CBC PENSION PLAN

Annual Report 2003

CBC Radio-Canada

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PROFILE

The Canadian Broadcasting Corporation Pension Plan (the Plan) was established by the Canadian Broadcasting Corporation (CBC) effective September 1, 1961, pursuant to the Broadcasting Act. The Plan is primarily a contributory defined benefit pension plan covering substantially all employees of the CBC. The Plan also incorporates an additional contributory component at no cost to the Plan which provides employees the flexibility to improve the provisions determining the calculation of their benefit through tax-deductible contributions. The Plan is federally regulated and is governed by the provisions of the Pension Benefits Standards Act (the “Act”), and the Regulations thereof.

The assets of the Plan are administered by the CBC Pension Board of Trustees by virtue of the Trust Deed between the CBC and the Trustees.

The primary purpose of the Plan is to provide defined benefits for its members in accordance with the Trust Deed and other documents from time to time describing the Plan.

The CBC Pension Board of Trustees, directly or through agents retained by it, is responsible for investing the Fund and in doing so, identifies and pursues investment opportunities in accordance with the Act, the regulations and the Fund's Statement of Investment Policy and Procedures.

The investment objective of the Fund over the long term (e.g. 10 year period) is consistently to achieve time weighted average annual rates of return which exceed the increases in the consumer price index by a minimum of 3.75%. The Fund Manager’s objective is to generate returns after deductions for management fees and administrative costs related to the investment activity that equal the annual average increase in a benchmark portfolio plus 0.5%, on a four-year moving average basis. The benchmark return is calculated by combining the return of the asset class benchmark indices in the proportions in which they are represented in the Fund’s asset mix.

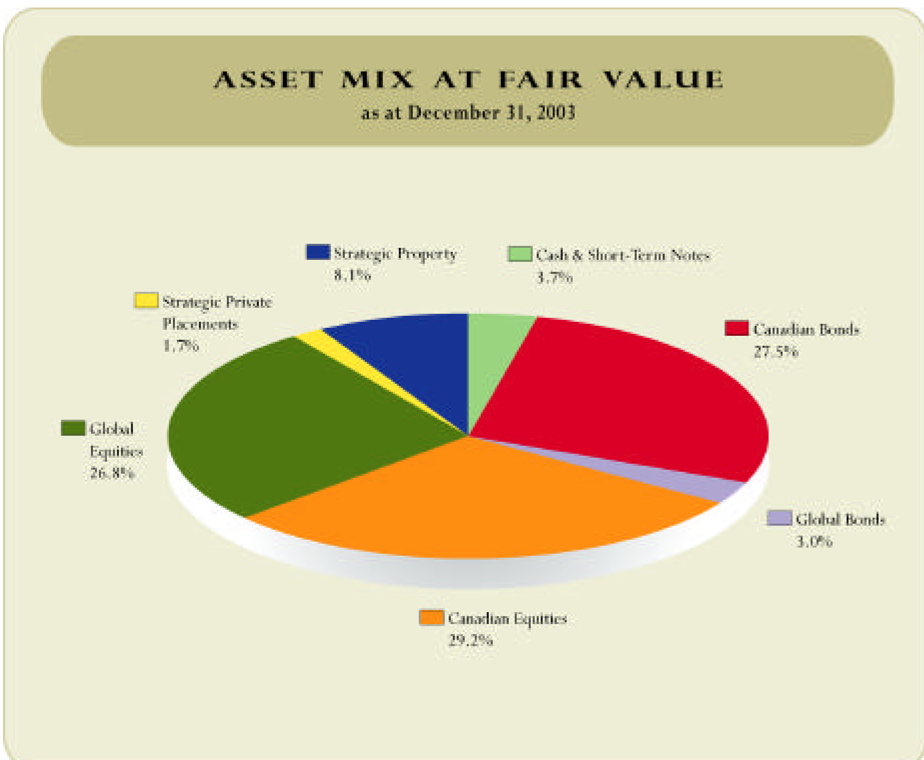
The long-term asset mix of the Fund is: 55% equities, 34% fixed income and 11% strategic which includes property and private placements.

Overview of the Year's Financial Operations

The Fund's net assets available for benefits increased $219.3 million (6.6%) from $3,307.4 million at December 31, 2002 to $3,526.7 million at December 31, 2003. The increase is primarily attributed to a change in fair value of investments totalling $268.4 due to an upturn in world financial markets.

Over the year, the funding excess, which is the actuarial value of net assets available for benefits less the accrued pension benefits, increased by $111.4 million from $242.8 million in 2002 to $354.2 million at the end of 2003.

For the year ending December 31, 2003, the one year rate of return was 12.2% as compared to 13.1% for the benchmark return, and 3.0% over a four year period as compared to 2.6% for the benchmark. For the ten year period ending on the same date, the time weighted compound annual rate of return for the Fund was 7.8%. The consumer price index increase at the equivalent of a compound annual rate of 1.8% during the same ten year period.



Trustees Report

Financial Health of the Plan

In 2003, following two years of negative returns, the Fund recorded a substantial positive return. After three years of bear markets, a war in Iraq, ongoing threats of terrorism and new corporate governance issues, 2003 turned out to be a year of global market and economic recovery.

Every three years the Fund is required to have an actuarial valuation undertaken to determine the amount of its surplus, both on a going concern basis, and on a solvency (plan wind-up) basis. We use the going concern calculation for financial reporting purposes. The solvency calculation is used for reporting to the Office of the Superintendent of Insurance (OSFI). Regulations issued by OSFI require the Plan sponsor to use the lower of the surpluses, as determined in the triennial exercise, in order to establish the required contribution amounts. The December 31, 2002 actuarial valuation determined that the surplus on a going concern basis was $242.8 million, and $156.1 million on the solvency basis.

Even though there was optimism about the prospect of positive performance in 2003, Trustees were concerned continuing declines in market interest rates would cause a further reduction in the solvency surplus. On an actuarial basis when interest rates decline, Plan liabilities increase. With that in mind, they directed the Plan's actuaries to provide quarterly reports to monitor the economic impacts on the Fund's surplus. We are pleased to report that at the end of 2003, the Plan's surplus on a going concern basis was $354.2 million. On a solvency basis our concerns over the impact of declining interest rates proved to be warranted since there is now an estimated solvency deficit of $55.3 million. The surplus/deficit positions attained in the annual exercises are based on projections and estimates from the last triennial evaluation and are not used in determining contribution amounts. They do however confirm that the financial health of the Plan has been maintained through the change in the economic environment. Unlike many Canadian plan sponsors whose pension plans are experiencing deficits, the CBC as Plan sponsor, was not required to make a special contribution to cover plan deficits. However, the CBC advised that it would return to a 100% employer contribution level in 2004 and that employee contributions will also return to pre 2000 levels.

Pension Benefit Administration

In 2002, the CBC informed the Board of Trustees that CBC would no longer provide the contracted services for the pension benefit administration. Subsequently, a formal request for proposal process was initiated involving leading industry providers. The Board required that potential suppliers provide enhancements and efficiencies to existing services to include the introduction of an on line platform, an excellent communication package and job guarantees for existing employees in the Pension Benefit Administration department. Furthermore, the Board wanted to ensure that any potential supplier had the financial stability, resources and proven track record to ensure their ability to fulfill their obligation to a long term agreement. The Board accepted a recommendation from a selection steering committee and has engaged Mercer Human Resources Consulting Limited to provide the pension benefit administration of the Plan effective January 1, 2004.

Governance

Pension governance, as with corporate governance, continues to be increasingly important to all stakeholders. The Board of Trustees has been very proactive over a number of years in the development of a sound governance framework. The Board is committed to effective pension plan governance since it is essential in achieving the ultimate mission of delivering the pension promise to Plan members.

In 2003 various changes were made to legal and policy documents relating to the operations of the Plan. The Trust Deed was amended when the CBC accepted the Trustee's recommendation put forth in 2002 to remove Trustees responsibility of making recommendations to the CBC at the time of a triennial valuation. The By-Laws were amended to reflect the consolidation of the Secretary and Treasurer positions. This efficiency was gained with the changes in the pension benefit administration. Substantive changes were made to the Policy on Code of Ethics, Standards of Professional Conduct and CBC Pension Fund Employee Personal Investment Guidelines.

Ongoing education sessions were held in 2003 ranging in topics from economic overviews to hedge fund investing. This good governance practice enhances our knowledge in order to assist in discharging the Board's responsibilities. Also, the 2003 governance self assessment focused on investment, pension services, and general Board processes. The general consensus of the Board through this process was positive in all areas reviewed.

Retiring Trustee

The Board of Trustees wishes to express its appreciation to Célestin Hubert whose term came to an end at December 31, 2003. Mr. Hubert served on the Board for seven years.

On behalf of CBC Pension Board of Trustees
Clarence LeBreton

Managing Director/CEO Report

World market returns in 2003 exceeded expectations. In Canada, the S&P TSX Index led the way with a 27% return; US equities returned 29% but only 6% after the appreciation of the Canadian dollar is taken into account; international equities returned 13%; and, Canadian bonds returned 7%.

Overall, the CBC Pension Fund returned 12.2% in 2003 which was a welcome change from the negative returns of the previous two years. The 2003 return underperformed the Benchmark of 13.1%, due mainly to our cautious stance early in the year and some under performance in Global equities and Private Placements. However, the Fund's average return over the last four years was 3.0% which exceeded the Benchmark of 2.6% by 40 basis points. The target for the Fund is to exceed the Benchmark by 50 basis points.

Although there was a lot of uncertainty at the beginning of the year, the positive returns confirmed that the world economies, led by the United States, were recovering. The biggest surprise of the year was the decline in the value of the U.S. dollar which significantly reduced the returns of U.S. equities in Canadian dollar terms. It also contributed to the slow down in Canada as exporters felt the effects of the higher Canadian dollar.

Overall, 2003 was a very good year for the CBC Pension Fund. After two years of negative returns and declining asset values, in 2003 assets grew from $3.31 billion to $3.53 billion and the surplus (on an on-going basis) increased from $243 million to $354 million. I am pleased to be able to repeat the message that the CBC Pension Plan remains in relatively good financial condition.

Activity Highlights

» The triennial Actuarial Valuation for the year ended December 31, 2002 was completed and the results provided to the CBC and the regulator, OSFI (Office of the Superintendent of Financial Institutions). The results of the valuation were incorporated into the 2002 Financial Statements.

» Preparation for the change in service delivery for pension benefit administration was undertaken. The new service delivery platform commenced on January 1, 2004.

» A number of portfolio changes were made within the global equity asset class including changing some managers and adding a new external US equity mandate.

I would like to thank the staff for their efforts during the past year and, in particular, the staff of pension benefits administration who put in a very large effort to maintain current service while preparing for the change in service delivery.

Stephen Cotsman
Managing Director/CEO

Pension Plan Governance

Overview

Pension plan governance means the process and structure adapted by the Board of Trustees in order to direct and manage the business and affairs of the CBC Pension Plan with the objective of optimizing the Plan's performance while ensuring that the Plan is financially able to discharge its responsibilities. The process and structure define the division of responsibilities and establish the mechanisms for achieving accountability among the Board of Trustees, pension plan management and the plan members. The direction and management of the Plan should take into account the impact on other stakeholders such as the CBC and its Board of Directors. The practice of good governance allows the Trustees to fulfill their fiduciary obligations since effective pension plan governance is crucial to delivering the pension promise.

By virtue of the Trust Deed between the CBC and the Trustees, the CBC Pension Board of Trustees is responsible for the administration of the Plan including the management of the fund's assets and the payment of benefits promised to plan members and their survivors. In discharging the fiduciary responsibilities, the Trustees must exercise the care, diligence and skill in the administration and investment of the pension fund that a person of ordinary prudence would exercise in dealing with the property of another. The fiduciary duties oblige Trustees to invest assets in a prudent manner taking into account all factors that may affect the funding and solvency of the Plan and the ability of the Plan to meet its financial obligations. The CBC Pension Board of Trustees has a Statement of Investment Policy and Procedures defining investment policies, principles and eligible investments which are appropriate to the needs and objectives of the Plan and the Fund.

Through it's ongoing commitment to good governance practices, the Board of Trustees has developed a Governance Framework to ensure that the Plan is managed effectively, prudently and in compliance with all legal requirements. This framework, which has evolved over time, is based primarily on principles and self assessment guidelines best suited for the Plan as issued in 1999 by a Joint Task Force on Pension Plan Governance.

The essential principles required to achieve effective governance of a pension plan are:

1. Pension plans should have a clear mission.
2. Pension plans have a primary fiduciary duty to plan beneficiaries.
3. Responsibilities/accountabilities should be allocated clearly in order to identify stakeholders, allocate responsibilities and define roles.
4. Performance for pension administration, funding status and investments against pre-defined goals, should be measured and reported to the appropriate stakeholders.
5. The pension plan administrator should be qualified and knowledgeable.
6. A governance self-assessment practice is maintained whereby the governance process is reviewed and modified over time to ensure its effectiveness with reporting to appropriate stakeholders.

A CBC Pension Plan Responsibility Chart, which clearly defines the responsibilities and accountabilities of the participants in the governance, management and operations of the Plan, is appended to the By-Laws of the CBC Pension Board of Trustees.

In 2003, the Trustees, with the assistance of external consultants, performed a Governance review and self examination of their role as Trustees as a group. The assessment focused on investment, pension services and general Board processes. Overall, Trustees rated the performance of the Board during the past year favourably. The exercise allowed the Trustees to identify and act upon some areas for enhancement in the governance process.

Board of Trustees Composition

The Trust Deed identifies that the Board of Trustees is comprised of seven individuals. Two Trustees are designated senior officers of the Corporation to include the Senior Vice President, Human Resources and Organization, and the Vice President & Chief Financial Officer. The five remaining Trustees must be appointed by the CBC Board of Directors of which two must hold office as Directors or be officers of the Corporation employed full time by the Corporation, and three are general appointments. Currently, the five appointed Trustees include two members of the CBC Board of Directors, and the three general appointments include two employees, as recommended by members of a committee for staff benefits, and the third is a retired member who is recommended by the Board of Directors of the National Pensioners Association.

Board of Trustees Committee

The Board of Trustees functions as a single general committee which addresses all subject matters, including benefits, investments and audit, as part of the operating agenda for the Trustees at their meetings.

