

# HOW DO YOU COPE WITH CONSTANT CHANGE? STAY IN FRONT OF IT →→





# RAPID, UNPRECEDENTED CHANGE.

HERE IT COMES →→

CANADIAN SOCIETY IS CHANGING AT AN UNPRECEDENTED PACE. SO IS BROADCASTING TECHNOLOGY AND THE CANADIAN BROADCASTING INDUSTRY. AND, TO ENSURE WE STAY RELEVANT TO CANADIANS, CBC | RADIO-CANADA IS CONTINUALLY EVOLVING TO STAY AHEAD OF THIS CONSTANT CHANGE.





## CONTENT IS KING

We're bringing audiences unique Canadian content available nowhere else. And we're delivering that content through both traditional and innovative services like the Internet, satellite radio, podcasts, streaming video for cell phones and PDAs, and much more.

## STIRRING THINGS UP

We're continually renewing our programming to give Canadians more of what they tell us they want – programs that are challenging, informative and resonant, but also entertaining.

## UP CLOSE

We're connecting more closely with Canada's communities and regions through deeper coverage of local and regional news, arts and culture – and we're giving audiences more ways to tell us what stories are most important.

In 2006–2007, we reached out to more Canadians in more ways than ever before.

## AND WE'RE FAR FROM FINISHED.



# RAPID, UNPRECEDENTED CHANGE.

## TABLE OF CONTENTS

President and CEO and Acting Chair's Message . . . . .	2
Board of Directors . . . . .	7
Governance . . . . .	8
Public Accountability . . . . .	11
Vision, Mission, Values . . . . .	12
Corporate Priorities . . . . .	13
CBC   Radio-Canada Services . . . . .	14
Canada's National Public Broadcaster in Context . . . . .	17
Highlights of 2006–2007 . . . . .	26
Management Discussion and Analysis . . . . .	27
Key Performance Indicators . . . . .	28
Media Lines' Goals and Achievements . . . . .	32
Regional Reflection, Diversity and Serving the Community . . . . .	49
Behind the Scenes . . . . .	52
Financials . . . . .	55

# And Canadians Are Tuning In.

- 3.7 million: Viewership to the first episode of CBC Television's *Little Mosque on the Prairie*.
- 50%: Audience share in 2006–2007 for Télévision de Radio-Canada's show *Tout le monde en parle*.
- 13: Number of urban areas in which CBC Radio One local morning shows are number one or two in ratings.
- 16.7%: Audience share in Spring 2007 for Radio de Radio-Canada.
- 3 million: Number of unique visitors from home to *CBC.ca* every month.
- 1.5 million: Number of unique visitors from home to *Radio-Canada.ca* every month.
- 300,000: Number of subscribers to Sirius Canada Satellite Radio as of January 1, 2007 (six of Sirius Canada's 11 Canadian channels are provided by CBC | Radio-Canada).
- 1.4 million: Number of subscribers who tune in to Galaxie every week.



# CONTINUED LEADERSHIP

## IN THE EVOLUTION OF CANADIAN BROADCASTING →→

In just a few years, the landscape of Canadian broadcasting has changed almost beyond recognition. Canadians can now choose from hundreds, even thousands, of television channels, radio stations and websites, and new technologies are allowing them to gain access to that content whenever and however they want it.

At the same time, ownership of Canadian media is becoming concentrated in a few very large companies offering an ever-wider range of services but a declining diversity of opinion and perspectives. Yet the diversity of Canadian society increases steadily, as Canada welcomes immigrants from around the world.

In the midst of all these changes, Canada's national public broadcaster is not merely important, but essential. CBC|Radio-Canada helps counter the risk of social diversity becoming social fragmentation and isolation. We offer a unique public space where Canadians can connect with each other, the country and the world. We are where communities gather, seeking out unity in diversity.



We have also made considerable progress on an unprecedented and ongoing renewal of our programming – a renewal that is capturing new audiences and increasing our traditional audiences with programming that engages, informs and challenges.

We have reason to be proud of these considerable achievements, but we understand that the challenges that rapid change brings will only be amplified over time, and we must keep changing and adapting. In 2006–2007, this process of continuous renewal yielded results that point to an exciting future.

### RESPONDING EFFECTIVELY TO CHANGE

To be able to respond to and even lead the evolution of broadcasting in Canada, CBC|Radio-Canada must continually adapt to rapidly changing technology and to the evolving needs and preferences of Canadians.

CBC|Radio-Canada reaches more Canadians in more ways than ever before, and this year we continued to invest in new technologies and new services. Our 28 services include broadcast Television and Radio, Internet Television and Radio, satellite radio, podcasting, cell phones and personal digital assistants (PDAs), and more.

### AUDIENCES ARE EMBRACING OUR RENEWED PROGRAMMING

This year we increased our audiences by continuing to offer Canadians more of the programming they have told us they want – programming that is distinctively Canadian, entertaining, engaging, informative, and diverse.

In January 2007, the first CBC Television program to result from the network's entirely revamped program development process made a highly successful debut – in fact, viewership to the first episode of *Little Mosque on the Prairie* was 3.7 million. Overall, CBC Television increased the number of hours of Canadian entertainment programming it





offered this year, and a full slate of exciting new CBC Television programs will debut in the Fall.

In response to an in-depth survey of Canadians' needs and preferences, in March 2007 CBC Radio launched the first phase of major programming changes to CBC Radio One and CBC Radio 2. These changes are making CBC Radio 2 a unique showcase for the best of Canadian music in a wide range of genres, and expanding arts and culture coverage on CBC Radio One. Both networks achieved high audience shares in Spring 2007, with a combined share of 13.1 per cent, and Saturday and Sunday combined shares of 15 per cent and 17 per cent, respectively (BBM). In fact, CBC Radio One morning shows rank in the top three in 14 markets, including number one in Toronto, Vancouver, Ottawa, and Halifax.

This year, the ongoing integration of French Services across Television, Radio and Internet presented audiences with enriched programming. For example, new Radio programs and websites based on the Television programs *La semaine verte* and *L'heure de gloire* extended the range and depth of content available to audiences.

Télévision de Radio-Canada continued its repositioning in the competitive French-language

television market and once again maintained high levels of viewership. The network continued to refine its approach to public service programming that is credible, bold and innovative, open to the world and to different perspectives. Télévision de Radio-Canada presented 17 original dramas this year including 11 new shows, more than any other broadcaster in Canada. Audiences responded favourably: for example, this year *C.A.* earned a 20 per cent audience share; and the series, *Les hauts et les bas de Sophie Paquin*, an 18 per cent share. Returning shows, *Tout le monde en parle* and *Le match des étoiles*, had audience shares of 50 per cent and 26 per cent, respectively.

Radio de Radio-Canada had a record-level combined audience share of 16.7 per cent in Spring 2007 (BBM). Première Chaîne's *C'est bien meilleur le matin* remains one of the most popular morning shows in the Montréal Francophone market. The network's local morning show is number one in Québec City. This year, Première Chaîne launched a wide range of new programs, including *De remarquables oubliés*, about lesser-known figures from history, and *L'autre midi à la table d'à côté*, featuring two personalities who share a meal and their thoughts on timely topics, while Espace musique introduced new

programs that offered listeners an even wider range of music from all genres.

## THE NEWS CANADIANS WANT

In response to Canadians telling us they wanted more local news available in whatever format they prefer, this year CBC News accelerated the integration of its

**This year we increased our audiences by continuing to offer Canadians more of the programming they have told us they want.**

local News services. In a pilot project launched in Vancouver in January 2007, CBC News is working to deliver a fully integrated, interactive, on-demand, 24-hour regionally driven and locally focused News offering that will be available to audiences via the platform of their choice. It will utilise CBC News' traditional strengths and provide a new level of service to its audiences. An important element is that community members will help us determine which stories are most important, contributing to our coverage of these stories, and receiving that coverage through Television, Radio, the Web, or on-demand technologies such as streaming video and text

CBC | Radio-Canada continued to lead in new broadcasting platforms and technologies that give audiences an ever-widening range of choices.

## HERE IT COMES →→

messaging. We expect that the results of this project will help shape the direction of our local News services across the country.

### REACHING MORE CANADIANS IN MORE WAYS

CBC | Radio-Canada continued to lead in new broadcasting platforms and technologies that give audiences an ever-widening range of choices.

The satellite radio service, Sirius Canada, in which CBC | Radio-Canada is a partner, offers our programming on six of its 11 Canadian channels, expanding our reach to audiences in the US and to all Canadians. In its first full year of operation, Sirius Canada reached twice as many subscribers as its main competitor.

Podcasts of CBC | Radio-Canada programs were remarkably successful: more than a million were downloaded every month. They attracted a new audience not only with music but also with News, information and science programs. Indeed, *Ideas*, *Quirks and Quarks*, *As It Happens*, *Christiane Charette*, *Les années lumière*, and CBC Radio 3's weekly podcast are our most popular downloads.

*CBC.ca* and *Radio-Canada.ca* retained their positions among Canada's top three English and French News and media websites. Every month, more than three million Canadians visit *CBC.ca*

and 1.5 million visit *Radio-Canada.ca* from their home. This year saw the launch of our new Internet Radio service, RCI viva, which broadcasts in eight languages to recent and aspiring immigrants to Canada, helping them learn about Canadian customs, culture and values.

Also this year, we proudly announced two key multi-year sports agreements – with the National Hockey League and FIFA – that will allow us to offer exciting coverage on not just Television and Radio, but also New Media, including mobile telephones and video-on-demand. The FIFA agreement will deliver soccer on our English and French services from 2007 to 2014. Our new six-year NHL agreement, which continues the oldest sports rights partnership in the world, is for English-language broadcast and multimedia rights, beginning with the 2008–2009 season.

### FUNDAMENTAL FINANCIAL CHALLENGES

Our considerable achievements in 2006–2007 were made possible by a profound transformation of CBC | Radio-Canada over the past seven years. By becoming much more efficient and focused, we have generated \$78 million in ongoing annual savings and, in 2006–2007, more than \$80 million in non-advertising revenues. Yet we continue to face serious financial pressures that, if

not addressed, will limit our ability to offer Canadians the services they want and deserve.

CBC | Radio-Canada's funding today is 33 per cent less in constant dollars than it was in 1990 – yet we offer more services on more platforms than ever before. At the same time, production costs constantly rise, and we must continue to invest in emerging technologies to ensure that we remain relevant to Canadians.

For example, in 2009, television broadcasters in the United States will be required to shift entirely from analogue to digital transmission, which in effect will mean high definition television (HDTV). If CBC | Radio-Canada – and indeed all Canadian broadcasters – does not also make the transition to HDTV, Canadian audiences will quite understandably choose the much higher quality viewing experience offered by US broadcasters. Despite CBC | Radio-Canada's considerable success in generating internal savings and new revenues, our existing resources are insufficient to meet financial challenges such as funding a rapid transition to digital broadcasting and HDTV.

Another challenge is that broadcasting is a long-term business requiring investments today, especially for television, to produce programs in two or three years, but CBC | Radio-Canada is funded annually. This lack





of financial stability makes it extremely difficult for us to plan effectively. For this reason, the support that the Canadian Television Fund (CTF) provides to independent producers to create excellent Canadian programming is particularly vital to CBC|Radio-Canada. We air the most Canadian programming of all broadcasters, and offer it to Canadians in prime time when they are watching television. Without the support provided by the CTF, there would be very little Canadian programming that would capture Canadian experiences, sensibilities and perspectives, and showcase Canadian actors, writers and directors.

**One way to both address our financial challenges and to clarify our role within Canadian broadcasting would be to institute a regular, formal and Government-led process of mandate review.**

Finally, the revenue model based on advertising revenue, which has sustained conventional television for decades, is failing. Advertising revenues for conventional broadcasters are fragmenting because more and more channels are vying for marketing dollars, new technology is allowing viewers to skip commercials, and advertising spending is migrating

to the Internet and to other platforms.

Given these challenges, we are particularly pleased that the Federal Government, in late March 2007, confirmed additional funding of \$60 million for our Canadian programming across all of our services for each of the next two fiscal years.

### WHAT DO CANADIANS WANT FROM PUBLIC BROADCASTING?

I believe that one way to both address our financial challenges and to clarify our role within Canadian broadcasting would be to institute a regular, formal and Government-led process of mandate review. Such a review, in whatever form it took, would spell out to Canadians exactly what to expect from their national public broadcaster in return for the significant public funding we receive. Such a process is common practice: for example, the BBC recently completed its ten-year mandate review, as have national public broadcasters in Ireland and South Africa.

The outcome of the mandate review process would be what I think of as a contract with Canadians, and it would answer a fundamental question: What do Canadians want from their national public broadcaster and how should this mandate be

funded? The undertaking would achieve two key objectives: it would give CBC|Radio-Canada the certainty we need to plan effectively, and it would make us even more accountable to Government and to our shareholders, the Canadian public.

### A FAREWELL, AND A THANK YOU

In November 2007, my term as President and CEO of CBC|Radio-Canada will come to an end. My term has been marked by both constant challenge and by hard-won achievements. I believe that if CBC|Radio-Canada can achieve adequate, stable funding, we now have the creativity and flexibility required to successfully address the many challenges and opportunities the future will most certainly bring.

I want to express my gratitude to the CBC|Radio-Canada Board of Directors for their energy and for their commitment to public broadcasting, and to our dedicated and talented staff. Working with the Board, and with CBC|Radio-Canada's employees, has made my time here deeply gratifying.



ROBERT RABINOVITCH  
PRESIDENT AND CEO  
AND ACTING CHAIR



# BOARD OF DIRECTORS →→

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

**Robert Rabinovitch**

President and CEO  
(since November 1999)  
Acting Chair, Board of Directors  
(since September 19, 2006)  
Ottawa, Ontario

**Johanne Brunet**

Marketing Professor  
HEC Montréal  
Montréal, Québec

**Bernd Christmas**

Senior Vice-President  
and National Aboriginal  
Practice Leader  
Hill & Knowlton Canada  
Vancouver, British Columbia

**Hélène F. Fortin**

Partner  
GHL Chartered Accountants  
Saint-Lambert/Brossard, Québec

**Guy Fournier**

Chair, Board of Directors  
(October 6, 2005–  
September 19, 2006)  
Saint-Paul-d'Abbotsford, Québec

**Peter Herrndorf**

President and CEO  
National Arts Centre  
Ottawa, Ontario

**Yasmin Jivraj**

President and Co-owner  
Acrodex  
Edmonton, Alberta

**Nezhat Khosrowshahi**

Inwest Investments Inc.  
Vancouver, British Columbia

**Howard McNutt**

Partner  
Goluch + Company  
Halifax, Nova Scotia  
(until December 2006)

**Trina McQueen**

President  
Hutton-Belleville Inc.  
Toronto, Ontario

**K. (Rai) Sahi**

Chairman and CEO  
Morguard Corporation  
Toronto, Ontario

**Edna Turpin**

Executive Consultant  
St. John's, Newfoundland  
and Labrador  
(since December 2006)

**Director Attendance at Board and Committee Meetings**

BOARD MEMBER	Board of Directors (6 regular meetings, 1 conference call and 2 special meetings)	Nominating and Governance Committee (4 meetings)	Human Resources and Compensation Committee (4 meetings)	Audit Committee (6 regular meetings and 1 conference call)	Standing Committees on English and French Broadcasting (3 meetings)	Special Committee on Public Support (6 regular meetings and 1 conference call)
Robert Rabinovitch	7/7	N/A	4/4	N/A	3/3	N/A
Guy Fournier <sup>a)</sup>	3/3	N/A	2/2	3/3	3/3	N/A
Johanne Brunet	7/7	N/A	N/A	7/7	3/3	7/7
Bernd Christmas	6/7	N/A	N/A	7/7	3/3	N/A
Hélène Fortin	7/7	N/A	N/A	7/7	3/3	N/A
Peter Herrndorf	7/7	4/4	N/A	N/A	3/3	7/7
Yasmin Jivraj	6/7	2/4	N/A	N/A	1/3	N/A
Nezhat Khosrowshahi	5/7	4/4	3/4	N/A	2/3	N/A
Howard McNutt <sup>b)</sup>	4/5	3/3	3/3	N/A	2/3	N/A
Trina McQueen	7/7	N/A	3/4	N/A	3/3	6/7
K. (Rai) Sahi	1/7	1/4	N/A	1/7	1/3	N/A
Edna Turpin <sup>c)</sup>	2/2	N/A	1/1	N/A	N/A	N/A

This report lists attendance from April 1, 2006–March 31, 2007.

Board meetings that take place over several days are counted as one meeting for the purposes of this report.

a) Guy Fournier resigned as Chairman, September 19, 2006; attendance tracked until this date.

b) Howard McNutt's term ended in December 2006; attendance tracked until this date.

c) Edna Turpin joined the Board in December 2006.

# GOVERNANCE →→

## HIGHLIGHTS

### THE BOARD'S ROLE IN STRATEGIC PLANNING

#### ***Director participation in strategic planning reviewed and enhanced***

Under the guidance of the Nominating and Governance Committee, the Board re-examined its role in setting the strategic direction of the Corporation and adopted a more interactive and in-depth approach for the Board in connection with the 2006–2007 strategic planning cycle.

### RISK MANAGEMENT

#### ***Corporate risk management framework strengthened***

Led by the Audit Committee, the Board introduced several enhancements designed to strengthen Board oversight of the Corporation's risk management framework. These include regular reports to the Board, through the Audit Committee, on key Corporate risks; an annual assessment of the effectiveness of risk management strategies; and improved risk assessment and mitigation techniques.

### CONFLICT OF INTEREST

#### ***Board conflict of interest disclosure process reviewed and clarified***

The Nominating and Governance Committee conducted a review of the processes in place at CBC|Radio-Canada to disclose and manage possible conflicts of interest involving Directors. After examining several alternatives, the Committee endorsed the current process with the added requirement of regular reporting to the Committee on compliance with disclosure requirements and any other conflict of interest issues.

### ASSESSMENT OF BOARD EFFECTIVENESS

#### ***Board evaluation completed June 2006***

An independent governance consultant retained by the Corporate Secretary conducted a confidential Board evaluation and prepared a comprehensive report on the results for the Board, which was reviewed at the June 2006 Board meeting.

### BOARD TRAINING

#### ***Board training on risk management, performance measurement and industry issues***

Board members participated in several sessions during the year as part of the ongoing training and development offered to the Board.

### BOARD INFORMATION

#### ***Guidelines for Board presentations reviewed and enhanced***

There is regular dialogue between Management and the Board to ensure that the Board receives the information it needs to function effectively, and which will support and facilitate the decision-making process. Revised guidelines were crafted in 2006–2007 with the goal of improving the quality of Board materials and clarifying the expectations for Management in preparing material for the Board.

### BOARD COMPOSITION

The Chair of the Board, Guy Fournier, resigned on September 19, 2006. As of the end of the fiscal year, the Government had not appointed a replacement. Pursuant to the provisions of the *Broadcasting Act*, the President and CEO is mandated to serve as Acting Chair during a vacancy in the Office of the Chair.

There was one other change in the Board during the year:

Howard McNutt of Halifax, Nova Scotia, was replaced by Edna Turpin of St. John's, Newfoundland and Labrador, following the expiry of Mr. McNutt's 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 to monitor the fulfilment by the Corporation of its French- and English-language broadcasting responsibilities and its overall mandate, as set out in the *Act*.

### ***Audit Committee***

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

### ***Nominating and Governance Committee***

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

### ***Human Resources and Compensation Committee***

The Human Resources and Compensation Committee has oversight responsibility with respect to all aspects of the Corporation's Human Resources strategies, including Human Resources policies, executive compensation, succession

planning, industrial relations, health and safety, and the environment.

### ***Special Committee on Public Support***

The Special Committee on Public Support mandate is concerned with exploring ways, in conjunction with Management, to build public support for the Corporation.

## DIRECTOR COMPENSATION

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

- Board – \$2,000  
(six meetings per year)
- Audit Committee – \$1,300  
(six meetings per year)
- All other Committees – \$1,000  
(usually four to six meetings per year)

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 member of CBC | Radio-Canada's Board of Directors.*

For 2006–2007, the total amount paid in Director compensation was \$127,037.50.

#### **Photos page 6, top to bottom:**

CBC News, Federal Election Night coverage.  
*Dragon Boys*, CBC Television.

#### **Photos page 10, top to bottom:**

Alexandre Courteau, *Bande à part*, Sirius 93.  
Krysta Rudofsky, *Living Newfoundland and Labrador*, CBC Television.  
*Christiane Charette*, *Première Chaîne*, Sirius 138.



# PUBLIC ACCOUNTABILITY →→

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

## OPEN AND TRANSPARENT

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

Here are examples of reporting instruments:

- Annual Report of CBC|Radio-Canada to the Canadian Radio-television and Telecommunications Commission (CRTC).
- Annual Reporting to Parliamentary Committees (Canadian Heritage, Official Languages, Public Accounts, Senate Committees).
- CBC|Radio-Canada Corporate Plan and Corporate Plan Summary.
- CBC|Radio-Canada Annual Report.
- Auditor General Special Examination Report.
- Auditor General Annual Attest Audit.
- Annual Report to the Department of Human Resources and Skills Development Canada (HRSDC) Employment Equity.
- Implementation of Section 41 of *The Official Languages Act* Report.
- Public Accounts of Canada.
- Posting of business travel and hospitality expenses of President and Chair on Corporate website.

