

## Management Discussion and Analysis

### International Financial Reporting Standards

As of April 1, 2011, publicly accountable enterprises in Canada must report financial results according to International Financial Reporting Standards (IFRS). This report refers to the financial statements for the year ended March 31, 2012 which have been prepared on the basis of IFRS and include comparative information for the year ended March 31, 2011 which has been restated using IFRS.

### Seasonality

The majority of the Corporation's self-generated revenue comes from advertising, which follows seasonal patterns. Advertising revenue will vary according to market and general economic conditions, and the programming schedule. Subscriber-based revenue is relatively more stable on a quarter-by-quarter basis. Operating expenses also follow a seasonal pattern, as they are influenced by the programming schedule.

Government appropriations are recognized in income based on the annual budget, which reflects seasonal impacts on expenditures and self-generated revenue.

### Note Regarding Forward-Looking Statements

This 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 Results and Outlook 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

## 1.1. Mandate

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

Established in 1936, this past year CBC/Radio-Canada celebrated 75 years of service to Canadians by 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 section 46(2) of the *Act* to provide an international service, Radio-Canada International (RCI). As noted in last year's annual report, the Corporation planned to review RCI in relation to our strategic plan. The service was also reviewed within the context of the Federal budget 2012, which led to the decision to transform the service to provide audiences with content on the web only as described in section 4.4 Outlook.

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.

In establishing and operating its broadcasting activities, CBC/Radio-Canada is expected to comply with licencing and other regulatory requirements established by the CRTC, as well as any requirements under the *Radio Communication Act* that may apply to the Corporation's use of the radiocommunication spectrum.

## 1.2. 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 five 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, as follows:

### CBC/Radio-Canada Services












#### Radio

		
<p><b>CBC Radio One</b> News, current affairs, arts and culture via radio and Sirius Satellite Radio Channel 159.</p>	<p><b>CBC Radio 2</b> Classical, jazz and popular music via radio and four online channels: Classical, Jazz, Canadian Songwriters and Canadian Composers.</p>	<p><b>CBC Radio 3</b> Emerging Canadian music via the Internet, podcast and Sirius Satellite Radio Channel 152.</p>
		
<p><b>Première Chaîne</b> News, current affairs, arts and culture</p>	<p><b>Espace musique</b> Classical, jazz, vocal, world and emerging music via radio and Sirius Satellite Channel 153.</p>	<p><b>Bande à part</b> Popular and alternative French-language music via Espace musique, the Internet, podcast and Sirius Satellite Radio Channel 161.</p>
		
<p><b>Première plus</b> News, current affairs and culture, in partnership with Radio Canada International and Radio France International, via Sirius Satellite Radio Channel 160.</p>	<p><b>Sports extra</b> Sports information and analysis via Sirius Satellite Radio Channel 156.</p>	

## Television

 <p>CBC</p>	 <p>CBCnews network</p>	 <p>bold</p>
<p><b>CBC Television</b></p> <p>News, information, sports, entertainment, documentaries and kids programming.</p>	<p><b>CBC News Network</b></p> <p>Continuous news and information via television.</p>	<p><b>bold</b></p> <p>Canada's 24-hour English-language digital television service pushes the boundaries with innovative drama and comedy, the world's best performing arts and exclusive coverage of sporting events. By subscription.</p>
 <p>documentary</p>	 <p>TÉLÉVISION</p>	 <p>RDI</p>
<p><b>documentary</b></p> <p>Canadian and international documentaries, films and series.</p>	<p><b>Télévision de Radio-Canada</b></p> <p>News, current affairs, drama, culture, variety, sports and programming for children and youth.</p>	<p><b>Réseau de l'information de Radio-Canada</b></p> <p>Continuous news, information and current affairs via television.</p>
 <p>TV5MONDE</p>	 <p>artv</p>	 <p>EXPLORA</p>
<p><b>TV5MONDE</b></p> <p>Programming featuring diverse cultures and perspectives, from 10 broadcast partners, including Radio-Canada.</p>	<p><b>ARTV</b></p> <p>Arts and entertainment: film, theatre, music, dance, visual arts, and more. By subscription.</p>	<p><b>Explora</b></p> <p>Health, science, nature and the environment.</p>
 <p>CBC Radio-Canada</p>	 <p>CBCnorth ᑕᑕᑕᑕᑕᑕ</p>	
<p><b>CBC News Express / RDI Express</b></p> <p>Bilingual news and information service in five large Canadian airports, serving over 62 million travelers annually.</p>	<p><b>CBC North</b></p> <p>Linking Canada's northern communities via radio and television, in English, French and eight Aboriginal languages.</p>	

## Digital

		
<p><b>CBC.ca</b> News, information, streaming video and audio, sports highlights, Web features and multimedia archives.</p>	<p><b>cbcnews.ca</b> Local, national and international breaking news and in-depth reporting, streaming audio and video, and web-only interactive features.</p>	<p><b>cbcsports.ca</b> Canadian and international breaking news and special reports from the world of sports, access to live streaming of major events including CBC's Hockey Night in Canada.</p>
		
<p><b>CBC Music</b> Free digital music service with 40 web radio stations, 12 genre-based music communities plus CBC Radio 2 and CBC Radio 3, music news by Canada's top music journalists, hundreds of concerts, playlists and more.</p>	<p><b>CBC Books</b> All of CBC's rich literary content across all platforms – audio, video and digital.</p>	<p><b>CBC Hamilton</b> CBC.ca/Hamilton provides a robust, up-to-date experience with content tailored to the residents of Hamilton and the neighbourhoods in which they live. It is one of five new local services being rolled out as part of CBC/Radio-Canada's Strategy 2015: <i>Everyone, Every way.</i></p>
		
<p><b>Radio-Canada.ca</b> News, information, streaming video and audio, and Web features.</p>	<p><b>Tou.tv</b> On-demand Web television, created by Radio-Canada, featuring programming from almost 50 national and international producers and broadcasters.</p>	<p><b>Espace.mu</b> Customized and mostly French-language music via the Internet in seven genres: pop, jazz, classical, hip-hop, rock, country-folk and world music.</p>
		
<p><b>Rive Sud/Rive Nord</b> Provides Montreal's off-island residents with dedicated spaces to get their news, plan their commutes and daily activities, and discuss the issues that matter to them.</p>	<p><b>Radio Canada International</b> Canadian information and culture in five languages via the Internet, digital and analogue shortwave, satellite and partner stations worldwide.</p>	

## Other



### **CBC Records / Les disques SRC**

A label recording Canadian musicians and releasing about eight CDs annually.



### **CBC Mobile Productions / Productions mobiles de Radio-Canada**

Services for in-house production and generating programming revenue by selling to the third-party market.



### **CBC Shop / Boutique Radio-Canada**

On-site and online shop selling CBC/Radio-Canada audio and audio-visual recordings of programs, as well as related merchandise.

### 1.3. Business Model

We operate using several sources of funds, including government appropriations and self-generated revenues. CBC/Radio-Canada is a Crown corporation with 62.8 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. However, through the Deficit Reduction Action Plan, the federal government has reduced CBC/Radio-Canada's appropriation by \$115 million over three years.

The remaining 37.2 per cent of the budget originates from advertising, specialty service and other revenues. CBC/Radio-Canada is not profit oriented and all sources of funds are used to fulfill its public broadcasting mandate.

Advertising revenue	20.3%
Specialty services revenue	9.1%
Other revenue	7.8%
Total:	37.2%

To stay abreast of the broadcasting marketplace and our role within it, as well as to inform our business model, CBC/Radio-Canada undertakes and commissions various studies. These studies provide objective measures to help inform our decisions and ensure we continue to fulfill our mandate with the best information available. Examples of subjects studied include advertising, Canadian content and the economic impact of the public broadcaster. Many of these studies are available [here](#). To ensure that the value of our research and reference information – which includes reports and analysis on audience ratings, industry competitors, external industry research, and the Media Technology Monitor – is amplified internally, it is accessible to all employees via the corporate intranet.

For example, through a study released in November 2011, Deloitte and Touche LLP (Deloitte) measured CBC/Radio-Canada's impact on the economy. Input included data from the CRTC, Statistics Canada, industry reports and CBC/Radio-Canada. Deloitte concluded that we had substantial impact on the Canadian economy in 2010, supporting jobs and businesses across the country – CBC/Radio-Canada's expenditure of \$1.7 billion generated an estimated \$3.7 billion gross value-added contribution to the Canadian economy.

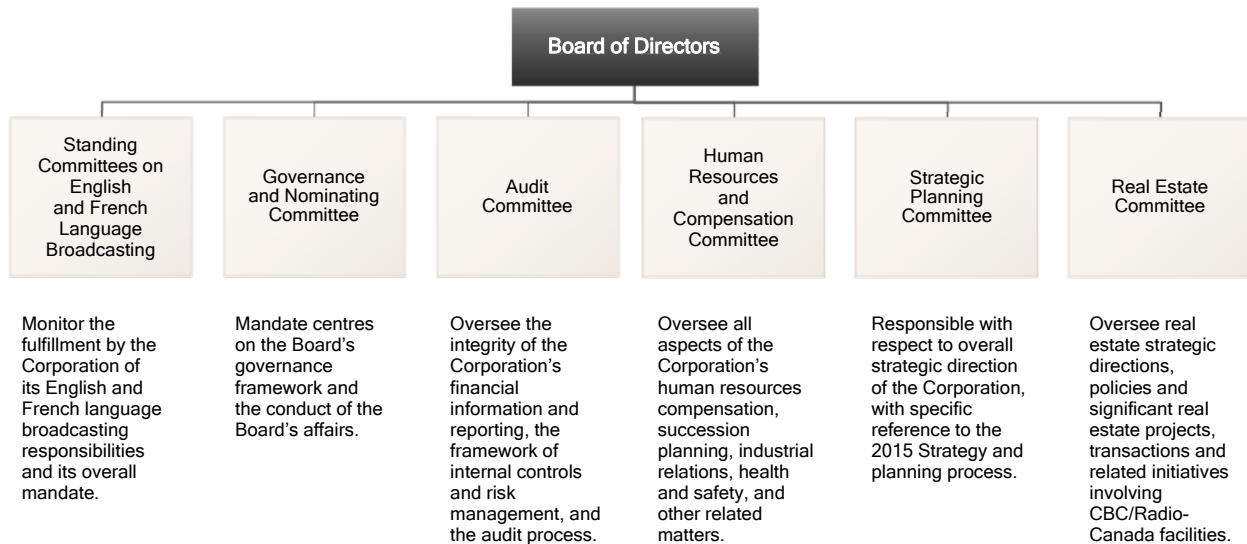
The Corporation also released a new study by Nordicity Group Ltd. that looked at advertising and the public broadcaster. The study concluded that advertising does not detract from the public broadcaster's mandate and that there is no good public policy reason to eliminate it from its television services. Removing ads from CBC/Radio-Canada's services would result in a significant reduction of Canadian content and have serious consequences for both the independent production sector and advertisers.

### 1.4. Board and Management Structure

CBC/Radio-Canada accounts for its activities to Parliament through the Minister of Canadian Heritage and Official Languages and 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.

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.

The Board has six sub-committees as shown below.



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 with responsibilities as defined below.



<p>President and CEO</p>	<p>Responsible for overseeing the management of CBC/Radio-Canada to ensure that Canada's national public broadcaster can deliver on the various aspects of its mandate and continue to offer Canadians a broad spectrum of high quality programming that informs, enlightens and entertains, and that is created by, for and about Canadians.</p>
<p>Executive Vice-President, French Services</p>	<p>Oversees all aspects of CBC/Radio-Canada's French-language programming services, which include, among other things, Télévision de Radio-Canada, Réseau de l'information de Radio-Canada (RDI), ARTV, Radio de Radio-Canada, Radio Canada International (RCI), Radio-Canada.ca, Espace.mu and Tou.tv.</p>
<p>Executive Vice-President, English Services</p>	<p>Oversees all aspects of CBC/Radio-Canada's English-language programming services, which include, among other things, radio one, radio 2, CBC Television, CBC News Network, <i>documentary</i> and digital operations.</p>
<p>Senior Vice-President, Corporate Strategy and Partnerships</p>	<p>Responsible for ensuring that CBC/Radio-Canada is prepared for the major strategic planning challenges it faces. Oversees corporate business development activities and audience research.</p>
<p>Vice-President and CFO, Finance and Information Technology</p>	<p>In addition to being responsible for all aspects of financial management and corporate information technology for Canada's national public broadcaster, plays an instrumental role in helping to achieve a sustainable economic model for the future of the Corporation.</p>
<p>Vice-President and Chief Regulatory Officer</p>	<p>Responsible for developing and implementing television and radio regulatory policies across the Corporation, pursuant to the <i>Broadcasting Act</i>, and for all representations before the CRTC. Also responsible for the transmission and distribution of the Corporation's programming and all Media Technology Services.</p>

Vice-President, Brand, Communications and Corporate Affairs	Responsible for the corporate communications strategy, internal and external communications functions and the promotion and marketing of programs. Also, oversees the Government Relations group.
Vice-President, People and Culture	Responsible for developing and delivering the Corporation's human resources and labour relations strategies. Helps lead the “people” component of the Corporation's five-year strategic plan, Strategy 2015, ensuring that CBC/Radio-Canada is a rewarding, progressive and diverse workplace that builds professional teams of innovative and highly skilled people dedicated to accomplishing the plan.
Vice-President, Real Estate Services, Legal Services and General Counsel	Responsible for CBC/Radio-Canada's real estate portfolio across Canada and abroad, as well as for the General Counsel's offices, for the Corporate Secretariat and for the administration of access to information and privacy laws.