Independence of the Board

The Board of Trustees is required to act independently not as representatives of any interest, whether CBC, active employees or pensioners. The Board of Trustees administers the pension plan and pension fund as a trustee for the employer, the members of the pension plan, former members, and any other persons entitled to pension benefits or refunds under the plan. The Board of Trustees meets with outside advisers on any issue which may require clarification or independent opinion in order to assist the Board in discharging it's responsibilities. At its meetings the Board of Trustees has in camera sessions, without management present, to discuss any matters or subjects it sees fit. The Board appoints and meets with external auditors to review their findings. The auditor's report is submitted to the Corporation in conjunction with the financial statements within 90 days following the close of each fiscal year of the Fund.

The Board also appoints actuaries in order to obtain an actuarial report on the financial condition of the Plan. A copy of the report, which must be prepared at least once every three years, is to be submitted to the Corporation within sixty days following receipt of same. The Corporation is responsible for the decisions with regards to surplus utilization or the funding of deficits as well as the level of contributions.

Effectiveness of the Board

In the oversight role Trustees should have the qualities necessary to oversee a complex financial business therefore prudence requires that a Trustee should have an understanding of financial markets, risk management and actuarial principles.

The Board of Trustees has a formal orientation program for new and existing Trustees to assist them in executing their fiduciary and governance duties. The program includes sessions on legal responsibilities, governance concepts and practices, investment management and finance, and, actuarial concepts and approaches. The education sessions and material are provided by external experts and staff specialists.

The Board of Trustees also has a continuing education program which includes a full day meeting as well as dedicated time at regular meetings. Topics are varied and timely in order to enhance the Trustees knowledge base required to properly discharge their fiduciary duties.

The Board of Trustees has Terms of Reference which clearly identify its role on an overall basis as well as its role related to investment, pension administration, audit and actuarial activities. The CBC Board of Directors has issued guidelines for the selection of Trustees which identify the attributes of a Trustee. These guidelines are intended to be used for the selection and appointment of Trustees as well as a review of the qualifications and effectiveness of Trustees on a continuing basis.

The CBC Pension Plan has in place standards of business conduct to govern the activities of Trustees and other individuals in discharging their duties to the Plan. The Code of Conduct Policy which includes conflict of interest, personal trading, confidentiality, business conduct, and gifts and other benefits, is supplemented by the CBC Pension Fund Code of Ethics and, Standards of Professional Conduct and Employee Personal Investment Guidelines which applies to designated investment professional employees of the organization only.

In 2003, the Board of Trustees met 6 times. Under the By-Laws of the Board of Trustees, the Trustees must meet a minimum of 4 times per year.

Role of Management

The Board of Trustees has defined management responsibilities for planning, operating and reporting activities of the Plan.

These responsibilities, which include the investment management of the fund, administration of the benefits associated to the Plan, human resources, communications, operations and control, have been delegated to the Managing Director/CEO, who reports to the Board of Trustees.

Subject to Board approval, management develops and implements all relevant policies including those in the areas of investment, communications, integrity and control, organization and compensation, and operations and administration. Subject to these policies, management develops and implements the investment program and develops and monitors service quality standards for the plan members.

Throughout the process, management ensures that the Plan is administered in compliance with the policies and ensures that all regulatory requirements are met.

Management Performance

The CBC Pension Fund Statement of Investment Policy and Procedures defines the investment policies, principles, and eligible investments which are appropriate to meet the objectives of the Plan. It takes into account all factors that may affect the funding and solvency of the Plan and its ability to meet its financial obligations. Operationally, it defines the long-term asset mix targets and the permitted ranges around those targets.

Reviewed and approved annually by the Trustees, the Statement of Investment Policy and Procedures identifies that over the long term (e.g. 10-year period), the investment objective of the Fund is to consistently achieve time weighted average annual rates of return which exceed the increases in the consumer price index by a minimum of 3.75%. In addition, the policy identifies performance benchmarks for the individual asset classes and the total Fund. A competitive compensation policy for the investment professionals is directly related to the performance benchmarks in the Investment Policy. The remuneration therein provides a progressive base salary and a bonus program which is dependent on the over-achievement of the performance benchmarks over a four year period. The guidelines for the management of the pension benefit administration are contained in a policy entitled Pension Benefit Administration Standards. These performance standards ensure that payment of post employment benefits out of the Pension Fund are executed following efficient practices and processes to respond to client needs in a timely manner.

Management has provided assurance to the Trustees that the Plan was administered in compliance with applicable policies and that all regulatory requirements were met in 2003.

Communications

The Board of Trustees is accountable and must provide disclosure on the Plan's activities to the CBC as Plan sponsor, as well as to both the active and members who have retired or their survivors.

The Board of Trustees disclosure and reporting practices include the distribution of a CBC Pension Plan Annual Report Highlights document to all members. Further, the main CBC Pension Plan Annual Report is available to all members as the formal communication on the activities of the Plan for the year. The main report includes the Financial Report, a Governance section and a Management Discussion and Analysis section, all of which are integral parts of the Plan's continuous disclosure practice.

Other communications issued during the year include the personalized employee benefit statement, which is a legal requirement, various communication bulletins which are distributed to members who have retired or their survivors, and miscellaneous announcements which are reported on the direct deposit notices.

All of the above noted information items including the Annual Report are available to members on the Pension Benefit Administration web site at www.pensionweb.ca/cbc-radiocanada. General information as well as the Annual Report is available on the CBC main web site www.cbc.ca/aboutcbc/pension. Active members or members who have retired are invited to communicate in writing, by fax, or on the internet. The addresses are provided on the last page of the annual report.

Governance Self-Assessment

Governance self-assessment leads to improved plan governance practices which in turn contributes to improved investment performance, efficient use of Plan personnel and reliable assurance to members that the Plan is able to pay current and future benefits.

There is an annual review of the Managing Director/CEO's objectives and performance. The Trustee's, with the assistance of external consultants, also perform a Governance review and self examination of their role as Trustees.

Management Discussion and Analysis

The Management Discussion and Analysis section of the annual report elaborates on the information contained in the audited financial statements. This section, which is prepared by management and reviewed by the Board of Trustees, assists the readers in gaining an appreciation of the Plan's financial position and performance over the past year as well as some brief insight on the year to come. The reader is cautioned that there is a degree of uncertainty in forward looking information pertaining to economics and investments in general.

Plan Objective

The Plan is required to provide defined benefits for its members in accordance with the Trust Deed and other documents from time to time describing the Plan. The Plan's assets are managed within a moderate level of risk to provide a rate of return sufficient to offset liabilities and attempt to avoid increases in contribution rates.

The investment policy is expressed in a document entitled CBC Pension Fund Statement of Investment Policy and Procedures. This policy is reviewed and approved annually by the Board of Trustees as required by the Office of the Superintendent of Financial Institutions.

Investment Constraints

In accordance with the Pension Benefits Standards Act, (the "Act") the Trustees and management must exercise the care, diligence and skills in the administration and investment of the pension fund that a person of ordinary prudence would exercise in dealing with the property of another. The assets must be invested in a prudent manner taking into account all factors that may affect the funding and solvency of the Plan.

Under other sections of regulations to the Act, the Fund cannot directly or indirectly lend or invest moneys equal to or more than 10% of the total book value of the assets in any one investment. Further, except as permitted in subsection 11(2) of the regulations, the Fund cannot own more than 30% of the voting shares of any one corporation.

Permitted investments and restrictions thereon which are appropriate to the needs and objectives of the Plan and the Fund are identified in the Statement of Investment Policy and Procedures.

Investment Objective

The investment objective of the Fund over the long term (e.g. 10 year period) is to consistently achieve time weighted average annual rates of return which exceed the increases in the consumer price index by a minimum of 3.75%. Over the past four years the rate of return averaged 3.0%, and over the past 10 years 7.8%. After allowing for inflation during these periods, the real rate of return was 0.6% and 6.0% respectively.

The Fund Manager's objective is to generate net returns that equal the annual average increase in a benchmark portfolio plus 50 basis points (0.5%) on a four-year moving average basis. The benchmark return is calculated by combining the return of the asset class benchmark indices in the proportion in which they are represented in the Fund's asset mix. For the year ended 2003, the net return of 12.2% underachieved the benchmark portfolio by 90 basis points. On a four-year moving average the net return of 3.0% exceeded the benchmark by 40 basis points.

Asset Mix

For 2003, the long term asset mix of the Fund, as defined in the Statement of Investment Policy and Procedures, was 55% equities, 34% fixed income and 11% strategic which includes property and private placements. The objective of the long term asset mix, which was determined through a major study undertaken in 2002 by the Fund's actuaries, is to ensure that the Fund's assets will offset the obligations for accrued pension benefits. There are lower and upper limits to the percentages which allow management the ability to take advantage of market directions and therefore enhance the performance of the Fund. As at December 31, 2003, the asset mix at fair value was 56.0% equities, 34.2% fixed income and 9.8% strategic. In 2004, the initial targeted long term asset mix of the Fund remains unchanged from the year 2003.

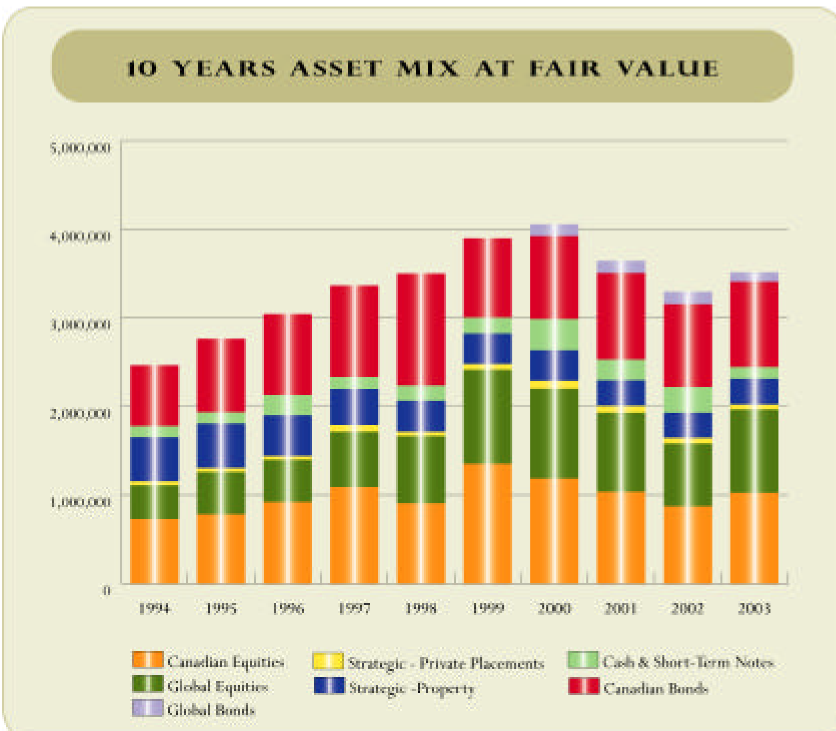
Investment Management Approach

The Fund is actively managed by a relatively small group consisting of the Managing Director/CEO, the Secretary/Treasurer, four internal portfolio managers and seven external investment managers. The Managing Director/CEO provides the general direction on asset mix objectives which is in response to current market conditions and economic forecasts. Internally the portfolio managers and the Secretary/Treasurer are responsible for the individual buy or sell decisions within their respective portfolios as are the external managers within their mandates. The internal professionals, with the aid of four portfolio assistants, do their research in house by using a network of investment brokers, industry publications, company site visits etc.

Risk Management

The Statement of Investment Policy and Procedures defines the investment policies, principles and eligible investments which are appropriate to the needs and objectives of the Plan including the long term asset mix, which identifies the target percentage of asset categories to be held by the fund. Each type of asset has different levels of risks associated to it (i.e. equities are higher risk than government bonds, etc.). The asset model utilized by the Fund is considered moderate in risk, however, it is deemed to be the most appropriate in addressing future liabilities of the Plan. There are a number of risks associated to the Plan and these are identified in Note 3 to the Financial Statements.

It is anticipated that investment decisions will add extra value to the Fund. In 2003 pension payments were 6.3 times greater than contributions. In 2000, employee contributions were permanently reduced by 17.2% and the employer contributions were reduced by 100% until December 31, 2003. Effective January 1, 2004, the CBC will return to a 100% contribution level and employees will return to pre year 2000 contribution rates. The Plan will however continue to rely on investment income to pay current and future pension benefits since these expenditures will be greater than the contribution income.



Asset/Liability Matching

The Corporation guarantees pensions and other benefits payable under the terms of the CBC Pension Plan with the exception of the flexible pension provisions in Part III of the Plan. An asset/liability study was undertaken by the Plan's actuary in 2002. The process included a review of the risk/reward associated with the then existing long-term asset mix policy, analysis of the risk/reward profile that would result from alternative asset mix policies, and consideration to the impact of various economic environments on both the assets and liabilities. The study concluded that the Plan was in a good financial position. It was recommended that the long-term asset mix be revised to 55% equities, 34% fixed income and 11% strategic as opposed to the previous mix of 58%, 31% and 11% respectively. Changes to the asset mix and diversification of manager mandates within the asset categories were implemented in 2003 and will continue into 2004.

The difference in the long term performance between investment funds is primarily determined by risk differences in the asset mix. Therefore, diversification across various asset classes is an important management tool used in reducing volatility and risk.

The Fund's objective is to select eligible investments that produce acceptable rates of return to meet the future obligations of the Plan. If the Fund's investment portfolio was risk free, the rates of return would be low and stable and would require higher contributions in the future. If the Fund's investment portfolio was aggressive, the rates of return would be potentially higher but the results would be more volatile due to higher risk; however, the contributions may be lower if high returns are earned or the contributions could be much higher if there was a major long term correction in the market.

Interest Rate Volatility

The Plan's liabilities are sensitive to changes in the long term rates on asset return, salary escalation and inflation. Note 3c(i) indicates that if our assumed long term rate of return, which is used in actuarial valuations, were to decrease from the existing 6.75% to 5.75% the pension liabilities would increase by approximately $444.1 million. This increase in liabilities relates directly to the long term effect of lower earnings. However, if the assumed long term rate of return were to increase by 1%, the pension liabilities would decrease by approximately $380.7 million. Declining rates of return over a prolonged period could cause an increase to contribution rates in order to meet the Plan's liabilities.

