# TABLE OF CONTENTS – CONSOLIDATED FINANCIAL STATEMENTS

*In thousands of Canadian dollars, unless otherwise noted*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | NOTE | As at March 31 2017 | 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash | 4 | 131,062 | 156,465 |
| Marketable securities | 4 | 23,231 | - |
| Trade and other receivables | 5 | 125,499 | 136,370 |
| Programming | 6 | 268,327 | 237,827 |
| Merchandising inventory | | 7 | 258 |
| Prepaid expenses | | 42,606 | 38,568 |
| Promissory notes receivable | 7 | 3,238 | 2,651 |
| Investment in finance lease | 8 | 3,171 | 2,960 |
| Derivative financial instruments | 25 | 200 | 151 |
| Assets classified as held for sale | 9 | 126 | 3,483 |
| | | **597,467** | **578,733** |
| **Non-current** | | | |
| Property and equipment | 9 | 865,907 | 885,069 |
| Intangible assets | 10 | 30,017 | 28,757 |
| Assets under finance leases | 11 | 13,026 | 20,596 |
| Pension plan asset | 15 | 261,721 | 145,406 |
| Programming | 6 | 58,107 | 107,629 |
| Promissory notes receivable | 7 | 37,661 | 40,877 |
| Investment in finance lease | 8 | 41,248 | 44,419 |
| Deferred charges | | 20,461 | 17,274 |
| Investment in associate | 12 | 3,117 | 2,496 |
| | | **1,331,265** | **1,292,523** |
| **TOTAL ASSETS** | | **1,928,732** | **1,871,256** |
| **LIABILITIES** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | 13 | 87,947 | 112,512 |
| Provisions | 14 | 30,580 | 24,556 |
| Pension plans and employee-related liabilities | 15 | 123,397 | 121,561 |
| Programming liability | 6 | 15,151 | 15,151 |
| Bonds payable | 16 | 22,921 | 22,269 |
| Obligations under finance leases | 17 | 10,293 | 11,476 |
| Notes payable | 18 | 8,726 | 8,523 |
| Deferred revenue | 19 | 23,185 | 25,729 |
| Derivative financial instruments | 25 | - | 159 |
| | | **322,200** | **341,936** |
| **Non-current** | | | |
| Deferred revenue | 19 | 19,889 | 32,851 |
| Pension plans and employee-related liabilities | 15 | 264,149 | 239,651 |
| Programming liability | 6 | 18,820 | 33,184 |
| Bonds payable | 16 | 221,361 | 236,851 |
| Obligations under finance leases | 17 | 6,300 | 16,581 |
| Notes payable | 18 | 86,728 | 93,784 |
| Deferred capital funding | 21 | 545,234 | 531,295 |
| | | **1,162,481** | **1,184,197** |
| **TOTAL LIABILITIES** | | **1,484,681** | **1,526,133** |
| **Equity** | | | |
| Retained earnings | | 443,472 | 344,628 |
| Total equity attributable to the Corporation | | **443,472** | **344,628** |
| Non-controlling interests | 2 | **579** | **495** |
| **TOTAL EQUITY** | | **444,051** | **345,123** |
| **TOTAL LIABILITIES AND EQUITY** | | **1,928,732** | **1,871,256** |

Commitments (NOTE 28)

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

APPROVED BY THE BOARD OF DIRECTORS: DIRECTOR DIRECTOR

*In thousands of Canadian dollars, unless otherwise noted*

# CONSOLIDATED STATEMENT OF INCOME (LOSS)

| | *NOTE* | For the year ended March 31 2017 | 2016 |
|---|---|---|---|
| **REVENUE** | *20* | | |
| Advertising | | 300,591 | 249,915 |
| Subscriber fees | | 131,245 | 134,541 |
| Other income | | 115,669 | 133,695 |
| Financing income | | 9,415 | 10,235 |
| | | **556,920** | **528,386** |
| **GOVERNMENT FUNDING** | *21* | | |
| Parliamentary appropriation for operating expenditures | | 1,002,307 | 928,332 |
| Parliamentary appropriation for working capital | | 4,000 | 4,000 |
| Amortization of deferred capital funding | | 92,778 | 94,597 |
| | | **1,099,085** | **1,026,929** |
| **EXPENSES** | | | |
| Television, radio and digital services costs | | 1,623,401 | 1,517,483 |
| Transmission, distribution and collection costs | | 67,879 | 70,489 |
| Corporate management | | 9,964 | 10,061 |
| Payments to private stations | | 623 | 1,380 |
| Finance costs | *22* | 25,907 | 28,132 |
| Share of results in associate | *12* | (3,363) | (7,980) |
| | | **1,724,411** | **1,619,565** |
| **Results before non-operating items** | | **(68,406)** | **(64,250)** |
| **NON-OPERATING ITEMS** | | | |
| (Loss) gain on disposal of property and equipment and intangibles | *9, 10* | (2,362) | 257 |
| | | **(2,362)** | **257** |
| **Net results for the year** | | **(70,768)** | **(63,993)** |
| **Net results attributable to:** | | | |
| The Corporation | | (70,852) | (64,093) |
| Non-controlling interests | *2* | 84 | 100 |
| | | (70,768) | (63,993) |

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

In thousands of Canadian dollars, unless otherwise noted

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

| | NOTE | For the year ended March 31 2017 | 2016 |
|---|---|---|---|
| COMPREHENSIVE INCOME (LOSS) | | | |
| **Net results for the year** | | (70 768) | (63 993) |
| **Other comprehensive income (loss) - not subsequently reclassified to net results** | | | |
| Remeasurements of defined benefit plans | *15* | 169 696 | 32 745 |
| **Total comprehensive income (loss) for the year** | | **98 928** | **(31 248)** |
| **Total comprehensive income (loss) attributable to:** | | | |
| The Corporation | | 98 844 | (31 348) |
| Non-controlling interests | *2* | 84 | 100 |
| | | **98 928** | **(31 248)** |

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

*In thousands of Canadian dollars, unless otherwise noted*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | *NOTE* | Retained earnings and total equity attributable to the Corporation | Non-controlling interests | **Total** |
|---|---|---|---|---|
| **Balance as at March 31, 2016** | | 344,628 | 495 | 345,123 |
| **Changes in year** | | | | |
| Net results for the year | | (70,852) | 84 | (70,768) |
| Remeasurements of defined benefit plans | *15* | 169,696 | - | 169,696 |
| **Total comprehensive income (loss) for the year** | | **98,844** | **84** | **98,928** |
| **Balance as at March 31, 2017** | | **443,472** | **579** | **444,051** |

| | | Retained earnings and total equity attributable to the Corporation | Non-controlling interests | **Total** |
|---|---|---|---|---|
| **Balance as at March 31, 2015** | | 375,976 | 541 | 376,517 |
| **Changes in the year** | | | | |
| Net results for the year | | (64,093) | 100 | (63,993) |
| Remeasurements of defined benefit plans | *15* | 32,745 | - | 32,745 |
| **Total comprehensive income (loss) for the year** | | **(31,348)** | **100** | **(31,248)** |
| Distributions to non-controlling interests | *2* | **-** | **(146)** | **(146)** |
| **Balance as at March 31, 2016** | | **344,628** | **495** | **345,123** |

*In thousands of Canadian dollars, unless otherwise noted*

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | NOTE | For the year ended March 31 2017 | 2016 |
|---|---|---|---|
| CASH FLOWS (USED IN) FROM | | | |
| **OPERATING ACTIVITIES** | | | |
| Net results for the year | | (70,768) | (63,993) |
| Adjustments for: | | | |
| Loss (gain) on disposal of property and equipment and intangibles | *9, 10* | 2,362 | (257) |
| Financing income | | (9,415) | (10,235) |
| Finance costs | *22* | 25,907 | 28,132 |
| Change in fair value of financial instruments designated as at fair value through profit and loss | *25* | (208) | 277 |
| Depreciation of property and equipment | *9* | 101,259 | 102,242 |
| Amortization of intangible assets | *10* | 6,260 | 6,384 |
| Depreciation of assets under finance leases | *11* | 7,570 | 7,614 |
| Share of results in associate | *12* | (3,363) | (7,980) |
| Change in deferred charges | | (3,187) | (22) |
| Change in programming asset [non-current] | *6* | 51,313 | 34,402 |
| Change in programming liability [non-current] | *6* | (15,339) | (1,306) |
| Amortization of deferred capital funding | *21* | (92,778) | (94,597) |
| Change in deferred revenue [non-current] | *19* | (13,823) | (7,253) |
| Change in pension plan asset | *15* | (116,315) | 44,936 |
| Change in pension plans and employee-related liabilities [current] | *15* | 174 | 943 |
| Change in pension plans and employee-related liabilities [non-current] | *15* | 170,963 | 25,152 |
| Accretion of promissory notes receivable | *7* | (22) | (21) |
| Movements in working capital | *24* | (35,479) | (94,403) |
| | | **5,111** | **(29,985)** |
| **FINANCING ACTIVITIES** | | | |
| Repayment of obligations under finance leases | *17* | (11,464) | (10,680) |
| Repayment of bonds | *16* | (14,386) | (13,361) |
| Repayment of notes | *18* | (6,812) | (6,504) |
| Distributions to non-controlling interests | *2* | - | (146) |
| Interest paid | | (24,564) | (26,564) |
| | | **(57,226)** | **(57,255)** |
| **INVESTING ACTIVITIES** | | | |
| Parliamentary appropriations for capital funding | *21* | 106,717 | 105,692 |
| Additions to property and equipment | *9* | (88,702) | (92,638) |
| Additions to intangible assets | *10* | (12,625) | (15,153) |
| Net proceeds from disposal of property and equipment | *9* | 5,330 | 11,817 |
| Collection of promissory notes receivable | *7* | 2,624 | 2,446 |
| Collection of finance leases receivable | *8* | 2,782 | 2,593 |
| Dividends received | *12* | 2,742 | 5,484 |
| Interest received | | 7,844 | 8,580 |
| | | **26,712** | **28,821** |
| **Change in cash** | | **(25,403)** | **(58,419)** |
| **Cash, beginning of the year** | | **156,465** | **214,884** |
| **Cash, end of the year** | | **131,062** | **156,465** |

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

# NOTES TO THE CONSOLIDATED STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

## 1. GENERAL INFORMATION

CBC/Radio-Canada (the Corporation) was first established by the 1936 *Broadcasting Act*. The Corporation, a federal Crown Corporation domiciled in Canada, is an agent of Her Majesty and all assets and liabilities are those of the Government. Its registered office is located at 181 Queen Street, Ottawa ON K1P 1K9. The Corporation is accountable to Parliament through the Minister of Canadian Heritage and in accordance with section 85(1.1) of the *Financial Administration Act*, the Corporation is exempt from certain sections from Divisions I to IV of Part X of this act.

As the national public broadcaster, the Corporation provides radio, television and digital services in both official languages, delivering predominantly and distinctly Canadian programming to reflect Canada and its regions to national and regional audiences.

These consolidated financial statements have been authorized for issuance by the Board of Directors on June 21, 2017.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### A. BASIS OF PRESENTATION

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the Accounting Standards Board (AcSB). The Corporation has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. All amounts are in Canadian dollars, which is our functional currency, and rounded to the nearest thousand, unless otherwise noted. These consolidated financial statements were prepared on a historical cost basis, except for pension plans and post-employment benefits which are measured on an actuarial basis.

#### Changes in Presentation

Starting this year, a number of items presented under “Revenue” in the Consolidated Statement of Income (Loss) were reclassified. These reclassifications had no impact on either our total Revenue or Net Results. For further details, refer to Note 20.

In addition, the format of the Consolidated Statement of Income (Loss) has been changed. Government Funding is now presented before expenses to improve the clarity and enhance the usefulness of these consolidated financial statements to an external reader.

## B. Basis of Preparation

This section includes certain of the Corporation's accounting policies that relate to these consolidated statements as a whole, as well as estimates and judgments it has made and how they affect the amounts reported in the consolidated financial statements. Management developed estimates and made critical judgments in the process of applying the Corporation's policies. These critical accounting estimates and judgments could have a significant effect on the amounts reported in these consolidated financial statements since materially different amounts could be reported under different conditions or using different assumptions. Where an accounting policy is applicable to a specific note to the financial statements, the policy is described within that note.

### I) Principles of Consolidation

| Accounting Policies | Critical Accounting Estimates and Judgments |
|---|---|
| The Corporation consolidates the financial statements of its subsidiary (Documentary Channel `*documentary*`) and structured entities (the Broadcast Centre Trust and the CBC Monetization Trust) from the date it gained control until the date its control ceases. The subsidiary and structured entities are entities we control. Control is achieved by having each of:<br>• Power over the investee through giving the Corporation the right to direct the relevant activities of the investee;<br>• Exposure, or rights, to variable returns from involvement with the investee; and<br>• The ability for the Corporation to exercise its power over the investee to affect the returns of the investee.<br>The accounting policies of the subsidiary and structured entities are consistent with those of the Corporation. All inter-company transactions, balances, income and expenses are eliminated in full on consolidation. Changes in the Corporation's interests in the subsidiary that do not result in a loss of control are accounted for as equity transactions. | 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*. |

### Information About the Corporation's Subsidiary and Structured Entities

#### Subsidiary

The Corporation's Canadian subsidiary is:

| | Ownership | Principal Activity | How the Corporation has Achieved Control |
|---|---|---|---|
| *documentary* | 2017: 82% / 2016: 82% | Specialty service broadcasting documentaries | Majority interest and active participation on *documentary*'s Board of Directors and Board sub-committees. |

Since *documentary*'s fiscal year end is August 31, additional financial statements corresponding to the Corporation's reporting period are prepared for consolidation purposes.

There are no significant restrictions imposed on the Corporation's ability to access or use assets and settle the liabilities of *documentary*. Specifically, there are no significant restrictions imposed on the Corporation or its subsidiary relating to their ability to transfer funds to their investors.

During the year ended March 31, 2017, ARTV's operations were fully incorporated into the Corporation's activities.

*In thousands of Canadian dollars, unless otherwise noted*

## Consolidated Structured Entities

The Corporation has two structured entities:

**The Broadcast Centre Trust (The "BCT")** - In order to finance the construction of the Canadian Broadcasting Centre (the building), the BCT issued $400 million of bonds on January 30, 1997 maturing in May 2027, which are guaranteed by the rent payments for the premises occupied by the Corporation. The rent payable by the Corporation to the BCT covers all interest and principal on the bonds, all other payments on the bonds and all operating expenses and liabilities of the BCT. The BCT is:

- A lessee under a long-term lease with the Corporation for the land on which the building is located in Toronto and for which a one dollar rent was paid on October 1, 1988; and
- A lessor under a long-term sub-lease with the Corporation for the building.

