Financial Overview

The Corporation continues on its path of transformation and this year has seen more and more Canadians turn to CBC/Radio-Canada for high-quality, distinctive Canadian programs. Highlights have included the coverage of the Sydney Olympics, the *Canada: A People's History / Le Canada : Une histoire populaire* series, and the homage to Pierre Elliott Trudeau. This transformation has required the continued implementation of our long-term plan to make the Corporation more efficient and to direct more of its resources to programming. A further 400 permanent positions were eliminated as new technologies and revised processes were implemented.

Fiscal Year Results

On a Government funding basis – the basis on which CBC/Radio-Canada's performance is measured – the Corporation's current year surplus is $2.4 million, $26.7 million when one includes the surplus carried over from the previous year.

However, the financial statements show the Corporation ending the year with net results of $147.9 – a result of two additional factors:

- the Corporation is required to follow the Canadian Institute of Chartered Accountants (CICA) Standards in the preparation of its financial statements, and as such, certain items (such as amortisation) are included which do not provide or require current operating funds. In addition to such items included in prior years' statements, CICA Section 3461 now requires that the Corporation also recognise an asset/obligation related to certain employee future benefits. The net impact of this is an additional expense reduction of $54.8 million (Note 11a) in the current year, which accounts for a significant portion of the decrease over last year.

- the Corporation has recognised Non-operating Revenue of $68.1 million gain on the sale of the Corporation's investment in its joint ventures to operate Trio and Newsworld International in the United States.

Note 4b to these financial statements provides more detail on these items.

Revenue

The increase in advertising income was due chiefly to the coverage of the Sydney Olympics, and offsets declines in revenues as a result of the continued fragmentation and competition in the market, as well as the Corporation's decision to decommercialise an increased portion of its English Television schedule.

Specialty services' income increased as a result of growth in the number of subscribers and an increase in basic rates.

The increase in prior year miscellaneous revenues results from CBC/Radio-Canada's host broadcasting activities at the 1999 *PanAm Games.*

Expenses

Operating expenses decreased by $11.9 million in 2000-2001. This masks a series of decisions, however, which have had offsetting effects on the Corporation's expenditures.

- In April 2000, CBC/Radio-Canada began to apply CICA section 3461 – Employee Future Benefits. The implementation of this new section results in a change in the valuation methods for the employee future benefits and results in a net surplus of $54.8 million being recorded in the fiscal results of the Corporation.

- The Corporation broadcast the Sydney Olympics to wide critical and audience acclaim. This extraordinary cost increase is included in the cost of our Television and Radio services.

- The Corporation is concerned with the harmful effect on employees working long periods without any rest and has now made it mandatory for employees to use current annual leave and to reduce the amount of unused accumulated leave. This change in policy has seen the Corporation's annual leave liability reduced by some $6.4 million.

Government Funding

In 2000-2001, the Government again granted salary increases to its staff and also funding for minor cost increases, and CBC/Radio-Canada was provided with this funding in line with other Government departments and agencies.

Capital funding, totalling $109 million this year, was used in part to fund projects linked to the conversion of equipment to digital technology and consolidation of the French Television and Réseau de l'information newsrooms.

Balance Sheet Items

The increase in cash and short-term investments is due mainly to the proceeds from the sale of the investment in a joint business venture. This increase is offset by a decrease in program inventory further to the broadcast of programs such as *Canada: A People's History / Le Canada : Une histoire populaire*.

The reduction in Employee-related Liabilities is mainly the result of the implementation of CICA section 3461, the reduction of annual leave liability, and the reduction in the accrual for downsizing costs related to the transformation as most affected employees have now separated from the Corporation.

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 control, and information systems, which are designed for the provision of 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 operations 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 his audit to the Canadian Broadcasting Corporation and the Minister of Canadian Heritage.

