



Q2 2013-2014 QUARTERLY FINANCIAL REPORT

TO:	Board of Directors
MEETING:	November 26, 2013
FROM:	Suzanne Morris, Vice-President and Chief Financial Officer Andie Andreou, Executive Director and Corporate Controller
DECISION SOUGHT:	Audit Committee recommends to the Board of Directors approval to issue the CBC/Radio-Canada Financial Report for the quarter ended September 30, 2013.
NEXT STEPS:	CBC/Radio-Canada will be publishing its Financial Report for the quarter ended September 30, 2013.
DATE:	November 18, 2013



1. Q2 FINANCIAL HIGHLIGHTS

NET RESULTS

- Revenue consistent when compared to the second quarter of the prior year. Changes within revenue included:
 - \$2.7M higher advertising revenue from both new revenue-generating initiatives and more *Hockey Night in Canada* games broadcast, as well as higher other types of revenue; offset by
 - Lower Local Programming Improvement Fund (LPIF) contributions of \$3.7M as the Fund is phased-out.

<i>(in thousands of Canadian dollars)</i>	For the three months ended September 30			
	2013	2012 <i>(revised¹)</i>	\$ change	% change
Revenue	127,568	126,970	598	0.5
Expenses	(387,480)	(408,045)	20,565	5.0
Government funding	266,392	269,377	(2,985)	(1.1)
Results before non-operating items	6,480	(11,698)	18,178	155.4
Net results for the period	5,721	(12,326)	18,047	146.4
Results on a current operating basis²	9,443	(11,181)	20,624	184.5

¹The amounts for 2012 have been revised as a result of the adoption of the revised accounting standard on pensions.

²Results on a Current Operating Basis is a non-IFRS measure. A reconciliation of net results to Results on a Current Operating Basis is provided in Appendix 1.

- Expenses were lower compared to the same quarter of last year by \$20.6M due to lower operating costs following spending reduction initiatives implemented across the organization in response to Federal Budget 2012 and other financial pressures, such as LPIF reductions.
- Government funding recognized in the current year was lower than the same quarter of the prior year by \$3.0M. This decrease reflects the matching of operating funding recognized in income with our quarterly budgetary costs as well as the amortization of deferred capital funding. By year-end, the operating appropriation to be received is expected to decrease by \$41.8 million when compared to 2012–2013.
- The lower operating costs led to an improvement in results under IFRS relative to the same quarter last year. This improvement also contributed to higher results on a Current Operating Basis.

More detailed analysis of variances on the statement of income and statement of financial position, including year-to-date analysis, is provided in Appendix 2.



2. DISCLOSURE HIGHLIGHTS IN THIS QUARTERLY REPORT

The following provides a high-level overview of new disclosures presented in this quarterly report:

MD&A:

- Operational Indicators:
 - Beginning this quarter, this section includes our comparative results to date
 - Consistent with previous years, this second quarter report contains a partial list of KPI's because many of the principal targets start to be measured in September, and will be reported in the third quarter.
- Financial Reporting Disclosure:
 - Section 4.1 – *Critical Accounting Estimates and Future Accounting Standards* has been expanded to include discussion of the possible revisions to the CIA's mortality tables and its potential impact on our accounting estimates.
- Sections fully updated for this quarter's activities include:
 - Business Highlights
 - 2.1 *People and Leadership*
 - 3.3 *Outlook and Risk Update*

Interim Financial Statements:

- Note 2 - *Significant Accounting Policies* - Discussion of the CRTC decision effective September 1, 2013, lifting the incremental cost accounting requirement for specialty services.



3. CHANGE IN CRTC LICENSE CONDITION IMPACT ON FINANCIAL REPORTING

- Effective September 1, 2013, we are no longer required to report the revenue and costs of CBCNN and RDI on an incremental cost basis as a result of a change in our conditions of license.

Impact on Q2 Financial Report:

- Business Highlights: Disclosure of change in license conditions
- Financial statements:
 - Impact of change to the financial statements summarized in Note 2 - *Significant Accounting Policies* in accordance with IAS 8 *Accounting Policies*.
 - Expenses for Specialty Services this quarter include one month of additional cost allocations, in line with these changes.



4. PENSION PLANS – IMPACT FOR QUARTER RESULTS CONSISTENT WITH EXPECTATIONS OF LDI STRATEGY

(millions of dollars)	For the three months ended				For the six months ended			
	September 30, 2013		September 30, 2012 (revised)		September 30, 2013		September 30, 2012 (revised)	
	Operations	OCI	Operations	OCI	Operations	OCI	Operations	OCI
<u>CHANGE IN PLAN OBLIGATION</u>								
Current service cost	Operations	\$ (29)	\$ (27)		\$ (58)		\$ (55)	
Net interest expense	Operations	(57)	(57)		(113)		(114)	
Administration fees (other than investment management fees)	Operations	(1)	(1)		(2)		(3)	
Remeasurements recognized in net results	Operations	-	1		-		2	
Remeasurements recognized in other comprehensive income (loss)	OCI		4	(397)		395		(395)
<u>CHANGE IN PLAN ASSETS</u>								
Return on plan asset	Operations	53	53		106		107	
Actuarial gains (losses) arising from experience adjustments	OCI		2	91		(250)		131
Recorded in CBC/Radio-Canada's Net Results		(34)		(31)		(67)		(63)
Recorded in CBC/Radio-Canada's Other Comprehensive Income (Loss)		\$ 6		\$ (306)		\$ 145		\$ (264)

The information provided above represents the impact on the Statements of Income (loss) and Comprehensive Income (loss) for the three and six months ended September 30, 2013 and 2012.

The gain in the year resulted from actuarial gains due to a 0.50% increase in the discount rate on the obligation to 4.50%. This gain was partially offset by a loss on plan assets of 2.7% for the six months ended September 30, 2013. This is consistent with our LDI (Liability-Driven Investment) strategy.



APPENDIX 1 - NON-IFRS MEASURE

PRESENTATION OF RESULTS ON A CURRENT OPERATING BASIS

➤ Results on a Current Operating Basis reconciles to Net results under IFRS as follows:

<i>(in thousands of Canadian dollars)</i>	For the three months ended September 30			For the six months ended September 30		
	2013	2012	% change	2013	2012	% change
Net results for the period	5,721	(12,326)	146.4	(25,442)	(51,719)	50.8
Items not generating or requiring funds from operations						
Employee future benefits	15,532	14,254	(9.0)	31,617	29,227	(8.2)
Depreciation and decommissioning expenses	30,832	41,756	26.2	63,396	107,254	40.9
Amortization of deferred capital funding	(27,694)	(36,558)	(24.2)	(55,550)	(91,993)	(39.6)
Other	(14,948)	(18,307)	(18.3)	(5,168)	(7,834)	(34.0)
Results on a current operating basis	9,443	(11,181)	184.5	8,853	(15,065)	158.8



APPENDIX 2 – Q2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

(in thousands of dollars)	Three months ended September 30			Six months ended September 30			
	2013	2012 (revised ¹)	% Change	2013	2012 (revised ¹)	% Change	
Revenue	127,568	126,970	0.5%	311,720	309,675	0.7%	<p>Three months: Modest increase in revenue overall mostly due to higher advertising revenue as a result of the broadcast of three pre-season hockey games in September 2013 and new revenue-generating initiatives such as branded content and higher other types of revenue.</p> <p>Six months: Increase in revenue mainly attributable to higher advertising revenue due to a revised hockey schedule in the spring 2013, with the airing of seven additional <i>HNIC</i> regular season games and new revenue-generating initiatives such as branded content and higher other types of revenue. This increase was partially offset by lower specialty services revenue resulting from the sale of bold in the Spring 2013 and reduced LPIF contributions.</p>
Expenses	(387,480)	(408,045)	5.0%	(855,262)	(932,695)	8.3%	<p>Three months: Decrease in expenses primarily due to lower programming expenses, notably from the termination of the <i>Wheel of Fortune</i> and <i>Jeopardy!</i> contract, and lower operating costs in response to Federal Budget 2012.</p> <p>Six months: Decrease in expenses mainly a result of prior year expenses including additional depreciation and decommissioning costs arising from the acceleration of the shutdown of our remaining analogue TV transmitters and the cessation of RCI shortwave transmission. This decrease was also attributable to a lesser extent to the combined effect of lower programming spending and severance costs incurred in the first quarter last year.</p>
Government funding	266,392	269,377	-1.1%	520,374	572,425	-9.1%	<p>Three months: Decrease in government funding reflecting the matching of operating funding recognized in income with our quarterly budgetary costs as well as the amortization of deferred capital funding.</p> <p>Six months: Decrease in government funding arising from lower amortization of deferred capital funding resulting from the shutdown of our remaining TV assets. Lower government funding recognized to date also due to lower year-to-date expenses given last year's one time costs associated with Federal Budget 2012 were received by September 2012.</p>
Non-operating items	(759)	(628)	-20.9%	(2,274)	(1,124)	-102.3%	<p>Three months: Non-operating items corresponds to equipment disposals as the Corporation continues to replace old technology.</p>
Net results for the period	5,721	(12,326)	146.4%	(25,442)	(51,719)	50.8%	
Other comprehensive income	6,204	(305,861)	102.0%	145,319	(263,647)	155.1%	<p>Three months: Other comprehensive income was made up of small gains on both the liability and asset components for the quarter. The large actuarial loss in the comparative quarter primarily arose from an increase in the discount rate by 0.5% offset by a gain on plan assets.</p> <p>Six months: Other comprehensive income this year was due an increase in the discount rate on our pension obligation as well as losses on the actual return on assets. In the comparative period, a large loss was recognized on the liability as a result of a decrease in the discount rate coupled with an overperformance on the assets for the period.</p>
Total comprehensive income for the period	11,925	(318,187)	103.7%	119,877	(315,366)	138.0%	

¹ The amounts for 2012 have been revised as a result of the adoption of the revised accounting standard on pensions.



APPENDIX 2 – Q2 FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

(thousands of dollars)	September 2013	March 2013	% change	September 2012	% change	
ASSETS						
Cash	81,647	51,459	58.7	48,497	68.4	Timing of inflow/outflows.
Trade and other receivables	146,933	184,470	(20.3)	143,772	2.2	Sept vs. Mar: Overall decrease in receivables consistent with seasonal pattern because of lower advertising sales generating during the summer when the broadcast activity is at its lowest. Sept vs. Sept: Receivables materially consistent with Q2 2012-2013.
Programming	198,814	145,379	36.8	214,567	(7.3)	Sept vs. Mar: Increase in non-procured programming for both French Services and English Services due to the addition of new drama and factual entertainment seasons such as <i>Heartland</i> , <i>Republic of Doyle</i> and <i>Murdoch Mysteries</i> and <i>Dragon's Den</i> , the production of new seasons for shows such as <i>Unité 9</i> , <i>Trauma</i> , <i>30 vies</i> and <i>Les Enfants de la Télé</i> , as well as upcoming sporting events (Pan Am Games and Sochi Winter Olympics). Sept vs. Sept: Decrease in non-procured programming, mostly attributable to the telecast of programs such as the <i>Wonderful World of Disney 2012-13</i> package, series 8 & 9 of <i>Just for Laughs</i> and <i>Titanic: Blood and Steel</i> .
Prepaid expenses	117,811	137,563	(14.4)	52,959	122.5	Sept vs. Mar: Decrease in prepayments due to the amortization of This was partially offset by an increase in payments following the acquisition of
						s.18(b) s.21(1)(b) s.68.1 Sept vs. Sept: Increase in prepayments was primarily due to the purchase of programming rights for from deferred charges to prepaids since the will happen within the next year.
Assets classified as held for sale	5,447	1,801	202.4	1,887	188.7	Sept vs. Mar: Increase mostly due to the addition of the properties in Halifax and Matane as assets held for sale. Sept vs. Sept: Changes arising from the same reasons discussed above.
Deferred charges	20,386	9,509	114.4	21,303	(4.3)	Sept vs. Mar: Higher deferred charges mostly due to a prepayment for Sept vs. Sept: Decrease in deferred charges due to the transfer of rights to prepaids since these sporting events will happen within the next year.
Investment in associate	1,215	3,490	(65.2)	6,594	(81.6)	The change in value in the investment in Sirius is based on Sirius's earnings less dividends received.



APPENDIX 2 – Q2 FINANCIAL HIGHLIGHTS FINANCIAL POSITION (CONTINUED)

<i>(thousands of dollars)</i>	September 2013	March 2013	% change	September 2012	% change	
LIABILITIES						
Accounts payable and accrued liabilities	73,151	96,213	(24.0)	89,642	(18.4)	Sept vs. Mar: Lower payables and accruals are consistent with seasonal pattern of trade payables increasing throughout the fiscal year as the Corporation prepares for the upcoming production season and receives seasonally high levels of goods and services which are paid in the first quarter. Sept vs. Sept: Lower payables and accruals are consistent with decreased spending following budget reductions.
Provisions	50,621	51,296	(1.3)	45,730	10.7	Sept vs. Mar: Provisions remained consistent with March 2013. Sept vs. Sept: Higher provisions compared with last year due to an increase in copyright provisions following the s.18(b) and an additional provision for s.21(1)(b) and s.68.1 . This increase was partially offset by accrual releases as payments were made for decommissioning analogue networks and restructuring measures following Federal Budget 2012.
Pension plans and employee-related liabilities (s-t and l-t)	354,287	479,198	(26.1)	747,269	(52.6)	Sept vs. Mar: Decrease in the net liability due to actuarial gains on plan liabilities following an increase in the discount rate, partially offset by a negative return on plan assets this fiscal year. Sept vs. Sept: Decrease in liability over past year mainly due to actuarial gains given the higher discount rate combined with lower asset returns in 2013 vs 2012.
Deferred revenues (s-t and l-t)	20,797	18,021	15.4	7,251	186.8	Sept vs. Mar: Increase in deferred revenues as a result of new licensing and sublicensing deals. Sept vs. Sept: Increase due to the prepaid rent granted as part of the Allied deal, the Halifax tenant allowance, the sale of bold and new licensing and sublicensing deals.
Deferred appropriations for operating expenditures	34,024	-	N/A	-	N/A	Balance only at September 30, 2013 because of appropriation drawn in advance of need due to timing of expenses between periods.
Deferred capital funding	521,299	525,696	(0.8)	544,161	(4.2)	Sept vs. Mar: No significant difference from year-end as capital appropriations received in the quarter were largely offset by amortization. Sept vs. Sept: Lower deferred capital funding due to amounts recognized last year in conjunction with the shutdown of analogue TV and RCI assets.
EQUITY						
Total equity attributable to the Corporation	170,973	50,392	239.3	64,050	166.9	Equity reflects the total of net results and actuarial gains and losses on the Corporation's defined benefit plans.



APPENDIX 3 – Q2 2013-2014 QUARTERLY FINANCIAL REPORT

- Second Quarter Financial Report 2013–2014 for the period ended September 30, 2013.

The background of the entire page is a blurred, black and white photograph of a modern building's interior or exterior, featuring strong geometric lines and a sense of motion. The text is overlaid on this background.