Financial Market Volatility

The Fund's total investments at December 31, 2003, were $3.510 billion at fair value. Of this total, $1.965 billion was in equities. This substantial amount exposes the Fund to domestic and foreign market volatility. Historically, equities have a negative return about once every five years. The year 2003 provided the first positive return after two straight years of negative returns on domestic and three years on major international equity markets. However, the long-term performance expectation outweighs the risks of short-term cyclical volatility. A further influence on market volatility risk is that our direct investments in foreign markets were limited in 2003 to 30% of the book value of the Fund. As at December 31, 2003, the Fund's direct foreign investments equalled 21.5% of the Fund's total assets at book value. The Fund also invests in index units which are considered Canadian content however the objective of the units is to replicate the rates of return of foreign indices. When these units are taken into account, the Fund's total foreign exposure is 30.1% of the Fund's total assets at book value. When the Fund operates within the 30% limit it means that 70% of the total Fund must be invested in domestic markets and these domestic markets account for only 3% of the total world markets. Therefore, if a major long-term correction takes place in Canada, the Fund runs the risk of a sustained decrease in relative performance, which could cause an increase in contribution rates.

In 2004, the Federal Government's foreign investment rule will remain at 30%. The Fund's foreign exposure and performance benchmarks are on an unhedged basis. Management has an ongoing examination process of its foreign investment strategies in order to determine the optimal direct and indirect exposure level.

Liquidity Risk

Liquidity risk refers to the cash available for new investments net of pension payments and operating costs. In 2003, benefit payments from the main plan and administration costs totalled $172.6 million. These expenses were partially offset by employee contributions to the main plan of $27.3 million. The cash flow requirement for the balance of benefit payments was generated through investment income of $105.6 million and proceeds on disposal of assets.

In 1997, the Board of Trustees recommended to and the CBC Board of Directors accepted that actuarially determined surpluses be amortized over a 10 year period. The December 1999 actuarial valuation determined that the Plan had a surplus of $616.2 million. Subsequently the CBC Board of Directors decided to refund a portion of the historical employee and retiree contributions, permanently reduce the employee contribution rate by 17.2% and provide the CBC with a 100% contribution rate reduction applied from January 1, 2000 to December 31, 2003. These reductions in contributions and the expansion in the number of pensioners and benefit payments increased the liquidity risk of the Fund. Management made target adjustments for cash and short term notes to address the liquidity risk. As of January 1, 2004 the CBC will return to its 100% contribution level and the employees will return to their pre-2000 levels. This added cash flow will reduce the liquidity risk experienced over the past few years. Management ensured that adequate cash was and continues to be available to meet the outflows associated with benefits, administration costs and management of investment portfolios.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Every time the Fund makes an investment decision it is exposed to the risk that the security issue, be it a government or a corporation, may default on payments or becomes insolvent. The Fund's Statement of Investment Policies and Procedures provides guidelines and restrictions for eligible investments taking into account credit ratings, maximum investment exposure and other controls in order to limit the impact of this risk. Note 3 c)(ii) provides more detail on this subject.

Foreign Currency and Exposure Risk

The Fund invests in non-Canadian equities, bonds and money market securities for which the fair value may fluctuate due to the economic and political environment of individual countries as well as the relative value of the Canadian dollar.

Occasionally, the Fund invests in forward currency agreements in order to reduce the foreign currency risk. With the exception of currency forwards contracts held as part of the Global Bonds portfolio, the forwards total market value in any one foreign currency never exceeds the total market value of the Fund's investments in the hedged foreign currency at the time the hedge was placed. To avoid any tax penalty, the maximum value of direct foreign investments permitted in the Fund could not exceed 30% of the book value of all the Fund's assets as defined under the Income Tax Act of Canada.

In order to increase foreign exposure, the Fund invested in unhedged index units which are considered Canadian content, however, the returns are based on the performance of the various indices related to the chosen markets. As at December 31, 2003, the fair value of the U.S. index units was $199.7 million ($89.2 million in 2002) and the EAFE index units was $88.4 million ($18.9 million in 2002).

Investment Performance

The Fund uses an external firm which specializes in providing performance measurement data for balanced portfolios.

The Fund's total rate of return in 2003 was 12.2% which was 1.3% lower than the median rate of return of 13.5% for balanced funds. Comparatively, in 2002, the Fund's total rate of return was -5.5% which was 1.6% lower than the median rate of return of -3.9%. After adjusting for the Consumer Price Index, the Fund's real rate of return for 2003 was 10.1% as compared to -9.5% in 2002.

The underperformance to benchmark in 2003 was primarily attributed to our cautious approach in the early part of the year, negative performance of our private placements which form part of our strategic assets, as well as some components of the Global equities asset class underperforming their benchmarks. On a four-year basis, the total Fund return was 3.0% which outperformed the benchmark return of 2.6% by 40 basis points.

The table on page 12 provides a comparison of the one year rates of return for the individual asset categories. Reported are the asset weights and the actual returns by asset category compared to benchmark returns. In 2003 the total Fund return underachieved the benchmark portfolio by 0.89%. In 2002 the total Fund return exceeded the benchmark portfolio by 0.03%.

Asset Categories	2003 Categories as a % of Total Assets	2003 Benchmark Return	2003 Actual Return	2002 Categories as a % of Total Assets	2002 Benchmark Return	2002 Actual Return
Cash and Short-Term Investments	3.7	2.9	3.5	8.9	2.5	3.3
Bonds - Canadian	27.5	6.7	7.3	28.2	8.7	8.5
- Global	3.0	(6.6)	(3.9)	4.3	18.4	18.6
Canadian Equities	29.2	26.7	28.0	26.5	(12.5)	(9.4)
Global Equities	26.8	8.5	8.6	21.6	(18.8)	(21.5)
Strategic	9.8	15.2	3.0	10.5	5.6	3.6
Total	100.0	13.1	12.2	100.0	(5.5)	(5.5)

ASSET REVIEW

The Economic Environment

Who could have predicted that a year which started with the threat of war and a breakdown in international diplomacy would end in global economic recovery and the Dow Jones Industrial Average equity index surpassing 10,000? Would that same savvy forecaster have predicted that, following the plagues of SARS, forest fires, the Ontario blackout, and Mad Cow disease, the Canadian dollar would reach a 10-year high against the US dollar? How about a prediction that the stocks of companies with low earnings, small capitalizations and poorer balance sheets would trounce the returns generated by solid blue chip companies? Or that this would be the year, after two years of negative returns on domestic markets and after three years of negative returns on major Global markets, that the Canadian and all major equity markets (in local currencies) would post double digit returns? This was the economic and investment environment of the year 2003.

In spite of early signs of weakness, the US economy gradually picked up steam. As personal and corporate tax cuts were introduced during the second half of the year, consumer spending rose. Corporations continued to focus on improving balance sheets and reducing costs, mostly through debt reduction and job cuts. In an attempt to aid domestic job creation, the US Administration publicly indicated their support for a weaker US dollar. The Federal Reserve maintained low interest rates and continued to assure the market that rates would stay low "for a considerable period". All of these supportive measures helped to reflate the US economy. US GDP grew 4.3% in 2003. As corporate profits improved, and monetary and fiscal policy stimulated the consumer, stock markets rallied significantly in the third and fourth quarters of 2003.

The Canadian economy started the year as one of the fastest growing economies in the developed world. This growth was supported by strong exports and rising domestic consumption. As the year progressed however, the economy was buffeted by the SARS epidemic, a ban on beef exports to the U.S., the B.C. forest fires / floods and a power blackout in Ontario. Although these were temporary hardships they slowed vital sectors of the economy. In addition export sectors had to also deal with the impact of the rising value of the Canadian dollar. Since Canada is an exporting nation whose largest trading partner is the United States, the 15% appreciation in the value of the Canadian dollar started to negatively impact trade flows by the fourth quarter. This was somewhat offset by the economy's exposure to commodities and other cyclical sectors which benefited from the recovering global economy. On the domestic front, declining interest rates in the second half of the year along with strong job creation continued to support domestic activity. With these various headwinds, economic growth for the year was uneven as GDP grew 2.1% in 2003.

Many European economies started the year in recession. Germany, the largest economy in the region demonstrated the weakest economic growth. Unemployment in the Euro-region remained high, stuck at 8.8% for most of the year. Various government reforms introduced to improve global and regional competitiveness challenged traditional ways of life and caused unions to strike throughout the year. As such consumer confidence and spending remained weak in the major European economies. In spite of this weakness, concerns regarding inflationary pressures kept the European Central Bank from lowering rates during the year. Optimism by corporations however steadily grew as export demand looked solid and unemployment reforms promised improved operating efficiencies. Export demand however became increasingly challenged as the Euro currency appreciated 20% versus the US dollar by year-end.

Japan, long mired in deflation and slow growth, generated positive GDP growth in 2003. Most of the economic growth in Japan came from strong export demand. Despite near-zero interest rates, domestic demand remained stubbornly weak. Indicators of domestic consumption, such as retail and department store sales, declined on a year-over year basis. Although unemployment levels were fairly stable and the number of available jobs moderately improved, consumers remained cautious. During the year, the Bank of Japan repeatedly raised its assessment of the economic outlook and promised to introduce necessary changes to nurture the fledgling recovery. To this end, the central bank was active in the currency markets tempering the Yen's appreciation in order to maintain the competitiveness of the vital export sector.

Many countries are still heavily dependent on the demand from the US consumer to support their respective exports. The weakening of the US dollar however threatens to dampen the export sector of all of the non-dollar pegged economies. For this reason, it is vital that the domestic sectors remain highly stimulated in order to sustain this nascent global recovery. Fortunately 2004 is a year of elections for many countries and politicians are expected to recognize the need to sustain the domestic consumer as the global trade sector makes the necessary currency adjustments.

Investment Strategy

The Fund's investment policy provides the latitude to vary the weighting of the assets within an operational range around the actuarially determined long-term asset mix target. On a quarterly basis the Fund reviews its asset mix, and based on forecasted returns can increase the weighting of the asset classes that are expected to perform well and reduce the exposure to those asset classes that are forecasted to underperform.

For the year, the investment strategy remained cautious. In the first quarter, concerns of war in Iraq and retaliatory terrorism resulted in an investment strategy highly overweighted to cash and fixed income investments. As the year advanced and signs of global economic recovery increased, the strategy moved towards a neutral asset mix position. Among equities there was a bias towards Canadian stocks given the market's exposure to commodities and other economically sensitive cyclicals. In order to reduce the Fund's exposure to the declining US dollar, the strategy favoured EAFE (Europe, Australia and Far East) over US stocks. As equity markets generated double-digit returns by the end of 2003, this strategy, although consistent with the market, proved too conservative.

The total return (in Canadian dollars) of the TSX cap 10 index was 26.7%, 5.3% for the S&P 500 and 13.4% for the EAFE markets. The fixed income markets generated returns of 6.7% and 2.9% for the Canadian bond and money markets respectively.

Cash and Short-Term Investments

The Fund invests its cash in quality and highly liquid money market investments. This activity contributes to maximizing returns on total available funds and accommodating the flexibility required to manage the cash demands related to the Fund's investments, the Plan's benefit payments and total administration expenses.

In 2003, the Bank of Canada (BOC) increased short-term interest rates by 25 basis points in March and April followed by decreases of 25 basis points in July and September. Thereafter rates remained unchanged. The average yield for Canadian 91-day Treasury Bills was 2.6% in December 2003 as compared to 2.7% in December 2002.

In 2003, the Fund had on average approximately $198.3 million or 6.0% of assets in cash and short term investments. The one year rate of return for the internally managed portfolio of the Fund was 3.45%, which was 54 basis points above the benchmark return of 2.91%. Over a four-year period the rate of return was 4.59%, which was 68 basis points over the benchmark return of 3.91%. At December 31, 2003, cash and short-term investments represented 3.7% of the Fund's investments at fair value.

Bonds

The Canadian bond asset class consists of an internally managed government bond portfolio, an externally managed corporate bond portfolio and an externally managed index portfolio. This latter portfolio was introduced to accommodate asset mix shifts and as a complement to the other more active bond portfolios. The Fund also has a Global bond portfolio within its fixed income assets. The chart on page 14 identifies the percentage distribution of bonds by portfolio. As at December 31, 2003, bonds totaled $1,069.7 million, which represents 30.5% of the Fund's investments at fair value.

The year 2003 was certainly an interesting one for the bond market. The year began with the bond market all but paralyzed as the world held its breath in anticipation of what would transpire in Iraq. The U.S. economy was struggling and the Canadian economy was booming. The year finished with the bond market all but paralyzed at yield levels only slightly changed as the U. S. central bank appeared to be content with administered rates at their current level for the foreseeable future. Meanwhile, the U.S. economy was booming and the Canadian economy struggling. However, during the late spring and early summer, the market was exceptionally volatile.

2003 was a year in which the bond markets paid particular attention to the musings of the central bankers. The markets traded in a narrow trading range through to May as events in Iraq clouded the economic outlook. However, the U.S. central bank expressed concern about the risks of deflation and hinted at utilizing bond buybacks to stimulate the economy. This, combined with tame inflation numbers and an unexpectedly weak economic response to the collapse of Iraq's regime, resulted in a feeding frenzy in the bond market.

By mid-June, long Treasuries yielded 4.2%, a new secular low and down from almost 5.0% only 2 months earlier. However, the U.S. central bank then disappointed the markets with only a 25 basis point decline, sending the bond market into a sharp tailspin and interest rates rising. By mid August, the long Treasury yield reached 5.4%. For the remainder of the year, the bond yields stabilized at slightly lower levels as the economic recovery in the U.S. appeared to be on more solid footing with no hint of inflationary pressures.

