CBC Pension Plan

ANNUAL REPORT 2004

CBC Radio-Canada

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PROFILE

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

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

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

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

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

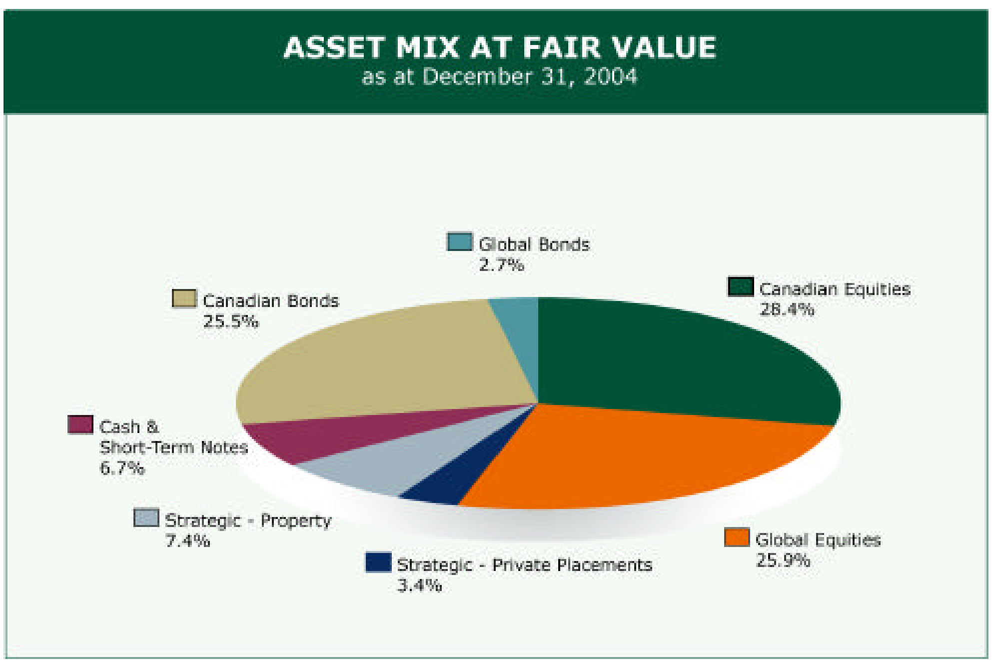
The long-term asset mix of the Fund is: 55% equities, 34% fixed income and 11% strategic which includes property and private placements.

OVERVIEW OF THE YEAR'S FINANCIAL OPERATIONS

The Fund's net assets available for benefits increased $207.2 million (5.9%) from $3,526.7 million at December 31, 2003 to $3,733.9 million at December 31, 2004. The increase is primarily attributed to a change in fair value of investments totalling $189.7 due to favourable returns in the world financial markets.

Over the year, the funding excess, which is the actuarial value of net assets available for benefits less the accrued pension benefits, decreased by $81.4 million from $354.2 million in 2003 to $272.8 million at the end of 2004.

For the year ending December 31, 2004, the one year rate of return was 9.1% as compared to 8.8% for the benchmark return, and 3.2% over a four year period which equaled the benchmark. For the ten year period ending on the same date, the time weighted compound annual rate of return for the Fund was 8.7%. The consumer price index increase at the equivalent of a compound annual rate of 2.0% during the same ten year period.



Trustees Report

Financial Health of the Plan

The year 2004 provided a second year of positive returns for the Fund. The rate of return overachieved the yearly benchmark portfolio objective by 0.21%. The long term investment objective to exceed the increases in the consumer price index by a minimum of 3.75% was overachieved by 3.05% as well as the actuarial long term assumption for the asset rate of return by 2.31%.

The latest triennial actuarial valuation, as required by the Office of the Superintendent of Financial Institutions (OSFI), was performed at December 31, 2002. At that time it was determined that the Plan's surplus on a going concern basis, which is used for financial reporting purposes, was $242.8 million. Further, it was determined that on a solvency basis (plan wind-up) the surplus was $156.1 million. The Plan sponsor must use the lower of the surpluses calculated at the time of the triennial valuation in order to establish its required contribution amount. The surplus/deficit positions attained in the annual exercises are based on projections and estimates from the last triennial evaluation and are not used in determining contribution amounts. At the end of 2004 the Plan's surplus, on a going concern basis, was $272.8 million which provides for a funding ratio of 108.3%. The Plan therefore is in a sound financial condition on a going concern basis. However, due to the ongoing decline in long-term interest rates, which on a solvency basis cause an increase to the Plan's liabilities, the Plan now has an estimated solvency deficit of $114.1 million, an increase of $58.8 million to the previous year's estimated deficit of $55.0 million. The Plan's solvency ratio, which is the market value of net assets available for benefits at year-end less the estimated wind-up expenses, divided by the solvency liabilities at year end is estimated to be 97.0%. The Trustees have been monitoring the financial impact of the declining interest rates on the solvency surplus/deficit for the past two years with special quarterly reports prepared by our actuaries. We will continue this practice in 2005 since it is the next scheduled triennial actuarial valuation.

The financial status of many Canadian pension plans is precariously dependent on the influence of low interest rates. A Canadian pension industry report, which includes a database of 847 plans, indicates that only 28.4% of the total plans have a solvency ratio greater than 100%.

Pension Benefit Administration

Effective January 1, 2004 the firm of Mercer Human Resource Consulting Limited was engaged to provide the pension benefit administration services of the Plan. An enhanced level of service was introduced for all active employees and benefit recipients. The on-line platform produced over 21,000 log-ins in 2004. This service, which includes pension calculation quoters, pension plan information, and general communication to name a few, is the most efficient method for employees and retirees to access their personal pension information and provide updates to same. The Trustees encourage all members to use the web based application for all their pensions related needs. The service centre also received over 14,000 telephone calls which far exceeded the expected yearly volumes and contributed to increased operating expenses. Based upon the utilization factors and the on-line survey results the Trustees deem year one of this operation to be quite successful.

Governance

As discussed elsewhere in this report, the Board of Trustees maintains a comprehensive Pension Plan Governance framework which has and continues to evolve over time. The objective of actively managing the governance program is to be at the leading edge thereby ensuring that the processes and structure within the framework are the most appropriate to assist the Trustees and management to discharge their responsibilities on behalf of plan members.

In an effort to continue reinforcing risk management within the organization, the Trustees, in 2004 requested that external consultants review and update a risk assessment performed in 2000-2001. The objective was to identify gaps and changes to the previous risk assessment findings. There were no major changes in risks and some minor potential gaps were identified and will be addressed by management in 2005. Also in 2005, management with the assistance of the consultants, will develop a control self-assessment program for the Plan.

The Board of Trustees' continuing education program for 2004 included varied topics such as current pension plan issues on the elimination of mandatory retirement, private placement investments, a risk assessment workshop and risk budgeting in a pension plan context. The latter session was in preparation for an asset/liability study which will take place early in 2005. Since the last major study in 2002, various changes have taken place which may affect the liabilities of the Plan and the asset types and allocations best suited to offset these liabilities. This study is the most critical exercise in determining the future direction of the Fund.

The 2004 governance self-assessment focused on investment, pension services and general Board processes. Trustees noted improvements in areas such as the pension services standards, advance board material and prioritization of issues while they found that communication with employees and pensioners somewhat less than effective. The general consensus of the Board was positive in all areas reviewed.

Retiring Trustees

The Board of Trustees wishes to express its appreciation to Mr. Clarence LeBreton and Mr. Richard O'Hagan for their contribution to the Board. Both of these gentlemen's terms came to an end on February 14, 2005. Mr. LeBreton served on the Board for approximately five years and Mr. O'Hagan for two years.

On behalf of CBC Pension Board of Trustees
Johanne Charbonneau

MANAGING DIRECTOR/CEO REPORT

For most of 2004, market returns were minimal. However, the surge in equity markets in the fourth quarter led to respectable returns by the end of the year. For example, the S&P TSX index returned 14.5%; US equities returned 10.9% but only 2.8% in Canadian dollar terms; international equities returned 11.5%; and, Canadian bonds returned 7.1%. As a result, overall returns for 2004 ended up in the high single digits.

The CBC Pension Fund's one-year rate of return for 2004 was 9.06% which exceeded its benchmark of 8.85%. The Fund's average return over the last four years equaled the benchmark of 3.2%. While the benchmark was met, the objective is to exceed it by 50 basis points (1/2%). The inability to reach the objective is primarily attributable to underperformance in some equity portfolios. Efforts have been and will continue to be made to improve performance in these areas. On the positive side, the Fund performed very well in the last quarter, and, in particular, there was a major 'winner' in the Private Placement Portfolio resulting in that portfolio achieving a one year return of 109%.

The CBC Pension Plan is a mature plan with benefit payments exceeding contributions by some $94.6 million in 2004. After taking this into account, the CBC Pension Fund had a positive year with assets growing from $3.53 billion at the end of 2003 to $3.73 billion at the end of 2004. The surplus on a going concern basis, although reduced from the 2003 level of $354 million is still $273 million or 108% of liabilities.

The estimated solvency deficit increased from $55 million at the end of 2003 to $114 million in 2004. This represents a solvency ratio (ratio of assets to solvency liabilities) of 97%. Compared to other Canadian pension plans, this would place the CBC Pension Plan in the high 2nd quartile. The Mercer Human Resources Consulting data base of 847 plans reveals that while 28.4% of plans have a solvency ratio greater than 100%, 50.4% of the plans have a solvency ratio of less than 90%, and 21.2% of the plans have a solvency ratio between 90 and 100%.

In summary, given the surplus on a going concern basis, the CBC Pension Plan is in relatively good financial condition.

ACTIVITY HIGHLIGHTS

- The new Pension Administration Centre commenced operations in 2004. The Centre experienced very heavy utilization which would appear to confirm its popularity and the need for such a service. It is pleasing to note that a number of awards were won relating to the web design.

- A number of changes were made within the equity portfolios including the creation of a new externally managed enhanced-style Canadian equity portfolio and an externally managed small-capitalization international equity portfolio.

- A review of the FlexPen program was undertaken. FlexPen provides CBC employees with the flexibility to improve the provisions determining the calculation of their pension benefits through tax-deductible contributions while controlling the investment of the additional contributions. The review led to the change in one of the investment managers and the development of a training/communication package for employees.

While reasonable returns have now been achieved over the last two years, there is a concern that the required level of returns may be more difficult to earn over the next few years. While economic growth in many of the major economies has been adequate, there are a number of risks which could affect future growth. Some of these include: rising interest rates; sustained high energy prices; the speed of decline of the US dollar and the size of the US budgetary and trade deficits; and, geopolitical and terrorist risks. As a result, Trustees will be undertaking an asset/liability review in 2005 which could lead to significant changes in the asset mix. Depending on the decisions taken, a fair amount of effort may be required to re-align the Fund's portfolios to a revised asset mix.

I would like to thank all of the staff for their efforts in 2004.

Stephen Cotsman
Managing Director/CEO

PENSION PLAN GOVERNANCE

OVERVIEW

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

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

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

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

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

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

In 2004, the Trustees, with the assistance of external consultants, performed a Governance review and self examination of their role as Trustees as a group. The assessment focused on investment, pension services and general Board processes. Overall, Trustees rated the performance of the Board during the past year favourably. The exercise allowed the Trustees to identify and act upon some areas for enhancement in the governance process.

On October 25, 2004, the Canadian Association of Pension Supervisory Authorities (CAPSA) issued their Pension Plan Governance Guidelines and Self-Assessment Questionnaire. The purpose of the document is to assist pension plan administrators in discharging their governance responsibilities by achieving and maintaining good governance practices. The guidelines include 11 governance principles which are very similar to the 6 essential principles noted above but offer more detail. In 2005 the Trustees and management will review and implement the guidelines and the self-assessment questionnaire as the standard Governance Framework for the CBC Pension Plan.