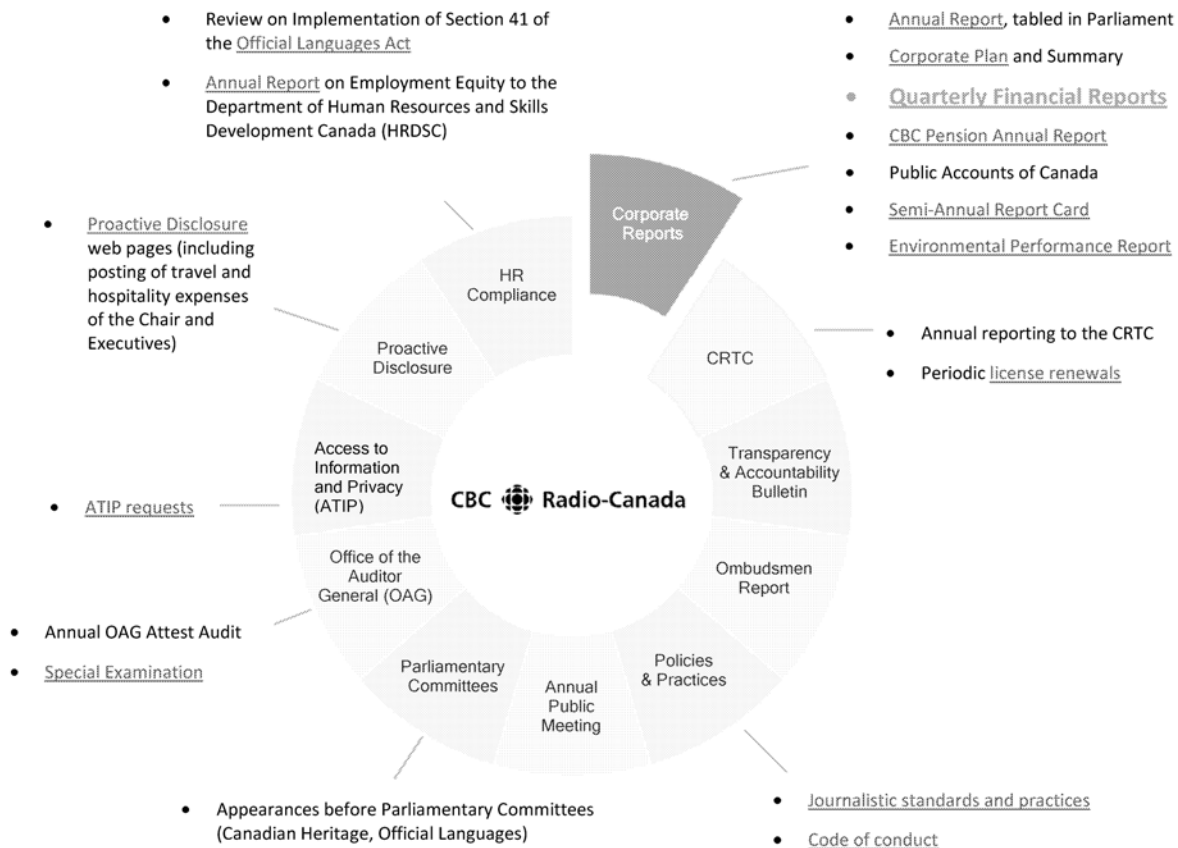
CBC/RADIO-CANADA
**SECOND
QUARTER
FINANCIAL
REPORT**
2013-2014

Table of Contents

CBC/Radio-Canada’s Commitment to Transparency and Accountability	3
Management Discussion and Analysis	4
Quarter in Review	5
Financial Highlights	5
Business Highlights	7
1. Performance Update	11
1.1 Strategic Indicators	11
1.2 Operational Indicators	13
2. Capability to Deliver Results	16
2.1 People and Leadership	16
2.2 Resource Capacity	18
3. Results and Outlook	20
3.1 Results	20
3.2 Financial Condition, Cash Flow and Liquidity	28
3.3 Outlook and Risk Update	29
4. Financial Reporting Disclosure	30
4.1 Critical Accounting Estimates and Future Accounting Standards	30
4.2 Transactions with Related Parties	30
5. Statement of Management Responsibility by Senior Officials	31
6. Condensed Interim Consolidated Financial Statements	32
7. Notes to the Condensed Interim Consolidated Financial Statements	37

CBC/Radio-Canada’s Commitment to Transparency and Accountability

As the national public broadcaster, we take very seriously our obligation to be transparent and accountable to Canadians. To meet our responsibilities, we provide access on our [corporate website](#) to information about our activities and the way we manage our public resources.



Management Discussion and Analysis

Quarterly Reporting Requirement

In addition to filing an annual report, we are required — like most Canadian federal Crown corporations — to file quarterly financial reports for the first three quarters of each fiscal year. In keeping with our commitment to transparency and effective oversight of public funds, we are pleased to present this quarterly report for the second quarter ended September 30, 2013.

These condensed interim consolidated financial statements for the quarter ended September 30, 2013 have not been reviewed by our auditor.

Seasonality

The majority of our self-generated revenue comes from advertising, which follows seasonal patterns based on the programming schedule. It also varies according to market and general economic conditions. Subscriber-based revenue is relatively more stable on a quarter-by-quarter basis. Operating expenses also tend to follow a seasonal pattern because they are also influenced by the programming schedule.

Government appropriations are recognized in income based on the annual budget, which reflects seasonal impacts on expenditures and self-generated revenue.

Note Regarding Forward-Looking Statements

This report contains forward-looking statements regarding objectives, strategies and expected financial and operational results. Forward-looking statements are based on the following broad assumptions: CBC/Radio-Canada's government funding remains consistent with amounts announced in the federal budget; the funding received from the Local Programming Improvement Fund (LPIF) will be phased out by August 31, 2014; the television advertising market will remain healthy; and the broadcasting regulatory environment will not change significantly. Key risks and uncertainties are described in the Outlook and Risk Update section of this report. However, some risks and uncertainties are by definition difficult to predict and beyond our control. They include, but are not limited to, economic, financial, technical and regulatory conditions. These and other factors may cause actual results to differ substantially from the expectations stated or implied in forward-looking statements.

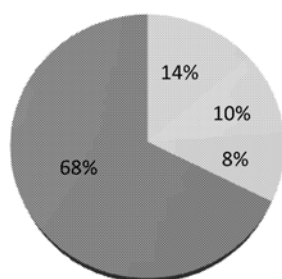
Non-IFRS Measure

This report includes the measure Results on a Current Operating Basis, which does not have any standardized meaning according to International Financial Reporting Standards (IFRS). It is therefore unlikely to be comparable to similar measures presented by other companies. Refer to section 3.1 for further details.

Quarter in Review

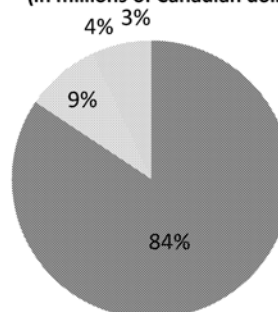
Financial Highlights

**Revenue and Sources of Funds
for Q2 2013–2014**
(in millions of Canadian dollars)



- Advertising
- Specialty services
- Financing and other income
- Government funding

**Expense Breakdown
for Q2 2013–2014**
(in millions of Canadian dollars)



- Television, radio and new media services
- Specialty services
- Transmission, distribution and collection
- Other

Results under IFRS and on a Current Operating Basis² improved over the same quarter last year.

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2013	2012 (revised ¹)	% change	2013	2012 (revised ¹)	% change
Revenue	127,568	126,970	0.5	311,720	309,675	0.7
Expenses	(387,480)	(408,045)	5.0	(854,480)	(932,695)	8.4
Government funding	266,392	269,377	(1.1)	520,374	572,425	(9.1)
Results before non-operating items	6,480	(11,698)	155.4	(22,386)	(50,595)	55.8
Net results for the period	5,721	(12,326)	146.4	(24,660)	(51,719)	52.3
Results on a current operating basis²	9,443	(11,181)	184.5	8,853	(15,065)	158.8

¹ The amounts for 2012 have been revised as a result of the adoption of the revised accounting standard on pensions. See Note 2C, A doption of New and Revised International Financial Reporting Standards of the condensed interim consolidated financial statements for more details.

² Results on a Current Operating Basis is a non-IFRS measure. A reconciliation of net results to Results on a Current Operating Basis is provided in section 3.1

IFRS Results

Changes in net results this quarter were primarily due to the following:

- Revenue was consistent with the second quarter of last year. Advertising revenue increased by \$2.7 million (5.3%) this quarter and other types of revenue were also higher. These increases were however offset by lower Local Programming Improvement Fund (LPIF) contributions as the Fund is phased-out.
- Expenses were lower by \$20.6 million (5.0%) compared to the same quarter last year because of lower operating costs and program spending reductions, reflecting restructuring initiatives implemented following Federal Budget 2012.
- Government funding recognized for accounting purposes was \$3.0 million (1.1%) lower in the current quarter when compared to the second quarter last year. This reflects the matching of operating funding recognized in income with our quarterly budgetary costs as well as the amortization of deferred capital funding. By year-end, parliamentary appropriations received are expected to decrease by \$41.8 million when compared to 2012–2013 in accordance with federal budget announcements.

Results on a Current Operating Basis

Results on a Current Operating Basis for the second quarter of 2013–2014, which were \$9.4 million, exclude items that do not currently generate or require funds from operations, the most significant being \$15.5 million charged for non-cash pension expense in the current quarter following the adoption of a revised accounting standard this year, IAS 19R – *Employee Benefits*.

Further details reconciling net results to Results on a Current Operating Basis are provided in section 3.1 of this report.

Business Highlights

We continue to fulfill our mandate guided by our five-year strategic plan, Strategy 2015: *Everyone, Every way*. In the second quarter, we pursued our initiatives to support the plan's three key thrusts:

- More distinctly Canadian: Network programming and national public spaces
- More regional: Regional presence and community spaces
- More digital: New platforms and digital spaces

More Distinctly Canadian

CBC and Radio-Canada continued to engage Canadians by delivering high-quality “signature” events this quarter. The Canadian Country Music Awards were broadcast live, through streaming on CBC.ca and on demand at CBCMusic.ca. We had the nation’s birthday covered with *2013 Canada Day* and the *Canada Day Noon Show*, which ran on CBC, CBC News Network, ICI Radio-Canada Télé and RDI. CBC television ratings for these two events were up 9 and 26%¹, respectively, over 2012. In August, Radio-Canada began broadcasting its three-year signature multiplatform event *1 000 jours pour la planète* on RDI, ICI Radio-Canada.ca, Explora, Tou.tv and ICI Radio-Canada Télé.

True to tradition, over the summer, we supported cultural life across Canada. Radio-Canada broadcast such landmark events as the *Place des Arts' 50th anniversary*, *Le Grand spectacle de la Fête nationale de l'Acadie* and the *Orchestre Symphonique de Montréal: A Cool Classical Journey*, and also spotlighted the *Festival International Nuits d'Afrique* in its programming. CBC played a key role in one of the summer’s most dynamic cultural exhibitions through its content partnership with the Toronto International Film Festival (TIFF). For the first time, *TIFF Industry Moguls series*, *Keynote Conversation*, *Doc Conference*, Telefilm Canada’s *PITCH THIS!* and *Master Class* took place in CBC’s Glenn Gould Studio. *CBC Live at TIFF*, a daily, interactive show featuring an eclectic mixture of iconic Canadian celebrities, was also hosted in front of a live audience.

Standout television programming this summer included ICI Radio-Canada Télé’s *Les Chefs*, which remained in the top three of weekly shows watched by Francophones in Quebec between July 1 and September 8¹. Current affairs magazine *Tout le monde en parlait* continued producing enlightening reports on Canadian and international history such as *Argo : la vraie histoire*, which set the record straight on the 1979 US embassy hostage crisis in Tehran with first-hand accounts from those who were actually there. On CBC, *Still Life: A Three Pines Mystery*, a movie based on Louis Penny’s best-selling novel set in small-town Quebec, enjoyed extremely positive summer ratings with 803,000 viewers¹.

¹ Source: BBM, Personal People Meter (PPM), persons aged 2 years and older, 2013

ICI Radio-Canada Télé launched its regular season in September with a distinctive line-up of predominantly original programming, including the return of million-plus viewer shows¹ like *Unité 9*, *Les enfants de la télé*, *Tout le monde en parle* and *Les Parent*. Comedy now has a bigger presence with two new shows: *Les pêcheurs*, which started with more than one million viewers weekly¹, and *La vie parfaite*. A new four-episode documentary series about former Prime Minister Brian Mulroney began airing in September.

CBC Television launched its season in September. *Battle of the Blades* returned for the first time since 2011, along with the 10th anniversary year of *George Stroumboulopoulos Tonight*. *Hockey Night in Canada* launched with its most viewed ever fall Saturday night premiere.

Meanwhile, on CBC Radio, *The Current* launched with a season-long theme of “Project Money”, while *Q* began with an interview with Chinese artist Ai Weiwei and a road trip to Montreal. *Q the Music* was introduced this season on CBC Radio 2, while favourites *As It Happens* began its 45th anniversary year and *Vinyl Café* its 20th anniversary year.

This quarter also saw the launch of our Sochi 2014 Olympic Winter Games promotional campaigns, which showcase the many platforms available to Canadians during the Games, allowing them to enjoy Olympic content when, where and how they want it.

More Regional

Effective September 2, *CBC Sunday Late Night Local News* in Edmonton, Toronto, Ottawa and Montreal were expanded to 30 minutes to provide more in-depth local programming for these markets. Also on September 2, 2013, the *Windsor Supper Hour News* expanded to 90 minutes to provide more local service.

Following the CRTC’s approval of its broadcast license, CBC Radio One’s *Saskatoon Morning* made its on-air debut at the end of September on 94.1FM. Previously, this program was only available to audiences online.

Radio-Canada rounded out its 24/7 television news offering in September when it introduced the weekend edition of its *Téléjournal Est du Québec* newscast. Also in September, as part of its continued efforts to maintain a strong regional presence at the cutting edge of technology, Radio-Canada opened the new ICI Gaspésie-Îles-de-la-Madeleine Broadcast Centre in Matane, Quebec.

Thanks to full-fledged multiplatform capability, regional teams are becoming increasingly successful at delivering high quality and timely regional coverage. The pressure was on for the small ICI Estrie team, which was first on the scene at the Lac-Mégantic tragedy in July and first to supply footage viewed around the globe while also preparing for the coverage of the Sherbrooke 2013 Canada Summer Games in August. During the Calgary flood, the local team on the ground provided high quality reporting under challenging circumstances, ensuring both that Calgarians and concerned Canadians across the country had up-to-the minute coverage.

¹ Source: BBM, Personal People Meter (PPM), persons aged 2 years and older, 2013

Radio-Canada strengthened its regional presence on its radio platform in the morning and on the drive home introducing much-loved local on-air personalities like Marie-France Bazzo in Greater Montreal, Marie-Pier Roy Carbonneau in Estrie, Karine Godin and Janique LeBlanc in Acadia and Mathieu Nadon in Ottawa-Gatineau to anchor many flagship programs.

More Digital

Audiences are increasingly using the web to access the latest news. Our digital strategy aims to capitalize on this. During the summer, Radio-Canada’s regional digital platforms sparked a great deal of public interest due to high-profile local news stories with country-wide impact such as the Lac-Mégantic tragedy. As a result, the number of unique visitors to the regional section of ICI Radio-Canada.ca shot up 62% from July 2012 to July 2013 and 44% from August 2012 to August 2013¹.

Interactivity is gaining prominence across all our platforms. In September, ARTV’s weekly television review *C’est juste de la TV* introduced an online feature that allows viewers to vote, share and comment about topics discussed on this popular program, as well as to access exclusive content and extensions. ICI Radio-Canada Télé’s new daily cooking show *Qu’est-ce qu’on mange pour souper?* also uses social media to share recipes and exchange ideas with its followers since the beginning of September. CBC.ca offered interactive web content during the quarter such as several “Watch & Chat” sessions during events like the Calgary Stampede, championship show jumping and the *NHL Face Off*, as well as initiatives such as the *Live Right Now* photo contest and *Fan Questions* with Sandra and Kurt (from *Battle of the Blades*).

Original web content remains key to our digital strategy. This quarter, Tou.tv offered the web exclusive *Les Jaunes*, a unique comedy horror series. ICI Radio-Canada.ca continues to enhance its *Dossiers* section with distinctive content like the web-documentary *Le skatepark – L’émergence du skateboard au Québec*, which looks at the pioneers of skateboarding in Quebec.

CBCMusic.ca introduced six new channels in September, including three that are mood-based and three spearheaded by Canadian music personalities: *Colin James’ Blues*; *Bachman’s Guitarchives* and *Heppner’s Opera Gems*. CBCMusic.ca also offered the *Great Canadian Album* series, which garnered more than three million page views through the end of September².

In conjunction with CBCMusic.ca, two new music-based shows were introduced on CBC-Television in September. *CBC Music Backstage Pass* features intimate and exclusive performances, as well as in-depth artist profiles, from new and established Canadian acts, and *CBCMusic.ca Festival* featured musical highlights chosen from performances shot exclusively by CBCMusic.ca at the inaugural music festival.