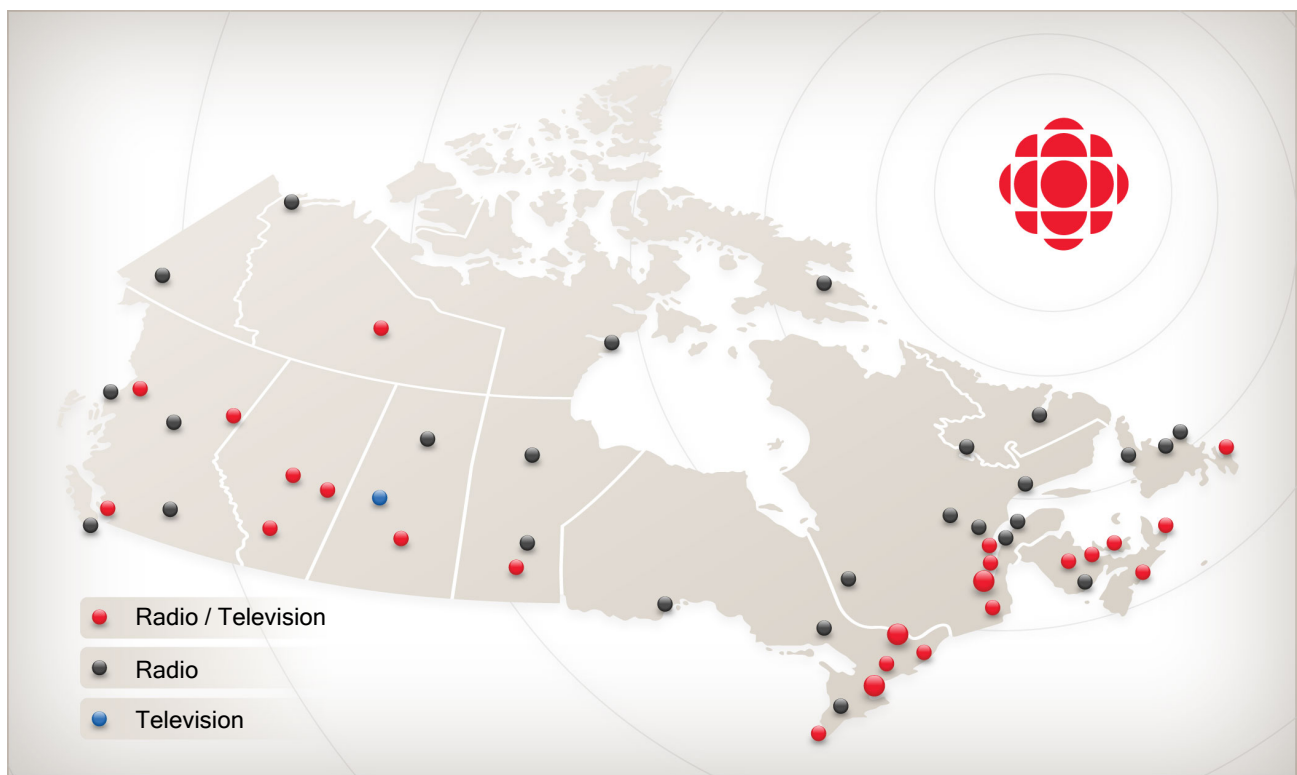
Operating across the eight divisions is the Technology Strategy Board (TSB), established in 2009 to ensure that the Corporation's technology strategy is aligned with the business strategy. TSB is a unique centre of expertise that determines the Corporation's technology priorities and is responsible for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

## 1.5. Operations

As of March 2012, CBC/Radio-Canada employed 7,304 permanent full-time equivalent employees (FTEs), 469 temporary FTEs and 1,002 contract FTEs.

CBC/Radio-Canada's head office is located in Ottawa, with main network operations in Toronto and Montreal, and 27 television and 82 radio stations where we originate local programming. We have two main television networks, one in English and one in French, seven speciality television channels and the only Canada-wide radio network, operating four Canada-wide radio networks, two in each official language. Internationally, CBC/Radio-Canada News has 11 foreign bureaus. We integrate these operations with multiple websites.

### CBC/Radio-Canada's Stations



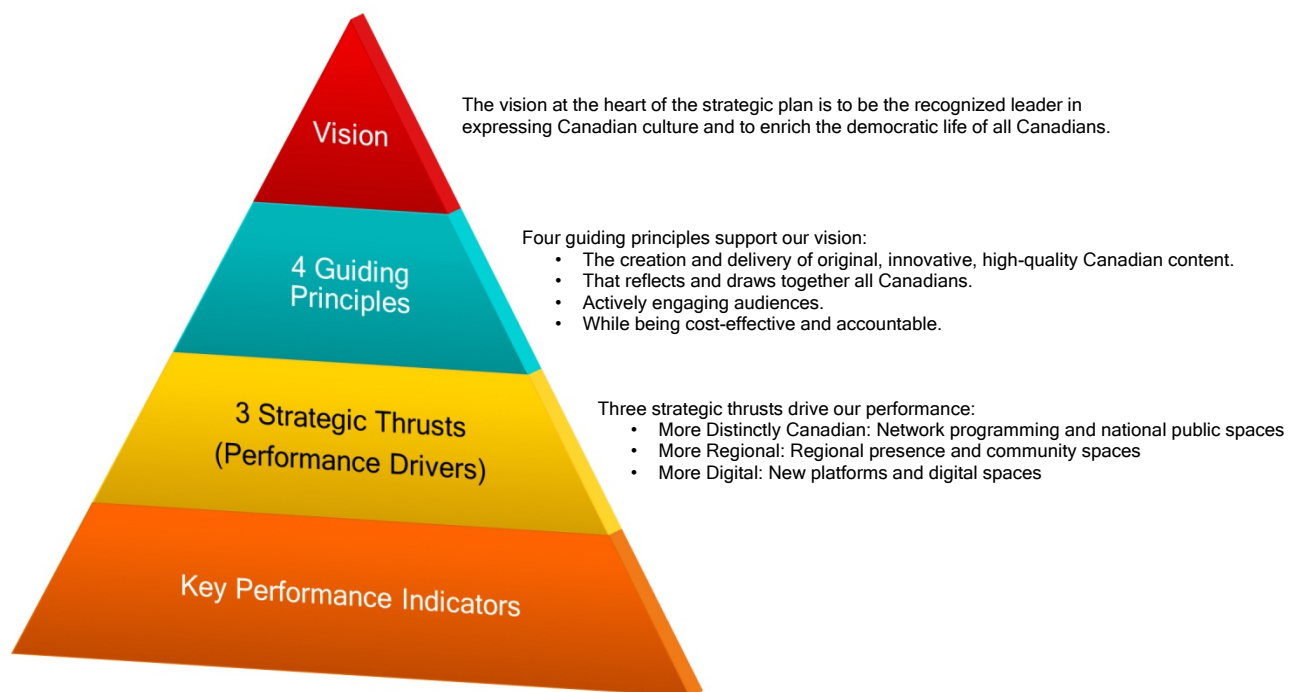
## 1.6. Corporate Strategy: 2015: *Everyone, Every way*

The Corporation's strategic plan, *Strategy 2015: Everyone, Every way*, was launched in February 2011. Implementation officially began during the first quarter of 2011–2012.

- The plan includes three components:
- A CBC/Radio-Canada vision
- Four guiding principles supporting the vision
- Three strategic thrusts for achieving our objectives



Its success will be measured against key strategic and operational indicators.



As presented in the next section, our key performance indicators fall into two categories.

**Strategic Indicators** include survey results regarding fulfillment of our mandate and the degree to which our programming adheres to the Guiding Principles above. They also include measures of our Canadian content on television.

**Operational Indicators** include measures of audience share, website visits, subscriber counts, and revenue generation for each of English and French Services.

## 2. Performance

### 2.1. Strategic Indicators

#### Measuring our success against Strategy 2015: *Everyone, Every way*

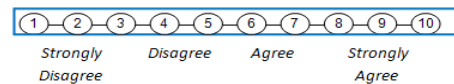
A central feature of Strategy 2015 is the establishment of metrics to track and assess our performance. We have developed a report card that allows us to monitor how well, according to surveyed Canadians, our services fulfill the Corporation's mandate under the *Broadcasting Act*, and the degree to which our programming adheres to the guiding principles of our new plan. Below is the report card for 2011–2012, the first year of implementing the new strategy. It shows our progress compared to the benchmark year 2010–2011.

#### Report on French Services

##### How well does French Services fulfill its mandate under the *Broadcasting Act*?

Radio-Canada's radio and television programming...	Year 2011-2012	Benchmark Year 2010-2011
	Average Scores (/10)	Average Scores (/10)
is informative	8.2	8.1
is enlightening	8.0	7.8
is entertaining	7.8	7.7
is available on new platforms	8.2	8.0

**Metric definition:** Average score is the average of the scores given by all respondents on a 10 point scale.



Source: TNS Canadian Facts (1,200 Francophones per survey for a total of 2,400 Francophones per year resulting in a very small margin of error).

The telephone surveys are conducted in November and March of each year.

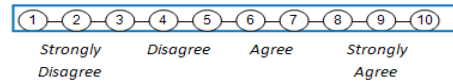
In the first year of Strategy 2015, Radio de Radio-Canada and Télévision de Radio-Canada programming maintained results obtained in 2010–2011, with Francophones continuing to feel that CBC/Radio-Canada's French Services is fulfilling its mandate under the 1991 *Broadcasting Act*.

French Services received high scores for each aspect of its mandate that was measured, ranging from 7.8 (entertaining) to 8.2 (informative and available on new platforms).

**How does French Services' programming fare against the guiding principles of Strategy 2015?**

Radio-Canada's programming <sup>1</sup> ...	Year 2011-2012	Benchmark Year 2010-2011
	Average Scores (/10)	Average Scores (/10)
is high quality	8.4	8.2
is different from that offered on other channels	7.9	7.6
reflects regions of Canada	7.7	7.5
reflects my region	7.1	6.8
reflects my diversity	7.6	7.3
reflects my culture	7.6	7.4

Metric definition: Average score is the average of the scores given by all respondents on a 10 point scale.



<sup>1</sup> Programming and content offered on any of our services, i.e., Télévision de Radio-Canada, RDI, ARTV, Première Chaîne, Espace musique, Radio-Canada.ca and Tou.tv.

Source: TNS Canadian Facts (1,200 Francophones per survey for a total of 2,400 Francophones per year resulting in a very small margin of error).

The telephone surveys are conducted in November and March of each year.

Francophones are responding positively to initiatives French Services has announced or introduced since the launch of Strategy 2015. Scores for each of the Strategy 2015 metrics, which measure whether French Services' programming offers original, innovative, quality Canadian content and whether it reflects Canadians and draws them together, increased compared to the benchmark year 2010–2011.

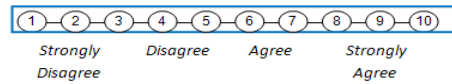
French Services' programming and content received its highest scores for being of "high quality" (8.4), while its lowest score was recorded for the measure "reflects my region" (7.1). As part of Strategy 2015, French Services will continue to work towards better meeting the regional needs of Canadians.

## Report on English Services

### How well does English Services fulfill its mandate under the *Broadcasting Act*?

CBC's radio and television programming...	Year 2011-2012	Benchmark Year 2010-2011
	Average Scores (/10)	Average Scores (/10)
is informative	7.9	7.8
is enlightening	7.5	7.4
is entertaining	7.4	7.2
is available on new platforms	8.2	8.2

**Metric definition:** Average score is the average of the scores given by all respondents on a 10 point scale.



Source: TNS Canadian Facts (1,200 Anglophones per survey for a total of 2,400 Anglophones per year resulting in a very small margin of error).

The telephone surveys are conducted in November and March of each year.

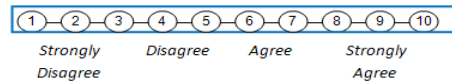
During the first year of Strategy 2015, English Services' radio and television programming maintained its 2010–2011 benchmark results.

Anglophones continue to perceive that CBC/Radio-Canada's English Services is meeting its mandate under the 1991 *Broadcasting Act*. Its highest scores were for providing content that is "available on new platforms" (8.2) and "informative" (7.9).

**How does English Services' programming fare against the guiding principles of Strategy 2015?**

CBC's programming <sup>1</sup> ...	Year 2011-2012	Benchmark Year 2010-2011
	Average Scores (/10)	Average Scores (/10)
is high quality	8.1	8.0
is different from that offered on other channels	7.5	7.2
reflects regions of Canada	8.0	7.9
reflects my region	6.3	6.1
reflects my diversity	7.7	7.4
reflects my culture	6.8	6.5

Metric definition: Average score is the average of the scores given by all respondents on a 10 point scale.



<sup>1</sup> Programming and content offered on any of our services, i.e., CBC Television, CBC News Network, **bold**, *documentary*, CBC Radio One, CBC Radio 2 and CBC.ca.

Source: TNS Canadian Facts (1,200 Anglophones per survey for a total of 2,400 Anglophones per year resulting in a very small margin of error).

The telephone surveys are conducted in November and March of each year.

Anglophones are responding positively to the initiatives that have been announced or introduced in year one of Strategy 2015.

Scores for every Strategy 2015 metrics, which measure whether English Services' programming offers original, innovative, quality Canadian content and reflects and draws Canadians together, increased compared to the benchmark year 2010–2011.

