CBC | RADIO-CANADA
ANNUAL REPORT
2008–2009

GREAT SUCCESSES. GREATER CHALLENGES.

CBC Radio-Canada

THIS YEAR WAS A
PARADOX.

OUR CHALLENGE NOW IS TO ADAPT TO THE NEW FISCAL REALITIES FACING ALL BROADCASTERS.

This year was a paradox. CBC | Radio-Canada achieved unprecedented success with audiences across all of our services. Yet we also faced unprecedented financial challenges that forced us to make substantial cuts to staff and programming.

Our challenge now is to adapt to the new fiscal realities facing all broadcasters while protecting the investment Canadians have made in a strong, vibrant national public broadcaster. The difficult choices we have made are guided by a vision of what we need to be to remain relevant and indeed essential to our audiences. In 2008–2009, we made substantial progress in our goal of becoming an organisation offering the Canadian content audiences want, however and whenever they want it, while deepening our roots in the regions.

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MESSAGE FROM THE PRESIDENT AND CEO

Every time I speak to groups or to individual Canadians, I realise that there are three key facts about CBC | Radio-Canada that should be common knowledge, but are not.

Firstly, today's CBC | Radio-Canada is far more than television and radio. We now offer audiences a comprehensive range of services, from television and radio to the Internet and satellite radio, from digital audio to streaming video on mobile devices, and more. We have been pioneers in new services and platforms because we are committed to giving audiences the Canadian programming they want, wherever, whenever and however they want it. In a time of thousands of channels, stations and sites, it is critical for Canadians to have access to their own culture on all of the media platforms they use.

Secondly, the per capita cost to Canadians of funding all of our services is less than 10 cents per day, or approximately $34 dollars annually. Think about the yearly cost of your cable service or your newspaper subscription. I know these are much more than $34 a year.

And what do Canadians get for their $34 a year? They get a national public broadcaster that helps bring an increasingly diverse nation together. The unique role of CBC | Radio-Canada is to reflect the nation's diversity of voices and perspectives and to help people across the country learn from and about one another. This in turn helps Canadians form their individual, social and political identities. In this regard, CBC | Radio-Canada helps counter the risk of social diversity becoming fragmentation and isolation.

Other Western countries invest much more in public broadcasting than Canada. In a 2009 study, the Nordicity Group Ltd. found that among 18 major Western nations, the average annual per capita funding for the national public broadcaster was $76. Canada ranked 15th out of the 18 countries, even though CBC | Radio-Canada broadcasts in two official languages and across six time zones. Compared to CBC | Radio-Canada's $34 per capita annually, the BBC receives $124 per Briton, and funding in France is $65 (and soon to be $77) per capita.

UNPRECEDENTED SUCCESS AND FINANCIAL CRISIS: A YEAR OF PARADOX

And, here's the third largely unknown CBC | Radio-Canada fact: our business model – the way in which we are financed – is broken and can no longer provide Canadians with adequate resources to deliver all of the services required from a public broadcaster.

This despite the unprecedented success of our programming. Other conventional broadcasters are facing stagnant or shrinking audiences, yet CBC Television in its regular season this year achieved an 8.6 per cent share in prime time, up from 6.7 per cent three years ago, beating a competitor's predominantly American prime-time schedule. CBC Television is now the second-most-watched network in Canada. Télévision de Radio-Canada has maintained its prime-time market share of 19.1 per cent for the television season, despite competitors' many reality shows and the plethora of specialty channels. Our radio services have never had better ratings: a combined share of 14.1 per cent for CBC Radio and of 19.4 per cent for Radio de Radio-Canada. This strength carries over into our non-conventional services; for example, in 2008–2009, *CBC.ca* alone had an average of 4.3 million unique visitors monthly, and by the end of the year its audiences were downloading over two million of our podcasts every month.

PER CAPITA FUNDING BY CANADIANS FOR ALL OF OUR SERVICES IS LESS THAN 10 CENTS PER DAY, OR APPROXIMATELY $34 ANNUALLY.

PER CAPITA FUNDING FOR PUBLIC BROADCASTERS IN OECD COUNTRIES, 2007

CANADIAN SUPPORT FOR PUBLIC BROADCASTING IS LESS THAN HALF OF THE AVERAGE ($76 PER CAPITA) OF 18 OECD COUNTRIES.

* Data for 2007 fiscal year unless indicated otherwise.
** Figures for Spain include an estimate for the public broadcasters of the autonomous regions.
Source: Nordicity Group Ltd. Public funding data obtained from various sources. Exchange rates from Bank of Canada. Population data from Population Reference Bureau.

MESSAGE FROM THE PRESIDENT AND CEO

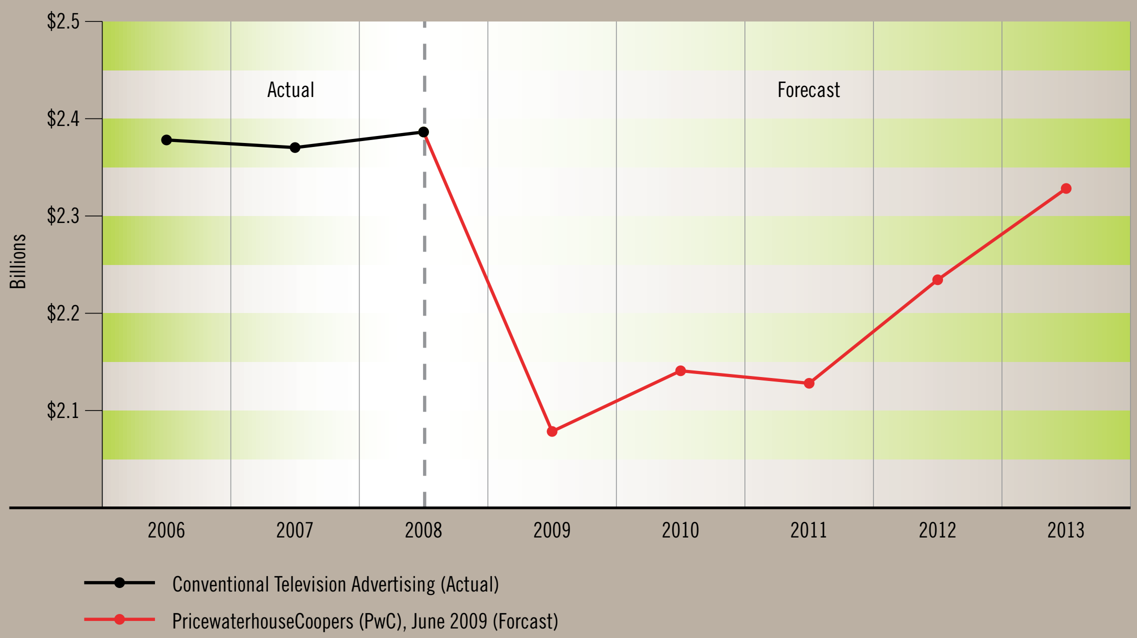
WE HAVE ACHIEVED REMARKABLE SUCCESS THIS YEAR – DESPITE A VERY CHALLENGING BROADCASTING ENVIRONMENT.

So, then, why are we facing a financial crisis? We and other Canadian conventional television broadcasters depend on advertising revenues that were steadily declining even before the global economic downturn hit in mid–2008. The current economic crisis has only accelerated this decline – it did not cause it.

This year our shortfall in advertising revenues against budget was $65 million. We were not alone in being affected – Canada's main private television networks all announced major layoffs and service cuts. Through a hiring freeze and rigorous cost management, we were able to balance our budget for 2008–2009.

We anticipate that our advertising revenues will continue to be weak in 2009–2010, despite our increased market share in both English and French television. Combined with contractual cost increases and other financial pressures, we estimate that we will be faced with a shortfall against budget of approximately $171 million in fiscal 2009–2010.

CONVENTIONAL TELEVISION ADVERTISING MAY NEVER RECOVER TO PREVIOUS LEVELS



Source: Statistics Canada (Actual); PricewaterhouseCoopers (PwC), June 2009 (Forecast)

Our only option has been to undertake a substantial reduction in our staffing levels as well as our level of programming. The savings from these cost reductions will not be completely realised in 2009–2010 because there are one-time severance costs associated with the downsizing. Due to our inability to borrow for working capital purposes and the fact that we have no access to normal banking credit lines to manage our cash flows, it has been necessary to pursue the sale of corporate assets to cover the shortfall in 2009–2010. The recovery plan, which was approved by the Board of Directors in March 2009, is discussed in more detail in the Management Discussion and Analysis section of this report.

CUTS GUIDED BY KEY PRIORITIES

Our choices were very difficult. We had to eliminate 800 positions, reducing staff at many stations across the country. Some programs had to be cancelled; others were scaled back; and there will be more repeat broadcasts.

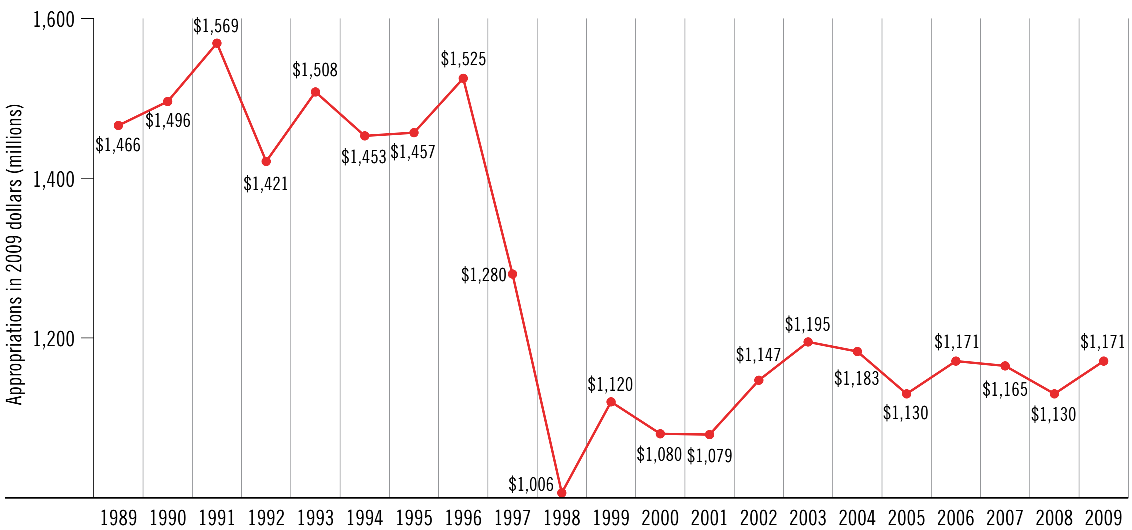
Although painful, the cuts we made were guided by the three key priorities we identified this year: People, Programs and Pushing Forward.

To protect our people, we have tried to contain the number of layoffs as much as possible. Yet 60 per cent of our overall budget goes to salaries, so some cuts were unavoidable. We are still working closely with our unions to find creative ways to reduce the number of job cuts required to meet our budgetary target.

The need to cut positions was particularly discouraging because this year we made excellent progress on what has been for me a personal priority – building stronger and more collaborative relationships with our employees and with our unions, to which some 87 per cent of our employees belong. Three significant negotiations were successfully concluded this year: first, through interest-based bargaining, we reached a five-year agreement with the Association of Professionals and Supervisors (APS) that was approved by more than 96 per cent of APS membership. The APS president noted that the process had been "a great step towards mutual understanding." Second, before the contract expiry date, we signed with the Canadian Media Guild a new agreement that its president said "changed the perception each had

CBC|RADIO-CANADA PARLIAMENTARY APPROPRIATIONS

RESTATED IN CONSTANT DOLLARS (2009 = 100)



Source: CBC|Radio-Canada Finance Department of the other as the enemy." And third, through interest-based bargaining for the fourth time in a row, we reached a three-year agreement with the Syndicat des technicien(ne)s et artisan(e)s du réseau français de Radio-Canada (STARF).

We are listening to each other in a constructive way, acknowledging that although we have different perspectives, we have the same objective – to make CBC | Radio-Canada as successful as it can be for Canadians. I am grateful to everyone who has been willing to put aside past perceptions and commit to forging new relationships based on mutual trust and respect. This new way of talking to each other is essential to getting us through the challenges we now face, and we will continue to work on these relationships.

WE PROTECTED OUR PROGRAMMING IN TWO WAYS.

First, we limited the effect of the cuts on our regional broadcasting by targeting 82 per cent of the cuts to our English and French national networks and corporate services. This allowed us to keep our regional footprint intact across the country.

Will the regional cuts affect our audiences? Absolutely. When you take dedicated, creative and passionate people out of a regional station, you affect the services that audiences in that region receive. When you change the nature of your regional noon radio show and reduce it to one hour, audiences notice the difference. I understand why many Canadians are worried about how the cuts will affect services in their communities.

OUR PROGRAMMING IS DRIVEN BY THE CREATIVITY AND PASSION OF OUR PEOPLE.

Second, we reaffirmed our commitments to keeping our English and French radio services commercial-free and to preserving CBC Television's virtually all-Canadian series and news line-up in the 8:00–11:00 p.m. portion of prime time, and Télévision de Radio-Canada's 95 per cent Canadian line-up in prime time every day of the week. To do otherwise would be to weaken essential elements of our mandate and identity.

To ensure we continue to push forward, we committed to maintaining our strategic investments in new platforms and services. Canadians have come to expect their national public broadcaster to lead the evolution of Canadian broadcasting. To stay relevant, we must continue to make those investments.

MAINTAINING OUR STRATEGIC DIRECTION

The cuts we have been forced to make will slow but will not stop our progress towards becoming an even more relevant and dynamic national public broadcaster. This strategic direction has three components.

First, rather than being a broadcaster with separate and discrete media lines, we are becoming a content company in which everyone collaborates and shares resources to generate deeper, richer content that we make available to audiences whenever, wherever and however they want it.

An example of this was our multiplatform coverage of the 2008 Federal Election. On radio and television we broadcast Election analysis, profiles and reports; but on the Internet, Canadians could get much more, from streaming video and audio to in-depth riding-level profiles and results from an interactive map. A *Reality Check* site put the candidates' promises and statements to the test. A *Voter Toolkit* provided specific information as to where and how Canadians could vote. Through our websites, we acted as the nation's public forum: thousands debated local issues in fora created for every riding – in fact, there were over 10,000 comments posted in these areas of the site alone. *En ligne, Citoyens* linked francophones across the country in a discussion about the issues. Canadians asked questions directly to political candidates and they posted thousands of their own photos and videos. We had over a quarter of a million postings to our sites. This is how we foster citizen participation today.

The second component of our strategic direction is to continue to be the most important creator and distributor of Canadian content across all media platforms. Despite having almost unlimited choices, audiences are choosing our many services for one reason: our Canadian content. Audiences recognise that CBC | Radio-Canada is the home of Canadian content.

The third component is our ongoing commitment to remain deeply rooted in Canada's regions. Our connection to the regions is an essential part of our mandate. If we receive more resources, or if our commercial revenues bounce back and hold, we will put people and dollars back into the regions. This is where our service is most intimately engaged in the lives of Canadians. In these tight economic times we will look for new ways, using new media, to enhance our presence.

RECORD AUDIENCES ARE TUNING IN. YET, TO CONTINUE TO DELIVER GREAT CANADIAN PROGRAMMING...

TOWARDS A SUSTAINABLE FUTURE

We have achieved remarkable success with our programming, increasing audiences across all of our services despite a very challenging and constantly changing broadcasting environment particularly due to failing advertising revenues. And we are implementing a strategy that will lead to greater success in the future. Yet I am compelled to report that, unless we are able to develop a sustainable revenue model in the near future, CBC | Radio-Canada's ability to fulfil its mandate will be seriously at risk.

Recent initiatives from the CRTC and the Government will help address some of the challenges that all conventional broadcasters face. The new Canada Media Fund, for example, should offer increased support for first-run, prime-time Canadian programming that is original, of high quality, and broadcast on a host of platforms. And the CRTC's Local Programming Improvement Fund (LPIF) will mean better local services, if it focuses on smaller markets and is based on each broadcaster's track record in investing in specific communities.

Another part of the solution will fall into place when the CRTC proceeds with its proposal to permit conventional television broadcasters to negotiate compensation from cable and satellite companies for the value of their signals – revenues that specialty channels have received for years.

MESSAGE FROM THE PRESIDENT AND CEO

CBC | RADIO-CANADA NEEDS ADEQUATE, LONG-TERM FUNDING.

Citing "the current period of economic uncertainty," the CRTC announced in May 2009 that it would grant one-year license terms to the large private English-language conventional television broadcasters, and a two-year license term for the television stations and discretionary services operated by one of the French-language broadcasters, to take effect September 1, 2009. CBC | Radio-Canada's television, radio, specialty, and pay audio licenses were recently administratively renewed for one year, until August 31, 2010.

The Commission will be launching a follow-up proceeding culminating in fall 2009 to review and implement a number of policy matters, including value-for-signal negotiations, group-based licensing and the digital transition.

With the CRTC now evaluating value-for-signal financing and other potential remedies to address the advertising revenue crisis facing all conventional broadcasters, including CBC | Radio-Canada, the Corporation believes that the time is right for the CRTC and the Government to also consider a further initiative for the national public broadcaster.

A NEW ERA FOR PUBLIC BROADCASTING

For several years, we have been making the case for the Government to commit to a multiyear arrangement with CBC | Radio-Canada that defines service expectations and commits matching funding levels. It would be similar to what exists for the BBC, as well as for national public broadcasters in Ireland, South Africa and other countries.

This arrangement would give CBC | Radio-Canada the financial certainty needed to continue to meet our mandate requirements and to plan effectively for the future. And it would make us even more accountable to Government and to Canadians.

To think of what CBC | Radio-Canada could achieve with adequate, stable and long-term funding is very exciting. Driven by the creativity and passion of our people for public broadcasting, we would lead the Canadian broadcasting industry into a future of virtually unlimited opportunity. I believe that this is what Canadians expect and indeed deserve from their national public broadcaster.

Hubert T. Lacroix
President and CEO

MESSAGE FROM THE CHAIR

This has been a particularly challenging year for CBC | Radio-Canada, as it has been for all broadcasters and indeed for all Canadians. Despite ongoing success with audiences across all our services, at the end of the fiscal year we had to make some very difficult decisions.

The departure of up to 800 valued colleagues will be felt by everyone at CBC | Radio-Canada. Similarly, our audiences will be affected by cuts to programs and services that they cherish. At this difficult time, everyone at CBC | Radio-Canada appreciates Canadians' strong support for public broadcasting, expressed in many ways across the country.

Serious financial challenges are the reality for CBC | Radio-Canada, as they are for our competitors and for our advertisers, and we have no choice but to adapt. Our President and Senior Executive Team have developed, with input from our Board of Directors, a strategy that preserves as far as possible the Corporation's capability to serve Canadians.

For the Board of Directors, this was a year of change and renewal as the terms of several Board members concluded and new members were selected. Our new Board members gained insight about the Corporation and its challenges from senior managers who provided a comprehensive and cost-effective in-house briefing program. At our regular meetings, the Board offered its guidance and oversight to senior management on the Corporation's priorities and operations. I wish to extend my thanks to all Board members for their support and time, and for their ongoing commitment to public broadcasting.

During difficult economic times, the critical role of CBC | Radio-Canada as a reliable and trusted source of information increases. The national public broadcaster acts as a unifying force by offering in-depth analysis of the stories and issues that matter to Canadians, reaffirming our shared values and identity. Through its programming, services and diverse personnel, CBC | Radio-Canada also reaches out to new Canadians, helping them better to understand and to integrate into their adopted country. We are also increasingly giving viewers and listeners access to our content through a more robust Internet offering to meet their changing needs and preferences.

