YOURS IN EVERY WAY.

CBC | RADIO-CANADA ANNUAL REPORT 2010–2011

CBC Radio-Canada

YOUR CONNECTION.

YOURS WHEN, WHERE AND HOW YOU WANT

Turn on your TV or your radio. Open your smart phone or your tablet. Surf the web from anywhere, any time. Connect with friends in your favourite social networks. This is the reality, and the extraordinary opportunity, of today's media landscape.

CBC | Radio-Canada is fully embracing this new reality. And through our new strategy, *Everyone, Every way*, we will deepen our relationship with Canadians. Whether it's connecting them to this country, to their communities, or to each other, we will be there – for everyone, every way.

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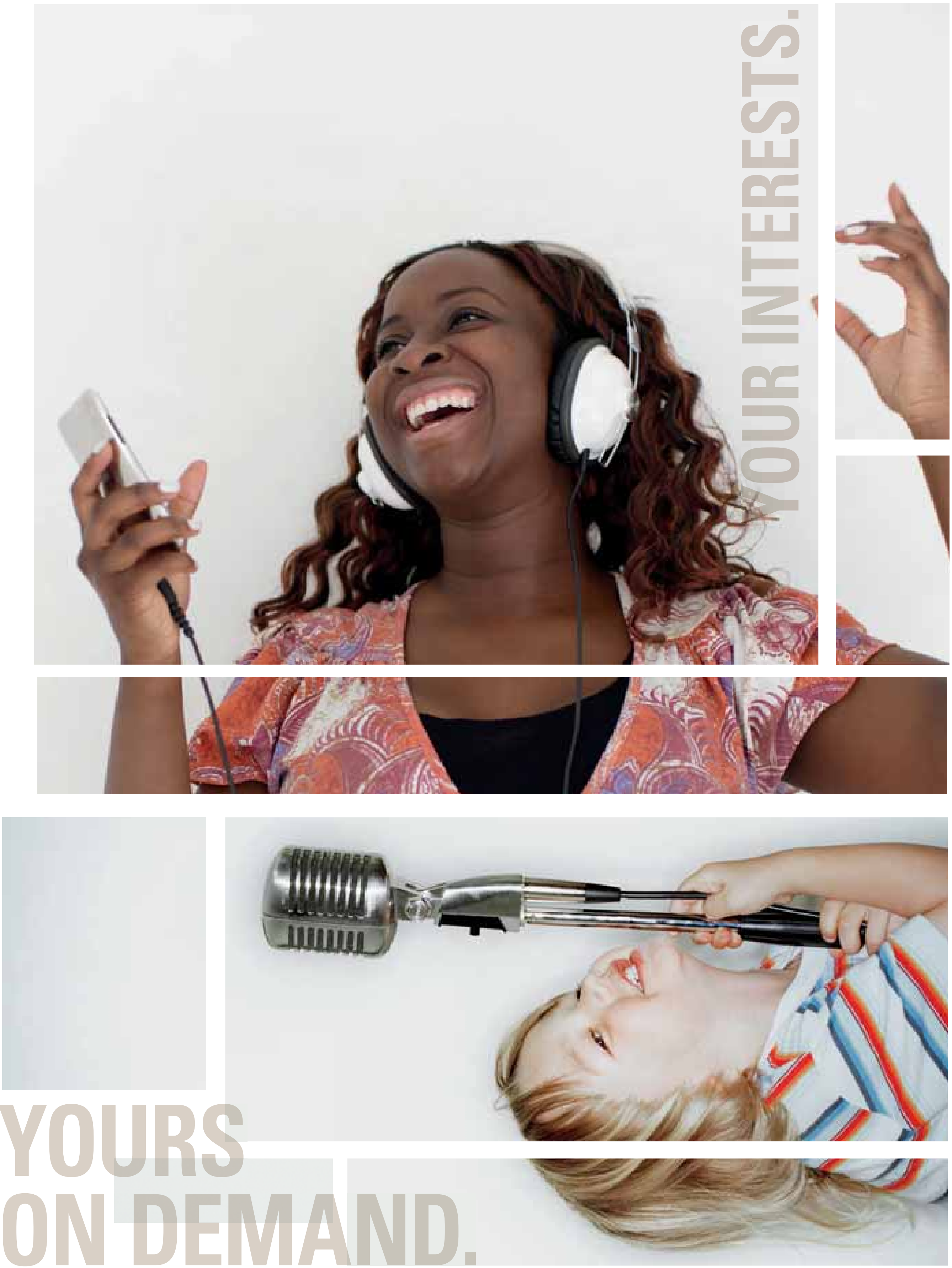

YOUR INTERESTS.
YOURS
ON DEMAND.

YOUR CHANGING CANADA. YOUR SPACE. YOUR COMMUNITY. YOURS IN EVERY WAY. YOUR NEWS. YOUR CONNECTION. YOUR ENTERTAINMENT. YOUR MUSIC. YOURS WHEN, WHERE AND HOW YOU WANT IT. YOUR CHOICE. YOUR SOCIAL NETWORKS. YOURS IN EVERY WAY. YOUR SPACE. YOURS ON DEMAND. YOURS RIGHT NOW. YOUR COMMUNITY. YOUR NEWS. YOUR ENTERTAINMENT. YOUR FUN. YOUR MUSIC. YOUR CONNECTION.

YOUR CHANGING CANADA

New technologies. Demographic shifts. More powerful, integrated media empires. Mushrooming social networks. Everything moving faster, and demand for even greater speed. CBC|Radio-Canada is a pioneer in new broadcasting technologies and services, allowing audiences to access our content anywhere, any time. Our 30+ services also bring Canadians an ever-widening diversity of voices and perspectives, expressing Canadian culture and enriching democratic life.

We recognize that the national public broadcaster can’t be all things to all people. But, in its scope, our new strategy stakes the claim that we can and will mean something very special to every Canadian. That’s our commitment.

2010–2011 ACHIEVEMENTS

30 Mil+

YOUR CONNECTION NUMBER OF VIDEO VIEWS IN ITS FIRST YEAR FOR RADIO-CANADA'S TOU.TV, CANADA'S LARGEST FRENCH-LANGUAGE ENTERTAINMENT TELEVISION WEBSITE.

2 Mil+

YOUR FUN CBC TELEVISION'S AVERAGE AUDIENCE FOR *HOCKEY NIGHT IN CANADA* AND *DRAGONS' DEN*.

19.9%

YOUR STYLE TÉLÉVISION DE RADIO-CANADA REMAINS ONE OF CANADA'S MOST WATCHED TV NETWORKS AMONG FRANCOPHONES.

Top 3

YOUR PROGRAMS CBC RADIO ONE MORNING SHOWS ARE RANKED IN THE TOP THREE IN 20 MARKETS ACROSS THE COUNTRY.

56 Mil+

YOUR WAY NUMBER OF VIDEO VIEWS FOR CBC.CA, CANADA'S LARGEST MEDIA WEBSITE.

9.3%

YOUR COMMUNITY CBC TELEVISION'S REGULAR SEASON PRIME TIME AUDIENCE SHARE, MATCHING ITS 2009–2010 SHARE, BOTH BEING ITS HIGHEST SHARE IN THE PAST 10 YEARS.

1 Mil+

YOUR RESULTS NUMBER OF VIEWERS PER EPISODE FOR 12 MAJOR SUCCESSES THIS YEAR ON OUR TELEVISION NETWORKS, INCLUDING CBC TELEVISION'S *BATTLE OF THE BLADES*, *RICK MERCER REPORT* AND *REPUBLIC OF DOYLE* AND TÉLÉVISION DE RADIO-CANADA'S *TOUT LE MONDE EN PARLE*, *LES ENFANTS DE LA TÉLÉ*, *PROVIDENCE* AND *LES PARENT*.

19.5%

YOUR SPACE NATIONAL AUDIENCE SHARE FOR FRENCH RADIO (PREMIÈRE CHAÎNE AND ESPACE MUSIQUE).

7.5 Mil+

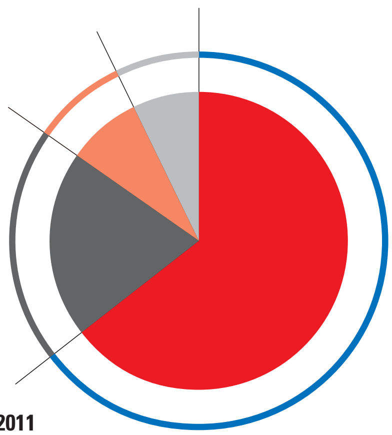
YOUR PLACE TOTAL NUMBER OF UNIQUE VISITORS TO CBC.CA AND RADIO-CANADA.CA SITES PER MONTH.

HIGHLIGHTS FOR THE YEAR

FINANCIAL HIGHLIGHTS

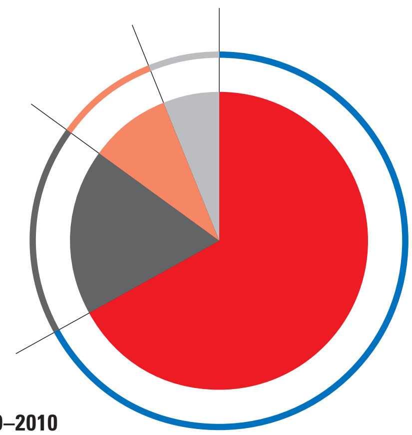
REVENUES AND SOURCES OF FUNDS

REVENUES AND SOURCES OF FUNDS FOR THE FISCAL YEAR 2010–2011 $1,810 MILLION



2010–2011
$1,810

REVENUES AND SOURCES OF FUNDS FOR THE FISCAL YEAR 2009–2010 $1,710 MILLION



2009–2010
$1,710

	2010–2011		2009–2010	
Government funding	$1,160	64%	$1,143	67%
Advertising revenues	$368	20%	$309	18%
Specialty services revenues	$153	9%	$149	9%
Other revenues	$129	7%	$109	6%
	$1,810	**100%**	**$1,710**	**100%**

PERFORMANCE REVIEW

(in thousands of dollars)	2010–2011	2009–2010	$ change	% change
Revenues	649,948	566,714	83,234	14.7%
Expenses	(1,839,546)	(1,789,353)	(50,193)	2.8%
Government funding	1,159,938	1,142,673	17,265	1.5%
Non-operating revenues	–	21,566	(21,566)	(100.0%)
Taxes	–	101	(101)	(100.0%)
Net results for the year	**(29,660)**	**(58,299)**	**28,639**	**(49.1%)**
Other comprehensive income	5,000	–	5,000	N/A
Total comprehensive income (loss) for the year	**(24,660)**	**(58,299)**	**33,639**	**(57.7%)**

Revenues increased $83.2 million or 14.7 per cent compared to last year, reflecting the impact of the economic recovery on advertising revenues, advertising growth from strong TV schedules and new media activities, and a full year of contributions from the Local Programming Improvement Fund (LPIF).

Operating expenses increased by $50.2 million or 2.8 per cent, as CBC | Radio-Canada enhanced its programming schedules and increased its investment in local programming.

Total Comprehensive Loss decreased by $33.6 million or 57.7 per cent, in line with CBC | Radio-Canada's two-year financial Recovery Plan.

HIGHLIGHTS FOR THE YEAR

PROGRAMMING HIGHLIGHTS

ENGLISH SERVICES

CBC.ca welcomed an average of 5.8 million unique visitors per month between September and March, with over 1.0 million audio podcasts downloaded per month and over 800,000 unique visitors enjoying CBC content on the video player.

The Nature of Things with David Suzuki celebrated 50 years engaging, enlightening and entertaining Canadians.

CBC Radio's distinctive programming included the series "Shift" on *The Current*, which investigated Canada's changing demographics; *Quirks & Quarks*, our science show, which celebrated its 35th anniversary; and special music programming such as *Songquest*, the *Canadian Songwriters Hall of Fame*, *7 Continents, 1 Earth* and the *Winnipeg New Music Festival*.

Programming on digital platforms included the launch of CBC's Books portal (cbc.ca/books), an innovative and interactive site for readers and writers alike.

Multiplatform Signature Events included *Champions of Change*, which celebrated volunteerism in Canada, and *Live Right Now*, which is helping Canadians live a healthier lifestyle. These Signature Events bring Canadians together in large numbers, are delivered on multiple platforms and have a meaningful impact on participants.

Technological achievements during the year included the launch of the CBC News mobile application, the CBC Radio iPhone application, and the first-ever 3D CBC Television broadcast of *Hockey Night in Canada* and *Queen Elizabeth in 3D*.

FRENCH SERVICES

Radio-Canada is enjoying impressive growth in monthly web traffic, which increased 14 per cent over the same period last year. The increase for TOU.TV is 27 per cent over March 2010, as North America's leading French language web TV service celebrates its first anniversary and is a huge success in terms of recognition and viewership.

OVER 82% THE PERCENTAGE OF OUR TELEVISION PRIME TIME SCHEDULES THAT IS CANADIAN CONTENT ON BOTH NETWORKS.

Radio-Canada launched new digital and mobile services during 2010–2011. These new services, RDI with video, the Radio-Canada.ca mobile site and TOU.TV, all enrich Radio-Canada's multiplatform offering.

Télévision de Radio-Canada continues to reach wide audiences with shows like *Tout le monde en parle*, *Les enfants de la télé*, *19-2*, *Providence*, *Trauma* and *Les Parent*, with each drawing over a million viewers on average.

With the purchase of Télé-Québec's stake in ARTV, Radio-Canada's television specialty channel, the Corporation now holds 85 per cent of the shares in the specialty network.

Radio-Canada was awarded a new broadcasting license for EXPLORA, a soon-to-be-launched health, science, nature and environment specialty service.

Radio-Canada opened two new multimedia centres, Trois-Rivières in March 2010 and Saguenay in August 2010. These two new centres are in keeping with our commitment to expand our services in the regions.

Espace musique now offers local content in 12 regional markets. This regional expansion allowed it to double production capacity in some of those local markets.

Radio-Canada presented more than a dozen multiplatform events, such as *Haïti, un an après le séisme*.

CORPORATE HIGHLIGHTS

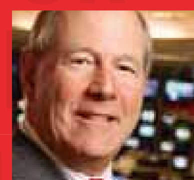
The Corporation's Technology Strategy Board (TSB) completed a five-year technology strategy that supports the Corporation's five-year strategic plan *Everyone, Every way*.

CBC|Radio-Canada was awarded the Employer Excellence Award in the Change Champion category by Canadian Women in Communications (CWC) for its success in improving gender diversity and inclusiveness in its workforce.

CBC|Radio-Canada is committed to identifying ways to reduce its environmental footprint. As part of this initiative, and to make our studios more environmentally friendly, we are replacing incandescent television production lighting with more efficient LED lighting.

We launched an environmentally responsible e-waste management program, including recycling pilot projects in Montreal, Vancouver, Thunder Bay and Sudbury. In 2011–2012 we will roll-out the program to other locations across the country. Additionally we are implementing "green" printing, including increased use of double-sided printing, recycled paper and environmentally friendly printing equipment. We replaced printed pay stubs with online pay stubs in the first quarter of 2011–2012.

MESSAGE FROM THE CHAIR



For the Board of Directors, this was an active and a gratifying year.

The Board offered input and guidance to the Senior Executive Team as it developed – with contributions from the Corporation, audiences and stakeholders – the Corporation's new five-year strategic plan, *2015: Everyone, Every way*. I would like to thank the Board, and especially the members of the Strategic Planning Committee, for their insight, commitment and enthusiasm throughout this 11-month planning process. The Board approved *Everyone, Every way* on November 17, 2010.

This new plan, launched on February 1, 2011, meets six key objectives set at the start of our planning process:

- More effectively align the Board of Directors, senior management, media lines, managers and employees around CBC | Radio-Canada's priorities
- Accelerate the Corporation's success with audiences across television, radio and non-traditional platforms
- Give management more flexibility to respond to evolving changes and opportunities
- Provide a longer-term strategic blueprint to guide planning and near-term decisions
- Identify the investments required to achieve objectives and to increase CBC | Radio-Canada's "share of voice"
- Benefit fully from the Corporation's economies of scale while respecting inherent differences between English and French markets

Everyone, Every way gives the Corporation the means to deepen its relationship with Canadians on national, community and personal levels. It will allow us to build on our programming success to better deliver on our mandate.

This year, I had a personally gratifying experience when I spoke at the first-ever citizenship ceremony held at the CBC | Radio-Canada Calgary Broadcast Centre. It was a pleasure and an honour to congratulate men and women from many countries as they became citizens of this increasingly diverse country. Canada offers immigrants the opportunity to live a new life as Canadians while not losing the culture of their homelands. And CBC | Radio-Canada plays an important role in welcoming new Canadians into the life of their communities and their nation.

Indeed, our programming helps our audiences to understand one another better, share in our similarities, celebrate our differences and understand what we can accomplish together. As Canada's national public broadcaster, we believe it is our duty to be a public space for discussion and debate, reflecting a diversity of voices and ensuring a diversity of opinion.

We're also celebrating our 75th anniversary! On November 2, 1936, the *Canadian Radio Broadcasting Act* established CBC | Radio-Canada as a Crown corporation, consolidating the establishment of public broadcasting that had begun in 1932. To celebrate our milestone with Canadians, CBC | Radio-Canada is planning multiplatform programs beginning on August 20 with the 75-day countdown to the official anniversary on November 2, 2011. Numerous specials celebrating our past and looking to our future will be featured throughout our regular schedule, everything from politics to news, and retrospectives to comedy.

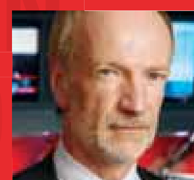
Highlights of anniversary activities include a series of radio concerts from around the country, dedicated interactive websites, exhibits, special memorabilia, open houses and community events in 30 locations across the country. I am especially excited about *1 Day*, a CBC | Radio-Canada documentary that invites all Canadians to help create a unique 24-hour portrait of Canada.

Finally, on behalf of the Board of Directors, I'm very happy to announce two new appointments to the CBC | Radio-Canada Board of Directors. Edward W. Boyd was appointed in April 2010 for a five-year term, and Pierre Gingras was appointed in February 2011 for a five-year term. I am sure that their leadership, dedication and commitment to public broadcasting will be a great addition to CBC | Radio-Canada.

Thanks to all who made the year a success.

TIMOTHY W. CASGRAIN
CHAIR

MESSAGE FROM THE PRESIDENT AND CEO



This year was one of renewal for Canada's national public broadcaster.

Thanks to the hard work and commitment of our people, CBC | Radio-Canada achieved the goals of its two-year financial Recovery Plan, balancing its budget for 2010–2011. This was a substantial achievement. At the start of fiscal year 2009–2010, we faced a projected budget shortfall of $171 million – about 10 per cent of our total budget.

The success of the Recovery Plan has allowed us to move to the next step in the Corporation's evolution. We spent much of this year developing the new five-year strategic plan *Everyone, Every way*, which we launched in February of 2011. It outlines what Canadians can expect from their public broadcaster over the next five years.

Continuing with the theme of renewal, the Canadian Radio-television and Telecommunications Commission (CRTC) will hold hearings on renewing CBC | Radio-Canada licences in September 2011. The Commission will consider the following services:

- English and French television services
- English and French radio services
- CBC News Network and Réseau de l'Information (RDI)
- Our specialty television networks ARTV, **bold** and *documentary*

Our hope is that the decisions concerning renewal of our licences will facilitate the implementation of *Everyone, Every way* by enabling us to address our programming and regional priorities in the most effective manner.

OUR ROADMAP TO THE FUTURE

Everyone, Every way defines our way forward in the midst of a changing media landscape driven by new technologies, demographic shifts, more powerful, integrated media empires and flourishing social networks.

The plan gives us the means to truly deepen our relationship with Canadians on national, community and personal levels. It recognizes that we cannot be all things to all people. But it is also premised on the notion that we can, and we should, mean something special to every Canadian.

Our vision is ambitious: To be the recognized leader in expressing Canadian culture and to enrich the democratic life of all Canadians. We will achieve this by creating and delivering original and innovative, high-quality Canadian content; by reflecting and drawing together all Canadians; and by actively engaging with audiences.

Since the February 2011 launch of *Everyone, Every way*, we have met with employees and stakeholders across the country to present and discuss the strategy. The strategy has been wholeheartedly endorsed by those with whom we have met. We also asked Canadians to give us their thoughts and comments through an online consultation.

THREE THRUSTS: NATIONAL, REGIONAL AND DIGITAL PROGRAMMING

The plan has three strategic thrusts. Canadians can expect more from their national public broadcaster in terms of the national spaces that reflect the Canadian experience, the regional spaces that knit communities together, and the digital spaces where they can engage in public conversations and debates in their own personalized way. These three thrusts are explained as follows.

NETWORK PROGRAMMING AND NATIONAL PUBLIC SPACES

Simply stated, this means more stories by, for and about Canadians. Over the next five years, our prime-time schedules will become even more distinctive. We will continue to gather increasingly large numbers of Canadians around Canadian stories that explain our realities and that showcase our humour and values.

Every year, CBC and Radio-Canada will each produce and air at least 10 Signature Events – projects of national cultural relevance or public interest that include programming elements on all platforms, a significant interactive digital extension, meaningful public engagement activities, and the participation of our regions of the country.

A recent Signature Event on CBC, *Live Right Now*, inspired Canadians to join together and change the health of this country.

Radio-Canada's *Une heure sur terre… pour le Japon*, demonstrated a strong show of support for Japan, 14 days after the earthquake. A live broadcast of the Montreal Symphonic Orchestra with *Une heure sur terre* aired on Radio-Canada as well as on Espace musique and Radio-Canada.ca.

Other Signature Events over the next five years will focus on culture, sports, music, history – the scope is as broad as the Canadian experience – and be in line with CBC | Radio-Canada's objectives and promotional priorities.

REGIONAL PRESENCE AND COMMUNITY SPACES

Canadians have told us that the regions rank among our foremost priorities in their minds, but that they do not feel we live up to our potential. For different reasons, we have not always been everywhere we needed to be, or able to do everything we needed to do.

We will change that. We will expand regional programming beyond news to genres such as lifestyle, talk and music to better reflect local communities. We will introduce new services, new local websites, new formats on radio, and increase regional news on television during the day.

90%

THE PERCENTAGE OF CANADIANS THAT FEEL IT IS IMPORTANT FOR CANADA TO HAVE A NATIONAL BROADCASTER LIKE CBC | RADIO-CANADA

On May 26, 2011, we announced details of an initiative with an increased local focus, part of our recent commitment under *Everyone, Every way*, to introduce or improve services to more than six million Canadians over the next five years. Examples of how we will achieve this include the following:

- After successful inaugurations of centres in Trois-Rivières and Saguenay in 2010, multiplatform service offerings will be expanded by establishing a centre in Rimouski.
- All-new radio and online services will be established in Kamloops.
- CBC in Kelowna will expand its current service to include a new afternoon radio program focused on serving the British Columbia interior. CBC Victoria's existing programming will be enhanced to better serve the specific needs of Vancouver Island audiences. Victoria and Kelowna's new programming will commence in Fall 2011, with Kamloops to follow in Spring 2012.
- New weekend news programs on television and expanded weekend news programming on radio and online will be launched in Toronto this Fall and in Calgary in Winter 2012.

NEW PLATFORMS AND DIGITAL SPACES

New digital platforms and spaces, including social networks, have made tremendous inroads over the last decade and have fundamentally changed the media environment. We can now personalize our experience where, when and how we want.

Everyone, Every way will embrace this new media experience. To make this happen, we will double our current level of digital investment to at least five per cent of our programming budget by 2015, which should represent about $90 million.

