MANAGEMENT DISCUSSION AND ANALYSIS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FORWARD LOOKING STATEMENTS

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

1. CORE BUSINESS AND STRATEGY

1A. MANDATE

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

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

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

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

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

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

1B. SERVICES

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

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

1C. BUSINESS MODEL

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

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

1D. OPERATIONS

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

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

1E. STRATEGIC PLAN

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

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

This plan includes the following three components:

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

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

The four guiding principles supporting our vision are as follows:

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

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

1. STRATEGIC THRUST – NETWORK PROGRAMMING

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

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

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

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

a. **News**

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

a. **Regions**

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

a. **Arts and Entertainment**

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

a. **New Platforms**

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

2. STRATEGIC THRUST – REGIONAL PROGRAMMING

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

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

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

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

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

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

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

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

3. STRATEGIC THRUST – DIGITAL PROGRAMMING

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

a. Strengthen our multiplatform competitive position

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

b. Build a suite of branded multiplatform Canadian offerings

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

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

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

1F. MANAGEMENT STRUCTURE AND REPORTING

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

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

CBC | RADIO-CANADA SENIOR EXECUTIVE TEAM

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

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

1G. REPORTING TO CANADIANS

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

OPEN AND TRANSPARENT

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

Here are examples of reporting instruments:

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

ANNUAL PUBLIC MEETING

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

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

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

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

1H. OTHER STRATEGIC UPDATES

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

VERTICAL INTEGRATION OF THE BROADCASTING INDUSTRY

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

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

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

DIGITAL TELEVISION (DTV)

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

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

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

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

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

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

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

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

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

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

2. KEY PERFORMANCE DRIVERS AND MEASURES

2A. KEY PERFORMANCE DRIVERS

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

PEOPLE

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

PROGRAMS

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

PUSHING FORWARD

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

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

2B. KEY PERFORMANCE MEASURES 2010–2011

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

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

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

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

ENGLISH SERVICES

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

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

RESULTS FOR ENGLISH SERVICES' IN 2010–2011

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

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

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

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

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

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

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

ENGLISH SERVICES' FUTURE DIRECTIONS

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

NETWORK PROGRAMMING

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

REGIONAL PROGRAMMING

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

DIGITAL PROGRAMMING

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

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

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

FRENCH SERVICES

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

11 Monetary targets are based on annual budgets.

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

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

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

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

RESULTS FOR FRENCH SERVICES' IN 2010–2011

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

Ratings were up across all media platforms.

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

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

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

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

FRENCH SERVICES' FUTURE DIRECTION

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

NETWORK PROGRAMMING

We will offer more distinctive programming by:

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

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

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

RADIO

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

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

REGIONAL PROGRAMMING

We will be more regional by:

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

DIGITAL PROGRAMMING

We will be more digital by:

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

NEW TECHNOLOGIES AND EFFICIENCIES – ENGLISH AND FRENCH SERVICES

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

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

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

RADIO CANADA INTERNATIONAL (RCI)

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

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

RCI FUTURE DIRECTIONS

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

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

2C. KEY PERFORMANCE MEASURES 2011–2012

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

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

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

OUTCOMES AND METRICS

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

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

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

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

NEW PERFORMANCE INDICATORS – ENGLISH SERVICES

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

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

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

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

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

16 12+, Fall Survey.

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

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

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

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

21 Radio and TV measured using personal people meters.

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

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

NEW PERFORMANCE INDICATORS – FRENCH SERVICES

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

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

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

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

23 12+ Fall Survey.

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

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

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

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

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

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

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

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

29 Radio and TV measured using personal people meters.

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

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

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

3. CAPABILITY TO DELIVER RESULTS

3A. LEADERSHIP AND PEOPLE

CHANGES TO THE BOARD OF DIRECTORS

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

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

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

CHANGES TO THE SENIOR MANAGEMENT TEAM

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

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

ENGAGING OUR PEOPLE

EMPLOYEE SURVEY

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

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

DIVERSITY

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

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

LABOUR RELATIONS

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

INVESTMENT IN TRAINING

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

LEADERS' FORUM

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

THE PRESIDENT'S AWARDS

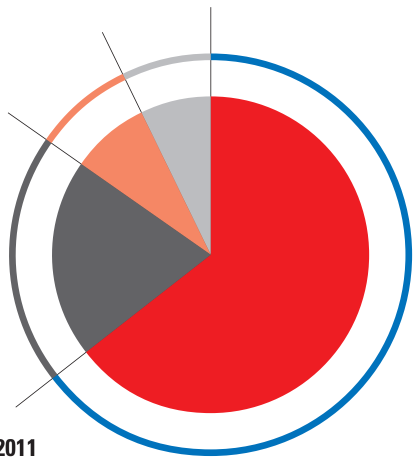
The President's Awards were launched in the fall of 2009 to recognize and salute employees for their outstanding contributions and accomplishments. They are based on the President and CEO's three priorities: People, Programs and Pushing Forward. Awards supporting each priority are given out, such as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