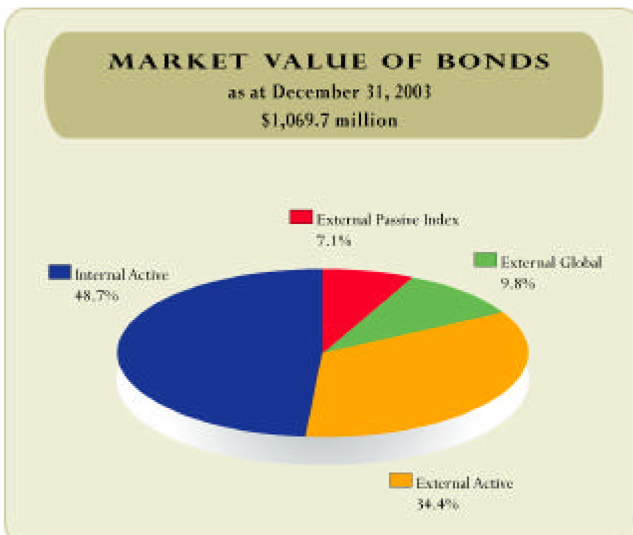
As usual, the Canadian bond market took its cue from the U.S. market, but was generally less volatile. With core inflation exceeding the upper level of the benchmark and the economy apparently still robust, the Bank of Canada raised rates 25 basis points in both March and April. A short three months later, the Bank of Canada was backtracking and lowering the base rate as the core inflation rate of inflation tumbled abruptly. Greater slack appeared in the economy due to unexpected events such as SARS, Mad Cow and the power failure. Moreover, the Bank of Canada clearly underestimated the impact on exports by the massive move in the currency against the U.S. dollar. By year end, interest rates in Canada across the yield curve were generally 5 to 20 basis points lower than at the outset.

The internal active domestic government portfolio performed well in 2003. For the year, the portfolio returned 6.39% as compared to the benchmark 6.04%, an outperformance of 0.35%.

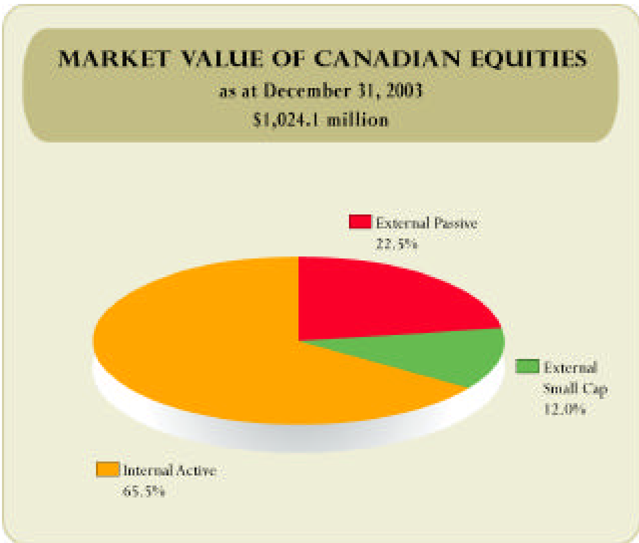
The externally-managed corporate bond portfolio provides the Fund with exposure to the universe of Canadian corporate bonds with a minimum credit rating of BBB. As investors sought higher yielding investments, corporate bonds benefited from both declining interest rates and declining spreads. Accordingly corporate bonds outperformed government bonds for the year. During the year, the portfolio generated a return of 8.73%, which exceeded the benchmark.

In total, the Canadian bond asset category rate of return for 2003 was 7.3%, some 60 basis points above the benchmark return of 6.7% Over a four-year period the rate of return was 8.4% which was equal to the SLM Universe Bond Index (Government of Canada, Provincials and Corporate Bonds). At year-end, Canadian bonds represented 27.5% of the Fund's investments at fair value.

With the pick up in global recovery and the threat of rising interest rates, global bonds generated negative returns in 2003. The Fund's externally managed portfolio holds the debt obligations of international government and corporate issuers rated single-A or better. Due to concerns regarding the US dollar and expectations of a slower European economy, the portfolio held an overweight in European bonds and an



underweight in US treasuries. Because the fundamentals did not look solid for the Japanese bond market, the portfolio remained underweight Japanese bonds but through foreign exchange contracts held an over weight in Yen. As the Euro and the Yen both appreciated against the US dollar, the bond as well as currency strategies employed resulted in solid outperformance. The return was -4.3% versus the benchmark of -6.6%. At December 31, 2003 Global bonds represented 3.0% of the Fund's investments at fair value.

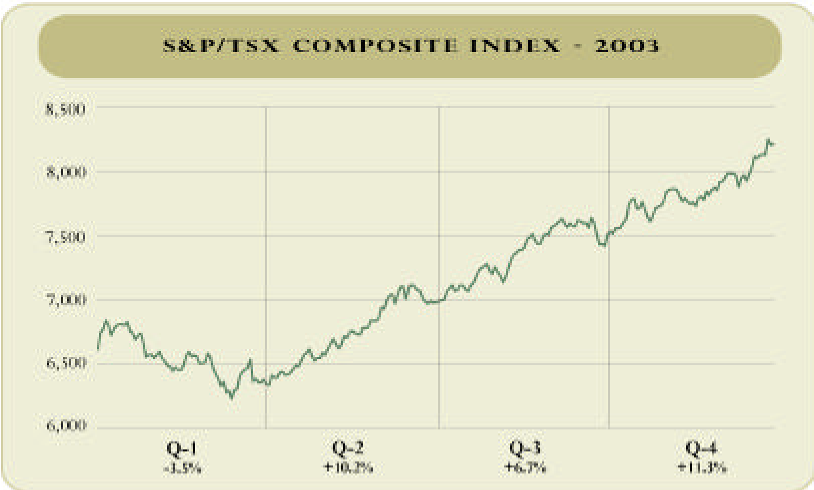


Canadian Equities

The Fund's Canadian Equities asset class has three components: an actively managed internal portfolio, an externally managed passive portfolio which replicates the rates of return of the S&P/TSE Cap 10 Index and, an active externally managed small capitalization portfolio. The chart on the right identifies the percentage distribution of Canadian equities by portfolio. At December 31, 2003, Canadian equities totalled $1,024.1 million, which represents 29.2% of the Fund's investments at fair value.

2003 proved to be a solid year for the Canadian stock market. After losing 3.5% in the first quarter, the market rebounded sharply for the remainder of the year, posting a 26.7% gain - the 10th best year in the last 50 years. Strong job growth in Canada, an improving US economy, surging commodity prices and high investor confidence helped push the market to its highest level in almost 3 years.

While all 10 sectors and 83% of stocks in the index had positive returns in 2003, only three sectors and 51% of stocks in the index actually outperformed the index in 2003. This made it a challenging year in which to outperform the market. Leading the winners were the Information Technology Sector with a total return of 67.1%, Financials up 28.0%, and Materials up 27.5%. Leading the losers were the Health Care Sector up 1.4% and Telecommunication Services up 16.8%.



The chart below shows the 2003 total returns of the ten sectors comprising S&P/TSX Composite Index.

Some of the major factors influencing the Canadian market in 2003 were:

» A relatively strong Canadian economy, despite adverse effects from SARS, Ontario blackout, Mad Cow and BC forest fires.

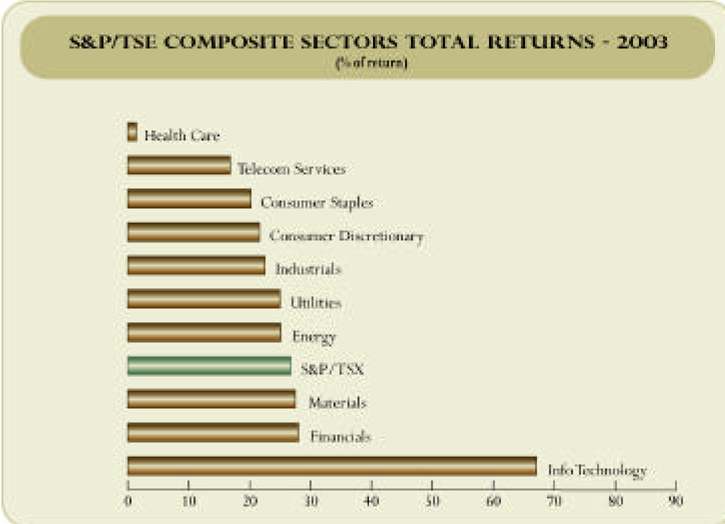
» Increasing signs of recovering world economies including the United States - Canada's largest trading partner.

» A weakening US dollar.

» Continuing strong energy prices resulting in spectacular returns for Canada's energy sector.

» A 19.5% rise in the price of Gold to over $416 US/oz.

» A surge in the price of several commodities including: Copper up 51.1%, Nickel up 134.3% and Zinc up 34.5%.

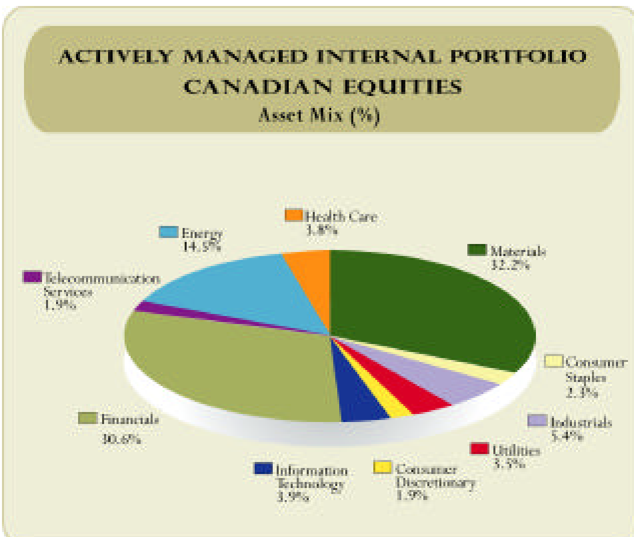


The Internally managed portion of Canadian Equities recorded another solid year of performance in 2003. Positive contributions from a significant overweight position in the Materials sector helped offset an underweight position in the Information Technology sector.

Within the Canadian equity asset class is an externally managed small cap portfolio. For a third year in a row small cap stocks shined in 2003 generating returns that dwarfed those of the TSX. Although strength was evident across the entire small cap market, the strongest returns came from the telcom and materials (metals & minerals and gold and precious metals) sectors. The Fund's portfolio, which invests in fundamentally sound companies, managed to outperform the index with returns of 43.4% for the year.

The Canadian Equity asset category rate of return for 2003 was 28.0% some 130 basis points better than the benchmark return of 26.7%. Over a four year period the rate of return was 8.0% which was 310 basis points above the benchmark return of 4.9%.

We continue to remain optimistic for the Canadian stock market in 2004. While all sectors will unlikely participate in the bull market, there is enough strength and positive outlook in the resource and cyclical sectors as well as many other individual stocks in other groups. As we move into 2004, the Canadian Equity Active Portfolio holds a solid mix of good value stocks. We are particularly positive about the Materials, Energy and Health Care sectors. Again, it will be a stock pickers market. With competition low from alternative investment assets like bonds and short-term instruments, the stock market should have a good year.

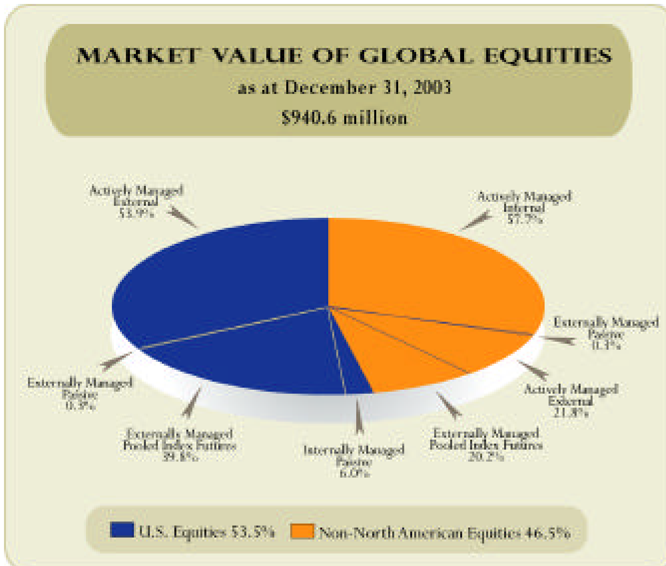


Global Equities

The Fund's Global Equities asset class is comprised of two components:

- » U.S. equities which include an actively managed external S&P 500 enhanced index portfolio, an actively managed external value portfolio, externally managed pooled index funds and an internally managed passive portfolio.

- » Non-North American equities which include an actively managed internal portfolio, an actively managed external portfolio and externally managed pooled index funds.



Global equities experienced a sharp rebound in 2003 on the back of a burgeoning economic recovery, with the majority of markets posting solid returns for the first time in three years. Investors' nerves were rattled early in the year by the impending war in Iraq, a violent outbreak of severe acute respiratory syndrome and the fear of additional terrorist attacks. Equity prices in many countries fell to their lows in mid-March. In the end, the worst fears proved to be unfounded and global markets recovered strongly in the second half of 2003, driven by improving corporate profits, falling interest rates and increasing investor optimism. Emerging markets led the global rally, with a number of Asian indices posting high double digit returns for the year. Strong returns were also seen in Europe and North America, led by markets such as Germany, Spain, France and the U.S.

An increasing market attraction towards risk manifested itself in several clear investment styles during 2003. Recovery plays and smaller capitalization stocks outperformed the general markets. In most markets, technology stocks were the leaders after three years of sharp declines. Financials, industrials and commodity-driven stocks also posted strong performances. Although the US-led global economic recovery remained an overriding theme, China also emerged as a major growth driver in the global economy in 2003. Increasing consumption from the China's rising middle class and significant infrastructure demands raised its profile as a major importer and exporter of goods around the world.

U.S. Equities

After three years of negative returns, US equities rebounded strongly in the second half of 2003, closing the year at 52-week highs. Stocks outperformed bonds for the first time since 1999. Driven by the technology, consumer discretionary and materials sectors, the Dow surpassed the closely-watched 10,000 mark in early December. Economic fundamentals showed steadily improving progress over the course of the year, with year over year GDP growth a respectable 4.3%. Corporate profits at US companies demonstrated positive momentum on aggressive cost-cutting efforts and a reluctancy to embark on aggressive hiring programs.

Some of the major factors influencing the US markets in 2003 were:

- » Low interest rates - Citing deflationary concerns and a mixed economic situation, the US Federal Reserve continued to ease interest rates, with the Federal funds rate reaching a 45 year low of 1% in June 2003. Low interest rates together with a tax-cut induced jump in disposable income bolstered consumer spending.

» Weak US dollar - Rising current-account and budget deficits, coupled with record low interest rates placed significant downward pressure on the US dollar against most of the major currencies in 2003. The exception to this trend remained China which resisted significant pressure from the US to remove the yuan from its peg to the dollar.

» Corporate governance - The corporate scandals that had dominated 2002 headlines gave way to scrutiny of mutual fund trading activity in 2003. Investors appeared to be largely unphased by the controversy, with inflows remaining strong through the end of the year.