Reaching more Canadians in more ways than ever before with the content they want and indeed need is the foundation of the Corporation's success today and into the future.

Tim W. Casgrain
Chair, Board of Directors

BOARD OF
DIRECTORS

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
(since December 2008)

George Cooper
Senior Partner
McInnes Cooper
Halifax, Nova Scotia
(since May 2008)

Hélène F. Fortin
Partner
Demers Beaulne, S.E.N.C.R.L.
Montréal, Québec
(until September 2008)

The Honourable Joseph Handley
Former Premier of the Northwest Territories
Yellowknife, Northwest Territories
(since May 2008)

Peter Herrndorf
President and CEO
National Arts Centre
Ottawa, Ontario

Patricia A. McIver
Chartered Accountant
Richardson Partners Financial Limited
Vancouver, British Columbia
(since June 2008)

Trina McQueen
President
Hutton-Belleville Inc.
Toronto, Ontario

Brian R. Mitchell
Managing Partner
Mitchell Gattuso
Montréal, Québec

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

K. (Rai) Sahi
Chairman and CEO
Morguard Corporation
Toronto, Ontario
(until May 2008)

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

BOARD OF DIRECTORS YEARLY ATTENDANCE

APRIL 2008–MARCH 2009

BOARD MEMBER	Board (6 meetings; 5 conference calls)	Nominating and Governance (3 meetings)	Human Resources and Compensation (6 meetings; 3 conference calls)	Audit (5 meetings)	Standing (3 meetings)	Special Committee on Real Estate (1 meeting)
Tim W. Casgrain	11/11	N/A	9/9	4/4	3/3	1/1
Hubert T. Lacroix	11/11	N/A	9/9	N/A	2/3	1/1
Linda Black	10/10	3/3	N/A	N/A	3/3	1/1
Peter Charbonneau [1)]	4/4	N/A	N/A	1/1	N/A	N/A
George Cooper [2)]	8/9	2/3	N/A	N/A	2/3	1/1
Hélène Fortin [3)]	4/4	N/A	N/A	2/2	1/1	1/1
Joseph Handley [4)]	9/9	3/3	N/A	N/A	3/3	1/1
Peter Herrndorf	11/11	3/3	N/A	N/A	1/3	1/1
Patricia McIver [5)]	6/7	N/A	N/A	2/3	1/2	N/A
Trina McQueen	11/11	N/A	N/A	4/4	2/3	1/1
Brian Mitchell	10/10	N/A	N/A	5/5	3/3	1/1
Rémi Racine	11/11	N/A	8/9	N/A	3/3	1/1
Edna Turpin	11/11	N/A	9/9	5/5	3/3	1/1

This report lists attendance from April 1, 2008 to March 31, 2009.

1) Peter Charbonneau was appointed December 19, 2008.

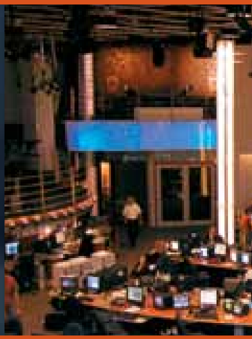
2) George Cooper was appointed May 9, 2008.

3) Hélène Fortin resigned September 5, 2008.

4) Joseph Handley was appointed May 9, 2008.

5) Patricia McIver was appointed June 18, 2008.

GOVERNANCE



GOVERNANCE

HIGHLIGHTS

APPOINTMENT OF NEW BOARD MEMBERS

The Board of Directors of CBC | Radio-Canada underwent a significant transition in 2008–2009 with six new Directors joining during the year. This was a 50 per cent turnover in Board membership and, as such, posed challenges to ensure that new members were properly equipped within a relatively short timeframe to assume the stewardship of the Corporation. To accomplish this, the Corporation offered a series of comprehensive briefings on a range of topics, including: key aspects of the broadcasting industry in Canada; the Canadian regulatory environment; and, CBC | Radio-Canada operations.

During the year:

Linda Black, of Calgary, Alberta, was appointed to replace Yasmin Jivraj.

Brian Mitchell, of Montréal, Québec, was appointed to replace Johanne Brunet.

George Cooper, of Halifax, Nova Scotia, was appointed to replace Bernd Christmas.

Hon. Joseph Handley, of Yellowknife, Northwest Territories, was appointed to replace K. (Rai) Sahi.

Patricia McIver, of Vancouver, British Columbia, was appointed to replace Mary McNeil.

Peter Charbonneau, of Ottawa, Ontario, was appointed to replace Hélène Fortin.

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.

SPECIAL COMMITTEE ON REAL ESTATE PROJECTS

The Special Committee on Real Estate Projects was established in June 2008 and given responsibility for monitoring the Corporation's major real estate projects in Montréal, Toronto and Vancouver.

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, 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 meetings held in 2008–2009, the total amount paid in Director compensation was $158,412.50.

Photos left to right: **Réjean Blais**, *Le téléjournal / Estrie*, Télévision de Radio-Canada. **Bill Gillespie**, Moscow Bureau, CBC Radio. **Centre de l'information**, Maison de Radio-Canada, Montréal. **Michel Cormier**, Beijing Correspondent, CBC | Radio-Canada. **Sylvie-Anne Jeanson**, *Au-delà de la 401,* Première Chaîne Ontario. **Nahlah Ayed**, Beirut Correspondent, CBC Television, CBC Newsworld.

PUBLIC ACCOUNTABILITY

PUBLIC ACCOUNTABILITY

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.

OPEN AND TRANSPARENT

For example, CBC | Radio-Canada 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:

- 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)
- CBC | Radio-Canada Corporate Plan and Corporate Plan Summary
- CBC | Radio-Canada Annual Report
- Auditor General Special Examination Report
- Auditor General Annual Attest Audit
- 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 Chair, President and Vice-Presidents on corporate website

Photos left to right: **Martin Robert, Abbé Lanteigne**, *Le téléjournal / Acadie*, Télévision Acadie. **Grégory Dubosc**, *Point du jour*, Première Chaîne Saskatchewan. **Adrian Harewood**, *All In A Day*, CBC Radio One. **Céline Galipeau**, *À l'heure de la Chine*, Télévision de Radio-Canada.

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. 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. 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,

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 in excess of 750 requests for records relating to a wide range of subjects. This is well beyond the volume of requests anticipated, based upon benchmarking of other comparable organisations. Responding to this volume of requests has posed a significant challenge for the Corporation. To address the situation, a number of steps have been taken to position the Corporation to meet its obligations under the legislation, efficiently and effectively.

UNIQUE AS CANADA

CBC RADIO

- CBC Radio One and CBC Radio 2 achieved an all-time combined record audience share – 14.1 per cent – up from last year's record combined share of 13.4 per cent. Numerous programs are at historic highs.
- All local CBC Radio One morning shows in major English-speaking markets were ranked either first (Calgary, Halifax, Ottawa, Toronto) or second (Winnipeg, Vancouver), with 20 of the 22 shows ranked in the top three in their respective markets.
- CBC Radio recorded and broadcast more live music than ever before – over 1,000 hours and 725 acts, including classical, popular, Aboriginal, and other genres.
- CBC Radio 2 launched four online streams of continuous music – classical, jazz, Canadian composers, and Canadian songwriters.
- CBC Radio's commitment to program review and development produced 200 program pitches, 20 pilots and 12 broadcast shows or series.
- CBC Radio helped raise donations of over four million dollars for charity and 15,000 turkeys for underprivileged families during December alone.
- CBC Radio 2's Obama Playlist, inviting audiences to recommend Canadian music selections for the new President, received worldwide coverage – 131 international newspaper and television stories in Britain and the US reached 41 million people.
- *Canada Reads* again helped raise the winner to first place on the Canadian bestsellers list, and significantly promoted the four runners-up. Media coverage – 200 stories read by 50 million people.
- 120 national and international awards.

A | B | C

A: **George Stroumboulopoulos**, *The Hour*, CBC Television, CBC Newsworld, *CBC.ca*. B: **Yoliane Mottet**, *Le pont des arts*, Première Chaîne British Columbia and Yukon. C: ***Belle-Baie***, Télévision de Radio-Canada.

Photos below, left to right: **Stuart McLean**, *The Vinyl Cafe*, CBC Radio One, CBC Radio 2, Sirius Satellite Radio Channel 137, *CBC.ca*. **Randy Bachman**, *Randy Bachman's Vinyl Tap*, CBC Radio One, CBC Radio 2, Sirius Satellite Radio Channel 137. **Canada Reads 2009 Panel**, *Q*, CBC Radio, Sirius Satellite Radio Channel 137, **bold**.

2008–2009 HIGHLIGHTS

CBC TELEVISION

- CBC Television achieved its highest 2+ regular season prime-time audience share since 1999–2000 – 8.6 per cent – up almost a full percentage point from a high of 7.8 per cent last year.
- The network increased its 2+ regular season (weeks 5–29) prime-time audience share by almost two full percentage points since 2004–2005 and its share now exceeds that of Global Television with its predominantly American prime-time schedule.
- *CBC News: The National* (news portion) increased its audience by 19 per cent over 2007–2008.
- Major audience increases over the previous year: *Dragons' Den* (up 55 per cent); *The Nature of Things* (up 37 per cent); *Doc Zone* (up 16 per cent); and *Marketplace* (up 21 per cent).
- *Rick Mercer Report* – averaged a 2+ audience of over one million this season.
- CBC's Hockey Night in Canada Anthem Challenge truly engaged Canadians who submitted 14,685 entries.
- 198 national and international awards.

CBC.CA

- Canada's most popular English-language news and media site again – 4.8 million unique visitors per month (comScore).
- Averaged approximately 750,000 weekly streams – 575,000 video and 175,000 audio.
- Over 280,000 registered members posted a total of over 1.9 million comments – a monthly average of 260,000 with a single-day record of 16,000 posts. On an average workday, 4,800 individual users participated.
- Over 2.1 million "recommends" related to posted comments.

CBC RADIO AND CBC TELEVISION

- CBC Radio and CBC Television co-productions again increased audiences on both platforms, with CBC Radio programs *Q* and *Canada Reads* developed for television audiences on **bold**.

Photos left to right: ***Being Erica***, CBC Television. ***Mighty Jungle***, CBC Television. ***L'auberge du chien noir***, Télévision de Radio-Canada. **Alexandre Courteau**, Espace musique, *bandeapart.fm*, Sirius Satellite Radio Channel 87. ***Les Boys***, Télévision de Radio-Canada.

RADIO DE RADIO-CANADA

- Radio de Radio-Canada maintained last year's performance levels – its strongest since 1984.
- In fall 2008, Radio de Radio-Canada had 1,434,000 listeners, the biggest reach in its history. It captured a 19.4 per cent share of French-language radio listening in markets served.
- In fall 2008, a number of Première Chaîne's regional morning shows increased their audience share: Québec City (+5 per cent), Rouyn (+4 per cent) and Matane (+3 per cent). In Montréal, the morning program tied for highest ratings, obtaining an audience share of 21 per cent (BBM Fall).
- Espace musique launched the Web radio site Espace jazz.
- Visitor traffic to the Espace classique site doubled, with a monthly average of 60,000 visits.
- Over 80 films from 22 countries were submitted to RCI's *Migr@tions* competition.

TÉLÉVISION DE RADIO-CANADA

- Strong results achieved in recent years were maintained during this year's regular season, with a 14 per cent audience share over the programming day and a 19.1 per cent share during prime time (7:00–11:00 p.m.).
- Radio-Canada remained the network to watch for major cultural events, broadcasting the Gémeaux awards (average of 1.4 million viewers), the ADISQ gala (average of 1.7 million viewers), the Jutra awards (average of 655,000 viewers), and Les Olivier (average of 1.4 million viewers).
- The new series, *Les Parent*, was a big hit, with an average viewership of 1,068,000 (29 per cent average audience share). The popularity of current affairs programs did not diminish: *L'épicerie, La facture* and *Découverte* reached audiences of 677,000, 735,000 and 694,000, respectively.
- In fall 2008, regional editions of the 6:00 p.m. *Téléjournal* saw their audience share increase: Ottawa-Gatineau (+4.3 per cent), Québec City (+2.6 per cent), Trois-Rivières (+4.4 per cent), and Moncton (+9.3 per cent).

2008–2009 HIGHLIGHTS

RADIO-CANADA INTERNET AND DIGITAL SERVICES

- *Radio-Canada.ca* is the second most-visited French-language media site, drawing a monthly average of 968,000 francophone visitors (comScore). Demand for the site's audio/video content grew substantially in 2008–2009, with total visits rising by approximately 35 per cent in one year.
- Radio-Canada revamped its mobile news offering by launching a site tailored to cell phone users, with headlines sent by SMS, as well as live and on-demand RDI content, 24 hours a day.

OTHER RADIO-CANADA HIGHLIGHTS

- On all of its platforms, Radio-Canada followed the events and festivities marking the 400th anniversary of the founding of Québec City.
- Radio-Canada Musique, the biggest integrated music initiative in the public broadcaster's history, was launched in October 2008.
- Radio-Canada provided distinctive coverage of the Beijing Olympics. On average, our Olympic coverage drew a daily television audience share of 28 per cent over the entire programming day. The opening ceremony was watched by over a million viewers (average share of 45 per cent). The Beijing 2008 site had 56 per cent more traffic than the Athens 2004 site.

PEOPLE AND CULTURE: BUILDING AND STRENGTHENING OUR TEAM

- The People and Culture portfolio was created, and Katya Laviolette named Vice-President to oversee the human resources function for the Corporation. Future strategies include improving the internal culture, ensuring that employees' contributions are valued, fostering leadership development and talent management, and ensuring a diverse talent pool.
- 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.
- Employees from different regions and segments helped refine the Corporation's vision and strategy at the May 2008 forum, *Challenge Us!* The emerging theme, "accelerated change," will call upon employees' creativity and competence.
- Leaders' Forum, November 2008, engaged senior executives and managers in the strategic planning process, with results informing the Corporation's Strategic Plan.
- Collective agreements were reached with the Association of Professionals and Supervisors (APS), the Canadian Media Guild (CMG) and the Syndicat des technicien(ne)s et artisan(e)s du réseau français (STARF).

Photos left to right: **Garvia Bailey**, *Big City, Small World*, CBC Radio One. **Anthony Germain**, Shanghai Correspondent, CBC Radio, *CBCnews.ca*. **Tom Allen**, *Radio 2 Morning*, CBC Radio 2. **Anna Maria Tremonti**, *The Current*, CBC Radio One, Sirius Satellite Radio Channel 137. ***L'auberge du chien noir***, Télévision de Radio-Canada. **Boucar Diouf**, **Francis Reddy**, *Des kiwis et des hommes*, Télévision de Radio-Canada.

ORGANISATIONAL HEALTH AND WELLNESS

- Minimising the impact of our operations on the environment, engaging employees in this effort and environmental performance review were again activities monitored by the Environmental Lead Team. Achievements this year included our first annual internal environment report, continued recycling of e-waste and the introduction of a cell phone take back program. Next year's initiatives will focus on paper reduction.
- During Healthy Workplace Month, waste reduction, healthy habits, mental health, and sound workstation ergonomics were promoted.
- Nearly 183 ergonomic assessments were conducted and 40 workshops held on topics such as office or camera operator ergonomics and safe lifting techniques.
- The two-year Respect in the Workplace project concluded, with 96 per cent of employees attending one of the 600 workshops jointly facilitated by managers and unionised employees.
- The sixth annual corporate influenza vaccination program reached 27 per cent of our employees in 26 cities.
- The National Crisis Management Team continued to develop programs for emergency preparedness, corporate security and business continuity planning, to ensure employees' protection at home and abroad. Special projects included an employee emergency information line, Olympics and pandemic preparedness.

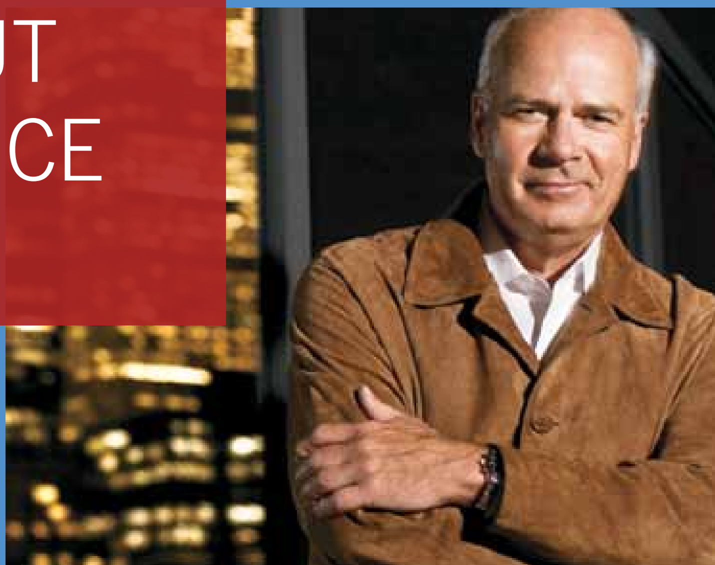
MERCHANDISING

- The Merchandising Division brought in nearly $10 million again this year from national and international sales related to content licensing, CD and DVD sales and distribution, digital downloads, books, clothing, and authorised merchandise. These revenues fund services for our audiences.

REAL ESTATE

- BOMA BESt certification has been achieved in 82 per cent of CBC | Radio-Canada-occupied space.
- The Canadian Broadcasting Centre in Toronto was awarded a Silver Waste Minimization Award this year by the Recycling Council of Ontario for increasing its diversion rate from 55 per cent to 70 per cent.
- Maison de Radio-Canada in Montréal is increasing its waste diversion to a level of 65 per cent in the short term.
- Self-funded energy-savings initiatives were carried out in Vancouver, Charlottetown, Fredericton, Winnipeg, Calgary, Yellowknife, Windsor, and St. John's for reduced operating costs and systems less taxing on the environment.
- Vancouver redevelopment: funded through a combination of the proceeds from the sale of development rights on adjoining lands, long-term leasing revenues from freed-up spaces within the building and capital funds. This project, which is 80 per cent completed, will provide integrated newsroom/digital content management, stronger community connection and enhanced production and work facilities.

IT'S ALL ABOUT SERVICE



A: **Dragons' Den**, CBC Television. B: **Peter Mansbridge**, *CBC News: The National*, CBC Television, CBC Newsworld, *CBCnews.ca.* C: **Céline Galipeau**, *Le téléjournal*, Télévision de Radio-Canada, RDI.

CBC | RADIO-CANADA SERVICES

CBC | Radio-Canada is the only Canadian broadcaster delivering a comprehensive range of radio, 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.

TELEVISION

CBC TELEVISION Canada's leading 24-hour English-language network of ground-breaking news, information, sports, and entertainment programming produced by, for and about Canadians, for more than 55 years.

CBC NEWSWORLD The country's first and most-respected 24-hour all-news and information English-language television service. Live news updates throughout the day keep Canadians informed about the world, while award-winning documentaries delve even deeper into it. By subscription.

BOLD Be daring. Be **bold.** Canada's 24-hour English-language digital television service pushes the boundaries with innovative drama and comedy, the world's best performing arts and exclusive coverage of sporting events. By subscription.

DOCUMENTARY Provocative and compelling, *documentary* is the première English-language digital television service delivering the best in Canadian and international docs, films and series – 24 hours a day. By subscription.

TÉLÉVISION DE RADIO-CANADA The pre-eminent cross-country French-language television network connecting Canadians with popular and high-quality original programming, including news, current affairs, drama, arts and culture, and programs for children and youth.