The Corporation also guarantees, through its rent payments to the BCT, the bonds payable. See Note 16 for further details.

| | NATURE OF TRUST | HOW THE CORPORATION HAS ACHIEVED CONTROL | OTHER INFORMATION |
|---|---|---|---|
| The Broadcast Centre Trust (the "BCT") | Charitable trust | Entity designed to conduct a narrow well-defined activity of leasing on behalf of the CBC/Radio-Canada, with the Corporation having the ultimate decision making powers over relevant activities | March 31 year-end |

**The CBC Monetization Trust** - In 2003, the Corporation sold two parcels of land to Ontrea Inc. for the consideration of two promissory notes receivable. The CBC Monetization Trust was created in 2009 with the purpose of acquiring the Corporation's interest in the promissory notes receivable.

Through the CBC Monetization Trust, the Corporation has two promissory notes receivable and an investment in finance lease relating to the sale and rental of parcels of land. These receivables are pledged as collateral for their total carrying value to the Corporation's borrowings through notes payable. See Notes 7, 8 and 18 for further information.

| | NATURE OF TRUST | HOW THE CORPORATION HAS ACHIEVED CONTROL | OTHER INFORMATION |
|---|---|---|---|
| CBC Monetization Trust | Charitable trust | CBC/Radio-Canada bears the majority of the risks associated with the collection of the Trust's receivables through the guarantee it has provided.<br>Entity designed to conduct a narrow well-defined activity to monetizing long-term receivables as part of the Recovery Plan implemented to manage budgetary shortfalls in 2009-2010.<br>Predefined contractual arrangement confers CBC/Radio-Canada the majority of decision making powers over relevant activities that expose the Corporation to variable returns. | December 31 year-end<br>Additional financial statements prepared for consolidation purposes. |

The Corporation does not have interests in joint arrangements or unconsolidated structured entities.

During the current year, the Corporation has not provided, and has no current intention to provide, any further financial and other support to its consolidated structured entities.

### II) Operating Expenses

Television, Radio and Digital Services Costs

Television, radio and digital services costs are expensed when incurred and include all costs related to the production of programs, including direct out-of-pocket expenditures, departmental and administration expenses, the cost of activities related to technical labour and facilities. A portion of the expenses that are attributable to the cost of generating programming, such as services provided by Human Resources, Finance and Administration, Building Management and other Shared Services, as well as a portion of depreciation and amortization are also included in the related expenses. Television, radio and digital services costs also include programming-related activities, such as Marketing and Sales, Merchandising and Communications.

Transmission, Distribution and Collection Costs

Transmission, distribution and collection costs are expensed when incurred and include all costs related to the broadcasting of the Corporation's programs, including direct out-of-pocket expenditures, departmental and administration expenses, and the cost of activities related to technical labour. A portion of the expenses that are attributable to the cost of transmission and distribution, such as services provided by Human Resources, Finance and Administration, Building Management and other Shared Services, as well as a portion of depreciation and amortization are included in the related expenses.

### III) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs. The Corporation's fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value.

The three levels of the fair value hierarchy are:

**Level 1** – Fair value measurement derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** – Fair value measurements derived from inputs that are directly (i.e. as prices) or indirectly (i.e. derived from prices) observable other than Level 1 inputs.

**Level 3** – Fair value measurements derived from valuation techniques that require inputs which are both based on unobservable market data and significant to the overall fair value measurement.

### IV) Asset Impairment

The carrying amounts of the Corporation's property and equipment, intangible assets, assets under finance leases and programming assets are reviewed at each reporting date at the cash-generating unit ("CGU") level to determine whether there is any indication of impairment. For the purpose of impairment testing, a CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Assets are tested at the CGU level when they cannot be tested individually.

Assets that are not yet available for use are tested for impairment at every reporting period regardless of whether an impairment indicator exists.

Under the Corporation's business model, no assets are considered to generate cash flows that are largely independent of the cash flows of other assets and liabilities. Instead, all assets interact to create the "broadcast network production operation" which includes real estate, equipment and intangible assets. These operations are funded by overall parliamentary appropriations, national and local advertising and other commercial revenue. Overall levels of cash flows reflect public policy requirements and decisions. They reflect budgetary funding provided to the Corporation in its entirety. If there are indicators of impairment present, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

### V) Deferred Charges

Deferred charges are primarily composed of services paid in advance that will be received in a period that exceeds twelve months from the date of the Consolidated Statement of Financial Position.

### VI) Regulatory Licenses

The Corporation holds licenses, granted by the Canadian Radio-television and Telecommunications Commission (CRTC), for all its conventional television, radio and specialty services. The Corporation is required to meet specific regulatory obligations in return for the privilege of holding a broadcasting license. The Corporation has elected to record this non-monetary grant at its nominal value of nil.

*In thousands of Canadian dollars, unless otherwise noted*

## VII) ADDITIONAL SIGNIFICANT ACCOUNTING POLICIES

To ease the reading of these consolidated financial statements, additional significant accounting policies, estimates and judgments (with the exception of those identified in Note 2 are disclosed throughout the notes, with the related financial disclosures. See table below for reference purposes:

| ACCOUNTING AREA | PAGE | ACCOUNTING POLICIES | CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS | ACCOUNTING AREA | PAGE | ACCOUNTING POLICIES | CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS |
|---|---|---|---|---|---|---|---|
| Trade and Other Receivables (note 5) | 75 | ✓ | ✓ | Deferred Revenue (note 19) | 96 | ✓ | ✓ |
| Programming (note 6) | 76 | ✓ | ✓ | Revenue (note 20) | 97 | ✓ | |
| Property and Equipment (note 9) | 80 | ✓ | ✓ | Government Funding (note 21) | 99 | ✓ | ✓ |
| Intangible Assets (note 10) | 82 | ✓ | ✓ | Finance Costs (note 22) | 100 | ✓ | |
| Assets under Finance Leases (note 11) | 84 | ✓ | ✓ | Income Taxes (note 23) | 100 | ✓ | ✓ |
| Investment in Associate (note 12) | 85 | ✓ | ✓ | Financial Instruments (note 25) | 102 | ✓ | |
| Accounts payable and accrued liabilities (note 13) | 86 | ✓ | | Related Parties (note 27) | 107 | ✓ | |
| Provisions (note 14) | 87 | ✓ | ✓ | Commitments (note 28) | 109 | ✓ | ✓ |
| Pension and Employee Related Liabilities (note 15) | 88 | ✓ | ✓ | | | | |

In thousands of Canadian dollars, unless otherwise noted

# 3. New and Future Changes in Accounting Policies

## A. Adoption of New and Revised International Financial Reporting Standards

The following new pronouncement issued by the IASB was adopted by the Corporation effective April 1, 2016.

| Standard | Description | Impact | Effective Date |
|---|---|---|---|
| Amendments to IAS 1 *Presentation of financial statements - Disclosure initiative* | Issued to improve the effectiveness of presentation and disclosure in financial statements, with the objective of reducing immaterial note disclosures. | No material impact from adopting this standard. | Effective April 1, 2016, applied prospectively. |

## B. Future Accounting Changes

The IASB has issued the following new standards and amendments to existing standards that were not yet effective and not applied as at March 31, 2017, which could potentially impact the consolidated financial statements of the Corporation. The Corporation does not anticipate early adoption of these standards and amendments at this time.

| Standard | Description | Impact | Effective Date |
|---|---|---|---|
| IFRS 9 *Financial Instruments* | Issued to replace IAS 39 *Financial instruments: recognition and measurement* and all previous versions of IFRS 9.<br>IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and new hedge accounting guidance. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. | The adoption of IFRS 9 is not expected to result in any significant change in the classification and measurement of the Corporation's financial instruments. The Corporation is currently assessing the impact the new impairment model will have on its processes and financial statements, most notably in relation to assessing impairment of trade receivables. | Effective April 1, 2018, applied retrospectively with certain practical expedients available. |
| IFRS 15 *Revenue from Contracts with Customers* | Issued to replace IAS 18 *Revenues* and IAS 11 *Construction contracts* and the related Interpretations when it becomes effective. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. IFRS 15 also contains enhanced disclosure requirements. | The Corporation has completed its assessment of the main accounting impacts by significant revenue stream and is in the process of quantifying impacts. | Effective April 1, 2018, applied retrospectively, with certain practical expedients available. |
| IFRS 16 *Leases* | Supersedes IAS 17 *Leases* and related Interpretations.<br>Eliminates the classification of leases as either operating or finance leases for a lessee for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Leases are treated in a similar way to finance leases when applying IAS 17. Expected increase in leased assets and financial liabilities.<br>Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. | The Corporation is commencing a review of the standard to determine the potential impacts. | Effective April 1, 2019, applied retrospectively, with certain practical expedients available. |
| Amendments to IAS 7 *Statement of Cash Flows* | Issued to require a reconciliation of the opening and closing statement of financial position for each item for which cash flows have been, or would be, classified as financing activities, excluding equity items. | The Corporation does not expect any significant impact from adopting this standard. | Effective April 1, 2017, applied prospectively. |

*In thousands of Canadian dollars, unless otherwise noted*

# 4. Cash and Marketable Securities

| | As at March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Cash on hand | 542 | 577 |
| Bank balances | 130,520 | 155,888 |
| **Total cash** | **131,062** | **156,465** |
| **Total marketable securities** | **23,231** | **-** |

Interest revenue generated from bank balances and included in Financing income totaled $1.6 million for the year (2016 - $1.9 million).

# 5. Trade and Other Receivables

Trade and other receivables represent amounts the Corporation expects to collect from other parties. The Corporation's trade and other receivables are mainly derived from the sale of advertising airtime.

| **Accounting Policies** | **Critical Accounting Estimates and Judgments** |
|---|---|
| Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost less an allowance for doubtful accounts. The Corporation recognizes an allowance for doubtful accounts for receivables where there is objective evidence of impairment. Objective evidence is determined in accordance with Note 25 – Impairment of financial assets.<br><br>Before accepting new advertising 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.<br><br>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.<br><br>When a trade receivable is uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited to the Consolidated Statement of Income (Loss) in television, radio and digital services costs expenses. | Determining when there is reasonable expectation that the Corporation will not be able to collect some of the amounts due requires judgment. |

### Supporting Information

| | As at March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Trade receivables | 113,181 | 123,121 |
| Allowance for doubtful accounts | (1,240) | (2,058) |
| Other | 13,558 | 15,307 |
| | **125,499** | **136,370** |

Trade receivables are subject to credit risk which is further discussed in Note 25.B.

# 6. PROGRAMMING

Programming consists of internally produced television programs, externally produced television programs that require the Corporation's involvement during the production, and acquired license agreements for programming material.

| Accounting Policies | Critical Accounting Estimates and Judgments |
|---|---|
| Programming completed and in the process of production (excluding acquired license agreements) is recorded at cost less accumulated amortization and accumulated write offs, on an individual basis. Costs include materials and services, labour and other direct expenses applicable to programming.<br><br>Programming comprises both inventory programs produced internally ("non-procured programming") and rights purchased from third parties ("procured programming").<br><br>Payments made under the terms of each acquired license agreement are recorded as either current or non-current programming. Non-procured programming is recorded as current since the programs are available for immediate use once completed. License agreements are recorded as current programming if the rights to broadcast start within the next twelve months and as non-current programming if the right to broadcast starts beyond twelve months. Non-current programming rights are transferred to current programming once they are expected to be broadcast within the next twelve months.<br><br>Programming costs are recognized in television, radio and digital services costs on the Consolidated Statement of Income (Loss), according to the expense recognition schedule described in this section, or when deemed unusable, or when sold.<br><br>The amortization of programming costs is subject to the following expense recognition schedule, which is based on intended use. The Corporation's intended use of programming is reviewed at each year-end. In determining intended use, the Corporation considers program contract terms, past audience experience, and future telecast plans.<br><br>Costs of programs that are not considered to be recoverable are written off and recorded in the Consolidated Statement of Income (loss) as television, radio and digital services costs. | The Corporation is required to determine an appropriate amortization rate for each type of programming. Management's intended use for each program-type considers program contract terms, broadcast experience, past audience experience and future telecast plans when determining the expense recognition schedule for programming.<br><br>There are a number of uncertainties inherent in estimating management's foreseeable use of its programming assets, particularly as they relate to assumptions regarding viewership patterns and consumption habits. Management periodically reviews amortization rates.<br><br>Changes in these assumptions could result in adjustments to amounts recognized in the Consolidated Statement of Financial Position and Statement of Income (Loss).<br><br>The Corporation has estimated the value of non-monetary consideration provided to Rogers Communications Inc. (Rogers) for *Hockey Night in Canada* sublicensing over the remainder of the contract term. See Note 6.B. for more information. |

*In thousands of Canadian dollars, unless otherwise noted*

## Expense Recognition Schedule

For programs with multiple telecasts, management uses the following recognition basis:

| Category | Description | Expense Recognition Schedule by Telecast |
|---|---|---|
| Movies | All movie genres | CBC[1]: 50%/ 30%/ 20%<br>RC[2]: 45%/ 20%/ 20%/ 15% |
| Series | Includes: Dramatic series, comedy series and animated programs (excluding strips[3]) | Dramatic series:<br>CBC: 70%/ 20%/ 10%<br>RC: 85%/ 15%<br><br>All other series: 70%/ 30% |
| Factual | Factual, informal education and game shows (excluding strips[3]) | 70%/ 30% |
| Documentaries | Includes all type of documentaries | CBC: 50%/ 30%/ 20%<br>RC: 100% |
| Arts, Music and Variety | Includes: Arts, music and variety programs and sketch comedy programs (excluding strips[3]) | 70%/ 30% |
| Youth | Youth and children drama programs | CBC: 70%/ 30%<br>RC: Evenly over each telecast up to a maximum of 5 telecasts |
| | Other youth programs | CBC: 34%/ 33%/ 33%<br>RC: Evenly over each telecast up to a maximum of 5 telecasts |
| | Children - animated and pre-school programs | Evenly over each telecast up to a maximum of 5 telecasts |
| Programs telecast as strips[3] | With the intent to strip from 1st run | Evenly over each telecast up to a maximum of 5 telecasts |
| Programs telecast as strips[3] | With the intent to strip after 2nd run | 50%/ 30%/ 20% |

[1]CBC = English Services

[2]RC = French Services

[3]Method of broadcasting consecutive episodes.

Expenses are recognized on a straight line basis over the broadcast right period for ICI ARTV and ICI Explora.

During this fiscal year, the Corporation made a change in the expense recognition schedule for the Youth programming categories. For French Services, Youth and Children Drama and Other Youth programs are now amortized evenly over each telecast up to a maximum of five telecasts (2016: 70%/30% and 34%/33%/33% respectively).

