



SECOND QUARTER FINANCIAL REPORT

FOR THE PERIOD ENDED SEPTEMBER 30, 2011



YOURS TO CELEBRATE

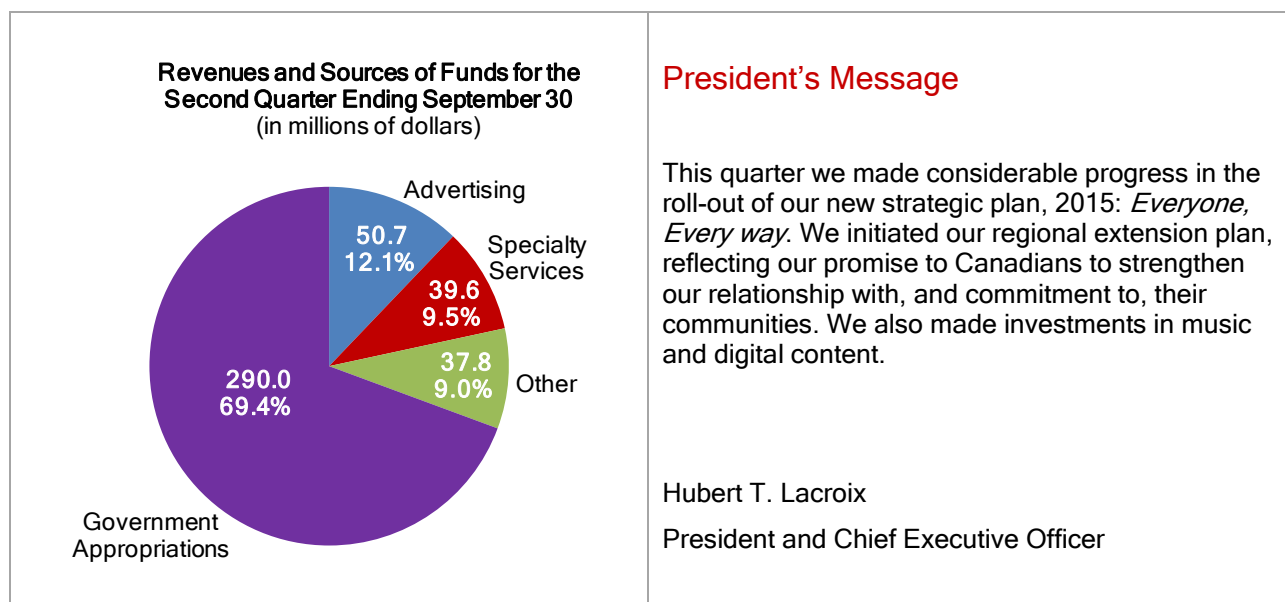


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Summary



Highlights for the Quarter

As part of Strategy 2015, we announced improvements to local services across the country:

- New CBC radio and Internet services will be introduced for the London and Waterloo regions and new weekend CBC television news programming will be introduced for audiences in Edmonton, Ottawa, the Maritimes and St. John's. With the recent addition of weekend news in Edmonton and Regina, 10 markets across the country now have access to Radio-Canada regional weekend news programming.
- We also announced the upcoming launch of a new, groundbreaking local digital service for Hamilton, Ontario, establishing a new era in the way Canadians can connect with their community and each other.

Second Quarter Financial Highlights

Net Results

| | Three months ending September 30 | | | | Six months ending September 30 | | | |
|---|----------------------------------|---------------|-----------------|---------------|--------------------------------|---------------|-----------------|---------------|
| | 2011 | 2010 | \$ change | % change | 2011 | 2010 | \$ change | % change |
| <i>(in thousands of dollars)</i> | | | | | | | | |
| Revenues | 128,076 | 123,402 | 4,674 | 3.8 | 308,221 | 289,458 | 18,763 | 6.5 |
| Expenses | (389,577) | (379,201) | (10,376) | (2.7) | (861,197) | (824,734) | (36,463) | (4.4) |
| Government funding | 289,955 | 300,680 | (10,725) | (3.6) | 568,890 | 569,986 | (1,096) | (0.2) |
| Net results before non-operating items | 28,454 | 44,881 | (16,427) | (36.6) | 15,914 | 34,710 | (18,796) | (54.2) |
| Non-operating items | (13,439) | (369) | (13,070) | (3,542.0) | 29,425 | (504) | 29,929 | 5,938.3 |
| Net results for the period | 15,015 | 44,512 | (29,497) | (66.3) | 45,339 | 34,206 | 11,133 | 32.5 |





Overview of Second Quarter Net Results

Net income for the quarter before non-operating items was \$28.5 million, compared to \$44.9 million for the second quarter of the previous fiscal year, reflecting the following changes in revenue, funding and expenses:

- Revenues increased \$4.7 million (3.8 per cent) compared to the same period in 2010-2011, largely the result of an increase in Local Programming Improvement Fund (LPIF) contributions, with 20 stations eligible for funding this year compared to 17 in 2010-2011.
- Expenses increased by \$10.4 million (2.7 per cent) compared to the second quarter of last year. Increases occurred in television, radio and digital services and, consistent with the 2015 strategic plan, are in part attributable to enhanced conventional and digital programming schedules. The increase also reflects one-time costs incurred for various efficiency-generating projects, higher operating costs for a new converged data network and the costs of a retirement incentive plan introduced to help achieve efficiencies and staff renewal.
- In the second quarter, government funding recognized for accounting purposes was \$10.7 million (3.6 per cent) lower compared to the second quarter of last year, reflecting the matching of funding to quarterly budgeted costs. Government appropriations for the 2011-2012 fiscal year are expected to be \$2.8 million lower than the previous year due to a budget reduction introduced in the 2007 federal budget.
- Non-operating items yielded a loss of \$13.4 million reflecting the final accounting adjustments for the Sirius Canada and CSR merger which closed in the first quarter of the current year.

Other Comprehensive Income

| | Three months ending September 30 | | | | Six months ending September 30 | | | |
|---|----------------------------------|----------------|------------------|----------------|--------------------------------|----------------|------------------|----------------|
| | 2011 | 2010 | \$ change | % change | 2011 | 2010 | \$ change | % change |
| Net results for the period | 15,015 | 44,512 | (29,497) | (66.3) | 45,339 | 34,206 | 11,133 | 32.5 |
| Other comprehensive income (loss) | (195,112) | 112,670 | (307,782) | (273.2) | (138,816) | 79,994 | (218,810) | (273.5) |
| Total comprehensive income (loss) for the period | (180,097) | 157,182 | (337,279) | (214.6) | (93,477) | 114,200 | (207,677) | (181.9) |

Other comprehensive income for the quarter decreased by \$307.8 million compared to the second quarter of 2010-2011, the result of non-cash actuarial losses on CBC/Radio-Canada's defined benefit pension plan. Under recently adopted International Financial Reporting Standards (IFRS), there is immediate recognition of the pension plan's actuarial gains and losses, which leads to significant quarterly fluctuations in other comprehensive income.

Other Financial Matters

- CBC/Radio-Canada is among 67 organizations asked under the government-wide Deficit Reduction Action Plan (DRAP) to prepare two proposals, one for a five per cent reduction and the other for a ten per cent reduction in operating appropriations, over three years. The results of this review are expected in February or March 2012 as part of Budget 2012.
- In Budget 2011, the Government reaffirmed \$60 million in funding to the Corporation for 2011-2012, for Canadian programming initiatives. The Corporation has received this funding since 2001.
- While CBC/Radio-Canada is currently on track to meet its overall advertising revenue targets for the year, in light of the climate of economic uncertainty that arose in the second quarter, the Corporation is closely monitoring its results and forecasts in a slowing market.





Management Discussion and Analysis

Quarterly Reporting Requirement

As well as being required to file an annual report, most federal Crown corporations in Canada are required to file quarterly financial reports for the first three quarters of the fiscal year. This requirement supports effective oversight of public funds. Consistent with our efforts to be transparent, CBC/Radio-Canada is pleased to present this second quarter report for the period ended September 30, 2011. This report can be accessed on the CBC/Radio-Canada corporate website.

These condensed consolidated financial statements for the quarter ended September 30, 2011, have not been reviewed by our Auditor.

International Financial Reporting Standards

As of April 1, 2011, publicly accountable enterprises in Canada must report financial results according to International Financial Reporting Standards (IFRS). This report uses IFRS and presents complete comparative figures.

Note Regarding Forward-Looking Statements

This report contains forward-looking statements regarding objectives, strategies, and expected financial and operational results. Forward-looking statements are based on the following broad assumptions: CBC/Radio-Canada continues to receive stable government funding, the television advertising market remains healthy, and the broadcasting regulatory environment does not change dramatically. Key risks and uncertainties are described in the Outlook and Risk Update section of this report. However, some risks and uncertainties are difficult to predict and beyond the control of CBC/Radio-Canada. These include, but are not limited to, economic, financial, technical and regulatory conditions. These and other factors may cause actual results to differ substantially from the expectations stated or implied in forward-looking statements.





1. Strategy 2015 Updates and Corporate Highlights

The Corporation's strategic plan, called *2015: Everyone, Every way*, was launched in February 2011. Implementation continued through the second quarter. A description of the Corporation's strategic plan and core business are available in this year's first quarter financial report.

1.1 Strategy 2015 Updates

- Bell Media and CBC/Radio-Canada announced that they had reached an agreement to form a broadcast partnership that will bid for the exclusive Canadian media rights for the Sochi 2014 Olympic Winter Games and the Rio 2016 Summer Olympic Games. The agreement is aligned with the Corporation's strategic priority of bringing to Canadians programs of national significance and to do that, increasingly, through partnerships.
- CBC/Radio-Canada announced further details on how it will introduce or improve local services to more than 6 million English-speaking and more than 3.4 million French-speaking underserved or unserved Canadians over the next five years. Examples from this quarter include:
 - New CBC radio and Internet services in the London and Waterloo regions.
 - New weekend CBC television news programming in Edmonton, Ottawa, the Maritimes and St. John's.
 - New weekend Radio-Canada news in Edmonton and Regina, increasing to 10 the number of markets across the country with access to Radio-Canada regional weekend news programming.
 - A new digital service in Hamilton, Ontario, which will provide an up-to-the-minute as well as a "look ahead" view of local news, weather, events and other "need to know" information. It will connect Hamiltonians to their community at large and it will all be accessible through smartphones, desktop/laptop computers and tablet devices.
- As part of CBC/Radio-Canada's commitment to deliver a variety of Strategy 2015 signature events to Canadians throughout the year, on September 7th, the Corporation presented a cross-platform (television, radio and web) signature event enabling both CBC and Radio-Canada audiences to experience, at the same time, the inauguration of the *Orchestre symphonique de Montréal's* new concert hall.
- The Corporation put forward a strong bid for the FIFA 2015-2022 broadcast rights. Bell submitted a higher bid and was chosen for the events. We remain Canada's official broadcaster of FIFA events until 2014 and we will pursue suitable replacement programming consistent with Strategy 2015.

1.2 Corporate Highlights

75th anniversary

- The Corporation kicked off 75 days of special programming and events on multiple platforms to celebrate its 75th anniversary, culminating on November 2nd.





- To launch the celebrations, CBC and Radio-Canada aired *1 Day*, a two-hour documentary in the form of a social time capsule, a unique 24-hour snapshot of the country.
- Open house days across the country provided occasions for tens of thousands of Canadians to visit “their” public broadcaster.

Programming Highlights

- In July, CBC Sports provided Canadians with in-depth coverage of the FIFA Women's World Cup tournament from Germany. The final game reached 3.1 million Canadians.
- Audience enthusiasm for reality cooking competition *Les Chefs!* continued during the program's second season in the summer of 2011. Produced in Quebec City, *Les Chefs!* drew 1 million or more viewers on several occasions. The program is an example of our efforts to enhance French Services' regional productions.
- Radio-Canada continued to roll out digital initiatives enabling it to reach Canadians anytime, anywhere, including a mobile Sports application (app), a mobile app devoted to the Women's World Cup of Soccer, tweet week from September 11 to 18, and a gaming application spun off from the hugely popular series *Les Parent*.
- In September, CBC debuted *Cover Me Canada*, a new live weekly music competition series presenting eight undiscovered acts that will go head-to-head covering songs from different Canadian music icons.
- ARTV celebrated its tenth anniversary. Since its inception, the arts specialty channel has seen a five-fold increase in its market share. Last year, it reached 5.5 million Canadians. Free previews on cable and satellite during September allowed more viewers to get acquainted with the channel.
- In September, programs broadcast on CBC and Radio-Canada television networks won 56 G meaux and 40 Gemini awards. Both awards ceremonies were broadcast live by CBC and Radio-Canada. During the quarter, CBC and Radio-Canada also received several prestigious national and international awards.

| Award | Winner |
|--|--|
| <p>Columbia University Graduate School of Journalism</p> <p>Prize: Maria Moors Cabot 2011, the oldest international journalism award, now in its 73rd year</p> | <p>Jean-Michel Leprince</p> <p>The jury made special mention of how Mr. Leprince's excellent electronic journalism skills serve Canadian listeners, viewers and Web users</p> |
| <p>Playback Canadian Film & TV Hall of Fame</p> | <p>George Stroumboulopoulos - Swarovski Humanitarian Award</p> <p>Allan Hawco (<i>Republic of Doyle</i>) - Playback Outstanding Achievement Award</p> <p>Roger Abbott (<i>Royal Canadian Air Farce</i>) - Pioneer</p> <p>Pierre Juneau (former CBC/Radio-Canada President) - Television Honouree</p> |





| Award | Winner |
|--|--|
| 63 rd Prix Italia Prize: Interactive Website Linked to a TV or Radio Programme | <i>Réfugiés oubliés - Les Palestiniens au Liban (Chatila) - Exile without End: Palestinians in Lebanon</i> A joint CBC/Radio-Canada project |
| Online Journalism Awards (OJA) Prize: Multimedia Feature Presentation Prize: Online Video Journalism | <i>Réfugiés oubliés - Les Palestiniens au Liban (Chatila) - Exile without End: Palestinians in Lebanon</i> A joint CBC/Radio-Canada project |

Other Corporate Highlights

- The Office of the Auditor General (OAG) began its planned Special Examination of the Corporation, which is required for Crown corporations under the Financial Administration Act at least every 10 years. The object of the examination is to give an opinion to the Board of Directors on whether the systems and practices of the Corporation provide reasonable assurance that financial and other resources are managed economically and efficiently and that operations are carried out effectively. The last Special Examination by the OAG took place in November 2005. We welcome the examination as yet another level of assurance to Canadians of CBC/Radio-Canada's responsible management of its assets.
- CBC/Radio-Canada is committed to meeting its obligations under the *Access to Information Act*. On October 4th, 2011, the Corporation released the first issue of its new *Transparency and Accountability Bulletin*, which provides, among other things, updates on the Corporation's performance under the *Act*. The Corporation also updates its Transparency and Accountability website regularly, providing Canadians with thousands of pages of information released either proactively or as part of ATI requests.
- The new architectural design for Halifax's CBC/Radio-Canada Bell Road building was unveiled this fall, bringing staff and operations from two buildings to one. In line with *Strategy 2015: Everyone, Every way*, it reaffirms the Corporation's commitment to reinforcing our presence in the community, working together as one company and providing more local services to audiences in the regions. Also, by consolidating operations under one roof, the Corporation will reduce its overall footprint, which is a key objective in managing our real estate portfolio.
- The Corporation released its 2010-2011 Environmental Performance Report in September and, for the first time, it is a web-only publication. This is the third report in which we are accountable to Canadians regarding our environmental standards and practices. The report includes, among other things, a look at stewardship, our environmental scorecard and incident prevention. Another environment and efficiency milestone was the conversion to LED lighting at studios in Toronto and Montreal; studios in Quebec City and Yellowknife studios will be converted this fall. CBC/Radio-Canada's \$1 million LED conversion project focuses on studios that air the most content, use the most energy and will thus achieve the greatest savings by converting to LED. The converted studios offer more creative lighting options, use less energy than their non-LED (tungsten) counterparts, and reduce the environmental footprint of our productions and our organization overall.





Regulatory Developments

- As planned, Canada transitioned to digital over-the-air television on August 31, 2011. The Corporation is investing over \$60 million for new digital transmitters and other related technology for its 14 English and 13 French television stations. As of September 1, 24 of the 27 digital transmitters were operational; the remaining three have been delayed for reasons beyond the Corporation's control and are expected to be operational in the coming weeks. As was to be anticipated with such a major technological shift, the Corporation has been helping viewers adapt through the transition. The Corporation also operates 627 analogue transmitters across the country, some of which are in larger centers and are able to continue operation for one year thanks to special permission from the CRTC.
- In July 2011, the CRTC renewed the broadcasting licences for television services held by the largest private English-language broadcasters. In some areas, these renewed licences provide benchmarks for the regulatory frameworks in which CBC may be expected to operate over the next licence term. This would include, for example, closed captioning, video description for the visually impaired, and the number of hours of local TV programming. Similarly, the CRTC will hold a hearing commencing December 5, 2011 to renew the licences for the largest private French-language broadcasters. These renewals may further clarify the frameworks Radio-Canada will be expected to operate under.
- On September 21, the CRTC issued its regulatory framework for vertical integration. The June hearing-in which CBC/Radio-Canada participated—was prompted by several recent instances of industry consolidation, including the acquisition of Canwest Global (now Shaw Media) by Shaw Communications and the reacquisition by BCE of full control of CTVglobemedia (now Bell Media). The CRTC announced that, with regard to programming offered on mobile and Internet platforms, “any programs broadcast on television, including hockey games and other live events, must be made available to competitors under fair and reasonable terms.”
- August 31, 2011 marked the end of year two of the LPIF, created by the CRTC in 2008 to support local programming produced by conventional television stations operating in non-metropolitan markets. When the CRTC established the LPIF, it announced that a review of the Fund would take place in year three. That review is expected to be launched this fall. The LPIF is a critical source of funding for CBC/Radio-Canada's local programming. The Corporation will urge the CRTC to maintain the Fund and provide continued access for the national public broadcaster.

