Q2 2014-2015 QUARTERLY FINANCIAL REPORT

TO:	Board of Directors
MEETING:	November 20, 2014
FROM:	Michael Mooney, Acting Vice-President and Chief Financial Officer Andie Andreou, Executive Director and Corporate Controller
DECISION SOUGHT:	Audit Committee recommends to the Board of Directors approval to issue the CBC/Radio-Canada Financial Report for the quarter ended September 30, 2014.
NEXT STEPS:	CBC/Radio-Canada will be publishing its Financial Report for the quarter ended September 30, 2014.
DATE:	November 12, 2014

AGENDA

1. Q2 2014-2015 FINANCIAL RESULTS

HIGHLIGHTS

(in thousands of Canadian dollars)	For the three months ended September 30 2014	2013	% change
Revenue	138,129	127,568	8.3
Expenses	(362,923)	(387,480)	(6.3)
Government funding	128,177	266,392	(51.9)
Results before non-operating items	**(96,617)**	6,480	N/M
Non-operating items	43,410	(759)	N/M
Net results for the period	**(53,207)**	5,721	N/M
Results on a current operating basis[1]	**(55,536)**	9,443	N/M

N/M = not meaningful

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

- Revenue increased by $10.6M when compared to the same period last year due in large part to advertising and other revenue derived from our coverage of the FIFA World Cup. This increase was partially offset by the loss of revenue related to pre-season NHL games, as well as the reduction in LPIF funding and the impact of market softness on our advertising revenue.
- This quarter, total government funding recognized in income was lower by $138.2 million (51.9%), reflecting a timing difference in the recognition of government funding into income that resulted from lower drawdowns relative to the second quarter last year. Movements in working capital and proceeds from selling a portion of our equity interest held in Sirius XM Canada Holdings Inc. reduced the need to draw down operating appropriations during the quarter. As a result, total government funding recognized in income was $138.2 million (51.9%) less than last year. By year end, government funding for operations is expected to be $46.3 million less than last year.
- Total expenses were lower by $24.6M compared to the same period last year. We have reduced ongoing operating costs in response to funding reductions and other financial challenges. These lower ongoing operating costs were partly offset by our coverage costs for the FIFA World Cup, which also contributed to the increased revenue as discussed above.
- The current quarter's non-operating items include a $33.5 million gain from the sale of shares of SiriusXM, as well as the recognition of insurance proceeds receivable of $9.3 million related to the mobile production vehicle that was destroyed during the first quarter.
- Results on a Current Operating Basis reflected a loss of $55.5 million for the quarter. This excludes items that do not generate or require funds from operations, the most significant being a $11.5 million change in non-cash pension expenses. A reconciliation of Results on a current operating basis to Net results under IFRS is included as Appendix 1.

More detailed analysis of variances on the Statement of Income and Statement of Financial Position is provided in Appendix 2.

2. DISCLOSURE HIGHLIGHTS IN THIS QUARTERLY REPORT

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

MD&A:

- Sections fully updated to discuss this quarter's business activities:
  - Financial and Business Highlights
  - 1. Performance Update – partial list of indicators
  - 2.2 Resource Capacity
- Financial Highlights:
  - Timing change in the drawdown of government funding explained.
- Business Highlights:
  - Disclosure about CBC/Radio-Canada becoming the official broadcaster for 2018 and 2020 Olympics.
- People and Leadership:
  - Discussion of the workforce adjustment announced on October 30.
- Results and Outlook:
  - Discussion of restructuring provisions
  - Disclosure of sale of Sirius shares
  - Disclosure of insurance proceeds accrued

Interim Financial Statements:

- Financial results reflect the CBC/Rogers deal, including three months of related activity in results (refer to slides 7-11).
- Note 4 – Revised presentation of programming assets into current and non-current format.
- Note 18 – *Subsequent Event* discusses the workforce adjustment announced on October 30 and the Jian Gomeshi lawsuit.

3. SIGNIFICANT ACCOUNTING MATTERS AND REPORTING MATTERS

The following topics were discussed during the Audit Committee meeting:

Significant Accounting Matters:

- **Restructuring Activities –** Amounts totaling $8.1 million were paid during the quarter. Amounts relating to the first phase of the Corporation's new strategic plan, announced on October 30, 2014, will be recognized starting next quarter.
- **SiriusXM Activities –** A disposal of shares on July 28 for net proceeds of $33.5 million resulted in the recognition of a gain for the same amount during the quarter. The Corporation also received a regular dividend of $1.9 million in August.
- **Rogers Hockey Contract Update –** An update on the arrangement and the accounting for this transaction, including the amounts recorded in the second quarter statements.
- **New Accounting Pronouncements –** Discussion of pronouncements adopted during the period and update provided on preparation for standards effective in the future.
- **Pension plan quarterly impact –** The impact of fund investments exceeding performance benchmarks on a quarterly and year-to-date basis have more than offset the impact of a decrease of 0.25% in the discount rate that occurred during the first quarter.

Quarterly Reporting Process Update:

- **Management Discussion & Analysis** – confirmed quarterly process and approval of senior management team.
- **Financial Statements** – confirmed processes including quality assurance reviews.
- **Update on Deloitte Quarterly Specified Procedures** – discussed work performed and results.
- **Internal Controls over Financial Reporting** – discussed work completed and project status.

APPENDIX 1 - NON-IFRS MEASURE

PRESENTATION OF RESULTS ON A CURRENT OPERATING BASIS

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

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2014	2013	% change	**2014**	2013	% change
Net results for the period	**(53,207)**	5,721	N/M	**(86,776)**	(24,660)	N/M
Items not generating or requiring funds from operations						
Pension and other employee future benefits	11,484	15,532	(26.1)	23,883	31,617	(24.5)
Depreciation, amortization and decommissioning expenses, net of amortization of deferred capital funding	6,045	3,138	92.6	11,122	7,846	41.8
Non-budgetary annual leave	(10,676)	(8,241)	29.5	(1,993)	3,337	(159.7)
Other	(9,182)	(6,707)	36.9	(13,588)	(9,287)	46.3
Results on a current operating basis	**(55,536)**	9,443	N/M	**(67,352)**	8,853	N/M

N/M = not meaningful

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

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30			
	2014	2013	% change	2014	2013	% change	
Revenue	138,129	127,568	8.3	330,721	311,720	6.1	**Three months**: Revenue increase vs. last year due mainly to advertising and miscellaneous revenue attributable to the FIFA World Cup, as well as revenue recognized related to the new Rogers hockey contract. These increases were partly offset by the decrease of LPIF funding and the loss of NHL pre-season games, as well as due to market softness. **Six months**: As discussed above.
Expenses	(362,923)	(387,480)	(6.3)	(832,444)	(854,480)	(2.6)	**Three months**: Operating expenses have decreased in general due to lower program spending resulting from successful cost-reduction initiatives, partly offset by costs associated with the FIFA broadcast and workforce restructuring costs. **Six months**: In addition to the factors discussed above, expenses have been reduced as a result of a special dividend paid by SiriusXM during the first quarter, in addition to the regular dividends paid on a quarterly basis. These dividends are recognized as a reduction to expenses for accounting purposes.
Government funding	128,177	266,392	(51.9)	375,932	520,374	(27.8)	**Three months**: Drawdowns of parliamentary appropriations were lower during the second quarter due to reduced need after collecting receivables related to Sochi Olympics and the partial sale of shares of SiriusXM. **Six months**: As discussed above.
Non-operating items	43,410	(759)	N/M	39,015	(2,274)	N/M	**Three months**: The Corporation received $33.5M following the sales of some SiriusXM shares during the second quarter. In addition, a gain of $9.3M related to insurance proceeds receivable was also recorded during the quarter. **Six months**: As discussed above.
Net results for the period	**(53,207)**	5,721	N/M	**(86,776)**	(24,660)	N/M	
Other comprehensive income (loss)	113,988	6,204	N/M	57,915	145,319	N/M	**Three months**: The increase in OCI is attributable to a higher-than-expected returns on pension plan assets. **Six months**: The strong return on plan assets was partly offset by a decrease of 0.25% in the discount rate used to value the pension plan's liabilities during the first quarter.
Total comprehensive income (loss) for the period	**60,781**	11,925	N/M	**(28,861)**	120,659	N/M	

N/M = not meaningful

APPENDIX 2 – Q2 FINANCIAL HIGHLIGHTS
FINANCIAL POSITION

(in thousands of Canadian dollars)	As at September 30	As at March 31 (Revised)		As at September 30 (Revised)		
	2014	2014	% change	2013	% change	
ASSETS						
Cash	92,765	61,974	49.7	81,647	13.6	Timing of inflow/outflows.
Trade and other receivables	174,191	277,020	(37.1)	146,933	18.6	**Sept vs. Mar**: Overall decrease due to seasonal fluctuations (the summer months typically being the slowest months for advertising revenue) and the collection of receivables following the Sochi games, partly offset by increased receivables at September 30 related to the FIFA World Cup, insurance proceeds accrued related to the destroyed mobile production vehicle and an amount receivable related to the sale of a properties in Halifax and Windsor. **Sept vs. Sept**: Increase since last year due mainly to increased trade receivables and digital accruals related to FIFA. Receivables are also higher due to insurance proceeds receivable and the sale of the properties in Halifax (and the related consolidation project) and Windsor.
Programming (s-t and l-t)	328,940	223,714	47.0	300,305	9.5	**Sept vs. Mar**: Increase since March mainly due to the new Rogers agreement and a prepayment towards the 2016 Olympics, partly offset by the decrease in rights for the NHL and FIFA. Non-procured programming has also increased ahead of Sept/Oct starts of fall programming. **Sept vs. Sept**: Programming balances have increased mainly as a result of the new Rogers agreement for four years of sublicence rights, partly offset by the amortization of the last year of rights with the NHL .
Assets classified as held for sale	1,788	6,890	(74.0)	5,447	(67.2)	**Sept vs. Mar:** The decrease is due mainly to the sale of the properties located in Halifax and Windosr. **Sept vs. Sept:** As mentioned above.
Investment in associate	-	1,855	(100.0)	1,215	(100.0)	**Sept vs. Mar:** Decrease due to the receipt of dividends from SiriusXM. **Sept vs. Sept:** As mentioned above.

APPENDIX 2 – Q2 FINANCIAL HIGHLIGHTS FINANCIAL POSITION (CONT'D)

(in thousands of Canadian dollars)	As at September 30 2014	As at March 31 2014	% change	As at September 30 2013	% change	
LIABILITIES						
Accounts payable and accrued liabilities	84,683	106,297	(20.3)	73,150	15.8	**Sept vs. Mar**: Overall decrease is in line with historical patterns due to increased production spending leading up to March, which was compounded in March 2014 by payables related to NHL and Sochi. **Sept vs. Sept**: Increase since last year due in large part to the timing of payments, in particular normal contributions payable to the pension fund.
Provisions	38,622	32,623	18.4	50,621	(23.7)	**Sept vs. Mar**: The increase since March is due in large part to the restructuring provisions recognized following the announcement in April. **Sept vs. Sept**: The decrease is due to the settlement of the Toronto municipal tax issue and significant completion of analogue decommissioning work, partly offset by higher restructuring provisions and increases in other disputes related to the passage of time.
Pension plans and employee-related liabilities (s-t and l-t)	288,679	339,095	(14.9)	354,287	(18.5)	**Sept vs. Mar**: The decrease is due mainly to higher actual return on plan assets for the period than that used in our assumptions, as well as a decrease in the discount rate of 0.25%. In addition, the timing of payments to employees/use of annual leave has contributed to the decrease, partly offset by new accruals related to severances following the April announcement of the 2014-2015 budget. **Sept vs. Sept**: As discussed above.
Programming Liability (s-t and l-t)	41,868	-	N/M	-	N/M	**Sept vs. Mar:** The programming liability relates to the new arrangement with Rogers, which will last four years. **Sept vs. Sept**: As discussed above.
Deferred revenues (s-t and l-t)	71,996	27,628	160.6	20,797	246.2	**Sept vs. Mar**: The September balance includes new amounts related to the Rogers deal. **Sept vs. Sept**: As discussed above.
Deferred capital funding	512,341	518,272	(1.1)	521,299	(1.7)	**Sept vs. Mar**: Deferred capital funding levels reflect the consistency of capital spending patterns and the related amortization of capital assets. **Sept vs. Sept:** As discussed above.
EQUITY						
Total equity attributable to the Corporation	207,100	236,117	(12.3)	170,974	21.1	Equity reflects the total of net results and remeasurements of the Corporation's defined benefit plans.

N/M = not meaningful

APPENDIX 3 – Q2 2014-2015 QUARTERLY FINANCIAL REPORT & REPEAT OF NEW DISCLOSURES

- Second Quarter Financial Report 2014–2015 for the period ended September 30, 2014.

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

MD&A:

- Sections fully updated to discuss this quarter's business activities:
  - Financial and Business Highlights
  - 1. Performance Update – partial list of indicators
  - 2.2 Resource Capacity

- Financial Highlights:
  - Timing change in the draw down of government funding explained

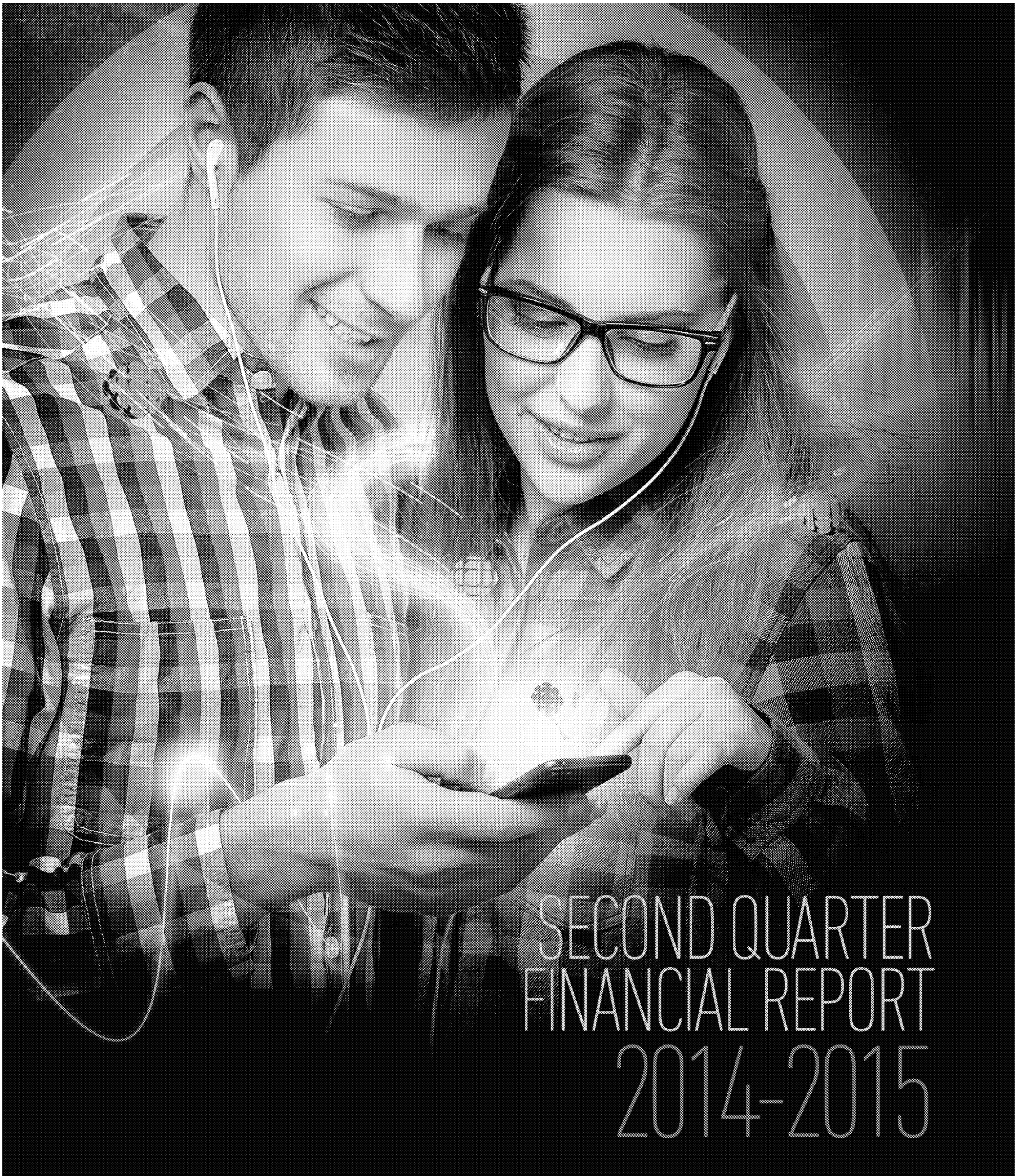
- Business Highlights:
  - Disclosure about CBC/Radio-Canada becoming the official broadcaster for 2018 and 2020 Olympics