This change in estimate was determined through an analysis of the Youth categories' broadcast experience, audience results and management's intention for future telecasts. The total impact of this change resulted in an increase in current programming assets of $1.8 million as at March 31, 2017 and a corresponding decrease in expenses recognized in the Consolidated Statement of Income (Loss) for the year ended March 31, 2017. Due to the nature of programming assets and fluctuations in the programming schedule, it is impracticable to estimate the effect of this change on future periods.

## Supporting Information

### A. Programming by Category

| | As at March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Completed programs - externally produced | 93,401 | 57,315 |
| Completed programs - internally produced | 4,886 | 3,761 |
| Programs in process of production - externally produced | 65,662 | 44,029 |
| Programs in process of production - internally produced | 6,135 | 19,495 |
| Broadcast rights available for broadcast within the next twelve months | 98,243 | 113,227 |
| | **268,327** | **237,827** |
| Broadcast rights not available for broadcast within the next twelve months | 58,107 | 107,629 |
| | **326,434** | **345,456** |

### B. Movement in Programming

| | As at March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Opening balance | 345,456 | 310,290 |
| Additions | 1,039,050 | 990,842 |
| Programs broadcast | (1,058,072) | (955,676) |
| **Balance, end of year** | **326,434** | **345,456** |

In thousands of Canadian dollars, unless otherwise noted

The programming write-offs included in the Programs broadcast line in the above table for the year ended March 31, 2017, amount to $4.8 million (2016 – $3.5 million). Programming write-offs are mainly due to terminated projects, programming not suitable for telecast or pilots not progressing into a series.

During 2014-2015, the Corporation's agreement with Rogers Communications Inc. (Rogers) commenced for the continued airing of *Hockey Night in Canada* for Saturday night and playoff hockey. Under this arrangement, the Corporation has acquired the right to broadcast hockey in exchange for providing Rogers with facilities and production services, use of certain trademarks and with airtime to generate advertising revenue. The agreement is for five years, after an optional one-year extension was exercised at Rogers' discretion during 2015-2016.

As the agreement was based on an exchange of non-monetary items, an estimate of the value of the five year broadcast license acquired was calculated based on the fair value of assets given-up and has been recorded as Programming in the Corporation's Consolidated Statement of Financial Position. The fair value of facilities, production services and trademarks to be used by Rogers was determined using market rates. The fair value of airtime provided to Rogers was determined using the Corporation's advertising rate cards for the programs displaced as a result of airing hockey. An estimate of the corresponding costs associated with the provision of facilities and production services as well as deferred revenue was recorded in the liabilities of the Corporation's Consolidated Statement of Financial Position. The Corporation is recognizing these items in revenue and expenses over the five-year term of this agreement as games are aired and as related services are provided.

# 7. PROMISSORY NOTES RECEIVABLE

The Corporation holds three Promissory Notes Receivable:

- Through the CBC Monetization Trust, a structured entity, the Corporation has two promissory notes receivable relating to the sale of parcels of land. These notes, which mature in May 2027, bear a fixed annual interest rate of 7.15%, with payments made in arrear in equal blended monthly instalments.

  The notes have a carrying value of $40.5 million (March 31, 2016 – $43.2 million) and are pledged as collateral for their total carrying value to the Corporation's borrowings through notes payable.

- The Corporation also holds a promissory note receivable from Sirius XM Canada Holdings Inc. that is non-interest bearing and is expected to be repaid within the next year. The carrying amount at March 31, 2017, is $0.4 million (March 31, 2016 – $0.4 million).

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

| | As at March 31 | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Minimum payments receivable | Carrying amount | Minimum payments receivable | Carrying amount |
| Less than one year | 5,970 | 3,238 | 5,567 | 2,651 |
| Later than one year but not later than five years | 22,270 | 13,578 | 22,673 | 13,046 |
| More than five years | 28,765 | 24,083 | 34,332 | 27,831 |
| Less: unearned financing income | (16,106) | - | (19,044) | - |
| **Total** | **40,899** | **40,899** | **43,528** | **43,528** |

Interest income included in current year's revenue and presented as financing income is $2.8 million (2016 – $2.9 million).

Carrying amount:

| | As at March 31 | |
|---|---|---|
| | 2017 | 2016 |
| Included in the Consolidated Statement of Financial Position as promissory notes receivable: | | |
| Current | 3,238 | 2,651 |
| Non-current | 37,661 | 40,877 |
| | **40,899** | **43,528** |

*In thousands of Canadian dollars, unless otherwise noted*

# 8. INVESTMENT IN FINANCE LEASE

The investment in finance lease, which is held by CBC Monetization Trust, relates to the rental of two parcels of land in Toronto that bear an implicit annual interest rate of 7.15% and with terms ending in May 2027. The lease receivables are pledged as collateral for their total carrying value to the Corporation's borrowings through the notes payable.

| | Minimum payments receivable | Present value of minimum payments receivable | Minimum payments receivable | Present value of minimum payments receivable |
|---|---|---|---|---|
| Less than one year | 6,050 | 3,171 | 6,050 | 2,960 |
| Later than one year but not later than five years | 24,199 | 14,405 | 24,199 | 13,429 |
| More than five years | 33,861 | 26,843 | 39,911 | 30,990 |
| Less: unearned financing income | (19,691) | - | (22,781) | - |
| **Total** | **44,419** | **44,419** | **47,379** | **47,379** |

Interest income included in current year's revenue and presented as financing income is $2.9 million (2016 – $3.1 million).

Present value of minimum lease payments receivable:

| | **March 31, 2017** | March 31, 2016 |
|---|---|---|
| Included in the Consolidated Statement of Financial Position as investment in finance lease: | | |
| Current | 3,171 | 2,960 |
| Non-current | 41,248 | 44,419 |
| | **44,419** | **47,379** |

# 9. PROPERTY AND EQUIPMENT

The majority of the Corporation's tangible assets are the buildings and technical equipment. These assets are depreciated over their estimated useful lives.

| **Accounting Policies** | **Critical Accounting Estimates and Judgments** |
|---|---|
| <u>Recognition and measurement</u><br><br>Property and equipment are recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the items. The cost of assets constructed by the Corporation includes material, direct labour and related overheads. Amounts included in uncompleted capital projects are transferred to the appropriate property and equipment classification upon completion.<br><br><u>Depreciation</u><br><br>Depreciation of property and equipment is calculated using the straight-line method and rates based on the estimated useful life of the property and equipment, and begins when an asset becomes available for its intended use. Where major parts of an asset have useful lives different from the asset as a whole, they have been componentized and depreciated according to the major components to which they pertain. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.<br><br>Leasehold improvements are capitalized and then depreciated over the shorter of the lease term and the asset's useful life.<br><br><u>Assets held for sale</u><br><br>The Corporation classifies an asset as held for sale if its carrying amount will be recovered principally through a sale rather than through continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition. For assets with total expected sale proceeds of $4 million or more, Governor in Council's approval is required for these assets to be classified as held for sale. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.<br><br><u>Derecognition</u><br><br>The Corporation derecognizes an item of property and equipment on disposal, or when no future economic benefits are expected from its use. The gain or loss arising from the disposal or retirement of an item of property and equipment is determined as the difference between the sale net proceeds and the carrying amount of the asset, and is recognized as a non-operating item in the Consolidated Statement of Income (Loss). | The Corporation is required to estimate the expected useful lives of property and equipment. In determining the expected useful lives of these assets, the Corporation takes into account past experience, industry trends and internally-specific factors, such as changing technologies and expectations for the in-service period of these assets.<br><br>The appropriateness of useful lives of these assets and depreciation method are assessed annually, with the effect of any changes in estimate accounted for on a prospective basis.<br><br>Changes to useful life estimates would affect future depreciation or amortization expenses and future carrying values of assets. Useful lives of property and equipment are included in the table below.<br><br>When an item of property and equipment comprises individual components for which different depreciation methods or rates are appropriate, judgment is used in determining the appropriate level of componentization.<br><br>Since Governor in Council approval and the completion of the cadastral operation were still outstanding relative to the sale of the Maison de Radio-Canada's premises as of March 31, 2017, management has not classified this asset as held for sale in these consolidated year-end financial statements. See Note 29 for further details. |

*In thousands of Canadian dollars, unless otherwise noted*

## Critical Accounting Estimates and Judgments (continued)

The useful lives used in the calculation of depreciation are as follows:

| | |
|---|---|
| **Buildings** | 15 to 65 years |
| **Technical equipment** | |
| Transmitters and towers | 20 years |
| Electrical equipment | 16 years |
| Other | 8 years |
| **Furnishings and office equipment** | 10 years |
| **Computers (hardware)** | |
| Servers | 5 years |
| Personal computers | 3 years |
| **Automotive** | |
| Specialized vehicles | 20 years |
| Television and radio news trucks, 5-ton and 10-ton heavy trucks | 12 years |
| Snowmobiles, all-terrain vehicles | 10 years |
| Utility vehicles, vans | 8 years |
| Automobiles and minivans | 5 years |

## Supporting Information

### A. COST AND ACCUMULATED DEPRECIATION

The property and equipment carrying amounts are as follows:

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Cost | 2,052,855 | 2,056,402 |
| Accumulated depreciation | (1,186,948) | (1,171,333) |
| | **865,907** | **885,069** |

| | Land | Buildings | Leasehold improvements | Technical equipment | Computer, office equipment and other | Uncompleted capital projects | Total |
|---|---|---|---|---|---|---|---|
| **Cost as at March 31, 2016** | 174,306 | 555,422 | 63,878 | 1,075,623 | 147,203 | 39,970 | 2,056,402 |
| Additions | - | 94 | - | 14,940 | 4,893 | 62,319 | 82,246 |
| Transfers (refer to Note 10) | - | 8,628 | 2,626 | 33,777 | 10,974 | (51,821) | 4,184 |
| Assets classified as held for sale | (7) | (204) | - | 21 | - | - | (190) |
| Disposals and write-offs | (181) | (6,339) | (1,036) | (72,846) | (9,312) | (73) | (89,787) |
| **Cost as at March 31, 2017** | **174,118** | **557,601** | **65,468** | **1,051,515** | **153,758** | **50,395** | 2,052,855 |
| Accumulated depreciation as at March 31, 2016 | - | (234,131) | (32,799) | (796,491) | (107,912) | - | (1,171,333) |
| Depreciation for the year | - | (31,050) | (3,740) | (54,604) | (11,865) | - | (101,259) |
| Reclassification of depreciation on assets classified as held for sale | - | 204 | - | (21) | - | - | 183 |
| Reclassification of depreciation on disposals and write-offs | - | 4,146 | 1,036 | 71,073 | 9,206 | - | 85,461 |
| **Accumulated depreciation as at March 31, 2017** | **-** | **(260,831)** | **(35,503)** | **(780,043)** | **(110,571)** | **-** | (1,186,948) |
| **Net carrying amount as at March 31, 2017** | **174,118** | **296,770** | **29,965** | **271,472** | **43,187** | **50,395** | 865,907 |

*In thousands of Canadian dollars, unless otherwise noted*

| | Land | Buildings | Leasehold improvements | Technical equipment | Computer, office equipment and other | Uncompleted capital projects | Total |
|---|---|---|---|---|---|---|---|
| **Cost as at March 31, 2015** | 174,552 | 553,585 | 53,253 | 1,129,557 | 139,591 | 42,034 | **2,092,572** |
| Additions | - | 10 | - | 11,390 | 4,998 | 76,240 | **92,638** |
| Transfers (refer to Note 10) | 6 | 14,237 | 10,625 | 46,746 | 11,588 | (78,304) | **4,898** |
| Assets classified as held for sale | (257) | (5,472) | - | - | - | - | **(5,729)** |
| Disposals and write-offs | 5 | (6,938) | - | (112,070) | (8,974) | - | **(127,977)** |
| **Cost as at March 31, 2016** | **174,306** | **555,422** | **63,878** | **1,075,623** | **147,203** | **39,970** | **2,056,402** |
| Accumulated depreciation as at March 31, 2015 | - | (209,726) | (28,864) | (847,406) | (103,824) | - | **(1,189,820)** |
| Depreciation for the year | - | (30,461) | (3,935) | (56,097) | (11,749) | - | **(102,242)** |
| Reclassification of depreciation on assets classified as held for sale | - | 2,790 | - | - | - | - | **2,790** |
| Reclassification of depreciation on disposals and write-offs | - | 3,266 | - | 107,012 | 7,661 | - | **117,939** |
| **Accumulated depreciation as at March 31, 2016** | **-** | **(234,131)** | **(32,799)** | **(796,491)** | **(107,912)** | **-** | **(1,171,333)** |
| **Net carrying amount as at March 31, 2016** | **174,306** | **321,291** | **31,079** | **279,132** | **39,291** | **39,970** | **885,069** |

The contractual commitments for the acquisition of property and equipment are $12.1 million as at March 31, 2017 (March 31, 2016 – $16.7 million).

The depreciation for the year has been recorded in the Corporation's Consolidated Statement of Income (Loss) as follows:

| | For the year ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Television, radio and digital services costs | 85,513 | 87,318 |
| Transmission, distribution and collection costs | 15,247 | 14,507 |
| Corporate management | 499 | 417 |
| **Total** | **101,259** | **102,242** |

## B. Impairment and Other Charges

For the year ended March 31, 2017, the Corporation recorded an impairment loss of $1.2 million (2016 – nil) in its Consolidated Statement of Income (Loss) on certain assets held for sale. There were no impairment losses reversed during the year ended March 31, 2017 (2016 – nil).

## C. Assets Classified as Held For Sale

Consistent with the Corporation's financial plan to reduce its real estate footprint, several properties were classified as held for sale for accounting purposes as at March 31, 2017 that have a total carrying value of $0.1 million (March 31, 2016 - $3.5 million). These properties are expected to be sold on a site by site basis over the next twelve months.

## D. Disposals

During the fiscal year, the Corporation sold properties located in Moncton (New Brunswick), Sackville (New Brunswick) and Bowen Island (British Columbia) that were previously held for sale. The proceeds on the sale of these assets were $4.2 million and resulted in a gain of $1.9 million.

During 2015-2016, the Corporation sold its mobile assets, a property in Sudbury (Ontario) and properties located in Iqaluit (Nunavut), Gander (Newfoundland), Grand Falls (New Brunswick) and Saint-Norbert (Québec) that were previously held for sale. The proceeds on the sale of these properties were $10.1 million and resulted in a gain of $3.6 million.

The Corporation also recorded a gain of $1.1 million during 2015-2016 for insurance proceeds related to a mobile production vehicle that was damaged beyond repair in May 2014.

During 2015-2016, the Corporation recorded a loss of $2.5 million for the partial derecognition of a component of the TBC building, which was replaced by a new one.