## JOURNALISTIC STANDARDS AND PRACTICES

CBC|Radio-Canada has an extensive code of Journalistic Standards and Practices and solid editorial control mechanisms to guide its employees and to ensure that those working on its programming remain balanced and accurate in their on-air perspectives and reporting. Complaints from the public that are not resolved at the program level to the satisfaction of the complainants are examined

and dealt with by the Corporation's two Ombudsmen. The Ombudsmen are completely independent of CBC|Radio-Canada programming staff and programming Management, and report directly to the President of the Corporation and, through the President, to the Corporation's Board of Directors. The role of the Ombudsman is pivotal in strengthening the national public broadcaster's accountability and transparency to Canadians.

The Ombudsmen can be reached at:

The Ombudsman, English Networks,  
CBC|Radio-Canada, PO Box 500, Station A,  
Toronto ON M5W 1E6 ([ombudsman@CBC.ca](mailto:ombudsman@CBC.ca)), and

Bureau de l'ombudsman, Services français,  
CBC|Radio-Canada, CP 6000, Montréal QC  
H3C 3A8 ([ombudsman@Radio-Canada.ca](mailto:ombudsman@Radio-Canada.ca)).

## CODES OF CONDUCT

CBC|Radio-Canada employees at all levels and across the Corporation are expected to adhere to policies governing their behaviour in such areas as: conflict of interest and ethics; whistleblowing; official languages; harassment; and political activity. A selection of the Corporation's Human Resources policies is available for viewing online at:

<http://www.cbc.radio-canada.ca/docs/policies/index.shtml>.

## ACCESS TO INFORMATION

As of September 2007, CBC|Radio-Canada will fall under the Government's *Access to Information Act*, with the provision of safeguards to preserve the journalistic, creative and programming independence that is fundamental to a successful national public broadcaster. Specifically, Article 68.1 of the *Act* stipulates, "This *Act* does not apply to any information that is under the control of the Canadian Broadcasting Corporation that relates to its journalistic, creative or programming activities, other than information that relates to its general administration." These protections have been afforded to other public broadcasters, such as the British Broadcasting Corporation and the Australian Broadcasting Corporation, which are affected by similar legislation.



# VISION, MISSION, VALUES →→

## VISION

- Connecting Canadians through compelling Canadian content.

## MISSION

- To create audacious, distinctive programming. Programs designed to inform, enlighten and entertain. Programs that reflect Canadians and Canada's regions. Programs that help tie the country together and explain great national and international events. Programming in all genres, with emphasis on News and Current Affairs, drama and culture; and not forgetting our special responsibility to children.

## CORE VALUES

- Serving the Canadian Public
- A Culture That Is Driven to Achievement
- A Creative Organisation in Continuous Renewal
- Working Together



**Photos, top left to right:**  
*Canada Reads*, CBC Radio One (photo: Dona Acheson).  
*Radio-Canada.ca*.  
Adrienne Arsenault, CBC News.  
*This Hour Has 22 Minutes*, CBC Television.  
Anthony Germain in Beijing, CBC Radio One, CBC News.  
Dany Turcotte, Guy A. Lepage, *Tout le monde en parle*, Télévision de Radio-Canada.





# CORPORATE PRIORITIES →→

- Ensure distinctive programming of the highest quality on all delivery platforms.
- Recognise the importance of regional reflection and of the changing face of Canada.
- Ensure the sustainability of CBCIRadio-Canada's Canadian schedules.
- Demonstrate that CBCIRadio-Canada is a well-managed company and generate cash flow to re-invest in programming.
- Strengthen CBCIRadio-Canada's commitment to all its employees – to those who create and those who support them.
- Position CBCIRadio-Canada to enhance its ability to fulfil its mandate through selective alliances and partnerships.
- Reinforce the capacity of CBCIRadio-Canada to work as one integrated company.
- Enhance/strengthen CBCIRadio-Canada's stakeholder relationships.



**Photos, bottom left to right:**  
 Christine Birak, *CBC News at Six*,  
 CBC Television.  
*Randy Bachman's Vinyl Tap*,  
 CBC Radio One, Sirius 137.  
 Joanne Prince, *Le radiojournal*,  
 Première Chaîne, Sirius 187.



# 28 SERVICES →→

CBC|Radio-Canada delivers a comprehensive range of News, information, entertainment, and sports programs via 28 different services. It is the only Canadian broadcaster delivering Radio, Television, Internet, and satellite-based services, in both English and French plus eight Aboriginal languages, to all Canadians. The Corporation's broadcasting reach extends across Canada and around the world, offering high-quality, distinctive content by, for and about Canadians, however and wherever they want it.

## RADIO AND SATELLITE RADIO



**CBC RADIO ONE:** commercial-free English-language network, offering local, national and international News, Current Affairs, documentaries, arts and cultural programming, and drama, on Radio and on Sirius Satellite Radio Channel 137.



**CBC RADIO 2:** commercial-free English-language network, showcasing the musical diversity of Canada, including classical music and jazz and other genres targeting adult music audiences.



**CBC RADIO 3:** commercial-free English-language network, showcasing the best in new and emerging Canadian music via the Internet ([radio3.cbc.ca](http://radio3.cbc.ca)), podcasting and Sirius Satellite Radio Channel 94.



**PREMIÈRE CHAÎNE:** commercial-free French-language network, offering regional, national and international information along with regional and national News, arts, culture, and human-interest programming.



**ESPACE MUSIQUE:** commercial-free French-language music network, showcasing the musical diversity of Canada, including classical, jazz, chanson, world music, and emerging talent.



**BANDE À PART:** commercial-free French-language network, showcasing the best in emerging French-language Canadian music and favouring the discovery of Canada's new Francophone artists.



**PREMIÈRE PLUS:** commercial-free French-language network, offering News, Current Affairs, magazines, and cultural programming, including the best of Première Chaîne, on Sirius Satellite Radio Channel 138.



**INFO PLUS:** commercial-free French-language, 24-hour all-News, information and Public Affairs network, offering the best of Radio-Canada programming, on Sirius Satellite Radio Channel 187.



**RADIO CANADA INTERNATIONAL (RCI):** commercial-free international Radio service broadcasting in nine languages.



**RCI PLUS:** Radio Canada International programming in eight languages, as well as broadcasts from Canadian and international network partners, on Sirius Satellite Radio Channel 188.



**CBC NORTH | RADIO-CANADA NORD:** Radio and Television services in English, French and eight Aboriginal languages to Canada's northern communities.

## TELEVISION



**CBC TELEVISION:** English-language network, providing a wide range of News, information and entertainment programming by, for and about Canadians.



**CBC NEWSWORLD:** English-language, 24-hour all-News and information service, financed entirely by subscriptions and advertising revenue.



**CBC COUNTRY CANADA:** 24-hour English-language digital Television service, by subscription, offering international drama, sporting events and the arts.



**THE DOCUMENTARY CHANNEL:** 24-hour English-language digital Television service, by subscription, offering Canadian and international documentaries and extending our reach to Canadians.



**TÉLÉVISION DE RADIO-CANADA:** French-language network, delivering high-quality, public-oriented, *rassembleur* general programming, including News and Public Affairs.



**RÉSEAU DE L'INFORMATION DE RADIO-CANADA (RDI):** French-language 24-hour all-News and information service, financed entirely by subscriptions and advertising revenue.



**CBC NORTH | RADIO-CANADA NORD:** Radio and Television services in English, French and eight Aboriginal languages to Canada's northern communities.



**ARTV:** French-language arts and culture Television service, by subscription, offered through a public-private partnership.



**TV5MONDE:** An international consortium, offering a mix of News and general-interest, French-language Television programming.

## INTERNET



**CBC.CA:** English-language Internet service carrying our Radio and Television content, unique New Media and Corporate information.



**RADIO-CANADA.CA:** French-language Internet service carrying our Radio and Television content and unique New Media and Web content.



**CBC RADIO 3:** commercial-free English-language network, showcasing the best in new and emerging Canadian music via the Internet ([radio3.cbc.ca](http://radio3.cbc.ca)), podcasting and Sirius Satellite Radio Channel 94.



**BANDE À PART:** commercial-free French-language network, showcasing the best in emerging French-language Canadian music and favouring the discovery of Canada's new Francophone artists.



**RCI VIVA:** commercial-free Web Radio service broadcasting in eight languages, providing information about Canada and posting discussion boards for recent and aspiring immigrants to Canada.

## REACHING NEW AUDIENCES



**GALAXIE:** commercial-free digital pay audio service offering 45 channels of continuous music, without talk, to nearly six million subscribers.



**CBC RECORDS | LES DISQUES SRC:** recording label, releasing about 15 new Canadian CDs annually.



**WIRELESS:** WAP and SMS messaging services delivering interactive content to PDAs and cell phones.



# CANADA'S NATIONAL PUBLIC BROADCASTER

## IN CONTEXT →→

Canada's national public broadcaster was created as a corporation in 1936 to counter the pervasive cultural influence of foreign programming as US-based radio networks expanded rapidly into Canada. More than 70 years later, CBC | Radio-Canada continues to play a crucial role in maintaining Canada's cultural sovereignty, and in fostering a shared sense of national identity across a vast and diverse country.

Today, 97 per cent of Canadians feel that CBC | Radio-Canada is essential. Clearly, they understand that what a national public broadcaster offers is available nowhere else. Like a distinctive voice and a forum for Canada's diverse regions and ethnic and cultural communities. In-depth coverage of the local, regional and national stories that matter to Canadians and a Canadian perspective on international events. A wide variety of high-quality, innovative Canadian television drama in prime time. Coverage of amateur sports and

of the best of innovative Canadian performing and fine arts. And commercial-free, safe and entertaining programs for children.

### CANADA RANKS LOW IN SUPPORT FOR PUBLIC BROADCASTING

The need to protect and foster a national culture and identity through public broadcasting is recognised not just in Canada but in most Western countries – almost all of which fund public broadcasting to a far greater extent than Canada.

Of 18 Organisation for Economic Co-operation and Development (OECD) countries included in a recent study, Canada ranked third from last in

per capita funding for its national public broadcaster in 2004: only New Zealand and the United States ranked lower. Indeed, Canada's funding for public broadcasting was less than one-half of the \$80 average per capita across the 18 Western countries.

Canada ranks so low internationally partly because since 1990, CBC | Radio-Canada funding has declined by 33 per cent in constant dollars and is now at the level it was in the 1970s. This decline occurred during a time when Federal Government spending on culture – excluding CBC | Radio-Canada, one of the country's largest cultural institutions – increased by 65 per cent in constant dollars.

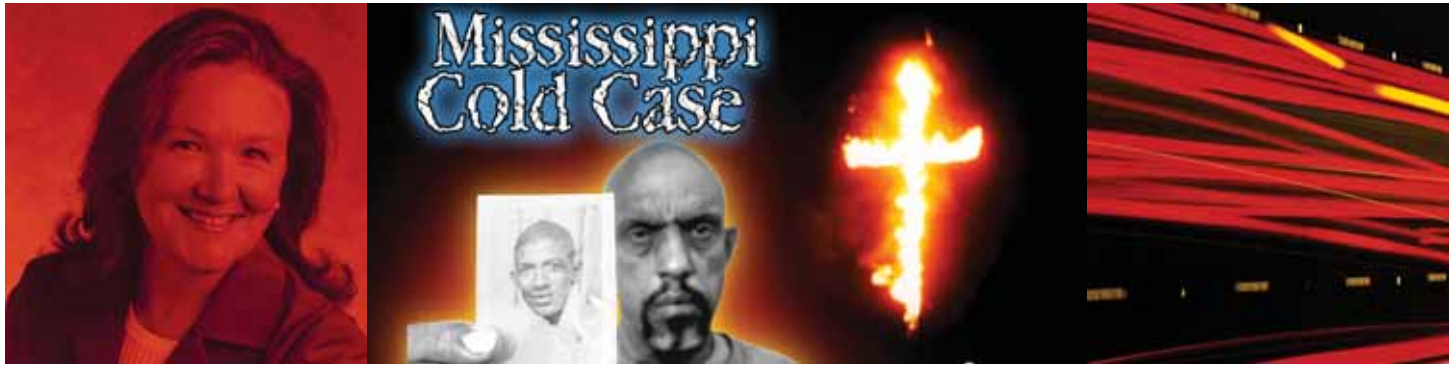
#### Photos page 16, top to bottom:

Bernard Derome,  
Céline Galipeau, *Le téléjournal*,  
Télévision de Radio-Canada, RDI.

*Kurt Browning Gotta Skate V*,  
CBC Television.

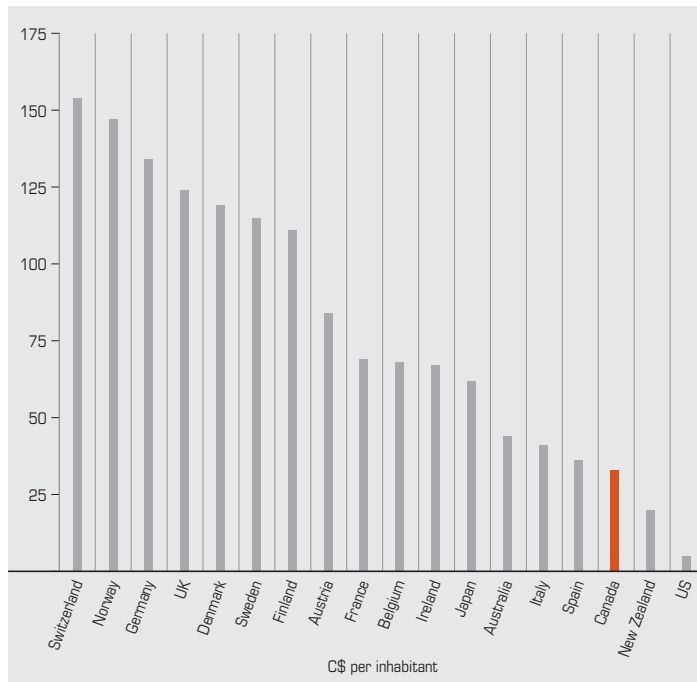
*Canada's Next Prime Minister*,  
CBC Television  
(photo: Couvrette/Ottawa).

*Et Dieu créa... Laffaque*,  
Télévision de Radio-Canada.



**PER CAPITA FUNDING FOR PUBLIC BROADCASTERS IN OECD COUNTRIES, 2004**

Canadian support for public broadcasting is less than half of the average (\$80 per capita) of 18 OECD countries.



Analysis of Government Support for Public Broadcasting and Other Culture in Canada. Nordicity Group Ltd., June 2006.

**SUSTAINING THE MOMENTUM**

Today's CBC | Radio-Canada reaches more Canadians in more ways than ever before. We deliver high-quality Canadian programming via 28 services, including broadcast Television and Radio, Internet Television and Radio, satellite radio, podcasting, cell phones and PDAs, and more.

We have achieved this by becoming a much more efficient, focused and integrated organisation, despite a challenging broadcasting environment and decreased funding. However, we continue to face substantial challenges that, if not addressed, will limit our ability to continue to play a central role in Canadian life. Here are the strategies we have developed to meet these key challenges.

**CONTENT HOW AND WHEN CANADIANS WANT IT**

New and emerging technologies have transformed how Canadians view and listen to programming. To stay relevant, CBC | Radio-Canada continues to be a leader in exploring a wide range of new technologies and services.

But meeting the changing needs of Canadians requires more than new technologies; it also requires new ways of working. Increasingly, CBC | Radio-Canada is an integrated organisation developing content that is delivered across both conventional and New Media, while preserving the unique strengths of each.

The integration of our French Television, Radio and Internet services in 2005–2006 was a major landmark in this new

**Photos, top left to bottom right:**  
 Sylvia L'Écuyer, Espace musique.  
 Mississippi Cold Case, CBC Television (photo courtesy of David Ridgen).  
 L'auberge du chien noir, Télévision de Radio-Canada.  
 Stephen Lewis, Bill Clinton, Stephen Lewis: The Man Who Couldn't Sleep, CBC Television.  
 Garvia Bailey, Big City, Small World, CBC Radio One.  
 Mississippi Cold Case, CBC Television (photo courtesy of David Ridgen).  
 Royal Canadian Air Farce, CBC Television.



way of working and thinking. Another landmark is our ongoing integration of English-language News services, which is giving Canadians deeper, richer regional, national and international News on-demand, in whatever format they prefer. Also this year, CBC Television launched a new approach to program development that includes determining all of the different platforms on which a program will be used, from the beginning of the planning process. Across the organisation, we are redefining the

responsibilities of content creators and finding more efficient ways for them to collaborate and share resources. The result for audiences is better programming across all of our services.

### CONNECTING WITH NEW AUDIENCES

Here's a major challenge for CBC|Radio-Canada: how do we attract new audiences while also maintaining our traditional ones?

Technology is part of the answer – we need to be available to



### FEDERAL GOVERNMENT FUNDING OF CULTURE VERSUS FUNDING OF CBC | RADIO-CANADA, 1995-1996 TO 2003-2004

Federal Government spending on culture – excluding CBC|Radio-Canada – has increased as Government funding for CBC|Radio-Canada has declined.

Fiscal year	Federal Government expenditures on culture		CBC   Radio-Canada Government appropriation		Federal Government expenditures on culture (excluding CBC   Radio-Canada)	
	\$ millions	% change	\$ millions	% change	\$ millions	% change
1995-1996	2,920	--	1,171	--	1,749	--
1996-1997	2,760	(5.5%)	997	(14.8%)	1,763	0.8%
1997-1998	2,670	(3.3%)	806	(19.1%)	1,864	5.7%
1998-1999	2,817	5.5%	896	11.2%	1,921	3.1%
1999-2000	2,809	(0.3%)	879	(1.9%)	1,930	0.5%
2000-2001	2,954	5.2%	902	2.6%	2,053	6.3%
2001-2002	3,216	8.9%	983	9.0%	2,234	8.8%
2002-2003	3,426	6.5%	1,047	6.5%	2,379	6.5%
2003-2004	3,500	2.2%	1,066	1.9%	2,433	2.3%
Increase/(Decrease) 1995-1996 to 2003-2004	580	19.9%	(105)	(9.1%)	684	39.1%

Figures for Federal Government expenditures on culture are from Statistics Canada; figures for CBC|Radio-Canada Government appropriation are from CBC|Radio-Canada. *Analysis of Government Support for Public Broadcasting and Other Culture in Canada*. Nordicity Group Ltd., June 2006.

The highly successful debut episode of the comedy, *Little Mosque on the Prairie*, the first of the programs developed through this new process, had a viewership of 3.7 million.



audiences in as many formats as possible. But in an intensely competitive media environment, content is as critical as technology. And content is where CBC|Radio-Canada has a unique competitive advantage: no other Canadian broadcaster generates CBC|Radio-Canada's range, depth and quality of Canadian content.

When offered in a format that allows audiences to choose when and where they watch or listen, our content has a broad appeal. For example, of the over one million podcasts of CBC|Radio-Canada programs downloaded every month in 2006–2007, a majority were not music and entertainment programs, but information, science and Current Affairs programs such as *Ideas*, *Quirks and Quarks*, *Christiane Charette* and *Les années lumière*.

As well as offering existing programs in new ways, CBC|Radio-Canada is attracting new audiences by offering more of the programs they want. For example, in 2006–2007 CBC Radio launched the first phase of major program renewal based on the results of an extensive survey of what Canadians want from arts and culture programming. The first

wave of renewal, launched in March 2007, brings to CBC Radio 2 more diverse Canadian artists and musical selections, while maintaining a strong commitment to our core classical and jazz audiences. CBC Radio One has broadened its Arts and Entertainment coverage, and CBC Radio 3 continues to expand its range of emerging music and culture from Canada. Ongoing program development is having an impact: in the Spring of 2007, CBC Radio achieved a record combined audience share of 13.1 per cent (BBM).

Renewed programming has also been the key to Radio de Radio-Canada's success with audiences. *Espace musique*, successfully launched in September 2004, offers a distinctive service that presents Canada's diverse French-language musical genres and emerging talent to audiences across the country, while *Première Chaîne* features News, Public Affairs and cultural and human-interest programming. Together, these networks achieved a record-level audience share of 16.7 per cent in Spring 2007 (BBM).

### MAKING TELEVISION PROGRAMS CANADIANS WANT TO WATCH

Program renewal is especially critical for CBC Television. In English-speaking Canada, audiences watch mostly American programs. In every other Western country and in French-speaking Canada, audiences chiefly watch programs made in their own country. Many American programs are compelling and very well produced, but they do not reflect Canadian life, values, mores, and culture.