We are continually innovating, embracing and experimenting. Here are just three recent examples.

During the recent federal election, close to two million Canadians used the Vote Compass tool on the CBC | Radio-Canada websites to explore how their views and values align with those of the political parties.

Since its launch in January 2010, Radio-Canada's TOU.TV, Canada's largest French-language entertainment television website, generated 30 million video streams. TOU.TV features over 2,000 hours of programming from Canadian and international public broadcasters and independent producers.

We launched the Espace.mu website in June 2011 for online listening of music, allowing listeners to enjoy seven styles of music (pop, jazz, world, classical, rock, hip hop and folk/country), as well as simultaneous streams of Espace musique and Bande à part.

300+
NUMBER OF NATIONAL AND INTERNATIONAL PROGRAMMING AWARDS BY CBC | RADIO-CANADA

BUILDING ON PROGRAMMING SUCCESS

CBC Television's prime-time regular season audience share of 9.3 per cent was one of its highest in the past 10 years. And Télévision de Radio-Canada continued to attract almost 20 per cent of all viewing by television viewers in prime time, maintaining its position as the second most watched TV network among Francophones.

On both networks, a total of 12 Canadian programs drew more than one million viewers. These include CBC Television's *Republic of Doyle*, *The Rick Mercer Report*, *Hockey Night in Canada* and *Dragons' Den*, as well as Télévision de Radio-Canada's *Tout le monde en parle* and *Les enfants de la télé*.

Despite an overall decline in conventional radio listening among Canadians, ratings for both of our radio networks are at historic highs. CBC Radio now holds a combined national share of 14.7 per cent (CBC Radio One at 12.0 per cent and CBC Radio 2 at 2.7 per cent). Twenty of 22 CBC Radio regional morning shows rank among the top three in their markets.

Radio de Radio-Canada's Première Chaîne and Espace musique now hold a combined audience share of 19.5 per cent. Première Chaîne has a 15.8 percent share and Espace musique has a 3.8 per cent national share.

Radio-Canada.ca and CBC.ca are also performing strongly. Our combined Internet sites are drawing more than 7.5 million visitors a month, making these sites among Canada's most popular.

Our FIFA World Cup soccer coverage served over eight million live video streams, and *QTV*, which is the weekly web television show based on the CBC Radio arts program *Q*, reached a new milestone with 10 million YouTube views. Radio-Canada's websites have enjoyed an increase of 14 per cent in web traffic, up from 1.7 million to just over 2 million unique visits per month.

MAKING IT HAPPEN

Everyone, Every way is an ambitious plan. We will make it happen, but not without disruption – innovative disruption. Over the next three years, we will shift between 450 and 550 positions from existing jobs to our new priorities.

Our strategy does not depend on obtaining more money from government. But it does require ongoing stable funding and continued participation in the various funds available to industry players.

We will report on our performance regularly throughout the year across a range of metrics so that every Canadian can hold us to account through our Annual Report, our Quarterly Financial Reports, and our Corporate Plan Summary, which are all available to the public.

CONTRIBUTING TO CANADA

Our success as a public broadcaster translates into a significant contribution to the Canadian economy. Deloitte and Touche LLP (Deloitte) was commissioned in the Fall of 2010 to provide a measure of our impact on the economy. Input included data from CRTC submissions, Statistics Canada, industry reports and CBC|Radio-Canada. Deloitte concluded that we had substantial impact on the Canadian economy in 2010, supporting jobs and businesses across the country. CBC|Radio-Canada's expenditure of $1.7 billion generated an estimated $3.7 billion gross value added contribution to the Canadian economy.

We are proud to contribute to the national, regional and local economies, as well as to the cultural sector, independent producers, technology and Canadian talent.

CELEBRATE OUR ANNIVERSARY

As our Chair of the Board has mentioned, CBC Radio-Canada is celebrating its 75th anniversary on November 2, 2011. Mr. Casgrain has outlined just some of the activities planned to celebrate this milestone with Canadians. To follow and participate in the activities planned, we invite you to listen, watch or log in and celebrate our 75th anniversary.

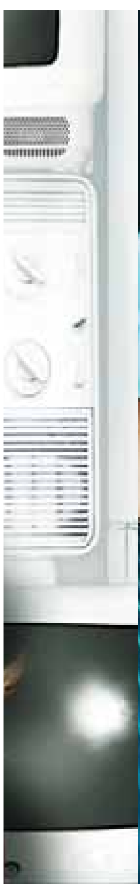
This is our commitment to Canadians – to everyone, in every way.

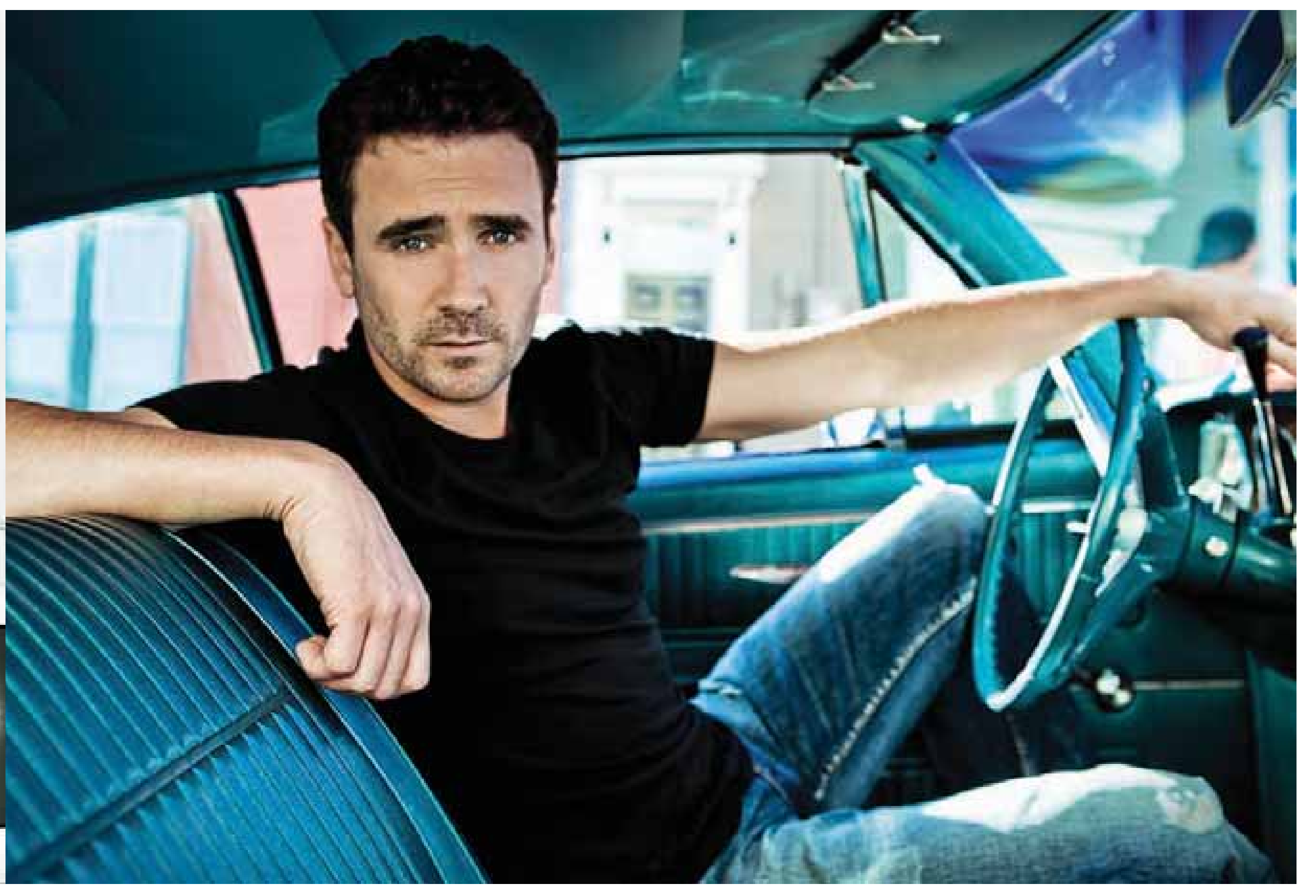
HUBERT T. LACROIX
PRESIDENT AND CEO

CBC | RADIO-CANADA SERVICES

CBC | Radio-Canada is the only Canadian broadcaster that delivers television, Internet, satellite-based services and commercial-free radio – how, where and when Canadians want it. We bring diverse regional and cultural perspectives into the daily lives of Canadians in English, French and eight aboriginal languages, and in seven languages internationally.

E. YOUR COMMUNITY. YOUR NEWS.
UR ENTERTAINMENT. YOUR MUSIC.
WANT IT. YOUR CHOICE. YOUR SOCIAL
OURS RIGHT NOW. YOUR CHANGING
YOUR SPACE. YOUR COMMUNITY.
IENT. YOUR MUSIC. YOUR WAY.





CBC | RADIO-CANADA SERVICES

ENGLISH SERVICES

CBC Radio One
(news, current affairs, arts and culture via radio and Sirius Satellite Radio Channel 159)

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

CBC Radio 3
(emerging Canadian music via the Internet, podcast and Sirius Satellite Radio Channel 152)

CBC Television
(news, information, sports and entertainment)

FRENCH SERVICES

Première Chaîne
(information and cultural programming via radio)

Espace musique
(classical, jazz, vocal, world and emerging music via radio and Sirius Satellite Channel 153)

Bande à part
(popular and alternative French-language music via Espace musique, the Internet, podcast and Sirius Satellite Radio Channel 161)

Première plus
(news, current affairs and culture, in partnership with Radio Canada International and Radio France International, via Sirius Satellite Radio Channel 160)

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

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

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

ARTV
(arts and culture)

COMBINED SERVICES

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

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

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

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

CBC News Network
(continuous news and information via television)

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

documentary
(Canadian and international documentaries, films and series)

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

Sports extra
(sports information and analysis via Sirius Satellite Radio Channel 156)

TOU.TV
(on-demand web television, created by Radio-Canada, featuring programming from almost 50 national and international producers and broadcasters)

Espace.mu
(customized and mostly French-language music via the Internet in seven genres: pop, jazz, classical, hip-hop, rock, country-folk and world music)

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Accountable and transparent – CBC | Radio-Canada links performance measures to the Corporation's priorities. This system allows the Government and Canadians to examine CBC | Radio-Canada's annual performance results against specific targets, as well as performance trends.

E. YOUR COMMUNITY. YOUR NEWS.
UR ENTERTAINMENT. YOUR MUSIC.
WANT IT. YOUR CHOICE. YOUR SOCIAL
OURS RIGHT NOW. YOUR CHANGING
YOUR SPACE. YOUR COMMUNITY.
IENT. YOUR MUSIC. YOUR WAY.

MANAGEMENT DISCUSSION AND ANALYSIS

FORWARD LOOKING STATEMENTS

CBC|Radio-Canada's Annual Report contains forward-looking statements regarding objectives, strategies and expected financial and operational results. Forward looking statements are based on the following broad assumptions: CBC|Radio-Canada continues to receive stable government funding, the television advertising market remains healthy, and the broadcasting regulatory environment does not change dramatically. Key risks and uncertainties are described in the Risk section of this report. However, some risks and uncertainties are difficult to predict and beyond the control of CBC|Radio-Canada. These include, but are not limited to, economic, financial, technical and regulatory conditions. These and other factors may cause actual results to differ substantially from the expectations stated or implied in forward-looking statements.

1. CORE BUSINESS AND STRATEGY

1A. MANDATE

We are Canada's national public broadcaster, and we are guided by the *Broadcasting Act*.

Established in 1936, CBC|Radio-Canada is celebrating 75 years of service to Canadians and being at the centre of the democratic, social and cultural life of the country. The *Broadcasting Act* states that "…the Canadian Broadcasting Corporation, as the national public broadcaster, should provide radio and television services incorporating a wide range of programming that informs, enlightens and entertains. The programming provided by the Corporation should:

- Be predominantly and distinctively Canadian, reflect Canada and its regions to national and regional audiences, while serving the special needs of those regions;
- Actively contribute to the flow and exchange of cultural expression;
- Be in English and in French, reflecting the different needs and circumstances of each official language community, including the particular needs and circumstances of English and French linguistic minorities;
- Strive to be of equivalent quality in English and French;
- Contribute to shared national consciousness and identity;
- Be made available throughout Canada by the most appropriate and efficient means and as resources become available for the purpose; and,
- Reflect the multicultural and multiracial nature of Canada."

In addition to this domestic mandate, CBC|Radio-Canada is also required by subsection 46(2) of the *Act* to provide an international service, Radio-Canada International (RCI).

In establishing and operating its broadcasting activities, CBC|Radio-Canada is expected to comply with licensing and other regulatory requirements established by the Canadian Radio-Television and Telecommunications Commission (CRTC), as well as any requirements under the *Radiocommunication Act* that may apply to the Corporation's use of the radiocommunication spectrum.

Our vision is to be the recognized leader in expressing Canadian culture and to enrich the democratic life of all Canadians. No other Canadian broadcaster – commercial or public – has the responsibility to provide the same breadth of mandate or the same scale and scope of operations as CBC|Radio-Canada.

1B. SERVICES

We are the leader in reaching Canadians on new platforms and delivering a comprehensive range of radio, television, Internet, mobile and satellite-based services, increasingly on new platforms. Deeply rooted in the regions, CBC|Radio-Canada is the only domestic broadcaster to offer diverse regional and cultural perspectives in English, French and eight Aboriginal languages, as well as seven languages for international audiences. The Corporation's broadcasting reach extends across Canada and around the world, offering high-quality, distinctive content by, for and about Canadians, wherever and however they want it. We have more than 30 services, previously outlined in the Our Services section.

CBC|Radio-Canada's licence renewal hearings are expected to occur in the fall of 2011. These hearings pertain to all of CBC|Radio-Canada's conventional TV, radio and specialty services.

1C. BUSINESS MODEL

We operate using several sources of funds, including Government appropriations and self-generated revenues. CBC|Radio-Canada is a Crown corporation with approximately 64 per cent of its budget funded by Government appropriations approved by Parliament on an annual basis. These appropriations have remained relatively constant over the past 10 years in a broadcasting environment where costs have increased significantly. The remaining 36 per cent of the budget originates from television and digital advertising revenue (20 per cent), television specialty service subscriber and advertising revenue (9 per cent) and other miscellaneous revenues (7 per cent). CBC|Radio-Canada is not profit oriented and all sources of funds are used to fulfill its public broadcasting mandate.

In delivering on our mandate, CBC|Radio-Canada generates significant benefits to the Canadian economy. A study by Deloitte and Touche LLP concluded that CBC|Radio-Canada's expenditure of $1.7 billion generated an estimated $3.7 billion gross value added contribution to the Canadian economy in 2010. The study can be viewed on our corporate website.

1D. OPERATIONS

As of March 27, 2011, CBC|Radio-Canada employed 7,285 permanent full-time equivalent employees (FTEs), 456 temporary FTEs and 979 contract FTEs. CBC|Radio-Canada's head office is located in Ottawa, with main network operations in Toronto and Montreal, and we have 27 television and 82 radio stations where we originate local programming. We have the only Canada-wide radio network, operating four radio networks (two in each official language). Internationally, CBC|Radio-Canada News has 14 foreign bureaus. We integrate such operations with multiple websites.

CBC|Radio-Canada broadcasts its television and radio programming services via owned and operated stations, and television affiliates. The former are fully controlled by the Corporation, while the affiliates are privately owned stations contracted to carry our programming.

1E. STRATEGIC PLAN

After 11 months of strategic planning with input from the Corporation, feedback from focus groups and surveys conducted among our audiences and stakeholders, we developed a strategic plan called *2015: Everyone, Every way*.

We created the plan to help meet the expectations Canadians have of their national public broadcaster in a world of continuous technological revolution, and rapid, ongoing shifts in consumer behaviour. Given long-term, stable funding including CBC | Radio-Canada's parliamentary appropriations, availability of the $60 million for Canadian programming received since 2001–2002, and continued access to the Local Programming Improvement Fund (LPIF) and the Canada Media Fund (CMF), *Everyone, Every way* will allow us to continue to lead the evolution of Canadian broadcasting. More detailed information can be found in the Outlook section of this report.

This plan includes the following three components:

- A new CBC | Radio-Canada vision
- Four guiding principles supporting the vision
- Three strategic thrusts for achieving our objectives

Everyone.
Every way.
Partout.
Pour tous.

Included in our vision, at the heart of CBC | Radio-Canada's strategic plan *Everyone, Every way*, is enriching the democratic life of all Canadians and being the recognized leader in expressing Canadian culture.

The four guiding principles supporting our vision are as follows:

1. The creation and delivery of **original, innovative high-quality Canadian content**
2. That **reflects** and **draws together** all Canadians
3. Actively **engaging audiences**
4. While being **cost-effective** and **accountable**

The three strategic thrusts for achieving our objectives are as follows: network, regional and digital programming.

1. STRATEGIC THRUST – NETWORK PROGRAMMING

Program renewal across all of our services has been driven by feedback from our audiences. They tell us that they want to see their lives, interests and sense of identity reflected in high-quality, engaging Canadian-made programs. Canadian content is at the core of our mandate, and we offer much more of it than any other broadcaster.

Our strategic plan will give Canadians more of their own stories. For instance, 10 Signature Events per year in English and in French will capture and illuminate singular events of significant meaning to all Canadians. For example, a November 2010 Remembrance Day Signature Event program, *We Will Remember Them/Pour ne pas les oublier*, introduced a new generation of Canadian war heroes to audiences across both English and French Services. The programming included a range of multimedia content, including web pages for Canadian soldiers fallen in Afghanistan, with the content contributed by the soldiers' families and friends and on which Canadians could post their comments.

English and French Services operate in markets with different characteristics and needs. However, *Everyone, Every way* binds CBC and Radio-Canada together in a single definition of the role of the national public broadcaster. The execution of the strategy will, as a result, be tailored to the English and French markets.

The main shared programming priorities for English and French Services are:

a. News

CBC | Radio-Canada will complete its news renewal process, including multimedia expansion and integration, and continue to increase audiences across all platforms.

a. Regions

CBC | Radio-Canada will increase the breadth and depth of its footprint, in terms of geography, 24/7 coverage and range of content.

a. Arts and Entertainment

CBC | Radio-Canada will continue to extend its leadership in entertaining Canadians with their stories, their humour, their culture.

a. New Platforms

CBC | Radio-Canada will maintain its Canadian leadership as audiences migrate to new platforms.

2. STRATEGIC THRUST – REGIONAL PROGRAMMING

Canadians have told us time and again that the regions rank among our foremost priorities in their minds, but that they do not feel we live up to our potential. For various reasons, we have not always been everywhere we need to be, or able to do everything we need to do.

We are listening. We will reverse that trend, bridge that perception gap and strengthen our presence in the regions.

Regional conditions and requirements differ for English and French Services, yet both services share key regional priorities:

a. We will accelerate the trend towards a strong multimedia regional presence in all the markets we serve.

b. Regional programming will be expanded beyond news to include other genres, such as lifestyle, talk and music, to reflect more aspects of local communities.

c. We will meet changing market needs and new delivery models by reviewing/adjusting the allocation of services and resources.

d. Expanding partnerships in the regions will be a top priority for us. This will improve our reach, while protecting and enhancing the CBC | Radio-Canada brand.

e. We will expand our service in selected under-served markets to address any gaps in coverage.

3. STRATEGIC THRUST – DIGITAL PROGRAMMING

Canadians connect with CBC | Radio-Canada on digital platforms where, when and how they want. New media is profoundly transforming how audiences consume and interact with information, entertainment and content. As part of *Everyone, Every way*, we want to give Canadians the tools that they need to tailor CBC | Radio-Canada programming to their specific interests and requirements.

a. Strengthen our multiplatform competitive position

- Consolidate the position of all existing specialty channels through Broadcast Distribution Undertaking (BDU) negotiations
- Invest in content, usability and marketing of existing digital services to grow leadership position
- Continue to develop a track record of early adoption of new media by experimenting with new technology and applications

b. Build a suite of branded multiplatform Canadian offerings

- Focus on differentiated arts and entertainment content
- Ensure brand consistency so that content and audiences can flow easily between CBC | Radio-Canada linear (traditional broadcast) and non-linear (on-demand) services

c. Expand partnerships to make progress on CBC | Radio-Canada's existing properties

- Targeted/opportunistic partnerships and/or joint ventures can enable revenue growth from new or existing specialty channels while bringing economies of scale
- Showcase content on leading digital platforms and aggregate others' content on CBC | Radio-Canada sites to drive traffic and strengthen leading position of CBC | Radio-Canada content

1F. MANAGEMENT STRUCTURE AND REPORTING

CBC | Radio-Canada's Board of Directors is responsible for the oversight of the Corporation. The Board is composed of 12 members, including the Chair and the President and CEO, who are appointed by the Government. More information on our Board of Directors can be found in that section of this report.

The Corporation's organizational structure reflects its broadcasting, infrastructure and administrative requirements and related activities. The Senior Executive Team includes the President and CEO and eight component heads as illustrated.

CBC | RADIO-CANADA
SENIOR EXECUTIVE TEAM

French Services and English Services are responsible for the programming activities of the Corporation. The remaining components assist the main broadcasting activities through management of support functions: regulatory affairs, strategy and business partnerships, finance, people and culture, marketing and communications, real estate and legal services. All components continually assess best practices to maximize the amount of the Corporation's overall funding that is invested in broadcasting activities.

Operating across the eight divisions is the Technology Strategy Board (TSB) that was established in 2009 to ensure that the Corporation's technology strategy is aligned with the business strategy. TSB is a unique centre of expertise that determines the Corporation's technology priorities and is responsible for overseeing the implementation of technological projects. Its Chairman reports directly to the President and CEO.

1G. REPORTING TO CANADIANS

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

OPEN AND TRANSPARENT

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

Here are examples of reporting instruments:

- CBC|Radio-Canada audited financial statements, which are tabled in Parliament in the Annual Report
- Annual reporting of CBC|Radio-Canada to the CRTC
- Quarterly Financial Reports, commencing August 2011
- Auditor General Special Examination Report, for which the next examination is expected to commence in the fall of 2011
- Annual Report on Employment Equity to the Department of Human Resources and Skills Development Canada (HRSDC)
- Implementation of Section 41 of the *Official Languages Act* report
- Public Accounts of Canada
- Posting of the business travel and hospitality expenses of the Chair, President and Vice-Presidents on the corporate website
- Access to Information and Proactive Disclosure web pages

ANNUAL PUBLIC MEETING

An Annual Public Meeting (APM) is held every fall. The first one took place in 2009.

In 2010, the APM was held on Wednesday, October 20, 2010. The meeting took place at the Ottawa Broadcast Centre and was streamed as a live webcast across the country. In addition, stakeholders gathered in three of our regional centres, namely Vancouver, Edmonton and St. John's – hosted by our managing directors in those regions – to participate in the meeting and have local discussions after the event.

While the meeting is a statutory requirement of all Crown corporations, we see it as an important opportunity to engage with Canadians while giving the public a chance to ask questions and exchange informally with our senior executives.

The Annual Public Meeting is a much valued event at CBC|Radio-Canada, as it expresses our commitment to transparency and accountability.

1H. OTHER STRATEGIC UPDATES

CBC | Radio-Canada continues to address a range of issues that could affect our execution of our strategic plan, *Everyone, Every way*.