The LPIF contributed \$37 million to the Corporation in 2010-2011, which helped fund local television program improvements in small population centres including minority markets. Our 2015 strategy relies on the fund to sustain and improve local TV programming, particularly in underserved local markets.





2. Performance

2.1 Key Performance Drivers

A number of performance drivers are critical to our success: People, Programs and Pushing Forward. People, our employees, need tools and knowledge to help them become more agile as we face new challenges. Section 3.1 provides further information about our People and Leadership. Our Programs need to remain relevant and engaging, and we need to create richer Canadian content for audiences, in whatever format they prefer. Finally, we need to continue Pushing Forward and evolving. To be able to fulfill our mandate on behalf of Canadians, we need to adapt quickly to changing conditions in the broadcasting and media environment.

Metrics

A central feature of *Everyone, Every way* is establishing metrics with which we will track and assess our performance. Metrics have been developed for each of the four guiding principles upon which our vision rests and will be applied to all services in English and French, as well as to selected television genres. These metrics include a mix of output data (for example, hours of Canadian programming, usage of Canadian content) and perception data (for example, “service/television genre is of high quality” and “service/television genres offer distinctive programming”).

Twice a year, our Board of Directors will be presented with a report card that will allow it to monitor the Corporation’s success in achieving its goals. This will tell them how well each service and genre is delivering against its mission and at what cost, so that we can continuously improve our services for Canadians. A report will also be included in our Corporate Plan and Annual Report. The first public version was made available in conjunction with our Annual Public Meeting on November 2nd, 2011. This [report card](#) covers the 2010-2011 fiscal year and provides benchmark data against which our progress in implementing *Everyone, Every way* will be measured. Until 2011-2012 metrics are introduced, results for the current year are reported as follows.





2.2 French and English Services Performance

Results for audience measures are aligned with the television season which runs from September to March. At this time, sufficient audience results data are not yet available. These will be available and reported in our third quarter financial report (to be published in February 2012) and next year's Annual Report.

Annual targets for these performance measures and 2010-2011 results are provided in our first quarter financial report.

The following presents results to date for number of subscribers and revenue.

| | | Annual Results 2010-2011 | Annual Target 2011-2012 | Results to Date |
|--------------------------------------|------------------------------------|-----------------------------|----------------------------|-----------------------------|
| French Services | | | | |
| Specialty Television Channels | | | | |
| RDI | Subscribers | 11.0 million | 11.0 million | 11.4 million ¹ |
| ARTV | Subscribers | 2.1 million | 2.1 million | 2.1 million ² |
| Revenue³ | | | | |
| | Conventional, specialty, online | \$224.9 million | \$230.0 million | \$ 97.8million ² |
| English Services | | | | |
| Specialty Television Channels | | | | |
| CBC News Network | Subscribers | 11.0 million | 11.1 million | 11.2 million ² |
| bold | Subscribers | 2.2 million | 2.6 million | 2.7million ² |
| <i>documentary</i> | Subscribers | 2.4 million | 2.5 million | 2.6million ² |
| Revenue⁴ | | | | |
| | Conventional, specialty, online | \$384.0million ⁵ | \$373.0 million | \$180.0million ² |

1. Expected to meet or exceed target.

2. Expected to meet target.

3. Includes revenue from LPIF, a fund mandated by the CRTC to support local programming. It is available to conventional television stations operating in non-metropolitan areas.

4. Revenue for documentary is counted at 100 per cent although CBC/Radio-Canada owns 82 per cent. Includes revenue from LPIF, a fund mandated by the CRTC to support local programming. It is available to conventional television stations operating in non-metropolitan areas.

5. Includes one-time FIFA World Cup soccer revenues.



2.3 Canadian Content Expectations and Results

Regulatory requirements regarding Canadian content on television are specified by the Canadian Radio-television and Telecommunications Commission (CRTC). Furthermore, providing Canadian programming is key to CBC/Radio-Canada's five-year strategic plan, *Everyone, Every way*.

The CRTC sets expectations of service for both Télévision de Radio-Canada and CBC Television. First, for the broadcast day between 6:00 a.m. and midnight, a minimum of 75 per cent Canadian content is expected. Second, for the peak period of 7:00 p.m. to 11:00 p.m., a minimum of 80 per cent Canadian content is expected. Both measures are averages over the entire broadcast year from September 1 to August 31. Results to date are presented as follows.

| Canadian Content | | Yearly Regulatory Expectations | Results Sep 1, 2009 to Aug 31, 2010 | Results Sep 1, 2010 to Aug 31, 2011 |
|-----------------------------------|---------------------------------|--------------------------------------|---|---|
| Télévision de Radio-Canada | | | | |
| Broadcast day | (Mon-Sun, 6:00 a.m.-12:00 a.m.) | 75% | 82% | 86% |
| Prime time | (Mon-Sun, 7:00-11:00 p.m.) | 80% | 88% | 93% |
| CBC Television | | | | |
| Broadcast day | (Mon-Sun, 6:00 a.m.-12:00 a.m.) | 75% | 85% | 84% |
| Prime time | (Mon-Sun, 7:00-11:00 p.m.) | 80% | 82% | 82% |

CBC/Radio-Canada's results exceeded CRTC's expectations for the broadcast year.





3. Capability to Deliver Results

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

3.1 People and Leadership

People and Culture

Our people are our number one asset. To ensure that we leverage resources to deliver results, we need to engage and develop employees, implement initiatives to promote a healthy workplace, and continue to build relationships with unions based on trust and respect. People and Culture activity in the quarter included the following.

Changes in executive management

In November, Roula Zaarour, was named Vice-President People and Culture after the departure of Katya Laviolette. She will be joining our team on December 1, 2011. Ms. Zaarour comes to us from the Argentinean airline Aerolineas Argentinas in Buenos Aires, where she was the Vice-President of Business Transformation.

In September 2011, Louis Lalande, Executive Director, Regional Services, French Services, was named interim Executive Vice-President, French Services. To ensure a smooth transition, Sylvain Lafrance, Executive Vice-President, French Services, stayed on until the end of October.

Renewal of the Association des Réalisateur's collective agreement

In September 2011, CBC/Radio-Canada management and the *Association des Réalisateur's* were pleased to announce the extension for one year of the union's collective agreement.

Dialogue Survey

During 2010-2011, CBC/Radio-Canada launched a corporate-wide employee survey, branded "Dialogue." The objective was to measure levels of employee engagement, to determine what drives engagement, and to improve organizational effectiveness and efficiency. A total of 67 per cent of employees took the time to tell CBC/Radio-Canada what they think.

A National Advisory Committee is developing a number of initiatives in response to the survey. These include an online training and development tool to capture employees' interests and skills, a mentorship program, improvements to employee participation forums, a training and development fund, and guides to improving recognition and feedback skills.

Outreach

Over the course of the year, the president and CEO, along with members of the Senior Executive Team (SET) and the Board of Directors, meet and speak with employees, community leaders and the public from coast-to-coast-to-coast. In this quarter, Hubert T. Lacroix, President and CEO, and representatives from SET, were in Halifax, Regina, Kelowna, Vancouver and Victoria.

Community outreach provides the opportunity for dialogue with employees and stakeholders about the importance of public broadcasting in Canada, to listen to their views and ideas and discuss CBC/Radio-Canada's opportunities and challenges.



Employee Awards

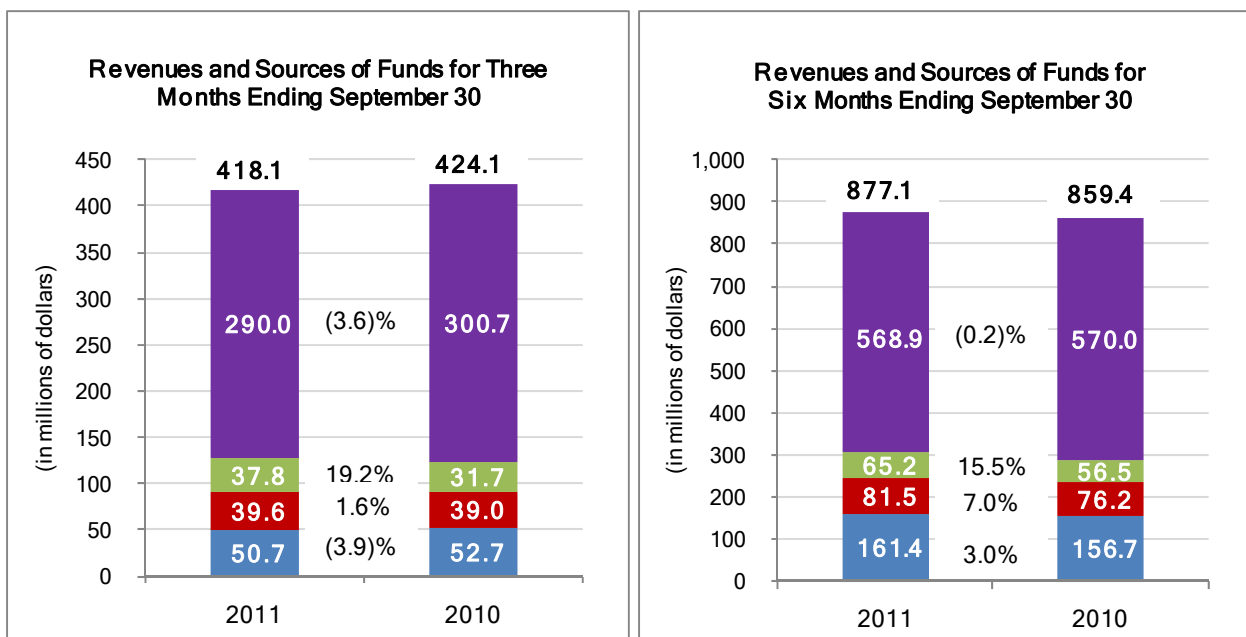
The President's Awards were launched in the fall of 2009 to recognize and salute employees for their outstanding contributions and accomplishments. The nine awards are based on the President and CEO's three priorities, People, Programs and Pushing Forward, and include the Leadership award, the Multi-Platform Content award and the Smart Solutions award. During the quarter, recipients continued to receive their awards and preparations have begun for the next series of awards.

Kirstine Stewart, executive vice-president, English Services, was named in the quarter as one of the Huffington Post Canada's 14 most influential female leaders.

3.2 Resource Capacity

Revenue and Sources of Funds

CBC/Radio-Canada has four sources of direct funding: government operational and capital funding, advertising revenues, specialty services revenues and other revenues.



Government Appropriations
 Other Revenues
 Specialty Service
 Advertising

For the first six months, \$568.9 million in government funding was recognized as income (approximately 65 per cent of total sources of funds). On an annual basis, CBC/Radio-Canada's appropriation is equivalent to \$34 per Canadian, compared to an average of \$87 per capita among 18 major countries¹.

In the 2011 federal budget, the Government reaffirmed \$60 million in funding to the Corporation for Canadian programming initiatives in 2011-2012. The Corporation has received this funding since 2001; however, it has not been confirmed beyond 2011-2012.

¹ Analysis of Government Support for Public Broadcasting and Other Culture in Canada, Nordicity, 2011.





The Corporation has submitted its proposals to address the government-wide DRAP, including possible funding reduction scenarios of five or ten per cent (\$51.4 or \$102.8 million) over three years. A decision by Government is expected in the next federal budget, in February or March 2012.

For the first half of 2011-2012, advertising accounted for \$161.4 million in revenues (approximately 18 per cent of total sources of funds). Specialty services, which include subscription and advertising revenues from the Corporation's CBC News Network, **bold**, *documentary*, ARTV and the Réseau de l'information de Radio-Canada (RDI), generated \$81.5 million (approximately nine per cent of total sources of funds). Other revenues, which include contributions from the LPIF and from activities such as program sales, rental of real estate assets and leasing space at our transmission sites, accounted for \$65.2 million (approximately eight per cent of total sources of funds).

For the second quarter, advertising accounted for \$50.7 million in revenues (approximately 12 per cent of total sources of funds), while specialty services generated \$39.6 million (nine per cent of total sources of funds) and other revenues accounted for \$37.7 million (nine per cent of total sources of funds).

The decreased proportion of advertising revenues in the second quarter (July through September) compared to the first quarter (April through June) reflects the seasonality of the broadcast schedule.

Borrowing Authority

Subsection 46.1 of the *Broadcasting Act* confers on CBC/Radio-Canada the authority to borrow money with the approval of the Minister of Finance. In November, 2011, the Minister provided the Corporation with approval in principle of up to \$25 million in aggregate during 2011-2012. Following the Minister's review of the terms and conditions of a specific request, he has approved borrowings of up to \$16 million, of which up to \$5 million is to be incurred during 2011-2012 and up to \$11 million is to be incurred during 2012-2013. The funds will be used to finance building improvements and professional fees related to a new lease with a tenant for excess capacity within the Toronto Broadcast Center facility.

Under the *Broadcasting Act*, subsection 47 (1), the Corporation is an agent of the Crown and therefore has the constitutional immunities, privileges and prerogatives that are enjoyed by the Crown. The Crown is also fully liable and financially exposed for all actions and decisions by CBC/Radio-Canada while the Corporation is operating within its mandate. In other words, the Corporation's assets and liabilities are the assets and liabilities of the Government.





4. Results and Outlook

4.1 Results

Summary - Net Results

| | Three months ending September 30 | | | | Six months ending September 30 | | | |
|---|----------------------------------|---------------|-----------------|------------------|--------------------------------|---------------|-----------------|----------------|
| | 2011 | 2010 | \$ change | % change | 2011 | 2010 | \$ change | % change |
| Revenues | 128,076 | 123,402 | 4,674 | 3.8 | 308,221 | 289,458 | 18,763 | 6.5 |
| Expenses | (389,577) | (379,201) | (10,376) | (2.7) | (861,197) | (824,734) | (36,463) | (4.4) |
| Government funding | 289,955 | 300,680 | (10,725) | (3.6) | 568,890 | 569,986 | (1,096) | (0.2) |
| Net results before non-operating items | 28,454 | 44,881 | (16,427) | (36.6) | 15,914 | 34,710 | (18,796) | (54.2) |
| Non-operating items | | | | | | | | |
| Dilution gain (loss) from Sirius | (13,476) | - | (13,476) | N/A | 25,775 | - | 25,775 | N/A |
| Dividend income from Sirius | - | - | - | N/A | 5,094 | - | 5,094 | N/A |
| Gain (loss) on disposal of equipment | 37 | (369) | 406 | 110.0 | (1,444) | (504) | (940) | (186.5) |
| Non-operating items | (13,439) | (369) | (13,070) | (3,542.0) | 29,425 | (504) | 29,929 | 5,938.3 |
| Net results for the period | 15,015 | 44,512 | (29,497) | (66.3) | 45,339 | 34,206 | 11,133 | 32.5 |

The second quarter net result before non-operating items was \$28.5 million, compared to \$44.9 million in the second quarter of last year. The year-to-date net result before non-operating items was \$15.9 million, compared to \$34.7 million in the first half of 2010-2011. The variances that comprise these changes are explained later in this section of the report.

Non-operating items for the three and six month periods ended September 30, 2011 primarily consisted of: (a) dilution loss of \$13.5 million (three months) and dilution gain of \$25.8 million (six months) and (b) dividends of nil (three months) and \$5.1 million (six months). These amounts all related to the Sirius Canada and CSR merger transaction.





Summary - Other Comprehensive Income

| | Three months ending September 30 | | | | Six months ending September 30 | | | |
|---|----------------------------------|----------------|------------------|----------------|--------------------------------|---------------|------------------|----------------|
| | 2011 | 2010 | \$ change | % change | 2011 | 2010 | \$ change | % change |
| Net results for the period | 15,015 | 44,512 | (29,497) | (66.3) | 45,339 | 34,206 | 11,133 | 32.5 |
| Other comprehensive income (loss) | | | | | | | | |
| Actuarial gains (losses) on defined benefit plans | (195,112) | 112,541 | (307,653) | (273.4) | (133,816) | 79,741 | (213,557) | (267.8) |
| Net unrealized gain on available-for-sale financial assets | - | 129 | (129) | (100.0) | 94 | 253 | (159) | (62.8) |
| Reclassification to income of net unrealized gain on available-for-sale financial assets realized on merger transaction | - | - | - | N/A | (5,094) | - | (5,094) | N/A |
| Total comprehensive income (loss) for the period | (195,112) | 112,670 | (337,279) | (439.6) | (138,816) | 79,994 | (207,677) | (298.1) |

Other comprehensive income reflected a loss of \$195.1 million for the second quarter, a variance of \$307.8 million compared to the same quarter last year. For the six months ending September 30, 2011, there was an Other Comprehensive Loss of \$138.8 million, compared to Other Comprehensive Income of \$80.0 million in the first half of 2010-2011. The variance was a result of a decrease in the discount rate related to pension and employee-related obligations partially offset by a return on assets that was higher than expected.





The following provides further detail and explanation of financial results.