The dominance of American programs worsens the poor economics of Canadian programming. If left to pure market forces, most Canadian television programs would simply not be made; the costs of producing high-quality, prime-time television cannot be recovered, given the highly fragmented nature of the Canadian marketplace. For this reason, the Federal Government offers financial support to

#### Photos, left to right:

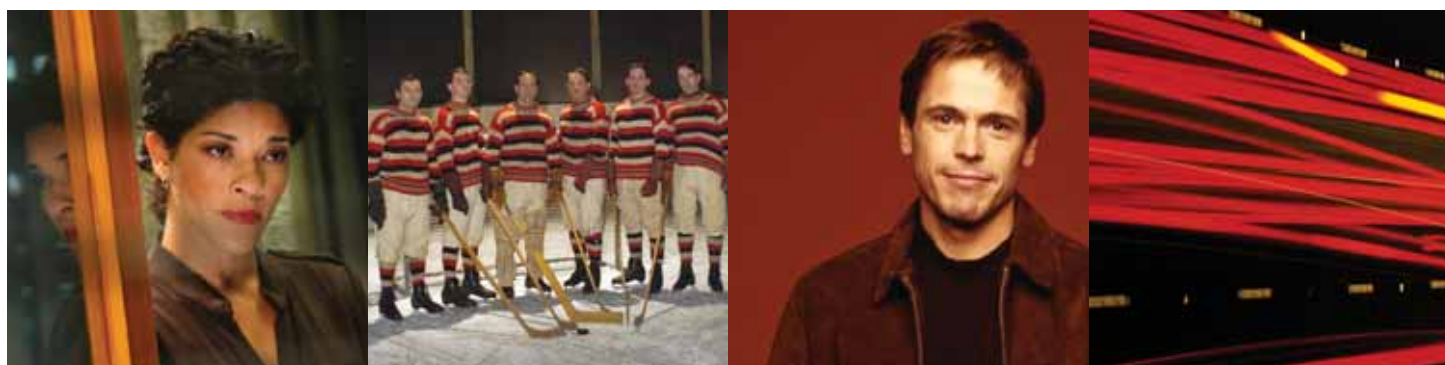
*Little Mosque on the Prairie*, CBC Television.

*Intelligence*, CBC Television.

*Hockey: A People's History/Hockey : la fierté d'un peuple*, CBC Television/Télévision de Radio-Canada.

Mark Kelley, *CBC News: The National*, CBC Television, CBC Newsworld.





independent producers of Canadian television programs, chiefly through the Canadian Television Fund, and requires all television broadcasters to include a percentage of Canadian programming in their schedules.

However, Canada's English-language, private television broadcasters present mostly American programs in prime time because these programs cost a fraction of what producing original Canadian programs costs, yet generate relatively high advertising revenues. This business model is possible because Federal Government policy protects private television broadcasters.

In fact, in 2004, private English-language television broadcasters received public benefits, tax concessions and other indirect Government support worth an estimated \$271–331 million – considerably more than the \$261 million CBC Television received in Government funding that year.

CBC Television is the only conventional broadcaster presenting a wide range of Canadian programs in prime time when Canadians are watching television. In 2005–2006, Canadian programs accounted for 80 per cent of CBC Television's prime-time schedule, compared to less than 30 per cent for the

**CBC Television is the only conventional English-language broadcaster presenting a wide range of Canadian programs in prime time when Canadians are watching television.**

**INDIRECT FEDERAL GOVERNMENT SUPPORT FOR ENGLISH-LANGUAGE TELEVISION BROADCASTERS VERSUS FUNDING FOR CBC TELEVISION, 1995–1996 TO 2003–2004**

Canada's English-language conventional television broadcasters receive more in tax concessions and other indirect Government support than does CBC Television in Government funding.

Fiscal year	Simultaneous substitution	Low-impact scenario (\$ millions)		Simultaneous substitution	High-impact scenario (\$ millions)	
		Section 19.1	Total		Section 19.1	Total
1995–1996	137	69	207	137	98	235
1996–1997	147	77	224	147	109	256
1997–1998	159	81	241	162	115	277
1998–1999	161	85	246	166	120	287
1999–2000	162	87	249	170	123	293
2000–2001	165	87	251	176	122	298
2001–2002	161	84	245	175	119	294
2002–2003	177	95	273	195	135	330
2003–2004	177	93	271	199	132	331

Nordicity estimates based on methodologies from Donner and data from the CRTC.

Some totals may not add due to rounding.

*Analysis of Government Support for Public Broadcasting and Other Culture in Canada.* Nordicity Group Ltd., June 2006.



two major private broadcasters. And in 2006–2007, CBC Television increased its original Canadian prime-time entertainment programming to 243 hours from the 150 hours presented the previous year, including 19.5 hours of new factual entertainment programming.

**CBC Television has reinforced its regional broadcasting by launching nine regional lifestyle programs, renewing and expanding its local supper hour shows, and adding regional information breaks this year.**

Of course, it is not enough simply to present Canadian programs. To be relevant, CBC Television must present programs that Canadians want to watch – and Canadians have told us that they want programs that are entertaining and engaging. To deliver these programs, CBC Television has in recent years assembled a new management team and made its program development process more rigorous.

The highly successful debut episode of the comedy, *Little Mosque on the Prairie*, the first of the programs developed through this new process, had a viewership of 3.7 million. Widely covered in both the national and international press, *Little Mosque* demonstrates that audiences will tune in to Canadian programs that address timely issues and concerns in a provocative and entertaining way.

New CBC Television programs will appear in 2007–2008 – programs that Canadians will want to talk about and will feel they must watch. Our goal is for CBC Television to be resonant in individual lives and in the culture of the country.

CBC Television’s program renewal follows a similar and remarkably successful renewal for Télévision de Radio-Canada. From 2003–2004 to 2004–2005, the network’s prime-time audience share climbed from 16 per cent to 22 per cent – a 40 per cent increase in a single year. This was achieved by a multi-year program of investing in new programs that are daring and provocative, yet have broad appeal. Many of these new programs have been runaway hits. In 2006–2007, for example, *Le match des étoiles* earned an audience share of 26 per cent.

The network continues to refine its approach to public service programming that is credible, bold and innovative, open to the world and to different perspectives. Télévision de Radio-Canada presented 17 original dramas this year, including 11 new shows, more than any other broadcaster in Canada. Nearly 30 per cent of the network’s prime-time schedule is in high definition, making it the largest broadcaster of HDTV in the market.

**CONNECTING MORE DEEPLY WITH CANADIAN COMMUNITIES**

Reflecting Canada’s regional diversity and offering a forum for local issues and concerns is a key part of CBC | Radio-Canada’s mandate. In recent years we have strengthened our regional programming and regional presence in a number of ways.

**Photos, top left to bottom right:**  
*Rumeurs*, Télévision de Radio-Canada.  
 Rick MacInnes-Rae, *Dispatches*, CBC Radio One, Sirius 137.  
 Frédéric Barbusci, *Pseudo Radio*, Télévision de Radio-Canada.  
*Le Bye Bye de RBD*, Télévision de Radio-Canada.  
 Natasha Ramsahai, *CBC News: Weather Centre*, *CBC News at Six*, CBC Television.



More than 70 years later, CBC | Radio-Canada continues to play a crucial role in maintaining Canada's cultural sovereignty and in fostering a shared sense of national identity across a vast and diverse country.

CBC Television has reinforced its regional broadcasting by launching nine regional lifestyle programs, renewing and expanding its local supper hour shows, and adding regional information breaks. The network broadcast 2,896 hours of regional programming this year. In Vancouver, the new supper hour program is part of a pilot project in which CBC News services are being integrated across Television, Radio and the Internet, in order to provide a multiplatform, interactive, on-demand, 24-hour, regionally driven and locally focused News system. Community members will have opportunities to interact with us to help determine which local stories will be covered, to help us cover those stories, and to receive their News whenever and however they want it. We plan to gradually extend this approach across Canada for our English-language News services.

CBC Radio added over 500 hours of local programming to its schedule in 2006–2007, and continued to shift national programs to the regions. The ultimate goal of CBC Radio's regional strategy is to make it possible for all Canadians – whether they live in Halifax, rural Québec, Iqaluit, or anywhere else in the country – to hear local perspectives and talent on the national public broadcaster as well

as connecting to Canada's other regions and to the world.

In June 2006, French Services proceeded with the first phase of integrating all regional Radio, Television and Internet services within one general management structure. The primary purpose of this restructuring is to strengthen CBC | Radio-Canada's roots in the regions by highlighting regional expertise and realities within our national programming and to improve services to the public in the regions. The first mission of this new structure was to develop a strategic plan, the impact of which will really begin to be felt in Fall 2007.

For Télévision de Radio-Canada, the plan is based on initiatives undertaken in recent years. Accordingly, CBC | Radio-Canada has invested in the development of high-quality regional drama series to be produced for national broadcast. These have included *Chambre no 13* in Québec City (broadcast in April 2006) and *Françœur* in Ontario, whose third season aired in 2006–2007. There will also be the New Brunswick-produced series *Belle-Baie* and other projects to be broadcast in 2008.

Radio de Radio-Canada's Première Chaîne now offers a new meeting place for the regions on Sunday afternoons –

more than 700 hours of new local programming.

Espace musique is continuing its support for the Canadian music scene by recording concerts across the country. For example, 70 per cent of the concerts recorded in Summer 2006 were held in the regions.

#### COST SAVINGS AND REVENUE GENERATION

By reducing our costs and finding new sources of revenue, CBC | Radio-Canada has been able to expand its services and renew programming despite rising production costs and Government funding that has not increased for many years. Since





CBC | Radio-Canada is one of Canada's most recognised brands, and sales of our branded products online and in our boutiques are expanding rapidly. In 2006–2007, revenues from sales of CDs, DVDs, digital downloads, books, clothing, and licensed merchandise exceeded \$10 million.



2000–2001, we have achieved one-time productivity savings and revenue increases of \$120 million and ongoing annual savings and efficiencies of \$78 million, of which \$17.5 million is achieved through self-generating revenues.

A substantial portion of this has come from our Real Estate Division. Since it was created in 2000–2001, the Division has generated more than \$107 million in new revenues and

reduced and avoided costs, including \$22.3 million in 2006–2007, through leasing and selling surplus assets, consolidating space, and reducing operating costs. By 2012–2013, the Division's total contribution, from current best practices initiatives, will rise to an estimated \$213 million. New initiatives are already being planned and will add to this contribution while continuing to modernise CBC | Radio-Canada's real estate infrastructures.

Significant savings have also come from investing in state-of-the-art systems to increase efficiency in CBC | Radio-Canada's

production and business processes. For example, new telecom and broadcast technologies have generated \$3.3 million in annual savings, and the replacement of terrestrial networks with satellite distribution for Television has generated \$5.2 in annual savings, plus an additional \$1.1 million in 2006–2007.

CBC | Radio-Canada is one of Canada's most recognised brands, and sales of our branded products online and in our boutiques are expanding rapidly. In 2006–2007, revenues from sales of CDs, DVDs, digital downloads, books, clothing, and licensed merchandise exceeded \$10 million.



**Photos, top left to right:**

- Hockeyville*, CBC Television.
- René*, CBC Television/ Télévision de Radio-Canada.
- Carl Bernier, *Bernier et cie*, Première Chaîne, Sirius 187.
- Virginie*, Télévision de Radio-Canada.
- The Rick Mercer Report*, CBC Television.
- The Rick Mercer Report*, CBC Television.

**Photos, bottom left to right:**

- Heidi Petracek, *Living East*, CBC Television.
- Gregory Charles, *Des airs de toi*, Première Chaîne, Sirius 138.



Another important source of non-advertising revenue is Galaxie, our digital commercial-free music service, which reaches nearly six million Canadian households.

### NEW FUNDING OPTIONS FOR A NEW ERA

CBC|Radio-Canada will continue to find additional savings and new revenue sources, but these will not be sufficient to fund the strategies that will allow us to continue to meet the evolving needs of Canadians and continue to invest in new technologies.

In 2006–2007, in the face of rapid and unprecedented change in the broadcasting industry and in Canadian society, Parliament and the Canadian Radio-television and Telecommunications Commission (CRTC), Canada's federal regulator, initiated reviews exploring a wide range of issues affecting both private and public broadcasting in Canada. We welcomed these reviews as an opportunity to bring clarity to what Canadians want from their national public broadcaster. They were also an opportunity to explore new approaches to providing adequate, stable, and long-term funding for CBC|Radio-Canada.

One approach would be to allow CBC|Radio-Canada, as well as other conventional television broadcasters, to become eligible for subscription revenues from cable and satellite operators. These companies do not now pay a fee when they include the conventional broadcasters' programming as part of their service to consumers. Subscription revenues would give conventional broadcasters a revenue model to supplement the traditional advertising-based model, which is failing as audiences and television advertising revenues fragment. For instance, CBC|Radio-Canada would be able to fund key priorities such as a rapid transition from analogue to digital and HDTV to ensure audiences do not abandon CBC|Radio-Canada's Television programming for American HDTV programs, and the creation of more distinctive Canadian drama, and/or increased local programming.

Subscription revenues are just one of many possible approaches to ensuring that Canadians continue to benefit from a strong, vibrant national public broadcaster.

CBC Radio added over 500 hours of local programming to its schedule in 2006–2007, and continued to shift national programs to the regions.





# HIGHLIGHTS

## CBC RADIO:

- record combined listening share of 13.1 per cent (Spring 2007 BBM);
- more than 100 major national and international awards;
- podcasting expanded – more than 20 shows offered.

## CBC TELEVISION:

- broadcast day expanded to 24 hours, seven days a week;
- *Little Mosque on the Prairie* – viewership to its first episode was 3.7 million;
- *The Rick Mercer Report* and *This Hour Has 22 Minutes* – consistently large audiences, often winning the Tuesday evening time slot in English Canada;
- *Stanley Cup Finals* – averaged 1.6 million viewers;
- *94<sup>th</sup> Grey Cup on CBC* – 2.9 million viewers;
- *Test the Nation: IQ* – nearly 1.5 million viewers on average;
- nearly 300 national and international awards.

## CBC.CA:

- number one news/media website used by Canadians, April 2006–January 2007; average audience grew by 30 per cent in 2006–2007; over three million unique visitors monthly from home (April 2006–March 2007).

## RADIO DE RADIO-CANADA:

- record-level combined audience share of 16.7 per cent (BBM Spring 2007); Première Chaîne was the most popular station in the mornings in Québec City and one of the most popular in Montréal;
- three new transmitters, broadening the network's reach in Atlantic Canada;
- *Bande à part* – over 350 concerts, 40 Television shows, 2,000 hours of Radio, thousands of website visitors since 2001; high international podcast audiences by May 2006: 12.6 per cent hits from France; 10.8 per cent from the US (WebTrends 2006).

## TÉLÉVISION DE RADIO-CANADA:

- *Tout le monde en parle* – average of 1.7 million viewers, Fall-Winter; 50 per cent audience share;
- *Rumeurs*, *Virginie* and *Le match des étoiles* – each with a weekly average of at least 25 per cent audience share;
- *L'auberge du chien noir* – weekly average of over one million viewers; 28 per cent audience share;
- *La facture*, *L'épicerie* and *Découverte* are the most popular Public Affairs shows, with audience shares ranging from 20 to 22 per cent. Each week they attract large prime-time audiences, averaging 692,000, 658,000 and 600,000 viewers, respectively.

## RADIO-CANADA.CA:

- 31 per cent of Francophones in Canada with Internet service at home log on; 40,000 pages of multimedia content; 4,000 hours of audio and video; 10,000 clips from Radio and Television archives.

## CBC | RADIO-CANADA:

- host Broadcaster for the XVI International AIDS Conference, providing host broadcast coverage and a variety of programs on CBC Newsworld, CBC Television, CBC Radio One, *CBC.ca*, RDI, Télévision de Radio-Canada, Première Chaîne, *Radio-Canada.ca*, and Radio Canada International.

**Photo above:**

*Canada vs. USSR*, CBC Television.

**Photos page 27, top left to bottom right:**

*Les étoiles filantes*,

Télévision de Radio-Canada.

*Intelligence*, CBC Television.

*Dragons' Den*, CBC Television.

Anne Godin, *Anne et compagnie*, Première Chaîne.

# MANAGEMENT DISCUSSION AND ANALYSIS →→



# KEY PERFORMANCE INDICATORS →→

CBC | Radio-Canada uses programming performance indicators to ensure that it is continuing to provide Canadians value for the money they have invested in their national public broadcaster.

Specifically, CBC | Radio-Canada monitors and evaluates the views and viewing, listening and surfing habits of Canadians to ensure that it is providing them with programming to their satisfaction and that meets their needs.

## MEASURING PERFORMANCE

The Auditor General of Canada's report on the Special Examination of CBC | Radio-Canada, released in 2005, suggested improvements in the ability of CBC | Radio-Canada's Board of Directors, the Government and the public to assess CBC | Radio-Canada's performance on a year-to-year basis. As a result, we have enhanced the strategic planning process by developing performance indicators for each of our Corporate priorities and linked them to the Corporation's main Television and Radio networks, or to individual media operations, as appropriate.

The incorporation of these performance indicators into the Corporation's planning process began in 2006 and they will be fully integrated into that process within two years.

Data collection and measurement commenced April 2006 and data for all measures are reported in this year's Annual Report. By April 2008, the performance indicator system will be fully operational and it will then be possible to examine annual performance results, performance against targets, as well as performance trends.

These changes have already enhanced the planning process and, in the longer term, should significantly increase the effectiveness of the Corporation's overall operations.

#### Photos page 29, left to right:

Manon Roy, *Zig Zag*,  
Télévision de Radio-Canada.  
Alain Gravel, *Enjeux*,  
Télévision de Radio-Canada.  
*China Rises/La Chine s'éveille*,  
CBC Television, RDI.



## CORPORATE MEASURES OF PERFORMANCE →→

CORPORATE PRIORITY	INDICATOR	2006-2007 RESULT
CONTENT	CANADIAN CONTENT	
	→ CBC Television*	
	All day	81%
	Prime time (Monday-Sunday, 7:00-11:00 p.m.)	80%
	→ Télévision de Radio-Canada*	
	All day	82%
	Prime time (Monday-Sunday, 7:00-11:00 p.m.)	88%
	→ CBC Radio	
	All day	99%
	Prime time (Monday-Friday, 6:00-9:00 a.m.)	100%
	→ Radio de Radio-Canada	
	All day	100%
	Prime time (Monday-Friday, 6:00-9:00 a.m.)	100%
	NUMBER OF AWARDS	
	CBC Television	288
	Télévision de Radio-Canada†	29
	CBC Radio	121
	Radio de Radio-Canada	6
DISTINCTIVENESS		
→ Main Television and Radio networks		90%
<small>* Based on previous broadcast year, September 2005-August 2006.            † Internal productions only.</small>		





CORPORATE PRIORITY	INDICATOR	2006-2007 RESULT
REGIONAL REFLECTION AND THE CHANGING FACE OF CANADA	Programs produced in regions for regions	83,775 hours
	Programs produced in regions for network	12,642 hours
	CBC   Radio-Canada usage by visible minority [18+]	87%
	Visible minority staff CBC   Radio-Canada	Number of staff 528 (excludes short-term employees)
SUSTAINABILITY OF CANADIAN SCHEDULES	Television advertising revenue	\$315 million*
	Expenditures on Canadian programming	95% of programming budget
EFFICIENCY	Self-generated revenues	\$110 million†
	Programming expenditures	82% of total budget
CREATIVE HUMAN RESOURCES	Commitment to training and development CBC   Radio-Canada	\$ per employee 1,013
	Employee satisfaction (periodic) CBC   Radio-Canada	Index 85% (2004 employee survey)

\* Only the main networks; excluding Internet revenues.  
 † Includes primarily Galaxie, CBC Country Canada, Internet, and program sales, but not advertising revenues.



CORPORATE PRIORITY	INDICATOR	2006-2007 RESULT
STRATEGIC PARTNERSHIPS	Joint ventures/partnerships CBC   Radio-Canada	6
COLLABORATION	Expenditures on cross-media programming	\$10,335,070
STRONG STAKEHOLDER RELATIONSHIPS	Opinion leaders' overall impression of CBC   Radio-Canada*	77% favourable
	Opinion leaders' general impression of CBC   Radio-Canada as being an essential service*	78% agreement
	Canadians' satisfaction levels with main Television and Radio networks	89%
	Relevance to stakeholders	Percentage of Canadians using our services† 86%

\* CBC|Radio-Canada Opinion Leader Survey, April 2006, conducted by Phoenix Strategic Perspectives Inc.  
† Usage of main Television, Radio and websites.



**Photos, top left to bottom right:**  
 Heather Hiscox, *CBC News: Morning*, CBC Television, CBC Newsworld.  
 Errol Duchaine, *La semaine verte*, Première Chaîne, Télévision de Radio-Canada, *Radio-Canada.ca*, Sirius 187.  
*The Doodlebops*, CBC Television.  
 René Simard, *L'heure de gloire*, Télévision de Radio-Canada.  
*Kif-Kif*, Télévision de Radio-Canada.  
*Grandmothers' Gathering*, International AIDS Conference, Toronto, CBC|Radio-Canada.  
*Lunar Jim*, CBC Television.

**Photo, bottom of page:**  
Kathleen Petty, *Ottawa Morning, The House*, CBC Radio One, Sirius 137.

**Photos page 33, top to bottom:**  
*Les hauts et les bas de Sophie Paquin*, Télévision de Radio-Canada.  
*Providence*, Télévision de Radio-Canada.  
Peter Mansbridge, *CBC News: The National*, CBC Television, CBC Newsworld.  
Joane Arcand, *Dimanche Magazine*, Première Chaîne, Sirius 138.  
*War of the Sexes*, CBC Television.

# MEDIA LINES' GOALS AND ACHIEVEMENTS →→

CBC | Radio-Canada delivers a comprehensive range of News, information, entertainment, and sports programs via 28 services. It is the only Canadian broadcaster delivering Radio, Television, Internet, and satellite-based services, in both English and French plus eight Aboriginal languages, to all Canadians. The Corporation's broadcasting reach extends across Canada and around the world, offering high-quality, distinctive content by, for and about Canadians, however and wherever they want it.

