CHALLENGING. INFORMATIVE. ENTERTAINING.

CANADIAN

CBC Radio-Canada

CBC | RADIO-CANADA ANNUAL REPORT 2007–2008

VOLUME TWO – MANAGEMENT DISCUSSION AND ANALYSIS AND FINANCIALS

WE
DELIVER

CBC | RADIO-CANADA DELIVERS A COMPREHENSIVE RANGE OF NEWS, INFORMATION, ENTERTAINMENT, AND SPORTS PROGRAMS VIA 29 SERVICES.

It is the only Canadian broadcaster delivering Radio, Television, Internet, and satellite-based services, in both English and French plus eight Aboriginal languages, to all Canadians. The Corporation's broadcasting reach extends across Canada and around the world via Radio, Television, Internet, satellite-based and wireless services, offering high-quality, distinctive content by, for and about Canadians, however and wherever they want it.

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KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS

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

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

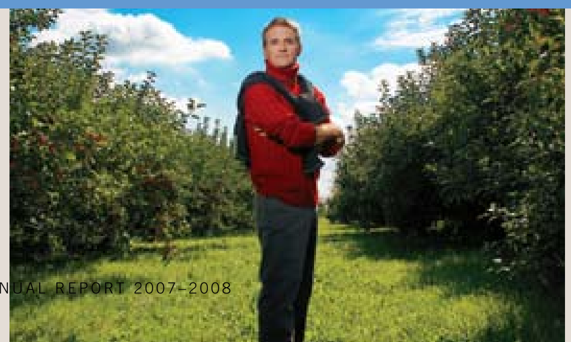
MEASURING PERFORMANCE

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

The incorporation of these performance indicators into the Corporation's planning process began in 2006. They are now fully integrated into that process, making it possible to examine annual performance results, performance against targets and performance trends.

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

Photos left to right:
The Tudors, CBC Television,
bold. **Errol Duchaine**,
La semaine verte,
Première Chaîne,
Télévision de Radio-Canada,
Radio-Canada.ca, Sirius 94.



CORPORATE MEASURES OF PERFORMANCE

Corporate Priority	Indicator	2006–2007 Results	2007–2008 Targets	2007–2008 Results
CONTENT	**CANADIAN CONTENT**			
	CBC Television[1]			
	Broadcast day	81%	81%	80%
	Prime time (Monday–Sunday, 7:00–11:00 p.m.)	80%	80%	81%
	Télévision de Radio-Canada[1]			
	Broadcast day	82%	82%	79%
	Prime time (Monday–Sunday, 7:00–11:00 p.m.)	88%	88%	89%
	CBC Radio[2]			
	Broadcast day	99%	99%	99%
	Prime time (Monday–Friday, 6:00–9:00 a.m.)	100%	100%	100%
	Radio de Radio-Canada[3]			
	Broadcast day	100%	100%	100%
	Prime time (Monday–Friday, 6:00–9:00 a.m.)	100%	100%	100%
	NUMBER OF AWARDS			
	CBC Television	288	288	220
	Télévision de Radio-Canada[4]	29	29	29
	CBC Radio	121	100	140
	Radio de Radio-Canada	6	6	6
	DISTINCTIVENESS			
	Main Television and Radio networks	90%	90%	89%

1 Based on previous broadcast year.

2 CBC Radio One and CBC Radio 2 combined.

3 Première Chaîne and Espace musique combined.

4 Internal productions only.

Photos left to right: ***Gofrette***, CBC Television, *CBC.ca*, Télévision de Radio-Canada, *Radio-Canada.ca*. **Philippe Schnobb**, Télévision de Radio-Canada, RDI, *Radio-Canada.ca*.

KEY PERFORMANCE INDICATORS

Corporate Priority	Indicator	2006–2007 Results	2007–2008 Targets	2007–2008 Results
REGIONAL REFLECTION AND THE CHANGING FACE OF CANADA	Programs produced in regions for regions	83,775 hours	83,800 hours	86,200 hours
	Programs produced in regions for networks	12,642 hours	12,600 hours	11,000 hours
	CBC I Radio-Canada usage by visible minority (18+)	87%	87%	82%[1]
	Visible minority staff CBC I Radio-Canada	Number of staff 528 (excludes short-term employees)	Number of staff 530 (excludes short-term employees)	Number of staff 544 (excludes short-term employees)
SUSTAINABILITY OF CANADIAN SCHEDULES	Television advertising revenue[2]	$315 million	$320 million	$310 million
	Expenditures on Canadian programming	95% of programming budget	95% of programming budget	95% of programming budget
EFFICIENCY	Self-generated revenues[3]	$122 million[4]	$110 million	$131 million
	Programming expenditures	82% of total budget	82% of total budget	82% of total budget
CREATIVE HUMAN RESOURCES	Commitment to training and development CBC I Radio-Canada	$ per employee 1,013	$ per employee 1,013	$ per employee 1,005
	Employee satisfaction (periodic) CBC I Radio-Canada	Index 85% (2004 employee survey)	Index 85% (2004 employee survey)	n/a

1 As of 2007–2008, the Corporation has adopted the definition used by Statistics Canada.

2 Only the main networks; excluding Internet revenues.

3 Includes primarily Galaxie, CBC Country Canada (now **bold***), Internet advertising revenues, program sales, and interest and proceeds relating to the sale/rental of parcels of land in Toronto.*

4 The variance between the $110 million figure published in the 2006–2007 Annual Report and the revised $122 million figure is due to the interest and proceeds relating to the sale/rental of parcels of land in Toronto.

Corporate Priority	Indicator	2006–2007 Results	2007–2008 Targets	2007–2008 Results
STRATEGIC PARTNERSHIPS	Number of joint ventures/partnerships CBC I Radio-Canada[1]	6	6	15
COLLABORATION	Expenditures on cross-media programming	$10.3 million	$10 million	$9.7 million
STRONG STAKEHOLDER RELATIONSHIPS	Opinion leaders' overall impression of CBC I Radio-Canada[2]	77% favourable	77% favourable	77% favourable
	Opinion leaders' general impression of CBC I Radio-Canada as being an essential service[2]	78% agreement	78% agreement	87% agreement
	Canadians' satisfaction levels with main Television and Radio networks	89%	89%	89%
	Relevance to stakeholders	Percentage of Canadians using our services[3] 86%	Percentage of Canadians using our services[3] 86%	Percentage of Canadians using our services[3] 86%

1 *Defined as an agreement initiated by or under the responsibility of CBC I Radio-Canada's Corporate Business Development, and a major contributor to the Corporation. The Corporation has many strategic partnerships at both the Corporate and network levels. The 15 strategic partnerships identified in this table relate to Corporate level partnerships with companies such as Sirius Canada, Air Canada and Clear Channel Outdoor (related to CBC News Express).*

2 CBC I Radio-Canada Opinion Leader Survey, *March 2008, conducted by Phoenix Strategic Perspectives Inc.*

3 *Usage of main Television, Radio and websites.*

MEDIA LINES' TARGETS AND RESULTS

ENGLISH SERVICES

CBC | Radio-Canada's English Services comprise CBC Television, CBC Newsworld, **bold** (formerly CBC Country Canada) *documentary* (formerly The Documentary Channel, in which CBC | Radio-Canada acquired majority control this year), CBC Radio One, CBC Radio 2, CBC Radio 3, and *CBC.ca*. As of November 2007, all of these services report to the Executive Vice-President for English Services. This integrated approach allows for better planning and sharing of resources and programming across the media lines, and the achievement of savings and synergies.

CBC RADIO'S STRATEGIC OBJECTIVES

To remain relevant and to meet the needs of its listeners in today's competitive radio environment, CBC Radio established four main strategic priorities for 2007–2008: excellence in program development for CBC Radio 2 and all services; News integration; strategic development on New Media platforms; and, effective employee engagement. These priorities were designed to increase listener satisfaction, particularly with CBC Radio One and CBC Radio 2 (measured under Listener Satisfaction below); serve the public (measured under National Reach and Share, indicating the extent of usage by the Canadian public); maintain and improve the quality of its services (assessed by national and international award-granting bodies and measured under Program Excellence); and, as a long-term objective, to extend local market service into a number of areas where no local CBC Radio One service exists (measured under Local Service Extension).

CBC RADIO – PERFORMANCE INDICATORS

	CBC Radio 2007–2008 Targets	CBC Radio 2007–2008 Results
COST		
• Cost of programming	• New measure	• $112.9 million[1]
AUDIENCE[2]		
• CBC Radio One and CBC Radio 2 Combined reach	• 3.8 million	• 3.9 million
• CBC Radio One and CBC Radio 2 Combined share	• 12.2%	• 13.4%
MANDATE		
CBC Radio One		
• Satisfaction[3]	• 67%	• 69%
• Essential[3]	• 85%	• 86%
• Regionally reflective[3]	• 76%	• 74%
• Ethnically/culturally diverse[3]	• 65%	• 65%
• Relevance: Has programs I want to listen to[3]	• 58%	• 61%
PROGRAM REVIEW		
• Pitches received and processed	• New measure	• 394
• Pilots made	• New measure	• 45
• New shows or new series debuted	• New measure	• 15
RECOGNITION FOR PROGRAM EXCELLENCE		
• Number of national or international awards	• 100	• 140
LOCAL SERVICE EXTENDED INTO UNSERVED MAJOR RADIO MARKETS		
• Number of service extensions into markets with >100,000 population	• n/a[4]	• n/a[4]

1 *Programming and production basis.*

2 *BBM Fall Survey.*

3 *FIATS Fall Survey, Core Listeners, Top 3 box score (October 2007–March 2008).*

4 *Service extensions to underserved markets are a significant long-term goal for CBC Radio. While resources did not permit any such extensions during 2007–2008, this goal remains an important strategic objective for CBC Radio.*

Photos pages 4-5, left to right: **Steven Sabados**, **Chris Hyndman**, *Steven and Chris*, CBC Television. **Kif-kif**, Télévision de Radio-Canada. **Ian Hanomansing**, *CBC News at Six: Vancouver, CBC Television*. ***Bo on the Go!***, CBC Television, *CBC.ca*.

Photos page 6, left to right: **Jonathan Goldstein**, *WireTap*, CBC Radio One, Sirius 137. **Nalo Hopkinson**, *Canada Reads*, CBC Radio One, **bold**, *CBC.ca*, Sirius 137. **Steve Patterson**, *The Debaters*, CBC Radio One.

MEDIA LINES' TARGETS AND RESULTS

CBC RADIO'S FUTURE DIRECTIONS

EXCELLENCE IN PROGRAM DEVELOPMENT FOR CBC RADIO 2 AND ALL PLATFORMS

- Reinforce CBC Radio 2's commitment to high-impact, high-profile classical programming as well as other important genres.
- Introduce programs featuring high-impact documentaries and other types of context-rich material.

REVITALISE CBC NEWS AND PURSUE THE LOCAL RADIO PLAN

- Offer communities local News that embodies CBC journalistic standards, is customisable and diverse, and brings strength and nuance to the debate on local, regional and national issues.
- Pursue funding opportunities for local service extensions.

STRATEGIC DEVELOPMENT ON NEW MEDIA PLATFORMS

- Build thematic portals in collaboration with CBC Television, to give audiences easy access to content across all platforms.
- Consolidate content and resources with CBC Television to offer audiences richer and deeper content.

Photos left to right **Eleanor Wachtel**, *Writers and Company*, CBC Radio One, Sirius 137.
Pat Carrabré, *The Signal*, CBC Radio 2.
Laura Lynch, CBC Radio News.
The Week the Women Went, CBC Television.
the fifth estate, CBC Television, CBC Newsworld.
The Englishman's Boy, CBC Television.

CBC TELEVISION'S STRATEGIC OBJECTIVES

CBC Television focused on programming and platforms in 2007–2008, in order to continue to provide Canadians with high-quality programming. Specifically, CBC Television targeted six strategic priorities: addressing the problem of Canadian entertainment programming; increasing audiences; securing key sports properties; increasing regional connections; renewing CBC News; and pursuing online opportunities and expansion.

To measure its success in achieving its objectives, CBC Television set out four main performance indicators with targets, as shown in the following table. Among the results was an increase in the viewing share of CBC Television, particularly in prime time when television is primarily consumed. The network also worked to preserve its distinctive place in Canadian broadcasting through increased audience usage (measured under Audience); the maintenance of an offering of diverse programming (Differentiation) as well as high-quality programming as judged by viewers (Public Perception). To successfully pursue its priorities, the network prudently managed its financial situation, including pursuing self-generated revenues and managing its financial resources effectively (measured under Revenue and Cost).

