

FINANCIAL REVIEW

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



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



MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Ottawa, Canada
June 22, 2011



President and Chief Executive Officer



Vice-President and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Minister of Canadian Heritage and Official Languages

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

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



John Wiersema, FCA
Interim Auditor General of Canada

22 June 2011
Ottawa, Canada

CONSOLIDATED BALANCE SHEET

As at March 31

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

Commitments and contingencies (NOTES 19 AND 20)

*The accompanying notes form an integral part of the consolidated financial statements.*APPROVED BY THE
BOARD OF DIRECTORS:


DIRECTOR



DIRECTOR

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the year ended March 31

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

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

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the year ended March 31

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2011

1. AUTHORITY AND OBJECTIVE

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF CONSOLIDATION

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

B. MEASUREMENT UNCERTAINTY

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

C. PARLIAMENTARY APPROPRIATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

D. REVENUE RECOGNITION

i. ADVERTISING REVENUES

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

ii. SPECIALTY SERVICES

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

iii. OTHER INCOME

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

Other income also includes net gains from derivatives.

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

iv. FINANCING INCOME

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

E. TELEVISION, RADIO AND NEW MEDIA SERVICES COSTS

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

F. PROGRAMMING

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

¹ Method of broadcasting consecutive episodes.

G. PROPERTY AND EQUIPMENT AND EQUIPMENT UNDER CAPITAL LEASE

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

H. INTANGIBLE ASSETS

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. FINANCIAL INSTRUMENTS

i. FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. DERIVATIVES – FORWARD CONTRACTS

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

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

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

J. PENSION COST AND OBLIGATION

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

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

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

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

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plans is between 6.0 and 13.5 years (2010 – between 6.0 and 13.5 years).

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

K. EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS

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

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

For employee termination benefits and post-retirement life insurance, the transitional obligation and the net actuarial gains or losses are amortized over the average remaining service period of the employee group. The transitional obligation and the net actuarial gains or losses for continuation of benefits for employees on long-term disability and workers' compensation are amortized over the expected average remaining duration of payments. The amortization periods used for these plans are between 7.0 and 15.7 years (2010 – between 7.0 and 15.7 years).

L. ASSET HELD FOR SALE

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

M. LONG-TERM INVESTMENTS

Investments in entities over which the Corporation does not exercise significant influence are classified as AFS and recorded at fair value. Investments in entities over which the Corporation exercises significant influence are accounted for using the equity method. Under this method, the Corporation's investment is initially recorded at cost and adjusted thereafter to include the Corporation's pro-rata share of earnings of the investee. Gains from investments in entities subject to significant influence are recorded in other income, while losses are recorded as loss from investments in entities subject to significant influence. When net losses from an equity accounted for investment exceed its carrying amount, the investment balance is reduced to zero and additional losses are not provided for, unless the Corporation is committed to providing financial support to the investee.

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

N. FINANCIAL LIABILITY RELATED TO THE MONETIZATION OF RECEIVABLES

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

O. OBLIGATION UNDER CAPITAL LEASE

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

P. DEFERRED CHARGES

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

Q. FOREIGN CURRENCY TRANSLATION

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

R. INCOME TAXES

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

3. ACCOUNTING STANDARDS

A. CHANGES IN ACCOUNTING STANDARDS

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

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

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

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

3. ACCOUNTING STANDARDS (continued)

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

B. FUTURE ACCOUNTING CHANGES

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

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

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

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

4. PROGRAMMING

A. PROGRAMMING

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

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

B. COLLECTION

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

5. PROPERTY AND EQUIPMENT

A. COST AND ACCUMULATED AMORTIZATION

	2011			2010
	Cost	Accumulated amortization <i>(thousands of dollars)</i>	Net book value	
Land	20,385	–	20,385	20,467
Buildings	988,242	(562,156)	426,086	435,356
Technical equipment	1,315,093	(984,408)	330,685	353,049
Computers, furnishings and office equipment	94,612	(64,782)	29,830	27,239
Automotive	46,546	(36,584)	9,962	10,010
Leasehold improvements	44,800	(18,609)	26,191	38,090
Capital projects in progress	82,636	–	82,636	41,601
	2,592,314	(1,666,539)	925,775	925,812¹

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

B. IMPAIRMENT

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

C. ASSET HELD FOR SALE

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

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

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

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

6. INTANGIBLE ASSETS

A. COST AND ACCUMULATED AMORTIZATION

	2011			2010
	Cost	Accumulated amortization <i>(thousands of dollars)</i>	Net book value	
Software	138,788	(105,500)	33,288	45,588
Software development in progress	6,399	–	6,399	2,137
	145,187	(105,500)	39,687	47,725¹

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

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

B. IMPAIRMENT

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

7. EQUIPMENT UNDER CAPITAL LEASE

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

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

8. LONG-TERM INVESTMENTS

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

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

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

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

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

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

10. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES

Employee-related liabilities are as follows:

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

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

A. THE CORPORATION PENSION PLANS AND OTHER EMPLOYEE FUTURE BENEFITS

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

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

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

	2011	2010
Assumptions – annual rates		
Expected long-term rate of return on plan assets	6.50%	6.25%
Discount rate used for the calculation of the benefit costs	5.00%	5.75%
Discount rate used for the calculation of the obligation	4.75%	5.00%
Long-term rate of compensation increase, excluding merit and promotion	2.75%	3.25%
Health care cost trend rate	7.0%	7.5%
	until 2019; 4.5%	until 2019; 4.5%
	thereafter	thereafter
Indexation of pensions in payment	1.65%	1.9%
	2011	2010
	<i>(thousands of dollars)</i>	
Annual amount		
Employee contributions – pension plans	37,630	38,503
Benefit payments for the year – pension plans	235,835	226,831
Benefit payments for the year – other employee future benefits	12,694	18,147

