayments for capital acquisitions[1]**	**Employee future benefits expenses**	**Total on an incremental costs basis**
			(thousands of dollars)			
CBC NN	84,616	(65,778)	**18,838**	(2,500)	351	**16,689**
RDI	52,034	(44,494)	**7,540**	(2,169)	266	**5,637**
Galaxie[2]	3,485	(4,515)	**(1,030)**	-	2	**(1,028)**
bold	4,217	(3,544)	**673**	-	6	**679**
	144,352	**(118,331)**	**26,021**	**(4,669)**	**625**	**21,977**

	2009					
	Revenues	**Expenses including employee future benefits expenses**	**Total**	**Repayments for capital acquisitions[1]**	**Employee future benefits expenses**	**Total on an incremental costs basis**
			(thousands of dollars)			
CBC NN	78,839	(61,473)	**17,366**	(2,500)	272	**15,138**
RDI	48,044	(45,790)	**2,254**	(773)	206	**1,687**
Galaxie	17,970	(18,007)	**(37)**	-	6	**(31)**
bold	3,924	(4,105)	**(181)**	-	5	**(176)**
	148,777	**(129,375)**	**19,402**	**(3,273)**	**489**	**16,618**

1 *Capital expenditures for the acquisition of equipment and software to introduce, maintain and expand the specialty services are made by the Corporation from its capital appropriation with an approved corporate repayment plan for recovery from the specialty services' revenues. Those repayments are funded from the accumulated excess revenues over expenses.*

2 *Since the last broadcasting distribution undertaking (BDU) revenue contract was transferred to Stingray Digital Group Inc. on October 30, 2009, the Galaxie results cover the operations from April 1, 2009, to October 30, 2009.*

The monthly subscriber rates of CBC NN and RDI are subject to regulations imposed by the CRTC. The maximum monthly subscriber rates are approved through the licence renewal process. For CBC NN and RDI, the monthly subscriber rates cannot exceed, respectively, $0.63 and $1.00. These regulations are effective until August 31, 2010. Revenues subject to regulations represent 82 per cent (2009 – 81 per cent and 83 per cent, respectively) of the total revenues of CBC NN and RDI.

20. OTHER INCOME

Other income consists of:

	2010	2009
	(thousands of dollars)	
Revenue type		
Building, tower, facility and service rentals	45,927	46,861
Program sales, commercial sales and merchandising	19,313	17,462
Retransmission rights	5,929	4,888
Program sponsorship	4,329	6,662
The Documentary Channel (*documentary*) (VIE) revenues	3,809	3,453
Net gain (loss) from fair value of financial instruments	(4,855)	3,208
Loss on disposal of equipment	(1,080)	(71)
Contribution from the Local Programming Improvement Fund (LPIF)[1]	19,763	-
Gain on foreign exchange rates	2,945	4,686
Other	10,941	8,226
	107,021	**95,375**

1 *The LPIF is a new fund established by the CRTC in October 2008 to support local television programming in markets with a population of less than one million people. The distribution of the fund started in September 2009.*

21. PARLIAMENTARY APPROPRIATIONS

Parliamentary appropriations approved and the amounts received by the Corporation during the year are as follows:

	2010	2009
	(thousands of dollars)	
Operating funding		
Approved annual funding	956,978	995,795
Additional non-recurring funding for programming initiatives	60,000	60,000
Compensation adjustment allocated from Treasury Board	26,908	-
Release of frozen allotment reprofiled from a previous year	-	20,000
Transfer to capital funding – Supplementary Estimates A[1]	(26,299)	(5,658)
Operating funding received	**1,017,587**	**1,070,137**
Capital funding		
Approved annual funding	91,630	91,019
Transfer from operating funding – Supplementary Estimates A[1]	26,299	5,658
Capital funding received	**117,929**	**96,677**
Working capital funding	**4,000**	**4,000**

1 *In the event that significant changes in current year requirements occur, appropriations are transferred from one vote to another or reprofiled from one fiscal year to another through Appropriation Acts approved by Parliament.*

22. GALAXIE NON-OPERATING REVENUES

On December 7, 2007, the Corporation provided a privately held company, Stingray Digital Group Inc. ("Acquirer"), with an option to cause the Corporation to sell certain of the Galaxie pay audio assets ("Option Asset Purchase Agreement") for $52.5 million and a warrant to acquire 1,120,513 common shares of the Acquirer for one dollar ("Warrant"). The Corporation appointed the Acquirer as its affiliate relations agent for the Galaxie pay audio service for an annual service fee until the earlier of December 31, 2017, and the date Galaxie's assets are transferred to the Acquirer pursuant to the Option Asset Purchase Agreement. Additional consideration was payable to the Corporation, contingent upon a subsequent acquisition by the Acquirer of an unrelated third party ("Earn-out").