## ENGLISH SERVICES →→

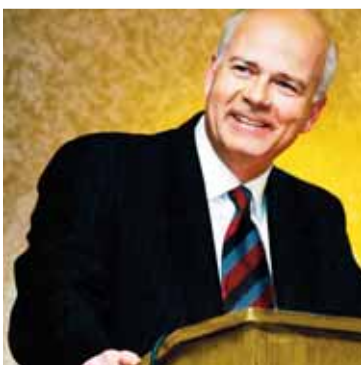
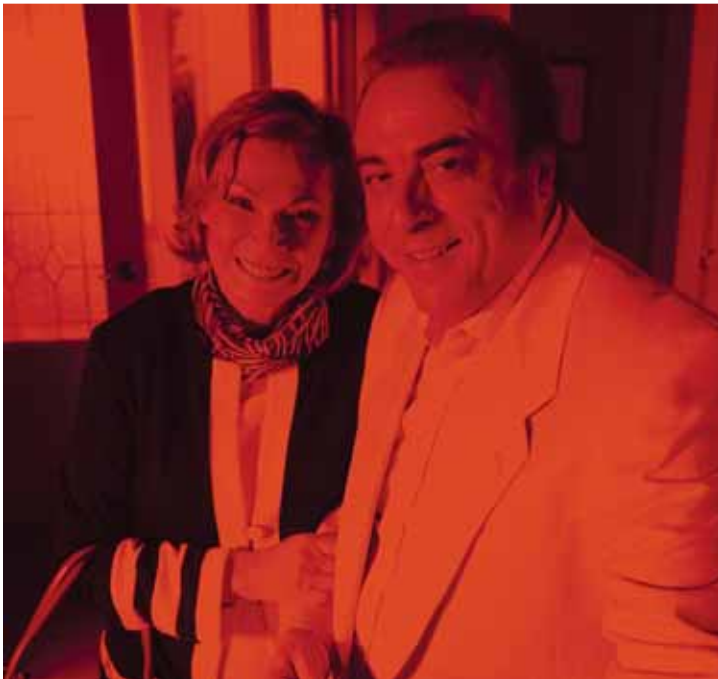
**CBC Television** encompasses 16 conventional, over-the-air stations across the country, and our wholly owned Specialty Services, CBC Newsworld and CBC Country Canada. All of these services report to the Executive Vice-President of CBC Television. The Corporation is also a partner in The Documentary Channel.

**CBC Radio** comprises CBC Radio One, CBC Radio 2 and CBC Radio 3. CBC Radio One and CBC Radio 2 are terrestrial, over-the-air services that reach more than 97 per cent of Canadian homes on AM or FM. CBC Radio 3 is a music channel delivered by Sirius Satellite Radio Channel 94 and the Internet.

**CBC.ca** is an English-language Internet service carrying our Radio and Television content, unique New Media and Corporate information. More than three million Canadians visit *CBC.ca* each month, making it among the most popular Canadian news and information websites.

Our English services are described in detail on pages 14–15.







## CBC TELEVISION →→

CBC TELEVISION 2006-2007 GOALS		CBC TELEVISION 2006-2007 ACHIEVEMENTS
AUDIENCE GROWTH	→ Increase prime-time share to 8.5%.	→ Average prime-time share is 7.4%.
ENTERTAINMENT STRATEGY	→ Increase prime-time entertainment from 150 to 175 hours.  → Establish two hit series.	→ Exceeded target with prime-time entertainment increasing to 223.5 hours, with an additional 19.5 hours of factual entertainment programming for a total of 243 hours. → <i>Little Mosque on the Prairie</i> a bona fide hit. <i>Dragons' Den</i> performed well.
NEWS STRATEGY	→ Continue implementing CBC News Integration and the CBC News Study.	→ Significant progress, including the creation of an integrated world affairs unit and the launch of <i>myCBC</i> in Vancouver.
REGIONAL STRATEGY	→ Launch development projects in four markets.  → Renew our commitment to broadcasting in the regions by presenting authentic regional voices on social, political and cultural matters.	→ An overhaul of broadcasting in the regions is underway. Nine regional lifestyle programs, 14 daily regional breaks and sixty-minute regional supper hour programs were launched, as well as <i>myCBC</i> . → Increase to 100 minutes, from 30 minutes, per day of regional programming.
MULTI-PLATFORM STRATEGY	→ Integrate approach to commissioning and creating content for all platforms.	→ Negotiations continued with independent producers and content providers for broadcast content for all platforms. → Multiple platforms are a key aim of <i>myCBC</i> .

**Photo left:**  
George Stroumboulopoulos,  
*The Hour*, CBC Television,  
CBC Newsworld.

**Photo right:**  
*What It's Like Being Alone*,  
CBC Television.



**CBC TELEVISION  
2006-2007 GOALS**

**CBC TELEVISION  
2006-2007 ACHIEVEMENTS**

**SOUND FINANCIAL  
MANAGEMENT  
AND CULTURE OF  
ACCOUNTABILITY**

- Do not exceed CBC Television budget of \$517.5 million.
- Achieve revenue target of \$210 million.
- Redirect resources to top priorities (e.g.: Entertainment Strategy).
- Establish and use metrics, targets and regular reporting.
- Engender a culture that is accountable for delivering brilliant programming to audiences.
- Reward risk-taking and success.
- Give programmers the tools they need.

- Achieved, as actual results of \$522.3 million are below final budget of \$522.4 million.  
N.B.: The original target was subsequently increased with further budget releases to \$522.4 million. Actual final costs are \$522.3 million.
- Achieved \$205 million in revenues.
- In 2006-2007, resources were redirected to the top priority, adding more than 60 hours of Canadian entertainment programming to the schedule.
- Metrics and targets have been established. Performance is measured on a continuous basis in all programming areas.

**TWO-WAY  
COMMITMENT  
WITH EMPLOYEES**

- Encourage dialogue, engagement, creativity, and loyalty.
- Promote wellness, civility and diversity in the workplace.
- Ensure consistent performance management and succession planning.

- Continued *Town Hall* discussions between executive management and employees.
- First of the wellness initiatives rolled out across the country (stress workshop).
- Full compliance with the performance management program.

**PUBLIC VALUE**

- Differentiation target: maintain ratio.

- Achieved.



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## CBC TELEVISION FUTURE DIRECTIONS

### ENTERTAINMENT (DRAMA, COMEDY, FACTUAL ENTERTAINMENT, PERFORMING ARTS)

- Develop more programs that reflect the current strategy.
- Focus on more series-based programs that appeal to a broader range and number of Canadians.

### CBC: WHEN, WHERE AND HOW YOU WANT IT

- Build a multi-platform strategy focusing on programming and functionality.
- Content: we are channeling our efforts into News, Entertainment and Sports.
- Technical: moving towards a Web 2.0 environment, providing audiences with the ability to comment on items, rate them, and link to them from their blog or website, to subscribe to specific types of content, to search for specific video content, and to submit user-generated content.

### CBC NEWS: MAKING AN OUTSTANDING SERVICE EVEN BETTER

- Build a fully integrated News service that is deeply local, embraces the principles of civic journalism and provides Canadians with the News and information they want via whatever medium they choose.





**Photos page 36, top to bottom:**  
*Little Mosque on the Prairie*,  
 CBC Television.  
 Jaeny Baik, *Living Winnipeg*,  
 CBC Television.  
**Photo right:**  
 Wab Kinew, *Shaken Not Stirred*,  
 CBC Radio One.



## CBC RADIO →→

	<b>CBC RADIO 2006-2007 GOALS</b>	<b>CBC RADIO 2006-2007 ACHIEVEMENTS</b>
<b>EXPANDED REGIONAL PROGRAMMING</b>	<ul style="list-style-type: none"> <li>→ CBC Radio will deliver the authentic social, political and cultural voice of each region, and service to places currently unserved.</li> </ul>	<ul style="list-style-type: none"> <li>→ Increase of over 500 hours of local programming, compared to last year.</li> <li>→ Hundreds of hours of network programming decentralised out of Toronto into the regions.</li> <li>→ Expanded afternoon coverage in Ottawa and Montréal.</li> </ul>
<b>ENSURING PROGRAMMING RELEVANCE</b>	<ul style="list-style-type: none"> <li>→ CBC Radio is committed to airing inspiring, innovative and excellent programming. National and international awards target: 100.</li> <li>→ CBC Radio is committed to growing audiences. Audience reach target: 3.8 million. Audience share target: 12.2%.</li> <li>→ CBC Radio is committed to reflecting the diversity of contemporary Canadian society.</li> </ul>	<ul style="list-style-type: none"> <li>→ More than 100 major national and international programming awards, including Broadcaster of the Year (New York Festivals).</li> <li>→ Audience reach target achieved: 3.8 million. Audience share target exceeded: at least 13%.</li> <li>→ Diversity targets established and met.</li> </ul>
<b>RENEWAL AND RE-INVENTION</b>	<ul style="list-style-type: none"> <li>→ CBC Radio will produce cultural content reflecting the needs of the Canadian public, based on results of the Corporation's Arts and Culture Study; launch a new strategy for Arts and Entertainment programming for CBC Radio One, CBC Radio 2 and CBC Radio 3; redevelop CBC Radio 2 to preserve its valued past while expanding the breadth of emerging talent on its airwaves; and deliver CBC Radio on satellite radio and through podcasting and downloading.</li> </ul>	<ul style="list-style-type: none"> <li>→ Phase One of CBC Radio 2 redevelopment launched with expanded opportunity for new Canadian composers, more regional live performance on the schedule while maintaining strong commitment to the existing classical audience.</li> <li>→ New high-profile Arts journalism program introduced.</li> <li>→ High-profile dramatic productions launched, to audience acclaim.</li> <li>→ Podcasting program expanded to more than 20 shows.</li> </ul>
<b>HIGH LEVELS OF LISTENER SATISFACTION FOR CBC RADIO ONE</b>	<ul style="list-style-type: none"> <li>→ Satisfaction target: 67%.</li> <li>→ Essential target: 85%.</li> <li>→ Ethnically/culturally diverse target: 65%.</li> </ul>	<ul style="list-style-type: none"> <li>→ Satisfaction achieved: 59%.</li> <li>→ Essential achieved: 83%.</li> <li>→ Ethnically/culturally diverse achieved: 64%.</li> </ul>



## CBC RADIO 2007–2008 FUTURE DIRECTIONS

### PROGRAM DEVELOPMENT AND REDEVELOPMENT OF CBC RADIO 2

- Continued renewal and rebirth. Redevelopment of CBC Radio 2 as a music network reflecting the breadth of Canadian music and musicians, targeting adult music audiences. CBC Radio One will refocus as the primary source for News, talk and culture with values of intellectual engagement and context. CBC Radio 3 will further develop its niche as the source for adventurous contemporary Canadian music on all platforms.

### NEWS INTEGRATION AND *myCBC*

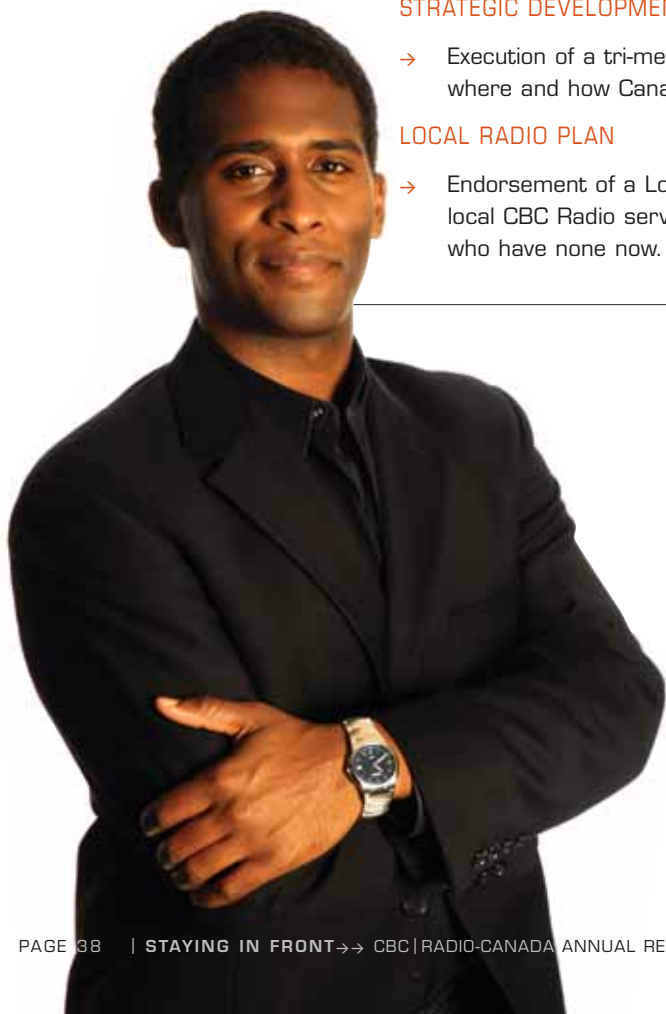
- Implementation of a tri-medial strategy strongly rooted in the regions to serve Canadians with relevant News and information informed by local perspectives.

### STRATEGIC DEVELOPMENT ON NEW PLATFORMS

- Execution of a tri-medial plan to deliver programming when, where and how Canadians want to receive it.

### LOCAL RADIO PLAN

- Endorsement of a Local Radio Plan; 12 new stations to bring local CBC Radio service to six million English-speaking Canadians who have none now.



Photos page 38, top left to bottom:  
 Anna Maria Tremonti, *The Current*,  
 CBC Radio One, Sirius 137.  
 Adrian Harewood, *All In A Day*,  
 CBC Radio One.



## CBC.CA →→

### CBC.CA 2006-2007 GOALS

### CBC.CA 2006-2007 ACHIEVEMENTS

<p>→ Continue growing <i>CBC.ca</i>'s audience.</p>	<p>→ <i>CBC.ca</i> continues to attract new audiences among new and established Internet users and was the number one news/media website used by Canadians between April 2006 and January 2007. The average audience to <i>CBC.ca</i> grew by 30 per cent in 2006-2007, well ahead of the growth to the Canadian Internet population and growth targets.</p>
<p>→ Focus on core strengths: relevant and popular content.</p>	<p>→ In September 2006, <i>CBC.ca</i> launched new journalistic sections focused on technology and consumer information. Both have attracted large audiences, exceeding their targets by 95% and 263%, respectively. <i>CBC.ca</i> also revamped its health section, increasing traffic by 29% since relaunching.</p> <p>→ <i>CBC.ca</i> launched a new video section prominently on the front page of <i>www.CBC.ca</i>. This significantly improved video quality and increased viewing of video content by 150%, to more than two million streams per month.</p>
<p>→ Continue improving the user experience.</p>	<p>→ <i>CBC.ca</i> relaunched its website in June 2006 with a new, user-friendly design, resulting in improved performance, better access to content, better usability, improved brand consistency, and increased visitor traffic. In the annual Total Audience Survey conducted in 2006, 91% of the 10,000 <i>CBC.ca</i> users polled rated it as excellent or very good.</p>
<p>→ Increase revenues.</p>	<p>→ As of January 2007, <i>CBC.ca</i> had already brought in double the revenue targeted for the full fiscal year. Compared with 2005-2006, revenues to the website were up 350%.</p>



**CBC.CA  
2006-2007 GOALS**

- Promote CBC Television and CBC Radio programs.

**CBC.CA  
2006-2007 ACHIEVEMENTS**

- *CBC.ca* designed and built websites for several new Television and Radio programs, including *Dragons' Den*, *Test the Nation*, *The Greatest Canadian Invention*, and *Hockey: A People's History*. *CBC.ca* also developed a new website for the relaunch of CBC Radio 2. Traffic to CBC Television and CBC Radio program pages on *CBC.ca* have grown by 19% and 13%, respectively, since 2005-2006.

**CBC.CA FUTURE DIRECTIONS**

INCREASE *CBC.CA* TRAFFIC BY CONTINUING TO FOCUS ON CORE STRENGTHS: IMPORTANT AND POPULAR PROGRAMMING.

IMPLEMENT WEB 2.0 AND THE MEDIA PLAYER.

- Increase the amount of Television and Radio programming available online through streaming.
- Continue to improve *CBC.ca's* ability to target and measure audience.
- Improve the audience's ability to engage with *CBC.ca* content through commenting, voting and submitting content.

INCREASE REVENUES.

SUPPORT THE DEVELOPMENT AND IMPLEMENTATION OF A MULTI-PLATFORM STRATEGY.

INCREASE SITE STABILITY AND RELIABILITY.

**Photos, top to bottom:**  
 Michel Cormier,  
 Télévision de Radio-Canada,  
 CBC News.  
 Carole Trahan, Espace musique.



## FRENCH SERVICES →→

CBC|Radio-Canada's French Services comprise Télévision de Radio-Canada, Réseau de l'information de Radio-Canada (RDI), Première Chaîne, Espace musique, Bande à part, Radio Canada International (RCI), RCI viva, and *Radio-Canada.ca*. All of these services report to the Executive Vice-President for French Services. This integrated approach facilitates the development of a global vision of French Services that recognises the individual strengths and distinctive character of each media line while promoting the overarching goal of improving the quality of the democratic and cultural life of Canadians. The Corporation is also a partner in ARTV and TV5Monde.

French Services are described in detail on pages 14–15.

### FRENCH SERVICES 2006–2007 GOALS

**A GLOBAL VISION** → Integrate services to enrich offerings on all platforms and to ensure that activities are managed consistently and responsibly.

### FRENCH SERVICES 2006–2007 ACHIEVEMENTS

- Several inter-media projects came together successfully. For example, *La semaine verte*, the popular Television program on the environment, food, agriculture, fishing, and forests, is now featured on Première Chaîne and *Radio-Canada.ca*.
- Several administrative services were integrated, including Finance, Operations and Communications, to ensure greater consistency.





**FRENCH SERVICES  
2006–2007 GOALS**

**FRENCH SERVICES  
2006–2007 ACHIEVEMENTS**

**A RASSEMBLEUR  
PUBLIC  
BROADCASTER**

- Reach Télévision de Radio-Canada audience appreciation target of 6.7 (out of 10).
- Reach combined audience share target for Télévision de Radio-Canada and RDI of 15%–20%.
- Reach combined audience share target for Première Chaîne and Espace musique of 14%–16%.

- Target achieved: 6.6 (out of 10).
- Target achieved: 15.9%.
- Target achieved: 15.2% in Fall 2006. Exceeded in Spring 2007, at 16.7%.
- *Radio-Canada.ca* remained among the country's most popular French-language media websites. From April to December 2006, the site received an average of 1.5 million unique visitors among Francophones with Internet service at home (comScore Media Metrix), up 2% from last year. The site broke a record for hits with 1,974,000 unique visitors (37.5%) of Francophones with Internet service at home.

**RELIABLE,  
HIGH-QUALITY  
INFORMATION**

- Strengthen information on our airwaves.

- In June 2006, Radio-Canada integrated its information services with the aim of ensuring that the strategies, editorial directions and major operations would enhance the credibility and quality of information at Radio-Canada, in keeping with the personality of the networks.
- Since the Fall of 2006, Télévision de Radio-Canada has offered a new forum for News, *Le téléjournal/Matin*, weekdays at 8:00 a.m.
- Since August 2006, RDI has changed direction and offers all-News programming live. Under the guidance of our three anchors, our News teams across Canada create a dynamic force that has made RDI *the* French-language News source throughout the day.



