




FINANCIAL HIGHLIGHTS

Achieving Corporate Priorities

THE FINANCIALS

HIGH-QUALITY, DISTINCTIVE CANADIAN PROGRAMMING

- $60 million one-time funding for four consecutive years, used to renew programming vitality across all media lines.
- Millions of Canadians tuned in to CBC | Radio-Canada to share in the excitement, the heartache and the glory of the 2004 Summer Olympic Games in Athens.

EFFICIENCY

- Implementation of the documentation and evaluation of internal controls over the financial statements project.
- Establishment of a working group to provide solutions to the rising cost of health care coverage.

STRATEGIC PARTNERSHIPS

- Strategic partnership with SIRIUS and Standard Broadcasting Inc. to offer satellite radio to Canadians.
- Consolidation of media services under one roof in Ottawa for better synergies and sharing of technology, resources and content.

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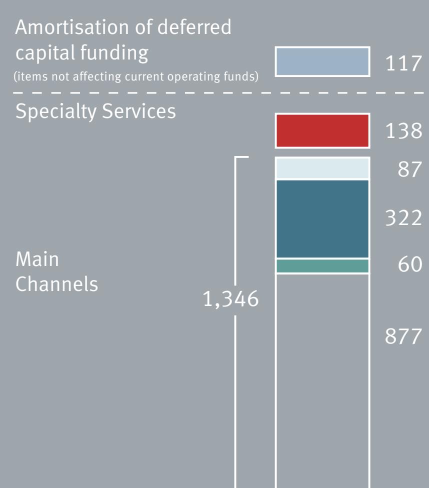
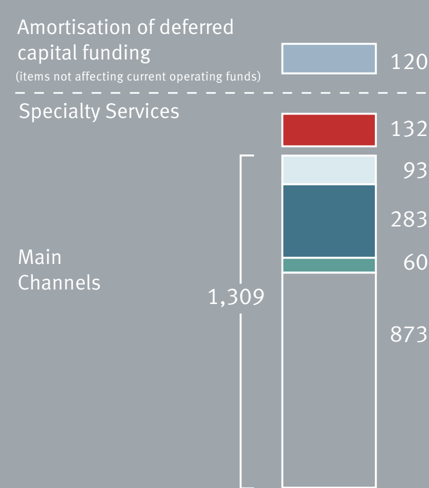


2004–2005
Revenues and Operating Sources of Funds – CBC | Radio-Canada
(millions of dollars)

- Amortisation of deferred capital funding
- CBC Newsworld, RDI, Galaxie, and CBC Country Canada
- Miscellaneous and financing income
- Advertising and program sales
- Additional non-recurring funding
- Parliamentary appropriation



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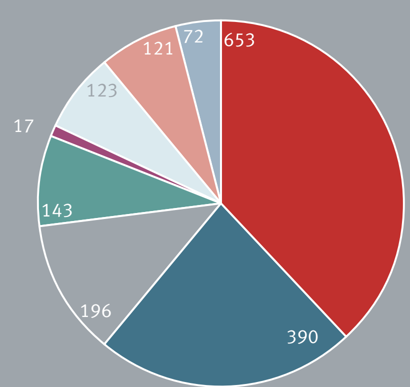
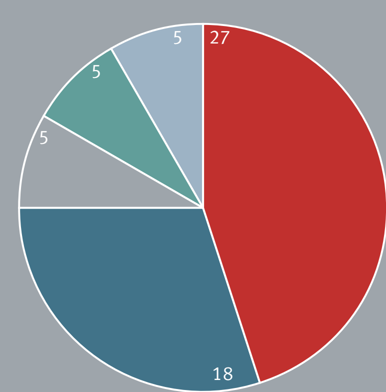


2004–2005 Operating Expenditures*
1,715 millions of $
(millions of dollars)

CBC Television	653 (38%)
Télévision de Radio-Canada	390 (23%)
CBC Radio	196 (12%)
Radio de Radio-Canada	143 (8%)
Corporate management	17 (1%)
Amortisation of property and equipment	123 (7%)
Specialty Services	121 (7%)
Distribution and affiliates	72 (4%)

*Excluding recovery of income and large corporations taxes



2004–2005
Distribution of the non-recurring funding of $60 million
(millions of dollars)

- CBC Television
- Télévision de Radio-Canada
- CBC Radio
- Radio de Radio-Canada
- Other programming initiatives

MANAGEMENT DISCUSSION AND ANALYSIS

2004–2005 Highlights

- In April 2003, **the Government of Canada renewed its re-investment of $60 million** for two additional fiscal years ending in 2004–2005. This funding was used to strengthen and enhance Radio and Television programming, particularly in the areas of drama, children's programs, documentaries, cultural and arts programming.
- In December 2004, **the Corporation completed the move of its Ottawa operations into a new and modern broadcasting centre**. This project not only brought the public broadcaster closer to the community but also allowed efficiencies in different aspects of its operations: content management, digital production methods and real estate management.
- **A new digital newsroom environment has been installed in the new broadcast centre in Ottawa** and will soon be operational in Edmonton and Quebec City. This new tape-less system, where all video and audio media is ingested into a digital server-based system, allows journalists and technicians to search, view and/or edit media at their own desktop computers. The new digital workflows facilitate content sharing between Radio and Television platforms, and provide a migration path to high definition (HD). They will also allow CBC | Radio-Canada to significantly increase productivity across its entire newsroom production environment.
- The cancellation of the hockey season as a result of **the National Hockey League (NHL) lockout had an impact on CBC Television's financial results**.
- During August 2004, **millions of Canadians tuned in to CBC | Radio-Canada** to share in the excitement, the heartache and the glory of **the 2004 Summer Olympic Games in Athens**.
- In 2004, **the Mobile Division was created to maximise the efficient use of CBC | Radio-Canada's mobile facilities**, and to ensure that programs have access to the equipment and expertise they need. The Corporation's priority is to meet internal needs at the lowest possible cost and generate revenue by marketing any excess capacity we might have.
- In 2004, **Newsworld International announced the end of its content providing agreement with CBC | Radio-Canada**, due to a change in its programming focus. The agreement was to provide News and information to Newsworld International, a 24-hour global News and information channel that is available in the United States and Latin America. Unfortunately, the Corporation had to announce the departure of employees, which will follow the termination of the current agreement, in August 2005.
- Since January 1, 2004, **the Corporation has resumed its contribution to the employee Pension Fund**. Over the past four years, the Corporation has benefited from a contribution holiday due to the good performance of the plan.