» Continued geopolitical uncertainties - Although active combat in Iraq was brief, the process of reconstruction turned out to be far more problematic for the US, which was faced with ongoing terrorist attacks and escalating defense bills.

Investors in the US markets shrugged off many of these head-winds in 2003. They chose instead to focus on the positives which drove the more market sensitive equities to outperform. On a US dollar basis, the S&P 500 was up a strong 26.4% but underperformed the technology driven Nasdaq, which rose over 50% for the year.

Within the US equity portfolio is an externally managed S&P 500 enhanced index portfolio. Due to performance concerns, the management of this portfolio was changed in the first quarter of 2003. This resulted in the transitioning of the portfolio as much of the portfolio was sold and new names were acquired. The portfolio of approximately 150 US stocks attempts to generate slightly higher than index returns while maintaining risk statistics that are similar to that of the S&P 500 index. During 2003 the market performance was dominated by companies with characteristics that did not match this portfolio of large cap, blue chip stocks.

In March 2003 a new externally managed US Value portfolio was added. Given the growth orientation of the other US portfolios, this style of investment was introduced to add further diversification. The portfolio holds approximately 50 large cap US stocks characterized by lower than average Price to Earnings multiples and higher dividend yields. This style of management had superior investment returns in 2003.

Non-North American Equities

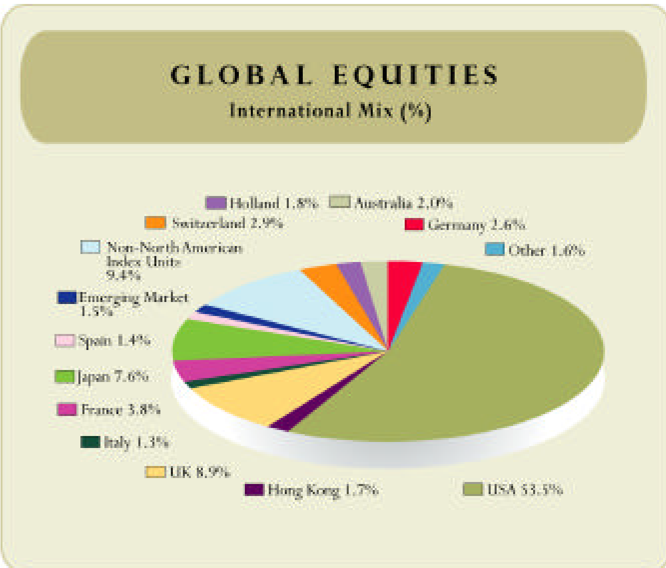
European equities had a strong performance in 2003, with most markets posting double digit returns. Economic growth in the eurozone remained muted with GDP for the region growing at less than 1% in 2003. Structural imbalances also continued in such markets as France and Germany, which continued to run budget deficits in excess of the limits imposed under the EU's Growth and Stability pact.

The following factors were of key importance to investors in this region in 2003:

» Strong Euro - the euro surged 20% against the US dollar in 2003, reaching record highs in December. Although concerns were expressed about the impact of the strong euro on the fragile export-led recovery, business sentiment and industrial production in the eurozone steadily improved in the second half of the year. The growth continued to be driven by exports.

» Interest rates - The ECB lowered its benchmark rate to 50 year lows of 2% early in 2004 as a way of counteracting the strengthening euro against the US dollar. The Bank of England however began a round of interest rate increases in November, hiking its benchmark a quarter of a point to 3.75%.

» EU accession - In mid-2003, ten EU candidate countries won the domestic mandate to proceed with steps toward EU accession in 2004. The addition of these economies to the EU block is expected increase the EU's territory, population and GDP by approximately 23%, 22% and 5% respectively.



Led by the US economic recovery, the European markets showed positive momentum in 2003. Regional outperformance was driven by a number of the previous year's hardest-hit markets, including Germany and France, whose leading indices rose 37.1% and 16.1% respectively in local currency terms. The UK modestly underperformed its continental peer group, with the FTSE up 13.6% in GBP terms.

After enduring more than ten years of recessionary conditions, Japan began to show tentative signs of an economic recovery in 2003, benefiting from rising exports to key markets such as China and the US. Foreign investors were net buyers of the market in 2003, with domestic investment more tentative. Key themes in the Japanese market included:

» Reform of Japanese banking sector - Under pressure from the financial revitalization program, most of the leading Japanese banks took significant steps to unwind cross-shareholding positions and sell down bad loans in 2003.

» Currency interventions - The Bank of Japan took unprecedented steps to slow the appreciation of the yen in 2003, but such efforts proved to be limited in effect, with the yen rising 11% against the US dollar, heightening concerns about the vulnerability of Japanese exporters.

» Re-election of Koizumi - To the relief of the markets, Prime Minister Junichiro Koizumi secured re-election as leader of the LDP, enabling the course of fiscal consolidation to continue.

Although it remained uncertain by the end of the year whether this gradual recovery had gained enough strength and breadth to overcome the structural headwinds of entrenched deflation and fiscal imbalances, prospects of an economic turnaround led the Nikkei to returns of 24.5% in local currency terms. In other Asian markets, Hong Kong's Hang Seng Index was up 34.9% for the year on the strong China growth story, while the leading index in Australia rallied a more modest 9.7% in local currency terms.

Within the EAFE portfolio is an externally managed core portfolio. The intent of this portfolio is to complement the more growth-oriented internal portfolio. During the year EAFE market performance was supported by both strong stock markets and appreciating currencies. The European markets outperformed the Japanese market. The portfolio's overweight in Europe along with selective positions in the financial, energy and materials sectors resulted in a Canadian dollar return of 15.5%. The portfolio's relative performance was also aided by its exposure to emerging market securities.

The Fund also maintains two passive portfolios, managed by an external manager to obtain both market and currency exposure to the S&P 500 and the MSCI EAFE index through the use of unleveraged derivatives. These portfolios are used mostly to effect asset mix changes and to reduce the overall benchmark volatility of the total portfolio. As expected, the passive portfolios generated index-like returns. Performance however was augmented as the asset mix strategy sought throughout the year, to reduce US dollar exposure by moving holdings from the US to EAFE portfolios.

Pursuant to a change in the investment policy, which eliminated the emerging markets as a separate asset class, the externally managed emerging market mandate was terminated in the first quarter of 2003. Instead, authority was given to the internal and active external EAFE portfolios to opportunistically hold emerging market names.

The combination of the more growth-oriented internal portfolios along with the more core-like conservative external portfolios is expected to create an overall global portfolio that has the ability to outperform the benchmark over market cycles on a risk-adjusted basis.

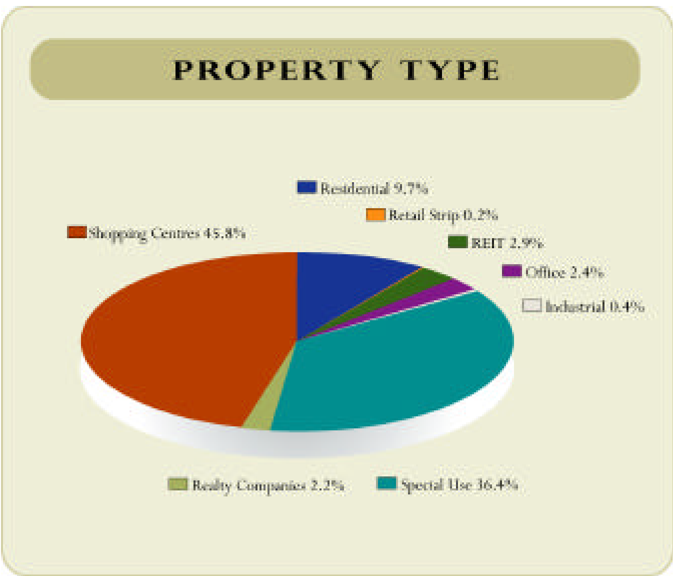
For the year 2003 the total global equities performance was 8.60%, 10 basis points above the benchmark MSCI World X Canada Index of 8.5%. At December 31, 2003 Global Equities represented 26.8% of the Fund's investments at fair value.

Strategic

There are two components to the Fund's strategic investments: property, which includes real estate and mortgages, and private placements.

Property

Most of the trends in place in 2002 continued well into 2003. In general, real estate performed fairly well in 2003. Property fundamentals have generally been strong for retail properties, stable in industrial, and weak in office and multi-residential. Low interest rates and high demand caused the capitalization rates to fall modestly, improving the values of many properties.



Investment demand continued to be strong, even in the face of improving equity markets. Foreign demand grew as the US real estate market suffered in comparison to the Canadian market. Canadian Real Estate Investment Trusts remain large players in the market. Furthermore, excess supply, with a few exceptions, was not a factor in any significant way. Hence capitalization rates fell to unheard of levels in some sectors such as retail properties in Calgary and fully-leased, high end multi-residential buildings.

Retail was the best performing sector in 2003. Large food-anchored malls and power centres in particular did exceptionally well as retail sales in Canada remained firm. However, in this environment, small community malls struggled to maintain adequate occupancy. Industrial space continued to enjoy low vacancy, but may soon suffer from the effects of a stronger currency. The office segment has suffered due to the high tech meltdown and business rationalizations. There is some evidence that the sector is stabilizing, but rents continue to be under downward pressure, particularly in Vancouver and Toronto where new supply has entered the market. Multi-residential properties have hit new highs for vacancies, especially in the luxury end of the market. Property managers are struggling to learn how to market their product after many years of full occupancy. The sector is the victim of the hot housing market, where home ownership is at an all-time high and added supply, particularly condos bought for rental purposes.

Performance was negatively impacted by an unusual number of properties experiencing renovations which were financed by their internal cash flow and therefore reduced funds available for distribution to investors. In addition, some properties in the office sector saw higher vacancies. We continue to focus on reducing our exposure, but our selling program again met with only modest success. Indeed, a couple of key properties have been delisted, and are in the process of major retrofits in order to improve marketability and enhance value.

In 2003, the total Property Portfolio one-year rate of return was 5.1% versus the benchmark 5.9%. Over a four-year period the rate of return was 7.9% compared to the benchmark return of 6.2%. At December 31, 2003, the portfolio represented 8.1% of the Fund's investments at fair value.

Private Placements

Private Placements are primarily non-publicly traded equity and debt instruments. Special investments are anticipated to provide higher than average investment returns, over the long term, in order to compensate the Fund for their higher risk profile and lower market trading ability. They also provide insight into certain sectors where the Fund may hold public securities or access where no such public companies exist. To reduce these risks, this portfolio is invested in many small companies operating in varying stages of development, involved in various industries.

As the global recovery unfolded, investors' appetite for riskier asset classes increased. In the public markets there was a re-emergence of the IPO (Initial Public Offering) market and the outperformance of public technology and small cap stocks over large blue chip names. Consistent with this trend, the private equity market also started to improve. Although valuations continued to decline, the rate of decline has noticeably diminished. In order to better diversify the existing portfolio, which is more heavily weighted towards early stage technology companies, new commitments were made in 2003 to a B.C.-based alternative energy/technology fund and a European mid-market fund-of-funds.

In 2003, the portfolio generated returns of -6.2%. Over a four year period the rate of return was -6.2% as compared to the benchmark return of 14.9%. As at December 31, 2003, the portfolio represented 1.7% of the Fund's investments at fair value.

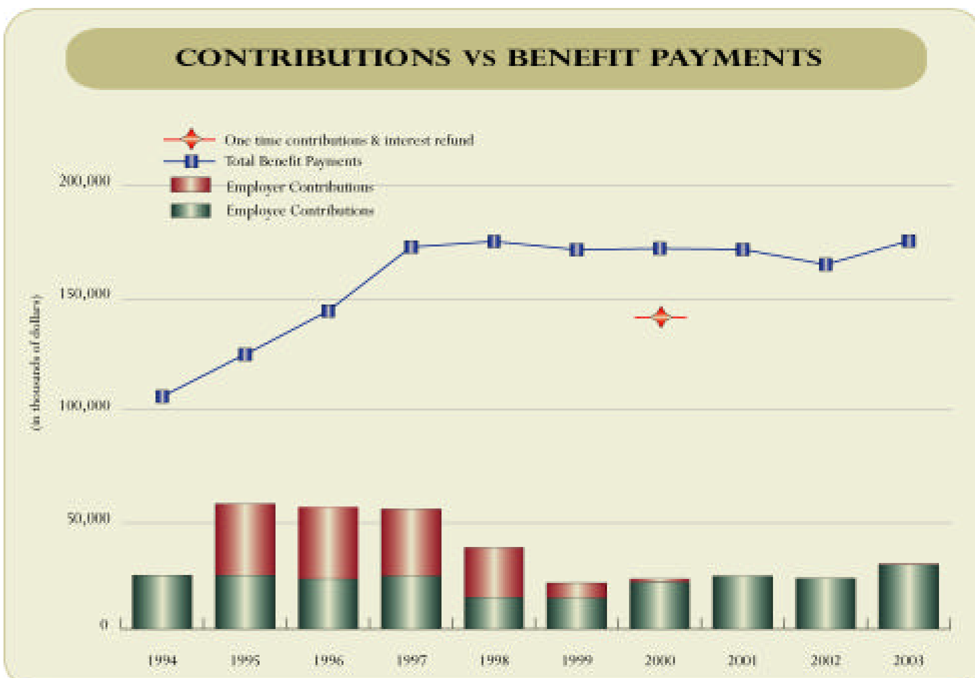
CHANGE IN ASSETS AVAILABLE FOR BENEFITS

The Fund's net assets available for benefits increased $219.3 million from $3,307.4 million at December 31, 2002 to $3,526.7 million at December 31, 2003.

Total investment income of $105.6 million, which includes interest and dividends earned during the year as well as income from real estate properties net of operating and interest expenses, decreased by $32.4 million when compared to the previous year. This decrease was due primarily to lower interest rates and its effect on the global bonds and the real estate portfolios.

Total contributions of $28.2 million reflect an increase of $5.5 million when compared to the previous year's total of $22.7 million. In 2003, the number of contributors increased from 7,664 at December 31, 2002 to 8,073 at the end of December 2003. This increase in the number of contributors relates primarily to recent collective agreements whereby former contract employees became contributors. These employees were also given the opportunity to buy back periods of contract service and have it recognized for pension purposes. In total, employee contributions to the main plan increased $5.5 million of which $2.5 million related to current service and $2.5 million in past service.