Revenues

| | Three months ending September 30 | | | | Six months ending September 30 | | | |
|-----------------------------------|----------------------------------|----------------|--------------|------------|--------------------------------|----------------|---------------|------------|
| | 2011 | 2010 | \$ change | % change | 2011 | 2010 | \$ change | % change |
| <i>(in thousands of dollars)</i> | | | | | | | | |
| Advertising | | | | | | | | |
| English Services | 28,657 | 30,644 | (1,987) | (6.5) | 110,097 | 105,858 | 4,239 | 4.0 |
| French Services | 22,047 | 22,097 | (50) | (0.2) | 51,345 | 50,876 | 469 | 0.9 |
| | 50,704 | 52,741 | (2,037) | (3.9) | 161,442 | 156,734 | 4,708 | 3.0 |
| Specialty services | | | | | | | | |
| CBC News Network | 20,056 | 19,457 | 599 | 3.1 | 40,921 | 39,887 | 1,034 | 2.6 |
| RDI | 12,945 | 13,362 | (417) | (3.1) | 27,026 | 27,666 | (640) | (2.3) |
| bold | 954 | 1,068 | (114) | (10.7) | 1,971 | 2,141 | (170) | (7.9) |
| <i>documentary</i> | 1,380 | 1,412 | (32) | (2.3) | 2,784 | 2,826 | (42) | (1.5) |
| ARTV | 4,286 | 3,699 | 587 | 15.9 | 8,840 | 3,699 | 5,141 | 139.0 |
| | 39,621 | 38,998 | 623 | 1.6 | 81,542 | 76,219 | 5,323 | 7.0 |
| Other and financing income | | | | | | | | |
| English Services | 14,509 | 13,236 | 1,273 | 9.6 | 25,321 | 21,147 | 4,174 | 19.7 |
| French Services | 10,936 | 8,894 | 2,042 | 23.0 | 18,440 | 17,296 | 1,144 | 6.6 |
| Corporate Services | 12,306 | 9,533 | 2,773 | 29.1 | 21,476 | 18,062 | 3,414 | 18.9 |
| | 37,751 | 31,663 | 6,088 | 19.2 | 65,237 | 56,505 | 8,732 | 15.5 |
| TOTAL | 128,076 | 123,402 | 4,674 | 3.8 | 308,221 | 289,458 | 18,763 | 6.5 |

Compared to the same periods in 2010-2011, revenues increased \$4.7 million (3.8 per cent) for the second quarter of 2011-2012 and \$18.8 million (6.5 per cent) for the first half of the fiscal year.

Advertising

Advertising revenues decreased by \$2.0 million (3.9 per cent) in the second quarter of 2011-2012 compared to the same three months in 2010-2011 due to the recognition of the FIFA Men's World Cup revenues in 2010. This was partly offset by an increase in digital advertising revenues and in revenues generated by the FIFA Women's World Cup in 2011.

On a year-to-date basis, advertising revenues increased by \$4.7 million (3.0 per cent) compared to the first half of 2010-2011, mainly as a result of strong audience performances in sports and news and strong digital revenues. English Services revenues in the first six months of 2011-2012 reflected the impact of a Canadian team, the Vancouver Canucks, in the seven-game Stanley Cup final, strong news revenues during the federal election and growth in digital revenues. French Services advertising revenues increased due mostly to growth on the TOU.TV platform. For both French and English Services, these increases were partly offset by a decrease from strong revenues recognized in the second quarter of 2010-2011 generated by the coverage of the FIFA Men's World Cup.





Specialty Services

Specialty services revenue, which includes advertising and subscriber revenues, increased by \$0.6 million (1.6 per cent) in the second quarter of 2011-2012 and by \$5.3 million (7.0 per cent) in the first half of 2011-2012 compared to the same periods in the previous year.

This increase in year-to-date revenues was due almost entirely to a change in how ARTV results are reported. ARTV results are now reported on a consolidated basis since the Corporation acquired controlling interest on July 12, 2010. There are, therefore, no quarterly comparable figures for the first three months of 2010-2011.

CBC News Network revenue increased both in the first and second quarter of 2011-2012, compared to the same periods in 2010-2011, as the number of subscribers increased. CBC News Network also benefited from a slight increase in advertising revenue.

Other and Financing Income

Other and financing income for the quarter ending September 30, 2011, increased by \$6.1 million (19.2 per cent) over the same period last year. On a year-to-date basis, the increase was \$8.7 million (15.5 per cent). This was largely the result of an increase of \$7.0 million in year-to-date contributions from the LPIF (\$5.3 million of which occurred in the second quarter) compared to the same periods last year. LPIF contribution was higher due to growth in the Fund, and because 20 of our stations are eligible for LPIF funding in 2011-2012 compared to 17 stations last year. Other income also reflects an increase in revenues from English Services' labour and facility rentals as well as program and archive sales. In addition, \$1.3 million of the year-to-date increase (\$2.0 million increase for the current quarter) is related to an increase in the net gain from fair value of financial instruments (foreign exchange contracts). Year-to-date income from rental of real estate assets and leasing of space at transmission sites also increased compared to the previous year, with most of the increase occurring in the first quarter.





Operating Expenses

| | Three months ending September 30 | | | | Six months ending September 30 | | | |
|---|----------------------------------|----------------|---------------|------------|--------------------------------|----------------|---------------|------------|
| | 2011 | 2010 | \$ change | % change | 2011 | 2010 | \$ change | % change |
| <i>(in thousands of dollars)</i> | | | | | | | | |
| Television, radio and new media services | | | | | | | | |
| English Services | 182,129 | 181,116 | 1,013 | 0.6 | 431,508 | 420,183 | 11,325 | 2.7 |
| French Services | 142,574 | 130,845 | 11,729 | 9.0 | 301,199 | 281,540 | 19,659 | 7.0 |
| | 324,703 | 311,961 | 12,742 | 4.1 | 732,707 | 701,723 | 30,984 | 4.4 |
| Specialty services | | | | | | | | |
| CBC News Network | 17,354 | 18,031 | (677) | (3.8) | 32,418 | 32,950 | (532) | (1.6) |
| RDI | 10,166 | 10,177 | (11) | (0.1) | 21,906 | 20,188 | 1,718 | 8.5 |
| BOLD | 1,598 | 1,124 | 474 | 42.2 | 2,484 | 1,914 | 570 | 29.8 |
| <i>documentary</i> | 1,037 | 1,586 | (549) | (34.6) | 1,812 | 2,346 | (534) | (22.8) |
| ARTV | 4,139 | 2,830 | 1,309 | 46.3 | 7,081 | 2,830 | 4,251 | 150.2 |
| Transmission, distribution and collection | 34,294 | 33,748 | 546 | 1.6 | 65,701 | 60,228 | 5,473 | 9.1 |
| | 20,384 | 21,116 | (732) | (3.5) | 39,921 | 37,919 | 2,002 | 5.3 |
| Corporate management | 2,373 | 2,790 | (417) | (14.9) | 5,588 | 5,788 | (200) | (3.5) |
| Payments to private stations | 528 | 750 | (222) | (29.6) | 1,299 | 1,509 | (210) | (13.9) |
| Finance costs | 8,390 | 8,707 | (317) | (3.6) | 16,711 | 17,314 | (603) | (3.5) |
| Share of (profit) loss in associate | (1,095) | 129 | (1,224) | (948.8) | (730) | 253 | (983) | (388.5) |
| TOTAL | 389,577 | 379,201 | 10,376 | 2.7 | 861,197 | 824,734 | 36,463 | 4.4 |

Operating expenses for the three months ending September 2011 increased by \$10.4 million (2.7 per cent) compared to the second quarter of 2010-2011. The year-to-date increase was \$36.5 million (4.4 per cent) compared to the same period in 2010-2011.

The second quarter increase in English and French Services' operating costs reflect the enhancement of conventional and digital programming as planned under Strategy 2015. The increase also reflects higher operating costs for a new converged data network, higher severance costs and one-time costs incurred for various efficiency-generating projects that are underway to reduce future operating costs. These projects include a review of the procurement process and contracts for the purchase of goods and services, a corporate-wide printer optimization initiative and an energy-reduction lighting project.

On a year-to-date basis, English Services' expenditure increase was the result of an enhanced schedule. Sports programming costs increased as a result of more hockey playoff games produced in high-definition, the World Figure Skating Championships in Russia and the FIFA Women's World Cup. News coverage of the federal election, the royal wedding and the royal visit, coupled with new entertainment event programming also contributed to the increase.

For the first half of 2011-2012, French Services' expenditures increased as a result of programming schedule enhancements, the coverage of the federal election, increased contingency accruals, one-time project costs including Espace.mu, increased digital investments and increased regional presence of Espace musique.

For both English and French Services, a retirement incentive plan increased severance costs compared to the first half of 2010-2011. The plan was introduced to help achieve efficiencies and staff renewal.



Compared to the same period in 2010-2011, RDI's expenditures were higher in the first half of the year, although most of this increase was reflected in the first quarter and was the result of an enhanced schedule (*Téléjournal* at 9 p.m. and *RDI matin*) and coverage of the federal election.

The growth in ARTV expenditures reflect that ARTV results are now reported on a consolidated basis since CBC/Radio-Canada acquired controlling interest of the specialty service on July 12, 2010.

On a year-to-date basis, the expenditure increase for transmission, distribution and collection activities was caused by accelerated depreciation of analog television assets in anticipation of the transition to digital transmission in Canada.

Government Funding

| | Three months ending September 30 | | | | Six months ending September 30 | | | |
|---|----------------------------------|----------------|-----------------|--------------|--------------------------------|----------------|----------------|--------------|
| | 2011 | 2010 | \$ change | % change | 2011 | 2010 | \$ change | % change |
| Parliamentary appropriations for operating expenditures | 257,664 | 269,633 | (11,969) | (4.4) | 502,433 | 507,670 | (5,237) | (1.0) |
| Parliamentary appropriations for working capital | 999 | 999 | - | - | 1,999 | 1,999 | - | - |
| Amortization of deferred capital funding | 31,292 | 30,048 | 1,244 | 4.1 | 64,458 | 60,317 | 4,141 | 6.9 |
| TOTAL | 289,955 | 300,680 | (10,725) | (3.6) | 568,890 | 569,986 | (1,096) | (0.2) |

Parliamentary appropriations for operating expenditures recognized as revenue decreased by \$12.0 million (4.4 per cent) for the three-month period ending September 30, 2011, compared to the same period last year. On a year-to-date basis, the decrease was \$5.2 million (1.0 per cent). Parliamentary appropriations for operating expenditures are recognized in the Condensed Consolidated Statement of Income (Loss) based on quarterly budgeted expenses and self-generated revenues. By the end of 2011-2012, the government operating appropriations are expected to be \$2.8 million less than received in 2010-2011 due to an incremental budget reduction in 2011-2012 that was introduced in the 2007 federal budget.

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

Non-operating Items

| | Three months ending September 30 | | | | Six months ending September 30 | | | |
|--------------------------------------|----------------------------------|--------------|-----------------|------------------|--------------------------------|--------------|---------------|----------------|
| | 2011 | 2010 | \$ change | % change | 2011 | 2010 | \$ change | % change |
| Dilution gain (loss) from Sirius | (13,476) | - | (13,476) | N/A | 25,775 | - | 25,775 | N/A |
| Dividend income from Sirius | - | - | - | N/A | 5,094 | - | 5,094 | N/A |
| Gain (loss) on disposal of equipment | 37 | (369) | 406 | 110.0 | (1,444) | (504) | (940) | (186.5) |
| Non-operating items | (13,439) | (369) | (13,070) | (3,542.0) | 29,425 | (504) | 29,929 | 5,938.3 |



On June 21, 2011, Canada's two satellite radio providers, Sirius Canada Inc. and Canadian Satellite Radio Holdings Inc. merged to create an entity currently trading under the name of Canadian Satellite Radio Holdings Inc. (CSR). The Corporation owns a 14.5 per cent equity interest and 19.9 per cent voting interest in the merged entity, and it has a seat on the Board of Directors.

In the current quarter, the Corporation incurred a dilution loss of \$13.5 million as a result of the final accounting adjustments, made up of the following: (a) \$4.9 million relating to the recognition of pre-merger unrecognized losses and equity adjustments of the associate as well as to newly-obtained information arising from the post-merger audit of cash balances as prescribed by the purchase and sale agreement; and (b) \$8.6 million, pertaining to the adjustment of the deemed consideration amount used in the dilution calculation to comply with reverse takeover accounting rules.

Other Comprehensive Income

| | Three months ending September 30 | | | | Six months ending September 30 | | | |
|---|----------------------------------|----------------|------------------|----------------|--------------------------------|---------------|------------------|----------------|
| | 2011 | 2010 | \$ change | % change | 2011 | 2010 | \$ change | % change |
| Actuarial gains (losses) on defined benefit plans | (195,112) | 112,541 | (307,653) | (273.4) | (133,816) | 79,741 | (213,557) | (267.8) |
| Net unrealized gain on available-for-sale financial assets | - | 129 | (129) | (100.0) | 94 | 253 | (159) | (62.8) |
| Reclassification to income of net unrealized gain on available-for-sale financial assets realized on merger transaction | - | - | - | N/A | (5,094) | - | (5,094) | N/A |
| Other comprehensive income (loss) | (195,112) | 112,670 | (307,782) | (273.2) | (138,816) | 79,994 | (218,810) | (273.5) |

Other comprehensive income decreased by \$307.8 million for the three months ending September 30, 2011 compared to the same period in 2010-2011. On a year-to-date basis, the decrease was \$218.8 million compared to last year.

Other comprehensive loss of \$195.1 million for the current quarter was primarily comprised of:

- A decrease in the discount rate on the pension obligation from 5.25% to 4.75% resulting in actuarial losses of \$283.0 million; and
- An offsetting amount arising from a higher than expected actual return on assets during the quarter of 1.9% (3.5% actual vs. 1.6% expected), resulting in an actuarial gain of \$87.9 million.

For the same period in the comparative year, comprehensive income of \$112.5 million was primarily comprised of:

- A decrease in the discount rate on the pension obligation from 5.25% to 5.0% resulting in actuarial losses of \$143.2 million; and
- An offsetting amount arising from a higher than expected return on assets during the quarter of 6.0% (7.6% actual vs. 1.6% expected), resulting in an actuarial gain of \$255.7 million.

On a year-to-date basis for both the current and comparative year, the actuarial gains (losses) were primarily caused by lower discount rates on the pension obligation mainly due to the reduction in yields on Government of Canada bonds during those periods. This was partially offset by a higher than expected return on assets.



4.2 Financial Condition, Cash Flow and Liquidity

The Corporation's main liquidity sources are parliamentary appropriations for operating, capital and working capital requirements and cash from commercial activities. Based on current information, the Corporation does not expect any significant change in the composition of its sources of liquidity, except for the potential impact of the government-wide DRAP to be announced in federal budget 2012, which could result in a reduction in operating appropriations phased in from 2012-2013 to 2014-2015. As required by government, the Corporation has prepared proposals to manage possible funding reductions of five or ten per cent (\$51.4 or \$102.8 million).

The Corporation's cash flows from operating, investing and financing activities for the three months ending September 30, and year-to-date results, are summarized in the following table. The Corporation's cash balance at September 30, 2011, was \$83.0 million, compared to \$125.6 million on September 30, 2010.

Cash Position

| | Three months ending September 30 | | | | Six months ending September 30 | | | |
|--|----------------------------------|----------------|-----------------|---------------|--------------------------------|----------------|-----------------|---------------|
| | 2011 | 2010 | \$ change | % change | 2011 | 2010 | \$ change | % change |
| | <i>(in thousands of dollars)</i> | | | | | | | |
| Cash - beginning of year/period | 58,153 | 108,247 | (50,094) | (46.3) | 63,224 | 53,170 | 10,054 | 18.9 |
| Cash from operating activities | 32,727 | 18,749 | 13,978 | 74.6 | 29,120 | 79,935 | (50,815) | (63.6) |
| Cash from financing activities | 21,560 | 21,100 | 460 | 2.2 | 21,433 | 22,185 | (752) | (3.4) |
| Cash used in investing activities | (29,422) | (22,484) | (6,938) | (30.9) | (30,759) | (29,678) | (1,081) | (3.6) |
| Net change | 24,865 | 17,365 | 7,500 | 43.2 | 19,794 | 72,442 | (52,648) | (72.7) |
| Cash - end of period | 83,018 | 125,612 | (42,594) | (33.9) | 83,018 | 125,612 | (42,594) | (33.9) |

Cash from Operating Activities

Cash provided by operating activities increased by \$14.0 million in the second quarter of 2011-2012 and decreased by \$50.8 million in the first six months of 2011-2012 when compared to the same periods in 2010-2011.

The increase in cash flows provided by operating activities for the three month period is explained by an increase in non-cash operating working capital (\$63.3 million), offset by decreases in net results (\$32.2 million) and non-cash adjustments (\$17.1 million).

For the six month period ending September 30, cash flows provided by operating activities decreased by \$50.8 million. The overall decrease is explained by increases in non-cash operating working capital (\$43.9 million) and net results (\$8.5 million), offset by a decrease in non-cash adjustments (\$103.2 million).

Cash from Financing Activities

Net cash flows provided by financing activities were \$21.6 million for the three month period ending September 30, 2011 compared to \$21.1 million for the same period last year. On a year-to-date basis, net cash flows provided were \$21.4 million as of September 30, 2011, compared to \$22.2 million in the same period last year.



For the three and six month periods ended September 30, inflows consisted of parliamentary appropriations for capital expenditures. These inflows were partially offset by the repayment of the Corporation's obligations under finance leases and the related interest.

In addition, for the six month period ended September 30, inflows were partially offset by the semi-annual repayments of:

- Toronto Broadcasting Centre bonds;
- Notes payable arising from the Ontrea; and
- Interest related to the items listed above.

Cash Used in Investing Activities

Net outflows relating to investing activities were \$29.4 million for the three month period ending September 30, 2011, compared to \$22.5 million for the same period last year. The outflows consisted mainly of acquisition of property and equipment and intangible assets, and acquisition of sport programming rights.

Net cash flows used for investing were \$30.8 million for the six month period ended September 30, 2011, compared to \$29.7 million in the comparative period last year. Cash outflows of \$49.1 million included \$42.0 million for acquisition of property and equipment and intangible assets in accordance with the Corporation's capital plan and \$7.1 million for acquisition of sport programming rights. These outflows were offset by \$18.3 million in cash inflows largely accounted for by \$14.9 million in capital and dividends received as part of the merger between Sirius Canada Inc. and Canadian Satellite Radio Holdings Inc.