- People and Leadership:
  - Discussion of the workforce adjustment announced on October 30

- Results and Outlook:
  - Discussion of restructuring provisions
  - Disclosure of sale of Sirius shares
  - Disclosure of insurance proceeds received

Interim Financial Statements:

- Financial results reflect the CBC/Rogers deal, including three months of related activity in results (refer to slides 7-11)
- Note 4 – Revised presentation of programming assets into current and non-current format
- Note 18 – *Subsequent Event* discusses the workforce adjustment announced on October 30 and the Jian Gomeshi lawsuit



SECOND QUARTER FINANCIAL REPORT 2014-2015

CBC Radio-Canada

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

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

HR COMPLIANCE

- Review on Implementation of Section 41 of the *Official Languages Act* to Canadian Heritage
- Annual Review on Parts IV, V and VI of the *Official Languages Act* to Treasury Board of Canada Secretariat
- Annual Report on Employment Equity to Employment and Social Development Canada (ESDC)
- Annual Report on Multiculturalism to Citizenship and Immigration Canada

CORPORATE REPORTS

- Annual Report, tabled in Parliament
- Corporate Plan and Corporate Plan Summary
- Quarterly financial reports
- CBC Pension Annual Report
- Public Accounts of Canada
- Semi-Annual Report Card
- Environmental performance reports
- Reports on the implementation of the *Access to Information Act* and of the *Privacy Act* (two separate reports), and on any disclosure of wrongdoings (under the *Public Servants Disclosure Protection Act*)

RESPONSES TO ACCESS TO INFORMATION AND PRIVACY (ATIP) REQUESTS

POLICIES AND PRACTICES

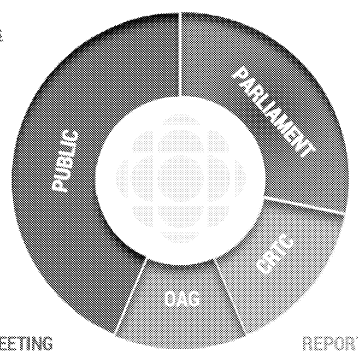
- Journalistic Standards and Practices
- Code of Conduct

TRANSPARENCY & ACCOUNTABILITY BULLETIN

PROACTIVE DISCLOSURE

- Proactive Disclosure web pages (including posting of travel and hospitality expenses of the Chair and Executives, and Board meeting documents)

ANNUAL PUBLIC MEETING



APPEARANCES BEFORE PARLIAMENTARY COMMITTEES

OMBUDSMEN REPORTS

- Board must respond to Ombudsmen Reports and table responses with CRTC

OFFICE OF THE AUDITOR GENERAL (OAG)

- Annual OAG Attest Audit

REPORTING TO THE CRTC

- Periodic licence renewals
- Annual reporting to the CRTC covering:
  - Each of the Corporation's licenced radio, television and specialty services
  - Reports for all of the Corporation's television stations eligible for the Local Programming Improvement Fund (LPIF)
  - New media reporting requirements
- Official Language Minority Communities (OLMCs) reports Annual reporting covering measures taken to meet the needs of OLMCs, the results of surveys on the perception of OLMCs on how CBC/Radio-Canada services are reflecting their needs and realities and reports on all programs that are produced in OLMCs and/or that offer reflection of these communities

Management Discussion and Analysis

Quarterly reporting requirement

In addition to filing an annual report, we are required — like most Canadian federal Crown Corporations — to file quarterly financial reports for the first three quarters of each fiscal year. In keeping with our commitment to transparency and effective oversight of public funds, we are pleased to present this quarterly report for the second quarter ended September 30, 2014.

These Condensed Interim Consolidated Financial Statements have not been reviewed by our auditor.

Seasonality

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

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

Note regarding forward-looking statements

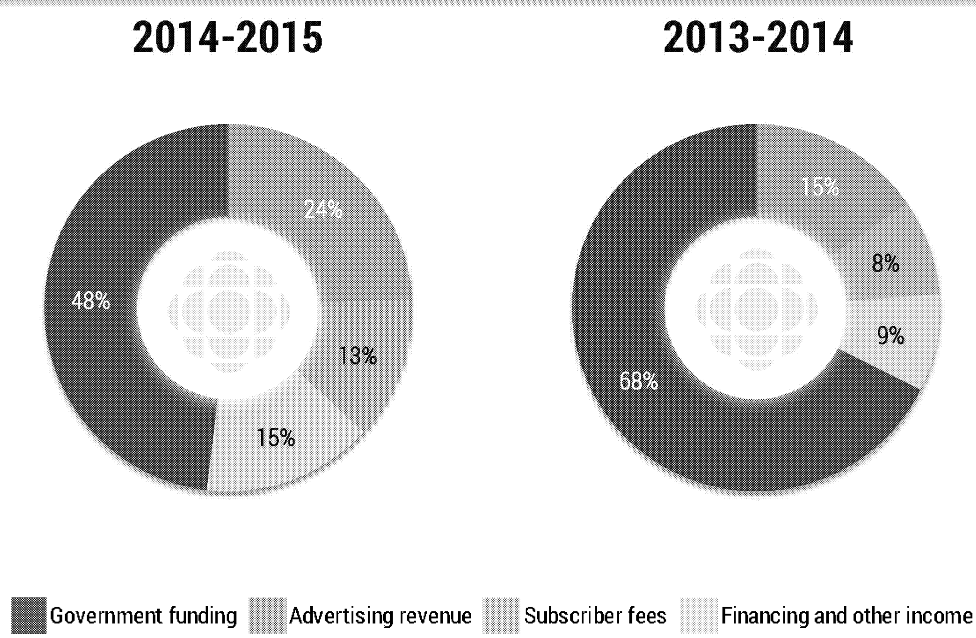
This report contains forward-looking statements about objectives, strategies and expected financial and operational results. Forward-looking statements are based on the following broad assumptions: CBC/Radio-Canada's government funding remains consistent with amounts announced in the federal budget,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

Non-IFRS measure

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

Financial Highlights

Q2 REVENUE AND SOURCES OF FUNDS



(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2014	2013	% change	2014	2013	% change
Revenue	138,129	127,568	8.3	330,721	311,720	6.1
Expenses	(362,923)	(387,480)	(6.3)	(832,444)	(854,480)	(2.6)
Government funding[1]	128,177	266,392	(51.9)	375,932	520,374	(27.8)
Results before non-operating items	(96,617)	6,480	N/M	(125,791)	(22,386)	N/M
Net results for the period	(53,207)	5,721	N/M	(86,776)	(24,660)	N/M
Results on a current operating basis[2]	(55,536)	9,443	N/M	(67,352)	8,853	N/M

N/M = not meaningful

[1] Movements in working capital and proceeds from the sale of a portion of our equity interest held in Sirius XM Canada Holdings Inc. reduced the need to draw down operating appropriations during the quarter.

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

Results under IFRS and on a Current Operating Basis

Our results this quarter both under IFRS and on a Current Operating Basis reflect a timing difference in the recognition of government funding into income that resulted from lower drawdowns relative to the second quarter last year. Movements in working capital and proceeds from the sale of a portion of our equity interest in Sirius XM Canada Holdings Inc. reduced the need to draw down operating appropriations during the quarter. As a result, total government funding recognized in income was $138.2 million (51.9%) lower than the second quarter last year. By year-end operating appropriations are still expected to be $46.3 million less than last year, consistent with the last instalment of reductions announced in Federal Budget 2012.

Other changes in net results under IFRS and on a Current Operating Basis were primarily due to the following:

- Revenue increased by $10.6 million (8.3%) compared to the second quarter of 2013-2014, mostly because the current quarter included higher advertising and miscellaneous revenue from broadcasting the 2014 FIFA World Cup Brazil, which finished in mid-July. These increases were somewhat offset by the absence of revenue from September pre-season hockey following the end of our contract with the National Hockey League (NHL), reduced Local Programming Improvement Fund (LPIF) contributions as the fund was phased out, and the impact of market softness on our advertising revenue.
- Total expenses were lower by $24.6 million (6.3%) compared to the same period last year, in spite of incurring additional production costs associated with the 2014 FIFA World Cup and additional severance costs following the staff reductions announced in the previous quarter. This overall decrease was achieved through reductions in ongoing operating costs and program spending following funding reductions and other financial challenges.
- Results on a Current Operating Basis for the period reflected a loss of $55.5 million primarily arising from the timing of government funding drawdowns, as discussed above. This result excludes items that do not generate or require funds from operations, the most significant individual item being an $11.5 million charge for non-cash pension expense. Further details reconciling net results to Results on a Current Operating Basis are provided in Section 3.1 of this report.

Business Highlights

Progressing towards our new strategic plan

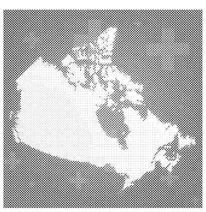
Through the Corporation's new five-year strategy, *A space for us all*, which will take us to 2020, CBC/Radio-Canada will become more present and more relevant, as well as sustainable for future generations. Since the strategy's announcement in June, the Corporation has worked to keep employees and Canadians informed about next steps. You can read more about these steps in the *Other Business Matters* section of this report.

Completing our existing strategic plan

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

- more distinctly Canadian: network programming and national public spaces;
- more regional: regional presence and community spaces; and
- more digital: new platforms and digital spaces.

More distinctly Canadian



Over the past quarter, we continued our efforts to deliver the best in distinctly Canadian TV, radio and web content, all year round. The highlight of the summer was CBC and Radio-Canada multiplatform coverage of 2014 FIFA World Cup Brazil[1]. During the summer, *Les chefs! – La revanche* was the most popular French-language TV show, attracting nearly 930,000 loyal viewers on ICI Radio-Canada Télé[2].

Also during the summer months, CBC Radio One took the opportunity to experiment with new content. Highlights of the summer season included programs such as *Live Through This*, which featured extraordinary stories of survival; *Grownups Read Things They Wrote as Kids*; *The Bugle and the Passing Bell*, which revisited WWI reports written 50 years ago about the century old landmark event; and *What a Waste*, which explored topics from leftover food to nuclear waste.

ICI Radio-Canada Télé launched its fall season with the intent to continue building on two years of momentum, during which its prime-time audience share rose from 18.7% to 20.6%. With a prime-time schedule containing a mix of genres, new shows and returning favourites, notable additions to the fall line-up include original comedy series *La théorie du K.O.* and drama *Nouvelle adresse*. Moreover, *Le Téléjournal* continues its transformation with more exclusive content and increased presence on digital platforms such as social networks.

Audiences were also introduced to new interactive offerings and web/mobile experiences tied into ICI Radio-Canada Télé programs such as *30 vies* (enhanced app with video), *Les Parent* (blogs posted by the series' three kids), *Les pêcheurs* (humorous fishing e-zine for iPad), *Nouvelle adresse* (iPhone and Android mobile app, and webseries), and more.

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[1] For more information, please see the First Quarter Financial Report 2014-2015 (p.7).

[2] Source: Numeris (BBM surveys) – PPM. Data is for the average minute audience over 8 weeks.

Using the hashtag #FALLforCBC, CBC Television launched its fall season in late September and early October with five exciting new shows: *Canada's Smartest Person*, hosted by Jessi Cruickshank and Jeff Douglas; *CBC Selects,* presenting the best of world public broadcaster programs; political thriller *The Honourable Woman* and gritty western drama *Strange Empire*. *Steven and Chris* resumed on daytime television with new episodes and, in prime time, returning favourites included *Doc Zone*, *Dragons' Den*, *Heartland*, *Marketplace, Murdoch Mysteries*, *Republic of Doyle, Rick Mercer Report*, *the fifth estate*, *The Nature of Things* and *This Hour Has 22 Minutes*.

On radio, ICI Radio-Canada Première's weekend schedule includes new shows such as *Les éclaireurs* (health and consumer affairs), *La soirée est (encore) jeune* (news comedy), *C'est fou…* (society, history, human behaviour) and *En 50 minutes* (interviews with comedians). ICI Musique celebrates its 10th anniversary with exclusive programming that includes audience participation on ICIMusique.ca. For example, the public was invited to vote online for the song of the decade, and to answer the following questions on social networks: "Where were you 10 years ago?" and "What music were you listening to?"

CBC Radio's regular season launched on September 1, with Anna Maria Tremonti's *The Current* kicking-off its 13th season with a new theme for a season-long series titled *By Design*. *Q* returned as well. This season of *Q* will include two themed series: *Generation Wars,* a look at the culture wars between Generations Y, X and Boomer, and *Death Culture*, which taps into the cultural fascination around death and mortality. Returning favourites to the Radio One lineup included *As It Happens; Day 6; Living Out Loud*; *The 180; This Is That* and *White Coat, Black Art*. On September 2, Susan Bonner joined *World at Six* as the new host.

This quarter, we delivered several multiplatform signature events that brought Canadians together. On July 1, CBC/Radio-Canada celebrated the Canada's 147th birthday with special broadcasts. In total, more than six million Canadians watched the noon and prime-time special in English or French on CBC Television, CBC News Network, ICI Radio-Canada Télé or ICI RDI. ICI Radio-Canada.ca and CBC.ca carried live streaming of the event, with additional special content and highlights made available on ICI ARTV, ICI Musique, ICIMusique.ca, ICI Radio-Canada.ca and ICI Radio-Canada Première.