CBC TELEVISION – PERFORMANCE INDICATORS

	CBC Television 2007–2008 Targets	**CBC Television 2007–2008 Results**
PUBLIC VALUE		
• Differentiation[1]	• Maintain ratio	• Achieved
• Public Perception	• Each program 60% in Top 3 Box score	• Achieved
AUDIENCE		
• CBC Television prime-time share regular season	• 7.5%[2]	• 7.8%
REVENUE		
• Main networks – commercial advertising revenues Fiscal year (April–March)	• $212 million	• $210 million
• Advertising and other miscellaneous revenues	• New measure	• $231 million
COST		
• Total budget with allocations Fiscal year (April–March)	• $513 million	• $530 million
• Cost of programming	• New measure	• $451.9 million[3]

1 Based on percentage of titles.

2 These performance indicator targets were reported for the first time in the 2007–2008/2011–2012 Corporate Plan. Unfortunately, the filing deadlines for the Corporate Plan required some of these targets to be provided on a preliminary basis, in advance of final approvals in the Spring of 2007. The actual target for this indicator, as established by the Corporation prior to the start of the 2007–2008 fiscal year, was 7.5 per cent, and not the preliminary 8.0 per cent identified in the 2007–2008 Corporate Plan. To correct this issue going forward, CBC | Radio-Canada has adopted a new reporting timeframe for Corporate Plan performance measures and targets that is now fully aligned with CBC | Radio-Canada's Corporate approval process.

3 Programming and production basis.

MEDIA LINES' TARGETS AND RESULTS

CBC TELEVISION'S FUTURE DIRECTIONS

ADDRESS THE CHALLENGE OF CANADIAN ENTERTAINMENT PROGRAMMING

- Increase the viewership and appeal of Canadian entertainment programming.
- Continue to appeal to a broader range and number of Canadians through more loyalty-engendering series with full-season runs.

INCREASE AUDIENCES

- Continue to consolidate CBC Television's schedule with a same day, same channel approach.
- Refocus CBC Newsworld as a continuous source of hard News to create compelling, in-demand programming, hosts and coverage of News stories.
- Focus on positioning the new **bold** channel as the home for cutting-edge dramatic and arts programming and exclusive sports events.
- Promote the rejuvenated and now CBC|Radio-Canada majority-owned *documentary* channel, showcasing the best in Canadian and international documentaries, films and series.

SECURE KEY SPORTS PROPERTIES

- Secure long-term rights to further amateur and professional sports properties as appropriate opportunities arise.
- Build on the recently renewed NHL rights contract by extending the *Hockey Night in Canada* brand across multiple platforms.

INCREASE REGIONAL CONNECTIONS TO CBC

- Enhance the connection to local communities through regional programming.

RENEW CBC NEWS

- Evolve and strengthen News and information programming.
- Expand to a "24 x 7" capability on multiple platforms.

PURSUE ONLINE OPPORTUNITIES AND EXPANSION

- Continue program extension strategy.
- Partner with other organisations on digital programming.

CBC.ca's STRATEGIC OBJECTIVES

CBC.ca and the Digital Programming group maintain a goal of supporting CBC's Television and Radio programming services. In 2007–2008, *CBC.ca*'s four main strategic priorities were to: increase traffic by concentrating on its core programming strengths (importance and popularity); increase revenue by expanding advertising inventory and developing sponsorship opportunities; support multi-platform initiatives for programming and content distribution via non-over-the-air platforms; and, enhance site reliability and stability. In the pursuit of these strategic priorities, *CBC.ca* established five objectives for 2007–2008 for which performance results appear in the table below.

CBC.ca – PERFORMANCE INDICATORS

CBC.ca **2007–2008 Targets**	***CBC.ca*** **2007–2008 Results**
• Increase traffic	• *CBC.ca* continued as the number one news/media website with 4.1 million average monthly unique visitors, up 4.2% over the prior year.
• Implement Web 2.0 and the Media	• *CBC.ca* drew over 27,000 registered members and over 10,000 comments on *CBC.ca* content with its user-generated content tools. • Since June 1, 2007, CBC has added over 5,700 on-demand videos and served 6.2 million streams.
• Increase revenues	• *CBC.ca* ad banner revenue rose 18% during the fiscal year for a 2007–2008 total of $3,119,000.
• Support the development and implementation of a multi-platform strategy	• Business Development & Digital Programming substantively reorganised in 2007 to a service model providing creative, business and product development services to content areas. • Business Development was integrated across platforms and with Corporate Business Development, including an integrated Affiliate Relationship business unit.
• Increase site stability and reliability	• *CBC.ca* adopted a service rental model, concentrating on market-leading vendors to provide reliability, scalability and flexibility with minimal capital investment – leading to significant savings. • The current platform provides best-of-class recognition of our secure streaming solution.

CBC.ca's FUTURE DIRECTIONS

- Enhance reliability and stability of CBC's online presence.
- Support the development and implementation of a multi-platform strategy.

Photos left to right: **Wendy Mesley**, *Marketplace*, CBC Television, CBC Newsworld. ***Murder Unveiled***, CBC Television. **David Myles**, *2007 East Coast Music Awards*, CBC Television.

MEDIA LINES' TARGETS AND RESULTS

FRENCH SERVICES

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

RADIO DE RADIO-CANADA'S STRATEGIC OBJECTIVES

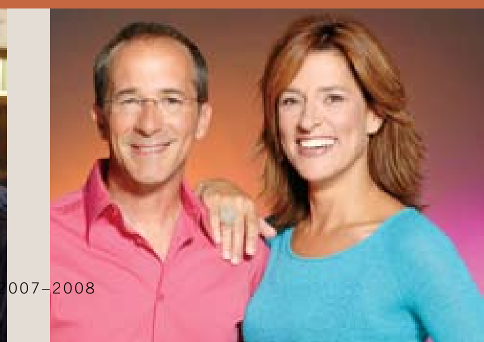
Over the past five years, Radio de Radio-Canada's Première Chaîne and Espace musique have continued to expand their listenership, as illustrated by the audience level indicator. Note that the 2007–2008 results are somewhat atypical, but still bear out this trend. In 2007–2008, Espace musique entered the second phase of its development, and achieved its objective of supporting the Canadian music industry by investing $5.5 million in the production of concerts to be aired on its network. French Services had the overall objective of consolidating its regional roots: for Radio de Radio-Canada, this translated into maintaining a high level of investment in the regions.

RADIO DE RADIO-CANADA – PERFORMANCE INDICATORS

	Radio de Radio-Canada 2007–2008 Targets	Radio de Radio-Canada 2007–2008 Results
MAINTAIN AN OPTIMAL LISTENERSHIP		
• Combined audience shares of Première Chaîne and Espace musique	• Between 14% and 16%	• 20%[1]
CONTINUE OUR COMMITMENT TO CANADIAN MUSICIANS		
• Recordings of concerts and shows	• 300	• 150[2]
• Budget invested in musical production for Espace musique	• New measure	• $5.5 million
INVEST IN THE REGIONS		
• Maintain our level of investment in regional production	• 45%	• 48%
• Evaluate the performance of all employees in relation to objectives	• Between 90% and 100%	• Between 90% and 100%

1 *Average of Fall and Spring BBM surveys.*

2 *Although the number of recordings decreased, the investment stayed the same – fewer recordings, but with higher impact.*



TÉLÉVISION DE RADIO-CANADA'S STRATEGIC OBJECTIVES

In 2007–2008, Télévision de Radio-Canada focused on objectives whose performance is measured in four indicator categories: Audience, Financial, Reflecting the Diversity of Contemporary Canada, and Human Resources.

Under the first indicator, the shares and overall satisfaction index show that Télévision de Radio-Canada achieved its Audience growth objective, while maintaining a high-quality offering. Our Financial indicators reflect the effectiveness of business objectives aimed primarily at optimising resources: we invested the bulk of funds (80 per cent) in programming, while maximising all available financial leverage, public revenues and outside funding sources. The Reflection of Diversity indicators are linked to the objective of consolidating regional roots, represented here by an increase in the average number of regionally produced programming hours broadcast nationally, as well as a better reflection of cultural diversity through a more representative workforce.

TÉLÉVISION DE RADIO-CANADA – PERFORMANCE INDICATORS

	Télévision de Radio-Canada 2007–2008 Targets	**Télévision de Radio-Canada 2007–2008 Results**
AUDIENCE		
• Overall audience appreciation with programming ("On a scale of 0 to 10, how would you rate Radio-Canada programming?")	• 6.7	• 7.0
• Combined audience shares for Télévision de Radio-Canada and RDI	• Between 15% and 20% At least 13% for Télévision de Radio-Canada	• 14.1% Télévision de Radio-Canada 2.1% RDI
FINANCIAL		
• Percentage of financial resources invested in programming	• 80%	• 81%
• Achievement of advertising revenues, main network only	• $108 million	• $100 million
• Maintain Canadian Television Fund funding at previous years' levels for independent productions broadcast on Télévision de Radio-Canada	• $25.2 million	• $27.5 million
REFLECTION OF DIVERSITY		
• Annual weekly average for regional programs on the network	• 7 hours	• 7.8 hours
• Increase in the percentage of employees considering themselves to be part of a visible minority (network and regions)	• 1.4%	• 1.6%
HUMAN RESOURCES		
• Evaluation of the performance of all employees in relation to objectives	• Between 90% and 100%	• Between 90% and 100%

Photos left to right: **Françoise Davoine,** Espace classique.
Casino 2, Télévision de Radio-Canada.
L'épicerie, Télévision de Radio-Canada, RDI, *Radio-Canada.ca*.

MEDIA LINES' TARGETS AND RESULTS

RADIO-CANADA.ca's STRATEGIC OBJECTIVE

In 2007–2008, *Radio-Canada.ca* remained focused on its main strategic objective: providing original, innovative Web content, even in the context of the proliferation of online offerings. To this end, *Radio-Canada.ca* developed a 2007–2008 action plan; its results are described in the following table.

RADIO-CANADA.ca – PERFORMANCE INDICATOR

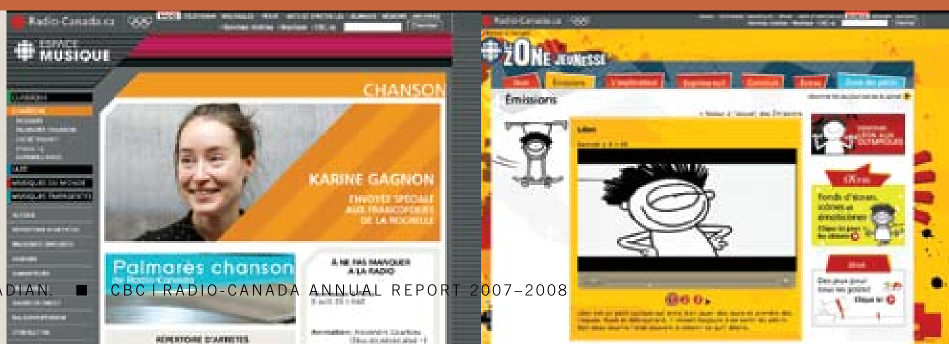
Radio-Canada.ca **2007–2008 Target**	***Radio-Canada.ca*** **2007–2008 Results**
• Maintain high average traffic on *Radio-Canada.ca*	• *Radio-Canada.ca* redesigned its site, adding a new section to give users easy access to audio and video content, creating a new home page for the regions, and revamping the youth section. • *Radio-Canada.ca* now provides exclusive audiovisual content, such as the *Sedna.tv* website. • A new international News section was developed. • An average monthly total of 1,598,000 unique Canadian visitors used the site from home in 2007–2008.

FRENCH SERVICES' FUTURE DIRECTIONS

In 2008–2009, French Services will be operating in a very volatile environment, characterised by major financial challenges, emerging technologies, increased fragmentation and competitiveness, and a profoundly changing regulatory climate.

In 2008–2009, Radio-Canada will undertake the following challenges with an eye to becoming a truly multimedia public broadcaster that promotes diversity, democracy and culture:

- Become a leader in digital platforms.
- Leverage our intangible assets (intellectual property, human capital, brand, etc.).
- Develop integration to its optimal value.
- Strengthen our programming's international component, along with our presence within major French-speaking institutions.
- Champion diversity in our programming and hiring policies.



GALAXIE'S STRATEGIC OBJECTIVES

Galaxie is a commercial-free digital pay audio service offering 45 channels of continuous music without talk. The network has built an enviable reputation as a source of high-quality music programming for the more than 6.3 million households that subscribe to it in Canada, and it generates funds for CBC | Radio-Canada to reinvest in programming. One of Galaxie's key priorities is to build on its strong foundation and expand onto new platforms and into new markets. Galaxie also provides an important conduit for new and emerging artists to reach Canadian listeners. Again this year, the service assisted artists by continuing to focus on its Galaxie Rising Stars program and ensuring that Canadian music is prominently featured on all of our genre-specific channels.