FINANCIAL RESULTS

REVENUES | 2004–2005 ADVERTISING REVENUES INCREASED MAINLY DUE TO REVENUES GENERATED DURING THE 2004 SUMMER OLYMPIC GAMES IN ATHENS.

The revenues generated from the Athens Olympic Games mainly explain the increase in advertising revenues. CBC Television's advertising revenues generated from regular operations, however, significantly decreased in 2005, due to the NHL lockout. This decrease was partially offset by the over-achievement of revenues during the 2004 playoffs and advertising revenues generated from replacement programming, namely *Movie Night in Canada*. Télévision de Radio-Canada's advertising revenues generated from regular operations increased due to the good performance of its programming during the Fall season.

The increase for Specialty Services is mostly attributable to an increase in the number of subscribers for CBC Newsworld and Galaxie, as well as an increase in advertising revenues generated from political parties during the federal election campaign for CBC Newsworld and Réseau de l'information de Radio-Canada (RDI).

Miscellaneous revenues for 2004–2005 include revenues generated from the Host Broadcasting activities during the Athens Olympic Games. The 2003–2004 Host Broadcasting activities were on a much larger scale, however, with the Pan American Games in the Dominican Republic and the World Road Cycling Championships in Hamilton, resulting in a decrease in miscellaneous revenues in 2004–2005. The 2004–2005 miscellaneous revenues also include the sale of a CBC | Radio-Canada warehouse in Burnaby, British Columbia.

EXPENSES | THE TELEVISION AND RADIO EXPENSES INCLUDE COSTS INCURRED DURING THE 2004 SUMMER OLYMPIC GAMES IN ATHENS.

This increase in expenses is explained by the broadcasting of the Athens Olympic Games. This increase is partially offset by lower activities relating to the regular sports programming schedule, however, resulting from the cancellation of the hockey season.

The Television and Radio services results also include expenses incurred as a result of the Host Broadcasting activities, which were not as significant in 2004–2005, as compared to 2003–2004.

Télévision de Radio-Canada's new Fall programming schedule resulted in an increase in Arts and Entertainment programming expenses which is reflected in the 2004–2005 Television and Radio Services results.

The Corporation resumed its contribution to the employee pension plan, as of January 1, 2004. This resulted in an increase in pension contributions over last year. This increased contribution is considered in the calculation of the actuarial accounting of expenses for employee future benefits (see note 8). The net impact of the increased contribution and the actuarial accounting calculation resulted in a increase in expense of approximately $16 million over last year.

BALANCE SHEET ITEMS |

The level of cash, cash equivalent and short-term investments decreased due to a timing difference in the cash flow requirements (one additional payroll period in 2004–2005 and prepayments of rights). The Corporation also changed the profile of its investment portfolio, investing a portion in longer-term marketable securities. This resulted in a decrease in short-term investments.

The decrease in the item "Prepaid expenses" is mainly due to the advanced payment for broadcast rights for the Athens Olympic Games, which was included in the 2003–2004 results.

The long-term receivables include receivables resulting from the sale of parcels of land in Toronto. The outstanding sales proceeds will be received over 22.1 years and an annual interest rate of 7.15 per cent is applicable. Long-term receivables also include payroll advances resulting from a change in the payroll schedule of the Corporation. The salary advance will be recovered upon termination of employment.

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

Long-term investments include investments in companies over which CBC | Radio-Canada has significant influence – ARTV and The Documentary Channel. This Balance Sheet item also includes marketable securities and bonds with a maturity date of more than 12 months from the Balance Sheet date.

The increase in the item "Employee-related liability (current)" is explained mainly by increased departure costs following the termination of the content provider agreement with Newsworld International.

The item "Employee-related liability (long-term)" reflects the application of rules respecting employee future benefits. Under these rules, actuarial accounting must be used to determine liabilities relative to the Pension Fund and to other employee future benefits.

FISCAL YEAR 2005–2006 AND SUBSEQUENT YEARS

On December 10, 2003, CBC | Radio-Canada, SIRIUS and Standard Broadcasting Inc. announced the creation of a joint venture to offer satellite radio service to Canadians. An application was filed with the Canadian Radio-television and Telecommunications Commision (CRTC) in the Summer of 2004 for authorisation to distribute satellite radio service in Canada. The partnership, which also requires Treasury Board approval, could result in a major, profitable investment for CBC | Radio-Canada in 2005–2006.