In September, CBC and Radio-Canada presented events of cultural importance such as the 2014 Canadian Country Music Awards (CCMA) Awards Show co-hosted by Jann Arden and Rick Mercer (produced in partnership with CMT) and the 29es Prix Gémeaux gala honouring Canada's top French-language TV and digital productions.

In addition to the 2014 FIFA World Cup Brazil, CBC/Radio-Canada was the official broadcaster in Canada of the Glasgow 2014 Commonwealth Games from July 23 to August 3. Its multiplatform coverage included daily live streaming on cbcsports.ca, a daily two-hour highlight show streamed on cbcsports.ca, and shared content with our Radio and News services. Elsewhere in sport, the semifinals and finals of the Rogers Cup tennis tournament were presented exclusively on CBC TV and ICI Radio-Canada Télé.

Again this quarter, we supported cultural life across Canada. Literature was in the spotlight with the CBC Literary Awards / Prix littéraires Radio-Canada. The yearly awards recognize authors in the following categories: short story, creative non-fiction and poetry. The 2014 CBC Short Story Prize was awarded to Jane Eaton Hamilton (*Smiley*). The Prix du récit Radio-Canada 2014 was awarded to Joanne Morency (*Tes lunettes sans ton regard*). David Martin (*Tar Swan*) won the 2014 CBC Poetry Prize, and Marc-André Moutquin (*L'appétit des astres*) won the Prix de poésie Radio-Canada 2014.

More regional

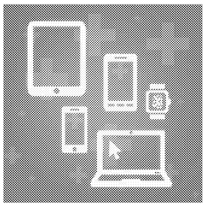
CBC/Radio-Canada continued to provide content of interest and significance to Canadians across the nation's different regions. From August 15 to September 9, Radio-Canada's regional teams presented their new multiplatform seasons to French-speaking communities across the country. They were joined by local on-air personalities, as well as actors from some of ICI Radio-Canada Télé's most popular shows, such as *Unité 9*. Furthermore, ICI Acadie launched its fall season on August 15 during the World Acadian Congress (WAC) to coincide with National Acadian Day, following a special live broadcast of *Médium large* with host Catherine Perrin.

As of September 2, the 6 p.m. Radio-Canada television newscasts serving Eastern Quebec, Estrie, Mauricie and Saguenay-Lac-Saint-Jean began featuring a series of reports, produced in these regions, about issues affecting local communities. Several of these reports are rebroadcast nationally. For the new season, ICI Manitoba is airing a number of special features, including one on the opening of the Canadian Museum for Human Rights, and a weekly series of short reports on the First World War, produced out of Western Canada. For its part, ICI Québec is producing special programing to mark 50 years of television in Quebec City.

CBC Radio introduced the new program *Unreserved*, which takes listeners behind the headlines of the top trending stories from Indigenous Canada and features music from the hottest Indigenous artists in the country. *Unreserved* is aired on CBC Radio One every Saturday in Saskatchewan, Manitoba, Yukon, NWT and Nunavut (and across Canada via streaming). During New Brunswick's provincial election campaign in September, CBC/Radio-Canada put voter concerns front and centre in their multiplatform coverage, led by regional teams. Audience interest was high, fuelled by two town hall meetings, a leaders' debate, and an election night special. After polls closed on September 22, online audiences were able to enjoy the full election experience on CBC.ca and ICI Radio-Canada.ca, thanks to the *Elector* interactive tool, which was also used for the Quebec and Ontario elections in 2014.

Meanwhile, interest in October's municipal elections grew. This fall, CBC Ottawa introduced #CBCStreetTalk, where local on-air personalities went into the city's 23 electoral wards to find out what citizens really want from their politicians. In addition to speaking to camera crews, Ottawa voters could join the conversation via Twitter or upload their own videos on Facebook.

More digital



Interactive web/mobile apps and original digital productions continue to be key components of French Services' digital strategy and are earning respect in the industry. During the 29es Prix Gémeaux, Radio-Canada won six awards for its digital production, including the apps developed for the documentary series *Océania* on ICI EXPLORA, and *Qu'est-ce qu'on mange pour souper?* on ICI Radio-Canada Télé. This foodie show's approach on TV, the web, and social networks, prompted the Canada Media Fund to use *Qu'est-ce qu'on mange pour souper?* as a case study for how programs can elicit audience engagement on multiple platforms[3].

CBC News and CBC Radio also continued to put mobile first, with the complete redesign and optimization of both of their apps for iOS 8. These apps are customizable, with an emphasis on creating a more personal and seamless user experience.

A first on ICI ARTV, viewers were encouraged, this summer, to watch the pilot of the new TV comedy show *PaparaGilles* on the channel's website and to submit ideas for improvement before its official launch this fall, as a creative way to build active relationships with audiences. For the new season, popular shows *ARTVstudio* and *C'est juste de la TV* enhanced their digital offering with more new content, interactive features, and online videos. ICI ARTV also continues to support the next generation of artistic talent, airing the new original documentary series *Les contemporains* that follows the creative process of six emerging visual artists. The channel also awarded, in July, its first digital arts grants to four recipients whose works were exhibited at the *ARTVstudio*.

On ICI RDI, the fall lineup includes a special *Grands reportages* series called *La Grande Guerre des nations,* which looked back at the key milestones of the First World War. Plus, thanks to a growing subscriber base that now tops more than 500,000, ICI EXPLORA was able to develop three new original productions for the fall season: *Le monde de demain, Génie extrême* and *Planète techno.*

In July, *CBC ComedyCoup* was announced as an initiative designed to revolutionize the way comedy talent is discovered and developed. Over ten weeks, contestants from across Canada are creating and displaying innovative content using digital and social media platforms. Ultimately, the contestants are working to build an audience, and get that crucial industry "foot in the door." Also this quarter, CBC Music, in collaboration with TD Bank, launched *Rock Your Campus*, a musical competition for college and university students who are invited to submit their music in a cross-Canada competition to determine the best band on campus, with the aim of helping bolster the next generation of Canadian artists.

On September 28, Peter Mansbridge, anchor of CBC Television's *The National*, hosted a special, live, town hall broadcast of *Cross Country Checkup* from the new, digitally orientated, University of Waterloo campus in Stratford, Ontario. The broadcast focused on the future of libraries and their place in the age of Google.

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(3) For more information, please visit the following link: http://trends.cmf-fmc.ca/blog/360_engagement_and_live_coaching_tv_web_success_quest-ce_quon_mange_pour_so/

Other business matters

As part of the announcement of our new strategic plan, President and CEO Hubert T. Lacroix initiated a series of regional visits in April to share details with both employees and stakeholders. These visits included Edmonton, Halifax, Regina, Ottawa, Toronto and Montreal. In addition to these, Mr. Lacroix followed up with a regional tour in September. Starting in Winnipeg and Saint-Boniface, he met with local staff, stakeholders, university students, and media. At the end of the month, Mr. Lacroix went to both Moncton and Fredericton for similar outreach. The latter visit coincided with the CBC/Radio-Canada Board Meeting in Fredericton. Regionally-based board meetings, when possible and fiscally responsible, provide the Board with a valuable opportunity to reach out to local community leaders.

In mid-September, CBC/Radio-Canada participated in the oral hearings of the Canadian Radio-television and Telecommunications Commission (CRTC)'s *Let's Talk TV* proceeding, delivering our perspective on the possible changes to the television system in Canada. During our appearance at the CRTC's public hearings, our panel focused on industry-wide solutions to this problem. Recommendations to the regulator included: mandating a small, all-Canadian basic service to enhance consumer choice and give pride-of-place to Canadian services; establishing safeguards that would ensure the distribution of independent services on multiple platforms in order to protect a diversity of voices in the broadcasting system; establishing a new fund to support local news programming; and permitting the negotiation of affiliation fees by conventional television broadcasters who choose to cease broadcasting over-the-air. We believe that this would help maintain local television, and encourage technological-neutrality in the future of television in Canada.

As part of *A space for us all*, we have committed to reduce our real estate footprint by 50% by 2020, so that we can invest more in our content. This quarter, we confirmed the sale of our Windsor property in which we will now lease space as a tenant. In addition, the CBC Sudbury team will be moving from their current multi-level premises to a more cost-effective and practical location next year.

Looking ahead

The Corporation will be featuring a number of events in the coming months.

As part of its conditions of licence, Radio-Canada continues to hold formal consultations at least every two years with official language minority communities (OLMC) located in each of the regions of Atlantic Canada, Ontario, Western Canada and the North to discuss issues that affect their development and vitality. On October 22 and 23, Radio-Canada held a formal consultation in Sudbury for the Ontario region. Edmonton was the hosting town for the previous formal consultation, held in the spring, for the Western side of the country.

Radio-Canada will present two Signature Events next quarter: the 36th Gala de l'ADISQ (Association québécoise de l'industrie du disque, du spectacle et de la vidéo) at the end of October, which celebrates the music industry in Quebec, and the New Year Eve's special on December 31. The Scotiabank Giller Awards and the Canadian International Television Festival took place in November. CBC/Radio-Canada's Annual Public Meeting took place on November 19 in Montreal, and feature an in-depth panel discussion on transformation which is tightly linked to CBC/Radio-Canada's strategic plan - *A space for us all*.

In October, the Corporation made the announcement that it would partner with Bell Media and Rogers Communications to broadcast both the 2018 and 2020 Olympic Games. Following CBC/Radio-Canada's stellar delivery of the Sochi 2014 Olympic Winter Games this past February, Canadians can look forward to more exciting multiplatform Olympic content, where they are and how they want it, delivered in a fiscally responsible way.

1. Performance Update

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

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

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

Further details are provided in our 2013-2014 Annual Report.

1.1 Strategic Indicators

Measuring our success against *2015: Everyone, Every way*

A central feature of *Strategy 2015* was the establishment of metrics to track and assess our performance. We have developed a report card that allows us to monitor how well our services fulfill the Corporation's mandate under the 1991 *Broadcasting Act* and the degree to which our programming adheres to the guiding principles of our plan.

Twice a year, in January and June, our Board of Directors is presented with the report card. Once the Board has been provided with an update, an abridged version of the report card is posted on the Corporation's website. The most recent version of the report card was published in June 2014. The next report card will be available in the third quarter financial report which will be published in February 2015.

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

Indicators for specialty channels, new platforms and revenue are measured from the beginning of the fiscal year, and second quarter results for 2014-2015 are presented in Section 1.2 of this report.

Annual targets for these performance measures in 2014-2015 are also provided, as are prior year results.

Measuring our Canadian content

Regulatory requirements for Canadian content on television are specified by the Canadian Radio-television and Telecommunications Commission (CRTC), which sets conditions of licence for ICI Radio-Canada Télé and CBC Television[(4)]. For the whole broadcast day, a minimum of 75% Canadian content is expected. For prime time, a minimum of 80% Canadian content is expected. Both measures are averages over the entire broadcast year from September 1 to August 31. As shown in the table below, in the current broadcast year-to-date and in the previous full broadcast year, ICI Radio-Canada Télé and CBC Television exceeded the CRTC's Canadian content conditions of licence/expectations, both over the whole day and in prime time. Increased Canadian programming is key to *Strategy 2015*.

Canadian content		Yearly Regulatory Expectations[1]/ Conditions of Licence[2]	Results Sep. 1, 2013 to Aug. 31, 2014	Results Sep. 1, 2012 to Aug. 31, 2013
ICI Radio-Canada Télé				
Broadcast day	(Mon-Sun, 6:00 a.m.-12:00 a.m.)	75%	89%	84%
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	90%	91%
CBC Television				
Broadcast day	(Mon-Sun, 6:00 a.m.-12:00 a.m.)	75%	94%	93%
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	91%	86%

[1] Through 2012-2013 broadcast year, Canadian content levels were an "expectation."

[2] Starting in 2013-2014 broadcast year, Canadian content levels are a "condition of licence."

1.2 Operational Indicators

In addition to monitoring the overall performance of *Strategy 2015* (see section 1.1 above), we have developed key performance indicators (KPIs) for our services.

These indicators are critical to measuring our progress towards achieving our strategic business objectives and operational plans, and we formulate them every year as part of the media's business plans.

Operational indicators include measures of audience share, website visits, subscriber counts and revenue generation.

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

(4) Effective September 1, 2013, the CRTC's May 2013 decision renewing our TV licence, ICI Radio-Canada Télé and CBC Television has established conditions of licence regarding the airing of Canadian content. Prior to the 2013-2014 broadcast year, these had been set out as expectations of service.

French Services

Apart from self-generated revenue, Radio-Canada's results for the first half of the year are consistent with annual targets.

Traffic on ICI Radio-Canada.ca's regional web pages is currently exceeding the annual target. Our unique and increasing multiplatform coverage of local issues affecting Francophone communities across Canada is supporting these results.

Total self-generated revenue is tracking below the annual target as a result of the persistent slowdown in the advertising market. This was slightly offset by higher revenue from growth both in services provided to independent producers and in content distribution activities.

	Annual Targets 2014-2015	April 1 to September 30 2014	Annual Results 2013-2014	April 1 to September 30 2013
Television				
ICI RDI, ICI ARTV, ICI EXPLORA				
All-day audience share April-March[1]	5.0%	5.0%	5.0%	5.3%
Regional				
Regional web pages				
Monthly average unique visitors April-March[2]	0.592 million	0.680 million	0.660 million	0.709 million
Website				
ICI Radio-Canada.ca, ICI Tou.tv, ICIMusique.ca, RCInet.ca, ICI ARTV.ca and ICI Exploratv.ca				
Monthly average unique visitors April-March[2]	1.8 million	1.8 million	2.0 million	2.0 million
Specialty Television Channels				
ICI RDI				
Subscribers	11.1 million	11.2 million	11.1 million	11.1 million
ICI ARTV				
Subscribers	2.0 million	2.0 million	2.0 million	2.0 million
ICI EXPLORA				
Subscribers	0.5 million	0.5 million	0.5 million	0.4 million
Revenue[3]				
Conventional, specialty, online	$246.1 million	$113.2 million	$243.3 million	$114.8 million

[1]Source: Numeris (BBM Canada), Portable People Meter (PPM), Francophones in Quebec that subscribe to a television distribution service, persons aged 2 years and older.

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

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

English Services

English Services' performance to date is trending close to meeting, or exceeding expectations for, the indicators relevant to the second quarter. During this quarter, subscribers to CBC News Network and *documentary*, as well as overall revenue, were all trending over or at target.

In the digital realm, the monthly average number of unique visitors for both CBC.ca and CBC's regional content were also trending favourably to target. CBC.ca's monthly average unique visitors were aided by FIFA World Cup content and are trending to meet target, while CBC.ca's regional content monthly average unique visitors grew due to prominent stories such as the British Columbia teacher's labour disruption and municipal election news in Ontario.

CBC News Network ended the quarter virtually at the annual target share for people aged 2 or older. CBC News Network subscriber levels continue to hold at roughly the same level as in the recent past.