Other net gains and losses during the current and the previous fiscal years resulted from the disposal or retirements of equipment as part of the Corporation's normal asset refresh cycle.

*In thousands of Canadian dollars, unless otherwise noted*

# 10. INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance, represent future economic benefits and are controlled by the Corporation. The Corporation's intangible assets comprise software acquired separately and internally developed software for internal use.

## Accounting Policies

Software acquired separately is recorded at cost at the acquisition date.

Expenditures relating to internally developed computer software applications are capitalized when the following criteria are met:

- The applications are technically feasible;
- The Corporation intends to complete the asset and to use it;
- The Corporation has the ability to use the asset;
- The development costs can be reliably measured;
- The Corporation has the adequate technical, financial and other resources to complete the development of the asset and to use it; and
- It is probable that the asset will generate future economic benefits.

The amount initially recognized for internally developed software is the total of the expenditure incurred from the date the intangible asset first meets the recognition criteria listed above. Capitalization ceases when the developed asset is ready for use.

Subsequent expenditures on an intangible asset after its purchase or completion are recognized as expenses when incurred, unless it is probable that these expenditures will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance, and the expenditure can be measured and attributed to the asset reliably. Where no internally developed software can be recognized, development expenditures are recognized in the Consolidated Statement of Income (Loss) in the period in which they are incurred.

Subsequent to initial recognition, software acquired separately and internally developed software are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives (three to five years) and the amortization expense is allocated between the various functions on the Consolidated Statement of Income (Loss), for presentation purposes.

The Corporation derecognizes an intangible asset on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the disposal or retirement of an intangible asset is determined as the difference between the sale net proceeds and the carrying amount of the asset and is recognized as a non-operating item in the Consolidated Statement of Income (Loss).

## Critical Accounting Estimates and Judgments

The Corporation uses judgment to determine whether expenditures it has made on intangible items meet the recognition criteria for capitalization. Since intangible assets are accounted for at cost and amortized on a straight-line basis over their estimated useful lives, the Corporation is required to estimate the expected useful lives of these assets.

In determining the expected useful lives of these assets, the Corporation takes into account past experience, industry trends and internally-specific factors, such as changing technologies and expectations for the in-service period of these assets.

The appropriateness of useful lives of these assets and their amortization method are assessed annually with the effect of any changes in estimate being accounted for on a prospective basis.

Changes to useful life estimates would affect future amortization expenses and future carrying values of assets.

## Supporting Information

The intangible assets carrying amounts are as follows:

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Cost | 193,118 | 185,854 |
| Accumulated amortization | (163,101) | (157,097) |
| | **30,017** | **28,757** |

| | Internally developed software | Acquired software | Uncompleted capital projects | Total |
|---|---|---|---|---|
| **Cost as at March 31, 2016** | 140,760 | 32,191 | 12,903 | **185,854** |
| Additions | - | 641 | 11,065 | **11,706** |
| Transfers (refer to Note 9) | 889 | 4,779 | (9,852) | **(4,184)** |
| Disposals and write-offs | (197) | (61) | - | **(258)** |
| **Cost as at March 31, 2017** | **141,452** | **37,550** | **14,116** | **193,118** |
| Accumulated amortization as at March 31, 2016 | (137,827) | (19,270) | - | **(157,097)** |
| Amortization for the year | (1,274) | (4,986) | - | **(6,260)** |
| Reclassification of amortization on disposals and write-offs | 197 | 59 | - | **256** |
| **Accumulated amortization as at March 31, 2017** | **(138,904)** | **(24,197)** | **-** | **(163,101)** |
| **Net carrying amount as at March 31, 2017** | **2,548** | **13,353** | **14,116** | **30,017** |

In thousands of Canadian dollars, unless otherwise noted

| | Internally developed software | Acquired software | Uncompleted capital projects | **Total** |
|---|---|---|---|---|
| **Cost as at March 31, 2015** | 140,594 | 26,602 | 9,499 | **176,695** |
| Additions | - | 251 | 14,902 | **15,153** |
| Transfers (refer to Note 9) | 681 | 5,919 | (11,498) | **(4,898)** |
| Disposals and write-offs | (515) | (581) | - | **(1,096)** |
| **Cost as at March 31, 2016** | **140,760** | **32,191** | **12,903** | **185,854** |
| Accumulated amortization as at March 31, 2015 | (137,090) | (14,281) | - | **(151,371)** |
| Amortization for the year | (1,252) | (5,132) | - | **(6,384)** |
| Reclassification of amortization on disposals and write-offs | 515 | 143 | - | **658** |
| **Accumulated amortization as at March 31, 2016** | **(137,827)** | **(19,270)** | **-** | **(157,097)** |
| **Net carrying amount as at March 31, 2016** | **2,933** | **12,921** | **12,903** | **28,757** |

The contractual commitments for the acquisition of intangible assets are $5.0 million as at March 31, 2017 (March 31, 2016 – $4.3 million).

There were no impairment losses recorded or reversed during the year ended March 31, 2017 (2016 – nil).

The amortization for the year has been recorded in the Corporation's Consolidated Statement of Income (Loss) as follows:

| | For the year ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Television, radio and digital services costs | 5,779 | 5,807 |
| Transmission, distribution and collection | 444 | 545 |
| Corporate management | 37 | 32 |
| **Total** | **6,260** | **6,384** |

# 11. Assets Under Finance Leases

Assets under finance leases consisted of a lease for satellite transponders and leasehold improvements with original lease terms of seventeen and seven years respectively.

| Accounting Policies | Critical Accounting Estimates and Judgments |
|---|---|
| <u>Recognition and measurement</u><br><br>Assets acquired by way of a finance lease are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and accumulated impairment losses.<br><br><u>Depreciation</u><br><br>Assets under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the related lease unless it is reasonably certain the Corporation will obtain ownership by the end of the lease term. | The determination that an arrangement for satellite transponders and leasehold improvements constitutes a lease under IFRIC 4 *Determining whether an arrangement contains a lease* and the determination that this lease meets the criteria of a finance lease because the Corporation has a right to use the transponders and leasehold improvements conveyed by the agreements for substantially all of the estimated economic useful life of the leased assets. |

## Supporting Information

| | **March 31, 2017** | March 31, 2016 |
|---|---|---|
| Cost – leasehold improvements | 7,821 | 7,821 |
| Cost – satellite transponders | 119,897 | 119,897 |
| Accumulated depreciation – leasehold improvements | (1,203) | (624) |
| Accumulated depreciation – satellite transponders | (113,489) | (106,498) |
| **Net carrying amount** | **13,026** | **20,596** |

Depreciation for the year ended March 31, 2017, was $7.6 million (2016 – $7.6 million). For more information on the related obligations, refer to Note 17.

*In thousands of Canadian dollars, unless otherwise noted*

# 12. INVESTMENT IN ASSOCIATE

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not result in control or joint control over those policies.

| Accounting Policies | Critical Accounting Estimates and Judgments |
|---|---|
| These financial statements incorporate the Corporation's share of the results of its associate, Sirius XM Canada Holdings Inc. (SiriusXM), using the equity method of accounting. SiriusXM follows similar accounting principles and policies to CBC/Radio-Canada.<br><br>The Corporation recognizes its investment in SiriusXM initially at cost, and then adjusts the carrying value based on the Corporation's share of SiriusXM income or loss. Dividends received by the Corporation from SiriusXM reduce the carrying amount of its investment.<br><br>When the Corporation transacts with its associate, profits and losses are eliminated to the extent of the Corporation's interest in the relevant associate.<br><br>The investment in associate is assessed for indicators of impairment at the end of each reporting period. Any impairment loss is recognized when the net carrying amount is not recoverable and exceeds its fair value. | The Corporation exercised significant influence over SiriusXM at March 31, 2017, while holding less than 20% voting control.<br><br>In assessing significant influence, judgment was used in determining that the seat the Corporation has on SiriusXM's Board of Directors (through its ownership interest) confers the Corporation the power to participate in the financial and operating policy decisions of its investee. |

## Supporting Information

SiriusXM, a corporation located and domiciled in Canada, is a satellite radio communications company offering a variety of content on a subscription basis across Canada, including 6 channels carrying the Corporation's programming.

The equity-accounted investee information as at March 31 is summarized in the table below:

| | Ownership interest held[1] | | Voting interest held | | Quoted Fair Value[2] | | Carrying Amount | | Dividends received[3] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| SiriusXM | 10.15% | 10.15% | 9.63% | 9.64% | $71.9M | $60.5M | 3,117 | 2,496 | $2.7M | $5.5M |

[1]As at March 31, 2017, the Corporation held 13,056,787 Class A Subordinate Voting Shares in SiriusXM.

[2]The quoted market value (fair value) was based on unadjusted quoted prices in an active market (Level 1).

[3]SiriusXM has a policy to pay dividends on a quarterly basis, as well as to issue special dividends at their discretion. For the year ended March 31, 2017, there was no receipt of special dividends (2016: none). In addition, no regular dividends were paid during our second and third quarter due to the pending sale of SiriusXM.

SiriusXM's fiscal year end is August 31 for financial reporting purposes, which differs from that of the Corporation. IAS 28, *Investments in Associates and Joint Ventures*, limits the difference between the end of the reporting period of an associate and that of the investor to no more than three months. As such, the Corporation has included its portion of the interim results of SiriusXM for the period up to February 28, 2017, which falls within the allowed three month window. This corresponds to the latest information available for SiriusXM that can be disclosed publicly.

The summarized financial information presented below represents the amounts included in the IFRS financial statements of SiriusXM:

| | March 31, 2017[1] | March 31, 2016[2] |
|---|---|---|
| Current assets | 68,270 | 36,441 |
| Non-current assets | 238,716 | 256,410 |
| Current liabilities | (220,269) | (208,413) |
| Non-current liabilities | (214,589) | (218,431) |
| Net assets | (127,872) | (133,993) |
| Revenue | 348,278 | 334,271 |
| Net results and total comprehensive income (loss) | 31,830 | 48,688 |

[1]Amounts for the year ended March 31, 2017, include SiriusXM results/balances for the 12-month period ended February 28, 2017.

[2]Amounts for the year ended March 31, 2016, include SiriusXM results/balances for the 12-month period ended February 29, 2016.

A reconciliation of the summarized financial information above to the carrying amount of SiriusXM recorded on the Consolidated Statement of Financial Position is as follows:

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Opening balance | 2,496 | - |
| Share of results in associate | 3,363 | 7,980 |
| Dividends received[1] | (2,742) | (5,484) |
| **Balance, end of year** | **3,117** | **2,496** |

[1] Total dividends received during the year ended March 31, 2017 amounted to $2.7 million (2016 - $5.5 million).

During 2016-2017, the Corporation recognized gains totaling $3.4 million.

During 2015-2016, the Corporation recognized gains totaling $4.9 million. However, $2.4 million of these gains offsetted prior year losses, which left the Corporation with a net gain of $2.5 million.

*In thousands of Canadian dollars, unless otherwise noted*

SiriusXM has no discontinued operations. There are no significant restrictions imposed on SiriusXM relating to their ability to transfer funds to their investors.

The Corporation has not incurred any contingent liabilities or commitments in relation to its associate.

On May 13, 2016, CBC/Radio-Canada announced its intention to sell its shares by voting in favour of the privatization and recapitalization transaction undertaken by its associate, SiriusXM. The transaction involves the sale of the Corporation's 10.15% economic interest at $4.50 a share, for expected proceeds of approximately $58 million. The completion of the transaction is expected to take place in 2017-2018 as the CRTC approval was obtained in April 2017.

## 13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities mainly consist of amounts owed to suppliers and employees that have been invoiced or accrued.

| **Accounting Policies** | **Critical Accounting Estimates and Judgments** |
|---|---|
| Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost. | There are no critical accounting estimates and judgments related to accounts payable and accrued liabilities. |

| | **March 31, 2017** | March 31, 2016 |
|---|---|---|
| Trade payables | 35,378 | 45,692 |
| Accruals | 50,794 | 65,130 |
| Other | 1,775 | 1,690 |
| | **87,947** | **112,512** |

*In thousands of Canadian dollars, unless otherwise noted*

# 14. PROVISIONS

## Accounting Policies

Provisions are recognized when:

- The Corporation has a present obligation (legal or constructive) as a result of a past event;
- It is probable that the Corporation will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

## Critical Accounting Estimates and Judgments

When it has been determined by management that the Corporation has a provision to be accrued, assumptions about the amount and likelihood of outflows and their timing are considered in determining a reliable estimate for the obligation. Factors affecting these assumptions include the nature of the provision, the existence of the claim amount, opinions or views of legal counsel and other advisors, experience in similar circumstances, and any decision of management as to how the Corporation intends to handle the obligation.

## Supporting Information

| | | | Restructuring costs | |
|---|---|---|---|---|
| | Claims and legal proceedings | Environmental | Termination benefits | **Total** |
| Opening balance | 24,196 | 343 | 17 | 24,556 |
| Additional provisions recognized | 13,714 | 256 | 360 | 14,330 |
| Provisions utilized | (3,101) | (81) | - | (3,182) |
| Reductions resulting from remeasurement or settlement without cost | (4,619) | (128) | (377) | (5,124) |
| **Balance, end of year** | **30,190** | **390** | **-** | **30,580** |

## A. 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 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 consolidated financial statements. In addition, claims where cash outflows are not probable are considered as contingencies.

At March 31, 2017, the Corporation had provisions amounting to $30.2 million (March 31, 2016 – $24.2 million) in respect of legal claims. All matters are classified as current as, where estimable, the Corporation is working to resolve these matters within 12 months.

# 15. Pension Plans and Employee-Related Liabilities

The Corporation provides pension and long-term service retirement benefits based on the length of service and final average earnings of its employees, and other defined benefit post-employment benefit plans to its employees such as post-employment life insurance.

