



## 2012-2013 Q3 Budgetary Management Report

<b>TO:</b>	Board of Directors / Audit Committee
<b>MEETING:</b>	February 20, 2013
<b>FROM:</b>	Michael Mooney, Acting Vice-President and Chief Financial Officer
<b>PURPOSE:</b>	Quarterly information report on budgetary results at December 31, 2012
<b>DATE:</b>	February 12, 2013

### SIGNIFICANT POINTS:

- N/A

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**QUARTERLY BUDGETARY MANAGEMENT REPORT  
For the first nine months ending December 31st, 2012**

January 2013

Confidential for Internal Purposes

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## **QUARTERLY FINANCIAL MANAGEMENT REPORT**

**For the first nine months ended December 31, 2012.**

### **Financial Reporting Basis**

CBC/Radio-Canada is required to publish quarterly financial reports and submit Annual Reports to the Minister of Canadian Heritage containing consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

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

This report presents and analyses segmented results of operations for the nine months ended December 31, 2012, compared to the year-to-date budget, and year-end forecasts. Segmented results are presented for English and French media services, Media-Related and Support Activities.

In addition, a cash forecast and an overview of the capital budget are presented for the same period.

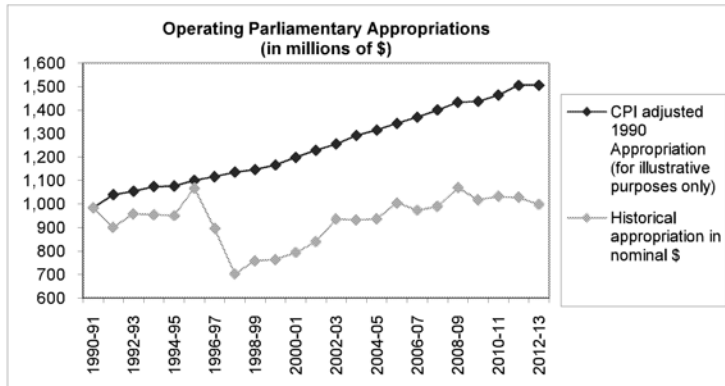
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**Financial Highlights**  
**For the nine months ended December 31, 2012**

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**Sources of Funds**  
**For the nine months ended December 31, 2012**



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Expenditures  
For the nine months ended December 31, 2012



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Overview for the nine months ended December 31  
(in \$000's)

	Year-to-date (April to December)			Annual Basis (April to March)		
	2012/2013 Actuals	2012/2013 Budget	Variance	2012/2013 Forecast	2012/2013 Budget	Variance
<b>SOURCE OF FUNDS</b>						
<b>Government Funding and Carryover</b>						
Parliamentary Appropriation - Drawdown (Used for) generated by working capital						
Parliamentary Appropriation						
Prior Year Carryover						
<b>Government Funding and Carryover</b>						
<b>Revenues transferred from/(to) to Capital</b>						
<b>Local Programming Improvement Fund</b>						
English Television						
French Television						
<b>Local Programming Improvement Fund</b>						
<u>Revenues</u>						
<b>Advertising Revenues</b>						
English Services						
French Services						
<b>Advertising Revenues</b>						
<b>Miscellaneous Revenues-Regular Operations</b>						
English Services						
French Services						
Others						
<b>Miscellaneous Revenues-Regular Operations</b>						
<b>Revenues-Specialty Services:</b>						
CBC News Network						
<b>bold</b>						
Réseau de l'information						
Explora						
<b>Revenues-Specialty Services</b>						
<b>Total Revenues</b>						
<b>TOTAL SOURCE OF FUNDS</b>						
<b>APPLICATION OF FUNDS</b>						
<b>Expenditures</b>						
English Services						
French Services						
Media-Related Activities						
Support Activities						
<b>TOTAL APPLICATION OF FUNDS</b>						
<b>NET POSITION</b>						