GALAXIE – PERFORMANCE INDICATORS

Galaxie 2007–2008 Targets	Galaxie 2007–2008 Results
• Optimise and ensure the long-term profitability of Galaxie	• Extended Galaxie's presence onto the Internet by partnering with Shaw Cable and Sympatico/MSN. • Renegotiated distribution agreements with Bell ExpressVu and Rogers. • Concluded an affiliate relations agency agreement with Stingray Digital Media Group to help Galaxie grow its business in Canada and provide growth opportunities in other markets.
• Position Galaxie as Canada's première audio programmer and the reference production company for niche music formats	• Galaxie is the première music offering reaching more than 6.3 million subscribers in Canada. • Actively promoting Galaxie's Music for Business Service to Canadian businesses. • International-language music channels programmed by Galaxie are offered on the Internet through Sympatico/MSN. • Partnered with Videotron and Groupe Spectra to offer a music service around Les FrancoFolies festival in Montréal.
• Contribute to CBC | Radio-Canada's cultural mandate by promoting and extending the CBC | Radio-Canada brand and values	• Promotion of Canadian artists by delivering 35% or more Canadian content across Galaxie's channels. • More than 600 artists have received financial support through Galaxie's Rising Stars Program. • Extension of CBC | Radio-Canada brands, including CBC Radio 3 and Bande à part, on the Galaxie platforms.

GALAXIE'S FUTURE DIRECTIONS

For 2008–2009, Galaxie will work closely with its affiliation relation's agent, Stingray Digital Media Group, to have the Galaxie music service launch on additional platforms as well as increase audiences by extending Galaxie's reach to other markets, including the United States and Europe.

Galaxie will also focus on adapting its services to the evolving music and technology landscape by developing new features to appeal to younger listeners.

MEDIA LINES' TARGETS AND RESULTS

RADIO CANADA INTERNATIONAL (RCI)

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

RCI'S STRATEGIC OBJECTIVES

In 2007–2008, RCI's two priority objectives were to pursue its mission worldwide and to help its RCI viva Web service, launched in November 2006, to take root in Canada's cultural communities. To this end, RCI implemented an action plan; its results appear in the following table.

RCI – PERFORMANCE INDICATORS

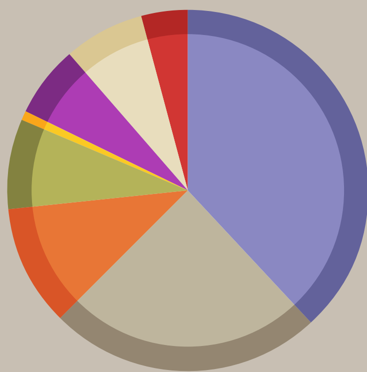
RCI 2007–2008 Targets	RCI 2007–2008 Results
• Expand RCI's reach by strengthening collaborative ties with partner radio stations that provide additional means to reach listeners in over 70 countries	• Some 400 partner radio stations rebroadcast RCI content in 70 countries. • The program, *Tam-Tam Canada*, is heard daily on Première Chaîne in Western Canada.
• Co-produce programs in various countries	• Since April 2007, RCI has initiated the co-production of 24 reports on immigration with the Group of Six (NHK Japan, Radio Netherlands, Radio Sweden, Radio Australia, Swiss Info) simulcast by all partners. • RCI is supervising 26 international producer/journalists from the Asia Institute for Broadcasting Development (AIBD) as part of a major co-production on cultural diversity. • RCI provides training in the form of co-productions with radio partners in exchange for their airing of RCI programs.
• Expand *RCIviva.ca*'s reach with the *Digital Diversity/Métissé serré* competition on the RCI viva portal and production of the online series, *Embracing Canada/ J'adopte un pays*	• RCI received over 200 entries for this competition that asked Canadians to submit audiovisual productions on the theme of immigration. • Over a 14-week period, *Digital Diversity/Métissé serré* entries were viewed online over 60,000 times and the website received over 6,000 comments, in addition to excellent reviews. • *Digital Diversity/Métissé serré* entries were screened at numerous events and festivals in Canada and around the world (Montréal World Film Festival; Pier 21 – Halifax; Reel 2 Real International Film Festival for Youth – Vancouver; Festival de films africains – Cannes; Cinéma et immigration – Agadir; Festival de la Diversidad – Cuba; National Council for Social Studies – San Diego). • The daily Télévision de Radio-Canada magazine, *C'est ça la vie*, has aired episodes of *J'adopte un pays*. • The launching of three Internet series for the program, *Embracing Canada/J'adopte un pay,* which follow the immigration process of Brazilians, Moroccans and East Indians to Canada.

RCI'S FUTURE DIRECTIONS

- Continue the shift toward a multimedia, multi-platform focus: produce an international version of the *Digital Diversity/Métissé serré* competition, and a Web series in Beijing and, in Canada, an intercultural series entitled *Voir Double*.
- Explore other avenues for funding and developing new RCI initiatives.

THE FINANCIALS

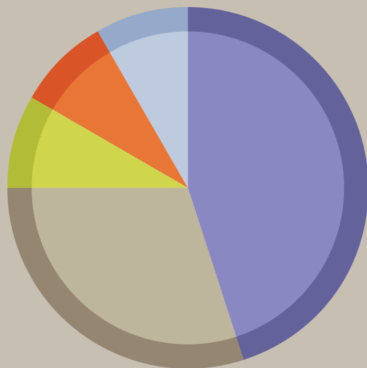
AS CANADA'S NATIONAL PUBLIC BROADCASTER AND A CROWN CORPORATION, CBC | RADIO-CANADA IS RESPONSIBLE TO PARLIAMENT AND TO CANADIANS.



**2007–2008 OPERATING EXPENDITURES*
$1,731 MILLION**
(millions of dollars)

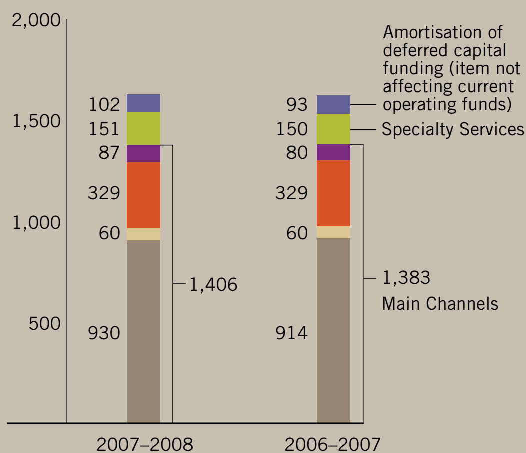
- CBC Television $662 (38%)
- Télévision de Radio-Canada $424 (25%)
- CBC Radio $188 (11%)
- Radio de Radio-Canada $138 (8%)
- Corporate management $16 (1%)
- Amortisation of property and equipment $110 (6%)
- Specialty Services $123 (7%)
- Distribution and affiliates $70 (4%)

* Excluding loss from investments in entities subject to significant influence and provision for income and large corporations taxes.



DISTRIBUTION OF THE 2007–2008 NON-RECURRING GOVERNMENT FUNDING OF $60 MILLION
(millions of dollars)

- CBC Television $27 million
- Télévision de Radio-Canada $18 million
- CBC Radio $5 million
- Radio de Radio-Canada $5 million
- Other programming initiatives $5 million



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

- Amortisation of deferred capital funding (item not affecting current operating funds)
- CBC Newsworld, RDI, Galaxie, and **bold**
- Other and financing income
- Advertising and program sales
- Additional non-recurring funding
- Parliamentary appropriation for operations

CBC | RADIO-CANADA'S FINANCIAL REVIEW

2007–2008 REVIEW OF OPERATIONS

FUNDING ISSUES

Total funds available to CBC | Radio-Canada for operations in 2007–2008 amounted to $1.6 billion, of which $1.0 billion came from the Parliamentary operating appropriation.

CBC | Radio-Canada's approved annual funding included an amount of **$60 million** for programming initiatives. The $60 million in incremental funding has been provided each year since 2001–2002 but, as of yet, has not been approved beyond 2008–2009.

The Corporation normally receives annual **salary inflation funding** based on the weighted average of Government collective agreement settlements. Government collective agreement negotiations were not concluded by year-end, so salary inflation funding for 2007–2008 was delayed and will likely be received in 2008–2009.

In March 2008, the **Standing Committee on Canadian Heritage** released its much-anticipated report on the role of the public broadcaster in the 21st century. Entitled, *CBC | Radio-Canada: Defining Distinctiveness in the Changing Media Landscape*, the cornerstone of the report is the call to establish a seven-year Memorandum of Understanding (MOU) – which would be an agreement between CBC | Radio-Canada and Canadians that would clearly set out expectations for the national public broadcaster and Government funding commitments to support them.

The Committee also found that additional funding is critical to CBC | Radio-Canada going forward. It recommended an increase in the per capita funding from $33 to $40 and that funding be fully indexed, in addition to making permanent the annual $60 million top-up the Corporation has received since 2001–2002. With Canada's population of 32 million, this would amount to $225 million more annually from the Federal Government. Another key recommendation from the report is that CBC | Radio-Canada continue to have access to various sources of television production funding.

On June 19, 2008, the Government announced that it did not endorse the Committee's report. Given its current resources, the Corporation is facing some critical choices about its future directions. CBC | Radio-Canada believes that it is important that these choices be discussed with Government in an MOU. It will continue to press the Government on the importance of the Memorandum for public broadcasting in Canada.

CBC | Radio-Canada's defined benefit pension plan actuarial valuation in December 2006 indicated a **pension plan surplus** on a going concern basis of $433 million and a surplus on a solvency basis of $131 million. Under federal income tax legislation, because the going concern funding ratio is greater

than 110 per cent, the plan sponsor cannot contribute to the plan until the surplus has been reduced by $77 million. The funds that CBC|Radio-Canada would have contributed towards the pension plan in 2007–2008 were invested in programming and other Corporate priorities. Employer contributions are expected to resume in October 2008.

SIGNIFICANT TRANSACTIONS DURING THE YEAR

On November 17, 2007, CBC|Radio-Canada and Stingray Digital Group Inc. (Stingray) entered into an Affiliate Relations Agency Agreement and an Option and Asset Purchase Agreement related to CBC|Radio-Canada's pay audio service, **Galaxie**.

Under the terms of the agreements, CBC|Radio-Canada granted Stingray an exclusive option to purchase the assets of Galaxie and also appointed Stingray as its affiliate relations agent for Galaxie, pending Stingray's purchase of the Galaxie assets.

On June 22, 2007, the CRTC approved CBC|Radio-Canada's request to acquire an additional 53 per cent interest in the Canadian Documentary Channel Limited Partnership for $1.0 million from YTV Canada, Inc. With this transaction, the Corporation now holds an 82 per cent partnership interest in **The Documentary Channel** and its results are consolidated in the Corporation's books of accounts as of September 1, 2007. As general partner, CBC|Radio-Canada manages and operates the specialty channel from the Canadian Broadcasting Centre in Toronto.

CBC|Radio-Canada signed a two-year broadcast and multimedia agreement with the International Skating Union (ISU). The agreement includes the prestigious 2008 ISU World Figure Skating Championships, which were broadcast in March 2008, the 2009 ISU World Figure Skating Championships, and the 2009 ISU Four Continents Figure Skating Championships.

The Corporation has entered into an agreement with the British company Content Film plc, for the **sale of international distribution rights** to its CBC Television program catalogue, including 135 active titles comprising 700 hours of programming. Under the terms of the agreement, benefits will continue to accrue to rights holders of the programs, including CBC|Radio-Canada. The agreement does not affect any of the Corporation's broadcasting rights or its archives.

Sirius Canada Inc., the satellite radio service provider in which the Corporation has an interest, continues to be successful. In March 2008, the US Justice Department approved Sirius Satellite Radio Inc.'s proposed $5 billion buyout of rival XM Satellite Radio Holdings Inc., finding that the deal would be unlikely to lessen competition or harm consumers. In Canada, the two enterprises continue to function separately. At this point, impacts of the potential merger are undetermined and the Corporation will continue to monitor the situation.

REAL ESTATE INITIATIVES

The modernisation project of CBC | Radio-Canada's second largest English-language production centre in **Vancouver** is well under way and is expected to be completed in the Fall of 2009. To create more synergy between the various media lines, the main floor will be expanded for News integration of New Media and all four media lines – CBC Television, CBC Radio, Télévision de Radio-Canada, and Radio de Radio-Canada. A significant portion of the funding for the rejuvenation initiative was generated from the sale of development rights for a 380,000 square-foot site to Concord Pacific Group Inc. The sale of the land and building density generated $33.5 million, which was completely re-invested in the project.

CBC | Radio-Canada continues to plan a major redevelopment of its Canadian Broadcasting Centre in **Toronto** to fundamentally improve space utilisation and to support media programming strategies. Subject to appropriate Government approvals, the Corporation plans to finance the revitalisation of the workspace by leasing a significant amount of freed-up space to third party tenants.