¹ Source: Comscore Mediametrix, 2013

² Source: Adobe SiteCatalyst, July to September 2013

Other Business Matters

In early August, the CRTC rendered its decisions on the applications for 9(1)(h) mandatory distribution of television specialty channels. ARTV is one of the channels that will benefit from the ruling; from now on, it will be subject to mandatory distribution in English-speaking markets, and thus available for subscription through all CBC/Radio-Canada suppliers, in addition to the French-speaking ones. The CRTC decision is a favourable response to an application submitted by ARTV during its license renewal process in 2012. External to CBC/Radio-Canada, the TV5 and AMI channels were also granted mandatory distribution under the CRTC decision.

As of September 1, 2013, the CRTC's new conditions of broadcast license took effect for CBC/Radio-Canada entities that underwent their most recent license renewal processes. As part of the new conditions, we have been granted permission to introduce commercial advertising on Radio 2 and Espace Musique, up to a maximum of 4 minutes per hour. We introduced advertising on October 1, 2013.

Also in September, and in our capacity as Canadian Olympic broadcast rights holder, we announced 17 Olympic media partnerships for the Games. The Corporation will work with these organizations, which include both official worldwide and Canadian Olympic partners, to integrate their support for Canadian athletes into our Games coverage as we work to tell the story of our athletes' journey to the Olympic podium.

Looking Forward

Regardless of where they were across the country, Canadians were invited to join the conversation about their public broadcaster at our Annual Public Meeting, held in Toronto on October 23, 2013. Members of the public unable to attend in person were able to register for the webcast. This meeting is an opportunity for the public and stakeholders to hear about the Corporation's future direction. This year's event included a special panel discussion on how the evolution of radio is enriching how Canadians engage in conversation.

Negotiations are ongoing to renew CBC/Radio-Canada's NHL broadcast rights contract, which concludes in June of 2014. In our 61st year, *Hockey Night in Canada* continues to connect Canadians from coast to coast to coast on a topic that we are all passionate about and our objective is to keep this tradition alive. That said, like any well-managed business, we have contingency plans in place to address alternative outcomes.

In late October, the CRTC launched the process through which it will conduct a comprehensive review of the Canadian broadcasting regulatory framework for television. The formal process will occur in three phases, be high level, and cover both traditional and new television platforms. Phase 3, which is likely to occur in spring 2014, will include a formal consultation that will obtain input from industry players, including CBC/Radio-Canada, on the Commission's proposed new approaches for the Canadian television system. A public hearing is scheduled for fall 2014.

Finally, the Government announced in its November Economic Update that it will reintroduce a freeze on operating spending. Accordingly, CBC/Radio-Canada does not expect to receive salary inflation funding for the following two fiscal years.

1. Performance Update

Our key performance indicators (KPIs), discussed below, fall into two categories:

Strategic indicators include survey results regarding fulfillment of our mandate and the degree to which programming adheres to our guiding principles. They also include measures of our Canadian content on television.

Operational indicators include measures of audience share, website visitors, subscriber counts and revenue generation for English and French Services.

Further details, including 2013–2014 targets for all performance indicators, are provided in our 2012–2013 Annual Report.

1.1 Strategic Indicators

Measuring our success against Strategy 2015: Everyone, Every way

A central feature of Strategy 2015 is the establishment of metrics to track and assess our performance. We have developed a report card that allows us to monitor how well, according to surveyed Canadians, our services fulfill the Corporation's mandate under the *Broadcasting Act*, and the degree to which our programming adheres to the guiding principles of our strategic plan.

Twice a year, in January and June, our Board of Directors is presented with the report card. An abridged version is then posted on the Corporation's website.

In addition to monitoring the overall performance of Strategy 2015, we have developed specific KPIs for English Services and French Services. These KPIs broadly measure the success of each media line across the breadth of its activities. They are taken from the media lines' business plans and reflect performance benchmarks and trends.

Indicators for Specialty Channels, New Platforms and Revenue are measured from the beginning of the fiscal year. Second quarter results to date and comparative results are presented in Section 1.2 of this report.

Annual targets for these performance measures in 2013–2014 are also provided, as are prior year results.

Canadian Content Expectations and Results

Regulatory requirements for Canadian content on television are specified by the CRTC, which sets expectations of service for ICI Radio-Canada Télé and CBC Television. For the whole broadcast day, a minimum of 75% Canadian content is expected. For the peak period, a minimum of 80% Canadian content is expected. Both measures are averages over the entire broadcast year from September 1 to August 31. As shown in the table below, in the 2012–2013 broadcast year's final results and those of the prior year, ICI Radio-Canada Télé and CBC Television have exceeded the CRTC's Canadian content expectations, both over the whole day and in prime time. Increasing Canadian programming is key to Strategy 2015.

Canadian Content		Yearly Regulatory Expectations	Results Sep. 1, 2012 to August 31, 2013	Results Sep. 1, 2011 to Aug 31, 2012
ICI Radio-Canada Télé				
Broadcast day	(Mon-Sun, 6:00 a.m.-12:00 a.m.)	75%	84%	86%
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	91%	93%
CBC Television				
Broadcast day	(Mon-Sun, 6:00 a.m.-12:00 a.m.)	75%	93%	85%
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	86%	81%

1.2 Operational Indicators

In addition to monitoring the overall performance of Strategy 2015 (see section 1.1 above), we have developed KPIs for English and French Services.

These indicators relate directly to our strategic priorities and are formulated each year as part of the media lines' business plans. The KPI targets take into account a number of factors, including specific programming, sources of funding, broadcast industry trends, consumer behaviour patterns and past performance.

Our second quarter report contains a partial list of KPIs because many of the targets for our principal metrics are measured from September. They are not available for CBC Television, CBC Radio, ICI Radio-Canada Télé, ICI Radio-Canada Première and Espace Musique until the fall and are consequently not in our first and second quarterly reports.

An update on all KPIs will be provided in our upcoming quarterly financial report.

English Services

English Services' performance to date is trending to meet or exceed expectations for the indicators shown below.

CBC News Network's audience share exceeded the prior year-to-date result and is currently trending above the annual target. Active news coverage of compelling events including the Alberta flood, the Lac-Mégantic tragedy and international stories such as the unrest in Syria and Egypt contributed to this increase in share. Similarly, the monthly average number of unique visitors to CBC.ca is trending significantly higher than the prior year and the annual target, driven by the coverage of these news events.

During the second quarter, regional monthly average unique visitors, subscribers to CBC News Network and *documentary*, as well as overall revenue, are all trending favourably to target. Revenue to date is tracking favourably to target, with year-to-date revenue slightly ahead of the same period last year and to plan. We continue to monitor market trends for signs of change.

English Services		Annual Targets 2013–2014	Results to date 2013–2014	Annual Results 2012–2013	Results to date 2012–2013
Television					
CBC News Network	All day audience share April-March ¹	1.4%	1.6%	1.3%	1.3%
Regional					
Regional web home pages	Monthly average unique visitors April-March ²	0.995 million	0.981 million	0.971 million	0.886 million
New Platforms					
CBC.ca	Monthly average unique visitors April-March ²	6.5 million	6.9 million	6.3 million	5.8 million
Specialty Television Channels					
CBC News Network	Subscribers	11.2 million	11.3 million	11.3 million	11.3 million
<i>documentary</i>	Subscribers	2.7 million	2.7 million	2.7 million	2.7 million
Revenue ³					
Conventional, specialty, online		\$400 million	\$180 million	\$362 million	\$ 178 million

¹ Source: BBM Canada, Personal People Meter (PPM), persons aged 2 years and older.

² Source: comScore, persons aged 2 years and older.

³ Revenue for *documentary* is reported at 100% although CBC/Radio-Canada owns 82%. Includes revenue from LPIF, a fund created by the CRTC to support local programming. Amounts reflect the phase out of the fund over three years ending August 31, 2014.

French Services

Based on results to date, Radio-Canada is tracking to meet its annual targets.

Full-day audience share for specialty channels is slightly above the 2013–2014 target. High-profile local news stories with country-wide impact such as the Lac-Mégantic tragedy on RDI and the rebroadcasting of the influential television drama series *Les belles histoires des pays d'en haut* on ARTV contributed to this performance. In 2012–2013, the performance of RDI was fuelled by a particularly active news scene. Specialty channels' targets and results to date for 2013–2014 show a return to usual levels.

Top summer regional news stories and quality coverage by our local teams resulted in increased traffic on our regional web pages. Also, Tou.tv recorded a notable growth during the last quarter, thanks to original and exclusive content.

Subscriber numbers for specialty channels are in line with annual targets. At this point in the financial year, revenue is also tracking to target.

French Services		Annual Targets 2013–2014	Results to date 2013–2014	Annual Results 2012–2013	Results to date 2012–2013
Television					
RDI, ARTV, Explora	All-day audience share April-March ¹	5.2%	5.3%	5.4%	5.8%
Regional					
Regional web pages	Monthly average unique visitors April-March ²	0.710 million	0.709 million	0.646 million	0.566 million
New Platforms					
ICI Radio-Canada.ca, Tou.Tv, RCInet.ca, Espace.mu	Monthly average unique visitors April-March ²	2.3 million	2.0 million	2.2 million	2.0 million
Specialty Television Channels					
RDI	Subscribers	11.1 million	11.1 million	11.2 million	11.2 million ³
ARTV	Subscribers	2.0 million	2.0 million	2.0 million	2.1 million
Explora	Subscribers	0.4 million	0.4 million	0.3 million	not available ⁴
Revenue ⁵					
Conventional, specialty, online		\$243.8 million	\$114.8 million	\$252.8 million	\$114.9 million

¹ Source: BBM Canada, Personal People Meter (PPM), persons aged 2 years and older.

² Source: comScore, persons aged 2 years and older.

³ In 2012–2013, we discovered an RDI subscriber calculation error impacting annual targets, results to date and annual results. We have revised the figures in the table above to reflect the corrected calculation for all related figures and periods presented.

⁴ Explora was launched on March 28, 2012 and a free preview period was offered until July 2, 2012. Results to date for 2012–2013 were consequently not available.

⁵ Revenue for ARTV is reported at 100% although CBC/Radio-Canada owns 85%. Includes revenue from LPIF, a fund reported by the CRTC to support local programming. Amounts reflect the phase out of the fund over three years ending August 31, 2014.

2. Capability to Deliver Results

Our capability to execute our strategy and achieve planned results depends upon our people and other significant resources described below.

2.1 People and Leadership

During the second quarter of 2013–2014, People and Culture continued working to attract and develop the talent we need to sustain a high-performance workforce, and to fuel a healthy culture that drives and recognizes performance.

Respect Workshops

In September, a new series of Respect Workshops first started in 2007 by the joint union and management Working Group on Employee Health Care (WGEHC) began in Toronto, with other sessions selected to roll out across the country over the next few months. A cornerstone of our wellness strategy, these workshops empower our employees to nurture better relationships, recognize and talk through their differences, and treat one another with dignity, civility and respect - crucial aspects of individual and organizational well-being.

Improved recruitment at CBC/Radio-Canada

This summer, we consolidated our recruitment experts into one lead team. The faster and more strategic recruitment process they designed was fully operational by October 1, 2013. Our new streamlined and collaborative approach ensures we recruit the right people for each job, which helps us deliver the best programming for our audiences and value for all Canadians.

Renewal of Collective Agreements

In July, the Writers Guild of Canada (WGC) and CBC/Radio-Canada reached a tentative deal on two new collective agreements governing English-language screenwriting for CBC Television and writing for CBC Radio, including related digital platforms. The agreements were ratified on August 16, 2013, marking the first renewal of the CBC Broadcasting Agreement with the WGC since 2000. This new agreement is effective September 1, 2013 and will set the terms of engagement until August 31, 2016.

Also in July, CBC/Radio-Canada and the Association of Professionals and Supervisors (APS) signed a Memorandum of Agreement, tentatively approving a new collective agreement. The agreement, which will run from July 1, 2013 until June 30, 2016, was reached after two months of negotiations. On October 27, 2013, APS members voted in favour of the Memorandum of Agreement. The three-year agreement falls within the framework provided by the CBC/Radio-Canada's Board of Directors. The agreement is in effect from July 1, 2013 until June 30, 2016.

Diversity: Employment Equity and Multiculturalism

Since our last quarterly report, we published both our 2012 Employment Equity Annual Report and our 2012–2013 Annual Report on the Operation of the *Canadian Multiculturalism Act*.

The first provides an executive summary of the activities, systems, programs and initiatives that support our employment equity goals, including recruitment, training and development, promotion, retention and termination, and reasonable accommodation. It also presents our workforce representation rate for women, Aboriginal peoples, visible minorities and persons with disabilities and year-to-year variances of workforce data for our permanent full-time employees.

The second is our submission to the Department of Citizenship and Immigration Canada which provides an overview of the policies and initiatives that foster a corporate culture that embraces diversity as well as our hiring and advancement practices related to multiculturalism and diversity. This report also highlights some of the on-air programming and community-based events of the past year that have celebrated Canada's cultural heritage and created exchanges between diverse communities. Both reports were made [available to the public](#) on our website as part of our ongoing commitment to transparency and accountability.

Official Languages: Annual Report, Language Training and Celebration

This summer, we published our 2012–2013 annual report on the implementation of section 41 of the *Official Languages Act*. The report presents key achievements on the promotion of English and French in Canadian society, including regional initiatives and activities relating to official language minority communities. This report was made [available to the public](#) on our corporate website.

Once again this fall, second language training was offered to our employees who have an ongoing, daily need for bilingual skills or who had identified language training as an area for their development. Last year, more than 180 employees participated in this program.

Board and Management

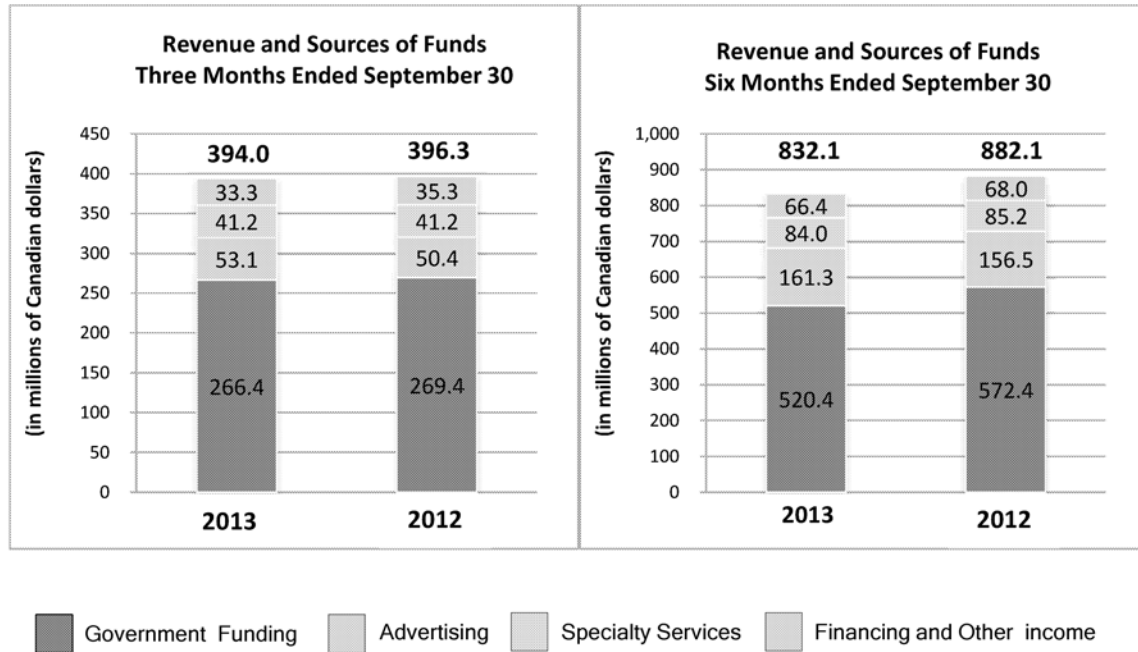
On July 30, 2013, [Marlie Oden was appointed](#) to the Board of Directors of CBC/Radio-Canada for a five-year term. Ms. Oden replaces Patricia McIver. We'd like to thank Ms. McIver for her dedication and hard work while sitting on CBC/Radio-Canada's Board.