**Photo left:**  
*La galère*, Télévision de Radio-Canada.

**Photo right:**  
*Les pieds dans la marge*,  
 Télévision de Radio-Canada.

**FRENCH SERVICES  
 2006–2007 GOALS**

**FRENCH SERVICES  
 2006–2007 ACHIEVEMENTS**

<p><b>RELIABLE,                  HIGH-QUALITY                  INFORMATION                  (CONTINUED)</b></p>	<p>→ Strengthen information on our airwaves. (Continued)</p>	<p>→ Première Chaîne presents a revamped version of <i>Désautels</i>, airing 3:00–5:00 p.m. in the Montréal market, and going national thereafter.</p> <p>→ At <i>Radio-Canada.ca</i>, users can view or hear most News and Current Affairs programs (Radio and Television) in a new section called <i>Radio-Canada sur demande</i>.</p>
<p><b>RICH, DIVERSE                  CULTURAL                  PROGRAMMING</b></p>	<p>→ Improve our cultural programming.</p>	<p>→ Télévision de Radio-Canada presented 17 original dramas this year, including 11 new shows, more than any other broadcaster in Canada. A new weekly prime-time cultural magazine, <i>Prochaine Sortie</i>, was launched in Fall 2006.</p> <p>→ Christiane Charette returned to Première Chaîne with a new talk show concerning culture and society. Première Chaîne continues to air prestigious series and contemporary-idea programming in its late evening time slot.</p>
<p><b>ROOTED IN                  THE REGIONS</b></p>	<p>→ Create stronger regional roots for our services.</p>	<p>→ In June 2006, French Services proceeded with the first phase of integrating all regional Radio, Television and Internet services within one general management structure. The primary purpose of this restructuring is to strengthen CBC Radio-Canada’s roots in the regions by highlighting regional expertise and realities within our national programming and to improve services to the public in the regions. The first mission of this new structure was to develop a strategic plan, the impact of which will really begin to be felt in Fall 2007.</p>



**FRENCH SERVICES  
2006-2007 GOALS**

**FRENCH SERVICES  
2006-2007 ACHIEVEMENTS**

<p><b>ROOTED IN THE REGIONS (CONTINUED)</b></p>	<ul style="list-style-type: none"> <li>→ Télévision de Radio-Canada – produce weekly hours of regional programs for network, averaged annually: target of 7.</li> <li>→ Radio de Radio-Canada – maintain level of investment in regional production: target of 45%.</li> </ul>	<ul style="list-style-type: none"> <li>→ On target.</li> <li>→ Achieved: 50%.</li> <li>→ Since the Fall of 2006, Première Chaîne has offered a new program on Sunday afternoons for each of the country's major regions.</li> <li>→ Of the concerts recorded by Espace musique, a large number are in the regions. Indeed, 70% of the 108 concerts recorded during Summer 2006 were in the regions. Among Espace musique listeners, 30% live outside Québec and 67% live outside Metropolitan Montréal.</li> </ul>
<p><b>A MEETING PLACE FOR YOUNG PEOPLE</b></p>	<ul style="list-style-type: none"> <li>→ Continue implementation of the youth strategy.</li> </ul>	<ul style="list-style-type: none"> <li>→ Télévision de Radio-Canada developed an approach for children and youth audiences based on the interests, availability and needs of the different age groups. Of note are two new programs for teens: <i>Kif-Kif</i>, a daily serial, and <i>Les pieds dans la marge</i>, a weekly comedy.</li> </ul>
<p><b>A STAGE FOR CANADIAN PERFORMERS</b></p>	<ul style="list-style-type: none"> <li>→ Promote Canada's music talent across all our platforms.</li> <li>→ Radio de Radio-Canada – record concerts and shows: target of 350.</li> </ul>	<ul style="list-style-type: none"> <li>→ Espace musique's <i>Sacré talent!</i>, which introduces a promising Francophone singer every month, last Fall joined with Télévision de Radio-Canada's <i>L'heure de gloire</i>, a new music show hosted by René Simard, to feature a performance by the singer of the month.</li> <li>→ 310 concerts and shows recorded.</li> </ul>





**Photo right:**  
Normand Brathwaite,  
*Le match des étoiles*,  
Télévision de Radio-Canada.

**FRENCH SERVICES  
2006–2007 GOALS**

**FRENCH SERVICES  
2006–2007 ACHIEVEMENTS**

<b>AT THE FOREFRONT OF NEW TECHNOLOGIES</b>	<ul style="list-style-type: none"> <li>→ Remain at the forefront of new technologies.</li> </ul>	<ul style="list-style-type: none"> <li>→ Since Fall 2006, nearly 30% of prime-time programs on Télévision de Radio-Canada have been in high definition, making the public broadcaster Canada’s biggest producer of HD programming in French.</li> </ul>
<b>FINANCIAL</b>	<ul style="list-style-type: none"> <li>→ Télévision de Radio-Canada – invest percentage of financial resources in programming: target of 82%.</li> <li>→ Télévision de Radio-Canada and RDI – meet advertising revenue target of \$120 million.</li> <li>→ Maintain the Canadian Television Fund envelope for CBC Radio-Canada French Services at level of previous years (approximately \$23 million).</li> </ul>	<ul style="list-style-type: none"> <li>→ On target.</li> <li>→ On target.</li> <li>→ Achieved: \$25.2 million.</li> </ul>

**FRENCH SERVICES FUTURE DIRECTIONS**

**STRATEGIC PRIORITY: CONTINUE TO OFFER PROGRAMMING THAT IS INNOVATIVE, RASSEMBLEUR, HIGHLY DISTINCTIVE, AND TOP QUALITY.**

- Strengthen Télévision de Radio-Canada’s positioning.
- Pursue the Radio development strategy.
- Showcase an original, innovative Web offering.
- Consolidate French Services’ regional roots.
- Revitalise the Radio-Canada Sports brand.
- Strengthen Radio-Canada’s impact as a News source.
- Propose intermedia projects that capitalise on the group’s strength nationally and in the regions.



## GALAXIE →→

### GALAXIE 2006-2007 GOALS

- Optimise and ensure the long-term profitability of Galaxie.
- Position Galaxie as Canada's premier audio programmer and the reference production company for niche music formats.
- Contribute to the public broadcaster's cultural mandate by promoting and extending the CBC | Radio-Canada brand and values.

### GALAXIE 2006-2007 ACHIEVEMENTS

- Galaxie is available to nearly six million subscribers, with up to 51% using the service at least once per month.
- A broadband service has been developed and plans are underway to launch with several partners.
- Increased penetration to commercial customers.
- Latest survey indicates that Galaxie consistently delivers in excess of 90% satisfaction levels.
- International-language channels have been developed that will be launched in 2007.
- Consistently delivering Canadian content levels at 35% or more across the total Galaxie channels.
- Focus on new artists through the Rising Stars Program as a part of the Canadian Talent Development.

## GALAXIE FUTURE DIRECTIONS

INCREASE THE NUMBER OF SUBSCRIBERS THROUGH NEW PLATFORMS AND RENEWAL OF EXPIRING AFFILIATION DEALS.

INTRODUCE SERVICE ENHANCEMENTS SUCH AS ON-SCREEN DISPLAYS, THAT MAY BE REVENUE-GENERATING.

ATTRACT NEW AUDIENCES THROUGH THE LAUNCH OF AN INTERNET SERVICE AND THE DELIVERY OF MUSIC THROUGH NEW PLATFORMS.

GROW THE COMMERCIAL BACKGROUND MUSIC BUSINESS TO INCREASE GALAXIE'S FINANCIAL PROFITABILITY.

CONTINUE TO DELIVER HIGH-QUALITY PROGRAMMING AND ENSURE THAT AUDIENCE SATISFACTION LEVELS CONTINUE TO EXCEED 90 PER CENT.



## RADIO CANADA INTERNATIONAL →→

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

RCI 2006–2007 GOALS	RCI 2006–2007 ACHIEVEMENTS
<ul style="list-style-type: none"> <li>→ Offer programming designed for newcomers to educate them about Canada, its values and its social, economic and cultural life.</li> </ul>	<ul style="list-style-type: none"> <li>→ Enriched programming in the languages common to RCI and these communities.</li> <li>→ RCI plus broadcast on Sirius Satellite Radio Channel 188.</li> <li>→ Launch of RCI viva, the new RCI Internet service aimed at recent and aspiring immigrants to Canada.</li> </ul>
<ul style="list-style-type: none"> <li>→ Solidify partnerships with local radio stations abroad.</li> </ul>	<ul style="list-style-type: none"> <li>→ Co-productions with: Radio Cadena Nacional (Colombia) and <i>Zone libre</i>; Radio Netherlands in Cuba; Radio Nacional de Argentina; Radio Cultura de Sao Paulo (Brazil); Radio Oxyjeunes (Dakar, Senegal); and four stations in China (China National Radio, Chongqing Radio, Radio Beijing, Hainan Radio).</li> <li>→ 400 partner stations rebroadcast RCI content worldwide.</li> </ul>
<ul style="list-style-type: none"> <li>→ Use emerging technologies to attract new audiences.</li> </ul>	<ul style="list-style-type: none"> <li>→ RCI programs now offered as podcasts.</li> </ul>

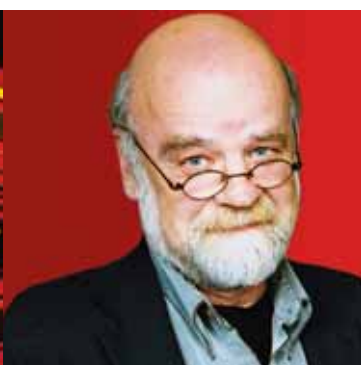
## RCI FUTURE DIRECTIONS

PURSUE RCI'S MISSION WORLDWIDE.

HELP RCI VIVA TAKE ROOT IN CANADA'S CULTURAL COMMUNITIES BY STRENGTHENING NEW PROGRAMMING; INCREASING AWARENESS ABOUT RCI VIVA; AND NURTURING NEW TALENT FROM THESE COMMUNITIES.

## CBC | RADIO-CANADA ON THE INTERNATIONAL SCENE

CBC | Radio-Canada has an international mission to increase understanding of Canadian values, culture and social and economic life. This year, in addition to broadcasting via Radio Canada International and RCI viva, CBC | Radio-Canada helped public broadcasters in developing countries, providing a one-year strategic support program with the Broadcasting Corporation of the Bahamas; public broadcasting training in Haiti and Algeria; and courses on journalistic ethics (Democratic Republic of Congo), election coverage (Haiti, Ivory Coast) and health journalism for public broadcasters attending the International AIDS Conference in Toronto.



# REGIONAL REFLECTION, DIVERSITY AND SERVING THE COMMUNITY →→

As Canada's national public broadcaster, CBC | Radio-Canada creates and broadcasts high-quality programming that reflects the country's different regions and its increasing diversity and evolving culture. The Corporation also maintains a strong presence in communities. CBC | Radio-Canada's strategic priorities support this emphasis.

CBC | Radio-Canada invests in the regions by posting journalists in nearly 70 Canadian communities and covering, in-depth, the local and regional stories that matter to audiences; featuring local speakers and perspective; and sharing stories with national audiences, to connect citizens across the country.

We are the only Canadian broadcaster to air programs in English and French across the country, in eight Aboriginal languages in the North, in nine languages around the world on Radio Canada International, and in eight languages on RCI viva for new and aspiring Canadians.

We continually evaluate our programming to ensure that it meets Canadians' expectations, and we innovate and improve when funding allows. For instance, in January 2007, CBC Television launched nine regional, daytime, lifestyle programs across the country, each exploring and showcasing communities and putting a regional focus on better living for Canadians. CBC Radio added 500 hours of local programming to the schedule this year by expanding drive-home programs to accommodate different needs in different cities. To round out its Arts and Entertainment coverage on regional newscasts, Télévision de Radio-Canada aired *Art circuit*, a magazine devoted to cultural life across the country, live out of Ottawa. Since the Fall of 2006, Première Chaîne has aired a new Sunday afternoon show for listeners in each of the country's main regions. It aims to couple the information citizens need (News, traffic and weather) with a musical line-up that both entertains and expands their horizons.

**Photos page 48, top to bottom:**

*49th and Main*, CBC Television.

*Francoeur*,  
Télévision de Radio-Canada.

Serge Bouchard,  
*Des idées plein la tête*,  
Première Chaîne, Sirius 138.

*Grandmothers' Gathering*,  
International AIDS Conference,  
Toronto, CBC | Radio-Canada.



**Photos, top left to bottom right:**

Yves-G rard M hou-Loko, *Caf -show*, Premi re Cha ne.  
*Grandmothers' Gathering*,  
 International AIDS Conference,  
 Toronto, CBC|Radio-Canada.  
 Jacques Bertrand, *Macadam Tribus*,  
 Premi re Cha ne, Sirius 138.  
*the fifth estate*, CBC Television,  
 CBC Newsworld.  
 Sheila Rogers, *Sounds Like Canada*,  
 CBC Radio One, Sirius 137.  
 Jian Ghomeshi, *Q*, CBC Radio One,  
 Sirius 137.

To ensure that we reflect contemporary Canada on-screen and behind-the-scenes, we have a number of initiatives, including the following:

- In early 2007, CBC Television's *Express Diversity*, CBC Radio's *Diversity: Reflecting Canada Today* and Human Resources' *Diversity* plan were joined to create *Diversity Advantage*, which describes the strategic projects and collaborative effort aimed at making CBC Radio and CBC Television the most relevant broadcaster to the most diverse public in Canada's history. Next steps include strategic hiring, programming, community outreach, promotions, and audience growth. Local newsrooms are transforming to better reflect the visible and audible diversity of audiences; while at a network level, Arts and Entertainment and Documentaries are coordinating training and mentoring opportunities for emerging writers and producers of diverse backgrounds. Strides are being made at measuring the on-air reflection of visible diversity, Aboriginal peoples and people with disabilities. A coordinated network and Human Resources plan aimed at increasing Aboriginal coverage and employees is currently in development and considerable efforts will be made towards improving retention of Aboriginal employees.
- CBC Radio's Redevelopment of CBC Radio 2 is designed to accurately reflect Canadian music and musicians for an adult audience, increasing the diversity of artists and musical selections while maintaining a strong commitment to the core classical and jazz audiences.
- Over 30 cross-cultural initiatives involve CBC|Radio-Canada's English and French services, helping to create synergy and foster productive inter-media exchanges while bringing communities closer together and raising awareness of their respective realities. Some of these initiatives take the form of special programming centred on specific themes. For example, the *Canadian Songwriters Hall of Fame* special is an annual bilingual presentation honouring both French- and English-Canadian songwriters, airing on both Espace musique and CBC Radio 2, with hosts from both networks. Other significant initiatives this year included *Hockey: A People's History*; the mini-series, *Ren *; the production and telecast of English versions of Radio-Canada drama series; and arts programming, including the co-produced Governor General's Performing Arts Awards.



- This year, Télévision de Radio-Canada strengthened its reflection of Canada's myriad regional perspectives and characteristics in its News and information service.
- Espace musique brought audiences an even more musically diverse environment through partnerships with cultural communities for events like Le festival du monde arabe and Nuits d'Afrique, and through support for homegrown talent via programs like *Sacré talent!*
- As part of our diversity initiatives, hundreds of CBC|Radio-Canada managers were trained in *Leading Diversity*. Programs will be developed on *Recruiting and Managing for Diversity* and *Chasing Diversity*. All of these initiatives are critical in helping the Corporation to more effectively serve a changing Canada.

For 70 years, CBC|Radio-Canada has been a vital member of the communities we serve. Every day, we are part of Canada's experience, and not just on our airwaves. We seek out programming opportunities by playing an active role in hundreds of community events, festivals, literary and artistic competitions, and fundraising events all over the country. During the 2006 holiday season alone, CBC|Radio-Canada helped collect donations of cash and food for local communities, with a value exceeding \$2.5 million.

In recent years, we have worked to strengthen our integration into the community even more fully, and to boost professional collaboration, resource-sharing and efficiency, by bringing together all of our media lines under one roof in the heart of three communities: Edmonton, Québec City and Ottawa. Our Vancouver and St. John's facilities are being consolidated this year to achieve the same successes, and similar downtown moves for our media lines in other communities are being considered.

We will continue to build strategic partnerships to extend our reach and enhance the range of our services to Canadians. We will also continue to listen to citizens across the country to strengthen relationships with our audiences and to offer programming that remains relevant to them.

Over 30 cross-cultural initiatives involve CBC | Radio-Canada's English and French services, helping to create synergy and foster productive inter-media exchanges while bringing communities closer together and raising awareness of their respective realities.





# BEHIND THE SCENES →→

Supporting thousands of programs that reflect Canada’s diverse regions and communities is a complex and challenging task. Here’s how CBC | Radio-Canada efficiently achieves it every day.



In the challenging context of a limited budget, steadily increasing production costs, fragmented audiences, and intense competition, CBC | Radio-Canada is continually reviewing its business approaches and production technologies to identify savings and leverage assets that can be re-invested in programming.

Since 2000–2001, we have achieved one-time productivity savings and revenue increases of \$120 million and ongoing annual savings and revenues of \$78 million. We will continue to work towards our strategic priority: *Demonstrate that CBC | Radio-Canada is a well-managed company and generate cash flow to re-invest in programming.*

## REAL ESTATE

The mission of the Real Estate Division is to optimise revenues by selling or renting surplus assets and to generate savings by managing CBC | Radio-Canada real estate more efficiently. The Division frees up funds that can be invested in programming while ensuring that all CBC | Radio-Canada business units have the facilities they need.

In 2006–2007, CBC | Radio-Canada’s incremental revenues, savings and avoided costs totalled more than \$22.3 million. Energy reduction measures, cost reviews, lease

audits, consolidations, and contract renegotiations generated \$12.4 million in savings and avoided costs. Sales of excess space provided \$4.6 million. Leasing and other revenues provided \$5.5 million.

Operational highlights included advancing projects to consolidate our media operations and upgrade our facilities in St. John’s and Vancouver to integrate our Radio, Television and New Media networks and newsrooms, to increase journalistic collaboration and make better use of assets. In Montréal and Toronto, we are working with staff to find innovative approaches

to enhancing the functionality of our spaces, and in Toronto, we are examining a new approach that will give staff improved, updated workspaces. Future work will be self-funded, possibly through leasing excess space. In Montréal, more than 1,200 employees responded to a survey and provided their space-use priorities. Consultation is also being carried out with the community.

This year, the Canadian Broadcasting Centre in Toronto received a second Certificate of Building Excellence from the Building Owners and Managers Association (BOMA) of Greater





Toronto for its efficient operations management. Maison de Radio-Canada in Montréal was certified Go Green Plus for its environmental practices. And the 181 Queen Street, Ottawa, building won the Ottawa TOBY (Office Building of The Year) award from the Building Owners and Managers Association.

### MERCHANDISING

CBC|Radio-Canada is one of the most widely recognised brands in the country. The Merchandising Division, created in 2002, generates revenues by licensing, selling and distributing CBC|Radio-Canada CDs, DVDs, digital downloads, books, clothing, and licensed merchandise nationally and internationally. In 2006–2007, the Division's revenues reached more than \$10 million.

Merchandise may be found online at [cbcshop.ca](http://cbcshop.ca).

### TECHNOLOGY

CBC|Radio-Canada continues to invest in state-of-the-art technology to increase efficiency and quality in the Corporation's production and business processes.

Last year, CBC Technology began to implement new telecom and broadcast technologies, resulting in \$3.3 million in annual savings. This year, the Distribution Relay Optimisation Project achieved \$6.3 million in savings for our Television networks – \$1.1 million more than last year. The Division increased Transmission revenue by one million dollars by renting space on the Corporation's towers, sites and buildings, and renewed a \$620,000 annual shortwave transmission contract with an overseas broadcaster.

In response to a request from the CRTC, CBC|Radio-Canada developed a plan for emergency alert services using our transmission towers located across the country, with backup generators, to inform Canadians of catastrophic events such as severe weather disturbances. In February 2007, the CRTC endorsed the proposal and the Corporation will now discuss how to fund it with various levels of government.

### DIGITAL AND HIGH DEFINITION TELEVISION

CBC|Radio-Canada HD transmitters offer digital and HD services in Montréal, Toronto, Québec City, Vancouver, and Ottawa. This year, we put three new HDTV studios into production in both Toronto and Montréal, with another three to be in service by Fall 2007.

CBC Television's Video Syndication (VS) unit is meeting the growing demand for content on new digital platforms through sales to distribution partners.



### MOBILE DIVISION

The Mobile Division ensures that programs have access to mobile production equipment and also generates revenue for investing in programming by selling excess capacity. This year, our second high definition mobile truck was built for coverage of the 2007 NHL playoffs.

### CONTENT MANAGEMENT / ARCHIVES

Again in 2006–2007, the Corporation expanded use of programming and increased revenue from our archives, and made progress in obtaining and exploiting rights for program content.

**Photo page 52, top left:**

Daniel Lessard,  
*Les coulisses du pouvoir,*  
Télévision de Radio-Canada.



### HUMAN RESOURCES: BUILDING AND STRENGTHENING OUR TEAM

One of the Corporation's eight strategic priorities is to: *Strengthen CBC | Radio-Canada's commitment to all its employees – to those who create and those who support them.*

This year, the Corporation focused on improving internal communications to enable employees to understand the Corporate direction and to equip them to meet current and future challenges. As well, professional development and training continued to be a top priority. Employment equity, official languages, health and safety, workforce diversity, and business continuity planning were other priorities.

CBC | Radio-Canada maintained its commitment to foster an environment that is inclusive and promotes open dialogue between managers and employees. The theme of our sixth annual Leaders' Forum in November 2006 was "Leading the Way: Working Together to Strengthen CBC | Radio-Canada."

Management and Union leaders also met for the fifth Union-Management Leaders' Forum in December 2006.

To improve relations between Management and the Canadian Media Guild in the wake of the 2005 lockout, the Corporation embarked upon a relationship-building process with the Union. As well, hundreds of managers and program leaders were trained to manage the new collective agreement. Negotiations continued with ACTRA and AFM throughout the year.

### ORGANISATIONAL HEALTH AND WELLNESS

For the last two years, creating a healthier workplace has been a priority for the Corporation. CBC | Radio-Canada Management and Unions continue to act on employee-related wellness issues cited in employee survey findings over the last six years.

This year, we

established personal call rooms to address privacy issues; introduced a more robust flu education and prevention program; rolled out new seminars for stress management; and piloted employee workshops on respect in the workplace and on employee recognition.

For crisis management, we planned for a potential pandemic, focussing on protecting employees while keeping Canadians informed during a public health emergency.

**Photos page 54, top to bottom:**

Michael Enright, *The Sunday Edition*, CBC Radio One, Sirius 137.

*Minuit le soir*, Télévision de Radio-Canada.

*Wilbur*, CBC Television.

Paule Therrien, *Beau temps, mauvais temps!*, Première Chaîne.

**Photos page 55, top to bottom:**

Stuart McLean, *Vinyl Café*, CBC Radio One, CBC Radio 2, Sirius 137.

*Hockey: A People's History/Hockey : la fierté d'un peuple*, CBC Television/ Télévision de Radio-Canada.

Anais Favron, *RDI junior*, RDI.

Dominique Poirier, *Dominique Poirier en direct*, RDI.

Ian Hanomansing, *CBC News: Vancouver*, CBC Television.

**Photos page 56, top to bottom:**

Marie-Josée Taillefer, Denis Gagné, *L'épicerie*, Télévision de Radio-Canada.

