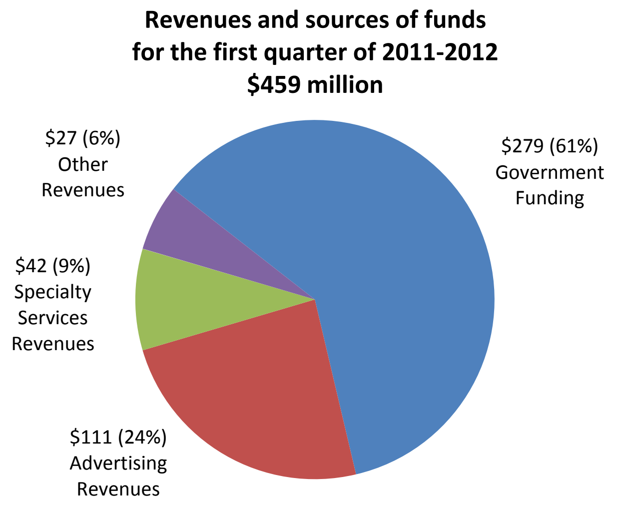
FIRST QUARTERLY
FINANCIAL REPORT

FOR THE PERIOD ENDED JUNE 30TH, 2011

YOURS TO CELEBRATE

Table of Contents

Summary



President's Message

I am pleased to introduce CBC/Radio-Canada's quarterly reporting, which will enhance our transparency and accountability to Canadians. This first quarterly report coincides with the implementation of our new strategic plan, *2015: Everyone, Every way*, which gives us the means to truly deepen our relationship with Canadians on national, community and personal levels. This report outlines our initial plans for fulfilling that commitment.

Hubert T. Lacroix
President and Chief Executive Officer

Corporate Highlights

- Strategy 2015 aims to find ways to engage Canadians in debate and dialogue about pressing issues. During the recent federal election, close to two million Canadians used the Vote Compass tool on the CBC/Radio-Canada websites to explore how their views and values align with those of the political parties.
- In line with our strategic priority of increasing investments in digital platforms, we launched the Espace.mu online music website on June 13, generating over a million audio streams since the launch. The website offers listeners the largest repertoire of French music selection on the Internet.
- In May 2011, we announced details of an initiative with an increased local focus as part of our strategic plan to introduce or improve local services to more than six million underserved Canadians over the next five years in Victoria, Kelowna, Rimouski, Toronto, Calgary and Kamloops.

First Quarter Financial Highlights

Net Results

(in thousands of dollars)	Three months ending June 30			
	2011	**2010**	**$ change**	**% change**
Revenues	180,145	166,056	14,089	8.5
Expenses	(471,620)	(445,533)	(26,087)	(5.9)
Government funding	278,935	269,306	9,629	3.6
Net results before non-operating items	**(12,540)**	**(10,171)**	**(2,369)**	**(23.3)**
Non-operating items	42,864	(135)	42,999	-
Net results for the period	**30,324**	**(10,306)**	**40,630**	**394.2**

Overview of Net Results

- Revenues increased by $14.1 million (8.5 per cent) quarter over quarter, primarily due to strong advertising revenues generated from the NHL hockey playoffs and the presence of a Canadian team in the finals. Revenues from ARTV are now consolidated into the Corporation's results, following an increase in share ownership. As planned, higher digital revenue growth also contributed to the increase and the Local Programming Improvement Fund (LPIF) contributions were higher.
- Operating expenses increased by $26.1 million (5.9 per cent) over the same period last year, as CBC/Radio-Canada provided coverage of the federal election and royal visit during the quarter, increased its investment in ARTV and, consistent with the Strategy 2015 plan, enhanced its investment in digital programming. In anticipation of the August 2011 shutdown of over-the-air transmitters in Canada, the Corporation also accelerated depreciation costs on its analog TV assets.
- Quarter-over-quarter government funding recognized for accounting purposes was $9.6 million (3.6 per cent) higher, reflecting the matching of funding to quarterly budgeted costs. Government funding for the 2011–2012 fiscal year is not expected to increase from the previous year.
- The quarterly net result before non-operating items was a loss of $12.5 million, comparable to a loss of $10.2 million in the same period last year. Consistent with plan, the loss position was a result of non-cash items.
- Non-operating items increased by $43.0 million largely from a non-cash gain reflecting the change in CBC/Radio-Canada's ownership position following the merger of Canada's two satellite radio providers, Sirius Canada and the parent company of XM Canada. The merger will permit CBC/Radio-Canada to extend distribution of its channels and content to XM satellite customers and benefit from improved access in an evolving audio entertainment marketplace. CBC/Radio-Canada has a director on the Board of the merged company, which has a combined subscriber base of more than 1.9 million.

Other Comprehensive Income

(in thousands of dollars)	Three months ending June 30			
	2011	**2010**	**$ change**	**% change**
Net results for the period	**30,324**	**(10,306)**	**40,630**	**394.2**
Other comprehensive income (loss)	56,296	(32,676)	88,972	272.3
Total comprehensive income (loss) for the period	**86,620**	**(42,982)**	**129,602**	**301.5**

- Other comprehensive income increased by $89.0 million largely as a result of non-cash actuarial gains on CBC/Radio-Canada's defined benefit pension plan.

Other Financial Matters

- CBC/Radio-Canada is among 67 organizations that have been asked under the government-wide Strategic and Operating Review to prepare two proposals, one to meet a five per cent reduction and the other 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 federal budget 2012.
- In federal 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.
- In light of the climate of economic uncertainty that arose after quarter end, the Corporation is closely monitoring its advertising revenue performance.

Management Discussion and Analysis

Quarterly Reporting Requirement

As well as being required to file an annual report, starting April 1, 2011, most federal Crown corporations in Canada are required to file quarterly financial reports for the first three quarters of the fiscal year. This new requirement supports effective oversight of public funds. Consistent with our efforts to be transparent, CBC/Radio-Canada is pleased to present this first quarter report for the period April 1 to June 30, 2011. This report can be accessed on the CBC/Radio-Canada corporate website.

These condensed consolidated financial statements for the quarter ended June 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. Core Business and Strategy

We are Canada's national public broadcaster, mandated by the *Broadcasting Act* and guided by our strategic plan, *2015: Everyone, Everyway*.