CBC | Radio-Canada is also planning the redevelopment of Maison de Radio-Canada in **Montréal**. Inaugurated more than 30 years ago, the building has undergone normal wear and tear and, despite ongoing maintenance, requires major renovations to update its infrastructure, improve operability and support future strategies appropriate to a broadcaster in the 21st century. Municipal authorities are currently reviewing a plan for the modernisation of the building and the site, which was submitted to the City of Montréal by CBC | Radio-Canada in December 2007.

SYSTEMS INTEGRATION

Undertaken in 2002, the **Vision Project** is a major initiative that is bringing dramatic improvements to the way we do business and to the quality of information on which key decisions are based. It is an important step in the overall rationalisation of our business systems and provides a single, integrated way to manage contracts and content, program inventory and schedules, broadcast and media management, revenue management, marketing and sales, promotions, and air-time analysis. The Vision Project required a substantial investment of resources and, at the end of March 2008, Télévision de Radio-Canada, the Réseau de l'information de Radio-Canada (RDI) and CBC Newsworld were using the new technology. CBC Television is expected to go live in October of 2008.

RISK MANAGEMENT

Although the Corporation is not subject to the same Canadian Securities Administration (CSA) rules as are publicly traded companies, and although the Treasury Board Secretariat (TBS) did not make its Certification Regime for Crown Corporations mandatory, CBC | Radio-Canada completed its evaluation of the design and effectiveness of **internal controls over financial reporting**. In 2007 and 2008, documentation of processes and controls affecting financial reporting and related IT systems were reviewed and updated and key controls within these processes were identified and tested using a risk-based approach.

Overall, internal controls over financial reporting are in a good state and no material weaknesses were identified. As is the case with many organisations that have complied with the requirements of the CSA or TBS, some areas were found to need improvement and the Corporation is implementing remediation on a priority basis. The assessment does not apply to current internal controls related to the Vision Project for processes pertaining to program contracts, rights management, commercial revenue, programming and scheduling, or disclosure controls and procedures, as these current controls and procedures were not documented and evaluated under the scope of the project.

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

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

In 2007–2008, the key significant risks included industry consolidation, decreased revenues due to fragmentation, erosion of conventional broadcasting audience share to emerging platforms, distribution technology changes, and regulatory decisions.

In addition to the above, key risks for 2008–2009 include funding pressures related to the elimination of analogue over-the-air television transmission and transition to high definition television by 2011.

ANALYSIS OF THE 2007–2008 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Cash, cash equivalents and short-term investments decreased from last year by $12.7 million, mainly due to the fact that the salary inflation funding was not received in 2007–2008. The funding will likely be received in fiscal year 2008–2009. Also, the Corporation shifted its cash balances from short-term investments to cash and cash equivalents to take advantage of better returns.

The inventory level increased in 2007–2008, mainly due to a higher level of Television drama inventory for Télévision de Radio-Canada, a higher level of factual entertainment programs in inventory for CBC Television and an increased number of procured programs, which are meeting the program inventory criteria (cost is determined, material is accepted and the program is available for broadcast) as of March 31, 2008. The costs of procured programs that do not meet the program inventory criteria are temporarily reclassified in the prepaid expenses category.

The fair value of foreign currency forward contracts is presented as Derivative financial instruments as a result of the implementation of new accounting standards for financial instruments. The detailed impact of the implementation of these new standards is presented in Note 3 of the Consolidated Financial Statements.

Deferred charges decreased, mainly due to the reclassification of the payments for the Beijing 2008 Summer Olympics program rights from deferred charges to prepaid expenses.

The short-term employee-related liabilities decreased, mainly due to a lower level of workforce reduction liability in 2007–2008.

CONSOLIDATED STATEMENT OF OPERATIONS

The Corporation receives a significant portion of its funding through Parliamentary appropriations, based primarily on cash flow requirements. Expenses recognised in the Consolidated Statement of Operations in one year may be funded through Parliamentary appropriations in other years.

Accordingly, the Corporation's net results of operations for 2007–2008 of $(2.2) million on a Government funding basis differs from those accounted on a Canadian generally accepted accounting principles (GAAP) basis in the amount of $(33.8) million.

The difference is explained by reducing the net results of operations on a GAAP basis by $138.8 million representing items not generating operating funds (such as amortisation of deferred capital funding) and by increasing it by $170.4 million for items not requiring operating funds (such as amortisation of property and equipment, employee future benefits, etc.).

REVENUES – 2007–2008

Total revenues for the Corporation increased by 1.4 per cent. Advertising and program sales revenue increased by less than one per cent, while other income increased by 11 per cent. The latter figure is mainly explained by the recognition of the net gain from the fair value of forward exchange contracts for which the Corporation does not apply hedge accounting following the implementation of the new financial instruments accounting standards and revenues generated by the Corporation's variable interest entity, The Documentary Channel.

EXPENSES – 2007–2008

Expenditures in 2007–2008 increased by two per cent when compared to 2006–2007 due to the following factors: for CBC Television – the newly acquired baseball and soccer properties, a greater number of hockey game broadcasts and new initiatives such as online content factory and Hockey Sirius Radio; and for Télévision de Radio-Canada – an increase in sports programming and higher costs related to an enhanced programming schedule in 2007–2008. Expenditures relating to the actuarial calculation for employee future benefits contributed to the increase over last year. As well, a change in methodology for allocating indirect costs to programs has resulted in more indirect costs being allocated to Costs of programs broadcast, as opposed to Costs of programs in inventory.

Savings relating to the pension contribution holiday partially offset these increases in expenditures.

2008–2009 AND SUBSEQUENT YEARS

BEIJING OLYMPICS

CBC|Radio-Canada will be the exclusive broadcast home for Canadians to the **Beijing 2008** Summer Olympics Games in Canada. In August 2008, CBC|Radio-Canada will provide comprehensive, daily live Olympic Games coverage on CBC Television, CBC Newsworld, Télévision de Radio-Canada, **bold**, the Première Chaîne, CBC Radio, *Radio-Canada.ca*, and *CBCSports.ca*.

CAPITAL INVESTMENT

Over the next three years, the Corporation plans to spend approximately **66 per cent of its capital budget on production infrastructure**. Major initiatives include replacing failing obsolete equipment, modernising Radio production facilities, updating the facilities at the Canadian Broadcasting Centre in Toronto which are approaching 20 years of age, upgrading the Centre de l'information (CDI) complex in Montréal, and continuing the rollout of desktop television production and some high definition television (HDTV) production investments to replace existing assets which have reached their end-of-useful-life.

CANADIAN RADIO-TELEVISION AND TELECOMMUNICATIONS COMMISSION (CRTC) REPORT ON THE CANADIAN TELEVISION FUND (CTF)

In a report tabled June 5, 2008, the CRTC made a number of recommendations which if implemented by the Government of Canada, would result in a decline of approximately $200 million in funding to Canadian public sector and educational television programming over the next five years.

The CRTC recommendation regarding splitting the **CTF** into public- and private-sector components, if implemented, would mean that only private-sector programming in Canada would benefit from future growth in CTF funding. Under the existing CTF structure, all programming – both public- and private-sector – benefits from the increase in CTF funding that flows from growth in the Canadian broadcasting sector. The CRTC's split-fund recommendation would result in this benefit no longer accruing to public-sector programming. If implemented, the CRTC's recommendation would penalise all public-sector programming participants and the independent producers that are the direct beneficiaries of the Fund.

TQS AFFILIATES

On March 28, 2008, the plan to establish bona fide Radio-Canada Television stations in Sherbrooke, Trois-Rivières and Saguenay came one step closer to reality. The Superior Court approved a transaction between Radio-Canada and Télévision Quatre Saisons (TQS) that would allow our Television, Radio and Web services to be consolidated in these regions. Starting in September 2008, Radio-Canada will take over responsibility for broadcasting its programs and content in Sherbrooke, Trois-Rivières and Saguenay, following the acquisition of TQS transmitters. These transmitters had been used to air Radio-Canada programming in these markets for many years under an affiliation agreement. This transaction was approved by the CRTC on June 26, 2008.

INVESTMENT IN ARTV

On April 8, 2008, ARTV inc. requested authority from the CRTC to transfer the voting shares of CTVglobemedia Inc. (CTV) to CBC|Radio-Canada. ARTV inc. is the licensee of the French-language specialty programming undertaking, ARTV. CBC|Radio-Canada and CTV respectively hold 45.09 per cent and 15.57 per cent of the voting shares in ARTV inc. As a result of the proposed transaction, CBC|Radio-Canada would increase its ownership to 60.66 per cent. The other shareholders are Télé-Québec (24.34 per cent) and ARTE France (15 per cent).

ACCESS TO SUBSCRIPTION REVENUES

On April 8, 2008, in the context of the CRTC's review of Broadcast Distribution Undertakings and Specialty Networks, CBC|Radio-Canada proposed that the broadcasting system be revamped to provide higher-quality television services at a reduced cost to Canadians. Recommendations included:

- A small, low-priced, basic, all-Canadian service, giving Canadians more choice in selecting additional Canadian and foreign discretionary services.
- A level playing field that would give conventional broadcasters access to subscription revenues, enabling them to continue to play their cornerstone role in the system and to maintain or enhance the quantity and quality of their Canadian programming offer.

The CRTC is expected to make public the conclusions of its review in the Fall of 2008.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

On April 24, 2006, the Accounting Standards Board announced a plan to replace Canadian GAAP with International Financial Reporting Standards (IFRS) for publicly accountable enterprises (PAE). The changeover date for IFRS is January 1, 2011; however, disclosure of the expected effects of conversion will be required in CBC|Radio-Canada's Consolidated Financial Statements beginning with the financial statements dated March 31, 2009.

CSA Staff Notice 52-320 – Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards – provides disclosure guidance relating to each financial reporting period over the next three years prior to implementation. For CBC|Radio-Canada, the IFRS conversion date is April 1, 2011, including external reporting under IFRS with restated comparative financial information for 2010–2011.

An IFRS diagnostic project has been undertaken to identify standards that may apply to CBC|Radio-Canada. The project report will identify and explain the significant differences for the Corporation between Canadian GAAP and IFRS. Subsequently, a detailed conversion plan will be developed and a project team will be formed.

FINANCIAL HIGHLIGHTS FROM THE PAST FIVE YEARS

For the year ended March 31	2008	2007	2006	2005	2004
		(millions of dollars)			
GOVERNMENT FUNDING					
Parliamentary appropriations	930	914	946	877	873
Non-recurring funding for programming initiatives	60	60	60	60	60
REVENUE					
Advertising and program sales	329	329	315	322	283
Other income	72	64	70	73	79
Specialty Services	151	150	144	138	132
EXPENSES					
Television and Radio services costs	1,411	1,377	1,367	1,383	1,330
Specialty Services	123	127	126	121	116

FINANCIAL RATIOS

For the year ended March 31	2008	2007	2006	2005	2004
LIQUIDITY RATIOS					
Current ratio[1]	1.47	1.30	1.46	1.36	1.64
Quick ratio[2]	0.94	0.88	1.02	0.92	1.25

1 Current assets / current liabilities

2 (Current assets-inventory) / current liabilities

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

OTTAWA, CANADA
JUNE 18, 2008

PRESIDENT AND CHIEF EXECUTIVE OFFICER

VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER

AUDITOR'S REPORT

To the Minister of Canadian Heritage, Status of Women and Official Languages and Minister for La Francophonie

I have audited the consolidated balance sheet of the Canadian Broadcasting Corporation as at March 31, 2008 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, except for the change in the method of accounting for financial instruments and the restatement as explained in note 3 to the consolidated financial statements, on a basis consistent with that of the preceding year.