## PENSION PLANS AND POST-EMPLOYMENT BENEFITS

| Accounting Policies | Critical Accounting Estimates and Judgments |
|---|---|
| The cost of the defined benefit retirement plans are determined on an actuarial basis using the projected unit credit method and management's best assumptions (such as the rate of compensation, inflation, retirement ages of employees and mortality of members), with actuarial valuations being carried out at the end of each annual reporting period.<br><br>The components of defined benefit costs are categorized as follows:<br><br>• **Service cost** - includes current service cost and past service cost. The Corporation recognizes it as part of net results for the period. Past service costs, generally resulting from changes in the benefits payable for past services under an existing plan, are recognized in the Consolidated Statement of Income (Loss) in the period of a plan amendment.<br><br>• **Net interest expense or income** - The Corporation recognizes it as part of net results for the period. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.<br><br>These two components, in aggregate, are allocated between the various functions on the Consolidated Statement of Income.<br><br>• **Remeasurements** - comprises actuarial gains and losses and the return on plan assets (excluding interest). These are reflected immediately in the Consolidated Statement of Financial Position with a charge or credit recognized in other comprehensive income (loss) in the period in which they occur. Remeasurements recognized in other comprehensive income are never subsequently reclassified to net results. The Corporation transfers all remeasurements directly from other comprehensive income to retained earnings as a policy choice.<br><br>The liability recognized in the Consolidated Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate determined by reference to market yields at the end of the reporting period on high quality Canadian corporate bonds that have terms to maturity approximating the terms of the related defined benefit obligation.<br><br>When the actuarial calculation results in a benefit asset to the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan of the Corporation. An economic benefit is available if it is realizable during the life of the plan, or on settlement of the plan liabilities. | Accounting for defined benefit pension plans requires that assumptions be made to help value benefit obligations and pension assets.<br><br>The primary assumptions and estimates include the discount rates, health care cost trend rates, long-term rate of compensation increase, future pension increases and mortality of members. These assumptions are of a long-term nature, which is consistent with the nature of post-employment benefits.<br><br>The Corporation uses the Fiera capital curve ('CIA curve') to determine the discount rate for calculating the defined benefit obligation. Starting this year, the CIA curve model was revised following new guidance issued by the Canadian Institute of Actuaries (CIA) *Task Force on Pension and Post-Retirement Benefit Accounting Discount Rates* in November 2016 to address the continuous decline in the number of corporate AA bonds with long maturities. Management does not expect this change to significantly affect our financial statements due to the rounding of our discount rate at 25 bps. This is further discussed in note 15.B.<br><br>Changes to these primary assumptions and estimates would impact amounts recognized in net results and amounts recognized in Other Comprehensive Income, as applicable. A sensitivity analysis of these changes in primary assumptions is disclosed in note 15.C. |

EMPLOYEE BENEFITS OTHER THAN POST-EMPLOYMENT

| Accounting Policies | Critical Accounting Estimates and Judgments |
|---|---|
| <u>Short-term benefits including short-term compensated absences</u><br><br>The Corporation recognizes the expense relating to short-term benefits as follows:<br><br>• For salaries, social security contribution, bonuses and vacations in the period the employees render the services;<br><br>• For employee health, dental and life insurance plans in the period the expenses are incurred; and<br><br>• For short-term non-accumulating compensated absences such as sick leave, parental leave, short-term disability and workers' compensation in the period the absence occurs.<br><br>Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.<br><br><u>Other long-term employee benefits</u><br><br>Other long-term employee benefits liabilities are recognized as follows:<br><br>• For long-term disability and workers' compensation when the event that obligates the Corporation occurs;<br><br>• For continuation of benefit coverage for employees on long-term disability and the non-contributory long-term benefit plan, the provision is determined on an actuarial basis using discount rates and assumptions consistent with those used for post-employment benefits and the related expense is recognized over the period the employees render the services. Actuarial gains (losses) and past service costs are recognized immediately in the Consolidated Statement of Income (Loss) in the period they occur. | There are no critical accounting estimates and judgments related to employee benefits other than post-employment. |

TERMINATION BENEFITS

| Accounting Policies | Critical Accounting Estimates and Judgments |
|---|---|
| The Corporation recognizes termination benefits at the earlier of the following dates: (a) when the Corporation can no longer withdraw the offer of those benefits; and (b) when the Corporation recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.<br><br>In the case of a voluntary departure, the Corporation can no longer withdraw an offer of termination benefits when either the employee accepts the offer, or when a restriction on the Corporation's ability to withdraw the offer exists. In the case of an involuntary departure, the Corporation can no longer withdraw an offer of termination benefits when it has communicated to the affected employees a plan of termination. | There are no critical accounting estimates and judgments related to termination benefits. |

In thousands of Canadian dollars, unless otherwise noted

## Supporting Information

## A. Pension Plan Asset/Liability and Employee-Related Liabilities

Employee-related assets/liabilities recognized and presented in the Consolidated Statement of Financial Position are as follows:

| | Current | | Non-current | |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 |
| Pension plan asset | - | - | **261,721** | **145,406** |
| Pension plan liability | - | - | 108,095 | 102,739 |
| Other post-employment plans | - | - | 132,772 | 136,833 |
| Vacation pay | 57,963 | 55,056 | - | - |
| Termination benefits | 9,699 | 17,310 | - | - |
| Salary-related liabilities | 55,735 | 49,195 | 23,282 | 79 |
| **Total pension plans and employee-related liabilities** | **123,397** | **121,561** | **264,149** | **239,651** |

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

| | March 31, 2017 | | | March 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Funded pension plan | Unfunded pension plans | Other post-employment plans | Funded pension plan | Unfunded pension plans | Other post-employment plans |
| Fair value of plan assets | 6,733,325 | - | - | 6,456,327 | - | - |
| Defined benefit obligation | 6,471,604 | 108,095 | 132,772 | 6,310,921 | 102,739 | 136,833 |
| **Net asset (liability) arising from defined benefit obligation** | **261,721** | **(108,095)** | **(132,772)** | **145,406** | **(102,739)** | **(136,833)** |

The Corporation maintains a contributory defined benefit pension plan, the CBC/Radio-Canada Pension Plan, covering substantially all employees of the Corporation. The Plan is administered by the CBC Pension Board of Trustees, including the management of the Plan's assets and the payment of benefits promised to Plan members and their survivors. The Plan is federally regulated and is governed by the provisions of the *Pension Benefits Standards Act* (the *Act*), and other applicable regulations.

Retirement benefits are based on the length of pensionable service and on the average of the best five consecutive years of pensionable salary in the last 10 years of employment. Employees are required to contribute a percentage of their pensionable salary to the Plan, with the Corporation providing the balance of the funding, as required, based on actuarial valuations. The amounts included in these consolidated financial statements reflect the latest funding valuation which was performed as of December 31, 2016. While this valuation has been completed, it has not yet been filed with the pension authorities. The Corporation also maintains unfunded non-contributory defined benefit pension arrangements. All plans are subject to an annual actuarial valuation.

The Corporation maintains a non-contributory long-term benefit plan for certain employees hired prior to the various plan closure dates which vary by category of employees between April 1, 2005 and October 1, 2007. Under the plan, employees retiring with more than three years of service with the Corporation can choose to receive a cash award upon retirement or improve their pension benefits. The benefits are based on the length of pensionable service and on the salary rate at March 2005, July 2005 or at retirement/death, depending on the category of employees. The Corporation also provides employee future benefits such as long-term disability and workers' compensation, continuation of benefits coverage for employees on long-term disability and post-retirement life insurance.

The last actuarial valuations for the non-contributory long-term benefit plan and the continuation of benefits coverage plan were made as at December 31, 2015. The measurement date for the pension plan assets and the defined benefit obligation is March 31, 2017.

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 payments 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.

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.

*In thousands of Canadian dollars, unless otherwise noted*

## B. Significant Actuarial Assumptions

During the year, the Fiera capital curve model used by the Corporation to determine the discount rate was revised by the CIA, following the continuous decline in the number of corporate AA bonds with long maturities.

Historically, the CIA used fixed spreads of Canadian provincial bonds rated AA to build its yield curve. The new approach recognizes the increasing spreads relating to longer maturities by using a spread ratio approach. The effect on future periods of this change in accounting estimate cannot be quantified due to the impracticability of estimating the yield curve using the old approach. However, management believes the discount rates are expected to yield similar results to those of the previous approach, based on Fiera Capital findings when comparing both approaches in the month of October 2016.

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

| Assumptions – annual rates | March 31, 2017 | March 31, 2016 |
|---|---|---|
| **Assumptions for the calculation of pension benefit costs:** | | |
| Discount rate | 3.75% | 3.50% |
| **Assumptions for the calculation of the benefit obligation:** | | |
| Discount rate - pension | 3.75% | 3.75% |
| Discount rate - long service gratuity | 3.00% | 3.00% |
| Discount rate - LTD benefit | 3.00% | 3.00% |
| Discount rate - life insurance | 3.50% | 3.75% |
| Mortality | CBC Pensioner mortality table based on CBC experience with CPM projection scale B | CBC Pensioner mortality table based on CBC experience, with projection |
| Long-term rate of compensation increase, excluding merit and promotion | 1.40% in 2017 & 2018 2.75% thereafter | 1.40% in 2016 & 2017 2.75% thereafter |
| Health care cost trend rate | 7.20% in 2017 declining to 4.50% over 10 years | 7.50% in 2016 declining to 4.50% over 10 years |
| Indexation of pensions in payment | 1.86% | 1.86% |

## C. Sensitivity Analysis

The sensitivity analysis of the significant actuarial assumptions would show the following changes in the present value of the defined benefit obligations:

| | Pension plans | | Other post-employment plans | |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 |
| **Discount rate sensitivity** | | | | |
| 100 basis points higher | -13.2% | -13.1% | -7.8% | -7.7% |
| 100 basis points lower | 17.0% | 16.8% | 9.3% | 9.1% |
| **Expected rate of future salary increases** | | | | |
| 100 basis points higher | 2.9% | 2.9% | 6.6% | 5.7% |
| 100 basis points lower | -2.5% | -2.5% | -5.8% | -5.1% |
| **Expected rate of future pension increases** | | | | |
| 100 basis points higher | 13.6% | 13.4% | 0.4% | 0.4% |
| 100 basis points lower | -11.2% | -11.1% | -0.4% | -0.3% |
| **Mortality sensivity** | | | | |
| Pensioners live an extra year | 4.8% | 4.8% | -1.6% | -1.7% |
| Pensioners die a year before | -4.9% | -4.9% | 1.8% | 1.9% |
| **Health care cost trend rates sensitivity** | | | | |
| 100 basis points higher | N/A | N/A | 1.2% | 1.0% |
| 100 basis points lower | N/A | N/A | -1.0% | -0.9% |

N/A = not available

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the Consolidated Statement of Financial Position.

*In thousands of Canadian dollars, unless otherwise noted*

An asset/liability study is performed periodically to review the risk/reward associated with the existing long-term asset mix policy, analyze the risk/reward profile that would result from alternative asset mix policies, and consider the impact of various economic environments on both the assets and liabilities (pension obligations). The most recent asset/liability study was completed in 2015. Its main findings are summarized below:

- Maintained the value of the Plan's Liability Driven Investment (LDI)[34] strategy that focuses on reducing the interest rate and inflation risk mismatch between the Plan's assets and liabilities;
- Introduced a structure to systematically adjust the Plan's interest rate hedging ratio based on the level of interest rates;
- Recommended that the amount of return generating assets with higher return potential, such as equities, private investments and real estate be maintained at existing levels; and
- Introduced a quantified risk tolerance for the Plan.

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 Corporation provides the balance of the funding, as required, based on actuarial valuations.

## D. Contribution Rate

The contribution rate for full-time employees is as follows:

| | 2016-2017 | 2015-2016 |
|---|---|---|
| **For earnings up to the maximum public pension plan earnings[1]** | | |
| April 1 to June 30 | 6.98% | 6.25% |
| July 1 to March 31 | 7.68% | 6.98% |
| **For incremental earnings in excess of the maximum public pension plan earnings[1]** | | |
| April 1 to June 30 | 9.18% | 8.22% |
| July 1 to March 31 | 10.10% | 9.18% |

[1] The maximum public pension earnings for 2017 is $55,300 (2016: $54,900, 2015: $53,600).

## E. Total Cash Payments

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

| | For the year ended March 31 | |
|---|---|---|
| | 2017 | 2016 |
| Benefits paid directly to beneficiaries | 13,931 | 12,909 |
| Employer regular contributions to pension benefit plans | 53,494 | 56,163 |
| **Total cash payments for defined benefit plans** | **67,425** | **69,072** |

## F. Maturity Profile

The maturity profile of the benefit plan obligation and other post-employment benefits for the Corporation is as follows:

| | Pension plans | | Other post-employment plans | |
|---|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 |
| Average duration of the benefit obligation | 15.0 years | 14.7 years | 8.7 years | 8.5 years |
| Active members | 21.8 years | 21.7 years | 8.8 years | 8.6 years |
| Deferred members | 18.3 years | 18.4 years | N/A | N/A |
| Retired members | 10.8 years | 10.7 years | 7.9 years | 7.7 years |

N/A = not applicable

The Corporation expects to make a contribution of $50.2 million to the defined benefit pension plans during the next financial year. In July 2017, the Corporation will finish moving to a 50:50 current service cost-sharing between employees and employer for pension contributions for all members.

[34] LDI is an investment strategy that manages a pension plan's assets relative to its liabilities with the intent to minimize pension surplus volatility. Under LDI, pension plan assets are grouped into matched and unmatched assets. Matched assets (fixed income) have the similar interest rate and inflation sensitivities as the pension plan's liabilities. Unmatched assets (equities and alternative investments) do not have the same interest rate and inflation sensitivities as the pension plan's liabilities.