1.1 Core Business

CBC/Radio-Canada is Canada's national public broadcaster. We deliver a comprehensive range of radio, television, Internet, mobile and satellite-based services. These services are delivered in English, French and eight aboriginal languages, as well as in seven languages on our international radio service. At the end of June 2011, CBC/Radio-Canada employed approximately 7,300 permanent full-time equivalent employees (FTEs), 500 temporary FTEs and 860 contract FTEs. CBC/Radio-Canada's head office is located in Ottawa, while the main network operations are in Toronto and Montreal. We have 82 radio stations and 27 television stations where we originate local programming. The Corporation has the only Canada-wide radio network, operating four networks (two in each official language). Internationally, CBC/Radio-Canada News has 14 foreign bureaus.

CBC/Radio-Canada broadcasts its television and radio programming services via owned and operated stations, and television affiliates. The former are fully controlled by the Corporation, while the affiliates are privately owned stations contracted to carry our programming.

The Corporation's broadcasting reach extends across Canada and around the world, offering high-quality, distinctive content by, for and about Canadians, wherever and however they want it. Based on a recent study by Deloitte and Touche LLP, the Corporation made an estimated $3.7 billion gross value-added contribution to the Canadian economy in 2010.

The Corporation had $2.5 billion (book value) of assets in operation as of June 30, 2011. As one of the world's largest broadcast transmission and distribution systems, assets include 789 transmission sites located throughout Canada and a real estate portfolio of more than four million square feet, including 27 buildings owned across Canada. The Corporation is also highly dependent on technology and technology-based assets in the production and delivery of its services.

CBC/Radio-Canada's mandate is set out in the *Broadcasting Act (1991)*. We report to Parliament through the Minister of Canadian Heritage and Official Languages. Under the *Broadcasting Act*, the Canadian Radio-television and Telecommunications Commission (CRTC) regulates the Corporation. Under the same act, the Corporation "*enjoys freedom of expression and journalistic, creative and programming independence.*"

1.2 Strategy

The Corporation's strategic plan, called *2015: Everyone, Every way*, was launched in February. Implementation officially began during the first quarter.

The plan includes the following three components:

- A new CBC/Radio-Canada vision
- Four guiding principles supporting the vision
- Three strategic thrusts for achieving our objectives

Vision

The vision at the heart of the strategic plan is the following:

- To be the recognized leader in expressing Canadian culture and to enrich the democratic life of all Canadians

Four Guiding Principles

Four guiding principles that support our vision are as follows:

- The creation and delivery of original, innovative high-quality Canadian content...
- That reflects and draws together all Canadians...
- Actively engaging audiences...
- While being cost-effective and accountable

Three Strategic Thrusts

Our mandate has not changed, but how we deliver our services to Canadians is changing. To be a cultural leader and an effective public broadcaster now and into the future, we need to be more *national*, more *regional* and more *digital.* As such, the strategy has three main thrusts:

- **National programming** – Offering distinctive Canadian programming
- **Regional programming** – Strengthening our offering in the regions
- **Digital programming** – Increasing our investment in digital platforms

Strategy 2015 Updates for the Quarter

- Strategy 2015 aims to find ways to engage Canadians in debate and dialogue about pressing issues. During the recent federal election, close to two million Canadians used the Vote Compass tool on the CBC/Radio-Canada websites to explore how their views and values align with those of the political parties.
- The Espace.mu online music website offers listeners seven styles of music, as well as simultaneous streams of Espace musique and Bande à part radio, and has the largest repertoire of French music selections on the Internet. Since its June 13th launch, Espace.mu has generated over a million audio streams.
- In May 2011, we announced details of an initiative as part of our strategic plan to introduce or improve local services to more than six million underserved Canadians over the next five years. Examples of how we will achieve this include:
    - CBC Victoria's existing programming will be enhanced in fall 2011 to better serve the specific needs of Vancouver Island audiences.
    - CBC in Kelowna will expand its current service in fall 2011 to include a new afternoon radio program focused on serving the British Columbia interior.
    - After successful inaugurations of centres in Trois-Rivières and Saguenay in 2010, multiplatform service offerings will be expanded by establishing a centre in Rimouski by fall 2012.
    - New weekend news programs on television and expanded weekend news programming on radio and online will be launched in Toronto in fall 2011 and in Calgary in winter 2012.
    - All-new radio and online services will be established in Kamloops in spring 2012.

Other Strategic Updates for the Quarter

Merger of Sirius Canada and Canadian Satellite Radio Holdings

In April 2011, the CRTC approved the merger of Canada's two satellite radio providers, Sirius Canada Inc. and Canadian Satellite Radio (CSR) Holdings Inc. The merger was completed in June 2011. CSR was the parent company of XM Canada, and the merged entity is known as SiriusXM Canada. The merger follows a similar merger in 2008 of Sirius and XM in the United States.

CBC/Radio-Canada held a 25.05 per cent equity interest in Sirius Canada and was one of three shareholders. In the merged entity, the Corporation owns a 14.5 per cent equity interest and 19.9 per cent voting interest, and it has a seat on the Board of Directors. The transaction resulted in a $39.3 million dilution gain (non-cash), which is recognized as income for the quarter, and dividend income of $5.1 million.

The combined company will benefit from significant synergies, a greater subscriber base and improved access in an evolving audio entertainment marketplace. CBC/Radio-Canada produces six Canadian channels for Sirius Canada (Radio One, Radio 3, Espace musique, Première plus, Bande à part, Sports Extra), under a supply agreement that was extended by five-years (to 2022) as a result of the merger. Currently, the six channels are distributed to SiriusXM Satellite Radio in the United States on the Sirius satellite platform. The merger will permit CBC/Radio-Canada to extend distribution of its channels and content to XM satellite customers. The merged company has a combined subscriber base of more than 1.9 million Canadians. SiriusXM in the United States has a subscriber base of approximately 21 million.

Expanding the satellite base is in keeping with the Corporation's strategic objective of providing content where, when and how Canadians want it.

Update on Canada Media Fund (CMF)

In June 2011, the Government announced that it is renewing its investment of $100 million per year in the Canada Media Fund. This Fund is vital to the ability of independent producers to continue creating new Canadian programs that CBC/Radio-Canada showcases in prime time – when most Canadians want to watch them.

1.3 Corporate Highlights

Corporate highlights include programming, regulatory and other developments.