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

3B. RESOURCE CAPACITY

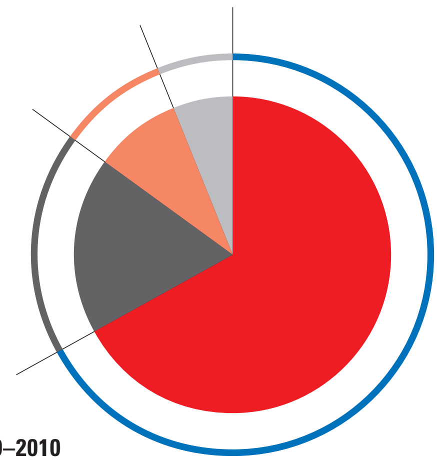
REVENUES AND SOURCES OF FUNDS

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



**2010–2011
$1,810**

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



**2009–2010
$1,710**

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

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

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

GOVERNMENT FUNDING

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

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

ADVERTISING REVENUES

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

SPECIALTY SERVICES REVENUES

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

OTHER REVENUES

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

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

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

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

CAPITAL BUDGET

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

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

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

MAJOR ACTIVITY IN THE YEAR

The following capital activities were substantially completed during the year.

NEXT GENERATION CONVERGED NETWORK (NGCN)

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

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

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

CENTRE DE L'INFORMATION (CDI) IN MONTREAL

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

UPGRADE OF THE TV NETWORK OPERATION CENTRE IN TORONTO

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

CENTRALIZED RADIO PRESENTATION AND SATELLITE DISTRIBUTION

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

REGIONAL DISAFFILIATION IN QUEBEC

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

REPLACE FIELD EQUIPMENT (ENGLISH AND FRENCH SERVICES)

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

MOUNT ROYAL SAFETY CODES

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

SALE OF BROSSARD PROPERTY

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

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

BORROWING PLAN

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

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

(in thousands of dollars)

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

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

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

4. RESULTS AND OUTLOOK

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

4A. ANALYSIS OF FINANCIAL RESULTS

PERFORMANCE REVIEW

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

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

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

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

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

EXPENSES COMPARISON

(in millions of dollars)

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

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

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

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

REVENUES

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

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

ADVERTISING

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

SPECIALTY SERVICES

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

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

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

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

OTHER AND FINANCING INCOME

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

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

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

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

OPERATING EXPENSES

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

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

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

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

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

GOVERNMENT FUNDING

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

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

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

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

OTHER

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

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

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

4B. FINANCIAL CONDITION CASH FLOW AND LIQUIDITY

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

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

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

OPERATING ACTIVITIES

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

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

FINANCING ACTIVITIES

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

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

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

INVESTING ACTIVITIES

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

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

4C. OUTLOOK

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

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

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

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

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

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

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

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

5. RISK

RISK MANAGEMENT

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

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

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

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

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

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

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

LEGEND

Risk Trend: ▼ Decreasing ▶ Stable ▲ Increasing

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

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

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

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

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

LEGEND

Risk Trend: ▼ Decreasing ▶ Stable ▲ Increasing

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

LEGEND

Risk Trend: ▼ Decreasing ▶ Stable ▲ Increasing

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

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

LEGEND

Risk Trend: ▼ Decreasing ▶ Stable ▲ Increasing

6. FINANCIAL REPORTING DISCLOSURE

6A. ACCOUNTING DISCLOSURES

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

6B. CHANGES IN ACCOUNTING POLICIES

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

IFRS TRANSITION PLAN

To meet the IFRS transition requirements, CBC | Radio-Canada established an enterprise-wide multidisciplinary IFRS project team governed by a Steering Committee. As part of the IFRS changeover plan and governance model, the project provided regular progress reporting to the Audit Committee of the Board of Directors.

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

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

IFRS TRANSITION IMPACT

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

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

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

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

IFRS 1 – FIRST-TIME ADOPTION OF IFRS

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

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

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

IAS 16 – PROPERTY, PLANT AND EQUIPMENT

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

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

IAS 19 – EMPLOYEE BENEFITS

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

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

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

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

IAS 17 – LEASES

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

IMPACT ON INFORMATION TECHNOLOGY AND OTHER SYSTEMS

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

INTERNAL CONTROLS

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

FINANCIAL STATEMENT DISCLOSURES

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

6C. TRANSACTIONS WITH RELATED PARTIES

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