	Annual Targets 2014-2015	April 1 to September 30 2014	Annual Results 2013-2014	April 1 to September 30 2013
Television				
CBC News Network				
All day audience share April-March[1]	1.6%	1.5%	1.6%	1.6%
Regional				
Regional web home pages[2]				
Monthly average unique visitors April-March	N/A	N/A	0.941 million	0.981 million
Regional content				
Monthly average unique visitors April-March	3.7 million	3.9 million	N/A	N/A
Website				
CBC.ca				
Monthly average unique visitors April-March[3]	7.0 million	7.1 million	7.1 million	6.9 million
Specialty Television Channels				
CBC News Network				
Subscribers	11.2 million	11.4 million	11.3 million	11.3 million
documentary				
Subscribers	2.7 million	2.7 million	2.7 million	2.7 million
Revenue[4]				
Conventional, specialty, online	$298 million	$194 million	$390 million	$180 million

N/A not available or not applicable.

[1]Source: Numeris (BBM Canada), Portable People Meter (PPM), persons aged 2 years and older. CBC News Network, fiscal year 2014-2015: weeks 32+ for broadcast year 2013-2014 and weeks 1-4 for broadcast year 2014-2015; fiscal year 2013-2014: weeks 32+ for broadcast year 2012-2013 and weeks 1-31 for broadcast year 2013-2014.

[2]Beginning this year, this metric is measured by monthly average unique visitors to any/all regional content, rather than being limited to regional home pages (i.e. landing pages). Changing audience behaviour, such as the trend to accessing content directly by searches or through social media referrals, has taken away the meaningfulness of the landing page concept as a metric in this context. Therefore, the new measurement now accommodates this audience trend.

[3]Source: comScore, persons aged 2 years and older.

[4]Revenue for *documentary* is reported at 100% although CBC/Radio-Canada owns 82%. Includes revenue from LPIF, a fund created by the CRTC to support local programming. Amounts reflect the phase-out of the fund over three years ending August 31, 2014. Amounts also exclude revenue from the arrangement with Rogers Communications Inc. for the continued airing of *Hockey Night in Canada* for Saturday night and playoff hockey.

2. Capability to Deliver Results

2.1 People and Leadership

During the second quarter of this fiscal year, the People and Culture team was primarily focused on implementing the workforce adjustments resulting from Budget 2014-2015, as well as the upcoming requirements of implementing the Corporation's new strategy, *A space for us all.* This includes everything from enriching learning and development opportunities, to supporting the needs of our employees who are, or may be, impacted by the transformation that will be occurring over the coming months and years.

Workforce adjustment

The workforce adjustments currently underway at the Corporation are a combination of those announced this April as part of Budget 2014-2015, and those resulting from the early phases of the new five-year strategic plan, *A space for us all*, which will reduce our workforce by a total of 1,000 to 1,500 employees by 2020.

The majority of the employees impacted by Budget 2014-2015 reductions have been advised and have departed, with the remaining few still to be identified later this fall. The first implementation phase (around 400 FTEs) of the new strategic plan was announced on October 30, 2014. Most of those impacted will be notified by the end of November, and the rest in the final quarter of the 2014-2015 fiscal year.

Learning and development

In late May 2014, the French, English and Corporate Services departments supporting Learning and Organizational Development were amalgamated into a single department. This central, collaborative group, with a clear focus on enabling excellence in our business, delivers critical learning and change-management expertise and support. This includes, but is not limited to, skills for a mobile world, leadership development, and organizational development consulting for major business projects; all of which are helping with the successful implementation of *A space for us all*.

Labour relations and talent agreements

In June, the Corporation and the Canadian Union of Public Employees (CUPE Local 675) agreed to renew the monetary clauses until the current collective agreement expires on September 20, 2015. The deal calls for a 1.4% base salary increase retroactive to September 23, 2013, and a second base salary increase of 1.4% effective September 22, 2014.

In August, CBC/Radio-Canada and the Alliance of Canadian Cinema, Television and Radio Artists (ACTRA) tentatively agreed to extend the term of their Television and Radio Agreements from July 1, 2014 to June 30, 2015. This extension increased the minimum fees in both agreements by 1.5% effective July 1, 2014 and was ratified in September.

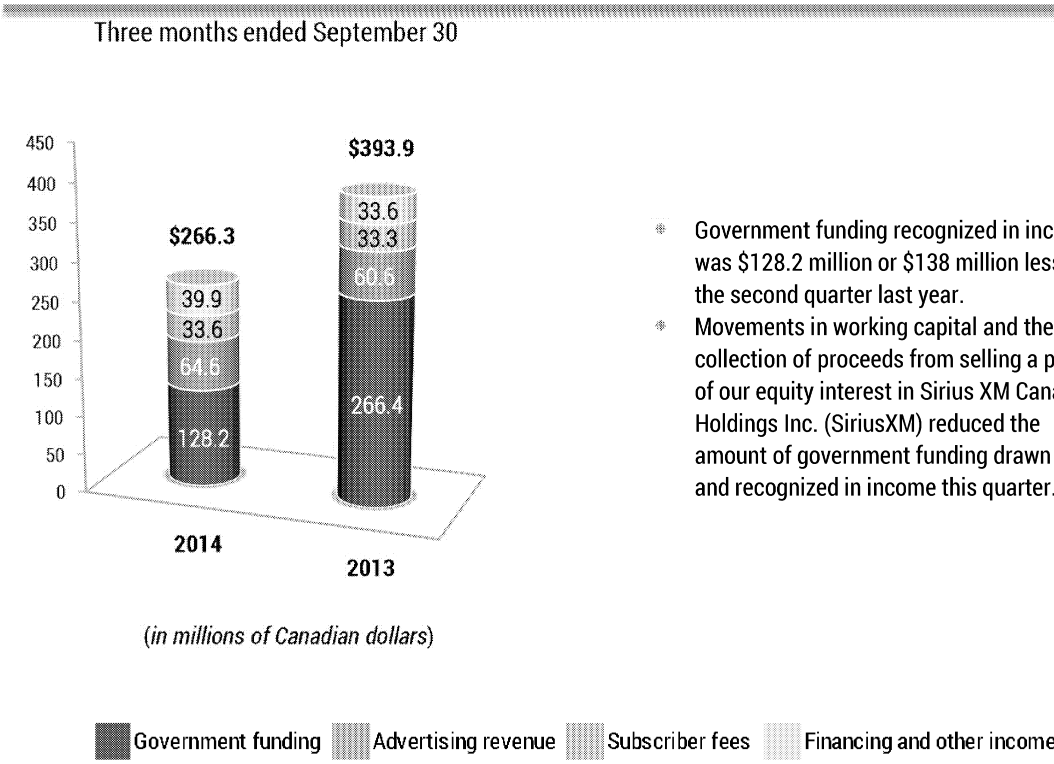
Also in September, the Canada Industrial Relations Board (CIRB) ruled in favour of CBC/Radio-Canada's application for review of the bargaining unit structure for employees working in the province of Quebec and the city of Moncton. That structure, in place since 1995, consists of four bargaining units. The Corporation believes that, in order to succeed in today's highly competitive environment and properly meet audience expectations, the structure must be streamlined.

Also this quarter, CBC/Radio-Canada and the Canadian Federation of Musicians (CFM) reached a tentative agreement that is to be ratified by CMF membership later this year. The term of the agreement would expire on September 30, 2015 and would include an increase of 1% for each year of the agreement.

2.2 Resource Capacity

We have four sources of direct funding: government appropriations for operating and capital expenditures, advertising revenue, subscriber fees, and financing and other income.

REVENUE AND SOURCES OF FUNDS



- Government funding recognized in income was $128.2 million or $138 million less than the second quarter last year.
- Movements in working capital and the collection of proceeds from selling a portion of our equity interest in Sirius XM Canada Holdings Inc. (SiriusXM) reduced the amount of government funding drawn down and recognized in income this quarter.

For detailed year-to-date variance analysis, see Section 3, *Results and Outlook*.

Government funding

As discussed above, there was a lower need to draw down government funding during the quarter. As a result, government funding recognized was approximately 48% of total revenue and sources of funds in the second quarter of 2014-2015. This included $25.2 million of amortization of deferred capital funding.

The federal government announced funding reductions in Federal Budget 2012 being phased in over three years. Our share of these reductions is now $115.0 million annually. By the end of the current fiscal year, the parliamentary operating appropriation is expected to be $929.3 million, which is $46.3 million lower than last year.

A freeze of salary inflation funding for fiscal years 2014-2015 and 2015-2016 was confirmed by the government in its November 2013 Economic Update. This means that any salary increases for CBC/Radio-Canada employees has to be managed through cost reductions in other areas. For an average salary increase of 1.5%, the Corporation would need to find $15.0 million in cost savings each year.

Advertising revenue

We generate revenue by selling advertising on our conventional and specialty television channels, on CBC Radio 2, ICI Musique and other platforms. In the second quarter of 2014-2015, advertising revenue accounted for approximately 24% of our total revenue and sources of funds. Advertising revenue will decrease as a proportion of our total revenue and sources of funds because our contract with the NHL ended in June 2014. The end of this contract will also result in lower associated costs for program rights and production.

Advertising revenue in the first quarter is normally higher than in the second quarter, reflecting the seasonality of the broadcast schedule.

Subscriber fees

Subscriber fees from our specialty services – CBC News Network, *documentary*, ICI EXPLORA, ICI ARTV, ICI RDI, the new ICI Tou.tv EXTRA premium package and Curio.ca – generated approximately 13% of total revenue and sources of funds in the second quarter of 2014-2015.

Financing and other income

Financing and other income includes contributions from the Local Programming Improvement Fund (LPIF) and the Canada Media Fund (CMF). It also includes income from activities such as program sales, rental of mobile broadcasting vehicles to external parties, rental of real estate assets, leasing of space at our transmission sites and merchandising. These sources of income collectively accounted for approximately 15% of total revenue and sources of funds in the second quarter of 2014-2015. Included in these funds were $4.8 million in contributions from the LPIF, which was eliminated on August 31, 2014.

Borrowing authority

The *Broadcasting Act*, section 46. (1), confers on CBC/Radio-Canada the authority to borrow up to $220.0 million, or such greater amount as may be authorized by Parliament, subject to approval of the Minister of Finance. Section 54. (3.1) of the *Act* requires that our borrowing plan be included in our corporate plan for the approval of the Minister of Finance.

In September 2014, the Minister provided us with approval in principle of up to $25.0 million borrowing in aggregate during 2014-2015. Guidelines established by the Department of Finance limit our borrowing activities to short-term initiatives with a payback period of six years or less. Borrowing to meet working capital purposes is prohibited.

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

3. Results and Outlook

3.1 Results

Summary – net results

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2014	2013	% change	2014	2013	% change
Revenue	138,129	127,568	8.3	330,721	311,720	6.1
Expenses	(362,923)	(387,480)	(6.3)	(832,444)	(854,480)	(2.6)
Government funding	128,177	266,392	(51.9)	375,932	520,374	(27.8)
Results before non-operating items	(96,617)	6,480	N/M	(125,791)	(22,386)	N/M
Non-operating items	43,410	(759)	N/M	39,015	(2,274)	N/M
Net results for the period	(53,207)	5,721	N/M	(86,776)	(24,660)	N/M
Results on a current operating basis[1]	(55,536)	9,443	N/M	(67,352)	8,853	N/M

N/M = not meaningful

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

Our results this quarter and on a year-to-date basis reflect a timing difference in the recognition of government funding into income that resulted from lower drawdowns relative to last year. Movements in working capital proceeds from selling a portion of our equity interest in Sirius XM Canada Holdings Inc. reduced the need to draw down operating appropriations during the quarter. As a result, total government funding recognized in income was $138.2 million (51.9%) lower than the second quarter last year. By year-end operating appropriations are still expected to be $46.3 million less than last year, consistent with the last instalment of reductions announced in Federal Budget 2012.

IFRS results

Revenue increased by $10.6 million (8.3%) compared to the second quarter of 2013-2014, mostly because the current quarter included higher advertising and miscellaneous revenue from broadcasting the 2014 FIFA World Cup Brazil, which ran until mid-July. These increases were somewhat offset by the absence of revenue from September pre-season hockey, following the end of our contract with the National Hockey League (NHL), reduced Local Programming Improvement Fund (LPIF) contributions as the fund was phased out on August 31, 2014, and the impact of a weaker advertising market on our self-generated revenue.

As discussed above, government funding recognized for accounting purposes was lower this quarter by $138.2 million (51.9%) relative to the same period last year. By year-end, the parliamentary operating appropriation will be fully drawn down.

We have been successful in reducing operating expenses by $24.6 million (6.3%) through cost management initiatives. These decreases were partly offset by additional production costs associated with the 2014 FIFA World Cup and additional severance costs following the staff reductions announced in the previous quarter.

Results before non-operating items amounted to a loss of $96.6 million. Non-operating gains of $43.4 million reduced the reporting loss to $53.2 million. The most significant non-operating gain resulted from the sale of a portion of the shares we held in the capital of SiriusXM. Also included in net results are items that do not currently generate or require funds from operations, as explained below.

Reconciliation of net results under IFRS to Results on a Current Operating Basis

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

Adjustments include the elimination of non-cash pension and other employee future benefit costs, which represent the excess of the IFRS expense over the actual cash contribution for the period. Adjustments are also made for the depreciation and amortization of capital assets and the amortization of deferred capital funding because these are non-cash items. Other less significant items not funded or generating funds in the current period, primarily employee benefit-related, are adjusted for in the reconciliation to Results on a Current Operating Basis.

Results on a Current Operating Basis were a loss of $55.5 million this quarter, a decrease of $65.0 million when compared to last year. This decrease primarily reflects the lower government funding drawn down this quarter and recognized in income as detailed in our discussion of IFRS net results. This decrease in government funding recognized was partially offset by additional sources of operating funds in the quarter from the sale of some of our shares in SiriusXM, higher revenue and lower operating costs, and proceeds receivable from an insurance claim. On a year-to-date basis, the same factors explain most of the decrease in our results on a Current Operating Basis to a loss of $67.4 million. Further explanations of these items are provided in the sections below.

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2014	2013	% change	2014	2013	% change
Net results for the period	(53,207)	5,721	N/M	(86,776)	(24,660)	N/M
Items not generating or requiring funds from operations						
Pension and other employee future benefits	11,484	15,532	(26.1)	23,883	31,617	(24.5)
Depreciation, amortization and decommissioning expenses, net of amortization of deferred capital funding	6,045	3,138	92.6	11,122	7,846	41.8
Non-budgetary annual leave	(10,676)	(8,241)	29.5	(1,993)	3,337	(159.7)
Other	(9,182)	(6,707)	36.9	(13,588)	(9,287)	46.3
Results on a current operating basis	(55,536)	9,443	N/M	(67,352)	8,853	N/M

N/M = not meaningful

Summary - total comprehensive income (loss)

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2014	2013	% change	2014	2013	% change
Net results for the period	(53,207)	5,721	N/M	(86,776)	(24,660)	N/M
Other comprehensive income	113,988	6,204	N/M	57,915	145,319	N/M
Total comprehensive income (loss) for the period	60,781	11,925	N/M	(28,861)	120,659	N/M

N/M = not meaningful

In addition to pension costs included in net results, quarterly remeasurements of the Corporation's pension and other future employee benefit plans resulted in other comprehensive income of $114.0 million this quarter, and $57.9 million year-to-date. This was due to non-cash remeasurements resulting from changes in actuarial assumptions and returns on plan assets.