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

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

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

Plan assets are invested in the following securities:

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

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

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

11. VARIABLE INTEREST ENTITIES

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

A. BROADCAST CENTRE TRUST

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

B. THE DOCUMENTARY CHANNEL (*documentary*)

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

C. SIRIUS

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

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

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

12. SUBSIDIARY

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

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

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

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

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

13. BONDS PAYABLE

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

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

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

14. FINANCIAL GUARANTEE

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

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

15. FINANCIAL LIABILITY RELATED TO THE MONETIZATION OF RECEIVABLES

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

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

16. OBLIGATION UNDER CAPITAL LEASE

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

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

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

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

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

17. DEFERRED CAPITAL FUNDING

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

18. RETAINED EARNINGS (DEFICIT)

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

The deficit incorporates working capital appropriations received since 1958, which have accumulated to \$171 million as at March 31, 2011 (2010 – \$167 million). The working capital appropriation is provided to fund working capital investments required by the Corporation. The Corporation must maintain a working capital that is higher than the accumulated working capital appropriations. For the purpose of this calculation, the working capital represents the excess of current assets over current liabilities, excluding the liabilities relating to annual leave and time off in lieu that will not result in a cash outflow.

19. COMMITMENTS

A. PROGRAM-RELATED AND OTHER

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

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

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

B. OPERATING LEASES

The operating leases consist mainly of property leases, network distribution leases and equipment leases. Future annual payments related to operating leases as of March 31, 2011, are as follows:

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

20. CONTINGENCIES

A. CLAIMS AND LITIGATIONS

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

B. ENVIRONMENTAL CONTINGENCIES

Polychlorinated biphenyls (PCBs) concentrations which exceed the Ministère du Développement durable, de l'Environnement et des Parcs (MDDEP) industrial site criterion were identified in the soil at the former Corporation AM transmission site in Rimouski.

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

21. SPECIALTY SERVICES

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

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

¹ Consolidated entities

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

21. SPECIALTY SERVICES (continued)

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

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

² Consolidated entities.

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

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

22. OTHER INCOME

Other income consists of:

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

23. PARLIAMENTARY APPROPRIATIONS

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

	2011 <i>(thousands of dollars)</i>	2010
Operating funding		
Base funding	980,814	983,185
Additional non-recurring funding for programming initiatives	60,000	60,000
Transfer to capital funding	(9,233)	(25,598)
Operating funding received	1,031,581	1,017,587
Capital funding		
Base funding	92,331	92,331
Transfer from operating funding	9,233	25,598
Capital funding received	101,564	117,929
Working capital funding	4,000	4,000
	1,137,145¹	1,139,516¹

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

24. RECOVERY OF INCOME AND LARGE CORPORATIONS TAXES

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

	2011 <i>(thousands of dollars)</i>	2010
Recovery of income and large corporations taxes	–	101
	–	101

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

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

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

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

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

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

25. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

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

26. RELATED PARTY TRANSACTIONS

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

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

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

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

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

27. FINANCIAL INSTRUMENTS

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

A. FAIR VALUE

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

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

27. FINANCIAL INSTRUMENTS (continued)

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

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

27. FINANCIAL INSTRUMENTS (continued)

B. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	2011		2010	
	Notional	Fair value <i>(thousands of dollars)</i>	Notional	Fair value
Forward exchange contracts-USD ¹	23,251	(715)	18,651	(297)

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

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

C. FINANCIAL RISK MANAGEMENT

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

D. MARKET RISK

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

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

i. CURRENCY RISK

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

27. FINANCIAL INSTRUMENTS (continued)

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

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

Based on the net exposure as at March 31, 2011, and assuming all the other variables remain constant, a hypothetical five per cent change in the Canadian dollar against the US dollar, the Euro and the GBP would not have a significant impact on the Corporation's net results (2010 – no significant impact).

ii. INTEREST RATE RISK

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation's bonds payable is subject to interest rate fluctuations since they bear a fixed interest rate. An increase or decrease in market rates will affect the fair value of this financial instrument.

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

E. CREDIT RISK

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

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

i. CASH

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

ii. ACCOUNTS RECEIVABLE

The Corporation's accounts receivable are mainly derived from the sale of advertising airtime. Credit risk concentration with respect to trade receivables is limited by following a program of credit evaluation and by limiting the amount of customer credit where deemed necessary. The Corporation does not believe that it is exposed to an unusual or significant level of credit risk. As at March 31, 2011, no single client had balances representing a significant portion of the Corporation's trade receivables.

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

27. FINANCIAL INSTRUMENTS (continued)

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

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

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

iii. FORWARD EXCHANGE CONTRACTS

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

F. LIQUIDITY RISK

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

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

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

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

27. FINANCIAL INSTRUMENTS (continued)

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

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

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

28. CAPITAL MANAGEMENT

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

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

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

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

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

29. SUBSEQUENT EVENTS

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

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

30. COMPARATIVE FIGURES

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