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.