Board of Trustees Composition

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

Board of Trustees Committee

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

Independence of the Board

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

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

Effectiveness of the Board

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

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

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

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

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

In 2004, the Board of Trustees met 5 times. Under the By-Laws of the Board of Trustees, the Trustees must meet a minimum of 4 times per year.

Role of Management

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

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

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

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

Management Performance

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

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

Management has provided assurance to the Trustees that the Plan was administered in compliance with applicable policies and that all regulatory requirements were met in 2004.

Communications

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

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

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

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

Governance Self-Assessment

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

PLAN OBJECTIVE

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

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

INVESTMENT CONSTRAINTS

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

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

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

INVESTMENT OBJECTIVE

The investment objective of the Fund over the long term (e.g. 10 year period) is to consistently achieve time weighted average annual rates of return which exceed the increases in the consumer price index by a minimum of 3.75%. Over the past four years the rate of return averaged 3.2%, and over the past 10 years 8.7%. After allowing for inflation during these periods, the real rate of return was 1.0% and 6.7% respectively.

The Fund Manager's objective is to generate net returns that equal the annual average increase in a benchmark portfolio plus 50 basis points (0.5%) on a four-year moving average basis. The benchmark return is calculated by combining the return of the asset class benchmark indices in the proportion in which they are represented in the Fund's asset mix. For the year ended 2004, the net return of 9.1% overachieved the benchmark portfolio by 21 basis points. On a four-year moving average the net return of 3.2% equaled the benchmark return.

ASSET MIX

For 2004, the long term asset mix of the Fund, as defined in the Statement of Investment Policy and Procedures, was 55% equities, 34% fixed income and 11% strategic which includes property and private placements. The objective of the long term asset mix, which was determined through a major study undertaken in 2002 by the Fund's actuaries, is to ensure that the Fund's assets will offset the obligations for accrued pension benefits. There are lower and upper limits to the percentages which allow management the ability to take advantage of market directions and therefore enhance the performance of the Fund. As at December 31, 2004, the asset mix at fair value was 54.3% equities, 34.9% fixed income and 10.8% strategic. In 2005, the initial targeted long term asset mix of the Fund remains unchanged from the year 2004.

A major study of the Fund's long-term asset mix will be undertaken in early 2005.

Investment Management Approach

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

It is anticipated that investment decisions will add extra value to the Fund. In 2004 pension payments were 2.1 times greater than contributions. In 2000, employee contributions were permanently reduced by 17.2% and the employer contributions were reduced by 100% until December 31, 2003. Effective January 1, 2004, the CBC returned to a 100% contribution level and employees returned to pre-year 2000 contribution rates. The Plan however continues to rely on investment income to pay current and future pension benefits since these expenditures continue to be greater than the contribution income.

Asset/Liability Matching

The Corporation guarantees pensions and other benefits payable under the terms of the CBC Pension Plan with the exception of the flexible pension provisions in Part III of the Plan. An asset/liability study was undertaken by the Plan's actuary in 2002. The process included a review of the risk/reward associated with the then existing long-term asset mix policy, analysis of the risk/reward profile that would result from alternative asset mix policies, and consideration to the impact of various economic environments on both the assets and liabilities. The study concluded that the Plan was in a good financial position. It was recommended at that time that the long-term asset mix be revised to 55% equities, 34% fixed income and 11% strategic as opposed to the previous mix of 58%, 31% and 11% respectively. Changes to the asset mix and diversification of manager mandates within the asset categories were implemented in 2003 and 2004. A major asset/liability study will be undertaken in early 2005. The findings of this study may require changes to asset management in 2005 and onwards.

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

Risk Management

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

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

Interest Rate Volatility

The Plan's liabilities are sensitive to changes in the long term rates on asset return, salary escalation and inflation. Note 3c(i) indicates that if our assumed long term rate of return, which is used in actuarial valuations, were to decrease from the existing 6.75% to 5.75% the pension liabilities would increase by approximately $457.5 million. This increase in liabilities relates directly to the long term effect of lower earnings. However, if the assumed long term rate of return were to increase by 1%, the pension liabilities would decrease by approximately $392.2 million. Declining rates of return over a prolonged period could cause an increase to contribution rates in order to meet the Plan's liabilities.

Financial Market Volatility

The Fund's total investments at December 31, 2004, were $3.705 billion at fair value. Of this total, $2.013 billion was in equities. This substantial amount exposes the Fund to domestic and foreign market volatility. Historically, equities have a negative return about once every five years. The year 2004 provided the second year of positive returns after two straight years of negative returns on domestic and three years on major international equity markets. However, the long-term performance expectation outweighs the risks of short-term cyclical volatility. A further influence on market volatility risk is that our direct investments in foreign markets were limited in 2004 to 30% of the book value of the Fund. As at December 31, 2004, the Fund's direct foreign investments equalled 22.2% of the Fund's total assets at book value. The Fund also invests in index units which are considered Canadian content however the objective of the units is to replicate the rates of return of foreign indices. When these units are taken into account, the Fund’s total foreign exposure is 28.6% of the Fund’s total assets at book value. When the Fund operates within the 30% limit it means that 70% of the total Fund must be invested in domestic markets and these domestic markets account for only 3% of the total world markets. Therefore, if a major long-term correction takes place in Canada, the Fund runs the risk of a sustained decrease in relative performance, which could cause an increase in contribution rates.

In 2005, the Federal Government’s foreign investment rule of 30% was abolished within the February 23rd budget. In 2004 the Fund’s foreign exposure and performance benchmarks were on an unhedged basis. Management has an ongoing examination process of its foreign investment strategies and will closely examine the opportunities provided by this rule change.

Liquidity Risk

Liquidity risk refers to the cash available for new investments net of pension payments and operating costs. In 2004, benefit payments from the main plan and administration costs totalled $187.8 million. These expenses were partially offset by employee contributions to the main plan of $34.5 million, and employer contributions of $45.9 million. The cash flow requirement for the balance of benefit payments was generated through investment income of $123.7 million and proceeds on disposal of assets.

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

Credit Risk

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

Foreign Currency and Exposure Risk

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

Occasionally, the Fund invests in forward currency agreements in order to reduce the foreign currency risk. With the exception of currency forwards contracts held as part of the Global Bonds portfolio, the forwards total market value in any one foreign currency never exceeds the total market value of the Fund's investments in the hedged foreign currency at the time the hedge was placed. In 2004, to avoid any tax penalty, the maximum value of direct foreign investments permitted in the Fund could not exceed 30% of the book value of all the Fund's assets as defined under the Income Tax Act of Canada.

In order to increase foreign exposure, the Fund invested in unhedged index units which are considered Canadian content, however, the returns are based on the performance of the various indices related to the chosen markets. As at December 31, 2004, the fair value of the U.S. index units was $145.1 million ($199.7 million in 2003) and the EAFE index units was $89.7 million ($88.4 million in 2003).

Investment Performance

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

The Fund's total rate of return in 2004 was 9.1% which was 1.0% lower than the median rate of return of 10.1% for balanced funds. Comparatively, in 2003, the Fund's total rate of return was 12.2% which was 1.3% lower than the median rate of return of 13.5%. After adjusting for the Consumer Price Index, the Fund's real rate of return for 2004 was 6.8% as compared to 10.1% in 2003.

The overachievement of the benchmark in 2004 was primarily attributed to the strong positive performance of our private placements which form part of our strategic assets. On a four-year basis, the total Fund return was 3.2% which equaled the benchmark return.

The table below provides a comparison of the one year rates of return for the individual asset categories. Reported are the asset weights and the actual returns by asset category compared to benchmark returns. In 2004 the total Fund return overachieved the benchmark portfolio by 0.21%. In 2003 the total Fund return underachieved the benchmark portfolio by 0.89%.

	2004			2003		
Asset Categories	*Categories as a % of Total Assets*	*Benchmark Return*	*Actual Return*	*Categories as a % of Total Assets*	*Benchmark Return*	*Actual Return*
Cash and Short-Term Investments	6.7	2.3	2.8	3.7	2.9	3.5
Bonds - Canadian	25.5	7.1	6.9	27.5	6.7	7.3
- Global	2.7	2.0	1.5	3.0	(6.6)	(3.9)
Canadian Equities	28.4	14.5	9.2	29.2	26.7	28.0
Global Equities	25.9	6.2	6.2	6.8	8.5	8.6
Strategic	10.8	8.3	25.9	9.8	15.2	3.0
Total	100.0	8.8	9.1	100.0	13.1	12.2

Asset Review

The Economic Environment

Many of the economic themes of 2003 continued into 2004. The U.S. dollar continued to depreciate in value, long-term interest rates continued their descent and the price of oil continued its climb. Global economic growth continued to emanate mostly from the U.S. and China. European economic growth remained sluggish while Japan surprised on the upside. Overall global economic growth was positive and meager but stronger than anticipated. In response, global monetary policy moved to a tightening mode. This growth did not translate into significantly higher inflation nor higher long-term interest rates. It did however, along with corporate cost cutting, result in impressive double-digit growth in corporate earnings. This annual summary, done in hindsight, masks the capriciousness of the data. Growth came in fits and spurts and not in a smooth upward progression. During the year there were concerns that China's economy would slow and the negative impact it would have on all economies. There were also concerns that high oil prices and rising interest rates would halt U.S. consumer activity. In the end, these fears were unfounded.

The U.S. remained the consummate global consumer. U.S. demand broadened to not only include the consumer but also to reflect higher business and manufacturing demand. Retail sales were up 8.7% year-over-year matching the percentage rise in durable goods orders. Industrial production grew 4.4% year-over-year. Rising business and consumer spending also expressed itself in rising import demand. Export demand also increased as the U.S. dollar fell. GDP growth was 3.9% over last year's level. Unfortunately this up beat economic news did not translate into significant job creation. Although the unemployment rate fell to 5.4%, the number of new jobs created in 2004 was slight when compared to historical economic expansions. In part, the low job creation and low inventory levels are a reflection of corporations seeking a reduction in their cost structures. Concerned by the inflationary potential resulting from steady demand and reduced excess capacity, the U.S. Federal Reserve raised short-term interest rates by 125 basis points (bps) during the latter half of the year.

Unlike the U.S. economy, the Canadian economy started the year slowly. Still suffering from the effects of the 2003 appreciation of the Canadian dollar, export growth slowed. Job growth, which had been stellar in 2003 appeared to be weakening. However as the year unfolded and global economic growth increased, the rising demand for commodities drove Canadian exports upwards. Although the trade surplus peaked in June, it ended the year higher than last year's level. As the year progressed, job creation improved and the unemployment rate fell to a 3.5 year low of 7.0%. Subsequently domestic demand rose. The uneven performance of the Canadian economy caused the Bank of Canada to cut interest rates by 75 bps in the first eight months of the year, only to reverse its position and raise rates by 50 bps by year end. Overall, GDP grew by 2.8% in 2004. By year end the Canadian dollar renewed its appreciation against the U.S. dollar due to Canada's fiscal and trade surpluses, exposure to coveted commodities and rising domestic interest rates.

European economic growth remained lackluster. Euroland GDP grew a paltry 1.6% in 2004. The main impetus of growth was exports which rose 8.2% in spite of an appreciating Euro currency. Plagued by a high unemployment rate of 8.9%, consumer spending was weak. Retail sales were up 0.5% for the year. Such sub-par economic growth along with a strong currency moderated the inflation rate allowing the European Central Bank to keep interest rates unchanged during the year. Germany, Europe's largest economy continued to lag the other major economies in the union while France and Italy showed fluctuating signs of rebound. Confidence surveys however, indicate that both consumer and business sentiment is on the rebound which suggests better prospects for the region in 2005.