Revenue

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2014	2013	% change	2014	2013	% change
Advertising						
English Services	36,789	32,485	13.2	127,601	113,719	12.2
French Services	27,829	28,158	(1.2)	64,573	65,044	(0.7)
	64,618	60,643	6.6	192,174	178,763	7.5
Subscriber fees						
English Services	18,829	18,763	0.4	37,579	37,542	0.1
French Services	14,818	14,581	1.6	29,949	28,721	4.3
	33,647	33,344	0.9	67,528	66,263	1.9
Financing and other income						
English Services	17,737	12,934	37.1	31,144	27,006	15.3
French Services	9,672	10,318	(6.3)	17,034	19,777	(13.9)
Corporate Services	12,455	10,329	20.6	22,841	19,911	14.7
	39,864	33,581	18.7	71,019	66,694	6.5
TOTAL	138,129	127,568	8.3	330,721	311,720	6.1

The following paragraphs explain the revenue increases of $10.6 million (8.3%) in the second quarter of 2014-2015 and of $19.0 million (6.1%) in the first half of 2014-2015 compared to the same periods last year.

Advertising

English Services' advertising revenue increased by $4.3 million (13.2%) in the second quarter, and by $13.9 million (12.2%) in the first six months of 2014-2015 when compared to the same periods last year. This was mainly due to the broadcast of the FIFA World Cup this June and July. However, these sales were partly offset by the loss of revenue from pre-season hockey games in September following the end of our contract with the NHL, and fewer playoff hockey games broadcast in the first quarter relative to last year.

Although French Services' advertising revenue has remained fairly stable for the quarter and on a year-to-date basis, there was an increase from the broadcast of the FIFA World Cup offset by a decrease due to market softness.

Subscriber fees

Subscriber fees were higher by $0.3 million (0.9%) in the second quarter and by $1.3 million (1.9%) compared to the same periods last year, as a result of the increased popularity of ICI EXPLORA and the launch of the new EXTRA offer from ICI Tou.tv.

Financing and other income

Financing and other income increased by $6.3 million (18.7%) for the second quarter and by $4.3 million (6.5%) on a year-to-date basis when compared to the equivalent periods last year.

The overall increase in financing and other income this quarter and year-to-date was mostly attributable to higher English Services' digital rights revenue from the FIFA World Cup and from host broadcasting revenue for the FIFA U-20 Women's World Cup. Additional revenue was also recognized as a result of the agreement with Rogers for the ongoing coverage of *Hockey Night in Canada*, in which CBC provides certain services and airtime to Rogers. For Corporate Services, other revenue drivers included higher income from retransmission rights and rental of excess space, consistent with our plan to reduce the Corporation's real estate footprint. These increases were partly offset by lower contributions from LPIF for both English Services and French Services of $1.7 million and $1.5 million this quarter, respectively. On a year-to-date basis, the lower contributions from LPIF for English Services and French Services were $5.9 million and $3.6 million.

Operating expenses

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2014	2013	% change	2014	2013	% change
Television, radio and new media services costs						
English Services	184,651	200,125	(7.7)	467,911	472,035	(0.9)
French Services	151,712	159,424	(4.8)	321,308	326,335	(1.5)
	336,363	359,549	(6.4)	789,219	798,370	(1.1)
Transmission, distribution and collection	17,508	17,670	(0.9)	34,022	35,089	(3.0)
Corporate management	2,462	2,600	(5.3)	5,072	5,259	(3.6)
Payments to private stations	605	647	(6.5)	1,198	1,268	(5.5)
Finance costs	7,860	7,796	0.8	15,274	15,567	(1.9)
Share of profit in associate	(1,875)	(782)	139.8	(12,341)	(1,073)	N/M
TOTAL	362,923	387,480	(6.3)	832,444	854,480	(2.6)

N/M = not meaningful

The following paragraphs describe the operating expenses decrease of $24.6 million (6.3%) in the second quarter and of $22.0 million (2.6%) year-to-date when compared to the same periods last year.

Television, radio and new media services

This quarter, English Services' and French Services' expenditures decreased by $15.5 million (7.7%) and $7.7 million (4.8%) respectively. These decreases were mainly attributable to lower programming spending resulting from initiatives introduced to reduce ongoing operating costs. This quarter's lower costs were partly offset by expenses associated with the broadcast of the FIFA World Cup, which ran until mid-July, and severance costs following the budget reductions announced this year.

On a year-to-date basis, French Services' and English Services' expenses decreased by $5.0 million (1.5%) and $4.1 million (0.9%), respectively. This was a result of initiatives to reduce programming costs and newsgathering costs. These decreases were somewhat offset by higher severance costs, recognized across the Corporation following budget reduction announcements, and by expenses associated with the coverage of the 2014 FIFA World Cup.

Transmission, distribution and collection

Transmission, distribution and collection costs decreased by $0.2 million (0.9%) this quarter and by $1.1 million (3.0%) on a year-to-date basis mainly as a result of lower decommissioning costs of analogue TV transmission sites relative to the prior year.

Other operating expenses

The increase in the *Share of profit in associate* line this quarter of $1.1 million (139.8%) resulted from the receipt of a regular dividend of $1.9 million from our holding in the capital of SiriusXM. On a year-to-date-basis, the share of profit in associate increased by $11.3 million, reflecting mostly the receipt of a special dividend from SiriusXM of $10.4 million.

Government funding

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2014	2013	% change	2014	2013	% change
Parliamentary appropriations for operating expenditures	102,000	237,698	(57.1)	322,036	462,824	(30.4)
Parliamentary appropriations for working capital	1,000	1,000	-	2,000	2,000	-
Amortization of deferred capital funding	25,177	27,694	(9.1)	51,896	55,550	(6.6)
TOTAL	128,177	266,392	(51.9)	375,932	520,374	(27.8)

Parliamentary appropriations for operating expenditures decreased by $135.7 million (57.1%) in the second quarter and by $140.8 million (30.4 %) on a year-to-date basis compared to the same periods last year, resulting in lower overall government funding recognized in income. Parliamentary appropriations are recognized based on expected needs, according to forecasted revenues and expenditures for the period.

This decrease in our need to draw down government funding was due to movements in working capital and the sale of a portion of our equity interest in Sirius XM. By year-end total government funding recognized for operating expenditures is expected to be $46.3 million less than last year, consistent with implementing the final phase of Federal Budget 2012.

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

Non-operating items

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2014	2013	% change	2014	2013	% change
Gain on sale of shares	33,548	-	N/M	33,548	-	N/M
Gain (loss) on disposal of property and equipment	9,862	(759)	N/M	5,467	(2,274)	N/M
TOTAL	43,410	(759)	N/M	39,015	(2,274)	N/M

N/M = not meaningful

Non-operating gains of $43.4 million this quarter resulted primarily from two events. In July, we sold a portion of our investment in the share capital of SiriusXM, which generated a gain on sale of $33.5 million. In addition, during this quarter, we recognized a gain of on disposal of property and equipment of $9.9 million due to an insurance claim following last quarter's write off of a mobile production vehicle that was destroyed by fire. On a year-to-date basis, the same factors led to a non-operating gain of $39.0 million. However, this gain was partly offset by the write off of the mobile production vehicle and by other net losses on asset retirements and disposals as we continue to renew our equipment.

Total comprehensive income (loss)

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2014	2013	% change	2014	2013	% change
Net results for the period	(53,207)	5,721	N/M	(86,776)	(24,660)	N/M
Other comprehensive income						
Remeasurements of defined benefit plans	113,988	6,204	N/M	57,915	145,319	N/M
Total comprehensive income (loss) for the period	60,781	11,925	N/M	(28,861)	120,659	N/M

N/M = not meaningful

In addition to net results, this quarter's other comprehensive income from remeasurements of our pension and employee benefit plans resulted in total comprehensive income of $60.8 million. On a year-to-date basis, we incurred a total comprehensive loss of $28.9 million. These amounts were driven by significant non-cash fluctuations in our pension plan's obligations and assets, which occur when actual results or interest rates are different from actuarial assumptions. We recognize these changes immediately in other comprehensive income each quarter.

This quarter's other comprehensive income of $114.0 million resulted from a higher return on plan assets than we used in our assumptions.

Further information on our pension plan is provided in Note 10 of our condensed interim consolidated financial statements.

3.2 Financial Condition, Cash Flow and Liquidity

Our cash flows from operating, investing and financing activities for the second quarter ended September 30, 2014 are summarized in the following table. Our cash balance on September 30, 2014 was $92.8 million, compared to $62.0 million on March 31, 2014.

Cash position

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2014	2013	% change	2014	2013	% change
Cash - beginning of the period	136,822	63,898	114.1	61,974	51,459	20.4
Changes in period						
Cash from operating activities	(90,204)	5,928	N/M	(17,619)	23,472	N/M
Cash used in financing activities	(3,816)	(3,506)	8.8	(29,650)	(29,269)	1.3
Cash from investing activities	49,963	15,327	N/M	78,060	35,985	N/M
Net change	(44,057)	17,749	N/M	30,791	30,188	2.0
Cash - end of the period	92,765	81,647	13.6	92,765	81,647	13.6

N/M = not meaningful

Cash from operating activities

Cash used in operating activities was $90.2 million this quarter, compared to cash generated from operations of $5.9 million in the second quarter last year. On a year-to-date basis, we have used cash in operations of $17.6 million this year relative to cash generated of $23.5 million last year. These changes are the result of normal fluctuations in working capital and the timing of government appropriation drawdowns for use in the business. In the second quarter of the current year, our use of cash in operations was higher than usual as we delayed government funding drawdowns to first use cash received from Sochi Olympics' advertising revenue and from the sale of a portion of the shares we hold in Sirius XM Canada Holdings Inc (SiriusXM).

Cash used in financing activities

Cash outflows for financing activities were consistent with last year in both the second quarter and on a year-to-date basis. Cash used of $3.8 million in the quarter and $29.7 million year-to date was for interest, semi-annual repayments of the Toronto Broadcasting Centre bonds, payments of notes payable, and to meet our obligations under finance leases.

Cash from investing activities

Investing activities generated cash of $50.0 million, compared to $15.3 million in the second quarter of last year. This increase was due mainly to the receipt of $33.5 million in net proceeds from the July sale of a portion of the shares that we hold in SiriusXM. In addition, this quarter, proceeds of $2.5 million from disposals of property and equipment contributed to the increase. These two sources of funds also contributed to our year-to-date cash from investing activities of $78.1 million. On a year-to-date basis we have also received more dividends from our investment in SiriusXM because of the special dividend of $10.4 million distributed in the first quarter.

3.3 Outlook and Risk Update

CBC/Radio-Canada faces significant financial challenges in 2014-2015 as it strives to achieve its strategic objectives while managing a budget shortfall.

As we announced on April 10, 2014, in order to balance the budgets in future years, we must cut $130 million from our operating expenses which included the elimination of 657 full-time positions. Of this reduction 573 positions have been eliminated in 2014-2015 and the balance of the reductions will continue over the next two years. Our financial plan will be closely monitored and adjusted as required. Success depends on achieving our targets for revenue generation and cost reductions, and on the strength of the advertising market.

On June 26, 2014, we unveiled our new strategy, *A space for us all*, which will allow us to continue to adapt and keep pace in a volatile environment. It is a framework within which the Corporation can make strategic choices, even as market conditions and audience habits evolve. The three priority areas are relevance, organizational agility and financial sustainability.

CBC/Radio-Canada must create a sustainable financial model that includes a manageable cost structure, an adequate and reliable income stream, and enough free cash flow to invest in the future. Our financial plan supports *A space for us all* through four objectives:

- reduce the fixed cost base to balance the budget for the foreseeable future;
- create a reserve to help manage financial risk or to invest in strategic initiatives;
- reinvest in line with strategic priorities; and
- diversify revenues and share risks through partnerships.

We are currently completing a detailed review of proposed savings, and will finalize a comprehensive, five-year financial plan in the fall of 2014. Most of the 400 full-time position reductions from the first implementation phase of the strategic plan, announced on October 30, will be notified before the end of November, and the rest in the final quarter of 2014-2015.

CBC's broadcast and digital rights contract with the National Hockey League (NHL) ended in June 2014. Rogers Communications Inc. (Rogers) was granted exclusive hockey broadcasting rights for the next twelve years, beginning with the 2014-2015 hockey season. On November 25, 2013, the Corporation reached an agreement with Rogers for the continued airing of *Hockey Night in Canada* (*HNIC*) for Saturday night and playoff hockey. Under this arrangement, we continue to broadcast HNIC, a Canadian cultural icon, for the next four years, but no longer pay rights costs or retain the associated advertising revenue. We also provide production resources for the games aired on CBC and retain ownership of the HNIC brand.

The government confirmed that it is reintroducing a salary inflation funding freeze for fiscal years 2014-2015 and 2015-2016. The impact of this has been accounted for in our recently announced reductions.

Canadian Radio-television and Telecommunications Commission (CRTC) policy reviews, such as *Let's Talk TV*, may lead to regulatory changes affecting our television operations and impact advertising and subscription revenues. In our submission to the CRTC's *Let's Talk TV* proceeding, and during our September 12, 2014 appearance at the CRTC public hearing, CBC/Radio-Canada focused on industry-wide solutions and highlighted the following two key points:

- We support the new consumer-friendly framework that the CRTC and government have proposed, including a "pick-and-pay" TV model and a mandated small basic cable package. Our support is contingent on the existence of safeguards to protect independent broadcasters (like us) from anti-competitive practices by large, vertically integrated providers.
- We support the establishment of normal free market conditions for conventional TV broadcasters. This would allow conventional TV broadcasters to negotiate compensation for their services with cable and satellite providers, as do specialty channels.

The Corporation has suggested two additional proposals for consideration:

- The Commission could establish a new local news fund. It would be funded in the same way that the CRTC's Local Programming Improvement Fund (LPIF) was not long ago, and would enable the promotion of new and innovative local news offerings in local TV markets across Canada.
- The CRTC could require "over-the-top" (OTT) providers, like Netflix, to contribute to the production of Canadian programming in the same way as other distributors like Bell, Rogers, Videotron and Shaw contribute.

We expect our real estate portfolio to generate more revenue as we rent out vacant space in some of our buildings. We also expect to reduce our total cost of occupancy and real estate risk by selling and exiting some buildings that we own to become tenants in more cost-efficient premises. For example, we continue to lease excess space at the Toronto Broadcasting Centre, with approximately 26,000 square feet being newly leased this quarter, for a total of 194, 000 square feet currently being leased. We are also preparing to move, in November 2014, from two owned buildings, in Halifax, into one rented facility. Proposals in response to a Request For Proposal (RFP) to redevelop our Montreal facility are due in spring 2015. As announced as part of *A space for us all*, we have increased our real estate infrastructure reduction target to at least half of the current footprint, representing two million square feet, by 2020.