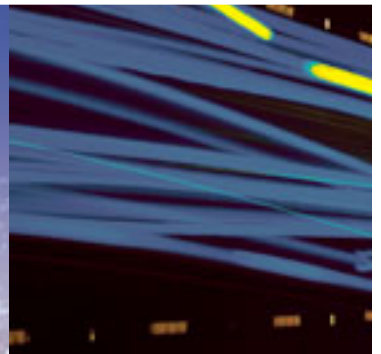
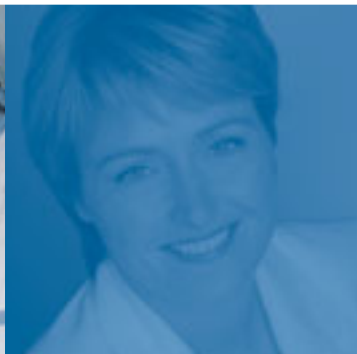
Bernie MacNamee, *The World at Six*, CBC Radio One, CBC Radio 2.

*Découverte*, Télévision de Radio-Canada.

Marie-Claude Lavallée, *Les rendez-vous de Marie-Claude*, RDI.



# FINANCIALS →→





# FINANCIAL REVIEW →→

## 2006–2007 REVIEW OF OPERATIONS

In 2006–2007, the Government's Main Estimates included one-time additional funding of \$60 million for programming initiatives.

In May 2006, CBC | Radio-Canada and Corus Entertainment Inc. reached an agreement allowing the Corporation to purchase Corus Entertainment's 53 per cent ownership stake in **The Documentary Channel**. Along with the 29 per cent that CBC | Radio-Canada already owns, this will give the Corporation majority ownership and control of the channel. The agreement is subject to the regulatory approval of the Canadian Radio-television and Telecommunications Commission (CRTC), which is pending and expected in the Fall of 2007. The National Film Board of Canada still owns a 14 per cent stake in the channel, while the remaining four per cent is owned by 3366341 Canada Inc., Barna-Alper Productions Inc., CineNova Productions Inc., and Omni Film Productions Ltd. Documentary programming is a core part of CBC | Radio-Canada's mandate and The Documentary Channel produces long-form documentaries. Consequently, this agreement will provide the Corporation with an opportunity to further enhance the profile and access to documentary programming in Canada at a time when audience interest in the genre is growing exponentially.

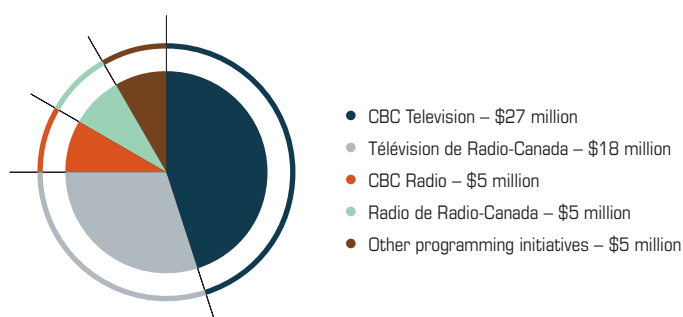
**CBC | Radio-Canada – Vancouver** is CBC | Radio-Canada's second largest English-language production centre and it has developed a strong connection with the Vancouver community. CBC | Radio-Canada has launched the Vancouver Redevelopment Project, which will foster a more dynamic and creative working environment for CBC | Radio-Canada employees and will allow them to work more collaboratively to continue to provide high-quality and distinctive programming on all of the Corporation's platforms, in English and French. Construction has commenced and the Vancouver Redevelopment Project will be completed in the Fall of 2009. As part of this project, CBC | Radio-Canada has sold unused density to a condominium developer and the proceeds of the sale will help pay for the redevelopment. Not all of the conditions of the sale have been met and, as per CICA Guideline 3475.35, Note 7B to the Consolidated Financial Statements, this property must be shown as being held for sale in the long term asset category.

In 2006–2007, **CBC | Radio-Canada – St. John's, Newfoundland and Labrador**, undertook a consolidation project that optimised the use of space and integrated media operations for improved management of newsgathering and editorial/assignment processes. Part of the project costs will be funded by the sale of the former Radio building in St. John's.

At year-end, **Sirius Canada Inc.**, in which the Corporation has an ownership interest, significantly exceeded its business plan projections. At the end of March 2007, the satellite radio service provider had over 300,000 paying subscribers. In February 2007, Sirius Satellite Radio Inc. and XM Satellite Radio Inc. announced a \$13 billion merger of equals in the United States. It is still too early to determine the impact this merger could have on the Canadian satellite companies, but the Corporation is closely monitoring the situation.

More than 50 per cent of CBC | Radio-Canada's capital budget over the next three years, representing some \$160 million, is planned to be spent on **production infrastructure**. Major initiatives include replacing failing obsolete analogue equipment with digital standard equipment; some high definition television (HDTV) production investments to replace existing assets that have reached their end-of-life; modernising Radio

**DISTRIBUTION OF THE 2006–2007  
NON-RECURRING FUNDING OF \$60 MILLION**  
(millions of dollars)



production facilities; and implementing a new Desktop Radio system and further rollout of Desktop Television production. Desktop Radio and Television production allows for more efficient means of producing and airing programs using specialised software in a desktop personal computer (PC) and server-based environment.

**The CBC|Radio-Canada Pension Plan is healthy.** In fact, the latest actuarial valuation as at December 31, 2006, indicated an actuarial surplus on a going-concern basis (assumes the Plan will be maintained indefinitely) of \$433 million and a surplus on a solvency basis (assumes the Plan would be wound up and benefits settled) of \$131 million. Under current federal income tax legislation, the Plan sponsor, CBC|Radio-Canada, cannot contribute to the Plan until the surplus has been reduced by \$77 million. After reviewing its options, the Board approved Management's recommendation that this \$77 million, which CBC|Radio-Canada would normally contribute towards the Pension Plan, be invested in programming and other Corporate priorities.

Although the Corporation is not subject to the same Canadian Securities Administration (CSA) rules as publicly traded companies, it did launch a project to evaluate **the design and effectiveness of CBC|Radio-Canada's internal controls**, and this work continued in 2006–2007. The ultimate goal of the project is to provide the CEO and the CFO with adequate tools in order to attest to the effectiveness of internal controls over financial reporting. This is in line with Notice 52-313, issued by the CSA in 2006, that proposes to expand Multilateral Instrument 52-109 to include the provision that the CEO and CFO be required to certify, in their annual filings, that they have evaluated the effectiveness of internal controls over financial reporting. In 2006, processes and controls affecting financial reporting and related IT systems were documented and key controls within these processes were identified. The internal controls over financial reporting were designed effectively and testing of the effectiveness of these controls continues. The documentation and assessment of processes and controls relating to the Vision Project are limited to the future state of internal controls that are proposed and planned for implementation. Therefore, the current assessment does not apply to current internal controls for processes pertaining to program contracts and rights management, commercial revenue and programming and scheduling, as well as disclosure controls and procedures, as these current controls and procedures have not been documented and evaluated under the current scope.

In 2002, CBC|Radio-Canada undertook the **Vision Project**, a very significant initiative to provide a single, integrated system to manage contracts and content, program inventory and schedules, broadcast and media management, revenue management, marketing and sales, promotions, and airtime analysis for the Corporation's English and French Television networks. Its Radio networks are involved only in the contracts system. The Corporation has made a substantial investment of money and resources in this ongoing project. At the end of March 2007, CBC|Radio-Canada was using the system in managing ARTV and for its digital channel, CBC Country Canada. Also, both CBC Newsworld and Réseau de l'information de Radio-Canada (RDI) are using the new technology and the Corporation's main Television networks are planning to go live in 2007–2008.

CBC|Radio-Canada's **Risk Management** Program is an enterprise-wide approach to the management of risks that has been integrated into business processes. The responsibility for risk management is shared among the Board of Directors, the Audit Committee, Senior Management, and operational units.

The Board oversees CBC|Radio-Canada's key risks at a governing level, approves policies and ensures that required processes and systems are in place to effectively manage risks. The Audit Committee of the Board has been delegated the responsibility for risk management and fulfils that responsibility by monitoring the key risks identified, by discussing with Management the status of several of these key risks at each meeting, and by ensuring that Management has programs in place to evaluate and test the effectiveness of internal control systems. Senior Management monitors risks and reports on CBC|Radio-Canada's key risks to the Audit Committee and to the Board, recommends policies, and oversees financial reporting and internal control systems. Media and support areas identify and assess risks through the annual business plan process, and develop detailed action plans to manage key risks and ensure that these are carried out. Standard risk definitions and evaluation criteria are used to prioritise risks on the basis of inherent risk scores, which are a function of impact and likelihood.

In 2006–2007, the more significant risks included pension solvency deficit funding requirements, uncertainty regarding CBC|Radio-Canada's future Government funding levels, decreased revenues due to fragmentation, increased competition and erosion of audience share, distribution technology changes, and possible loss of professional sports broadcast rights. Several of these risks have been mitigated or resolved. As at December 31, 2006, the CBC|Radio-Canada Pension Plan reported a pension solvency surplus ending the requirement for additional

pension contributions. The Government has recently confirmed that \$60 million in funding will be continued for 2007–2008 and 2008–2009. In addition, CBC Television has been successful in negotiating a six-year broadcast deal for national English-language broadcast and multi-media rights to NHL games in Canada.

Key risks for 2007–2008 include industry consolidation, decreased revenues due to fragmentation, erosion of conventional broadcasting audience share to emerging platforms, distribution technology changes, and regulatory decisions.

## ANALYSIS OF THE 2006–2007 CONSOLIDATED FINANCIAL STATEMENTS

### BALANCE SHEET

Cash and cash equivalents and short-term investments decreased from last year by \$16 million due to the prepayment of rights for the Beijing 2008 Summer Olympics and the payments to fund the CBC Pension Fund solvency deficits.

In 2005–2006, accounts receivable included outstanding invoices for the Torino Winter Olympic Games, held in February 2006, for which payment was received in 2006–2007.

The value of property and equipment increased mainly as a result of the replacement of analogue equipment with new high definition equipment and of a change in the depreciation rate for certain technical equipment items reflecting the extended useful life of these assets which also accounts for the higher value of property equipment.

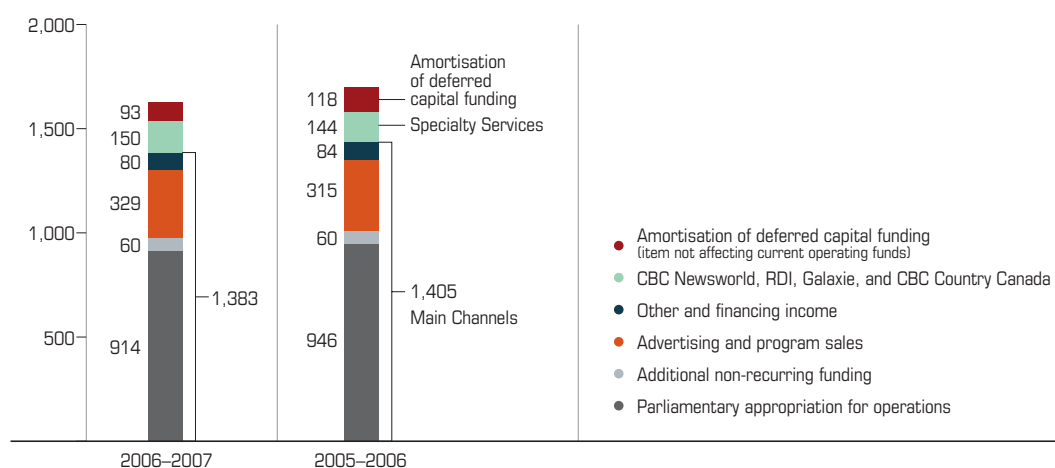
The increase in the item “Employee-related liabilities (long-term)” reflects the impact of the application of rules respecting employee future benefits. Under these rules, actuarial accounting must be used to determine liabilities relative to the Pension Fund and to other employee future benefits.

### STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

#### REVENUES – 2006–2007

Advertising revenues compared to last year increased slightly, by four per cent, due to the following factors. This year, Télévision de Radio-Canada generated higher revenues as a result of the good performance of its schedule. Also, in 2005–2006, there was a substantial loss of revenue by CBC Television as a result of the National Hockey League (NHL) lockout and its own labour disruption. This was partly offset by the revenue generated by the Torino Winter Olympic Games. In all, the networks achieved 97 per cent of their advertising revenue targets for 2006–2007.

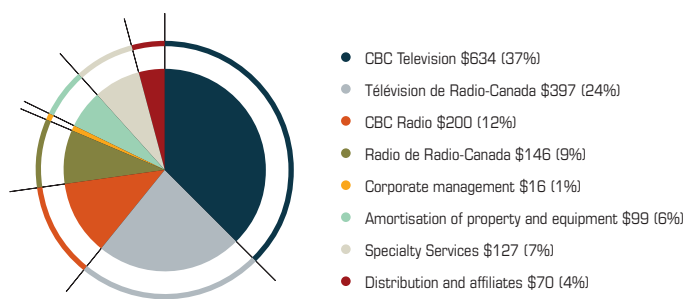
#### REVENUES AND OPERATING SOURCES OF FUNDS – CBC/RADIO-CANADA (millions of dollars)



The increase of four per cent in the revenues of the Corporation's Specialty Services is mostly due to increased subscriber revenue for Galaxie, CBC Newsworld and Réseau de l'information de Radio-Canada (RDI). Overall, the Specialty Services achieved 102 per cent of the targets set at the beginning of the year.

Other income shows a decrease of seven per cent over last year and includes revenues generated by the programming content sales to Sirius Canada Inc. and by the revenues generated by the Merchandising Division. The media components overachieved their annual target for 2006–2007 by 17 per cent, by entering into more independent productions. In 2005–2006, other income had included host broadcasting activities which generated revenues during the broadcast of the World Aquatics Championships in Montréal and the Torino Winter Olympic Games.

### 2006–2007 OPERATING EXPENDITURES\* 1,689 MILLIONS OF \$ (millions of dollars)



\* Excluding loss from investments in entities subject to significant influence and recovery of income and large corporations taxes.

### EXPENSES – 2006–2007

Expenditures in 2006–2007 decreased by slightly less than one per cent when compared to 2005–2006. The decrease reflects a 20 per cent decrease in the cost of amortisation of property and equipment as a result of a change in the amortisation rate for certain technical equipment items. This was offset by the return of hockey to CBC Television, new collective agreements and increased programming expenses for Télévision de Radio-Canada. In 2005–2006, expenditures included the cost of the Torino Winter Olympic Games and a reduced level of activity during the Canadian Media Guild (CMG) lockout.

## 2007–2008 AND SUBSEQUENT YEARS

CBC|Radio-Canada has successfully concluded negotiations with **The Fédération Internationale de Football Association (FIFA)** and has secured the broadcast rights to a comprehensive soccer programming package from 2007 through 2014, including the 2010 FIFA World Cup from South Africa and the 2014 FIFA World Cup. The broadcast package also includes the FIFA Men's U–20 World Cup, taking place in Victoria, Burnaby, Edmonton, Montréal, Ottawa, and Toronto, in July 2007. CBC|Radio-Canada will act as host broadcaster for this event, featuring the most talented under–20 players from around the globe. Additional events in the package include the FIFA Women's World Cup in China 2007, and the FIFA Women's World Cup in 2011.

**The tradition continues with the Corporation** successfully negotiating a new six-year broadcast agreement with the National Hockey League (NHL) for national English-language broadcast and multi-media rights to NHL games in Canada, beginning with the 2008–2009 season. For the first time, the agreement allows the Corporation to offer Canadians more hockey, via more platforms, than ever before. The broadcasts of the future will take the game to fans where they are, when they want it and how they want it, through on-demand video streaming of all CBC broadcasts at *CBC.ca*, game coverage and content on mobile phones and Video-on-Demand.

The Honourable Beverley J. Oda, Minister of Canadian Heritage and Status of Women, has confirmed additional funding of **\$60 million** for Canadian programming for each of the next two fiscal years, enabling CBC|Radio-Canada to continue its significant investment in unique, high-quality programming for Canadians. In the past, the \$60 million special annual funding has allowed CBC|Radio-Canada to introduce significant improvements to the Corporation's services, including: the creation of new Television drama and entertainment programs like *Intelligence*, *Dragons' Den*, *René II* and *Rumeurs*; the strengthening of existing Radio and Television programs, like *Écoute pas ça* and *Opening Night*; and the development of unique bilingual programs and events like *Hockey: A People's History/Le Hockey, une histoire populaire* and *Champlain*.

That this support is for two years, 2007–2008 and 2008–2009, is particularly encouraging. The Government has now shown its commitment to Canadian programming for eight consecutive years. This two-year commitment



from Canadians provides a measure of stability, which allows planning for the future, and enhancement of the Canadian programs that the Corporation can offer across all of its services and platforms.

In February 2007, the CRTC set up a task force to resolve concerns regarding the **Canadian Television Fund**. The aim of the task force is to develop a consensus to resolve the concerns raised by stakeholders or, failing that, to set out possible options for resolving any remaining issues. The outcome of this consensus could lead to a different level of funding for CBC|Radio-Canada.

With the coming into force of certain provisions of the *Federal Accountability Act*, CBC|Radio-Canada will become subject to the *Access to Information Act* on September 1, 2007. Over the past year the Corporation has been working to ensure that it will be ready to deal with information requests. Although the volume of requests cannot be reliably estimated at this time, compliance with the *Act* has the potential to consume significant resources.

CBC|Radio-Canada has undertaken two long-term projects related to space optimisation and enhanced functionality. One is a project that has as its goal to fundamentally change and improve the workplace for employees and to make better use of the public space within the **Canadian Broadcasting Centre in Toronto**, while freeing up space that will be leased to generate additional revenue to fund the improvements and to reinvest in core programming. The other is a study on the modernisation of **Maison de Radio-Canada (MRC) and the MRC site in Montreal**. The project is structured around four main objectives: create an exciting, high-performance work environment for staff; tailor our facilities to meet the needs of a 21st-century broadcaster; finance the project without public or programming funds; and respect the neighbouring community's needs and better align MRC with the city's urban development plan.

## FINANCIAL HIGHLIGHTS FROM THE PAST FIVE YEARS

FOR THE YEAR ENDED MARCH 31	2007	2006	2005	2004	2003
	(MILLIONS OF DOLLARS)				
<b>GOVERNMENT FUNDING</b>					
Parliamentary appropriations	914	946	877	873	877
Non-recurring funding for programming initiatives	60	60	60	60	60
<b>REVENUE</b>					
Advertising and program sales	329	315	322	283	284
Other income	64	70	73	79	73
Specialty Services	150	144	138	132	123
<b>EXPENSES</b>					
Television and Radio services costs	1,377	1,367	1,383	1,330	1,198
Specialty Services	127	126	121	116	117

## FINANCIAL RATIOS

FOR THE YEAR ENDED MARCH 31	2007	2006	2005	2004	2003
<b>LIQUIDITY RATIOS</b>					
Current ratio <sup>1</sup>	1.30	1.46	1.36	1.64	1.55
Quick ratio <sup>2</sup>	0.88	1.02	0.92	1.25	1.24

<sup>1</sup> Current assets / current liabilities

<sup>2</sup> (Current assets-inventory) / current liabilities

## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS →→

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

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

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

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

OTTAWA, CANADA

MAY 28, 2007

PRESIDENT AND CHIEF EXECUTIVE OFFICER

VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER

## AUDITOR'S REPORT →→

To the Minister of Canadian Heritage and Status of Women

I have audited the consolidated balance sheet of the Canadian Broadcasting Corporation as at March 31, 2007 and the consolidated statements of operations and retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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



SHEILA FRASER, FCA  
AUDITOR GENERAL OF CANADA

OTTAWA, CANADA  
MAY 28, 2007

# CONSOLIDATED BALANCE SHEET →→

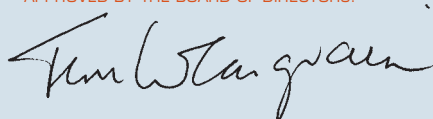
AS AT MARCH 31

	2007	2006
	(THOUSANDS OF DOLLARS)	
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	47,655	-
Short-term investments (NOTE 3)	29,998	93,658
Accounts receivable	138,939	181,048
Inventory (NOTE 4)	136,150	145,584
Prepaid expenses	67,987	56,795
Net investment in sales-type leases (NOTE 5)	1,863	1,771
Property held for sale (NOTE 7)	765	-
	<b>423,357</b>	<b>478,856</b>
<b>LONG-TERM</b>		
Property and equipment (NOTE 6)	1,009,348	971,649
Property held for sale (NOTE 7)	516	-
Long-term receivables (NOTE 8)	70,437	72,016
Net investment in sales-type leases (NOTE 5)	64,073	65,551
Deferred charges	20,468	12,908
Long-term investments (NOTE 9)	3,678	3,924
	<b>1,591,877</b>	<b>1,604,904</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank overdraft	-	2,556
Accounts payable and accrued liabilities	139,281	138,766
Deferred revenues	6,125	685
Employee-related liabilities (NOTE 10)	162,581	167,247
Bonds payable (NOTE 12)	18,138	17,766
	<b>326,125</b>	<b>327,020</b>
<b>LONG-TERM</b>		
Long-term investments (NOTE 9)	1,417	-
Deferred revenues	2,537	2,780
Employee-related liabilities (NOTE 10)	314,961	298,230
Bonds payable (NOTE 12)	334,951	342,348
Deferred capital funding (NOTE 13)	642,130	599,541
	<b>1,295,996</b>	<b>1,242,899</b>
<b>EQUITY</b>		
Retained earnings (deficit) (NOTE 14)	(30,244)	34,985
	<b>1,591,877</b>	<b>1,604,904</b>