VERTICAL INTEGRATION OF THE BROADCASTING INDUSTRY

Shaw Communications acquired control of Canwest Global Communications Corporation's television business in May 2010. This transaction, along with the acquisition of 100 per cent of the CTV television network by Bell Canada Enterprises (BCE) announced on September 12, 2010, has dramatically changed the broadcasting and media landscape.

Now a very small number of powerful distribution companies control most of the media content in Canada. CBC | Radio-Canada remains the only major broadcaster without distribution affiliations. Integrated distribution companies are able to influence the offering, placement and packaging of many of CBC | Radio-Canada's television services, with possible negative impacts on the Corporation's ability to meet its mandate. These companies are also Internet service providers that control Internet data transfer speed and fees, which can affect the online usage of the Corporation's services.

These issues will be addressed at the upcoming CRTC hearings on vertical integration and the Corporation's licence renewal hearings this year.

DIGITAL TELEVISION (DTV)

The United States and most of Europe have already made the transition from analogue to digital television. In Canada, the switch from analogue to digital over-the-air television is scheduled for August 31, 2011.

The digital transition is an industry-wide issue. Today, over 93 per cent of Canadians access their television signal via cable or satellite. That number is expected to increase even further as we approach the transition date.

CBC | Radio-Canada is proceeding with the installation of digital transmitters in all markets in which it produces original television programming, for a total of 27 transmitters by August 31, 2011.

The Corporation is making every effort to install all transmitters in time for the August 31, 2011, analogue shut-off date established by government. The Corporation will continue to offer analogue service beyond the August 31, 2011 shut-off date in all markets where the CRTC permits. However, we cannot continue to broadcast in analogue indefinitely. CBC | Radio-Canada's full digital transmission plan is disclosed on our corporate website including which markets are affected by this decision.

In a number of markets where the Corporation is not installing digital transmitters, CRTC regulations require that the Corporation cease analogue transmission. This means that, after August 31, 2011, Canadians in a number of markets will no longer be able to access our television services via over-the-air transmission. The Corporation will be seeking CRTC authority to continue operating in analogue in those markets. So far, the Corporation has eight digital transmitters already in operation in Toronto (2), Montreal (2), Ottawa (2), Vancouver (1) and Quebec City (1).

CBC | Radio-Canada – along with other conventional broadcasters – has a public awareness campaign underway to inform Canadians about the upcoming transition.

The Corporation is confident that its 27-transmitter plan for DTV makes sense for Canada. The plan is consistent with the public broadcaster's mandate under the *Broadcasting Act*, which requires that the Corporation ensure its programming is made available throughout Canada by the most appropriate and efficient means.

MERGER OF SIRIUS CANADA AND CANADIAN SATELLITE RADIO (CSR) HOLDINGS

On November 24, 2010, Canada's two satellite radio providers – Sirius Canada Inc. and Canadian Satellite Radio (CSR) Holdings Inc. (the parent company of XM Canada) – announced a merger of the two companies, subject to regulatory and governmental approvals. CBC | Radio-Canada held a 25 per cent equity interest in Sirius Canada and was one of three shareholders. With approval of the merger, which took place in June 2011, CBC | Radio-Canada received shares in the merged company for its shares in Sirius Canada, resulting in a 15 per cent equity interest (20 per cent voting interest). There are no financial obligations imposed on CBC | Radio-Canada as a result of the merger.

The merged company will benefit from significant synergies, a greater subscriber base and an improved business model and outlook in an evolving audio entertainment marketplace. CBC | Radio-Canada produces six Canadian channels for Sirius Canada (Radio One, Radio 3, Espace musique, Première Plus, Bande à Part, and Sports Extra) under a supply agreement that will be extended by five years (to 2022) as a result of the merger. Currently, the six channels are distributed to Sirius XM Satellite Radio in the United States on the Sirius satellite platform. Accordingly, the merger will eventually permit CBC | Radio-Canada to extend distribution of its channels and content to XM satellite customers. This is in keeping with the Corporation's objective of providing content where, when and how Canadians want it.

2. KEY PERFORMANCE DRIVERS AND MEASURES

2A. KEY PERFORMANCE DRIVERS

The performance drivers that are critical to success are as follows: our People, our Programs and our ability to continue Pushing Forward. They are key to achieving our goals and commitment to Canadians.

PEOPLE

We need to provide employees with the tools and knowledge to help them become more agile as they face new challenges. Smart and open labour relations make CBC | Radio-Canada an effective organization and result in better programming for Canadians.

PROGRAMS

We need to ensure that our programming remains relevant and engaging, and that we create richer Canadian content for audiences, in whatever format they prefer.

PUSHING FORWARD

We need the organization to evolve so that it can stand out on the media landscape in the coming years. In order to do so, CBC | Radio-Canada must have the capacity to adapt quickly to changing conditions in the broadcasting and media environment.

We will build upon these three drivers, integrating them with our strategic plan *Everyone, Every way*. Our future direction is cast in line with its three main thrusts – network, regional, and digital programming.

2B. KEY PERFORMANCE MEASURES 2010–2011

Corporate measures of performance are linked to key priorities as shown.

PRIORITY	PERFORMANCE INDICATORS	2010–2011 TARGETS[1]	2010–2011 RESULTS
PEOPLE	CBC | Radio-Canada Usage by Visible Minorities	81%	80%[2]
	Visible Minority Staff (excluding short-term workforce)	565	570[3]
	Commitment to Training and Development	$1,055 per employee	$1,154 per employee[3]
PROGRAMS	**CANADIAN CONTENT** **CBC TELEVISION**		
	Broadcast Day	75%	85%[4]
	Prime Time (Monday–Sunday, 7:00–11:00 p.m.)	80%	82%[4]
	TÉLÉVISION DE RADIO-CANADA		
	Broadcast Day	75%	82%[4]
	Prime Time (Monday–Sunday, 7:00–11:00 p.m.)	80%	88%[4]
	CBC RADIO		
	Broadcast Day	99%	99%[3]
	Prime Time (Monday–Sunday, 6:00–9:00 a.m.)	100%	100%[3]
	RADIO DE RADIO-CANADA		
	Broadcast Day	99%	100%[3]
	Prime Time (Monday–Sunday, 6:00–9:00 a.m.)	100%	100%[3]
	Distinctiveness (Main Television and Radio Networks)	90%	92%[2]
	Programs Produced in Regions for Regions	83,500 hours	95,500 hours[3]
	Programs Produced in Regions for Network	8,300 hours	8,080 hours[3]
	Expenditures on Cross-media Programming	$6.6 million	$6.1 million[3]
	Satisfaction (Main Television and Radio Networks)	89%	89%[2]
	Expenditures on Canadian Programming	93% of programming budget	93% of programming budget[3]
	Programming Expenditures	82% of total budget	80% of total budget[3]
PUSHING FORWARD	Self-generated Revenues	$88.6 million	$100.4 million[3]
	Revenue Generated from New Platforms	Increase of 40%	Increase of 88%[3]
	Investment in New Platforms	Increase of 8%	Increase of 41%[3]

1 Monetary targets are based on annual budgets.
2 Source: Mission Metrics survey Fall 2010.
3 Source: CBC | Radio-Canada official programming data and internal records.
4 Based on previous broadcast year CBC Annual Report to CRTC.

In 2010–2011, CBC | Radio-Canada met or exceeded most of the targets it had set for corporate measures of performance linked to its key priorities of People, Programs and Pushing Forward. CBC | Radio-Canada met two of three targets relating to People. With respect to the Programs priority, it exceeded the targets relating to the airing of Canadian content on its main English and French television networks. The corporation exceeded its targets relating to revenue generated from new platforms and investment in new platforms, two of the key indicators used to measure the priority of Pushing Forward.

ENGLISH SERVICES

PERFORMANCE INDICATORS		2010–2011 TARGETS[5]	CONFIRMED RESULTS
RADIO SHARE	Combined	14.1%	14.7%[6]
TELEVISION SHARE	CBC Television (prime time)	8.7%	9.3%[7]
	CBC News Network (all day)	1.0%	1.4%[8]
NEW PLATFORMS	CBC.ca	5.6 million	5.8 million[9]
(2+ comScore Monthly Average Unique Visitors)	CBC News Online	3.9 million	4.0 million[9]
	CBC Sports Online	1.1 million	0.9 million[9]
	CBC Entertainment Online	1.3 million	1.9 million[9]
TOTAL REVENUES (Conventional, specialty and online)		**$328 million**	**$367 million[10]**
SUBSCRIBER COUNT	CBC News Network	10.8 million	11.0 million[10]
	bold	2.5 million	2.2 million[10]
	documentary	2.3 million	2.4 million[10]
TOTAL COSTS		**$807 million**	**$820 million**

5 Monetary targets are based on annual budgets.
6 Source: BBM Canada (Fall Survey 2010, All Persons 12+).
7 Source: BBM Canada (Regular Season, Weeks 4 to 31, All Persons 2+).
8 Source: BBM Canada (Regular Season, Weeks 1 to 31, All Persons 2+).
9 Source: comScore (September 2010 to March 2011).
10 Source: CBC | Radio-Canada programming data and internal records.

RESULTS FOR ENGLISH SERVICES‘ IN 2010–2011

The year 2010–2011 has proven to be another successful year, following the top performance of 2009–2010. This year, the media industry in Canada continued to consolidate in terms of ownership. At the same time, advertising revenues rebounded from the lows of the economic crisis, providing CBC with incremental resources.

In this context, English services once again met or exceeded most of its performance targets.

CBC Radio exceeded its combined share target (for Radio One and Radio 2) by achieving a 14.7% national share in the Fall Survey, an all-time high. Furthermore, 20 of 22 local Radio One morning shows achieved a ranking of 1st, 2nd or 3rd in their respective markets.

CBC Television finished the year with a 2+ prime time, regular season share of 9.3 per cent, representing the highest share in the past 10 years (and tied with last year's 9.3 per cent). Moreover, CBC Television outperformed the target by several tenths of a per cent. It continued to outperform a key network competitor whose prime time schedule contains overwhelmingly foreign content. Celebrating more than 1 million viewers per episode on CBC Television were *Battle of the Blades*, *Dragons' Den*, *Hockey Night in Canada*, *Republic of Doyle* and *The Rick Mercer Report*.

Usage of CBC.ca exceeded its targeted number of monthly average unique visitors (Sept to March) – 5.8 million versus a target of 5.6 million – a target which itself represented an increase of 5 per cent over the prior year. Furthermore, usage of news, sports and entertainment fared well, achieving an increase that was 40 per cent higher than target for the entertainment site, driven in part by the full introduction of CBC's media player with key programming available 'on demand.'

Broadcast distribution agreements with key partners permitted digital specialty channels to significantly increase their subscriber base. Furthermore, CBC News Network, the country's most widely distributed specialty service, also grew in excess of the targeted number of subscribers during the year.

Finally, the total revenue performance indicator exceeded the target by 12 per cent, driven by incremental advertising revenue, programming related initiatives and other income. Cost management was achieved, with incremental expenses being incurred as a direct result of incremental revenue generation.

ENGLISH SERVICES' FUTURE DIRECTIONS

Programming strategies will continue to focus on offering distinctive and high-quality Canadian programming on local and national levels. The future direction of English Services for the coming year is based on the three strategic thrusts of our plan *Everyone, Every way*.

NETWORK PROGRAMMING

- **CANADIAN FIRST:** Content strategies built around Canadian programming as a priority
- **IMPACT:** Focusing on 'What Canadians Want' from their public broadcaster
  - Broadcast network programming that reflects our national identity
  - Maintain usage of CBC services by building on past success on radio, television and online
  - Continue breaking original news stories for properties including, but not limited to, *The National*
  - Develop the Music portal, Books portal and audio-content windowing strategy
  - Position CBC Television to decrease reliance on foreign programming
  - Increase viewing and revenue to programs through digital channels, satellite radio and new platforms
  - Create 10 Signature Events to celebrate and enshrine distinctive programming, such as performing arts, Canadian awards shows, distinct Canadian documentaries, movies and mini-series, and grassroots-oriented programming
  - Ensure diversity for our on-air programming (externally representative) and our "team" (internal organizational diversity)

REGIONAL PROGRAMMING

- **EXPANDING OUR SERVICE:** Getting closer to Canadians through our local service extension plan
- **STRENGTHENING OUR CONNECTIONS:** Continue to strengthen our existing mix of local, regionally representative and cross-regional expression through:
    - Programming produced in the regions through which local experiences are shared with Canadians
    - Communicating local stories and experiences in the regions and for the regions
        - Continue to produce prime time television programs in the regions
        - Produce network programming reflective of and contributed from the regions
        - Strengthen current level of local radio service and enhance local news coverage
        - Add new local programming
        - Expand to areas currently without local service
        - Expand local service to mobile and other digital platforms

DIGITAL PROGRAMMING

- **DELIVERING MORE CONTENT TO MORE CANADIANS – HOW AND WHEN THEY WANT IT**
    - Seek programming opportunities for partnerships, including (but not limited to) specialty channels. Work to leverage existing and future programming and music rights.

Create a 'suite' of specialty channels focused on specific genres (such as kids and the arts). Continue to grow audiences, increase distribution and expand the brand for **bold** and *documentary*.

- Continually adapt our programming offers on existing new platforms
- Increase the amount of content delivered on emerging new platforms (such as mobile devices)
- Maximize the opportunities around content syndication for alternate and partner platforms

FRENCH SERVICES

PERFORMANCE INDICATORS		2010–2011 TARGETS[11]	2010–2011 RESULTS
RADIO SHARE	Combined	19.0%	19.5%[12]
TELEVISION SHARE	Télévision de Radio-Canada (prime time)	18.5%	19.9%[13]
RADIO-CANADA.CA (Includes Radio-Canada.ca, TOU.TV and bandeapart.fm)	Unique Visitors	1.8 million	2.0 million[14]
TOTAL REVENUES (Conventional, specialty and online)		**$190.7 million**	**$205 million**[15]
SUBSCRIBER COUNT	RDI	10.8 million	11.0 million[14]
	ARTV	N/A	2.1 million
TOTAL COSTS		**$588.9 million**	**$582.6 million**

11 Monetary targets are based on annual budgets.

12 Source: BBM Canada (Fall 2010 Survey, All Persons 12+).

13 Source: BBM Canada (2010–2011 Regular Season, All Persons 2+).

14 Source: comScore (September 2010 to March 2011, All Persons 2+).

15 Source: CBC | Radio-Canada programming data and internal records.

RESULTS FOR FRENCH SERVICES' IN 2010–2011

The year 2010–2011 was a resounding success for Radio-Canada.

Ratings were up across all media platforms.

Télévision de Radio-Canada's regular season posted average weekly market shares of 19.9 per cent in prime time. Radio-Canada is still the second most watched TV network among French speakers. With its distinctive, engaging programming schedule, Télévision de Radio-Canada continues to reach wide audiences with shows that draw over a million viewers (*Tout le monde en parle*, *Les enfants de la télé* in its first season), current affairs programs that have a big impact week after week (*Enquête, Découverte, La facture*), new original drama series (*30 vies, 19-2*), as well as regionally developed and produced programs like *Les chefs* in Quebec City, which were all a huge success when launched. RDI shared in this success, further growing its subscriber base.

Radio de Radio-Canada achieved historic results, with Première Chaîne and Espace musique obtaining a combined share of 19.5 per cent, with shares of 15.8 per cent and 3.8 per cent respectively.

The Radio-Canada.ca group, which includes the Radio-Canada.ca, RCInet.ca, bandeapart.fm and TOU.TV websites, broke traffic records by posting a 14 per cent increase over the same period last year (comScore, September to March). This success is partly due to the arrival of TOU.TV, North America's largest French-language web TV service. Besides webcasting TV programs for catch-up viewing, TOU.TV also serves as a springboard for developers of original web content. As an aggregator, it provides a platform for public broadcasters throughout the French-speaking world, enabling a broad range of high-quality programming. The strategy of leveraging network sales and specialty products as part of major agreements also contributed to higher advertising revenues.

On the cost side, the meticulous planning exercise undertaken through *Every one, Every way* saw us make strategic choices to phase projects over several years, allowing us to fund other initiatives going forward.

FRENCH SERVICES' FUTURE DIRECTION

French Services' future contribution is in line with our past achievements as Canada's premier francophone news and culture organization. We will strive to be as efficient and innovative as possible to ensure a sustainable economic model for public broadcasting and continue to build a brand that Canadians recognize as the place for home-grown, quality and distinctive programming that brings them together in a common informative, enlightening and entertaining experience.

NETWORK PROGRAMMING

We will offer more distinctive programming by:

- **EVOLVING THE BRAND**
  - Emphasize the complementary personalities of each channel, service and platform and their contribution to building the Radio-Canada brand
  - Launch our new health, science, nature and environment specialty channel, EXPLORA, and consider other themed channels
  - Increase interaction with audiences
  - Continue commitment to multiplatform Signature Event programming

- **ENCOURAGING COHESIVE CULTURE BY PRODUCING CREDIBLE, INNOVATIVE, HIGH-QUALITY CONTENT**

  TELEVISION
  - Dramas: Diversity of formats and support to high-calibre series; continue contributing to Canadian feature films
  - Arts and Variety: Continue to develop and air programs that stand out from the competition
  - Increase regional reflection on the network
  - Kids: Focus programming on viewers age 2–12, and more specifically for those age 2–8
  - Sports: Redefine the personality of multiplatform sports offering

  INFORMATION
  - Develop a 24-7 multiplatform offering
  - Increase viewership for our TV newscasts
  - Redefine TV and radio formats: focus on creativity to meet new trends in news consumption
  - Position RDI within the new environment
  - Strengthen and update Radio-Canada's intrinsic journalistic values
  - Continue to produce high-impact Canadian documentaries
  - Enhance the offering in investigative, business, health, science and environmental reporting

RADIO

- Revamp Première Chaîne
- Define and implement a multiplatform music strategy
- Consolidate Espace musique's listenership and positioning in accordance with the multiplatform music strategy
- Experiment and develop new radio/audio products

- **REFLECTING CULTURAL DIVERSITY – BECOME TRUE GLOBAL CITIZENS**
  - Provide greater reflection of the diversity of voices, regions, cultures and minorities across all platforms
  - Ensure our staff reflects Canadian diversity
  - Combine and coordinate our international broadcasting and promotion actions to heighten their impact
  - Help members of our audiences become true global citizens
  - Defend our public service model and promote it within the international Francophonie

REGIONAL PROGRAMMING

We will be more regional by:

- **ENHANCING OUR PRESENCE IN COMMUNITIES ACROSS THE COUNTRY**
  - Optimize the rapport between regional audiences and the various facets of the Radio-Canada brand
  - Re-forge essential ties with francophone communities outside Quebec
  - Continue shifting regional production centres toward an integrated multimedia model
  - Increase the audience for, and impact of, the regional news offering
  - Invest in new non-news regional programming
  - Open a new multimedia hub in Rimouski to serve Eastern Quebec
  - Explore and implement complementary service models making use of digital platforms for underserved markets or audiences

DIGITAL PROGRAMMING

We will be more digital by:

- **FOCUSING ON DIGITAL PLATFORM LEADERSHIP AND INNOVATION**
  - Consolidate Radio-Canada's leadership on all existing and emerging digital platforms in Canada, with an eye to growing our audiences and revenue
  - Strengthen Radio-Canada.ca, TOU.TV and our mobile properties
  - Add an online portal for music with our Espace.mu website
  - Stand out for the high-quality, innovative and distinctive nature of our content in the digital world
  - Develop a hyper-local service model

NEW TECHNOLOGIES AND EFFICIENCIES – ENGLISH AND FRENCH SERVICES

To be as efficient and innovative as possible, we will embrace new technologies and develop a sustainable economic model.

- **MANAGING INNOVATIVELY, RESPONSIBLY AND TRANSPARENTLY**
  - Increase and optimize revenues through further commercialization of programs, digital services and production centres. Diversify self-generated revenue sources to reduce our reliance on ad revenues
  - Strike a balance between leveraging commercial opportunities and protecting the brand
  - Develop alliances with rights holders and producers enabling the exploitation of programs we broadcast, across all markets and all digital platforms, based on an optimal windowing timeline
  - Maximize the impact of additional funding sources
  - Develop partnerships for content distribution at home and abroad
  - Optimize production methods and reduce fixed costs
  - Adopt time-saving and less costly techniques, to allow more resources to be directed to more programming for Canadians
  - Achieve operating cost reductions based on technological efficiencies in a Review of Production Methods
  - Optimize our internal platform and content delivery processes, to maximize efficiency of content delivery

- **SUPPORTING AN EFFICIENT WORK ENVIRONMENT THAT IS POSITIVE AND STIMULATING TO ATTRACT, RETAIN AND DEVELOP TALENT**
  - Dialogue Engagement Survey: Put forth an action plan in line with identified priorities
  - Develop talent
  - Foster a culture that is technology savvy and innovative
  - Sustain productive contacts with our unions
  - Sustain and improve internal communication efforts to further our employees' engagement and motivation
  - Contribute to the improvement of succession management

RADIO CANADA INTERNATIONAL (RCI)

RCI is specifically aimed at foreign audiences in Canada and abroad, providing content that takes into account their culture and familiarity with the topics covered.

It is a sort of cultural interface that conceptualizes, clarifies and gives perspective to contemporary Canadian social issues.

RCI FUTURE DIRECTIONS

We are reviewing RCI in relation to our strategic plan, with announcements expected by the end of 2011–2012. In the interim, RCI will:

- Step up its web presence
- Strengthen its presence and integration within the CBC | Radio-Canada group
- Expand its content offering and enhance the group's international presence to increase its impact
- Consolidate and develop its broadcasting and distribution networks to reach a wider audience

2C. KEY PERFORMANCE MEASURES 2011–2012

Approval of our strategic plan came with the introduction of performance measures to evaluate success. We developed metrics for the four guiding principles supporting our vision:

1. The creation and delivery of **original, innovative "high-quality" Canadian content**
2. That **reflects** and **draws together** all Canadians
3. Actively **engaging audiences**
4. While being **cost-effective** and **accountable**

These metrics will be applied to the services that we offer in English and French, as well as selected TV genres. The metrics used to measure each of the four guiding principles are shown here.

OUTCOMES AND METRICS

	COMPOSITE SCORE			NET COST/AUDIENCE HR
OUTCOMES:	***Original, innovative, quality "Canadian content"…***	***…that reflects and draws together Cdns…***	***…actively engaging with audiences…***	***…while being cost-effective and accountable***
METRICS – OUTPUT MEASURES:	• Canadian content as a % of Services' schedule	• Hours produced in the region as a % of total hours produced by Service • Diversity reflected in production process	• Serving a large number of Canadians - Share of usage of Canadian content across services	• Net cost per audience hour - Including all costs and revenues for English and French Services - Excluding "support", and "media related" activities
METRICS – AUDIENCE PERCEPTION MEASURES:	• Quality perception by Canadians - Overall satisfaction with (impact of) CBC/R-C (or similar quality survey metrics) • Canadian perception of program differentiation - Provides programming that is unique vs. alternatives	• Canadians' perception of reflection of regions - Provides programming that reflects my community - Reflects and represents all communities across Canada • Canadians' perception of multicultural diversity) - Reflects all of Canada's multicultural groups - Provides programming that reflects my culture		

Twice a year, our Board of Directors will be presented with a Report Card that will allow it to monitor the Corporation's success in achieving its goals. A Report Card will also be included in our Annual Report and metrics will be reported as they become available in our public quarterly and annual financial reports.

This will provide greater accountability and effective tracking of results over time.

As well, the company's media lines have developed new performance measures and targets reflecting the priorities of *Everyone, Every way*. These are set out in the tables below.