The biggest movements compared to the benchmark year were with respect to differentiation, reflection of “my region,” diversity and culture, which were all favorable. Better meeting the regional needs of Canadians is a key priority of the new strategy and we will continue to monitor perceptions using these metrics.



## Measuring our Canadian Content

Providing Canadian programming is key to Strategy 2015. Regulatory requirements regarding Canadian content on television are also specified by the CRTC.

The CRTC sets expectations of service for both Télévision de Radio-Canada and CBC Television.

First, for the broadcast day between 6:00 a.m. and midnight, a minimum of 75 per cent Canadian content is expected. Second, for the peak period of 7:00 p.m. to 11:00 p.m., a minimum of 80 per cent Canadian content is expected. Both measures are averages over the entire broadcast year from September 1 to August 31.

Results for the most recently completed two broadcast years are shown in the table below. In each of these years, both Télévision de Radio-Canada and CBC Television exceeded the CRTC's Canadian content expectations both over the broadcast day and in prime time.

Canadian Content	Results Sep. 1, 2010 to Aug. 31, 2011	Yearly Regulatory Expectations	Results Sep. 1, 2009 to Aug. 31, 2010
Télévision de Radio-Canada			
Broadcast day (Mon-Sun, 6:00 a.m.-12:00 a.m.)	86%	75%	82%
Prime time (Mon-Sun, 7:00 p.m.-11:00 p.m.)	93%	80%	88%
CBC Television			
Broadcast day (Mon-Sun, 6:00 a.m.-12:00 a.m.)	84%	75%	85%
Prime time (Mon-Sun, 7:00 p.m.-11:00 p.m.)	82%	80%	82%

## 2.2. Operational Indicators – French Services

Operational indicators include measures of audience share, website visits, subscriber counts and revenue generation.

### Performance Table – French Services

French Services		Past Performance			Future
		Annual Results 2010-2011	Annual Targets 2011-2012	Annual Results 2011-2012	Annual Targets 2012-2013
Radio Networks					
Première Chaîne and Espace musique	Full-day audience share <sup>1</sup>	19.5%	19.5%	17.8%	16% <sup>2</sup>
Television					
Radio-Canada	Prime-time audience share Fall/ winter season <sup>6</sup>	19.9%	19.3%	18.7%	18.2%
Specialty Channels RDI, ARTV, Explora <sup>7</sup>	Full-day audience share Fall/ winter season <sup>8</sup>	4.5%	4.5%	4.6%	4.7% (April - March) <sup>5</sup>
Regional					
Première Chaîne	Morning shows audience share Mon-Fri 6-9 a.m. <sup>1</sup>	19%	19%	17%	16% <sup>2</sup>
<i>Téléjournal 18h</i>	Average viewer per minute Weekly average Mon-Fri 6-6:30 p.m. Fall/ winter season <sup>6</sup>	317,000	323,000	291,000	290,000
Regional web pages	Monthly average unique visitors Sep-Mar <sup>4</sup>	447,000	458,000	476,000	497,000 (April - March) <sup>5</sup>
Website <sup>3</sup>					
Radio-Canada.ca, TOU.TV, Bandeapart.fm, RCI.net, Espace.mu	Monthly average unique visitors Sep-Mar <sup>4</sup>	2.0 million	2.1 million	2.1 million	2.1 million (April - March) <sup>5</sup>
Specialty Television Channels					
RDI	Subscribers	11.0 million	11.0 million	11.7 million	11.8 million
ARTV	Subscribers	2.1 million	2.1 million	2.1 million	2.1 million
Revenue <sup>9</sup>					
Conventional, specialty, online		\$224.9 million	\$230.0 million	\$228.6 million	\$252.1 million <sup>10</sup>

<sup>1</sup> Source: BBM Canada, fall survey (diary), persons aged 12 years and older.

<sup>2</sup> Source: BBM Canada, spring and fall 2012 surveys (diary), persons aged 12 years and older.

<sup>3</sup> Espace.mu was introduced on June 13, 2011. RCI Vision was introduced on June 20, 2011, and results are included with RCI.net.

<sup>4</sup> Source: comScore, persons aged 2 years and older.

<sup>5</sup> In 2010–2011 and 2011–2012, measurement was based on the television season (i.e. September - March). In 2012–2013, measurement will be on the fiscal year (April - March).

<sup>6</sup> Source: BBM Canada, Personal People Meter (PPM), Quebec francophones aged 2 years and older.

<sup>7</sup> Explora was launched at the end of March 2012, not included in Results 2011–2012 thereof.

<sup>8</sup> Source: BBM Canada, Personal People Meter (PPM), Quebec francophones subscribing to a television distribution service, aged 2 years and older.

<sup>9</sup> Includes revenue from LPIF, a fund created by the CRTC to support local programming. It is available to conventional television stations operating in non-metropolitan areas. In 2010–2011 and 2011–2012, measurement excluded merchandising/licensing revenues which are included in targets for 2012–2013.

<sup>10</sup> ARTV also included in 2012–2013 targets.

## 2011–2012 Results – French Services

In 2011–2012, Radio-Canada experienced some strong successes, coupled with more modest results that must be considered in light of a shifting competitive environment and strategic decisions made with long-term results in mind.

Having captured a combined market share of 17.8 per cent, the Première Chaîne and Espace musique radio networks fell short of their established target, 19.5 per cent. Morning shows in regional markets performed in a similar manner, attracting a 17 per cent share – 2 points less than the target. Our Strategy 2015 framework includes plans to make our radio services even more innovative. Scheduling changes in the early fall upset listening habits, while at the same time, competition intensified in the extended Montreal market and the regions.

Radio-Canada has retained its competitive positioning on its digital platforms. With a combined monthly average of 2,137,000 unique visitors, Radio-Canada sites (Radio-Canada.ca, Tou.tv, RCInet.ca, bandeapart.fm, and the recently launched espace.mu) posted a combined 6 per cent increase in reach over the same period (September to March) last year. The regional section redesign on Radio-Canada.ca has also paid off – with 476,000 unique visitors, we exceeded our target of 458,000 and we also extended our regional sites' reach by 2 per cent compared to last year.

Thanks to a creative, diverse programming line-up and solid results in the fall and holiday seasons, Télévision de Radio-Canada achieved a prime-time share of 18.7 per cent for the regular season. This was below its 19.3 target due to the impact of fierce competition through the winter.

Despite our strong commitment to news, with an average audience of 291,000 viewers from 6:00 to 6:30 p.m. during the regular season, regional newscasts did not achieve their targets. Overall, there were fewer television newscast viewing hours by francophone viewers this year. Newscasts also experienced more competition from entertainment programming at supper hour.

Radio-Canada's specialty channels had a good year. ARTV and RDI recorded a combined share of 4.6 per cent, edging out their 4.5 per cent target. As a result of the transition to digital transmission, and the subsequent increase of cable and digital subscriptions, RDI boasted 11.7 million subscribers, up 5 per cent from last year. ARTV maintained its subscriber base of 2.1 million.

With subscription and digital-content revenue performing well, total self-generated revenue for Radio-Canada achieved 99 per cent of its target, with a year-end total of \$228.6 million.

## Strategy 2015 Future Directions

Increasingly, audiences have more choices to engage with our content and these choices include on-demand digital offerings. The broadcast and distribution industry has never been more vertically integrated, creating high synergy potential for our main competitors for audiences' time and focus, and for advertising dollars.

We continue to focus on achieving the objectives and serving the priorities of Strategy 2015: Canadian programming, the regions and digital platforms. As we work to keep pace as a modern public broadcaster, efficiency and innovation are key principles.

Reduced funding over the next three fiscal years, as a consequence of the federal government's Budget 2012 initiative, will significantly affect programming and operations. Senior management will focus for much of the upcoming year on implementing the necessary changes and managing impacts on the Corporation and its stakeholders. Strategy 2015 continues to guide our decision-making.

French Services remains strongly focused on fulfilling its Strategy 2015 commitments, with an emphasis on maintaining its ability to create and innovate so that it can bring Canadians relevant, compelling programming.

Targets for 2012–2013 have been set with these factors in mind.

### *More distinctly Canadian*

Providing French-speaking Canadians with original content in their own language that tells their stories and reflects their realities, and informs them about events in their region, across the country and around the world, is central to the public broadcaster's programming strategy.

Radio-Canada will explore new drama and entertainment formats on our main network, while seeking to be the leader in 24-hour multiplatform news by further enhancing our flagship newscasts, both at the national and the local levels. Where music is concerned, Radio-Canada plans to maintain a strong presence, as well as unparalleled programming across all its platforms, with a focus on genre diversity, musical discovery, and original production.

When setting its targets for 2012–2013, Radio-Canada took into account the reduced funding as noted above, as well as the competition, and the impact of changes in the technological environment on consumer behavior.

Finally, Radio-Canada remains firmly committed to ensuring that its programming reflects the diversity of cultures and voices that make up contemporary Canada.

### *More regional*

The opening of a new multimedia centre in Rimouski by late summer 2012 to serve Eastern Quebec will mark the final phase of Radio-Canada's nation-wide multiplatform rollout. Radio-Canada will continue forging local ties with the French-speaking communities it serves across the country, while also further expanding its web and mobile offering and renewing Première Chaîne's regional lineup from coast to coast. Our regional key performance indicator (KPI) targets reflect a slight reduction (on radio), maintenance (on television) and increase (online) of performance on these measures in 2012–2013.

### *More digital*

Radio-Canada will redefine its leadership in the French-language media landscape by more fully leveraging digital technology within all French Services components. Initiatives will include developing a content rollout strategy for social media, releasing new mobile apps, and overhauling the Radio-Canada web offering.

Radio-Canada will also be expanding its speciality line-up by building on Explora and launching a new digital channel devoted to showcasing the public broadcaster's video archive.

For web and specialty channels, targets have been adjusted for measurement on a full year basis, better reflecting and measuring the success of the service delivered. The targets for 2012–2013 are set to maintain the overall full-year share in specialty services compared to 2011–2012, and to increase the reach online.

### *Transformation to invest in strategy and manage financial pressures*

Media industry realities, coupled with the need to adapt to a new financial framework, have prompted Radio-Canada to examine the way it does business, as well as transform and streamline its production methods and management structures. This will allow it to reinvest in programming and move forward with its strategy. Radio-Canada wants to become an even more agile, creative and innovative organization, capable of generating new revenue, as reflected in its targets, while running its operations efficiently and transparently.

## 2.3. Operational Indicators – English Services

Operational Indicators include measures of audience share, web-site visits, subscriber counts, and revenue generation.

### Performance Table – English Services

English Services	Past Performance			Future
	Annual Results 2010-2011	Annual Targets 2011-2012	Annual Results 2011-2012	Annual Targets 2012-2013
Radio Networks CBC Radio One and CBC Radio 2	All-day audience share <sup>1</sup> 14.7%	14.9%	14.5%	14.3%
Television CBC Television	Prime-time audience share Regular season <sup>3</sup> 9.3%	9.3%	8.6%	8.1%
CBC News Network	All-day audience share Regular season <sup>3</sup> 1.4%	1.5%	1.4%	1.4% (April - March) <sup>7</sup>
Regional CBC Radio One morning shows	Average weekly hours tuned (Mon-Fri) Regular season <sup>3</sup> 4.8 million	4.8 million	6.0 million	6.0 million
TV supper and late-night news	Average weekly hours tuned (Mon-Fri) Regular season <sup>3</sup> 3.1 million	3.1 million	3.3 million	3.5 million
Regional web pages	Monthly average unique visitors Sep-Mar <sup>2</sup> 0.90 million	0.93 million	0.94 million	0.975 million (April - March) <sup>7</sup>
New Platforms CBC.ca	Monthly average unique visitors Sep-Mar <sup>2</sup> 5.8 million	6.0 million	6.2 million	6.5 million (April - March) <sup>7</sup>
CBC News Online	Monthly average unique visitors Sep-Mar <sup>2</sup> 4.0 million <sup>5</sup>	4.1 million	4.3 million	Discontinued
CBC Sports Online	Monthly average unique visitors Sep-Mar <sup>2</sup> 0.9 million	1.0 million	1.1 million	Discontinued
CBC Entertainment Online	Monthly average unique visitors Sep-Mar <sup>2</sup> 1.9 million	2.0 million	1.8 million	Discontinued
Specialty Television Channels CBC News Network	Subscribers 11.0 million	11.1 million	11.3 million	11.4 million
<b>bold</b>	Subscribers 2.2 million	2.6 million	2.6 million	2.7 million
<i>documentary</i>	Subscribers 2.4 million	2.5 million	2.6 million	2.6 million
Revenue <sup>4</sup> Conventional, specialty, online	\$384.0 million <sup>6</sup>	\$373.1 million	\$399.2 million	\$397 million

<sup>1</sup> Source: BBM Canada, fall survey (diary), persons aged 12 years and older.

<sup>2</sup> Source: comScore, persons aged 2 years and older.

<sup>3</sup> Source: BBM Canada, Personal People Meter (PPM), persons aged 2 years and older.

<sup>4</sup> Revenue for *documentary* is counted at 100% although CBC/Radio-Canada owns 82% per cent. Includes revenue from LPIF, a fund created by the CRTC to support local programming. It is available to conventional television stations operating in non-metropolitan areas. In 2010-2011 and 2011-2012, measurement excluded merchandising/licensing revenues which are included in 2012-2013.

<sup>5</sup> CBC News Online excludes February 2011 due to comScore because of the unavailability of the data for this month (News Only).

<sup>6</sup> Includes one-time FIFA World Cup soccer revenues.

<sup>7</sup> In 2010-2011 and 2011-2012, measurement was based on the television season (i.e. September - March). In 2012-2013, measurement will be on the fiscal year (April - March).