The Canada Industrial Relations Board (CIRB) recently ruled in favour of CBC/Radio-Canada's application for review of the bargaining unit structure for employees working in the province of Quebec and the city of Moncton. That structure, in place since 1995, consists of four bargaining units. The Corporation believes that the structure must be streamlined in order to succeed in today's highly competitive environment and properly meet audience expectations.

CBC/Radio-Canada has been awarded the Canadian broadcast rights for the Olympic Games in 2018 in PyeongChang, South Korea, and 2020 in Tokyo, Japan.

A full discussion of risks and mitigation strategies is available in our 2013-2014 Annual Report.

4. Financial Reporting Disclosure

4.1 Future Accounting Standards

Refer to Note 2 of the condensed interim consolidated financial statements for information pertaining to accounting changes effective during 2014-2015 and for information on issued accounting pronouncements that will be effective in future years.

4.2 Key Accounting Estimates and Critical Judgments

Discussion and analysis of our financial condition and results of operations are based upon our condensed interim consolidated financial statements, which have been prepared in accordance with IFRS. Our key significant accounting estimates and critical judgments are contained in Note 4 of our annual financial statements. During the quarter, a new significant estimate arose from the valuation of the advertising minutes given up as part of the Rogers deal. Full details are included in Note 2 of our condensed interim consolidated financial statements.

4.3 Transactions with Related Parties

Investments in associate

On July 28, 2014, we sold 4.8 million Class A shares in Sirius XM Canada Holdings Inc. (SiriusXM), decreasing our equity interest to 10.2% and our voting interest to 9.7%.

Transactions with defined benefit pension plans

We made employer contributions to defined benefit plans as discussed in Note 16. We also provided management and administrative services to our defined benefit pension plans.

Statement of Management Responsibility by Senior Officials

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

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

Hubert T. Lacroix,

President and Chief Executive Officer

Michael Mooney,

Acting Vice-President and Chief Financial Officer

Ottawa, Canada

November 20, 2014

Condensed Interim Consolidated Statement of Financial Position (unaudited)

(in thousands of Canadian dollars)	September 30, 2014	March 31, 2014 (Revised)
ASSETS		
Current		
Cash	92,765	61,974
Trade and other receivables (NOTE 3)	174,191	277,020
Programming (NOTE 4)	226,569	211,728
Merchandising inventory	242	257
Prepaid expenses	24,428	21,134
Promissory notes receivable	2,389	2,308
Investment in finance lease	2,663	2,568
Derivative financial instruments	255	681
Assets classified as held for sale (NOTE 5)	1,788	6,890
	525,290	584,560
Long-term		
Property and equipment (NOTE 5)	904,701	946,537
Intangible assets (NOTE 6)	24,813	23,396
Assets under finance leases	29,736	34,083
Programming (NOTE 4)	102,371	11,986
Promissory notes receivable	44,755	45,961
Investment in finance lease	48,783	50,138
Deferred charges	13,285	10,032
Investment in associate (NOTE 7)	-	1,855
	1,168,444	1,123,988
TOTAL ASSETS	1,693,734	1,708,548
LIABILITIES		
Current		
Accounts payable and accrued liabilities (NOTE 8)	84,683	106,297
Provisions (NOTE 9)	38,622	32,623
Pension plans and employee-related liabilities (NOTE 10)	124,153	140,525
Programming liability (NOTE 4)	15,151	-
Bonds payable	21,377	21,101
Obligations under finance leases	12,058	11,743
Notes payable	8,206	8,124
Deferred revenues	22,894	9,423
Option liability	1,875	1,875
	329,019	331,711
Long-term		
Deferred revenues	49,102	18,205
Pension plans and employee-related liabilities (NOTE 10)	164,526	198,570
Programming liability (NOTE 4)	41,868	-
Bonds payable	258,042	264,599
Obligations under finance leases	27,528	33,676
Notes payable	103,759	106,930
Deferred capital funding (NOTE 12)	512,341	518,272
	1,157,166	1,140,252
Equity		
Retained earnings	207,100	236,117
Total equity attributable to the Corporation	207,100	236,117
Non-controlling interests	449	468
TOTAL EQUITY	207,549	236,585
TOTAL LIABILITIES AND EQUITY	1,693,734	1,708,548

Contingencies (NOTE 9) and Commitments (NOTE 17)

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

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

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2014	2013	2014	2013
REVENUE (NOTE 11)				
Advertising	64,618	60,643	192,174	178,763
Subscriber fees	33,647	33,344	67,528	66,263
Other income	37,111	31,291	65,968	62,238
Financing income	2,753	2,290	5,051	4,456
	138,129	127,568	330,721	311,720
EXPENSES				
Television, radio and new media services costs	336,363	359,549	789,219	798,370
Transmission, distribution and collection	17,508	17,670	34,022	35,089
Corporate management	2,462	2,600	5,072	5,259
Payments to private stations	605	647	1,198	1,268
Finance costs	7,860	7,796	15,274	15,567
Share of profit in associate	(1,875)	(782)	(12,341)	(1,073)
	362,923	387,480	832,444	854,480
Operating loss before Government funding and non-operating items	(224,794)	(259,912)	(501,723)	(542,760)
GOVERNMENT FUNDING (NOTE 12)				
Parliamentary appropriation for operating expenditures	102,000	237,698	322,036	462,824
Parliamentary appropriation for working capital	1,000	1,000	2,000	2,000
Amortization of deferred capital funding	25,177	27,694	51,896	55,550
	128,177	266,392	375,932	520,374
Results before non-operating items	(96,617)	6,480	(125,791)	(22,386)
NON-OPERATING ITEMS				
Gain on sale of shares (NOTE 7)	33,548	-	33,548	-
Gain (loss) on disposal of property and equipment	9,862	(759)	5,467	(2,274)
	43,410	(759)	39,015	(2,274)
Net results for the period	(53,207)	5,721	(86,776)	(24,660)
Net results attributable to:				
The Corporation	(53,258)	5,704	(86,932)	(24,738)
Non-controlling interests	51	17	156	78
	(53,207)	5,721	(86,776)	(24,660)

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

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

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2014	2013	2014	2013
COMPREHENSIVE INCOME (LOSS)				
Net results for the period	(53,207)	5,721	(86,776)	(24,660)
Other comprehensive income - not subsequently reclassified to net results				
Remeasurements of defined benefit plans (NOTE 10)	113,988	6,204	57,915	145,319
Total comprehensive income (loss) for the period	60,781	11,925	(28,861)	120,659
Total comprehensive income (loss) attributable to:				
The Corporation	60,730	11,908	(29,017)	120,581
Non-controlling interests	51	17	156	78
	60,781	11,925	(28,861)	120,659

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

Condensed Interim Consolidated Statement of Changes in Equity (unaudited)

(in thousands of Canadian dollars)

	Three months ended September 30, 2014		
	Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at June 30, 2014	146,370	573	146,943
Changes in period			
Net results for the period	(53,258)	51	(53,207)
Remeasurements of defined benefit plans (NOTE 10)	113,988	-	113,988
Total comprehensive income for the period	60,730	51	60,781
Distributions to non-controlling interests	-	(175)	(175)
Balance as at September 30, 2014	207,100	449	207,549

	Three months ended September 30, 2013		
	Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at June 30, 2013	159,065	621	159,686
Changes in period			
Net results for the period	5,704	17	5,721
Remeasurements of defined benefit plans (NOTE 10)	6,204	-	6,204
Total comprehensive income for the period	11,908	17	11,925
Distributions to non-controlling interests	-	(226)	(226)
Balance as at September 30, 2013	170,973	412	171,385

	Six months ended September 30, 2014		
	Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at March 31, 2014	236,117	468	236,585
Changes in period			
Net results for the period	(86,932)	156	(86,776)
Remeasurements of defined benefit plans (NOTE 10)	57,915	-	57,915
Total comprehensive income (loss) for the period	(29,017)	156	(28,861)
Distributions to non-controlling interests	-	(175)	(175)
Balance as at September 30, 2014	207,100	449	207,549

	Six months ended September 30, 2013		
	Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at March 31, 2013	50,392	560	50,952
Changes in period			
Net results for the period	(24,738)	78	(24,660)
Remeasurements of defined benefit plans (NOTE 10)	145,319	-	145,319
Total comprehensive income for the period	120,581	78	120,659
Distributions to non-controlling interests	-	(226)	(226)
Balance as at September 30, 2013	170,973	412	171,385

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

Condensed Interim Consolidated Statement of Cash Flows (unaudited)

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2014	2013	2014	2013
CASH FLOWS FROM (USED IN)				
OPERATING ACTIVITIES				
Net results for the period	(53,207)	5,721	(86,776)	(24,660)
Adjustments for:				
(Gain) loss on disposal of property and equipment	(9,862)	759	(5,467)	2,274
Gain on sale of shares (NOTE 7)	(33,548)	-	(33,548)	-
Financing income	(2,753)	(2,290)	(5,051)	(4,456)
Finance costs	7,860	7,796	15,274	15,567
Change in fair value of financial instruments designated as at fair value through profit and loss	(77)	242	426	175
Depreciation of property and equipment	27,560	28,713	55,855	57,514
Amortization of intangible assets	1,620	1,630	3,217	3,358
Depreciation of assets under finance leases	2,112	2,062	4,226	4,124
Share of profit in associate	(1,875)	(782)	(12,341)	(1,073)
Change in deferred charges	(2,924)	(1,703)	(3,253)	(3,374)
Change in programming asset [long-term]	(89,895)	(5,235)	(89,801)	(7,503)
Change in programming liability [current and long-term]	56,702	-	56,702	-
Amortization of deferred capital funding (NOTE 12)	(25,177)	(27,694)	(51,896)	(55,550)
Change in deferred appropriations for operating expenditures	-	(13,886)	-	34,024
Change in deferred revenues [long-term]	31,170	(88)	30,214	(37)
Change in pension plans and employee-related liabilities [current]	(10,676)	(8,241)	(1,992)	3,337
Change in pension plans and employee-related liabilities [long-term]	11,478	15,527	23,871	31,606
Accretion of promissory notes receivable	(5)	(4)	(10)	(9)
Movements in working capital (NOTE 14)	1,293	3,401	82,731	(31,845)
	(90,204)	5,928	(17,619)	23,472
FINANCING ACTIVITIES				
Repayment of obligations under finance leases	(2,969)	(2,668)	(5,830)	(5,406)
Repayment of bonds	-	-	(6,090)	(5,656)
Repayment of notes	-	-	(3,069)	(2,930)
Distributions to non-controlling interests	(175)	-	(175)	-
Interest paid	(672)	(838)	(14,486)	(15,277)
	(3,816)	(3,506)	(29,650)	(29,269)
INVESTING ACTIVITIES				
Parliamentary appropriations for capital funding (NOTE 12)	22,000	25,189	45,965	51,153
Acquisition of property and equipment (NOTE 5)	(10,643)	(13,093)	(20,138)	(21,005)
Acquisition of intangible assets (NOTE 6)	(1,906)	(2,614)	(4,860)	(5,362)
Proceeds from disposal of property and equipment	1,655	591	2,505	1,127
Proceeds from disposal of shares (NOTE 7)	33,548	-	33,548	-
Collection of promissory notes receivable	565	526	1,120	1,044
Collection of finance lease receivables	598	558	1,187	1,107
Dividends received	1,875	1,875	14,196	3,348
Interest received	2,271	2,295	4,537	4,573
	49,963	15,327	78,060	35,985
Change in cash	(44,057)	17,749	30,791	30,188
Cash, beginning of the period	136,822	63,898	61,974	51,459
Cash, end of the period	92,765	81,647	92,765	81,647

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

Notes to the Condensed Interim Consolidated Financial Statements for the Second Quarter Ended September 30, 2014 (unaudited)

(In thousands of Canadian dollars, unless otherwise noted)

1. General Information

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

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

These condensed interim consolidated financial statements have been authorized for issuance by the Board of Directors on November 20, 2014.

2. Significant Accounting Policies

A. Statement of Compliance

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

B. Basis of Preparation

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

These interim consolidated financial statements are presented on a condensed basis as permitted by IAS 34 and therefore do not include all disclosures that would otherwise be required in a full set of financial statements. These condensed interim consolidated financial statements are intended to provide an update on the latest complete set of audited annual financial statements for the year ended March 31, 2014. Accordingly, they should be read in conjunction with the audited annual consolidated financial statements for the year then ended. The accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those disclosed in the Corporation's audited annual consolidated financial statements, except for the adoption of new and revised International Financial Reporting Standards (IFRS) discussed in Note 2C and the change in presentation as described in note 2E.

2. Significant Accounting Policies (Continued)

Key sources of Estimation Uncertainty and Critical Judgments

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

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

The Corporation has added the following key source of estimation uncertainty since the Corporation's last audited annual consolidated financial statements at March 31, 2014:

- The Corporation has estimated the value of non-monetary consideration provided to Rogers Communications Inc. for *Hockey Night in Canada* sublicensing over the next four years.

C. Adoption of New and Revised International Financial Reporting Standards

The following new pronouncements issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee were adopted by the Corporation effective April 1, 2014. These pronouncements had no impact on the condensed interim consolidated financial statements as at and for the quarter ended September 30, 2014.

Amendments to IAS 36 *Impairment of Assets*

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

IFRIC 21 *Levies*

IFRIC 21, effective for annual periods beginning on or after January 1, 2014, was issued in May 2013 to provide guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

2. Significant Accounting Policies (Continued)

D. Future Accounting Changes

The Corporation has reviewed new and revised accounting pronouncements as well as the ongoing annual improvements 2010-2012, 2011-2013 and 2012-2014 that have been issued. Conclusions made regarding the expected impact of future changes in accounting policies could change until the standards are fully adopted.

The Corporation has completed its assessment of the following amendments and annual improvements and has concluded that their adoption will not have an impact on its consolidated financial statements:

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in associates and joint ventures*

The amendments to IFRS 10 and IAS 28 were issued in September 2014. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture and are effective for annual reporting periods beginning on or after July 1, 2016, on a retrospective basis.

Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*

IAS 16 and IAS 38 were amended in May 2014 to clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and that, for intangible assets, there is a rebuttable presumption that amortization based on revenue is not appropriate. These amendments are effective for annual reporting periods beginning on or after January 1, 2016, on a retrospective basis.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

IAS 19 was amended in November 2013 to allow for employee contributions that are linked solely to the employee's service rendered in the same period in which those contributions are payable to be accounted for as a reduction in the cost of short-term employee benefits. These amendments are effective for annual reporting periods beginning on or after July 1, 2014, on a retrospective basis.

Annual Improvements to IFRSs: 2010-2012 Cycle and 2011-2013 Cycle

The *Annual Improvements to IFRSs 2010-2012 Cycle* and the *Annual Improvements to IFRS 2011-2013* Cycle were issued in December 2013. These improvements include a number of amendments to various IFRSs which are effective for annual reporting periods beginning on or after July 1, 2014, on a retrospective basis.