4.3 Outlook and Risk Update

This quarter the Corporation continued implementing its five-year strategic plan, launched on February 1, 2011. *Everyone, Every way* responds to a rapidly evolving broadcast and media environment, demographic shifts, new technologies, platforms and content choices, all of which impact revenues, operating costs and capital requirements. Having developed a comprehensive financial plan, the Corporation is confident that it can achieve its objectives, provided that it has stable long-term funding, including parliamentary appropriations, continued availability of the \$60 million for Canadian programming received annually since 2001-2002, stable economic conditions, and continued access to the LPIF and the Canada Media Fund (CMF). Should there be a substantial reduction in these sources of funds, it would affect our ability to deliver *Everyone, Every way* and could create shortfalls that would need to be managed by reducing operating costs.

Everyone, Every way commits us to pursue revenue growth initiatives and cost improvements, redirect resources to 2015 strategic priorities, and continue examining our assets to extract as much value as we can. It also requires that we further trim our operating costs. To address this, the Corporation has undertaken a review of our organizational structures, operating methods and overall procurement spend for goods and services.

CBC/Radio-Canada is currently on track to meet its overall 2011-2012 business plan expectations including overall advertising revenue targets for the year. In light of the climate of economic uncertainty that arose in the second quarter, however, the Corporation is closely monitoring its results and forecasts in a slowing market.

Key factors that could impact the Corporation's results are summarized in the table below, which outlines changes in risks since preparation of the last Annual Report. A full discussion of risks and mitigating strategies is included in the Annual Report.





▼ Decreasing ► Stable ▲ Increasing

| Risk | Trend | Update |
|--|-------|---|
| <p>Government Funding</p> <p>The federal budget tabled on June 6, 2011 announced a review of direct program spending with an objective of ongoing annual savings by 2014-2015 of five per cent of the government's review base.</p> | ▲ | <p>The government-wide DRAP (formerly the Strategic and Operating Review) is proceeding. CBC/Radio-Canada is among 67 organizations asked to prepare two proposals as part of this review: one to meet a five per cent reduction and the other a ten per cent reduction to its operating appropriation. CBC/Radio-Canada is examining all aspects of operations, guided by the mandate set in the <i>Broadcasting Act</i> and our strategic plan <i>2015: Everyone, Every way</i>. The outcome of the government review will be reported as part of the federal budget 2012, likely sometime in February or March 2012.</p> |
| <p>Economic Uncertainty</p> <p>A climate of economic uncertainty arose in the second quarter that could potentially impact our ability to achieve our advertising revenue targets.</p> | ▲ | <p>The Corporation is closely monitoring advertising revenue performance and developing contingency plans.</p> |
| <p>Regulatory Issues</p> <p><i>Licence Renewals</i></p> <p>Renewals for all CBC/Radio-Canada licences, including for specialty services, are upcoming. The outcome of this hearing will set the terms and conditions of our CRTC licence over the next five years and determine whether we are able to meet the objectives of <i>Everyone, Every way</i>.</p> <p><i>Over-the-Top Programming Services</i></p> <p>On May 25, 2011, the Commission began a fact-finding exercise on “over-the-top” (OTT) programming-programming accessed over the Internet independent of a facility or network dedicated to its delivery.</p> | ► | <p>On July 8, 2011, the CRTC announced that public hearings on the licence renewals for CBC/Radio-Canada will be delayed from September 2011 to June 2012.</p> <p>On October 5, 2011, the Commission determined that the findings of the fact-finding exercise were inconclusive. The Commission will continue to monitor the situation as the market evolves and will conduct another fact-finding exercise in May 2012.</p> |





| Risk | Trend | Update |
|--|----------|---|
| <p>Regulatory Issues (continued)</p> <p><i>LPIF</i></p> <p>LPIF funding received by CBC/Radio-Canada for the fiscal year ending March 31, 2011 was \$37 million. The LPIF is slated for review by August 31, 2012. The review could result in a change to the amount CBC/Radio-Canada receives from the fund.</p> <p><i>Vertical Integration</i></p> <p>CBC/Radio-Canada is the only major television broadcaster in Canada without distribution affiliations. There is concern that carriage terms offered by Broadcast Distribution Undertakings would favour their own associated Specialty Services.</p> | | <p>LPIF review is expected to begin in the Fall of 2011.</p> <p>On September 21, 2011 the CRTC issued its regulatory framework for vertical integration. The CRTC made a number of policy decisions, including prohibiting exclusive agreements on mobile or retail Internet access for programming designed primarily for conventional television, specialty, pay and video-on-demand (VOD) services; strengthening the access rules for unaffiliated, independent Category B specialty services; and adoption of a code of conduct to govern commercial arrangements and interaction.</p> |
| <p>Digital Television Transition</p> <p>The CRTC deadline for transition to digital television (DTV) over-the-air transmission was August 31, 2011. The Corporation's plan is to install 27 transmitters across the country, one for every one of its originating television stations.</p> <p>For CBC/Radio-Canada, going digital in all of the CRTC's "mandatory markets" would require the replacement of 51 transmitters. The Corporation does not have the capital spending capacity to achieve that. The result is that some markets are facing the prospect of no longer receiving an over-the-air signal from CBC or Radio-Canada.</p> | <p>▶</p> | <p>Effective September 1, 2011, the number of digital transmitters on air increased to 24 of a planned 27. The remaining three transmitters are expected to be operational in the coming weeks.</p> <p>On July 14, the Corporation applied to the CRTC for permission to continue broadcasting in analog in those mandatory markets facing the prospect of service loss, so that Canadians do not lose CBC/Radio-Canada over-the-air service. On August 16, the CRTC gave the Corporation permission to continue broadcasting analog over-the-air television signals via 22 transmitters until August 31, 2012.</p> |





5. Financial Reporting Disclosure

5.1 Transition to International Financial Reporting Standards

On April 1, 2011, the Corporation adopted IFRS for financial reporting, using a transition date of April 1, 2010. The consolidated condensed financial statements contained within this quarterly report are therefore prepared in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, and with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standard Board. Previously, the Corporation prepared its financial statements in accordance with Canadian GAAP. The Corporation's IFRS accounting policies are provided in Note 3 to the June 30, 2011 consolidated condensed financial statements.

During the second quarter of 2011, the Corporation refined its amortization of deferred capital funding calculation under IFRS. As such, the Corporation has revised the transition to IFRS disclosures provided in note 5 to the consolidated condensed financial statements accordingly.

5.2 Future Accounting Standards

For a description of future changes in accounting standards, see Note 2.

5.3 Transactions with Related Parties

The Corporation, through the normal course of business, is involved in transactions with related parties. See Note 20.



6. Statement of Management Responsibility by Senior Officials

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

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



Hubert T. Lacroix, President and Chief Executive Officer



Suzanne Morris, Vice-President and Chief Financial Officer

Ottawa, Canada
November 22, 2011



Condensed Consolidated Statement of Financial Position (unaudited)

(Canadian \$)
(in thousands of dollars)

| | September 30, 2011 | March 31, 2011 |
|--|--------------------|------------------|
| ASSETS | | |
| Current | | |
| Cash | 83,018 | 63,224 |
| Trade and other receivables (NOTE 6) | 149,512 | 173,763 |
| Programming (NOTE 7) | 217,762 | 163,658 |
| Merchandising inventory | 974 | 1,089 |
| Prepaid expenses (NOTE 8) | 58,454 | 138,689 |
| Promissory notes receivable (NOTE 9) | 5,184 | 2,023 |
| Net investment in finance lease | 2,424 | 2,351 |
| Derivative financial instruments (NOTE 21) | 809 | - |
| Assets classified as held for sale | 160 | 154 |
| | 518,297 | 544,951 |
| Long-term | | |
| Property and equipment (NOTE 10) | 1,059,097 | 1,080,595 |
| Intangible assets | 33,663 | 39,687 |
| Assets under finance lease | 52,242 | 56,242 |
| Pension plan (NOTE 13) | 34,715 | 148,769 |
| Promissory notes receivable (NOTE 9) | 50,991 | 51,765 |
| Net investment in finance lease | 55,346 | 56,577 |
| Deferred charges | 9,638 | 3,003 |
| Investment in associate (NOTE 11) | 6,917 | 17 |
| | 1,302,609 | 1,436,655 |
| TOTAL ASSETS | 1,820,906 | 1,981,606 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities (NOTE 12) | 94,562 | 125,335 |
| Provisions (NOTE 14) | 25,474 | 28,676 |
| Pension plans and employee-related liabilities (NOTE 13) | 128,286 | 144,703 |
| Bonds payable | 19,863 | 19,642 |
| Financial liability related to the monetization of receivables | 10,477 | 10,337 |
| Obligations under finance lease | 9,618 | 9,343 |
| Notes payable | 5,434 | 5,404 |
| Deferred revenues | 3,131 | 3,825 |
| Derivative financial instruments | - | 715 |
| | 296,845 | 347,980 |
| Long-term | | |
| Investment in associate (NOTE 11) | - | 1,417 |
| Deferred revenues | 2,989 | 2,726 |
| Pension plans and employee-related liabilities (NOTE 13) | 222,123 | 210,268 |
| Bonds payable | 293,984 | 299,237 |
| Obligations under finance lease | 59,142 | 64,136 |
| Notes payable | 121,701 | 124,353 |
| Deferred capital funding | 588,135 | 602,025 |
| | 1,288,074 | 1,304,162 |
| Equity | | |
| Retained earnings | 233,640 | 322,201 |
| Accumulated other comprehensive income | - | 5,000 |
| Total equity attributable to the Corporation | 233,640 | 327,201 |
| Non-controlling interests | 2,347 | 2,263 |
| TOTAL EQUITY | 235,987 | 329,464 |
| TOTAL LIABILITIES AND EQUITY | 1,820,906 | 1,981,606 |

Commitments (NOTE 19)

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



Condensed Consolidated Statement of Income (unaudited)

(Canadian \$)
(in thousands of dollars)

| | Three months ended September 30 | | Six months ended September 30 | |
|---|---------------------------------|------------------|-------------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| REVENUES (NOTE 15) | | | | |
| Advertising | 50,704 | 52,741 | 161,442 | 156,734 |
| Specialty services | 39,621 | 38,998 | 81,542 | 76,219 |
| Other income | 36,353 | 30,638 | 62,449 | 54,103 |
| Financing income | 1,398 | 1,025 | 2,788 | 2,402 |
| | 128,076 | 123,402 | 308,221 | 289,458 |
| EXPENSES | | | | |
| Television, radio and new media services costs | 324,703 | 311,961 | 732,707 | 701,723 |
| Specialty services | 34,294 | 33,748 | 65,701 | 60,228 |
| Transmission, distribution and collection | 20,384 | 21,116 | 39,921 | 37,919 |
| Corporate management | 2,373 | 2,790 | 5,588 | 5,788 |
| Payments to private stations | 528 | 750 | 1,299 | 1,509 |
| Finance costs | 8,390 | 8,707 | 16,711 | 17,314 |
| Share of (profit) loss in associate | (1,095) | 129 | (730) | 253 |
| | 389,577 | 379,201 | 861,197 | 824,734 |
| Operating loss before Government funding and non-operating items | (261,501) | (255,799) | (552,976) | (535,276) |
| GOVERNMENT FUNDING (NOTE 16) | | | | |
| Parliamentary appropriation for operating expenditures | 257,664 | 269,633 | 502,433 | 507,670 |
| Parliamentary appropriation for working capital | 999 | 999 | 1,999 | 1,999 |
| Amortization of deferred capital funding | 31,292 | 30,048 | 64,458 | 60,317 |
| | 289,955 | 300,680 | 568,890 | 569,986 |
| Net results before non-operating items | 28,454 | 44,881 | 15,914 | 34,710 |
| NON-OPERATING ITEMS | | | | |
| Dilution gain (loss) from merger transaction (NOTE 11) | (13,476) | - | 25,775 | - |
| Dividend income from merger transaction (NOTE 11) | - | - | 5,094 | - |
| Gain (loss) on disposal of equipment | 37 | (369) | (1,444) | (504) |
| | (13,439) | (369) | 29,425 | (504) |
| Net results for the period | 15,015 | 44,512 | 45,339 | 34,206 |
| Net results attributable to: | | | | |
| The Corporation | 15,100 | 44,590 | 45,255 | 34,233 |
| Non-controlling interests | (85) | (78) | 84 | (27) |
| | 15,015 | 44,512 | 45,339 | 34,206 |

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





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

(Canadian \$)

(in thousands of dollars)

| | Three months ended September 30 | | Six months ended September 30 | |
|--|---------------------------------|----------------|-------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| COMPREHENSIVE INCOME | | | | |
| Net results for the period | 15,015 | 44,512 | 45,339 | 34,206 |
| Other comprehensive income (loss) | | | | |
| Actuarial gains (losses) on defined benefit plans | (195,112) | 112,541 | (133,816) | 79,741 |
| Net unrealized gain on available-for-sale financial assets | - | 129 | 94 | 253 |
| Reclassification to income of net unrealized gain on available-for-sale financial asset realized on merger transaction | - | - | (5,094) | - |
| Total comprehensive income (loss) for the period | (180,097) | 157,182 | (93,477) | 114,200 |
| Total comprehensive income (loss) attributable to: | | | | |
| The Corporation | (180,012) | 157,260 | (93,561) | 114,227 |
| Non-controlling interests | (85) | (78) | 84 | (27) |
| | (180,097) | 157,182 | (93,477) | 114,200 |

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



Condensed Consolidated Statement of Changes in Equity (unaudited)

(Canadian \$)
(in thousands of dollars)

| Three months ended September 30, 2011 | Retained earnings | Total accumulated other comprehensive income (loss) | Total equity attributable to the Corporation | Non-controlling interests | Total |
|---|----------------------|---|--|------------------------------|----------------|
| Balance as at June 30, 2011 | 413,652 | - | 413,652 | 2,432 | 416,084 |
| Changes in period | | | | | |
| Net results for the period | 15,100 | - | 15,100 | (85) | 15,015 |
| Actuarial losses on post-retirement benefit plans | (195,112) | - | (195,112) | - | (195,112) |
| Balance at September 30, 2011 | 233,640 | - | 233,640 | 2,347 | 235,987 |
| Three months ended September 30, 2010 | Retained earnings | Total accumulated other comprehensive income (loss) | Total equity attributable to the Corporation | Non-controlling interests | Total |
| Balance as at June 30, 2010 | 48,862 | (7,551) | 41,311 | 331 | 41,642 |
| Changes in period | | | | | |
| Net results for the period | 44,590 | - | 44,590 | (78) | 44,512 |
| Actuarial gains on post-retirement benefit plans | 112,541 | - | 112,541 | - | 112,541 |
| Net unrealized gain on available-for-sale financial assets | - | 129 | 129 | - | 129 |
| Balance at September 30, 2010 | 205,993 | (7,422) | 198,571 | 253 | 198,824 |
| Six months ended September 30, 2011 | Retained earnings | Total accumulated other comprehensive income (loss) | Total equity attributable to the Corporation | Non-controlling interests | Total |
| Balance as at March 31, 2011 | 322,201 | 5,000 | 327,201 | 2,263 | 329,464 |
| Changes in period | | | | | |
| Net results for the period | 45,255 | - | 45,255 | 84 | 45,339 |
| Actuarial losses on post-retirement benefit plans | (133,816) | - | (133,816) | - | (133,816) |
| Net unrealized gain on available-for-sale financial assets | - | 94 | 94 | - | 94 |
| Reclassification to income of net unrealized gain on available-for-sale financial asset arising from merger transaction | - | (5,094) | (5,094) | - | (5,094) |
| Balance at September 30, 2011 | 233,640 | - | 233,640 | 2,347 | 235,987 |
| Six months ended September 30, 2010 | Retained earnings | Total accumulated other comprehensive income (loss) | Total equity attributable to the Corporation | Non-controlling interests | Total |
| Balance as at April 1st, 2010 | 92,019 | (7,675) | 84,344 | 280 | 84,624 |
| Changes in period | | | | | |
| Net results for the period | 34,233 | - | 34,233 | (27) | 34,206 |
| Actuarial gains on post-retirement benefit plans | 79,741 | - | 79,741 | - | 79,741 |
| Net unrealized gain on available-for-sale financial assets | - | 253 | 253 | - | 253 |
| Balance at September 30, 2010 | 205,993 | (7,422) | 198,571 | 253 | 198,824 |

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





Condensed Consolidated Statement of Cash Flows (unaudited)

(Canadian \$)

(in thousands of dollars)

| | Three months ended September 30 | | Six months ended September 30 | |
|---|---------------------------------|-----------------|-------------------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| CASH FLOWS FROM (USED IN) | | | | |
| OPERATING ACTIVITIES | | | | |
| Net results for the period | 15,015 | 44,512 | 45,339 | 34,206 |
| Adjustments for: | | | | |
| Loss (gain) on disposal of property and equipment | (37) | 369 | 1,444 | 504 |
| Change in fair value of financial instruments designated as at fair value through profit and loss | (1,409) | 543 | (1,524) | (242) |
| Depreciation of property and equipment | 29,565 | 28,503 | 59,469 | 56,061 |
| Amortization of intangible assets | 4,095 | 4,323 | 8,257 | 8,850 |
| Depreciation of assets under finance lease | 2,000 | 1,763 | 4,000 | 3,526 |
| Reclassification to income of net unrealized gain on available-for-sale financial asset arising from merger transaction | - | - | (5,094) | - |
| Loss (gain) on investment in associate | (1,095) | 129 | (730) | 253 |
| Dilution gain from merger transaction | 13,476 | - | (25,775) | - |
| Amortization of deferred charges | 464 | 1,196 | 436 | 12,686 |
| Amortization of deferred capital funding | (31,292) | (30,048) | (64,458) | (60,317) |
| Change in deferred operating appropriation | (18,663) | (24,741) | - | 65,669 |
| Change in deferred revenues [long-term] | 418 | 192 | 263 | 192 |
| Change in pension plan asset | (10,705) | - | (9,871) | - |
| Change in pension plans and employee-related liabilities [current] | (10,420) | 18,324 | (584) | (2,292) |
| Change in pension plans and employee-related liabilities [long-term] | (699) | (5,076) | 1,964 | (11,327) |
| Accretion of promissory notes | (50) | - | (50) | - |
| Movements in working capital (NOTE 18) | 42,064 | (21,240) | 16,034 | (27,834) |
| | 32,727 | 18,749 | 29,120 | 79,935 |
| FINANCING ACTIVITIES | | | | |
| Government funding (NOTE 16): | | | | |
| Capital funding | 25,000 | 24,109 | 50,568 | 49,500 |
| Repayment of obligation under finance lease | (2,303) | (1,797) | (4,717) | (3,725) |
| Repayment of bonds | - | - | (4,879) | (4,531) |
| Repayment of notes | - | - | (2,670) | (2,288) |
| Interest paid | (1,137) | (1,212) | (16,869) | (16,771) |
| | 21,560 | 21,100 | 21,433 | 22,185 |
| INVESTING ACTIVITIES | | | | |
| Acquisition of property and equipment | (24,099) | (21,459) | (39,787) | (29,627) |
| Acquisition of intangible assets | (1,442) | (359) | (2,233) | (957) |
| Return of capital investment in associate | - | - | 9,855 | - |
| Acquisition of long-term investment | - | (2,750) | - | (2,750) |
| Deferred charges relating to programming rights | (5,627) | - | (7,071) | - |
| Proceeds from disposal of property and equipment | 235 | 576 | 364 | 642 |
| Dividend received | - | - | 5,094 | - |
| Interest received | 1,511 | 1,508 | 3,019 | 3,014 |
| | (29,422) | (22,484) | (30,759) | (29,678) |
| Change in cash | 24,865 | 17,365 | 19,794 | 72,442 |
| Cash, beginning of the year | 58,153 | 108,247 | 63,224 | 53,170 |
| Cash, end of the period | 83,018 | 125,612 | 83,018 | 125,612 |

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



Notes to the Condensed Consolidated Financial Statements for the 3 and 6-month Periods Ended September 30, 2011

(Canadian \$)
(unaudited)

1. General Information

CBC | Radio-Canada (the Corporation) is a federal Crown Corporation domiciled in Canada and subject to federal corporate income tax by virtue of the Income Tax Act (Canada) and the Regulations thereto. The address of the Corporation's registered office is 181 Queen Street, Ottawa ON K1P 1K9. CBC | Radio-Canada is not subject to any provincial corporate income taxes but is subject to sales taxes at both the federal and provincial levels.