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Overview Comments

Advertising Revenue Update

**Consolidated English Services**  
**For the nine months ended December 31, 2012**  
**(\$000's)**

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	Year-to-date (April to December)			Annual Basis (April to March)		
	2012/2013 Actuals	2012/2013 Budget	Variance	2012/2013 Forecast	2012/2013 Budget	Variance
<b>SOURCE OF FUNDS</b>						
Parliamentary Appropriation						
Prior Year Carryover						
<b>Government Funding and Carryover</b>						
<b>Local Programming Improvement Fund</b>						
<b>Revenues</b>						
English Television - Advertising - Television						
English Television - Advertising - Digital Services						
English Television - Advertising - Contrats/Value-added						
English Television - Miscellaneous						
CBC News Network - Advertising						
CBC News Network - Subscriber and other revenue						
<b>bold</b> - Advertising						
<b>bold</b> - Subscriber and other revenue						
Merchandising - Miscellaneous						
English Radio - Miscellaneous						
<b>Total Revenues</b>						
<b>TOTAL SOURCE OF FUNDS</b>						
<b>APPLICATION OF FUNDS</b>						
English Television - Programming and Production						
English Television - Technical						
English Television - Regional Operations						
CBC News Network						
<b>bold</b>						
English Radio - Programming and Production						
English Radio - Technical						
English Radio - Regional Operations						
Sales and Marketing						
Merchandising						
Programming and Other Commitments						
Media Management						
<b>TOTAL APPLICATION OF FUNDS</b>						
<b>NET POSITION</b>						

**Consolidated English Services Results Comments**

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**Consolidated French Services  
For the nine months ended December 31, 2012  
(\$000's)**

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	Year-to-date (April to December)			Annual Basis (April to March)		
	2012/2013 Actuals	2012/2013 Budget	Variance to Budget	2012/2013 Forecast	2012/2013 Budget	Variance
<b>SOURCE OF FUNDS</b>						
Parliamentary Appropriation						
Prior Year Carryover						
<b>Total Government Funding and Carryover</b>						
<b>Local Programming Improvement Fund</b>						
<b>Revenues</b>						
French Television - Advertising - Television						
French Television - Advertising - Digital Services						
French Television - Advertising - Contrats/Value-added						
French Television - Miscellaneous						
Réseau de l'information - Advertising						
Réseau de l'information - Subscriber and Other Revenue						
Explora - Advertising						
Explora - Miscellaneous						
Merchandising - Miscellaneous						
French Radio and Radio Canada International - Miscellaneous						
<b>Total Revenues</b>						
<b>TOTAL SOURCE OF FUNDS</b>						
<b>APPLICATION OF FUNDS</b>						
French Television - Programming and Production						
French Television - Technical						
French Television - Regional Operations						
Réseau de l'information						
Explora						
French Radio - Programming and Production						
French Radio - Technical						
French Radio - Regional Operations						
Radio Canada International						
Revenue Group (excluding RDI)						
Merchandising						
Programming and Other Commitments						
Media Management						
<b>TOTAL APPLICATION OF FUNDS</b>						
<b>NET POSITION</b>						

Consolidated French Services Results Comments

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**Media-Related Activities**  
**For the nine months ended December 31, 2012**  
**(\$000's)**

	Year-to-date (April to December)			Annual Basis (April to March)		
	2012/2013 Actuals	2012/2013 Budget	Variance to Budget	2012/2013 Forecast	2012/2013 Budget	Variance to Budget
<b>SOURCE OF FUNDS</b>						
Parliamentary Appropriation						
Prior Year Carryover						
<b>Government Funding and Carryover</b>						
<b>Revenues transferred to/(from) Capital</b>						
<b>Revenues</b>						
CBC Transmission and Distribution						
Real Estate Services						
Mobile Productions - External Rentals						
Ottawa Production Centre						
Sirius-Program Sales						
Other Miscellaneous Revenues						
<b>Total Revenues</b>						
<b>TOTAL SOURCE OF FUNDS</b>						
<b>APPLICATION OF FUNDS</b>						
Technology Strategy Board						
Broadcast and Telecommunication						
CBC Transmission and Distribution						
Real Estate Services						
Mobile Productions						
Mobile Productions - Recoveries from medias						
Ottawa Production Centre						
Content Management						
Corporate Reserve						
<b>TOTAL APPLICATION OF FUNDS</b>						
<b>NET POSITION</b>						