Commitments and contingencies (NOTES 15 AND 16)

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 RETAINED EARNINGS (DEFICIT) →→

FOR THE YEAR ENDED MARCH 31

	2007	2006
	(THOUSANDS OF DOLLARS)	
<b>REVENUES</b>		
Advertising and program sales	328,898	314,708
Specialty Services (NOTE 17)	150,107	144,265
Other income	64,446	69,707
Financing income	15,835	14,737
	<b>559,286</b>	<b>543,417</b>
<b>EXPENSES</b>		
Television and Radio service costs	1,376,522	1,366,659
Specialty Services (NOTE 17)	126,701	126,348
Amortisation of property and equipment	99,395	123,841
Transmission, distribution and collection	62,875	63,023
Corporate management	16,567	16,542
Payments to private stations	7,283	7,997
Loss from investments in entities subject to significant influence	6,663	7,109
	<b>1,696,006</b>	<b>1,711,519</b>
	<b>(1,136,720)</b>	<b>(1,168,102)</b>
<b>OPERATING LOSS BEFORE GOVERNMENT FUNDING AND TAXES</b>		
<b>GOVERNMENT FUNDING</b>		
Parliamentary appropriation for operating expenditures (NOTE 18)	974,324	1,006,231
Amortisation of deferred capital funding (NOTE 13)	93,141	117,956
	<b>1,067,465</b>	<b>1,124,187</b>
	<b>(69,255)</b>	<b>(43,915)</b>
<b>NET RESULTS BEFORE TAXES</b>		
Recovery (provision) of income and large corporations taxes (NOTE 19)	26	(272)
	<b>(69,229)</b>	<b>(44,187)</b>
<b>NET RESULTS FOR THE YEAR</b>	<b>(69,229)</b>	<b>(44,187)</b>
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<b>34,985</b>	<b>75,172</b>
<b>WORKING CAPITAL FUNDING (NOTE 18)</b>	<b>4,000</b>	<b>4,000</b>
<b>RETAINED EARNINGS (DEFICIT), END OF YEAR</b>	<b>(30,244)</b>	<b>34,985</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS →→

FOR THE YEAR ENDED MARCH 31

	2007	2006
	(THOUSANDS OF DOLLARS)	
<b>CASH FLOWS FROM (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net results for the year	(69,229)	(44,187)
Items not involving cash:		
Loss (gain) on disposal of property and equipment	(21)	434
Amortisation of property and equipment	99,395	123,841
Impairment of property and equipment	803	-
Loss from investments in entities subject to significant influence	6,663	7,109
Amortisation of deferred charges	542	556
Amortisation of deferred capital funding	(93,141)	(117,956)
Property reclassified as held for sale	1,281	-
Property held for sale [long-term]	(516)	-
Change in deferred revenues [long-term]	(243)	(311)
Change in long-term receivables	(671)	-
Change in employee-related liabilities [current]	2,602	(384)
Change in employee-related liabilities [long-term]	16,731	67,624
Net change in non-cash working capital balances (NOTE 20)	99,759	(61,549)
	<b>63,955</b>	<b>(24,823)</b>
<b>FINANCING ACTIVITIES</b>		
Parliamentary appropriations (NOTE 18):		
Capital funding	135,730	87,510
Working capital funding	4,000	4,000
Repayment of bonds payable	(6,870)	(6,378)
	<b>132,860</b>	<b>85,132</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(138,720)	(116,067)
Purchase of long-term investments	(5,000)	(7,000)
Maturity of long-term investments	-	34,360
Recovery from salary advances	855	647
Capital recovery from notes receivable	1,300	1,575
Capital recovery from net investment in sales-type leases	1,378	1,285
Deferred charges	(8,102)	-
Proceeds from disposal of property and equipment	1,685	1,848
	<b>(146,604)</b>	<b>(83,352)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>50,211</b>	<b>(23,043)</b>
<b>CASH AND CASH EQUIVALENTS (BANK OVERDRAFT), BEGINNING OF YEAR</b>	<b>(2,556)</b>	<b>20,487</b>
<b>CASH AND CASH EQUIVALENTS (BANK OVERDRAFT), END OF YEAR</b>	<b>47,655</b>	<b>(2,556)</b>
Consist of:		
Bank overdraft	-	(2,556)
Cash	47,458	-
Cash equivalents	197	-
	<b>47,655</b>	<b>(2,556)</b>
Supplementary information:		
Interest paid	26,169	26,659
Income tax paid (recovered)	(23)	362

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS →→

FOR THE YEAR ENDED MARCH 31, 2007

## 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 property acquired by the Corporation is the property of Her Majesty.

As the national public broadcaster, CBC|Radio-Canada provides Radio, Television and New Media services in both official languages incorporating predominantly and distinctively Canadian programs to reflect Canada and its regions to national and regional audiences.

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### A. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and the Broadcast Centre Trust, a variable interest entity (VIE) for which the Corporation is the primary beneficiary.

### B. PARLIAMENTARY APPROPRIATIONS

The Corporation receives a substantial portion of its funding from the Government of Canada. Parliamentary appropriations for operating expenditures are recorded in the *Consolidated Statement of Operations and Retained Earnings (Deficit)*. Parliamentary appropriations for property and equipment subject to amortisation are recorded as deferred capital funding on the *Consolidated Balance Sheet*, and are amortised on the same basis and over the same periods as the related property and equipment. Parliamentary appropriations for working capital and purchase of lands are recorded in Equity.

### C. CASH EQUIVALENTS

Cash equivalents, which are carried at cost as they are intended to be held to maturity, are comprised of marketable securities with original maturity dates of less than 90 days.

### D. SHORT-TERM INVESTMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### E. FOREIGN CURRENCY TRANSLATION

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

### F. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation uses derivative financial instruments such as forward contracts to manage the risk of loss due to adverse movements in foreign exchange. Foreign exchange forwards 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. The Corporation's policy is not to utilise derivative financial instruments for trading or speculative purposes.

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

The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific firm commitments. The Corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Foreign exchange gains or losses related to derivatives that are hedged are recognised at the same time as the related hedged financial instruments are settled. The forward contracts are accounted for as off-balance sheet items and are only recognised when one of the following events occurs: the anticipated transaction is realised; the hedged item is settled; the hedging relationship ceases to be effective; or, the hedging relationship designation is terminated. Any derivative financial instrument held by the Corporation that is not or no longer designated as an eligible hedge is carried at fair value on the *Consolidated Balance Sheet*, and any change in the fair value is charged or credited to the *Consolidated Statement of Operations and Retained Earnings (Deficit)*.

### G. INVENTORY

#### (I) PROGRAM INVENTORY

Programs completed and in process of production are recorded at cost. Cost includes the cost of materials and services, labour and overhead expenses applicable to programs. Program costs are charged to operations as the programs are broadcast, deemed unusable, or sold.

The costs of programs with multiple telecasts are amortised based on the following rate:

CATEGORY	AMORTISATION BASIS
→ Program with multiple telecasts <sup>1</sup>	70%/30% on first/second showing respectively
→ Children's programming	evenly over each telecast (up to a maximum of 5 telecasts)
→ Shorts and fills with multiple telecasts	amortised over contract period
→ Program strips	evenly over each telecast

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

The Corporation enters into contracts for independent productions, film and script rights. The payments made under the terms of each contract are recorded as prepaid expenses and recorded as program inventory when the following criteria are met: cost is determined, material is accepted and program is available for broadcast. Costs are charged to operations in accordance with the above amortisation basis or when sold.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### G. INVENTORY (CONTINUED)

#### (II) IMPAIRMENT

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

#### (III) OTHER INVENTORY

Independent productions for which a payment is due and which do not meet the program inventory criteria, and various inventory from the Merchandising Division stated at the lower of cost and the net realisable value, are presented as other inventory.

### H. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated amortisation. The cost of assets constructed by the Corporation includes material, direct labour and related overhead. Amounts included in uncompleted capital projects are transferred to the appropriate property and equipment classification upon completion, and are then amortised. Amortisation is calculated on the straight-line method using rates based on the estimated useful life of the property and equipment, as follows:

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

Leasehold improvements are capitalised and amortised over the terms of the respective leases.

Effective April 1, 2006, the estimated useful lives of certain technical equipment items changed from five to 16 years for electrical equipment and from five to eight years for other technical equipment. These changes are based on the Corporation's experience and extended use of these assets. As a result of these changes in estimated useful life, amortisation of property and equipment expenses decreased by approximately \$31 million in 2006–2007.

### I. NET INVESTMENT IN SALES-TYPE LEASES

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

Finance income from sales-type leases is recognised in a manner that produces a constant rate of return on the investment in the leases. The investment in the leases for purposes of income recognition is composed of net minimum lease payments and unearned finance income.

### J. DEFERRED CHARGES

Initial costs incurred as a result of an operating lease are amortised over the period of the lease. Other deferred charges are amortised over the period of the respective agreements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### K. LONG-TERM INVESTMENTS

Investments in entities over which the Corporation does not exercise significant influence are recorded using the cost method. 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. The amount of the adjustment is included in other income. 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 Company is committed to providing financial support to the investee.

Investments are reviewed for impairment when events or changes in circumstances indicate that there is a loss in value. If there is evidence that the loss is due to circumstances other than a temporary decline, the investment will be written down to recognise the loss.

### L. PENSION COST AND OBLIGATION

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

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

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

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

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortised over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plans is between 6.5 and 13.5 years (2006 – between 9.0 and 13.5 years).

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### M. EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS

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

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

For employee termination benefits and post-retirement life insurance, the transitional obligation and the net actuarial gains or losses are amortised over the average remaining service period of the employee group. The transitional obligation and the net actuarial gains or losses for continuation of benefits for employees on long-term disability and workers' compensation are amortised over the expected average remaining duration of payments. The amortisation periods used for these plans are between 8.0 and 15.7 years (2006 – between 7.6 and 13.5 years).

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

### N. INCOME TAXES

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

### O. REVENUE RECOGNITION

#### (I) ADVERTISING AND PROGRAM SALES

Revenues from the sale of advertising airtime are recognised when the advertisement has been broadcast. Revenues from the sale of programs by the Main Channels to third-party broadcasters are recognised when the sale of goods or the rendering of services has been completed.

#### (II) SPECIALTY SERVICES

Revenues from Specialty Services include the sale of advertising airtime, subscriber revenues, and the sale of programs by the Specialty channels to third-party broadcasters. Revenues from the sale of advertising airtime are recognised when the advertisement has been broadcast. Revenues from program sales and subscriber fees are recognised when the sale of goods or the rendering of services has been completed.

#### (III) OTHER INCOME

Other income includes revenues from the leasing of space, facilities and services; activities such as host broadcaster; commercial production sales; and gains or losses from disposal of property and equipment. These are recognised when the sale of goods or the rendering of services has been completed.

#### (IV) FINANCING INCOME

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### P. TELEVISION AND RADIO SERVICE COSTS

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

### Q. MEASUREMENT UNCERTAINTY

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the year. Employee-related liabilities, estimated useful lives of property and equipment, estimated useful lives of program inventory and contingent liabilities are the most significant items where estimates are used. Actual results could significantly differ from those estimated.

### R. FUTURE ACCOUNTING CHANGES

In January 2005, the Canadian Institute of Chartered Accountants (CICA) issued the following three accounting standards, which will become effective in 2007–2008 for the Corporation:

**Section 3855: Financial Instruments – Recognition and Measurement** – This standard sets out criteria for the recognition, derecognition, measurement, and classification of financial instruments. The Corporation will be required to categorise its financial assets as held for trading, held to maturity, available for sale, or as loans and receivables. Financial liabilities will be required to be classified as held for trading or other financial liabilities. The related accounting treatment will be dependent on the classification. On initial recognition, all financial instruments are to be measured at fair value on the *Consolidated Balance Sheet*. Subsequent to initial recognition, financial instruments categorised as held for trading or available for sale will continue to be measured at fair value while financial instruments classified as held to maturity, loans and receivables or other liabilities are to be measured at amortised cost using the effective interest method. Changes in the fair value of financial instruments held for trading will be recognised in the *Consolidated Statement of Operations and Retained Earnings (Deficit)* while changes in the fair value of assets classified as available for sale will be recognised as *Other Comprehensive Income* until the financial asset is disposed of or becomes other than temporarily impaired. Comprehensive income will comprise the Corporation's consolidated net results and other comprehensive income. *Accumulated Other Comprehensive Income* will be presented on the *Consolidated Balance Sheet* as a new component of equity.

**Section 3865: Hedges** – Derivatives will be classified as held for trading unless designated as hedging instruments. All derivatives, including embedded derivatives that are not closely related to the host contract, will be measured at fair value. For derivatives that hedge the changes in fair value of an asset or liability, changes in the derivatives' fair value will be reported in the net results and offset by changes in the fair value of the hedged asset or liability. For derivatives that hedge variability in cash flows, the effective portion of changes in the derivatives' fair value will be initially recognised in the new category, *Other Comprehensive Income*, and will subsequently be reclassified to net results in the periods affected by the variability in the cash flows of the hedged item.

**Section 1530: Comprehensive Income** – This standard requires certain gains and losses, that would otherwise be recorded as part of net results, to be presented in *Other Comprehensive Income* until it is considered appropriate that they be recognised in net results. The Corporation may be required to present a new financial statement titled *Comprehensive Income* to record such amounts until they are realised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### R. FUTURE ACCOUNTING CHANGES (CONTINUED)

The Corporation is in the process of analysing these new standards including determining the assets and liabilities that need to be classified, and selecting and documenting their classifications, effective April 1, 2007. As a result, the carrying amount of the financial assets and liabilities affected will be adjusted as appropriate in order to comply with the new standards. All adjustments to the current carrying amount of financial assets and financial liabilities will be recognised as an adjustment to the balance of equity on April 1, 2007, except when a financial asset is classified as available for sale or for a derivative within an effective cash flow hedge. For available for sale financial assets, the adjustment will be included in the opening balance of *Accumulated Other Comprehensive Income*, as a separate component on April 1, 2007. For derivatives designated within an effective cash flow hedge relationship, the effective portion of the initial fair value on April 1, 2007 will also be recorded in *Accumulated Other Comprehensive Income*.

The CICA has issued Financial Instruments – Disclosures (Section 3862) and Financial Instruments – Presentation (Section 3863). These standards are effective for the fiscal year beginning April 1, 2008, however early adoption is permitted. The Corporation is reviewing the impact of these new standards and will follow Section 3861 – Financial Instruments (Presentation and Disclosure) until the new standards are adopted.

## 3. SHORT-TERM INVESTMENTS

The average yield to maturity of the portfolio held as at March 31, 2007 is 4.22 per cent (2006 – 3.18 per cent). The average term to maturity is 299 days (2006 – 158 days).

The Corporation invests in money market and short-term securities. These investments are limited to securities that are 100 per cent guaranteed by the Government of Canada.

## 4. INVENTORY

	2007	2006
	(THOUSANDS OF DOLLARS)	
Program inventory	133,903	141,505
Other inventory	2,247	4,079
	<b>136,150</b>	<b>145,584</b>

## 5. NET INVESTMENT IN SALES-TYPE LEASES

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

	(THOUSANDS OF DOLLARS)
Total minimum lease payments receivable	124,104
Unearned income	(58,168)
	<b>65,936</b>
Current portion	(1,863)
<b>LONG-TERM PORTION</b>	<b>64,073</b>

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

2008	6,050
2009	6,050
2010	6,050
2011	6,050
2012	6,050
2013 to 2027	93,854
<b>TOTAL FUTURE MINIMUM LEASE PAYMENTS RECEIVABLE</b>	<b>124,104</b>

These sales-type leases bear a fixed interest rate of 7.15 per cent annually. The interest revenues generated from these sales-type leases represent \$4.7 million in 2007 (2006 – \$4.8 million).

## 6. PROPERTY AND EQUIPMENT

			2007	2006
	Cost	Accumulated amortisation	Net book value	
	(THOUSANDS OF DOLLARS)			
Land	21,129	-	21,129	21,727
Buildings	893,775	(454,592)	439,183	459,089
Technical equipment	1,322,863	(963,768)	359,095	321,308
Computers, furnishings and office equipment	171,715	(106,887)	64,828	46,000
Automotive	47,345	(34,786)	12,559	13,817
Leasehold improvements	44,588	(12,328)	32,260	34,273
Uncompleted capital projects	80,294	-	80,294	75,435
	<b>2,581,709</b>	<b>(1,572,361)</b>	<b>1,009,348</b>	<b>971,649<sup>1</sup></b>

<sup>1</sup> Costs and accumulated amortisation of property and equipment as at March 31, 2006, amounted to \$2,512.0 million and \$1,540.3 million, respectively.

## 7. PROPERTY HELD FOR SALE

### A. PROPERTY HELD FOR SALE – SHORT TERM

As part of a consolidation project in St. John's, Newfoundland and Labrador, the Corporation made available for sale a building and a piece of land. The sale is effective as of May 2007. These assets are reported as held for sale at their estimated fair value of \$0.8 million, which represents the purchase price offer. Consequently, an impairment loss of \$0.8 million was recorded, as the carrying value of these assets exceeded their market value. The impairment loss is included in the operating expenses.

### B. PROPERTY HELD FOR SALE – LONG TERM

As part of a redevelopment project in Vancouver, the Corporation made available for sale the unused portion of its Vancouver land. The sale is expected in 2007–2008. The expected gain on disposal is approximately \$33.5 million.

## 8. LONG-TERM RECEIVABLES

### A. NOTES RECEIVABLE

The Corporation has two long-term notes receivable following the sale of lands. These notes bear a fixed interest rate of 7.15 per cent annually. The interest revenues generated from these notes receivable represent \$4.3 million in 2007 (2006 – \$4.3 million).

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

	(THOUSANDS OF DOLLARS)
2008	5,567
2009	5,567
2010	5,567
2011	5,567
2012	5,567
2013 to 2027	84,440
<b>TOTAL FUTURE MINIMUM PAYMENTS RECEIVABLE</b>	<b>112,275</b>
Deduct: Imputed interest	(52,068)
<b>NOTES RECEIVABLE</b>	<b>60,207</b>
Less: Current portion (included in accounts receivable)	(1,746)
<b>NOTES RECEIVABLE LONG-TERM</b>	<b>58,461</b>

### B. SALARY ADVANCES – CHANGE IN PAYROLL AND OTHER

The implementation of a new payroll system in fiscal year 1998–1999 required a change in the payroll schedule of the Corporation. To adjust to this schedule without compromising the bi-weekly payments to employees, the Corporation issued a salary advance to be recovered upon termination of employment. This salary advance represents \$11.3 million in 2007 (2006 – \$12.2 million). The Corporation has other long-term receivables of \$0.6 million.

## 9. LONG-TERM INVESTMENTS

	2007			2006		
	Significant influence	Other	Total	Significant influence	Other	Total
	(THOUSANDS OF DOLLARS)					
ARTV – participation at 37%	3,661	-	3,661	3,753	-	3,753
The Documentary Channel – participation at 29% <sup>1</sup>	-	-	-	-	-	-
Portfolio investments	-	17	17	-	17	17
	<b>3,661</b>	<b>17</b>	<b>3,678</b>	<b>3,753</b>	<b>17</b>	<b>3,770</b>
Sirius Canada Inc.	(13,417) <sup>2-3</sup>	12,000 <sup>4</sup>	(1,417)	(6,846)	7,000	154
<b>TOTAL</b>	<b>(9,756)</b>	<b>12,017</b>	<b>2,261</b>	<b>(3,093)</b>	<b>7,017</b>	<b>3,924</b>

1 The Corporation has not recorded a portion of The Documentary Channel's losses since the Corporation does not assume any financial risk relating to The Documentary Channel.

2 The Corporation has invested \$25.05 in class A shares, which represents a 25.05 per cent participation. Those shares are entitled to receive dividends in equal amounts per share.

3 The Corporation committed to invest an additional \$1.4 million in class C shares. The Corporation has not committed to assume any additional financial risk. The Corporation's proportionate share of the unrecognised loss is \$5.2 million.

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

## 10. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES

Employee-related liabilities are as follows:

	2007		2006	
	Current	Long-term	Current	Long-term
	(THOUSANDS OF DOLLARS)			
Accrued pension benefit liability (NOTE A)	-	-	164,551	154,836
Employee future benefits other than pensions (NOTE A)	-	-	150,170	143,140
Vacation pay	58,545	56,634	-	-
Workforce reduction (NOTE B)	21,269	23,536	-	-
Salary-related liabilities	82,767	87,077	240	254
	<b>162,581</b>	<b>167,247</b>	<b>314,961</b>	<b>298,230</b>

### A. CBC | RADIO-CANADA PENSION PLANS AND OTHER EMPLOYEE FUTURE BENEFITS

The Corporation maintains a contributory defined benefit pension plan, the CBC | Radio-Canada Pension Plan, covering substantially all employees of the Corporation. Retirement benefits are based on the length of pensionable service and on the average of the best five consecutive years of pensionable salary in the last ten 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 (latest evaluation made in December 2006 and the next required valuation will be as of December 2009).