NEW PERFORMANCE INDICATORS – ENGLISH SERVICES

You will see below that regional service expansion is a major long-term initiative under the strategic plan, *Everyone, Every Way*. While this expansion begins in 2011–2012, the first significant increase in service under this five-year strategy is slated for 2012–2013, at which time we will anticipate a measurable audience effect. Until that time, some Regional targets have been set to be the same for 2011–2012 as 2010–2011.

RADIO NETWORKS		2010–2011 TARGETS	2010–2011 RESULTS	2011–2012 TARGETS
Radio Share[16]	Radio One	11.1%	12.0%	12.2%
	Radio 2	3.0%	2.7%	2.7%
	Combined	14.1%	14.7%	14.9%

NEW PLATFORMS / WEBSITE		2010–2011 TARGETS	2010–2011 RESULTS	2011–2012 TARGETS
	CBC.ca	5.6 million	5.8 million	6.0 million
New Platforms[17]	CBC News Online	3.9 million	4.0 million[18]	4.1 million
	CBC Sports Online	1.1 million	0.9 million	1.0 million
	CBC Entertainment Online	1.3 million	1.9 million	2.0 million

TELEVISION AUDIENCE SHARE	2010–2011 TARGETS	2010–2011 RESULTS	2011–2012 TARGETS
CBC Television[19]	8.7%	9.3%	9.3%
CBC News Network[20]	1.0%	1.4%	1.5%

REGIONAL SERVICE[21]		2010–2011 TARGETS	2010–2011 RESULTS	2011–2012 TARGETS
Radio Morning Shows (Mon–Fri)	Average weekly hours tuned, regular season	N/A	4.8 million	4.8 million
TV Supper and Late-Night News (Mon–Fri)	Average weekly hours tuned, regular season	N/A	3.1 million	3.1 million
Regional Web Pages	2+ Monthly average unique visitors (Sept.–March)	N/A	0.90 million	0.93 million

16 12+, Fall Survey.

17 Source: comScore (2+ comScore Monthly Avg. Unique Visitors: September 2010 through March 2011).

18 CBC News Online average excludes February 2011 due to a data collection error.

19 Conventional Television (2+ Reg. Season Prime Time, weeks 4 to 31).

20 2+, Reg. Season All Day, weeks 1 to 31.

21 Radio and TV measured using personal people meters.

SPECIALTY TELEVISION CHANNELS		2010–2011 TARGETS	2010–2011 RESULTS	2011–2012 TARGETS
Subscriber Count	CBC News Network	10.8 million	11.0 million	11.1 million
	bold	2.5 million	2.2 million	2.6 million
	documentary	2.3 million	2.4 million	2.5 million

FINANCIAL INDICATORS: REVENUE		2010–2011 TARGETS	2010–2011 RESULTS	2011–2012 TARGETS
Revenue (Conventional, Specialty and Online)	Total revenue excluding LPIF	$328 million	$367 million	See below[22]
	Total revenue including LPIF	Redefined for 2011–2012		$373 million

NEW PERFORMANCE INDICATORS – FRENCH SERVICES

RADIO NETWORKS		2010–2011 TARGETS	2010–2011 RESULTS	2011–2012 TARGETS
Radio Share[23]	Première Chaîne and Espace musique, combined share[24]	19.0%	19.5%	19.5%

WEBSITE		2010–2011 TARGETS	2010–2011 RESULTS	2011–2012 TARGETS
Radio-Canada.ca, TOU.TV, bandeapart.fm, RCI.net	Unique visitors[25]	1.8 million	2.0 million	2.1 million (+2.5%)

TELEVISION AUDIENCE SHARES	2010–2011 TARGETS	2010–2011 RESULTS	2011–2012 TARGETS
Main network share [26]	18.5%	19.9%	19.3%
RDI share[27]	N/A	2.9%	4.5% Combined
ARTV share[28]	N/A	1.6%	

22 Revenue includes Advertising, Specialty services (CBC News Network, **bold** and *documentary*) subscriber revenues and other miscellaneous revenues (LPIF excluded from 2010–2011 target but included for 2011–2012 target).

23 12+ Fall Survey.

24 Source: BBM Canada (Survey Fall 2010, All Persons 12+).

25 Source: comScore (Monthly Average, September to March, 2+, Hybrid).

26 Source: BBM Canada (Fall/Winter Season, Prime Time, September 6, 2010 to April 3, 2011, All Persons 2+).

27 Source: BBM Canada (Full Day, August 30, 2010 to April 3, 2011, All Persons 2+).

28 Source: BBM Canada (Full Day, August 30, 2010 to April 3, 2011, All Persons 2+).

REGIONAL SERVICE[29]		2010–2011 TARGETS	2010–2011 RESULTS	2011–2012 TARGETS
Radio	6–9 a.m. Franco Share (Diaries), 6–9 a.m. Mon.–Fri., BBM, Fall 2010	N/A	19%	19%
6 p.m. *Téléjournal*[30]	Average viewers per minute 6–6:30 p.m. Mon.–Fri.	N/A	317,000	323,000
Regional Web	Unique visitors[31]	N/A	447,000	458,000 (+2.5%)

SPECIALTY TELEVISION CHANNELS		2010–2011 TARGETS	2010–2011 RESULTS	2011–2012 TARGETS
Subscriber Count	RDI	10.8 million	11.0 million	11.0 million
	ARTV	N/A	2.1 million	2.1 million

FINANCIAL INDICATORS: REVENUE		2010–2011 TARGETS	2010–2011 RESULTS	2011–2012 TARGETS
Revenue (Conventional, Specialty and Online)	Total revenue excluding LPIF	$191 million	$205 million	See below[32]
	Total revenue including LPIF	Redefined for 2011–2012		$230 million

29 Radio and TV measured using personal people meters.

30 Source: BBM Canada (September 6, 2010, to April 3, 2011, Weekly Average).

31 Source: comScore (Monthly Average, September to March, 2+, Hybrid).

32 Revenue includes Advertising, Specialty services (RDI and ARTV) subscriber revenues and other miscellaneous revenues (LPIF excluded from 2010–2011 target but included for 2011–2012 target).

3. CAPABILITY TO DELIVER RESULTS

3A. LEADERSHIP AND PEOPLE

CHANGES TO THE BOARD OF DIRECTORS

On April 26, 2010, the Honourable James Moore, Minister of Canadian Heritage and Official Languages, appointed Mr. Edward W. Boyd to the Board of Directors for a five-year term.

On February 3, 2011, the Minister appointed Pierre Gingras to the Board of Directors for a five-year term.

Further information is found in the Board of Directors section of this report.

CHANGES TO THE SENIOR MANAGEMENT TEAM

On August 10, 2010, CBC|Radio-Canada announced the departure of Richard Stursberg, Executive Vice-President, English Services. Kirstine Stewart replaced him on January 10, 2011. Ms. Stewart had been acting as Interim Executive Vice-President of English Services since August 2010.

On October 21, 2010, veteran journalist Kirk LaPointe was appointed as CBC's new Ombudsman, effective November 1, 2010. He succeeded Vince Carlin, whose mandate officially expired on December 31, 2010.

ENGAGING OUR PEOPLE

EMPLOYEE SURVEY

In September 2010, the Corporation kicked off a corporate-wide employee survey called "Dialogue." Sixty-seven per cent of employees responded to the survey. The results show employee engagement is high, as are passion, pride and belief in our mission. Eighty-five per cent of employees see the connection between their work and the Corporation's success. Two areas identified as needing improvement were non-monetary recognition and professional development.

Following the analysis of the survey, a National Advisory Committee has recommended to the Senior Executive Team that efforts be focused on these areas as the top two national priorities. Specific action plans are being developed and are expected to be announced and rolled-out in 2011–2012.

DIVERSITY

Significant effort was invested in putting CBC|Radio-Canada's 2009–2012 Corporate Diversity and Equity Plan into action. Executive, national and regional committees were strategically created to ensure both the broadcaster's programming and workforce reflect Canada and its regions, as well as the country's multicultural and multiracial nature. Managers across the Corporation began to be trained on inclusion and diversity in the workplace, a step towards becoming an open, inclusive and progressive organization. Workforce recruitment processes were also enhanced to attract a wider range of Canadians and ensure different viewpoints are reflected in our programming.

Progress has been made. In 2010, women composed 68 per cent of marketing, sales, public relations and communications, compared to the industry standard of 46 per cent. We reached 48 and 61 per cent for production and finance, compared to industry standards of 37 and 49 percent. And the number of executives who are women increased from 29 percent in 2006 to 42 per cent in October 2010.

LABOUR RELATIONS

During the year, collective agreements were reached with the *Syndicat canadien de la fonction publique* (SCFP) and the Alliance of Canadian Cinema, Television and Radio Artists (ACTRA). As always, a great deal of effort was invested in maintaining healthy and open labour relations.

INVESTMENT IN TRAINING

Investments in training and development helped leaders to perfect their skills and enrich their competencies. This year was the third year in which managers were asked to participate in an eight-day training program called *Ready to Lead*, bringing the number of course graduates close to 500. Going forward, new modules on leadership style, managing change and diversity will enhance the program.

LEADERS' FORUM

CBC | Radio-Canada held a Leaders' Forum in the fall of 2010 to solicit input and feedback on its five-year strategic plan from more than one hundred leaders across the country. Discussions and debates helped bring clarity to vision and principles, and helped to identify risks and opportunities with respect to implementation of the main thrusts – network, regional and digital programming – prior to bringing the Corporation's five-year strategic plan *Everyone, Every way* forward to the Board of Directors for approval.

THE PRESIDENT'S AWARDS

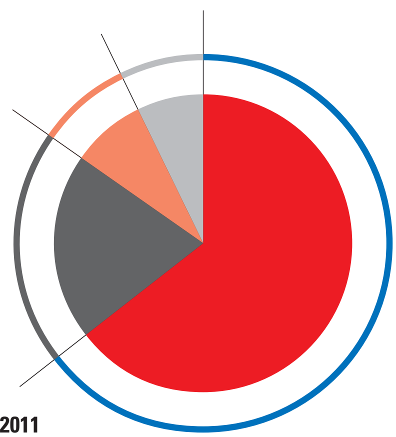
The President's Awards were launched in the fall of 2009 to recognize and salute employees for their outstanding contributions and accomplishments. They are based on the President and CEO's three priorities: People, Programs and Pushing Forward. Awards supporting each priority are given out, such as the Leadership Award, the Multi-Platform Content Award and the Smart Solutions Award. A total of nine awards in three categories are presented.

For its 2010 edition, the President's Awards received 150 nominations.

3B. RESOURCE CAPACITY

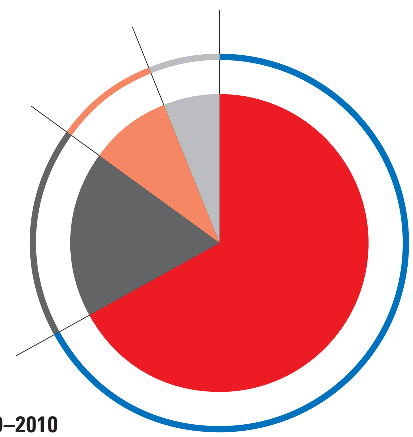
REVENUES AND SOURCES OF FUNDS

REVENUES AND SOURCES OF FUNDS
FOR THE FISCAL YEAR 2010–2011 $1,810 MILLION



2010–2011
$1,810

REVENUES AND SOURCES OF FUNDS
FOR THE FISCAL YEAR 2009–2010 $1,710 MILLION



2009–2010
$1,710

	2010–2011		2009–2010	
Government funding	$1,160	64%	$1,143	67%
Advertising revenues	$368	20%	$309	18%
Specialty services revenues	$153	9%	$149	9%
Other revenues	$129	7%	$109	6%
	$1,810	**100%**	**$1,710**	**100%**

CBC | Radio-Canada relies on four sources of funding: government funding, advertising revenues, specialty services revenues and other revenues.

Total revenues and sources of funds increased by $100.5 million (5.9 per cent) to $1,810 million in 2010–2011 as described below.

GOVERNMENT FUNDING

CBC | Radio-Canada's total Government funding recognized as income for 2010–2011 is $1,160 million. This includes an amount of $60 million in one-time additional funding for programming that the Corporation has received in each of the previous nine years. The government has not committed to this additional funding beyond March 31, 2012.

The Corporation's strategic plan, *Everyone, Every way*, was developed on the assumption that CBC | Radio-Canada will have stable funding within the five-year planning period. While a Government funding reduction would not change the path of the new strategy, it could force the Corporation to make adjustments.

ADVERTISING REVENUES

Advertising is a vital source of revenue for CBC | Radio-Canada, accounting for approximately 20 per cent of CBC | Radio-Canada's total sources of funds. As a result of strong program schedules, increased audiences and the economic recovery, conventional television and digital advertising revenues increased by $58.5 million (18.9 per cent) to $367.7 million in 2010–2011. A portion of this increase was related to the FIFA 2010 World Cup; however, these revenues were largely offset by additional rights and programming costs.

SPECIALTY SERVICES REVENUES

CBC | Radio-Canada generates subscription and advertising revenues from its specialty services, CBC News Network, **bold**, *documentary*, and Réseau de l'information de Radio-Canada (RDI). In 2010–2011, these revenues remained constant relative to the previous year. Subscription revenues, unlike advertising revenues, are relatively steady and were not adversely affected by the economic downturn. Following the acquisition of additional shares in ARTV in July 2010, ARTV revenues are now presented as specialty services revenues in 2010–2011. The increase generated by the inclusion of ARTV revenues under Specialty Services Revenues is partly offset by a reduction in subscription revenues from the Corporation's former pay audio service Galaxie. Overall, specialty services revenues increased by $4.3 million (2.9 per cent) to $153.0 million in 2010–2011.

OTHER REVENUES

CBC | Radio-Canada continually looks for ways to leverage its assets to generate revenue that can be reinvested in programming. Self-generated revenues come from across the Corporation. For example, media operations generate revenue through program sales, facilities rentals and CBC News/RDI Express, which are our news and information services available in six Canadian airports. Other revenues are generated from the sale and the rental of real estate assets, merchandising, building and parking fees, leasing space at our transmission sites, and rent charged to external clients for the use of our mobile broadcasting vehicles.

CBC | Radio-Canada's self-generated revenues increased in 2010–2011 by $20.4 million (18.8 per cent) to $129.3 million, compared to the prior year despite the fact that revenues no longer include income from the Corporation's former pay audio service Galaxie or lease and interest income from third parties following the monetization of long-term receivables. The Corporation sold these receivables in 2009 as part of its Recovery Plan to respond to the global economic slowdown and stagnant television advertising revenues.

With the creation of the Local Programming Improvement Fund (LPIF), CBC|Radio-Canada, along with Canada's private conventional television broadcasters, gained access to a significant additional source of funds. The LPIF was created by the CRTC to improve the quality and quantity of local programming in non-metropolitan television markets. As of March 2011, 19 CBC|Radio-Canada stations were eligible for LPIF support and have contributed to the overall objectives of the LPIF as follows: ensuring that viewers in smaller Canadian markets continue to receive a diversity of local programming, particularly local news programming; improving the quality and diversity of local programming; and ensuring that viewers in French-language markets are not disadvantaged by the smaller size of those markets. LPIF contributions amounted to $36.7 million in 2010–2011, compared to $19.8 million in 2009–2010. LPIF contributions commenced in September of 2009.

The continuation of this fund has not been confirmed by the CRTC beyond August 31, 2012.

CAPITAL BUDGET

The Corporation has a base capital appropriation from the Government of Canada of approximately $92 million per year. For 2010–2011, self-generated revenues supplemented this capital appropriation for a total capital budget of approximately $135 million. As required by subsection 54(4) of the *Broadcasting Act*, CBC|Radio-Canada presents its capital budget to the Minister of Canadian Heritage and Official Languages in its Corporate Plan and then submits it to the Treasury Board for approval.

As of March 31, 2011, the Corporation employs $2.6 billion (cost) of assets in operation. CBC|Radio-Canada owns and operates one of the world's largest broadcast transmission and distribution systems, with 989 transmission sites located throughout Canada. In addition to these transmission and distribution-related structures, CBC|Radio-Canada is responsible for a real estate portfolio of more than four million square feet, including 27 buildings owned across Canada. The Corporation is also highly dependent on technology and technology-based assets in the production and delivery of its services.

Accordingly, CBC|Radio-Canada uses the majority of its capital budget in any given year to maintain its assets, address obsolescence and undertake strategic projects. In all instances, the capital spending plan supports the attainment of the Corporation's priorities and strategies.

MAJOR ACTIVITY IN THE YEAR

The following capital activities were substantially completed during the year.

NEXT GENERATION CONVERGED NETWORK (NGCN)

The Next Generation Converged Network (NGCN) is necessary to support the greatly increased traffic from file transfers and streaming, replacing various conventional telecommunications, broadcast and data networks. We are implementing one of Canada's largest high-speed networks capable of handling real-time and non-real-time broadcast and data traffic. The NGCN infrastructure will be capable of supporting current traffic requirements and is scalable such that it will support future traffic growth associated with the evolution of television from standard definition (SD) to high definition (HD) production and presentation. The NGCN will generate significant operational savings.

UPGRADE OF THE HD DTV PRESENTATION OUTPUTS (ENGLISH AND FRENCH SERVICES)

This project upgraded the current standard definition (SD) infrastructure in the Toronto and Montreal Network Operations Centres to support the delivery of high definition (HD) digital television (DTV) signals.

CENTRE DE L'INFORMATION (CDI) IN MONTREAL

Phase 2 of this initiative replaced the obsolete newsroom video server system with the current CBC | Radio-Canada standard, which supports the HD format. The project also involved upgrading the facilities to support its various production technologies to HD-compatible formats (control rooms, editing suites, computer graphics, cameras and so on).

UPGRADE OF THE TV NETWORK OPERATION CENTRE IN TORONTO

This project refreshed and expanded the CBC | Radio-Canada TV Network Operations Centre in Toronto, re-designing the space to support the co-location with radio master control, traffic and CBC.ca control areas. Obsolete infrastructure, automation and video server systems were replaced to accommodate all current TV presentation needs and provide capacity for future requirements.

CENTRALIZED RADIO PRESENTATION AND SATELLITE DISTRIBUTION

We centralized aging English and French Radio presentation and distribution infrastructure in regional facilities to consolidated systems in Toronto and Montreal, to maximize our flexibility to move content and transmission/streams for shifting audience needs.

REGIONAL DISAFFILIATION IN QUEBEC

Further to its disaffiliation from COGECO, Radio-Canada decided to establish and operate its own multimedia regional stations to serve Centre-du-Québec, Estrie and Saguenay–Lac-Saint-Jean, with the goal of enhancing its regional presence and fostering synergy within services (TV, radio and Internet).

REPLACE FIELD EQUIPMENT (ENGLISH AND FRENCH SERVICES)

This was a joint English and French Services program to replace the obsolete standard definition (SD) cameras with new cameras that support workflow in either SD or high definition (HD). In 2010–2011, the focus of work has been to provide this technology to support the HD conversion for Toronto News and Current Affairs, and CBC in Montreal. For French Services, the first phase of the replacement focused on Montreal.

MOUNT ROYAL SAFETY CODES

The objective was to make the Mount Royal site compliant with safety codes and ensure viability of on-going operations, including revenue generation from the site and final transition to digital television for Montreal.

SALE OF BROSSARD PROPERTY

CBC | Radio-Canada negotiated an agreement to sell a property in Brossard, Quebec. The transaction requires Governor-in-Council approval, which is expected to be completed in 2011–2012.

As the area around the Brossard property is undergoing significant residential development, sale of the land at this time allows the Corporation to optimize revenues, which will be re-invested in the Corporation's capital budget.

BORROWING PLAN

The *Broadcasting Act*, subsection 46.1, confers on CBC | Radio-Canada the authority to borrow up to $220 million, or such greater amount as may be authorized by Parliament, subject to approval of the Minister of Finance. Subsection 54 (3.1) of the Act requires that the Corporation's borrowing plan be included in its corporate plan for the approval of the Minister of Finance.

When the Corporation sold long-term accounts receivable in 2009 as part of its Recovery Plan to address the impact of the global economic slowdown and stagnant television advertising revenues, it provided a guarantee to the investors in order to obtain the best possible value for the sale. This guarantee was deemed to be borrowing. The outstanding amounts against the borrowing authority are:

(in thousands of dollars)

Total borrowing authority available:	220,000
Authority used as at March 31, 2011:	
Guarantee on accounts receivable monetization	(193,811)[33]
Remaining authority in 2011–2012	26,189

33 Amount includes guarantees provided for the sale of receivables related to the Toronto Broadcast Centre land and a portion of the Stingray Digital Media Group receivable sale.

Under the *Broadcasting Act*, subsection 47 (1), the Corporation is an agent of the Crown and therefore has the constitutional immunities, privileges and prerogatives that are enjoyed by the Crown. The Crown is also fully liable and financially exposed for all actions and decisions by CBC | Radio-Canada while the Corporation is operating within its mandate. In other words, the Corporation's assets and liabilities are the assets and liabilities of the Government.

4. RESULTS AND OUTLOOK

This section outlines financial results for the fiscal year April 1, 2010 to March 31, 2011.

4A. ANALYSIS OF FINANCIAL RESULTS

PERFORMANCE REVIEW

(in thousands of dollars)	2010–2011	2009–2010	$ change	% change
Revenues	649,948	566,714	83,234	14.7%
Expenses	(1,839,546)	(1,789,353)	(50,193)	2.8%
Government funding	1,159,938	1,142,673	17,265	1.5%
Non-operating revenues	–	21,566	(21,566)	(100.0%)
Taxes	–	101	(101)	(100.0%)
Net results for the year	**(29,660)**	**(58,299)**	**28,639**	**(49.1%)**
Other comprehensive income	5,000	–	5,000	N/A
Total comprehensive income (loss) for the year	**(24,660)**	**(58,299)**	**33,639**	**(57.7%)**

In 2009–2010, the Corporation embarked on a two-year Recovery Plan to address a budget shortfall of $171 million resulting from the economic recession and continuing increases in programming and other costs. Cost reduction and revenue improvement measures were put in place to manage these pressures.

Among the actions taken by the Corporation to fund the Recovery Plan, the Corporation sold $153 million of long-term receivables. The proceeds from these sales did not increase the net results for the year 2009–2010, as the related gain had been recognized as income in previous years.

As the economy recovered in 2010–2011, total revenues increased by $83.2 million (14.7 per cent) to $649.9 million mainly due to advertising revenue growth of $58.5 million and increased Local Programming Improvement Fund (LPIF) contributions of $17 million.

The higher revenues were partially offset by expenditure growth of $50.2 million (2.8 per cent), and the following table details this expenditure growth. Expenditures increased due to new programming expenditures funded by incremental revenues. For example, enhanced local television programming was funded by increased LPIF contributions.

EXPENSES COMPARISON

(in millions of dollars)

March 31, 2010 expenditures	**1,789**
Recovery Plan reductions (year 2)	(30)
Unavoidable cost increases (salary, rights and other unavoidable cost increases)	22
Programming cost increases funded by incremental revenues (including FIFA advertising and LPIF)	66
Other (ARTV consolidation, increased amortization, pension plan expense accrual decrease, loss from investments in entities subject to significant influence)	(7)
March 31, 2011 expenditures	**1,840**

Total government appropriations received in 2010–2011 actually decreased by $2.4 million. However, the amount of government funding recognized for accounting purposes increased by $17.3 million (1.5 per cent) due to higher transfers between the operating and capital appropriations in 2009–2010, as well as variations in the amortization of deferred capital funding.