This chart provides a 10-year historical comparison of contributions and benefits. Based upon the results of the actuarial valuation as at December 31, 1999, which reported that the Plan had excess funding of $616.2 million, the CBC decided that it's employer contributions for the years 2000 to 2003 would be covered by the funding excess and that normal employee contributions would be reduced by 17.2% from January 1, 2000 onwards. Figures for 1999 reflect the results of actions taken subsequent to the December 31, 1996 actuarial valuation whereby the employer and employee contribution rates had been reduced by approximately 50% for 1998 and 1999 as partial utilization of the then existing $234 million surplus. Figures for 1994 reflect that the CBC had a 100% contribution rate reduction. This was subsequent to the 1991 actuarial valuation which determined that the Plan had $161.0 million excess funding. Various amendments improving the benefits provided by the Plan were introduced at that time.



Net reciprocal transfers with other plans accounted for the balance of $0.5 million. Employee contributions to the flexible pension provision of the plan, which started in July 1998, totaled $0.9 million in 2003 and 2002.

Expenditures out of the Fund totalling $183.4 million reflect an increase of $10.4 million when compared to the previous year's total of $173.0 million. Of this total increase, $10.5 million relates to benefit payments while administrative expenses decreased $0.1 million.

Benefits

The plan paid $172.6 million in benefits during 2003, an increase of $10.5 million when compared to the $162.1 million in 2002. Pension payments increased by $2.1 million due primarily to a 1.57% cost of living adjustment effective January 1, 2003 and an increase of 38 in the number of pensions being paid. The plan requires an averaging method for calculating the inflation adjustment rates for pensions which is different than the year-over-year rate of inflation. Transfers of contributions and refunds decreased $1.8 million due to a decrease in the number of member separations. The balance of the increase recorded in 2003 relates to a reduction to benefit expense of $10.2 million recorded in 2002 which was due to employees who had elected to transfer their contributions as at December 31, 2001 who then opted for a deferred pension which is categorized under long-term liabilities to be paid in the future.

Administrative Expenses

In accordance with the Trust Deed, the total operating expenses relating to the Fund and pension benefit administration are to be paid out of the Fund.

Administrative expenses for 2003 totalled $10.8 million, a decrease of $0.1 million over the previous year. The decrease related primarily to a reduction in professional legal fees in the fund administration in 2003. This reduction was offset by professional fees in the pension benefit administration special project.

In 2003, the total unit expenses for the Fund management, including Board of Trustees expenses, was 25.9 cents per $100 of average assets under management. According to a study undertaken in 2002, the comparative benchmark operating cost for a fund of our size, asset mix and nationality is 28.8 cents per $100 of average assets under management. The expenditures for the CBC Pension Fund are therefore approximately $0.9 million lower than the benchmark costs for similar funds. When the pension benefit administrative expenses are added to the total, the overall unit costs for the administration of the Plan are 32.6 cents per $100 of average assets. However, if we adjust for one time costs related to the special project for the pension benefit administration, the overall unit cost is 30.2 cents. When expressed in basis points, operating expenses have increased in recent years due to the downturn in the financial markets. However, the unit costs incurred by the Plan continue to be amongst the lowest in the industry.

The major study of the long term asset mix undertaken in 2002 resulted with a 3% allocation decrease in equities and a corresponding increase to fixed income. Portfolio adjustments commenced in 2002 and in order to enhance the Fund's risk diversification, new external asset management mandates were awarded in 2003. Further mandates will be awarded in 2004. Consequently, the approved budget for 2004 includes an increased allocation for external investment management fees as well as an increase for salary costs in line with the Fund's compensation policy. Minor fluctuations are anticipated in the various other expense categories reported in Note 12 in the Financial Report section.

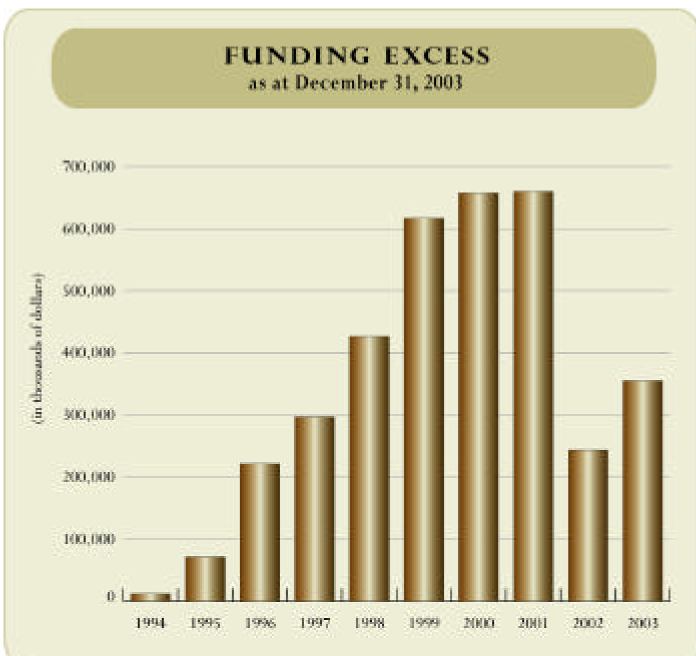
Accrued Pension Benefits

The Fund's assets are managed to provide a rate of return sufficient to offset the liabilities and attempt to avoid increases in contribution rates. Further, higher returns contribute to the funding excess or surplus as determined through an actuarial valuation.

A formal actuarial valuation is prepared by the Plan's actuaries, a minimum of every three years, the latest of which was at December 31st, 2002. This valuation determines the accrued pension benefits and an actuarial value of net assets available for benefits. If the results of the valuation indicate that the net assets available for benefits are greater than the accrued benefits, the Plan has a funding excess or surplus. The opposite results in the Plan having a funding deficiency or deficit. The results from the valuation are used by the CBC in determining the contribution rates required to offset the future liabilities. At the end of each year in preparing our financial statements, the actuary uses the result of the formal valuation and for those years where a formal valuation is not performed, the actuary extrapolates from the results of the previous formal valuation using the projected benefit method prorated on service and management's best estimate of expected economic trends. The results from these valuations are reported in the financial statements.

As at December 31, 2003, on a going concern basis, the accrued pension benefits were $3,172.5 million, an increase of $108.0 million from the previous year's total of $3,064.5 million. Over the same period, the actuarial value of net assets available for benefits increased $219.3 million from $3,307.4 million to $3,526.7 million. The net result was an increase of $111.5 million to the funding excess at the end of 2003.

As required under the Pension Benefits Standards Act (PBSA) and for reporting purposes to the Office of the Superintendent of Insurance (OSFI), the Plan's actuary, on a triennial basis, values the Plan on a solvency basis. Using this method, which simulates a plan wind-up, and using extrapolations and projections from the 2002 valuation, the funding deficit as at December 31, 2003 was $55.3 million as compared to a surplus of $156.1 million at the end of 2002. The primary reason for this $211.4 million decrease in solvency surplus was the reduction in interest rates which caused an increase in actuarial liabilities. The Plan sponsor uses the lower of the surplus amounts as determined in the triennial valuation in order to determine the required contribution levels.



Benefit Administration

The Board of Trustees is responsible for the administration of the Plan, which includes the payment of post employment benefits out of the Pension Fund to those who have retired or resigned and to survivors of those whose death occurred in service or after retirement.

Performance standards for the pension benefit administration area address the practices and processes required to execute, in a timely and efficient manner, the major responsibility noted above as well as other varied functions in pension related activities such as:

» calculations in connection with the purchase of previous service;

» the transfer of pension entitlements under the terms of reciprocal transfer agreements;

» coordinating the division of pension credits on marriage breakdown;

» gathering and verifying declarations by active pensioners or their power of attorney;

» determination of spousal and/or children's insurance benefits;

» processing pension benefit adjustments related to indexation, ad hoc adjustments, retroactive salary adjustments, garnishments, etc.

On July 1, 1998, the CBC Pension Plan was amended to incorporate an additional contributory component providing employees with the flexibility to improve the provisions determining the calculation of their benefit through tax-deductible contributions. This modification, which does not entail additional costs to the Plan, is commonly known as FlexPen.

The table on page 25 indicates the increasing number of persons to whom pensions are paid from the Pension Fund, and also the number of contribution refunds and pension benefit transfers paid during the year.

During 2003, the number of contributors increased by 409, from 7,664 as at December 31, 2002 to 8,073 as at December 31, 2003.

In 2003, there was an increase of 38 in the number and minor changes in the mix of pensions being paid as reported in the following table. Over a five year period, the total number of pensions being paid increased 5.1% from 7,507 in 1999 to 7,890 in 2003.

The chart on page 26 illustrates the increase in the number of pensioners over the past 10 years.

Special Project

In 2002, the CBC advised the Board of Trustees that it would not renew the contract for the provision of pension benefit administration services. In response to this notification, the Board of Trustees initiated a formal process requesting proposals for services from industry leaders. Proposals from various firms were received in early January 2003. A selection committee reviewed the proposals in February and proponents who met the requirements were invited to present their proposals to the committee. The evaluation of the proposals was based on both quantitative and qualitative standards. After careful consideration the selection committee recommended and the Trustees accepted that the firm of Mercer Human Resources Consulting Limited be chosen as the successful proponent to provide pension administration services to CBC employees and pensioners. Due diligence was completed in April and contract negotiations were initiated immediately thereafter. The contract was signed in early July and work began at once on the implementation phase of the new system and services. Over the summer and fall, a team comprised of Mercer and CBC employees worked assiduously to ensure that a January 2004 delivery date would be met. A detailed communication plan was developed to ensure that all stakeholders would be aware of the benefits associated to and the changes in service.

The pension benefit administration using Mercer provides the pension related services as identified on page 24 as well as other services which were not available in the past, including:

- On-line secure access to pension information, pension and buy-back calculations and pension forms. Further, this on-line feature provides an information request capability and the ability to update personal information.
- A toll-free call centre.
- Customer service representatives capable of answering pension related questions, put clients in touch with outside providers and mailing forms related to various life changes.

Of concern to the members of the Board of Trustees was the impact this arrangement would have on the staff of the existing pension administration department. Mercer offered employment to all affected employees of which four accepted the offer and the remaining employees opted to accept other positions within the Corporation.

Year Ending December 31	2003	2002	2001	2000	1999
Total number of persons (or estates) to whom contribution refunds and pension benefit transfers were paid during the year	173	188	366	285	215
The number of pensions transferred to other plans (Reciprocal transfers)	8	5	10	13	5
Pension benefit credits transferred to former spouses (active employees)	9	9	9	9	8
PENSIONS BEING PAID:					
Pension being paid to ex-employees (Normal - age 65 or over)	644	670	691	718	734
To ex-employees (Early - before age 65)	5,701	5,698	5,614	5,580	5,433
To ex-employees (Disability)	22	23	24	28	29
To spouses of deceased employees and pensioners	1,414	1,360	1,309	1,265	1,218
To former spouses due to division of pension credits	51	45	42	38	33
To children of deceased employees and pensioners	58	56	65	68	60
Total pensions being paid	**7,890**	**7,852**	**7,745**	**7,697**	**7,507**

The Board of Trustees, the CBC and Mercer are confident and have made a strong commitment to ensure that both active and retired employees of the Corporation or their successors will appreciate the new services.

FUTURE ISSUES AND TRENDS

Straight-Through Processing (STP)

Participants in the securities industry continue to seek ways to improve operational efficiencies and minimize risk. In 2000 the Canadian Capital Markets Association (CCMA) was created as a not-for-profit organization. The CCMA is comprised of associations and firms within the investment industry whose objective is to enhance the competitiveness of Canada's capital markets. One CCMA initiative which will provide some relief to the high operating costs for pension funds, custodians, investment managers and brokers is STP.

This process is defined as "Seamlessly passing financial information electronically - on a timely, accurate, system-to-system basis - to all parties in the end-to-end securities transaction chain, without manual handling or redundant processing". It is anticipated that this process will lower processing costs and minimize operational, market, payment, settlement and systemic risks. The timeline for this major change in how we do business is fairly tight. Legislation will be enacted in December 2004 as well as all regulatory or rule changes needed for effect by June 2005 when industry participants must comply with the standards and best practices published by CCMA.

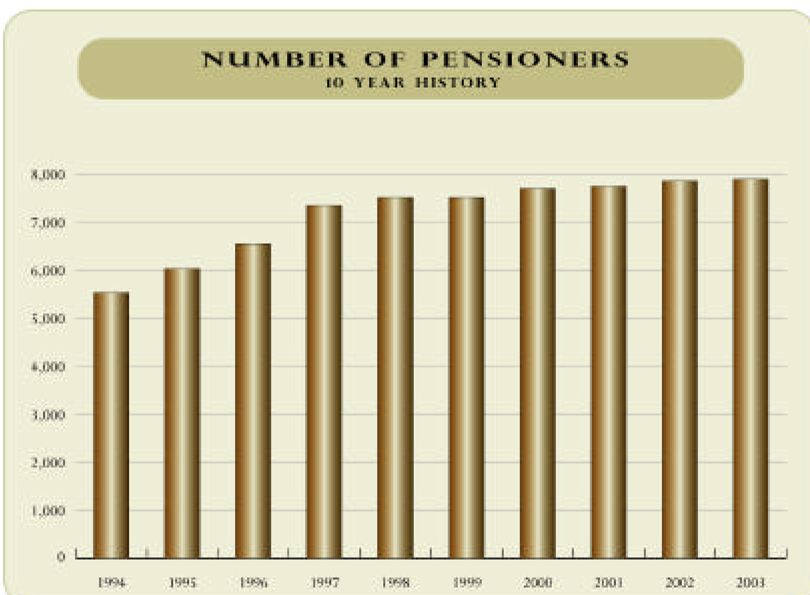
We will continue to develop our implementation plan and work closely with our custodian, brokers and other service providers to ensure that we will be in compliance to the new practices and processes.

Pension Benefit Administration

As reported elsewhere in this annual report, effective January 1, 2004 Pension Benefit Administration services are provided by Mercer Human Resources Consultants (Mercer). In 2004, management of the Plan, the CBC and Mercer will work closely to ensure for a smooth transition. All parties have an ongoing commitment to enhance the services to members and pensioners as changes take place in the pension benefit administration industry.