These condensed consolidated financial statements have been authorized for issuance by the Board of Directors on November 22, 2011.

2. Changes in Accounting Policies

A. Policies Used in Annual Financial Statements

The Accounting Standards Board (AcSB) confirmed in February 2008 that International Financial Reporting Standards (IFRS) will replace Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. Under the Public Sector Accounting Standards, the Corporation is now classified as "other government organization." As such, the Corporation was required to assess the most appropriate basis of accounting. After assessing various factors, the Corporation determined that IFRS constitutes the most appropriate basis of accounting. Accordingly, the Corporation has adopted IFRS effective April 1, 2011.

These interim condensed consolidated financial statements were prepared using the accounting policies the Corporation expects to adopt in its March 31, 2012 annual consolidated financial statements. In preparing the Corporation's first IFRS annual consolidated financial statements the Corporation is required to use the standards in effect as at March 31, 2012, which may differ from the policies the Corporation currently expects to adopt and has used in these financial statements. Differences may arise as a result of new standards being issued, with an effective date of March 31, 2012 or prior, before the preparation of the Corporation's March 31, 2012 annual consolidated financial statements. A change in the accounting policies used may result in material changes to the Corporation's reported financial position, results of operations and cash flows.





2. Changes in Accounting Policies *(Continued)*

B. Future Accounting Changes

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation. The Corporation is currently assessing the potential impact of each pronouncement on its consolidated financial statements.

IFRS 7 Amendments to IFRS 7, Financial Instruments: Disclosures

IFRS 7 was amended in October 2010 to provide additional disclosure on the transfer of financial assets including the possible effects of any residual risks that the transferring entity retains. These amendments are effective for annual reporting periods beginning after July 1, 2011.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009 and amended in October 2010, is part of a multi-step project to replace current IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has adopted an approach based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets and liabilities. An exposure draft issued in August 2011 proposed that the mandatory effective date for IFRS 9 be applicable to annual periods beginning on or after January 1, 2015. The comment period for the exposure draft ended in October 2011.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaced IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation-Special Purpose Entities*. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This Standard will become effective for annual periods beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11, issued in May 2011, supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently the case under IAS 31. The standard addresses inconsistencies in the reporting of joint arrangements by requiring the equity method to account for interests in jointly controlled entities. IFRS 11 will become effective for annual periods beginning on or after January 1, 2013.



2. Changes in Accounting Policies *(Continued)*

IFRS 12 Disclosure of Interest in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It aims at enabling users of financial statements to evaluate the nature of, and risk associated with, the Corporation's interest in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 will become effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurement. This Standard will become effective for annual periods beginning on or after January 1, 2013.

IAS 1 Amendments to IAS 1, Presentation of financial statements

IAS 1 was amended in June 2011 to retain the "one or two statement" approach at the option of the entity and only revise the way other comprehensive income is presented: requiring separate subtotals for those elements which may be "recycled" (e.g. cash-flow hedging, foreign currency translation), and those elements that will not (e.g. fair value through other comprehensive income items under IFRS 9). These amendments will become effective for annual periods beginning on or after July 1, 2012.

IAS 12 Amendments to IAS 12, Income Taxes

IAS 12 was amended in December 2010 to provide an exception to the general principle in IAS 12 that the measurement of deferred tax assets and liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2012.

IAS 19 Amendments to IAS 19, Employee Benefits

IAS 19 was amended in June 2011 to eliminate the option to defer the recognition of gains and losses, to amend the presentation of changes in the defined benefit obligation and plan assets on the Statement of Comprehensive Income (Loss), to require the net interest to be calculated by using a high quality corporate bond yield as well as to improve disclosure about the risks arising from defined benefit plans. These amendments are effective for annual periods beginning on or after January 1, 2013.

IAS 28 Investments in Associates and Joint Ventures

IAS 28 was amended in 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013.



3. Significant Accounting Policies

A. Statement of Compliance

The Corporation prepared these condensed consolidated financial statements in accordance with Section 83 of the *Financial Administration Act*, International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and IFRS 1 *First-time Adoption of International Financial Reporting Standards* as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared in accordance with IAS 34, *Interim Financial Statements*. They are part of the period covered by the first annual IFRS financial statements and IFRS 1, *First-Time Adoption of International Financial Reporting Standards* has been applied. For an explanation of how the transition to IFRS has affected the reported financial position of the Corporation please refer to Note 5 of these interim condensed consolidated financial statements.

The IFRS accounting policies that are set out in the Corporation's interim condensed consolidated financial statements for the three-month period ended June 30, 2011 were consistently applied to all periods presented. They were also applied in preparing the IFRS statement of financial position as at April 1, 2010 for the purpose of transition to IFRS, as required by IFRS 1. Please refer to Note 3 of the Corporation's interim condensed consolidated financial statements for the three-month period ended June 30, 2011 for a complete description of the Corporation's accounting policies.

These interim condensed consolidated financial statements are intended to provide an update on the latest complete set of annual financial statements and of the Corporation's first interim condensed consolidated financial statements prepared under IFRS for the three-month period ended June 30, 2011. Accordingly they do not include all of the information required for annual financial statements and should be read in conjunction with the Corporation's most recent audited annual consolidated financial statements and the Corporation's interim condensed financial statements for the three-month period ended June 30, 2011.

B. Basis of Preparation

Section 83 of the Financial Administration Act requires that most parent Crown Corporations prepare and make public quarterly financial reports for periods beginning on or after April 1, 2011 compliant with the Standard on Quarterly Financial Reports for Crown Corporations.

These consolidated interim 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. The condensed consolidated interim financial statements are unaudited for all periods presented.

4. Key Sources of Estimation Uncertainty and Critical Judgements

A. Key Sources of Estimation Uncertainty

The preparation of these condensed consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses recorded during the period.

The critical estimates and assumptions utilized in preparing the Corporation's condensed consolidated financial statements affect the assessment of pension plans and employee-related liabilities, estimated useful lives of property and equipment, intangibles and programming, provisions associated with legal claims and other contingencies.

In making estimates and using assumptions, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and assumptions have been applied in a manner consistent with prior periods and there are no known commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates in these condensed consolidated financial statements. Estimates are regularly reviewed by management and changes in those estimates are recognized prospectively by including them in the Condensed Consolidated Statement of Income 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.

As mentioned in the above paragraph, when accounting for defined benefit pension plans, assumptions are made in determining the valuation of benefit obligations and the future performance of plan assets. The primary assumptions and estimates include the discount rate and the expected return on plan assets. Changes to these primary assumptions and estimates would impact amounts recognized in net operating results and amounts recognized in Other Comprehensive Income, as applicable. Differences between the actual and expected return on plan assets would also impact the amounts recognized in Other Comprehensive Income.





4. Key Sources of Estimation Uncertainty and Critical Judgements *(Continued)*

B. Critical Judgements

The critical judgements that the Corporation's management has made in the process of applying the Corporation's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Corporation's condensed consolidated financial statements are as follows:

- That the Corporation exercises significant influence over Canadian Satellite Radio Holdings Inc. following the merger transaction;
- The determination that the Corporation bears the majority of the risk associated with the collection of the CBC Monetization Trust receivables through the guarantee it has provided and as such, should consolidate this entity;
- The determination that an arrangement for satellite transponders constitutes a lease under IFRIC 4 and the determination that both this lease and the one related to a mobile production vehicle meet the criteria of a finance lease; and
- The determination that, as of the reporting date, deferred tax assets should not be recognized as it is not probable that they will be recovered through future taxable profit.

Determinations of critical judgements are reassessed at each reporting date.

5. Transition to IFRS

A. Transition to IFRS

The Corporation has applied IFRS 1 in preparing these condensed consolidated financial statements. The accounting policies set out in Note 3 of the Corporation's first quarterly report have been applied in preparing the condensed consolidated financial statements for the period ended September 30, 2011 and the comparative information presented in these condensed consolidated financial statements for the period ended September 30, 2010.

In preparing these condensed consolidated financial statements, the Corporation has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP, namely the Statement of Financial Position. An explanation of how the transition from Canadian GAAP to IFRS has affected the Corporation's financial position, financial performance and cash flows is set out in the following tables and the notes that follow.

In preparing these condensed consolidated financial statements in accordance with IFRS 1, the Corporation has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.



5. Transition to IFRS (*Continued*)

B. Exemptions from Full Retrospective Application Elected by the Corporation

The Corporation has elected to apply the following optional exemptions from full retrospective application:

i) Business combinations exemption

The Corporation elected not to apply IFRS 3 *Business Combinations*, retrospectively to business combinations prior to the date of transition.

ii) Fair value as deemed cost exemption

Under IFRS, the Corporation has elected to apply the fair value as deemed cost exemption in IFRS 1 to certain land and building assets as at the date of transition.

iii) Employee benefits exemption

The Corporation has elected to use the exemption provided by IFRS 1 to recognize all cumulative actuarial gains and losses at the date of transition and to provide historical disclosure of the defined benefit obligations, plans assets and experience adjustments only from transition date.

iv) Leases

The Corporation has elected to take the option to apply the IFRS 1 exemption in relation to IFRIC 4 *Determining Whether and Arrangement Contains a Lease*, which allowed the Corporation to determine whether an arrangement existing at the date of transition to IFRS contained a lease on the basis of facts and circumstances existing at that date.

v) Borrowing costs

The Corporation has elected to apply IAS 23 from April, 1 2010 to alleviate the need to retrospectively restate for borrowing costs directly attributable to the acquisition of qualifying assets.



5. Transition to IFRS *(Continued)*

C. Consolidated Statement of Financial Position and Equity Reconciliations

| | April 1, 2010 | | | | | | | IFRS |
|---|------------------|----------------------------|--------------------|------------------|----------------------|--------------------------------------|-------------------------|------------------|
| | Canadian GAAP | PE and DCF ¹ | Lease ² | SPE ³ | Pension ⁴ | Long-term Investment ⁵ | Provisions ⁶ | |
| | | (i) | (ii) | (iii) | (iv) | (v) | (vi) | |
| <i>(in thousands of dollars)</i> | | | | | | | | |
| Assets | | | | | | | | |
| Current | | | | | | | | |
| Cash | 50,003 | - | - | 3,167 | - | - | - | 53,170 |
| Trade and other receivables | 194,512 | - | - | 63 | - | - | - | 194,575 |
| Programming Merchandising inventory | 178,243 | - | - | - | - | - | - | 178,243 |
| Prepaid expenses | 1,703 | - | - | - | - | - | - | 1,703 |
| Promissory notes receivable | 148,215 | - | - | 349 | - | - | - | 148,564 |
| Net investment in finance lease | - | - | - | 2,047 | - | - | - | 2,047 |
| | - | - | - | 2,182 | - | - | - | 2,182 |
| | 572,676 | - | - | 7,808 | - | - | - | 580,484 |
| Long-term | | | | | | | | |
| Property and equipment | 925,812 | 162,377 | - | - | - | - | - | 1,088,189 |
| Intangible assets | 47,725 | - | - | - | - | - | - | 47,725 |
| Assets under finance lease | - | - | 55,591 | - | - | - | - | 55,591 |
| Long-term receivables | 10,090 | - | - | - | - | - | - | 10,090 |
| Promissory notes receivable | - | - | - | 53,638 | - | - | - | 53,638 |
| Net investment in finance lease | - | - | - | 58,960 | - | - | - | 58,960 |
| Deferred charges | 16,467 | - | - | - | - | - | - | 16,467 |
| Investment in associate | 7,260 | - | - | - | - | - | - | 7,260 |
| | 1,007,354 | 162,377 | 55,591 | 112,598 | - | - | - | 1,337,920 |
| Total Assets | 1,580,030 | 162,377 | 55,591 | 120,406 | - | - | - | 1,918,404 |

¹ Property and equipment and deferred capital funding

² Transponders under finance lease

³ Consolidation of Special Purpose Entities

⁴ Pension plans and employee-related liabilities

⁵ Long-term investments - fair value adjustment

⁶ Reclassification of provision from accounts payable and accrued liabilities

5. Transition to IFRS (Continued)

| | Canadian GAAP | PE and DCF ¹ | April 1, 2010 | | | | | IFRS |
|--|------------------|----------------------------|--------------------|------------------|----------------------|--------------------------------------|-------------------------|----------------|
| | | | Lease ² | SPE ³ | Pension ⁴ | Long-term Investment ⁵ | Provisions ⁶ | |
| | | (i) | (ii) | (iii) | (iv) | (v) | (vi) | |
| <i>(in thousands of dollars)</i> | | | | | | | | |
| Liabilities | | | | | | | | |
| Current | | | | | | | | |
| Accounts payable and accrued liabilities | 176,497 | - | - | 1,735 | - | - | (50,070) | 128,162 |
| Provisions | - | - | - | - | - | - | 50,070 | 50,070 |
| Pension plans and employee-related liabilities | 130,899 | - | - | - | - | - | - | 130,899 |
| Bonds payable | 19,223 | - | - | - | - | - | - | 19,223 |
| Financial guarantee liability related to the monetization of receivables | 10,419 | - | - | (10,419) | - | - | - | - |
| Obligations under finance lease | - | - | 7,300 | - | - | - | - | 7,300 |
| Notes payable | - | - | - | 4,897 | - | - | - | 4,897 |
| Deferred revenues | 2,185 | - | - | - | - | - | - | 2,185 |
| Derivative financial instruments | 297 | - | - | - | - | - | - | 297 |
| | 349,694 | - | 7,300 | (3,787) | - | - | - | 353,207 |

¹ Property and equipment and deferred capital funding

² Transponders under finance lease

³ Consolidation of Special Purpose Entities

⁴ Pension plans and employee-related liabilities

⁵ Long-term investments - fair value adjustment

⁶ Reclassification of provision from accounts payable and accrued liabilities



5. Transition to IFRS *(Continued)*

| | April 1, 2010 | | | | | | | |
|---|----------------------------------|----------------------------|--------------------|------------------|----------------------|--------------------------------------|-------------------------|------------------|
| | Canadian GAAP | PE and DCF ¹ | Lease ² | SPE ³ | Pension ⁴ | Long-term Investment ⁵ | Provisions ⁶ | IFRS |
| | | (i) | (ii) | (iii) | (iv) | (v) | (vi) | |
| | <i>(in thousands of dollars)</i> | | | | | | | |
| Liabilities | | | | | | | | |
| Long-term | | | | | | | | |
| Associate | 1,417 | - | - | - | - | - | - | 1,417 |
| Deferred revenues | 2,303 | - | - | - | - | - | - | 2,303 |
| Pension plans and employee-related liabilities | 4,12,732 | - | - | - | (82,825) | - | - | 329,907 |
| Bonds payable | 309,179 | - | - | - | - | - | - | 309,179 |
| Financial liability related to the monetization of receivables | 10,221 | - | - | - | - | - | - | 10,221 |
| Obligations under finance lease | - | - | 65,676 | - | - | - | - | 65,676 |
| Notes payables | - | - | - | 129,649 | - | - | - | 129,649 |
| Deferred capital funding | 632,221 | - | - | - | - | - | - | 632,221 |
| | 1,368,073 | - | 65,676 | 129,649 | (82,825) | - | - | 1,480,573 |
| Equity | | | | | | | | |
| Retained earnings | (138,017) | 162,377 | (17,385) | (5,456) | 82,825 | 7,675 | - | 92,019 |
| Accumulated other comprehensive income (loss) | - | - | - | - | - | (7,675) | - | (7,675) |
| Total equity attributable to the Corporation | (138,017) | 162,377 | (17,385) | (5,456) | 82,825 | - | - | 84,344 |
| Non-controlling interests | 280 | - | - | - | - | - | - | 280 |
| Total Equity | (137,737) | 162,377 | (17,385) | (5,456) | 82,825 | - | - | 84,624 |
| Total Liabilities and Equity | 1,580,030 | 162,377 | 55,591 | 120,406 | - | - | - | 1,918,404 |