The Board of Directors' Audit Committee, which consists of four 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 18, 2001

President and CEO

Acting 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, 2001 and the statements of operations and proprietor's equity and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. 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, 2001 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, except for the change in the method of accounting for employee future benefits as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the 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 5, 2001

Statement of Operations and Proprietor's Equity

For the year ended March 31

	2001	2000
	(thousands of dollars)	
REVENUES		
Advertising and program sales	349,183	328,705
Specialty services (Note 6)	107,672	97,046
Miscellaneous	65,075	78,817
	521,930	504,568
EXPENSES		
Television and radio service costs	1,042,605	1,051,707
Specialty services (Note 6)	100,136	92,839
Transmission, distribution and collection	58,311	63,301
Radio Canada International	15,774	17,153
Payments to private stations	14,282	13,041
Corporate Management	15,920	15,273
Amortisation of capital assets	149,294	154,872
	1,396,322	1,408,186
Operating loss before government funding, non-operating revenue and taxes	(874,392)	(903,618)
GOVERNMENT FUNDING:		
Parliamentary appropriation for operating expenditures (Note 4)	794,058	764,715
Funding reserved for Radio Canada International (Note 5)	15,520	15,520
Amortisation of deferred capital funding (Note 9)	147,301	154,449
	956,879	934,684
Results of operations before non-operating revenue and taxes	82,487	31,066
NON-OPERATING REVENUE:		
Gain on disposal of joint business ventures (Note 10)	68,145	–
Results before taxes	150,632	31,066
Income taxes and tax on large corporations (Note 7)	2,688	2,751
Net results for the year	147,944	28,315
Proprietor's equity, beginning of year	(43,284)	(75,599)
Working Capital Funding (Note 4)	4,000	4,000
Proprietor's equity, end of year	108,660	(43,284)

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

Balance Sheet

As at March 31

	2001	2000
	(thousands of dollars)	
ASSETS		
Current		
Cash and short-term investments (Note 17)	174,029	81,499
Accounts receivable	116,096	108,927
Program inventory	121,933	146,503
Prepaid expenses	47,208	43,462
	459,266	380,391
Capital assets (Note 8)	1,022,927	1,068,865
Deferred charges and other assets	11,841	14,557
	1,494,034	1,463,813
LIABILITIES		
Current		
Accounts payable and accrued liabilities	148,319	155,634
Employee-related liabilities (Note 11)	115,569	123,765
Obligation under capital lease (Note 12)	4,747	4,409
	268,635	283,808
Long-term		
Employee-related liabilities (Note 11)	97,774	161,243
Obligation under capital lease (Note 12)	372,138	376,935
Deferred capital funding (Note 9)	646,827	685,111
	1,116,739	1,223,289
PROPRIETOR'S EQUITY		
Proprietor's equity	108,660	(43,284)
	1,494,034	1,463,813

Commitments and contingencies (Notes 13 and 14)

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

Approved on behalf of the Board of Directors:

Director

Director

Statement of Cash Flow

For the year ended March 31

	2001	2000
	(thousands of dollars)	
CASH FLOW FROM (USED IN):		
OPERATING ACTIVITIES		
Net results for the year	147,944	28,315
Gain on disposal of joint business ventures	(68,145)	–
Loss on disposal of capital assets	66	74
Items not involving cash:		
Amortisation of capital assets	149,294	154,872
Amortisation of deferred charges	5,119	7,311
Employee-related liabilities (current)	(6,352)	9,361
Employee-related liabilities (long-term)	(63,469)	(6,186)
Share of joint business ventures	(8,504)	–
Amortisation of deferred capital funding	(147,301)	(154,449)
Net change in working capital balances excluding cash and short-term investments (Note 16)	2,363	(34,675)
	11,015	4,623
FINANCING ACTIVITIES		
Parliamentary appropriations (Note 4):		
Capital funding	104,017	110,472
Working capital funding	4,000	4,000
Government funding for capital purchases for Radio Canada International	5,000	5,000
Capital portion of lease payments	(4,459)	(4,049)
Proceeds on disposal of capital assets	2,368	2,166
Proceed on disposal of joint business ventures	76,649	–
	187,575	117,589
INVESTING ACTIVITIES		
Acquisition of capital assets	(103,658)	(119,771)
Deferred charges	(2,402)	5,286
	(106,060)	(114,485)
Increase in cash and short-term investments	92,530	7,727
Cash and short-term investments, beginning of year	81,499	73,772
Cash and short-term investments, end of year	174,029	81,499

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

Notes to the Financial Statements

For the year ended March 31, 2001

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, Television and New Media services in both official languages incorporating predominantly and distinctively Canadian programs to reflect Canada and its regions to national and regional audiences.