In fiscal year 2005–2006, the Corporation will implement new programming technologies that were developed under the "Vision Project". This project will integrate the management of: contracts and content, program inventory and schedules, broadcast and media, revenue, marketing and sales, promotions, and airtime analysis.

Following the implementation of a new digital newsroom environment in Ottawa, Edmonton and Québec City, the National News Department in Toronto will also be converted from a tape-based production system. This new initiative will allow CBC | Radio-Canada to significantly increase productivity across its entire newsroom production environment.

CBC | Radio-Canada is seeking the Government's support to remove the uncertainty surrounding its Government funding, specifically by making the $60 million investment it has made in CBC | Radio-Canada permanent, and to provide the financial stability that will allow it to effectively plan for the future.

FINANCIAL RESULTS HIGHLIGHTS FROM THE PAST FIVE YEARS

For the year ended March 31	2005	2004	2003	2002	2001
			(millions of dollars)		
Government funding					
Parliamentary appropriations	877	873	877	780	794
Non-recurring funding for programming initiatives	60	60	60	60	-
Revenue					
Advertising and program sales	322	283	284	319	349
Miscellaneous and financing income	87	93	73	82	65
Specialty Services	138	132	123	118	108
Allocation of funds					
Television and Radio services costs	1,383	1,330	1,198	1,151	1,043
Specialty Services expenses	121	116	117	104	100

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

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

Ottawa, Canada
June 6, 2005

President and CEO

Vice-President and Chief Financial Officer

AUDITOR'S REPORT

To the Board of Directors of the Canadian Broadcasting Corporation
and the Minister of Canadian Heritage

I have audited the balance sheet of the Canadian Broadcasting Corporation as at March 31, 2005 and the statements of operations and equity, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Broadcasting Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
June 6, 2005

BALANCE SHEET

As at March 31

	2005	2004
	(thousands of dollars)	
ASSETS		
Current		
Cash and cash equivalents	20,487	132,690
Short-term investments (NOTE 3)	82,794	56,324
Accounts receivable	128,318	134,025
Program inventory	133,212	116,333
Prepaid expenses	48,039	58,658
Net investment in sales-type leases (NOTE 4)	1,685	1,605
	414,535	**499,635**
Property and equipment (NOTE 5)	983,036	994,332
Long-term receivables (NOTE 6)	73,963	71,848
Net investment in sales-type leases (NOTE 4)	66,929	68,214
Deferred charges	13,464	13,936
Long-term investments (NOTE 7)	38,393	3,896
	1,590,320	**1,651,861**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	124,016	134,150
Employee-related liabilities (NOTE 8)	174,943	165,391
Obligation under capital lease (NOTE 9)	6,380	5,926
	305,339	**305,467**
Long-term		
Employee-related liabilities (NOTE 8)	230,606	155,014
Obligation under capital lease (NOTE 9)	349,216	355,597
Deferred capital funding (NOTE 10)	629,987	650,959
	1,209,809	**1,161,570**
EQUITY		
Equity	75,172	184,824
	1,590,320	**1,651,861**

Commitments and contingencies (NOTES 11 AND 12)

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

Approved on behalf of the Board of Directors:

Director

Director

STATEMENT OF OPERATIONS AND EQUITY

For the year ended March 31

	2005	2004
	(thousands of dollars)	
Revenues		
Advertising and program sales	321,670	283,059
Specialty Services (NOTE 13)	138,288	132,107
Miscellaneous	73,049	79,332
Financing income	13,699	14,120
	546,706	**508,618**
Expenses		
Television and Radio services costs	1,383,164	1,330,029
Specialty Services (NOTE 13)	120,662	116,446
Transmission, distribution and collection	63,748	61,770
Payments to private stations	8,058	9,002
Corporate management	16,525	16,855
Amortisation of property and equipment	122,675	123,855
	1,714,832	**1,657,957**
Operating loss before non-operating revenues, government funding and taxes	**(1,168,126)**	**(1,149,339)**
Government funding		
Parliamentary appropriation for operating expenditures (NOTE 14)	936,771	932,695
Amortisation of deferred capital funding (NOTE 10)	116,729	120,174
	1,053,500	**1,052,869**
Net results before non-operating revenues and taxes	**(114,626)**	**(96,470)**
Non-operating revenues		
Gain from sales-type leases	-	65,935
Gain on disposal of property	-	58,940
	-	**124,875**
Net results before taxes	**(114,626)**	**28,405**
Recovery of income and large corporations taxes (NOTE 15)	974	4,268
Net results for the year	**(113,652)**	**32,673**
Equity, beginning of year	**184,824**	**148,151**
Working capital funding (NOTE 14)	**4,000**	**4,000**
Equity, end of year	**75,172**	**184,824**