RÉSEAU DE L'INFORMATION DE RADIO-CANADA (RDI) The leader in French-language 24-hour news and information for Canadians, RDI links francophones across the country with in-depth reporting and top-notch current affairs programming, including documentaries and interviews. By subscription.

CBC NORTH | RADIO-CANADA NORD Bringing together, via the airwaves, the diverse communities that make up Canada's vast North, and broadcasting award-winning radio and television services in English, French and eight Aboriginal languages.

ARTV A rich blend of arts and culture, showcasing the best in film, theatre, music, dance, visual arts, and more, all brought together on one vibrant French-language television channel. By subscription.

TV5MONDE The première worldwide French-language television network, TV5MONDE encompasses 10 broadcast partners across the globe and creates a space dedicated to public expression. It airs programming that increases awareness of the diversity of cultures and points of view.

IT'S ALL ABOUT SERVICE

RADIO AND SATELLITE

CBC RADIO ONE Canada's English-language information service, where the country turns for its local, national and international news, current affairs, documentaries, arts and culture, on radio and Sirius Satellite Radio Channel 137. Commercial-free and reflecting the true lives of Canadians, no matter where they live.

CBC RADIO 2 Music music music. Commercial-free and ready to transport listeners with a mix you won't hear anywhere else. Classical, jazz, world beat, pop, and much more. An English-language network, with music that speaks to all.

CBC RADIO 3 If it's new, you'll find it here. Catch the next big thing on this showcase of emerging, commercial-free Canadian music via the Internet at *radio3.cbc.ca*, podcast and Sirius Satellite Radio Channel 86. English-language.

PREMIÈRE CHAÎNE From one end of the country to the other, Première Chaîne is Canada's commercial-free French-language radio network, offering listeners a truly diverse mix of information and cultural programming. Engaged in its environment while being open to the world, it enlightens and entertains.

ESPACE MUSIQUE French-language musical radio that accompanies you night and day with a multitude of diverse styles and rhythms – classical, jazz, vocal, world music, and emerging artists. Commercial-free and always engaging.

BANDE À PART Rock, pop, hip hop, alternative, punk, electronica – the explosion of French-language music is at the heart of this commercial-free, 24-hour network, where Canadian artists are front and centre. Find it on radio at Espace musique, on the Internet at *bandeapart.fm*, via podcast, and Sirius Satellite Radio Channel 87.

PREMIÈRE PLUS Listen in on original French-language programming and the best of Première Chaîne's news, current affairs and cultural broadcasts – with the luxury of no commercials. In partnership with Radio Canada International and Radio France International, across North America on Sirius Satellite Radio Channel 94.

SPORTS EXTRA The only French-language sports service on satellite radio. Get the real scoop from expert hosts and analysts from the Radio-Canada sports team. Amateur and pro – everything is fair game on Sirius Satellite Radio Channel 96.

RADIO CANADA INTERNATIONAL (RCI) Canadian voices have been extending across the planet since 1945 with this commercial-free international radio service, now broadcasting information and cultural programs in seven languages via the Internet, digital and analogue shortwave, satellite, and hundreds of partner stations worldwide.

RCI PLUS Reflecting Canada and its vibrant multicultural population in seven languages on Sirius Satellite Radio Channel 95. Try out a new language thanks to programming from Radio Canada International, as well as from national and international partners.

CBC NORTH I RADIO-CANADA NORD Bringing together, via the airwaves, the diverse communities that make up Canada's vast North, and broadcasting award-winning radio and television services in English, French and eight Aboriginal languages.

INTERNET

CBC.CA One of Canada's most popular and comprehensive English-language media websites, with up-to-the-minute news and information, streaming audio and video, sports highlights, Web-only interactive features, multimedia archives, and much more.

RADIO-CANADA.CA Don't miss a minute of Canada's favourite French-language radio and television content from Radio-Canada – all online. Constantly updated news and information, and unique new media and Web features ensure that each visit is dynamic and different.

CBC RADIO 3 If it's new, you'll find it here. Catch the next big thing on this showcase of emerging, commercial-free Canadian music via the Internet at *radio3.cbc.ca*, podcast and Sirius Satellite Radio Channel 86. English-language.

BANDE À PART Rock, pop, hip hop, alternative, punk, electronica – the explosion of French-language music is at the heart of this commercial-free, 24-hour network, where Canadian artists are front and centre. Find it on radio at Espace musique, on the Internet at *bandeapart.fm*, via podcast, and Sirius Satellite Radio Channel 87.

RCI VIVA Giving the world a window on Canada, Radio Canada International's commercial-free Web radio service broadcasts in seven languages at *rciviva.ca*. It's a true gateway to this country for new and aspiring immigrants, with information to help them discover Canada.

ESPACE CLASSIQUE The sweet sounds of continuous classical music, commercial-free, and customised just for you. This Web radio service at *radio-canada.ca/espaceclassique* introduces you to new talent, even as it shines the spotlight on timeless favourites.

ESPACE JAZZ Web radio just became jazzier on Espace musique. For continuous jazz, customise your listening by genre, instrument or mood.

EXTENDING OUR REACH

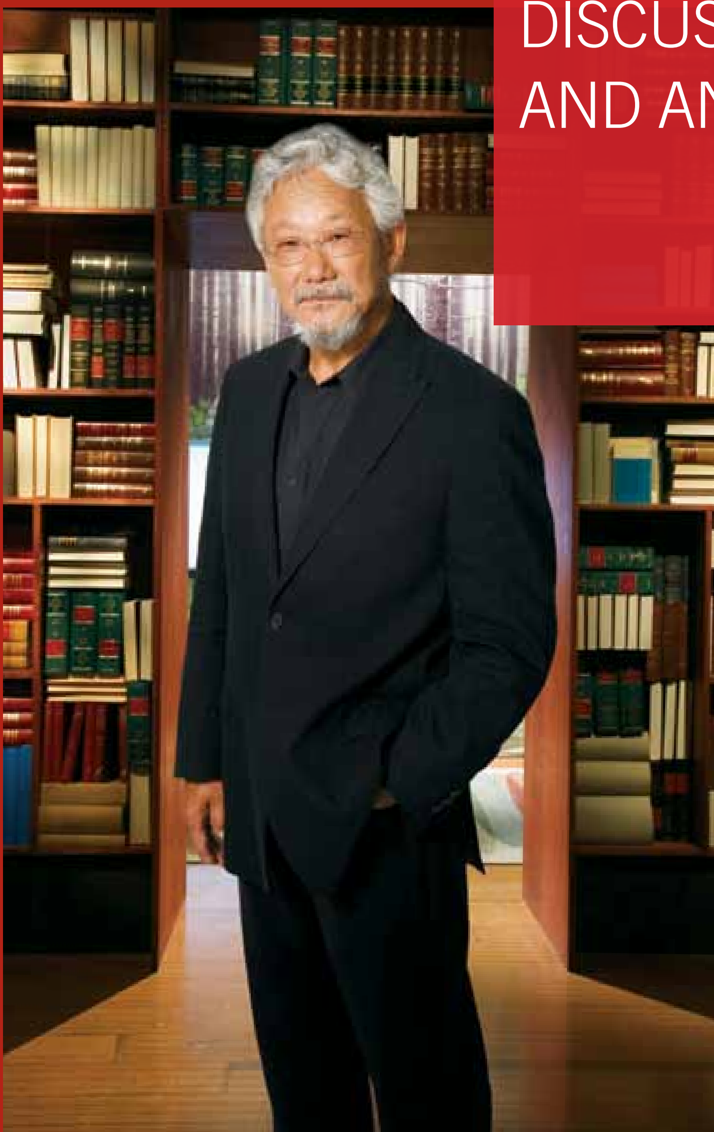
GALAXIE Tune in on your television to 45 channels of continuous music, talk-free and commercial-free. No musical stone is left unturned for the pop star, jazz hound or classical buff in your household. More than seven million subscribers are already part of the Galaxie family.

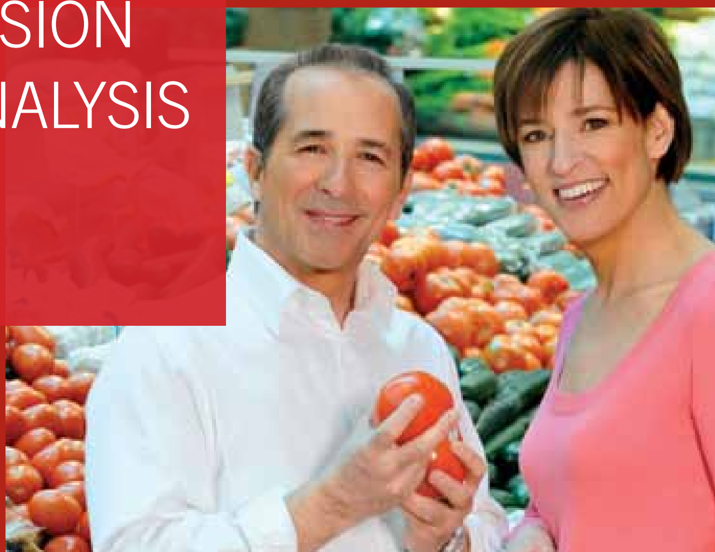
CBC NEWS I RDI EXPRESS is a bilingual news and information service delivered to the Ottawa, Toronto and Vancouver airports. Soon to be launched in Winnipeg and Edmonton, it will serve over 62 million travellers annually.

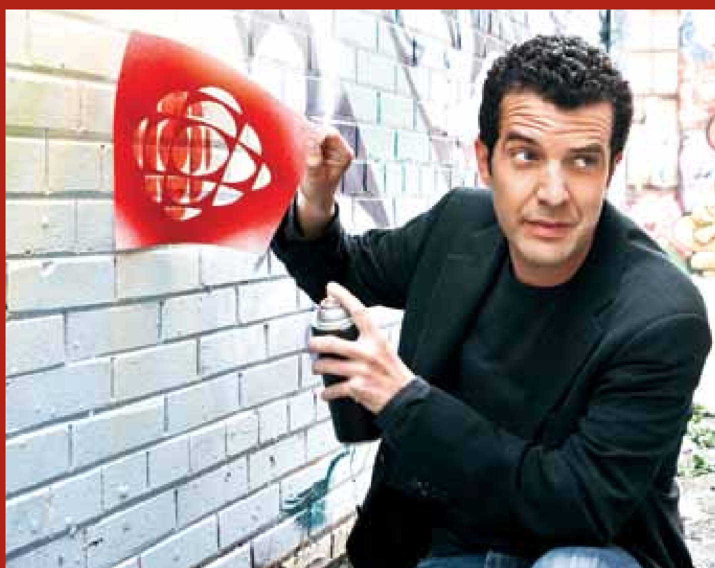
CBC RECORDS I LES DISQUES SRC This in-house recording label partners with Canada's pre-eminent musicians, releasing about eight new homegrown CDs annually. With 29 Junos and one Grammy Award to its credit, CBC Records is one of the most recognised independent labels in the country.

MOBILE SERVICES I SERVICES MOBILES For those who prefer the small screen…the really small screen, CBC I Radio-Canada offers an expanding range of mobile services for the growing Canadian mobile audience, including mobile sites, iPhone sites, SMS alert services, as well as CBC Newsworld and RDI as live streams and on-demand videos.

MANAGEMENT DISCUSSION AND ANALYSIS







CBC | RADIO-CANADA DELIVERS A COMPREHENSIVE RANGE OF NEWS, INFORMATION, ENTERTAINMENT, AND SPORTS PROGRAMS.

It is the only Canadian broadcaster providing radio, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

A	B
	C

A: **David Suzuki**, *The Nature of Things*, CBC Television, CBC Newsworld, *CBC.ca*. B: **Denis Gagné, Johane Despins**, *L'épicerie*, Télévision de Radio-Canada, RDI. C: **Rick Mercer**, *Rick Mercer Report*, CBC Television.

KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS

MEASURING PERFORMANCE

CBC | Radio-Canada introduced a new performance measurement system in 2006 which linked measures of performance to each corporate priority. The usage of these performance indicators means that it is now possible for the Government and Canadians to examine CBC | Radio-Canada's annual performance results, its performance against targets, as well as performance trends.

All of our corporate performance indicators reported in the following pages are linked to our eight corporate priorities which were first developed in 2002. In addition to these indicators, CBC | Radio-Canada's main television and radio networks use programming indicators to assess performance against targets.

NEW 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.

Next year, all of the Corporation's performance indicators will be linked to the new corporate priorities (the 3Ps) and published in the 2009–2010 Annual Report.

Photos left to right: ***Kif-kif***, Télévision de Radio-Canada. **Michel Desautels**, *Desautels*, Première Chaîne. ***Air Farce***, CBC Television. **Wendy Mesley**, **Erica Johnson**, *CBC News: Marketplace*, CBC Television, CBC Newsworld, *CBCnews.ca*. **Andy Barrie**, *Metro Morning*, CBC Radio One.



CORPORATE MEASURES OF PERFORMANCE

Corporate Priority	Indicator	2007–2008 Results	2008–2009 Targets	2008–2009 Results
CONTENT	**CANADIAN CONTENT**			
	CBC Television[1]			
	Broadcast day	80%	75%	80%
	Prime time (Monday–Sunday, 7:00–11:00 p.m.)	81%	80%	85%
	Télévision de Radio-Canada[1]			
	Broadcast day	79%	79%	80%
	Prime time (Monday–Sunday, 7:00–11:00 p.m.)	89%	89%	90%
	CBC Radio[2]			
	Broadcast day	99%	99%	99%
	Prime time (Monday–Friday, 6:00–9:00 a.m.)	100%	100%	100%
	Radio de Radio-Canada[3]			
	Broadcast day	100%	100%	100%
	Prime time (Monday–Friday, 6:00–9:00 a.m.)	100%	100%	100%
	NUMBER OF AWARDS			
	CBC Television	220	190	198
	Télévision de Radio-Canada[4]	29	30	31
	CBC Radio	140	100	120
	Radio de Radio-Canada	6	6	10
	DISTINCTIVENESS			
	Main television and radio networks	89%	90%	89%

1 Based on the most recently completed broadcast year.

2 CBC Radio One and CBC Radio 2 combined.

3 Première Chaîne and Espace musique combined.

4 Internal productions only.

KEY PERFORMANCE INDICATORS

Corporate Priority	Indicator	2007–2008 Results	2008–2009 Targets	2008–2009 Results
REGIONAL REFLECTION AND THE CHANGING FACE OF CANADA	Programs produced in regions for regions	86,200 hours	83,700 hours	87,200 hours
	Programs produced in regions for networks	11,000 hours	12,600 hours	10,100 hours
	CBC I Radio-Canada usage by visible minority (18+)[5]	82%	87%	83%
	Visible minority staff CBC I Radio-Canada[6]	Number of staff 544	Number of staff 560	Number of staff 556
SUSTAINABILITY OF CANADIAN SCHEDULES	Television advertising revenue[7]	$302 million	$352 million	$287 million
	Expenditures on Canadian programming	95% of programming budget	95% of programming budget	93% of programming budget
EFFICIENCY	Self-generated revenues[8]	$131 million	$123 million	$147 million
	Programming expenditures	82% of total budget	82% of total budget	79% of total budget
CREATIVE HUMAN RESOURCES	Commitment to training and development CBC I Radio-Canada	$ per employee 1,005	$ per employee 1,005	$ per employee 1,015
	Employee satisfaction (periodic) CBC I Radio-Canada	n/a	78%	80%[9]

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

6 *Excludes short-term employees.*

7 *Only the main networks, excluding Internet revenues and barter agreements.*

8 *Includes primarily Galaxie,* ***bold****, Internet advertising revenues, and program sales, but not advertising revenues.*

9 *The last employee survey was conducted by HayGroup in 2004. This figure is drawn from Hubert T. Lacroix's 2008* Challenge Us! *initiative. Employees rated CBC I Radio-Canada as a national public broadcaster, not as an employer.*

Corporate Priority	Indicator	2007–2008 Results	2008–2009 Targets	2008–2009 Results
STRATEGIC PARTNERSHIPS	Number of joint ventures/ partnerships CBC I Radio-Canada	15	17	19
COLLABORATION	Expenditures on cross-media programming	$9.7 million	$10 million	$10.1 million
STRONG STAKEHOLDER RELATIONSHIPS	Opinion leaders' overall impression of CBC I Radio-Canada	77% favourable[9]	n/a[10]	n/a[10]
	Opinion leaders' general impression of CBC I Radio-Canada as being an essential service	87% agreement[9]	n/a[10]	n/a[10]
	Canadians' satisfaction levels with main television and radio networks	89%	89%	89%
	Relevance to stakeholders[11]	Percentage of Canadians using our services 86%	Percentage of Canadians using our services 86%	Percentage of Canadians using our services 87%

9 CBC I Radio-Canada Opinion Leader Survey, *March 2008, conducted by Phoenix Strategic Perspectives Inc.*

10 This survey is conducted every second year and was not conducted in 2008–2009.

11 Percentage of Canadians using main CBC I Radio-Canada television, radio and websites.

Photos left to right: **Julie Nesrallah**, *Tempo*, CBC Radio 2.
Philippe Lagüe, *À la semaine prochaine*, Première Chaîne.
Marie-Christine Trottier, Espace musique. ***CBC.ca***.
Charles Tisseyre, *Découverte*, Télévision de Radio-Canada, RDI.
My Goldfish is Evil, CBC Television. ***Poko***, CBC Television.

MEDIA LINES' TARGETS AND RESULTS

ENGLISH SERVICES

CBC | Radio-Canada's English Services comprise CBC Television, CBC Newsworld, **bold**, *documentary* (majority controlled), CBC Radio One, CBC Radio 2, CBC Radio 3, and multiple digital platforms including *CBC.ca*. All of these services report to the Executive Vice-President for English Services, allowing an integrated approach for better planning and sharing of resources and programming across the media lines, and the achievement of savings and synergies.

The year 2008–2009 was tremendously successful for English Services, with the achievement of unprecedented audience numbers and growth on all platforms.

Photos left to right: **The Tudors**, CBC Television, **bold**, Télévision de Radio-Canada. **Heather Hiscox**, *CBC News: Morning*, CBC Television, CBC Newsworld, *CBCnews.ca*. **Rex Murphy**, *Cross-Country Checkup*, CBC Radio One, Sirius Satellite Radio Channel 137. **Terry O'Reilly**, *The Age of Persuasion*, CBC Radio One, Sirius Satellite Radio Channel 137, *CBC.ca*. **Marcia Williams**, *CBC News: The World This Hour*, CBC Radio One, Sirius Satellite Radio Channel 137.

CBC RADIO'S STRATEGIC OBJECTIVES

In order to best serve Canadians, CBC Radio established four strategic priorities for 2008–2009: continue the ongoing renewal of CBC Radio One; continue the repositioning of CBC Radio 2; create and pursue new platform opportunities; and, extend local service to underserved communities.

These priorities were designed to increase listener satisfaction, particularly with CBC Radio One and CBC Radio 2 (measured under Mandate/Satisfaction below); serve the public (measured under Audience/Combined reach and Combined share, indicating the extent of usage by the Canadian public); fulfil important mandate goals (measured under Mandate below); and, maintain and improve the quality of CBC Radio's services (assessed by the continuous process of program review).