Non-operating revenue of $21.6 million in 2009–2010, mainly from the recognition of deferred revenue from the sale of the Galaxie pay audio assets, was no longer generated in 2010–2011.

Total Comprehensive Loss for 2010–2011 was $24.7 million, an improvement of $33.6 million (57.7 per cent) compared to last year. The losses were funded by the proceeds from the disposition of the long-term receivables in 2009–2010, consistent with our two-year Recovery Plan.

REVENUES

In 2010–2011, revenues increased by $83.2 million (14.7 per cent) compared to 2009–2010. The main contributors to this increase were a recovery in advertising revenues following the economic recession and a full year of contributions from the Local Programming Improvement Fund (LPIF).

(in thousands of dollars)	2010–2011	2009–2010	$ change	% change
Advertising				
English Services	244,736	195,505	49,231	25.2%
French Services	122,964	113,729	9,235	8.1%
Sub-total	367,700	309,234	58,466	18.9%
Specialty services				
CBC News Network	81,655	84,616	(2,961)	(3.5%)
RDI	54,773	52,034	2,739	5.3%
bold	4,146	4,217	(71)	(1.7%)
Galaxie	–	3,485	(3,485)	(100.0%)
documentary	4,464	4,283	181	4.2%
ARTV	7,933	–	7,933	N/A
Sub-total	152,971	148,635	4,336	2.9%
Other and financing income				
English Services	46,575	30,081	16,494	54.8%
French Services	47,034	35,697	11,337	31.8%
Corporate Services	35,668	43,067	(7,399)	(17.2%)
Sub-total	129,277	108,845	20,432	18.8%
Total	**649,948**	**566,714**	**83,234**	**14.7%**

ADVERTISING

English and French Services delivered strong advertising revenue performance in 2010–2011 with growth of $49.2 million (25.2 per cent) and $9.2 million (8.1 per cent) respectively. Advertising revenues improved primarily because of the economic recovery. However, growth outpaced other Canadian broadcasters due to a strong TV schedule and audience performance, advertising revenues generated during the FIFA World Cup, an extended play-off series for hockey, increased sales effectiveness and the continuing expansion of digital activities (TOU.TV, FIFA and *Hockey Night in Canada*).

SPECIALTY SERVICES

A one-time increase in subscriber revenue recognized in 2009–2010 explains the year-over-year decrease in CBC News Network's revenues of $3.0 million (3.5 per cent).

RDI's increase in revenues is attributable to an increase in both advertising and subscriber revenues.

The CBC | Radio-Canada Galaxie pay audio service ceased in 2009, as all the remaining Broadcast Distribution Undertaking (BDU) contracts were assigned to the acquirer, Stingray Digital Media Group.

Following the acquisition of additional shares in ARTV in July 2010, the ARTV results are now consolidated into CBC | Radio-Canada's financial results and ARTV revenues are presented as specialty services revenues.

OTHER AND FINANCING INCOME

Financing and other income for the fiscal year ending March 31, 2011 increased by $16.5 million (54.8 per cent) and $11.3 million (31.8 per cent) for English and French Services respectively.

Most of this increase is explained by the contributions from the Local Programming Improvement Fund (LPIF), which were higher by $17.0 million in 2010–2011 because they included 12 months of eligibility compared to seven months in 2009–2010.

The revenue variances for English and French Services are also explained by an increase in host broadcasting activities, program sales, sports sponsorship agreements and business development initiatives (FIFA wireless and sublicensing, *Hockey Night in Canada* wireless and 3D, Rogers and Netflix Video-on-Demand and News Express).

The sale of long-term receivables in 2009 largely explains the year-over-year decrease of $7.4 million (17.2 per cent) in Corporate Services revenues for the fiscal year ending March 31, 2011. Prior to the sale, the interest portion of these receivables was recorded as financing income.

OPERATING EXPENSES

Operating expenses increased by $50.2 million, which represents a 2.8 per cent increase over 2009–2010. A large portion of the increase, 56.9 per cent, was incurred in English and French Services. The consolidation of ARTV results with CBC|Radio-Canada's results accounts for $9.1 million, or 18.1 per cent, of the total expenditure increase.

(in thousands of dollars)	2010–2011	2009–2010	$ change	% change
Television, radio and new media services				
English Services	876,537	854,482	22,055	2.6%
French Services	600,241	593,721	6,520	1.1%
Sub-total	1,476,778	1,448,203	28,575	2.0%
Specialty services				
CBC News Network	73,397	65,778	7,619	11.6%
RDI	44,327	44,494	(167)	(0.4%)
bold	3,845	3,544	301	8.5%
Galaxie	–	4,515	(4,515)	(100.0%)
documentary	2,643	2,663	(20)	(0.8%)
ARTV	9,061	–	9,061	N/A
Sub-total	133,273	120,994	12,279	10.1%
Amortization of property and equipment	112,656	110,063	2,593	2.4%
Amortization of intangible assets	17,887	17,617	270	1.5%
Transmission, distribution and collection	54,573	52,368	2,205	4.2%
Corporate management	12,804	12,216	588	4.8%
Payments to private stations	3,018	3,697	(679)	(18.4%)
Finance costs	23,557	24,195	(638)	(2.6%)
Loss from investments in entities subject to significant influence	5,000	–	5,000	N/A
Total	**1,839,546**	**1,789,353**	**50,193**	**2.8%**

English Services' operating expenses increased by $22.1 million (2.6 per cent) while French Services were up by $6.5 million (1.1 per cent). These increases are due to higher programming rights and production costs as a result of the enhancement of the programming schedule and increased digital activities (TOU.TV, FIFA wireless, *Hockey Night in Canada* wireless, Rogers Video-on-Demand and News Express), host broadcasting activities and increased sport sponsorship agreements. Additional regional programming initiatives that were funded by the Local Programming Improvement Fund (LPIF) also explain a higher level of local programming costs. In addition, rights costs were higher due to the FIFA World Cup held in the summer of 2010. The aforementioned cost increases were partially offset by a decrease in accrued pension costs.

Within specialty services, CBC News Network costs increased by $7.6 million (11.6 per cent) in 2010–2011 compared to the previous fiscal year as a result of programming schedule enhancements and a revised news cost allocation model implemented in October 2009. As previously noted, ARTV results are now consolidated into CBC | Radio-Canada's financial results and expenses are presented under specialty services operating expenses. The Corporation's Galaxie pay audio service ceased operations in 2009 and there are no longer any operating costs related to this service.

The loss from investments in entities subject to significant influence reflects a loss of $5.0 million on the Sirius Class A shares. This is offset by the $5.0 million unrealized gain on Sirius Class C shares recorded in Other Comprehensive Income.

GOVERNMENT FUNDING

(in thousands of dollars)	2010–2011	2009–2010	$ change	% change
Parliamentary appropriations for operating expenditures	1,031,581	1,017,587	13,994	1.4%
Parliamentary appropriations for working capital	4,000	4,000	–	–
Amortization of deferred capital funding	124,357	121,086	3,271	2.7%
Total	**1,159,938**	**1,142,673**	**17,265**	**1.5%**

Due to revenue recognition accounting practices, government funding in 2010–2011 reflects an increase of $17.3 million. However, total government appropriations actually declined by $2.4 million, due to the absence of salary inflation funding and a funding reduction related to cost-containment measures announced in the 2007 Federal Budget.

Parliamentary appropriations used for operating expenditures increased by $14.0 million (1.4 per cent) in 2010–2011 compared to the previous fiscal year. This variance is explained by higher transfers ($16.4 million) from the Corporation's operating appropriation to the capital appropriation in 2009–2010, offset by the budget reduction of $2.4 million described above.

Amortization of deferred capital funding is recognized as revenue, in relation to the amortization of property and equipment and intangible assets.

OTHER

(in thousands of dollars)	2010–2011	2009–2010	$ change	% change
Non-operating revenues	–	21,566	(21,566)	(100.0%)
Taxes	–	101	(101)	(100.0%)
Other comprehensive income	5,000	–	5,000	N/A
Total	**5,000**	**21,667**	**(16,667)**	**(76.9%)**

Non-operating revenues in 2009–2010 arose from the net gain resulting from the monetization of long-term accounts receivable and a portion of the deferred revenues relating to the sale of assets of Galaxie, the Corporation's former pay audio programming specialty service.

Other Comprehensive Income includes a net unrealized gain of $5.0 million on Sirius's Class C shares as a result of the merger of Sirius Canada and Canadian Satellite Radio (CSR) Holdings Inc. (the parent company of XM Canada).

4B. FINANCIAL CONDITION CASH FLOW AND LIQUIDITY

The Corporation's cash flows from operating, investing and financing activities are summarized in the following table:

(in thousands of dollars)	2010–2011	2009–2010	$ change	% change
Cash – beginning of year	**50,003**	**33,160**	**16,843**	**50.8%**
Cash from (used in) operating activities	44,783	(126,767)	171,550	135.3%
Cash from financing activities	81,841	119,575	(37,734)	(31.6%)
Cash (used in) from investing activities	(117,626)	24,035	(141,661)	(589.4%)
Change in cash	**8,998**	**16,843**	**(7,845)**	**(46.6%)**
Cash – end of year	**59,001**	**50,003**	**8,998**	**18.0%**

As shown, the Corporation's cash balances increased by $9.0 million to $59.0 million as at March 31, 2011. This increase is attributable to the following activities.

OPERATING ACTIVITIES

In 2010–2011, cash generated from the Corporation's normal broadcasting and ancillary business activities was $44.8 million, compared to cash required by these activities in 2009–2010 of $126.8 million. This improvement in cash flow is primarily the result of improved operating results of $28.6 million combined with an improvement of $144.2 million in working capital balances.

The $144.2 million improvement in working capital balances is primarily the result of year-over-year reduced funds used for prepaid sports and other programming rights of $100.2 million. The balance of the improvement is mainly attributable to an increase of cash flow provided by accounts receivable outstanding of $64.7 million and an increase in pension plans and employee-related liabilities of $43.1 million, offset by a decrease in cash flow used for accounts payable and accrued liabilities of $60.7 million in 2010–2011. The reduced accrued liabilities included retroactive payments in lieu of taxes of $26.3 million made in 2010–2011 to the cities of Montreal and Toronto following a Supreme Court of Canada ruling.

FINANCING ACTIVITIES

CBC's financing activities consist mostly of the parliamentary appropriations received to fund capital assets (property, equipment and software) offset by the semi-annual payments made for the Toronto Broadcasting Centre bond repayment. Overall, these activities provided the Corporation with $81.8 million in cash in 2010–2011, compared to $119.6 million in 2009–2010.

The Corporation's capital appropriation decreased by $16.4 million, due to a transfer from the operating appropriation to the capital appropriation in 2009–2010.

In addition, a $10.2 million long-term liability in 2009–2010 is now classified in operating activities due to its short-term nature. The liability relates to the monetization of some of the Corporation's receivables. While this change is offset in operating activities, it results in a year-over-year decrease in cash received from financing activities of $20.4 million.

INVESTING ACTIVITIES

Investing activities consist of the acquisitions and disposal of capital assets and investments, such as property, equipment, software and shares in other corporations. These activities either provide or use the Corporation's cash. In 2010–2011, $117.6 million was used in investing activities, compared to $24.0 million provided by such transactions in the previous year.

The primary explanation for this variation is that in 2009–2010, $133.6 million of additional cash was received through the sale of receivables as part of the two-year Recovery Plan.

4C. OUTLOOK

Having completed the Recovery Plan, the Corporation will focus on its five-year strategic plan, launched on February 1, 2011. *Everyone, Every way* responds to a rapidly evolving broadcast and media environment, demographic shifts, new technologies, platforms and content choices, all of which impact revenues, operating costs and capital requirements. Having developed a comprehensive financial plan, the Corporation is confident that it can achieve its objectives provided that it has stable long-term funding, including parliamentary appropriations, availability of the $60 million for Canadian programming received since 2001–2002, and continued access to the Local Programming Improvement Fund (LPIF) and the Canada Media Fund (CMF).

Since 2001–2002, the Government has provided CBC|Radio-Canada with $60 million annually for investment in programming. This much-appreciated funding has been used to strengthen the drama, children's, documentary, and arts and cultural programming offered by our radio and television services.

Further cost containment measures announced in the 2010 Federal Budget included the elimination of salary inflation funding from 2010–2011 through to 2012–2013, representing $13.8 million per year to the Corporation. Additionally, the Government announced a government-wide Strategic and Operating Review in 2011–2012. As of the publishing of this Annual Report, it is unknown if or how the review will affect CBC|Radio-Canada's funding.

Similar to other broadcasters, the Corporation relies on the CMF to help fund Canadian programs produced by independent production companies that are licensed by broadcasters at a reduced cost. The Government provides $100 million annually and Broadcast Distribution Undertakings (BDUs) contribute the balance to support the CMF. Continued funding and access to CMF independent productions is a critical component of CBC|Radio-Canada's financial plan.

Another critical element to CBC | Radio-Canada's financial plan is the continuation of the LPIF. This fund contributed $36.7 million to the Corporation in 2010–2011, which helped fund local television program improvements in smaller population centres.

In addition, we need to continue to grow our self-generated revenues and increase operating efficiencies. By 2015, the Corporation's goal is to be more financially flexible and agile to fund the core elements that will translate its new strategy into action. *Everyone, Every way* commits us to:

- Balance the overall financial plan and enhance the level of service that we provide to Canadians, without abandoning our existing audiences
- Pursue revenue growth initiatives, cost improvements and resource redirections, and to examine our assets to extract as much value as possible
- Further trim operating costs. We have undertaken a corporate general and administrative cost review, and a review of our overall procurement spending for goods and services
- Review our network production methods and use of technology to increase our efficiency
- Explore potential partnership opportunities
- Challenge our priorities in a rapidly evolving environment

Examples of our commitments include a continued move to integrated revenue management (exploring all options available to the Corporation to maximize revenues from its content), a more enterprise-wide approach to procurement and merchandising, and further development of online advertising capabilities as digital opportunities grow and are increasingly linked to traditional media transactions.

5. RISK

RISK MANAGEMENT

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

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

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

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

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

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

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

LEGEND

Risk Trend: ▼ Decreasing ▶ Stable ▲ Increasing

The following table discusses the key risks faced by CBC | Radio-Canada during fiscal 2010–2011.

KEY RISK	RISK MITIGATION	RISK TREND 2010–11	FUTURE IMPACT
GOVERNMENT FUNDING		▶	
Fiscal pressures exercised by Government may affect CBC | Radio-Canada funding in 2011–2012 and beyond.			The impact of the 2011 Federal Budget on the Corporation is:
$60 million in one-time funding for programming has been renewed every year since 2001–2002 but there is no commitment beyond 2011–2012.	Conducted scenario planning for potential outcomes.		$60 million funding renewed for 2011–2012.
The Government froze operating appropriations as part of the March 4, 2010 Federal Budget and announced that salary inflation would not be funded for three years ending March 31, 2013, for a cumulative impact of $41.3 million.	Incorporated the salary inflation impacts into CBC | Radio-Canada's five-year strategic plan *2015: Everyone, Every way.*		The Strategic and Operating Review announced in the budget to reduce program spending may affect future funding.
Budget 2011, tabled on June 6, 2011, announced a review of direct program spending with an objective of ongoing annual savings by 2014–2015 of five per cent of the government's review base.			

KEY RISK	RISK MITIGATION	RISK TREND 2010–11	FUTURE IMPACT
REGULATORY ISSUES		▶	
Value for Signal			
On March 1, 2011, the Federal Court of Appeal cleared the way for private broadcasters to charge cable and satellite providers for carrying their programs. The Federal Court ruled 2-1 that the CRTC had the right to establish a regime whereby private broadcasters could attach value to their signals. Opposition by some Broadcast Distribution Undertakings (BDUs) to this decision continues. However, following the finalization of the BCE acquisition of CTV on April 1, 2011, BCE announced that it now supports CRTC's fee for carriage regime and LPIF.	Monitor the situation and adjust plans accordingly.		The CRTC's decision to exclude CBC|Radio-Canada from Value for Signal leaves CBC|Radio-Canada reliant on two less predictable sources of funding (conventional television advertising and government funding).
Local Programming Improvement Fund (LPIF)			
LPIF funding received by CBC|Radio-Canada for the fiscal year ending March 31, 2011 was $37 million. The LPIF is slated for review by August 31, 2012. The review could result in a change to the amount CBC|Radio-Canada receives from the fund.	Maximize LPIF eligibility while maintaining budget flexibility.		LPIF funding for the broadcast year ending August 31, 2012 is estimated to be $39.7 million and has been incorporated in CBC|Radio-Canada plans. Continuation of LPIF funding after August 31, 2012 is uncertain.
Licence Renewal			
Renewals for all CBC|Radio-Canada licences, including for specialty services, are scheduled for September 2011. The outcome of this hearing will set the terms and conditions of our CRTC licence over the next five years and determine whether we are able to meet the objectives of *Everyone, Every way*.	CBC|Radio-Canada's licence renewal application is seeking a streamlined regulatory framework to enable the Corporation to operate efficiently and effectively in an evolving multiplatform environment. Will work with CRTC to reach mutually acceptable conditions of license.		Licence renewal hearings are scheduled for September 2011. On March 29, 2011, the CRTC administratively renewed CBC|Radio-Canada's television programming undertakings until August 31, 2012.

KEY RISK	RISK MITIGATION	RISK TREND 2010–11	FUTURE IMPACT
CRTC Vertical Integration Hearing			
CBC | Radio-Canada is the only major broadcaster in Canada without distribution affiliations. There is a risk that BDUs will drop optional television services and/or there will be downward pressure on wholesale rates for the Corporation's specialty services, thereby resulting in decreased revenues.	Protect the broad availability of our services to Canadians across regulated platforms by arguing for stronger regulatory rules and better dispute resolution processes.		The CRTC has announced a moratorium on exclusive deals for TV content on mobile services until the vertical integration hearings are finished.
GOVERNMENT POLICY		▶	
Government policies on the broadcasting and communications industries such as foreign ownership rules may affect the business model of broadcasters, including CBC | Radio-Canada.	Discussed issues with Government officials. Participated in committees and studies. Will monitor the situation and adjust plans accordingly.		Changes to how foreign ownership rules are applied could dramatically impact the broadcasting landscape as more foreign competition could enter the marketplace.
STRATEGY, BUDGET AND PLANNING		▶	
Structural changes in the conventional broadcasting sector prompted by technological advances, vertical integration and shifting consumption habits require long-term strategy reformulation. Limited financial flexibility.	Developed and implementing *Everyone, Every way*. Objective is to set longer-term strategic objectives for the Corporation. This exercise will impact the 2011–2012 planning cycle and beyond. Improved transparency to stakeholders by increasing the volume and frequency of financial information made public. Reviewed areas where the Corporation needs additional financial flexibility and engaged key government department players to achieve increased flexibility.		*Everyone, Every way* was announced in February 2011. Business plans have been developed and budgets allocated in support of strategic objectives. Key Performance Indicators (KPIs) have been developed to monitor attainment of the strategic objectives. Continued regular communication to staff and stakeholders on status of *Everyone, Every way.* The first public quarterly financial report as at June 30, 2011 is expected to be issued in late summer. Will continue to pursue increased financial flexibility to more effectively respond to CBC | Radio-Canada's operating environment.

KEY RISK	RISK MITIGATION	RISK TREND 2010–11	FUTURE IMPACT
INFRASTRUCTURE REPLACEMENTS AND OPTIMIZATION		▶	
Limited resources to meet capital asset needs for building repairs and renovations.	Scheduled and prioritized maintenance, with emphasis on health and safety, and business continuation.		Additional budgets over the next two years have been allocated to priority building maintenance projects. A multi-disciplinary Critical Space Committee is currently proceeding with the selection and hiring of outside experts to assist in establishing standards for critical space management.
Replacement of aging broadcasting equipment and transition to high definition (HD) production.	Replacement will continue with available resources on a prioritized basis. Majority of production facilities in Montreal and Toronto network centres have been converted to HD.		Transition of aging production equipment in regional locations to HD is planned for future years, at a pace that budgets allow.
Radio transmitters across the country are nearing the end of their useful life.	A new transmitter asset strategy has been developed to reduce the size and investment requirements of the current system while maintaining coverage.		Incremental capital funding for radio Accelerated Coverage Plan (ACP) transmitters has been identified in the multi-year capital budget commencing in 2012–2013.
Real estate assets must be exploited to reduce excess space and costs.	A complete Real Estate strategy has now been developed and approved to maximize proceeds from portfolio and reduce operational costs.		Portfolio strategic plans will be implemented by CBC|Radio-Canada's Real Estate Services during the coming years.

LEGEND

Risk Trend: ▼ Decreasing ▶ Stable ▲ Increasing

KEY RISK	RISK MITIGATION	RISK TREND 2010–11	FUTURE IMPACT
DTV TRANSITION		▶	
In March 2010, the CRTC reaffirmed the deadline for transition to digital television (DTV) over-the-air transmission as August 31, 2011. The Corporation is making every effort to install 27 transmitters across the country, one for every one of its originating television stations, by August 31, 2011. For CBC|Radio-Canada, going digital in all of the CRTC's "mandatory markets" would require the replacement of 51 transmitters. The Corporation does not have the capital spending capacity to achieve that. The result is that some markets are facing the prospect of no longer receiving an over-the-air signal from CBC or Radio-Canada.	As of March 2011, the total number of digital television transmitters on air is eight. DTV implementation and funding plans have been accelerated to implement 14 English DTV and 13 French DTV transmitters by August 31, 2011.		On March 18, 2011, the CRTC issued its expectations for Public Service Announcements (PSAs) related to conversion to digital television on August 31, 2011. These PSAs began airing on May 1, 2011. On March 23, 2011, the CRTC rejected CBC|Radio-Canada's application for a new digital transmitter for Fredericton. CBC|Radio-Canada will be re-filing its application with more detailed information to support its application. The Corporation will also seek CRTC authority to continue operating in analogue in a number of markets across Canada.
ADVERTISING REVENUE		▼	
Softening advertising market due to change in economic conditions. Shift from conventional television advertising to specialty channel and broadband advertising.	Sales strategies are evolving to offer integrated packages (ad spots, product placement, online) to move away from traditional-only buying.		The strong performance of the schedule, a strengthening economy, better pricing strategies and improved relationships with agencies have all contributed to an increase in advertising revenue in 2010–2011. These conditions are expected to continue to be favourable in 2011–2012.
CMF CHALLENGES		▶	
New Canada Media Fund (CMF) funding allocation rules could result in reduced support for CBC|Radio-Canada.	Proactively advanced the Corporation's position with the CMF, including participation in the CMF National Focus Group.		CBC|Radio-Canada's 2011–2012 CMF allocation is virtually the same as last year's allocation.