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

SHEILA FRASER, FCA
AUDITOR GENERAL OF CANADA

OTTAWA, CANADA
JUNE 18, 2008

CONSOLIDATED BALANCE SHEET

As at March 31	2008	2007
	(thousands of dollars)	
ASSETS		
Current		
Cash and cash equivalents	58,004	47,655
Short-term investments (NOTE 5)	6,999	29,998
Accounts receivable	160,387	138,939
Inventory (NOTE 6)	170,441	136,150
Prepaid expenses	70,499	67,987
Net investment in sales-type leases (NOTE 7)	1,962	1,863
Property held for sale	-	765
Derivative financial instruments (NOTE 24)	1,168	-
	469,460	**423,357**
Long-term		
Property and equipment (NOTE 8)	1,008,886	1,009,348
Property held for sale	-	516
Long-term receivables (NOTE 10)	94,586	70,437
Net investment in sales-type leases (NOTE 7)	62,487	64,073
Deferred charges	6,563	20,468
Long-term investments (NOTE 11)	4,686	3,678
Derivative financial instruments (NOTE 24)	183	-
	1,646,851	**1,591,877**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	140,669	139,281
Employee-related liabilities (NOTE 12)	140,893	162,581
Bonds payable (NOTE 14)	18,473	18,138
Deferred revenues	10,738	6,125
Derivative financial instruments (NOTE 24)	7,873	-
	318,646	**326,125**
Long-term		
Minority interests	287	-
Long-term investments (NOTE 11)	1,417	1,417
Deferred revenues	41,632	2,537
Employee-related liabilities (NOTE 12)	379,760	314,961
Bonds payable (NOTE 14)	326,987	334,951
Deferred capital funding (NOTE 15)	650,056	642,130
	1,400,139	**1,295,996**
EQUITY		
Retained earnings (deficit) (NOTE 16)	(64,061)	(30,244)
Accumulated other comprehensive income (loss)	(7,873)	-
	(71,934)	**(30,244)**
	1,646,851	**1,591,877**

Commitments and contingencies (NOTES 17 AND 18)

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

APPROVED BY THE BOARD OF DIRECTORS:

DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended March 31

	2008	2007
	(thousands of dollars)	
Revenues		(Restated – NOTE 3)
Advertising and program sales	329,193	328,898
Specialty Services (NOTE 19)	150,691	150,107
Other income (NOTE 9)	71,602	64,446
Financing income	15,745	15,835
	567,231	**559,286**
Expenses		
Television and Radio service costs	1,411,482	1,376,522
Specialty Services (NOTE 19)	123,125	126,701
Amortisation of property and equipment	110,041	99,395
Transmission, distribution and collection	63,353	62,875
Corporate management	15,998	16,567
Payments to private stations	7,213	7,283
Loss from investments in entities subject to significant influence	17	6,663
	1,731,229	**1,696,006**
Operating loss before Government funding, non-operating revenues, taxes, and minority interests	**(1,163,998)**	**(1,136,720)**
Government funding		
Parliamentary appropriation for operating expenditures (NOTE 20)	989,564	974,324
Parliamentary appropriation for working capital (NOTE 20)	4,000	4,000
Amortisation of deferred capital funding (NOTE 15)	102,472	93,141
	1,096,036	**1,071,465**
Net results before non-operating revenues, taxes and minority interests	**(67,962)**	**(65,255)**
Non-operating revenues		
Gain on disposal of property (NOTE 9)	34,160	-
Net results before taxes and minority interests	**(33,802)**	**(65,255)**
Taxes and minority interests		
Recovery (provision) of income and large corporations taxes (NOTE 21)	(48)	26
Minority interests	33	-
	(15)	**26**
Net results for the year	**(33,817)**	**(65,229)**

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

CONSOLIDATED STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the year ended March 31

	2008	2007
	(thousands of dollars)	
		(Restated – NOTE 3)
Net results for the year	**(33,817)**	**(65,229)**
Other comprehensive income (loss)		
Net changes in cash flow hedges:		
Losses on derivatives designated as cash flow hedges (net of income tax of $0)	(4,044)	-
Total other comprehensive income (loss)	**(4,044)**	**-**
Total comprehensive income (loss) for the year	**(37,861)**	**(65,229)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31

	2008	2007
	(thousands of dollars)	
		(Restated – NOTE 3)
Retained earnings (deficit)		
Balance, beginning of the year	(30,244)	34,985
Net results for the year	(33,817)	(65,229)
Retained earnings (deficit), end of the year	**(64,061)**	**(30,244)**
Accumulated other comprehensive income (loss)		
Accumulated other comprehensive income (loss), beginning of the year	-	-
Transitional adjustment on adopting new financial instrument standards (net of income tax of $0) (NOTE 3)	(3,829)	-
Other comprehensive income (loss) for the year	(4,044)	-
Accumulated other comprehensive income (loss), end of the year	**(7,873)**	**-**
Total equity	**(71,934)**	**(30,244)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

	2008	2007
	(thousands of dollars)	
		(Restated – NOTE 3)
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net results for the year	(33,817)	(65,229)
Items not involving cash:		
Gain on disposal of equipment	(508)	(21)
Gain on disposal of property	(34,160)	-
Gain from fair value of financial instruments	(1,351)	-
Amortisation of property and equipment	110,041	99,395
Impairment of property and equipment	-	803
Loss from investments in entities subject to significant influence	17	6,663
Change in deferred charges	16,238	542
Amortisation of deferred capital funding	(102,472)	(93,141)
Property reclassified as held for sale	-	1,281
Property held for sale [long-term]	-	(516)
Change in deferred revenues [long-term]	39,095	(243)
Change in long-term receivables	(26,491)	(671)
Change in employee-related liabilities [current]	2,436	2,602
Change in employee-related liabilities [long-term]	64,799	16,731
Change in minority interests	287	-
Net change in non-cash working capital balances (NOTE 22)	(53,174)	99,759
	(19,060)	**67,955**
FINANCING ACTIVITIES		
Parliamentary appropriations (NOTE 20):		
Capital funding	110,398	135,730
Repayment of bonds payable	(7,397)	(6,870)
	103,001	**128,860**
INVESTING ACTIVITIES		
Acquisition of property and equipment	(111,671)	(138,720)
Purchase of long-term investments	(1,025)	(5,000)
Recovery from salary advances	846	855
Capital recovery from notes receivable	1,395	1,300
Capital recovery from net investment in sales-type leases	1,478	1,378
Deferred charges	(2,333)	(8,102)
Proceeds from disposal of equipment	2,277	1,685
Proceeds from disposal of property	35,441	-
	(73,592)	**(146,604)**
Increase in cash and cash equivalents	**10,349**	**50,211**
Cash and cash equivalents (bank overdraft), beginning of year	**47,655**	**(2,556)**
Cash and cash equivalents, end of year	**58,004**	**47,655**
Consist of:		
Cash	57,670	47,458
Cash equivalents	334	197
	58,004	**47,655**
Supplementary information:		
Interest paid	25,642	26,169
Income tax paid (recovered)	50	(23)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

1. AUTHORITY AND OBJECTIVE

CBC | Radio-Canada (the Corporation) was first established by the 1936 *Canadian Broadcasting Act* and continued by the 1958, 1968 and 1991 Broadcasting Acts. The Corporation is an agent of Her Majesty and all property acquired by the Corporation is the property of Her Majesty.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and of the two variable interest entities (VIEs) for which the Corporation is the primary beneficiary: the Broadcast Centre Trust and The Documentary Channel.

B. PARLIAMENTARY APPROPRIATIONS

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

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which are carried at fair value as they are intended to be held for trading (HFT), are comprised of marketable securities with original maturity dates of less than 90 days. Unrealised gains or losses are recorded in the Consolidated Statement of Operations as other income (net gain or loss from fair value of financial instruments).

Prior to April 1, 2007, the date of transition to new accounting standards for financial instruments, cash and cash equivalents were carried at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

D. SHORT-TERM INVESTMENTS

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

E. FOREIGN CURRENCY TRANSLATION

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

F. DERIVATIVE FINANCIAL INSTRUMENTS

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

(i) Derivative – Forward Contracts Designated as Hedges

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

A derivative must be designated and effective to be accounted for as a hedge. Effectiveness is achieved if the cash flows or fair values of the derivative substantially offset changes in cash flow or fair value of the hedged position and the timing is similar. The Corporation designates forward contracts as cash flow hedges if the terms of the forward contracts match the terms of the future contractual payments.

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

The fair values of forward contracts that are eligible hedges are presented in the Consolidated Balance Sheet; the positive fair value is reported as derivative financial instruments as a component of total assets and derivatives with a negative fair value are reported as a component of total liabilities. The change in the fair value is charged or credited in the Consolidated Statement of Comprehensive Income (Loss) until the asset is acquired or the liability is incurred; the hedging relationship ceases to be effective; the hedging relationship designation is terminated, in which case, the unrealised gains or losses are removed from the Other Comprehensive Income (Loss) to net results of the year. Any derivative financial instrument held by the Corporation that is not or is no longer designated as an eligible hedge is carried at fair value on the Consolidated Balance Sheet, and any change in the fair value is recorded to the Consolidated Statement of Operations, as other income (net gain or loss from fair value of financial instruments).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior to April 1, 2007, the date of transition to new accounting standards for financial instruments, forward contracts were accounted for as off-balance sheet items and related gains or losses were recognised when the related hedged financial instrument was settled.

(ii) Derivative – Other Forward Contracts

The Corporation does not apply hedge accounting for forward exchange contracts purchased to minimise the currency risk related to its foreign bureau operations since there is no match between the contracts and the expenditures.

The fair values of these forward exchange contracts are presented in the Consolidated Balance Sheet; the positive fair values are reported as derivative financial instruments as a component of total assets and the negative fair values are reported as a component of total liabilities. The change in the fair value is recorded in the Consolidated Statement of Operations as other income (net gain or loss from fair value of financial instruments).

G. INVENTORY

(i) Program Inventory

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

The amortisation of programs is based on the telecast plan. For programs with multiple telecasts, Management uses the following amortisation basis as guidelines:

Category	Amortisation basis
Program with multiple telecasts[1]	70% / 30% on first/second showing respectively
Children's programming	evenly over each telecast (up to a maximum of five telecasts)
Shorts and fills with multiple telecasts	amortised over contract period
Program strips	evenly over each telecast
bold programming	evenly over term of contracts
The Documentary Channel programming	evenly over term of contracts, for a period not exceeding three years

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

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

(ii) Impairment

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Other Inventory

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

H. PROPERTY AND EQUIPMENT

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

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

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

I. NET INVESTMENT IN SALES-TYPE LEASES

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

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

J. DEFERRED CHARGES

Deferred charges are comprised mainly of initial costs incurred as a result of an operating lease and are amortised over the period of the lease. Other deferred charges are amortised over the period of the respective agreements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

K. LONG-TERM INVESTMENTS

Investments in entities over which the Corporation does not exercise significant influence are classified as available for sale. They are recorded at cost since there is no quoted market price for these types of investments. Investments in entities over which the Corporation exercises significant influence are accounted for using the equity method. Under this method, the Corporation's investment is initially recorded at cost and adjusted thereafter to include the Corporation's pro rata share of earnings of the investee. Gains from investments in entities subject to significant influence are recorded in other income, while losses are recorded as loss from investments in entities subject to significant influence. When net losses from an equity accounted for investment exceed its carrying amount, the investment balance is reduced to zero and additional losses are not provided for unless the Corporation is committed to provide financial support to the investee.

Prior to April 1, 2007, the date of transition to new accounting standards for financial instruments, investments in entities over which the Corporation did not exercise significant influence were recorded at cost.

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

L. PENSION COST AND OBLIGATION

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

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

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

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

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortised over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plans is between 6.0 and 13.5 years (2007 – between 6.5 and 13.5 years).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

M. EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS

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

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

For employee termination benefits and post-retirement life insurance, the transitional obligation and the net actuarial gains or losses are amortised over the average remaining service period of the employee group. The transitional obligation and the net actuarial gains or losses for continuation of benefits for employees on long-term disability and workers' compensation are amortised over the expected average remaining duration of payments. The amortisation periods used for these plans are between 7.0 and 15.7 years (2007 – between 8.0 and 15.7 years).

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

N. INCOME TAXES

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

O. REVENUE RECOGNITION

(i) Advertising and Program Sales

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

(ii) Specialty Services

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Other Income

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

Other income also includes net gains from derivatives not designated as hedges, unrealised gains from other financial instruments measured at fair value, gains from ineffective hedges and gains from effective hedges once the asset has been acquired, the liability has been incurred, or the hedging relationship designation is terminated.

(iv) Financing Income

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

P. DEFERRED REVENUES

Deferred revenues are amortised under the units-of-revenue method. Under the units-of-revenue method, amortisation for a year is calculated by computing a ratio of the proceeds received from the investor to the total payments expected to be made to the investor over the term of the agreement and then applying that ratio to the year's cash payment.

Q. TELEVISION AND RADIO SERVICES COSTS

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

R. MEASUREMENT UNCERTAINTY

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

3. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT

A. FINANCIAL INSTRUMENTS

In April 2005, the Accounting Standards Board issued the following accounting standards: Section 1530 Comprehensive Income; Section 3855 Financial Instruments – Recognition and Measurement; Section 3865 Hedges; Section 3861 Disclosure and Presentation; and Section 3251 Equity. Effective April 1, 2007, the Corporation adopted these new accounting standards. The comparative consolidated financial statements have not been restated. The effect of adopting the new accounting standards as of April 1, 2007, is presented as Transitional adjustment on adopting new financial instrument standards in Accumulated Other Comprehensive Income (Loss).

(i) Comprehensive Income (Loss)

Section 1530 introduces the concept of comprehensive income (loss), which consists of net results and other comprehensive income (loss) (OCI) and represents changes in equity during a period arising from transactions with non-owners. OCI includes among its components unrealised gains or losses on financial assets classified as available for sale and changes in the fair value of the effective portion of cash flow hedging instruments. As a result of the implementation of this section, the Consolidated Financial Statements include a Consolidated Statement of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss) (AOCI) was added as a new category of equity in the Consolidated Balance Sheet.