Japan's economy started the year with unexpectedly positive strength. Corporate business activity was flourishing. Machine orders grew in the double-digits over year ago levels. Industrial production was also healthy, growing by 4.3% year over year. Corporate balance sheets improved and profitability rebounded. Much of the growth in the production and manufacturing activities was due to rising export demand. After years of deflation, the cost index flirted with inflation. Trade with China expanded and as China's economy grew so did Japan's trade surplus. As the year progressed however, rising oil prices and an appreciating Yen started to weaken the economic performance. By December the rate of annual export growth, although still strong at 8.8%, slowed from its 13.4% November growth rate. Production growth flattened and prices were once again falling. The unemployment rate fell to a six-year low of 4.4% partly due to a declining participation rate. Domestic consumption by most measures remained weak. With fragile domestic activity and a declining export environment, the Bank of Japan maintained its zero percent monetary policy throughout the year.

Emerging market economies played an increasingly vital role in the growth of the global economy. South Asian manufacturers, most notably China, expanded its role as the global low cost producer. In order to reduce costs and remain competitive, many global corporations sought investment into these manufacturing economies. In turn, as Chinese factories churned out more and more goods, their demand for commodities increased. In addition, in the same search for global competitiveness, many of the Asian central banks slowed the appreciation of their currencies by holding increasing amounts of U.S. securities. The action of these central banks resulted in lower global interest rates than would otherwise be experienced at this point in the economic cycle. South American economies also enjoyed positive economic expansion particularly those with large commodity resources.

Overall, global economies delivered good news. Global GDP growth, although slowing, remained positive. Corporate earnings growth surpassed expectations. Inflation remained tame and long-term interest rates fell, even as short-term rates rose. All of this occurred while gold prices, normally a harbinger of bad news, hit a high not seen since 1988. Oil prices also spiked, hovering over $50 during the year. Elections around the world , most notably in the U.S., made financial markets jittery. By the end of the year, however both stocks and bond markets generated positive returns.

Investment Strategy

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

The investment strategy started the year with an overweight stock market and subsequently moved to a neutral benchmark position. These moves recognized that marginal economic growth and improving corporate efficiencies would result in impressive but waning corporate profitability. Within the equity asset classes the strategy held a bias away from the depreciating U.S. dollar and a preference for the resource-laden Canadian stock market as well as towards the appreciating EAFE currencies. Expecting rising inflation and subsequently higher short and long-term interest rates, the strategy held an underweight bond position for most of the year. To offset this underweight, the investment strategy held an overweight cash position. The actual performance of global equity markets was consistent with our views however the strategy underestimated the positive returns generated by the bond market.

The total return (in Canadian dollars) of the TSX cap 10 index was 14.5%, 2.8% for the S&P 500 and 11.5% for the EAFE markets. The fixed income markets generated returns of 7.1% and 2.3% for the Canadian bond and money markets respectively.

Cash and Short-Term Investments

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

In 2004, the Bank of Canada (BOC) decreased short-term interest rates by 25 basis points in January, March and April followed by increases of 25 basis points in September and October. Thereafter rates remained unchanged. The average yield for Canadian 91-day Treasury Bills was 2.5% in December 2004 as compared to 2.6% in December 2003.

In 2004, the Fund had on average approximately $149.9 million or 4.2% of assets in cash and short term investments. The one year rate of return for the internally managed portfolio of the Fund was 2.84%, which was 56 basis points above the benchmark return of 2.28%. Over a four-year period the rate of return was 3.71%, which was 60 basis points over the benchmark return of 3.11%. At December 31, 2004, cash and short-term investments represented 6.7% of the Fund's investments at fair value.

Bonds

The Canadian bond asset class consists of an internally managed government bond portfolio, an externally managed corporate bond portfolio and an externally managed index portfolio. This latter portfolio was introduced to accommodate asset mix shifts and as a complement to the other more active bond portfolios. The Fund also has a Global bond portfolio within its fixed income assets. The chart on page 14 identifies the percentage distribution of bonds by portfolio. As at December 31, 2004, bonds totaled $1,044.4 million, which represents 28.2% of the Fund's investments at fair value.

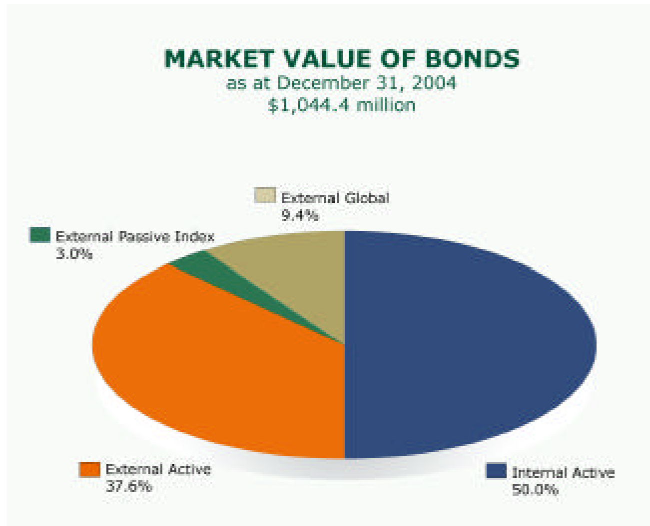
It was, as usual, an interesting year for North American bond markets. At the outset of 2004, interest rates in North America were widely expected to rise over the course of the year. Factors suggesting higher yields included: stronger economic growth worldwide, expected upward pressure on North American inflation, the growing current account deficit in the U.S. and the expected continued decline in the U.S. dollar. Offsetting these concerns to some extent was the U.S. Federal Reserve's (Fed) comment that they did not expect to raise administered rates for a 'considerable period'. In Canada, economic growth was weakening, believed to be largely as a result of the strong dollar. This suggested that Canadian administered rates could fall with longer rates rising somewhat less than in the U.S.

Interest rates in North America fell early in the year as economic growth, particularly U.S. labour markets, lagged expectations. Indeed, the Bank of Canada lowered the Bank Rate 3 times from 2.75% to 2% even as the U.S. Fed held steady, and interest rates in North America reached their lowest levels of the year in late March for all but the longest terms on the yield curve in Canada. In the first quarter of 2004, U.S. and Canadian 10 year yields fell 41 and 32 basis points respectively. That abruptly changed in the second quarter as the U.S. labour market appeared to come alive and oil prices surged, inflaming inflationary fears. Moreover, the U.S. Fed strongly suggested that administered rates were poised to move higher and the Canadian economy proved more resilient than anticipated. In all but the short end of the U.S. yield curve, North American interest rates attained their highest levels of the year in May or June. For the quarter, U.S. and Canadian 10 year yields rocketed up 64 and 49 basis points respectively. For the remainder of the year, longer term yields generally trended lower, even in the face of higher administered rates by both the U.S. Fed and the Bank of Canada. In fact, 30 year Canada yields reached their lowest level of the year in December. By the end of the year, the U.S. Fed had raised the benchmark rate no less than 5 times, more than doubling the level from an all-time low of 1% to 2.25% and in Canada the Bank of Canada increased the bank rate twice in the last quarter. U.S. and Canadian 10 year yields had fallen 3 and 18 basis points respectively since the end of 2003. Yield curves in both countries, but particularly in the U.S., had flattened from an extremely steep shape, and yield spreads between Canada and the U.S. had narrowed.

For the most part, the underlying assumptions for 2004 came to fruition. Worldwide economic growth was modestly weaker than anticipated and the core inflation rates marginally better behaved. However, the Fed did tighten as expected. The response by the bond market was a surprise, possibly owing to the continued huge U.S. Treasury purchases by the central banks of Japan and China in the face of the record U.S. current account deficit and a falling U.S. dollar.

The Canadian corporate bond market continued to benefit from declining interest rates and narrowing credit spreads. Spreads fell to historically low levels versus Government bonds due to the improved balance sheets of corporate issuers and due to the search for extra yield by investors. Corporate bonds generated returns of 7.3% just slightly better than the 7.1% return from Government bonds. The externally-managed bond portfolio provides the Fund with exposure to investment-grade Canadian corporate bond issuers with a minimum credit rating of BBB. The portfolio of approximately 125 bonds has exposure to a minimum of 7 sectors of the Canadian economy.

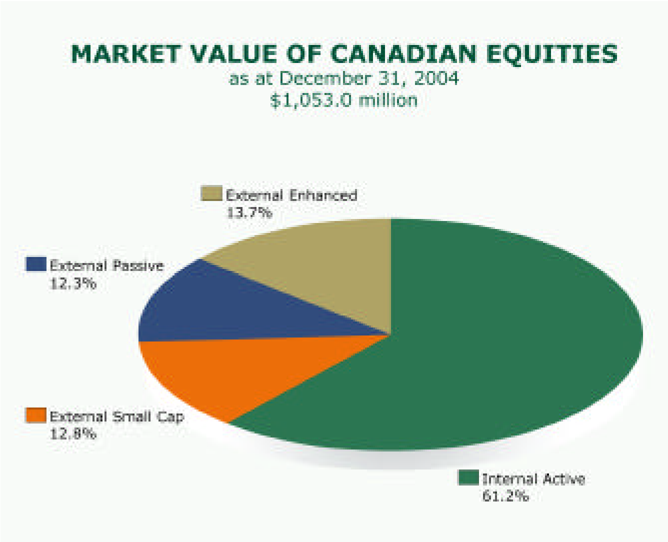
In total, the Canadian bond asset category rate of return for 2004 was 6.9%, some 20 basis points below the benchmark return of 7.1% Over a four-year period the rate of return was 7.6% which was equal to the Scotia Capital Market Universe Bond Index (Government of Canada, Provincials and Corporate Bonds). At year-end, Canadian bonds represented 25.5% of the Fund's investments at fair value.



Continuing global concerns over rising interest rates held down returns in global bonds for a second straight year. The benchmark return was limited to a 2.0% gain for the year as economies continued to recover. The Fund's externally managed portfolio holds the debt obligations of international government and corporate issuers rated single-A or better. The portfolio continued to maintain an overweight in European bonds in anticipation of falling interest rates in the slow-growing Euro region. Concerns over a record current account deficit provided the impetus to continually underweight the U.S. bond market exposure. Although the portfolio avoided any Japanese credit exposure, it did hold an overweight position in Japanese Yen through the use of forward contracts. The portfolio's shorter duration however resulted in returns of 1.5% for the year.

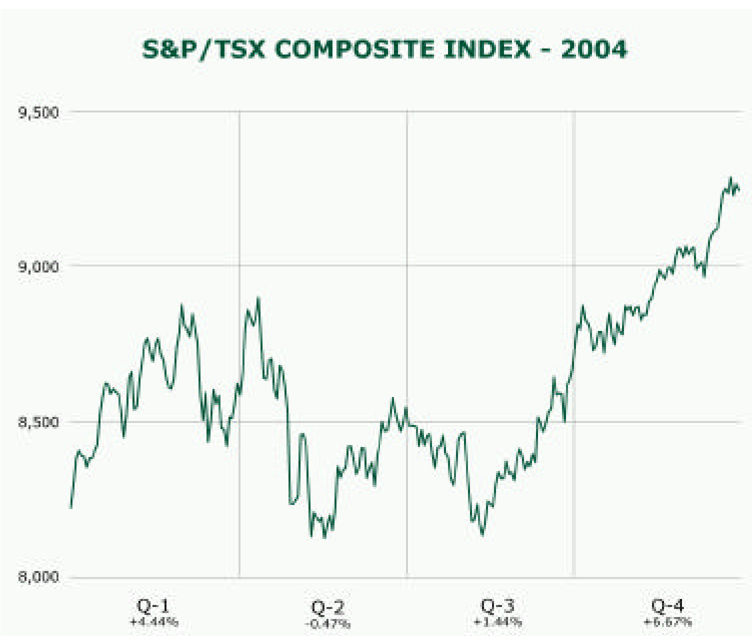
Canadian Equities

The Fund's Canadian Equities asset class has four components: an actively managed internal portfolio, an externally managed passive portfolio which replicates the rates of return of the S&P/TSX Cap 10 Index, an active externally managed small capitalization portfolio, and an externally managed Enhanced Index pooled fund portfolio. The chart on page 15 identifies the percentage distribution of Canadian equities by portfolio. At December 31, 2004, Canadian equities totalled $1,053.0 million, which represents 28.4% of the Fund's investments at fair value.