On September 26, 2013, Heather Conway was appointed Executive Vice-President of English Services and will join the senior executive team in early December. Currently Chief Business Officer at the Art Gallery of Ontario, she has previously been President of Edelman Public Relations, Executive Vice-President at Alliance Atlantis, Executive Vice President of TD Financial Group, Vice President of Hill and Knowlton and of The Neville Group and Special Assistant to the Minister of Finance.

Her exceptionally broad experience and proven expertise and success in the business, government and cultural sectors will be a great addition as we carve out a path for CBC that will ensure its continued progress. Read more about the appointment [here](#).

2.2 Resource Capacity

We have four sources of direct funding: government operational and capital funding, advertising revenue, specialty services revenue and financing and other income.



For quarter-over-quarter variance analysis, see Section 3, Results and Outlook.

Government Funding

For the second quarter of 2013–2014, government funding was approximately 68% of total revenue and sources of funds. This included \$27.7 million of amortization of deferred capital funding.

The federal government announced funding reductions in Federal Budget 2012. Our share of this reduction will be \$115.0 million annually by 2014–2015. This includes the elimination, over that same period, of the \$60.0 million in one-time funding received annually since 2001. By the end of the current fiscal year, parliamentary appropriations received are expected to be \$41.8 million less than last year, and \$69.6 million less than in 2011–2012. The full reduction of \$115.0 million will be reached by 2014–2015.

Advertising Revenue

We generate revenue by selling advertising on our conventional television broadcasts and on other platforms. In the second quarter of 2013–2014, advertising accounted for approximately 14% of our total revenue and sources of funds.

The proportion of advertising revenue in the second quarter is normally the lowest of the financial year because the summer season attracts fewer viewers.

Specialty Services Revenue

Specialty services revenue, which includes subscription and advertising revenue from CBC News Network, *documentary*, Explora, ARTV and the Réseau de l'information de Radio-Canada (RDI), generated approximately 10% of total revenue and sources of funds in the second quarter of 2013–2014.

Financing and Other Income

Financing and other income, which includes contributions from the Local Programming Improvement Fund (LPIF) and the Canadian Media Fund (CMF) and from activities such as program sales, rental of mobile broadcasting vehicles to external parties, rental of real estate assets, leasing of space at our transmission sites and merchandising, accounted for approximately 8% of total revenue and sources of funds in the second quarter of 2013–2014. Included in these funds were \$8.0 million of contributions from the LPIF, which will be eliminated on August 31, 2014.

Borrowing Authority

The *Broadcasting Act*, section 46.1, confers on CBC/Radio-Canada the authority to borrow up to \$220.0 million, or such greater amount as may be authorized by Parliament, subject to approval of the Minister of Finance. Section 54 (3.1) of the Act requires that our borrowing plan be included in our corporate plan for the approval of the Minister of Finance.

In June 2013, the Minister provided us with approval in principle of up to \$25.0 million borrowing in aggregate during 2013–2014. Guidelines established by the Department of Finance limit our borrowing activities to short-term initiatives with a payback period of six years or less. Borrowing to meet working capital purposes is prohibited.

Under the *Broadcasting Act*, section 47 (1), we are an agent of the Crown and therefore have the constitutional immunities, privileges and prerogatives that are enjoyed by the Crown. The Crown is also fully liable and financially exposed for all our actions and decisions while we are operating within our mandate. In other words, our assets and liabilities are the assets and liabilities of the Government of Canada.

3. Results and Outlook

3.1 Results

Summary – Net Results

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2013	2012 (revised ¹)	% change	2013	2012 (revised ¹)	% change
Revenue	127,568	126,970	0.5	311,720	309,675	0.7
Expenses	(387,480)	(408,045)	5.0	(854,480)	(932,695)	8.4
Government funding	266,392	269,377	(1.1)	520,374	572,425	(9.1)
Results before non-operating items	6,480	(11,698)	155.4	(22,386)	(50,595)	55.8
Non-operating items	(759)	(628)	(20.9)	(2,274)	(1,124)	(102.3)
Net results for the period	5,721	(12,326)	146.4	(24,660)	(51,719)	52.3
Results on a current operating basis²	9,443	(11,181)	184.5	8,853	(15,065)	158.8

¹ The amounts for 2012 have been revised as a result of the adoption of the revised accounting standard on pensions. See Note 2C, Adoption of New and Revised International Financial Reporting Standards of the condensed interim consolidated financial statements for more details.

² Results on a Current Operating Basis is a non-IFRS measure. A reconciliation of net results to Results on a Current Operating Basis is provided below.

Results under IFRS and on a Current Operating Basis improved over the same quarter last year.

IFRS Results

Current quarter and year-to-date revenues were consistent with those reported last year. Advertising revenue increased as a result of both new revenue generation initiatives and more *Hockey Night in Canada* games being broadcast compared to last year due to the NHL lock-out. This increase combined with higher other types of revenue were offset by lower LPIF contributions as the Fund is phased out. Expenses were lower by \$20.6 million (5.0%) compared to the second quarter of last year because of lower operating costs and program spending reductions brought about by restructuring initiatives implemented following Federal Budget 2012. These spending reductions combined with one-time restructuring costs incurred in the first quarter of last year resulted in lower expenses on a year-to-date basis in accordance with federal budget announcements.

Government funding recognized for accounting purposes was \$3.0 million (1.1%) lower this quarter, and \$52.1 million lower on a year-to-date basis. These decreases reflect the matching of operating funding recognized in income with our quarterly budgetary costs. In addition, lower capital funding was recognized in the current year compared to last year as a result of the shutdown of our analogue TV assets.

Net results were \$5.7 million for the second quarter of 2013–2014, and amounted to a loss of \$24.7 million year-to-date. Included in these amounts are items that do not currently generate or require funds from operations, as explained below.

Reconciliation of Net Results under IFRS to Results on a Current Operating Basis

CBC/Radio-Canada defines Results on a Current Operating Basis as Net Results under IFRS, less the adjustments for non-cash expenses that will not require operating funds within one year and non-cash revenues that will not generate operating funds within one year. This measure is used by management to help monitor ongoing performance and to balance the Corporation's budget consistently with government funding for current expenditures. We believe this measure provides useful complementary information to readers, while recognizing that it does not have a standard meaning under IFRS and will not likely be comparable to measures presented by other companies.

Adjustments include the elimination of non-cash pension and other employee future benefit costs, which represent the excess of the IFRS expense over the actual cash contribution for the period. Adjustments are also made for the depreciation and amortization of capital assets and the amortization of deferred capital funding because these are non-cash items. These adjustments are lower in the current year than in 2012–2013 because last year's amounts included higher depreciation, impairment, decommissioning and capital funding due to the accelerated shutdown of analogue TV assets, the cessation of RCI shortwave and other cost reduction initiatives. Other less significant items not funded or generating funds in the current period, primarily employee benefit-related, are adjusted for in the reconciliation to Results on a Current Operating Basis.

Beginning April 1, 2013, CBC/Radio-Canada was required to implement a revised accounting standard (IAS 19R – *Employee Benefits*). This new standard means that more non-cash pension-related expenses, which used to be presented in "Other Comprehensive Income (Loss)", are now included in the "Net results for the period" within expenses.

<i>(in thousands of Canadian dollars)</i>	For the three months ended September 30			For the six months ended September 30		
	2013	2012 (revised ¹)	% change	2013	2012 (revised ¹)	% change
Net results for the period	5,721	(12,326)	146.4	(24,660)	(51,719)	52.3
Items not generating or requiring funds from operations						
Employee future benefits	15,532	14,254	(9.0)	31,617	29,227	(8.2)
Depreciation and decommissioning expenses	30,832	41,756	26.2	63,396	107,254	40.9
Amortization of deferred capital funding	(27,694)	(36,558)	(24.2)	(55,550)	(91,993)	(39.6)
Other	(14,948)	(18,307)	(18.3)	(5,950)	(7,834)	(24.0)
Results on a current operating basis	9,443	(11,181)	184.5	8,853	(15,065)	158.8

¹ The amounts for 2012 have been revised as a result of the adoption of the revised accounting standard on pensions. See Note 2C, A adoption of New and Revised International Financial Reporting Standards of the condensed interim consolidated financial statements for more details.

Summary – Total Comprehensive Income (Loss)

<i>(in thousands of Canadian dollars)</i>	For the three months ended September 30			For the six months ended September 30		
	2013	2012 (revised ¹)	% change	2013	2012 (revised ¹)	% change
Net results for the period	5,721	(12,326)	146.4	(24,660)	(51,719)	52.3
Other comprehensive income (loss)	6,204	(305,861)	102.0	145,319	(263,647)	155.1
Total comprehensive income (loss) for the period	11,925	(318,187)	103.7	120,659	(315,366)	138.3

¹ The amounts for 2012 have been revised as a result of the adoption of the revised accounting standard on pensions. See Note 2C, Adoption of New and Revised International Financial Reporting Standards of the condensed interim consolidated financial statements for more details.

In addition to pension costs included in net results, quarterly remeasurements of the Corporation's pension and other future employee benefit plans resulted in other comprehensive income of \$6.2 million this quarter, and \$145.3 million year-to-date. In all periods presented above, other comprehensive income (losses) resulted from non-cash remeasurements due to changes in actuarial assumptions and actual returns on plan assets.

Impact of Revised Pension Accounting Standard

As a result of the revised accounting standard applied on April 1, 2013 (IAS 19R – *Employee Benefits*), changes were required to all periods presented in this report which increased the calculation of pension expense presented as part of net results. However, the funding valuation and contribution requirements of the Corporation necessary to meet its pension obligations were unchanged by the adoption of this revised accounting standard.

Under the revised standard, net results for the quarter ended September 30, 2013 include pension expense of \$34.0 million, and year-to-date results include pension expense of \$67.3 million. This compares to the same periods in 2012–2013 which included pension expense of \$31.5 million and \$63.1 million, respectively. The adoption of the revised standard resulted in net results presented for the quarter ended September 30, 2012 being reduced by \$23.2 million, with a corresponding increase in other comprehensive income of \$23.2 million. On a year-to-date basis, the revision of the standard results in a reduction in net results presented for the prior year of \$46.4 million, with a corresponding increase in other comprehensive income.

For further information please refer to Note 2C – Significant Accounting Policies in the unaudited condensed interim consolidated financial statements for the six months ended September 30, 2013.

Revenue

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2013	2012	% change	2013	2012	% change
Advertising						
English Services	28,449	27,328	4.1	104,583	102,146	2.4
French Services	24,628	23,056	6.8	56,757	54,347	4.4
	53,077	50,384	5.3	161,340	156,493	3.1
Specialty services						
CBC News Network	21,154	20,982	0.8	43,341	42,940	0.9
RDI	13,598	13,187	3.1	27,706	27,952	(0.9)
bold	-	1,022	N/M	-	2,070	N/M
Explora	697	404	72.5	1,398	641	118.1
documentary	1,601	1,466	9.2	3,191	2,987	6.8
ARTV	4,103	4,202	(2.4)	8,382	8,597	(2.5)
	41,153	41,263	(0.3)	84,018	85,187	(1.4)
Financing and other income						
English Services	12,980	16,813	(22.8)	27,153	29,563	(8.2)
French Services	10,029	11,525	(13.0)	19,298	22,148	(12.9)
Corporate Services	10,329	6,985	47.9	19,911	16,284	22.3
	33,338	35,323	(5.6)	66,362	67,995	(2.4)
TOTAL	127,568	126,970	0.5	311,720	309,675	0.7

N/M = Not meaningful

The following paragraphs explain the revenue increase of \$0.6 million (0.5%) in the second quarter of 2013–2014 and of \$2.0 million (0.7%) for the first six months of the fiscal year compared to the same periods in 2012–2013.

Advertising

Advertising revenue was higher by \$2.7 million (5.3%) in the second quarter and by \$4.8 million (3.1%) on a year-to-date basis.

In the second quarter, English Services' advertising revenue increased by \$1.1 million (4.1%) mainly as a result of the broadcast of three pre-season NHL hockey games in September 2013; none had been aired in the second quarter last year due to the NHL lockout. On a year-to-date basis, the increase of \$2.4 million (2.4%) was also due to a revised hockey schedule in the spring of 2013, resulting in the airing of seven additional *Hockey Night in Canada* regular season games and three fewer playoff games compared to the same period in 2012.

For French Services, both the second quarter advertising revenue increase of \$1.6 million (6.8%) and the year-to-date increase of \$2.4 million (4.4%) were the result of new revenue-generating initiatives such as branded content.

Specialty services

Specialty services revenue decreased by \$0.1 million (0.3%) in the second quarter and by \$1.2 million (1.4%) on year-to-date basis, compared to the same periods last year. This decrease was mostly attributable to the sale of **bold** on March 25, 2013; however, this was partly offset by higher revenue from Explora, which was launched on March 28, 2012.

Financing and other income

Financing and other income was lower by \$2.0 million (5.6%) in the second quarter and by \$1.6 million (2.4%) for the first six months compared to the same periods last year.

Contributions from the LPIF during the quarter ended September 30, 2013 decreased by \$1.7 million (27.4%) for English Services and by \$2.0 million (36.1%) for French Services. In addition, lower sports production subsidies also partly contributed to the decrease in English Services' financing and other income.

On a year-to-date basis, the decrease of \$2.4 million (8.2%) in English Services was mainly related to lower sports production subsidies and LPIF revenues, while French Services' decrease of \$2.9 million (12.9%) was mostly attributable to reduced LPIF contributions.

Corporate Services' increase of \$3.4 million (47.9%) during the second quarter and of \$3.6 million (22.3%) for the first six months of the fiscal year was mainly due to higher space rental revenue in Toronto.

Operating Expenses

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2013	2012 (revised ¹)	% change	2013	2012 (revised ¹)	% change
Television, radio and new media services						
English Services	182,832	190,290	(3.9)	440,064	453,383	(2.9)
French Services	144,826	149,357	(3.0)	297,640	316,681	(6.0)
	327,658	339,647	(3.5)	737,704	770,064	(4.2)
Specialty services						
CBC News Network	17,300	16,742	3.3	32,149	33,650	(4.5)
RDI	11,018	11,020	(0.0)	21,547	22,135	(2.7)
bold	-	798	N/M	-	1,391	N/M
Explora	894	980	(8.8)	1,810	2,103	(13.9)
documentary	984	936	5.1	2,002	1,853	8.0
ARTV	3,371	3,604	(6.5)	6,748	6,988	(3.4)
	33,567	34,080	(1.5)	64,256	68,120	(5.7)
Transmission, distribution and collection	15,993	23,981	(33.3)	31,491	71,987	(56.3)
Corporate management	2,601	2,617	(0.6)	5,267	5,685	(7.4)
Payments to private stations	647	638	1.4	1,268	1,272	(0.3)
Finance costs	7,796	8,021	(2.8)	15,567	15,953	(2.4)
Share of profit in associate	(782)	(939)	(16.7)	(1,073)	(386)	178.0
TOTAL	387,480	408,045	(5.0)	854,480	932,695	(8.4)

N/M = Not meaningful

¹ The amounts for 2012 have been revised as a result of the adoption of the revised accounting standard on pensions. See Note 2C, A adoption of New and Revised International Financial Reporting Standards of the condensed interim consolidated financial statements for more details.

The following paragraphs explain the quarterly decrease in operating expenses of \$20.6 million (5.0%) and the six-month decrease of \$78.2 million (8.4%) compared to the same periods last year.

Television, radio and new media services

Lower programming spending as a result of cost reductions and the end of the *Wheel of Fortune* and *Jeopardy!* contract in September 2012 led to a decrease in English Services' expenditures of \$7.5 million (3.9%) this quarter compared to last year. On a year-to-date basis, English Services' expenditures decreased by \$13.3 million (2.9%) as a result of lower programming spending and the fact that severance costs were included in the comparative period last year as a consequence of Federal Budget 2012.