Programming and Distribution Highlights

- On June 20, we launched RCI Vision, a website for viewing short films and documentaries. This new site includes content produced by Radio Canada International, as well as Canadian and international producers. Users can rate and upload content.
- In May, TOU.TV was the only French-language service selected for LG's Smart TV, which integrates the web, computers and television.
- CBC Television's *Hockey Night in Canada* achieved its highest-ever audience, an average of 8.76 million, for the seven-game Stanley Cup final series between Vancouver and Boston. The only larger audience for a hockey broadcast was 8.96 million for the 2002 men's Olympic hockey final. Four of the five top audience numbers for CBC sports were recorded for this year's Stanley Cup playoffs.
- Over 1.5 million Francophones watched the season finale of *19-2*, a Télévision de Radio-Canada police drama. The acclaimed series won an average 36 per cent share over the season and received the largest number of nominations, 18, for the 2011 Gémeaux awards.
- Over the first six months of 2011, Canadians in more than 50 communities participated in CBC's *Live Right Now* challenge to join the collective journey towards a healthier country. They have pledged and lost a total of 1.5 million pounds, walked 4,260 kilometres and taken part in over 10,000 hours of healthy activity.

- Live coverage of the federal election on CBC Television and CBC News Network captured an average viewership of two million Canadians. RDI remained first in its market and Télévision de Radio-Canada increased its share. Record numbers accessed election coverage online at CBCNews.ca and Radio-Canada.ca.
- CBC led national coverage of the royal wedding of Prince William and Catherine Middleton, with a combined audience of 1.26 million Canadians on CBC Television and CBC News Network. Télévision de Radio-Canada was the only French-language conventional network carrying the royal wedding live.
- Reflecting the importance of women and "aunties" in First Nations communities, CBC Edmonton held an *Ask Your Auntie* panel discussion on National Aboriginal Day in June. The *Ask Your Auntie* series was launched in January 2011 and generates radio and online content.
- For the 60th Mental Health Week, from May 1 to 7, Radio-*Canada* offered programming to raise awareness on various platforms, including *RDI, ARTV,* Première Chaîne radio, Espace musique radio and the Radio-Canada website.
- During the quarter, CBC/Radio-Canada programs won 94 awards, demonstrating the quality and impact of our programming. Radio-Canada also received 89 nominations for the Gémeaux television awards. The Gémeaux award ceremony will be televised on Radio-Canada in September. Here are just a few examples of distinctions received by CBC/Radio-Canada this quarter.

Award	Winner
2010 Michener Award	*the fifth estate*, CBC Television *Découverte*, Télévision de Radio-Canada (Citation)
New York Festivals World's Best TV and Films	*Meltdown*, CBC Television (Gold, Social Issues/Current Events) *Découverte*, Télévision de Radio-Canada (Gold, Health/Medical Information) *The Nature of Things*, CBC Television (Gold, Health/Medical Information) *Love, Hate and Propaganda*, CBC Television (Silver, History and Society) *The National*, CBC News (Bronze, Best Newscast) *The National*, CBC News (Finalist Certificate, Human Interest) *Marketplace*, (Finalist Certificate, Investigative Report) *2010 FIFA World Cup South Africa* (Finalist Certificate, Sports Program Opener and Titles) *The Hour*, CBC Television (Finalist Certificate, Talk/Interview) *Découverte*, Télévision de Radio-Canada (Finalist Certificate, Health/Medical Information)
Science in Society Journalism Award	*Quirks & Quarks*, CBC Radio

Other Corporate Highlights

- Deloitte and Touche LLP (Deloitte) measured CBC/Radio-Canada's impact on the economy. Input included data from CRTC submissions, Statistics Canada, industry reports and CBC/Radio-Canada. Deloitte concluded that we had substantial impact on the Canadian economy in 2010, supporting jobs and businesses across the country – CBC/Radio-Canada's expenditure of $1.7 billion generated an estimated $3.7 billion gross value-added contribution to the Canadian economy.
- We received the 2011 Employer Excellence Award in the Change Champion category from Canadian Women in Communications (CWC). The reward is recognition for exceeding industry averages in eight job categories for gender diversity.
- Three key capital projects were ready for operation or nearing completion in the quarter:
    - replacement of an obsolete newsroom video server system in the Centre de l'information operation in Montreal with the current CBC/Radio-Canada high-definition (HD) standard;
    - upgrading of desktop television production systems in various English services locations to support a more efficient file-based (tapeless) post-production workflow and,
    - increasing the HD production capacity of CBC/Radio-Canada's mobile fleet and extending the life of standard definition (SD) mobile production vehicles.
- Related to the environment and efficiency, the Corporation introduced online pay stubs and initiated a print optimization program. The latter reduces the number of printers and requires leasing of more efficient ones to maximize printing resources while reducing costs and environmental impact.

Regulatory Developments

- The CRTC approved our application to amend the nature of service for one of our specialty channels, now known as **bold**. The channel provides programming from regionally based perspectives, including regional performing arts and drama.
- The CRTC updated its satellite distribution policy to require Bell TV to carry local television stations by August 31, 2012 and Shaw Direct by January 1, 2013. This means that subscribers of these satellite services will have guaranteed access to their local CBC/Radio-Canada programming.
- CRTC hearings on vertical integration commenced in June 2011. Because a small number of distribution companies control most of the media content in Canada (for example, Bell, Rogers, Shaw, and Quebecor control over 84 per cent of cable and satellite distribution) and because they are also Internet service providers, they are able to influence the offering, placement and packaging of many of CBC/Radio-Canada's television services as well as Internet data transfer speed and fees. In June, CBC/Radio-Canada presented its views to the CRTC, encouraging the Commission to ensure that unaffiliated broadcasters are granted access to distribution channels on a non-discriminatory and commercially reasonable basis. A decision is expected from the CRTC in the fall.

- The Corporation continued to transition from analog to digital television, installing two transmitters in Calgary and Edmonton in the quarter, to raise our total to 10 of 27 transmitters planned. The 10 digital transmitters are in operation in Toronto (2), Montreal (2), Ottawa (2), Vancouver, Québec City, Calgary and Edmonton. CBC/Radio-Canada anticipates that the remaining transmitters will be installed by the August 31 deadline.

  In addition, CBC/Radio-Canada began running public service announcements during the quarter to inform Canadians of the upcoming transition on September 1, 2011.

  The Corporation, like all other broadcasters, is obliged to cease analog transmission in those markets designated as “mandatory” by the CRTC. To avoid loss of service to over-the-air customers in certain mandatory markets where the Corporation will not be converting to digital, subsequent to quarter end, on July 14, the Corporation applied to the CRTC for permission to continue broadcasting in analog. 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.

- In May, the Corporation filed for licence renewals with the CRTC. Subsequent to quarter-end, the CRTC postponed the September 2011 hearings until June 2012. The documents submitted by CBC/Radio-Canada continue to form part of the public record.