*In thousands of Canadian dollars, unless otherwise noted*

## G. DEFINED BENEFIT OBLIGATION

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

| | March 31, 2017 | | March 31, 2016 | |
|---|---|---|---|---|
| | Pension plans | Other post-employment plans | Pension plans | Other post-employment plans |
| Opening defined benefit obligation | 6,413,660 | 136,833 | 6,565,275 | 140,339 |
| Current service cost | 105,569 | 5,525 | 125,661 | 5,564 |
| Interest cost | 237,604 | 4,301 | 227,795 | 4,049 |
| Contributions from employees | 46,447 | - | 46,064 | - |
| Remeasurements: | | | | |
| Actuarial losses (gains) arising from changes in demographic assumptions | 104,472 | (387) | - | (627) |
| Actuarial losses (gains) arising from changes in financial assumptions | (24,200) | 37 | (271,327) | (3,748) |
| Actuarial losses (gains) arising from experience adjustments | (10,363) | 394 | 21,888 | 4,165 |
| Benefits paid | (293,490) | (13,931) | (301,696) | (12,909) |
| **Closing defined benefit obligation** | **6,579,699** | **132,772** | **6,413,660** | **136,833** |

## H. FAIR VALUE OF PLAN ASSETS

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

| | March 31, 2017 | | March 31, 2016 | |
|---|---|---|---|---|
| | Pension plans | Other post-employment plans | Pension plans | Other post-employment plans |
| Opening fair value of plan assets | 6,456,327 | - | 6,648,816 | - |
| Administration fees (other than investment management fees) | (6,490) | - | (6,160) | - |
| Interest income on plan assets | 238,195 | - | 229,510 | - |
| Return on plan assets, excluding interest income | 238,842 | - | (216,370) | - |
| Contributions from employees | 46,447 | - | 46,064 | - |
| Contributions from the Corporation | 53,494 | 13,931 | 56,163 | 12,909 |
| Benefits paid | (293,490) | (13,931) | (301,696) | (12,909) |
| **Closing fair value of plan assets** | **6,733,325** | - | **6,456,327** | - |

The fair value of the plan assets can be allocated to the following categories:

| | | | | | March 31, 2017 |
|---|---|---|---|---|---|
| | | Quoted market price in an active market (Level 1) | Not quoted market price in an active market (Level 2) | Not quoted market price in an active market (Level 3) | Total |
| Fixed income | Cash and short-term investments | 183,659 | 242,212 | - | **425,871** |
| | Canadian bonds | - | 1,880,664 | 832,226 | **2,712,890** |
| Equities | Canadian | 383,326 | 342,947 | - | **726,273** |
| | Global | 1,259,541 | 210,563 | - | **1,470,104** |
| Strategic | Property | 40,318 | - | 553,681 | **593,999** |
| | Private investments | - | - | 620,867 | **620,867** |
| | Hedge Funds | - | - | 138,195 | **138,195** |
| Other | Derivatives | (1,462) | 23,824 | - | **22,362** |
| **Total investment assets** | | **1,865,382** | **2,700,210** | **2,144,969** | **6,710,561** |
| **Non-investment assets less liabilities** | | - | - | - | **22,764** |
| **Fair value of plan assets** | | - | - | - | **6,733,325** |

*In thousands of Canadian dollars, unless otherwise noted*

| | | Quoted market price in an active market (Level 1) | Not quoted market price in an active market (Level 2) | Not quoted market price in an active market (Level 3) | March 31, 2016 Total |
|---|---|---|---|---|---|
| Fixed income | Cash and short-term investments | 228,005 | 243,921 | - | **471,926** |
| | Canadian bonds | - | 1,853,635 | 813,579 | **2,667,214** |
| Equities | Canadian | 345,307 | 85,420 | 94,102 | **524,829** |
| | Global | 1,193,468 | 236,659 | - | **1,430,127** |
| Strategic | Property | 38,351 | - | 555,205 | **593,556** |
| | Private investments | - | - | 594,384 | **594,384** |
| | Hedge Funds | - | - | 153,041 | **153,041** |
| Other | Derivatives | (1,142) | 11,100 | - | **9,958** |
| **Total investment assets** | | **1,803,989** | **2,430,735** | **2,210,311** | **6,445,035** |
| **Non-investment assets less liabilities** | | **-** | **-** | **-** | **11,292** |
| **Fair value of plan assets** | | **-** | **-** | **-** | **6,456,327** |

The fair values of the above fixed income and equity instruments are determined based on quoted market prices in active markets whereas the fair values of strategic investments and derivatives are not based on quoted market prices in active markets. The actual return on plan assets was $510.0 million or 8.04% (2016 – $57.2 million or 0.88%).

## I. DEFINED BENEFIT PLAN COSTS

Amounts recognized in the Consolidated Statement of Income (Loss) and in the consolidated statement of comprehensive income (loss) in respect to these defined benefit plans are indicated in the table below:

| | For the year ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Current service cost | 111,094 | 131,225 |
| Administration fees (other than investment management fees) | 6,490 | 6,160 |
| Interest cost on defined benefit obligation | 241,905 | 231,844 |
| Interest income on plan assets | (238,195) | (229,510) |
| Other | 807 | (534) |
| Expense recognized in net results | 122,101 | 139,185 |
| Less: | | |
| Remeasurements recognized in other comprehensive income (loss) | (169,696) | (32,745) |
| **Total** | **(47,595)** | **106,440** |

Retained earnings include $569.8 million of cumulative actuarial gains as at March 31, 2017 (March 31, 2016 gains – $400.1 million).

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

| | For the year ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Television, radio and digital services costs | 117,217 | 133,617 |
| Transmission, distribution and collection | 3,663 | 4,176 |
| Corporate management | 1,221 | 1,392 |
| **Total** | **122,101** | **139,185** |

For the year ending March 31, 2017, the total expense related to employee benefits, which includes all salary and related costs, was $936.1 million (2016 - $925.7 million).

*In thousands of Canadian dollars, unless otherwise noted*

# 16. Bonds Payable

The Broadcast Centre Trust (the "BCT") issued $400 million in secured bonds on January 30, 1997, which will mature in May 2027. The Corporation, through its relationship with the BCT, guarantees the bonds payable with its rent payments for the premises occupied by the Corporation in Toronto.

The bonds are secured by the assets of Canadian Broadcasting Centre, which have a carrying value of $171.7 million (March 31, 2016 - $187.4 million). They bear a fixed interest rate of 7.53% annually and require blended semi-annual payments of $16.5 million, which will require the following principal amounts:

| | March 31, 2017 | | March 31, 2016 | |
|---|---|---|---|---|
| | Minimum payments | Carrying amount | Minimum payments | Carrying amount |
| Less than one year | 33,039 | 22,921 | 33,039 | 22,269 |
| Later than one year but not later than five years | 132,155 | 74,791 | 132,155 | 69,462 |
| More than five years | 181,713 | 146,570 | 214,752 | 167,389 |
| Less: future finance charges | (102,625) | - | (120,826) | - |
| **Total** | **244,282** | **244,282** | **259,120** | **259,120** |

Interest expense related to bonds payable included in current year's expenses and presented as finance costs is $18.2 million (2016 – $19.3 million).

Carrying amount:

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Included in the Consolidated Statement of Financial Position as bonds payable: | | |
| Current | 22,921 | 22,269 |
| Non-current | 221,361 | 236,851 |
| | **244,282** | **259,120** |

# 17. Obligations Under Finance Leases

Obligations under finance leases mainly consist of satellite transponders and leasehold improvements. Payments made under finance leases are apportioned between financing costs and the reduction of the outstanding liability. The financing costs are allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

| | Effective Interest rate | Ending Date |
|---|---|---|
| Leasehold improvements | 2.14 % per annum | June 2022 |
| Transponder lease | 6.82 % per annum | February 2018 |

| | March 31, 2017 | | March 31, 2016 | |
|---|---|---|---|---|
| | Future minimum lease payments | Present value of future minimum lease payments | Future minimum lease payments | Present value of future minimum lease payments |
| Less than one year | 10,728 | 10,293 | 12,733 | 11,476 |
| Later than one year but not later than five years | 2,762 | 2,296 | 12,787 | 11,984 |
| More than five years | 4,025 | 4,004 | 4,716 | 4,597 |
| Less: future finance charges | (922) | - | (2,179) | - |
| **Total** | **16,593** | **16,593** | **28,057** | **28,057** |

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Included in the Consolidated Statement of Financial Position as obligations under finance leases: | | |
| Current | 10,293 | 11,476 |
| Non-current | 6,300 | 16,581 |
| | **16,593** | **28,057** |

Interest expense related to obligations under finance leases and included in current year's expenses as part of finance costs is $1.3 million (2016 – $1.9 million).

In thousands of Canadian dollars, unless otherwise noted

# 18. NOTES PAYABLE

The CBC Monetization Trust held notes payable which mature in May 2027 and bear interest at an annual rate of 4.688%. Blended semi-annual payments are made in May and November of each year.

The notes are redeemable at the CBC Monetization Trust's option in whole or in part from time to time before maturity, on not less than 30 days and not more than 60 days prior notice. The redemption price is the greater of the outstanding principal amount of the notes to be redeemed and the net present value of all scheduled semi-annual payments on the notes from the date of redemption to the date of maturity, using the Government of Canada yield plus 0.30% on such date, together, in each case, with accrued but unpaid interest to, but excluding, the redemption date. The notes payable are secured by the promissory notes receivable and the investment in finance lease described in Notes 7 and 8.

Principal payments are scheduled as follows:

| | March 31, 2017 | | March 31, 2016 | |
|---|---|---|---|---|
| | Minimum payments | Carrying amount | Minimum payments | Carrying amount |
| Less than one year | 11,473 | 8,726 | 11,473 | 8,523 |
| Later than one year but not later than five years | 45,892 | 31,817 | 45,892 | 30,342 |
| More than five years | 63,101 | 54,911 | 74,574 | 63,442 |
| Less: future finance charges | (25,012) | - | (29,632) | - |
| **Total** | **95,454** | **95,454** | **102,307** | **102,307** |

Interest expense related to notes payable and included in current year's expenses as part of finance costs is $4.6 million (2016 – $4.9 million).

Carrying amount:

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Included in the Consolidated Statement of Financial Position as notes payable: | | |
| Current | 8,726 | 8,523 |
| Non-current | 86,728 | 93,784 |
| | **95,454** | **102,307** |

# 19. DEFERRED REVENUE

Deferred revenue are revenue received in advance for facilities and production services not yet provided. Deferred revenue also relates to rent-free periods granted on leases where the Corporation is a lessee, as well as payments received for services not yet rendered.

| Accounting Policies | Critical Accounting Estimates and Judgments |
|---|---|
| Recognition of revenue related to facilities and production services not yet provided and payments received for services not yet rendered is deferred until services have been rendered. Deferred revenue related to rent-free periods granted on leases are recognized in the Consolidated Statement of Income (Loss) on a straight-line basis over the terms of the agreements. | The Corporation has estimated the value of deferred revenue for the services owed to Rogers Communications Inc. (Rogers) for *Hockey Night in Canada* sublicensing over the remainder of the contract term. See note 6.B for more information. |

## Supporting Information

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Opening balance | 58,580 | 69,259 |
| Deferred during the year | 24,899 | 41,730 |
| Recognized in net results during the year | (40,405) | (52,409) |
| **Balance, end of year** | **43,074** | **58,580** |

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Included in the Consolidated Statement of Financial Position as deferred revenue: | | |
| Current | 23,185 | 25,729 |
| Non-current | 19,889 | 32,851 |
| | **43,074** | **58,580** |

*In thousands of Canadian dollars, unless otherwise noted*

# 20. REVENUE

Revenue mainly consists of amounts earned by the Corporation through its provision of goods and services to external customers.

| Accounting Policies | Critical Accounting Estimates and Judgments |
|---|---|
| Revenue is measured at the fair value of the consideration received or receivable arising from the rendering of services and sale of goods in the ordinary course of the Corporation's activities. Revenue is recorded net of discounts. Revenue is recognized when:<br>• The amount of revenue can be reliably measured;<br>• It is probable that the future economic benefits will flow to the Corporation; and<br>• The significant risks and rewards of ownership are transferred to customers and the Corporation retains neither continuing managerial involvement nor effective control. | There are no critical accounting estimates and judgments related to revenue. |

| SOURCE OF REVENUE | HOW THE CORPORATION RECOGNIZES REVENUE |
|---|---|
| Advertising revenue from the sale of advertising airtime on our TV and radio, and digital platforms | When the advertisement has been broadcast, the Corporation has no remaining obligations and collectability is reasonably assured |
| Subscriber fees revenue from specialty television channels and other subscription-based sales of programming | When the services have been provided, the Corporation has no remaining obligations, and collectability is reasonably assured |
| Revenue from the leasing of facilities and services; programming and licensing sales; program sponsorship; retransmission rights and host broadcaster's activities | When the delivery has occurred or when services have been provided, the Corporation has no remaining obligations, and collectability is reasonably assured |
| Rental income from the leasing of space or contracting of facilities and related services | On a straight-line basis over the term of the lease |
| Lease incentives granted | As a reduction of rental income over the term of the lease |
| Revenue from the sale of other services such as commercial production sales, program sponsorship and other services revenue | When the service has been delivered and the receipt of the income is probable<br>On a straight-line basis when the delivery is over a period of time and an indeterminate number of acts |
| Retransmission rights and contributions from the Canada Media Fund (CMF) | On an accrual basis in accordance with the substance of the relevant agreements |
| Financing income from bank accounts, notes receivable and on the investment in finance lease | As it is earned for bank interest<br>Using the effective interest method for other financing income |

## Supporting Information

The Corporation has recognized revenue from the following sources:

| | For the year ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| TV and radio advertising[1] | 263,996 | 223,815 |
| Digital advertising | 36,595 | 26,100 |
| Subscriber fees | 131,245 | 134,541 |
| Building, tower, facility and service rentals | 45,315 | 45,439 |
| Production revenue[2] | 19,484 | 42,679 |
| Programming and licensing sales | 35,252 | 30,947 |
| Retransmission rights | 4,050 | 4,083 |
| Program sponsorship | 4,658 | 3,377 |
| Other services | 6,367 | 5,835 |
| **Total Rendering of services** | **546,962** | **516,816** |
| **Total Financing income** | **9,415** | **10,235** |
| Foreign exchange gain | 312 | 1,590 |
| Net gain (loss) from the change in fair value of financial instruments | 231 | (255) |
| **Total Revenue** | **556,920** | **528,386** |

[1]TV and radio advertising includes revenue from exchange of services of $3.7 million (2016 - $2.4 million).

[2]Production revenue includes revenue from exchange of services of $14.8 million (2016 - $14.2 million).

*In thousands of Canadian dollars, unless otherwise noted*

## Change in Presentation

During the current year, the Corporation modified the classification of some revenue sources to better reflect how management monitors and reports internally these activities. As a result, management believes the reclassifications highlighted below will provide users of the financial statements with more relevant information:

| | For the year ended March 31, 2016 | | | Note |
|---|---|---|---|---|
| | Published | Reclassifications | Revised | |
| TV and radio advertising | 253,220 | (29,405) | 223,815 | (a), (d) |
| Digital advertising | - | 26,100 | 26,100 | (a) |
| Subscriber fees | 134,541 | - | 134,541 | |
| Building, tower, facility and service rentals | 45,080 | 359 | 45,439 | (b) |
| Production revenue | 43,972 | (1,293) | 42,679 | (b), (c), (d) |
| Digital programming | 16,414 | (16,414) | - | (c) |
| Programming and licensing sales | - | 30,947 | 30,947 | (c) |
| Retransmission rights | 4,083 | - | 4,083 | |
| Program sponsorship | 3,377 | - | 3,377 | |
| Other services | 5,187 | 648 | 5,835 | (b) |
| **Total Rendering of services** | **505,874** | **10,942** | **516,816** | |
| **Total Financing income** | **10,235** | **-** | **10,235** | |
| Reciprocal trade revenues other than advertising | 10,942 | (10,942) | - | (d) |
| Foreign exchange gain | 1,590 | - | 1,590 | |
| Net loss from the change in fair value of financial instruments | (255) | - | (255) | |
| **Total Revenue** | **528,386** | **-** | **528,386** | |

(a) Advertising revenue disaggregated between "TV and radio advertising" and "Digital advertising" to provide financial statements' users with more relevant information as the Corporation undergoes a digital shift.

(b) Reclassifications from “Production revenue” to “Building, tower, facility and service rentals” and “Other services” to better reflect the nature of these revenue streams.