¹ Property and equipment and deferred capital funding

² Transponders under finance lease

³ Consolidation of Special Purpose Entities

⁴ Pension plans and employee-related liabilities

⁵ Long-term investments - fair value adjustment

⁶ Reclassification of provision from accounts payable and accrued liabilities

5. Transition to IFRS (Continued)

| | March 31, 2011 | | | | | | IFRS |
|-----------------------------------|------------------|-------------------------|--------------------|------------------|----------------------|-------------------------|------------------|
| | Canadian GAAP | PE and DCF ¹ | Lease ² | SPE ³ | Pension ⁴ | Provisions ⁵ | |
| | | (i) | (ii) | (iii) | (iv) | (vi) | |
| <i>(in thousands of dollars)</i> | | | | | | | |
| Assets | | | | | | | |
| Current | | | | | | | |
| Cash | 59,001 | - | - | 4,223 | - | - | 63,224 |
| Trade and other receivables | 173,390 | - | - | 373 | - | - | 173,763 |
| Programming | 163,658 | - | - | - | - | - | 163,658 |
| Merchandising inventory | 1,089 | - | - | - | - | - | 1,089 |
| Prepaid expenses | 138,361 | - | - | 328 | - | - | 138,689 |
| Promissory notes receivable | - | - | - | 2,023 | - | - | 2,023 |
| Net investment in finance lease | - | - | - | 2,351 | - | - | 2,351 |
| Asset classified as held for sale | 154 | - | - | - | - | - | 154 |
| | 535,653 | - | - | 9,298 | - | - | 544,951 |
| Long-term | | | | | | | |
| Property and equipment | 925,775 | 154,820 | - | - | - | - | 1,080,595 |
| Intangible assets | 39,687 | - | - | - | - | - | 39,687 |
| Assets under finance lease | 7,704 | - | 48,538 | - | - | - | 56,242 |
| Pension plans | - | - | - | - | 148,769 | - | 148,769 |
| Long-term receivables | - | - | - | - | - | - | - |
| Promissory notes receivable | - | - | - | 51,765 | - | - | 51,765 |
| Net investment in finance lease | - | - | - | 56,577 | - | - | 56,577 |
| Deferred charges | 3,003 | - | - | - | - | - | 3,003 |
| Investment in associate | 17 | - | - | - | - | - | 17 |
| | 976,186 | 154,820 | 48,538 | 108,342 | 148,769 | - | 1,436,655 |
| Total Assets | 1,511,839 | 154,820 | 48,538 | 117,640 | 148,769 | - | 1,981,606 |

¹ Property and equipment and deferred capital funding

² Transponders under finance lease

³ Consolidation of Special Purpose Entities

⁴ Pension plans and employee-related liabilities

⁵ Reclassification of provision from accounts payable and accrued liabilities



5. Transition to IFRS *(Continued)*

| | March 31, 2011 | | | | | | IFRS |
|--|------------------|----------------------------|--------------------|------------------|----------------------|-------------------------|------------------|
| | Canadian GAAP | PE and DCF ¹ | Lease ² | SPE ³ | Pension ⁴ | Provisions ⁵ | |
| | | (i) | (ii) | (iii) | (iv) | (vi) | |
| <i>(in thousands of dollars)</i> | | | | | | | |
| Liabilities | | | | | | | |
| Current | | | | | | | |
| Accounts payable and accrued liabilities | 151,220 | - | - | 2,792 | - | (28,676) | 125,336 |
| Provisions | - | - | - | - | - | 28,676 | 28,676 |
| Pension plans and employee-related liabilities | 144,703 | - | - | - | - | - | 144,703 |
| Bonds payable | 19,642 | - | - | - | - | - | 19,642 |
| Financial guarantee | 9,811 | - | - | (9,811) | - | - | - |
| Financial liability related to the monetization of receivables | 10,337 | - | - | - | - | - | 10,337 |
| Obligations under finance lease | 1,540 | - | 7,802 | - | - | - | 9,342 |
| Notes payable | - | - | - | 5,404 | - | - | 5,404 |
| Deferred revenues | 3,825 | - | - | - | - | - | 3,825 |
| Derivative financial instruments | 715 | - | - | - | - | - | 715 |
| | 341,793 | - | 7,802 | (1,615) | - | - | 347,980 |
| Long-term | | | | | | | |
| Associate | 1,417 | - | - | - | - | - | 1,417 |
| Deferred revenues | 2,726 | - | - | - | - | - | 2,726 |
| Pension plans and employee-related liabilities | 411,350 | - | - | - | (201,082) | - | 210,268 |
| Bonds payable | 299,237 | - | - | - | - | - | 299,237 |
| Obligations under finance lease | 6,263 | - | 57,873 | - | - | - | 64,136 |
| Notes payables | - | - | - | 124,353 | - | - | 124,353 |
| Deferred capital funding | 609,428 | (7,403) | - | - | - | - | 602,025 |
| | 1,330,421 | (7,403) | 57,873 | 124,353 | (201,082) | - | 1,304,162 |
| Equity | | | | | | | |
| Retained earnings | (167,638) | 162,223 | (17,137) | (5,098) | 349,851 | - | 322,201 |
| Accumulated other comprehensive income | 5,000 | - | - | - | - | - | 5,000 |
| Total equity attributable to the Corporation | (162,638) | 162,223 | (17,137) | (5,098) | 349,851 | - | 327,201 |
| Non-controlling interests | 2,263 | - | - | - | - | - | 2,263 |
| Total Equity | (160,375) | 162,223 | (17,137) | (5,098) | 349,851 | - | 329,464 |
| Total Liabilities and Equity | 1,511,839 | 154,820 | 48,538 | 117,640 | 148,769 | - | 1,981,606 |

¹ Property and equipment and deferred capital funding

² Transponders under finance lease

³ Consolidation of Special Purpose Entities

⁴ Pension plans and employee-related liabilities

⁵ Reclassification of provision from accounts payable and accrued liabilities

5. Transition to IFRS (Continued)

D. Consolidated Statement of Income (Loss) and Reconciliations

For the year ended March 31, 2011

| | Canadian GAAP | PE and DCF ¹ | Lease ² | SPE ³ | Pension ⁴ | Long-term Investment ⁵ | Presentation ⁶ | IFRS |
|---|--------------------|----------------------------|--------------------|------------------|----------------------|--------------------------------------|---------------------------|--------------------|
| | | (i) | (ii) | (iii) | (iv) | (v) | (vii) | |
| <i>(in thousands of dollars)</i> | | | | | | | | |
| Revenues | | | | | | | | |
| Advertising | 367,700 | - | - | - | - | - | - | 367,700 |
| Specialty services | 152,971 | - | - | - | - | - | - | 152,971 |
| Other income | 127,771 | (103) | - | 3,228 | - | - | 2,857 | 133,753 |
| Financing income | 1,506 | - | - | 3,690 | - | - | - | 5,196 |
| | 649,948 | (103) | - | 6,918 | - | - | 2,857 | 659,620 |
| Expenses | | | | | | | | |
| Television, radio and new media services costs | 1,476,778 | - | - | - | (28,281) | - | 105,192 | 1,553,689 |
| Specialty services | 133,273 | - | - | - | - | - | (1,185) | 132,088 |
| Depreciation of property and equipment | 112,656 | 7,454 | 7,053 | - | - | - | (127,163) | - |
| Amortization intangible assets | 17,887 | - | - | - | - | - | (17,887) | - |
| Transmission, distribution and collection | 54,573 | - | (12,030) | - | (932) | - | 40,520 | 82,131 |
| Corporate management | 12,804 | - | - | 247 | (250) | - | 523 | 13,324 |
| Payments to private stations | 3,018 | - | - | - | - | - | - | 3,018 |
| Finance costs | 23,557 | - | 4,730 | 6,313 | - | - | - | 34,600 |
| Loss on investment in associate | 5,000 | - | - | - | - | 7,675 | - | 12,675 |
| | 1,839,546 | 7,454 | (247) | 6,560 | (29,463) | 7,675 | - | 1,831,525 |
| Operating loss before Government funding and non-operating items | (1,189,598) | (7,557) | 247 | 358 | 29,463 | (7,675) | 2,857 | (1,171,905) |

¹ Property and equipment and deferred capital funding

² Transponders under finance lease

³ Consolidation of Special Purpose Entities

⁴ Pension plans and employee-related expenses

⁵ Long-term investments - fair value adjustment

⁶ Change in presentation of the Consolidated Statement of Income (Loss)



5. Transition to IFRS *(Continued)*

| | For the year ended March 31, 2011 | | | | | | | IFRS |
|--|-----------------------------------|-------------------------|--------------------|------------------|----------------------|-----------------------------------|---------------------------|------------------|
| | Canadian GAAP | PE and DCF ¹ | Lease ² | SPE ³ | Pension ⁴ | Long-term Investment ⁵ | Presentation ⁶ | |
| | | (i) | (ii) | (iii) | (iv) | (v) | (vii) | |
| | <i>(in thousands of dollars)</i> | | | | | | | |
| Government Funding | | | | | | | | |
| Parliamentary appropriation for operating expenditures | 1,031,581 | - | - | - | - | - | - | 1,031,581 |
| Parliamentary appropriation for working capital | 4,000 | - | - | - | - | - | - | 4,000 |
| Amortization of deferred capital funding | 124,357 | 7,403 | - | - | - | - | - | 131,760 |
| | 1,159,938 | 7,403 | - | - | - | - | - | 1,167,341 |
| Net results before non-operating items | (29,660) | (154) | 247 | 358 | 29,463 | (7,675) | 2,857 | (4,564) |
| Non-operating items | | | | | | | | |
| Loss on disposal of equipment | - | - | - | - | - | - | (2,857) | (2,857) |
| | - | - | - | - | - | - | (2,857) | (2,857) |
| Net results for the year | (29,660) | (154) | 247 | 358 | 29,463 | (7,675) | - | (7,421) |
| Net results attributable to: | | | | | | | | |
| The Corporation | (29,621) | (154) | 247 | 358 | 29,463 | (7,675) | - | (7,382) |
| Non-controlling interests | (39) | - | - | - | - | - | - | (39) |
| | (29,660) | (154) | 247 | 358 | 29,463 | (7,675) | - | (7,421) |

¹ Property and equipment and deferred capital funding

² Transponders under finance lease

³ Consolidation of Special Purpose Entities

⁴ Pension plans and employee-related expenses

⁵ Long-term investments - fair value adjustment

⁶ Change in presentation of the Consolidated Statement of Income (Loss)

5. Transition to IFRS *(Continued)*

E. Consolidated Statement of Comprehensive Income (Loss) and Reconciliations

| | For the year ended March 31, 2011 | | | | | | IFRS |
|---|-----------------------------------|-------------------------|--------------------|------------------|----------------------|-----------------------------------|----------------|
| | Canadian GAAP | PE and DCF ¹ | Lease ² | SPE ³ | Pension ⁴ | Long-term Investment ⁵ | |
| | | (i) | (ii) | (iii) | (iv) | (v) | |
| <i>(in thousands of dollars)</i> | | | | | | | |
| Comprehensive Income | | | | | | | |
| Net results for the year | (29,660) | (154) | 247 | 358 | 29,463 | (7,675) | (7,421) |
| Other comprehensive income | | | | | | | |
| Actuarial gains on defined benefit plans | - | - | - | - | 237,563 | - | 237,563 |
| Reclassification to income of net unrealized gain on available-for-sale financial asset arising from a merger transaction | 5,000 | - | - | - | - | 7,675 | 12,675 |
| Total comprehensive income (loss) for the year | (24,660) | (154) | 247 | 358 | 267,026 | - | 242,817 |
| Total comprehensive income (loss) attributable to: | | | | | | | |
| The Corporation | (24,621) | (154) | 247 | 358 | 267,026 | - | 242,856 |
| Non-controlling interests | (39) | - | - | - | - | - | (39) |
| | (24,660) | (154) | 247 | 358 | 267,026 | - | 242,817 |

¹ Property and equipment and Deferred capital funding

² Transponders under finance lease

³ Consolidation of Special Purpose Entities

⁴ Pension plans and employee-related expenses

⁵ Long-term investments - fair value adjustment



5. Transition to IFRS *(Continued)*

F. Explanations to the Reconciliation Tables

i) Property and equipment and deferred capital funding

Under IFRS, the Corporation has elected to apply the fair value deemed cost exemption in IFRS 1 to certain real estate land and buildings. The fair value deemed cost as of the date of transition is \$588.9 million. The effect of this election was to increase Property and equipment by \$162.4 million at April 1, 2010, and to increase Depreciation expense by \$7.5 million for the year ended March 31, 2011. As a result of the change in asset values caused by the deemed cost election, the gain on disposal of assets for the year ended March 31, 2011 was decreased by \$0.1 million.

During the second quarter of 2011, the Corporation refined its amortization of deferred capital funding calculation under IFRS. As such, the Corporation increased the amortization of deferred capital funding as of March 31, 2011 by \$7.4 million and as a result, decreased deferred capital funding by \$7.4 million to reflect the impact of the new depreciation methodology under IFRS.

ii) Lease

As a result of the application of IFRIC 4 at the transition date, an agreement to lease satellite capacity was determined to be a finance lease under IFRS. As a result, the Corporation recognized Assets under finance lease of \$55.6 million, and an Obligation under finance lease (short and long-term) of \$7.3 million and \$65.7 million, respectively. Net results for the year ended March 31, 2011 were also impacted: Depreciation expense increased by \$7.1 million, Finance costs increased by \$4.7 million and Transmission, distribution and collection expense decreased by \$12.0 million.

iii) Consolidation of Special Purpose Entities

Unlike GAAP, there is no accounting concept of a Qualified Special Purpose Entity (QSPE) under IFRS. Instead, an entity must apply the guidelines provided by IAS 27 *Consolidated and Separate Financial Statements*, as well as SIC 12 *Consolidation - Special Purpose Entities*. In following these guidelines, the Corporation has concluded that it bears the majority of the risk associated with the collection of the receivables through the guarantee it has provided. In addition, the management structure of the CBC Monetization Trust meets the "autopilot" criteria outlined in SIC 12. As a result, the Corporation has consolidated the CBC Monetization Trust under IFRS.

iv) Pension plans and employee-related liabilities and expenses

In addition to the transitional adjustment required by the Corporation's election under IFRS 1 related to employee benefits, other retrospective adjustments to the Corporation's pension plans and employee-related liabilities were required in order to comply with IAS 19 *Employee Benefits*. These adjustments, which were related to the discount rates used in determining the total benefit obligations, decreased the total liability by \$134.7 million, which was partly offset by the \$51.9 million increase caused by the Corporation's IFRS 1 election, for a net decrease of \$82.8 million.

As a result of the adoption of IAS 19, Other comprehensive income for the year ended March 31, 2011 increased by \$237.6 million due to the recognition of actuarial gains earned during the period. This adjustment was recorded directly through Retained earnings. Also for the year ended March 31, 2011, pension plans and employee-related expenses were decreased by \$29.5 million.

5. Transition to IFRS (*Continued*)

v) Long-term investments - fair value adjustment

The Class C shares that were held by the Corporation as part of its investment in Sirius Canada were treated as available-for-sale financial instruments and measured at cost as there was no quoted market price. IFRS demands that a valuation be made, unless the range in estimates is considered to be too great as to render them unreliable. The impact of this valuation was offset against the Class A shares held by the Corporation, creating no impact on the opening net balance in the Corporation's investment in Sirius Canada Inc. However, the impact of revaluing the Class C shares was recorded through Other comprehensive income (loss), while the impact on the Class A shares was recorded through Net results. The net impact on Total comprehensive income (loss) was nil.

vi) Reclassification of provision from accounts payable and accrued liabilities

IAS 1 *Presentation of financial statements* specifically requires a separate line on the Condensed Consolidated Statement of Financial Position for the provisions that have been recorded by the Corporation. As such, amounts have been reclassified from Accounts payable and accrued liabilities to the newly created line Provisions.

vii) Change in presentation of the Consolidated Statement of Income (Loss)

The Corporation has chosen to classify its expenses on its Consolidated Statement of Income (Loss) by function as opposed to nature, with depreciation and amortization expenses reallocated accordingly to the other expense types.

In addition, losses on disposal of equipment are now presented on a separate line on the Consolidated Statement of Income (Loss) in the Non-operating items section of the statement. Previously, the amounts were included in Revenue as part of Other income.

viii) Statement of Cash flows

As a result of accounting policy choices made by the Corporation under IAS 7 *Statement of Cash Flows*, the presentation of certain items on the Condensed Consolidated Statement of Cash Flows has changed, namely the presentation of dividends received as an investing activity (as opposed to an operating activity as required under Canadian GAAP) and the reclassification from operating activities of interest paid to financing activities and interest received to investing activities. In addition, the previously discussed changes affecting the Condensed Consolidated Statement of Financial Position and the Condensed Consolidated Statement of Income have also changed certain amounts previously presented in the Consolidated Statement of Cash Flows.





6. Trade and Other Receivables

| | September 30, 2011 | March 31, 2011 |
|---------------------------------|----------------------------------|-------------------|
| | <i>(in thousands of dollars)</i> | |
| Trade receivables | 135,374 | 159,037 |
| Allowance for doubtful accounts | (1,105) | (1,103) |
| Other | 15,243 | 15,829 |
| | 149,512 | 173,763 |

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 for a group of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments past the average credit terms as well as observable changes in national or local economic conditions that correlate with default on receivables.

Before accepting any new customer, 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 twice a year.