As shown in the chart below, 2004 proved to be a positive year for the Canadian stock market. After trading in a relatively narrow range for the first 3 quarters of the year, the market rallied almost 7% in the fourth quarter to end the year up an impressive 14.5%.

Nine out of the 10 sectors in the index had positive returns in 2004, but only the Energy Sector up 30.3% and Financials up 20.0%, outperformed the S&P/TSX Composite Index return. For the second year in a row, Health Care was by far the worst performing sector, down 17.3%. Other underperforming sectors included: Industrials up 1.4%, Materials up 6.7% and Utilities up 9.4%.



The chart on page 16 shows the 2004 total returns of the ten sectors comprising S&P/TSX Composite Index.

Some of the major factors influencing the Canadian market in 2004 were:

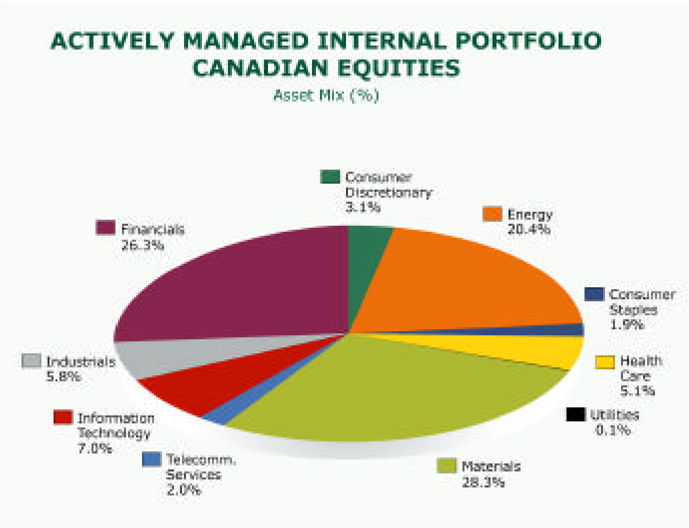
- China's continued strong growth which resulted in solid demand for Canada's natural resources;
- A strong Canadian dollar;
- Continued significant accounting frauds that adversely impacted performance;
- Strong energy and base metal prices;
- A modestly rising interest rate environment.

The internally managed portion of Canadian Equities underperformed against the S&P/TSX Composite Index mainly due to specific holdings in the Health Care and Industrials sectors, and an overweight position in Materials.

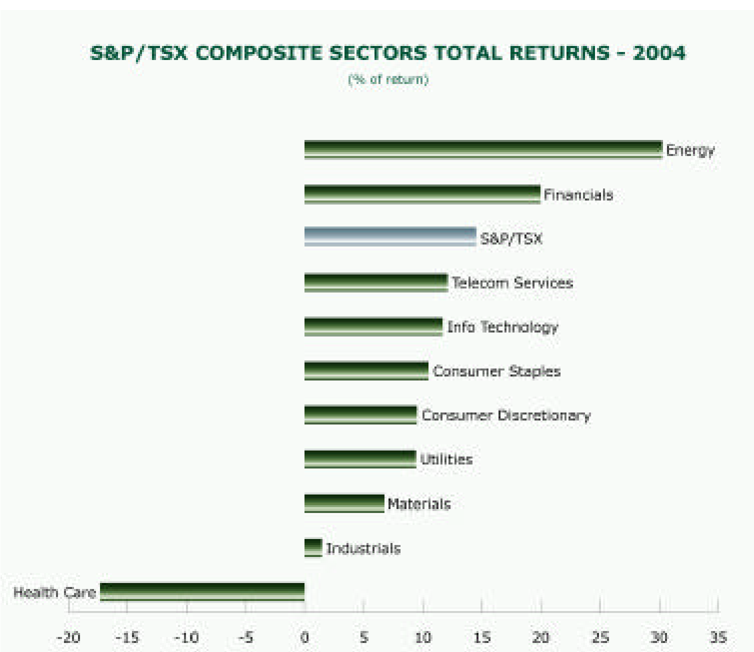
Unlike preceding years, 2004 saw small cap stocks slightly underperform the larger stocks of the S&P/TSX Composite Index. The small cap portfolio, which holds approximately 40 equity securities, favours companies with healthy balance sheets and valuation multiples consistent with their growth potential. The portfolio slightly underachieved its benchmark since it remained underweight the more cyclical sectors such as energy and metals which generated strong benchmark returns.

The Enhanced Index pooled fund portfolio was introduced in March 2004 and the strategy is to outperform the S&P/TSX Composite Index, through superior stock selection while maintaining neutral sector weights. The portfolio is style-neutral and is broadly diversified. Since its short inception, the portfolio has outperformed the benchmark.

The Canadian Equity asset category rate of return for 2004 was 9.2% some 530 basis points lower than the benchmark return of 14.5%. Over a four-year period the rate of return was 4.8% which was 90 basis points above the benchmark return of 3.9%.



We anticipate that in 2005 the Canadian stock market will provide positive returns. However, stock selection within the various sectors will be very important. Global economic strength will positively effect our domestic market. Ongoing growth in China will keep our vital natural resource industry buoyant. On the negative side the high level of the Canadian dollar and an end to a secular decline in interest rates will dampen enthusiasm for high yielding stocks. Any interest rate increases will likely be well contained primarily to prevent any inflationary pressures and not designed to stifle economic growth. On balance the positives should outweight the weakening influences.



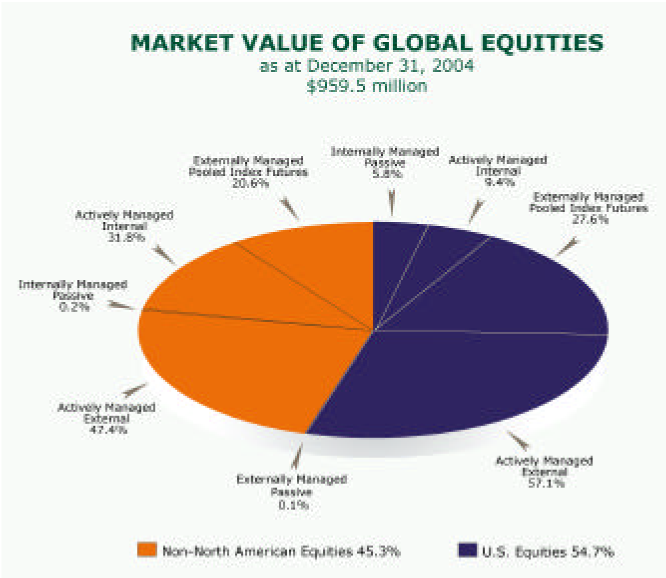
Global Equities

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

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

After a sharp rally to start 2004, global equities lost momentum and traded in a narrow range for the first three quarters of the year. Concerns over higher energy prices, rising interest rates and inflation, slowing economic growth and geopolitical issues such as terrorism, the conflict in Iraq and the U.S. presidential election all impacted global economies. These concerns gave way to heightened optimism in the fourth quarter, as falling oil prices, a decisive election result and continued economic growth drove a vigorous year-end rally, lifting global equity markets to their second consecutive year of gains.

Although most global equity markets posted double digit returns for the year, Non-North American equities outperformed U.S. equities, driven in part by a falling U.S. dollar. Emerging market equities also had a strong performance, with a number of markets in Latin America and Eastern Europe posting high double digit returns. From a style perspective, value-oriented portfolios outperformed growth, while small and mid cap stocks outperformed large cap equities. In most markets, energy and utilities were the strongest performers, while technology and healthcare were laggers.



U.S. Equities

Boosted by a strong fourth quarter, U.S. equities reached their three year highs towards the end of the year. For 2004, the S&P 500 Index was up 10.9% and the Nasdaq Composite Index rose 9.2% in U.S. dollar terms, but the impact of a weak U.S. dollar tempered returns in Canadian dollar terms to 2.8% and 1.2% respectively.

Surging oil prices drove the significant outperformance of the energy sector, which rose over 30% in U.S. dollar terms for the year. High-yielding sectors such as utilities and telecom services also enjoyed strong returns on the back of a benign interest rate environment. Concerns over slowing growth and high valuations in the technology sector and company-specific issues in the health care segment caused these sectors to lag the overall market.

Some of the major factors influencing the U.S. markets in 2004 were:

- Rising interest rates - The U.S. Federal Reserve began a tightening cycle in 2004, raising interest rates five times over the course of the year. Despite these measures, rates remained at multi-year lows at the end of the year, and with inflation rising at a moderate pace and the Fed reaffirming a "measured" pace of rate increases, initial market concerns over an aggressive tightening cycle eased considerably.

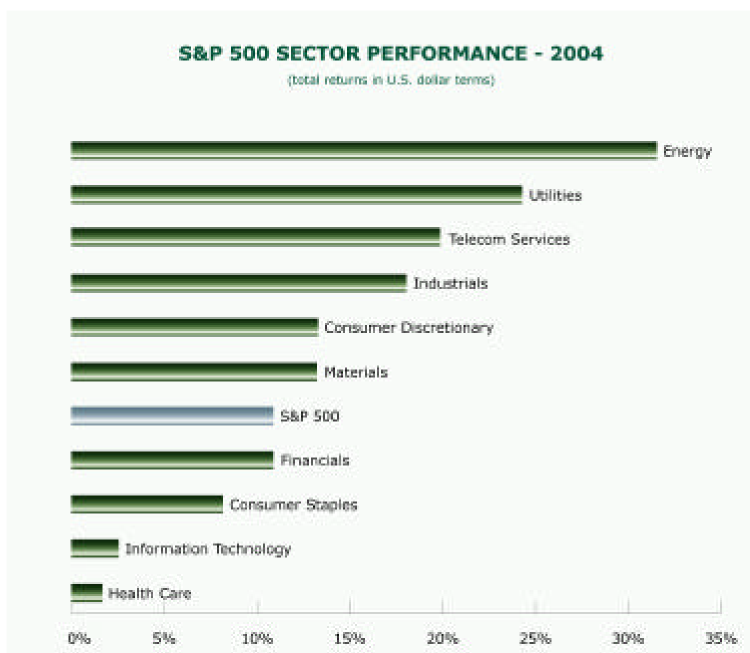
- Weak U.S. dollar - Rising current-account and budget deficits, coupled with record low interest rates continued to place significant downward pressure on the U.S. dollar against most of the major currencies in 2004. The U.S. dollar ended the year down 30% from its peak in 2002 on a trade-weighted basis.

- High energy prices - Oil prices surged throughout much of the year, against a backdrop of geopolitical risks, supply disruptions in Iraq and concerns of increasingly tight capacity.

- Presidential elections - Although many election watchers feared a dead heat in the weeks leading up to the November U.S. presidential elections, the clear-cut victory of the Bush government and the return to power of a business-friendly administration provided an upward catalyst to the markets toward the end of the year.

- Continued challenges in Iraq -The process of managing the transition to a new government in Iraq continued to be highly problematic for the U.S., which was faced with ongoing insurgent attacks, mounting casualties and escalating defense bills.

The U.S. internal active portfolio was launched at the end of January 2004. The portfolio outperformed the S&P 500 Index in Canadian dollar terms for the 11 months since inception by 240 basis points. Outperformance was mainly attributable to superior stock selection, with the portfolio outperforming in nine out of ten sectors. Overweight positions in telecom and utilities and underweight positions in information technology for much of the year also benefited performance.



Within the U.S. equity portfolio are two externally managed portfolios. The first is an enhanced S&P 500 index portfolio. This portfolio of approximately 150 U.S. stocks attempts to generate slightly higher than index returns while maintaining risk statistics that are similar to that of the S&P 500 index. During 2004, the portfolio slightly underperformed the S&P 500 index in Canadian dollars. Security selection was the primary driver of the portfolio's underperformance versus the benchmark.