LEGEND

Risk Trend: ▼ Decreasing ▶ Stable ▲ Increasing

KEY RISK	RISK MITIGATION	RISK TREND 2010–11	FUTURE IMPACT
WORKFORCE CHALLENGES		▶	
Challenges to recruiting, training, retaining and empowering a skilled workforce	Continue employee communication strategy. Examples include: The “Dialogue” engagement survey results were communicated between February and April 2011. A National Advisory Committee was announced. *Everyone, Every way* was communicated to staff in a variety of ways: live presentations, interactive on-line presentations, webcasts and iO! intranet site dedicated to the strategy. Continue to implement the 2009–2012 Corporate Diversity and Equity Action Plan. Continue to implement the talent management strategy.		Ensure appropriate workforce planning and training are in place to plan for redirection of operations in line with *Everyone, Every way* and ensure employees are appropriately skilled.
IMPACT OF EMERGING PLATFORMS		▲	
Loss of conventional broadcast audiences to emerging platforms.	Developed enhanced emerging platform strategies and began implementation. Increased budgets have been allocated to the digital spend over the next five years.		The transition to emerging platforms is a major component of *Everyone, Every way.*
BUSINESS INTERRUPTION		▶	
Unforeseen event could affect the Corporation’s ability to deliver services.	Undertook a self-assessment of the maturity level of business continuity plan (BCP) processes and also evaluated what is currently in place across CBC|Radio-Canada. This will enable the organization to identify critical process improvement opportunities. Continued investment in IT Disaster Recovery Plans (DRPs) on all mission-critical systems.		Based on the self-assessment of the maturity level of BCP processes, corrective measures will be established where needed. The IT DRPs will be reviewed and aligned with business strategy and recovery plans. The self assessment on the existing business continuity program will be used to establish corrective measures where needed.

KEY RISK	RISK MITIGATION	RISK TREND 2010–11	FUTURE IMPACT
ACCESS TO INFORMATION		▶	
Office of the Information Commissioner's release of its special examination report analyzing CBC | Radio-Canada's Access to Information (ATI) performance.	Launched the Proactive Disclosure website in December 2010. Continued to invest in improving the management and processing of ATI requests.		On March 11, 2011, the Office of the Information Commissioner issued its special report, *Open Outlook, Open Access 2009–2010 Report Card*. CBC | Radio-Canada was rated an "F", which means unsatisfactory, for its management of ATI requests in 2009–2010. The following improvements have been introduced: Improvements to ATI performance results have been built into senior management objectives. Dedicating more resources to processing requests. Developing better internal procedures. Working collaboratively with the Commissioner to respond to formal requests in a way that is prioritized, open and transparent. Voluntarily posting to CBC | Radio-Canada's website over 24,000 pages of documents that have been released under ATI.

LEGEND

Risk Trend: ▼ Decreasing ▶ Stable ▲ Increasing

6. FINANCIAL REPORTING DISCLOSURE

6A. ACCOUNTING DISCLOSURES

For a description of the Corporation's significant accounting policies, see note 2 of the consolidated financial statements.

6B. CHANGES IN ACCOUNTING POLICIES

The Corporation is currently assessing the potential impact on its consolidated financial statements of the following changes in accounting policy.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the Canadian Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) announced that all publicly accountable Canadian reporting entities will adopt International Financial Reporting Standards (IFRS) as Canadian generally accepted accounting principles for years beginning on or after January 1, 2011. The changeover date for full adoption of IFRS is April 1, 2011 for the Corporation. The Corporation's 2011–2012 consolidated financial statements will need to comply with IFRS. The standards also require that the Corporation present complete comparative figures in the 2011–2012 consolidated financial statements.

IFRS TRANSITION PLAN

To meet the IFRS transition requirements, CBC | Radio-Canada 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 provided regular progress reporting to the Audit Committee of the Board of Directors.

The transition plan comprised three phases: IFRS diagnostic assessment and planning, detailed evaluation and implementation, and completion and integration of all system process changes.

To date, CBC | Radio-Canada has completed the analysis of the impact of IFRS on financial reporting and has successfully implemented the parallel reporting solution to be used for the 2010–2011 reporting year. In addition, the Corporation has completed a business impacts analysis, identifying the potential impacts to the people and processes involved in transacting and monitoring our business. Appropriate training has been provided to those affected, and processes and systems have been modified to ensure readiness for the 2011–2012 fiscal year.

IFRS TRANSITION IMPACT

The required changes to our accounting policies are expected to have a material impact on our financial statements. There will be adjustments to our opening equity upon implementation of these standards in addition to changes to the Corporation's consolidated financial statements and notes. These adjustments are currently being audited by the Corporation's external auditor, who will issue a report as part of the 2012 audit.

The first-time adoption of IFRS requires that the Corporation adjust its accounting policies to meet the requirements of IFRS in effect at the transition date (April 1, 2010). These policies will form the ongoing basis of accounting for the Corporation. First-time adoption also requires that, upon initial application, these policies are retrospectively applied subject to some elective or prescribed areas.

While IFRS represents a principle-based framework similar to Canadian generally accepted accounting principles (GAAP) in many aspects, there are significant requirement differences in some areas with respect to recognition, measurement and disclosure. The Corporation has identified major impacts relating to:

- First time adoption of IFRS
- Property, plant and equipment
- Employee benefits
- Consolidated and separate financial statements – special purpose entities
- Leases

IFRS 1 – FIRST-TIME ADOPTION OF IFRS

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

CBC | Radio-Canada expects to exercise elective exemptions in the following areas:

- Business combinations (application date)
- Property and equipment (fair value on transition for selected assets)
- Leases (IFRIC 4 "Determining whether an arrangement contains a lease")
- Assets and liabilities of subsidiaries and associates (adoption of CBC | Radio-Canada's transition date)
- Decommissioning liabilities (included in the cost of property, plant and equipment)
- Borrowing costs (capitalization, where appropriate from date of transition)
- Employee benefits, "fresh start" election

IAS 16 – PROPERTY, PLANT AND EQUIPMENT

IAS 16 *Property, Plant and Equipment* ("IAS 16") permits a choice between the revaluation basis and cost basis for the Corporation's property, plant and equipment. Consistent with its current policy, CBC | Radio-Canada is expected to use the cost basis. The Corporation is expected to apply the Deemed Cost Election under IFRS 1 to revalue its real estate property and plant assets to their fair market value at the transition date of April 1, 2010. The difference between the carrying amount and the fair value of these assets will be reflected as an adjustment to our opening retained earnings. The Corporation currently expects the impact of this election to result in an increase of $162.4 million in real estate property and plant asset values.

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

IAS 19 – EMPLOYEE BENEFITS

The application of IAS 19 *Employee Benefits* ("IAS 19") primarily affects the accounting for the Corporation's pension costs and obligations. CBC | Radio-Canada is expected to elect to adopt the "fresh start" exemption permitted under IFRS 1. Under the "fresh start" exemption, any unrecognized amounts at March 31, 2010 under CICA 3461 (Employee future benefits) are immediately recognized at April 1, 2010, as a transition adjustment to retained earnings. The Corporation expects the transition adjustment to increase retained earnings and decrease the book value of the employee benefits liability by $83 million for all CBC | Radio-Canada benefit plans.

The methodology for the calculation of the discount rate used to determine the accrued benefit obligation under CICA 3461 is no longer permitted under IAS 19. Accordingly, the Corporation will no longer be using the rate inherent in the amount at which the accrued benefit could be settled but will use a discount rate based on market yields for high-quality debt instruments using the methodology recommended by the Canadian Institute of Actuaries. CBC | Radio-Canada expects this change in methodology to result in additional volatility in the pension obligation and related expenses.

IAS 27 – CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AND SIC 12 CONSOLIDATION SPECIAL PURPOSE ENTITIES

In 2009, CBC | Radio-Canada entered into an agreement whereby the CBC Monetization Trust (the "Trust") was created with the purpose of acquiring CBC | Radio-Canada's interest in certain long-term receivables. SIC 12 *Special Purpose Entities* ("SIC 12") considers the Trust to be a special purpose entity requiring consolidation under IAS 27 *Consolidated and Separate Financial Statements* ("IAS 27"). The Corporation expects that, at the transition date, the net book value of the assets consolidated from the Trust to be $120.4 million, the liabilities for the Trust to be $125.9 million and the adjustment to the opening retained earnings to be $5.5 million.

IAS 17 – LEASES

Lease contracts in effect as of the date of transition were analyzed for their classification as operating or finance leases under IAS 17 *Leases* ("IAS 17"). Under the parameters of IAS 17, the current agreement in place for the lease of satellite transponders from Telesat is expected to be classified as a finance lease retroactive to the date of inception of the lease. The Corporation expects the net book value of the assets under finance lease to be $56 million, the liability for the lease to be $73 million and the adjustment to the opening retained earnings to be $17 million.

IMPACT ON INFORMATION TECHNOLOGY AND OTHER SYSTEMS

No significant changes to the financial systems were necessary to support the IFRS transition. A strategy was, however, developed and implemented for dual reporting as of April 1, 2010, under Canadian GAAP and IFRS.

INTERNAL CONTROLS

The Corporation assessed the impact of the conversion to IFRS on internal control and business processes. The Corporation does not expect that the IFRS transition will have a significant impact on internal controls. However, some additional controls will be required in regard to recording transitional adjustments and the application of new standards.

FINANCIAL STATEMENT DISCLOSURES

Draft IFRS financial statements and disclosures have been prepared, based on most recent determination of accounting policies and optional exemptions available under IFRS 1. These statements and disclosures will be used in future reporting periods.

6C. TRANSACTIONS WITH RELATED PARTIES

The Corporation, through the normal course of business, is involved in transactions with other related parties. Details are provided in note 26 of the Consolidated Financial Statements.

FINANCIAL REVIEW

CBC | Radio-Canada achieved ongoing success in 2010–2011. This was predominantly thanks to the overall economic recovery and improved advertising revenue, as well as a strong TV schedule and audience performance.

E. YOUR COMMUNITY. YOUR NEWS.
UR ENTERTAINMENT. YOUR MUSIC.
WANT IT. YOUR CHOICE. YOUR SOCIAL
OURS RIGHT NOW. YOUR CHANGING
YOUR SPACE. YOUR COMMUNITY.
IENT. YOUR MUSIC. YOUR WAY.

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 judgment, 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 his 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
June 22, 2011

President and Chief Executive Officer

Vice-President and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Minister of Canadian Heritage and Official Languages

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Canadian Broadcasting Corporation and its subsidiary, which comprise the consolidated balance sheet as at 31 March 2011, and the consolidated statement of operations and comprehensive income (loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Canadian Broadcasting Corporation and its subsidiary as at 31 March 2011, and the results of their operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Canadian Broadcasting 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* and regulations, Part III of the *Broadcasting Act* and the by-laws of the Canadian Broadcasting Corporation.

John Wiersema, FCA
Interim Auditor General of Canada

22 June 2011
Ottawa, Canada

CONSOLIDATED BALANCE SHEET

As at March 31	2011	2010
	(thousands of dollars)	
ASSETS		
Current		
Cash	59,001	50,003
Accounts receivable	173,390	194,512
Programming (NOTE 4)	163,658	178,243
Merchandising inventory	1,089	1,703
Prepaid expenses	138,361	148,215
Asset held for sale (NOTE 5)	154	–
	535,653	**572,676**
Long-term		
Property and equipment (NOTE 5)	925,775	925,812
Intangible assets (NOTE 6)	39,687	47,725
Long-term receivables	–	10,090
Equipment under capital lease (NOTE 7)	7,704	–
Deferred charges and other long-term assets	3,003	16,467
Long-term investments (NOTE 8)	17	7,260
	976,186	**1,007,354**
TOTAL ASSETS	**1,511,839**	**1,580,030**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (NOTE 9)	151,220	176,497
Pension plans and employee-related liabilities (NOTE 10)	144,703	130,899
Bonds payable (NOTE 13)	19,642	19,223
Financial guarantee (NOTE 14)	9,811	10,419
Financial liability related to the monetization of receivables (NOTE 15)	10,337	10,174
Obligation under capital lease (NOTE 16)	1,540	–
Deferred revenues	3,825	2,185
Derivative financial instruments (NOTE 27)	715	297
	341,793	**349,694**
Long-term		
Long-term investments (NOTE 8)	1,417	1,417
Deferred revenues	2,726	2,303
Pension plans and employee-related liabilities (NOTE 10)	411,350	412,732
Bonds payable (NOTE 13)	299,237	309,179
Financial liability related to the monetization of receivables (NOTE 15)	–	10,221
Obligation under capital lease (NOTE 16)	6,263	–
Deferred capital funding (NOTE 17)	609,428	632,221
	1,330,421	**1,368,073**
EQUITY		
Equity attributable to the Corporation	(162,638)	(138,017)
Non-controlling interests	2,263	280
	(160,375)	**(137,737)**
TOTAL LIABILITIES AND EQUITY	**1,511,839**	**1,580,030**

Commitments and contingencies (NOTES 19 AND 20)

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

APPROVED BY THE BOARD OF DIRECTORS:

DIRECTOR DIRECTOR

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the year ended March 31	2011	2010
	(thousands of dollars)	
REVENUES		
Advertising	367,700	309,234
Specialty services (NOTE 21)	152,971	148,635
Other income (NOTE 22)	127,771	101,792
Financing income	1,506	7,053
	649,948	**566,714**
EXPENSES		
Television, radio and new media services costs	1,476,778	1,448,203
Specialty services (NOTE 21)	133,273	120,994
Amortization of property and equipment	112,656	110,063
Amortization of intangible assets	17,887	17,617
Transmission, distribution and collection	54,573	52,368
Corporate management	12,804	12,216
Payments to private stations	3,018	3,697
Finance costs	23,557	24,195
Loss from investments in entities subject to significant influence	5,000	–
	1,839,546	**1,789,353**
Operating loss before Government funding, non-operating revenues and taxes	**(1,189,598)**	**(1,222,639)**
GOVERNMENT FUNDING		
Parliamentary appropriation for operating expenditures (NOTE 23)	1,031,581	1,017,587
Parliamentary appropriation for working capital (NOTE 23)	4,000	4,000
Amortization of deferred capital funding (NOTE 17)	124,357	121,086
	1,159,938	**1,142,673**
Net results before non-operating revenues and taxes	**(29,660)**	**(79,966)**
NON-OPERATING REVENUES		
Gain on the sale of receivables	–	5,240
Galaxie non-operating revenues	–	16,326
	–	**21,566**
Net results before taxes	**(29,660)**	**(58,400)**
TAXES		
Recovery of income and large corporations taxes (NOTE 24)	–	101
	–	**101**
Net results for the year	**(29,660)**	**(58,299)**
Other comprehensive income		
Net unrealized gain on available-for-sale financial assets	5,000	–
Total comprehensive income (loss) for the year	**(24,660)**	**(58,299)**
Net results attributable to:		
The Corporation	(29,621)	(58,260)
Non-controlling interests	(39)	(39)
	(29,660)	(58,299)
Total comprehensive income (loss) attributable to:		
The Corporation	(24,621)	(58,260)
Non-controlling interests	(39)	(39)
	(24,660)	(58,299)

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

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the year ended March 31	2011	2010
	(thousands of dollars)	
Retained earnings (deficit)		
Balance, beginning of the year	(138,017)	(79,757)
Net results for the year attributable to the Corporation	(29,621)	(58,260)
Retained earnings (deficit), end of the year (NOTE 18)	**(167,638)**	**(138,017)**
Accumulated other comprehensive income		
Accumulated other comprehensive income, beginning of the year	–	–
Other comprehensive income for the year	5,000	–
Accumulated other comprehensive income, end of the year	**5,000**	**–**
Equity attributable to the Corporation	**(162,638)**	**(138,017)**
Non-controlling interests	**2,263**	**280**
Total equity	**(160,375)**	**(137,737)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31	2011	2010
	(thousands of dollars)	
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net results for the year	(29,660)	(58,299)
Items not involving cash:		
Loss (gain) on disposal of property and equipment	2,754	(1,355)
Gain on the sale of receivables	–	(5,240)
Change from fair value of financial instruments	(190)	4,689
Amortization of property and equipment	113,024	110,063
Amortization of intangible assets	17,887	17,617
Loss (gain) on investments in entities subject to significant influence	4,808	(440)
Amortization of deferred charges	13,464	12,145
Amortization of deferred capital funding	(124,357)	(121,086)
Change in deferred revenues [long-term]	423	(8,180)
Change in long-term receivables	(410)	(669)
Change in pension plans and employee-related liabilities [current]	(2,878)	108
Change in pension plans and employee-related liabilities [long-term]	(1,382)	18,758
Change in non-controlling interests	2,022	40
Net change in non-cash working capital balances (NOTE 25)	49,278	(94,918)
	44,783	**(126,767)**
FINANCING ACTIVITIES		
Parliamentary appropriations (NOTE 23):		
Capital funding	101,564	117,929
Issuance and repayment of financial liability related to the monetization of receivables	(10,221)	10,221
Repayment of obligation under capital lease	(269)	–
Repayment of bonds payable	(9,233)	(8,575)
	81,841	**119,575**
INVESTING ACTIVITIES		
Acquisition of property and equipment	(116,794)	(105,178)
Acquisition of intangible assets	(9,849)	(4,620)
Purchase of long-term investments	(2,750)	(255)
Capital recovery from notes receivable	–	1,193
Capital recovery from net investment in sales-type leases	–	1,265
Capital recovery sale of Galaxie	10,500	10,500
Deferred charges relating to programming rights	–	(14,393)
Proceeds from disposal of property and equipment	1,267	1,911
Proceeds from sale of receivables	–	133,612
	(117,626)	**24,035**
Change in cash	**8,998**	**16,843**
Cash, beginning of year	**50,003**	**33,160**
Cash, end of year	**59,001**	**50,003**
Supplementary information:		
Interest paid	23,828	24,464
Income tax paid (received)	–	(101)
Acquisition of equipment by means of a capital lease	8,052	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2011

1. AUTHORITY AND OBJECTIVE

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and its subsidiary, as well as its two variable interest entities (VIEs) for which the Corporation is the primary beneficiary: the Broadcast Centre Trust and The Documentary Channel (*documentary*). During the year, the Corporation acquired control of ARTV. The results of ARTV are included in the Consolidated Statement of Operations and Comprehensive Income (Loss), as part of specialty services, from the effective date of acquisition. For more information on the acquisition of ARTV, refer to Note 12. All intercompany transactions, balances, income and expenses are eliminated in full on consolidation.

B. MEASUREMENT UNCERTAINTY

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

C. 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 recognized in the Consolidated Statement of Operations and Comprehensive Income (Loss) in the fiscal year for which the appropriations were approved. Parliamentary appropriations for property and equipment, intangible assets and equipment under capital lease subject to amortization are recorded as deferred capital funding on the Consolidated Balance Sheet, and are amortized on the same basis and over the same periods as the related property and equipment, intangible assets and equipment under capital lease. The Parliamentary appropriations for the purchase of land are recorded in the Consolidated Statement of Changes in Equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

D. REVENUE RECOGNITION

i. ADVERTISING REVENUES

Revenues from the sale of advertising airtime are recognized 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 recognized when the advertisement has been broadcast. Revenues from program sales and subscriber fees are recognized when the delivery has occurred, or when services have been provided and the Corporation has no remaining obligations and collectability is reasonably assured.

iii. OTHER INCOME

Other income includes revenues from the leasing of space, facilities and services; program sales; commercial production sales; program sponsorship; retransmission rights; host broadcaster's activities; and net gain or loss from disposal of property and equipment. These are recognized 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.

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

iv. FINANCING INCOME

Financing income includes interest revenues from bank accounts. Interest is recognized in the year it is earned.

E. TELEVISION, RADIO AND NEW MEDIA SERVICES COSTS

Television, radio and new media services costs include all costs related to the production of programs, including direct out-of-pocket expenditures, departmental and administration expenses and the cost of activities related to technical labour and facilities. A portion of the costs of operational support provided by services such as human resources, finance and administration, building management and other shared services are also included in the related costs. Television, radio and new media services costs also include programming-related activities such as marketing and sales, merchandising and communications.

F. PROGRAMMING

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

Programming completed and in process of production (excluding acquired licence agreements) is recorded at cost less accumulated amortization and accumulated impairment losses, on an individual basis. Cost includes the cost of materials and services, labour and other direct expenses applicable to programming. Programming costs are recognized as television, radio and new media services costs in the Consolidated Statement of Operations and Comprehensive Income (Loss), according to the expense recognition schedule, or when deemed unusable or when sold.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Programming is reviewed for impairment on an annual basis. Any impairment loss is recognized when the net carrying amount is not recoverable and exceeds its fair value.

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

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

1 Method of broadcasting consecutive episodes.

G. PROPERTY AND EQUIPMENT AND EQUIPMENT UNDER CAPITAL LEASE

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

Property and equipment and equipment under capital lease are reviewed for impairment whenever events or changes in circumstances indicate that their net carrying value is not recoverable and exceeds their fair value The impairment loss is equal to the amount by which the net carrying value exceeds its fair value.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Buildings	33 years
Technical equipment	
Transmitters and towers	20 years
Electrical equipment	16 years
Other	8 years
Furnishings and office equipment	10 years
Computers (hardware)	
Servers	5 years
Microcomputers	3 years
Automotive	
Specialized 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 capitalized and amortized over the shorter of the lease term and the asset's useful economic life.

The equipment under capital lease is amortized on a straight-line basis over eight years for technical equipment and over twenty years for the automotive portion of the lease.

H. INTANGIBLE ASSETS

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

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

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

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

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

Intangible assets are assessed for indications of impairment during the annual review of intangible assets' useful lives. Any impairment loss is recognized when the net carrying amount is not recoverable and exceeds its fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. FINANCIAL INSTRUMENTS

i. FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

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

Held-to-maturity (HTM) – Financial assets classified as HTM are measured at amortized 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. Unrealized gains or losses are recognized in other comprehensive income (OCI), except for other than temporary impairment losses, which are recognized in net results. Upon derecognition of a financial asset or when other than temporary loss is incurred, the cumulative gains or losses, previously recognized in accumulated other comprehensive income (AOCI), are reclassified to net results.

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. DERIVATIVES – FORWARD CONTRACTS

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 utilize 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 and to minimize the currency risk related to its foreign bureau operations. Since these payments are denominated in foreign currency, the Corporation is exposed to fluctuations in cash flows resulting from changes in exchange rates.

The Corporation does not apply hedge accounting for its forward exchange contracts. The fair values of these forward exchange contracts are presented in the Consolidated Balance Sheet; positive fair values are reported as derivative financial instruments as a component of total assets and negative fair values are reported as a component of total liabilities. The change in fair value is recorded in the Consolidated Statement of Operations and Comprehensive Income (Loss) as other income (net gain or loss from fair value of financial instruments).

J. PENSION COST AND OBLIGATION

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

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

The pension costs are determined using the cost of employee pension benefits for the current year's service, the interest cost on the accrued benefit obligation, the expected investment return on the actuarial value of plan assets, the amortization of the transitional asset, the amortization of net actuarial gains and losses, and the amortization 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 realized and unrealized 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 amortized 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 (2010 – between 6.0 and 13.5 years).

On April 1, 2000, the Corporation adopted the new accounting standard on employee future benefits using the prospective application method. The Corporation is amortizing 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 amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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 amortized 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 amortized over the expected average remaining duration of payments. The amortization periods used for these plans are between 7.0 and 15.7 years (2010 – between 7.0 and 15.7 years).

L. ASSET HELD FOR SALE

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. An asset held for sale is measured at the lower of its previous carrying amount and fair value less costs to sell.

M. LONG-TERM INVESTMENTS

Investments in entities over which the Corporation does not exercise significant influence are classified as AFS and recorded at fair value. 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 recognize the loss, which is recorded as a loss from investments in entities subject to significant influence in the Consolidated Statement of Operations and Comprehensive Income (Loss).

N. FINANCIAL LIABILITY RELATED TO THE MONETIZATION OF RECEIVABLES

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

O. OBLIGATION UNDER CAPITAL LEASE

A lease that transfers substantially all of the risks and benefits of ownership to the Corporation is accounted for as a capital lease. An obligation under a capital lease is initially recorded at the present value of minimum lease payments at the inception of the lease.

P. DEFERRED CHARGES

Deferred charges are primarily composed of services paid in advance that will be received in a period that exceeds twelve months from the balance sheet date.