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

STATEMENT OF CASH FLOW

For the year ended March 31

	2005	2004
	(thousands of dollars)	
CASH FLOWS FROM (USED IN)		
Operating activities		
Net results for the year	(113,652)	32,673
Items not involving cash:		
Gain on disposal of property and equipment	(7,293)	(58,072)
Gain from sales-type leases	-	(65,935)
Amortisation of property and equipment	122,675	123,855
Equity in income of companies subject to significant influence	(137)	(285)
Change in long-term receivables	(4,224)	-
Amortisation of deferred charges	472	17,714
Amortisation of deferred capital funding	(116,729)	(120,174)
Change in employee-related liabilities [current]	(1,628)	(1,188)
Change in employee-related liabilities [long-term]	75,592	49,451
Change in pension plans asset	-	49,005
Net change in non-cash working capital balances (NOTE 16)	(27,704)	(23,487)
	(72,628)	**3,557**
Financing activities		
Parliamentary appropriations (NOTE 14)		
Capital funding	95,757	129,616
Working capital funding	4,000	4,000
Repayment of capital lease obligation	(5,927)	(5,503)
	93,830	**128,113**
Investing activities		
Acquisition of property and equipment	(118,404)	(125,556)
Long-term investments (NOTE 7)	(34,360)	-
Recovery from salary advances	534	444
Capital recovery from notes receivable	5,329	6,320
Capital recovery from sales-type lease investments	1,198	1,799
Proceeds from disposal of property and equipment	12,298	2,433
	(133,405)	**(114,560)**
Increase (decrease) in cash and cash equivalents	**(112,203)**	**17,110**
Cash and cash equivalents, beginning of year	**132,690**	**115,580**
Cash and cash equivalents, end of year	**20,487**	**132,690**
Consist of:		
Cash	158	6,195
Cash equivalents	20,329	126,495
Supplementary Information		
Interest paid	27,113	27,535
Income tax recovered	(809)	(4,224)

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

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended March 31, 2005

1. AUTHORITY AND OBJECTIVE

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

A. PARLIAMENTARY APPROPRIATIONS AND DEFERRED CAPITAL FUNDING

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

B. CASH EQUIVALENTS

Cash equivalents, which are carried at cost as they are intended to be held to maturity, are comprised of marketable securities with original maturity dates of less than 90 days.

C. SHORT-TERM INVESTMENTS

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

D. FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rates in effect at the balance sheet date and non-monetary items are translated at rates in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at average exchange rates during the year. All exchange gains or losses are included in determining net income for the current year.

2. Significant Accounting Policies (continued)

E. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation uses derivative financial instruments such as forward contracts to manage the risk of loss due to adverse movements in foreign exchange. Foreign exchange forwards are contractual obligations in which two counterparties agree to exchange one currency for another at a specified price for settlement at a predetermined future date. The Corporation's policy is not to utilise derivative financial instruments for trading or speculative purposes.

A derivative must be designated and effective to be accounted for as a hedge. Effectiveness is achieved if the cash flow or fair value of the derivative substantially offsets changes in cash flow or fair value of the hedged position and the timing is similar.

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

Foreign exchange gains or losses related to derivatives that are hedges are recognised at the same time as the related hedged financial instruments are settled. The forward contracts are accounted for as off-balance sheet items and are only recognised when one of the following events occurs: the anticipated transaction is realised; the hedged item is settled; the hedging relationship ceases to be effective; or, the hedging relationship designation is terminated. Any derivative financial instrument held by the Corporation that is not or no longer designated, as an eligible hedge is carried at fair value on the balance sheet, and any change in the fair value is charged or credited to the statement of operations and equity.

F. PROGRAM INVENTORY

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended March 31, 2005

2. Significant Accounting Policies (continued)

G. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. The cost of assets constructed by the Corporation includes material, direct labour and related overhead. Amounts included in uncompleted capital projects are transferred to the appropriate property and equipment classification upon completion, and are then amortised. Property and equipment acquired under capital leases are initially recorded at the present value of the minimum lease payments at the inception of the lease. Amortisation is calculated on the straight-line method using rates based on the estimated useful life of the property and equipment as follows:

• Buildings	33 years
• Technical equipment	
Transmitters and towers	20 years
Other	5 years
• Furnishings and office equipment	10 years
• Computers	
Mainframe computers (hardware and software)	5 years
Microcomputers (hardware and software)	3 years
• Automotive	
Automobiles, cars and minivans	5 years
Utility vehicles, vans	8 years
Snowmobiles, all-terrain vehicles	10 years
Television and radio news trucks, 5-ton and 10-ton heavy trucks	12 years
Specialised vehicles	20 years

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

H. SALES-TYPE LEASES

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

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

I. DEFERRED CHARGES

Initial costs incurred as a result of an operating lease are amortised over the period of the lease. Other deferred charges are amortised over the period of the respective agreements.

J. LONG-TERM INVESTMENTS

Investments in entities over which the Corporation does not exercise significant influence are recorded using the cost method. Investments in entities over which the Corporation exercises significant influence are accounted for using the equity method. Under this method, the Corporation's investment is initially recorded at cost and adjusted thereafter to include the Corporation's pro rata share of earnings of the investee. The amount of the adjustment is included in income.

Long-term investments also include marketable securities and bonds with original maturity dates in excess of 12 months from the balance sheet date.

2. Significant Accounting Policies (continued)

K. PENSION COST AND OBLIGATION

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

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

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

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortised over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plans is between 9 and 13.5 years (2004 – between 9 and 13.5 years).

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

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

L. EMPLOYEE FUTURE BENEFITS OTHER THAN PENSIONS

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

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

For severance pay and post-retirement life insurance, the transitional obligation and the net actuarial gains or losses are amortised over the average remaining service period of the employee group. The transitional obligation and the net actuarial gains or losses for continuation of benefits for employees on long-term disability and workers' compensation are amortised over the expected average remaining duration of payments. The amortisation periods used for these plans are between 4 and 13 years (2004 - between 4 and 13 years).

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

M. INCOME TAXES

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

N. REVENUE RECOGNITION

(i) Advertising and Program Sales

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

(ii) Specialty Services

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

(iii) Miscellaneous Revenues

Miscellaneous revenues include revenues from the leasing of space, facilities and services; activities such as host broadcaster; commercial productions sales; gains from disposal of property and equipment; and other income. They are recognised when the sale of goods or the rendering of services is completed.