2. Performance

2.1 Key Performance Drivers

A number of performance drivers are critical to success. First, People, our employees, need the tools and knowledge to help them become more agile as we face new challenges. Second, for Programs, we need to ensure that our programming remains relevant and engaging, and that we create richer Canadian content for audiences, in whatever format they prefer. Third, the Corporation needs to continue Pushing Forward and evolving so that it can continue to fulfil its mandate on behalf of Canadians in the coming years. CBC/Radio-Canada must have the capacity 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. We expect the first public version to be available in conjunction with our 2011–2012 annual report, at which time we will be able to compare our performance in year one of *Everyone, Every way*, 2011–2012, with benchmark data for 2010–2011.

Until these metrics are introduced, results are reported as follows.

2.2 French Services Performance

Because the main measurement period in broadcasting is September to March, data is not always available on a quarterly basis and typically becomes available in the fall. Data will be added to the quarterly reports as it becomes available.

French Services		Annual Results 2010–2011	Annual Target 2011–2012	Results to Date
Radio Networks				
Première Chaîne and Espace musique	Full-day audience share[1]	19.5%	19.5%	Measurement begins fall 2011
Website[2]				
Radio-Canada.ca, TOU.TV, Bandeapart.fm, RCI.net, Espace.mu	Monthly average unique visitors Sep–Mar[3]	2.0 million	2.1 million	Measurement begins fall 2011
Television				
Télévision de Radio-Canada	Prime-time audience share Fall/winter season[4]	19.9% [5]	19.3%	Measurement begins fall 2011
RDI and ARTV	Full-day audience share Fall/winter season[4]	4.5%	4.5%	
Regional				
Première Chaîne	Morning shows audience share Mon–Fri 6–9 a.m.[1]	19%	19%	Measurement begins fall 2011
Téléjournal 18h	Average viewers per minute Weekly average Mon–Fri 6–6:30 p.m. Fall/winter season[4]	317,000	323,000	
Regional web pages	Monthly average unique visitors Sep–Mar[3]	447,000	458,000	
Specialty Television Channels				
RDI	Subscribers	11.0 million	11.0 million	11.3 million[6]
ARTV	Subscribers	2.1 million	2.1 million	2.1 million[7]
Revenue[8]				
Conventional, specialty, online		$224.9 million	$230 million	$51.6 million[7]

1. Source: BBM Canada, fall survey (diary), persons aged 12 years and older.
2. Espace.mu was introduced on June 13, 2011. RCI Vision was introduced on June 20, 2011, and results are included with RCI.net.
3. Source: comScore, persons aged 2 years and older.
4. Source: BBM Canada, Personal People Meter (PPM), persons aged 2 years and older.
5. The 19.9 per cent result exceeded the 2010-2011 target of 18.5 per cent due in part to exceptional performance of programs that are not returning in 2011-2012.
6. Expected to meet or exceed target.
7. Expected to meet target.
8. 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.

2.3 English Services Performance

Because the main measurement period in broadcasting is September to March, data is not always available on a quarterly basis and typically becomes available in the fall. Data will be added to the quarterly reports as it becomes available.

English Services		Annual Results 2010–2011	Annual Target 2011–2012	Results to Date
Radio Networks				
CBC Radio One and CBC Radio 2	Full-day audience share[1]	14.7%	14.9%	Measurement begins fall 2011
Website				
CBC.ca	Monthly average unique visitors Sep–Mar[2]	5.8 million	6.0 million	Measurement begins fall 2011
Television				
CBC Television	Prime-time audience share Fall/winter season[3]	9.3%	9.3%	Measurement begins fall 2011
CBC News Network	Full-day audience share Fall/winter season[3]	1.4%	1.5%	
Regional				
CBC Radio One morning shows	Average weekly hours tuned (Mon-Fri) Fall/winter season[3]	4.8 million	4.8 million	Measurement begins fall 2011
TV supper and late-night news	Average weekly hours tuned (Mon-Fri) Fall/winter season[3]	3.1 million	3.1 million	
Regional web pages	Monthly average unique visitors Sep–Mar [2]	0.90 million	0.93 million	
Specialty Television Channels				
CBC News Network	Subscribers	11.0 million	11.1 million	11.1 million[4]
bold	Subscribers	2.2 million	2.6 million	2.2 million[4]
documentary	Subscribers	2.4 million	2.5 million	2.4 million[4]
Revenue[5]				
Conventional, specialty, online		$384 million[6]	$373 million	$115 million[4]

1. Source: BBM Canada, fall survey (diary), persons aged 12 years and older.
2. Source: comScore, persons aged 2 years and older.
3. Source: BBM Canada, Personal People Meter (PPM), persons aged 2 years and older.
4. Expected to meet target.
5. 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.
6. Includes one-time FIFA World Cup soccer revenues.

2.4 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. CBC/Radio-Canada sets targets significantly above the regulatory requirements. Results to date are presented as follows.

Television Network	Yearly Regulatory Expectations	Results Sep 1, 2009 to Aug 31, 2010	Results 10 months Sep 1, 2010 to Jun 30, 2011
Canadian Content – Télévision de Radio-Canada			
Broadcast day (Mon–Sun, 6:00 a.m.–12:00 a.m.)	75%	80%	88%
Prime time (Mon–Sun, 7:00–11:00 p.m.)	80%	91%	94%
Canadian Content – CBC Television			
Broadcast day (Mon–Sun, 6:00 a.m.–12:00 a.m.)	75%	81%	84%
Prime time (Mon–Sun, 7:00–11:00 p.m.)	80%	81%	83%

3. Capability to Deliver Results

3.1 Leadership and People

Leadership

Changes in Executive Management

In May 2011, Maryse Bertrand (Vice-President of Real Estate, Legal Services and General Counsel) was named Interim Vice-President People and Culture after the departure of Katya Laviolette, Vice-President People and Culture.

In June 2011, Sylvain Lafrance, the Executive Vice-President of French Services, announced his departure after 33 years of service at Radio-Canada. To ensure a smooth transition, he will stay on until October. The search to recruit a successor to Mr. Lafrance and Ms. Laviolette is in progress.

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. Activity in the quarter included the following.

Challenge Us!

Challenge Us! is an event that brings together a variety of employees from different levels and roles to challenge the organization on an important and timely subject. Given the launch of the strategic plan, *Everyone, Every way*, this year's theme was leadership. Our own leaders, including President and Chief Executive Officer (CEO) Hubert T. Lacroix and other members of the Senior Executive Team, were on hand to hear the conclusions and to accept the challenge. Topics included generational differences, empowerment, personal accountability, how people can be leaders from wherever they are in the organization, how to create the leadership that we want to see at CBC/Radio-Canada and how each employee can contribute on a daily basis.