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 on the Statement of Operations and Proprietor's Equity. Parliamentary appropriations for depreciable capital expenditures 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 capital assets. Parliamentary appropriations for working capital and non-depreciable capital assets are credited to Proprietor's Equity.

b. Program Inventory

(i) Program Inventory

Programs completed and in process of production or available for sale are recorded 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.

(ii) Film and Script Rights

The Corporation enters into contracts for film and script rights. The payments made under the terms of each contract are recorded as assets in the accounts. The cost of film and script rights is charged to operations in accordance with the approved program schedule or when deemed unusable.

c. Capital Assets

Capital assets are recorded at cost, less accumulated amortisation. The cost of assets constructed by the Corporation includes material, direct labour and related overhead. Assets 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 assets as follows:

• Buildings	33 years
• Technical equipment	
Transmitters and towers	20 years
Other	5 years
• Furnishings and office equipment	10 years
• Computers	5 years
• Automotive	5 years

Leasehold improvements are capitalised and amortised over the remaining terms of the respective leases to a maximum period of five years. Amounts included in uncompleted capital projects are transferred to the appropriate capital asset classification upon completion, and are then amortised according to the Corporation's policy.

d. Deferred Charges

Deferred costs incurred in the development of specialty channels are amortised over the license period. Other deferred charges are amortised over the period of the respective agreements.

e. Pension Costs and Obligations

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 asset, rate of compensation, inflation, retirement ages of employees and mortality of members.

The pension cost is determined using the cost of employee pension benefits for the current year's service, the interest expense on the accrued benefit obligation, the expected investment return on the actuarial value of plan assets, the amortisation of the transitional asset/obligation 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 transition assets/liability and the adjustments arising from plan amendments are amortised over the estimated average remaining service life of the employee group (13.5 years).

The difference between the accumulated pension expense and the employer's contributions to the Pension Fund is reflected in the balance sheet as an employee-related liability.

f. Employee Future Benefits other than Pension

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

The cost of these benefits other than vacation pay is determined on an actuarial basis using the projected benefit method pro-rated on years of 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, the transitional obligation is amortised over the average remaining service life of the employee group (13.5 years). The transitional obligations for post-retirement life insurance, continuation of benefits for employees on long-term disability and workers' compensation are amortised over the applicable remaining service lifetime of the plan members which are 15.7 years, 7.6 years and 9.0 years, respectively for each of these plans.

Vacation pay is calculated at the salary levels in effect at the end of the year for all unused vacation pay benefits accruing to employees.

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.

g. Income Taxes

The Corporation follows the tax allocation method of providing for income taxes. The cumulative differences between taxes calculated on such a basis and taxes currently payable are essentially timing differences and result in deferred income taxes. The Corporation has unrecorded deferred income tax benefits which will be recognised in the accounts when they are realised.

h. 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 income and expenses for the year. Employee-related liabilities, estimated useful lives of capital assets and contingent liabilities are the most significant items where estimates are used. Actual results could differ from those estimated.

3. Change in Accounting Policy

Effective April 1, 2000, the Corporation has adopted the new Canadian Institute of Chartered Accountants standards for employee future benefits. This change in accounting policy has been applied prospectively. The most significant changes to accounting for pensions and severance pay are:

- The recognition of a transitional pension asset/liability which is the difference between the accrued benefit obligation and the fair value of plan assets at April 1, 2000;
- The recognition of a transitional severance pay liability which is the difference between the accrued benefit obligation upon adoption less the amount previously recognised on the balance sheet; and
- The calculation of the accrued benefit obligation using the current market rate rather than management's best estimate of the long-term discount rate.

In addition, post-employment and post-retirement benefits (other than pension) are now recorded on the basis of an actuarial valuation of the related liabilities and expenses.

The application of the new standards resulted in an income of $72.4 million for the pensions plans and in an expense of $17.6 million for other employee future benefits for a net decrease of the expenses of $54.8 million.