(ii) Equity

Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. As a result of implementing this section, the Corporation has presented the AOCI as a separate component of equity and AOCI on the face of the Consolidated Balance Sheet.

(iii) Financial Instruments – Recognition and Measurement

Section 3855 requires that financial assets and financial liabilities, including derivative financial instruments, be recognised on the balance sheet when the Corporation becomes a party of the contractual provision of the financial instrument. On initial recognition, all financial instruments subject to Section 3855, including embedded derivative financial instruments that are not closely related to the host contract, must be measured at fair value. Derivatives qualifying as hedges are accounted for using hedge accounting rules (see Hedges section thereafter).

After initial recognition, the measurement of financial instruments depends on their classification: held to maturity (HTM), held-for-trading (HFT), available for sale (AFS), loans and receivables (L&R), or other financial liabilities (OFL).

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

Held for trading (HFT) – Financial assets and financial liabilities required to be classified or designated as HFT are measured at fair value, with gains or losses and transaction costs recorded in the net results in the year in which they arise. Section 3855 allows an entity to designate any financial instrument as HFT on initial recognition or adoption of the accounting standard if reliable fair values are available, even if that instrument would not otherwise satisfy the definition of HFT.

3. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (continued)

Available for sale (AFS) – Financial assets classified as AFS are measured at fair value, except for investments in equity instruments classified as AFS that do not have a quoted market price in an active market, which are measured at cost. Unrealised gains or losses are recognised in OCI, except for other than temporary impairment losses, which are recognised in net results. Upon derecognition of a financial asset or when other than temporary loss is incurred, the cumulative gains or losses, previously recognised in Accumulated Other Comprehensive Income (Loss) (AOCI) are reclassified to net results.

Loans and receivables (L&R) – Financial assets classified as L&R are measured at amortised cost using the effective interest rate method. Interest income, calculated using the effective interest rate method, is recorded as financing income.

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

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

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair Value
Short-term investments	Held to maturity	Amortised cost
Accounts receivable	Loans and receivables	Amortised cost
Long-term investments[1]	Available for sale	Amortised cost
Long-term receivables[2]	Loans and receivables	Amortised cost
Accounts payable and accrued liabilities	Other liabilities	Amortised cost
Employee-related liabilities (current)	Other liabilities	Amortised cost
Bonds payable	Other liabilities	Amortised cost
Derivatives	Held for trading	Fair Value

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

2 Excluding salary advances.

These classifications have no transitional impact on the opening retained earnings.

In accordance with Section 3855, the Corporation conducted a search for embedded derivatives in all contractual arrangements. The Corporation has selected April 1, 2003, as the starting date for identification of embedded derivatives. The Corporation did not identify any embedded features that required separate presentation from the related host contract.

(iv) Disclosure and Presentation

Section 3861 requires entities to provide disclosure in their financial statements that enables users to evaluate the significance of financial instruments on the Corporation's financial position, performance and cash flows. Also, the section enables users through disclosure to evaluate the nature and extent of the Corporation's use of financial instruments, the business purposes they serve and the risks associated with the instruments and Management policies for mitigating and managing those risks.

The Corporation has expanded its discussion of financial instruments and the related objectives, risks and risk management policies throughout the notes to the consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (continued)

(v) Hedges

Section 3865 expands the guidelines required by Accounting Guideline 13 (AcG-13), Hedging relationship. This section describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenue, and expenses from the derivative financial instruments in the same period as for those related to the hedged item. The Corporation's derivative financial instruments, which have been designated as cash flow hedges, have been reported at fair value as a result of implementation of Section 3865. The unrealised gains or losses that arise as a result of remeasuring the forward contracts at fair value on the date of adoption of the new accounting standards of $3.8 million are presented as Transitional adjustment on adopting new financial instrument standards in the Consolidated Statement of Changes in Equity. After the transition date, the unrealised losses have been recognised in Other Comprehensive Income (Loss).

B. PARLIAMENTARY APPROPRIATION FOR WORKING CAPITAL

During 2007–2008, following new interpretation of CICA Section PS 3800.04, the Corporation changed its accounting policy for the treatment of its Parliamentary appropriation for working capital. The Parliamentary appropriation for working capital, which represents $4 million in 2008 ($4 million in 2007), is now recorded as revenue rather than directly in the Consolidated Statement of Changes in Equity, as previously disclosed. The net impact on Retained Earnings (Deficit) as a result of this change is nil.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

In June 2007, the Accounting Standard Board issued Section 3031, Inventories, which will replace Section 3030, Inventories. It provides the Canadian equivalent to International Financial Reporting Standard (IFRS) IAS 2, Inventories. Section 3031 prescribes measurement of inventories at the lower of cost and net realisable value. It provides guidance on the determination of cost, including allocation of overheads and other costs to inventories and requires the reversal of previous write-down when there is a subsequent increase in the value of inventories. This new accounting standard is effective for the fiscal year beginning April 1, 2008.

The Accounting Standard Board issued Section 3862, Financial Instruments – Disclosures, in December 2006, and Section 3863, Financial instruments – Presentation, in March 2007. Section 3862 revises Section 3861 – Disclosure and Presentation and provides expanded disclosure requirements that provide additional detail by financial assets and liability categories. This standard also harmonises disclosures with International Financial Reporting Standards. Section 3863 enhances the financial statements users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. This standard also harmonises disclosures with International Financial Reporting Standards. These new accounting standards are effective for the fiscal year beginning April 1, 2008.

In November 2006, the Acccounting Standard Board issued Section 1535, Capital Disclosures. This section establishes standards for disclosing information about a corporation's capital and how it is managed in order that a user of the financial statements may evaluate the corporation's objectives, policies and processes for managing capital. This new accounting standard is effective for the fiscal year beginning April 1, 2008.

The Corporation is currently reviewing the impact of these new standards.

4. FUTURE CHANGES IN ACCOUNTING POLICIES (continued)

The CICA plans to converge Canadian GAAP with IFRS over a transition period that is expected to end in 2011. The changeover date for full adoption of IFRS will be April 1, 2011. The Corporation's 2011–2012 financial statements have to comply with IFRS standards. The standards also require that the Corporation present complete comparative figures based on IFRS standards in the 2011–2012 financial statements. The impact of the transition to IFRS on the Corporation's consolidated financial statements is currently under review.

5. SHORT-TERM INVESTMENTS

The average yield to maturity of the portfolio held as at March 31, 2008, is 4.31 per cent (2007 – 4.22 per cent). The average term to maturity is 17 days (2007 – 299 days). The interest revenues generated from these short-term investments represent $1.7 million in 2008 (2007 – $1.7 million).

The Corporation invests in short-term securities which are 100 per cent guaranteed by the Government of Canada.

6. INVENTORY

	2008	2007
	(thousands of dollars)	
Program inventory	166,454	133,903
Other inventory	3,987	2,247
	170,441	136,150

7. NET INVESTMENT IN SALES-TYPE LEASES

The net investments in sales-types leases relate to rental of parcels of land in Toronto.

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

	2008	2007
	(thousands of dollars)	
Total minimum lease payments receivable	118,055	124,104
Unearned financing income	(53,606)	(58,168)
	64,449	**65,936**
Current portion	(1,962)	(1,863)
Long-term portion	**62,487**	**64,073**

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

	(thousands of dollars)
2009	6,050
2010	6,050
2011	6,050
2012	6,050
2013	6,050
2014 to 2027	87,805
Total future minimum lease payments receivable	**118,055**

These sales-type leases bear a fixed interest rate of 7.15 per cent annually. The interest revenues generated from these sales-type leases represent $4.6 million in 2008 (2007 – $4.7 million).

8. PROPERTY AND EQUIPMENT

			2008	2007
	Cost	Accumulated amortisation	Net book value	
		(thousands of dollars)		
Land	20,516	-	20,516	21,129
Buildings	896,814	(480,580)	416,234	439,183
Technical equipment	1,321,746	(944,940)	376,806	359,095
Computers, furnishings and office equipment	193,754	(121,419)	72,335	64,828
Automotive	48,910	(36,193)	12,717	12,559
Leasehold improvements	49,774	(14,950)	34,824	32,260
Uncompleted capital projects	75,454	-	75,454	80,294
	2,606,968	**(1,598,082)**	**1,008,886**	**1,009,348** [1]

1 Costs and accumulated amortisation of property and equipment as at March 31, 2007, amounted to $2,581.7 million and $1,572.4 million, respectively.

9. OTHER INCOME AND NON-OPERATING REVENUES

A. OTHER INCOME

Other income consists of:

	2008	2007
	(in thousands of dollars)	
Revenue type		
Merchandising and commercial sales	11,160	11,683
Building, tower, facility and service rentals	43,452	41,161
Retransmission rights	5,268	4,033
Net gain from fair value of financial instruments	1,351	-
Net gain on disposal of equipment	508	21
The Documentary Channel (VIE) revenues	2,063	-
Other	7,800	7,548
	71,602	**64,446**

B. NON-OPERATING REVENUES – GAIN ON DISPOSAL OF PROPERTY

As part of a redevelopment project, the Corporation sold, on October 11, 2007, an unused portion of its Vancouver land. Net proceeds generated from this transaction total $33.5 million and represent fair value.

Land in Fredericton, previously used for AM radio transmission, was also sold in 2007–2008. Net proceeds generated from this transaction represent $0.7 million.

As part of a consolidation project, the Corporation sold a building and a piece of land in St. John's. Proceeds generated from this transaction represent $0.8 million and the net proceed is nil. These assets were reported as held for sale as of March 31, 2007, and an impairment of $0.8 million was recorded in 2006–2007 since the book value of these assets was exceeding the fair value.

10. LONG-TERM RECEIVABLES

Long-term receivables consist mainly of the following:

A. NOTES RECEIVABLE

The Corporation has two long-term notes receivable following the sale of Toronto land. These notes bear a fixed interest rate of 7.15 per cent annually. The interest revenues generated from these notes receivable represent $4.2 million in 2008 (2007 – $4.3 million).

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

	(thousands of dollars)
2009	5,567
2010	5,567
2011	5,567
2012	5,567
2013	5,567
2014 to 2027	78,873
Total future minimum payments receivable	**106,708**
Deduct: imputed interest	(47,904)
Notes receivable	**58,804**
Less: current portion (included in accounts receivable)	(1,839)
Notes receivable long-term	**56,965**

B. SALE OF OPTION AND AFFILIATE RELATIONS AGREEMENT – GALAXIE

On November 17, 2007, CBC|Radio-Canada and Stingray Digital Group Inc. (Stingray) entered into an Affiliate Relations Agency Agreement and an Option and Asset Purchase Agreement related to CBC|Radio-Canada's pay audio service, Galaxie.

Under the terms of the agreements, CBC|Radio-Canada granted Stingray an exclusive option to purchase the assets of Galaxie and also appointed Stingray as its affiliate relations agent for Galaxie pending Stingray's purchase of the Galaxie assets. In return, CBC|Radio-Canada will continue to operate Galaxie and will pay to Stingray affiliate relations fees for up to ten years or until Stingray purchases the Galaxie assets.

The receivable related to this agreement will be received over a four-year period. The present value of the long-term portion of the receivable is recorded as long-term receivables in the Consolidated Balance Sheet. The short-term portion is presented in the accounts receivable.

C. SALARY ADVANCES – CHANGE IN PAYROLL AND OTHER

The implementation of a new payroll system in fiscal year 1998–1999 required a change in the payroll schedule of the Corporation. To adjust to this schedule without compromising the bi-weekly payments to employees, the Corporation issued a salary advance to be recovered upon termination of employment. This salary advance represents $10.5 million in 2008 (2007 – $11.3 million). The Corporation has other long-term receivables of $0.6 million in 2008 (2007 – 0.6 million).