O. MEASUREMENT UNCERTAINTY

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

P. FUTURE ACCOUNTING CHANGES

In June 2003, the Canadian Institute of Chartered Accountants (CICA) issued Accounting Guideline 15, Consolidation of Variable Interest Entities (AcG 15), which will become effective in fiscal year 2005–2006. This guideline will require the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. The Corporation is currently reviewing this guideline to assess its potential impact on the Corporation's financial statements.

In January 2005, CICA issued the following three accounting standards that will affect the Corporation:

SECTION 3855: FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT – This standard sets out criteria for the recognition, derecognition, measurement and classification of financial instruments. The Corporation will be required to categorise its financial assets as held for trading, held to maturity, available for sale, or as loans and receivables. The related accounting treatment will be dependent on the classification. Financial assets categorised as held for trading or available for sale are to be measured at fair value while financial assets held to maturity, loans and receivables are measured at amortised cost.

SECTION 3865: HEDGES – Derivatives will be classified as held for trading unless designated as hedging instruments. All derivatives, including embedded derivatives that are not closely related to the host contract, will be measured at fair value. For derivatives that hedge the changes in fair value of an asset or liability, changes in the derivatives' fair value will be reported in the net results and offset by changes in the fair value of the hedged asset or liability. For derivatives that hedge variability in cash flows, the effective portion of changes in the derivatives' fair value will be initially recognised in the new category, other comprehensive income, and will subsequently be reclassified to net results in the periods affected by the variability in the cash flows of the hedged item.

SECTION 1530: COMPREHENSIVE INCOME – This standard requires certain gains and losses, that would otherwise be recorded as part of net results, to be presented in other comprehensive income until it is considered appropriate to be recognised in net results. The Corporation may be required to present a new financial statement titled *Comprehensive Income* to record such amounts until they are realised.

These new standards will come into effect for the Corporation's 2007–2008 fiscal year; however, early adoption provisions exist. The Corporation is in the process of determining the impact these standards will have on its financial reporting.

3. SHORT-TERM INVESTMENTS

The average yield of the portfolio held as of March 31, 2005, is 2.56 per cent (2004 – 2.18 per cent). The average term to maturity is 227 days (2004 – 114 days).

The Corporation invests in the short-term money market and securities. These are limited to those that are 100 per cent guaranteed by the Government of Canada.

4. NET INVESTMENT IN SALES-TYPE LEASES

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

	(thousands of dollars)
Total minimum lease payments receivable	136,204
Unearned income	(67,590)
	68,614
Current portion	(1,685)
Long-term portion	**66,929**

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

	(thousands of dollars)
2006	6,050
2007	6,050
2008	6,050
2009	6,050
2010	6,050
2011 to 2027	105,954
Total future minimum lease payments receivable	**136,204**

These sales-type leases bear a fixed interest rate of 7.15 per cent annually. The interest revenues generated from these sales-type leases represent $4.8 million in 2005 (2004 – $6.2 million). The credit risk for the sales-type leases is normal.

5. PROPERTY AND EQUIPMENT

			2005	2004
	Cost	Accumulated amortisation	Net book value	
		(thousands of dollars)		
Land	21,006	-	21,006	22,177
Buildings	373,656	(219,471)	154,185	153,827
Technical equipment	1,246,921	(918,116)	328,805	322,058
Furnishings, office equipment and computers	121,631	(80,311)	41,320	32,861
Automotive	49,540	(35,819)	13,721	13,975
Leasehold improvements	44,603	(9,605)	34,998	22,141
Property under capital lease[1]	511,635	(183,979)	327,656	343,021
Uncompleted capital projects	61,345	-	61,345	84,272
	2,430,337	**(1,447,301)**	**983,036**	**994,332**[2]

1 *Current year amortisation expense of $15.4 million (2004 – $15.4 million) relating to the property under capital lease is included in the amortisation of property and equipment on the Statement of Operations and Equity.*

2 *Cost and accumulated amortisation of property and equipment as at March 31, 2004, amounted to $2,418.9 million and $1,424.6 million respectively.*

6. LONG-TERM RECEIVABLES

A. NOTES RECEIVABLE

The Corporation has three long-term notes receivable following the sales of lands. These notes bear a fixed interest rate of 7.15 per cent annually. The credit risk is normal.

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

	(thousands of dollars)
2006	5,567
2007	5,567
2008	5,567
2009	5,567
2010	5,567
2011 to 2027	95,573
Total future minimum payments – notes receivable	**123,408**
Deduct: imputed interest	(60,675)
Notes receivable	**62,733**
Less: current portion (included in accounts receivable)	(1,578)
Notes receivable long-term	**61,155**

B. SALARY ADVANCES – CHANGE IN PAYROLL

The implementation of a new payroll system in fiscal year 1998–1999 required a change in the payroll schedule of the Corporation. To adjust to this schedule without compromising the bi-weekly payments to employees, the Corporation issued a salary advance to be recovered upon termination of employment. This salary advance represents $12.8 million in 2005 (2004 – $13.4 million). In previous years, this advance was reported against employee-related liabilities.

7. LONG-TERM INVESTMENTS

	2005	2004
	(thousands of dollars)	
Entities subject to significant influence		
ARTV – participation at 37%	4,016	3,879
The Documentary Channel – participation at 29%[1]	-	-
	4,016	**3,879**
Other investments		
Marketable securities and bonds[2]	34,360	-
Portfolio investments	17	17
	38,393	**3,896**

1 *The Corporation has not recorded a portion of* The Documentary Channel*'s losses since the Corporation will not assume any financial risk relating to* The Documentary Channel.