CBC RADIO – PERFORMANCE INDICATORS

	CBC Radio 2008–2009 Targets	**CBC Radio 2008–2009 Results**
COST		
• Cost of programming[1]	• $119 million	• $117 million
AUDIENCE[2]		
• CBC Radio One and CBC Radio 2 Combined reach	• 3.8 million	• 4.1 million
• CBC Radio One and CBC Radio 2 Combined share	• 12.2%	• 14.1%
MANDATE		
CBC Radio One		
• Satisfaction[3]	• 62%	• 59%
• Essential[3]	• 84%	• 78%
• Regionally reflective[3]	• 70%	• 66%
• Relevance: Has programs I want to listen to[3]	• 60%	• 60%
PROGRAM REVIEW		
• Pitches received and processed	• 150	• 200
• Pilots made	• 15	• 20
• New shows or new series debuted	• 5	• 12

1 Programming and production basis.

2 BBM Fall Survey.

3. FIATS Fall Survey, Core Listeners, Top 3 box score (October 2008-March 2009).

MEDIA LINES' TARGETS AND RESULTS

CBC TELEVISION'S STRATEGIC OBJECTIVES

CBC Television focused on its core strategies in 2008–2009, which have yielded significant success since being introduced in 2004–2005, in order to continue to provide Canadians with high-quality programming. Specifically, CBC Television targeted four strategic priorities this year: sustain the commitment to Canadian entertainment; strengthen the news offer; build on great sport franchises; and, deepen the relationship with Canadians where they live.

To measure its success in achieving its objectives, CBC Television set out four main performance indicators with targets, as shown in the following table. Among the results was an increase in the viewing share of CBC Television, particularly in prime time when television is primarily consumed. The network also worked to preserve its distinctive place in Canadian broadcasting through increased audience usage (measured under Audience below); the maintenance of an offering of diverse programming (measured under Public Value/Differentiation) as well as high-quality programming as judged by viewers (measured under Public Value/Public perception). To successfully pursue its priorities, the network needed to manage its financial situation, including pursuing self-generated revenues and managing its financial resources effectively (measured under Revenue and Cost).

CBC TELEVISION – PERFORMANCE INDICATORS

	CBC Television 2008–2009 Targets	**CBC Television 2008–2009 Results**
PUBLIC VALUE		
• Differentiation[1]	• Maintain ratio	• Achieved
• Public perception	• Each program to achieve >60% (top 3 box score)	• Achieved
AUDIENCE		
• CBC Television prime-time share regular season	• 8.0%	• 8.6%
REVENUE		
• Commercial revenues (excluding barter agreements) and miscellaneous revenues, main network	• $257 million	• $207 million[2]
COST		
• Cost of programming[3]	• $484 million	• $461 million

1 *Based on percentage of titles.*

2. *As a result of a downturn in the economy generally and a precipitous decline in the media advertising market specifically, CBC Television's revenues (comprising advertising and other revenues) fell short of targeted goals by $50 million, or 19.5%.*

3. *Programming and production basis.*

Photos left to right: ***Heartland***, CBC Television.
Little Mosque on the Prairie, CBC Television.
George Stroumboulopoulos, *The Hour*,
CBC Television, CBC Newsworld, *CBC.ca*.
CBC.ca/kids. ***CBC.ca***.

CBC.CA'S STRATEGIC OBJECTIVES

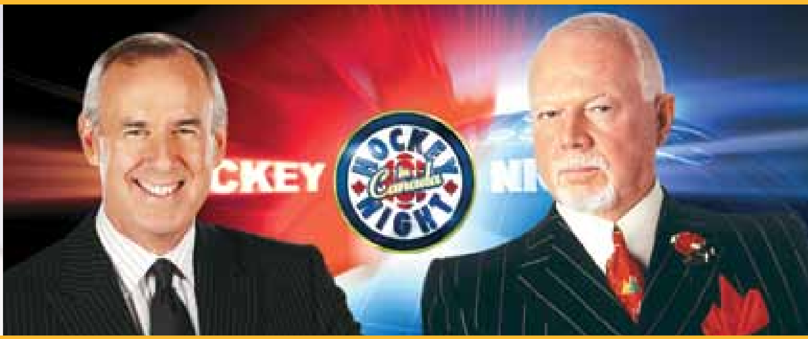
CBC.ca, as part of the CBC Digital Programming & Business Development area, continues to play a key role in the development of a secondary commercial market and distribution network for CBC programming. In 2008–2009, *CBC.ca*'s strategic priorities were: continue to increase traffic by concentrating on new content offers and site-wide use of Web 2.0 and social media features; increase revenues through the introduction of new digital revenue sources; continue multiplatform content development, focusing on further integration with CBC programming and Media Sales; and, further enhance site reliability and stability.

Performance against each of these objectives is noted in the following table.

CBC.CA – PERFORMANCE INDICATORS

CBC.ca **2008–2009 Targets**	***CBC.ca*** **2008–2009 Results**
• Increase traffic	• Most recent unique visitors of 4.8 million is 14.5% up from *CBC.ca* twelve-month average of 4.2 million. • Most recent page views count of 89.3 million is 22.9% up from *CBC.ca* twelve-month average of 72.6 million. • Second place Canadian online sports publisher* behind *TSN.ca*. * Excluding foreign content providers and any content aggregators. • Averaging approximately 750,000 weekly streams experienced (575,000 weekly video streams and 175,000 audio streams).
• Implement Web 2.0 and social media features	• *CBC.ca* drew over 280,000 registered members who posted over 1.9 million comments. *CBC.ca* had over 2.1 million "recommends" related to posted comments. • On an average workday 4,800 individual users actively participated in our online community.
• Increase revenues	• Increased syndication revenues from launch of Apple iTunes Canada, Olympics and wireless.
• Enhance reliability and stability of CBC's online presence	• Digital Programming & Business Development continued development of a universal media player, offering an improved user experience for both audio and video, shared Web distribution platform with Radio-Canada, and initial phase of a content creation tool for digital publishing.
• Support the development and implementation of a multiplatform strategy	• Four new CBC Radio 2 online streams launched in September. • Initial phase development of mobile and "widget" syndication of *CBC.ca* content. • Created new Director of Platform Strategy role responsible for common *CBC.ca*/Radio-Canada vendor solutions and negotiations, including bandwidth, social media, digital publishing, and Web metrics.

MEDIA LINES' TARGETS AND RESULTS



ENGLISH SERVICES' FUTURE DIRECTIONS

CONTINUE TO GROW CBC TELEVISION AUDIENCE SHARE

- Protect CBC Television's audience share by targeting 8.5 per cent for 2009–2010.
- Maintain commitment to Canadian entertainment programming.
- Continue to build sports programming strength.

MAINTAIN CBC RADIO ONE AND GROW CBC RADIO 2 AUDIENCE SHARE

- Maintain leadership in local morning and afternoon programs.
- Continue to be rooted in local and regional community life.
- Continue CBC Radio 2 relaunch with distinctive and diverse Canadian musical genres.
- Investigate a new small stations staffing model for future growth.

CONTINUE CBC NEWS RENEWAL

- Continue the renewal of an integrated multiplatform and continuous service offering news and analysis to Canadians when and where they want it.
- Continue to build on recent audience success with supper hour local news programming.
- Renew national and local news as well as CBC Newsworld.

STRENGTHEN POSITION IN THE REGIONS

- Organise resources to locally serve the greatest number of Canadians as possible, given current financial circumstances.
- Enhance local news service on all three media platforms.

INVEST IN NEW PLATFORMS

- Launch more specialty channels, such as Current TV.
- Invest in Web infrastructure.
- Enhance *CBC.ca*'s reliability and functionality through the development of new platform features.
- Offer content on new platforms, such as mobile devices, streaming and podcasts.

Photos left to right: **Wab Kinew**, CBC Radio. **Ron MacLean**, **Don Cherry**, *CBC's Hockey Night in Canada*, CBC Television, *CBCsports.ca*. **François Bourbonnais**, *Bonjour la Côte*, Première Chaîne Côte-Nord. **Daniel Mathieu**, *Le Monde selon Mathieu*, Première Chaîne Ottawa-Gatineau. **Monique Giroux**, Espace musique.

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, Bande à part, Radio Canada International (RCI), RCI viva, and *Radio-Canada.ca*. All of these services report to the Executive Vice-President for French Services. This integrated approach facilitates the development of a global vision of 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.

RADIO DE RADIO-CANADA'S STRATEGIC OBJECTIVES

Over the past five years, Radio de Radio-Canada's Première Chaîne and Espace musique have continued to expand their listenership, as demonstrated by the dramatic increase in the services' audience share. In 2008–2009, both networks maintained their strong results compared to the previous two years. Also in 2008–2009, Espace musique achieved its objective of supporting the Canadian music industry by investing $5.5 million in the production of concerts to be aired on its network. French Services had the overall objective of consolidating its regional roots: for Radio de Radio-Canada, this translated into maintaining a high level of investment in the regions.

RADIO DE RADIO-CANADA – PERFORMANCE INDICATORS

	Radio de Radio-Canada 2008–2009 Targets	**Radio de Radio-Canada 2008–2009 Results**
MAINTAIN AN OPTIMAL LISTENERSHIP		
• Combined audience shares of Première Chaîne and Espace musique	• Between 14% and 16%	• 19.4%
CONTINUE OUR COMMITMENT TO CANADIAN MUSICIANS		
• Budget invested in musical production for Espace musique	• $5.5 million	• $5.6 million
INVEST IN THE REGIONS		
• Maintain our level of investment in regional production	• 45%	• 47%
EVALUATE THE PERFORMANCE OF ALL EMPLOYEES IN RELATION TO OBJECTIVES	• Between 90% and 100%	• Between 90% and 100%

MEDIA LINES' TARGETS AND RESULTS

TÉLÉVISION DE RADIO-CANADA'S STRATEGIC OBJECTIVES

In 2008–2009, Télévision de Radio-Canada focused on objectives whose performance is measured in four indicator categories: Audience, Financial, Reflecting the Diversity of Contemporary Canada, and Human Resources.

Under the first indicator, the shares and overall satisfaction index show that Télévision de Radio-Canada achieved its audience growth objective, while maintaining a high-quality and distinctive offering. Our financial indicators reflect the effectiveness of business objectives aimed primarily at optimising resources: we invested the bulk of funds in programming, while maximising all available financial leverage, public revenues and outside funding sources. The reflection and diversity indicators are linked to the objective of consolidating regional roots, represented here by an increase in the average number of regionally produced programming hours broadcast nationally, as well as a better reflection of cultural diversity through a more representative workforce.

TÉLÉVISION DE RADIO-CANADA – PERFORMANCE INDICATORS

	Télévision de Radio-Canada 2008–2009 Targets	**Télévision de Radio-Canada 2008–2009 Results**
AUDIENCE		
• Overall audience appreciation with programming ("On a scale of 0 to 10, how would you rate Radio-Canada programming?")	• 7.0%	• 6.8%[1]
• Combined audience shares for Télévision de Radio-Canada and RDI	• Between 15% and 20% At least 13% for Télévision de Radio-Canada	• Total of 17.2% [14.2% Télévision de Radio-Canada] [2.9% RDI]
FINANCIAL		
• Percentage of financial resources invested in programming	• 80%	• 79%
• Achievement of advertising revenues, main network only	• $112.7 million	• $105.2 million[2]
• Maintain Canadian Television Fund funding at previous years' levels for independent productions broadcast on Télévision de Radio-Canada	• $27.5 million	• $30.6 million[3]
REFLECTION OF DIVERSITY		
• Annual weekly average for regional programs on the network	• 7 hours	• 8 hours[4]
• Increase in the percentage of employees considering themselves to be part of a visible minority (network and regions)	• 3.7%	• 2.3%
HUMAN RESOURCES		
• Evaluation of the performance of all employees in relation to objectives	• Between 90% and 100%	• 100%

1 *There is no statistically significant difference between these two average ratings.*

2 *Excluding advertising revenues generated during the Beijing Olympics.*

3 *The budget earmarked for productions outside Québec needs to be added: $3.3 million and $259,000 for producers outside Montréal, for a total of $34.2 million.*

4 *For the period of September 1, 2008 to August 31, 2009.*

RADIO-CANADA.CA'S STRATEGIC OBJECTIVE

In 2008–2009, Radio-Canada made it a top priority to become a leader in digital platforms. *Radio-Canada.ca*'s action plan, whose results are described in the table below, allowed Radio-Canada to offer digital content in a spirit of innovation while maintaining its core values as a public broadcaster.

RADIO-CANADA.CA – PERFORMANCE INDICATORS

Radio-Canada.ca **2008–2009 Target**	***Radio-Canada.ca*** **2008–2009 Results**
• Make Radio-Canada a leader on digital platforms	• Audio and video streams on *Radio-Canada.ca* increased dramatically in 2008–2009. The number of visits rose by 35% compared to 2007–2008, with increases of over 90% in certain months. • Over the year, Radio-Canada substantially enriched its live and on-demand audio and video offerings by increasing the number of radio and television rebroadcasts, adding webcasts of sports events and presenting novel content like the Web series, *Mère indigne*. • During the 2008 Olympic Games in Beijing, *Radio-Canada.ca* listed results in real time and, for the first time, offered a live simulcast of Olympic television programming and the option of following 12 competitions (live or on-demand) via the Audio/Video console. The Beijing 2008 site had a 56% increase in traffic compared to the Athens 2004 site. • Radio-Canada continued its strategy to increase its visibility, rolling out content on an unprecedented number of platforms (YouTube, Twitter, Dailymotion, Facebook, Sympatico, Telus, and, soon, iTunes). • The average monthly number of unique Canadian visitors viewing the site from home rose to 1,135,000 in 2008–2009.

Photos left to right: **Jean-François Lépine**,
Une heure sur terre, Télévision de Radio-Canada, RDI.
Virginie, Télévision de Radio-Canada. ***Radio-Canada.ca***.

MEDIA LINES' TARGETS AND RESULTS

FRENCH SERVICES' FUTURE DIRECTIONS

Radio-Canada has developed a three-year strategic plan with the following priorities:

- Deliver multiplatform programming grounded in 21st-century realities and help redefine the brand.
  - Create a centralised news desk.
  - Set up an integrated business and consumer news unit.
  - Enhance our online audio and video offering.
  - Develop new specialty channel initiatives.
  - Strengthen the on-air impact of integrated sports and music strategies.
  - Consolidate our regional roots.
  - Increase public participation and interactivity in all of our programming on all platforms.
- Put in place a profitable, sustainable and efficient economic model.
  - Centralise revenue generation and management.
  - Develop a business plan for programming based on the 360° strategy.
- Strengthen our organisational capabilities.
  - Implement a diversity action plan.
  - Create multidisciplinary, multiplatform production teams.
  - Rethink our relationship with Canadians.
  - Improve the organisation's overall efficiency.

This plan reflects Radio-Canada's vision to become a total media organisation – one that is a leading creator and broadcaster of multimedia content in the French-speaking world.

Photos left to right: ***Les pieds dans la marge***, Télévision de Radio-Canada. **Yannick Villedieu**, *Les années lumière*, Première Chaîne.

GALAXIE

GALAXIE'S STRATEGIC OBJECTIVES

Galaxie is a commercial-free digital pay audio service offering 45 channels of continuous music without talk. The network has built an enviable reputation as a source of high-quality music programming for the more than 7.3 million households that subscribe to it in Canada. In November 2007, CBC|Radio-Canada named Stingray Digital Group as its Affiliate Relations Agent for the Galaxie service and granted an option to Stingray for the purchase of certain assets related to Galaxie. In January 2009, Stingray exercised its option to purchase certain Galaxie assets and as of March 31, 2009, a number of distribution agreements with Canadian Broadcast Distribution Undertakings (BDUs) were transferred to Stingray.

GALAXIE – PERFORMANCE INDICATORS

Galaxie 2008–2009 Target	**Galaxie 2008–2009 Results**
• Secure the profitability of the Galaxie service	• Implement and manage the affiliate relations agency agreement with Stingray Digital Media Group to help Galaxie grow its business in Canada and provide growth opportunities in other markets, including the United States and Europe. • Now reaching more than 7.3 million subscribers in Canada. • Developed service enhancements including an updated television onscreen presentation. • Jointly with Stingray Digital, developed a Music Video on Demand service offering for Canadian BDUs. • Continued to focus on the commercial background music business with new partners identified in Canada and the United States. • Exploring additional distribution platforms such as the Apple iPhone.

GALAXIE'S FUTURE DIRECTIONS

For 2009–2010, CBC|Radio-Canada will continue working with Stingray Digital Group following the exercise of its option to acquire Galaxie assets and to service distributors whose distribution agreements remain with CBC|Radio-Canada.

RADIO CANADA INTERNATIONAL (RCI)

Radio Canada International (RCI), CBC | Radio-Canada's international radio service, broadcasts in seven languages via the Internet, digital and analogue shortwave, satellite, and some 400 partner stations worldwide.

RCI'S STRATEGIC OBJECTIVES

In 2008–2009, RCI's two priority objectives were to pursue its mission worldwide and to help its RCI viva Web service to take root in Canada's cultural communities. To this end, RCI implemented an action plan; its results appear in the following table.

Photos top: ***RCInet.ca***.

RCI – PERFORMANCE INDICATORS

	RCI 2008–2009 Targets	RCI 2008–2009 Results

CONTINUE RCI'S SHIFT TO A MULTIMEDIA AND MULTIPLATFORM MODEL	• Projects completed	• The national and international *Migr@tions* competition:
		  • Over 200 films submitted from 22 countries, across five continents.
		  • Creation of a spinoff product – *Migrations 14–17* – with the support of Québec's education and immigration departments.
		• Production of new online series:
		  • *A New Face for Beijing / Le Nouveau visage de Pékin*.
		  • *Seeing Double / Voir Double* (simulcast on RDI).
		  • *L'Érable à Palabres* and *MLMB Road Show*.
		• Broadcast of *Tam-tam Canada*, *Tam-tam weekend* and *Courrier mondial* on Première Chaîne.
		• Launch of the weekly radio program *Masala Canada* for a South Asian audience (in English).
		• Production of *Diversity Makers*, co-produced by member countries of the Asia-Pacific Institute for Broadcasting Development (AIBD).

EXPAND RCI'S ROLLOUT BY CONTINUING MULTIPLATFORM PRODUCTIONS	• Distribution and broadcast of RCI's multiplatform products, at home and abroad	• Greater use of partner sites and virtual communities (iTunes, YouTube, Facebook). • Development of a new, more interactive site, *RCIviva.ca*, where various linguistic communities can come together.

RCI'S FUTURE DIRECTIONS

- Incorporate RCI operations more organically into the larger CBC|Radio-Canada group.
- Continue to develop media platforms.

THE FINANCIALS

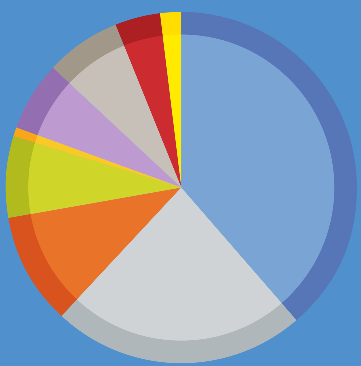
AS CANADA'S NATIONAL PUBLIC BROADCASTER AND A CROWN CORPORATION, CBC|RADIO-CANADA IS RESPONSIBLE TO PARLIAMENT AND TO CANADIANS.

CBC|RADIO-CANADA'S FINANCIAL REVIEW

This section of the Management Discussion and Analysis expands on the information contained in the audited Consolidated Financial Statements. It provides additional information to assist the reader in better understanding the financial results of the past fiscal year and highlights the financial challenges and opportunities for future years.

The *Broadcasting Act* requires CBC|Radio-Canada to submit Annual Reports to the Minister of Canadian Heritage and Official Languages containing audited Consolidated Financial Statements prepared in accordance with Canadian generally accepted accounting principles (GAAP). The Corporation's significant accounting policies are presented in Note 2 to the Consolidated Financial Statements.