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.

Results showed that the following elements ranked high: employee engagement, passion, pride and belief in the national public broadcaster's mission.

Two areas identified as needing improvement were non-monetary recognition and professional development.

Following the analysis of the survey, a National Advisory Committee has recommended to the Senior Executive Team that efforts be focused on these areas as the top two national priorities. Specific actions are being developed nationally and locally for roll-out in 2011-2012.

Hosts Appointed to Order of Canada

Two CBC/Radio-Canada hosts were appointed by the Governor General to the Order of Canada. CBC host Bob McDonald was appointed for his contributions to the public understanding of science. Radio-Canada's Espace musique host Alain Lefèvre was appointed for his contributions to the arts as a pianist and champion of Canadian music.

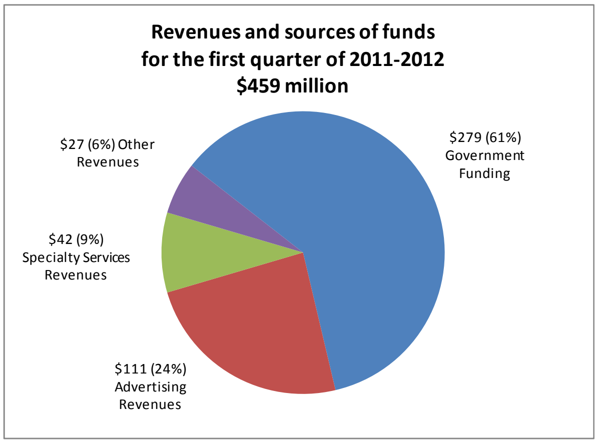
The President's Awards

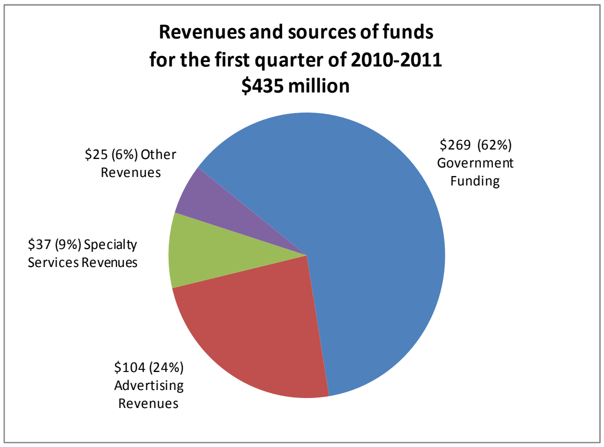
The President's Awards were launched in the fall of 2009 to recognize and salute employees for their outstanding contributions and accomplishments. The nine awards are based on the President and CEO's three priorities, People, Programs and Pushing Forward, and include the Leadership award, the Multi-Platform Content award and the Smart Solutions award. For 2010, 150 nominations were received. During the quarter, the winners were announced and the awards were presented.

3.2 Resource Capacity

Revenues and Source of Funds

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





In the first quarter, $278.9 million in government funding was recognized as income (approximately 61 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 countries.[1]

In the 2011 federal budget, 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. This funding has not been confirmed beyond 2011-2012.

The Corporation is preparing strategic and operating proposals to address a Government-wide Strategic and Operating Review, including possible funding reductions of five or ten per cent over three years. A decision by Government is expected in the next federal budget in February or March 2012.

Advertising accounted for $110.7 million in revenues (approximately 24 per cent of total sources of funds) in the first quarter. Specialty services, which include subscription and advertising revenues from the specialty services CBC News Network, **bold**, *documentary*, ARTV and the Réseau de l'information de Radio-Canada (RDI), generated $41.9 million (nine per cent of total sources of funds). Other revenues, which include revenues from the Local Programming Improvement Fund (LPIF) and from activities such as program sales, the sale and rental of real estate assets and leasing space at our transmission sites, accounted for $27.5 million (six per cent of total).

---

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

Borrowing Authority

The *Broadcasting Act*, subsection 46.1, confers on CBC/Radio-Canada the authority to borrow up to $220 million, or such greater amount as may be authorized by Parliament, subject to the approval of the Minister of Finance. Section 54 (3.1) of the Act requires that the Corporation's borrowing plan be included in its corporate plan for the approval of the Minister of Finance.

When the Corporation sold long-term accounts receivable in 2009 as part of its Recovery Plan to address the impact of the global economic slowdown and stagnant advertising revenues, it provided a guarantee to the investors in order to obtain the best possible value for the sale. This guarantee was deemed to be borrowing. The outstanding amounts against the borrowing authority are as follows, and there were no changes during the quarter.

	(in thousands of dollars)
Total borrowing authority available	220,000
Authority used as at March 31, 2011:	
Guarantee on accounts receivable[1]	(193,811)
Authority used in the Quarter	0
Authority available as of June 30, 2011[2]	26,189

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.

1. Amount includes guarantees provided for the sale of receivables related to the Toronto Broadcast Centre land and a portion of the Stingray Digital Media Group receivable sale. Stingray purchased CBC/Radio-Canada's Galaxie pay audio service. The amount represents the minimum lease payments receivable including unearned interest.

2. The Corporation may, with the approval of the Minister of Finance, borrow up to the level of authority available.

4. Results and Outlook

This section outlines financial results for the period April 1 to June 30, 2011 and comparative figures for the same period in 2010–2011.

4.1 Results

Summary – Net Results

(in thousands of dollars)	Three months ending June 30			
	2011	**2010**	**$ change**	**% change**
Revenues	180,145	166,056	14,089	8.5
Expenses	(471,620)	(445,533)	(26,087)	(5.9)
Government funding	278,935	269,306	9,629	3.6
Net results before non-operating items	**(12,540)**	**(10,171)**	**(2,369)**	**(23.3)**
Non-operating items				
Dilution gain from Sirius	39,251	0	39,251	N/A
Dividend income from Sirius	5,094	0	5,094	N/A
Loss on disposal of equipment	(1,481)	(135)	(1,346)	(997.0)
Non-operating items	**42,864**	**(135)**	**42,999**	**N/A**
Net results for the period	**30,324**	**(10,306)**	**40,630**	**394.2**

The quarterly net result before non-operating items was a loss of $12.5 million, comparable to a loss of $10.2 million in the first quarter last year. Consistent with plan, the loss position was a result of non-cash items including accruals for annual leave and pension costs.