2. Significant Accounting Policies (Continued)

The Corporation is still assessing the potential impact of the following standards on its consolidated financial statements:

IFRS 9 *Financial Instruments*

IFRS 9, issued in November 2009 and amended in October 2010, is part of a multi-phase project to replace current IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has adopted an approach based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets and liabilities. In addition to this logical model for classification and measurement, the final IFRS 9 issued in July 2014 includes a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. This standard will become effective for annual periods beginning January 1, 2018 on a retrospective basis.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and supersedes IAS 18 *Revenue* and IAS 11 *Construction Contracts* and a number of revenue-related interpretations. The Standard establishes a comprehensive framework for determining when revenue should be recognized and how it should be measured. The core principle is that an entity should recognize revenue when it transfers goods or services to a customer based upon the amount of consideration to which the entity expects to be entitled to from the customer. The goods or services are transferred when the customer has control of them. IFRS 15 also requires extensive new qualitative and quantitative disclosures designed to help investors understand the nature, amount, timing and uncertainty of revenue. This standard will become effective for annual periods beginning on or after January 1, 2017. When first adopting IFRS 15, the Corporation will apply the standard in full for the current period, including retrospective application to all contracts not yet complete at the beginning of that period. In respect to prior periods, the Corporation can either fully apply the standard or adopt a modified approach as permitted by the transition guidance.

Amendments to IFRS 11 *Joint Arrangements*

IFRS 11 was amended in May 2014 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This Standard will become effective for annual periods beginning on or after January 1, 2016, on a retrospective basis.

Annual Improvements to IFRSs: 2012-2014 Cycle

The *Annual Improvements to IFRSs 2012-2014 Cycle* were issued in September 2014. These improvements include a number of amendments to various IFRSs which are effective for annual reporting periods beginning on or after January 1, 2016, on a retrospective basis.

2. Significant Accounting Policies (Continued)

E. Change in Presentation

Beginning July 1, 2014, the Corporation changed the presentation of programming assets in its Statement of Financial Position. This change was made to consolidate programming as one current asset and one non-current asset to further align with industry practice and to provide readers with improved transparency around programming assets at each reporting date. Following this change, no amounts related to programming or programming rights will be included as part of Prepaid expenses or Deferred charges. This change had the following impacts on Statement of Financial Position line items, with no impact on reported results or equity in any reporting period:

(in thousands of Canadian dollars)			As at March 31, 2014
	As previously reported	Change	Revised
ASSETS			
Current			
Programming	135,389	76,339	211,728
Prepaid expenses	97,473	(76,339)	21,134
Long-term			
Programming	-	11,986	11,986
Deferred charges	22,018	(11,986)	10,032

3. Trade and Other Receivables

(in thousands of Canadian dollars)	September 30, 2014	March 31, 2014
Trade receivables	161,543	263,554
Allowance for doubtful accounts	(3,733)	(3,719)
Other	16,381	17,185
	174,191	277,020

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

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

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

3. Trade and Other Receivables (Continued)

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

The fact that a significant portion of sales are made to advertising agencies results in some concentration of credit risk. The Corporation considers this type of credit risk to be limited based on past experience. In addition, the Corporation mitigates the credit risk of advertising receivables by performing initial and ongoing credit evaluations of advertising customers. There was one customer with an account receivable balance at September 30, 2014, that represented 6% of total advertising revenue.

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

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

(in thousands of Canadian dollars)	September 30, 2014	March 31, 2014
31 - 60 days	2,754	129,016
61 - 90 days	22,469	21,195
Over 90 days	38,814	16,858
Total	64,037	167,069

B. Movement in Allowance for Doubtful Accounts

(in thousands of Canadian dollars)	September 30, 2014	March 31, 2014
Opening balance	(3,719)	(3,627)
Amounts written off during the period as uncollectible	282	831
Impairment losses reversed	246	523
Net increase in allowance for new impairments	(542)	(1,446)
Balance, end of period	(3,733)	(3,719)

4. Programming

A. Programming by Category

(in thousands of Canadian dollars)	September 30, 2014	March 31, 2014 (Revised)
Programs completed	57,144	70,149
Programs in process of production	108,544	42,668
Broadcast rights available for broadcast within the next twelve months	60,881	98,911
	226,569	211,728
Broadcast rights not available for broadcast within the next twelve months	102,371	11,986
	328,940	223,714

B. Movement in Programming

(in thousands of Canadian dollars)	September 30, 2014	March 31, 2014 (Revised)
Opening balance	223,714	257,724
Additions	594,397	1,102,079
Programs broadcast	(489,171)	(1,136,089)
Balance, end of period	328,940	223,714

Programming includes amounts for television programs.

The programming write-offs included in the Programs broadcast line in the above table for the three and six months ended September 30, 2014, amount to $0.9 million (2013 – $0.8 million) and $1.9 million (2013 – $2.4 million), respectively. Programming write-offs are mainly due to terminated projects, programs not telecasted in the past two years, programming not suitable for telecast or pilots not progressing into a series.

During the quarter, 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 a licence 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 four years with an optional one-year extension at Rogers' discretion. As no monetary amounts are to be exchanged, an estimate was calculated of the value of 4 year broadcast licence acquired and has been recorded as Programming in the Corporation's condensed interim consolidated financial statements. An estimate of the corresponding costs associated with the provision of facilities and production services as well as an implicit deferred revenue has been recorded in the liabilities of the Corporation's condensed interim consolidated financial statements. The Corporation will recognize these items in revenue and expenses over the four-year term of this agreement.

5. Property and Equipment

A. Cost and Accumulated Depreciation

The property and equipment carrying amounts are as follows:

(in thousands of Canadian dollars)	September 30, 2014	March 31, 2014
Cost	2,094,051	2,153,623
Accumulated depreciation	(1,189,350)	(1,207,086)
	904,701	946,537

(in thousands of Canadian dollars)	Land	Buildings	Leasehold improvements	Technical equipment	Other	Uncompleted capital projects	Total
Cost as at March 31, 2014	174,709	547,264	52,874	1,209,026	142,580	27,170	2,153,623
Additions	-	-	-	1,580	744	17,814	20,138
Transfers (refer to Note 6)	-	10,191	49	10,023	3,080	(23,254)	89
Assets classified as held for sale	(129)	(3,530)	-	-	-	-	(3,659)
Disposals and write-offs	(108)	(1,792)	-	(67,298)	(6,942)	-	(76,140)
Cost as at September 30, 2014	174,472	552,133	52,923	1,153,331	139,462	21,730	2,094,051
Accumulated depreciation as at March 31, 2014	-	(179,369)	(25,836)	(895,476)	(106,405)	-	(1,207,086)
Depreciation for the period	-	(17,549)	(1,567)	(30,681)	(6,058)	-	(55,855)
Reclassification of depreciation on assets classified as held for sale	-	3,530	-	-	-	-	3,530
Reclassification of depreciation on disposals and write-offs	-	1,202	-	62,225	6,634	-	70,061
Accumulated depreciation as at September 30, 2014	-	(192,186)	(27,403)	(863,932)	(105,829)	-	(1,189,350)
Net carrying amount as at September 30, 2014	174,472	359,947	25,520	289,399	33,633	21,730	904,701

5. Property and Equipment (Continued)

(in thousands of Canadian dollars)	Land	Buildings	Leasehold improvements	Technical equipment	Other	Uncompleted capital projects	**Total**
Cost as at March 31, 2013	179,207	542,901	52,866	1,274,106	138,738	23,479	2,211,297
Additions	-	-	-	14,472	5,130	58,055	77,657
Transfers (refer to Note 6)	-	9,141	1,147	35,102	7,111	(54,358)	(1,857)
Assets classified as held for sale	(4,480)	(2,353)	-	-	-	-	(6,833)
Disposals and write-offs	(18)	(2,425)	(1,139)	(114,654)	(8,399)	(6)	(126,641)
Cost as at March 31, 2014	174,709	547,264	52,874	1,209,026	142,580	27,170	2,153,623
Accumulated depreciation as at March 31, 2013	-	(146,971)	(23,910)	(940,444)	(102,262)	-	(1,213,587)
Depreciation for the year	-	(34,822)	(3,065)	(64,167)	(12,389)	-	(114,443)
Reclassification of depreciation on assets classified as held for sale	-	1,021	-	-	-	-	1,021
Reclassification of depreciation on disposals and write-offs	-	1,403	1,139	109,135	8,246	-	119,923
Accumulated depreciation as at March 31, 2014	-	(179,369)	(25,836)	(895,476)	(106,405)	-	(1,207,086)
Net carrying amount as at March 31, 2014	174,709	367,895	27,038	313,550	36,175	27,170	946,537

The contractual commitments for the acquisition of property and equipment are $21.7 million as at September 30, 2014 (March 31, 2014 – $15.3 million).

B. Impairment and Other Charges

No impairment loss was recorded during the three and six month periods ended September 30, 2014 (2013 – nil).

C. Assets Classified as Held For Sale

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

As part of the Corporation's financial plan, it has developed a strategy to reduce ownership in land and buildings. As part of this initiative, the Corporation has several properties classified as held for sale for accounting purposes at September 30, 2014, that have a total carrying value of $1.6 million (March 31, 2014 – $6.4 million). These properties are expected to be sold on a site by site basis over the next twelve months.

5. Property and Equipment (Continued)

The Corporation has also classified as held for sale 7 transmission sites (March 31, 2014 – 26 transmission sites) no longer required following the end of TV analogue transmission. These sites have a net carrying amount of $0.2 million as at September 30, 2014, (March 31, 2014 – $0.5 million) and are expected to be sold on a site by site basis over the next twelve months.

D. Disposals

During the second quarter 2014, the Corporation sold two properties located in Windsor, Ontario that were previously held for sale. The proceeds on the sales of these properties were $2.1 million and resulted in gains of $0.6 million.

Also during the second quarter, the Corporation recorded a gain of $9.3 million for insurance proceeds related a mobile production vehicle that was damaged beyond repair in May 2014. A loss of $2.4 million related to this mobile unit was recorded during the first quarter of this fiscal year.

In June 2014, the Corporation sold a property located in Halifax, Nova Scotia that was previously held for sale. The proceeds on the sale of this property were $3.8 million and resulted in a gain of $0.4 million, which was recognized during the first quarter.

The recorded gains have been partly offset by losses from the disposal or replacement of equipment as part of the Corporation's normal asset refresh cycle.

6. Intangible Assets

The intangible assets carrying amounts are as follows:

(in thousands of Canadian dollars)	September 30, 2014	March 31, 2014
Cost	173,264	169,728
Accumulated amortization	(148,451)	(146,332)
	24,813	23,396

(in thousands of Canadian dollars)	Internally developed software	Acquired software	Uncompleted capital projects	Total
Cost as at March 31, 2014	140,893	23,887	4,948	169,728
Additions	-	28	4,832	4,860
Transfers (refer to Note 5)	663	729	(1,481)	(89)
Disposals and write-offs	(1,235)	-	-	(1,235)
Cost as at September 30, 2014	140,321	24,644	8,299	173,264
Accumulated amortization as at March 31, 2014	(136,720)	(9,612)	-	(146,332)
Amortization for the period	(944)	(2,273)	-	(3,217)
Reclassification of depreciation on disposals and write-offs	1,098	-	-	1,098
Accumulated depreciation as at September 30, 2014	(136,566)	(11,885)	-	(148,451)
Net carrying amount as at September 30, 2014	3,755	12,759	8,299	24,813

(in thousands of Canadian dollars)	Internally developed software	Acquired software	Uncompleted capital projects	**Total**
Cost as at March 31, 2013	139,316	14,316	2,293	155,925
Additions	-	117	12,419	12,536
Transfers (refer to Note 5)	2,167	9,454	(9,764)	1,857
Disposals and write-offs	(590)	-	-	(590)
Cost as at March 31, 2014	140,893	23,887	4,948	169,728
Accumulated amortization as at March 31, 2013	(134,328)	(4,034)	-	(138,362)
Amortization for the year	(2,982)	(5,578)	-	(8,560)
Reclassification of depreciation on disposals and write-offs	590	-	-	590
Accumulated amortization as at March 31, 2014	(136,720)	(9,612)	-	(146,332)
Net carrying amount as at March 31, 2014	4,173	14,275	4,948	23,396

7. Investment in Associate

A. Description of Investment

As at September 30, 2014, the Corporate held 13,056,787 Class A Subordinate Voting Shares in Sirius XM Canada Holdings Inc. (SiriusXM), which represented a 10.20% equity interest and a 9.68% voting interest. These shares were obtained following the conversion on March 21, 2014, of the Class B Voting Shares previously held by the Corporation. The Corporation's equity interest remained unchanged following this transaction.

The Corporation has a seat on the Board of Directors through its ownership of a 10.20% equity interest in SiriusXM. The Corporation therefore holds the power to participate in the financial and operating policy decisions of SiriusXM through this board representation, its voting interest and its ongoing business relationship with SiriusXM. As such, the Corporation concludes that it exerts significant influence and applies the equity method of accounting to its investment in SiriusXM.

On July 28, 2014, the Corporation sold 4,800,000 of its Class A shares in SiriusXM for net proceeds of $33.5 million.

SiriusXM has a policy to pay dividends on a quarterly basis, as well as to issue special dividends at their discretion. For the three and six month periods ended September 30, 2014, the Corporation received quarterly and special dividends from SiriusXM totalling $1.9 million (2013 – $1.9 million) and $14.2 million (2013 – $3.3 million), respectively.

B. Accounting Considerations

SiriusXM's fiscal year end is August 31, 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 August 31, 2014, which falls within the allowed three month window. This corresponds to the latest information available for Sirius XM that can be disclosed publicly. IAS 28 also requires an adjustment to results for any significant transactions that occur during the intervening period. No such adjustments were necessary for the quarter ended September 30, 2014 (2013 – nil).

The fair value of the Corporation's investment in SiriusXM at September 30, 2014, was $93.5 million (March 31, 2014 – $154.5 million). The fair value was determined using the closing market price of SiriusXM Class A shares at September 30, 2014, and as such, the fair value measurement is considered a Level 1 measurement in the fair value hierarchy.

The following is a summary of the Corporation's investment in SiriusXM:

(in thousands of Canadian dollars)	Ownership interest as at:		Carrying value as at:	
	September 30, 2014	March 31, 2014	September 30, 2014	March 31, 2014
SiriusXM - Class A shares	10%	14%	-	1,855

7. Investment in Associate (Continued)

A reconciliation of the carrying amount of the Corporation's investment in SiriusXM, as recorded on the Condensed Interim Consolidated Statement of Financial Position, is as follows:

(in thousands of Canadian dollars)	September 30, 2014	March 31, 2014
Opening balance	1,855	3,473
Share of profit in associate	12,341	4,440
Dividends received	(14,196)	(7,098)
Dilution gain	-	1,040
Balance, end of period	-	1,855

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

C. Financial Information

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

(in thousands of Canadian dollars)	September 30, 2014[1]	March 31, 2014[2]
Current Assets	42,133	63,913
Long-term assets	287,260	294,109
Current liabilities	(203,850)	(201,551)
Non-current liabilities	(212,771)	(143,184)
Net Assets	(87,228)	13,287

[1]These amounts reflect the SiriusXM balances as at August 31, 2014.