4. Parliamentary Appropriations

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

a. Parliamentary Appropriations Approved and Received

	2001	2000
	(thousands of dollars)	
Operating Funding		
Annual Funding	807,356	756,409
Transfer from/(to) capital funding – Supplementary Estimates A[1]	(13,298)	8,306
	794,058	764,715
Capital Funding		
Annual funding	113,719	143,472
Transfer from/(to) operating funding – Supplementary Estimates A[1]	13,298	(8,306)
Frozen allotment to be reprofiled to the 2001-02 fiscal year	(23,000)	(24,694)
	104,017	110,472
Capital funding received from the government for Radio Canada International	5,000	5,000
	109,017	115,472
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 the next through Appropriation Acts tabled in the House of Commons.

b. Reconciliation of Net Results of Operations to Government Funding Basis

The Corporation receives a significant portion of its funding through Parliamentary appropriations, which is based primarily on cash flow requirements. Expenses recognised in the Statement of Operations and Proprietor's Equity in one year may be funded through Parliamentary appropriations in different 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:

	2001	2000
	(thousands of dollars)	
Net results for the year	147,944	28,315
Items not generating operating funds:		
Amortisation of deferred capital funding	147,301	154,449
Income items relating to capital assets	(66)	(74)
Other	213	–
	147,448	154,375
Items not requiring operating funds:		
Amortisation of capital assets	149,294	154,872
CBC/Radio-Canada Pension Plans and other employee future benefits	(54,690)	(15,270)
Vacation Pay	(6,352)	8,939
Program inventory costs	(1,546)	(7,932)
Other	(4,333)	(5,892)
	82,373	134,717
Net results of operations on a government funding basis (including impact of sale of joint business ventures)	82,869	8,657
Less: Proceeds and interest generated from the sale of joint business ventures	(80,465)	–
Net results of operations on a government funding basis (excluding impact of sale of joint business ventures)	2,404	8,657
Government funding surplus, beginning of the year	24,258	15,601
Government funding surplus, end of the year	26,662	24,258

c. Net Results for Capital

The purchase of capital assets is financed by Parliamentary appropriation. Additions to capital assets recorded in the current year under Canadian generally accepted accounting principles may be funded by Parliamentary appropriation in different years. The differences are outlined below:

	2001	2000
	(thousands of dollars)	
Parliamentary appropriations and transfers	104,017	110,472
Capital funding for Radio Canada International	5,000	5,000
Capital funding (Note 4)	109,017	115,472
Proceeds on disposal of capital assets	2,368	2,166
Total capital funding for the year	111,385	117,638
Acquisition of capital assets	(103,658)	(119,771)
Capital portion of lease payments	(3,082)	–
Capital funding surplus (deficit) for the year	4,645	(2,133)
Change in proportionate share of joint venture assets	(166)	321
Net results for capital for the year, government funding basis	4,479	(1,812)
Capital funding surplus, beginning of the year	2,914	4,726
Capital funding surplus, end of the year	7,393	2,914

5. Funding for Radio Canada International

Radio Canada International is funded under the terms of a contribution agreement with the Government of Canada.

	2001	2000
	(thousands of dollars)	
Operating funding	15,520	15,520
Capital funding	5,000	5,000
	20,520	20,520

6. Specialty Services

The Corporation operates CBC Newsworld, Réseau de l'information (RDI) and Galaxie under license conditions that require the results of operations be reported on an incremental cost and revenue basis. CBC Newsworld and Réseau de l'information (RDI) use previous years' surplus carry forwards to fund current year activities. At March 31, 2001, the cumulative net operating surplus carried forward to future years' activities for CBC Newsworld totalled $10.2 million ($5.2 million for 2000), $59,000 for RDI ($24,000 for 2000).

	2001			2000		
	Revenue	Expenses	Net	Revenue	Expenses	Net
	(thousands of dollars)					
CBC Newsworld	61,945	56,949	4,996	58,827	54,511	4,316
Réseau de l'information (RDI)	38,159	38,124	35	35,020	35,129	(109)
Galaxie	7,568	5,063	2,505	3,199	3,199	–
	107,672	100,136	7,536	97,046	92,839	4,207

7. Income Tax and Tax on Large Corporations

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 is not subject to provincial income taxes on its own activities. The Corporation's 2001 income tax relates solely to the large corporations tax. The Corporation's expected income tax rate is the net federal statutory rate (including surtax) of 39.27% (2000 – 39.52%). The 2001 and 2000 effective tax rates are zero, exclusive of the large corporations taxes, due to the utilisation of previously unrecognised losses and timing differences.