The Option Asset Purchase Agreement provided that the Corporation continues to operate the Galaxie pay audio programming service under the licence issued by the CRTC until the exercise of the option which itself could not be exercised until the Acquirer obtained its CRTC licence, and that the Corporation would continue to operate the service thereafter in respect of those broadcasting distribution undertaking (BDU) revenue contracts that are not assigned to the Acquirer. The transaction was accounted for as a sale of a future revenue stream ("Revenue Stream") using the units-of-revenue method of accounting. For the year ended March 31, 2008, the Corporation recognised $4.7 million as revenues, based on the proportionate share of the cash payments made by the Corporation, relative to the total expected cash outflows as a percentage of the discounted total consideration.

On December 23, 2008, the CRTC approved the Acquirer's application for a licence, and on January 12, 2009, the option to purchase Galaxie's assets was exercised. On January 30, 2009, the Option Asset Purchase Agreement was amended to reflect a $4.8 million increase in the purchase price associated with the Earn-out and an indemnification to the Acquirer. The Corporation has accounted for the increase in consideration as a multiple element arrangement with the proceeds allocated between the elements based on their respective fair values, including a one million dollar settlement of the contingent Earn-out recorded, and a $2.7 million consideration related to the indemnification of the Acquirer, which were both recorded as non-operating revenues, and the remaining $1.1 million as a liability.

As of March 31, 2009, the Corporation has transferred Galaxie assets, including all of the physical assets and some of the intangible assets, but excluding certain Galaxie BDU contracts that have not been assigned to the Acquirer.

During 2009–2010, the remaining BDU contracts have been assigned to the Acquirer and the associated revenues of $16.3 million have been recognised as non-operating revenues. The deferred revenues as of March 31, 2010, are nil ($16.2 million in 2009).

23. RECOVERY OF INCOME AND LARGE CORPORATIONS TAXES

The Corporation is a prescribed federal Crown Corporation under Part LXXI of the Income Tax Regulations and is subject to the provisions of the *Income Tax Act* (Canada). The Corporation's activities are not subject to provincial income taxes. The recovery of income and large corporations taxes is comprised of:

	2010	2009
	(thousands of dollars)	
Recovery of income and large corporations taxes	101	-
Future income tax	-	-
	101	**-**

The recovery of income and large corporations taxes differs from the amount that would be computed by applying the federal statutory income tax rate of 28.75 per cent (2009 – 29.38 per cent) to net results before taxes and minority interests. The reasons for the differences are as follows:

	2010	2009
	(thousands of dollars)	
Income tax recovery at federal statutory rate	16,779	4,614
Increase (decrease) resulting from:		
Non-taxable portion of capital gains	314	2,038
Other net amounts	(3,563)	(3,497)
Adjustment for changes in income tax rates	(1,765)	(470)
Change in valuation allowance	(11,765)	(2,685)
Large corporations tax recovery	101	-
	101	**-**

23. RECOVERY OF INCOME AND LARGE CORPORATIONS TAXES (*continued*)

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future liabilities as at March 31, 2010 and 2009 are presented below:

	2010	2009
	(thousands of dollars)	
Future tax assets		
Accrued liabilities	3,964	11,914
Pension plan liability	63,937	58,192
Employee-related liabilities	39,246	40,302
Loss carry-forward	27,089	5,016
Long-term receivables and investments	-	1,747
	134,236	**117,171**
Less: valuation allowance	(89,530)	(77,765)
	44,706	**39,406**
Future tax liabilities		
Programming	178	742
Net investment in sales-type leases	-	13,426
Deferred revenues for taxes related to the sale of receivables	15,936	-
Property and equipment	25,671	24,098
Other	2,921	1,140
	44,706	**39,406**
Net future tax assets (liabilities)	**-**	**-**

As at March 31, 2010, the Corporation has a loss carry-forward for tax purposes of $108.4 million (2009 – $20.1 million), which expires between 2027 and 2030.

24. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	2010	2009
	(thousands of dollars)	
Cash flows provided by (used for):		
Short-term investments	-	6,999
Accounts receivable[1]	(43,539)	7,484
Programming[2]	22,387	(1,932)
Merchandising inventory	4,044	(2,289)
Prepaid expenses	(90,310)	(21,680)
Net investment in sales-type leases[3]	7	9
Accounts payable and accrued liabilities	35,456	372
Deferred revenues	(6,440)	(2,113)
Pension plans and employee-related liabilities[4]	(26,428)	28,090
Bonds payable[5]	(269)	(250)
Financial guarantee[6]	(167)	-
Financial liability related to the monetisation of receivables	10,174	-
	(95,085)	**14,690**

1 *Excluding $(2.1) million (2009 – $(0.1) million) of notes receivable from the sale of lands.*

2 *Including $2.3 million (2009 – $0.2 million) of amortisation of property and equipment.*

3 *Excluding capital recovery of $2.1 million (2009 – $0.1 million).*

4 *Excluding items not involving cash of $(0.1) million (2009 – $(1.3) million).*

5 *Excluding repayment of bonds payable of $0.7 million (2009 – $0.6 million).*

6 *Excluding $10.6 million (2009 – nil) included in the proceeds from the sale of receivables.*

25. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to other Government departments, Agencies and Crown Corporations, subsidiaries and to private companies over which the Corporation has significant influence (Note 8). The Corporation enters into transactions with these related parties in the normal course of business, on normal trade terms applicable to all individuals and enterprises and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Corporation recorded the following amounts in the consolidated financial statements for transactions with related parties:

	2010	2009	2010	2009
	Government		**Private companies**	
	(thousands of dollars)			
Revenues	968	564	8,501	8,306
Accounts receivable	42	38	614	4,106
Expenses	543	210	255	276
Accounts payable and accrued liabilities	1	2	-	-
Long-term investments	-	-	255	2,015

The expenses with Government consist mainly of transactions with other Crown Corporations. The revenues from related private companies include a program agreement with Sirius Canada Inc. and management service and facility rental contracts with ARTV Inc. The receivables relating to private companies relate mainly to the program agreement with Sirius Canada Inc. Long-term investments represent the acquisition of additional shares in ARTV Inc.

During the year, the Corporation also received funding from the Government of Canada as described in Note 21.

26. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, accounts receivable, long-term receivables, long-term investments carried at cost, accounts payable and accrued liabilities, short-term portion of pension plans and employee-related liabilities, financial guarantee, financial liability related to the monetisation of receivables, bonds payable and derivatives.

A. FAIR VALUE

The fair values of accounts receivable, accounts payable and accrued liabilities and the short-term portion of the bonds payable, pension plans and employee-related liabilities and financial liability related to the monetisation of receivables approximate their carrying value due to the short-term nature of these instruments. Long-term investments over which the Corporation does not exercise significant influence are recorded at cost, as they do not have a quoted market price.

The Corporation recorded the value of the warrant to purchase an equity instrument and class B units in a privately held company equal to cost (one dollar) since the fair value cannot be reliably measured. The carrying values and fair values of the derivatives, financial guarantee and the long-term portion of the receivables, the bonds payable and the financial liability related to the monetisation of receivables are listed in the following table.

26. FINANCIAL INSTRUMENTS (*continued*)

	2010		2009		
	Carrying values	**Fair values**	**Carrying values**	**Fair values**	**Method**
	(millions of dollars)				
Financial instruments measured at fair value:					**Level one**
Derivative financial instruments – (assets)	-	-	4.6	4.6	The fair value is based on quoted forward market prices at March 31.
Derivative financial instruments – (liabilities)	0.3	0.3	-	-	The fair value is based on quoted forward market prices at March 31.
					Level two
Financial guarantee	10.4	10.4	-	-	The fair value is determined using the credit risk and interest rate that are observable.
Financial instruments measured at amortised cost:					
Net investment in sales-type leases (long-term)	-	-	60.8	68.0	The fair value of the net investment in sales-type leases is determined using the net present value of principal and interest cash flows. The discount rate used is based on long-term Government bonds maturing at approximately May 1, 2027, and adjusted by a spread based on credit rating.
Long-term receivables	11.8	11.1	77.0	82.9	The fair value of long-term receivables is based on quoted market prices for Government bonds maturing in approximately three to five years and adjusted by a spread based on credit rating.
Bonds payable (long-term)	309.2	389.1	318.4	418.5	The fair value of the bonds payable is determined using the net present value of principal and interest to be paid. The discount rate used is based on quoted market prices for Government of Canada bonds maturing at approximately May 1, 2027, and adjusted by a spread based on the credit rating for the bonds.
Financial liability related to the monetisation of receivables (long-term)	10.2	10.2	-	-	The fair value of financial liabilities related to the monetisation of receivables is based on quoted market prices for Government bonds maturing in approximately two years and adjusted by a spread based on credit rating.

26. FINANCIAL INSTRUMENTS (*continued*)

B. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation uses forward exchange contracts to reduce its exposure to US dollar foreign exchange fluctuations.