## 2011–2012 Results – English Services

In 2011–2012, English Services celebrated many successes and accomplishments and continued to attract and engage more audiences to Canadian programming and content. Despite achieving record breaking performance for its Canadian content, CBC also experienced softer results in others areas that resulted from increasing competition, shifting media consumption habits and strategic decisions that have longer term objectives.

CBC Radio achieved a combined national share performance of 14.5 per cent in the Fall Survey (for CBC Radio One and CBC Radio 2). This is the second-best ever fall share for CBC Radio, after the 2010–2011 best-ever Fall Survey performance of 14.7 per cent. While below our target, CBC Radio continues to perform at record heights in terms of its national share of listening audiences.

In the Monday to Friday morning period, the timeslot with the greatest number of regional radio programs, CBC Radio One exceeded its target of average weekly hours tuned during the regular season by 25 per cent. This was exceptional performance for a key pillar of the Radio One service.

Despite experiencing its best winter season launch in history, capturing record audiences for Canadian programs, and averaging over a million viewers on five shows, CBC Television was not able to meet its overall regular season share target, ending the season with an overall regular season primetime share of 8.6 per cent. Several factors affected this performance, including that the “Big Three” English-language conventional television broadcasters have all experienced declining shares, while the share of viewing for U.S. conventional and U.S. specialty channels has increased. CBC also experienced a softer than anticipated fall season with its early prime-time programming such as *Jeopardy* underperforming. In addition, some returning shows did not perform as well as last year and some new programs performed below expectations.

In regional service, CBC Television’s supper hour and late night local news exceeded their targets by 200,000 average weekly hours tuned during the regular season. CBC News Network achieved a 1.4 per cent share for all-day viewing, matching its performance in 2010–2011 and just slightly below target.

For new platforms, targets for average monthly unique visitors were higher than last year’s results, and CBC met or exceeded the targets in three of four categories: CBC.ca overall, CBCnews.ca and CBCsports.ca. The decline in CBC Entertainment Online performance was similar to the decline for CBC Television.

Long-term agreements with our specialty channel broadcast distribution partners (cable and satellite) have allowed us to achieve and exceed subscriber targets for the year on **bold** and *documentary* respectively. CBC News Network continued its leadership as the most widely distributed English-language news and information specialty service in Canada, exceeding its subscriber target.

On the revenue front, CBC outperformed our target by 7 per cent, driven by incremental advertising revenue, largely from hockey playoffs, and a variety of other revenue items, such as program sales and facility rentals. Self-generated revenues continue to be an important source of funding for CBC.

## Strategy 2015 Future Directions

Consistent with French Services, English Services continues to focus on achieving the objectives and serving the priorities of Strategy 2015. Reduced funding over the next three years, continued vertical integration and shifting consumer behaviour will similarly affect programming and operations in English Services, while Strategy 2015 continues to guide our decision-making.

### *More distinctly Canadian*

CBC will increase the Canadian content available to our audiences – where and when they want it. We will build on past audience successes on radio, television and online.

As part of our commitment to Strategy 2015, CBC will increase the Canadian content available to our audiences – where and when they want it. We will build on past audience successes on radio, television and online. Specifically, we intend to increase Canadian programming offered on CBC Television in prime time.

However, as we increase Canadian programming on our schedules, we must also balance the reduction in our funding and the changing media landscape. As a result, we anticipate a decline in our KPI for share in television as reflected in the table above. For CBC Radio One, which offers overwhelmingly Canadian programming, our target is to maintain 2011–2012's performance. Finally, our dedication to Canadian artists will be enhanced through the continuation of the CBC music strategy and our other radio programming. As audiences move to embrace the convenience and choice of our online music offer, we have adjusted the CBC Radio 2 targets accordingly.

We will continue our commitment to original journalism, and introduce a new sports strategy focusing on winter sports. We will also continue to offer Canadians multi-platform programming experiences. Finally, we will reflect Canada's diversity of voices and perspectives in our programming, on all platforms.

### *More regional*

CBC will build upon our regional strength by "getting closer" to Canadians through our local service extension plan, which will strengthen existing local programming, add new local programming, expand to areas currently without local service and offer our local services on mobile and other digital platforms. Our regional KPI targets reflect maintaining (on radio) and increasing (on television and online) performance on these measures in 2012–2013.

We will also strengthen connections between Canadians by continuing to offer the best mix of local, regionally representative and cross-regional expression.

### *More digital*

We will ensure programming quality and innovation while continually adapting our content to new platforms. To better meet the needs of Canadians, we will seek programming partnership opportunities where and when they make sense. As such, we have targeted to increase the number of unique visitors per month to CBC.ca.

Similar to French Services, the measurement period for English Services specialty channel (share) and web (unique visitors) performance indicators have been expanded to incorporate the entire fiscal year and the targets have been adapted accordingly.



*Transforming our operations to reinvest in the future and meet our financial obligations*

While protecting and developing key human resources and talent, we will continue to adopt time-saving and less costly production and operating techniques to allow more resources to be directed to more programming for Canadians. We will manage our financial challenges prudently and effectively as we remain focused on protecting the fundamental principles of our strategy.

## 3. Capability to Deliver Results

### 3.1. People and Leadership

#### People and Culture

Programming is a people business. To be successful, CBC/Radio-Canada must engage with and develop our employees, implement initiatives to promote a healthy workplace, and continue to build constructive relationships with our unions.

#### Dialogue survey

In the fall of 2010, CBC/Radio-Canada launched a corporate-wide employee survey, *Dialogue* as a way of measuring employee engagement.

What employees told us in the survey is that they are deeply committed to CBC/Radio-Canada and its mandate. We also learned that by improving activities around recognition and development, we could further improve levels of engagement. In 2011–2012, to respond to the findings and support these priorities, CBC/Radio-Canada undertook a number of initiatives. To foster greater recognition in the workplace, we developed and delivered recognition workshops and launched a micro-site where all employees may access learning capsules, articles and tools on the topic of recognition. To support the development and professional growth of employees, we launched a mentoring pilot, matching employees looking for advice and guidance with more experienced staff. These national projects were complemented by initiatives undertaken across the organization to respond to local results.

#### Investment in Training

CBC/Radio-Canada continued to provide opportunities for employees' development and professional growth. In January 2012, we launched Learning Month – a month of activities intended to highlight different aspects of our training offering – informal, web-based and in-class. In 2011–2012, we also launched new online learning portals for employee training and development which will serve to increase employees' access to learning opportunities and to ensure that our training investment is maximized.

## Inclusion and Diversity

CBC/Radio-Canada remains committed to a diverse and inclusive workplace, reflecting our country's diversity. Our 2009–2012 Corporate Diversity and Equity Plan encompasses a wide range of activities related to training, workforce representation and accessibility, including:

**Cultural census** – The Cultural Census launched in December for new hires will provide us with a better snapshot of our workforce. The results of the census will help us develop targeted programs and strategies to eliminate barriers to the employment, training and promotion of designated group members and to meet our reporting requirements under the *Employment Equity Act*.

**Recruitment** – The Corporation reviewed and updated its hiring goals to increase diversity in our workforce. A new directory of diversity-related agencies helps Human Resources connect with the various communities where we can advertise opportunities.

**Partnerships** – We work closely with groups such as the Toronto Immigrant Resource Council (TRIEC) and the Aboriginal Human Resource Council.

**Events** – Black History Month, Asian Heritage Month, Canadian Multiculturalism Day, Women's History Month, and International Day for Persons with Disabilities are just a few of the diversity-related events we celebrated in the past year.

## Challenge Us!

Challenge Us! is an event that brings together a variety of employees from different levels and roles to challenge the organization on an important and relevant topic. Given the launch of Strategy 2015, this year's theme was leadership. Our leaders, including President and Chief Executive Officer (CEO) Hubert T. Lacroix and other members of the Senior Executive Team, were on hand to hear the attendees' conclusions and to accept their challenges. Topics included generational differences, empowerment, personal accountability, how people can be leaders from wherever they are in the organization, how to create the leadership that we want to see at CBC/Radio-Canada and how each employee can contribute on a daily basis.

## Employee Awards

The President's Awards were launched in the fall of 2009 to recognize and salute employees for their outstanding contributions and accomplishments. The 12 awards are based on the President and CEO's three priorities – people, programs and pushing forward – and include the Leadership Award, the Multi-Platform Content Award and the Smart Solutions Award. The 2011 edition of the President's Awards received 250 nominations, more than any other year, for a total of 500 nominations over the last three years.

## Changes in executive management

In November, Roula Zaarour was named Vice-President, People and Culture, after the departure of Katya Laviolette. Ms. Zaarour comes to us from the Argentinean airline Aerolineas Argentinas in Buenos Aires where she was Vice-President of Business Transformation. Since joining our team on December 1, 2011, Ms. Zaarour has developed a clear vision for People and Culture. Her priorities include enabling corporate transformation, nurturing a high-performance workforce through training and development, and enhancing union relations by forging an effective industrial relations strategy.

Also in November 2011, Pierre Tourangeau, Senior Director, Content News and Current Affairs Information, French Services, was appointed Ombudsman for French Services. Mr. Tourangeau brings close to 35 years of journalistic experience to his new role, having worked in almost every area of media, including television, radio and print.

In January 2012, Louis Lalande was named Executive Vice-President, French Services. Mr. Lalande has worked at CBC/Radio-Canada for nearly three decades. He held numerous positions before being appointed Executive Director of Regional Services in 2006. In that position, he oversaw all French language television, radio and web programming in the regions. Mr. Lalande also brings external experience to his new role, including the creation of LCN, TVA's all-news television channel.

## Labour Relations and Talent Agreements

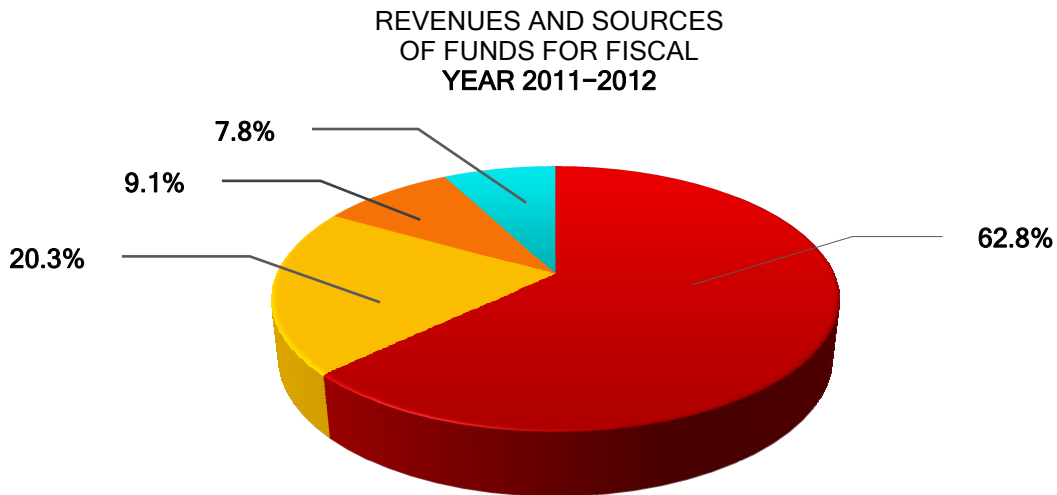
In September 2011, CBC/Radio-Canada management and the Association des Réalisateur(e)s were pleased to announce the extension for one year of the union's collective agreement.

On December 12, 2011, CBC/Radio-Canada management and the Société des Auteurs de la Radio, de la Télévision et du Cinéma were pleased to announce the extension for one year of the talent union's collective agreement.

### 3.2. Resource Capacity

#### Sources of Funds

CBC/Radio-Canada has four sources of direct funding: government operational and capital funding, advertising revenue, specialty services revenue and other revenue.



<i>(in millions of dollars)</i>	2011-2012		2010-2011	
Government funding	\$1,162.3	62.8%	\$1,167.3	63.8%
Advertising revenue	\$375.7	20.3%	\$367.7	20.1%
Specialty services revenue	\$167.8	9.1%	\$158.1	8.6%
Other revenue	\$145.5	7.8%	\$136.5	7.5%
	<b>\$1,851.3</b>	<b>100%</b>	<b>\$1,829.6</b>	<b>100%</b>

### *Government Funding*

For 2011–2012, \$1,162.3 million in government funding was recognized as income (approximately 63 per cent of total revenue and sources of funds). This includes an amount of \$60 million in one-time additional funding for programming that the Corporation has received in each of the previous ten years. On an annual basis, CBC/Radio-Canada's appropriation is equivalent to approximately \$34 per Canadian. This compares to an average of \$87 per capita in the countries with the 18 most important national public broadcasters in the world<sup>1</sup>.

The Government announced its Deficit Reduction Action Plan in its federal budget in March 2012. CBC/Radio-Canada's share of this reduction will be \$115 million by 2014–2015. This reduction includes the elimination, over that same period, of the \$60 million in one-time funding referred to above.

### *Advertising Revenue*

The Corporation sources a portion of its funds by selling advertising on its conventional television broadcasts and on other platforms. For 2011–2012, advertising accounted for \$375.7 million in revenue (approximately 20 per cent of total revenue and sources of funds).

### *Specialty Services Revenue*

Specialty services, which include subscription and advertising revenue from the Corporation's CBC News Network, **bold**, *documentary*, ARTV and the Réseau de l'information de Radio-Canada (RDI), generated \$167.8 million (approximately 9 per cent of total revenue and sources of funds).