Q. FOREIGN CURRENCY TRANSLATION

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

R. INCOME TAXES

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

3. ACCOUNTING STANDARDS

A. CHANGES IN ACCOUNTING STANDARDS

In January 2009, the Canadian Institute of Chartered Accountants (CICA) issued three new accounting standards, Section 1582 *Business Combinations*, Section 1601 *Consolidated Financial Statements* and Section 1602 *Non-controlling Interests*.

Section 1582, which replaces Section 1581 *Business Combinations*, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. It requires the acquiring entity in a business combination to recognize most of the assets acquired and liabilities assumed in the transaction at their acquisition-date fair values including non-controlling interests and contingent considerations. Subsequent changes in the fair value of contingent considerations classified as liabilities are to be recognized in earnings. Acquisition-related costs and restructuring costs are also to be expensed as incurred rather than capitalized as a component of the business combination.

Section 1601, which replaces Section 1600 *Consolidated Financial Statements*, establishes standards for preparing consolidated financial statements after the acquisition date.

Section 1602 establishes guidance for the accounting and presentation of non-controlling interests. These standards must be adopted concurrently with Section 1582.

3. ACCOUNTING STANDARDS (continued)

These new standards will be applicable for acquisitions completed on or after January 1, 2011 although early adoption is permitted. The Corporation has chosen to adopt these standards effective April 1, 2010 to facilitate the transition to International Financial Reporting Standards (IFRS) in 2011 and its early adoption affected the presentation of non-controlling interests on its Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Statement of Operations and Comprehensive Income (Loss).

B. FUTURE ACCOUNTING CHANGES

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

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

The changeover date for full adoption of IFRS will be April 1, 2011 for the Corporation. The Corporation’s 2011–2012 consolidated financial statements will comply with IFRS. The standards also require that the Corporation present complete comparative figures in its 2011–2012 consolidated financial statements.

The Corporation has completed the analysis and design of accounting policies phase. The transition from current Canadian GAAP to IFRS is a significant undertaking that will materially affect the Corporation’s reported financial position and results of operations. During 2010–2011, the Corporation implemented the action plan developed in the analysis and design phase, resulting in the creation of new accounts, financial statement model, systems and process changes.

4. PROGRAMMING

A. PROGRAMMING

	2011	2010
	(thousands of dollars)	
Programs completed	91,496	95,905
Programs in process of production	34,905	49,274
Broadcast rights available for broadcast	37,257	33,064
	163,658	**178,243**

The programming write-offs represent $7.2 million in 2011 ($17.7 million in 2010) and are recorded in the Consolidated Statement of Operations and Comprehensive Income (Loss) as part of television, radio and new media services costs. The main reasons for programming write-offs are the expiry of broadcasting rights and the development of programs not proceeding to production.

B. COLLECTION

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

5. PROPERTY AND EQUIPMENT

A. COST AND ACCUMULATED AMORTIZATION

	2011			2010
	Cost	Accumulated amortization	Net book value	
	(thousands of dollars)			
Land	20,385	–	20,385	20,467
Buildings	988,242	(562,156)	426,086	435,356
Technical equipment	1,315,093	(984,408)	330,685	353,049
Computers, furnishings and office equipment	94,612	(64,782)	29,830	27,239
Automotive	46,546	(36,584)	9,962	10,010
Leasehold improvements	44,800	(18,609)	26,191	38,090
Capital projects in progress	82,636	–	82,636	41,601
	2,592,314	**(1,666,539)**	**925,775**	**925,812**[1]

1 Costs and accumulated amortization of property and equipment as at March 31, 2010, amounted to $2,575.9 million and $1,650.1 million, respectively.

B. IMPAIRMENT

There were no indicators of impairment as of March 31, 2011; therefore no impairment expense was recorded (2010 – nil).

C. ASSET HELD FOR SALE

The Corporation intends to dispose of a parcel of land it no longer utilizes in Brossard (Quebec) within the next twelve months. The property was previously used for its AM broadcasting transmitter; but with the conversion from AM to FM in the Montreal market, AM broadcasting at this site ceased.

D. LONG-LIVED ASSETS TO BE DISPOSED OF OTHER THAN BY SALE

The switch from analog transmission to digital over-the-air television is scheduled for August 31, 2011 for mandatory sites identified by the Canadian Radio-television and Telecommunications Commission (CRTC), in decision 2010-16. In markets where digital transmitters will be rolled out, the Corporation has the obligation to cease analog transmission.

Depreciation estimates for analog transmitter equipment affected by the August 31, 2011 changeover date have been revised to reflect the use of the asset over its shortened useful life. The impact of the revised estimates represents an additional amortization expense of $7.3 million recorded in the Consolidated Statement of Operations and Comprehensive Income (Loss) in 2010–2011.

6. INTANGIBLE ASSETS

A. COST AND ACCUMULATED AMORTIZATION

	2011			2010
	Cost	Accumulated amortization	Net book value	
	(thousands of dollars)			
Software	138,788	(105,500)	33,288	45,588
Software development in progress	6,399	–	6,399	2,137
	145,187	**(105,500)**	**39,687**	**47,725**[1]

1 *Costs and accumulated amortization of intangible assets as at March 31, 2010, amounted to $135.6 million and $87.9 million, respectively.*

The aggregate amount of intangible assets that were acquired during the year represented $7.7 million (2010 – $0.4 million), while those that were developed during the year amounted to $2.1 million (2010 – $4.2 million).

B. IMPAIRMENT

There were no indicators of impairment as of March 31, 2011; therefore no impairment expense was recorded (2010 – nil).

7. EQUIPMENT UNDER CAPITAL LEASE

	2011	2010
	(thousands of dollars)	
Automotive (cost)	619	–
Technical equipment (cost)	7,434	–
Accumulated amortization – automotive	(23)	–
Accumulated amortization – technical equipment	(326)	–
Net book value	**7,704**	**–**

The equipment under capital lease has a lease term of five years with no renewal options and a cost of $8.1 million. For more information, refer to Note 16.

8. LONG-TERM INVESTMENTS

	2011			2010		
	Significant influence	Other	Total	Significant influence	Other	Total
	(thousands of dollars)					
Assets						
ARTV Inc.[1]	–	–	–	7,243	–	7,243
Portfolio investments	–	17	17	–	17	17
	–	**17**	**17**	**7,243**	**17**	**7,260**
Liabilities						
Sirius Canada Inc.	**(18,417)**[2-3]	**17,000**[4]	**(1,417)**	**(13,417)**[2-3]	**12,000**[4]	**(1,417)**

1 ARTV Inc. is a French-language arts and entertainment specialty channel. On July 12, 2010, the Corporation acquired additional shares of ARTV for an amount of $2.75 million. The Corporation now owns 85 per cent of ARTV and is therefore consolidating ARTV in the accounts of the Corporation (Note 12).

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

3 The Corporation committed to invest an additional $1.4 million in Class C non-voting shares of Sirius Canada Inc. The Corporation has not committed to assume any further financial risk. The Corporation's proportionate share of the unrecognized loss is $5.4 million (2010 – $14.9 million).

4 The Corporation invested $12 million in Class C non-voting shares of Sirius Canada Inc., which are entitled to a preferential cumulative dividend of eight per cent per annum on the redemption price. These shares have been redeemed on June 21, 2011 by Sirius Canada Inc and have a fair value of $17.0 million as at March 31, 2011 (Note 29). During 2010–2011, following an assessment of Sirius Class C non-voting shares, the Corporation changed its valuation methodology from cost to fair value. Before 2010–2011, the fair value of Sirius Class C non-voting shares could not be reliably estimated.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2011	2010
	(thousands of dollars)	
Trade payables	52,194	57,278
Accruals	97,703	117,309
Other	1,323	1,910
	151,220	**176,497**

10. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES

Employee-related liabilities are as follows:

	2011	2010	2011	2010
	Current		Long-term	
	(thousands of dollars)			
Accrued pension benefit liability	–	–	254,153	255,749
Employee future benefits other than pensions	–	–	157,007	156,775
Vacation pay	57,416	58,845	–	–
Workforce reduction and other	12,956	12,308	–	–
Salary-related liabilities	74,331	59,746	190	208
	144,703	**130,899**	**411,350**	**412,732**

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

A. THE CORPORATION PENSION PLANS AND OTHER EMPLOYEE FUTURE BENEFITS

The Corporation maintains a contributory defined benefit pension plan, the CBC/Radio-Canada Pension Plan, covering substantially all employees of the Corporation. Retirement benefits are based on the length of pensionable service and on the average of the best five consecutive years of pensionable salary in the last 10 years of employment. Employees are required to contribute a percentage of their pensionable salary to the plan, with the Corporation providing the balance of the funding, as required, based on actuarial valuations. The Corporation also maintains unfunded non-contributory defined benefit pension arrangements. All plans are subject to an actuarial valuation, which is made at least on a triennial basis. The latest valuation available was made in December 2008. The next valuation will be performed as at December 31, 2011.

The Corporation also provides employee future benefits such as termination benefits and other benefits, including continuation of benefits coverage for employees on long-term disability, post-retirement life insurance, health and dental benefits, and workers' compensation. The last actuarial valuations for employee termination benefits and for post-retirement life insurance benefits were made in December 2009. The next valuation will be performed as at December 31, 2012.

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

	2011	2010
Assumptions – annual rates		
Expected long-term rate of return on plan assets	6.50%	6.25%
Discount rate used for the calculation of the benefit costs	5.00%	5.75%
Discount rate used for the calculation of the obligation	4.75%	5.00%
Long-term rate of compensation increase, excluding merit and promotion	2.75%	3.25%
Health care cost trend rate	7.0% until 2019; 4.5% thereafter	7.5% until 2019; 4.5% thereafter
Indexation of pensions in payment	1.65%	1.9%

	2011	2010
	(thousands of dollars)	
Annual amount		
Employee contributions – pension plans	37,630	38,503
Benefit payments for the year – pension plans	235,835	226,831
Benefit payments for the year – other employee future benefits	12,694	18,147

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

	2011		2010	
	The Corporation pension plans	Other employee future benefits	The Corporation pension plans	Other employee future benefits
	(thousands of dollars)			
Fair value of plan assets, end of year	4,563,210	–	4,199,746	–
Accrued benefit obligation, end of year	(4,775,683)	(141,277)	(4,526,346)	(137,413)
Surplus (deficit), end of year	**(212,473)**	**(141,277)**	**(326,600)**	**(137,413)**
Unamortized past service costs	24,293	(2,092)	34,041	(2,511)
Unamortized net actuarial losses (gains)	166,990	(22,183)	362,958	(27,273)
Unamortized transitional (asset) obligation	(232,963)	8,545	(326,148)	10,422
Accrued benefit liability, end of year	**(254,153)**	**(157,007)**	**(255,749)**	**(156,775)**
Accrued benefit liability, beginning of year	**(255,749)**	**(156,775)**	**(232,767)**	**(160,999)**
Employee future benefits costs				
Current service cost	(70,838)	(6,761)	(64,701)	(6,544)
Interest on accrued benefit obligation	(223,134)	(6,888)	(231,362)	(7,984)
Expected return on actuarial value of assets	261,613	–	230,304	–
Amortization of past service costs	(9,748)	419	(9,748)	419
Amortization of transitional asset (obligation)	93,185	(1,877)	93,128	(1,877)
Amortization of actuarial losses	(105,234)	2,181	(97,519)	2,063
Employee future benefits costs for the year	**(54,156)**	**(12,926)**	**(79,898)**	**(13,923)**
Corporation pension plan contributions	53,735	–	54,914	–
Benefit payments for unfunded plans	2,017	12,694	2,002	18,147
Total cash payments	**55,752**	**12,694**	**56,916**	**18,147**
Accrued benefit liability, end of year	**(254,153)**	**(157,007)**	**(255,749)**	**(156,775)**

As at March 31, 2011, the accrued benefit obligation for the CBC/Radio-Canada Pension Plan and for the unfunded benefit pension arrangements represented respectively $4,703.1 million (2010 – $4,459.1 million) and $72.6 million (2010 – $ 67.2 million).

Plan assets are invested in the following securities:

	2011	2010
Asset category	**Percentage of plan assets (based on fair value)**	
Fixed income	50%	49%
Canadian equities	15%	12%
Global equities	20%	25%
Strategic[1]	15%	14%
	100%	**100%**

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

The Corporation's Pension Plan investments are within the asset mix guidelines.

11. VARIABLE INTEREST ENTITIES

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

A. BROADCAST CENTRE TRUST

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

B. THE DOCUMENTARY CHANNEL (*documentary*)

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

C. SIRIUS

The Corporation holds a variable interest in Sirius Canada Inc., a provider of satellite radio in Canada, offering over 160 satellite radio channels, since August 2005. Sirius Canada Inc. broadcasts its signal through proprietary satellite network and uplink, and subscribers receive a radio signal through satellite radios which are sold at consumer retailers. The Corporation's maximum exposure to losses includes its investment of $12 million in class C non-voting shares plus a commitment to invest an additional $1.4 million.

The Corporation is not deemed to be the primary beneficiary of Sirius Canada Inc. This investment is accounted for using the equity method for class A shares. For class C non-voting shares, these are designated as available-for-sale investments and are measured at fair value (Note 8).

On November 24, 2010, Sirius Canada Inc. (of which CBC/Radio-Canada is part owner) and Canadian Satellite Radio Holdings Inc. (the parent company of XM Canada) announced a merger of the two companies, subject to regulatory and governmental approvals. This transaction was concluded on June 21, 2011 (see Note 29 – Subsequent Event).

12. SUBSIDIARY

ARTV is a French-language arts and entertainment specialty channel that has been broadcasting since September 2001 via cable and satellite. The Corporation completed the acquisition on July 12, 2010, through the purchase of 2,750,000 shares of ARTV from the Société de télédiffusion du Québec ("Télé-Québec") for a cash consideration of $1 per share increasing its equity interest from 62 per cent to 85 per cent. Even though the Corporation owned 62 per cent in ARTV before this acquisition, it did not control ARTV activities as 66 2/3 per cent of the voting shares were required to assume control. With this purchase, the Corporation now holds control of ARTV which is consolidated in the Corporation's financial statements since the date of acquisition. The business was acquired to participate fully in a channel largely broadcasting Radio-Canada's content.

The following table summarizes the fair value of the assets acquired and liabilities assumed as of July 12, 2010:

	Fair value *(thousands of dollars)*
Cash	(376)
Accounts receivable	2,630
Programming	9,106
Prepaid expenses and other current assets	133
Current assets	11,493
Computer hardware and other property	189
Programming	1,679
Deferred tax asset	179
Non-current assets	2,047
Total assets acquired	13,540
Payables, accruals and provisions	(2,320)
Current liabilities	(2,320)
Total liabilities assumed	(2,320)
Net assets acquired	**11,220**

At the acquisition date, the book values and fair values of the assets and liabilities acquired were identical and the amount of non-controlling interests measured at the proportionate share of ARTV's recognized net assets was $1.7 million. The Corporation recorded ARTV's share of the net results, which represents $0.3 million (net loss) for the period between the date of acquisition and March 31, 2011.

If the acquisition had occurred on April 1, 2010, management estimates that the Corporation's revenues would be $3.6 million higher at $653.5 million. ARTV's contribution to the Corporation's net results attributable to the Corporation would have been $1.5 million (net loss), giving rise to net loss before taxes of $31.2 million. This information takes into account the net results recognized while the investment was a long-term investment and should not be viewed as indicative of the results of operations that would have occurred if the acquisitions had actually been completed on April 1, 2010.

13. BONDS PAYABLE

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

	(thousands of dollars)
2012 (including accrued interest of $9.7 million)	19,642
2013	10,704
2014	11,525
2015	12,409
2016	13,361
2017 to 2027	251,238
	318,879
Less: current portion	(19,642)
	299,237

Interest expense included in current year's expenses and presented as finance costs, is $23.5 million (2010 – $24.2 million).

14. FINANCIAL GUARANTEE

The Corporation provided an absolute and unconditional guarantee, as part of a sale of receivables that occurred in 2010, of the full payment and timely payments of receivables by the ultimate debtors until 2027. The fair value of the financial guarantee is determined by comparing the fair value of the receivables with guarantee to the fair value of the receivables absent of a guarantee. The fees for this guarantee of $10.6 million were paid upfront. The fair value of the guarantee as of March 31, 2011, as presented in the balance sheet, is $9.8 million ($10.4 million in 2010).

The maximum amount the Corporation could be required to settle under the financial guarantee contract if the fully guaranteed amount is claimed by the counterparty to the guarantee is $187.8 million (2010 – $199.4 million). Based on expectations at the end of the reporting period, the Corporation considers that it is more likely than not that no amount will be payable under the arrangement.

15. FINANCIAL LIABILITY RELATED TO THE MONETIZATION OF RECEIVABLES

The Corporation recognized a financial liability for the transfer of receivables for which the control of receivables has not been surrendered at the reporting date. The carrying value of the receivables as at March 31, 2011, is $10.3 million ($20.4 million in 2010) and an equal amount is recognized as a current liability.

The liability bears a fixed interest rate of 4.5 per cent and will be fully amortized in 2011–2012.

16. OBLIGATION UNDER CAPITAL LEASE

The Corporation has an option to purchase the equipment for a nominal amount at the end of the lease term.

The interest rate underlying the obligation under capital lease is a floating rate based on a rate spread plus Canadian Dealer Offered Rate (CDOR). At the contract date, the rate was 2.95 per cent per annum.

The following is a schedule of future minimum lease payments under the capital lease expiring January 28, 2016, together with the balance of the obligation under capital lease.

	(thousands of dollars)
2012	1,749
2013	1,730
2014	1,730
2015	1,730
2016	1,442
	8,381
Less: amount representing interest (2.95%)	(578)
Less: current portion	(1,540)
	6,263

Interest expense included in current year's expenses, as finance costs, is $0.02 million.

17. DEFERRED CAPITAL FUNDING

	2011	2010
	(thousands of dollars)	
Balance, beginning of year	632,221	635,378
Capital funding received (NOTE 23)	101,564	117,929
Amortization of deferred capital funding	(124,357)	(121,086)
Balance, end of year	**609,428**	**632,221**

18. RETAINED EARNINGS (DEFICIT)

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

The deficit incorporates working capital appropriations received since 1958, which have accumulated to $171 million as at March 31, 2011 (2010 – $167 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.

19. COMMITMENTS

A. PROGRAM-RELATED AND OTHER

As at March 31, 2011, commitments for sports rights amounted to $280.3 million (2010 – $379.8 million); procured programs, film rights and co-productions amounted to $68.5 million (2010 – $89.6 million); property and equipment amounted to $14.3 million (2010 – $9.4 million); and other commitments amounted to $432.4 million (2010 – $436.7 million), for total commitments of $795.5 million (2010 – $915.5 million).

Future annual payments as of March 31, 2011, are as follows:

	(thousands of dollars)
2012	192,751
2013	163,325
2014	150,203
2015	73,250
2016	43,102
2017 to 2020	172,846
Total future payments	**795,477**

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, 2011, are as follows:

	(thousands of dollars)
2012	33,059
2013	31,108
2014	29,917
2015	29,081
2016	27,726
2017 to 2024	110,128
Total future payments	**261,019**

20. CONTINGENCIES

A. CLAIMS AND LITIGATIONS

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

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.

During the year ended March 31, 2011, the Corporation conducted an ecological risk assessment of the different options available to address the clean up of the contaminated soil. The study, which was completed in the Fall of 2010, produced a viable solution for the site with an estimated cost of $0.3 million. As a result, PCBs decontamination costs, which were disclosed as a contingent liability in 2010 are now recorded as a liability. The clean up is expected to start in the second quarter of 2011–2012.

21. SPECIALTY SERVICES

The Corporation operates CBC News Network (CBC NN) and the Réseau de l'information de Radio-Canada (RDI), under CRTC licence conditions that require the reporting of incremental costs and revenues. Galaxie and **bold** are also reported on an incremental cost basis. On an incremental basis, only expenses that are charged directly to the specialty services are reported. Indirect costs for support services are not allocated to specialty services and expenses relating to long-term employee future benefits are recognized 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.

	2011					
	CBC NN	RDI	bold	*documentary*[1]	ARTV[1]	Total
	(thousands of dollars)					
Revenues	81,655	54,773	4,146	4,464	7,933	**152,971**
Expenses including employee future benefits expenses	(73,397)	(44,327)	(3,845)	(2,643)	(9,061)	**(133,273)**
Total	**8,258**	**10,446**	**301**	**1,821**	**(1,128)**	**19,698**
Repayments for capital acquisitions[2]	(2,500)	(2,043)	–			
Employee future benefits expenses	(25)	(19)	(1)			
Total on an incremental costs basis	**5,733**	**8,384**	**300**			

1 Consolidated entities

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

21. SPECIALTY SERVICES (continued)

	2010						
	CBC NN	RDI	Galaxie[1]	bold	*documentary*[2]	ARTV[2]	Total
	(thousands of dollars)						
Revenues	84,616	52,034	3,485	4,217	4,283	–	**148,635**
Expenses including employee future benefits expenses	(65,778)	(44,494)	(4,515)	(3,544)	(2,663)	–	**(120,994)**
Total	**18,838**	**7,540**	**(1,030)**	**673**	**1,620**	**–**	**27,641**
Repayments for capital acquisitions[3]	(2,500)	(2,169)	–	–			
Employee future benefits expenses	351	266	2	6			
Total on an incremental costs basis	**16,689**	**5,637**	**(1,028)**	**679**			

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

2 Consolidated entities.

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

The monthly subscriber rates of CBC NN and RDI are subject to regulations imposed by the CRTC. The maximum monthly subscriber rates are approved through the licence renewal process. For CBC NN and RDI, the monthly subscriber rates cannot exceed, respectively, $0.63 and $1.00. These regulations are effective until August 31, 2011. Revenues subject to regulations represent 82 per cent and 80 per cent respectively (2010 – 82 percent for each) of the total revenues of CBC NN and RDI.

22. OTHER INCOME

Other income consists of:

	2011	2010
	(thousands of dollars)	
Revenue type		
Building, tower, facility and service rentals	48,167	45,927
Contribution from the Local Programming Improvement Fund (LPIF)	36,718	19,763
Program sales, commercial sales and merchandising	17,359	19,313
Digital programming	8,376	3,293
Retransmission rights	6,468	5,929
Program sponsorship	4,928	4,329
Contra revenues other than advertising	2,750	2,382
Loss from fair value of financial instruments	(418)	(4,855)
Loss on disposal of property and equipment	(2,754)	(1,080)
Gain on foreign exchange rates	–	2,945
Other	6,177	3,846
	127,771	**101,792**

23. PARLIAMENTARY APPROPRIATIONS

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

	2011	2010
	(thousands of dollars)	
Operating funding		
Base funding	980,814	983,185
Additional non-recurring funding for programming initiatives	60,000	60,000
Transfer to capital funding	(9,233)	(25,598)
Operating funding received	**1,031,581**	**1,017,587**
Capital funding		
Base funding	92,331	92,331
Transfer from operating funding	9,233	25,598
Capital funding received	**101,564**	**117,929**
Working capital funding	**4,000**	**4,000**
	1,137,145[1]	**1,139,516**[1]

1 *Total funding approved and received by the Corporation for the year is not the same as the total government funding presented in the Consolidated Statement of Operations and Comprehensive Income (loss). Capital Funding received is recorded as Deferred Capital Funding in the Consolidated Balance Sheet and is amortized and recognized on the same basis and over the same periods as the related property, equipment, intangible assets and equipment under capital lease.*

24. RECOVERY OF INCOME AND LARGE CORPORATIONS TAXES

The Corporation is a prescribed Federal Crown Corporation under Part LXXI of the Income Tax Regulations and is subject to the provisions of the *Income Tax Act* (Canada). The Corporation's activities are not subject to provincial income taxes. The recovery of income and large corporations taxes of $0.1 million in 2010 consists solely of large corporations taxes.