At March 31, the notional and fair values (expressed in Canadian dollars) of the derivative instruments not designated as hedges are as follows:

	2010		2009	
	Notional	**Fair value**	**Notional**	**Fair value**
	(thousands of dollars)			
Forward exchange contracts-USD[1]	**18,651**	**(297)**	**20,539**	**4,559**

1 The forward contracts rates are between 1.03 and 1.04 for forward contracts in US dollars and the maturity date is between April 2010 and October 2011.

For the year ended March 31, 2010, the amounts recorded in the Consolidated Statement of Operations resulting from the net change in fair value of the derivative instruments not designated as hedges represent a loss of $4.8 million (2009 – gain of $3.2 million). This result is presented in the Consolidated Statement of Operations as other income (net gain or loss from fair value of financial instruments).

C. FINANCIAL RISK MANAGEMENT

The Corporation's activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimise potential effects on the Corporation's financial performance. The risk management is carried out through financial management practices in conjunction with the overall Corporation's governance. The Board of Directors is responsible for overseeing the management of financial risk.

D. MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Corporation is exposed to currency risk and interest rate risk.

The Corporation's exposure to market risk and its objectives, policies and processes for managing market risk are unchanged since March 31, 2009.

26. FINANCIAL INSTRUMENTS (*continued*)

(i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Corporation is exposed to limited foreign exchange risk on revenues and expenses denominated in a foreign currency. The majority of these transactions are denominated in US dollars, Euros and British Pounds. The Corporation's primary objective in managing currency risk is to preserve cash flows and reduce variations in performance. The policy on currency risk requires the Corporation to minimise currency risk to protect the value of foreign cash flows, both committed and anticipated, from the negative impact of exchange rate fluctuations. The Corporation mitigates this risk by entering into forward exchange contracts. Accordingly, the Corporation has limited sensitivity to changes in foreign exchange rates.

The Corporation's net foreign currency exposure as at March 31, 2010 (expressed in Canadian equivalent dollars) is as follows:

	$US	**Euros** *(thousands of dollars)*	**GBP**
Cash	500	708	1,007
Accounts receivable	1,586	401	157
Accounts payable and accrued liabilities	(2,254)	(183)	(303)
Net exposure	**(168)**	**926**	**861**

Based on the net exposure as at March 31, 2010, and assuming all the other variables remain constant, a hypothetical five per cent change in the Canadian dollar against the US dollar, the Euro and the GBP would not have a significant impact on the Corporation's net results.

(ii) Interest Rate Risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation's long-term receivables, bonds payable and financial liability related to the monetisation of receivables are subject to interest rate fluctuations since they bear a fixed interest rate. An increase or decrease in market rates will affect the fair value of these financial instruments.

Based on the net exposure as at March 31, 2010, and assuming all of the other variables remain constant, the impact on the net results of an hypothetical one per cent change in the interest rate as of March 31, 2010, on the fair value of the long-term receivables represents $0.7 million, $30.4 million on the fair value of bonds payable and $0.2 million on the fair value of the financial liability related to the monetisation of receivables.

E. CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is exposed to credit risk through its cash, investments, accounts receivable, long-term receivables, and forward exchange contracts.

The maximum exposure to credit risk of the Corporation at March 31, 2010, is the carrying value of these assets.

26. FINANCIAL INSTRUMENTS (*continued*)

(i) Cash and investments

The Corporation has deposited cash with reputable financial institutions (members of the Canadian Payments Association or local Cooperative Credit Societies that are members of a Central Cooperative Credit Society having membership in the Canadian Payments Association or subject to the approval of the Minister of Finance, any financial institutions outside Canada), from which management believes the risk of loss to be remote.

The Corporation's investments are managed via an investment policy which guides the Corporation in its investment decisions. The Corporation invests surplus funds to earn investment income with the objective of maintaining safety of principal and providing adequate liquidity to meet cash flow requirements. The investments must be 100 per cent guaranteed by the Government of Canada to ensure that the Corporation has negligible exposure to credit risk. The balance of short-term investments is nil as of March 2010 (nil in March 2009).

(ii) Accounts Receivable

The Corporation's accounts receivable are mainly derived from the sale of advertising airtime. Credit risk concentration with respect to trade receivables is limited by following a program of credit evaluation and by limiting the amount of customer credit where deemed necessary. The Corporation does not believe that it is exposed to an unusual or significant level of credit risk. As at March 31, 2010, no single client had balances representing a significant portion of the Corporation's trade receivables.