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**Media-Related Activities Results Comments**

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**Corporate Reserve**  
(in millions of \$)

2012/2013  
Annual Basis  
(April to March)

Forecast	Budget	Variance
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**Support Activities**  
**For the nine months ended December 31, 2012**  
**(\$000's)**

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	Year-to-date (April to December)			Annual Basis (April to March)		
	2012/2013 Actuals	2012/2013 Budget	Variance to Budget	2012/2013 Forecast	2012/2013 Budget	Variance
<b>SOURCES OF FUNDS</b>						
Parliamentary Appropriation	82,823					
Prior Year Carryover	0					
<b>Total Government Funding and Carryover</b>	<b>82,823</b>					
<b>Miscellaneous Revenues</b>						
Corporate Research	237					
Canadian Claimant Group Royalties	118					
CRRA	2,252					
Interest and other administration revenues	1,432					
Capital Recoveries	2,140					
<b>Total Miscellaneous Revenues</b>	<b>6,179</b>					
<b>TOTAL SOURCE OF FUNDS</b>	<b>89,002</b>					
<b>APPLICATION OF FUNDS</b>						
Office of the President and CEO	841					
Office of the Chairperson and Board of Directors	415					
Branding, Communications and Corporate Affairs	4,028					
Office of VP Strategy and Business Partnerships	201					
Internal Audit	1,026					
Training and Development	1,913					
People and Culture	10,620					
Severance Pay and Other Personnel Costs	12,429					
Dental Plan, EAP and Crisis Management	2,719					
Information Technology	22,446					
Business Development	880					
Regulatory Affairs	1,387					
Corporate Research	3,771					
General Counsel and Corporate Secretariat	7,222					
Corporate Finance and Administration	8,608					
Insurance, Forms, Taxes, Foreign Exchange, etc.	2,521					
Shared Services	7,871					
Ombudsman - Toronto	246					
Ombudsman - Montreal	271					
<b>TOTAL APPLICATION OF FUNDS</b>	<b>89,415</b>					
<b>NET POSITION</b>	<b>(413)</b>					

**Support Activities Results Comments**

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

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

<b>For the nine-months period ended December 31</b>	<b>2012</b>	<b>2011</b>	
	<i>(thousands of dollars)</i>		
<b>Net results for the period on an IFRS basis</b>	<b>3,380</b>	<b>53,198</b>	
<b>Items not generating operating funds</b>			
Amortization of deferred capital funding	(120,802)	(97,131)	
Gain on disposal of property and equipment	(17,367)	(8,119)	
Parliamentary appropriation for working capital	(2,666)	(2,999)	
Specialty services consolidated results	(14,119)	(14,093)	
Dilution gain Sirius	0	(25,775)	
Dividend income presented as revenue on a budget basis	0	929	
Accretion of promissory notes and Stock options	(122)	(153)	
Other	(3,491)	(1,320)	
	<b>(158,567)</b>	<b>(148,661)</b>	
<b>Items not requiring operating funds</b>			
Amortization and impairment of property and equipment and intangible assets	135,240	108,939	
Indirect costs allocated to programming assets	(4,956)	(8,010)	
Pension plans and other employee future benefits	(30,137)	(24,019)	
Annual leave	8,036	6,405	
Specialty services consolidated results	13,030	13,114	
Share of profit in investment in Sirius	(998)	(308)	s.18(a)
Decommissioning liability	5,625	0	s.18(b)
Other	3,099	471	
	<b>128,939</b>	<b>96,592</b>	