	2011	2010
	(thousands of dollars)	
Recovery of income and large corporations taxes	–	101
	–	**101**

The recovery of income and large corporations taxes differs from the amount that would be computed by applying the federal statutory income tax rate of 27.63 per cent (2010 – 28.75 per cent) to net results before taxes. The reasons for the differences are as follows:

	2011	2010
	(thousands of dollars)	
Income tax recovery at federal statutory rate	6,814	16,779
Increase (decrease) resulting from:		
Non-taxable portion of capital gains	44	314
Other net amounts	(2,593)	(3,563)
Adjustment for changes in income tax rates	(406)	(1,765)
Change in valuation allowance	(3,859)	(11,765)
Large corporations tax recovery	–	101
	–	**101**

24. RECOVERY OF INCOME AND LARGE CORPORATIONS TAXES (continued)

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future liabilities as at March 31, 2011 and 2010, are presented below:

	2011	2010
	(thousands of dollars)	
Future tax assets		
Accrued liabilities	6,027	3,964
Pension plan liability	63,538	63,937
Employee-related liabilities	39,299	39,246
Loss carry-forward	26,223	27,089
	135,087	**134,236**
Less: valuation allowance	(93,389)	(89,530)
	41,698	**44,706**
Future tax liabilities		
Programming	156	178
Deferred revenues for taxes related to the sale of receivables	15,008	15,936
Property and equipment	26,475	25,671
Other	59	2,921
	41,698	**44,706**
Net future tax assets (liabilities)	**–**	**–**

As at March 31, 2011, the Corporation has a loss carry-forward for tax purposes of $104.9 million (2010 – $108.4 million), which expires between 2027 and 2031.

25. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	2011	2010
	(thousands of dollars)	
Cash flows provided by (used for):		
Accounts receivable	21,122	(43,539)
Programming	24,770	22,387
Merchandising inventory	614	4,044
Prepaid expenses	9,854	(90,310)
Net investment in sales-type leases	–	7
Accounts payable and accrued liabilities	(25,277)	35,456
Deferred revenues	1,640	(6,440)
Pension plans and employee-related liabilities	16,682	(26,428)
Bonds payable	(290)	(269)
Financial liability related to the monetization of receivables	163	10,174
	49,278	**(94,918)**

26. RELATED PARTY TRANSACTIONS

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

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

	2011	2010	2011	2010
	Government		**Private companies**	
	(thousands of dollars)			
Revenues	355	968	4,449	8,501
Accounts receivable	79	42	305	614
Expenses	1,086	543	–	255
Accounts payable and accrued liabilities	4	1	–	–
Long-term investments	–	–	–	255

The expenses and revenues with Government consist mainly of transactions with other Crown Corporations. The revenues and receivables relating to private companies relate mainly to the program agreement with Sirius Canada Inc.

During the year, the Corporation also received funding from the Government of Canada as described in Note 23.

27. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, accounts receivable, long-term investments in which the Corporation does not exercice significant influence, accounts payable and accrued liabilities, short-term portion of pension plans and employee-related liabilities, financial guarantee, financial liability related to the monetization of receivables, bonds payable and derivatives.

A. FAIR VALUE

The fair values of accounts receivable, accounts payable and accrued liabilities, the short-term portion of the bonds payable, pension plans and employee-related liabilities and financial liability related to the monetization of receivables approximate their carrying value due to the short-term nature of these instruments.

The carrying values and fair values of the derivatives, long-term investments carried at fair value, financial guarantee, bonds payable and financial liability related to the monetization of receivables are listed in the following table.

27. FINANCIAL INSTRUMENTS (continued)

	2011		2010		
	Carrying values	Fair values	Carrying values	Fair values	Method
	(millions of dollars)				
Financial instruments measured at fair value:					
					Level one – quoted prices in active markets for identical assets or liabilities instruments
Derivative financial liabilities instruments	0.7	0.7	0.3	0.3	The fair value is based on quoted forward market prices at March 31.
					Level two – directly observable market inputs other than Level 1 inputs.
Financial guarantee	9.8	9.8	10.4	10.4	The fair value is determined using the credit risk and interest rates that are observable.
Long-term investments – non-voting class C shares	17.0	17.0	12.0	see note[1]	The estimated fair value is determined using discounted projected future cash flows.
Financial instruments measured at amortized cost:					
Long-term receivables	–	–	10.1	9.4	The fair value of long-term receivables is based on quoted market prices for Government bonds maturing in approximately three to five years and adjusted by a spread based on credit rating.
Bonds payable (long-term)	299.2	382.2	309.2	389.1	The fair value of the bonds payable is determined using the net present value of principal and interest to be paid. The discount rate used is based on quoted market prices for Government of Canada bonds maturing at approximately May 1, 2027, and adjusted by a spread based on the credit rating for the bonds.
Financial liability related to the monetization of receivables (long-term)	–	–	10.2	10.2	The fair value of financial liabilities related to the monetization of receivables is based on quoted market prices for Government bonds maturing in approximately two years and adjusted by a spread based on credit rating.

1 *In 2010, the fair value of non-voting class C shares could not be reliably estimated (refer to Note 8).*

27. FINANCIAL INSTRUMENTS (continued)

B. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	2011		2010	
	Notional	Fair value	Notional	Fair value
	(thousands of dollars)			
Forward exchange contracts-USD[1]	**23,251**	**(715)**	18,651	(297)

1 The forward contracts rates are between 0.99 and 1.04 for forward contracts in US dollars and the maturity dates are between April 2011 and July 2012.

For the year ended March 31, 2011, the amounts recorded in the Consolidated Statement of Operations and Comprehensive Income (Loss) resulting from the net change in fair value of the derivative instruments represent a loss of $0.4 million (2010 – loss of $4.9 million). This result is presented in the Consolidated Statement of Operations and Comprehensive Income (Loss) as other income (loss from fair value of financial instruments).

C. FINANCIAL RISK MANAGEMENT

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

D. MARKET RISK

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

The Corporation's exposure to market risk and its objectives, policies and processes for managing market risk are unchanged since March 31, 2010.

i. CURRENCY RISK

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

27. FINANCIAL INSTRUMENTS (continued)

The Corporation's net foreign currency exposure as at March 31, 2011 (expressed in Canadian equivalent dollars) is as follows:

	$US	Euros	GBP
		(thousands of dollars)	
Cash	2,344	260	136
Accounts receivable	670	350	241
Accounts payable and accrued liabilities	(1,755)	(170)	(259)
Net exposure	**1,259**	**440**	**118**

Based on the net exposure as at March 31, 2011, 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 (2010 – no significant impact).

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 bonds payable is subject to interest rate fluctuations since they bear a fixed interest rate. An increase or decrease in market rates will affect the fair value of this financial instrument.

Based on the Corporation's net exposure, and assuming all of the other variables remain constant, the impact on the net results of an hypothetical one per cent change in the interest rate as of March 31, 2011, on the fair value of the bonds payable is $28.6 million (2010 – $30.4 million).

E. CREDIT RISK

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

The maximum exposure to credit risk of the Corporation at March 31, 2011 and 2010, is the carrying value of these assets.

i. CASH

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.

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, 2011, no single client had balances representing a significant portion of the Corporation's trade receivables.

The Corporation establishes an allowance for doubtful accounts that reflects the estimated impairment of accounts receivable. The Corporation has a specific policy on credit and collections and guidelines that provide for how the allowance should be determined. The Corporation's allowance 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.

27. FINANCIAL INSTRUMENTS (continued)

The following table sets out details of the age of receivables and the allowance for doubtful accounts:

	2011	2010
	(thousands of dollars)	
Trade accounts receivable		
Current	63,527	54,169
31–60 days	42,647	31,007
61–90 days	15,737	19,196
Over 90 days	14,490	16,756
Allowance for doubtful accounts	(1,103)	(2,725)
Trade accounts receivable – net	**135,298**	**118,403**
Accrued receivables and other	38,092	76,109
Accounts receivable	**173,390**	**194,512**

The Corporation's allowance for doubtful accounts amounted to $1.1 million in 2011 (2010 – $2.7 million).

iii. FORWARD EXCHANGE CONTRACTS

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

F. LIQUIDITY RISK

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

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

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

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

27. FINANCIAL INSTRUMENTS (continued)

	Carrying amount of liability at March 31, 2011	Contractual cash flows	Within 1 year	2 to 5 years	6 to 9 years	Over 9 years
			(thousands of dollars)			
Bonds payable	318,879	545,140	33,039	132,155	132,155	247,791
Financial liability related to the monetization of receivables	10,337	10,500	10,500	–	–	–

	Carrying amount of liability at March 31, 2010	Contractual cash flows	Within 1 year	2 to 5 years	6 to 9 years	Over 9 years
			(thousands of dollars)			
Bonds payable	328,402	578,180	33,039	132,156	132,156	280,829
Financial liability related to the monetization of receivables	20,395	21,000	10,500	10,500	–	–

There are no expected future cash flow requirements for the derivative financial instruments and the financial guarantee.

28. CAPITAL MANAGEMENT

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

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

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

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

The Corporation's objectives, policies and processes for managing capital are unchanged since March 31, 2010.

29. SUBSEQUENT EVENTS

On November 24, 2010, Sirius Canada Inc., of which the Corporation is part owner, and Canadian Satellite Radio Holdings Inc., the parent company of XM Canada, announced a merger of the two companies, subject to regulatory and governmental approvals. This transaction was concluded on June 21, 2011. Pursuant to the arrangement between the Corporation, Sirius XM Radio Inc., Slaight Communications (collectively referred to as the “Vendors”), Canadian Satellite Radio Holdings Inc. (“CSR”) and Sirius Canada Inc. (“Sirius”), the Vendors sold all of the issued and outstanding shares of Sirius, in exchange for 71,284,578 Class A Subordinate Voting Shares of CSR providing the Vendors with control of 58% of the outstanding voting shares of CSR. Prior to this transaction, the Corporation held 25% of the issued and outstanding common shares of Sirius, which was accounted for using the equity accounting method. In exchange for the Sirius Class A shares held by CBC, the Corporation received 53,570,361 Class B Voting Shares of CSR (equivalent to 17,856,787 Class A Subordinate Shares of CSR), representing a 15% equity participation and a 20% voting interest.

As part of the transaction, the Corporation also received consideration in cash and non-interest bearing promissory notes in exchange for the redemption of the Sirius Class C Shares held by the Corporation. The consideration received has been treated as a combination of dividend income and return of capital. The Corporation is currently evaluating the financial impact of this transaction, which will be reflected in the Corporation’s financial statements for the first quarter of 2011–2012.

30. COMPARATIVE FIGURES

Some of the 2010 figures have been reclassified to conform to the current’s year presentation.

CBC | RADIO-CANADA GOVERNANCE

CBC | Radio-Canada's Board of Directors is responsible for oversight of the management of the Corporation. In conjunction with the Corporation's senior executive team, the Board also ensures regulatory requirements, policies related to public accountability and access to information, and our Journalistic Standards and Practices, are followed.

E. YOUR COMMUNITY. YOUR NEWS.
UR ENTERTAINMENT. YOUR MUSIC.
WANT IT. YOUR CHOICE. YOUR SOCIAL
OURS RIGHT NOW. YOUR CHANGING
YOUR SPACE. YOUR COMMUNITY.
IENT. YOUR MUSIC. YOUR WAY.

GOVERNANCE MATTERS

ACCESS TO INFORMATION

CBC | Radio-Canada responded to a total of 349 requests under the *Access to Information Act* during 2010–2011, including 309 received this year and 40 others carried over from 2009–2010. These requests touched all areas of the Corporation, primarily affecting English and French Services in approximately equal numbers.

In 2010–2011, the Corporation continued to improve considerably its efficiency in dealing with requests under the *Access to Information Act*. We dedicated more resources to processing requests and developed better internal procedures. Performance monitoring, measuring, and reporting practices were put in place and applied rigorously throughout the year. Responsibilities and accountabilities were more clearly defined within the Access to Information and Privacy office.

As a result of these efforts, the average number of days to respond to an Access to Information request decreased by 63 per cent, from 158 in 2009–2010 to 57 in 2010–2011. Similarly, our "Deemed Refusal Rate", which refers to requests not responded to within the statutory limits, decreased from 57.7 per cent to 21.5 per cent.

These numbers show that the Corporation's efforts have borne fruit over the last year, although these results were not reflected in the Information Commissioner of Canada special report entitled *Open Outlook*, *Open Access 2009–2010 Report Cards*, which was released last year. This report attributed to CBC | Radio-Canada a rating of F, which means unsatisfactory, for its management of Access to Information requests in fiscal year 2009–2010. The Corporation has publicly acknowledged that the initial large volume of requests we received when we became subject to the *Act* in September 2007 has had a long-term impact on our operations. This impact was recognized by the Commissioner herself in her report.

In March 2011, the President and CEO, and the Vice-President of Real Estate, Legal Services and General Counsel of CBC | Radio-Canada appeared before the House of Commons Standing Committee on Access to Information, Privacy and Ethics. They presented the actions that have been taken by the Corporation to improve its management of Access to Information requests and reaffirmed our commitment towards transparency and accountability so that Canadians can have confidence that the resources invested in CBC | Radio-Canada are used effectively.

On that front, the Corporation went one step further by giving Canadians even more information about its administration. We developed an Internet site where records released in answer to five categories of Access to Information requests are posted. Since the launch in November 2010, these records have been consulted approximately 4,500 times.

The year 2010–2011 was also marked by two legal challenges.

The first refers to the decision of the Federal Court of Appeal affirming a previous decision by the Federal Court, and dismissing David Statham's case against CBC | Radio-Canada. The case had originated from Mr. Statham's multiple access to information requests to CBC | Radio-Canada. Within the first three months that the Corporation was subject to the *Access to Information Act* in 2007, Mr. Statham had submitted almost 400 requests to CBC | Radio-Canada. He had then complained about the Corporation not meeting the 30-day deadline imposed by the *Access to Information Act* on more than 375 of those requests. Both the Federal Court and the Federal Court of Appeal refused to blame CBC | Radio-Canada.

The second pertains to the question of the exclusion (Section 68.1 of the *Access to Information Act*) granted by Parliament to CBC|Radio-Canada and currently before the courts. While the *Act* gives Canadians a right of access to records that relate to our general administration, Parliament has excluded from this *Act* the information that relates to our journalistic, creative or programming activities. Without this exclusion, a requester could ask for the files of our journalists, consult investigative materials and gain access to the identity of confidential sources. CBC|Radio-Canada's position is that only a judge should have the right to force disclosure of this kind of information and in carefully defined circumstances. The Information Commissioner argues that she should have unfettered access to such files. The Federal Court agreed with the Commissioner's contention in first instance and we are appealing this decision to the Federal Court of Appeal, given the importance of this decision for freedom of the press principles and our ability to manage our journalistic activities.

JOURNALISTIC STANDARDS AND PRACTICES

CBC|Radio-Canada has an extensive code of Journalistic Standards and Practices and editorial control mechanisms to guide employees and to ensure that our programming remains balanced and accurate.

To address new challenges, CBC|Radio-Canada adopted an updated and modernized Journalistic Standards and Practices (JS&P) document. This latest version still holds the national public broadcaster to the highest standards of accuracy and fairness when it comes to its news and current affairs, but also takes into account many of the new situations encountered in the world of social media and the Internet. The Corporation also adopted guidelines to ensure employees consider the implications of each and every posting they make on social media sites and services, and they can act in a way that reflects CBC|Radio-Canada's values.

Complaints about news and current affairs programming from the public that are not resolved at the program level to the satisfaction of the complainants are dealt with by the Corporation's two 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 Ombudsmen is pivotal in strengthening the national public broadcaster's accountability and transparency to Canadians.

OMBUDSMEN

In 2010–2011, the offices of the Ombudsmen handled a total of 4,437 complaints, expressions of concern and other communications (English Services and French Services combined). Of these, 2,028 concerned English Services and 2,409 French Services, as documented in the annual reports from the Ombudsmen. For English Services, 1,204 communications fell within the mandate of the Ombudsmen (news and current affairs programming), compared to 1,131 for French Services. Communications not directly related to CBC|Radio-Canada news and current affairs programming were forwarded to the programming departments concerned.

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 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.

INTERNAL CONTROLS

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

In 2010–2011, the Corporation assessed the effectiveness of internal controls on financial reporting. The assessment concluded that the controls are operating effectively and identified some opportunities for improvement, which will be addressed in the coming year. The assessment did not cover internal disclosure controls and procedures, which have not yet been documented and evaluated.

BOARD OF DIRECTORS

Timothy W. Casgrain
Chair, Board of Directors
Toronto

Timothy W. Casgrain was appointed Chair of the CBC|Radio-Canada Board of Directors on April 26, 2007, for a five-year term.

As Chair, Mr. Casgrain acts as the principal liaison between the Board and the President and CEO, ensuring that the Board is alert to its obligations under federal law and to its public responsibilities.

Hubert T. Lacroix
President and CEO
Montreal

Hubert T. Lacroix was appointed President and CEO of CBC|Radio-Canada by order-in-council dated October 31, 2007, for a five-year term. He began his mandate on January 1, 2008.

As President and CEO, Mr. Lacroix is responsible for overseeing the management of CBC|Radio-Canada in order to ensure that Canada's national public broadcaster can deliver on its mandate and continue to offer Canadians a broad spectrum of high-quality programming that informs, enlightens and entertains, and that is created by, for and about Canadians.

Linda Black, Q.C.
Calgary

Linda Black was appointed to the Board of Directors of CBC|Radio-Canada effective April 21, 2008, for a four-year term.

Edward W. Boyd
Chief Executive Officer
58Ninety Inc.
Toronto

Edward W. Boyd was appointed to the Board of Directors of CBC|Radio-Canada effective June 1, 2010, for a five-year term.

Peter D. Charbonneau
General Partner
Skypoint Capital Corporation
Ottawa

Peter D. Charbonneau was appointed to the Board of Directors of CBC|Radio-Canada effective December 19, 2008, for a five-year term.

George T.H. Cooper
Senior Partner
McInnes Cooper
Halifax

George T.H. Cooper was appointed to the Board of Directors of CBC|Radio-Canada effective May 9, 2008, for a four-year term.

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

Patricia A. McIver was appointed to the Board of Directors of CBC|Radio-Canada effective June 18, 2008, for a five-year term.

Brian Mitchell
Managing Partner
Mitchell Gattuso
Montreal

Brian Mitchell was appointed to the Board of Directors of CBC|Radio-Canada for a five-year term, effective April 21, 2008.

Rémi Racine
President and Executive Producer
Behaviour (formerly A2M)
Montreal

Rémi Racine was appointed to the CBC|Radio-Canada Board of Directors effective October 12, 2007, for a four-year term.

Dr. Edna Turpin
St. John's

Dr. Edna Turpin was appointed to the CBC|Radio-Canada Board of Directors effective December 6, 2006, for a five-year term.

Dr. John F. Young
Prince George

Dr. John F. Young was appointed to the CBC|Radio-Canada Board of Directors effective September 9, 2009, for a five-year term.

Pierre Gingras Blainville

Pierre Gingras was appointed to the CBC|Radio-Canada Board of Directors effective February 3, 2011, for a five-year term.

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 fulfillment by the Corporation of its English and French language broadcasting responsibilities and its overall mandate.

Standing Committees on English and French Language Broadcasting comprise Timothy W. Casgrain (Chair), Hubert T. Lacroix, Linda Black, Edward W. Boyd, Peter D. Charbonneau, George T.H. Cooper, Pierre Gingras, Patricia A. McIver, Brian Mitchell, Rémi Racine, Edna Turpin and John F. Young.

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.

Audit Committee membership comprises Peter D. Charbonneau (Chair), Edward W. Boyd, Patricia A. McIver, Brian Mitchell and Edna Turpin.

GOVERNANCE AND NOMINATING COMMITTEE

The Governance and Nominating Committee mandate centres on the Board's governance framework and the conduct of the Board's affairs. 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.

The Governance and Nominating Committee comprises Edna Turpin (Chair), Linda Black, Edward W. Boyd, Pierre Gingras and John F. Young.

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 compensation, succession planning, industrial relations, health and safety, and other related matters.

The Human Resources and Compensation Committee comprises Rémi Racine (Chair), Timothy W. Casgrain, Linda Black and George T.H. Cooper.

REAL ESTATE COMMITTEE

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

The Real Estate Committee comprises Rémi Racine (Chair), Timothy W. Casgrain, Patricia A. McIver and Brian Mitchell.

STRATEGIC PLANNING COMMITTEE

The Strategic Planning Committee has oversight responsibility with respect to overall strategic direction of the Corporation.

The Strategic Planning Committee comprises Peter D. Charbonneau (Chair), Linda Black, Timothy W. Casgrain, George T.H. Cooper and Rémi Racine.

DIRECTOR COMPENSATION

The 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 the Board and Committee meetings in accordance with the following fee schedule:

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

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

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

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

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

For 2010–2011, the total amount paid in Director compensation, excluding CEO remuneration, was $248,611.

BOARD OF DIRECTORS ATTENDANCE

The following table outlines the attendance of Board members at meetings during the 2010–2011 fiscal year.

BOARD MEMBER	BOARD MEETINGS	GOVERNANCE AND NOMINATING COMMITTEE	HUMAN RESOURCES AND COMPENSATION COMMITTEE	AUDIT COMMITTEE	BROADCASTING COMMITTEE	REAL ESTATE COMMITTEE	STRATEGIC PLANNING COMMITTEE
	6 meetings, 5 conference calls	4 meetings	4 meetings, 4 conference calls	5 meetings	6 meetings	3 meetings, 1 conference call	4 meetings, 3 conference calls
TIMOTHY W. CASGRAIN	10/11		8/8		6/6	4/4	7/7
HUBERT T. LACROIX	11/11				6/6		
LINDA BLACK	10/11	4/4	7/8		6/6		7/7
EDWARD W. BOYD[1]	9/10	1/2		2/2	4/5		
PETER D. CHARBONNEAU	11/11			5/5	6/6		7/7
GEORGE T.H. COOPER	9/11		8/8		4/6		6/7
PIERRE GINGRAS[2]	1/1				2/2		
PATRICIA A. MCIVER	10/11			5/5	6/6	4/4	
BRIAN MITCHELL	10/11			5/5	5/6	4/4	
RÉMI RACINE	9/11		8/8		5/6	4/4	6/7
DR. EDNA TURPIN	11/11	4/4		5/5	6/6		
DR. JOHN F. YOUNG	8/11	4/4			5/6		

1 Edward W. Boyd was appointed April 26, 2010, effective June 1, 2010.

2 Pierre Gingras was appointed February 3, 2011, effective the same day.

SENIOR EXECUTIVE TEAM

The Senior Executive Team, led by the President and CEO, manages CBC | Radio-Canada's day-to-day operations. Katya Laviolette, the Vice-President of People and Culture, departed subsequent to the close of the fiscal year.

Hubert T. Lacroix
President and CEO

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

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

Steven Guiton
Vice-President and Chief Regulatory Officer

Sylvain Lafrance
Executive Vice-President, French Services

Suzanne Morris
Vice-President and Chief Financial Officer

Kirstine Stewart
Executive Vice-President, English Services

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

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