The Corporation establishes an allowance for doubtful accounts that reflects the estimated impairment of accounts receivable. The Corporation has a specific policy on credit and collections and guidelines that provide for how the allowance should be determined. The Corporation establishes a general allowance and an additional allowance that is based on specific accounts and is determined by considering the Corporation's knowledge of the financial condition of its customers, the aging of accounts receivable, the current economic climate, customer and industry concentrations, and historical experience.

The following table sets out details of the age of receivables and the allowance for doubtful accounts as at March 31, 2010:

	(thousands of dollars)
Trade accounts receivable	
Current	54,169
31–60 days	31,007
61–90 days	19,196
Over 90 days	16,756
Allowance for doubtful accounts	(2,725)
Trade accounts receivable – net	**118,403**
Accrued receivables and other	76,109
Accounts receivable	**194,512**

The Corporation's allowance for doubtful accounts amounted to $2.7 million in 2010 (2009 – $2.9 million).

26. FINANCIAL INSTRUMENTS (*continued*)

(iii) Long-term Receivables

One counterparty has a balance representing 86 per cent of the long-term receivables as of March 31, 2010 (two counterparties representing 87 per cent in 2009).

Fourteen million dollars of the $21.0 million notional value of the long-term receivables from the monetisation of certain of the Galaxie pay audio assets (described in Note 22) are in the form of letters of credit; the remainder is in the form of unsecured notes payable. Management does not foresee any significant risk with the collection of the unsecured notes payable.

(iv) Forward Exchange Contracts

The policy on currency risk requires the Corporation to manage derivative counterparty credit risk by contracting primarily with reputable financial institutions.

F. LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial obligations associated with financial liabilities.

The Corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring losses. The Corporation also manages liquidity risk by continuously monitoring actual and budgeted cash flows. Also, the Board of Directors reviews and approves the Corporation's operating and capital budgets, as well as large transactions.

The Corporation does not have the authority to obtain a line of credit or long-term debt without the prior approval of the Minister of Finance.

The table below presents a maturity analysis of the Corporation's financial liabilities based on the expected cash flows from the date of the balance sheet to the contractual maturity date. The amounts are the contractual undiscounted cash flows.

	Carrying amount of liability at March 31, 2010	Contractual cash flows	Within 1 year	2 to 5 years	6 to 9 years	Over 9 years
			(thousands of dollars)			
Bonds payable	328,402	578,180	33,039	132,156	132,156	280,829

There are no future cash flow requirements for the derivative financial instruments, the financial guarantee and the financial liability related to the monetisation of the receivables.

27. CAPITAL MANAGEMENT

The Corporation defines capital that it manages as the aggregate of its equity, which is comprised of retained earnings and accumulated other comprehensive income.

The Corporation is not subject to externally imposed capital requirements. The Corporation is subject to Part III of the *Broadcasting Act*, however, which imposes restrictions in relation to borrowings.

The Corporation's objectives in managing capital are to safeguard its ability to continue as a going concern, to fund its asset base and to fulfil its mission and objectives for the Government of Canada to the benefit of Canadians.

The Corporation manages its capital by reviewing formally, on a regular basis, the actual results against set budgets, and shares this information with its Audit Committee and Board of Directors. The Corporation's overall strategy with respect to capital management includes the balancing of its operating and capital activities with its funding on an annual basis. The Corporation makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements.

The Corporation's objectives, policies and processes for managing capital are unchanged since March 31, 2009.

28. COMPARATIVE FIGURES

Some of the 2009 figures have been reclassified to conform to the current year's presentation.

Photos, cover:

Photos clockwise from upper left: **Céline Galipeau**, *Le téléjournal*, Télévision de Radio-Canada, RDI. **George Stroumboulopoulos**, *The Hour*, CBC Television, CBC News Network, **bold**; *The Strombo Show*, CBC Radio 2. ***Republic of Doyle***, CBC Television. **Guy A. Lepage**, **Dany Turcotte**, *Tout le monde en parle*, Télévision de Radio-Canada. ***The Tudors***, CBC Television, **bold**, Télévision de Radio-Canada. **Jian Ghomeshi**, *Q*, CBC Radio One, **bold**, Sirius 137. ***Belle-Baie***, Télévision de Radio-Canada. **Rebecca Makonnen**, *Studio 12*, Espace musique, Première Chaîne, Télévision de Radio-Canada, ARTV.

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Photos, page 1:

Photos from top row to bottom, left to right: ***Being Erica***, CBC Television. ***Trauma***, Télévision de Radio-Canada. ***Little Mosque on the Prairie***, CBC Television. ***At Issue***, CBC Television, CBC News Network. ***What's Your News?***, CBC Television. ***C.A.***, Télévision de Radio-Canada.

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