**Cash Flows  
as at December 31, 2012**

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2012/2013 Forecast						2011/2012 Actual				
	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Total	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Total
<b>Opening balance</b> <sup>(1)</sup>	56,836	67,200	40,612			56,454	54,305	75,599	84,218	56,454
<b>Inflows</b>										
Appropriations received <sup>(2)</sup>	305,000	225,000	302,200			290 000	265 000	340 000	239 319	1,134,319
Revenues	196,075	192,804	159,229			179 270	197 050	167 027	238 515	781,862
Dividend/return of share capital - Sirius		-	-			14,948	-	-	-	14,948
Sale of capital assets <sup>(6)</sup>	-	-	-			-	-	9,557	-	9,557
Sale of Bold! <sup>(7)</sup>										
<b>Outflows</b>										
Expenditures <sup>(3)</sup>	(490,711)	(444,392)	(445,515)			( 486 367)	( 440 756)	( 507 965)	( 505 216)	(1,940,304)
<b>Ending balance</b> <sup>(1)</sup>	<b>67,200</b>	<b>40,612</b>	<b>56,526</b>			<b>54,305</b>	<b>75,599</b>	<b>84,218</b>	<b>56,836</b>	<b>56,836</b>
	<sup>(4)</sup>	<sup>(4)</sup>	<sup>(4)</sup>	<sup>(5)</sup>						

**Note 1:**

**Note 2:**

**Note 3:**

**Note 4:** The first nine months of 2012/2013 are actual results.

**Note 5:**

**Note 6:**

**Note 7:**

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Capital

Available Capital

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**Major Expenditure Shifts**

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2012/2013 Capital Budget Overview as at December 31, 2012

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<u>Investment Class</u>	<u>Capital Plan</u>	<u>Forecasted Expenditures</u>	<u>Surplus/ (Deficit)</u>	<u>Actual Expenditures to Date</u>	<u>As % of Forecast</u>
Mission Critical					
Efficiency Projects					
Transmission Strategy					
Growing the Business					
Legal and Regulatory					
Payback Initiatives					
Minor Capital					
Corporate Contingency					
Impact of approved plan being higher than available capital (1)					
<b>Total</b>	-				

<u>Component</u>	<u>Capital Plan</u>	<u>Forecasted Expenditures</u>	<u>Surplus/ (Deficit)</u>	<u>Actual Expenditures to Date</u>	<u>As % of Forecast</u>
English Television (ETN)					
French Television (FTN)					
English Radio (ERN)					
French Radio (FRN)					
English New Media (ENM)					
French New Media (FNM)					
Information Technology (IT)					
Real Estate (RE)					
Capital Leases					
Telecommunication (TEL)					
Transmission Division (T&D)					
Human Resources (HR)					
Corporate Components					
Fleet Management					
Mobile Division					
Minor Capital					
Enterprise Wide (EW):					
On-Air-Core					
Media Asset Management					
On-Air Stabilization					
Others					
Corporate Contingency					
Impact of approved plan being higher than available capital (1)					
<b>Total</b>	-				
	% of Available Capital				

\* Includes repayment of bonds payable for TBC lease



**2012/2013 Capital Budget Overview as at December 31, 2012 - Notes**

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Note 1

Note 2

Note 3

Note 4

Note 5

Note 6

Note 7

Note 8

Note 9

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

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

Projects	Component		Approval by BOD - Forecasted date	Ready for Operation - Forecasted date	Planned Budget Approved by BOD	Budget Released	Total Forecasted Expenditures	Total Forecasted Surplus/ (Deficit)

CAPITAL INVESTMENT PLAN  
Board of Directors Approved Projects > \$5 million - Notes  
Forecasted Expenditures to Project Completion (including relayed operating expenditures)

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Note 1

Note 2

Note 3

**Board approved projects with forecasted deficits  
as at December 31, 2012**

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Projects	Component	Original Budget Approved by Board Resolution	Total Budget Approved by BOD Resolution	Other sources of funds	Budget Released	Total Forecasted Expenditures as at December 31, 2012	Total Forecasted Surplus/ (Deficit), including other sources of funds	Supplemental Funds Required

At its meeting in September 2009, the Board of Directors approved a new practice for governance and monitoring of variances on Board approved projects. The new practice permits Management to continue activity on Board approved projects with small projected deficits, where the individual project deficits are  $\leq 10\%$  and  $\leq \$1.5$  million, and the total of all small projected deficits does not exceed \$2 million on all active projects.

As at December 31, 2012, only two projects will exceed the total budget approved by resolution of the Board of Directors, well within the governance practice defined above.