The second externally managed portfolio is a U.S. value portfolio. This portfolio holds approximately 50 large cap U.S. stocks characterized by lower than average price to earnings multiples and higher dividend yields. This portfolio had a solid performance generating a Canadian dollar return exceeding the benchmark by 229 basis points.

Non-North American Equities

Non-North American markets significantly outperformed U.S. equity markets in 2004, with returns boosted by the weaker U.S. dollar. For the full year, the MSCI EAFE Index posted a 20.8% return in U.S. dollars (up 11.5% in Canadian dollar terms), while the MSCI Emerging Market Index rose an even stronger 24.7% (up close to 16% in Canadian dollar terms), marking the second straight year of emerging market outperformance.

Within the EAFE region, smaller European markets were the leading performers, with such markets as Austria, Norway, Greece and Belgium posting local currency returns in excess of 30%. Although all EAFE markets had positive returns on the year, the weakest performance was found in such markets as the Netherlands, Switzerland, Germany, and Japan. A summary of returns from selected markets is shown in the table below.

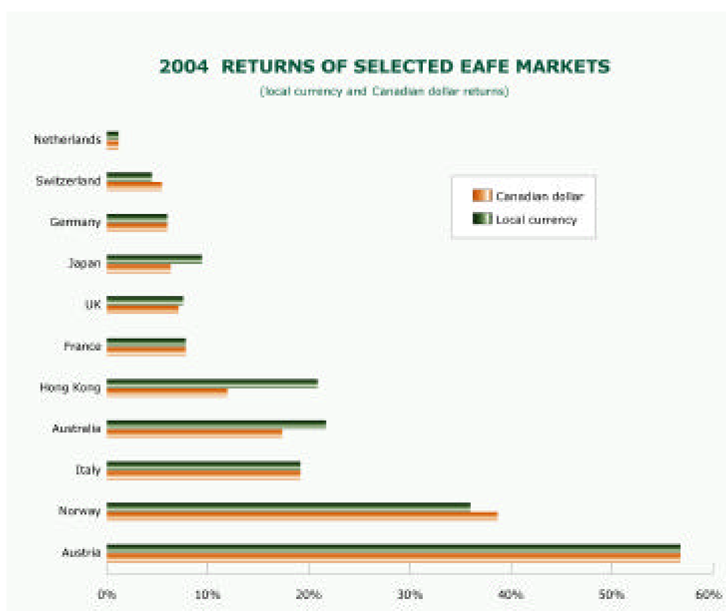
Although European markets in 2004 faced such headwinds as high oil prices, surging domestic currencies and lackluster economic growth, European equity markets were supported by strong earnings growth, attractive valuations, high dividend yields and early signs of structural reforms taking place. The sluggish domestic environment led the European Central Bank (ECB) to keep interest rates on hold for the year, while the Bank of England continued to raise rates throughout 2004 as it attempted to slow the robust growth of the housing market in the UK. These measures appeared to yield results, and by the end of the year the bank had moved to a neutral stance.

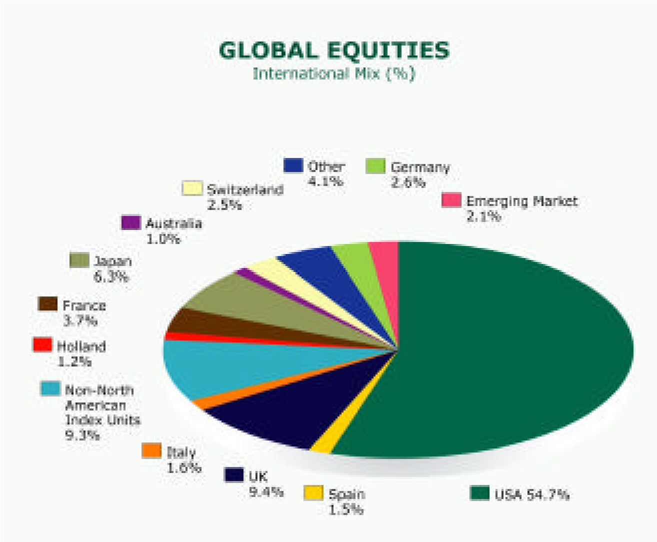
In the first half of 2004, an optimistic outlook for Japan's economy helped drive the Tokyo stock market to the strongest performance of any major developed market. However, as the economy showed signs of deceleration and concerns over a cooling economy in China increased, the Japanese market lost momentum and lagged the other major markets for the remainder of the year. During the year, investors in Japan focused on such concerns as the strengthening yen (and potential impact on Japan's export-led growth), lackluster domestic demand and growth trends in its key trading partners, the U.S. and China. On the positive side, economic fundamentals continued to gradually improve, deflation showed further signs of easing and corporate balance sheets were the strongest in many years.

Australia performed strongly driven by robust commodity-driven demand from China, while Hong Kong benefited from improving consumer demand, easing unemployment and a long-awaited end to deflation.

From a sector perspective, utilities outperformed all other sectors in the EAFE region, with total returns of close to 35% in U.S. dollar terms, driven by a widespread reach for yield as sustained low bond rates drove investors toward dividend-paying stocks. Energy, financials and industrials also posted strong results for the year, while technology and health care were the weakest performers for 2004.

The internal active EAFE portfolio outperformed the MSCI EAFE index by 103 basis points in the year. This performance was driven by a combination of strong stock selection, overweight positions in the energy, utilities, and materials sectors and an underweight position in the lagging information technology sector throughout much of the year. Overweight positions in Hong Kong, Australia, and a number of smaller European markets benefited performance, as did an underweight position in Japan in the latter part of the year. Partially offsetting these returns were overweight positions in some of the weaker performing European markets such as Germany, Switzerland and the Netherlands.





Within the EAFE portfolio is an externally managed core portfolio. Positive contributors to this portfolio for the year were allocations to material stocks benefiting from the increasing demand for commodities from China. The portfolio's exposure to the Emerging Markets was a net drag to performance and the portfolio underperformed the benchmark by 258 basis points.

In order to further diversify the EAFE portfolio, a new $100 million (Cdn.) external mandate focusing on small cap stocks was implemented in mid-December 2004. Companies that will be targeted for investment range in size from U.S. $ 100 million to U.S. $2 billion. The manager will seek to identify companies with sustainable growth attributes available at attractive prices driven by both fundamental and quantitative research.

The Fund also maintains two passive portfolios, managed by an external manager to obtain both market and currency exposure to the S&P 500 and MSCI EAFE Indices through the use of un-leveraged derivatives. These portfolios are used mostly to affect asset mix changes and to reduce the overall benchmark volatility of the asset classes.

For the year 2004 the total global equities performance was 6.23%, 6 basis points above the benchmark MSCI World X Canada Index of 6.17%. At December 31, 2004 Global Equities represented 25.9% of the Fund's investments at fair value.

Strategic

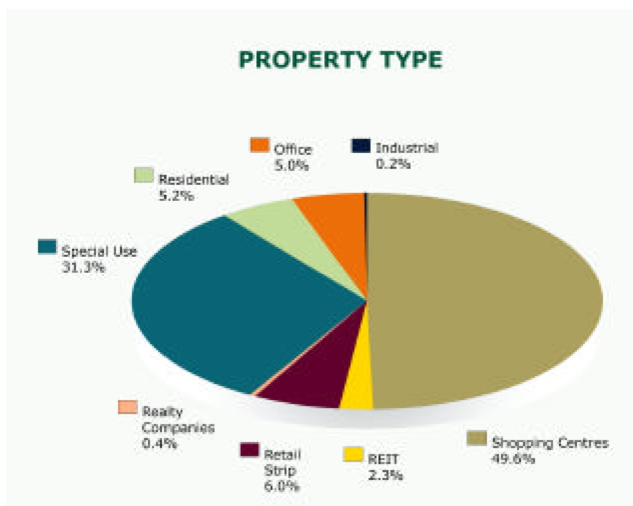
There are two components to the Fund's strategic investments: property, which includes real estate and mortgages, and private placements.

Property

It was a case of deja-vu all over again in 2004. As in 2003, real estate fundamentals showed some marginal improvement but the heavy demand for real estate combined with low interest rates provided welcome capital appreciation for most properties.

Appetite for real estate in Canada has been voracious. Pension funds, looking at abysmal levels in the bond market and uncertain returns on equities, have been increasing their allocation to the asset class. Real Estate Investment Trusts continue to be major factors and foreign purchasers are swiftly gaining a presence. The lack of new supply and low interest rates allow for potential purchasers to aggressively bid for property thanks to the power of leverage, thus capitalization rates are at unbelievably low levels and offer minimal yield over corporate bonds for well-leased prime property.

Retail properties continue to perform well. Power centers and food-anchored malls remain extremely popular. There appears to be a lack of prime product in Alberta and British Columbia. Industrial properties are still holding up well in spite of the sharp appreciation in the Canadian dollar. However, the slight uptick in vacancy levels may be an early sign of a weakening in demand. Demand for office space has been improving, again particularly in Alberta and British Columbia. In Toronto, demand has slowly been shifting from the downtown core to the suburbs where rents are significantly lower. Ottawa office space remains very tight. Overall, however, rental rates for office space remain under downward pressure. Multi-residential continues to struggle due to the still hot housing market with vacancy levels higher than has been experienced for many years. Finally, the hotel sector has modestly recovered from the SARS-induced disaster of 2003. Most vacancy levels have returned to normal, albeit at lower rental rates.



In 2004, the return on the total property portfolio underachieved it's benchmark by 43 basis points. Performance was again negatively impacted by an unusual number of properties experiencing renovations which were largely financed by their internal cash flow and from a few properties with excessive vacancies. We remain focused on reducing our property exposure. There was one major sale in 2004 and several smaller transactions that has lowered our overall investment in real estate.

In 2004, the total Property Portfolio one-year rate of return was 5.6% versus the benchmark 6.0%. Over a four-year period the rate of return was 7.6% compared to the benchmark return of 6.0%. At December 31, 2004, the portfolio represented 7.4% of the Fund's investments at fair value.

Private Placements

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

As the public equity market improved, the opportunities for the private equity market followed suit. In the public equity markets there was continued improvement in the IPO (Initial Public Offering) market along with the resurgence in merger and acquisition ("M&A") activity. Another positive was the advancement of discussions surrounding income trusts by both the Federal and Ontario governments. These activities bode well for the private equity markets as IPOs, M&A and income trusts represent liquidation opportunities for private equity investments. Reflecting the improving market situation, there was an increase in the number of sales of underlying companies in the portfolio. Over the past few years, the strategy has been to increase holdings away from venture size companies and add income paying securities as well as to expand geographically. The strategy is expected to reduce the time period from initial investment to exit. In 2004 a mezzanine debt fund was added to the portfolio. In 2004 the portfolio generated an exceptional return due to a significant change in the market value of one security.

In 2004, the portfolio generated returns of 109.1%. Over a four year period the rate of return was 8.1% as compared to the benchmark return of 13.7%. As at December 31, 2004, the portfolio represented 3.4% of the Fund's investments at fair value.

Change in Net Assets Available for Benefits

The Fund's net assets available for benefits increased $207.2 million from $3,526.7 million at December 31, 2003 to $3,733.9 million at December 31, 2004.

Total investment income of $123.7 million, which includes interest and dividends earned during the year as well as income from real estate properties net of operating and interest expenses, increased by $18.2 million when compared to the previous year. This increase was due primarily to higher income in the real estate portfolio, income participation by way of dividends and interest in private placements, greater dividends in both the Canadian and Global equities and higher non-domestic interest rates which increased interest on Global Bonds.

Total contributions of $81.2 million reflect an increase of $53.0 million when compared to the previous year's total of $28.2 million. In 2004, the number of contributors increased from 8,073 at December 31, 2003 to 8,322 at the end of December 2004.