The Corporation also provides employee future benefits such as severance and other benefits including continuation of benefits coverage for employees on long-term disability, post-retirement life insurance and workers' compensation. The last actuarial valuations for employee termination benefits and for post-retirement life insurance benefits were made in March 2006 and December 2005 respectively.



## 10. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES (CONTINUED)

### A. CBC | RADIO-CANADA PENSION PLANS AND OTHER EMPLOYEE FUTURE BENEFITS (CONTINUED)

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

	2007	2006
<b>ASSUMPTIONS – ANNUAL RATES</b>		
Expected long-term rate of return on plan assets	6.50%	6.75%
Discount rate – beginning of year	5.00%	5.00%
Discount rate – end of year	5.00%	5.00%
Long-term rate of compensation increase, excluding merit and promotion	3.25%	3.45%
Health care cost trend rate	8.5% for 5 years; 4.5% thereafter	8.5% for 5 years; 4.5% thereafter
Indexation of pensions in payment	2.5%	2.7%

	2007	2006
	(THOUSANDS OF DOLLARS)	
<b>ANNUAL AMOUNT</b>		
Employee contributions – pension plans	44,305	36,689
Benefit payments for the year – pension plans	193,958	181,649
Benefit payments for the year – other employee future benefits	12,240	12,007

	2007		2006	
	CBC   Radio-Canada pension plans	Other employee future benefits	CBC   Radio-Canada pension plans	Other employee future benefits
	(THOUSANDS OF DOLLARS)			
Fair value of plan assets, end of year	4,380,208	-	4,154,560	-
Accrued benefit obligation, end of year	(4,257,997)	(163,496)	(4,138,509)	(161,626)
<b>SURPLUS (DEFICIT), END OF YEAR</b>	<b>122,211</b>	<b>(163,496)</b>	<b>16,051</b>	<b>(161,626)</b>
Unamortised past service costs	63,285	(3,768)	71,978	(4,187)
Unamortised net actuarial losses (gains)	255,221	(1,049)	455,400	933
Unamortised transitional (asset) obligation	(605,268)	18,143	(698,265)	21,740
<b>ACCRUED BENEFIT LIABILITY, END OF YEAR</b>	<b>(164,551)</b>	<b>(150,170)</b>	<b>(154,836)</b>	<b>(143,140)</b>
<b>ACCRUED BENEFIT LIABILITY, BEGINNING OF YEAR</b>	<b>(154,836)</b>	<b>(143,140)</b>	<b>(97,321)</b>	<b>(133,007)</b>
<b>EMPLOYEE FUTURE BENEFITS COSTS</b>				
Current service cost	(78,800)	(7,337)	(82,185)	(8,314)
Interest on accrued benefit obligation	(205,154)	(8,145)	(210,972)	(8,450)
Expected return on actuarial value of assets	241,071	-	236,162	-
Amortisation of past service costs	(9,597)	419	(9,597)	419
Amortisation of transitional asset (obligation)	92,996	(3,597)	92,996	(3,607)
Amortisation of actuarial losses	(106,281)	(610)	(134,473)	(2,188)
<b>EMPLOYEE FUTURE BENEFITS COSTS FOR THE YEAR</b>	<b>(65,765)</b>	<b>(19,270)</b>	<b>(108,069)</b>	<b>(22,140)</b>
Corporation pension plan contributions	54,798	-	49,638	-
Benefit payments for unfunded plans	1,252	12,240	916	12,007
<b>TOTAL CASH PAYMENTS</b>	<b>56,050</b>	<b>12,240</b>	<b>50,554</b>	<b>12,007</b>
<b>ACCRUED BENEFIT LIABILITY, END OF YEAR</b>	<b>(164,551)</b>	<b>(150,170)</b>	<b>(154,836)</b>	<b>(143,140)</b>

## 10. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES (CONTINUED)

### A. CBC | RADIO-CANADA PENSION PLANS AND OTHER EMPLOYEE FUTURE BENEFITS (CONTINUED)

As at March 31, 2007, the accrued benefit obligation for the CBC | Radio-Canada Pension Plan and for the unfunded benefit pension arrangements represented respectively \$4,204.1 million (2006 – \$4,089.1 million) and \$53.9 million (2006 – \$49.4 million).

ASSET CATEGORY	Percentage of plan assets (based on fair values)	
	2007	2006
Fixed income	52%	51%
Canadian equities	13%	15%
Global equities	23%	21%
Strategic <sup>1</sup>	12%	13%
	<b>100%</b>	<b>100%</b>

<sup>1</sup> Strategic investments include real estate, private placements, hedge funds, and mortgage funds.

### B. WORKFORCE REDUCTION

In 2005–2006, the Corporation announced the termination of its Design Operations in the Toronto Production Centre. Some departures relating to this announcement have been postponed to 2007–2008. The workforce reduction liability also includes various departures announced throughout the Corporation.

## 11. VARIABLE INTEREST ENTITIES

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

The Corporation is deemed to be the primary beneficiary of the Broadcast Centre Trust (the 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 sublease 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. 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 holds a variable interest in Sirius Canada Inc., also a VIE, but the Corporation is not deemed to be the primary beneficiary. The Corporation's maximum exposure to losses includes its investment of \$12 million plus a commitment to invest an additional \$1.4 million; and an amount of \$2.1 million of licensing revenues, annually. This investment is accounted for using the equity method for class A shares and the cost method for class C shares (NOTE 9).

The investment the Corporation holds in The Documentary Channel also qualifies as a variable interest in a VIE, but the Corporation is not the primary beneficiary. The Corporation's maximum exposure to losses is \$744,000 in amounts receivable. This investment is accounted for using the equity method (NOTE 9).

## 12. BONDS PAYABLE

The Corporation, through its relationship with the Broadcast Centre Trust (NOTE 11), guarantees the bonds payable with its rent payments for the premises occupied by the Corporation in Toronto. The Trust issued \$400 million in secured bonds on January 30, 1997. These bonds bear a fixed interest rate of 7.53 per cent annually and require blended semi-annual payments of \$16,519,398, which will retire the following principal amounts:

	(THOUSANDS OF DOLLARS)
2008 (including accrued interest of \$10.7 million)	18,138
2009	7,964
2010	8,575
2011	9,233
2012	9,941
2013 to 2027	299,238
	<b>353,089</b>
Less: Current portion	(18,138)
	<b>334,951</b>

The fair value of the bonds (NOTE 22) approximates \$449 million (2006 – \$459 million). Interest expense included in current year's expense is \$26.0 million (2006 – \$26.6 million).

## 13. DEFERRED CAPITAL FUNDING

	2007	2006
	(THOUSANDS OF DOLLARS)	
BALANCE, BEGINNING OF YEAR	599,541	629,987
Government funding for capital expenditures (NOTE 18C)	135,730	87,510
Amortisation of deferred capital funding	(93,141)	(117,956)
BALANCE, END OF YEAR	<b>642,130</b>	<b>599,541</b>

## 14. RETAINED EARNINGS (DEFICIT)

The deficit represents liabilities incurred by the Corporation that have not yet been funded through Parliamentary appropriations or other sources of revenues. A significant component of the deficit is for employee future benefits that will be funded only at the time the related benefits are paid by the Corporation.

## 15. COMMITMENTS

### A. PROGRAM-RELATED AND OTHER

As at March 31, 2007, commitments for sports rights amounted to \$150.7 million (2006 – \$202.6 million); procured programs, film rights and co-productions amounted to \$54.1 million (2006 – \$61.5 million) and property and equipment amounted to \$16.0 million (2006 – \$13.4 million), for total commitments of \$220.8 million (2006 – \$277.5 million). Substantially, payments under these contracts are expected to be made over the next five years.

## 15. COMMITMENTS (CONTINUED)

### B. OPERATING LEASES

The operating leases consist mainly of property leases, network distribution leases and equipment leases. Future annual payments related to operating leases as of March 31, 2007, are as follows:

	(THOUSANDS OF DOLLARS)
2008	140,724
2009	82,219
2010	72,700
2011	68,536
2012	57,056
2013 to 2027	186,230
<b>TOTAL FUTURE PAYMENTS</b>	<b>607,465</b>

## 16. CONTINGENCIES

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

Moreover, in a judgment handed down on June 23, 2006, the Canada Labour Code Arbitration Board upheld grievance M-1490, which sought application of the proposals adopted by the Consultative Committee on Staff Benefits (CCSB); namely, to pay out a portion of the Pension Fund surplus that existed in 2000 to employees affiliated with the Syndicat canadien de la fonction publique (SCFP). The arbitrator has not yet ruled on an appropriate remedy further to this judgment. CBC | Radio-Canada is currently challenging the arbitrator's decision in court, with a ruling expected sometime in 2007. Because we cannot predict the outcome of this litigation and gauge its impact, no provision for it is reflected in the results. However, in the event that the Arbitration Board's ruling is upheld by higher courts, the subsequent arbitrator-imposed order could have a major impact on the Corporation's financial position.

Other grievances seek application of CCSB-adopted proposals to pay out a portion of the Pension Fund surplus that existed on December 31, 1999. No ruling has been made to date on these grievances. We cannot predict the outcome of these litigations, nor clearly gauge their impact. Consequently, no provision has been reflected in the results and the situation will be re-examined in light of the pending decisions.

A class-action suit has also been brought by pensioners, claiming a quota-share of the Pension Fund surplus as at December 31, 2002. The case is currently before the Ontario courts and the class action has been certified. We cannot predict the outcome of this litigation, nor clearly gauge its impact. Consequently, no provision has been reflected in the results and the situation will be re-examined in light of the pending decision.

## 17. SPECIALTY SERVICES

The Corporation operates CBC Newsworld, the Réseau de l'information de Radio-Canada (RDI), Galaxie, and CBC Country Canada under license conditions that require the reporting of incremental costs and revenues. Subscriber revenues generated by the Specialty Services are subject to the subscriber rate regulation established by the Canadian Radio-television and Telecommunications Commission (CRTC).

	2007				2006			
	Revenues	Expenses	Repayments to Main Service <sup>1</sup>	Net	Revenues	Expenses	Repayments to Main Service <sup>1</sup>	Net
	(THOUSANDS OF DOLLARS)							
CBC Newsworld <sup>2</sup>	78,432	(71,760)	(2,406)	4,266	76,139	(72,982)	(3,262)	(105)
RDI <sup>2</sup>	46,516	(44,154)	(2,067)	295	44,907	(44,000)	(1,591)	(684)
Galaxie	21,838	(7,702)	(364)	13,772	20,235	(6,717)	(64)	13,454
CBC Country Canada	3,321	(3,085)	-	236	2,984	(2,649)	-	335
	<b>150,107</b>	<b>(126,701)</b>	<b>(4,837)</b>	<b>18,569</b>	<b>144,265</b>	<b>(126,348)</b>	<b>(4,917)</b>	<b>13,000</b>

<sup>1</sup> Capital expenditures for the acquisition of equipment to introduce, maintain and expand the Specialty Services are made by the Corporation from its capital appropriation with an approved Corporate repayment plan for recovery from the Specialty Services' revenues. Those repayments are funded from the accumulated excess revenues over expenses.

<sup>2</sup> In 2006, CBC Newsworld and RDI used previous years' accumulated excess revenues over expenses to fund current activities.

## 18. PARLIAMENTARY APPROPRIATIONS

### A. PARLIAMENTARY APPROPRIATIONS APPROVED AND RECEIVED

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

	2007	2006
	(THOUSANDS OF DOLLARS)	
<b>OPERATING FUNDING</b>		
Approved annual funding	948,054	946,231
Additional non-recurring funding for programming initiatives (NOTE 18D)	60,000	60,000
Transfer to capital funding – Supplementary Estimates A <sup>1</sup>	(33,730)	-
Frozen allotment reprofiled to future years	-	(20,000)
Frozen allotment used	-	20,000
<b>OPERATING FUNDING RECEIVED</b>	<b>974,324</b>	<b>1,006,231</b>
<b>CAPITAL FUNDING</b>		
Approved annual funding	92,000	91,510
Transfer from operating funding – Supplementary Estimates A <sup>1</sup>	33,730	-
Frozen allotment reprofiled to future years	-	(10,000)
Frozen allotment used	10,000	6,000
<b>CAPITAL FUNDING RECEIVED</b>	<b>135,730</b>	<b>87,510</b>
<b>WORKING CAPITAL FUNDING</b>	<b>4,000</b>	<b>4,000</b>

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

**18. PARLIAMENTARY APPROPRIATIONS (CONTINUED)****B. RECONCILIATION OF NET RESULTS OF OPERATIONS TO GOVERNMENT FUNDING BASIS**

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

	2007	2006
	(THOUSANDS OF DOLLARS)	
<b>NET RESULTS FOR THE YEAR</b>	<b>(69,229)</b>	<b>(44,187)</b>
<b>ITEMS NOT GENERATING OPERATING FUNDS</b>		
Amortisation of deferred capital funding	(93,141)	(117,956)
Loss (gain) on disposal of property and equipment	(21)	434
Other	4,468	177
	<b>(88,694)</b>	<b>(117,345)</b>
<b>ITEMS NOT REQUIRING OPERATING FUNDS</b>		
Amortisation of property and equipment	99,395	123,841
CBC Radio-Canada pension plans and other employee future benefits	16,745	67,648
Loss from investments in companies subject to significant influence	6,663	7,109
Program inventory costs	4,547	(8,301)
Vacation pay	2,602	(253)
Other	(4,279)	(567)
	<b>125,673</b>	<b>189,477</b>
<b>RESULTS OF OPERATIONS ON A GOVERNMENT FUNDING BASIS</b>	<b>(32,250)</b>	<b>27,945</b>
Less: Interest generated from the disposal of joint business ventures	-	(890)
Add: Use of proceeds, generated in a previous fiscal year, from the sale of joint business venture	18,832	546
	<b>(13,418)</b>	<b>27,601</b>
<b>NET RESULTS OF OPERATIONS ON A GOVERNMENT FUNDING BASIS</b>	<b>(13,418)</b>	<b>27,601</b>
<b>GOVERNMENT FUNDING SURPLUS, BEGINNING OF YEAR</b>	<b>59,634</b>	<b>32,033</b>
<b>GOVERNMENT FUNDING SURPLUS, END OF YEAR</b>	<b>46,216</b>	<b>59,634</b>

## 18. PARLIAMENTARY APPROPRIATIONS (CONTINUED)

### C. NET RESULTS FOR CAPITAL FUNDING

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

	2007	2006
	(THOUSANDS OF DOLLARS)	
Capital funding received (NOTE 18A)	135,730	87,510
Capital recovery from notes receivable	1,300	1,575
Capital recovery from net investment in sales-type leases	1,378	1,285
Proceeds from the disposal of property and equipment and other	2,596	1,848
<b>TOTAL CAPITAL FUNDING FOR THE YEAR</b>	<b>141,004</b>	<b>92,218</b>
Acquisition of property and equipment	(138,720)	(116,067)
Capital portion of bond payments	(6,870)	(6,378)
<b>CAPITAL DEFICIT BEFORE ADJUSTMENTS FOR CONSIDERATIONS AFFECTING CAPITAL FUNDS</b>	<b>(4,586)</b>	<b>(30,227)</b>
Add: Considerations affecting capital funds	-	196
<b>CAPITAL FUNDING DEFICIT FOR THE YEAR</b>	<b>(4,586)</b>	<b>(30,031)</b>
<b>CAPITAL FUNDING (DEFICIT) SURPLUS, BEGINNING OF YEAR, GOVERNMENT FUNDING BASIS</b>	<b>(19,844)</b>	<b>10,187</b>
<b>CAPITAL FUNDING DEFICIT, END OF YEAR, GOVERNMENT FUNDING BASIS<sup>1-2</sup></b>	<b>(24,430)</b>	<b>(19,844)</b>

<sup>1</sup> The 2006–2007 capital budget included a consideration of \$34 million from the disposal of a lot in Vancouver. The sale did not materialise as planned, thus creating a government-funding-basis capital deficit at year-end. We expect the sale to go through during fiscal 2007–2008, which will reabsorb the cumulative government-funding-basis capital deficit.

<sup>2</sup> Transfers between operating and capital are accomplished through Supplementary Estimates B in the fiscal year to which they relate. Due to the fact that Parliament was dissolved on November 29, 2005, for a general election, planned transfers in the amount of \$31.1 million in fiscal year 2005–2006 did not take place.

### D. ADDITIONAL NON-RECURRING FUNDING FOR PROGRAMMING INITIATIVES

An additional non-recurring funding of \$60 million was again approved in April 2006 for 2006–2007 (2005–2006 – \$60.0 million). These funds are being used across all media for the enhancement of programming initiatives in particular.

## 19. INCOME AND LARGE CORPORATIONS TAXES

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

	2007	2006
	(THOUSANDS OF DOLLARS)	
Current income tax recovery (provision)	26	(272)
Future income tax	-	-
	<b>26</b>	<b>(272)</b>

The recovery of (provision for) income and large corporations taxes differs from the amount that would be computed by applying the federal statutory income tax rate of 32.52 per cent to net results before taxes. The reasons for the differences are as follows:

	2007	2006
	(THOUSANDS OF DOLLARS)	
Income tax recovery at federal statutory rate	22,522	14,281
Increase (decrease) resulting from:		
Non-deductible portion of capital losses	(1,151)	(1,025)
Other net amounts	(6,885)	(423)
Adjustment for enacted changes in income tax rates	(8,715)	-
Change in valuation allowance	(5,771)	(12,833)
Large corporations tax recovery (provision)	26	(272)
	<b>26</b>	<b>(272)</b>

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future liabilities as at March 31, 2007 and 2006 are presented below:

	2007	2006
	(THOUSANDS OF DOLLARS)	
Future tax assets		
Accrued liabilities	6,937	6,010
Pension plan asset	47,720	50,353
Employee-related liabilities	43,619	46,632
Loss carry-forward	10,227	6,995
Long-term investments	2,005	1,163
	<b>110,508</b>	<b>111,153</b>
Less: Valuation allowance	(71,976)	(66,205)
	<b>38,532</b>	<b>44,948</b>
Future tax liabilities		
Program inventory	686	1,499
Net investment in sales-type leases	16,185	18,513
Property and equipment	19,845	21,248
Notes receivable	1,816	3,688
	<b>38,532</b>	<b>44,948</b>
Net future tax assets (liabilities)	-	-

As at March 31, 2007, the Corporation has a loss carry-forward for tax purposes of \$35.2 million (2006 – \$21.5 million), which expires as follows: 2015 – \$5.4 million, 2027 – \$29.8 million.



## 20. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	2007	2006
	(THOUSANDS OF DOLLARS)	
<b>CASH FLOWS PROVIDED BY (USED FOR)</b>		
Short-term investments	63,660	(10,864)
Accounts receivable <sup>1</sup>	42,204	(53,005)
Inventory <sup>2</sup>	7,312	(19,302)
Prepaid expenses	(11,192)	(495)
Net investment in sales-type leases <sup>3</sup>	8	7
Property held for sale	(765)	-
Accounts payable and accrued liabilities	515	31,463
Deferred revenues	5,440	(1,855)
Employee-related liabilities <sup>4</sup>	(7,268)	(7,312)
Bonds payable <sup>5</sup>	(155)	(186)
	<b>99,759</b>	<b>(61,549)</b>

1 Excluding \$(0.1) million (2006 – \$0.3 million) of notes receivable from the sale of lands.

2 Including \$(2.1) million (2006 – \$1.3 million) of amortisation of property and equipment.

3 Excluding capital recovery of \$0.1 million (2006 – \$0.09 million).

4 Excluding items not involving cash of \$2.6 million (2006 – \$(0.4) million).

5 Excluding repayment of bonds payable of \$0.5 million (2006 – \$0.5 million).

## 21. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to other Government departments, agencies and Crown corporations and to private companies over which the Corporation has significant influence (NOTE 9). 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:

	Government	Private companies
	(THOUSANDS OF DOLLARS)	
Revenues	3,411	5,538
Accounts receivable	77	2,928
Expenses	4,548	132
Accounts payable	109	1

During the year, the Corporation also received funding from the Government of Canada as described in Note 18.

## 22. FINANCIAL INSTRUMENTS

The carrying amounts for cash and cash equivalent, the bank overdraft, short-term investments, accounts receivable, current portion of net investment in sales-type leases, accounts payable and accrued liabilities, and accrued bonds payable interest, approximate fair value due to the short-term nature of these instruments. The fair values of the long-term portion of net investment in sales-type leases and long-term portion of notes receivable, and the bonds payable are listed below.

Instrument	Fair values		Method
	2007	2006	
	(MILLIONS OF DOLLARS)		
Long-term portion of net investment in sales-type leases	69.5	70.3	Valuation technique using a discount rate based on long-term Government bonds.
Long-term portion of notes receivable	63.4	64.1	Valuation technique using a discount rate based on long-term Government bonds.
Bonds payable	449.1	459.0	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.

The Corporation uses derivative financial instruments such as forward contracts to manage the risk of loss due to adverse movements in foreign exchange. Foreign exchange forward contracts with a notional principal amount of \$42.6 million (2006 – \$55.9 million) were outstanding at the end of the year. The fair value, based upon market quotations, represents \$46.4 million (2006 – \$60.2 million) at March 31, 2007. The remaining term to maturity of these contracts is under one year.

## 23. COMPARATIVE FIGURES

Some of the 2006 figures have been reclassified to conform to the current year's presentation.

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