(c) Reclassification of a portion of “Production revenue” and the full amount of “Digital programming” to a new line item “Programming and licensing sales” to better reflect the nature of these revenue streams.

(d) Revenue from exchange of services are now presented within the relevant line items: “TV and radio advertising” and “Production revenue”. In addition, an amount for revenue from exchange of services was reclassified from “TV and radio advertising” to “Production revenue”.

*In thousands of Canadian dollars, unless otherwise noted*

# 21. Government Funding

The Corporation receives a substantial portion of its funding from the Government of Canada.

| Accounting Policies | Critical Accounting Estimates and Judgments |
|---|---|
| Parliamentary appropriations for operating expenditures and Parliamentary appropriations for working capital are recognized as government funding in the Consolidated Statement of Income (Loss) in the fiscal year for which the appropriations were approved.<br><br>Parliamentary appropriations for property and equipment and intangible assets that are subject to depreciation are recorded as deferred capital funding on the Consolidated Statement of Financial Position, with income being recognized in the Consolidated Statement of Income (Loss) on the same basis and over the same periods as the assets acquired using the appropriations.<br><br>Parliamentary appropriations for the purchase of land are recorded in the Consolidated Statement of Income. | The Corporation is required to make estimates in determining the amount of government funding to recognize in income related to capital expenditures.<br><br>The amount recognized in income each year is based on the estimated useful lives and proportion of the Corporation's property and equipment, and intangible assets purchased using government funding for capital expenditures relative to the estimated useful lives and proportion purchased from self-generated funding. |

## Supporting Information

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

| | For the year ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Operating funding | | |
| Base funding | 1,016,693 | 941,693 |
| Transfer to capital funding | (14,386) | (13,361) |
| **Operating funding received** | **1,002,307** | **928,332** |
| Capital funding | | |
| Base funding | 92,331 | 92,331 |
| Transfer from operating funding | 14,386 | 13,361 |
| **Capital funding received** | **106,717** | **105,692** |
| **Working capital funding** | **4,000** | **4,000** |
| | **1,113,024** | **1,038,024** |

Transfer to capital/from operating funding are consistent with business cases submitted for capital projects through operations and are usually partly offset by transfer of proceeds from the sale of capital assets where it has been deemed that the proceeds would be used in operations.

Total funding approved and received by the Corporation for the year is not the same as the total government funding presented in the Consolidated Statement of Income (Loss). Capital Funding received is recorded as Deferred Capital Funding in the Consolidated Statement of Financial Position, with income being recognized in the Consolidated Statement of Income (Loss) on the same basis and over the same periods as the related property, equipment and intangible assets.

| | **March 31, 2017** | March 31, 2016 |
|---|---|---|
| Opening balance | 531,295 | 520,200 |
| Government funding for capital expenditures | 106,717 | 105,692 |
| Amortization of deferred capital funding | (92,778) | (94,597) |
| **Balance, end of year** | **545,234** | **531,295** |

*In thousands of Canadian dollars, unless otherwise noted*

# 22. FINANCE COSTS

Finance costs comprise the interest attributable to bonds payable, obligations under finance leases, notes payable and the accretion of liabilities.

| **Accounting Policies** | **Critical Accounting Estimates and Judgments** |
|---|---|
| Finance costs are recognized in the Consolidated Statement of Income (Loss) in the period in which they are incurred using the effective interest method. | There are no critical accounting estimates and judgments related to finance costs. |

## Supporting Information

The Corporation's finance costs include the following:

| | For the year ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Interest on bonds payable | 18,201 | 19,258 |
| Interest on notes payable | 4,620 | 4,948 |
| Interest on obligations under finance leases | 1,250 | 1,931 |
| Other non-cash finance costs | 1,836 | 1,995 |
| | **25,907** | **28,132** |

# 23. INCOME TAXES

CBC/Radio-Canada is a prescribed federal Crown corporation under Reg. 7100 of the *Income Tax Act* (ITA) and is subject to federal income tax as a prescribed corporation for purposes of subsection 27(2) of the ITA. The Corporation's activities are not subject to provincial taxes.

| **Accounting Policies** | **Critical Estimates and Judgments** |
|---|---|
| Management uses the liability method of accounting for income taxes. Under this method, Deferred Income Tax Assets and Liabilities are recognized based on the estimated tax effect of temporary differences between the carrying value of assets and liabilities on the financial statements and their respective tax bases.<br><br><u>Current tax</u><br><br>Taxable net results differs from net results as reported in the Consolidated Statement of Income (Loss) because of items of income or expense that are taxable or deductible in other years or because of items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.<br><br><u>Deferred tax</u><br><br>As a federal Crown Corporation that receives a substantial portion of its funding from the Government of Canada, the Corporation operates within a specific operating structure to match cash expenses with available resources, and to break even over the long term. The Corporation uses appropriations only to the extent required to fund its operating expenses, and may not borrow to fund working capital shortfalls. Therefore, the Corporation does not expect to generate material taxable income or losses in the periods that temporary differences are scheduled to reverse. Accordingly, the expected deferred tax asset or liability is not recognized in the consolidated financial statements as long as these specified operating conditions are met at the end of the reporting period. | Management has used judgment to determine that, as of the reporting date, deferred taxes should not be recognized because the Corporation does not expect to generate material taxable income or losses in the periods temporary differences are scheduled to reverse due to its specific operating structure. |

*In thousands of Canadian dollars, unless otherwise noted*

**Supporting Information**

## A. Income Tax Recognized in Net Results

The income tax expense for the year can be reconciled to the income tax expense that would be computed by applying the Corporation's federal statutory tax rate of 25.00% (2016 – 25.00%) to accounting profit as follows:

| | For the year ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Income tax provision at federal statutory rate | (17,692) | (15,998) |
| Permanent differences | 811 | 387 |
| Increase resulting from adjustment to reflect the expected income tax payable in future periods in respect of taxable and deductible temporary differences | 16,881 | 15,611 |
| **Income tax expense recognized in net results** | - | **-** |

The tax rate used for the 2017 reconciliation above is the corporate tax rate payable by a corporation that is a prescribed Federal Crown Corporation under Part LXXI of the *Income Tax Regulations* and is subject to the provisions of the *Income Tax Act* (Canada). An adjustment to reflect the expected income tax payable in future periods in respect of taxable and deductible temporary differences is reflected above.

## B. Temporary Differences

| | **March 31, 2017** | March 31, 2016 |
|---|---|---|
| The sources of the deductible (taxable) temporary differences for which no deferred tax asset or liability was recognized were as follows: | | |
| Accrued liabilities | 35,809 | 34,063 |
| Pension plan | (153,626) | (42,667) |
| Employee-related liabilities | 132,824 | 132,599 |
| Loss carry-forward | 62,495 | 58,568 |
| Non-current receivables and investments | 4,463 | 8,498 |
| Deferred income for tax purposes related to the sale of receivables | (36,110) | (39,600) |
| Property and equipment | (180,051) | (192,028) |
| Other | (18,454) | (17,133) |
| **Total** | **(152,650)** | (57,700) |

The loss carry-forwards will begin to expire in 2030.

# 24. Movements in Working Capital

| | For the year ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| **Changes in Working Capital are comprised of:** | | |
| Trade and other receivables | 10,872 | 15,018 |
| Programming asset (current) | (30,500) | (67,650) |
| Merchandising inventory | 251 | 16 |
| Prepaid expenses | (4,038) | (11,709) |
| Accounts payable and accrued liabilities | (17,189) | 24,961 |
| Provisions | 6,024 | (16,406) |
| Pension plans and employee-related liabilities (current) | 1,645 | (34,257) |
| Deferred revenues (current) | (2,544) | (4,376) |
| | **(35,479)** | **(94,403)** |

# 25. FINANCIAL INSTRUMENTS

Outlined below are the Corporation's financial instruments and related financial risk management objectives, its policies and its exposure and sensitivity to financial risks.

| Accounting Policies | Critical Accounting Estimates and Judgments |
|---|---|
| <u>Recognition</u><br><br>Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.<br><br><u>Classification and Measurement of Financial Instruments</u><br><br>Financial assets and financial liabilities are initially measured at fair value. The Corporation measures financial instruments by grouping them into classes on initial recognition, based on the nature and purpose of the individual instruments. The Corporation classifies all of its non-derivative financial assets as either designated at fair value through profit or loss (FVTPL) or loans and receivables. The Corporation classifies non-derivative financial liabilities as other financial liabilities.<br><br>• **Financial instruments at FVTPL** – include cash and marketable securities. The Corporation initially measures these instruments at fair value, with any changes in fair value arising on remeasurement recognized in "Other income" or "Finance costs" in the Consolidated Statement of Income (Loss).<br><br>• **Loans and receivables** – financial assets with fixed or determinable payments such as accounts receivable and promissory notes receivables. The Corporation initially measures these assets at fair value plus transaction costs directly attributable to acquiring them, and then at amortized cost using the effective interest method, net of any impairment.<br><br>• **Other liabilities** – include accounts payable, bonds and notes payables. The Corporation initially measures these liabilities at fair value less transaction costs directly attributable to issuing them, and then at amortized cost using the effective interest method.<br><br><u>Impairment of financial assets</u><br><br>Management assesses at each reporting end whether there is objective evidence that financial assets are impaired. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.<br><br>For certain categories of financial assets, such as trade receivables, assets are assessed in addition for impairment on a collective basis. Objective evidence of impairment for a group of receivables 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. | There are no critical accounting estimates and judgments related to financial instruments. |

**Supporting Information**

## A. Classification and Risks - Overview

The Corporation's activities are exposed to a variety of financial risks: credit risk, liquidity risk and market risk. The Corporation's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential effects on the Corporation's financial performance. The risk management is carried out through financial management practices in conjunction with the overall Corporation's governance. The Board of Directors is responsible for overseeing the management of financial risk.

The Corporation's financial instruments, the classification, and the nature of certain risks to which they may be subject are as set out in the following table:

| | Classification | Risks | | | |
|---|---|---|---|---|---|
| | | | | Market risks | |
| | | Credit | Liquidity | Currency | Interest rate |
| **Measured at amortized cost** | | | | | |
| Trade and other receivables | Loans and receivables | X | | X | |
| Promissory notes receivable | Loans and receivables | X | | | X |
| Investment in finance lease | Loans and receivables | X | | | X |
| Accounts payable and accrued liabilities | Other liabilities | | X | X | |
| Bonds payable | Other liabilities | | X | | X |
| Obligations under finance leases | Other liabilities | | X | | X |
| Notes payable | Other liabilities | | X | | X |
| **Measured at fair value** | | | | | |
| Cash and marketable securities | FVTPL | X | | X | X |
| Derivative financial instruments | Held for trading | X | | X | |

## B. Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation has adopted a policy of only extending credit to creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by senior management.

The maximum exposure to credit risk of the Corporation at March 31, 2017 and March 31, 2016 is the carrying value of these assets.

Cash and marketable securities

The Corporation has deposited cash with reputable financial institutions (members of the Canadian Payments Association or local Cooperative Credit Societies that are members of a Central Cooperative Credit Society having membership in the Canadian Payments Association or, subject to the approval of the Minister of Finance, any financial institutions outside Canada), from which management believes the risk of loss to be remote. The Corporation manages its exposure to credit risk arising from investments in marketable securities by holding high-grade securities.

Trade and other receivables

Credit risk concentration with respect to trade receivables is limited and managed through a program of credit evaluation and by restricting the amount of customer credit where deemed necessary. The Corporation does not believe that it is exposed to an unusual or significant level of credit risk.

The Corporation establishes an allowance for doubtful accounts that reflects the estimated impairment of accounts receivable. The Corporation has a specific policy on credit and collections and guidelines that provide for how the allowance should be determined. The Corporation establishes a specific allowance for receivables where there is objective evidence that the receivable is not recoverable. This is determined by considering the Corporation's knowledge of the financial condition of its customers, the aging of accounts receivable, the current economic climate, customer and industry concentrations, and historical experience.

Consistent with others in the industry, the Corporation's trade and other receivables are mainly derived from the sale of advertising airtime 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 and the collection period is not necessarily an indicator of credit risk.

Since the Corporation is largely funded through parliamentary appropriations, it has determined that it is not subject to the concentration of credit risk typical of broadcasters who mostly rely on commercial revenue. The Corporation has no material concentration of credit risk with any single customer and mitigates the credit risk of advertising receivables by performing initial and ongoing credit evaluations of advertising customers.

The Corporation does not hold any collateral or other credit enhancements on trade receivables.

*In thousands of Canadian dollars, unless otherwise noted*

The tables below provide an aging of our customer trade and other receivables and additional information related to the allowance for doubtful accounts.

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| 31 - 60 days | 24,030 | 35,314 |
| 61 - 90 days | 14,256 | 673 |
| Over 90 days | 15,240 | 13,874 |
| **Total** | **53,526** | **49,861** |

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Opening balance | (2,058) | (2,683) |
| Amounts written off during the year as uncollectible | 1,868 | 571 |
| Impairment losses reversed | 177 | 1,113 |
| Net increase in allowance for new impairments | (1,227) | (1,059) |
| **Balance, end of year** | **(1,240)** | **(2,058)** |

Promissory notes receivable and Investment in finance lease

The Corporation's promissory notes receivable and investment in finance lease are the result of transactions that occurred in 2003, when the Corporation agreed to sell and rent several parcels of land to a wholly-owned subsidiary of the Ontario Teachers' Pension Plan. At the time of the transaction, the Corporation ensured that the counterparty met the criteria set out by the Corporation with regards to credit worthiness and risk, especially given the long-term nature of the receivables. The Corporation monitors the collection of the promissory notes receivable and rental payments associated with the investment in finance lease, which are collected on a monthly basis through the CBC Monetization Trust.

Derivative financial instruments

The policy on currency risk requires that all significant forward contracts, options and other instruments used to economically hedge a foreign currency exposure will be negotiated with providers holding credit ratings equivalent to or better than that of the major Canadian banks. To this end, the Corporation has five counterparties meeting this criterion with which it places all its currency hedging business.

| | March 31, 2017 | | March 31, 2016 | |
|---|---|---|---|---|
| | Notional | Fair values | Notional | Fair values |
| Forward exchange contracts-$US[1] | 19,894 | 4 | 13,143 | (159) |

[1]The forward contracts rates are between 1.32416 and 1.32860 for forward contracts in US dollars and the maturity dates are between April 2017 and February 2018.

## C. LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial obligations associated with financial liabilities.

The Corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring losses. The Corporation also manages liquidity risk by continuously monitoring actual and budgeted cash flows. Also, the Board of Directors reviews and approves the Corporation's operating and capital budgets, as well as large transactions.

The Corporation does not have the authority to obtain a line of credit or non-current debt without the prior approval of the Minister of Finance.