Non-operating items increased by $43.0 million largely from a non-cash gain reflecting the change in CBC/Radio-Canada's ownership position following the merger of Canada's two satellite radio providers, Sirius Canada and the parent company of XM Canada.

Summary – Other Comprehensive Income

(in thousands of dollars)	Three months ending June 30			
	2011	2010	$ change	% change
Net results for the period	**30,324**	**(10,306)**	**40,630**	**394.2**
Actuarial gains (losses) on defined benefit plans	61,296	(32,800)	94,096	286.9
Net unrealized gain on available-for-sale financial assets	94	124	(30)	N/A
Reclassification to income of net unrealized gain on available-for-sale financial assets	(5,094)	-	(5,094)	N/A
Other comprehensive income (loss)	**56,296**	**(32,676)**	**88,972**	**272.3**
Total comprehensive income (loss) for the period	**86,620**	**(42,982)**	**129,602**	**301.5**

Other comprehensive income for the first quarter was $56.3 million, a variance of $89.0 million over the same quarter last year. This variance is largely attributable to non-cash actuarial gains on CBC/Radio-Canada's defined benefit pension plan, a non-operating accounting item.

The following provides further detail and explanation of these results.

Revenues

(in thousands of dollars)	Three months ending June 30			
	2011	2010	$ change	% change
Advertising				
English services	81,440	75,214	6,226	8.3
French services	29,298	28,779	519	1.8
	110,738	103,993	6,745	6.5
Specialty services				
CBC News Network	20,865	20,430	435	2.1
RDI	14,081	14,304	(223)	(1.6)
bold	1,017	1,073	(56)	(5.2)
documentary	1,404	1,414	(10)	(0.7)
ARTV	4,554	-	4,554	N/A
	41,921	37,221	4,700	12.6
Other and financing income				
English services	10,812	7,911	2,901	36.7
French services	7,504	8,402	(898)	(10.7)
Corporate services	9,170	8,529	641	7.5
	27,486	24,842	2,644	10.6
TOTAL	**180,145**	**166,056**	**14,089**	**8.5**

Revenues increased $14.1 million (8.5 per cent) for the first quarter compared to the same period last year.

Advertising

Advertising revenues increased by $6.7 (6.5 per cent) million compared to the first quarter of 2010–2011, mainly as a result of strong audience performances in sports and news and strong digital revenues. English Services revenues reflect the presence 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 because of growth on the TOU.TV platform.

Specialty Services

Specialty services revenue, which includes advertising and subscriber revenues, increased by $4.7 million (12.6 per cent) compared to the same period in 2010–2011.

Most of the increase is a consequence of results from ARTV being consolidated into CBC/Radio-Canada's financial results as specialty service revenues. There are no quarterly comparable figures because the Corporation began consolidating the results of ARTV in July 2010, upon the acquisition of additional ARTV shares.

Other and Financing Income

Other and financing income for the quarter ending June 30, 2011, increased by $2.6 million (10.6 per cent) over the same period last year. Most of the increase is a result of an increase of $1.7 million in contributions from the Local Programming Improvement Fund (LPIF) compared to first quarter last year. The LPIF contribution was higher mainly 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.

Operating Expenses

(in thousands of dollars)	Three months ending June 30			
	2011	**2010**	**$ change**	**% change**
Television, radio and new media services				
English Services	249,379	239,067	10,312	4.3
French Services	158,625	150,695	7,930	5.3
	408,004	389,762	18,242	4.7
Specialty services				
CBC News Network	15,064	14,919	145	1.0
RDI	11,740	10,011	1,729	17.3
BOLD	886	790	96	12.2
Doc Channel	775	760	15	2.0
ARTV	2,942	-	2,942	N/A
	31,407	26,480	4,927	18.6
Transmission, distribution and collection	19,537	16,803	2,734	16.3
Corporate management	3,215	2,998	217	7.2
Payments to private stations	771	759	12	1.6
Finance costs	8,321	8,607	(286)	(3.3)
Share of losses of associates	365	124	241	N/A
TOTAL	**471,620**	**445,533**	**26,087**	**5.9**

Operating expenses for the three months ending June 2011 increased by $26.1 million (5.9 per cent) over the first quarter of 2010–2011. Most of the increase (69.9 per cent) was in English and French Services' operating costs. Another 21.8 per cent was the result of ARTV's expenses of $2.9 million being consolidated with CBC/Radio-Canada's results and an increase of $2.7 million primarily related to increased depreciation of transmission, distribution and collection assets.

English Services' operating expenses increased by $10.3 million (4.3 per cent) and French Services' expenses increased by $7.9 million (5.3 per cent). A large portion of the increases, $6.8 million for English Services and $7.4 million for French Services, was a result of higher programming, production and operating costs. Programming and production costs were higher due to the federal election, the royal visit and increased investment in digital programming. As well, a retirement incentive plan offered to employees as part of *Everyone, Every way* increased severance payments compared to first quarter of 2010–2011, and corporate cost allocations, such as real estate related taxes, building maintenance and repair costs, also increased quarter over quarter.

In specialty services, RDI's expenses increased by $1.7 million (17.3 per cent) over first quarter 2010–2011 mainly explained by a largely enhanced schedule (*Téléjournal* at 9 p.m. and *RDI matin*) and the federal election. As previously noted, ARTV results are now consolidated into CBC/Radio-Canada's financial results and its expenses are presented under specialty services operating expenses, accounting for an additional increase of $2.9 million in specialty services expenses for the first quarter.

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

(in thousands of dollars)	Three months ending June 30			
	2011	**2010**	**$ change**	**% change**
Parliamentary appropriations for operating expenditures	244,769	238,037	6,732	2.8
Parliamentary appropriations for working capital	1,000	1,000	-	-
Amortization of deferred capital funding	33,166	30,269	2,897	9.6
TOTAL	**278,935**	**269,306**	**9,629**	**3.6**

While Government funding for the 2011–2012 fiscal year is not expected to increase from the previous year, quarter-over-quarter funding recognized for accounting purposes was $9.6 million higher (3.6 per cent). Parliamentary appropriations for operating expenditures recognized as revenue increased by $6.7 million (2.8 per cent) for the three-month period ending June 30, 2011, compared to the same period last year. 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 2011–2012 year-end, the operating appropriation recognized as revenue is expected to be $1.028 billion, a decrease of $3.5 million (0.3 per cent) from the $1.032 billion recognized last year. This variance is largely explained by an incremental budget reduction in 2010-2011 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

(in thousands of dollars)	Three months ending June 30			
	2011	**2010**	**$ change**	**% change**
Dilution gain from Sirius	39,251	-	39,251	N/A
Dividend income from Sirius	5,094	-	5,094	N/A
Loss on disposal of equipment	(1,481)	(135)	(1,346)	(997.0)
Non-operating items	**42,864**	**(135)**	**42,999**	**N/A**

In April 2011, the Canadian Radio-television and Telecommunications Commission (CRTC) approved the merger of Canada’s two satellite radio providers, Sirius Canada Inc. and Canadian Satellite Radio (CSR) Holdings Inc. The merger was completed in June 2011. CSR was the parent company of XM Canada, and the merged entity is known as SiriusXM Canada.