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

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

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

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



6. Trade and Other Receivables *(Continued)*

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

| | September 30, 2011 | March 31, 2011 |
|---------------|----------------------------------|-------------------|
| | <i>(in thousands of dollars)</i> | |
| 31 - 60 days | 14,330 | 42,647 |
| 61 - 90 days | 10,866 | 15,737 |
| 91 - 120 days | 30,168 | 14,490 |
| Total | 55,364 | 72,874 |

B. Movement in Allowance for Doubtful Accounts

| | September 30, 2011 | March 31, 2011 |
|--|----------------------------------|-------------------|
| | <i>(in thousands of dollars)</i> | |
| Balance at beginning of the period | (1,103) | (2,725) |
| Amounts recovered during the period | 46 | - |
| Increase (decrease) in allowance for doubtful accounts | (48) | 1,622 |
| Balance at end of the period | (1,105) | (1,103) |

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



7. Programming

| | September 30, 2011 | March 31, 2011 |
|--|----------------------------------|---------------------------|
| | <i>(in thousands of dollars)</i> | |
| Programs completed | 112,842 | 91,496 |
| Programs in process of production | 73,194 | 34,905 |
| Broadcast rights available for broadcast | 31,726 | 37,257 |
| | 217,762 | 163,658 |

| | September 30, 2011 | March 31, 2011 |
|--------------------|----------------------------------|---------------------------|
| | <i>(in thousands of dollars)</i> | |
| Opening balance | 163,658 | 178,243 |
| Additions | 520,422 | 1,017,524 |
| Programs Broadcast | (466,318) | (1,032,109) |
| | 217,762 | 163,658 |

The programming write-offs for the three months ended September 2011 represent \$1.0 million (2010 - \$1.0 million) and the six months ended September 2011 represent \$1.7 million (2010 - \$1.0 million). Write-offs are recorded in the Condensed Consolidated Statement of Income as Television, radio and new media services expenses and specialty service expenses, as applicable.

8. Prepaid expenses

| | September 30, 2011 | March 31, 2011 |
|--------------------|----------------------------------|---------------------------|
| | <i>(in thousands of dollars)</i> | |
| Programming rights | 35,250 | 103,451 |
| Service agreements | 23,204 | 35,238 |
| | 58,454 | 138,689 |



9. Promissory Notes Receivable

Through the CBC Monetization Trust, a special purpose entity, the Corporation has two promissory notes receivable relating to the sale of parcels of land. These notes, which mature in May 2027, bear a fixed annual interest rate of 7.15 per cent, with payments made in arrears in equal blended monthly instalments. The notes are pledged as collateral for their total carrying value to the Corporation's borrowings through notes payable.

The Corporation provided an absolute and unconditional guarantee of the full payment and timely payments of receivables by the ultimate debtors until 2027.

The Corporation also holds, as a result of the Sirius Canada Inc. merger transaction (see Note 11), promissory notes receivable that are non-interest bearing and a significant portion, \$3.1 million, will be repayable within one year.

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

| | September 30, 2011 | | March 31, 2011 | |
|---|----------------------------------|--|-----------------------------|--|
| | Minimum payments receivable | Present value of minimum payments receivable | Minimum payments receivable | Present value of minimum payments receivable |
| | <i>(in thousands of dollars)</i> | | | |
| Less than one year | 8,800 | 5,184 | 5,567 | 2,023 |
| Later than one year but not later than five years | 22,270 | 9,845 | 22,268 | 9,533 |
| More than five years | 59,786 | 41,146 | 62,169 | 42,232 |
| Less: unearned financing income | (34,681) | - | (36,216) | - |
| Present value of minimum payments receivable | 56,175 | 56,175 | 53,788 | 53,788 |

Interest revenue included in the three and six month periods ended September 30, 2011 was \$0.9 million and \$1.8 million, respectively (2010 - \$0.9 million and \$1.9 million, respectively).

Present value of minimum payments receivable:

| | September 30, 2011 | March 31, 2011 |
|--|----------------------------------|----------------|
| | <i>(in thousands of dollars)</i> | |
| Included in the Condensed Consolidated Statement of Financial Position as promissory notes receivable: | | |
| current | 5,184 | 2,023 |
| long-term | 50,991 | 51,765 |
| | 56,175 | 53,788 |



10. Property and Equipment

A. Cost and Accumulated Depreciation

The gross carrying amount is as follows:

| | September 30, 2011 | March 31, 2011 |
|--------------------------|----------------------------------|-------------------|
| | <i>(in thousands of dollars)</i> | |
| Cost | 2,260,313 | 2,271,790 |
| Accumulated depreciation | (1,201,216) | (1,191,195) |
| | 1,059,097 | 1,080,595 |

| | Land | Buildings & leasehold improvements | Technical & office equipment | Other | Uncompleted capital projects | Total |
|---|----------------------------------|--|------------------------------------|-----------------|------------------------------------|--------------------|
| | <i>(in thousands of dollars)</i> | | | | | |
| Cost at March 31, 2011 | 179,982 | 295,290 | 1,409,727 | 304,059 | 82,732 | 2,271,790 |
| Additions | - | 2,382 | 23,575 | 1,841 | 11,775 | 39,573 |
| Transfers | - | 3,721 | 46,164 | 6,111 | (55,782) | 214 |
| Disposals | (6) | (1,226) | (48,633) | (1,399) | - | (51,264) |
| Cost at September 30, 2011 | 179,976 | 300,167 | 1,430,833 | 310,612 | 38,725 | 2,260,313 |
| Accumulated depreciation at March 31, 2011 | - | (88,838) | (1,049,212) | (53,145) | - | (1,191,195) |
| Depreciation for the period | - | (8,984) | (40,511) | (9,974) | - | (59,469) |
| Reverse depreciation on disposals | - | 922 | 47,659 | 867 | - | 49,448 |
| Accumulated depreciation at September 30, 2011 | - | (96,900) | (1,042,064) | (62,252) | - | (1,201,216) |
| Net carrying amount at September 30, 2011 | 179,976 | 203,267 | 388,769 | 248,360 | 38,725 | 1,059,097 |



10. Property and Equipment *(Continued)*

| | Land | Buildings & leasehold improvements | Technical & office equipment | Other | Uncompleted capital projects | Total |
|---|----------------------------------|------------------------------------|------------------------------|-----------------|------------------------------|--------------------|
| | <i>(in thousands of dollars)</i> | | | | | |
| Cost at April 1, 2010 | 180,065 | 290,815 | 1,436,630 | 306,029 | 41,600 | 2,255,139 |
| Additions | - | 5,223 | 46,795 | 2,761 | 62,725 | 117,504 |
| Transfers | - | 948 | 20,552 | (210) | (21,593) | (303) |
| Disposals | (83) | (1,696) | (94,250) | (4,521) | - | (100,550) |
| Cost at March 31, 2011 | 179,982 | 295,290 | 1,409,727 | 304,059 | 82,732 | 2,271,790 |
| Accumulated depreciation at April 1, 2010 | - | (72,035) | (1,056,342) | (38,573) | - | (1,166,950) |
| Depreciation for the period | - | (17,993) | (83,246) | (19,276) | - | (120,515) |
| Reverse depreciation on disposals | - | 1,190 | 90,376 | 4,704 | - | 96,270 |
| Accumulated depreciation at March 31, 2011 | - | (88,838) | (1,049,212) | (53,145) | - | (1,191,195) |
| Net carrying amount at March 31, 2011 | 179,982 | 206,452 | 360,515 | 250,914 | 82,732 | 1,080,595 |

The contractual commitments for the acquisition of property and equipment are \$20.8 million as at September 30, 2011 (March 31, 2010 - \$14.3 millions).

B. Impairment

There were no indicators of property and equipment impairment during the first six months of 2012; therefore no impairment expense was recorded in the three and six month periods ended September 30, 2011 (2010 - nil and nil).

C. Long-Lived Assets to be Disposed of Other than by Sale

The switch from analog transmission to digital over-the-air television took place on August 31, 2011 for mandatory sites identified by the CRTC, in decision 2010-16.

In 2010-2011, the Corporation revised the depreciation estimates for analog transmitter equipment affected by the August 31, 2011 changeover date to reflect the use of the assets over their shortened useful life.

On August 16, 2011 the CRTC gave the Corporation permission to continue broadcasting analog over-the-air television signals in 22 markets until August 31, 2012.

The impact of the revised estimates represents an additional depreciation expense recorded in the Condensed Consolidated Statement Income (Loss) of \$0.6 million and \$2.4 million for the three and six month periods ended September 30, 2011, respectively, (2010 - nil and nil).





10. Property and Equipment *(Continued)*

D. Assets Held for Sale

The Corporation intends to dispose of a parcel of land it no longer utilizes in Brossard (Quebec) within the next twelve months. The property was previously used for its AM broadcasting transmitter; however, this use ceased with the conversion from AM to FM in the Montreal market. The Brossard parcel of land has a net book value of \$154,000 as of September 30, 2011.

The Corporation also intends to dispose of an unused parcel of land in Halifax within the next twelve months, the net book value as of September 30, 2011 represents \$6,000.

11. Associate

A. Initial Investment in Sirius Canada Inc.

The Corporation previously held a 40 per cent voting interest and a 25 per cent equity interest in Sirius Canada Inc. (Sirius) through its investment in Class A Common Shares, originally obtained in exchange for a nominal amount of cash. Given that the Corporation's voting interest exceeded 20 per cent, the Corporation had significant influence over Sirius and applied equity accounting to its investment in Class A shares.

As a separate investment, the Corporation had invested a further \$12 million in Class C Preferred Shares, which were entitled to cumulative dividends at a rate of 8 per cent per annum on the redemption price and were redeemable at any time by Sirius. These shares were classified as available-for-sale and recorded at fair value.



11. Associate *(Continued)*

B. Description of Sirius and Canadian Satellite Radio Holdings Inc. Merger

On June 21, 2011, Sirius and Canadian Satellite Radio Holdings Inc. (CSR), the parent company of XM Canada, completed a merger of the two companies. Pursuant to the arrangement between the Corporation, Sirius XM Radio Inc., Slight Communications (collectively referred to as the Vendors), Canadian Satellite Radio Holdings Inc. (pre-merger CSR) and Sirius, the Vendors sold all of the issued and outstanding shares of Sirius, in exchange for the equivalent of 71,284,578 Class A Subordinate Voting Shares of CSR providing the Vendors with control of 58 per cent of the equity in the newly-merged CSR (CSR). All previously existing Sirius shares were redeemed and cancelled.

In exchange for its Sirius Class A shares, the Corporation received 53,570,361 Class B Voting Shares of the CSR, which are equivalent to 17,856,787 Class A Subordinate Shares of CSR and represents a 14.54 per cent equity participation and a 19.9 per cent voting interest. The Corporation also received a promissory note with a face value of \$1.5 million for dividends on the Class A shares, which was applied against the carrying value of the shares.

In exchange for the redemption of the Sirius Class C Shares, the Corporation received cash consideration amounting to \$14.9 million and non-interest bearing promissory notes with a total face value of \$2.2 million, which was treated as a combination of dividend income and return of capital. This consideration of \$17.1 million represented the fair value of the Class C shares at the date of the transaction and included the cumulative accrued and unpaid dividends of these shares amounting to \$5.1 million. These dividends had not been previously accrued to the value of the shares as the dividends had not been declared by Sirius prior to the merger transaction. These dividends have been accounted for as dividend income in the Condensed Consolidated Statement of Income.

Following the completion of the merger transaction, the Corporation has a seat on the Board of Directors and holds a 19.95% voting interest in CSR. The Corporation holds the power to participate in the financial and operating policy decisions of CSR through board representation, its voting interest and its ongoing business relationship with CSR. As such, the Corporation exerts significant influence and will continue to apply equity accounting to its investment in CSR.



11. Associate *(Continued)*

C. Accounting Impact of the Sirius and CSR Merger Transaction on the Corporation

The reverse take-over and retention of significant interest resulted in the following:

- A non-cash dilution gain of \$25.8 million was recognized, representing the gain on the disposed interest of 10.51 per cent and the Corporation's proportionate share of CSR's Class B share issuance, net of the Corporation's portion of pre-merger Sirius unrecognized losses and equity adjustments.
- A value of \$5.8 million was attributed to the Class B shares obtained, which is calculated as being the difference in the Corporation's reduction in ownership in Sirius and the Corporation's share of the proceeds on the issuance of the new Class B shares.

These amounts reflect adjustments in the second quarter to consider the requirements of reverse take-over accounting in relation to the deemed consideration paid by Sirius to acquire CSR as well as to reflect information that was newly-obtained in the current quarter.

In the case of a reverse take-over, the consideration deemed to be paid should be calculated based on the amount it would take to provide the existing shareholders with the same percentage equity interest in the combined entity that results from the reverse take-over and not the consideration actually paid. This adjustment resulted in a decrease in dilution gain of \$8.6 million, with a corresponding decrease in the new investment in CSR.

Subsequent to June 30, 2011, the Corporation was able to obtain information from CSR that was not readily available or sufficiently reliable at the time the Corporation published its first quarter results. This information was primarily in relation to the recognition of pre-merger Sirius unrecognized losses and equity adjustments. The combined impact of all adjustments resulted in a decrease in the dilution gain of \$5.1 million, with a corresponding decrease in the value of the investment in CSR of \$5.1 million.

As part of the purchase agreement, both Sirius and pre-merger CSR were subject to an audit to confirm their actual cash balances at the closing of the merger transaction, which would impact the final amount of distributions and promissory notes receivable by the Corporation. This post-merger audit of cash balances resulted in an increase in promissory notes receivable related to the Class A shares of \$0.5 million, offset by an increase in dilution gain of \$0.2 million and a decrease in the investment in CSR of \$0.3 million.

D. Impact of Post-Merger CSR Results

Following the merger CSR's fiscal year end is August 31, which differs from that of the Corporation. IAS 28, *Investments in Associates* 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 results of CSR for the period up to August 31, 2011. This corresponds to the latest information available for CSR that can be disclosed publicly. The investment value at September 30, 2011 of \$6.9 million includes \$1.1 million related to the Corporation's share of CSR net results and equity movements up to August 31, 2011.



11. Associate (Continued)

E. CSR Financial Information

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

| | Ownership interest as at: | | Carrying value as at: | | Fair value as at: | |
|--------------------------|----------------------------------|----------------|-----------------------|----------------|--------------------|----------------|
| | September 30, 2011 | March 31, 2011 | September 30, 2011 | March 31, 2011 | September 30, 2011 | March 31, 2011 |
| | <i>(in thousands of dollars)</i> | | | | | |
| CSR - Class B | 19.95% | - | 6,900 | - | 53,749 | - |
| Other | - | - | 17 | 17 | 17 | 17 |
| Total assets | - | - | 6,917 | 17 | 53,766 | 17 |
| Sirius - Class A | - | 25% | - | (18,417) | - | (18,417) |
| Sirius - Class C | - | - | - | 17,000 | - | 17,000 |
| Total liabilities | - | - | - | (1,417) | - | (1,417) |

The fair value of the Corporation's investment in CSR at September 30, 2011 was determined using the closing market price of CSR Class A shares at September 30, 2011. At March 31, 2011, the fair value of the investment in Sirius was determined based on expected future cash flows, as shares in Sirius were not publicly traded.

The following tables present the summarized financial information for the Corporation's investment in its associate:

| | Three months ended September 30 | | Six months ended September 30 | |
|-------------------|------------------------------------|-------------------|----------------------------------|-------------------|
| | 2011 ¹ | 2010 ² | 2011 ¹ | 2010 ² |
| | <i>(in thousands of dollars)</i> | | | |
| Revenue | 55,546 | 40,526 | 98,631 | 77,320 |
| Net income (loss) | 8,154 | 7,038 | 14,277 | 8,635 |

¹ Amounts for the three and six month periods ended September 30, 2011 include results for the combined CSR/Sirius entity up until August 31, 2011.

² Amounts for the three and six month periods ended September 30, 2010 include results for Sirius up until September 30, 2010.

| | September 30, 2011 ¹ | March 31, 2011 ² |
|-------------|----------------------------------|-----------------------------|
| | <i>(in thousands of dollars)</i> | |
| Assets | 406,561 | 69,382 |
| Liabilities | 359,085 | 145,394 |

¹ Amounts at September 30, 2011 include results for the combined CSR/Sirius as at August 31, 2011.

² Amounts at March 31, 2011 include results for Sirius as at March 31, 2011.

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



12. Accounts Payable and Accrued Liabilities

| | September 30, 2011 | March 31, 2011 |
|----------------|----------------------------------|-------------------|
| | <i>(in thousands of dollars)</i> | |
| Trade payables | 34,596 | 53,279 |
| Accruals | 59,063 | 70,732 |
| Other | 903 | 1,324 |
| | 94,562 | 125,335 |

13. Pension Plans and Employee-Related Assets/Liabilities

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

The cost of the defined benefit retirement plans are determined on an actuarial basis using the projected unit credit method and management's best assumptions, such as the expected long-term rate of return on plan assets, rate of compensation, inflation, retirement ages of employees, and mortality of members.

The current period service costs, the interest cost on the defined benefit obligation and the expected investment return on plan assets are recognized in net results in the period they are incurred. Past service costs, generally resulting from changes in the benefits payable for past services under an existing plan, are recognized immediately to the extent that the benefits are already vested, and otherwise are amortized on a straight-line basis over the average period until the benefits become vested. Actuarial gains and losses are recognized in other comprehensive income as they occur. Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the defined benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the defined benefit obligation.

The present value of the defined benefit obligations are calculated using discount rates determined by reference to market yields at the end of the reporting period on high quality Canadian corporate bonds that have terms to maturity approximating the terms of the related defined benefit obligation.