French Services' expenses decreased \$4.5 million (3.0%) in the second quarter, due mainly to initiatives that reduced programming costs and Radio Canada International (RCI) operating costs. On a year-to-date basis, expenses decreased \$19.0 million (6.0%) as a result of reduced programming and operating costs and, as for English Services, the fact that severance costs were included in the comparative period last year.

Specialty services

Specialty services' expenditures in the second quarter were consistent with those reported in the same period last year. Year-to-date, specialty services' expenditures were lower by \$3.9 million (5.7%) compared to the first six months of 2012–2013.

The decrease of \$1.5 million (4.5%) for CBC News Network on year-to-date basis was mainly attributable to lower programming costs.

The sale of **bold** on March 25, 2013 also decreased expenditures.

Other operating expenses

Transmission, distribution and collection costs decreased by \$8.0 million (33.3 %) for the second quarter and by \$40.5 million (56.3%) on a year-to-date basis compared to the same periods last year. This was mainly due to the accelerated shutdown of our remaining analogue TV transmitters and the end of shortwave transmission of RCI programming resulting in additional depreciation, impairment charges and the recognition of decommissioning costs last year. These cost reduction initiatives were implemented to decrease ongoing operating costs.

Government Funding

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2013	2012	% change	2013	2012	% change
Parliamentary appropriations for operating expenditures	237,698	231,819	2.5	462,824	478,432	(3.3)
Parliamentary appropriations for working capital	1,000	1,000	-	2,000	2,000	-
Amortization of deferred capital funding	27,694	36,558	(24.2)	55,550	91,993	(39.6)
TOTAL	266,392	269,377	(1.1)	520,374	572,425	(9.1)

Parliamentary appropriations for operating expenditures increased by \$5.9 million (2.5%) in the second quarter compared to last year, and decreased by \$15.6 million (3.3%) on a year-to-date basis. Parliamentary appropriations are recognized based on expected needs according to forecasted revenues and forecasted expenditures for the period.

By fiscal year-end 2013–2014, parliamentary appropriations received are expected to decrease by \$41.8 million. This reflects our share of the funding reductions announced by the federal government in Federal Budget 2012.

Capital funding received is recorded as deferred capital funding. It is amortized and recognized as revenue over the same periods as the related property and equipment, and intangible assets are used in CBC/Radio-Canada's operations.

The decrease of \$8.9 million (24.2%) in the second quarter and of \$36.4 million (39.6%) in the first half of the year compared to the same periods last year was mainly due to lower depreciation and recognition of revenue previously deferred because our analogue television assets are now fully depreciated.

Non-Operating Items

<i>(in thousands of Canadian dollars)</i>	For the three months ended September 30			For the six months ended September 30		
	2013	2012	% change	2013	2012	% change
Loss on disposal of property and equipment	(759)	(628)	20.9	(2,274)	(1,124)	102.3
Non-operating items	(759)	(628)	20.9	(2,274)	(1,124)	102.3

Non-operating losses of \$2.3 million for the first six months of the year, including \$0.8 million this quarter, resulted from equipment disposals as the Corporation continues to replace old technology.

Total Comprehensive Income (Loss)

<i>(in thousands of Canadian dollars)</i>	For the three months ended September 30			For the six months ended September 30		
	2013	2012 (revised ¹)	% change	2013	2012 (revised ¹)	% change
Net results for the period	5,721	(12,326)	146.4	(24,660)	(51,719)	52.3
Other comprehensive income (loss)						
Remeasurements of defined benefit plans	6,204	(305,861)	102.0	145,319	(263,647)	155.1
Total comprehensive income (loss) for the period	11,925	(318,187)	103.7	120,659	(315,366)	138.3

¹ The amounts for 2012 have been revised as a result of the adoption of the revised accounting standard on pensions. See Note 2C, Adoption of New and Revised International Financial Reporting Standards of the condensed interim consolidated financial statements for more details.

Total other comprehensive income recognized this quarter was \$6.2 million, compared to a total other comprehensive loss of \$305.9 million in the second quarter of 2012–2013. These amounts are driven by significant non-cash fluctuations in our pension plan's obligations and assets that occur when actual results or interest rates differ from our actuarial assumptions. We recognized these movements immediately in other comprehensive income in each reporting period.

Current other comprehensive income of \$6.2 million was driven by a moderately higher return on plan assets than that used in our assumptions. For the same period last year, the \$305.9 million other comprehensive loss was driven primarily by a 0.5% decrease in the interest rate used to calculate our pension obligation. Further details on pension plan assumptions and results are provided in Note 10 to the condensed interim consolidated financial statements.

3.2 Financial Condition, Cash Flow and Liquidity

Our cash flows from operating, investing and financing activities for the second quarter ended September 30, 2013 are summarized in the following table. Our cash balance on September 30, 2013 was \$81.6 million, compared to \$51.5 million on March 31, 2013.

Cash Position

<i>(in thousands of Canadian dollars)</i>	For the three months ended September 30			For the six months ended September 30		
	2013	2012	% change	2013	2012	% change
Cash - beginning of the period	63,898	72,512	(11.9)	51,459	64,277	(19.9)
Cash from (used in) operating activities	5,938	(24,441)	124.3	23,482	(5,016)	568.1
Cash used in financing activities	(3,506)	(3,439)	(1.9)	(29,269)	(29,135)	(0.5)
Cash from investing activities	15,317	3,865	296.3	35,975	18,371	95.8
Net change	17,749	(24,015)	173.9	30,188	(15,780)	291.3
Cash - end of the period	81,647	48,497	68.4	81,647	48,497	68.4

Cash from operating activities

Cash from operating activities was \$5.9 million this quarter, compared to \$24.4 million used in last year's second quarter. On a year-to-date basis cash from operations was \$23.5 million, compared to \$5.0 million used in the same period last year. These changes were primarily the result of normal fluctuations in working capital.

Cash used in financing activities

Cash used in financing activities was consistent with last year, both in the second quarter and on a year-to-date basis. The amount used to meet obligations under finance leases was \$3.5 million and \$3.4 million in the same quarter last year. On a year-to-date basis, \$29.3 million was used this year, and \$29.1 last year, for semi-annual repayments of the Toronto Broadcasting Centre bonds, payments of notes payable and to meet obligations under finance leases.

Cash from investing activities

Investing activities generated cash of \$15.3 million this quarter, compared to \$3.9 million in the second quarter of last year. On a year-to-date basis, cash from investing activities was \$36.0 million compared to \$18.4 million for the same period last year. These increases were largely due to the timing of capital purchases during the year. This year we have made capital acquisitions of \$26.4 million to date, compared with \$38.1 million by September 30, 2012. In addition, cash from investing activities in both quarters this year include dividends from our investment in Sirius XM.

3.3 Outlook and Risk Update

In the second quarter, we continued to implement the second year of our three-year financial plan announced on April 4, 2012 following Federal Budget 2012, in which our appropriation was reduced by \$115 million over three years. The financial plan continues to be closely monitored and adjusted as required to continue to allow us to meet two key objectives: (i) maintain our capacity to fulfill our mandate under the *Broadcasting Act*, and (ii) continue to drive Strategy 2015 by delivering high-quality Canadian programming, enhancing our regional presence and local impact and investing more in digital platforms. Nonetheless, we face significant challenges ahead.

The success of the financial plan will depend heavily on sustainable funding, the strength of the advertising market and our overall revenue performance. On May 28, 2013, the CRTC announced its decision to allow only limited advertising on CBC Radio 2 and Espace musique. The shortfall of approximately \$15 million compared to our three-year plan will be managed through other measures.

Cost-containment measures announced in the 2010 Federal Budget included the elimination of salary inflation funding from 2010–2011 through to 2012–2013. We are expecting to receive this funding for the 2013–2014 year. However, the Economic Update on November 12, 2013 confirmed that the Government is reintroducing the freeze and will not provide salary inflation funding for fiscal years 2014–2015 and 2015–2016.

CBC's broadcast and digital rights contract with the NHL ends in June 2014. We are negotiating the contract renewal for this flagship property.

A number of collective agreements must be re-negotiated between 2013 and 2014. Successful negotiations with our unions will strengthen our business, brand and labour relations.

On August 1, 2012, the International Olympic Committee announced that we had been awarded the Canadian broadcast rights for the Sochi February 2014 Olympic Winter Games and the Rio August 2016 Olympic Summer Games. This will significantly increase both revenue and expenses in 2013–2014 and 2016–2017; we expect to at least break even on this premier international sporting property.

We expect our real estate portfolio to generate more revenue as we rent out vacant space in some of our buildings. We also expect to reduce our total cost of occupancy and real estate risk by selling and exiting some buildings that we own to become tenants in more efficient premises. We continue to prepare space at the Toronto Broadcasting Centre for a new tenant that will be leasing approximately 168,000 square feet. We are also preparing to move in 2015 from two owned buildings in Halifax into one rented facility. In June 2013, we initiated a Request for Proposals for redevelopment of our Montreal facility; proponents must submit their bids by March 2014.

A full discussion of risks and mitigation strategies is included in our 2012–2013 Annual Report, supplemented by a discussion of changes to key risks in our quarterly reports, when applicable.

4. Financial Reporting Disclosure

4.1 Critical Accounting Estimates and Future Accounting Standards

Future Changes in Accounting Standards

For a description of future changes in accounting standards, see Note 2 of the condensed interim consolidated financial statements.

Future Changes in Accounting Estimates

On July 31, 2013, the Canadian Institute of Actuaries (CIA) issued a draft report on Canadian Pensioners Mortality concluding that pensioners are living longer, increasing future pension costs. There has been no confirmation of when these revised mortality tables and improvement scales will be published; however, there is an expectation that mortality improvements should be considered in our next annual pension liability valuation. Accordingly, we are reviewing the CIA's draft report and assessing other information in order to determine the impact on our future valuations and contributions.

4.2 Transactions with Related Parties

The Corporation, through the normal course of business, is involved in transactions with related parties. See Note 17 of the condensed interim consolidated financial statements.

5. Statement of Management Responsibility by Senior Officials

Management is responsible for the preparation and fair presentation of these condensed consolidated quarterly financial statements in accordance with IAS 34 - *Interim Financial Reporting*, and for such internal controls as management determines is necessary to enable the preparation of condensed consolidated quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the condensed consolidated quarterly financial statements.

Based on our knowledge, these unaudited condensed consolidated quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in the condensed consolidated quarterly financial statements.

Signature

Hubert T. Lacroix,
President and Chief Executive Officer

Signature

Suzanne Morris,
Vice-President and Chief Financial Officer

Ottawa, Canada
November 26, 2013

Condensed Interim Consolidated Statement of Financial Position (unaudited)

<i>(in thousands of Canadian dollars)</i>	September 30, 2013	March 31, 2013 (revised - NOTE 2 C)
ASSETS		
Current		
Cash	81,647	51,459
Trade and other receivables (NOTE 3)	146,933	184,470
Programming (NOTE 4)	198,814	145,379
Merchandising inventory	251	755
Prepaid expenses (NOTE 5)	117,811	137,563
Promissory notes receivable	2,230	2,154
Investment in finance lease	2,477	2,387
Derivative financial instruments (NOTE 18)	454	629
Assets classified as held for sale (NOTE 6)	5,447	1,801
	566,064	526,697
Long-term		
Property and equipment (NOTE 6)	954,294	997,710
Intangible assets (NOTE 7)	19,427	17,563
Assets under finance lease	37,250	41,374
Promissory notes receivable	47,125	48,250
Investment in finance lease	51,445	52,706
Deferred charges	20,386	9,509
Investment in associates (NOTE 8)	1,215	3,490
	1,131,142	1,170,602
TOTAL ASSETS	1,687,206	1,697,199
LIABILITIES		
Current		
Accounts payable and accrued liabilities (NOTE 9)	73,151	96,213
Provisions (NOTE 11)	50,621	51,296
Pension plans and employee-related liabilities (NOTE 10)	124,395	135,593
Bonds payable	20,834	20,578
Obligations under finance leases	11,132	10,906
Notes payable	8,044	7,960
Deferred revenues	11,357	8,982
Deferred appropriations for operating expenditures (NOTE 13)	34,024	-
Option liability	1,875	1,875
	336,433	333,403
Long-term		
Deferred revenues	9,440	9,039
Pension plans and employee-related liabilities (NOTE 10)	229,892	343,605
Bonds payable	270,918	277,008
Obligations under finance leases	38,813	44,447
Notes payable	110,026	113,049
Deferred capital funding (NOTE 13)	52,129	525,696
	1,180,388	1,312,844
Equity		
Retained earnings	170,973	50,392
Total equity attributable to the Corporation	170,973	50,392
Non-controlling interests	412	560
TOTAL EQUITY	171,385	50,952
TOTAL LIABILITIES AND EQUITY	1,687,206	1,697,199

Commitments (NOTE 16)

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

Condensed Interim Consolidated Statement of Income (Loss) (unaudited)

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30		Six months ended September 30	
	2013	2012	2013	2012
		(revised - NOTE 2 C)		(revised - NOTE 2 C)
REVENUE (NOTE 12)				
Advertising	53,077	50,384	161,340	156,493
Specialty services	41,153	41,263	84,018	85,187
Other income	31,054	33,170	61,916	63,495
Financing income	2,284	2,153	4,446	4,500
	127,568	126,970	311,720	309,675
EXPENSES				
Television, radio and new media services costs	327,658	339,647	737,704	770,064
Specialty services	33,567	34,080	64,256	68,120
Transmission, distribution and collection	15,993	23,981	31,491	71,987
Corporate management	2,601	2,617	5,267	5,685
Payments to private stations	647	638	1,268	1,272
Finance costs	7,796	8,021	15,567	15,953
Share of profit in associate	(782)	(939)	(1,073)	(386)
	387,480	408,045	854,480	932,695
Operating loss before Government funding and non-operating items	(259,912)	(281,075)	(542,760)	(623,020)
GOVERNMENT FUNDING (NOTE 13)				
Parliamentary appropriation for operating expenditures	237,698	231,819	462,824	478,432
Parliamentary appropriation for working capital	1,000	1,000	2,000	2,000
Amortization of deferred capital funding	27,694	36,558	55,550	91,993
	266,392	269,377	520,374	572,425
Results before non-operating items	6,480	(11,698)	(22,386)	(50,595)
NON-OPERATING ITEMS				
Loss on disposal of property and equipment	(759)	(628)	(2,274)	(1,124)
	(759)	(628)	(2,274)	(1,124)
Net results for the period	5,721	(12,326)	(24,660)	(51,719)
Net results attributable to:				
The Corporation	5,704	(12,357)	(24,738)	(51,823)
Non-controlling interests	17	31	78	104
	5,721	(12,326)	(24,660)	(51,719)

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

Condensed Interim Consolidated Statement of Comprehensive Income (Loss) (unaudited)

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30		Six months ended September 30	
	2013	2012 (revised - NOTE 2C)	2013	2012 (revised - NOTE 2C)
COMPREHENSIVE INCOME (LOSS)				
Net results for the period	5,721	(12,326)	(24,660)	(51,719)
Other comprehensive income (loss) - not subsequently reclassified to net results				
Remeasurements on defined benefit plans	6,204	(305,861)	145,319	(263,647)
Total comprehensive income (loss) for the period	11,925	(318,187)	120,659	(315,366)
Total comprehensive income (loss) attributable to:				
The Corporation	11,908	(318,218)	120,581	(315,470)
Non-controlling interests	17	31	78	104
	11,925	(318,187)	120,659	(315,366)

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

Condensed Interim Consolidated Statement of Changes in Equity (unaudited)

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30, 2013		
	Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at June 30, 2013	159,065	621	159,686
Changes in period			
Net results for the period	5,704	17	5,721
Remeasurements of defined benefit plans	6,204	-	6,204
Distributions to non-controlling interests	-	(226)	(226)
Total comprehensive income (loss) for the period	11,908	(209)	11,699
Balance at September 30, 2013	170,973	412	171,385

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30, 2012		
	Deficit and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at June 30, 2012, as previously reported	63,744	429	64,173
Change resulting from the retrospective application of a revised accounting standard (revised - NOTE 2C)	306	-	306
Changes in period			
Net results for the period (revised - NOTE 2C)	(12,357)	31	(12,326)
Remeasurements of defined benefit plans (revised - NOTE 2C)	(305,861)	-	(305,861)
Total comprehensive (loss) income for the period	(318,218)	31	(318,187)
Balance at September 30, 2012	(254,168)	460	(253,708)