Pension Plan Governance

Pension plan governance continues to be a timely topic due to the current issues related to solvency surplus/deficit positions within many Canadian plans. In 2003 the Canadian Association of Pension Supervisory Authorities (CAPSA), which is the body responsible for the administration of pension regulatory legislation in jurisdictions across Canada, issued their Pension Plan Governance Guidelines and Self-Assessment Questionnaire. In 2004 management will review these new governance guidelines and recommend the implementation of any appropriate items which are not reflected in the current practices at the CBC Pension Plan.



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and all other information presented in this annual report have been prepared by management, which is responsible for the integrity and fairness of the data presented, including amounts which by necessity are based on management's best estimates as determined through experience and judgement. The financial statements have been properly prepared within reasonable limits of materiality. The accounting policies followed in the preparation of these financial statements conform with Canadian generally accepted accounting principles.

Management of the CBC Pension Board of Trustees maintains books of account, records, financial and management control, and information systems, which are designed for the provision of reliable and accurate financial information on a timely basis. Systems of internal control are maintained to provide assurance that transactions are authorized, that assets are safeguarded, and that legislative and regulatory requirements are adhered to. These controls include a code of conduct and an organizational structure that provides a well defined division of responsibilities and accountability.

The CBC Pension Board of Trustees is responsible for overseeing management and has overall responsibility for approving the financial information included in the annual report. The Board meets with management and the external auditor to review the scope of the audit, to review their findings and to satisfy themselves that their responsibilities have been properly discharged. In addition the firm of Mercer Human Resource Consulting Limited, consulting actuaries, conducts a formal actuarial valuation of the obligations for pension benefits at least every three years as is required under the Pension Benefits Standards Act.

Deloitte & Touche LLP, the Plan's external auditor appointed by the Board, has conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and procedures as they consider necessary to express the opinion in their report to the CBC Pension Board of Trustees. The external auditors have full and unrestricted access to the Board to discuss their audit and related findings as to the integrity of the Plan's financial reporting and the adequacy of internal control systems.

S. Cotsman
Managing Director/CEO
CBC Pension Plan

Don Grant
Secretary/Treasurer
CBC Pension Board of Trustees

February 6, 2004

ACTUARY'S OPINION

Mercer Human Resource Consulting Limited was retained by the CBC Pension Board of Trustees (the "Board") to estimate the going concern liabilities and calculate the value of the assets of the CBC Pension Plan (the "Plan") as at December 31, 2003, for inclusion in the Plan's financial statements. As part of our work, we examined the Plan's recent experience with respect to the investment of the pension fund assets and presented our findings to the Board.

The valuation of the Plan's actuarial liabilities is based on an extrapolation of the results of the December 31, 2002 actuarial valuation and takes into account:

» membership data provided by the Canadian Broadcasting Corporation as at December 31, 2002;

» methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and

» assumptions about future events (for example, future rate of inflation and future rates of return on the pension fund) which have been communicated to us as the Board's best estimate of these events.

While the actuarial assumptions used to estimate liabilities for the Plan's financial statements represent the Board's best estimate of future events, and while in our opinion these assumptions are reasonable, the Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations, and will affect the financial position of the Plan, and the contributions required to fund it, at that time.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation. We also believe that the methods employed in the valuation and the assumptions are, in aggregate, appropriate for the purposes of the valuation. Our opinions have been given, and our valuation has been performed, in accordance with accepted actuarial practice.

Sylvain Poirier
Fellow of the Canadian Institute of Actuaries

Mercer Human Resource Consulting Limited
Ottawa, Ontario

February 6, 2004

AUDITOR'S REPORT

Deloitte and Touche LLP
100 Queen Street
Suite 800
Ottawa, Ontario
K1P 5T8

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To the CBC Pension Board of Trustees

We have audited the statement of net assets available for benefits and accrued pension benefits and funding excess of the CBC Pension Plan as at December 31, 2003 and the statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in funding excess for the year then ended. These financial statements are the responsibility of the Board of Trustees' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and funding excess of the CBC Pension Plan as at December 31, 2003 and the changes in net assets available for benefits, accrued pension benefits and funding excess for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

February 6, 2004

CBC Pension Plan
Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Funding Excess as at December 31

	2003	2002
	(in thousands of dollars)	
NET ASSETS AVAILABLE FOR BENEFITS		
ASSETS		
Investments (Note 3)	$ 3,510,336	$ 3,291,570
Accrued Investment Income	12,204	14,830
Accounts Receivable (Note 5)	6,584	5,703
Contributions Receivable (Note 6)	3,579	3,985
FlexPen Investments (Note 7)	5,091	3,776
	3,537,794	3,319,864
LIABILITIES		
Accounts Payable (Note 8)	11,069	12,507
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS (Note 9)	3,526,725	3,307,357
ACCRUED PENSION BENEFITS (Note 9)	3,172,484	3,064,572
FUNDING EXCESS (Note 11)	$ 354,241	$ 242,785

Approved by the Board of Trustees

Trustee

Trustee

Approved by Management

Managing Director/CEO

Secretary/Treasurer

The accompanying notes are an integral part of the financial statements.

CBC Pension Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31

	2003	2002
	(in thousands of dollars)	
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	$ 3,307,357	$ 3,653,478
INCREASE IN ASSETS		
Current Year Change in Fair Value of		
- Investments and currency (Note 3)	268,374	-
- FlexPen (Note 7)	582	-
Investment Income (Note 3)	105,550	137,926
Contributions (Note 6)	28,241	22,692
TOTAL INCREASE IN ASSETS	402,747	160,618
DECREASE IN ASSETS		
Current Year Change in Fair Value of		
- Investments and currency (Note 3)	-	333,421
- FlexPen (Note 7)	-	332
Benefits (Note 10)	172,581	162,077
Administrative Expenses (Note 12)	10,798	10,909
TOTAL DECREASE IN ASSETS	183,379	506,739
INCREASE (DECREASE) IN NET ASSETS	219,368	(346,121)
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 3,526,725	$ 3,307,357

The accompanying notes are an integral part of the financial statements.

CBC Pension Plan
Statement of Changes in Accrued Pension Benefits
Year Ended December 31

	2003	2002
	(in thousands of dollars)	
ACCRUED PENSION BENEFITS BEGINNING OF YEAR	$ 3,064,572	$ 2,973,835
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on Accrued Pension Benefits	203,384	197,391
Benefits Earned	75,589	68,450
FlexPen (Note 7)	1,520	565
	280,493	266,406
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits (Note 10)	172,581	162,077
Changes in Actuarial Assumptions (Note 9)	-	7,989
Experience Gains (Note 9)	-	5,603
	172,581	175,669
NET INCREASE IN ACCRUED PENSION BENEFITS	107,912	90,737
ACCRUED PENSION BENEFITS AT END OF YEAR	$ 3,172,484	$ 3,064,572

Statement of Changes in Funding Excess
Year Ended December 31

	2003	2002
	(in thousands of dollars)	
FUNDING EXCESS BEGINNING OF YEAR	$ 242,785	$ 659,626
Increase(Decrease) in Net Assets Available for Benefits	219,368	(346,121)
Change in Actuarial Assets Value Adjustment	-	20,017
Increase(Decrease) in Actuarial Value of Net Assets Available for Benefits	219,368	(326,104)
Net Increase in Accrued Pension Benefits	107,912	90,737
FUNDING EXCESS AT END OF YEAR	$ 354,241	$ 242,785

The accompanying notes are an integral part of the financial statements.

1. Description of Plan

The following description of the Canadian Broadcasting Corporation Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the text of the Plan as amended.

a) General

The Canadian Broadcasting Corporation (the Corporation) established the Plan effective September 1, 1961, pursuant to the Broadcasting Act. The Plan is primarily a contributory defined benefit pension plan covering substantially all permanent employees of the Corporation. The Plan is subject to the provisions of the Pension Benefits Standards Act (PBSA) and Regulations. The Plan's registration number with the Superintendent of Financial Institutions is 55144.

b) Benefits

The Corporation guarantees the payment of the pensions (other than the flexible pension provision), and other benefits payable under the terms of this Plan as amended. A member who is a regular employee of the Corporation will receive benefits based on the length of pensionable service and on the average of the best five consecutive years of pensionable salary in the last ten years of employment. A member who is a part-time employee of the Corporation will receive benefits based on an indexed career average salary formula. The benefits are indexed at the lesser of 2.7% or the Consumer Price Index (CPI) effective January 1 of each year.

c) Funding

The Plan is funded on the basis of actuarial valuations, which are made at least on a triennial basis. The most recent actuarial valuation of the Plan was made on December 31, 2002, with the cost certificate filed with Regulatory Authorities on June 5, 2003. Employees are required to contribute to the Plan a percentage of their pensionable salary, which is 4.2% of earnings up to the maximum public pension plan earnings ($39,900 in 2003) and 5.5% of earnings in excess of such maximum. The Corporation provides the balance of the funding, as required, based on actuarial valuations.

d) Income Tax Status

The Plan is a Registered Pension Trust as defined in the Income Tax Act, and consequently, is not subject to income taxes. The Plan’s registration number for income tax purposes is 202895.

2. Significant Accounting Policies

a) Presentation

These financial statements are prepared on the going concern basis and present the financial position of the Plan as a separate financial reporting entity independent of the sponsor and Plan members. The objective of these financial statements is to assist Plan members and other users in reviewing the financial position and results of operations of the Plan for the year. However, these statements do not portray the funding requirements of the Plan or the security of an individual Plan member's benefits.

b) Consolidation

The financial statements include the accounts of the CBC Pension Plan, its wholly-owned subsidiaries, which hold the Plan's interest in certain real estate and other investments, and a joint venture. The Plan's interest in the joint venture is accounted for by the proportionate consolidation method.

c) Investments

Investments are recorded as of the trade date and are stated at fair value (see note 3). Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Cost represents the original cost less write-downs, to reflect other than temporary declines in fair value.

d) Accrual of income

Interest and dividend income has been accrued to the year-end date.

e) Current year change in fair value of investments

The current year change in fair value of investments is the difference between the fair value and the cost of investments at the beginning and end of each year adjusted for realized gains and losses in the year.

f) Accrued pension benefits

Accrued pension benefits related to the defined benefit portion of the Plan are based on an actuarial valuation prepared by a firm of independent actuaries. The determined obligations constitute an extrapolation from the results of the previous formal valuation using the projected benefit method prorated on service and management's best estimate of future economic events (see note 9). Accrued benefits related to the flexible pension provisions are reported at the fair value of the investments associated with the contributions.

g) Contributions

Contributions for current service are recorded in the year in which the related payroll costs are incurred. Contributions for past service are recorded in the year received. Cash contributions related to the flexible pension provisions are recorded in the year received and payroll contributions are recorded in the year deducted.

h) Foreign currency translation and forward currency agreements

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at year-end. Income and expenses are translated at the rate of exchange prevailing at the time of the transactions. Forward currency agreements are fair valued at the reporting date. Gains and losses from translation and forward currency agreements are included in the current year change in fair value of investments.

i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimated.

3. Investments

a) The following tables show the fair value and the cost of the investments at year-end as well as the current year change in fair value of investments and related income. Real Estate is recorded net of the Fund's proportionate share of property debt of $62.4 million at the end of 2003 ($69.6 million in 2002). Investment income includes interest and dividends earned during the year as well as income from real estate properties which is net of operating and interest expense.

2003 INVESTMENTS

	Fair Value	Cost	Current year Change in Fair Value of Investments [1]	Investment Income	Total Return
			(in thousands of dollars)		
Fixed Income					
Cash and Short-Term Investments	$ 129,653	$ 129,527	$ (3,933)	$ 6,651	$ 2,718
Bonds - Canadian	964,931	928,738	7,210	53,808	61,018
- Global	104,731	99,472	(10,725)	4,041	(6,684)
	1,199,315	1,157,737	(7,448)	64,500	57,052
Equities					
Canadian	1,024,119	886,529	212,964	16,728	229,692
Global	940,567	879,013	68,839	13,184	82,023
	1,964,686	1,765,542	281,803	29,912	311,715
Strategic					
Property (Note 4)	287,212	283,362	(352)	10,928	10,576
Private Placements	59,123	66,274	(5,629)	210	(5,419)
	346,335	349,636	(5,981)	11,138	5,157
TOTAL	$ 3,510,336	$ 3,272,915	$ 268,374	$ 105,550	$ 373,924

[1] The current year change in Fair Value of Investments includes $266.5 million of unrealized gains and $73.1 million of net realized and unrealized losses on foreign exchange.

2002 INVESTMENTS

	Fair Value	Cost	Current year Change in Fair Value of Investments [1]	Investment Income	Total Return
			(in thousands of dollars)		
Fixed Income					
Cash and Short-Term Investments	$ 294,065	$ 293,776	$ 1,398	$ 4,966	$ 6,364
Bonds - Canadian	929,382	890,699	20,805	56,137	76,942
- Global	141,456	125,000	745	23,034	23,779
	1,364,903	1,309,475	22,948	84,137	107,085
Equities					
Canadian	870,116	966,049	(142,872)	14,901	(127,971)
Global	710,831	831,706	(203,386)	12,336	(191,050)
	1,580,947	1,797,755	(346,258)	27,237	(319,021)
Strategic					
Property (Note 4)	281,472	283,666	4,208	26,275	30,483
Private Placements	64,248	65,314	(14,319)	277	(14,042)
	345,720	348,980	(10,111)	26,552	16,441
TOTAL	$ 3,291,570	$ 3,456,210	$ (333,421)	$ 137,926	$ (195,495)

[1] The current year change in Fair Value of Investments includes $202.2 million of unrealized losses and $40.6 million of net realized and unrealized gains on foreign exchange.

b) Determination of fair values:

i) Cash and short-term investments

Cash and short-term investments, which include bank deposits, treasury bills, bankers' acceptances and short-term corporate notes and short-term bonds, are valued at cost which approximates fair value.

ii) Equities, Bonds and Private Placements

Equities and bonds consisting primarily of listed securities are recorded at prices based on published market quotations.

Private placements consisting primarily of unlisted equities and debentures are valued at prices based on management's best estimates using one of the following methods: trade prices for similar securities, discounted cash flows and appraised values.

iii) Property

Property consists of mortgages and real estate.

a) Mortgages are secured by real estate and generally represent one to five year loans made at commercial mortgage rates to individuals and corporations. These loans are generally amortized over periods ranging from ten to twenty-five years. Mortgages are valued using current mortgage market yields and include accrued interest.

b) Real estate projects when in development are valued at the lower of cost and estimated realizable value. Other real estate investments are recorded at estimated fair values and are subject to independent appraisal at least once every three years.

c) Investment risk

The Plan's performance is subject to a number of risks which are managed using a number of tools and techniques. A discussion of certain of these risks is provided below:

i) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan’s investments is affected by short-term changes in nominal interest rates and equity markets both domestic and foreign. Pension liabilities are exposed to the long-term assumption for the Plan’s rate of return on investments as well as shorter term assumptions on inflation and salary escalation.