13. Pension Plans and Employee-Related Assets/Liabilities *(Continued)*

Employee-related assets/liabilities are as follows:

| | September 30, 2011 | March 31, 2011 | September 30, 2011 | March 31, 2011 |
|-----------------------------------|----------------------------------|-------------------|-----------------------|-------------------|
| | Current | | Long-term | |
| | <i>(in thousands of dollars)</i> | | | |
| Accrued pension benefit asset | - | - | 34,715 | 148,769 |
| Accrued pension benefit liability | - | - | 74,231 | 68,462 |
| Employee future benefits | - | - | 147,702 | 141,616 |
| Vacation pay | 51,314 | 57,416 | - | - |
| Workforce reduction and other | 12,778 | 12,956 | - | - |
| Salary-related liabilities | 64,194 | 74,331 | 190 | 190 |
| | 128,286 | 144,703 | 222,123 | 210,268 |

The Corporation maintains a contributory defined benefit pension plan, the CBC/Radio-Canada Pension Plan, covering substantially all employees of the Corporation. Retirement benefits are based on the length of pensionable service and on the average of the best five consecutive years of pensionable salary in the last 10 years of employment. Employees are required to contribute a percentage of their pensionable salary to the plan, with the Corporation providing the balance of the funding, as required, based on actuarial valuations. The Corporation also maintains unfunded non-contributory defined benefit pension arrangements. All plans are subject to an actuarial valuation, which have been made at least on a triennial basis and will be required on an annual basis going forward under new regulatory requirements. The latest valuation available was made as at December 2008. The next valuation is required no later than as at December 2011.

The Corporation maintains a non-contributory long-term termination benefit plan for certain employees hired before April 1, 2005, July 1, 2005 or October 11, 2005, depending on the category of employees. Under the plan, employees retiring with more than three years of service with the Corporation can choose to receive a cash award upon retirement or improve their pension benefits. The benefits are based on the length of pensionable service and on the average of the best five years of pensionable salary up to March 2005. The Corporation also provides employee future benefits such as long-term disability and workers' compensation, continuation of benefits coverage for employees on long-term disability and post-retirement life insurance. The last actuarial valuations for the long-term termination benefit plan and the continuation of benefits coverage plan were made as at December 2009.



13. Pension Plans and Employee-Related Assets/Liabilities *(Continued)*

The measurement date for the pension plan assets and the defined benefit obligation is September 30, 2011.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| Assumptions – annual rates | September 30, 2011 | March 31, 2011 |
|--|---|---|
| Expected long-term rate of return on plan assets | 6.50% | 6.50% |
| Discount rate used for the calculation of the pension benefit costs | 5.25% | 5.25% |
| Discount rate used for the calculation of the pension obligation | 4.75% | 5.25% |
| Discount rate - employee termination benefit | 4.25% | 5.00% |
| Discount rate – LTD benefits | 5.00% | 5.00% |
| Discount rate – post-employment benefit | 5.25% | 5.25% |
| Long-term rate of compensation increase, excluding merit and promotion | 2.75% | 2.75% |
| Health care cost trend rate | 7.00%per annum until 2019, 4.50%thereafter | 7.00%per annum until 2019, 4.50%thereafter |
| Indexation of pensions in payment | 1.65% | 1.65% |

The amount included in the condensed consolidated statement of financial position arising from the Corporation's obligation in respect of its defined benefit plans is as follows:

| | September 30, 2011 | | | March 31, 2011 | | |
|--|------------------------------------|---------------------------------------|---|------------------------------------|---------------------------------------|---|
| | Funded pension plan | Unfunded pension plans | Other post- retirement plans | Funded pension plan | Unfunded pension plans | Other post- retirement plans |
| | <i>(in thousands of dollars)</i> | | | | | |
| Benefit obligation | 4,752,169 | 74,231 | 147,358 | 4,414,441 | 68,462 | 141,234 |
| Fair value of plan assets | 4,786,884 | - | - | 4,563,210 | - | - |
| | (34,715) | 74,231 | 147,358 | (148,769) | 68,462 | 141,234 |
| Less: | | | | | | |
| Unamortized unvested past service costs | - | - | (344) | - | - | (382) |
| Net liability (asset) arising from defined benefit obligation | (34,715) | 74,231 | 147,702 | (148,769) | 68,462 | 141,616 |



13. Pension Plans and Employee-Related Assets/Liabilities *(Continued)*

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

| | September 30, 2011 | | March 31, 2011 | |
|---|----------------------------------|-----------------------------|------------------------------|-----------------------------|
| | Pension plans | Other post-employment plans | Pension plans | Other post-employment plans |
| | <i>(in thousands of dollars)</i> | | | |
| Opening defined benefit obligation | 4,482,903 | 141,234 | 4,388,497 | 140,490 |
| Current service cost | 33,800 | 2,927 | 65,693 | 6,535 |
| Interest cost | 116,000 | 3,371 | 226,918 | 7,056 |
| Contributions from employees | 18,074 | - | 37,630 | - |
| Actuarial (gains) losses | 279,936 | 5,904 | - | (153) |
| Past service cost ¹ | 15,000 | - | - | - |
| Benefits paid | (119,313) | (6,078) | (235,835) | (12,694) |
| Closing defined benefit obligation | 4,826,400² | 147,358 | 4,482,903³ | 141,234 |

¹ Estimated cost of changes to certain minimum benefit requirements in the Pension Benefits Standards Act affecting the CBC/Radio-Canada Pension Plan.

² The accrued benefit obligations for the funded plan and for the unfunded plans are \$4,752,169,000 and \$74,231,000 respectively

³ The accrued benefit obligations for the funded plan and for the unfunded plans are \$4,414,441,000 and \$68,462,000 respectively.

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

| | September 30, 2011 | | March 31, 2011 | |
|--|----------------------------------|-----------------------------|------------------|-----------------------------|
| | Pension plans | Other post-employment plans | Pension plans | Other post-employment plans |
| | <i>(in thousands of dollars)</i> | | | |
| Opening fair value of plan assets | 4,563,210 | - | 4,199,746 | - |
| Expected return on plan assets | 145,968 | - | 268,354 | - |
| Actuarial gains | 152,024 | - | 237,563 | - |
| Contributions from employees | 18,074 | - | 37,630 | - |
| Contributions from the Corporation | 26,921 | 6,077 | 55,752 | 12,694 |
| Benefits paid | (119,313) | (6,077) | (235,835) | (12,694) |
| Closing fair value of plan assets | 4,786,884 | - | 4,563,210 | - |



13. Pension Plans and Employee-Related Assets/Liabilities *(Continued)*

Amounts recognized in comprehensive income in respect to these defined benefit plans are indicated in the table below.

| | Three months ended September 30 | | Six months ended September 30 | |
|---|------------------------------------|------------------|----------------------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| | <i>(in thousands of dollars)</i> | | | |
| Current service cost | 18,362 | 18,857 | 36,724 | 37,871 |
| Interest on obligation | 59,685 | 58,500 | 119,370 | 116,972 |
| Expected return on plan assets | (72,984) | (67,325) | (145,968) | (134,325) |
| Past service cost | (19) | (19) | 14,962 | (38) |
| Expense recognized in net results | 5,044 | 10,013 | 25,088 | 20,480 |
| Less: | | | | |
| Actuarial losses (gains) recognized in other comprehensive income | 195,112 | (112,541) | 133,816 | (79,741) |
| Total | 200,156 | (102,528) | 158,904 | (59,261) |

The cumulative actuarial gains or losses recognized in other comprehensive income represents a gain of \$103.7 million as of September 30, 2011 (2010 - gain of \$79.7 million).

14. Provisions

| | September 30, 2011 | | March 31, 2011 | |
|---|----------------------------------|---------------|---------------------------------|---------------|
| | Claims and legal proceedings | Environmental | Claims and legal proceedings | Environmental |
| | <i>(in thousands of dollars)</i> | | | |
| Balance, beginning of year | 28,376 | 300 | 50,070 | - |
| Additional provisions recognized | 2,080 | - | 6,649 | 300 |
| Reductions resulting from re-measurement or settlement without cost | (2,300) | - | 6,177 | - |
| Reductions resulting from payments | (2,982) | - | (34,520) | - |
| Balance, end of period | 25,174 | 300 | 28,376 | 300 |

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

14. Provisions *(Continued)*

Litigation is subject to many uncertainties and the outcome of individual matters is not always predictable. Claims that are uncertain in terms of the outcome or potential outflow or that are not measurable are considered to be a contingency and are not recorded in the Corporation's consolidated financial statements. At September 30, 2011 the Corporation had provisions amounting to \$25.2 million (March 2011 - \$28.4 million) in respect of legal claims.

Polychlorinated Biphenyls (PCBs) concentrations which exceed the Ministère du Développement durable, de l'Environnement et des Parcs (MDDEP) industrial site criterion were identified in the soil at the former Corporation AM transmission site in Rimouski.

During the year ended March 31, 2011 the Corporation conducted an ecological risk assessment of the different options available to address the clean up of the contaminated soil.

The study, which was completed in the fall of 2010, produced a viable solution for the site with an estimated cost of \$0.3 million. As a result, PCBs decontamination costs, which were disclosed as a contingent liability at the date of transition, are now recorded as a provision. The clean up is expected to start in 2011-2012.

15. Revenues

The Corporation recognized revenue from the following sources:

| | Three months ended September 30 | | Six months ended September 30 | |
|---|------------------------------------|----------------|----------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| | <i>(in thousands of dollars)</i> | | | |
| Advertising | 50,704 | 52,741 | 161,442 | 156,734 |
| Building, tower, facility and service rentals | 10,356 | 11,350 | 19,241 | 18,504 |
| Production revenues | 3,878 | 4,009 | 7,540 | 6,976 |
| Digital programming | 1,280 | 2,982 | 2,277 | 4,178 |
| Retransmission rights | 2,873 | 2,610 | 3,875 | 3,488 |
| Program sponsorship | 2,082 | 1,712 | 3,311 | 2,868 |
| Other services | 1,459 | 679 | 2,531 | 2,071 |
| Total Rendering of services | 72,632 | 76,083 | 200,217 | 194,819 |
| Total Specialty Services | 39,621 | 38,998 | 81,542 | 76,219 |
| Total Financing income | 1,398 | 1,025 | 2,788 | 2,402 |
| Contribution from the Local Programming Improvement Fund (LPIF) | 12,877 | 7,550 | 22,320 | 15,339 |
| Contra revenues other than advertising | - | 196 | - | 336 |
| Gain (Loss) on foreign exchange rates | 89 | 93 | (220) | 101 |
| Net gain (loss) from fair value of financial instruments | 1,459 | (543) | 1,574 | 242 |
| Total Revenues | 128,076 | 123,402 | 308,221 | 289,458 |



16. Government Funding

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

| | Three months ended September 30 | | Six months ended September 30 | |
|-------------------------|------------------------------------|----------------|----------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| | <i>(in thousands of dollars)</i> | | | |
| Operating funding | 239,001 | 244,892 | 502,433 | 573,339 |
| Capital funding | 25,000 | 24,109 | 50,568 | 49,500 |
| Working capital funding | 999 | 999 | 1,999 | 1,999 |
| | 265,000 | 270,000 | 555,000 | 624,838 |

Government funding approved and received by the Corporation during the period is recorded as follows in the condensed Consolidated Financial Statements.

Parliamentary appropriations for operating expenditures are recognized in the Condensed Consolidated Statement of Income based on the net budgeted expenses (i.e. quarterly budgeted expenses less self-generated revenues).

Where the actual amount of the operating appropriation received in the period is less than the net budgeted expenses, the amount recognized is equivalent to the amount actually received. If the actual amount received to manage cash requirements is more than the net budgeted expenses, the excess is recorded as deferred operating appropriation and recognized as deferred revenue on the balance sheet.

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 revenues.

| | Three months ended September 30 | | Six months ended September 30 | |
|--|------------------------------------|----------------|----------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| | <i>(in thousands of dollars)</i> | | | |
| Operating funding received | 239,001 | 244,892 | 502,433 | 573,339 |
| Less: Deferred operating appropriation | 18,663 | 24,741 | - | (65,669) |
| Parliamentary appropriation for operating expenditures recognized in the Condensed Consolidated Statement of Income | 257,664 | 269,633 | 502,433 | 507,670 |



16. Government Funding *(Continued)*

Capital Funding received is recorded as Deferred Capital Funding in the Condensed Consolidated Balance Sheet. Capital Funding is amortized and recognized on the same basis and over the same periods as the related property, equipment, intangible assets and equipment under capital lease.

| | September 30, 2011 | September 30, 2010 |
|---|----------------------------------|-----------------------|
| | <i>(in thousands of dollars)</i> | |
| Balance, beginning of year | 602,025 | 632,221 |
| Government funding for capital expenditures | 50,568 | 49,500 |
| Amortization of deferred capital funding | (64,458) | (60,317) |
| Balance, end of period | 588,135 | 621,404 |

17. Seasonality

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

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



18. Movements in Working Capital

| | Three months ended September 30 | | Six months ended September 30 | |
|--|------------------------------------|-----------------|----------------------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| | <i>(in thousands of dollars)</i> | | | |
| Cash flows provided by (used for): | | | | |
| Trade and other receivables | 50,387 | 28,564 | 24,251 | 40,042 |
| Programming | (22,868) | (14,586) | (54,102) | (34,222) |
| Merchandising inventory | (45) | 100 | 115 | 119 |
| Prepaid expenses | 6,233 | (5,310) | 80,235 | 26,910 |
| Promissory notes receivable | (430) | (492) | (880) | (1,004) |
| Net investment in finance lease | 4 | 4 | 15 | 14 |
| Accounts payable and accrued liabilities | 12,337 | 4 | (30,773) | (64,327) |
| Provision | (2,021) | - | (3,202) | - |
| Obligation under finance lease | 1,135 | 1,212 | 2,161 | 2,291 |
| Deferred revenues | (1,068) | (944) | (694) | 1,695 |
| Pension plans and employee-related liabilities | (7,423) | (35,864) | (15,833) | (14,028) |
| Bonds payable | 5,729 | 5,909 | 11,487 | 11,846 |
| Financial liability related to the monetization of receivables | 70 | 139 | 140 | 279 |
| Notes payable | 24 | 24 | 3,114 | 2,551 |
| | 42,064 | (21,240) | 16,034 | (27,834) |

19. Commitments

The Corporation entered into commitments by renewing purchase agreements and entering into new purchase agreements. Management estimates that these new commitments, for the six month periods ended September 30, 2011, will respectively result in future expenditures of approximately \$197.7 million. In total, as of September 30, 2011, the Corporation had \$1,038.1 million of commitments to be paid over the next 15 years.

20. Related Parties

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

20. Related Parties *(Continued)*

A. Transactions with Related Parties Excluding Government Related Entities

| | Associate Three months ended September 30 | | Associate Six months ended September 30 | |
|-----------------------|---|------------|---|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| | <i>(in thousands of dollars)</i> | | | |
| Rendering of services | 528 | 614 | 1,379 | 1,377 |
| Receiving of services | - | - | - | - |
| Pension contributions | - | - | - | - |
| | 528 | 614 | 1,379 | 1,377 |

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

| | Amounts owed by related parties | |
|-----------|----------------------------------|-------------------|
| | September 30, 2011 | March 31, 2010 |
| | <i>(in thousands of dollars)</i> | |
| Associate | 195 | 354 |
| | 195 | 354 |

The transactions and balances presented in the tables are with CSR, an associate of the Corporation. The amounts outstanding are unsecured and will be settled in cash. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

B. Other Transaction with Associate

On June 21, 2011 the Corporation exchanged its interests in Sirius for shares in CSR pursuant to the reverse take-over of CSR by Sirius. The reverse take-over and retention of significant influence in the CSR combined entity caused the Corporation to recognize a non-cash dilution gain of \$25.8 million. This amount is made up of a gain on the disposed interest in the amount of \$3.3 million as well as the Corporation's proportionate share of CSR's share issuance amounting to \$22.5 million. In addition, the Corporation recognized \$5.1 million in dividend income related to redemption of the original \$12.0 million investment the Corporation had in Sirius Class C shares. Finally, the Corporation received a promissory note in connection with dividends declared on the Class A shares of the associate. More information on this transaction is provided in Note 11 to the condensed consolidated financial statements.



20. Related parties *(Continued)*

C. Transactions with Government-Related Entities

CBC | Radio-Canada is a Crown Corporation wholly owned by the federal government. The Corporation 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, rendering and receiving services, lease of assets and use of public utilities.

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-month period ended September 30, 2011, management estimates \$0.4 million of its rendering of services (2010 - \$0.1 million) and \$0.1 million of its purchase of goods and services (2010 - \$0.01 million). For the six-month period ended September 30, 2011, management estimates that the aggregate amount of the Corporation’s significant transactions with other government-related entities amounted to \$0.9 million of its rendering of services (2010 - \$0.3 million) and \$0.4 million of its purchase of goods and services (2010 - \$0.2 million).

21. Financial Instruments

A. Fair Value

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



21. Financial Instruments *(Continued)*

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

| | September 30, 2011 | | March 31, 2011 | | Method ¹ | Note |
|--|--------------------|-------------|-----------------|-------------|---------------------|------|
| | Carrying values | Fair values | Carrying values | Fair values | | |
| <i>(in thousands of dollars)</i> | | | | | | |
| Financial instruments measured at fair value: | | | | | | |
| Derivative financial asset instruments | 773 | 773 | - | - | Level 1 | (a) |
| Derivative financial asset instruments | 36 | 36 | - | - | Level 3 | (c) |
| Derivative financial liability instruments | - | - | 715 | 715 | Level 1 | (a) |
| Long-term investments – non-voting Class C shares | - | - | 17,000 | 17,000 | Level 2 | (b) |
| Financial instruments measured at amortized cost: | | | | | | |
| Promissory notes receivable (long-term) | 50,991 | 60,089 | 51,765 | 56,775 | | |
| Net investment in finance lease (long-term) | 55,346 | 66,398 | 56,577 | 62,594 | | |
| Bonds payable (long-term) | 293,984 | 406,164 | 299,237 | 382,250 | | |
| Obligations under finance lease (long-term) | 59,142 | 64,287 | 64,136 | 68,634 | | |
| Notes payable (long-term) | 121,701 | 136,047 | 124,353 | 128,045 | | |

¹ 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 observable market inputs other than Level 1 inputs.
- Level 3 - inputs that are not based on observable market data (unobservable inputs).

(a) The fair value is based on quoted forward market prices at the end of the reporting period.

(b) The estimated fair value is determined using discounted projected future cash flows.

(c) The estimated fair value is determined using inputs that are not based on observable market data (unobservable inputs).