CBC/Radio-Canada held a 25.05 per cent equity interest in Sirius Canada and was one of three shareholders. In the merged entity, the Corporation owns a 14.5 per cent equity interest and 19.9 per cent voting interest, and it has a seat on the Board of Directors.

A dilution gain and dividend income from the Sirius/XM merger accounted for most of the Corporation's non-operating items of $42.9 million in the first quarter. On June 21, 2011, CBC/Radio-Canada exchanged its interest in Sirius Canada Inc. for shares in CSR pursuant to the reverse take-over of CSR by Sirius ("CSR transaction"). Following the CSR transaction, CBC/Radio-Canada concluded that it continues to have significant influence in the CSR combined entity through a combination of its equity interest, representation on the Board of Directors and its ability to participate in financial and operating policy decisions. Accordingly, the investment in CSR is accounted for using the equity method of accounting. The reverse take-over and retention of a reduced interest in the CSR combined entity caused the Corporation to recognize a non-cash dilution gain of $39.3 million. This amount is made up of a gain on the disposed interest in the amount of $8.1 million as well as CBC/Radio-Canada's proportionate share of CSR's share issuance amounting to $31.2 million. In addition, CBC/Radio-Canada recognized $5.1 million in dividend income from the redemption of the $12 million investment it had in Sirius Class C shares.

Other Comprehensive Income

(in thousands of dollars)	Three months ending June 30			
	2011	**2010**	**$ change**	**% change**
Actuarial gains (losses) on defined benefit plans	61,296	(32,800)	94,096	286.9
Net unrealized gain on available-for-sale financial assets	94	124	(30)	(100.0)
Reclassification to income of net unrealized gain on available-for-sale financial assets	(5,094)	-	(5,094)	100.0
Other comprehensive income (loss)	**56,296**	**(32,676)**	**88,972**	**272.3**

Other comprehensive income increased by $89.0 million quarter over quarter, primarily from non-cash actuarial gains on CBC/Radio-Canada's defined benefit pension plan compared to an actuarial loss in the same period last year. The actuarial gain recognized for the quarter is largely the result of a greater than expected return on pension assets; in the first quarter last year, a lower than expected return on pension assets resulted in an actuarial loss. Under the Corporation's newly adopted IFRS accounting policy, there is immediate recognition of the pension plan's actuarial gains and losses which could lead to significant fluctuations in other comprehensive income on a quarterly basis, particularly in response to interest rate changes.

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 Strategic and Operating Review to be announced in federal budget 2012, which could result in a reduction in operating appropriations phased in from 2012–2013 to 2014–2015. The Corporation is preparing proposals to manage possible funding reductions of five or ten per cent.

The Corporation's cash flows from operating, investing and financing activities for the quarter are summarized in the following table. The Corporation's cash balance at June 30, 2011, was $58.2 million, compared to $108.2 million on June 30, 2010.

Cash Position

(in thousands of dollars)	Three months ending June 30			
	2011	2010	$ change	% change
Cash – beginning of year	**63,224**	**53,170**	**10,054**	**18.9**
Cash from (used in) operating activities	(3,608)	65,364	(68,972)	(105.5)
Cash from (used in) financing activities	(126)	1,085	(1,211)	(111.6)
Cash used in investing activities	(1,337)	(11,372)	10,035	(88.2)
Net change	(5,071)	55,077	(60,148)	(109.2)
Cash – end of period	**58,153**	**108,247**	**(50,094)**	**(46.3)**

Cash Used in Operating Activities

Net cash flows used in operating activities were $3.6 million in the first quarter, compared to cash generated of $65.4 million in the same period last year. These cash flows were a result of higher working capital requirements ($19.7 million) and a decrease in net results after non-cash adjustments ($49.3 million). This variance in non-cash charges was caused by a lower deferred operating appropriation and movements in the pension plan and employee-related liabilities.

Cash Used in Financing Activities

Net cash flows used in financing activities were $0.1 million in the first quarter, compared to cash generated of $1.1 million in the same period last year. Cash outflows of $25.7 million included $10 million for repayment of the Toronto Broadcasting Centre bonds, notes payable arising from the Ontrea and Galaxie monetization transactions, and the Corporation's obligations under finance leases, as well as $15.7 million for related interest on these items. These outflows were offset by $25.6 million in parliamentary appropriations for capital expenditures.

Cash Used in Investing Activities

Net cash flows used for investing were $1.3 million in the first quarter, compared to $11.4 million in the comparative period last year. Cash outflows of $17.9 million included $16.5 million for acquisition of property and equipment and intangible assets in accordance with the Corporation's capital plan. These outflows were offset by $16.6 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 began 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. The plan does not require additional government funding; we will fund the plan's core elements by finding $45 million in cost reductions and $10 million in new revenues. Our goal is to be more financially flexible and agile by 2015. 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, availability of the $60 million for Canadian programming received since 2001-2002, stable economic conditions, and continued access to to the Local Programming Improvement Fund (LPIF) and the Canada Media Fund (CMF). Should there be a substantial reduction in these sources of funds, it would affect both our ability to deliver *Everyone, Every way* and could create working capital deficiencies which would need to be managed.

To continue to grow our self-generated revenues and increase operating efficiencies, *Everyone, Every way* commits us to:

- Balance the overall financial plan and enhance the level of service that we provide to Canadians, without abandoning our existing audiences
- Pursue revenue growth initiatives, cost improvements and resource redirections, and to examine our assets to extract as much value as possible
- Further trim operating costs. We have undertaken a corporate general and administrative cost review, and a review of our overall procurement spending for goods and services.
- Review our network production methods and use of technology to increase our efficiency
- Explore potential partnership opportunities
- Challenge our priorities in a rapidly evolving environment

Examples of our commitments include a continued move to integrated revenue management (exploring all options available to the Corporation to maximize revenues from its content), a more enterprise-wide approach to procurement and merchandising, and further development of online advertising capabilities as digital opportunities grow and are increasingly linked to traditional media transactions.