11. LONG-TERM INVESTMENTS

	2008			2007		
	Significant influence	Other	Total	Significant influence	Other	Total
			(thousands of dollars)			
ARTV – participation at 45%[1]	4,669	-	4,669	3,661	-	3,661
Portfolio investments	-	17	17	-	17	17
Subtotal	**4,669**	**17**	**4,686**	**3,661**	**17**	**3,678**
Sirius Canada Inc.	(13,417)[2-3]	12,000[4]	(1,417)	(13,417)[2-3]	12,000[4]	(1,417)
Total	**(8,748)**	**12,017**	**3,269**	**(9,756)**	**12,017**	**2,261**

1 *ARTV inc. is a French-language arts and entertainment specialty channel. On October 10, 2007, the Corporation acquired an additional seven per cent share in ARTV inc. (shares previously owned by Spectra), for a total amount of $770,000. The Corporation also acquired additional shares issued by ARTV for an amount of $255,000 (one per cent).*

2 *The Corporation has invested $25.05 in class A shares, which represents a 40.0 per cent voting interest and a 25.05 per cent participation. These shares are entitled to receive dividends equal to their participation rate.*

3 *The Corporation committed to invest an additional $1.4 million in class C shares. The Corporation has not committed to assume any additional financial risk. The Corporation's proportionate share of the unrecognised loss is $15.9 million (2007 – $5.2 million).*

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

12. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES

Employee-related liabilities are as follows:

	2008	2007	2008	2007
	Current		Long-term	
	(thousands of dollars)			
Accrued pension benefit liability	-	-	223,307	164,551
Employee future benefits other than pensions	-	-	156,229	150,170
Vacation pay	60,181	58,545	-	-
Workforce reduction	8,496	21,269	-	-
Salary-related liabilities	72,216	82,767	224	240
	140,893	**162,581**	**379,760**	**314,961**

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

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

The Corporation maintains a contributory defined benefit pension plan, the CBC|Radio-Canada Pension Plan, covering substantially all employees of the Corporation. Retirement benefits are based on the length of pensionable service and on the average of the best five consecutive years of pensionable salary in the last 10 years of employment. Employees are required to contribute a percentage of their pensionable salary to the plan, with the Corporation providing the balance of the funding, as required, based on actuarial valuations. The Corporation also maintains unfunded non-contributory defined benefit pension arrangements. All plans are subject to an actuarial valuation, which is made at least on a triennial basis (latest evaluation made in December 2006 and the next required valuation will be as of December 2009).

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

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

Assumptions – annual rates	**2008**	**2007**
Expected long-term rate of return on plan assets	6.25%	6.50%
Discount rate used for the calculation of the benefit costs	5.00%	5.00%
Discount rate used for the calculation of the obligation	5.25%	5.00%
Long-term rate of compensation increase, excluding merit and promotion	3.25%	3.25%
Health care cost trend rate	8.5% for 5 years; 4.5% thereafter	8.5% for 5 years; 4.5% thereafter
Indexation of pensions in payment	2.5%	2.5%

	2008	**2007**
	(thousands of dollars)	
Annual amount		
Employee contributions – pension plans	40,619	44,305
Benefit payments for the year – pension plans	208,186	193,958
Benefit payments for the year – other employee future benefits	12,974	12,240

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

	2008		2007	
	CBC I Radio-Canada pension plans	Other employee future benefits	CBC I Radio-Canada pension plans	Other employee future benefits
	(thousands of dollars)			
Fair value of plan assets, end of year	4,280,079	-	4,380,208	-
Accrued benefit obligation, end of year	(4,244,543)	(162,841)	(4,257,997)	(163,496)
Surplus (deficit), end of year	**35,536**	**(162,841)**	**122,211**	**(163,496)**
Unamortised past service costs	53,537	(3,349)	63,285	(3,768)
Unamortised net actuarial losses (gains)	199,892	(4,995)	255,221	(1,049)
Unamortised transitional (asset) obligation	(512,272)	14,956	(605,268)	18,143
Accrued benefit liability, end of year	**(223,307)**	**(156,229)**	**(164,551)**	**(150,170)**
Accrued benefit liability, beginning of year	**(164,551)**	**(150,170)**	**(154,836)**	**(143,140)**
Employee future benefits costs				
Current service cost	(87,937)	(7,559)	(78,800)	(7,337)
Interest on accrued benefit obligation	(210,909)	(8,230)	(205,154)	(8,145)
Expected return on actuarial value of assets	246,961	-	241,071	-
Amortisation of past service costs	(9,748)	419	(9,597)	419
Amortisation of transitional asset (obligation)	92,996	(3,187)	92,996	(3,597)
Amortisation of actuarial losses	(93,527)	(476)	(106,281)	(610)
Employee future benefits costs for the year	**(62,164)**	**(19,033)**	**(65,765)**	**(19,270)**
Corporation pension plan contributions	1,952	-	54,798	-
Benefit payments for unfunded plans	1,456	12,974	1,252	12,240
Total cash payments	**3,408**	**12,974**	**56,050**	**12,240**
Accrued benefit liability, end of year	**(223,307)**	**(156,229)**	**(164,551)**	**(150,170)**

As at March 31, 2008, the accrued benefit obligation for the CBC I Radio-Canada Pension Plan and for the unfunded benefit pension arrangements represented respectively $4,189.0 million (2007 – $4,204.1 million) and $55.5 million (2007 – $53.9 million).

Asset category	**Percentage of plan assets (based on fair values)**	
	2008	2007
Fixed income	56%	52%
Canadian equities	13%	13%
Global equities	19%	23%
Strategic[1]	12%	12%
	100%	100%

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

13. VARIABLE INTEREST ENTITIES

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

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

The Documentary Channel was formed on June 29, 2001. On this date, CBC | Radio-Canada purchased a 29 per cent interest in The Documentary Channel at a cost of $29.00, representing the fair value. On June 22, 2007, the Canadian Radio-television and Telecommunications Commission (CRTC) approved the Corporation's request to acquire an additional 53 per cent interest in The Canadian Documentary Channel Limited Partnership, a Specialty Service broadcasting documentaries, films and series. The purchase price of the additional 53 per cent interest is $1.0 million and represents fair value. With this transaction, the Corporation now owns an 82 per cent partnership interest in The Documentary Channel. Following the approval of the CRTC, the Corporation re-evaluated the status of this investment to determine if its additional investment in the partnership would result in the Corporation becoming the primary beneficiary. The Corporation concluded that, following the acquisition of the additional partnership interest, it became the primary beneficiary since it holds variable interest that would cause the Corporation to absorb a majority of the expected losses or residual returns of the partnership. Accordingly, The Documentary Channel has been consolidated in the Corporation's books of accounts as of September 1, 2007.

The following table summarises the fair value of the assets acquired and liabilities assumed at the date of acquisition:

As at September 1, 2007	*(in thousands of dollars)*
Accounts receivable	269
Prepaid expenses	644
Inventory	845
Goodwill	58
Total assets acquired	**1,816**
Current liabilities	218
Long-term debt	598
Total liabilities assumed	**816**
Net assets acquired	**1,000**

The Corporation holds a variable interest in Sirius Canada Inc., also a VIE, but the Corporation is not deemed to be the primary beneficiary. The Corporation's maximum exposure to losses includes its investment of $12 million, plus a commitment to invest an additional $1.4 million; and an amount of $2.1 million of licensing revenues annually. This investment is accounted for using the equity method for class A shares and the cost method for class C shares (Note 11).

14. BONDS PAYABLE

The Corporation, through its relationship with the Broadcast Centre Trust (Note 13), guarantees the bonds payable with its rent payments for the premises occupied by the Corporation in Toronto. The Trust issued $400 million in secured bonds on January 30, 1997. These bonds bear a fixed interest rate of 7.53 per cent annually and require blended semi-annual payments of $16,519,398, which will retire the following principal amounts:

	(thousands of dollars)
2009 (including accrued interest of $10.5 million)	18,473
2010	8,575
2011	9,233
2012	9,941
2013	10,704
2014 to 2027	288,534
	345,460
Less: current portion	(18,473)
	326,987

Interest expense included in current year's expenses is $25.4 million (2007 – $26.0 million).

15. DEFERRED CAPITAL FUNDING

	2008	**2007**
	(thousands of dollars)	
Balance, beginning of year	**642,130**	**599,541**
Government funding for capital expenditures (NOTE 20C)	110,398	135,730
Amortisation of deferred capital funding	(102,472)	(93,141)
Balance, end of year	**650,056**	**642,130**

16. RETAINED EARNINGS (DEFICIT)

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

The deficit is offset by working capital appropriations received since 1958, which have accumulated to $159 million as at March 31, 2008. The working capital appropriation is provided to fund working capital investments required by the Corporation.

17. COMMITMENTS

A. PROGRAM-RELATED AND OTHER

As at March 31, 2008, commitments for sports rights amounted to $663.3 million (2007 – $150.7 million); procured programs, film rights and co-productions amounted to $160.6 million (2007 – $54.1 million); property and equipment amounted to $8.9 million (2007 – $16.0 million); and other commitments amounted to $338.1 million (2007 – $307.7 million); for total commitments of $1,170.9 million (2007 – $528.5 million). Future annual payments as of March 31, 2008, are as follows:

	(thousands of dollars)
2009	335,178
2010	201,374
2011	183,181
2012	169,340
2013	153,494
2014 to 2017	128,348
Total future payments	**1,170,915**

B. OPERATING LEASES

The operating leases consist mainly of property leases, network distribution leases and equipment leases. Future annual payments related to operating leases as of March 31, 2008, are as follows:

	(thousands of dollars)
2009	42,702
2010	39,329
2011	38,759
2012	29,269
2013	26,883
2014 to 2024	150,223
Total future payments	**327,165**

18. CONTINGENCIES

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

Moreover, in a judgment handed down on June 23, 2006, the *Canada Labour Code* arbitration board upheld grievance M-1490, which sought application of the proposals adopted by the Consultative Committee on Staff Benefits (CCSB): namely, to pay out a portion of the Pension Fund surplus that existed in 2000 to employees affiliated with the Syndicat canadien de la fonction publique (SCFP). The arbitrator has not yet ruled on an appropriate remedy further to this judgment. CBC|Radio-Canada challenged the arbitrator's decision in court and the Superior court's decision was recently received agreeing with CBC|Radio-Canada's position. The Corporation has received notice that the Union will be seeking permission to appeal this decision. Because the Corporation cannot predict the outcome of this litigation, no provision for it is reflected in the results. In the event that the Superior Courts's decision would be overturned and the arbitration board's ruling reinstated by higher courts, however, the subsequent arbitrator-imposed order could have a major impact on the Corporation's financial position.

18. CONTINGENCIES (continued)

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

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

In June 2008, the Corporation and representatives of the employees and retirees have taken steps to try to resolve the pending litigation mentioned above. The parties have reached an agreement in principle, which was ratified by CBC|Radio-Canada's Board of Directors and requires ratification by the courts and by all Unions concerned. One Union did not participate in the negotiations and accordingly is likely to continue to litigate the issue.

19. SPECIALTY SERVICES

The Corporation operates CBC Newsworld, Réseau de l'information de Radio-Canada (RDI), Galaxie, and **bold** under license conditions that require the reporting of incremental costs and revenues. The expenses of the Specialty Services exclude long-term liabilities such as long-term employee future benefits liabilities that will be included in the results at the time the related benefits are paid by the Specialty Services. Accordingly, these accruals are allocated to the other categories of expenses in the Consolidated Statement of Operations.

	2008				2007			
	Revenues	Expenses	Repayments to Main Service[1]	Net	Revenues	Expenses	Repayments to Main Service[1]	Net
	(thousands of dollars)							
CBC Newsworld	78,918	(63,299)	(2,825)	12,794	78,432	(71,760)	(2,406)	4,266
RDI[2]	46,169	(43,717)	(2,474)	(22)	46,516	(44,154)	(2,067)	295
Galaxie	22,146	(13,115)	(18)	9,013	21,838	(7,702)	(364)	13,772
bold	3,458	(2,994)	-	464	3,321	(3,085)	-	236
	150,691	**(123,125)**	**(5,317)**	**22,249**	**150,107**	**(126,701)**	**(4,837)**	**18,569**

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

2 In 2007–2008, RDI used previous years' accumulated excess revenues over expenses to fund current activities.

The monthly subscriber rates of CBC Newsworld and RDI are subject to regulations imposed by the CRTC, a related party. The maximum monthly subscriber rates are approved through the license renewal process. For CBC Newsworld and RDI, the monthly subscriber rates cannot exceed, respectively, $0.63 and $1.00. These regulations are effective until August 31, 2009. Revenues subject to regulations represent, respectively, 81 per cent and 82 per cent (2007 – 80 per cent and 79 per cent) of the total revenues of CBC Newsworld and RDI.