<i>(in thousands of Canadian dollars)</i>	Six months ended September 30, 2013		
	Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at March 31, 2013, as previously reported	50,162	560	50,722
Change resulting from the retrospective application of a revised accounting standard (revised - NOTE 2C)	230	-	230
Changes in period			
Net results for the period (revised - NOTE 2C)	(24,738)	78	(24,660)
Remeasurements of defined benefit plans (revised - NOTE 2C)	145,319	-	145,319
Distributions to non-controlling interests	-	(226)	(226)
Total comprehensive income (loss) for the period	120,581	(148)	120,433
Balance at September 30, 2013	170,973	412	171,385

<i>(in thousands of Canadian dollars)</i>	Six months ended September 30, 2012		
	Deficit and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at March 31, 2012, as previously reported	60,996	356	61,352
Change resulting from the retrospective application of a revised accounting standard (revised - NOTE 2C)	306	-	306
Changes in period			
Net results for the period (revised - NOTE 2C)	(51,823)	104	(51,719)
Remeasurements of defined benefit plans (revised - NOTE 2C)	(263,647)	-	(263,647)
Total comprehensive (loss) income for the period	(315,470)	104	(315,366)
Balance at September 30, 2012	(254,168)	460	(253,708)

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

Condensed Interim Consolidated Statement of Cash Flows (unaudited)

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30		Six months ended September 30	
	2013	2012	2013	2012
		(revised - NOTE 2C)		(revised - NOTE 2C)
CASH FLOWS FROM (USED IN)				
OPERATING ACTIVITIES				
Net results for the period	5,721	(12,326)	(24,660)	(51,719)
Adjustments for:				
Loss on disposal of property and equipment	759	628	2,274	1,124
Interest revenue	(2,284)	(2,153)	(4,446)	(4,500)
Finance costs	7,796	8,021	15,567	15,953
Change in fair value of financial instruments designated as at fair value through profit and loss	242	430	175	18
Depreciation of property and equipment	28,713	34,589	57,514	88,339
Amortization of intangible assets	1,630	4,192	3,358	8,565
Depreciation of assets under finance lease	2,062	2,000	4,124	4,000
Share of profit in associate	(782)	(939)	(1,073)	(386)
Change in deferred charges	(6,938)	(11,485)	(10,877)	(13,497)
Amortization of deferred capital funding (NOTE 13)	(27,694)	(36,558)	(55,550)	(91,993)
Change in deferred appropriations for operating expenditures	(13,886)	(31,819)	34,024	-
Change in deferred revenues [long-term]	(88)	105	(37)	210
Change in pension plans and employee-related liabilities [current]	(8,241)	(11,968)	3,337	1,104
Change in pension plans and employee-related liabilities [long-term]	15,527	14,244	31,606	29,217
Accretion of promissory notes receivable	(4)	(4)	(9)	(9)
Movements in working capital (NOTE 15)	3,405	18,602	(3,845)	8,558
	5,938	(24,441)	23,482	(5,016)
FINANCING ACTIVITIES				
Repayment of obligation under finance lease	(2,668)	(2,451)	(5,406)	(4,994)
Repayment of bonds	-	-	(5,656)	(5,253)
Repayment of notes	-	-	(2,930)	(2,797)
Interest paid	(838)	(988)	(15,277)	(16,091)
	(3,506)	(3,439)	(29,269)	(29,135)
INVESTING ACTIVITIES				
Parliamentary appropriations for capital funding (NOTE 13)	25,189	23,999	51,153	49,568
Acquisition of property and equipment	(13,093)	(22,402)	(21,005)	(35,322)
Acquisition of intangible assets	(2,614)	(1,251)	(5,362)	(2,784)
Proceeds from disposal of property and equipment	591	170	1,127	210
Collection of promissory notes receivable	526	491	1,044	973
Collection of finance lease receivables	558	521	1,107	1,032
Dividends received	1,875	-	3,348	-
Interest received	2,285	2,337	4,563	4,694
	16,317	3,865	35,976	18,371
Change in cash	17,749	(24,015)	30,188	(16,780)
Cash, beginning of the period	63,898	72,512	51,459	64,277
Cash, end of the period	81,647	48,497	81,647	48,497

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

Notes to the Condensed Interim Consolidated Financial Statements for the Second Quarter Ended September 30, 2013 (unaudited)

(In thousands of Canadian dollars, unless otherwise noted)

1. General Information

As the national public broadcaster, CBC/Radio-Canada (the Corporation) provides radio, television and new media services in both official languages, delivering predominantly and distinct Canadian programming to reflect Canada and its regions to national and regional audiences.

The Corporation is a federal Crown Corporation domiciled in Canada. The address of the Corporation's registered office is 181 Queen Street, Ottawa ON K1P 1K9.

These condensed interim consolidated financial statements have been authorized for issuance by the Board of Directors on November 26, 2013.

2. Significant Accounting Policies

A. Statement of Compliance

The Corporation has prepared these condensed interim consolidated financial statements in accordance with Section 131.1 of the *Financial Administration Act* and International Accounting Standards 34 *Interim Financial Reporting* (IAS 34).

B. Basis of Preparation

Section 131.1 of the *Financial Administration Act* requires that most parent Crown Corporations prepare and make public quarterly financial reports in compliance with the Treasury Board Standard on *Quarterly Financial Reports for Crown Corporations*. These condensed interim consolidated financial statements have not been audited or reviewed by the Corporation's external auditor.

These interim consolidated financial statements are presented on a condensed basis as permitted by IAS 34 and therefore do not include all disclosures that would otherwise be required in a full set of financial statements. These condensed interim consolidated financial statements are intended to provide an update on the latest complete set of audited annual financial statements for the year ended March 31, 2013. Accordingly, they should be read in conjunction with the audited annual consolidated financial statements for the year ended March 31, 2013. The accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those disclosed in the Corporation's audited annual consolidated financial statements, except for the changes in accounting policies discussed in Notes 2C and 2D.

2. Significant Accounting Policies (Continued)

Key Sources of Estimation Uncertainty and Critical Judgments

The preparation of these condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of such financial statements and the reported amounts of revenues and expenses recorded during the period, as well as all related disclosures.

Estimates are regularly reviewed by management and changes in those estimates are recognized prospectively by including them in the Condensed Interim Consolidated Statement of Income (Loss) in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. Actual results could significantly differ from those estimates. Similarly, critical judgments are reassessed at each reporting date.

There have been no changes to the key estimates or critical judgments disclosed in the Corporation's last audited annual consolidated financial statements, except for the following items:

- The Corporation is no longer required to estimate the expected return on pension plan assets due to the adoption of the amendments to IAS 19 *Employee Benefits*, as discussed in Note 2C.
- The Corporation consolidates the CBC Monetization Trust and the Broadcast Centre Trust, as it judges that it controls these investees, as defined in IFRS 10 *Consolidated Financial Statements*. While the judgments and disclosures regarding these investees have changed as a result of adopting IFRS 10, there was no impact on the Corporation's consolidated financial statements, as disclosed in Note 2C, as these entities were consolidated under the previous standards as well.

C. Adoption of New and Revised International Financial Reporting Standards

The following new pronouncements issued by the IASB or the IFRS Interpretations Committee were adopted by the Corporation effective April 1, 2013. These new standards and amendments affected amounts reported, the presentation of balances or related disclosure in the condensed interim consolidated financial statements as at and for the period ended September 30, 2013 as follows.

Amendments to IAS 19 Employee Benefits (IAS 19 R)

IAS 19 *Employee Benefits* was amended in June 2011 to eliminate the option to defer the recognition of gains and losses, to amend the presentation of changes in the defined benefit pension obligation and plan assets on the statement of income (loss) and the statement of comprehensive income (loss), to require the net interest to be calculated by using a high quality corporate bond yield, as well as to improve disclosure about the risks arising from defined benefit plans.

The impact of adopting these amendments primarily result from changes to the computation of net interest income on pension plan assets, which is now based on the same discount rate used to measure the pension obligation as opposed to the expected return on plan assets historically used under the previous standard. Also contributing to the impact on the Corporation's net results, albeit to a lesser extent is the new requirement to record all administrative fees, other than those incurred for managing

2. Significant Accounting Policies (Continued)

plan assets, immediately in the statement of income (loss). For additional details on the nature of these amendments, refer to Note 2 to the Corporation's year-end audited financial statements.

Specific transitional provisions are applicable to first-time application of IAS 19 R. The Corporation has applied the relevant transitional provisions and revised the comparative amounts on a retrospective basis (see tables below for details).

Consolidated statement of income (loss)

Three months ended September 30, 2012 <i>(in thousands of Canadian dollars)</i>	As previously reported	IAS 19 R effects	Revised
REVENUE	126,970	-	126,970
EXPENSES			
Television, radio and new media service costs	319,448	20,199	339,647
Specialty services	31,991	2,089	34,080
Transmission, distribution and collection	23,285	696	23,981
Corporate management	2,385	232	2,617
Payments to private stations	638	-	638
Finance costs	8,021	-	8,021
Share of profit in associate	(939)	-	(939)
	384,829	23,216	408,045
GOVERNMENT FUNDING	269,377	-	269,377
NON-OPERATING ITEMS	(628)	-	(628)
NET RESULTS FOR THE PERIOD	10,890	(23,216)	(12,326)

2. Significant Accounting Policies (Continued)

Consolidated statement of income (loss)

Six months ended September 30, 2012 <i>(in thousands of Canadian dollars)</i>	As previously reported	IAS 19 R effects	Revised
REVENUE	309,675	-	309,675
EXPENSES			
Television, radio and new media service costs	729,666	40,398	770,064
Specialty services	63,942	4,178	68,120
Transmission, distribution and collection	70,595	1,392	71,987
Corporate management	5,221	464	5,685
Payments to private stations	1,272	-	1,272
Finance costs	15,953	-	15,953
Share of profit in associate	(386)	-	(386)
	886,263	46,432	932,695
GOVERNMENT FUNDING	572,425	-	572,425
NON-OPERATING ITEMS	(1,124)	-	(1,124)
NET RESULTS FOR THE PERIOD	(5,287)	(46,432)	(51,719)

Consolidated statement of comprehensive income (loss)

Three months ended September 30, 2012 <i>(in thousands of Canadian dollars)</i>	As previously reported	IAS 19 R effects	Revised
COMPREHENSIVE INCOME (LOSS)			
Net results for the period	10,890	(23,216)	(12,326)
Other comprehensive loss - not subsequently reclassified to net results			
Remeasurements of defined benefit plans	(329,077)	23,216	(305,861)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(318,187)	-	(318,187)

2. Significant Accounting Policies (Continued)

Consolidated statement of comprehensive income (loss)

Six months ended September 30, 2012 <i>(in thousands of Canadian dollars)</i>	As previously reported	IAS 19 R effects	Revised
COMPREHENSIVE INCOME (LOSS)			
Net results for the period	(5,287)	(46,432)	(51,719)
Other comprehensive loss - not subsequently reclassified to net results			
Remeasurements of defined benefit plans	(310,079)	46,432	(263,647)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(315,366)	-	(315,366)

Consolidated statement of financial position

As at March 31, 2013 <i>(in thousands of Canadian dollars)</i>	As previously reported	IAS 19 R effects	Revised
LIABILITIES			
Current			
Pension plans and employee-related liabilities	135,593	-	135,593
Long-term			
Pension plans and employee-related liabilities	343,835	(230)	343,605
EQUITY			
Retained earnings	50,162	230	50,392
TOTAL LIABILITIES AND EQUITY	1,697,199	-	1,697,199

IFRS 13 Fair Value Measurement

IFRS 13 defines fair value, sets out a single framework for measuring fair value and requires disclosures about fair value measurements. It applies to IFRS that require or permit fair value measurements or disclosures about fair value measurement. The Standard requires increased disclosure, specifically related to the disclosure of the hierarchy levels for financial assets and liabilities not measured at fair value and the related disclosures about how those fair values are calculated.

The Corporation has applied this standard on a prospective basis, effective April 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in IFRS 13 in comparative information provided for periods before the initial application of this Standard. In accordance with these transitional provisions, the Corporation has not made new disclosures required by IFRS 13 for the 2012 comparative period (please see Note 18 for the current period disclosures). Other than the additional disclosures, the application of IFRS 13 has not resulted in any impact on the Corporation's condensed interim consolidated financial statements.

2. Significant Accounting Policies (Continued)

Amendments to IAS 1 Presentation of financial statements

The Corporation has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* for the first time as of April 1, 2013. IAS 1 was amended in June 2011 to revise the way other comprehensive income is presented: requiring separate subtotals for those elements which may be “recycled” through profit and loss, and those elements that will not. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either single statement or in two separate but consecutive statements. The Corporation has added the required disclosures related to other comprehensive income and retained the two statement approach.

Other Standards Adopted

The following new standards and amendments were adopted effective April 1, 2013. Their adoption did not have a significant impact on the condensed interim consolidated financial statements:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 28 *Investments in Associates and Joint Ventures*
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
- Annual Improvements to IFRSs 2009–2011 Cycle Issued in May 2012

For additional details on the nature of these amendments, refer to Note 2 to the Corporation’s annual consolidated financial statements.

D. Change Other Than Due to the Adoption of a New and/or Revised International Financial Reporting Standards

As May 28, 2013, the Canadian Radio-television Telecommunications Commission (CRTC) rendered its decision on the Corporation’s licence renewal application. As part of this decision, the requirement to account for the Corporation’s wholly-owned specialty services: CBC News Network and Réseau de l’information de Radio-Canada (collectively, the Specialties) on an incremental cost basis was lifted for the broadcast year beginning September 1, 2013.

The Corporation has therefore ceased to apply incremental costing to Specialties as of September 1, 2013. Accordingly, the results presented in this report for the three and six month periods ended September 30, 2013 include one month of operations using the new allocation methodology.

In future quarterly and annual reporting, the Corporation will no longer present the expenses attributable to the Specialties on a separate line in its consolidated statement of income (loss). Instead, the costs incurred by the Specialties will be presented by function, which is consistent with the Corporation’s other operations. Similarly, the revenue generated by the Specialties will be presented as either Advertising, Subscriber fees or Other, depending on their nature.

2. Significant Accounting Policies (Continued)

E. Future Accounting Changes

The following standards and interpretations issued by the IASB are not yet effective and are currently being reviewed by management:

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009 and amended in October 2010, is part of a multi-step project to replace current IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has adopted an approach based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets and liabilities. On December 16, 2011, the IASB published amendments that defer the mandatory effective date for IFRS 9 and require certain additional disclosures to annual periods beginning on or after January 1, 2015.

Amendments to IAS 36 Impairment of Assets

IAS 36 was amended in May 2013 to provide additional disclosure on the measurement of the recoverable amount of impaired assets, particularly if that amount is based on the fair value less costs of disposal. These amendments are effective for annual reporting periods beginning on or after January 1, 2014, on a retrospective basis.

3. Trade and Other Receivables

<i>(in thousands of Canadian dollars)</i>	September 30, 2013	March 31, 2013
Trade receivables	136,343	171,542
Allowance for doubtful accounts	(4,100)	(3,627)
Other	14,690	16,555
	146,933	184,470

Credit terms average 30 days. The Corporation recognizes an allowance for doubtful accounts for receivables where there is objective evidence of impairment. Objective evidence of impairment could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments past the average credit terms as well as observable changes in national or local economic conditions that correlate with default on receivables.

Before accepting new customers, the Corporation reviews the credit application submitted by the customer. An external credit scoring agency may be used to assess the potential customer's credit quality and define credit limits by customer. Limits and scoring attributed to customers are reviewed at least once a year to determine whether adjustments are required. In addition, the Corporation monitors its customers throughout the year for any indications of deterioration in credit quality.

There are no customers who represent more than 5% of the total balance of trade receivables.

3. Trade and Other Receivables (Continued)

Trade receivables disclosed above include amounts (see Note 3A) that are past due at the end of the reporting period for which the Corporation has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Consistent with others in the industry, the Corporation makes most of its conventional advertising sales through agencies. These agencies typically remit their payment over a period exceeding the Corporation's average credit term of 30 days. As such, a significant portion of the Corporation's trade receivables are past due but not impaired.