The Corporation has a loss carry forward for tax purposes of $9.8 million (2000 – $30.5 million), the benefit of which has not been recognised in the financial statements and which expires in 2007. The Corporation also has net timing differences of $35.3 million (2000 – $50.4 million) resulting from items reported for tax purposes in different periods than for accounting purposes, the benefit of which has not been recognised in the financial statements. These timing differences generally result from the accrual of pension and severance pay costs, and the claim for capital cost allowance on the capital lease where funding is provided over several years. Capital cost allowance is generally not claimed on other capital assets since acquisitions are substantially funded by the Government of Canada (see Note 4).

8. Capital Assets

			2001	2000
	Cost	Accumulated Amortisation	Net Book Value	
	(thousands of dollars)			
Land	34,772	–	34,772	34,772
Buildings	409,144	224,834	184,310	169,761
Technical equipment	1,180,133	883,255	296,878	332,463
Furnishings, office equipment and computers	114,536	73,738	40,798	46,566
Automotive	39,072	26,956	12,116	13,109
Leasehold improvements	6,514	4,208	2,306	2,202
Property under capital lease	512,178	122,554	389,624	405,004
Uncompleted capital projects	62,123	–	62,123	64,988
	2,358,472	1,335,545	1,022,927	1,068,865

Current year amortisation expense of $15.4 million (2000 – $15.1 million) relating to the property under capital lease is included in the amortisation of capital assets on the Statement of Operations and Proprietor's Equity.

9. Deferred Capital Funding

	2001	2000
	(thousands of dollars)	
Balance, beginning of year	685,111	724,088
Government funding for capital expenditures (Note 4)	109,017	115,472
Amortisation of deferred capital funding	(147,301)	(154,449)
Balance, end of year	646,827	685,111

10. Sale of Joint Business Ventures

In the first quarter of 2000-2001, the Corporation and its co-investor completed the sale of the joint business ventures for total proceeds of $153 million. The Corporation owned 50% of the joint business ventures and received its share of the sale price.

11. Employee-related Liabilities

Employee-related liabilities are as follows:

	2001	2000	2001	2000
	Current		Long-term	
	(thousands of dollars)			
Pension plans – Note a)	–	–	10,742	83,964
Employee future benefits other than pension – Note a)	–	–	86,727	68,195
Vacation pay	41,967	48,319	–	–
Workforce reduction – Note b)	12,701	27,934	–	9,084
Other[1]	60,901	47,512	305	–
	115,569	123,765	97,774	161,243

[1] Including salary-related liabilities.

a. CBC/Radio-Canada Pension Plans and Other Employee Future Benefits

The Corporation maintains a contributory defined benefit pension plan, CBC/Radio-Canada's 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. The Corporation also maintains unfunded non-contributory defined benefit pension arrangements.

Assumptions – annual rates:	
Expected long-term rate of return on plan assets	6.75%
Discount rate – beginning of the year	6.50%
Discount rate – end of the year	6.00%
Long-term rate of compensation increase, excluding merit and promotion	4.00%
Health care trend	8.5% for 5 years; 4.5% thereafter

Annual amounts:	(thousands of dollars)
Employee contributions	21,439
Benefit payments for the year – pension plans	173,730
Benefit payments for the year – other employee future benefits	13,300

a. CBC/Radio-Canada Pension Plans and Other Employee Future Benefits (continued)

	CBC/ Radio-Canada Pension Plans	Other Employee Future Benefits	Total
	(thousands of dollars)		
Fair value of plan assets – end of year	3,683,301	–	3,683,301
Accrued benefit obligation – end of year	3,226,583	133,096	3,359,679
Surplus (deficit) at March 31, 2001	456,718	(133,096)	323,622
Accrued benefit liability at beginning of year	83,964	82,451	166,415
Employee future benefits expenses (revenues):			
Current service cost	47,816	5,817	53,633
Interest on accrued benefit obligation	187,924	8,141	196,065
Expected return on actuarial value of assets	(224,801)	–	(224,801)
Amortisation of past service costs	9,597	–	9,597
Amortisation of transitional obligation (asset)	(92,996)	3,618	(89,378)
Employee future benefits expenses (revenues) for the year	(72,460)	17,576	(54,884)
Corporation pension plans contributions	–	–	–
Benefit payments of unfunded plans	(762)	(13,300)	(14,062)
Accrued benefit liability at end of year	10,742	86,727	97,469

The accrued benefit obligation for CBC/Radio Canada's Pension Plan and for the unfunded benefit pension arrangements represents respectively $3,195.7 million and $30.9 million at March 31, 2001.