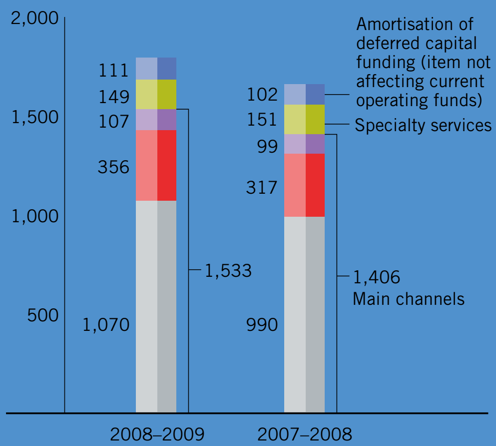
In addition, CBC|Radio-Canada is a Parliamentary appropriation dependent Crown Corporation that is accountable to Government for financial results on a government funding basis, which differs from GAAP. Non-cash items such as accrued pension plan expenses and other long-term employee future benefits, and amortisation are not recognised on a government funding basis until they become payable in the short term.



2008–2009 OPERATING EXPENDITURES*
$1,848 MILLION
(*millions of dollars*)

- CBC Television $718 (39%)
- Télévision de Radio-Canada $429 (23%)
- CBC Radio $192 (10%)
- Radio de Radio-Canada $137 (7%)
- Corporate management $16 (1%)
- Amortisation of property and equipment $118 (7%)
- Specialty services $129 (7%)
- Distribution and affiliates $74 (4%)
- Workforce adjustment $35 (2%)

* Excluding loss from investments in entities subject to significant influence and minority interest.



REVENUES AND OPERATING SOURCES OF FUNDS – CBC|RADIO-CANADA
(*millions of dollars*)

- Amortisation of deferred capital funding (item not affecting current operating funds)
- CBC Newsworld, RDI, Galaxie, and **bold**
- Other and financing income
- Advertising
- Parliamentary appropriation for operations

FINANCIAL REVIEW

2008–2009 YEAR IN REVIEW

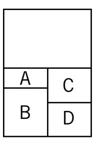
For the year ended March 31 (GAAP basis)	2009	2008
	(thousands of dollars)	
GOVERNMENT FUNDING AND REVENUES		
Parliamentary appropriation for operating expenditures	1,070,137	989,564
Amortisation of deferred capital funding and working capital	115,355	106,472
Advertising revenues	356,248	317,230
Other income, financing income and specialty services	255,904	245,737
Total	**1,797,644**	**1,659,003**
EXPENSES		
Television and radio services costs	1,475,919	1,409,034
Other	371,795	322,210
Total	**1,847,714**	**1,731,244**
Non-operating revenues	**34,374**	**38,424**
Net results for the year	**(15,696)**	**(33,817)**

HIGHLIGHTS

CBC I Radio-Canada's year-end financial position on a GAAP basis was a net loss of $16 million, primarily due to an increase in long-term employee future benefits and accrued severance costs. On a government funding basis, CBC I Radio-Canada ended the year with a $33 million surplus (mainly due to the 2007–2008 surplus carryover of $44 million), representing 1.9 per cent of total revenues and government funding for operations of $1.7 billion. A full reconciliation from GAAP results to the year-end position on a government basis is provided in Note 20B of CBC I Radio-Canada's audited Consolidated Financial Statements.

Due to the economic crisis, the advertising market in Canada began to rapidly deteriorate in September 2008. Although total advertising revenue was $39 million higher in 2008–2009, compared to 2007–2008, advertising revenues actually declined on a year-over-year basis when one-time revenues related to the Beijing Olympic Games are excluded. Also, on an actual to budget basis, commercial revenues were down by $65 million.

The revenue shortfall was managed with aggressive cost reductions. The Corporation introduced temporary measures, including a hiring freeze, significant restrictions on discretionary spending and delaying projects to balance its budget in 2008–2009. CBC I Radio-Canada also developed a recovery plan to balance its budget in 2009–2010 and subsequent years, which was approved by the Board of Directors in March 2009. The recovery plan will be discussed in more detail later in this section.



Photos page 44: A: **Michel Rivard**, *Pour un soir seulement*, Télévision de Radio-Canada. B: ***How Do You Solve A Problem Like Maria?***, CBC Television. C: ***3600 secondes d'extase***, Télévision de Radio-Canada. D: **Erika Miklosa**, *The Magic Flute, Metropolitan Opera*, **bold**. Photo credit: Ken Howard.

GOVERNMENT FUNDING

Total funds available to CBC | Radio-Canada for operations in 2008–2009 amounted to $1.7 billion, of which $1.1 billion came from the Parliamentary operating appropriation.

The operating appropriation was $80 million higher in 2008–2009, compared to 2007–2008. The increase is explained by: retroactive salary inflation funding of $53 million received in 2008–2009, reprofiling of $20 million in funding from a prior year to help fund the cost of covering the Beijing Olympics, lower transfers between operating and capital appropriations of $14 million offset by a Government Expenditure Review funding reduction of seven million dollars that will grow to $15 million by 2011–2012.

CBC | Radio-Canada's approved annual funding included an amount of **$60 million** for programming initiatives. The $60 million in incremental funding has been provided each year since 2001–2002, but has not been confirmed beyond 2009–2010.

The Corporation receives annual **salary inflation funding** based on the weighted average of Government collective agreement settlements. Government collective agreement negotiations were not concluded in 2007–2008; therefore, salary inflation funding for 2007–2008 and 2008–2009 was only received in 2008–2009, as mentioned above. Salary inflation funding was provided at 2.3 per cent for 2007–2008 and has been capped at 1.5 per cent for three years from 2008–2009 to 2010–2011. CBC | Radio-Canada does not receive inflation funding on the goods and services portion of its budget.

In March 2008, the **Standing Committee on Canadian Heritage** released its report on the role of the public broadcaster in the 21st century. Entitled, *CBC | Radio-Canada: Defining Distinctiveness in the Changing Media Landscape*, the cornerstone of the report is the call to establish a seven-year Memorandum of Understanding –an agreement between CBC | Radio-Canada and Canadians that would clearly set out expectations for the national public broadcaster and Government funding commitments to support them.

The Committee also found that additional funding is critical to CBC | Radio-Canada going forward. It recommended an increase in the per capita funding from $34 to $40 and that funding be fully indexed, in addition to making permanent, the annual $60 million top-up the Corporation has received since 2001–2002. With Canada's population of 33.5 million, this would amount to $200 million more annually from the Federal Government. Another key recommendation from the report is that CBC | Radio-Canada continue to have access to various sources of television production funding.

On June 19, 2008, the Government announced that it did not endorse the Committee's report. Given its current resources, the Corporation is facing some critical choices about its future directions. CBC | Radio-Canada believes that it is important that these choices, and the establishment of a Memorandum of Understanding, be discussed with Government.

2008–2009 OPERATING HIGHLIGHTS

In addition to the business highlights covered in the earlier sections of this Annual Report, the following provides highlights of operations, including significant transactions that occurred during the year.

CBC | Radio-Canada was the exclusive broadcast home for Canadians for the **Beijing 2008 Summer Olympic Games** in Canada. In August 2008, CBC | Radio-Canada provided comprehensive, daily live Olympic Games coverage on CBC Television, CBC Newsworld, Télévision de Radio-Canada, **bold**, Première Chaîne, CBC Radio, *Radio-Canada.ca*, and *CBCsports.ca.*

The CRTC approved the plan to establish bona fide **Radio-Canada television stations in Sherbrooke, Trois-Rivières and Saguenay.** The Superior Court approved a transaction between Radio-Canada and Télévision Quatre Saisons (TQS) that allows television, radio and Web services to be consolidated in these regions. Starting in September 2008, Radio-Canada assumed responsibility for broadcasting its programs and content in Sherbrooke, Trois-Rivières and Saguenay, following the acquisition of TQS transmitters. These transmitters had been used to air Radio-Canada programming in these markets for many years under an affiliation agreement.

The Corporation has an interest in **Sirius Canada Inc**., a satellite radio service provider. In March 2008, the US Justice Department approved Sirius Satellite Radio Inc.'s five billion dollar buyout of rival XM Satellite Radio Holdings Inc. Since then, the US companies have begun to merge operations. In Canada, the two enterprises continue to function separately. At this point, impacts of the merger are undetermined and the Corporation, as a shareholder in Sirius Canada Inc., will continue to monitor the situation.

The CRTC approved the transfer of 15.57 per cent of the voting shares of **ARTV** inc. from CTVglobemedia Inc. (CTV) to CBC|Radio-Canada on July 23, 2008. ARTV inc. is the licensee of the French-language specialty programming undertaking, ARTV. CBC|Radio-Canada and CTV respectively held 45.09 per cent and 15.57 per cent of the voting shares in ARTV inc. As a result of the transaction, CBC|Radio-Canada increased its ownership to 60.66 per cent. The other shareholders are Télé-Québec (24.34 per cent) and ARTE France (15 per cent).

The modernisation project of CBC|Radio-Canada's second largest English-language production centre in **Vancouver** continued during the year and is expected to be completed in the fall of 2009. To create more synergy between the various media lines, the main floor will be expanded for news integration of new media and all four media lines – CBC Television, CBC Radio, Télévision de Radio-Canada, and Radio de Radio-Canada. A significant portion of the funding for the rejuvenation initiative was generated from the sale of development rights for a 380,000 square-foot adjacent site to Concord Pacific Group Inc.

Undertaken in 2002, the **Vision Project** is a major IT initiative that is bringing significant improvements to the way CBC|Radio-Canada does business and to the quality of information on which key decisions are based. Vision replaces 45 legacy systems. It is an important step in the overall rationalisation of our business systems and provides a single, integrated way to manage contracts and content, program inventory and schedules, broadcast and media management, revenue management, marketing and sales, promotions, and air-time analysis. The Vision Project required a substantial investment of resources and, at the end of March 2008, Télévision de Radio-Canada, Réseau de l'information de Radio-Canada (RDI) and CBC Newsworld were using the new technology. CBC Television successfully went live on January 26, 2009, and the project is substantially complete.

In November 2007, CBC|Radio-Canada and Stingray Digital Group Inc. (Stingray) entered into an Affiliate Relations Agency Agreement and an Option Asset Purchase Agreement related to CBC|Radio-Canada's pay audio service, **Galaxie**. Under the terms of the agreements, CBC|Radio-Canada granted Stingray an exclusive option to purchase the assets of Galaxie and also appointed Stingray as its affiliate relations agent for Galaxie, pending Stingray's purchase of the Galaxie assets.

Stingray was granted a National Pay Audio license from the Canadian Radio-television and Telecommunications Commission (CRTC) in December 2008 and subsequently exercised its option to purchase the Galaxie assets in January 2009. All physical assets and assignable Business Distribution Undertakings (BDU) revenue contracts have been transferred. As of March 31, 2009, CBC|Radio-Canada continued to operate Galaxie under a service agreement with Stingray. CBC|Radio-Canada will cease operating Galaxie and surrender its Pay Audio license to the CRTC the earlier of the dates CBC|Radio-Canada transfers to Stingray all of the remaining Broadcast Distribution Undertakings agreements and December 31, 2010.

CBC|RADIO-CANADA PENSION PLAN

The CBC Pension Plan return for its calendar year 2008 was -7.9 per cent in a turbulent economic environment where the Canadian equity market ended the year down 33.0 per cent. The CBC Pension Plan Annual Report, which is available at *CBC.ca* and *Radio-Canada.ca*, indicated that while not immune to the financial crisis, its return strongly outperformed that of the Canadian pension sector and it remains in a solid position to meet all of its obligations.

CBC|Radio-Canada's defined benefit pension plan actuarial valuation in December 2006 indicated a **pension plan surplus** on a going concern basis of $433 million and a surplus on a solvency basis of $131 million. Under federal income tax legislation, because the going concern funding ratio was greater than 110 per cent, the plan sponsor could not contribute to the plan until the surplus was reduced by $77 million. The funds that CBC|Radio-Canada would have contributed towards the pension plan in 2007–2008 were redirected to programming and other corporate priorities. Employer contributions to the pension plan resumed in October 2008. The CBC Pension Board of Trustees is currently undertaking a pension plan actuarial valuation as at December 31, 2008. Despite the economic slowdown, preliminary indications are that the plan will remain in a surplus position for funding purposes as of that date.

RISK MANAGEMENT AND INTERNAL CONTROLS

CBC|Radio-Canada's **Risk Management Program** is based on an enterprise-wide approach and a framework to the management of risks that is integrated into business processes. The responsibility for risk management is shared between CBC|Radio-Canada's Board of Directors, Audit Committee, senior management, Internal Audit, and operational units.

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

The Audit Committee of the Board has been delegated the responsibility for monitoring the risk management function and fulfils that responsibility by monitoring the key risks identified, by discussing with management the status of these key risks on a quarterly basis at Audit Committee meetings and by ensuring that management has programs in place to evaluate and test the effectiveness of internal controls.

Senior management identifies and manages risks and 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 by the annual audit plan.

Media and support components identify and assess risks through the annual business plan process, and develop detailed action plans to manage key risks and to ensure that these are carried out. Standard risk definitions and evaluation criteria are used to prioritise risks on the basis of inherent risk scores, which are a function of impact and likelihood.

KEY RISKS AND OPPORTUNITIES

CBC|Radio-Canada's risk management program determines the risks and opportunities that the Corporation must effectively manage in order to achieve business objectives, successfully execute strategies and meet performance goals. The risk assessment considers all forms of risk, including business environment, process, strategic, and financial risk.

FINANCIAL REVIEW

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 recognise and 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 political and financial risks.

In 2008–2009, the key significant risks included the softening advertising market due to general economic conditions, funding pressures related to the elimination of analogue over-the-air television transmission and transition to digital television by 2011, industry consolidation, decreased revenues due to fragmentation, erosion of conventional broadcasting audience share to emerging platforms, challenges to the Canadian Television Fund, and regulatory decisions such as value-for-signal financing.

In 2009–2010, key significant risks include:

- the continued soft advertising market and the decline of conventional television advertising revenue;
- Government funding concerns, including the outcome of the Government's Strategic Review and the continuation of the $60 million funding beyond 2009–2010;
- the lack of financial flexibility and access to capital in light of the economic reality;
- funding pressures related to the elimination of analogue over-the-air television transmission and transition to high definition television by 2011;
- erosion of conventional broadcasting audience share to emerging platforms;
- regulatory decisions such as value-for-signal financing; and,
- the yet-to-be-determined funding rules for the newly created Canada Media Fund, which may affect CBC|Radio-Canada's access to the Fund.

INTERNAL CONTROL

The Corporation built on the success of certification work accomplished in previous years and implemented a risk-based certification process, using the Committee of Sponsoring Organizations' (COSO) framework, by which the Corporation reviews and assesses yearly its key internal controls. This process follows the best practices 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 if the Corporation is not subject to the requirements of the CSA.

In 2008–2009, the design and effectiveness of internal controls over financial reporting were reviewed and assessed and, although some opportunities for improvement were identified for which the Corporation is implementing remediation on a priority basis, overall, internal controls over financial reporting are in a good state as at March 31, 2009, and no material weaknesses were identified. The assessment does not apply to internal controls related to disclosure controls and procedures, nor to the Vision Project within English Services for processes pertaining to program contracts, rights management, commercial revenue, and programming and scheduling, as these current controls and procedures were not documented and evaluated under the scope of this year's certification process.

ANALYSIS OF THE 2008–2009 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

ASSETS

(thousands of dollars)

	2009	2008	Variance	%
Cash, cash equivalents and short-term investments	33,160	65,003	(31,843)	(49.0%)

Cash, cash equivalents and short-term investments decreased from last year by $31.8 million, mainly due to higher disbursements due to the Beijing Olympics and higher programming rights costs. A decrease in advertising revenues related to regular operations (excluding Beijing Olympics) was also a contributing factor to the decrease. This is offset by a higher Parliamentary operating appropriation in 2008–2009, mainly due to the receipt of retroactive salary inflation funding for 2007–2008 in 2008–2009.

	2009	2008	Variance	%
Accounts receivable	153,012	160,387	(7,375)	(4.6%)

Accounts receivable decreased by $7.4 million, mainly due to a lower level of advertising sales.

	2009	2008	Variance	%
Inventory	208,634	204,214	4,420	2.2%

Inventory increased by $4.4 million in 2008–2009, mainly due to a change in the Corporation's accounting estimates relative to the amortisation rates for movies, resulting in an increase to inventory of $9.6 million. The estimates are based on the Corporation's periodic analysis of historical experience and extended use of movies. The increase is offset by a higher level of license agreements recorded as prepaid expenses as they do not meet the criteria to be presented as program inventory. The criteria are that cost can be determined, material is accepted and the program is available for broadcast.

	2009	2008	Variance	%
Prepaid expenses	57,905	36,225	21,680	59.8%

Prepaid expenses increased by $21.7 million as a result of higher sports programming rights paid in advance in 2008–2009, due to a change in the payment terms as compared to 2007–2008. An increase in the level of program rights not meeting the criteria to be recorded as program inventory (as described in the paragraph above) also explains some of the variance.

	2009	2008	Variance	%
Long-term receivables	86,844	94,586	(7,742)	(8.2%)

A portion of the **long-term receivables** relating to the Affiliate Relations Agreement between Galaxie and Stingray Digital Group Inc. has been reclassified to accounts receivable. This reclassification largely explains the decrease of $7.7 million in long-term receivables. More information about this agreement is provided in Notes 9 and 10 to the Consolidated Financial Statements.

	2009	2008	Variance	%
Deferred charges	12,514	7,064	5,450	77.2%

Deferred charges increased by $5.5 million, mainly due to license agreements for programming material paid in advance which will meet the criteria to be recorded as program inventory only after March 31, 2010.

	2009	2008	Variance	%
Long-term investments	6,565	4,686	1,879	40.1%

CBC|Radio-Canada acquired from CTVglobemedia Inc. 1,760,000 shares in ARTV for an amount of $1.76 million. The Corporation also acquired additional shares issued by ARTV for an amount of $255,000. These additional investments mainly explain the increase of $1.9 million in **long-term investments**.

LIABILITIES

(thousands of dollars)

	2009	2008	Variance	%
Employee-related liabilities [current]	167,078	140,893	26,185	18.6%

On March 25, 2009, the Corporation announced a workforce reduction plan as part of its recovery plan to address increased financial pressures. As of March 31, 2009, **employee-related liabilities [current]** include an accrual of $35 million for contractual termination benefits relating to this workforce reduction plan. This increase in employee-related liabilities is offset by a decrease in payroll accruals due to the timing of pay periods and payments in 2008–2009.

	2009	2008	Variance	%
Derivative financial instruments [liabilities]	-	7,873	(7,873)	(100.0%)

In 2007–2008, the Corporation held foreign currency forward contracts to cover the Beijing Olympic Games rights payments. The net change in the fair value of these contracts designated as cash flow hedges represented a loss of $7.9 million as of March 31, 2008, and was presented as **Derivative financial instruments [liabilities]**. These contracts matured in 2008–2009 and the loss is presented in the Consolidated Statement of Operations. The Corporation has no foreign currency forward contracts designated as cash flow hedges as of March 31, 2009.