2 *The average yield is 2.88 per cent and the average term is 552 days. The Corporation invests in the long-term money market and securities. These are limited to those that are 100 per cent guaranteed by the Government of Canada.*

8. PENSION PLANS AND EMPLOYEE-RELATED LIABILITIES

Employee-related liabilities are as follows:

	2005	2004	2005	2004
	Current		Long-term	
	(thousands of dollars)			
Accrued pension benefit liability	-	-	97,321	35,367
Employee future benefits other than pensions	-	-	133,007	118,423
Vacation pay	51,708	52,074	-	-
Workforce reduction	16,232	2,130	-	946
Salary-related liabilities	107,003	111,187	278	278
	174,943	**165,391**	**230,606**	**155,014**

The Corporation maintains a contributory defined benefit pension plan, the CBC | Radio-Canada Pension Plan, covering substantially all employees of the Corporation. Retirement benefits are based on the length of pensionable service and on the average of the best five consecutive years of pensionable salary in the last ten years of employment. Employees are required to contribute a percentage of their pensionable salary to the plan, with the Corporation providing the balance of the funding, as required, based on actuarial valuations, which are made at least on a triennial basis (latest evaluation made in December 2002) and the next required valuation will be as of December 2005. The Corporation also maintains unfunded non-contributory defined benefit pension arrangements. The measurement date for the pension plan assets and the accrued benefit obligation is March 31.

	2005	2004
Assumptions – annual rates		
Expected long-term rate of return on plan assets	6.75%	6.75%
Discount rate – beginning of year	4.75%	5.75%
Discount rate – end of year	5.00%	4.75%
Long-term rate of compensation increase, excluding merit and promotion	4.00%	4.00%
Health care cost trend rate	8.5% for 5 years; 4.5% thereafter	8.5% for 5 years; 4.5% thereafter
Indexation of pensions in payment	2.7%	2.7%

	2005	2004
	(thousands of dollars)	
Annual amount		
Employee contributions	37,517	28,001
Benefit payments for the year – pension plans	175,718	173,384
Benefit payments for the year – other employee future benefits	9,172	8,489

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended March 31, 2005

8. Pension Plans and Employee-related Liabilities (continued)

	2005		2004	
	CBC | Radio-Canada pension plans	Other employee future benefits	CBC | Radio-Canada pension plans	Other employee future benefits
		(thousands of dollars)		
Fair-market value of plan assets, end of year	3,753,550	-	3,607,713	-
Accrued benefit obligation, end of year	(4,250,824)	(174,141)	(4,251,100)	(175,795)
Deficit, end of year	**(497,274)**	**(174,141)**	**(643,387)**	**(175,795)**
Unamortised past service costs	81,575	(4,606)	91,173	-
Unamortised net actuarial losses	1,109,639	20,377	1,401,105	28,308
Unamortised transitional (asset) obligation	(791,261)	25,363	(884,258)	29,064
Accrued benefit liability, end of year	**(97,321)**	**(133,007)**	**(35,367)**	**(118,423)**
Accrued benefit asset (liability), beginning of year	**(35,367)**	**(118,423)**	**49,005**	**(105,284)**
Employee future benefits revenues (costs)				
Current service cost	(93,680)	(8,969)	(66,981)	(7,650)
Interest on accrued benefit obligation	(200,870)	(8,558)	(202,248)	(9,018)
Expected return on actuarial value of assets	236,538	-	207,281	-
Amortisation of past service costs	(9,597)	-	(9,597)	-
Amortisation of transitional asset (obligation)	92,996	(3,618)	92,996	(3,618)
Amortisation of actuarial losses	(135,293)	(2,611)	(115,290)	(1,342)
Employee future benefits costs for the year	**(109,906)**	**(23,756)**	**(93,839)**	**(21,628)**
Corporation pension plan contributions	47,060	-	8,598	-
Benefit payments from unfunded plans	892	9,172	869	8,489
Total cash payments	**47,952**	**9,172**	**9,467**	**8,489**
Accrued benefit liability, end of year	**(97,321)**	**(133,007)**	**(35,367)**	**(118,423)**

As at March 31, 2005, the accrued benefit obligation for the CBC | Radio-Canada Pension Plan and for the unfunded benefit pension arrangements represented respectively $4,204.6 million (2004 – $4,204.6 million) and $46.2 million (2004 – $46.5 million).

8. Pension Plans and Employee-related Liabilities (continued)

Asset category	2005	2004
	Percentage of plan assets (based on market values)	
Fixed income	34%	34%
Canadian equities	29%	30%
Global equities	26%	26%
Strategic	11%	10%
	100%	100%

9. OBLIGATION UNDER CAPITAL LEASE

The capital lease is for premises occupied by the Corporation in Toronto. This obligation bears a fixed interest rate of 7.53 per cent annually. At the end of the lease, the Corporation will own the building. Future minimum capital lease payments as of March 31, 2005, are:

	(thousands of dollars)
2006	33,039
2007	33,039
2008	33,039
2009	33,039
2010	33,039
2011 to 2027	578,178
Total future minimum capital lease payments	**743,373**
Deduct: imputed interest and executory costs	(387,777)
Present value of minimum capital lease payment	**355,596**
Current portion of obligation under capital lease	(6,380)
Long-term portion	**349,216**

The Corporation owns the land on which the Canadian Broadcasting Centre in Toronto is located. Interest expense relating to the Canadian Broadcasting Centre lease, which is included in current year expense, is $27 million (2004 – $27.4 million).