The amortisation of past service costs is due to an amendment to CBC/Radio-Canada's Pension Plan, which has resulted in a refund of a portion of contributions to plan members. As of March 31, 2001, the unamortised amount of past service costs is $120.0 million.

The unamortised portion of transitional assets as of March 31, 2001 is $1,163.2 million for CBC/Radio-Canada Pension Plan and $40.0 million for other employee future benefits.

b. Workforce Reduction

In 2000-2001, the Corporation implemented its workforce reduction plan. The results are in line with the plan.

12. Obligation Under Capital Lease

Capital lease consists of premises occupied by the Corporation in Toronto. Future minimum lease payments and obligation are as follows:

	(thousands of dollars)
2002	33,039
2003	33,039
2004	33,039
2005	33,039
2006	33,039
Thereafter to 2027	710,334
Total future minimum payments	875,529
Deduct: imputed interest (7.53%) and executory costs	498,644
Obligation under capital lease	376,885
Less current portion	4,747
Long-term portion	372,138

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 expenditures, is $28.8 million. At the end of the lease, the Corporation will own the building.

13. Commitments

a. Program-related and Other

As at March 31, 2001, commitments for sports rights amounted to $287.8 million; procured programs, film rights and co-productions amounted to $44.1 million and capital assets amounted to $12.1 million for total commitments of $344.0 million.

b. Operating Leases

Future annual payments related to operating leases are as follows:

	(thousands of dollars)
2002	56,163
2003	31,277
2004	18,253
2005	17,736
2006 – 2028	156,984
Total future payments	280,413

14. Contingencies

Various claims and legal proceedings have been asserted or instituted against the Corporation, including some which demand large monetary damages or other relief, which 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 charged to operations as incurred.

15. Related Party Transactions

The Corporation is related in terms of common ownership and enters into transactions with other Government departments, agencies and Crown Corporations in the normal course of business on normal trade terms applicable to all individuals and enterprises. Transactions with the Government of Canada are outlined in Note 4.

16. Net Change in Non-cash Working Capital Balances

	2001	2000
	(thousands of dollars)	
Cash flows provided by (used for):		
Accounts receivable	(7,169)	8,805
Program inventory*	22,437	14,466
Prepaid expenses	(3,746)	(20,797)
Accounts payable and accrued liabilities	(7,315)	(56,662)
Employee-related liabilities	(1,844)	19,513
	2,363	(34,675)

* Excluding $2 million of amortisation of capital assets in 2001 (2000 – $9 million).

17. Financial Instruments

Short-term investments, accounts receivable, accounts payable and accrued liabilities, and obligation under capital lease are valued at cost, which approximates fair value. The Corporation invests in the short-term money market (maximum term to maturity of 91 days). Securities are limited to those that are 100% guaranteed by the Government of Canada. The overall portfolio yield for the fiscal year ended March 31, 2001 was 5.44% (2000 – 5.13%).

18. Comparative Figures

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

Five Year Financial Review

Summary – Source and Use of Funds*

For the year ended March 31

	2000-2001	1999-2000	1998-1999	1997-1998	1996-1997
	(millions of dollars)				
Sources of funds					
Parliamentary appropriation for operating expenditures	794.0	764.7	759.5	759.7	896.4
Self-generated revenues					
Advertising and program sales	349.2	328.7	329.7	383.3	364.8
Miscellaneous	65.1	78.8	63.9	54.6	53.7
Total self-generated revenues	414.3	407.5	393.6	437.9	418.6
Total sources of funds	1,208.3	1,172.2	1,153.1	1,197.6	1,315.0
Application of funds					
Television and radio services	1,042.6	1,051.7	1,072.1	1,083.3	1,109.7
Transmission, distribution and collection	58.3	63.3	62.2	64.1	65.6
Payment to private stations	14.3	13.0	12.5	12.3	16.0
Corporate Management	15.9	15.3	16.2	15.1	15.7
Income taxes and taxes on large corporations	2.7	2.8	2.7	2.7	3.0
Total applications of funds	1,133.8	1,146.1	1,165.8	1,177.5	1,210.0

* Excluding specialty services, amortisation of capital assets, amortisation of deferred capital funding and non-operating revenue.