### *Other Revenue*

Other revenue, which includes contributions from the LPIF and from activities such as program sales, merchandising activities, rental of mobile broadcasting vehicles to external parties, rental of real estate assets and leasing space at our transmission sites, accounted for \$145.5 million (approximately 8 per cent of total revenue and sources of funds). Of this amount, LPIF contributions were \$45.8 million in 2011-2012 compared to \$36.7 million in the previous fiscal year. The LPIF is currently under review and annual contributions to CBC/Radio-Canada have not yet been confirmed beyond August 31, 2012.

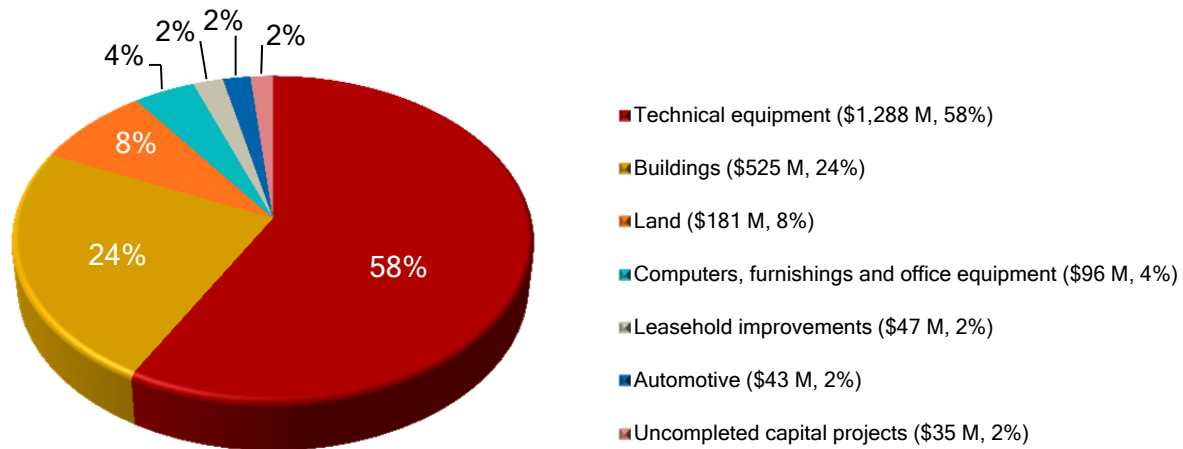
---

<sup>1</sup> *Analysis of Government Support for Public Broadcasting and Other Culture in Canada*, Nordicity, 2011.

## Capital Budget

The Corporation has a base capital appropriation from the Government of Canada of \$92.3 million per year. For 2011–2012, self-generated revenue supplemented funds available for capital expenditures, resulting in total spending of \$123.1 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.

### Breakdown of CBC/Radio-Canada's \$2.2 billion (cost) of Assets



As of March 31, 2012, the Corporation employs \$2.2 billion (cost) of assets in operation. CBC/Radio-Canada owns and operates one of the world's largest broadcast transmission and distribution systems, with 789 transmission sites located throughout Canada. As described in section 4.4, Outlook, the Corporation will be shutting down its analogue transmitters given the obsolescence of the technology. 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.

The Next Generation Converged Network (NGCN), one of the largest technology infrastructure projects in the Corporation's history, was completed in December 2011. This massive high-speed network is revolutionizing the way we work, allowing employees to find, access, download and edit audio and video content files from CBC/Radio-Canada locations across the country onto their desktops. It also supports real-time radio and television feeds and corporate data traffic. The NGCN is a key enabler of "drag and drop" functionality for television, the centralization of radio presentation and the conversion of standard definition to high definition television.

## Borrowing Plan

The *Broadcasting Act*, section 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. Section 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 Financial Recovery Plan to address the impact of the global economic slowdown and declining television advertising revenue, 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:

<i>(in thousands of dollars)</i>	
Total borrowing authority available:	220,000
Authority used as at March 31, 2012:	
Guarantee on accounts receivable monetization	(176,194)
Remaining authority in 2012-2013	43,806

However, guidelines established by the Department of Finance limit borrowing to short-term initiatives with a quick payback period, and borrowing to meet working capital purposes is prohibited.

Under the *Broadcasting Act*, section 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

### 4.1. Results

#### Summary – Net Results

<i>(in thousands of dollars)</i>	For the year ended March 31			
	2012	2011	\$ change	% change
Revenue	688,964	662,337	26,627	4.0
Expenses	(1,840,769)	(1,834,219)	(6,550)	(0.4)
Government funding	1,162,317	1,167,341	(5,024)	(0.4)
<b>Net results before non-operating items</b>	<b>10,512</b>	<b>(4,541)</b>	<b>15,053</b>	<b>N/M</b>
Non-operating items				
Dilution gain from Sirius	25,775	-	25,775	N/A
Dividend income from Sirius	5,094	-	5,094	N/A
Net loss on disposal of property and equipment	(517)	(2,859)	2,342	N/M
<b>Non-operating items</b>	<b>30,352</b>	<b>(2,859)</b>	<b>33,211</b>	<b>N/M</b>
<b>Net results for the period</b>	<b>40,864</b>	<b>(7,400)</b>	<b>48,264</b>	<b>N/M</b>

N/M = Not meaningful

Net results before non-operating items for 2011–2012 were \$10.5 million, an increase of \$15.1 million compared to the previous fiscal year. Revenue increased by \$26.6 million (4 per cent), expenditures by \$6.6 million (0.4 per cent), and government funding, including amortization of deferred capital funding, decreased \$5.0 million (0.4 per cent).

Income from non-operating items was \$30.4 million. The main contributors were \$30.9 million in dilution gain and dividend income from the acquisition and financing activities related to the merger of Sirius Canada Inc. and Canadian Satellite Radio Holdings Inc., in which the Corporation is invested. The non-operating loss of \$0.5 million on property and equipment disposals reflects the gains from the sale of the Brossard AM transmitter site in October 2011 offset by disposal losses on transmission and technical equipment.

The following pages provide further detail and explanation of these financial results.

## Revenue

<i>(in thousands of dollars)</i>	For the year ended March 31			
	2012	2011	\$ change	% change
<b>Advertising</b>				
English Services	250,796	244,736	6,060	2.5
French Services	124,929	122,964	1,965	1.6
	375,725	367,700	8,025	2.2
<b>Specialty services</b>				
CBC News Network	84,437	81,655	2,782	3.4
RDI	56,022	54,773	1,249	2.3
<b>bold</b>	4,047	4,146	(99)	(2.4)
<i>documentary</i>	5,644	5,385	259	4.8
ARTV	17,604	12,149	5,455	44.9
	167,754	158,108	9,646	6.1
<b>Other and financing income</b>				
English Services	57,145	49,865	7,280	14.6
French Services	46,750	48,632	(1,882)	(3.9)
Corporate Services	41,590	38,032	3,558	9.4
	145,485	136,529	8,956	6.6
<b>TOTAL</b>	<b>688,964</b>	<b>662,337</b>	<b>26,627</b>	<b>4.0</b>

Compared to 2010–2011, total revenue increased by \$26.6 million (4 per cent) in 2011–2012.

### *Advertising*

Advertising revenue increased by \$8.0 million (2.2 per cent) in 2011–2012.

Year-over-year advertising revenue was up \$6.1 million (2.5 per cent) for English Services, primarily due to strong hockey playoff revenue in the first quarter of 2011–2012. The federal election also generated one-time revenue in 2011–2012. Advertising revenue in 2010–2011 included substantial one-time revenue from the coverage of the FIFA Men's World Cup.

Advertising revenue for French Services also increased, mostly as a result of the success of the Tou.tv platform.

### *Specialty services*

Specialty services' revenue increased by \$9.6 million (6.1 per cent) compared to the previous fiscal year.

CBC News Network is widely available across Canada, and is now in 11.3 million cable and satellite homes (compared to 11.0 million last year). This translated into a 1.7 per cent increase in subscription revenue and advertising revenue growth of 11.5 per cent.

Growth in subscribers was also the main reason for increased RDI and *documentary* revenue.

The increase in ARTV revenue was due almost entirely to a change in how ARTV results are reported. ARTV results are now reported on a consolidated basis because the Corporation acquired controlling interest on July 12, 2010. There are, therefore, no comparable figures for the first three months of 2010–2011.

A new specialty service, Explora, was launched on March 28, 2012. The new channel did not generate any material revenue or expenses prior to March 31, 2012.

### *Other and financing income*

Other and financing income increased compared to 2010–2011.

For English Services, the increase was mostly due to an additional \$6.3 million in Local Programming Improvement Fund (LPIF) contribution as a result of the Yellowknife station becoming eligible in late 2010–2011. In addition, an adjustment to the distribution of LPIF contributions, which is based on the number of eligible stations, eligible local programming expenditures, and broadcast distribution undertakings revenue, was recently confirmed following updated information from the CRTC reflecting the 2011 annual returns. Merchandising revenue also increased as a result of higher sales to the educational sector and higher DVD sales.

For French Services, LPIF contributions also increased as a result of the adjustment mentioned above and of the Toronto and Rimouski stations being eligible for LPIF for the entire fiscal year, compared to only seven months in 2010–2011. However, revenue from facility rentals decreased due to smaller scale productions being produced in our facilities this year compared to last year.

Corporate Services' revenue also increased in 2011–2012, mainly as a result of a retroactive U.S. copyright royalties settlement for retransmission rights.

## Operating Expenses

<i>(in thousands of dollars)</i>	For the year ended March 31			
	2012	2011	\$ change	% change
<b>Television, radio and new media services</b>				
English Services	919,526	901,169	18,357	2.0
French Services	666,624	658,052	8,572	1.3
	1,586,150	1,559,221	26,929	1.7
<b>Specialty services</b>				
CBC News Network	68,991	72,154	(3,163)	(4.4)
RDI	43,594	43,526	68	0.2
<b>bold</b>	3,906	3,835	71	1.9
<i>documentary</i>	3,625	3,564	61	1.7
ARTV	14,112	10,855	3,257	30.0
	134,228	133,934	294	0.2
Transmission, distribution and collection	72,768	78,646	(5,878)	(7.5)
Corporate management	11,423	11,683	(260)	(2.2)
Payments to private stations	2,766	3,018	(252)	(8.3)
Finance costs	33,455	35,042	(1,587)	(4.5)
Share of (profit) loss in associate	(21)	12,675	(12,696)	N/M
<b>TOTAL</b>	<b>1,840,769</b>	<b>1,834,219</b>	<b>6,550</b>	<b>0.4</b>

N/M = Not meaningful

Operating expenses were higher by \$6.6 million (0.4 per cent) compared to 2010–2011.

### *Television, radio and new media services*

English Services' expenses were up \$18.4 million (2.0 per cent) due to a number of factors. Regional operational expenses increased mainly due to a revitalization strategy in local markets, a key part of Strategy 2015, which is expected to continue into 2012–2013. One-time costs were incurred for the federal election and seven provincial elections. These increases were partly offset by the fact that, in 2010–2011, one-time expenses were incurred for the coverage of the FIFA Men's World Cup.

French Services' expenditures increased by \$8.6 million (1.3 per cent), partly due to significant investments tied to Strategy 2015. These increases were partly offset by the fact that French Services had incurred one-time costs in 2010–2011 related to the FIFA Men's World Cup, as well as by the integration of the television and radio newsrooms.

For both media services, the overall increase of \$26.9 million is also partly due to one-time operating costs of \$5.0 million for various efficiency-generating projects that will reduce future operating costs contributed to increased expenses. These projects include a review of the procurement process and of contracts for the purchase of goods and services, a corporate-wide printer optimization initiative and an energy-reduction lighting project. In addition, building maintenance costs were lower by \$6.0 million in 2010–2011, mainly due to the receipt of one-time supplier reimbursements.

### *Specialty services*

CBC News Network's expenditures were lower than last year by \$3.2 million (4.4 per cent). This reduction was primarily due to reduced programming costs resulting from lower newsgathering cost allocations in 2011–2012 and an overall effort to generate savings.

The increase in ARTV expenses was due almost entirely to a change in how ARTV results are reported. ARTV results are now reported on a consolidated basis because the Corporation acquired controlling interest on July 12, 2010.

### *Other operating expenses*

The expenditure decrease of \$5.9 million (7.5 per cent) for transmission, distribution and collection activities was due to higher accelerated depreciation of analogue television assets in 2010–2011 when compared to the current year, resulting from the transition to digital transmission in Canada. The Corporation will finalize this depreciation in accordance with the scheduled shutdown of remaining analogue transmission in July 2012.

The decrease in finance costs reflected the decreasing interest portion of financing leases, mostly for the Toronto Broadcast Centre.

The current year share of (profit) loss in associate reflects the Corporation's equity interest in Sirius Class B shares, which are lower than losses of \$12.7 million in 2010–2011.

## Government Funding

<i>(in thousands of dollars)</i>	For the year ended March 31			
	2012	2011	\$ change	% change
Parliamentary appropriations for operating expenditures	1,028,047	1,031,581	(3,534)	(0.3)
Parliamentary appropriations for working capital	4,000	4,000	-	-
Amortization of deferred capital funding	130,270	131,760	(1,490)	(1.1)
<b>TOTAL</b>	<b>1,162,317</b>	<b>1,167,341</b>	<b>(5,024)</b>	<b>(0.4)</b>

Parliamentary appropriations for operating expenditures decreased by \$3.5 million (0.3 per cent). The major portion of this decrease, \$2.8 million, was due to an incremental budget reduction for 2011–2012 related to cost-containment measures announced in the 2007 federal budget. In addition, the transfer of operating funds to the capital appropriation for the principal portion of the Toronto Broadcast Centre capital lease was higher by \$0.7 million in 2011–2012.