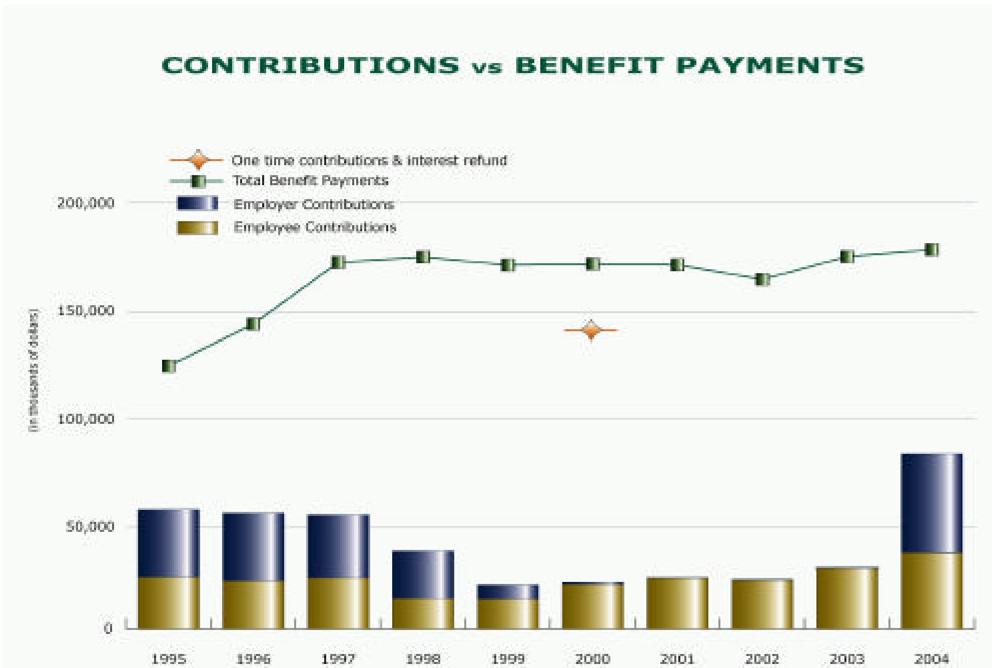
The increase in the contributions relates primarily to the re-instatement of employer contributions, which totalled $45.9 million, after being covered by a funding excess for the years 2000 to 2003, and the re-instatement of employee contributions to the pre-year 2000 level. In total employee current service contributions increased $5.1 million and past service contributions increased $1.5 million. Net reciprocal transfers with other plans increased $0.6 million. Employee contributions to the flexible pension provision of the plan remained fairly static at $0.9 million.

Expenditures out of the Fund totalling $187.8 million reflect an increase of $4.4 million when compared to the previous year's total of $183.4 million. Of this total increase, $3.2 million relates to benefit payments while administrative expenses increased $1.2 million.

Benefits

The plan paid $175.8 million in benefits during 2004, an increase of $3.2 million when compared to the $172.6 million in 2003. Pension payments increased by $3.7 million due primarily to a 2.7% cost of living adjustment effective January 1, 2004 and an increase of 8 in the number of pensions being paid. The plan requires an averaging method for calculating the inflation adjustment rates for pensions which is different than the year-over-year rate of inflation. Transfers of contributions and refunds decreased $0.5 million due to a decrease in the number of member separations.

This chart provides a 10-year historical comparison of contributions and benefits. Based upon the results of the actuarial valuation as at December 31, 1999, which reported that the Plan had excess funding of $616.2 million, the CBC decided that it's employer contributions for the years 2000 to 2003 would be covered by the funding excess and that normal employee contributions would be reduced by 17.2% from January 1, 2000 onwards. Effective January 1, 2004 both the employer and employee rates returned to pre-2000 levels. Figures for 1999 reflect the results of actions taken subsequent to the December 31, 1996 actuarial valuation whereby the employer and employee contribution rates had been reduced by approximately 50% for 1998 and 1999 as partial utilization of the then existing $234 million surplus.



Administrative Expenses

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

Administrative expenses for 2004 totalled $12.0 million, an increase of $1.2 million over the previous year. The increase related primarily to external investment management fees for $0.7 million and internal investment management for $0.4 million.

In 2004, the total unit expenses for the Fund management, including Board of Trustees expenses, was 27.0 cents per $100 of average assets under management. According to a study undertaken in 2003, the comparative benchmark operating cost for a fund of our size, asset mix and nationality was 30.5 cents per $100 of average assets under management while the Canadian universe average cost was 35.0 cents. The 2004 expenditures for the CBC Pension Fund are therefore approximately $1.2 million lower than the 2003 benchmark costs for similar funds. When the pension benefit administrative expenses are added to the total, the overall unit costs for the administration of the Plan are 33.7 cents per $100 of average assets. The unit costs incurred by the Plan continue to be amongst the lowest in the industry.

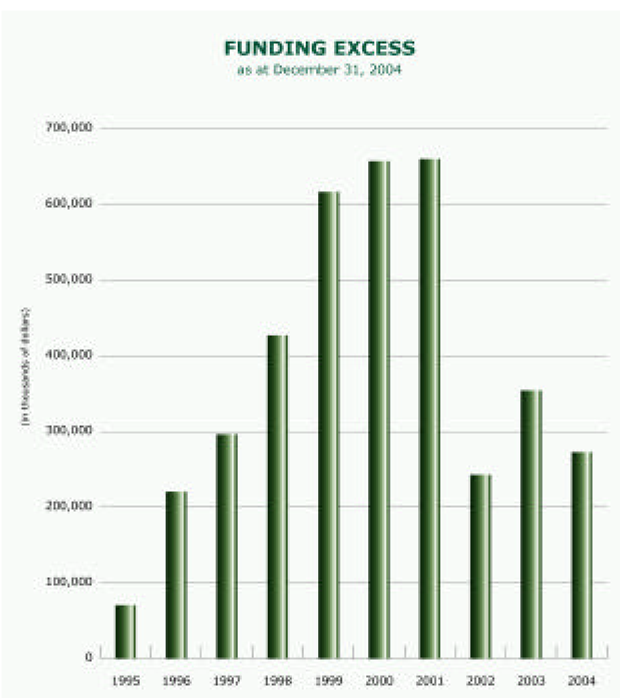
The major study of the long term asset mix undertaken in 2002 resulted with a 3% allocation decrease in equities and a corresponding increase to fixed income. Portfolio adjustments commenced in 2002 and in order to enhance the Fund's risk diversification, new external asset management mandates were awarded in 2003 and 2004. The approved budget for 2005 includes an increased allocation for external investment management fees as well as an increase for salary costs in line with the Fund's compensation policy. However, a major study of the long-term asset mix will be undertaken early in 2005 which may cause changes to the investment management expenditures. Minor fluctuations are anticipated in the various other expense categories reported in Note 12 in the Financial Report section.

Accrued Pension Benefits

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

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

As at December 31, 2004, on a going concern basis, the accrued pension benefits were $3,268.1 million, an increase of $95.6 million from the previous year's total of $3,172.5 million. Over the same period, the actuarial value of net assets available for benefits increased $14.1 million from $3,526.7 million to $3,540.8 million. The net result was a decrease of $81.5 million to the funding excess at the end of 2004.



As required under the Pension Benefits Standards Act (PBSA) and for reporting purposes to the Office of the Superintendent of Financial Institutions (OSFI), the Plan's actuary, on a triennial basis, values the Plan on a solvency basis. Using this method, which simulates a plan wind-up, and using extrapolations and projections from the 2002 valuation, the funding deficit as at December 31, 2004 was $114.1 million as compared to a deficit of $55.3 million at the end of 2003. The primary reason for this $58.8 million increase in solvency deficit was the reduction in long-term interest rates which caused an increase in actuarial liabilities. The Plan sponsor uses the lower of the surplus amounts as determined in the triennial valuation in order to determine the required contribution levels.

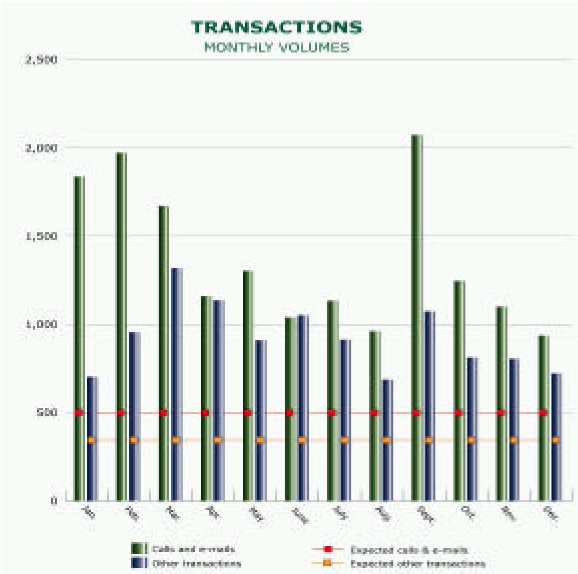
Benefit Administration

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

In 2003 the Board of Trustees initiated a formal process requesting proposals for the provision of pension benefit administration services. The successful proponent was the firm of Mercer Human Resources Consulting Limited which initiated the services for CBC employees and pensioners on January 1, 2004 with the introduction of the Pension Administration Centre (PAC).

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

- » calculations in connection with the purchase of previous service;
- » the transfer of pension entitlements under the terms of reciprocal transfer agreements;
- » coordinating the division of pension credits on marriage breakdown;
- » gathering and verifying declarations by active pensioners or their power of attorney;
- » determination of spousal and/or children's insurance benefits;
- » processing pension benefit adjustments related to indexation, ad hoc adjustments, retroactive salary adjustments, garnishments, etc.



- On-line secure access to pension information, pension and buy-back calculations and pension forms. Further, this on-line feature provides an information request capability and the ability to update personal information.

- A toll-free call centre.

- Customer service representatives capable of answering pension related questions, put clients in touch with outside providers and mailing forms related to various life changes.

The first year of operation of the Pension Administration Centre was considered to be a great success based upon the utilization volumes and the satisfaction survey. The extensive usage was due in part to our communications package entitled "Welcome to Pension Self-Service" which has won two international communication awards: the 2004 APEX Award of Excellence and the 2004 Bronze ASTRID award. Further, our web site has won the 2004 Mercury Gold Award which takes into account the effectiveness of the material in meeting the stated objectives, how well it was communicated to the designated audiences, use of imagination and original solutions and the overall expression of the message.

Statistics on the general web usage reveal that the total number of log-ins, which includes multiple log-ins, was 16,550 for employees and 4,744 for pensioners. In total 2,925 employees and 1,226 pensioners used the web services. There were 1,159 employees who accessed the short-term quoter for a total of 4,772 pension quotes. The use of the web site features are efficient and cost effective since there is no person to person contact. If an employee uses the short-term or long-term quoter feature the calculation results are exactly the same as the call in service calculations performed by a service representative since the latter uses the same calculation module. The PAC centre received a total of 14,251 calls, of which 5,131 were from active members and 9,120 from pensioners and inactive members. The total call volume exceeded the expected volume by 8,251. The chart on left identifies the actual and expected monthly volumes at the PAC. The higher than expected volumes negatively affected the expected costs and we anticipate that the person-to-person contact will decrease in 2005 and that employees and pensioners will make more use of the web as a pension quoter tool and pension information centre.