	2009	2008	Variance	%
Deferred revenues [long-term]	10,483	41,632	(31,149)	(74.8%)

The decrease of $31.1 million in **Deferred revenues [long-term]** is mainly due to the Affiliate Agency Agreement and the Asset Purchase agreement between CBC|Radio-Canada and Stingray Digital Group Inc. (Acquirer). As of March 31, 2009, the Corporation transferred Galaxie's assets, including all of the physical assets and some of the intangible assets, but excluding certain Galaxie Broadcast Distribution Undertakings (BDU) contracts that have not yet been assigned to the Acquirer. To the extent that the revenue contracts have not been assigned to the Acquirer, the Corporation continues to bear the contractual risk and, accordingly, the associated revenues continue to be deferred using the unit-of-revenue method (as described in Note 2P to the Consolidated Financial Statements). For the year ended March 31, 2009, revenues representing $34.4 million were recognised and presented as Non-operating revenues in the Consolidated Statement of Operations. The Corporation also reclassified $8.1 million to short-term deferred revenues.

CONSOLIDATED STATEMENT OF OPERATIONS

REVENUES

(thousands of dollars)

	2009	2008	Variance	%
Advertising	356,248	317,230	39,018	12.3%

Total **advertising revenues** were higher by $39 million, compared to the 2007–2008 fiscal year, mainly due to the Beijing Olympic Games held in 2008–2009. Advertising revenues relating to regular operations (excluding Olympic Games revenues) were lower by $8.9 million, compared to 2007–2008.

	2009	2008	Variance	%
Other income	95,375	83,565	11,810	14.1%

Other income increased by $11.8 million, mainly due to higher transmitter site and mobile rental revenues, an increase in the net gain from the fair value of financial instruments and an increase in the consolidated revenues of The Documentary Channel (*documentary*); only seven months of operations were consolidated in the Corporation's financial statements in 2007–2008. Higher host broadcasting revenues generated during the Beijing Olympics and higher gains on foreign exchange rates also contributed to the increase.

	2009	2008	Variance	%
Financing income	11,752	15,745	(3,993)	(25.4%)

The decrease in **financing income** is mainly due to lower interest revenues as a result of lower interest rates.

EXPENSES

(thousands of dollars)

	2009	2008	Variance	%
Television and radio services costs	1,475,919	1,409,034	66,885	4.7%

The increase of $66.9 million in **television and radio services costs** is explained mainly by the increased costs of the 2008 Beijing Summer Olympics, the end of the pension plan contribution holiday in October 2008, more sports events aired in 2008–2009, additional investments in marketing and sales for the newly acquired stations in Jonquière, Sherbrooke and Trois-Rivières, and an increase in consolidated expenses of The Documentary Channel (*documentary*); only seven months of operations were consolidated in 2007–2008. Television and radio services costs are partially offset by the change in the amortisation rates for movies.

NON-OPERATING REVENUES

(thousands of dollars)

	2009	2008	Variance	%
Galaxie non-operating revenues	34,374	4,264	30,110	706.1%

Galaxie non-operating revenues represent a portion of the revenues recognised from the sale of Galaxie, based on the units-of-revenue method as described in Note 9 to the Consolidated Financial Statements.

2009–2010 AND SUBSEQUENT YEARS

RECOVERY PLAN

As outlined in the Message from the President and CEO, the effects of the global economic downturn affected CBC | Radio-Canada in 2008–2009, when advertising revenues fell against plan by approximately $65 million. In response, CBC | Radio-Canada significantly scaled back spending. The Corporation introduced temporary measures, including a hiring freeze, significant restrictions on discretionary spending and the delay of projects to balance its budget in 2008–2009.

2009–2010 FINANCIAL PRESSURES

	(millions of dollars)
Revenue shortfall (advertising, funding and miscellaneous)	94
Cost increases (fixed expenses and programming)	64
Strategic investments	13
Total financial pressures	**171**

CBC | Radio-Canada's business plan predicts the advertising market will continue to be weak in 2009–2010 and forecasts a total revenue shortfall of approximately $94 million in 2009–2010.

Of the $94 million expected revenue shortfall for 2009–2010, $71 million is related to continued weakness in advertising revenue and the remainder is attributable to lower-than-expected salary inflation funding (1.5 per cent compared to 2.5 per cent), an incremental Government Expenditure Review funding reduction and reduction in other revenue.

Combined with increasing costs for unavoidable items such as property taxes, utilities and contract escalations of $64 million, the budget shortfall problem for 2009–2010 grows to $158 million.

As part of its strategic planning process, CBC | Radio-Canada determined that a further $13 million was needed to fund strategically imperative programming investments – relatively modest investments in online services and specialty channels that are required in order to maintain CBC | Radio-Canada's relevance in a changing market, protect audience share and ensure that revenues will not be further eroded.

This brings the total budget shortfall for 2009–2010 to $171 million, of which $123 million is related to items of a permanent nature and $48 million is expected to be non-recurring.

To address this significant shortfall, CBC/Radio Canada developed a financial recovery plan to deal with these financial pressures in 2009–2010 and subsequent years, which was approved by the Board of Directors in March 2009.

The plan includes the elimination of up to 800 full-time equivalent positions in CBC | Radio-Canada, program reductions and cancellations, permanent reductions in discretionary spending, and salary freezes for certain groups of employees. Personnel reductions will be mostly complete by the fall of 2009 and the full-year savings from these cuts will not be realised until 2010–2011.

The sale of certain assets is also anticipated to fund severance costs and support programming activities until the savings from the budget reductions begin to materialise. The annual income stream of $12 million that was previously received from the assets expected to be sold increase the permanent pressures from $123 million to $135 million, and was considered as part of the recovery plan approved by the Board of Directors in March 2009.

The recovery plan is designed to protect the non-commercial nature of CBC|Radio-Canada's radio services, new media services, training funds to maintain a highly skilled workforce, to respect the conditions of CRTC licenses, to maintain distinctive programming, and it also seeks to protect cross-cultural programming and regional services to the greatest extent possible.

Staff reductions will commence with voluntary departures beginning in May 2009. Staff departures are expected to be completed by the end of September 2009 and programming changes will be phased in over the fiscal year.

CAPITAL INVESTMENT

Over the next three years, the Corporation plans to spend approximately 42 per cent of its capital budget on production infrastructure and 29 per cent on presentation, collection, distribution, and delivery. The remaining 29 per cent will be invested in capital maintenance, and enterprise systems and technology infrastructure. Major initiatives include replacing failing obsolete equipment, modernising radio production facilities, upgrading the Centre de l'information de Radio-Canada (CDI) complex in Montréal, investing in new media infrastructure, and making some high definition television (HDTV) production investments to replace existing assets which have reached their end-of-useful life.

CRTC LICENSE RENEWALS

In May 2009, the CRTC approved CBC|Radio-Canada's request and renewed all of the Corporation's licenses until August 31, 2010, subject to the same terms and conditions as those contained in the current licenses.

This administrative renewal covers the network licenses for CBC Television, Télévision de Radio-Canada, CBC Radio One, CBC Radio 2, Première Chaîne, Espace musique, all of the licenses for the originating stations and the associated retransmitters, the specialty television licenses of ARTV, **bold**, *documentary*, CBC Newsworld and RDI, and the pay audio programming undertaking, Galaxie.

REVENUE SUPPORT FOR CONVENTIONAL TELEVISION BROADCASTERS

In addition to the constraints related to the current economic crisis, conventional broadcast television advertising revenues are under pressure from increased fragmentation arising from pay and specialty service cable and satellite television channels and advertising on electronic platforms, such as the Internet and mobile devices.

The CRTC will hold a policy proceeding in the fall of 2009 with a scope that includes revenue support for conventional broadcasters by:

- investigating alternative support mechanisms for local programming;
- protecting the integrity of Canadian broadcasters' signals; and,
- exploring a mechanism for establishing, through negotiation, fair market value for the signals of the conventional television stations distributed by Broadcast Distribution Undertakings (BDU).

CANADA MEDIA FUND

On March 9, 2009, the Minister of Canadian Heritage and Official Languages announced the consolidation of the Canadian Television Fund (CTF) and the Canada New Media Fund to finance original Canadian productions on a variety of platforms. The Government pledged $134.7 million annually over two years for the Canada Media Fund (CMF), beginning April 1, 2010. Projects will need to be made available across a minimum of two distribution platforms, including television. A small, fully independent board will manage the CMF, representing all funding bodies.

Under the CTF, a 37 per cent share of the Fund was dedicated to CBC|Radio-Canada, which enabled the Corporation to address a critical shortage of first-run Canadian programming in prime time. It allowed the Corporation to commit over $100 million annually to the production of original drama and comedy – which is approximately 50 per cent more than the commitment of the entire Canadian private conventional broadcasting industry combined.

STRATEGIC REVIEW

CBC|Radio-Canada is participating in this year's strategic review, part of the Government's expenditure management system. The objective of the strategic review is to evaluate all programs and spending activities to identify the lowest priorities in terms of carrying out CBC|Radio-Canada's mandate (a five per cent target of CBC|Radio-Canada's Parliamentary appropriations was identified) as well as proposals on how the Corporation could reinvest the spending in higher priority activities, again in response to the mandate. The terms of CBC|Radio-Canada's mandate, set out in both the *Broadcasting Act* and CRTC conditions of license, will guide this review.

The strategic review process forms part of the annual federal budget planning process and in this context, results will not be known until the Government's budget for 2010–2011 is released.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In April 2006, the Accounting Standards Board (AcSB) announced a plan to replace Canadian GAAP with International Financial Accounting Standards (IFRS) for publicly accountable enterprises (PAE). In February 2008, the AcSB confirmed that PAEs will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011. Meeting the definition of a PAE under the guidelines of the AcSB, CBC|Radio-Canada will adopt IFRS as the basis for the preparation of Consolidated Financial Statements commencing April 1, 2011.

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 is comprised of three phases: (i) IFRS diagnostic assessment and planning; (ii) detailed evaluation and implementation; and (iii) completion and integration of all system and process changes. The first phase was completed during 2008–2009 and the detailed evaluation for the implementation of the new standards is currently underway.

The anticipated impacts on CBC|Radio-Canada's financial results, due to the transition to IFRS, have not yet been determined.

FINANCIAL HIGHLIGHTS FROM THE PAST FIVE YEARS

For the year ended March 31	2009	2008	2007	2006	2005
(GAAP basis)			*(millions of dollars)*		
GOVERNMENT FUNDING AND REVENUES					
Parliamentary appropriation for operating expenditures	1,070	990	974	1,006	937
Amortisation of deferred capital funding and working capital	115	106	97	122	121
Advertising revenues	356	317	319	305	312
Other income, financing income and specialty services	257	246	240	238	235
Total	**1,798**	**1,659**	**1,630**	**1,671**	**1,605**
EXPENSES					
Television and radio services costs	1,476	1,409	1,377	1,367	1,383
Other	372	322	318	344	332
Total	**1,848**	**1,731**	**1,695**	**1,711**	**1,715**
Non-operating revenues	**34**	**38**	**-**	**-**	**-**
Net results for the year	**(16)**	**(34)**	**(65)**	**(40)**	**(110)**

LIQUIDITY RATIOS

For the year ended March 31	2009	2008	2007	2006	2005
Current ratio[1]	1.37	1.47	1.30	1.46	1.36
Quick ratio[2]	0.75	0.83	0.88	1.02	0.92

1 Current assets/current liabilities

2 (Current assets-inventory)/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 22, 2009, EXCEPT AS TO NOTE 27 WHICH IS AT JUNE 23, 2009

PRESIDENT AND CHIEF EXECUTIVE OFFICER

VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER

AUDITOR'S REPORT

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, 2009 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, 2009 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 22, 2009, EXCEPT AS TO NOTE 27 WHICH IS AS OF JUNE 23, 2009

CONSOLIDATED BALANCE SHEET

As at March 31	2009	2008
	(thousands of dollars)	
ASSETS		
Current		
Cash and cash equivalents	33,160	58,004
Short-term investments (NOTE 5)	-	6,999
Accounts receivable	153,012	160,387
Inventory (NOTE 6)	208,634	204,214
Prepaid expenses	57,905	36,225
Net investment in sales-type leases (NOTE 7)	2,068	1,962
Derivative financial instruments (NOTE 24)	4,559	1,351
	459,338	**469,142**
Long-term		
Property and equipment (NOTE 8)	989,717	1,008,886
Long-term receivables (NOTE 10)	86,844	94,586
Net investment in sales-type leases (NOTE 7)	60,786	62,487
Deferred charges	12,514	7,064
Long-term investments (NOTE 11)	6,565	4,686
	1,615,764	**1,646,851**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	141,041	140,669
Employee-related liabilities (NOTE 12)	167,078	140,893
Bonds payable (NOTE 14)	18,834	18,473
Deferred revenues	8,625	10,738
Derivative financial instruments (NOTE 24)	-	7,873
	335,578	**318,646**
Long-term		
Long-term investments (NOTE 11)	1,417	1,417
Deferred revenues	10,483	41,632
Employee-related liabilities (NOTE 12)	393,974	379,760
Bonds payable (NOTE 14)	318,412	326,987
Deferred capital funding (NOTE 15)	635,378	650,056
	1,359,664	**1,399,852**
Minority interest	**279**	**287**
EQUITY		
Retained earnings (deficit) (NOTE 16)	(79,757)	(64,061)
Accumulated other comprehensive income (loss)	-	(7,873)
	(79,757)	**(71,934)**
	1,615,764	**1,646,851**

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:

DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended March 31	2009	2008
	(thousands of dollars)	
REVENUES		
Advertising	356,248	317,230
Specialty services (NOTE 19)	148,777	146,427
Other income (NOTE 9)	95,375	83,565
Financing income	11,752	15,745
	612,152	**562,967**
EXPENSES		
Television and radio services costs	1,475,919	1,409,034
Specialty services (NOTE 19)	129,375	125,573
Amortisation of property and equipment	117,923	110,041
Transmission, distribution and collection	63,653	63,353
Corporate management	15,721	15,998
Payments to private stations	10,002	7,213
Workforce reduction plan (NOTE 12)	34,993	-
Loss from investments in entities subject to significant influence	136	17
	1,847,722	**1,731,229**
Operating loss before Government funding, non-operating revenues, taxes and minority interest	**(1,235,570)**	**(1,168,262)**
GOVERNMENT FUNDING		
Parliamentary appropriation for operating expenditures (NOTE 20)	1,070,137	989,564
Parliamentary appropriation for working capital (NOTE 20)	4,000	4,000
Amortisation of deferred capital funding (NOTE 15)	111,355	102,472
	1,185,492	**1,096,036**
Net results before non-operating revenues, taxes and minority interest	**(50,078)**	**(72,226)**
NON-OPERATING REVENUES		
Gain on disposal of property	-	34,160
Galaxie non-operating revenues (NOTE 9)	34,374	4,264
	34,374	**38,424**
Net results before taxes and minority interest	**(15,704)**	**(33,802)**
TAXES AND MINORITY INTEREST		
Provision of income and large corporations taxes (NOTE 21)	-	(48)
Minority interest	8	33
	8	**(15)**
Net results for the year	**(15,696)**	**(33,817)**

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

CONSOLIDATED STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the year ended March 31	2009	2008
	(thousands of dollars)	
Net results for the year	**(15,696)**	**(33,817)**
Other comprehensive income (loss)		
Net changes in cash flow hedges:		
Losses on derivatives designated as cash flow hedges (net of income tax of $0)	-	(4,044)
Reclassification of losses on derivatives designated as cash flow hedges to the net results	7,873	-
Total other comprehensive income (loss)	**7,873**	**(4,044)**
Total comprehensive income (loss) for the year	**(7,823)**	**(37,861)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31	2009	2008
	(thousands of dollars)	
Retained earnings (deficit)		
Balance, beginning of the year	(64,061)	(30,244)
Net results for the year	(15,696)	(33,817)
Retained earnings (deficit), end of the year	**(79,757)**	**(64,061)**
Accumulated other comprehensive income (loss)		
Accumulated other comprehensive income (loss), beginning of the year	(7,873)	-
Transitional adjustment on adopting new financial instrument standards (net of income tax of 0$)	-	(3,829)
Other comprehensive income (loss) for the year	7,873	(4,044)
Accumulated other comprehensive income (loss), end of the year	**-**	**(7,873)**
Total equity	**(79,757)**	**(71,934)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31	2009	2008
	(thousands of dollars)	
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net results for the year	(15,696)	(33,817)
Items not involving cash:		
Loss (gain) on disposal of equipment	71	(508)
Gain on disposal of property	-	(34,160)
Gain from fair value of financial instruments	(3,208)	(1,351)
Amortisation of property and equipment	117,923	110,041
Impairment of property and equipment	1,517	-
Loss from investments in entities subject to significant influence	136	17
Change in deferred charges	4,361	16,238
Amortisation of deferred capital funding	(111,355)	(102,472)
Change in deferred revenues [long-term]	(31,149)	39,095
Change in long-term receivables	(3,964)	(26,491)
Change in employee-related liabilities [current]	(1,304)	2,436
Change in employee-related liabilities [long-term]	14,214	64,799
Change in minority interest	(8)	287
Net change in non-cash working capital balances (NOTE 22)	14,089	(52,673)
	(14,373)	**(18,559)**
FINANCING ACTIVITIES		
Parliamentary appropriations (NOTE 20):		
Capital funding	96,677	110,398
Repayment of bonds payable	(7,964)	(7,397)
	88,713	**103,001**
INVESTING ACTIVITIES		
Acquisition of property and equipment	(102,507)	(111,671)
Purchase of long-term investments	(2,015)	(1,025)
Recovery from salary advances	601	846
Capital recovery from notes receivable	1,496	1,395
Capital recovery from net investment in sales-type leases	1,586	1,478
Capital recovery from affiliate relations agreement – Galaxie	9,500	-
Deferred charges	(9,811)	(2,834)
Proceeds from disposal of equipment	1,966	2,277
Proceeds from disposal of property	-	35,441
	(99,184)	**(74,093)**
Increase (decrease) in cash and cash equivalents	**(24,844)**	**10,349**
Cash and cash equivalents, beginning of year	**58,004**	**47,655**
Cash and cash equivalents, end of year	**33,160**	**58,004**
Consist of:		
Cash	33,160	57,670
Cash equivalents	-	334
	33,160	**58,004**
Supplementary information:		
Interest paid	25,075	25,642
Income tax paid	2	50

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

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, CBC | Radio-Canada 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.

In accordance with section 85(1) of the *Financial Administration Act*, the Corporation is exempt from Divisions I to IV of Part X of this *Act*, except for sections 131 to 148 and 154.01, and is accountable for its affairs to Parliament through the Minister of Canadian Heritage and Official Languages.

CBC | Radio-Canada is a federal Crown Corporation subject to federal corporate income tax by virtue of the *Income Tax Act* (Canada) and the Regulations thereto. CBC | Radio-Canada 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 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. The Parliamentary appropriation for the purchase of land is recorded in the Consolidated Statement of Changes in Equity.

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which are carried at fair value as they are intended to be held for trading (HFT), are comprised of cash and marketable securities with original maturity dates of less than 90 days. Unrealised gains or losses are recorded in the Consolidated Statement of Operations as other income (net gain or loss from fair value of financial instruments).

D. SHORT-TERM INVESTMENTS

Short-term investments, which are carried at amortised cost using the effective interest rate method as they are intended to be held to maturity, consist of marketable securities with original maturity dates in excess of three months and current maturities of less than 12 months from the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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, 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.

F. FINANCIAL INSTRUMENTS

(i) Financial Instruments – Recognition and Measurement

On April 1, 2007, the Corporation adopted the new accounting standards on financial instruments: Section 1530 Comprehensive Income; Section 3855 Financial Instruments – Recognition and Measurement; Section 3865 Hedges; and Section 3251 Equity. 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 (loss) (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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Short-term investments	Held to maturity	Amortised cost
Accounts receivable	Loans and receivables	Amortised cost
Long-term investments[1]	Available for sale	Amortised cost
Long-term receivables[2]	Loans and receivables	Amortised cost
Accounts payable and accrued liabilities	Other liabilities	Amortised cost
Employee-related liabilities [current]	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 *Excluding salary advances (NOTE 10).*

(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 objective and strategy 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (Loss) 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).