10. DEFERRED CAPITAL FUNDING

	2005	2004
	(thousands of dollars)	
Balance, beginning of year	**650,959**	**641,517**
Government funding for capital expenditures (NOTE 14C)	95,757	129,616
Amortisation of deferred capital funding	(116,729)	(120,174)
Balance, end of year	**629,987**	**650,959**

11. COMMITMENTS

A. PROGRAM-RELATED AND OTHER

As at March 31, 2005, commitments for sports rights amounted to $267.9 million (2004 – $354.0 million); procured programs, film rights and co-productions amounted to $71.0 million (2004 – $44.2 million) and property and equipment amounted to $14.1 million (2004 – $7.0 million) for total commitments of $353.0 million (2004 – $405.2 million). Payments under these contracts are expected to be made over the next four years.

B. OPERATING LEASES

The operating leases consist mainly of property leases, network distribution leases and equipment leases. Future annual payments related to operating leases as of March 31, 2005, are as follows:

	(thousands of dollars)
2006	101,346
2007	73,203
2008	64,811
2009	37,589
2010	34,981
2011 to 2027	226,129
Total future payments	**538,059**

12. CONTINGENCIES

Various claims and legal proceedings have been asserted or instituted against the Corporation. Some demand large monetary damages or other relief and they could result in significant expenditures. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. A provision for these expenditures has been recorded based on management's best estimate. It is reasonably possible that the Corporation may have to settle some of these claims for amounts in excess of established provisions in the near term. Any such costs will be expensed when known.

13. SPECIALTY SERVICES

The Corporation operates CBC Newsworld, Réseau de l'information de Radio-Canada (RDI), Galaxie, and CBC Country Canada under license conditions that require the reporting of incremental costs and revenues. CBC Newsworld and RDI use previous years' accumulated excess revenues over expenses to fund current year activities. As at March 31, 2005, the accumulated excess revenues over expenses carried forward to future years' activities for CBC Newsworld totaled $9.7 million (2004 – $4.3 million) and $0.8 million for RDI (2004 – $2.2 million).

13. Specialy Services (continued)

	2005				2004			
	Revenues	Expenses	Repayments to CBC Main Service[1]	Net	Revenues	Expenses	Repayments to CBC Main Service[1]	Net
				(thousands of dollars)				
CBC Newsworld	74,281	(67,261)	(1,665)	5,355	70,559	(66,942)	(1,533)	2,084
RDI	44,271	(43,550)	(2,143)	(1,422)	43,608	(39,892)	(1,842)	1,874
Galaxie	17,217	(6,644)	-	10,573	16,254	(6,694)	-	9,560
CBC Country Canada[2]	2,519	(3,207)	-	(688)	1,686	(2,918)	-	(1,232)
	138,288	**(120,662)**	**(3,808)**	**13,818**	**132,107**	**(116,446)**	**(3,375)**	**12,286**

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

2 *CBC Country Canada's cumulative loss of $1.9 million was funded by proceeds from the sale of joint ventures.*

14. PARLIAMENTARY APPROPRIATIONS

A. PARLIAMENTARY APPROPRIATIONS APPROVED AND RECEIVED

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

	2005	2004
	(thousands of dollars)	
Operating funding		
Approved annual funding	895,659	829,059
Additional non-recurring funding for programming initiatives (NOTE 14D)	60,000	60,000
Transfer from capital funding – Supplementary Estimates B[1]	1,112	3,636
Frozen allotment used (reprofiled)	(20,000)	40,000
Operating funding received	**936,771**	**932,695**
Capital funding		
Approved annual funding	102,869	133,252
Transfer to operating funding – Supplementary Estimates B[1]	(1,112)	(3,636)
Frozen allotment reprofiled	(6,000)	-
Capital funding received	**95,757**	**129,616**
Working capital funding	**4,000**	**4,000**

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

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended March 31, 2005

14. Parliamentary Appropriations (continued)

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

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

	2005	2004
	(thousands of dollars)	
Net results for the year	**(113,652)**	**32,673**
Items not generating operating funds		
Amortisation of deferred capital funding	(116,729)	(120,174)
Gain generated from sales-type leases	-	(65,935)
Gain on disposal of property and equipment	(7,293)	(58,072)
Other	(3,631)	(1,843)
	(127,653)	**(246,024)**
Items not requiring operating funds		
Amortisation of property and equipment	122,675	123,855
CBC | Radio-Canada pension plans and other employee future benefits	75,592	98,456
Vacation pay	(1,760)	(1,188)
Program inventory costs	(5,852)	729
Other	531	(2,565)
	191,186	**219,287**
Results of operations on a government funding basis	**(50,119)**	**5,936**
Less: Interest generated from the disposal of joint business ventures	(1,012)	(2,473)
Add / Less: Use of proceeds, generated in a previous fiscal year, from the sale of lands	5,194	(5,194)
Add: Use of proceeds, generated in a previous fiscal year, from the sale of joint business venture	42,718	5,093
Net results of operations on a government funding basis	**(3,219)**	**3,362**
Government funding surplus, beginning of year	**35,252**	**31,890**
Government funding surplus, end of year	**32,033**	**35,252**