The Corporation does not hold any collateral or other credit enhancements over these balances.

A. Age of Trade Receivables that are Past Due but not Impaired

<i>(in thousands of Canadian dollars)</i>	September 30, 2013	March 31, 2013
31 - 60 days	14,542	37,359
61 - 90 days	10,927	17,392
Over 90 days	34,700	22,594
Total	60,169	77,345

B. Movement in Allowance for Doubtful Accounts

<i>(in thousands of Canadian dollars)</i>	September 30, 2013	March 31, 2013
Balance at beginning of the year	(3,627)	(1,979)
Amounts written off during the period as uncollectible	257	536
Impairment losses reversed	316	384
Increase in allowance for new impairments	(1,046)	(2,568)
Balance at end of the period	(4,100)	(3,627)

The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

4. Programming

A. Programming by Category

<i>(in thousands of Canadian dollars)</i>	September 30, 2013	March 31, 2013
Programs completed	57,870	80,015
Programs in process of production	115,874	38,978
Broadcast rights available for broadcast	25,070	26,386
	198,814	145,379

B. Movement in Programming

<i>(in thousands of Canadian dollars)</i>	September 30, 2013	March 31, 2013
Opening balance	145,379	166,104
Additions	560,598	1,041,480
Programs Broadcast	(507,163)	(1,062,205)
	198,814	145,379

Programming includes amounts for television programs including specialty services.

The programming write-offs for the three months ended September 30, 2013, amount to \$0.8 million (2012 – \$1.1 million) and the six months ended September 30, 2013 amount to \$2.4 million (2012 - \$1.6 million). Programming write-offs are mainly due to terminated projects, programs not telecasted in the past two years, programming not suitable for telecast or pilots not progressing into a series.

5. Prepaid expenses

<i>(in thousands of Canadian dollars)</i>	September 30, 2013	March 31, 2013
Programming rights	87,261	105,605
Service agreements	30,550	31,958
	117,811	137,563

6. Property and Equipment

A. Cost and Accumulated Depreciation

The property and equipment carrying amounts are as follows:

<i>(in thousands of Canadian dollars)</i>	September 30, 2013	March 31, 2013
Cost	2,173,565	2,211,297
Accumulated depreciation	(1,219,271)	(1,213,587)
	954,294	997,710

<i>(in thousands of Canadian dollars)</i>	Land	Buildings	Leasehold improvements	Technical equipment	Other	Uncompleted capital projects	Total
Cost at March 31, 2013	179,207	542,901	52,866	1,274,106	138,738	23,479	2,211,297
Additions	-	-	-	5,312	700	14,993	21,005
Transfers (refer to Note 7)	-	4,130	322	15,116	1,515	(20,943)	140
Assets classified as held for sale	(3,371)	(901)	-	-	-	-	(4,272)
Disposals and write-offs	-	(1,310)	(158)	(48,649)	(4,482)	(6)	(54,605)
Cost at September 30, 2013	175,836	544,820	53,030	1,245,885	136,471	17,523	2,173,565
Accumulated depreciation at March 31, 2013	-	(146,971)	(23,910)	(940,444)	(102,262)	-	(1,213,587)
Depreciation for the period	-	(17,477)	(1,517)	(32,327)	(6,193)	-	(57,514)
Reverse depreciation on assets classified as held for sale	-	433	-	-	-	-	433
Reverse depreciation on disposals	-	905	158	45,861	4,473	-	51,397
Accumulated depreciation at September 30, 2013	-	(163,110)	(25,269)	(926,910)	(103,982)	-	(1,219,271)
Net carrying amount at September 30, 2013	175,836	381,710	27,761	318,975	32,489	17,523	954,294

6. Property and Equipment (Continued)

<i>(in thousands of Canadian dollars)</i>	Land	Buildings	Leasehold improvements	Technical equipment	Other	Uncompleted capital projects	Total
Cost at March 31, 2012	181,200	525,009	46,888	1,287,700	139,325	35,000	2,215,122
Additions	-	18,737	3,794	54,143	9,111	18,998	104,783
Transfers (refer to Note 7)	4	11,463	2,748	14,198	1,891	(30,473)	(169)
Assets classified as held for sale	(980)	(5,837)	-	(3,469)	(2,367)	-	(12,653)
Disposals and write-offs	(1,017)	(6,471)	(564)	(78,466)	(9,222)	(46)	(95,786)
Cost at March 31, 2013	179,207	542,901	52,866	1,274,106	138,738	23,479	2,211,297
Accumulated depreciation at March 31, 2012	-	(118,928)	(21,249)	(926,896)	(100,061)	-	(1,167,134)
Depreciation for the year	-	(35,761)	(3,011)	(92,208)	(13,476)	-	(144,456)
Reverse depreciation on asset classified as held for sale	-	5,297	-	3,423	2,366	-	11,086
Reverse depreciation on disposals	-	2,421	350	75,237	8,909	-	86,917
Accumulated depreciation at March 31, 2013	-	(146,971)	(23,910)	(940,444)	(102,262)	-	(1,213,587)
Net carrying amount at March 31, 2013	179,207	395,930	28,956	333,662	36,476	23,479	997,710

The contractual commitments for the acquisition of property and equipment are \$24.5 million as at September 30, 2013 (March 31, 2013 – \$8.3 million).

B. Impairment and Other Charges

There were no indicators of impairment during the three and six month periods ended September 30, 2013 and as such, no impairment expense was recorded.

During the first quarter of last year, a charge of \$6.5 million was recorded in relation to the cessation of shortwave transmission of RCI programming; no charge was recorded in the second quarter of last year. Additional depreciation expenses of \$6.4 million and \$26.0 million for the three and six month periods ended September 30, 2012, respectively, were recorded in the Corporation's Statement of Income (Loss) related to the accelerated shutdown of the remaining analogue television transmitters.

An additional charge of \$0.4 million was recorded in the second quarter of 2012–2013 to fully write-down a mobile unit which is no longer in useable condition.

6. Property and Equipment (Continued)

C. Assets Classified as Held For Sale

The Corporation classifies an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. An asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

With the increased requirements for high-definition broadcasting, the Corporation no longer utilizes one of its standard-definition mobile units. As such, the Corporation has listed this unit for sale. This mobile unit has a net carrying amount of \$0.2 million at September 30, 2013 (March 31, 2013 – \$0.2 million).

As part of the Corporation's financial plan, it has developed a strategy to reduce ownership in land and buildings. As part of this initiative, the following properties are the most significant assets classified as held for sale for accounting purposes:

- A property located in Iqaluit, Nunavut with a carrying amount of \$0.5 million as at September 30, 2013 (March 31, 2013 – \$0.5 million).
- A building and land in Halifax, Nova Scotia, with the intention of consolidating local media operations for English and French Services by integrating all Radio, TV and New Media facilities into a new leased location. This property has a net carrying amount of \$3.4 million as at September 30, 2013.
- A building and land in Matane, Quebec, following the consolidation of operations into a new leased facility. This property has a net carrying amount of \$0.4 million as at September 30, 2013.

The Corporation has also classified as held for sale 53 transmission sites no longer required following the end of TV analogue transmission. These sites have a net carrying amount of \$0.8 million as at September 30, 2013 (March 31, 2013 – \$1.0 million) and are expected to be sold on a site by site basis.

7. Intangible Assets

The intangible assets carrying amounts are as follows:

<i>(in thousands of Canadian dollars)</i>	September 30, 2013	March 31, 2013
Cost	161,147	155,925
Accumulated amortization	(141,720)	(138,362)
	19,427	17,563

<i>(in thousands of Canadian dollars)</i>	Internally developed software	Acquired software	Uncompleted capital projects	Total
Cost at March 31, 2013	139,316	14,316	2,293	155,925
Additions	-	38	5,324	5,362
Transfers (refer to Note 6)	900	3,703	(4,743)	(140)
Cost at September 30, 2013	140,216	18,057	2,874	161,147
Accumulated amortization at March 31, 2013	(134,328)	(4,034)	-	(138,362)
Amortization for the period	(1,817)	(1,541)	-	(3,358)
Accumulated amortization at September 30, 2013	(136,145)	(5,575)	-	(141,720)
Net carrying amount as at September 30, 2013	4,071	12,482	2,874	19,427

7. Intangible Assets (Continued)

<i>(in thousands of Canadian dollars)</i>	Internally developed software	Acquired software	Uncompleted capital projects	Total
Cost at March 31, 2012	138,331	10,596	1,880	150,807
Additions	1,236	2,542	2,191	5,969
Transfers (refer to Note 6)	769	1,178	(1,778)	169
Disposals	(1,020)	-	-	(1,020)
Cost at March 31, 2013	139,316	14,316	2,293	155,925
Accumulated amortization at March 31, 2012	(120,822)	(1,550)	-	(122,372)
Amortization for the year	(14,526)	(2,484)	-	(17,010)
Reverse amortization on disposals	1,020	-	-	1,020
Accumulated amortization at March 31, 2013	(134,328)	(4,034)	-	(138,362)
Net carrying amount as at March 31, 2013	4,988	10,282	2,293	17,563

8. Investment in Associates

The following is the summarized financial information for the Corporation's investments:

<i>(in thousands of Canadian dollars)</i>	Ownership interest as at:		Carrying value as at:	
	September 30, 2013	March 31, 2013	September 30, 2013	March 31, 2013
Sirius - Class B shares	14%	14%	1,198	3,473
Other	-	-	17	17
	-	-	1,215	3,490

The Corporation holds a 14.4% equity interest and a 24.1% voting interest in Sirius XM Canada Holdings Inc. (Sirius XM) through its investment in Class B Voting Shares. This investment was obtained as part of a merger transaction involving Sirius Canada Inc. (Sirius), an investee previously accounted for under the equity method, and Canadian Satellite Radio Holdings Inc. (CSR) that closed in June 2011. Given that the Corporation's voting interest exceeds 20% and that it holds the power to participate in the financial and operating policy decisions of Sirius XM through board representation and through its ongoing business relationship with Sirius XM, the Corporation judges that it has significant influence over Sirius XM. As such, the Corporation applies equity accounting to its investment in the Sirius XM Class B shares.

8. Investment in Associates (Continued)

On January 15, 2013, CSR officially changed its name to Sirius XM Canada Holdings Inc.

As of November 2012, Sirius XM initiated the payment of quarterly dividends. For the three and six month periods ended September 30, 2013, the Corporation received dividends from Sirius XM of \$1.9 million and \$3.3 million, respectively (2012 – nil).

The following tables present the summarized financial information for Sirius XM:

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30		Six months ended September 30	
	2013 ¹	2012 ²	2013 ¹	2012 ²
Revenue	78,008	69,340	151,694	133,683
Net income	4,078	6,117	4,854	1,928

¹Amounts for the three and six month periods ended September 30, 2013, include Sirius XM results for the three and six month periods ended August 31, 2013.

²Amounts for the three and six month periods ended September 30, 2012, include results for CSR for the three and six month periods ended August 31, 2012.

<i>(in thousands of Canadian dollars)</i>	September 30, 2013 ¹	March 31, 2013 ²
Assets	379,122	393,010
Liabilities	370,879	369,007

¹These amounts reflect the Sirius XM balances as at August 31, 2013.

²These amounts reflect the Sirius XM balances as at February 28, 2013.

There are no significant restrictions imposed on Sirius XM relating to their ability to transfer funds to their investors.

9. Accounts Payable and Accrued Liabilities

<i>(in thousands of Canadian dollars)</i>	September 30, 2013	March 31, 2013
Trade payables	25,329	34,729
Accruals	46,007	58,553
Other	1,815	2,931
	73,151	96,213

10. Pension Plans and Employee-Related Liabilities

Employee-related liabilities are as follows:

<i>(in thousands of Canadian dollars)</i>	Current		Long-term	
	September 30, 2013	March 31, 2013 (revised)	September 30, 2013	March 31, 2013 (revised)
Accrued pension benefit liability	-	-	87,008	193,329
Employee future benefits	-	-	142,745	150,126
Vacation pay	52,512	58,237	-	-
Workforce reduction	9,886	11,898	-	-
Salary-related liabilities	61,997	65,458	139	150
	124,395	135,593	229,892	343,605

The risks associated with the Corporation's defined benefit plan are as follows:

Funding risk: One of the primary risks that plan sponsors face is funding risk, which is the risk that the investment asset growth and contribution rates of the Corporation's pension plan will not be sufficient to cover the pension obligations, resulting in unfunded liabilities. When a funding deficit exists, regulatory authorities require that special contributions be made over specified future periods.

The major contributors to funding risk are the declines in discount rates and investments failing to achieve expected returns. In addition, the pension obligations are affected by non-economic factors like changes in member demographics including mortality rate assumptions.

Funding risk is managed by monitoring and reviewing the funded ratio on an ongoing basis and ensuring that investment decisions are made in accordance with established investment policies and procedures and applicable legislation. The Statement of Investment Policies and Procedures (SIPP) is reviewed annually by the CBC Pension Board of Trustees with a view to provide the pension plans with long-term rate of return sufficient to assist the plans in meeting funding objectives and the ongoing growth of pension obligations.

Other risks: The plan assets are also subject to a variety of financial risks as a result of investment activities. These risks include credit risk, market risk (interest rate, currency risk and price risk) and liquidity risk. In addition, the defined benefit obligation and costs are subject to measurement uncertainty due to the use of actuarial assumptions (see below). The impact of these factors on the remeasurement of the pension benefit asset, and pension, other post-employment and other long-term benefit liabilities can be significant and volatile at times.

10. Pension Plans and Employee-Related Liabilities (Continued)

The significant actuarial assumptions used for the purposes of determining the defined benefit obligation and pension benefit costs were as follows:

Assumptions – annual rates	September 30, 2013	March 31, 2013
Assumptions for the calculation of pension benefit costs:		
Discount rate	4.00%	4.25%
Assumptions for the calculation of the benefit obligation:		
Discount rate - pension	4.50%	4.00%
Discount rate - employee termination benefit	4.00%	3.50%
Discount rate – LTD benefit	4.00%	3.50%
Discount rate – post-employment benefit	4.25%	3.75%
Long-term rate of compensation increase, excluding merit and promotion	1.50% in 2013 & 2.75% thereafter	1.50% in 2013 & 2.75% thereafter
Health care cost trend rate	8.00% in 2013 declining to 4.50% over 15 years	8.00% in 2013 declining to 4.50% over 15 years
Indexation of pensions in payment	1.65%	1.65%

The Plan is funded on the basis of actuarial valuations, which are made on an annual basis. Employees are required to contribute to the Plan a percentage of their pensionable salary. The contribution rate for full-time employees was 5.53% from January 1 to June 30, 2013 and 6.19% from July 1 to September 30, 2013 (5.07% from January 1 to June 30, 2012 and 5.53% from July 1 to September 30, 2012) of earnings up to the maximum public pension plan earnings of \$51,100 (\$50,100 in 2012). For earnings in excess of such maximum the rate was 7.27% from January 1 to June 30, 2013 and 8.14% from July 1 to September 30, 2013 (6.67% from January 1 to June 30, 2012 and 7.27% from July 1 to September 30, 2012). The Corporation provides the balance of the funding, as required, based on actuarial valuations.