(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).

G. INVENTORY

(i) Program Inventory

Programs completed and in process of production (comprising internal and external productions which require the Corporation's involvement during the production) are recorded at cost, on an individual basis. Cost includes the cost of materials and services, labour and overhead expenses applicable to programs. Program costs are charged to operations in accordance with the amortisation basis described below, or when deemed unusable, or when sold.

The Corporation enters also into contracts to acquire license agreements for programming material. The payments made under the terms of each contract are recorded as prepaid expenses and recorded as program inventory when the following criteria are met: cost is determined, material is accepted and the program is available for broadcast. Costs are charged to operations in accordance with the amortisation basis described below, or when deemed unusable, or when sold.

The amortisation of programs is based on the telecast plan. For programs with multiple telecasts, management uses the following amortisation basis:

Category	Amortisation
Program with multiple telecasts[1]	70%/30% on first/second showing, respectively
Movies	50%/30%/20%
Children's programming	evenly over each telecast (up to a maximum of five telecasts)
Shorts and fills with multiple telecasts	amortised over contract period
Program strips	evenly over each telecast
bold programming	evenly over term of contracts
The Documentary Channel (*documentary*) programming	evenly over term of contracts, for a period not exceeding three years

1 With the exception of movies, children's programming, shorts and fills, and program strips.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

In 2008–2009, the Corporation changed its estimate for the amortisation of movies from 70%/30% to 50%/30%/20%, based on the Corporation's periodic analysis of historical experience and extended use of the programs. These changes in the amortisation expense are recorded in the current year when the change is identified. The impact of this change resulted in a decrease in the television and radio services cost expense of $9.6 million with a corresponding increase to inventory.

(ii) Impairment

Inventory is reviewed for impairment on an annual basis. When the inventory is deemed unusable, the unamortised cost is charged to operations.

(iii) Other Inventory

Various inventory from the Merchandising Division stated at the lower of cost and the net realisable value, are presented as other inventory.

H. 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 overhead. Amounts included in uncompleted capital projects 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	
Servers (hardware and software)	5 years
Microcomputers (hardware and software)	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 or the asset's useful economic life.

I. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 for purposes of income recognition is composed of net aggregate minimum lease payments and unearned financing income.

J. DEFERRED CHARGES

Most deferred charges are amortised over the period of their respective agreements. Other deferred charges are comprised of initial costs incurred as a result of an operating lease and are amortised over the period of the lease in proportion to the recognition of rental income.

K. LONG-TERM INVESTMENTS

Investments in entities over which the Corporation does not exercise significant influence are classified as available for sale. 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.

L. PENSION COST AND OBLIGATION

The Corporation provides pensions based on length of service and final average earnings 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 (2008 – between 6.0 and 13.5 years).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

M. 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 (2008 – between 7.0 and 15.7 years).

Since a major portion of the liabilities for these items represents costs which will be funded mainly from appropriations received from the Government of Canada in the future, these items do not have an impact on the Corporation's current net results of operations on a government funding basis.

N. 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 Statement 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.

O. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 from derivatives not designated as hedges, unrealised gains from other financial instruments measured at fair value, gains 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.

(iv) Financing Income

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

P. DEFERRED REVENUES

Deferred revenues relating to the sale of Galaxie are amortised under the units-of-revenue method. Under the units-of-revenue method, amortisation for a year is calculated by computing a ratio of the proceeds received from the investor to the total payments expected to be made to the investor over the term of the agreement and then applying that ratio to the year's projected cash payment. Other deferred revenues are recognised as revenue when the services are provided.

Q. TELEVISION AND RADIO SERVICES COSTS

Television and radio 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 manpower 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 and radio 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. Employee-related liabilities, estimated useful lives of property and equipment, estimated useful lives of program inventory, 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. CHANGES IN ACCOUNTING STANDARDS

Effective April 1, 2008, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Section 3031 Inventories, which replaced Section 3030 Inventories. It provides the Canadian equivalent to International Financial Reporting Standard (IFRS) IAS 2 Inventories. Section 3031 prescribes measurement of inventories at the lower of cost and net realisable value. It provides guidance on the determination of cost, including allocation of overheads and other costs to inventories and requires the reversal of a previous write-down when there is a subsequent increase in the value of inventories. The adoption of this new section did not have a significant effect on the Corporation's Consolidated Financial Statements.

3. CHANGES IN ACCOUNTING STANDARDS (continued)

Effective April 1, 2008, the Corporation also adopted the CICA Section 3862 Financial Instruments – Disclosures, and Section 3863 Financial instruments – Presentation, which replaced Section 3861 Financial Instruments – Disclosure and Presentation. These standards also harmonise disclosures with International Financial Reporting Standards. The presentation requirements prescribed by Section 3863 are consistent with those of Section 3861. The adoption of Section 3862 resulted in additional disclosures with respect to risk management policies and the nature and extent of risks arising from financial instruments. The disclosures required by this new standard are presented in Note 24.

In October 2008, the CICA issued amendments to Section 3855 Financial Instruments – Recognition and Measurement, and Section 3862 Financial Instruments – Disclosure. These amendments permit the reclassification of non-derivative financial assets out of the held-for trading and available-for-sale categories under specified circumstances. The Corporation did not reclassify any of its non-derivative financial assets; therefore, there is no impact on the Consolidated Financial Statements from these amendments.

Also effective January 1, 2008, the Corporation adopted the CICA Section 1535 Capital Disclosures. This section establishes standards for disclosing information about a corporation's capital and how it is managed in order that a user of the financial statements may evaluate the corporation's objectives, policies and processes for managing capital. This new accounting standard did not have any impact on the Corporation's Consolidated Financial Statements. As a result of the adoption of this new section, however, the Corporation has increased disclosures on the management of its capital. The Corporation has provided this disclosure in Note 25.

4. FUTURE ACCOUNTING CHANGES

The Canadian Accounting Standards Board has announced that all publicly accountable Canadian reporting entities will adopt International Financial Reporting Standards (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 effective April 1, 2011, for the Corporation. The Corporation's 2011–2012 Consolidated Financial Statements have to comply with IFRS standards. The standards also require that the Corporation present complete comparative figures based on IFRS standards in the 2011–2012 Consolidated Financial Statements. The Corporation is in the process of assessing the differences between current Canadian GAAP and IFRS and the impact on the Corporation's Consolidated Financial Statements.

In 2008–2009, the Corporation completed a high-level diagnostic during which each standard was considered and given a ranking, based on its potential impact to the financial results and the level of implementation difficulty that could be expected.

Based on the diagnostic described above, a drafted project plan was developed to implement IFRS by April 1, 2011, including an IFRS opening balance sheet as at April 1, 2010, as well as 2010–2011 IFRS comparatives. The Corporation has put in place a project steering committee responsible for oversight of the progress against the plan. The Corporation has also retained an independent national accounting firm to provide technical interpretation.

In February 2008, the CICA issued Section 3064 Goodwill and Intangible Assets which provides guidance on the recognition, measurement, presentation, and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. The standard is effective for fiscal years beginning on or after October 1, 2008, and requires retrospective application to prior period financial statements. The Corporation is in the process of evaluating the impact of this new standard for adoption on April 1, 2009.

5. SHORT-TERM INVESTMENTS

The Corporation did not invest in any new short-term securities during fiscal year 2008–2009. The average yield to maturity of the portfolio held as at March 31, 2008, was 4.31 per cent and the average term to maturity was 17 days, which relates to short-term securities that matured early in the fiscal year. The interest revenue generated from these short-term investments represents $13,243 in 2008–2009 ($1.7 million in 2007–2008).

The Corporation invests in short-term securities which are 100 per cent guaranteed by the Government of Canada.

6. INVENTORY

	2009	2008
	(thousands of dollars)	
Programs completed	122,106	124,831
Programs in process of production	37,293	41,101
Broadcast rights available for broadcast	43,488	34,824
Merchandising	5,747	3,458
	208,634	**204,214**

There has been no write-down in the value of the program inventory or reversal of previous years' write-downs of inventory in 2009 (nil in 2008).

7. NET INVESTMENT IN SALES-TYPE LEASES

The net investments in sales-types leases relates to rental of parcels of land in Toronto.

The Corporation's net investment in sales-type leases includes the following:

	2009	2008
	(thousands of dollars)	
Total minimum lease payments receivable	112,006	118,055
Unearned financing income	(49,152)	(53,606)
	62,854	**64,449**
Current portion	(2,068)	(1,962)
Long-term portion	**60,786**	**62,487**

Future minimum lease payments receivable under the sales-type leases are as follows:

	(thousands of dollars)
2010	6,050
2011	6,050
2012	6,050
2013	6,050
2014	6,050
2015 to 2027	81,756
Total future minimum lease payments receivable	**112,006**

These sales-type leases bear a fixed interest rate of 7.15 per cent annually. The interest revenues generated from these sales-type leases represent $4.5 million in 2009 (2008 – $4.6 million).

Note 27 – Subsequent Event indicates that the net investment in sales-type leases is expected to be sold as part of the recovery plan approved by the Corporation's Board of Directors.

8. PROPERTY AND EQUIPMENT

A. COST AND ACCUMULATED DEPRECIATION

	2009			2008
	Cost	Accumulated amortisation	Net book value	
	(thousands of dollars)			
Land	20,467	-	20,467	20,516
Buildings	906,639	(506,880)	399,759	416,234
Technical equipment	1,318,715	(956,280)	362,435	376,806
Computers, furnishings and office equipment	217,374	(133,846)	83,528	72,335
Automotive	47,629	(36,715)	10,914	12,717
Leasehold improvements	51,144	(17,597)	33,547	34,824
Uncompleted capital projects	79,067	-	79,067	75,454
	2,641,035	**(1,651,318)**	**989,717**	**1,008,886**[1]

1 *Costs and accumulated amortisation of property and equipment as at March 31, 2008, amounted to $2,607.0 million and $1,598.1 million, respectively.*

B. IMPAIRMENT

On June 26, 2008, the Corporation acquired the transmission assets and programming assets of the French-language television programming undertakings of CKSH-TV Sherbrooke, CKTM-TV Trois-Rivières and CKTV-TV Saguenay, and the transmitter CKTV-TV-1 Saint-Fulgence, Québec, from TQS inc., for a total consideration of $2.5 million.

As of March 31, 2009, based on an evaluation model using the cost of similar equipment adjusted for the age and the quality of the equipment, the Corporation determined that the net costs of the acquired assets exceed their fair value. The Corporation recognised an impairment loss of $1.5 million in 2009, which is recorded in the Consolidated Statement of Operations as transmission, distribution and collection expenses.

9. OTHER INCOME AND NON-OPERATING REVENUES

A. OTHER INCOME

Other income consists of:

	2009	2008
	(thousands of dollars)	
Revenue type		
Building, tower, facility and service rentals	46,861	43,453
Program sales, commercial sales and merchandising	17,462	20,078
Retransmission rights	4,888	5,278
The Documentary Channel (*documentary*) (VIE) revenues	3,453	1,804
Net gain from fair value of financial instruments	3,208	1,351
Net gain (loss) on disposal of equipment	(71)	508
Other	19,574	11,093
	95,375	**83,565**

9. OTHER INCOME AND NON-OPERATING REVENUES (continued)

B. NON-OPERATING REVENUES – SALE OF GALAXIE

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 continue to operate the Galaxie pay audio programming service under the license issued by the CRTC until the exercise of the option which itself could not be exercised until the Acquirer obtained its CRTC license, and that the Corporation would continue to operate the service thereafter in respect of those Broadcast Distribution Undertakings (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 license, 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.

The Corporation has entered into an affiliate relations agency agreement with the Acquirer to provide Galaxie services to support those contracts that have not yet been assigned by the Corporation. To the extent that revenue contracts have not been assigned to the Acquirer, the Corporation continues to bear the contractual risk and, accordingly, the associated revenues continue to be deferred using the method applied in the prior year, as described above. For the year ended March 31, 2009, the Corporation has recognised $34.4 million as revenues. The deferred revenues as of March 31, 2009, represent $16.2 million (of the $16.2 million, $8.1 million is presented as short-term deferred revenues).

The Corporation has treated the unpaid consideration as receivables discounted at a rate of 2.85 per cent based on the expected timing of the associated future payments. As the Warrant consideration is a right to purchase an equity instrument in a privately held company, the Corporation concluded that the fair value cannot be reliably measured, and has accordingly accounted for the derivative at cost, one dollar.

10. LONG-TERM RECEIVABLES

A. NOTES RECEIVABLE

The Corporation has two long-term notes receivable following the sale of Toronto land. These notes bear a fixed interest rate of 7.15 per cent annually. The interest revenues generated from these notes receivable represent $4.1 million in 2009 (2008 – $4.2 million).

Future minimum payments receivable under the term of the notes are as follows:

	(thousands of dollars)
2010	5,567
2011	5,567
2012	5,567
2013	5,567
2014	5,567
2015 to 2027	73,304
Total future minimum payments receivable	**101,139**
Deduct: imputed interest	(43,841)
Notes receivable	**57,298**
Less: current portion (included in accounts receivable)	(1,940)
Notes receivable long-term	**55,358**

B. SALE OF OPTION AND AFFILIATE RELATIONS AGREEMENT – GALAXIE

As described in Note 9B above, the Corporation recognised the sale of certain Galaxie pay audio assets to Stingray Digital Group Inc. (“the Acquirer”) in 2008–2009. The terms of the agreement include letters of credit and a promissory note due from the Acquirer after March 31, 2010. Receivables are recorded at a discounted rate of 2.85 per cent based on the expected timing of the associated future payments.

Note 27 – Subsequent Event indicates that the notes receivable and the long-term receivable relating to the Option and Affiliate Relations Agreement – Galaxie are expected to be sold as part of the recovery plan approved by the Corporation’s Board of Directors.

C. SALARY ADVANCES – CHANGE IN PAYROLL AND OTHER

The implementation of a new payroll system in fiscal year 1998–1999 required a change in the payroll schedule of the Corporation. To adjust to this schedule without compromising the bi-weekly payments to employees, the Corporation issued a salary advance to be recovered upon termination of employment. This salary advance represents $9.9 million in 2009 (2008 – $10.5 million). The Corporation has other long-term receivables of $1.7 million in 2009 (2008 – $0.6 million).

11. LONG-TERM INVESTMENTS

	2009			2008		
	Significant influence	**Other**	**Total**	**Significant influence**	**Other**	**Total**
			(thousands of dollars)			
ARTV – participation at 61%[1]	6,548	-	6,548	4,669	-	4,669
Portfolio investments	-	17	17	-	17	17
Subtotal	**6,548**	**17**	**6,565**	**4,669**	**17**	**4,686**
Sirius Canada Inc.	(13,417)[2-3]	12,000[4]	(1,417)	(13,417)[2-3]	12,000[4]	(1,417)
Total	**(6,869)**	**12,017**	**5,148**	**(8,748)**	**12,017**	**3,269**

1 *ARTV inc. is a French-language arts and entertainment specialty channel. On July 23, 2008, the Corporation acquired an additional 15.59 per cent share in ARTV inc. (shares previously owned by CTVglobemedia Inc.), for a total amount of $1.76 million. The Corporation acquired additional shares issued by ARTV for an amount of $255,000 (0.63 per cent). With the additional acquisitions in 2008–2009, the Corporation owns 61 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 a 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 $18.1 million (2008 – $15.9 million).*

4 *The Corporation invested $12 million in class C shares, 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.*

12. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES

Employee-related liabilities are as follows:

	2009	2008	2009	2008
	Current		**Long-term**	
		(thousands of dollars)		
Accrued pension benefit liability	-	-	232,767	223,307
Employee future benefits other than pensions	-	-	160,999	156,229
Vacation pay	61,960	60,181	-	-
Workforce reduction	39,593	8,496	-	-
Salary-related liabilities	65,525	72,216	208	224
	167,078	**140,893**	**393,974**	**379,760**

A. CBC|RADIO-CANADA 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 as of March 31, 2009, was made in December 2006. A valuation as of December 2008 is currently under way and the next valuation would be required no later than December 2011.

12. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES (continued)

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 March 2006 and December 2005, respectively.

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

	2009	2008
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	5.25%	5.00%
Discount rate used for the calculation of the obligation	5.75%	5.25%
Long-term rate of compensation increase, excluding merit and promotion	3.25%	3.25%
Health care cost trend rate	8.5% for 5 years; 4.5% thereafter	8.5% for 5 years; 4.5% thereafter
Indexation of pensions in payment	1.9%	2.5%

	2009	2008
	(thousands of dollars)	
Annual amount		
Employee contributions – pension plans	33,407	40,619
Benefit payments for the year – pension plans	213,890	208,186
Benefit payments for the year – other employee future benefits	13,822	12,974

12. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES (continued)

	2009		2008	
	CBC|Radio-Canada pension plans	**Other employee future benefits**	**CBC|Radio-Canada pension plans**	**Other employee future benefits**
	(thousands of dollars)			
Fair value of plan assets, end of year	3,750,644	-	4,280,079	-
Accrued benefit obligation, end of year	(4,085,585)	(159,075)	(4,244,543)	(162,841)
Surplus (deficit), end of year	**(334,941)**	**(159,075)**	**35,536**	**(162,841)**
Unamortised past service costs	43,789	(2,930)	53,537	(3,349)
Unamortised net actuarial losses (gains)	477,661	(11,293)	199,892	(4,995)
Unamortised transitional (asset) obligation	(419,276)	12,299	(512,272)	14,956
Accrued benefit liability, end of year	**(232,767)**	**(160,999)**	**(223,307)**	**(156,229)**
Accrued benefit liability, beginning of year	**(223,307)**	**(156,229)**	**(164,551)**	**(150,170)**
Employee future benefits costs				
Current service cost	(76,720)	(7,650)	(87,937)	(7,559)
Interest on accrued benefit obligation	(220,115)	(8,585)	(210,909)	(8,230)
Expected return on actuarial value of assets	254,445	-	246,961	-
Amortisation of past service costs	(9,748)	419	(9,748)	419
Amortisation of transitional asset (obligation)	92,996	(2,657)	92,996	(3,187)
Amortisation of actuarial losses	(78,110)	(119)	(93,527)	(476)
Employee future benefits costs for the year	**(37,252)**	**(18,592)**	**(62,164)**	**(19,033)**
Corporation pension plan contributions	26,306	-	1,952	-
Benefit payments for unfunded plans	1,486	13,822	1,456	12,974
Total cash payments	**27,792**	**13,822**	**3,408**	**12,974**
Accrued benefit liability, end of year	**(232,767)**	**(160,999)**	**(223,307)**	**(156,229)**

As at March 31, 2009, the accrued benefit obligation for the CBC | Radio-Canada Pension Plan and for the unfunded benefit pension arrangements represented respectively $4,029.8 million (2008 – $4,189.0 million) and $55.8 million (2008 – $55.5 million).

	2009	2008
	Percentage of plan assets (based on fair values)	
Asset category		
Fixed income	61%	56%
Canadian equities	8%	13%
Global equities	16%	19%
Strategic[1]	14%	12%
Bond overlay	1%	-
	100%	**100%**

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

12. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES (continued)

B. WORKFORCE REDUCTION PLAN

On March 25, 2009, CBC|Radio-Canada announced a workforce reduction plan to deal with the financial pressures the Corporation is facing. A reduction of approximately 800 positions will result from this plan. The plan is divided into two steps: as a first step, the Corporation is 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 will announce involuntary departures.