Capital funding received is recorded as deferred capital funding. It is amortized and recognized as revenue over the same periods as the related property, equipment, equipment under capital lease, and intangible assets are used in CBC/Radio-Canada's operations.

## Non-Operating Items

<i>(in thousands of dollars)</i>	For the year ended March 31			
	2012	2011	\$ change	% change
Dilution gain from Sirius	25,775	-	25,775	N/A
Dividend income from Sirius	5,094	-	5,094	N/A
Net loss on disposal of property and equipment	(517)	(2,859)	2,342	81.9
<b>Non-operating items</b>	<b>30,352</b>	<b>(2,859)</b>	<b>33,211</b>	<b>N/M</b>

N/M = Not meaningful

On June 21, 2011, Canada's two satellite radio providers, Sirius Canada Inc. and Canadian Satellite Radio Holdings Inc., merged to create an entity currently trading under the name of Canadian Satellite Radio Holdings Inc. (CSR). As a result of this merger transaction, non-operating items for the 2011–2012 year included a dilution gain of \$25.8 million and dividends of \$5.1 million. Following the merger transaction and a subsequent secondary offering resulting in a share exchange by the other shareholders, the Corporation owns a 14.5 per cent equity interest and a 21.7 per cent voting interest in the merged entity, and has a seat on the Board of Directors.

A \$0.5 million loss on property and equipment disposal reflects a gain of \$8.5 million from the sale of the Brossard AM transmitter site in October 2011, offset by losses on sales of other transmission, technical, and capital items during the year. Also included in this amount is the write-off of \$3.6 million following changes to the strategy behind the Corporation's Halifax real estate project.

The Corporation expects to continue to invest in renewing its transmission and technical equipment in 2012–2013 as it focuses on expanding its digital presence as part of Strategy 2015.

## Total Comprehensive Income

<i>(in thousands of dollars)</i>	For the year ended March 31			
	2012	2011	\$ change	% change
<b>Net results for the period</b>	<b>40,864</b>	<b>(7,400)</b>	<b>48,264</b>	<b>N/M</b>
<b>Other comprehensive income (loss)</b>				
Actuarial gains (losses) on defined benefit plans	(301,815)	237,563	(539,378)	N/M
Net unrealized gain on available-for-sale financial assets	94	12,675	(12,581)	N/M
Reclassification to income of net unrealized gain on available-for-sale financial assets realized on merger transaction	(5,094)	-	(5,094)	N/A
Total other comprehensive income (loss)	(306,815)	250,238	(557,053)	N/M
<b>Total comprehensive income (loss) for the period</b>	<b>(265,951)</b>	<b>242,838</b>	<b>(508,789)</b>	<b>N/M</b>

N/M = Not meaningful

The other comprehensive loss recognized in 2011–2012 was \$306.8 million, compared to a gain recognized in the prior year of \$250.2 million. The pension plan's obligations are extremely sensitive to actuarial assumptions and can lead to significant annual fluctuations. Actuarial gains and losses are immediately recognized in other comprehensive income in each reporting period.

The \$301.8 million loss related to the pension plan was a result of:

- A decrease in the discount rate used in determining the pension obligation from 5.25 per cent to 4.25 per cent due to declining Government of Canada long-term bond yields, resulting in actuarial losses of \$667.4 million;
- A decrease in the discount rates used in determining the obligation on other non-pension post-employment benefits, resulting in actuarial losses of \$13.8 million; and
- An offsetting amount arising from a higher than expected actual return on pension plan assets of 8.4 per cent (14.9 per cent actual vs. 6.5 per cent expected), resulting in an actuarial gain of \$379.4 million.

The Corporation expects that macroeconomic factors will continue to impact discount rates and asset returns used in determining the actuarial gains and losses during 2012–2013.

In addition, the 2011–2012 results included a loss of \$5.1 million resulting from the non-cash reclassification to income of amounts from the Sirius merger transaction. 2010–2011 results included a net unrealized gain on the revaluation of Sirius Class C shares that were held by the Corporation.

## 4.2. Financial Condition, Cash Flow and Liquidity

### Cash Position

The Corporation's main liquidity sources are parliamentary appropriations for operating, capital and working capital requirements, and commercial activities such as advertising. As a result of the government-wide Deficit Reduction Action Plan, the Corporation will see its appropriations reduced by \$115.0 million over a three-year period, with an initial reduction of \$27.8 million scheduled for 2012–2013. This is followed by a \$69.6 million reduction scheduled for 2013–2014 prior to the full reduction of \$115.0 million in 2014–2015. In response to these reductions and additional financial pressures inherent in funding the business and proceeding with Strategy 2015, the Corporation is implementing a financial plan for 2012–2013 to allow it to continue to match its planned operating expenses with available liquidity resources. The financial plan includes new sources of cash inflows through new sources of television and radio advertising revenue, as well as real estate rental revenue, to partially offset the reduction in appropriations, combined with reducing operating and capital requirements by:

- Transforming RCI;
- Accelerating the shutdown of analogue television transmitters;
- Reducing costs and doing things differently; and
- Pacing the Strategy 2015 roll-out.

Additional detail on each of these initiatives is provided in Section 4.4, Outlook.

The Corporation's cash flows from operating, investing, and financing activities for 2011–2012 are summarized in the following table. The Corporation's cash balance at March 31, 2012, was \$64.3 million, compared to \$63.2 million at March 31, 2011.

<i>(in thousands of dollars)</i>	For the year ended March 31			
	2012	2011	\$ change	% change
<b>Cash - beginning of year</b>	<b>63,224</b>	<b>53,170</b>	<b>10,054</b>	<b>18.9</b>
Cash from operating activities	19,419	78,830	(59,411)	(75.4)
Cash used in financing activities	(58,272)	(55,876)	(2,396)	(4.3)
Cash from (used in) investing activities	39,906	(12,900)	52,806	409.3
Net change	1,053	10,054	(9,001)	(89.5)
<b>Cash - end of year</b>	<b>64,277</b>	<b>63,224</b>	<b>1,053</b>	<b>1.7</b>



### *Cash from operating activities*

Cash from operating activities was \$19.4 million, a decrease of \$59.4 million compared to 2010–2011. In order to determine cash generated from operations, the Corporation excluded the dilution gain related to Sirius/CSR of \$25.8 million because it did not result in a cash inflow, and also excluded non-cash changes in working capital that produced \$36.2 million less cash than in 2010–2011. Additionally, non-cash adjustments made in the current year to determine cash flows from net income were \$49.0 million less favorable relative to the prior year, and included items such as depreciation of property and equipment, amortization of deferred capital funding, and certain non-cash pension amounts recognized in net results.

### *Cash used in financing activities*

Cash used in financing activities was \$58.2 million, relatively consistent with \$55.9 million used in 2010–2011. Financing outflows consisted of interest payments of \$33.6 million, and other obligations totaling \$24.6 million related to semi-annual repayments of the Toronto Broadcasting Centre bonds, payments of notes payable, and obligations under finance leases.

### *Cash from (used in) investing activities*

Investing activities generated cash of \$39.9 million, compared to cash used of \$12.9 million in 2010–2011. In the current year \$104.3 million of cash was used to acquire property, equipment, and intangible assets, a reduction of \$21.6 million compared to 2010–2011. The Corporation's Capital Plan was funded by appropriations of \$102.2 million in the current year, relatively consistent with \$101.6 million in 2010–2011. Other investing cash inflows totaled \$42.0 million, the three largest individual items being a \$9.9 million return of capital on the Corporation's investment in Sirius/CSR, a \$5.1 million dividend received in connection with the Sirius/CSR merger, and the sale of the Corporation's Brossard AM transmitter site for \$9.6 million.

### 4.3. Seasonality and Quarterly Financial Information

The following table shows condensed financial data for the previous eight quarters. This quarterly information is unaudited, but has been prepared on the same basis as the annual consolidated financial statements. We discuss the factors that caused our results to vary over the past eight quarters throughout this management discussion and analysis.

<i>(in thousands of dollars)</i>	For the year ended March 31 2012					For the year ended March 31 2011				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Revenue	180,145	128,076	195,967	184,776	688,964	166,056	123,402	195,938	176,941	662,337
Expenses	(471,620)	(389,577)	(467,541)	(512,031)	(1,840,769)	(445,533)	(379,201)	(475,881)	(533,604)	(1,834,219)
Government funding	278,935	289,955	269,855	323,572	1,162,317	269,306	300,680	284,159	313,196	1,167,341
<b>Net results before non-operating items</b>	<b>(12,540)</b>	<b>28,454</b>	<b>(1,719)</b>	<b>(3,683)</b>	<b>10,512</b>	<b>(10,171)</b>	<b>44,881</b>	<b>4,216</b>	<b>(43,467)</b>	<b>(4,541)</b>
Non-operating items	42,864	(13,439)	9,563	(8,636)	30,352	(135)	(369)	88	(2,443)	(2,859)
<b>Net results for the period</b>	<b>30,324</b>	<b>15,015</b>	<b>7,844</b>	<b>(12,319)</b>	<b>40,864</b>	<b>(10,306)</b>	<b>44,512</b>	<b>4,304</b>	<b>(45,910)</b>	<b>(7,400)</b>

Our operating results are subject to seasonal fluctuations that materially impact quarter-to-quarter operating results. Excluding government appropriations, approximately 55 per cent of the Corporation's funds come from advertising revenue that tends to follow a seasonal pattern, with the second quarter of each financial year typically being the lowest because the summer season attracts fewer viewers. This can be seen in the quarterly results above. Advertising revenue also varies according to market and general economic conditions and the programming schedule.

Expenses also tend to follow a seasonal pattern because they are influenced by the programming schedule. As the table shows, expenses were relatively lower in the second quarters of 2011–2012 and 2010–2011. Operating expenses tend to be higher in the fourth quarter as the Corporation incurs costs preparing for the Fall broadcasting season and completes project deliverables due by the end of the fiscal year.

Government funding is recognized in the Corporation's income based on budgeted net expenses for the quarter. Monthly and quarterly budgets are established from the annual budget approved by the Board of Directors at the beginning of each year, and reflect expected appropriation funding for the year and seasonal impacts on expenditures and self-generated revenue.

Other factors may impact net results from quarter-to-quarter. These may include items such as finance costs on borrowings, foreign exchange gains or losses, changes to the fair value of derivative financial instruments, asset impairments and sales. When appropriate, these are recorded as non-operating items. As indicated in the table above, the Corporation recorded higher levels of non-operating gains and losses in 2011–2012 compared to 2010–2011, due largely to acquisition and financing activities related to Sirius Canada/CSR, in which the Corporation is invested.

## 4.4. Outlook

CBC/Radio-Canada will face significant financial challenges over the next several years as it strives to achieve its Strategy 2015 objectives. Not only must the Corporation manage through government funding reductions of \$115 million over three years, as announced in the 2012 federal budget, it will also expect to face additional financial pressures of \$85 million per year by 2014–2015 from unavoidable cost increases and required investments to achieve strategic objectives. In total, this means that CBC/Radio-Canada expects to introduce measures to manage financial pressures of \$200 million per year by 2014–2015 and one-time severance costs up to \$25 million.

Prior to the government funding reductions announced in the 2012 federal budget, the financial plan for achieving Strategy 2015 investments and managing unavoidable cost increases included advertising revenue growth from television and digital services and cost reductions from production improvements and administrative efficiencies.

This financial plan was fundamentally changed with the news that CBC/Radio-Canada would have its \$1.134 billion in government funding reduced by \$115 million (10.14 per cent) over three years, beginning in 2012–2013. This \$115 million reduction includes the elimination, over that period, of the \$60 million in one-time funding that has been received since 2001 to invest in Canadian programming.

On April 4, 2012, a new financial plan, approved by CBC/Radio-Canada's Board of Directors, was announced that will allow the Corporation to meet two key objectives: (i) maintain our capacity to fulfill our mandate under the *Broadcasting Act*, and (ii) continue to drive Strategy 2015 by delivering high-quality Canadian programming, enhancing our regional presence and local impact, and investing more in digital platforms.

The measures that we will be implementing to manage the \$200 million in financial pressures can be grouped into five categories: (i) increasing our revenues, (ii) transforming Radio-Canada International (RCI), (iii) accelerating the shutdown of our analogue transmitters, (iv) reducing costs and delivering our services differently, and (v) slowing the pace of the Strategy 2015 roll-out.

### Increasing self-generated revenues

Ongoing increase: up to \$50 million

We plan to increase self-generated revenues by leveraging ads on television, increasing digital revenue and, as an alternative to more drastic solutions, adding advertising and sponsorships to both CBC Radio 2 and Espace musique.

We have already submitted our application for a licence change for CBC Radio 2 and Espace musique to the CRTC, and will work through the process with the Commission.

The decision to add advertising and sponsorships will not change the programming mandate of CBC Radio 2 and Espace musique. Each will remain deeply committed to supporting and showcasing the best in Canadian music across a broad range of genres.

There is no plan to commercialize CBC Radio One and La Première Chaîne; our "talk radio" services will stay commercial free.

Finally, we will look to our real estate portfolio to generate more revenues as we seek to exit some buildings that we own to become tenants in more efficient and less-costly premises.

## Transforming RCI

Ongoing savings: up to \$10 million

Shortwave transmission of RCI programs will be shut down and RCI will provide national and international audiences with content on the web in five languages (French, English, Spanish, Arabic and Mandarin) instead of seven (no longer in Russian and Portuguese).