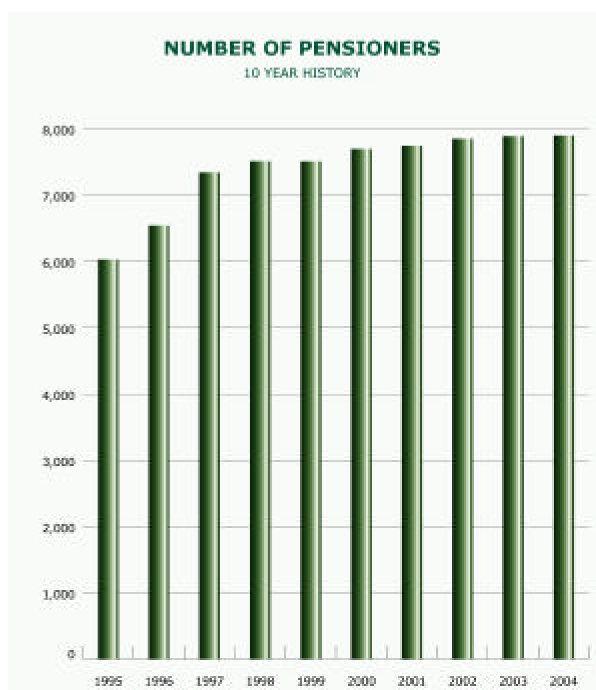
On July 1, 1998, the CBC Pension Plan was amended to incorporate an additional contributory component providing employees with the flexibility to improve the provisions determining the calculation of their benefit through tax-deductible contributions. This modification, which does not entail additional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

The table on page 24 indicates the increasing number of persons to whom pensions are paid from the Pension Fund, and also the number of contribution refunds and pension benefit transfers paid during the year.

During 2004, the number of contributors increased by 249, from 8,073 as at December 31, 2003 to 8,322 as at December 31, 2004.

In 2004, there was an increase of 8 in the number and minor changes in the mix of pensions being paid as reported in the table on page 24. Over a five year period, the total number of pensions being paid increased 2.6% from 7,697 in 2000 to 7,898 in 2004.

The chart below illustrates the increase in the number of pensioners over the past 10 years.



Year Ending December 31	2004	2003	2002	2001	2000
Total number of persons (or estates) to whom contribution refunds and pension benefit transfers were paid during the year	154	173	188	366	285
The number of pensions transferred to other plans (Reciprocal transfers)	11	8	5	10	13
Pension benefit credits transferred to former spouses (active employees)	7	9	9	9	9
PENSIONS BEING PAID:					
Pension being paid to ex-employees	6,357	6,367	6,391	6,329	6,326
To spouses of deceased employees and pensioners	1,442	1,414	1,360	1,309	1,265
To former spouses due to division of pension credits	56	51	45	42	38
To children of deceased employees and pensioners	43	58	56	65	68
Total pensions being paid	**7,898**	**7,890**	**7,852**	**7,745**	**7,697**

Future issues and trends

Asset Liability Study

In early 2005, the Board of Trustees initiated a major asset liability study, as is its practice on a periodic basis. The objective of the study is to determine the most suitable long term asset mix which will offset the Plan's obligations for accrued pension benefits. The process will include a review of the risk/reward associated with the existing long-term asset mix policy, analysis of the risk/reward profile that would result from alternative asset mix policies, and consideration of the impact of various economic environments on both the assets and liabilities of the Plan. As a result, some changes to the Fund's long-term asset mix may be recommended in 2005.

Control Self-Assessment

In 2004, staff at the Pension Fund along with external consultants performed a review and updated a risk assessment performed in 2000 - 2001 in order to update its assessment of risks facing the Fund and controls in place to mitigate these risks. This assessment is a component of an Integrated Risk Management Framework which will continue to be developed in 2005. Planned activities in 2005 include the development of a risk management policy and a control self assessment program.

Pension Plan Governance

In October 2004, the Canadian Association of Pension Supervisory Authorities (CAPSA), which is the body responsible for the administration of pension regulatory legislation in jurisdictions across Canada, finalized its Pension Plan Governance Guidelines. This followed fine-tuning of the draft Guidelines by CAPSA in 2003/04. In 2005 management will review these new governance guidelines and recommend the implementation of any appropriate practices which are not reflected in the current governance framework of the CBC Pension Plan.

2005 Federal Budget

The February 2005 Federal budget eliminated the 30-per-cent foreign property limit on pension investments. Management will assess the opportunities this presents for the Fund within the appropriate range and acceptable risk tolerance to meet the Plan's obligations, and will review the investment policy of the Fund accordingly.

Institutional Trade-date Matching

The Canadian Capital Markets Association (CCMA) is a not-for-profit organization comprised of associations and firms within the investment industry whose objective is to enhance the competitiveness of Canada's capital markets. The CCMA's current priority is to achieve institutional trade-date matching in order to reduce processing costs and reduce operational, market, settlement and systemic risks. The intent is to achieve seamless passing of information electronically to all parties in the end-to-end securities transaction chain, without manual handling or redundant processing. Through a phased-in approach, which is expected to require that Canada update its securities laws, the CCMA has set the goal that by mid-2007 all institutional trades settle on the same day as they are initiated.

We will continue to monitor this significant initiative and develop our implementation plan, working closely with our custodian, brokers and other service providers to address the substantial impacts of this endeavor.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

S. Cotsman
Managing Director/CEO
CBC Pension Plan

Don Grant
Secretary/Treasurer
CBC Pension Board of Trustees

February 11, 2005

Actuary's Opinion

Mercer Human Resource Consulting Limited was retained by the CBC Pension Board of Trustees (the "Board") to estimate the going concern liabilities and calculate the value of the assets of the CBC Pension Plan (the "Plan") as at December 31, 2004, for inclusion in the Plan's financial statements. As part of our work, we examined the Plan's recent experience with respect to the investment of the pension fund assets and presented our findings to the Board.

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

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

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

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

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

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

Sylvain Poirier
Fellow of the Canadian Institute of Actuaries

Mercer Human Resource Consulting Limited
Ottawa, Ontario

February 11, 2005

AUDITORS' REPORT

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800 - 100 Queen Street
Ottawa ON K1P 5T8
Canada

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Fax: (613) 236-2195
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To the CBC Pension Board of Trustees

We have audited the statement of net assets available for benefits and accrued pension benefits and funding excess of the CBC Pension Plan as at December 31, 2004 and the statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in funding excess for the year then ended. These financial statements are the responsibility of the CBC Pension Board of Trustees' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and funding excess of the CBC Pension Plan as at December 31, 2004 and the changes in net assets available for benefits, accrued pension benefits and funding excess for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

February 11, 2005

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

		2004		2003
		(in thousands of dollars)		
NET ASSETS AVAILABLE FOR BENEFITS				
ASSETS				
Investments (Note 3)	$	3,705,257	$	3,510,336
Accrued Investment Income		13,096		12,204
Accounts Receivable (Note 5)		9,641		6,584
Contributions Receivable (Note 6)		11,438		3,579
FlexPen Investments (Note 7)		6,215		5,091
		3,745,647		3,537,794
LIABILITIES				
Accounts Payable (Note 8)		11,742		11,069
NET ASSETS AVAILABLE FOR BENEFITS		3,733,905		3,526,725
Actuarial Asset Value Adjustment (Note 9)		(193,081)		-
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS (Note 9)		3,540,824		3,526,725
ACCRUED PENSION BENEFITS (Note 9)		3,268,052		3,172,484
FUNDING EXCESS (Note 11)	$	272,772	$	354,241

Approved by the Board of Trustees

Trustee

Trustee

Approved by Management

Managing Director/CEO

Secretary/Treasurer

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

CBC PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED DECEMBER 31

		2004		2003
		(in thousands of dollars)		
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	$	3,526,725	$	3,307,357
INCREASE IN ASSETS				
Current Year Change in Fair Value of				
- Investments and currency (Note 3)		189,666		268,374
- FlexPen (Note 7)		381		582
Investment Income (Note 3)		123,715		105,550
Contributions (Note 6)		81,227		28,241
TOTAL INCREASE IN ASSETS		394,989		402,747
DECREASE IN ASSETS				
Benefits (Note 10)		175,793		172,581
Administrative Expenses (Note 12)		12,016		10,798
TOTAL DECREASE IN ASSETS		187,809		183,379
INCREASE IN NET ASSETS		207,180		219,368
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	$	3,733,905	$	3,526,725

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

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

	2004	2003
	(in thousands of dollars)	
ACCRUED PENSION BENEFITS BEGINNING OF YEAR	$ 3,172,484	$ 3,064,572
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on Accrued Pension Benefits	210,635	203,384
Benefits Earned	80,479	75,589
FlexPen (Note 7)	1,247	1,520
	292,361	280,493
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits (Note 10)	175,793	172,581
Experience Gains (Note 9)	21,000	-
	196,793	172,581
NET INCREASE IN ACCRUED PENSION BENEFITS	95,568	107,912
ACCRUED PENSION BENEFITS END OF YEAR	$ 3,268,052	$ 3,172,484

Statement of Changes in Funding Excess
Year Ended December 31

	2004	2003
	(in thousands of dollars)	
FUNDING EXCESS BEGINNING OF YEAR	$ 354,241	$ 242,785
Increase in Net Assets Available for Benefits	207,180	219,368
Change in Actuarial Assets Value Adjustment	(193,081)	-
Increase in Actuarial Value of Net Assets Available for Benefits	14,099	219,368
Net Increase in Accrued Pension Benefits	95,568	107,912
FUNDING EXCESS END OF YEAR	$ 272,772	$ 354,241

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

CBC Pension Plan

Notes to the Financial Statements
December 31, 2004

1. Description of Plan

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

a) General

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

b) Benefits

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

c) Funding

The Plan is funded on the basis of actuarial valuations, which are made at least on a triennial basis. The most recent actuarial valuation of the Plan was made on December 31, 2002, with the cost certificate filed with Regulatory Authorities on June 5, 2003. Employees are required to contribute to the Plan a percentage of their pensionable salary, which is 5 $^{1}/_{15}$% of earnings up to the maximum public pension plan earnings ($40,500 in 2004) and 6 $^{2}/_{3}$% of earnings in excess of such maximum. The Corporation provides the balance of the funding, as required, based on actuarial valuations.

d) Income Tax Status

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

2. Significant Accounting Policies

a) Presentation

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

b) Consolidation

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

c) Investments

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

d) Accrual of income

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

e) Current year change in fair value of investments

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

f) Accrued pension benefits

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

g) Contributions

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

h) Foreign currency translation and forward currency agreements

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

i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The major estimates used by management in preparing the financial statements relate to valuation of private placements and property and assumptions used in the calculation of the pension obligation. Actual results could differ from those estimated.

3. Investments

a) The following tables show the fair value and the cost of the investments at year-end as well as the current year change in fair value of investments and related income. Real Estate is recorded net of the Fund's proportionate share of property debt of $57.0 million at the end of 2004 ($62.4 million in 2003). Investment income includes interest and dividends earned during the year as well as income from real estate properties which is net of operating and interest expense.

2004 INVESTMENTS

	Fair Value	Cost	Current year Change in Fair Value of Investments [1]	Investment Income	Total Return
			(in thousands of dollars)		
Fixed Income					
Cash and Short-Term Investments	$ 247,023	$ 246,784	$ (120)	$ 4,175	$ 4,055
Bonds - Canadian	945,692	908,474	11,607	53,038	64,645
- Global	98,676	99,472	(6,055)	7,580	1,525
	1,291,391	1,254,730	5,432	64,793	70,225
Equities					
Canadian	1,053,039	891,099	76,307	18,665	94,972
Global	959,479	905,616	40,100	16,893	56,993
	2,012,518	1,796,715	116,407	35,558	151,965
Strategic					
Property (Note 4)	273,319	265,763	287	18,307	18,594
Private Placements	128,029	63,514	67,540	5,057	72,597
	401,348	329,277	67,827	23,364	91,191
TOTAL	$ 3,705,257	$ 3,380,722	$ 189,666	$ 123,715	$ 313,381

[1] The current year change in Fair Value of Investments includes $324.5 million of unrealized gains and $63.5 million of net realized and unrealized losses on foreign exchange.