The following table presents a maturity analysis of the Corporation's financial liabilities based on the expected cash flows from the date of the Consolidated Statement of Financial Position to the contractual maturity date. The amounts are the contractual undiscounted cash flows.

| | Carrying amount of liability at March 31, 2017 | Contractual cash flows | Within 1 Year | 2 to 5 Years | Over 5 years |
|---|---|---|---|---|---|
| Bonds payable | 244,282 | 346,907 | 33,039 | 132,155 | 181,713 |
| Notes payable | 95,454 | 120,466 | 11,473 | 45,892 | 63,101 |
| Finance leases | 16,593 | 17,515 | 10,728 | 2,762 | 4,025 |
| | **356,329** | **484,888** | **55,240** | **180,809** | **248,839** |

| | Carrying amount of liability at March 31, 2016 | Contractual cash flows | Within 1 Year | 2 to 5 Years | Over 5 years |
|---|---|---|---|---|---|
| Bonds payable | 259,120 | 379,946 | 33,039 | 132,155 | 214,752 |
| Notes payable | 102,307 | 131,939 | 11,473 | 45,892 | 74,574 |
| Finance leases | 28,057 | 30,236 | 12,733 | 12,787 | 4,716 |
| | **389,484** | **542,121** | **57,245** | **190,834** | **294,042** |

## D. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Corporation is mainly exposed to currency and interest rate risks.

During the current year, there were no changes to the Corporation's exposure to market risk and its objectives, policies and processes for managing market risk.

## E. Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Corporation is exposed to limited foreign exchange risk on revenue and expenses denominated in a foreign currency. The majority of these transactions are denominated in US dollars, Euros and British Pounds. The policy on currency risk requires the Corporation to minimize currency risk to protect the value of foreign cash flows, both committed and anticipated, from the negative impact of exchange rate fluctuations.

The Corporation mitigates this risk by entering into forward exchange contracts. Accordingly, the Corporation has limited sensitivity to changes in foreign exchange rates.

The Corporation's net foreign currency exposure is immaterial as at March 31 2017 (2016 – immaterial).

Based on the net exposure as at March 31, 2017, and assuming all the other variables remain constant, a hypothetical 5% change in the Canadian dollar against the US dollar, the Euro and the GBP would not have a significant impact on the Corporation's net results.

## F. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation's notes receivable, bonds payable and notes payable bear fixed interest rates and, as such, are subject to interest rate risk because the fair value of the financial instruments will be affected by changes in the market rates. However, a change in fair value would not impact the profit or loss of the Corporation.

For its short-term cash balances, the Corporation has a policy of maximizing interest revenue. The Corporation may place its cash in interest bearing accounts with Schedule I Canadian banks. Consequently, the interest rate risk associated with the cash balances is directly tied to the movements of the Bank of Canada's Key Overnight Lending Rate and to the banks' prime rates. To manage interest rate risk, the Corporation deals with a number of banks to obtain competitive rates and to mitigate its exposure to any one particular investment vehicle.

*In thousands of Canadian dollars, unless otherwise noted*

## G. FAIR VALUE

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

| | March 31, 2017 | | March 31, 2016 | | | |
|---|---|---|---|---|---|---|
| | Carrying values | Fair values | Carrying values | Fair values | Method[1] | Note |
| ***Financial instruments measured at fair value on a recurring basis:*** | | | | | | |
| Cash | 131,062 | 131,062 | 156,465 | 156,465 | Level 2 | (a) |
| Marketable securities | | | | | | |
| Bonds | 10,794 | 10,794 | - | - | Level 2 | (b) |
| Equity | 12,437 | 12,437 | - | - | Level 1 | (c) |
| Derivative financial instruments | 200 | 200 | 151 | 151 | Level 2 | (d) |
| **Financial assets** | **154,493** | **154,493** | **156,616** | **156,616** | | |
| Derivative financial instruments | - | - | 159 | 159 | Level 2 | (e) |
| **Financial liabilities** | **-** | **-** | **159** | **159** | | |
| ***Financial instruments measured at amortized cost:*** | | | | | | |
| Trade and other receivables | 125,499 | 125,499 | 136,370 | 136,370 | Level 2 | (a) |
| Promissory notes receivable (current) | 3,238 | 3,238 | 2,651 | 2,651 | Level 2 | (a) |
| Investment in finance lease (current) | 3,171 | 3,171 | 2,960 | 2,960 | Level 2 | (a) |
| Promissory notes receivable (non-current) | 37,661 | 43,676 | 40,877 | 48,270 | Level 2 | (f) |
| Investment in finance lease (non-current) | 41,248 | 48,524 | 44,419 | 53,507 | Level 2 | (f) |
| **Financial assets** | **210,817** | **224,108** | **227,277** | **243,758** | | |
| Accounts payable and accrued liabilities | 87,947 | 87,947 | 112,512 | 112,512 | Level 2 | (a) |
| Bonds payable (current) | 22,921 | 22,921 | 22,269 | 22,269 | Level 2 | (a) |
| Obligations under finance leases (current) | 10,293 | 10,293 | 11,476 | 11,476 | Level 2 | (a) |
| Notes payable (current) | 8,726 | 8,726 | 8,523 | 8,523 | Level 2 | (a) |
| Bonds payable (non-current) | 221,361 | 285,330 | 236,851 | 317,488 | Level 2 | (g) |
| Obligations under finance leases (non-current) | 6,300 | 6,300 | 16,581 | 16,780 | Level 2 | (g) |
| Notes payable (non-current) | 86,728 | 96,706 | 93,784 | 107,335 | Level 2 | (g) |
| **Financial liabilities** | **444,276** | **518,223** | **501,996** | **596,383** | | |

[1]Method refers to the hierarchy levels decribed at note 2B. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

There have been no transfers between levels during the year ended March 31, 2017.

(a) The fair values approximate their carrying value due to the current nature of these instruments.

(b) The fair values for bonds that trade in markets that are not considered to be active are based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs.

(c) The Corporation has designated its marketable securities at fair value through profit or loss. Fair values are determined based on quoted market prices for the individual assets and the quantity held by the Corporation.

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

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

(f) 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 reflects the credit worthiness of the various counterparties.

(g) 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.

*In thousands of Canadian dollars, unless otherwise noted*

# 26. Capital Management

The Corporation is subject to Part III of *the Broadcasting Act*, which imposes restrictions in relation to borrowings and requires authorization from Parliament and approval from the Minister of Finance.

The Corporation defines capital that it manages as the aggregate of its equity, which is comprised of retained earnings.

The Corporation's objectives in managing capital are as follows:

- To safeguard its ability to continue as a going concern;
- To fund its asset base; and
- To fulfil its mission and objectives for the Government of Canada to the benefit of Canadians.

The Corporation manages its capital by reviewing formally, on a regular basis, the actual results against set budgets, and shares this information with its Audit Committee and Board of Directors. The Corporation's overall strategy with respect to capital management includes the balancing of its operating and capital activities with its funding on an annual basis. The Corporation makes adjustments to its capital management strategy in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements.

The Corporation's objectives, policies and processes for managing capital are consistent with those in place as at March 31, 2016.

The Corporation is not subject to externally imposed capital requirements.

# 27. Related Parties

The related parties of the Corporation consist mainly of government departments, agencies, Crown Corporations, subsidiaries, key management personnel of the Corporation or close family members of these individuals, private companies over which the Corporation has significant influence, and the Corporate Pension Plan. The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations.

| **Accounting Policies** | **Critical Accounting Estimates and Judgments** |
|---|---|
| The Corporation enters into transactions with these related parties in the normal course of business, on normal trade terms applicable to all individuals and enterprises and at market prices. These transactions are recorded at fair value by the Corporation. | There are no critical accounting estimates and judgments related to related parties. |

### Supporting Information

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

| | Rendering of services For the year ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Associate | 2,353 | 2,401 |
| Other related entities[1] | 111 | 111 |
| | **2,464** | **2,512** |

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

In addition, cash payments for the Corporation's contributions to the defined benefit plans are disclosed in Note 15 (e).

The following balances were outstanding at the end of the period and are included in Trade and other receivables on the Consolidated Statement of Financial Position:

| | Amounts owed by related parties | |
|---|---|---|
| | **March 31, 2017** | March 31, 2016 |
| Associate | **596** | **579** |

There are no amounts owing to related parties at March 31, 2017 (March 31, 2016 – nil).

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

*In thousands of Canadian dollars, unless otherwise noted*

### *Other Transactions with Associate*

There were no significant transactions with the Corporation's associate during the current or previous fiscal year other than the dividends received, as discussed in Note 12.

### *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.

The Corporation has elected to take an exemption under IAS 24 *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government and other government related entities.

## B. Compensation of Key Management Personnel

Key management personnel are those people that have authority and responsibility for planning, directing and controlling the activities of the Corporation. This includes the President and CEO, the Vice-Presidents and the Board of Directors.

The remuneration of the President and CEO and the Vice-Presidents during the year was as follows:

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Short-term benefits[1] | 4,443 | 4,326 |
| Post-employment benefits[2] | 1,927 | 1,836 |
| Other benefits[3] | 145 | 144 |
| | **6,515** | 6,306 |

[1]Short-term benefits include wages, salaries, social security contributions, paid annual leave, short-term disability, incentive pay (if payable within twelve months of the end of the period) and other benefit packages (healthcare, life insurance, dental, accident insurance) for current employees.

[2]Post-employment benefits such as pensions and post-employment life insurance.

[3]Other benefits include long-term incentive pay, long-term disability, worker's compensation and termination benefits. Termination benefits are benefits that are payable as a result of the Corporation terminating employment before the normal retirement date or an employee's decision to accept an offer of voluntary departure. Termination benefits include termination payments, severance pay and long-service gratuity.

The total compensation paid to the members of the Board of Directors, excluding the President and CEO, during the year was \$0.2 million (2016 – \$0.3 million).

The remuneration of key management personnel is determined as follows:

- **Members of the Board of Directors**, except the President and CEO, receive meeting fees for Board and Committee meetings based on a fee schedule established by Corporations' by-laws (as approved by the Minister of Canadian Heritage). The Chair of the Board also receives an annual retainer.
- **The Vice-Presidents**' remuneration is approved by the Board of Directors upon recommendation of the Human Resources and Governance Committee, having regard to the performance of individuals and market trends.
- **The President and CEO** is compensated in accordance with the terms of the Order-in-Council appointing him.

*In thousands of Canadian dollars, unless otherwise noted*

# 28. COMMITMENTS

A commitment is an agreement that is enforceable and legally binding to either make or receive a payment in the future for the purchase or provision of goods and services. These amounts are not recognized in these consolidated financial statements since the Corporation is yet to receive or provide the goods or services contractually agreed.

| Accounting Policies | Critical Estimates and Judgments |
|---|---|
| The Corporation is party to many leasing arrangements, which requires management to determine whether the lease is a finance lease or an operating lease.<br>Leases in which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Payments made under finance leases are apportioned between financing costs and the reduction of the outstanding liability. The financing costs are allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.<br>Leases in which the Corporation does not assume substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease. | The determination that an arrangement to lease a portion of a building owned by the Corporation meets the criteria of an operating lease and that the leased portion of the building does not qualify as investment property under IAS 40 *Investment Property.* |

## A. PROGRAM-RELATED AND OTHER

This note shows amounts to which the Corporation is contractually committed, but which do not meet the criteria for inclusion in the Consolidated Statement of Financial Position.

| | **March 31, 2017** | March 31, 2016 |
|---|---|---|
| Facilities management | 109,889 | 158,440 |
| Programming | 225,722 | 221,649 |
| Transmission distribution | 22,956 | 29,348 |
| Maintenance & support | 31,380 | 31,936 |
| Property and equipment | 17,102 | 21,014 |
| Other | 27,866 | 28,431 |
| | **434,915** | **490,818** |

Future annual payments as of March 31, 2017, are as follows:

| | **March 31, 2017** | March 31, 2016 |
|---|---|---|
| Less than one year | 163,305 | 146,457 |
| Later than one year but not later than five years | 230,237 | 272,948 |
| More than five years | 41,373 | 71,413 |
| | **434,915** | **490,818** |

## B. THE CORPORATION AS A LESSEE - OPERATING LEASES

Operating leases relate to leases of property, network distribution and equipment with remaining lease terms of between one and 26 years. Certain leases contain clauses allowing for the renewal/extension of the original term at market rates. The Corporation does not have an option to purchase any of the property, network distribution or equipment at the expiry of the lease periods.

As at March 31 the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | **March 31, 2017** | March 31, 2016 |
|---|---|---|
| Less than one year | 21,183 | 20,735 |
| Later than one year but not later than five years | 69,307 | 69,537 |
| More than five years | 46,337 | 53,443 |
| | **136,827** | **143,715** |

The amounts presented above include a total of $49.4 million (March 31, 2016 – $49.2 million) representing operating costs and property taxes payable.

The payments recognized as an expense for minimum lease payments in 2017 amounted to $22.8 million (2016 – $22.4 million).

In thousands of Canadian dollars, unless otherwise noted

## C. THE CORPORATION AS A LESSOR - OPERATING LEASES

Operating leases relate to buildings and transmission towers owned by the Corporation with remaining lease terms of between one to 93 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

As at March 31 the future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

| | **March 31, 2017** | March 31, 2016 |
|---|---|---|
| Less than one year | 11,503 | 13,608 |
| Later than one year but not later than five years | 45,222 | 50,075 |
| More than five years | 339,876 | 325,161 |
| | **396,601** | **388,844** |

In addition to the amounts presented above, the Corporation has receivables related to operating expenses and property taxes under building leases that total $73.0 million (March 31, 2016 – $162.8 million).

# 29. SUBSEQUENT EVENTS

***Maison de Radio-Canada (MRC)***

On November 22, 2016, CBC/Radio-Canada awarded the sale of the MRC's building and land to Groupe Mach. It also announced the Broccolini group was selected for the build of the new MRC on a portion of the same site. Government of Canada and Governor in Council approvals were obtained in April 2017 for these transactions. As the assets are not yet held-for-sale, the financial impacts from the MRC sale and redevelopment project are not reflected in these consolidated financial statements.

Management expects MRC assets will become classified as held for sale once the cadastral process is completed.

***Sirius XM Canada Holdings (SiriusXM)***

On May 13, 2016, CBC/Radio-Canada announced its intention to sell its shares by voting in favour of the privatization and recapitalization transaction undertaken by its associate, SiriusXM. The transaction involves the sale of the Corporation's 10.15% economic interest at $4.50 a share, for expected proceeds of approximately $58 million. The completion of the transaction is expected to take place in 2017-2018 after CRTC approval was obtained in April 2017. A full quantification of the financial impact of this transaction will be provided in the Corporation's consolidated interim financial statements ending June 30, 2017, once all the required information has become available.