C. NET RESULTS FOR CAPITAL FUNDING

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

	2005	2004
	(thousands of dollars)	
Capital funding received (NOTE 14A)	95,757	129,616
Total considerations from the disposal of property and equipment	12,298	142,449
Total capital funding for the year	**108,055**	**272,065**
Acquisition of property and equipment	(118,404)	(125,556)
Capital portion of lease payments	(5,927)	(5,503)
Capital (deficit) surplus before adjustments for considerations from disposal of lands and building	**(16,276)**	**141,006**
Add (deduct): Considerations from the disposal of lands and building	4,820	(131,916)
Add: Use of considerations generated from the sale of a building	-	7,500
Capital funding (deficit) surplus for the year	**(11,456)**	**16,590**
Capital funding surplus, beginning of year, government funding basis	**21,643**	**5,053**
Capital funding surplus, end of year, government funding basis	**10,187**	**21,643**

D. ADDITIONAL NON-RECURRING FUNDING FOR PROGRAMMING INITIATIVES

On April 3, 2003, the Government of Canada approved additional non-recurring funding of $60 million for the Corporation for the 2004–2005 fiscal year (2003–2004 – $60 million). These funds are being used across all media for the enhancement of programming initiatives in particular.

15. INCOME AND LARGE CORPORATIONS TAXES

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

	2005	2004
	(thousands of dollars)	
Current income tax recovery	(974)	(4,268)
Future income tax	-	-
	(974)	**(4,268)**

15. Income and Large Corporations Taxes (continued)

Recovery of income and large corporations taxes differs from the amount that would be computed by applying the Federal statutory income tax rate of 32.5 per cent (2004 – 34.0 per cent) to net results before taxes. The reasons for the differences are as follows:

	2005	2004
	(thousands of dollars)	
Income tax expense at Federal statutory rate	(37,276)	9,663
Increase (decrease) resulting from:		
Adjustment to future tax assets and liabilities		
for enacted changes in tax laws and rates	-	694
Non-taxable portion of capital gains on sales of capital assets	(1,422)	(15,511)
Other net amounts	385	(4,031)
Change in valuation allowance	38,313	9,185
Large corporations tax recovery	(974)	(4,268)
	(974)	**(4,268)**

The tax effects of temporary differences that gave rise to significant portions of the future tax assets and future liabilities as at March 31, 2005 and 2004 are presented below:

	2005	2004
	(thousands of dollars)	
Future tax assets		
Accrued liabilities	9,312	7,258
Pension plan asset	31,649	11,501
Employee-related liabilities	43,344	38,602
Loss carry-forward	16,421	10,599
Other	8	31
	100,734	**67,991**
Less: valuation allowance	(53,372)	(15,059)
	47,362	**52,932**
Future tax liabilities		
Accounts receivable	-	942
Program inventory	1,066	482
Net investment in sales-type leases	18,868	19,200
Property and equipment	21,896	24,807
Notes receivable	5,532	7,376
Other	-	125
	47,362	**52,932**
Net future tax assets (liabilities)	-	-

As at March 31, 2005, the Corporation had a loss carry-forward for tax purposes of $50.5 million (2004 – $30.3 million), which expires as follows: 2007 – $5.7 million, 2009 – $15.4 million, 2010 – $3.3 million, 2014 – $5.9 million, 2015 – $20.2 million.

16. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	2005	2004
	(thousands of dollars)	
Cash flows provided by (used for)		
Short-term investments	(26,470)	20,276
Accounts receivable[1]	1,953	7,700
Program inventory[2]	(14,859)	(25,138)
Prepaid expenses	10,619	(18,209)
Net investment in sales-type leases[3]	7	-
Accounts payable and accrued liabilities	(10,134)	(24,194)
Employee-related liabilities[4]	11,180	16,078
	(27,704)	**(23,487)**

1 *Excluding $3.8 million (2004 – $3.6 million) of notes receivable from the sale of lands.*

2 *Excluding $2.0 million (2004 – $1.0 million) of amortisation of property and equipment in 2005.*

3 *Excluding capital recovery of $0.8 million.*

4 *Excluding items not involving cash of $1.6 million.*

17. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to other government departments, agencies and Crown corporations and to private companies in which the Corporation has long-term investments. The Corporation enters into transactions with these related parties in the normal course of business on normal trade terms applicable to all individuals and enterprises. Funding received from the Government of Canada is described in Note 14.

18. FINANCIAL INSTRUMENTS

The carrying amounts for cash equivalents, short-term investments, accounts receivable, current portion in sales-type leases, accounts payable and accrued liabilities, and current portion of the obligation under capital lease, approximate fair value due to the short-term nature of these instruments. The fair values of the long-term portion of notes receivable and long-term portion of net investment in sales-leases, which have been estimated using a valuation technique, represent respectively $70.1 million and $63.9 million. The fair value of long-term investments, which has been established using a published quoted price, is $34.6 million at March 31, 2005. The fair value of the obligation under capital lease is $476.9 million at March 31, 2005.

The Corporation uses derivative financial instruments such as forward contracts to manage the risk of loss due to adverse movements in foreign exchange. Foreign exchange forward contracts with a notional principal amount of $81.8 million (2004 – $68.5 million) were outstanding at the end of the year. The fair value represents $87.4 million at March 31, 2005. The remaining term to maturity of these contracts is under three years.

19. COMPARATIVE FIGURES

Certain of the 2004 figures have been reclassified to conform to the current year's presentation.

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CBC | Radio-Canada
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Ottawa ON K1Y 1E4
(613) 288-6240
commho@ottawa.cbc.ca
cbc.radio-canada.ca

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