10. Pension Plans and Employee-Related Liabilities (Continued)

Cash payments for pension, other post-employment and other long-term benefits for the Corporation were as follows:

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30		Six months ended September 30	
	2013	2012	2013	2012
Benefits paid directly to beneficiaries	3,876	3,466	7,212	6,932
Employer regular contributions to pension benefit plans	14,575	14,509	28,430	28,300
Total cash payments for defined benefit plans	18,451	17,975	35,642	35,232

The amount included in the Condensed Interim Consolidated Statement of Financial Position arising from the Corporation's obligation in respect of its defined benefit plans is as follows:

<i>(in thousands of Canadian dollars)</i>	September 30, 2013			March 31, 2013 (revised)		
	Funded pension plan	Unfunded pension plans	Other post-employment plans	Funded pension plan	Unfunded pension plans	Other post-employment plans
Benefit obligation	5,168,206	81,946	142,745	5,500,267	86,546	150,126
Fair value of plan assets	5,163,144	-	-	5,393,484	-	-
Net liability arising from defined benefit obligation	5,062	81,946	142,745	106,783	86,546	150,126

10. Pension Plans and Employee-Related Liabilities (Continued)

Movements in the present value of the defined benefit obligation were as follows:

<i>(in thousands of Canadian dollars)</i>	September 30, 2013		March 31, 2013 (revised)	
	Pension plans	Other post-employment plans	Pension plans	Other post-employment plans
Opening defined benefit obligation	5,586,813	150,126	5,266,627	156,917
Current service cost	54,962	2,912	101,558	7,707
Interest cost	110,616	2,645	221,695	6,332
Contributions from employees	19,871	-	44,452	-
Remeasurements:				
Actuarial gains arising from changes in demographic assumptions	-	-	-	(534)
Actuarial (gains) and losses arising from changes in financial assumptions	(384,618)	(5,726)	193,975	4,740
Actuarial (gains) and losses arising from experience adjustments	(5,414)	-	18,913	(11,173)
Benefits paid	(132,078)	(7,212)	(260,407)	(13,863)
Closing defined benefit obligation	5,250,152¹	142,745	5,586,813²	150,126

¹The accrued benefit obligations for the funded plan and for the unfunded plans are \$5,168,206 and \$81,946 respectively.

²The accrued benefit obligations for the funded plan and for the unfunded plans are \$5,500,267 and \$86,546 respectively.

10. Pension Plans and Employee-Related Liabilities (Continued)

Movements in the fair value of the plan assets were as follows:

<i>(in thousands of Canadian dollars)</i>	September 30, 2013		March 31, 2013 (revised)	
	Pension plans	Other post-employment plans	Pension plans	Other post-employment plans
Opening fair value of plan assets	5,393,484	-	5,090,814	-
Administration fees (other than investment management fees)	(2,650)	-	(5,020)	-
Remeasurements:				
Return on plan assets	106,244	-	213,334	-
Actuarial gains and (losses) arising from experience adjustments	(250,157)	-	249,121	-
Contributions from employees	19,871	-	44,452	-
Contributions from the Corporation	28,430	7,212	61,190	13,863
Benefits paid	(132,078)	(7,212)	(260,407)	(13,863)
Closing fair value of plan assets	5,163,144	-	5,393,484	-

Amounts recognized in comprehensive income (loss) in respect to these defined benefit plans are indicated in the table below:

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30		Six months ended September 30	
	2013	2012	2013	2012
Current service cost	29,077	27,317	57,874	54,633
Administration fees (other than investment management fees)	1,325	1,255	2,650	2,510
Net interest expense	56,703	57,007	113,261	114,013
Return on plan assets	(53,122)	(53,334)	(106,244)	(106,667)
Remeasurements recognized in net results	-	(715)	(282)	(1,429)
Expense recognized in net results	33,983	31,530	67,259	63,060
Plus:				
Remeasurements recognized in other comprehensive income (loss)	(6,204)	305,861	(145,319)	263,647
Total amounts recognized in comprehensive income (loss)	27,779	337,391	(78,060)	326,707

10. Pension Plans and Employee-Related Liabilities (Continued)

Retained earnings include \$121.4 million of cumulative actuarial gains as at September 30, 2013 (March 31, 2013 losses – \$23.9 million).

The total expense recognized in net results has been recorded in the Corporation's Condensed Interim Consolidated Statement of Comprehensive Income (Loss) as follows:

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30		Six months ended September 30	
	2013	2012	2013	2012
Television, radio and new media services costs	31,082	26,871	61,254	54,857
Specialty services	1,606	3,370	3,453	5,747
Transmission, distribution and collection	971	967	1,914	1,842
Corporate management	324	322	638	614
Total	33,983	31,530	67,259	63,060

11. Provisions

<i>(in thousands of Canadian dollars)</i>	September 30, 2013				
	Claims and legal proceedings	Environmental	Restructuring costs		Total
			Workforce reduction	Decommissioning	
Balance, beginning of year	45,408	260	1,235	4,393	51,296
Additional provisions recognized	3,873	490	-	-	4,363
Increases due to accretion	-	-	-	42	42
Provisions utilized	(1,365)	(80)	(1,235)	(1,600)	(4,280)
Reductions resulting from re-measurement or settlement without cost	(800)	-	-	-	(800)
Balance, end of period	47,116	670	-	2,835	50,621

A. Restructuring costs

The Corporation's restructuring provisions as at September 30, 2013, consist of decommissioning work associated with the shutdown of both analogue television and shortwave transmission services. Work associated with the provision of \$2.8 million (March 31, 2013 – \$4.4 million) is expected to continue for the next 3 years.

As at September 30, 2013, the Corporation has not recorded any provisions related to workforce reductions (March 31, 2013 – \$1.2 million). All amounts related to workforce reductions are included in employee-related liabilities on the Condensed Interim Consolidated Statement of Financial Position.

B. Claims and legal proceedings

Various claims and legal proceedings have been asserted or instituted against the Corporation. Some of these claims demand large monetary damages or other form of relief, and could result in significant expenditures. These claims consist mainly of real estate valuation and related municipal taxes, copyright tariffs, grievances and other legal claims.

Litigation is subject to many uncertainties and the outcome of individual matters is not always predictable. Claims that are uncertain in terms of the outcome or potential outflow or that are not measurable are considered to be a contingency and are not recorded in the Corporation's condensed interim consolidated financial statements. At September 30, 2013, the Corporation had provisions amounting to \$47.1 million (March 31, 2013 – \$45.4 million) in respect of legal claims. All matters are classified as current as where estimable the Corporation expects them to be resolved within 12 months.

11. Provisions (Continued)

C. Environmental liabilities

At September 30, 2013, the Corporation had provisions totalling \$0.7 million for one environmental matter (March 31, 2013 – \$0.3 million for one matter). Remediation work is required at the Corporation's Mont Logan property to clean-up oil contaminants found in ground samples from the site's former transmission tower and associated building. The total costs associated with remediation work at this site have been estimated at \$0.7 million. This matter is subject to ministry approvals and other environmental reviews. A significant portion of the work is expected to be completed during the current fiscal year, although the project may require up to 6 years to complete.

D. Contingencies

Litigations are subject to many uncertainties and the outcome of individual matters is not always predictable. Contingent liabilities are potential liabilities, which may become actual liabilities when one or more future events occur or fail to occur. No amounts have been recorded in relation to contingent liabilities.

12. Revenue

The Corporation has recognized revenue from the following sources:

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30		Six months ended September 30	
	2013	2012	2013	2012
Advertising	53,077	50,384	161,340	156,493
Building, tower, facility and service rentals	12,386	10,049	22,385	19,764
Production revenue	4,459	4,700	7,293	8,114
Digital programming	2,038	1,990	5,129	4,898
Retransmission rights	1,179	827	1,940	1,577
Program sponsorship	1,783	3,136	2,959	3,977
Other services	860	295	1,789	921
Total Rendering of services	75,782	71,381	202,835	195,744
Total Specialty Services	41,153	41,263	84,018	85,187
Total Financing income	2,284	2,153	4,446	4,500
Contribution from the Local Programming Improvement Fund (LPIF)	8,043	11,764	18,431	22,366
Contra revenues other than advertising	544	889	1,758	1,819
Gain (loss) on foreign exchange rates	174	(55)	397	67
Net loss from fair value of financial instruments	(412)	(425)	(165)	(8)
Total Revenue	127,568	126,970	311,720	309,675

13. Government Funding

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

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30		Six months ended September 30	
	2013	2012	2013	2012
Operating funding	223,812	200,000	496,848	478,432
Capital funding	25,189	23,999	51,153	49,568
Working capital funding	1,000	1,000	2,000	2,000
	250,001	224,999	550,001	530,000

Government funding approved and received by the Corporation during the quarter is recorded as follows in the condensed interim consolidated financial statements.

Parliamentary appropriations for operating expenditures are recognized in the Condensed Interim Consolidated Statement of Income (Loss) based on the net difference between quarterly budgeted expenses and self-generated revenue.

Quarterly budgets are established from the annual budget approved by the Board of Directors at the beginning of each year and reflect expected appropriation funding for the year and seasonal impacts of expenditures and self-generated revenue.

<i>(in thousands of Canadian dollars)</i>	September 30, 2013	March 31, 2013
Operating funding received during period	496,848	999,484
Less: Parliamentary appropriation for operating expenditures recognized in the Condensed Interim Consolidated Statement of Income (Loss) during period	(462,824)	(999,484)
Deferred appropriations for operating expenditures	34,024	-

Capital funding received is recorded as Deferred Capital Funding in the Condensed Interim Consolidated Statement of Financial Position and is amortized and recognized on the same basis and over the same periods as the related property, equipment and intangible assets.

<i>(in thousands of Canadian dollars)</i>	September 30, 2013	March 31, 2013
Balance, beginning of year	525,696	574,027
Government funding for capital expenditures	51,153	103,035
Amortization of deferred capital funding	(55,550)	(151,366)
Balance, end of period	521,299	525,696

14. Seasonality

Excluding government appropriations, approximately 55% of the Corporation's source of funds come from advertising revenue that tend to follow seasonal patterns, with the second quarter typically being the lowest mainly due to the summer season attracting fewer viewers. Advertising revenue also varies according to market and general economic conditions and the programming schedule. Subscriber-based revenue is more stable on a quarter-by-quarter basis and represents approximately 20% of the Corporation's revenue.

Operating expenses tend also to follow a seasonal pattern, as they are influenced by the programming schedule.

15. Movements in Working Capital

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30		Six months ended September 30	
	2013	2012	2013	2012
Changes in Working Capital are comprised of:				
Trade and other receivables	50,136	43,664	37,506	33,651
Programming	(41,296)	(34,644)	(53,435)	(48,463)
Merchandising inventory	528	(116)	504	(108)
Prepaid expenses	(15,376)	4,523	19,752	60,410
Accounts payable and accrued liabilities	9,730	13,676	(23,295)	(35,496)
Provisions	(1,627)	(2,862)	(717)	6,628
Deferred revenues	1,313	(9)	2,375	1,443
Pension plans and employee-related liabilities	(3)	(5,630)	(14,535)	(9,507)
Total amounts recognized in comprehensive income (loss)	3,405	18,602	(31,845)	8,558

16. Commitments

Program-related, Operating Leases and Other

The Corporation entered into commitments by renewing purchase agreements and entering into new purchase agreements. Commitments also arise because the Corporation enters into operating leases related to property, network distribution and equipment. Management estimates that these new commitments, for the quarter ended September 30, 2013, will result in future expenditures of approximately \$85.9 million (2012 – \$79.6 million). As at September 30, 2013, the Corporation's total commitments amounted to \$835.9 million (March 31, 2013 – \$786.1 million) and will span the next 46 years.

17. Related Parties

The Corporation enters into transactions with related parties in the normal course of business, on normal trade terms applicable to all individuals and enterprises and at market prices. These transactions are recorded at fair value by the Corporation. The following transactions were carried out with related parties:

A. Transactions with Related Parties Excluding Government-Related Entities

<i>(in thousands of Canadian dollars)</i>	Rendering of Services			
	Three months ended September 30		Six months ended September 30	
	2013	2012	2013	2012
Associate	733	825	1,294	1,857
Other related entities ¹	5,778	3,775	9,430	8,975
	6,511	4,600	10,724	10,832

¹ Transactions with other related entities primarily relate to administration services provided to the Corporate Pension Plan.

<i>(in thousands of Canadian dollars)</i>	Receipt of services			
	Three months ended September 30		Six months ended September 30	
	2013	2012	2013	2012
Other related entities	-	-	-	23
	-	-	-	23

<i>(in thousands of Canadian dollars)</i>	Pension contributions			
	Three months ended September 30		Six months ended September 30	
	2013	2012	2013	2012
Corporate Pension Plan	14,575	14,509	28,430	28,300
	14,575	14,509	28,430	28,300

17. Related Parties (Continued)

The following balances were outstanding at the end of the quarter:

<i>(in thousands of Canadian dollars)</i>	Amounts owed by related parties	
	September 30, 2013	March 31, 2013
Associate	353	351
Other related entities	1,600	-
	1,953	351

There are no amounts owing to related parties as at September 30, 2013 (2012 – nil).

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

B. Other Transactions with Associate

There were no significant transactions with the Corporation's associate during the current fiscal year other than the dividends received, as discussed in Note 8.

C. Transactions with Government-Related Entities

CBC/Radio-Canada is a Federal Crown Corporation that operates in an economic environment dominated by entities directly or indirectly controlled by the federal government through its government authorities, agencies, affiliations and other organizations (collectively referred to as "government-related entities"). The Corporation has transactions with other government-related entities including but not limited to sales and purchases of goods and rendering and receiving of services.

These transactions are conducted in the ordinary course of the Corporation's activities on terms comparable to those with other entities that are not government-related. The Corporation has established procurement policies, pricing strategy and approval process for purchases and sales of products and services which are independent of whether the counterparties are government-related entities or not.

For the three months ended September 30, 2013, the aggregate amount of the Corporation's significant transactions with other government-related entities amounted to \$0.7 million of its rendering of services (2012 – \$0.5 million) and \$0.3 million of its purchase of goods and services (2012 – \$ 0.2 million). For the six months ended September 30, 2013, the aggregate amount of the Corporation's significant transactions with other government-related entities amounted to \$0.8 million of its rendering of services (2012 – \$0.6 million) and \$1.0 million of its purchase of goods and services (2012 – \$ 0.2 million). There were no individually significant transactions during the six months ended September 30, 2013 (2012 – none).

18. Fair Value Measurements

The fair values of cash, trade and other receivables, the short-term portion of the promissory notes receivable, the short-term portion of the investment in finance lease, accounts payable and accrued liabilities, the short-term portion of the bonds payable, the short-term portion of the obligations under finance lease, the short-term portion of the notes payable and the option liability approximate their carrying value due to the short-term nature of these instruments.

The carrying values and fair values of the Corporation's remaining financial instruments are listed in the following table:

<i>(in thousands of Canadian dollars)</i>	September 30, 2013		March 31, 2013		Method ¹	Note
	Carrying values	Fair values	Carrying values	Fair values		
Financial instruments measured at fair value:						
Derivative financial asset instruments						
Forward contracts	226	226	458	458	Level 2	(a)
Stock options	228	228	171	171	Level 2	(b)
Financial instruments measured at amortized cost:						
Promissory notes receivable (long-term)	47,125	53,421	48,250	56,743	Level 2	(c)
Investment in finance lease (long-term)	51,445	58,788	52,706	62,893	Level 2	(c)
Bonds payable (long-term)	270,918	353,934	277,008	381,053	Level 2	(d)
Obligations under finance lease (long-term)	38,813	41,304	44,447	47,881	Level 2	(d)
Notes payable (long-term)	110,026	119,098	113,049	128,009	Level 2	(d)
Non-financial assets measured at amortized cost:						
Investment in associate (Sirius XM)	1,198	151,783	3,473	114,819	Level 1	(e)

¹Method refers to the hierarchy levels described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – quoted prices in active markets for identical assets or liabilities instruments
- Level 2 – directly observable market inputs other than Level 1 inputs
- Level 3 – inputs that are not based on observable market data (unobservable inputs)

There have been no transfers between levels during the three and six month periods ended September 30, 2013.

(a) The fair value is based on a discounted cash flow model based on observable forward market prices.

(b) The estimated fair value is determined using an option pricing model whose key inputs include the closing price of the related shares, published Government bond rates and directly observable dividend yields.

18. Fair Value Measurements (Continued)

(c) The fair values related to the various amounts receivable were determined using the expected future cash flows and discounted using published Government bond rates with similar terms and characteristics, adjusted by a factor that reflect the credit worthiness of the various counterparties.

(d) The fair values related to the Corporation's various financial liabilities were determined using the expected future cash flows and were discounted using published Government bond rates with similar terms and characteristics, adjusted by a factor that reflects the Corporation's credit worthiness.

(e) The fair value is based on the closing market price of Sirius XM Class A shares at the end of the reporting quarter.