This transformation responds to demographic shifts and to the traffic on our sites, and concentrates our efforts on Canada's largest communities of diverse origins, while continuing to offer an international service via the web.

## Accelerated shutdown of analogue television transmitters

Ongoing savings: up to \$10 million

We also plan to shut down analogue television signals on July 31, 2012. Since the initial discussions around digital television (DTV) started, we have clearly stated that we wouldn't duplicate our analogue footprint in digital, that we would build digital transmitters only in centres where we originate television programming, and that we would eventually be shutting down our analogue transmitters, given the obsolescence of analogue technology and its disappearance throughout the world.

The useful life of CBC/Radio-Canada's satellite distribution backbone for analogue transmission is approaching its end and becoming increasingly expensive to maintain. Continuing to operate over 600 transmitters to reach about 1.7 per cent of the population would not be an efficient use of our resources at the best of times; it is certainly not viable given the current circumstances. Over 98 per cent of Canadians will not be affected by this and will continue to receive their CBC and/or Radio-Canada television signal the same way they do today: via cable, satellite or digital over-the-air.

## Reducing costs and doing things differently

Ongoing savings: up to \$100 million

Another group of measures is dedicated to reducing costs and doing things services differently. To do this, we are looking at eliminating the things that do not get us closer to achieving the goals set out in Strategy 2015.

Over the last number of years, and particularly as part of the \$171 million Recovery Plan initiatives in 2009–2010, there has been a non-stop focus on operating and production efficiencies as we systematically squeezed out on-going savings from our activities. This work will continue.

We will also look to increase the employee's relative share of contributions to our pension plans from 34 per cent to 40 per cent, over the next two years. This is expected to generate approximately \$5 million per year and is consistent with what is happening across business and government.

We will also continue our priority of reducing the footprint of our real estate portfolio. We had an objective of reducing it by a minimum of 400,000 square feet by 2015, but are accelerating that pace, increasing the target to more than 800,000 square feet by 2017. In the shorter term, we will pursue the sale of CBC/Radio-Canada-owned buildings, shift from owner to tenant in a number of locations, and look to lease vacant space in our remaining buildings.

## Pacing the Strategy 2015 roll-out

Ongoing savings: up to \$30 million

Finally, because these initiatives are still not enough to solve the \$200 million problem, Strategy 2015 will have to be scaled back.

We are still committed to the goals of becoming more distinctly Canadian, more regional, and more digital, which remain vital to the fulfillment of our role as Canada's public broadcaster in a rapidly changing environment. However, in light of our financial situation, moving as far or as fast on certain elements of our Strategy 2015 plan will not be possible.

As a result, we will be taking actions including program reductions in the network schedule, reductions in the number and/or budget of signature events produced, and reductions in the number of live music recordings on radio and in cross-cultural programming projects.

While we are well on our way to introducing or improving local services to 3.5 million Canadians out of the 6 million we said we would target by the end of fiscal 2015, reaching the remaining 2.5 million will take longer and be more difficult. And, in light of these pressures, CBC's initiatives to complete its Local Service Extension Plan are expected to be digital-only services instead of a combination of radio/digital services, with fewer new opportunities.

Our strategy on specialty channels will also be affected. CBC no longer plans to launch a kids' digital channel and, after having obtained the necessary licences, neither CBC nor Radio-Canada will pursue launching a sports channel. Finally, we also intend to sell **bold**, one of our CBC specialty channels, the licence conditions of which no longer fit our strategy nor complement our other programming streams.

These measures are far reaching and the changes that come with them are significant. There will be very evident changes to the services we offer and it will take some time to appreciate their full impact on our programs, services and operations and how these changes will be received by our stakeholders, staff, partners, communities, audiences and Canadians across the country

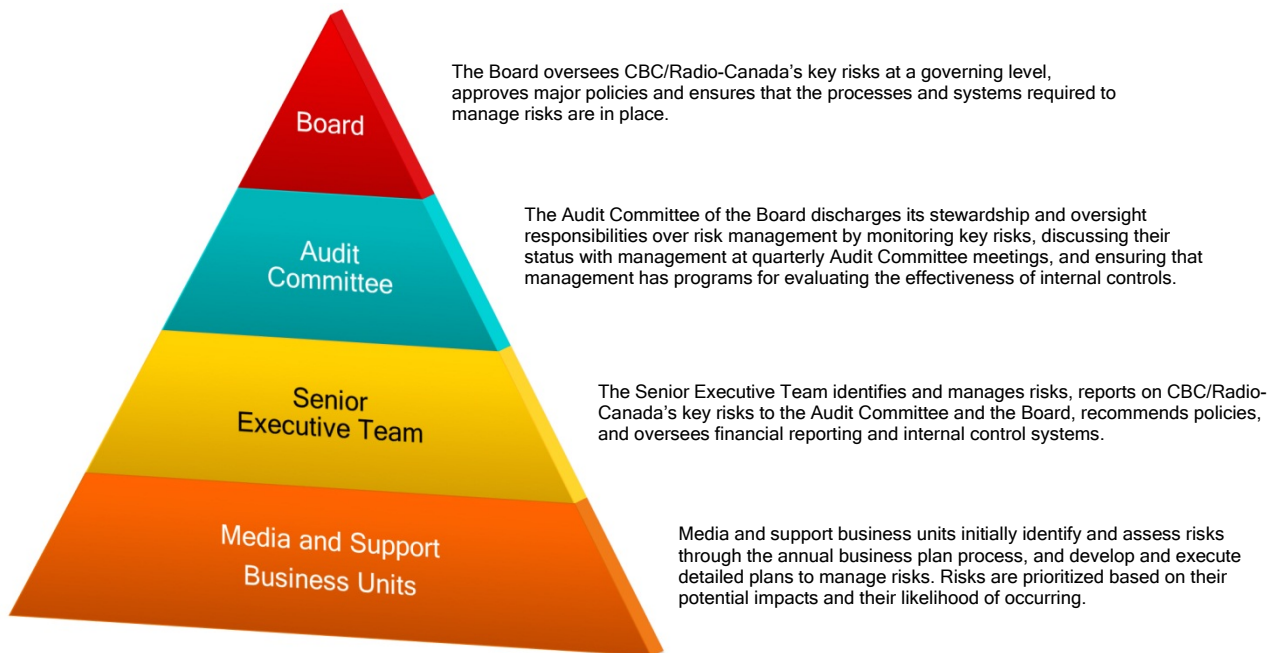
Up to 650 full-time positions (FTEs) are expected to be eliminated over the next three years (representing 7 per cent of our FTEs). This breaks out as follows: approximately 450 positions in 2012–2013, approximately 150 positions in 2013–2014, and the rest in the following year. Unfortunately, in a corporation where about 60 per cent of our overall budget goes to salaries, it's not possible to make reductions of this magnitude without a major impact on our people. The elimination of these positions will result in an estimated one-time cost of up to \$25 million, on top of the \$200 million recurring financial pressures.

This plan will be closely monitored and adjusted, as required, while it is being implemented over a three-year period. Its success will depend heavily on the strength of the advertising market and on our overall revenue performance. For example, our plan assumes that the CRTC's Local Programming Improvement Fund (LPIF) will remain in place and that we will continue to have access to it, in general accordance with the current rules. The LPIF is currently under review and the \$47.1 million in annual contributions to CBC/Radio-Canada for the broadcast year ending August 31, 2012, could be at risk.

### 4.5. Risk Management and Key Risks Table

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 public expectations, financial challenges and risks.

CBC/Radio-Canada’s Risk Management Program is part of an enterprise-wide approach integrated into business processes. Responsibility for risk management is shared among CBC/Radio-Canada’s Board of Directors, the Board’s Audit Committee, the Senior Executive Team and operational units.



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

The following table discusses the key risks faced by CBC/Radio-Canada during fiscal 2011–2012 and their ongoing impact into 2012–2013.

Key Risk	Risk Mitigation	Future Impact
<p><b>1. Budget Concerns</b></p> <p>A number of pressures are individually and collectively contributing to ongoing budget concerns:</p> <p><b>A. Federal Budget 2012</b></p> <p>The Federal Budget tabled on March 29, 2012, detailed a reduction of CBC/Radio-Canada's parliamentary appropriations by \$115 million over three years as part of the Federal Budget 2012. The \$60 million received as one-time funding since 2001–2002 is included in the appropriation level base subject to the reduction.</p> <p>There is a risk that the initiatives identified to reduce costs and increase revenues will not achieve expected outcomes.</p> <p><b>B. Vertical Integration – Rights, Programs and Channel Carriage</b></p> <p>CBC/Radio-Canada is the only major television broadcaster in Canada without distribution affiliations following recent acquisitions of Canwest Global by Shaw Communications in 2010 and CTVGlobemedia by BCE in 2011. There is a concern that carriage terms offered by Broadcast Distribution Undertakings (BDUs) will favour their own associated specialty services at the expense of the Corporation's specialty services. Risks to the Corporation include BDUs dropping the Corporation's existing television services that are not mandatory carriage or delaying the launch of new specialty services and decreased revenue from BDUs to carry the Corporation's specialty television services.</p> <p>A more competitive professional sports landscape with a few large, well-capitalized players vying for the same properties.</p> <p>As part of the approval process for broadcaster acquisitions, the CRTC imposes Canadian programming requirements that will likely increase the demand and cost for Canadian independent productions.</p>	<p>Implement initiatives to reduce costs and increase revenues.</p> <p>Ongoing management and review of the initiative implementations to ensure expected outcomes are achieved.</p> <p>Strategic discussions with BDUs focused on overall value of the programming services offered, the relationships and negotiation of long-term agreements with terms that protect or enhance current carriage and revenues.</p> <p>CBC plans on renewing its professional sports rights, including NHL rights which expire in June 2014, and has started preparing for renewal negotiations.</p> <p>Negotiate comprehensive program rights agreements to benefit the interests of both CBC/Radio-Canada and independent producers.</p>	<p>The parliamentary appropriation over the next three years has been announced, allowing for a multi-year planning horizon.</p> <p>However, Federal Budget 2012 will significantly affect programming and operational choices. Focus will be on delivering strategic priorities, implementing necessary changes and managing both the internal and external impacts on the Corporation and stakeholders.</p> <p>Long-term distribution agreements have been signed with large BDUs, including a five year agreement in principle with Vidéotron, which was announced on March 5, 2012.</p> <p>Continue with identified strategies.</p>

Key Risk	Risk Mitigation	Future Impact
<p><b>C. Local Programming Improvement Fund (LPIF)</b></p> <p>A review of the LPIF started in April 2012. The outcome of this review will determine whether the Fund should be maintained, modified or cancelled.</p> <p>The LPIF is a critical source of funding for CBC/Radio-Canada. LPIF funding for the broadcast year ending August 31, 2012, is estimated to be \$47.1 million and has been incorporated into CBC/Radio-Canada plans. Any reduction would have a negative impact on our programming.</p>	<p>Maximize LPIF eligibility while maintaining budget flexibility.</p> <p>Use the CRTC's April 16, 2012, hearing on the LPIF to advocate maintaining the Fund and recommend changes to the Fund to address concerns.</p>	<p>The future of LPIF funding after August 31, 2012, is uncertain. Current plans would need to be revisited in the event of a material change to CBC/Radio-Canada's access to the Fund.</p>
<p><b>D. Strategy, Budget and Planning</b></p> <p>There is a risk in our ability to allocate scarce resources and generate expected revenue to meet the objectives of Strategy 2015 given the Federal Budget 2012 and other financial pressures.</p>	<p>Reduce the pace and scope of Strategy 2015 roll-out to manage budget pressures.</p> <p>Identify further efficiencies and implement best practices and new ways of organizing and operating that position us to succeed with Strategy 2015 (<i>Making it Happen</i> initiatives).</p> <p>Finish implementation of corporate efficiency measures including the next generation procurement initiative.</p> <p>Re-evaluate targets and key performance indicators (KPIs) for both financial (relating to necessary revenue generation and implementation of cost savings) and non-financial pressures. These metrics appear in the Corporate Plan/Quarterly and Annual Reports and the Semi-Annual Report Card. Evaluate results against plans on a regular basis and adjust plans accordingly.</p>	<p>The pace and scope of Strategy 2015's planned initiatives were reduced by \$30 million annually as a result of financial pressures.</p> <p>Underachievement of revenue increases and cost reduction targets may require further changes to Strategy 2015.</p> <p>Furthermore, results against non-financial KPIs may decline as a result of the reduction in resources available for the Corporation to spend on programming.</p>
<p><b>E. Impact on Advertising Revenue</b></p> <p>Advertising revenue is influenced by a number of factors, including economic uncertainty, migration of ad revenue from conventional to specialty and digital services, program audience share and rating performance, and competing advertising opportunities in the marketplace.</p> <p>Uncertain economic conditions compound the risks associated with the Corporation's plans to increase advertising revenue to offset some of the government funding reductions announced in the 2012 Federal Budget.</p>	<p>The Corporation is closely monitoring advertising revenue performance and has developed contingency plans.</p>	<p>Underachievement of advertising revenue targets may require further reduction of expenditures and changes to Strategy 2015 implementation plans.</p>