2003 INVESTMENTS

	Fair Value	Cost	Current year Change in Fair Value of Investments [1]	Investment Income	Total Return
			(in thousands of dollars)		
Fixed Income					
Cash and Short-Term Investments	$ 132,656	$ 132,529	$ (3,966)	$ 6,765	$ 2,799
Bonds - Canadian	961,928	925,736	7,243	53,694	60,937
- Global	104,731	99,472	(10,725)	4,041	(6,684)
	1,199,315	1,157,737	(7,448)	64,500	57,052
Equities					
Canadian	1,024,119	886,529	212,964	16,728	229,692
Global	940,567	879,013	68,839	13,184	82,023
	1,964,686	1,765,542	281,803	29,912	311,715
Strategic					
Property (Note 4)	287,212	283,362	(352)	10,928	10,576
Private Placements	59,123	66,274	(5,629)	210	(5,419)
	346,335	349,636	(5,981)	11,138	5,157
TOTAL	$ 3,510,336	$ 3,272,915	$ 268,374	$ 105,550	$ 373,924

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

b) Determination of fair values:

i) Cash and short-term investments

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

ii) Equities, Bonds and Private Placements

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

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

iii) Property

Property consists of mortgages and real estate.

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

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

c) Investment risk

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

i) Interest Rate Risk

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

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

The Plan's primary exposure is the prospect of a decline in the long-term real rate of return which may result in higher contribution rates required to meet pension liabilities. As at December 31, 2004, a 1% reduction in the assumed real long-term rate of return would result in an increase in the pension liabilities of approximately 14% whereas an increase in the rate would result in a decrease in the pension liabilities of approximately 12%.

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

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

In 2004, the Plan's Statement of Investment Policy and Procedures provided for a long-term target asset mix of 34% fixed income, 55% equities, and 11% strategic investments which includes property and private placements. The asset mix is determined through periodic reviews of the Plan's pension liabilities.

ii) Credit Risk

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

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

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

	2004	2003
	(% of category)	
BONDS		
Government of Canada	37.7	37.1
Provinces	10.5	10.2
Corporate	48.5	44.8
Passive Pooled Fund	3.3	7.9
	100.0	100.0

	2004	2003
	(% of category)	
CANADIAN EQUITIES		
Materials	24.0	26.8
Industrials	7.2	7.1
Telecommunication Services	2.6	2.8
Consumer Discretionary	6.1	4.8
Consumer Staples	3.3	2.8
Energy	18.8	14.9
Financials	24.9	27.9
Health Care	4.4	3.7
Information Technology	7.0	5.0
Utilities	0.3	2.9
Index Units Canadian Exposure S&P/TSX 60	1.5	1.3
	100.0	100.0

iii) Foreign Currency and Exposure Risk

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

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

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

	2004			2003
	Foreign Currency Exposure	Net Foreign Currency Hedge/Trading	Net Foreign Currency Exposure	Net Foreign Currency Exposure
	(in thousands of dollars)			
Cash and Short-Term Investments	$ 19,231	$ -	$ 19,231	$ 11,780
Equities and Global Bonds:				
United States	550,535	(8,265)	542,270	519,998
Japan	90,766	6,890	97,656	107,950
United Kingdom	99,655	(36)	99,619	90,148
Euro Countries:				
- France	35,409			
- Germany	55,527			
- Holland	11,920			
- Finland	7,469			
- Italy	15,479			
- Other	1,049			
Total Euro Countries	126,853	2,364	129,217	129,480
Switzerland	24,190	57	24,247	34,280
Australia	9,999		9,999	19,011
HongKong	6,350		6,350	16,292
Spain	14,068		14,068	13,133
Sweden	7,363		7,363	5,099
South Korea	5,638		5,638	-
Others	115,716		115,716	107,441
Total	$ 1,070,364	$ 1,010	$ 1,071,374	$ 1,054,612

4. Real Estate Joint Venture

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

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

	2004	2003
	(in thousands of dollars)	
Assets		
Cash and Short-term Investments	$ 3,095	$ 3,648
Accounts Receivable	5,986	5,146
Property	26,541	31,782
Mortgage	651	1,038
Liabilities		
Accounts Payable	$ 3,044	$ 4,026
Promissory Notes	28,635	28,935
Earnings		
Investment Income	$ 1,147	$ 513
Administrative Expenses	(357)	(387)
Realized Loss on Sale of Investments	-	(561)
Net Income(Loss)	790	(435)

5. Accounts Receivable

	2004	2003
	(in thousands of dollars)	
Property	$ 9,338	$ 6,549
Other	303	35
	$ 9,641	$ 6,584

6. Contributions

The following are the contributions for the year:

		2004	2003
		(in thousands of dollars)	
Employee	- Current Service	$ 24,848	$ 19,754
	- Past Service	8,616	7,110
	- Net Reciprocal	1,005	411
	- FlexPen (Note 7)	866	938
Employer		45,892	28
		$ 81,227	$ 28,241

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

	2004	2003
	(in thousands of dollars)	
Employee	$ 5,323	$ 3,555
Employer	6,115	24
	$ 11,438	$ 3,579

7. Flexible Pension (FlexPen)

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

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

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

	2004	2003
	(in thousands of dollars)	
Investments beginning of year	$ 5,091	$ 3,776
Increases:		
Contributions	858	930
Interest	8	8
Capital Appreciation	381	582
	1,247	1,520
Decreases:		
Refunds	5	22
Purchase of Additional Pension Benefits	118	183
	123	205
Investments end of year	$ 6,215	$ 5,091

8. Accounts Payable

	2004	2003
	(in thousands of dollars)	
Investment related	$ 3,710	$ 4,392
Benefits	3,252	4,173
Other	4,780	2,504
	$ 11,742	$ 11,069

9. Accrued Pension Benefits

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

	Long term assumptions	
	2004	2003
Asset rate of return	6.75%	6.75%
Salary escalation rate(3)	4.00%	4.00%
Inflation rate	3.00%	3.00%

(3) excluding merit and promotional salary increases

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

In 2004 there were experience gains of $21.0 million (nil in 2003) arising from pension indexation results being less than the assumed amounts in the December 31, 2002 actuarial valuation.

The Pension Benefits Standards Act requires that the Plan be also valued on a solvency basis, which simulates a plan wind-up. As of December 31, 2002, the Plan's solvency liabilities were $3,168 million. Such liabilities were projected to $3,844 million as at December 31, 2004.

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

10. Benefits

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

	2004	2003
	(in thousands of dollars)	
Pensions	$ 173,010	$ 169,337
Refunds and Related Interest	298	931
Net Transfer of Contributions and Related Interest	2,362	2,108
FlexPen:		
- Refunds	5	22
- Purchase of Additional Pension Benefits	118	183
	$ 175,793	$ 172,581

11. Funding Excess

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

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

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

12. Administrative Expenses

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

	2004	2003
	(in thousands of dollars)	
Fund Administration		
Internal Investment Management		
Salaries and employment costs	$ 2,301	$ 2,221
Professional fees	452	346
Data processing	925	780
Custodial and banking fees	730	661
Office rent	221	222
Other	116	132
Total Internal Management	4,745	4,362
External Investment Management		
Management fees	3,628	2,862
Property management	396	448
Total External Management	4,024	3,310
	8,769	7,672
Pension Benefit Administration		
External Administration	1,470	-
Salaries and employment costs	313	993
Special project	-	717
Professional fees	250	120
Office rent	11	29
Other	208	220
	2,252	2,079
Board of Trustees Expense		
Professional fees	186	292
Other	56	80
	242	372
GST	753	675
Total Administrative Expenses	$ 12,016	$ 10,798

13. Commitments and Contingencies

The Fund has committed to enter into investment transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2004, these potential commitments totaled $57.5 million (2003 - $45.6 million). The Fund is contingently liable to fund cash flow deficiencies and the obligations of its co-investors, including other pension funds, on certain real estate related investments. In addition, the Fund may have to provide financing on certain real estate related investments in the event of the non-availability of financing from other sources.

14. Guarantees and Indemnifications

The Plan provides that Board members, employees and certain others are to be indemnified against the expenses related to proceedings against them. In addition, in the normal course of operations, the Plan may be required to compensate counterparties for costs incurred as a result of various contingencies such as legal claims or changes in laws and regulations. The number of such agreements, the variety of indemnifications and their contingent character prevents the Plan from making a reasonable estimate of the maximum amount that it would be required to pay all such counterparties. To date, no payments have been made under such indemnifications.

15. Comparative Figures

Certain of the 2003 comparative figures have been reclassified to conform to the current year's presentation.

Supplementary financial information

INVESTMENTS GREATER THAN $15,000,000
AS AT DECEMBER 31, 2004

Bonds - Canadian

ISSUER	COUPON	MATURITY DATE	FAIR VALUE (in million $)
Government of Canada	5.750%	Jun 01,2029	56.52
Government of Canada	5.750%	Sept 01, 2006	52.31
Government of Canada	6.000%	Jun 01, 2008	43.36
Government of Canada	4.500%	Sep 01, 2007	41.32
Government of Canada	10.250%	Mar 15, 2014	33.52
Government of Canada	8.000%	Jun 01, 2023	32.22
TD Quant Emerald Canadian Bond Fund			31.37
Canada Housing & Trust	4.750%	Mar 15, 2007	31.02
Canada Housing & Trust	3.700%	Sep 15, 2008	30.17
Province of Ontario	5.375%	Dec 02, 2012	24.51
Cards Trust Series	4.379%	Oct 15, 2009	21.42
Gloucester Credit Card Trust	5.590%	Jun 15, 2007	21.05
GE Capital Canada Funding	5.000%	Apr 23, 2008	20.89
Province of Manitoba	5.050%	Dec 03, 2013	20.84
Golden Credit Card Trust	5.700%	Aug 15, 2006	20.84
Province of British Columbia	5.700%	Jun 18, 2029	19.29
Canada Housing & Trust	3.550%	Mar 15, 2009	17.92
Government of Canada	4.250%	Jun 01, 2009	15.31

Bonds - Global

ISSUER	FAIR VALUE (in million $)
Baring Global Bond Fund	98.68

Short Term Notes

ISSUER	MATURITY DATE	FAIR VALUE (in million $)
Ryder Truck Rental	Jan 25, 2005	16.96
Alcan Inc.	Feb 03, 2005	15.56

Property

ISSUER	FAIR VALUE (in million $)
Pyxis Real Estate - Ogilvy Building	34.21
Pensionfund Realty Ltd. - Residential Property (1) Inc. Pooled	19.27
Pensionfund Realty Ltd. - Convention Centre	16.47
Pyxis Real Estate - Duvernay Centre	16.47

Canadian Equities

ISSUER	FAIR VALUE (in million $)
Barclays Enhanced Canadian Fund	143.83
TD Quant Canadian Equities Cap 10 Fund	114.51
Royal Bank of Canada	28.27
Encana Corp.	27.36
Bank of Nova Scotia	26.45
Placer Dome Inc.	25.97
Alcan Inc.	23.52
Suncor Energy	23.32
Toronto Dominion Bank	22.46
Bank of Montreal	20.22
Sunlife Financial Inc.	20.07
Canadian Imperial Bank of Commerce	17.70
Kinross Gold	16.90
Petro Canada	16.82
Manulife Financial Corp.	16.62
Talisman Energy	16.01
Teck Cominco Ltd. Class B	15.32

United States Equities

ISSUER	FAIR VALUE (in million $)
TD Quant Emerald US Enhanced Pooled Fund	145.08
S&P 500 Depository Receipts	30.19

Global Equities

ISSUER	FAIR VALUE (in million $)
TD Quant Emerald International Enhanced Pooled Fund	89.65

Special & Private Placements

ISSUER	FAIR VALUE (in million $)
1028484 Ontario Inc. Class B	63.06
Teramira Corp.	18.88

Staff Members

as at December 31

Stephen Cotsman
Managing Director/CEO

Don Grant
Secretary/Treasurer

Pension Fund Administration

Debra Alves
Strategic Investments Portfolio Manager

Timothy D. Cairns
Domestic Bond/Property Portfolio Manager

William R. Law
Canadian Equity Portfolio Manager

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

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