The Plan’s primary exposure is the prospect of a decline in the long-term real rate of return which may result in higher contribution rates required to meet pension liabilities. As at December 31, 2003, a 1% reduction in the assumed real long-term rate of return would result in an increase in the pension liabilities of approximately 14% whereas an increase in the rate would result in a decrease in the pension liabilities of approximately 12%.

It should be noted that short-term fluctuations in the real rate of return would not have a significant impact on the pension liabilities.

Pension liabilities are sensitive to changes in inflation and salary escalation rates. Changes in these parameters as well as interest rates will have a different effect on the values of the assets and pension liabilities, leading to mismatch risk. Given the nature of pension benefits, such risks cannot be eliminated, but are managed through the funding and investment policy of the Plan.

In 2003, the Plan's Statement of Investment Policy and Procedures provided for a long-term target asset mix of 34% fixed income, 55% equities, and 11% strategic investments which includes property and private placements. The asset mix is determined through periodic reviews of the Plan's pension liabilities.

ii) Credit Risk

a) The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Plan's Statement of Investment Policy and Procedures, which is reviewed annually, defines permitted investments, in accordance with the Act and provides guidelines and restrictions on acceptable investments which minimizes credit risk.

The maximum credit exposure of the Plan is represented by the fair value of the investments as presented in the Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Funding Excess.

b) Concentration of credit risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. Management does not believe that the concentrations described below are unusual when compared to other pension plans.

	2003	2002
	(% of category)	
BONDS		
Government of Canada	37.1	35.5
Provinces	10.2	12.9
Corporate	44.8	41.2
Passive Pooled Fund	7.9	10.4
	100.0	100.0

	2003	2002
	(% of category)	
CANADIAN EQUITIES		
Materials	23.2	23.6
Industrials	5.8	6.6
Telecommunication Services	1.7	1.4
Consumer Discretionary	3.4	4.4
Consumer Staples	1.9	2.0
Energy	11.0	13.0
Financials	20.9	19.8
Health Care	3.4	3.6
Information Technology	3.6	3.9
Utilities	2.6	4.2
Index Units Canadian Exposure S&P/TSX 60	22.5	17.5
	100.0	100.0

iii) Foreign Currency and Exposure Risk

The Plan invests in non-Canadian equities, bonds and money market securities the value of which fluctuates due to changes in foreign exchange rates as well as the economic and political environments associated with the individual countries. Further, the Plan increases its foreign exposure by investing in unhedged index units which are considered Canadian content but provide returns based on foreign market performance.

The Plan may, from time to time manage some of the exposure based on economic fundamentals.

The Plan's net foreign currency exposure in Canadian dollars after giving effect to the hedged and trading positions as at December 31 was as follows:

	2003			2002
	Foreign Currency Exposure	Net Foreign Currency Hedge/Trading	Net Foreign Currency Exposure	Net Foreign Currency Exposure
		(in thousands of dollars)		
Cash and Short-Term Investments	$ 11,780	$ -	$ 11,780	$ 8,542
Equities and Global Bonds:				
United States	528,475	(8,477)	519,998	340,871
Japan	87,817	20,133	107,950	86,516
United Kingdom	90,370	(222)	90,148	96,199
Euro Countries:				
- France	35,843			
- Germany	77,710			
- Holland	17,160			
- Finland	5,271			
- Italy	11,816			
Total Euro Countries	147,800	(18,320)	129,480	167,001
Switzerland	27,306	6,974	34,280	23,886
Australia	19,011		19,011	16,648
HongKong	16,292		16,292	6,981
Spain	13,133		13,133	10,455
Sweden	5,099		5,099	4,277
Others	107,441		107,441	95,354
Total	$ 1,054,524	$ 88	$ 1,054,612	$ 856,730

4. Real Estate Joint Venture

Effective April 1, 2000, the Plan and Edgefund Equities Inc. merged part of their respective real estate holdings to form Pyxis Real Estate Equities, a 30%-70% joint venture. The Plan contributed real estate property to the joint venture for a total consideration of $84 million, of which $60 thousand was received in common shares of Pyxis, and the balance was received as a promissory note secured by the fair market value of all properties.

The following amounts represent the Plan's proportionate interest in Pyxis at book value before consolidation:

	2003	2002
	(in thousands of dollars)	
Assets		
Cash and Short-term Investments	3,648	2,167
Accounts Receivable	5,146	4,258
Property	31,782	28,753
Mortgage	1,038	497
Liabilities		
Accounts Payable	4,026	3,483
Promissory Notes	28,935	31,901
Earnings		
Investment Income	513	191
Administrative Expenses	(387)	(418)
Realized Profit(Loss) on Sale of Investments	(561)	(899)
Net Income(Loss)	(435)	(1,126)

5. Accounts Receivable

	2003	2002
	(in thousands of dollars)	
Property	$ 6,549	$ 5,670
Other	35	33
	$ 6,584	$ 5,703

6. Contributions

The following are the contributions for the year:

		2003	2002
		(in thousands of dollars)	
Employee	- Current Service	$ 19,754	$ 17,207
	- Past Service	7,110	4,588
	- Net Reciprocal	411	-
	- FlexPen (Note 7)	938	897
Employer		28	-
		$ 28,241	$ 22,692

Included in the contributions are the following amounts receivable at year-end:

	2003	2002
	(in thousands of dollars)	
Employee	$ 3,555	$ 3,985
Employer	24	-
	$ 3,579	$ 3,985

7. Flexible Pension (FlexPen)

An amendment was made to the Plan effective January 1, 1998, to include a flexible component. Under FlexPen, members can make additional contributions to the Plan, up to limits within the Income Tax Act. Members may choose from various pooled fund investments which are administered by external managers. Contributions and accrued investment income thereon are converted into additional benefits based upon market rates at the earliest of retirement, death or termination of employment.

The liabilities of the Plan with respect to FlexPen are equal to the additional member contributions, plus investment income, plus or minus capital gains or losses thereon less refunds. This portion of the Plan benefits is funded entirely by members.

A summary of the activity for the year ending December 31 is as follows:

	2003	2002
	(in thousands of dollars)	
Investments beginning of year	$ 3,776	$ 3,486
Increases:		
Contributions	930	891
Interest	8	6
Capital Appreciation	582	-
	1,520	897
Decreases:		
Capital Depreciation	-	332
Refunds	22	13
Purchase of Additional Pension Benefits	183	262
	205	607
Investments end of year	$ 5,091	$ 3,776

8. Accounts Payable

	2003	2002
	(in thousands of dollars)	
Investment related	$ 4,392	$ 4,099
Benefits	4,173	5,603
Other	2,504	2,805
	$ 11,069	$ 12,507

9. Accrued Pension Benefits

(a) Actuarial valuations are required at least every three years under the Pension Benefits Standards Act. The latest actuarial valuation was made at December 31, 2002, by Mercer Human Resource Consulting Limited, a firm of consulting actuaries. Amounts reported in these financial statements are based on going concern results of this valuation. The actuarial assumptions used in determining the obligations for accrued pension benefits, which reflect the Board's best estimates of expected economic trends, were as follows:

	Long term assumptions	
	2003	2002
Asset rate of return	6.75%	6.75%
Salary escalation rate[3]	4.00%	4.00%
Inflation rate	3.00%	3.00%

[3] excluding merit and promotional salary increases

Select assumptions reflecting the short-term economic environment were also used.

There were no experience gains or losses in 2003 since accrued pension benefits were projected from the December 31, 2002 actuarial valuation. In 2002 there were experience gains of $5.6 million.

The Pension Benefits Standards Act requires that the Plan be also valued on a solvency basis, which simulates a plan wind-up. As of December 31, 2002, the Plan's solvency liabilities were $3,168 million. Such liabilities were projected to $3,578 as at December 31, 2003.

b) The actuarial value of net assets available for benefits has been determined at amounts that reflect long-term market trends consistent with assumptions underlying the valuation of the accrued pension benefits. The actuarial value of net assets is based on a four-year moving - average-market method, without exceeding the asset market value. Under this method the market value is the underlying basis, but fluctuations are generally averaged over a four-year period. The year over year change in the actuarial asset value adjustment is reflected in the Statement of Changes in Funding Excess.

10. Benefits

Benefits for the year ended December 31, were as follows:

	2003	2002
	(in thousands of dollars)	
Pensions	$ 169,337	$ 167,252
Refunds and Related Interest	931	458
Net Transfer of Contributions and Related Interest	2,108	4,267
FlexPen:		
- Refunds	22	13
- Purchase of Additional Pension Benefits	183	262
	172,581	172,252
Decrease		
Elective Benefit Reversal [(4)]	-	10,175
	$ 172,581	$ 162,077

[(4)] Subsequent to December 31, 2001, some employees who had elected to transfer their contributions opted for a deferred pension.

11. Funding Excess

Through an actuarial valuation as at December 31, 2002, it was determined that the Plan had a funding excess of $242.8 million on a going concern basis and a funding excess of $156.1 million on a solvency basis. The actuarial report was submitted to the Plan sponsor, as required under the Trust Deed, and to the Office of the Superintendent of Financial Institutions.

The Corporation indicated that it's contribution requirements would be covered by the funding excess in 2003, and that it will resume contributing the full current service cost starting on January 1, 2004.

An amendment was made to the Plan as at January 1, 2000, whereby 17.2% of member accumulated contributions and interest were refunded. The amendment also required that future member contributions be reduced by the same percentage. Given the financial status of the Plan at December 31, 2002, the Corporation amended the Plan, effective January 1, 2004, to increase member contributions to the pre-2000 level.

12. Administrative Expenses

In accordance with the Trust Deed, all fees, charges and other costs incurred by the Trustees in the setting up and administration of the Plan and in the setting up and management of the Fund are to be paid by the Fund. Expenses for the year ended December 31, were as follows:

	2003	2002
	(in thousands of dollars)	
Fund Administration		
Internal Investment Management		
Salaries and employment costs	$ 2,221	$ 2,094
Professional fees	346	1,571
Data processing	780	817
Custodial and banking fees	661	811
Office rent	222	178
Other	132	163
Total Internal Management	4,362	5,634
External Investment Management		
Management fees	2,862	1,871
Property management	448	502
Total External Management	3,310	2,373
	7,672	8,007
Pension Benefit Administration		
Salaries and employment costs	993	1,016
Special project	717	-
Professional fees	120	450
Office rent	29	29
Other	220	227
	2,079	1,722
Board of Trustees Expense		
Professional fees	292	466
Other	80	72
	372	538
GST	675	642
Total Administrative Expenses	$ 10,798	$ 10,909

13. Commitments and Contingencies

The Fund has committed to enter into investment transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. The Fund is contingently liable to fund cash flow deficiencies and the obligations of its co-investors, including other pension funds, on certain real estate related investments. In addition, the Fund may have to provide financing on certain real estate related investments in the event of the non-availability of financing from other sources.

14. Comparative Figures

Certain of the 2002 comparative figures have been reclassified to conform to the current year's presentation.

INVESTMENTS GREATER THAN $15,000,000
AS AT DECEMBER 31, 2003

BONDS - CANADIAN

ISSUER	COUPON	MATURITY DATE	FAIR VALUE (in million $)
Emerald Canadian Bond Fund Units			76.48
Government of Canada	5.750%	Sept 01, 2006	53.14
Government of Canada	6.000%	Jun 01, 2008	43.43
Government of Canada	5.250%	Jun 01, 2013	42.83
Government of Canada	6.000%	Sept 01, 2005	42.08
Canada Housing & Trust	3.700%	Sept 15, 2008	39.42
Province of Ontario	5.375%	Dec 02, 2012	34.18
Government of Canada	10.250%	Mar 15, 2014	33.29
Government of Canada	5.750%	Jun 01, 2029	32.30
Government of Canada	8.000%	Jun 01, 2023	30.99
Gloucester Credit Card Trust	5.590%	Jun 15, 2007	21.13
Golden Credit Card Trust	5.700%	Aug 15, 2006	21.11
Canada Housing & Trust	5.527%	Jun 15, 2006	21.07
GE Capital Canada Funding	5.000%	Apr 23, 2008	20.67
Province of British Columbia	5.700%	Jun 18, 2029	18.39
Government of Canada	5.500%	Jun 01, 2009	18.15

BONDS - GLOBAL

ISSUER	FAIR VALUE (in million $)
Baring Global Bond Fund	104.73

SHORT TERM NOTES

ISSUER	MATURITY DATE	FAIR VALUE (in million $)
Alcan Inc.	Feb 26, 2004	15.88

PROPERTY

ISSUER	FAIR VALUE (in million $)
Pyxis Real Estate Ogilvy Building	34.60
Pensionfund Realty Residential Property (I) Inc. Pooled	19.28
Pensionfund Realty CN Tower	16.69
Pyxis Real Estate Centre Duvernay	15.50

Canadian Equities

ISSUER	FAIR VALUE (in million $)
Emerald Canadian Equity Fund	216.80
Royal Bank of Canada	35.14
Bank of Nova Scotia	31.25
Bank of Montreal	30.76
Sun Life Financial Inc.	24.22
Manulife Financial Corp.	23.02
Toronto-Dominion Bank	21.64
Alcan Inc.	21.20
Canadian Imperial Bank of Commerce	20.80
Encana Corp.	20.40
Placer Dome Inc.	20.27
Suncor Energy	17.87
Petro Canada	17.57
Ivanhoe Mines Ltd.	16.48
Kinross Gold Corp.	15.48

United States Equities

ISSUER	FAIR VALUE (in million $)
Emerald US Enhanced Fund	199.74
S&P 500 Depository Receipts	31.34

Global Equities

ISSUER	FAIR VALUE (in million $)
Emerald International Fund	88.38

Special & Private Placements

ISSUER	FAIR VALUE (in million $)
1028484 Ontario Inc. Class B	20.08

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as at December 31

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We welcome your comments and suggestions for this annual report
as well as other aspects of your communications program.

Please address your comments to:

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