As of March 31, 2009, the Corporation estimates the costs relating to contractual termination benefits at $35 million. As for the costs of special termination benefits, which will be paid under the VRIP, these will be recognised only when eligible employees accept the offer and their departure is confirmed, which will occur in 2009–2010. As of May 22, 2009, 303 agreements were reached between the Corporation and some of its employees relating to the VRIP, which will result in additional benefits to be paid of $3.9 million in 2009–2010.

13. VARIABLE INTEREST ENTITIES

Under the Canadian Institute of Chartered Accountants' 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.

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 Documentary Channel (*documentary*) was formed on June 29, 2001. On this date, CBC|Radio-Canada purchased a 29 per cent interest in The Documentary Channel (*documentary*) at a cost of 29 dollars, representing the fair value. On June 22, 2007, the Canadian Radio-television and Telecommunications Commission (CRTC) approved the Corporation's request to acquire an additional 53 per cent interest in The Documentary Channel Limited Partnership, a specialty service broadcasting documentaries. The purchase price of the additional 53 per cent interest was one million dollars. With this transaction, the Corporation owns an 82 per cent partnership interest in The Documentary Channel (*documentary*). Following the approval of the CRTC, the Corporation re-evaluated the status of this investment to determine if its additional investment in the partnership would result in the Corporation becoming the primary beneficiary. The Corporation concluded that, following the acquisition of the additional partnership interest, it became 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.

13. VARIABLE INTEREST ENTITIES (continued)

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. The Company 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; and an amount of $2.1 million of licensing revenues annually. 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 11).

14. BONDS PAYABLE

The Corporation, through its relationship with the Broadcast Centre Trust (Note 13), 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 $16,519,398, which will retire the following principal amounts:

	(thousands of dollars)
2010 (including accrued interest of $10.3 million)	18,834
2011	9,233
2012	9,941
2013	10,704
2014	11,525
2015 to 2027	277,009
	337,246
Less: current portion	(18,834)
	318,412

Interest expense included in current year's expenses is $24.8 million (2008 – $25.4 million).

15. DEFERRED CAPITAL FUNDING

	2009	2008
	(thousands of dollars)	
Balance, beginning of year	**650,056**	**642,130**
Government funding for capital expenditures (NOTE 20A)	96,677	110,398
Amortisation of deferred capital funding	(111,355)	(102,472)
Balance, end of year	**635,378**	**650,056**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 is offset by working capital appropriations received since 1958, which have accumulated to $163 million as at March 31, 2009 (2008 – $159 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. As of March 31, 2009, the working capital of the Corporation is slightly lower than the accumulated working capital appropriations, due to termination benefits which are included in the current liabilities and are expected to be funded through the proceeds generated by the future sale of assets.

17. COMMITMENTS

A. PROGRAM-RELATED AND OTHER

As at March 31, 2009, commitments for sports rights amounted to $519.1 million (2008 – $663.3 million); procured programs, film rights and co-productions amounted to $132.1 million (2008 – $160.6 million), property and equipment amounted to $15.5 million (2008 – $8.9 million) and other commitments amounted to $520.0 million (2008 – $338.1 million) for total commitments of $1,186.7 million (2008 – $1,170.9 million). Future annual payments as of March 31, 2009, are as follows:

	(thousands of dollars)
2010	249,818
2011	176,371
2012	167,775
2013	153,701
2014	146,743
2015 to 2017	292,335
Total future payments	**1,186,743**

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, 2009, are as follows:

	(thousands of dollars)
2010	42,632
2011	41,651
2012	31,520
2013	28,653
2014	27,669
2015 to 2024	130,954
Total future payments	**303,079**

18. CONTINGENCIES

A. RELATED CLAIMS

Various claims and legal proceedings have been asserted or instituted against the Corporation. Some demand large monetary damages or other relief and they could result in significant expenditures. Litigation is 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 the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded.

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. Although studies to delineate the exact area are currently under way, it is not possible at this point to estimate the impact of this situation on the Corporation's financial results.

19. SPECIALTY SERVICES

The Corporation operates CBC Newsworld and the Réseau de l'information de Radio-Canada (RDI), under CRTC license 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.

	2009					
	Revenues	Expenses including employee future benefits expenses	Total	Repayments to Main Service[1]	Employee future benefits expenses	Total on an incremental costs basis
	(thousands of dollars)					
CBC Newsworld	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**

	2008					
	Revenues	Expenses including employee future benefits expenses	Total	Repayments to Main Service[1]	Employee future benefits expenses	Total on an incremental costs basis
	(thousands of dollars)					
CBC Newsworld	78,918	(64,588)	**14,330**	(2,825)	1,289	**12,794**
RDI[2]	46,169	(44,777)	**1,392**	(2,474)	1,060	**(22)**
Galaxie	17,882	(13,181)	**4,701**	(18)	66	**4,749**
bold	3,458	(3,027)	**431**	-	33	**464**
	146,427	**(125,573)**	**20,854**	**(5,317)**	**2,448**	**17,985**

1 *Capital expenditures for the acquisition of equipment 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 *In 2007–2008, RDI used previous years' accumulated excess revenues over expenses to fund current activities.*

The monthly subscriber rates of CBC Newsworld and RDI are subject to regulations imposed by the CRTC, a related party. The maximum monthly subscriber rates are approved through the license renewal process. For CBC Newsworld 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, respectively, 81 per cent and 83 per cent (2008 – 81 per cent and 82 per cent) of the total revenues of CBC Newsworld and RDI.

20. PARLIAMENTARY APPROPRIATIONS

A. PARLIAMENTARY APPROPRIATIONS APPROVED AND RECEIVED

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

	2009	2008
	(thousands of dollars)	
Operating funding		
Approved annual funding	995,795	948,321
Additional non-recurring funding for programming initiatives (NOTE 20D)	60,000	60,009
Release of frozen allotment reprofiled from a previous year	20,000	-
Transfer to capital funding – Supplementary Estimates A[1]	(5,658)	(18,766)
Operating funding received	**1,070,137**	**989,564**
Capital funding		
Approved annual funding	91,019	91,632
Transfer from operating funding – Supplementary Estimates A[1]	5,658	18,766
Capital funding received	**96,677**	**110,398**
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.*

20. PARLIAMENTARY APPROPRIATIONS (continued)

B. RECONCILIATION OF NET RESULTS OF OPERATIONS TO GOVERNMENT FUNDING BASIS

The Corporation receives a significant portion of its funding through Parliamentary appropriations, based primarily on cash flow requirements. Expenses recognised in the Consolidated Statement of Operations in one year may be funded through Parliamentary appropriations in other years. Accordingly, the Corporation's net results of operations for the year on a government funding basis differ from those on a Canadian GAAP basis. The differences are outlined below:

	2009	2008
	(thousands of dollars)	
Net results for the year	**(15,696)**	**(33,817)**
Items not generating operating funds		
Amortisation of deferred capital funding	(111,355)	(102,472)
Loss (gain) on disposal of property and equipment	71	(34,668)
Parliamentary appropriation for working capital	(4,000)	(4,000)
Net proceeds generated from the sale of Galaxie (to be recognised in future years on a government funding basis)	(13,225)	-
Other	(4,327)	2,352
	(132,836)	**(138,788)**
Items not requiring operating funds		
Amortisation of property and equipment	117,923	110,041
CBC I Radio-Canada pension plans and other employee future benefits	14,230	64,815
Loss from investments in companies subject to significant influence	136	17
Program inventory costs	1,391	(3,034)
Vacation pay	(1,304)	3,040
Other	5,109	(4,452)
	137,485	**170,427**
Net results of operations on a government funding basis	**(11,047)**	**(2,178)**
Government funding surplus, beginning of year	**44,038**	**46,216**
Government funding surplus, end of year	**32,991**	**44,038**

20. PARLIAMENTARY APPROPRIATIONS (continued)

C. NET RESULTS FOR CAPITAL FUNDING

The purchase of property and equipment is financed by Parliamentary appropriations and proceeds from the disposal of property and equipment. Additions and proceeds, relating to property and equipment, recorded in the current year under Canadian GAAP may be funded/recognised on a government funding basis in different years. The differences are outlined below:

	2009	2008
	(thousands of dollars)	
Capital funding received (NOTE 20A)	96,677	110,398
Capital recovery from notes receivable	1,496	1,395
Capital recovery from net investment in sales-type leases	1,585	1,478
Proceeds from the disposal of property and equipment and other	2,037	38,628
Total capital funding for the year	**101,795**	**151,899**
Acquisition of property and equipment	(102,507)	(111,671)
Capital portion of bond payments	(7,964)	(7,397)
Capital funding surplus (deficit) for the year	**(8,676)**	**32,831**
Capital funding surplus (deficit), beginning of year, government funding basis	**8,401**	**(24,430)**
Capital funding surplus (deficit), end of year, government funding basis	**(275)**	**8,401**

D. ADDITIONAL NON-RECURRING FUNDING FOR PROGRAMMING INITIATIVES

Additional non-recurring funding of $60 million for 2009 (2008 – $60 million) was approved on May, 17, 2007. These funds are being used across all media for the enhancement of programming initiatives.

21. 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 taxes. The recovery of (provision for) income and large corporations taxes is comprised of:

	2009	2008
	(thousands of dollars)	
Current income and large corporations taxes provision	-	(48)
Future income tax	-	-
	-	**(48)**

21. INCOME AND LARGE CORPORATIONS TAXES (continued)

The recovery of (provision for) income and large corporations taxes differs from the amount that would be computed by applying the federal statutory income tax rate of 29.38 per cent (2008 – 31.77 per cent) to net results before taxes and minority interests. The reasons for the differences are as follows:

	2009	2008
	(thousands of dollars)	
Income tax recovery at federal statutory rate	4,614	10,739
Increase (decrease) resulting from:		
Non-taxable portion of capital gains	2,038	7,330
Other net amounts	(3,497)	(1,508)
Adjustment for changes in income tax rates	(470)	(13,457)
Change in valuation allowance	(2,685)	(3,104)
Large corporations tax provision	-	(48)
	-	**(48)**

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future liabilities as at March 31, 2009 and 2008 are presented below:

	2009	2008
	(thousands of dollars)	
Future tax assets		
Accrued liabilities	11,914	4,955
Pension plan asset	58,192	55,827
Employee-related liabilities	40,302	39,113
Loss carry-forward	5,016	6,758
Long-term receivables and investments	1,747	4,289
	117,171	**110,942**
Less: valuation allowance	(77,765)	(75,080)
	39,406	**35,862**
Future tax liabilities		
Program inventory	742	691
Net investment in sales-type leases	13,426	13,867
Property and equipment	24,098	20,966
Other	1,140	338
	39,406	**35,862**
Net future tax assets (liabilities)	**-**	**-**

As at March 31, 2009, the Corporation has a loss carry-forward for tax purposes of $20.1 million (2008 – $27 million), which expires in 2027.

22. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	2009	2008
	(thousands of dollars)	
Cash flows provided by (used for):		
Short-term investments	6,999	22,999
Accounts receivable[1]	7,484	(21,347)
Inventory[2]	(4,221)	(67,741)
Prepaid expenses	(21,680)	31,762
Net investment in sales-type leases[3]	9	9
Accounts payable and accrued liabilities	372	1,388
Deferred revenues	(2,113)	4,613
Employee-related liabilities[4]	27,489	(24,124)
Bonds payable[5]	(250)	(232)
	14,089	**(52,673)**

1 *Excluding $(0.1) million (2008 – $(0.1) million) of notes receivable from the sale of lands.*

2 *Including $0.2 million (2008 – $0.3 million) of amortisation of property and equipment.*

3 *Excluding capital recovery of $0.1 million (2008 – $0.1 million).*

4 *Excluding items not involving cash of $(1.3) million (2008 – $2.4 million).*

5 *Excluding repayment of bonds payable of $0.6 million (2008 – $0.6 million).*

23. 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 11). 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:

	2009	2008	2009	2008
	Government		**Private companies**	
	(thousands of dollars)			
Revenues	564	174	8,306	6,789
Accounts receivable	38	98	4,106	3,716
Expenses	7,980	2,459	276	91
Accounts payable and accrued liabilities	43	20	-	-
Long-term investments	-	-	2,015	1,405

The expenses with Government consist mainly of payroll taxes. The revenues from related private companies include a program agreement with Sirius Canada Inc. and management service and facility rental contracts with ARTV. 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.

During the year, the Corporation also received funding from the Government of Canada as described in Note 20.

24. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, net investment in sales-type leases, long-term receivables (excluding salary advances), long-term investments carried at cost, accounts payable and accrued liabilities, short-term employee-related liabilities, bonds payable, and derivatives.

The fair values of accounts receivable, short-term portion of sales-type leases, bonds payable and employee-related liabilities, and accounts payable and accrued liabilities 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, since they do not have a quoted market price.

The Corporation recorded the value of the warrant to purchase an equity instrument 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 long-term portion of net investment in sales-type leases, the long-term portion of the receivables, the bonds payable, and the derivatives are listed below:

	2009		2008		
Instrument	**Carrying values**	**Fair values**	**Carrying values**	**Fair values**	**Method**
	(millions of dollars)				
Net investment in sales-type leases (long-term)	60.8	68.0	62.5	68.1	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	77.0	82.9	84.2	89.2	The fair value of the long-term receivable is determined using the net present value of principal and interest cash flows. The discount rate used, for the receivable relating to the sale of parcels of land, is based on long-term Government bonds maturing at approximately May 1, 2027, and adjusted by a spread based on credit ratings. For other long-term receivables, the discount rate used is based on Government bonds maturing in approximately three to five years and adjusted by a spread based on credit ratings.
Bonds payable (long-term)	318.4	418.5	327.0	424.0	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.
Derivative financial instruments – (assets)	4.6	4.6	1.4	1.4	The fair value is based on quoted forward market prices at March 31.
Derivative financial instruments – (liabilities)	-	-	7.9	7.9	The fair value is based on quoted forward market prices at March 31.

24. FINANCIAL INSTRUMENTS (continued)

A. DERIVATIVE FINANCIAL INSTRUMENTS

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

At March 31, the notional and fair values (expressed in Canadian dollars) of the derivative instruments designated as cash flow hedges are as follows:

	2009		2008	
	Notional	Fair value	Notional	Fair value
		(thousands of dollars)		
Forward exchange contracts				
Liabilities				
Current:				
USD	-	-	42,562	(7,873)

As of March 31, 2009, the Corporation has no derivative instruments designated as cash flow hedges.

For the year ended March 31, 2009, the amount recorded in the Consolidated Statement of Comprehensive Income (Loss) resulting from the net change in fair value of the derivative instruments designated as cash flow hedges is nil (net of income tax of $0) (2008 – loss of $4.0 million).

The losses on derivatives designated as cash flow hedges are reclassified from accumulated other comprehensive income (loss) to net results for the year when contractual payments are made. The loss from fair value of financial instruments reclassified to the Consolidated Statement of Operations in fiscal year 2008–2009 represents $7.8 million (2008 – nil). Any ineffectiveness has been recognised in the net results of operations as all forward contracts have matured during the year.

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

	2009		2008	
	Notional	Fair value	Notional	Fair value
		(thousands of dollars)		
Forward exchange contracts				
Assets				
Current:				
USD[1]	20,539	4,559	12,818	910
GBP	-	-	2,982	46
Euro	-	-	2,026	395
Total	**20,539**	**4,559**	**17,826**	**1,351**

1 The forward contracts rates are between 1.00 and 1.04 for forward contracts in US dollars and the maturity date is between April 2009 and January 2011.

For the year ended March 31, 2009, 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 gain of $3.2 million (2008 – $1.4 million). This gain is presented in the Consolidated Statement of Operations as other income (net gain from fair value of financial instruments).

24. FINANCIAL INSTRUMENTS (continued)

B. 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.

C. 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.

(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 Corporation policy on currency risk requires to minimise currency risk to protect the value of foreign cash flows both committed and anticipated from the negative impact of exchange rates fluctuation. 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, 2009 (expressed in Canadian equivalent dollars) is as follows:

	$US	**Euros**	**GBP**
		(thousands of dollars)	
Cash and cash equivalents	423	242	38
Accounts receivable	1,566	475	5
Accounts payable and accrued liabilities	(675)	(14)	(172)
Net exposure	**1,314**	**703**	**(129)**

Based on the net exposure as at March 31, 2009, 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 short-term investments, long-term receivables and the bonds payable are subject to interest rate fluctuation since they bear a fixed interest rate. An increase or decrease in market rates will impact the fair value of these financial instruments.

The Corporation manages its interest rate risk by spreading the maturity dates of investments over the fiscal year.

Based on the net exposure as at March 31, 2009, and assuming all 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, 2009, on the fair value of the long-term receivables represents $4.7 million and represents $31.2 million on the fair value of the bonds payable.

24. FINANCIAL INSTRUMENTS (continued)

D. 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 and cash equivalents, investments, accounts receivable, long-term receivables, and forward exchange contracts.

The maximum exposure to credit risk of the Corporation at March 31, 2009, is the carrying value of these assets.

(i) Cash and Cash Equivalents 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. Cash equivalents are guaranteed by the Government of Canada.

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.

(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, 2009, 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 provides 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.

An aging of the Corporation's accounts receivable as at March 31, 2009, is as follows:

	(thousands of dollars)
Current	101,799
31–60 days	29,414
61–90 days	12,405
Over 91 days	9,394
	153,012

Moreover, the Corporation's allowance for doubtful account amounted to $2.9 million in 2009 (2008 – $3.9 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

(iii) Long-term Receivables

Two counter parties have balances representing 87 per cent of the long-term receivables as of March 31, 2009 (88 per cent in 2008).

For its long-term receivables relating to the past sale of parcels of land, the Corporation mitigated the risk by guaranteeing the amount to be received through promissory notes issued by highly reputable entities. Fourteen million dollars of the $21.0 million notional value of the long-term receivables from the sale of certain of the Galaxie pay audio assets (described in Note 9B) are in the form of letters of credit, the remainder in the form of an unsecured notes payable. Management does not foresee any significant risk with the collection of the unsecured notes payable.

(iv) Forward Exchange Contracts

The Corporation manages its exposure to derivative counterparty credit risk by contracting primarily with reputable financial institutions.

E. 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 contract a line of credit or long-term debt.

25. 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'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 structure and 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 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 the 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. Steps are currently being taken to manage an expected cash flow requirement in 2009–2010, as described in Note 27.

26. COMPARATIVE FIGURES

Some of the 2008 figures have been reclassified to conform to the current's year presentation.

27. SUBSEQUENT EVENT

In March 2009, the Corporation's Board of Directors approved a financial recovery plan to deal with the financial pressures the Corporation is facing. In June 2009, the Corporation submitted two Treasury Board submissions requesting the authority to sell receivables and net investment in sales-type leases to fund employee termination benefits and support programming areas until the benefits of the financial recovery plan are materialised. The carrying amounts of these receivables and the net investment in sales-type leases on the Consolidated Balance Sheet, as at March 31, 2009, are as follows:

	(thousands of dollars)
Short-term:	
Net investment in sales-type leases (NOTE 7)	2,068
Accounts receivables – Sale of land (NOTE 10A)	1,940
Long-term:	
Net investment in sales-type leases (NOTE 7)	60,786
Accounts receivables – Sale of land (NOTE 10A)	55,358
Accounts receivable – Sale of Option and Affiliate Relations Agreement – Galaxie (NOTE 10B)	19,921

At the date of approval of these Consolidated Financial Statements, the Corporation is awaiting Treasury Board and Order in Council approval to proceed with the sale of these receivables and the net investment in sales-type leases. Should such approval not be received, CBC|Radio-Canada will introduce other measures to manage its cash flow requirements, which may affect strategic plans and operations.

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