20. PARLIAMENTARY APPROPRIATIONS

A. PARLIAMENTARY APPROPRIATIONS APPROVED AND RECEIVED

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

	2008	2007
	(thousands of dollars)	
Operating funding		
Approved annual funding	948,321	948,054
Additional non-recurring funding for programming initiatives (NOTE 20D)	60,009	60,000
Transfer to capital funding – Supplementary Estimates A[1]	(18,766)	(33,730)
Operating funding received	**989,564**	**974,324**
Capital funding		
Approved annual funding	91,632	92,000
Transfer from operating funding – Supplementary Estimates A[1]	18,766	33,730
Frozen allotment used	-	10,000
Capital funding received	**110,398**	**135,730**
Working capital funding	**4,000**	**4,000**

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

20. PARLIAMENTARY APPROPRIATIONS (continued)

B. RECONCILIATION OF NET RESULTS OF OPERATIONS TO GOVERNMENT FUNDING BASIS

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

	2008	2007 (Restated – NOTE 3)
	(thousands of dollars)	
Net results for the year	**(33,817)**	**(65,229)**
Items not generating operating funds		
Amortisation of deferred capital funding	(102,472)	(93,141)
Gain on disposal of property and equipment	(34,668)	(21)
Parliamentary appropriation for working capital	(4,000)	(4,000)
Other	2,352	4,468
	(138,788)	**(92,694)**
Items not requiring operating funds		
Amortisation of property and equipment	110,041	99,395
CBC I Radio-Canada pension plans and other employee future benefits	64,815	16,745
Loss from investments in companies subject to significant influence	17	6,663
Program inventory costs	(3,034)	4,547
Vacation pay	3,040	2,602
Other	(4,452)	(4,279)
	170,427	**125,673**
Results of operations on a Government funding basis	**(2,178)**	**(32,250)**
Add: Use of proceeds, generated in a previous fiscal year, from the sale of joint business venture	-	18,832
Net results of operations on a Government funding basis	**(2,178)**	**(13,418)**
Government funding surplus, beginning of year	**46,216**	**59,634**
Government funding surplus, end of year	**44,038**	**46,216**

20. PARLIAMENTARY APPROPRIATIONS (continued)

C. NET RESULTS FOR CAPITAL FUNDING

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

	2008	2007
	(thousands of dollars)	
Capital funding received (NOTE 20A)	110,398	135,730
Capital recovery from notes receivable	1,395	1,300
Capital recovery from net investment in sales-type leases	1,478	1,378
Proceeds from the disposal of property and equipment and other	38,628	2,596
Total capital funding for the year	**151,899**	**141,004**
Acquisition of property and equipment	(111,671)	(138,720)
Capital portion of bond payments	(7,397)	(6,870)
Capital funding surplus (deficit) for the year	**32,831**	**(4,586)**
Capital funding deficit, beginning of year, Government funding basis	**(24,430)**	**(19,844)**
Capital funding surplus (deficit), end of year, Government funding basis[1]	**8,401**	**(24,430)**

1 *The 2006–2007 capital budget included a consideration of $34 million from the disposal of a lot in Vancouver. The sale did not materialise as planned, thus creating a Government funding basis capital deficit at year-end. As a result of the sale in 2007–2008, the Government funding basis capital deficit was resorbed.*

D. ADDITIONAL NON-RECURRING FUNDING FOR PROGRAMMING INITIATIVES

An additional non-recurring funding of $60 million was again approved on May 17, 2007, for 2008 (2007 – $60.0 million). These funds are being used across all media for the enhancement of programming initiatives in particular.

21. INCOME AND LARGE CORPORATIONS TAXES

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

	2008	2007
	(thousands of dollars)	
Current income and large corporations taxes recovery (provision)	(48)	26
Future income tax	-	-
	(48)	**26**

21. INCOME AND LARGE CORPORATIONS TAXES (continued)

The recovery of (provision for) income and large corporations taxes differs from the amount that would be computed by applying the Federal statutory income tax rate of 31.77 per cent (2007 – 32.52 per cent) to net results before taxes and minority interests. The reasons for the differences are as follows:

	2008	2007
	(thousands of dollars)	
Income tax recovery at Federal statutory rate	10,739	22,522
Increase (decrease) resulting from:		
Non-taxable (deductible) portion of capital gains (losses)	7,330	(1,151)
Other net amounts	(1,508)	(6,885)
Adjustment for changes in income tax rates	(13,457)	(8,715)
Change in valuation allowance	(3,104)	(5,771)
Large corporations tax recovery (provision)	(48)	26
	(48)	**26**

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future liabilities as at March 31, 2008 and 2007 are presented below:

	2008	2007
	(thousands of dollars)	
Future tax assets		
Accrued liabilities	4,955	6,937
Pension plan asset	55,827	47,720
Employee-related liabilities	39,113	43,619
Loss carry-forward	6,758	10,227
Long-term investments and receivables	4,289	2,005
	110,942	**110,508**
Less: valuation allowance	(75,080)	(71,976)
	35,862	**38,532**
Future tax liabilities		
Program inventory	691	686
Net investment in sales-type leases	13,867	16,185
Property and equipment	20,966	19,845
Notes receivable	-	1,816
Other	338	-
	35,862	**38,532**
Net future tax assets (liabilities)	-	-

As at March 31, 2008, the Corporation has a loss carry-forward for tax purposes of $27.0 million (2007 – $35.2 million), which expires in 2027.

22. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	2008	2007
	(thousands of dollars)	
Cash flows provided by (used for):		
Short-term investments	22,999	63,660
Accounts receivable[1]	(21,347)	42,204
Inventory[2]	(33,968)	7,312
Prepaid expenses	(2,512)	(11,192)
Net investment in sales-type leases[3]	9	8
Property held for sale[4]	-	(765)
Accounts payable and accrued liabilities	1,388	515
Deferred revenues	4,613	5,440
Employee-related liabilities[5]	(24,124)	(7,268)
Bonds payable[6]	(232)	(155)
	(53,174)	**99,759**

1 *Excluding $(0.1) million (2007 – $(0.1) million) of notes receivable from the sale of lands.*
2 *Including $0.3 million (2007– $(2.1) million) of amortisation of property and equipment.*
3 *Excluding capital recovery of $0.1 million (2007 – $0.1 million).*
4 *Excluding $0.1 million of assets held for sale included in gain on disposal of property.*
5 *Excluding items not involving cash of $2.4 million (2007 – $2.6 million).*
6 *Excluding repayment of bonds payable of $0.6 million (2007 – $0.5 million).*

23. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to other Government departments, agencies and Crown corporations, subsidiaries and to private companies over which the Corporation has significant influence (Note 11). The Corporation enters into transactions with these related parties in the normal course of business, on normal trade terms applicable to all individuals and enterprises and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

	Government	Private companies
	(thousands of dollars)	
Revenues	174	6,789
Accounts receivable	98	3,716
Expenses	2,459	91
Accounts payable and accrued liabilities	20	-
Long-term investments	-	1,405

During the year, the Corporation also received funding from the Government of Canada as described in Note 20.

24. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash and cash equivalent, short-term investments, accounts receivable, net investment in sales-type leases, long-term receivables (excluding salary advances), long-term investments carried at cost, accounts payable and accrued liabilities, employee related liabilities, short-term bonds payable, and derivatives.

The fair values of accounts receivable, short-term portion of sales-type leases, bonds payable and employee-related liabilities, and accounts payable and accrued liabilities approximate their carrying value due to the short-term nature of these instruments. Long-term investments over which the Corporation does not exercise significant influence are recorded at cost since they do not have a quoted market price. The carrying values and fair values of the long-term portion of net investment in sales-type leases, the long-term portion of the receivables, the bonds payable, and the derivatives are listed below:

	2008		2007		
Instrument	**Carrying values**	**Fair values**	**Carrying values**	**Fair values**	**Method**
	(millions of dollars)				
Net investment in sales-type leases (long-term)	62.5	68.1	64.1	69.5	The fair value of the net investment in sales-type leases is determined using the net present value of principal and interest cash flows. The discount rate used is based on long-term Government bonds maturing at approximately May 1, 2027, and adjusted by a spread based on credit rating.
Long-term receivables	84.2	89.2	59.2	64.1	The fair value of the long-term receivables is determined using the net present value of principal and interest cash flows. The discount rate used, for the receivable relating to the sale of parcels of land, is based on long-term Government bonds maturing at approximately May 1, 2027, and adjusted by a spread based on credit ratings. For other long-term receivables, the discount rate used is based on Government bonds maturing in approximately three to five years and adjusted by a spread based on credit ratings.
Bonds payable (long-term)	327.0	446.5	335.0	449.1	The fair value of the bonds payable is determined using the net present value of principal and interest to be paid. The discount rate used is based on quoted market prices for Government of Canada bonds maturing at approximately May 1, 2027, and adjusted by a spread based on the credit rating for the bonds.
Derivative financial instruments – (assets)	1.4	1.4	-	-	The fair value is based on quoted forward market prices at March 31.
Derivative financial instruments – (liabilities)	(7.9)	(7.9)	-	-	The fair value is based on quoted forward market prices at March 31.

24. FINANCIAL INSTRUMENTS (continued)

A. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation uses forward exchange contracts to reduce its exposure to foreign exchange fluctuations of the US dollar, the Euro and the British pound.

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

	2008		2007	
	Notional	Fair-value	Notional	Fair-value
	(in thousands of dollars)			
Forward exchange contracts				
Liabilities				
Current:				
USD[1]	42,562	(7,873)	42,562	-

1 The forward contract rates are between 1.19 and 1.36 and the maturity dates are between April 2008 and September 2008.

For the year ended March 31, 2008, the amount recorded in the Consolidated Statement of Comprehensive Income (Loss) resulting from the net change in fair value of the derivative instruments designated as cash flow hedges represents a loss of $4.0 million (net of income tax of $0) (2007 – nil).

The losses on derivatives designated as cash flow hedges will be reclassified from Accumulated other comprehensive income (loss) to net results for the year when contractual payments are made. These amounts will be reclassified to the Consolidated Statement of Operations as a gain or loss from fair value of financial instruments during the fiscal year 2008–2009. To date, there is no ineffectiveness in these cash flow hedges.

In 2007, the Corporation held foreign currency forward contracts and designated them as hedges. Foreign currency forward contracts with a notional amount of $42.6 million were outstanding at March 31, 2007. The fair value of these contracts represents a loss of $3.8 million as of March 31, 2007. Prior to April 1, 2007, the date of transition to new accounting standards, forward contracts were accounted for as off-balance sheet items and gains or losses related were only recognised when the related hedged financial instruments were settled. The loss of $3.8 million is now recorded as a transitional adjustment on adopting new financial instrument standards in the Accumulated Other Comprehensive Income (Loss).

24. FINANCIAL INSTRUMENTS (continued)

At March 31, the notional and fair values (expressed in Canadian equivalent dollars) of the derivative instruments not designated as hedges are as follows:

	2008		2007	
Maturities	Notional	Fair-value	Notional	Fair-value
		(in thousands of dollars)		
Forward exchange contracts				
Assets				
Current:				
USD[1]	6,786	727	-	-
GBP[1]	2,982	46	-	-
Euro[1]	2,026	395	-	-
Total short-term	**11,794**	**1,168**	-	-
Long-term:				
USD[2]	**6,032**	**183**	-	-
	17,826	**1,351**	-	-

1 The forward contract rates are between 0.92 and 0.98 for forward contracts in US dollars, 1.99 for forward contracts in GBP and 1.35 for forward contracts in Euro, and the maturity dates are between April 2008 and March 2009.

2 The forward contract rate is 1.01 and the maturity date is between April 2009 and December 2009.

For the year ended March 31, 2008, the amounts recorded in the Consolidated Statement of Operations resulting from the net change in fair value of the derivative instruments not designated as hedges represent a gain of $1.4 million (2007 – nil). This gain is presented in the Consolidated Statement of Operations as Other income (net gain from fair value of financial instruments).

B. FINANCIAL RISK MANAGEMENT

The Corporation's activities are exposed to a variety of financial risks: price risk, credit risk and cash flow risk. The Corporation's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimise potential adverse effects on the Corporation's financial performance. Risk management is carried out by financial management in conjunction with overall Corporate governance.

24. FINANCIAL INSTRUMENTS (continued)

C. PRICE RISK

There are three types of price risk: currency risk, interest rate risk and market risk.

(i) Currency risk

The risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Corporation mitigates this risk by entering into forward exchange contracts.

(ii) Interest rate risk

The risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Corporation's long-term receivables and the bonds payable are subject to interest rate fluctuation since they bear a fixed interest rate. An increase or decrease in market rates will affect the fair value of these financial instruments.

(iii) Market risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Corporation's exposure to financial market risk is limited since there are no significant financial instruments that will fluctuate as a result of changes in market prices.

D. CREDIT RISK

The risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is exposed to credit risk through its cash equivalents, accounts receivable, long-term receivables and forward exchange contracts. The Corporation has deposited cash with reputable financial institutions, from which Management believes the risk of loss to be remote, and cash equivalents are guaranteed by the Government of Canada. The Corporation's accounts receivable are mainly derived from sale of advertising airtime. Credit risk concentration with respect to trade receivables is limited by following a program of credit evaluation and by limiting the amount of customer credit where deemed necessary. The Corporation manages its exposure to derivative counterparty credit risk by contracting primarily with reputable financial institutions. For its long-term receivables, the Corporation mitigates the risk by guaranteeing the amount to be received through promissory notes issued by highly reputable entities and a letter of credit issued by a highly reputable financial institution.

E. CASH FLOW RISK

The risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. Since the Corporation's long-term receivables and bonds payable have fixed interest rates, the Corporation's income and operating cash flows are substantially independent of changes in market interest rates.

25. COMPARATIVE FIGURES

Some of the 2007 figures have been reclassified to conform to the current year's presentation.

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