Key Risk	Risk Mitigation	Future Impact
<p><b>2. Union Relations</b></p> <p>Failure to develop a long-term strategy for more operational flexibility from our unions may have a negative impact on the working relationship between management and employees and could derail the achievement of Strategy 2015.</p> <p>The failure to negotiate successful settlements with unions would have economic impacts and would have a negative impact on brand management. A number of agreements must be re-negotiated between 2012 and 2014.</p>	<p>Continue to reinforce business needs in terms of flexibility and ensure that collective bargaining reflects these needs.</p> <p>Involve unions in discussions relating to economic challenges and encourage input into managing risks.</p> <p>Ensure communications activities are identified and implemented with union leaders before launching business strategies and initiatives (e.g., changes in methods of production to achieve savings).</p> <p>Successful negotiation of agreements.</p>	<p>Mitigation strategies continue into 2012–2013.</p>
<p><b>3. Workforce Challenges – Recruiting, Training, Retaining and Empowering a Skilled Workforce</b></p> <p>The degree to which staff engages with the Corporation's mission may have an impact on retention and our ability to achieve objectives.</p> <p>The proper staff skill set is necessary to meet the transformation needs of Strategy 2015. The plan's three strategic thrusts (programming, regional and digital) will require a significant transformation in production methods, to ensure a smooth transition to a model that's more efficient, digital and multiplatform.</p>	<p>Action plans responding to the employee engagement survey have been developed and are being implemented at the national, component and departmental levels. Two national priorities have been identified: recognition and development.</p> <p>Ensure appropriate workforce planning and training are in place to plan for redirection of operations in line with Strategy 2015 and ensure employees are appropriately skilled.</p>	<p>Ensure appropriate workforce planning and training are in place to plan for redirection of operations in line with Strategy 2015 and ensure employees are appropriately skilled.</p> <p>Identified strategies will continue into 2012–2013.</p>
<p>Staff reductions create a climate of uncertainty and stress that may lead to reduced morale, lower productivity and decreased retention.</p>	<p>To minimize this risk, the organization is engaging four approaches: transparent communication to employees and unions; involvement of employees and union leadership in change; continued investment in learning and development; and increased effort to recognize employee contributions.</p>	<p>Identified strategies will continue into 2012–2013.</p>

Key Risk	Risk Mitigation	Future Impact
<p><b>4. Regulatory Issues</b></p> <p><b>A. Licence Renewal</b></p> <p>Licence renewal hearings will commence on November 19, 2012. The outcome of these hearings 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 Strategy 2015.</p> <p><b>B. Terms of Trade with Independent Television Producers</b></p> <p>Negotiations on terms of trade (rights, contribution, other business terms) for CBC with Canadian Media Production Association (CMPA) and Radio-Canada with Association des Producteurs de Films et de Télévision du Québec (APFTQ) regarding independently produced programming continue into 2012–2013.</p> <p>The most significant potential risk is the imposition of terms on CBC/Radio-Canada that are not compatible with CBC/Radio-Canada's role as Canada's public broadcaster.</p> <p><b>C. Over-the-Top Programming Services</b></p> <p>On May 25, 2011, the CRTC began a fact-finding exercise on the "over-the-top" (OTT) programming accessed over the Internet independent of a facility or network dedicated to its delivery. On October 5, 2011, the CRTC determined that the findings of the fact-finding exercise were inconclusive. The Commission will continue to monitor the situation as the market evolves and will conduct a second fact-finding exercise.</p> <p><b>D. DTV Transition</b></p> <p>Following the trend in other countries, the CRTC decided to replace over-the-air analogue television transmission with digital (DTV) beginning August 31, 2011.</p> <p>The Corporation will have digital television transmitters in all 27 originating CBC/Radio-Canada stations.</p> <p>In 2011–2012, the Corporation shut down 30 analogue television transmitters in mandatory markets.</p> <p>CBC/Radio-Canada has applied to the CRTC to modify its licences to reflect the shutdown of the remaining 620 analogue television transmitters by July 31, 2012, to help address the government funding reductions under the Federal Budget 2012.</p> <p>The result is that some markets will no longer receive an over-the-air television signal from CBC/Radio-Canada. There is a risk that the public broadcaster may be perceived as reducing services to some communities.</p>	<p>Work with CRTC to reach mutually acceptable conditions of licence.</p> <p>Continue negotiating the terms of trade contracts to benefit the interests of both CBC/Radio-Canada and independent producers.</p> <p>Monitor and adjust as required.</p> <p>Communications activities will inform and educate Canadians at large about CBC/Radio-Canada's plans. The communications plan will include government relations activities as well as region-specific activities and initiatives to address local issues and concerns and minimize negative reactions.</p>	<p>CBC/Radio-Canada's licence renewal application will seek a streamlined regulatory framework to enable the Corporation to operate efficiently and effectively in an evolving multiplatform environment.</p> <p>Continue with identified strategies into 2012–2013.</p> <p>On April 16, 2012, the CRTC announced that it will not conduct a second fact-finding exercise but will continue to monitor the situation.</p> <p>The Corporation will communicate to Canadians that only 1.7 per cent of the population still receives CBC/Radio-Canada's television signals via an analogue transmitter and, given financial pressures, the Corporation will accelerate its exit from this technology.</p>

Key Risk	Risk Mitigation	Future Impact
<p><b>5. Infrastructure Replacements and Optimization</b></p> <p>There are limited resources to meet capital asset needs for:</p> <ul style="list-style-type: none"> <li>• Building repairs and renovations.</li> <li>• Replacement of aging broadcasting equipment and transition to high-definition (HD) production.</li> <li>• Radio transmitters across the country which are nearing the end of their useful life.</li> <li>• Real estate assets must be exploited to reduce excess space and costs.</li> <li>• Under-investing in technology infrastructure replacement or upgrades increases risk of system failure. Risk of cost increases to maintain and support older and/or distributed versus centralised systems.</li> </ul>	<p>Scheduled and prioritized maintenance, with emphasis on health and safety and business continuation.</p> <p>Replacement will continue with available resources on a prioritized basis.</p> <p>A transmitter asset strategy has been developed to reduce the size and investment requirements of the current system while maintaining coverage.</p> <p>CBC/Radio-Canada is accelerating its plan to reduce its overall real estate footprint.</p> <p>Comprising a little more than 4.3 million square feet, we plan to reduce it by more than 800,000 square feet by 2017. In the shorter term, we will pursue the sale of CBC/Radio-Canada-owned buildings, shift from owner to tenant in a number of locations, and look to lease our vacant space in the remaining buildings.</p> <p>Assess replacement options for obsolete or unsupported systems and recommend solutions.</p>	<p>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.</p> <p>Transition of aging production equipment in regional locations to HD is planned for future years, at a pace that budgets allow.</p> <p>Continue with identified strategies.</p> <p>Portfolio strategic plans will be implemented by CBC/Radio-Canada's Real Estate Services during the coming years.</p> <p>Implement identified recommendations.</p>
<p><b>6. CMF Challenges</b></p> <p>New Canada Media Fund (CMF) funding allocation rules could result in reduced support for CBC/Radio-Canada.</p>	<p>Proactively advance the Corporation's position with the CMF, including participation in the CMF National Focus Group.</p>	<p>CBC/Radio-Canada's 2012-2013 CMF allocation is virtually the same as last year's allocation. However, there still continues to be a risk as allocation factors have changed or may change next year.</p>

Key Risk	Risk Mitigation	Future Impact
<p><b>7. Access to Information</b></p> <p>Managing public perception of a lack of accountability and of transparency.</p> <p>A legislative modification could curtail or impede the Corporation's editorial independence.</p>	<p>Continue to produce and distribute the <i>Transparency and Accountability Bulletin</i>, which provides updates on progress we are making in managing ATI requests.</p> <p>Continue to manage the information published on the corporate website's Proactive Disclosure section. Facilitate access to existing information on the corporate website.</p> <p>Continue to invest in improving the management and processing of ATI requests.</p>	<p>Continue with identified strategies into 2012–2013.</p>

## 5. Financial Reporting Disclosure

### 5.1. Transition to International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board of the Canadian Institute of Chartered Accounts (CICA) announced that all publicly accountable Canadian reporting entities must adopt International Financial Reporting Standards (IFRS) as Canadian generally accepted accounting practices (GAAP) for years beginning on or after January 1, 2011. Under the Public Sector Accounting Standards, the Corporation is now classified as an “other government organization.” As such, the Corporation was required to assess the most appropriate basis of accounting. After assessing various factors, the Corporation determined that IFRS constitutes the most appropriate basis of accounting.

On April 1, 2011, the Corporation adopted IFRS for financial reporting, using a transition date of April 1, 2010. The consolidated financial statements contained within this annual report are therefore prepared in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, as issued by the International Accounting Standard Board. Previously, the Corporation prepared its financial statements in accordance with Canadian GAAP.

The Corporation’s IFRS accounting policies are provided in Note 3 to the consolidated financial statements. In addition, Note 5 presents reconciliations between the Corporation’s previous GAAP results for fiscal 2010–2011 and IFRS results. These reconciliations include Consolidated Statements of Financial Position as at April 1, 2010 and March 31, 2011, and a Consolidated Statement of Income (Loss) and Statement of Comprehensive Income for the year ended March 31, 2011.

The following provides a summary reconciliation of equity as of the date of transition and through to March 31, 2011, the last period for which financial results were presented under GAAP, along with a brief description of the significant differences. For more detailed explanations, please refer to the notes to the consolidated financial statements prepared by the Corporation as at March 31, 2012.

<i>(in thousands of dollars)</i>	
Total Equity – Canadian GAAP March 31, 2010	(137,737)
IFRS Date of Transition Adjustments:	
Pension and employee-related liabilities	82,825
Property and equipment – fair value of real estate assets	162,377
Lease for satellite services	(17,385)
Consolidation of trust established to monetize receivables	(5,806)
<b>Equity – IFRS April 1, 2010</b>	<b>84,274</b>

<i>(in thousands of dollars)</i>	
Total Equity – Canadian GAAP March 31, 2011	(160,375)
Cumulative IFRS adjustments for the year ended March 31, 2011:	
Pension and employee-related liabilities	349,851
Property and equipment and Deferred Capital Funding—fair value of real estate assets and change in depreciation methodology	162,223
Lease for satellite services	(17,138)
Consolidation of trust established to monetize receivables	(5,427)
<b>Equity – IFRS March 31, 2011</b>	<b>329,134</b>

### *Pension and employee-related liabilities*

The cumulative adjustment to pension and employee-related liabilities includes transitional adjustments reflecting the Corporation's election to immediately recognize net unamortized amounts and the change in applicable discount rates as at March 31, 2010, the recognition of actuarial gains and losses for the year ended March 31, 2011, and a reduction in expenses for the year ended March 31, 2011, reflecting the difference in discount rates used.

### *Property and equipment – fair value of real estate assets*

The Corporation has elected to measure certain land and buildings at their fair value at April 1, 2010. This election excluded transmission sites and certain buildings, which will continue to be carried at a value determined in relation to their cost. This election had the impact of increasing the recorded values and the subsequent amortization expense related to these assets.

### *Lease for satellite services*

An agreement to lease satellite capacity was determined to be a finance lease under IFRS. As a result, property and equipment, and short and long-term liabilities, increased. This change has also resulted in new amortization and interest charges related to the asset under finance lease and obligation under finance lease, respectively, and a reduction in transmission, distribution and collection charges.

### *Consolidation of trust established to monetize receivables*

The Corporation established a trust (CBC Monetization Trust) to monetize long-term receivables as part of the Recovery Plan implemented to manage budgetary shortfalls in 2009–2010 that resulted from the recession. Under IFRS, the trust must be consolidated in the Corporation's financial statements. The adjustment on the date of transition resulted from the consolidation of the trust's accounts on a line-by-line basis. As of March 31, 2011, this impact was partly offset by the Trust's results from operations for the year then ended.

## 5.2. Future Accounting Standards

For a description of future changes in accounting standards, see Note 2 to the consolidated financial statements.

## 5.3. Transactions with Related Parties

The Corporation, through the normal course of business, is involved in transactions with related parties. See Note 29 to the consolidated financial statements.

## Internal Controls

The Corporation has an internal control program based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework which involves periodic reviews of key controls over financial reporting. This program continues to evolve towards industry best practices, with an aim to maintain and strengthen policies and procedures that ensure the reliability of financial information and the safeguarding of assets.

A dedicated internal control team reviews and evaluates internal controls on an ongoing basis. The internal control program is also supported by the completion of independent audit work performed by the Corporation's internal auditors, who conduct audits and reviews (some of which relate to financial reporting and operations) that are identified using a risk-based approach and agreed upon through discussions with the Corporation and its Audit Committee.

In 2011–2012, the Corporation assessed the effectiveness of certain key internal controls over financial reporting. The assessment concluded that those controls were operating effectively and identified some opportunities for improvement. Some improvements have already been made and the Corporation will continue to address opportunities for improvement in the coming year.

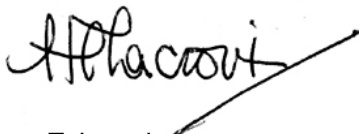
## Management's Responsibility for the Consolidated Financial Statements

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

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

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

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



Hubert T. Lacroix,  
President and Chief Executive Officer



Suzanne Morris,  
Vice-President and Chief Financial Officer

Ottawa, Canada  
June 20, 2012



## INDEPENDENT AUDITOR'S REPORT

To the Minister of Canadian Heritage and Official Languages

### Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Canadian Broadcasting Corporation, which comprise the consolidated statements of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, and the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 March 2012 and 31 March 2011, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

### Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Canadian Broadcasting Corporation as at 31 March 2012, 31 March 2011 and 1 April 2010, and its financial performance and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with International Financial Reporting Standards.

### Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied, after giving retrospective effect to the adoption of the new standards as explained in Note 5 to the consolidated financial statements, on a basis consistent with that of the preceding year.

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



Michael Ferguson, FCA  
Auditor General of Canada

20 June 2012  
Ottawa, Canada