[2]These amounts reflect the SiriusXM balances as at February 28, 2014.

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2014[1]	2013[2]	2014[1]	2013[2]
Revenue	77,261	78,008	148,686	151,694
Net results and total comprehensive (loss) income	4,428	4,078	(432)	4,854

[1]Amounts for the three and six month periods ended September 30, 2014, include SiriusXM results for the three and six month periods ended August 31, 2014.

[2]Amounts for the three and six month periods ended September 30, 2013, include SiriusXM results for the three and six month periods ended August 31, 2013.

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

8. Accounts Payable and Accrued Liabilities

(in thousands of Canadian dollars)	September 30, 2014	March 31, 2014
Trade payables	36,669	38,806
Accruals	45,494	64,318
Other	2,520	3,173
	84,683	106,297

9. Provisions

(in thousands of Canadian dollars)					September 30, 2014
			Restructuring costs		
	Claims and legal proceedings	Environmental	Workforce reduction	Decommissioning	Total
Opening balance	31,130	588	-	905	32,623
Additional provisions recognized	6,291	-	9,960	-	16,251
Provisions utilized	(912)	(20)	(2,120)	(281)	(3,333)
Reductions resulting from remeasurement or settlement without cost	(4,326)	-	(2,593)	-	(6,919)
Balance, end of period	32,183	568	5,247	624	38,622

A. Restructuring costs

Restructuring costs incurred during the first quarter of the year have arisen following the Corporation's announcement in April 2014 related to a budget shortfall and other financial pressures totaling $130 million. The Corporation's restructuring plan requires the elimination of 657 positions over two years. Expenses recognized to date include workforce reductions where demonstrably committed and estimable.

The Corporation's decommissioning provision includes work associated with the shutdown of both analogue television and shortwave transmission services. Work associated with the provision of $0.6 million (March 31, 2014 – $0.9 million) is expected to be completed within the next year.

9. Provisions (Continued)

B. Claims and legal proceedings

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

Litigation is subject to many uncertainties and the outcome of individual matters is not always predictable. Claims that are uncertain in terms of the outcome or potential outflow or that are not measurable are considered to be a contingency and are not recorded in the Corporation's condensed interim consolidated financial statements.

At September 30, 2014, the Corporation had provisions amounting to $32.2 million (March 31, 2014 – $31.1 million) in respect of legal claims. All matters are classified as current as, where estimable, the Corporation expects them to be resolved within 12 months.

C. Environmental liabilities

At September 30, 2014, the Corporation had a provision of $0.6 million for one environmental matter (March 31, 2014 – $0.6 million). Remediation work is required at the Corporation's Mont Logan property to clean-up oil contaminants found in ground samples from the site's former transmission tower and associated building. The total remaining costs associated with remediation work at this site have been estimated at $0.6 million. A significant portion of the work is expected to be completed during the fall of 2014, although the project may require up to 6 years to complete.

D. Contingencies

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

10. Pension Plans and Employee-Related Liabilities

Employee-related liabilities are as follows:

(in thousands of Canadian dollars)	Current		Long-term	
	September 30, 2014	March 31, 2014	September 30, 2014	March 31, 2014
Net defined benefit liability	-	-	26,470	61,961
Employee future benefits	-	-	137,940	136,481
Vacation pay	50,625	59,282	-	-
Workforce reduction	16,769	8,125	-	-
Salary-related liabilities	56,759	73,118	116	128
	124,153	140,525	164,526	198,570

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

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

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

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

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

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

Assumptions – annual rates	September 30, 2014	March 31, 2014
Assumptions for the calculation of pension benefit costs:		
Discount rate	4.25%	4.00%
Assumptions for the calculation of the benefit obligation:		
Discount rate - pension	4.00%	4.25%
Discount rate - long service gratuity	3.25%	3.50%
Discount rate - LTD benefit	3.25%	3.50%
Discount rate - life insurance	3.75%	4.00%
Mortality	CBC Pensioner mortality table based on CBC experience	CBC Pensioner mortality table based on CBC experience
Long-term rate of compensation increase, excluding merit and promotion	1.50% in 2014, 2015 & 2.75% thereafter	1.50% in 2014, 2015 & 2.75% thereafter
Health care cost trend rate	7.77% in 2014 declining to 4.5% over 14 years	7.77% in 2014 declining to 4.5% over 14 years
Indexation of pensions in payment	1.65%	1.65%

The Plan is funded on the basis of actuarial valuations, which are made annually. 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.

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

	2014	2013
For earnings up to the maximum public pension plan earnings[1]		
April 1 to June 30	6.19%	5.53%
July 1 to September 30	6.25%	6.19%
For incremental earnings in excess of the maximum public pension plan earnings[1]		
April 1 to June 30	8.14%	7.27%
July 1 to September 30	8.22%	8.14%

[1] The maximum public pension earnings for 2014 is $52,500 (2013: $51,100).

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

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

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2014	2013	2014	2013
Benefits paid directly to beneficiaries	2,967	3,876	5,934	7,212
Employer regular contributions to pension benefit plans	14,801	14,575	28,835	28,430
Total cash payments for defined benefit plans	17,768	18,451	34,769	35,642

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

(in thousands of Canadian dollars)	September 30, 2014			March 31, 2014		
	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	5,879,154	-	-	5,587,972	-	-
Defined benefit obligation	5,814,146	91,478	137,940	5,562,330	87,603	136,481
Net (liability) asset arising from defined benefit obligation	65,008	(91,478)	(137,940)	25,642	(87,603)	(136,481)

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

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

(in thousands of Canadian dollars)	September 30, 2014		March 31, 2014	
	Pension plans	Other post-employment plans	Pension plans	Other post-employment plans
Opening defined benefit obligation	5,649,933	136,481	5,586,813	150,126
Current service cost	49,420	2,376	109,923	5,825
Interest cost	118,642	2,294	221,228	5,289
Contributions from employees	20,997	-	47,833	-
Remeasurements:				
Actuarial losses (gains) arising from changes in demographic assumptions	-	-	215,950	(6,659)
Actuarial losses (gains) arising from changes in financial assumptions	208,714	2,723	(239,362)	(3,680)
Actuarial gains arising from experience adjustments	(5,186)	-	(21,093)	-
Benefits paid	(136,896)	(5,934)	(271,359)	(14,420)
Closing defined benefit obligation	5,905,624	137,940	5,649,933	136,481

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

(in thousands of Canadian dollars)	September 30, 2014		March 31, 2014	
	Pension plans	Other post-employment plans	Pension plans	Other post-employment plans
Opening fair value of plan assets	5,587,972	-	5,393,484	-
Administration fees (other than investment management fees)	(2,670)	-	(5,300)	-
Interest income on plan assets	116,898	-	212,490	-
Return on plan assets, excluding interest income	264,018	-	149,519	-
Contributions from employees	20,997	-	47,833	-
Contributions from the Corporation	28,835	5,934	61,305	14,420
Benefits paid	(136,896)	(5,934)	(271,359)	(14,420)
Closing fair value of plan assets	5,879,154	-	5,587,972	-

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

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

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2014	2013	2014	2013
Current service cost	25,898	29,077	51,796	57,874
Administration fees (other than investment management fees)	1,335	1,325	2,670	2,650
Interest cost on defined benefit obligation	60,468	56,703	120,936	113,261
Interest income on plan assets	(58,449)	(53,122)	(116,898)	(106,244)
Remeasurements recognized in net results	-	-	148	(282)
Expense recognized in net results	29,252	33,983	58,652	67,259
Plus:				
Remeasurements recognized in other comprehensive income (loss)	(113,988)	(6,204)	(57,915)	(145,319)
Total amounts recognized in comprehensive income (loss)	**(84,736)**	27,779	**737**	(78,060)

Retained earnings include $237.8 million of cumulative actuarial gains as at September 30, 2014 (March 31, 2014 gains – $179.9 million).

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

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2014	2013	2014	2013
Television, radio and new media services costs	28,081	32,688	56,305	64,707
Transmission, distribution and collection	878	971	1,760	1,914
Corporate management	293	324	587	638
Total	**29,252**	33,983	**58,652**	67,259

11. Revenue

The Corporation has recognized revenue from the following sources:

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2014	2013	2014	2013
Advertising	64,618	60,643	192,174	178,763
Subscriber fees	33,647	33,344	67,528	66,263
Building, tower, facility and service rentals	12,864	12,434	23,063	22,233
Production revenue	9,705	4,842	12,670	7,806
Digital programming	3,662	2,075	12,702	5,211
Retransmission rights	2,453	1,179	3,213	1,940
Program sponsorship	1,768	1,789	2,389	2,974
Other services	595	215	705	1,290
Total Rendering of services	129,312	116,521	314,444	286,480
Total Financing income	2,753	2,290	5,051	4,456
Contribution from the Local Programming Improvement Fund (LPIF)	4,795	8,043	8,948	18,431
Contra revenues other than advertising	922	777	1,860	2,121
Gain on foreign exchange rates	264	174	834	397
Net (loss) gain from fair value of financial instruments	83	(237)	(416)	(165)
Total Revenue	138,129	127,568	330,721	311,720

12. Government Funding

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

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2014	2013	2014	2013
Operating funding	102,000	223,812	322,036	496,848
Capital funding	22,001	25,189	45,965	51,153
Working capital funding	1,000	1,000	2,000	2,000
	125,001	250,001	370,001	550,001

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

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

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

Capital funding received is recorded as Deferred Capital Funding in the Condensed Interim Consolidated Statement of Financial Position, with income being recognized in the Condensed Interim Consolidated Statement of Income (Loss) on the same basis and over the same periods as the related property, equipment and intangible assets.

(in thousands of Canadian dollars)	September 30, 2014	March 31, 2014
Opening balance	518,272	525,696
Government funding for capital expenditures	45,965	103,856
Amortization of deferred capital funding	(51,896)	(111,280)
Balance, end of period	512,341	518,272

13. Seasonality

Excluding government appropriations, approximately 60% of the Corporation's source of funds come from advertising revenue that tend to follow seasonal patterns, with the second quarter typically being the lowest mainly due to the summer season attracting fewer viewers. Advertising revenue also varies according to market and general economic conditions and the programming schedule. Subscriber-based revenue is more stable on a quarter-by-quarter basis and represents approximately 20% of the Corporation's revenue.

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

14. Movements in Working Capital

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2014	2013	2014	2013
Changes in Working Capital are comprised of:				
Trade and other receivables	58,593	50,134	117,386	37,506
Programming	(62,769)	(56,319)	(14,841)	(35,078)
Merchandising inventory	51	528	15	504
Prepaid expenses	(193)	(353)	(3,294)	1,395
Accounts payable and accrued liabilities	12,364	9,728	(21,624)	(23,295)
Provisions	(5,557)	(1,627)	5,999	(717)
Deferred revenues	13,213	1,313	13,471	2,375
Pension plans and employee-related liabilities	(14,409)	(3)	(14,381)	(14,535)
	1,293	3,401	82,731	(31,845)

15. Fair Value Measurements

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

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

(in thousands of Canadian dollars)	September 30, 2014		March 31, 2014			
	Carrying values	Fair values	Carrying values	Fair values	Method	Note
Financial instruments measured at fair value on a recurring basis:						
Derivative financial asset instruments						
Forward contracts	81	81	446	446	Level 2	(a)
Stock options	174	174	235	235	Level 2	(b)
Financial instruments measured at amortized cost:						
Promissory notes receivable (long-term)	44,755	51,539	45,961	52,416	Level 2	(c)
Investment in finance lease (long-term)	48,783	56,857	50,138	57,745	Level 2	(c)
Bonds payable (long-term)	258,042	340,320	264,599	346,602	Level 2	(d)
Obligations under finance leases (long-term)	27,528	28,854	33,676	35,597	Level 2	(d)
Notes payable (long-term)	103,759	114,726	106,930	116,740	Level 2	(d)

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

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

There have been no transfers between levels during the three and six month periods ended September 30, 2014.

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

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

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

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

16. Related Parties

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

A. Transactions with Related Parties Excluding Government-Related Entities

(in thousands of Canadian dollars)	Rendering of services			
	Three months ended September 30		Six months ended September 30	
	2014	2013	2014	2013
Associate	750	733	1,422	1,294
Other related entities[1]	30	30	60	60
	780	763	1,482	1,354

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

(in thousands of Canadian dollars)	Pension contributions			
	Three months ended September 30		Six months ended September 30	
	2014	2013	2014	2013
Corporate Pension Plan	14,801	14,575	28,835	28,430
	14,801	14,575	28,835	28,430

The Corporation did not record any amounts related to the receipt of services from its related parties during the three and six month periods ended September 30, 2014 (2013 – nil).

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

(in thousands of Canadian dollars)	Amounts owed by related parties	
	September 30, 2014	March 31, 2014
Associate	206	379
Other related entities	-	8
	206	387

There are no amounts owing to related parties as at September 30, 2014 (March 31, 2014 – nil).

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

16. Related Parties (Continued)

B. 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 7.

C. Transactions with Government-Related Entities

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

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

For the three months ended September 30, 2014, the aggregate amount of the Corporation's significant transactions with other government-related entities amounted to $0.3 million of its rendering of services (2013 – $0.7 million) and $0.3 million of its purchase of goods and services (2013 – $0.3 million). For the six months ended September 30, 2014, the aggregate amount of the Corporation's significant transactions with other government-related entities amounted to $0.5 million of its rendering of services (2013 – $0.8 million) and $0.7 million of its purchase of goods and services (2013 – $1.0 million). There were no individually significant transactions during the six months ended September 30, 2014 (2013 – none).

17. Commitments

The Corporation enters into commitments by renewing purchase agreements and entering into new purchase agreements. Commitments also arise because the Corporation enters into operating leases related to property, network distribution and equipment. Management estimates that these new commitments, for the quarter ended September 30, 2014, will result in future expenditures of approximately $79.0 million (2013 – $85.9 million). As at September 30, 2014, the Corporation's total commitments amounted to $655.6 million (March 31, 2014 – $611.8 million) and will span the next 45 years.

18. Subsequent Event

On October 27, 2014, the Corporation was served with a statement of claim for $55 million from a former employee alleging breach of confidence, bad faith and defamation in connection with CBC's termination of its relationship with this employee. The Corporation has indicated that it would contest the action vigorously. It is currently too early to assess any financial effect on this claim on the Corporation.

On October 30, 2014, the Corporation announced restructuring initiatives to eliminate the equivalent of approximately 400 full-time positions. This initiative is part of the Corporation's strategic plan announced in June 2014, *A space for us all*, which requires a workforce reduction of up to 1,500 employees by 2020.

The Corporation expects most of the positions affected by this initiative will be notified before the end of November, with the remainder of notifications occurring in early 2015. Restructuring costs in connection with these workforce reductions comprising severance, benefits continuation and outplacement services, will approximate $15.0 million.