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
Government Funding 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.	▲	The government-wide Strategic and Operating Review of direct program spending is proceeding. CBC/Radio-Canada is among 67 organizations that have been 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 operating appropriation. CBC/Radio-Canada is examining all aspects of operations, guided by the mandate set in the *Broadcasting Act* and our strategic plan *2015: Everyone, Every way*. The outcome of the government review will be reported as part of the federal budget 2012, likely sometime in February or March 2012.
Economic Uncertainty A climate of economic uncertainty arose in the second quarter that could potentially impact the achievement of advertising revenue targets.	▲	The Corporation is monitoring advertising revenue performance and developing contingency plans.
Regulatory Issues Renewals for all CBC/Radio-Canada licences, including for specialty services, are scheduled for September 2011. 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 *Everyone, Every way*.	►	On July 8, 2011, the CRTC announced that the public hearings on the licence renewals for CBC/Radio-Canada will be delayed from September 2011 to June 2012.
Digital Television Transition The CRTC deadline for transition to digital television (DTV) over-the-air transmission is August 31, 2011. The Corporation is making every effort to install 27 transmitters across the country, one for every one of its originating television stations, by August 31, 2011. 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.	►	As of June 30, 2011, the number of digital transmitters on air increased to 10 with the addition of Calgary and Edmonton. The Corporation is on track to install the targeted 27 transmitters by August 31, 2011. After quarter end, 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.

5. Financial Reporting Disclosure

5.1 Transition to International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board of the Canadian Institute of Chartered Accounts (CICA) announced that all publicly accountable Canadian reporting entities must adopt International Financial Reporting Standards (IFRS) as Canadian generally accepted accounting practices (GAAP) for years beginning on or 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.

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 consolidated condensed financial statements. In addition, Note 5 presents reconciliations between the Corporation's previous GAAP results for fiscal 2011 and IFRS results. These reconciliations include: Consolidated Statements of Financial Position as at April 1, 2010, and March 31, 2011, and a Consolidated Statement of Income (Loss) and Statement of Comprehensive Income for the year ended March 31, 2011.

The following provides a summary reconciliation of equity as of the date of transition and through to March 31, 2011, the last period for which financial results were presented under GAAP, along with a brief description of the significant differences. For more detailed explanations, please refer to the notes to the condensed consolidated quarterly financial statements prepared by the Corporation as at June 30, 2011.

	(in thousands of dollars)
Total Equity – Canadian GAAP March 31, 2010	(137,737)
IFRS Transition Adjustments:	
Pension and employee-related liabilities	82,825
Property and equipment – fair value of real estate assets	162,377
Lease for satellite services	(17,385)
Consolidation of trust established to monetize receivables	(5,456)
Equity – IFRS April 1, 2010	**84,624**

	(in thousands of dollars)
Total Equity – Canadian GAAP March 31, 2011	(160,375)
Cumulative IFRS adjustments for the year ended March 31, 2011:	
Pension and employee-related liabilities	349,851
Property and equipment – fair value of real estate assets and change in accumulated depreciation	154,820
Lease for satellite services	(17,138)
Consolidation of trust established to monetize receivables	(5,098)
Equity – IFRS March 31, 2011	**322,060**

Pension and employee-related liabilities

The cumulative adjustment to pension and employee-related liabilities includes transitional adjustments reflecting the Corporation's election to immediately recognize net unamortized amounts and the change in applicable discount rates as at March 31, 2010, the recognition of actuarial gains and losses for the year ended March 31, 2011, and a reduction in expenses for the year ended March 31, 2011, reflecting the difference in discount rates used.

Property and equipment – fair value of real estate assets

The Corporation has elected to measure certain land and buildings at their fair value at April 1, 2010. This election excluded transmission sites and certain buildings, which will continue to be carried at a value determined in relation to their cost. This election had the impact of increasing the recorded values and the subsequent amortization expense related to these assets.

Lease for satellite services

An agreement to lease satellite capacity was determined to be a finance lease under IFRS. As a result, property and equipment, and short and long-term liabilities, increased. This change has also resulted in new amortization and interest charges related to the asset under finance lease and obligation under finance lease, respectively, and a reduction in transmission, distribution and collection charges.

Consolidation of trust established to monetize receivables

The Corporation established a trust (CBC Monetization Trust) to monetize long-term receivables as part of the Recovery Plan implemented to manage budgetary shortfalls in 2009–2010 resulting from the recession. Under IFRS, the trust must be consolidated in the Corporation's financial statements. The adjustment on the date of transition resulted from the consolidation of the trust's accounts on a line-by-line basis. As of March 31, 2011, this impact was partly offset by the Trust's results from operations for the year then ended.

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 26.

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
August 24, 2011

Condensed Consolidated Statement of Financial Position (unaudited)

(Canadian $)

	June 30, 2011	March 31, 2011	April 1, 2010
		(thousands of dollars)	
ASSETS			
Current			
Cash	58,153	63,224	53,170
Trade and other receivables (NOTE 6)	199,899	173,763	194,575
Programming (NOTE 7)	194,600	163,658	178,243
Merchandising inventory	929	1,089	1,703
Prepaid expenses (NOTE 8)	64,687	138,689	148,564
Promissory notes receivable (NOTE 9)	4,577	2,023	2,047
Net investment in finance lease (NOTE 10)	2,384	2,351	2,182
Asset classified as held for sale	154	154	-
	525,383	**544,951**	**580,484**
Long-term			
Property and equipment (NOTE 11)	1,065,060	1,080,595	1,088,189
Intangible assets (NOTE 12)	36,316	39,687	47,725
Assets under finance lease (NOTE 13)	54,242	56,242	55,591
Pension plan (NOTE 16)	209,411	148,769	-
Long-term receivables	-	-	10,090
Promissory notes receivable (NOTE 9)	51,522	51,765	53,638
Net investment in finance lease (NOTE 10)	55,969	56,577	58,960
Deferred charges	4,475	3,003	16,467
Investment in associate (NOTE 14)	19,827	17	7,260
	1,496,822	**1,436,655**	**1,337,920**
TOTAL ASSETS	**2,022,205**	**1,981,606**	**1,918,404**
LIABILITIES			
Current			
Accounts payable and accrued liabilities (NOTE 15)	82,226	125,336	128,162
Provisions (NOTE 19)	27,495	28,676	50,070
Pension plans and employee-related liabilities (NOTE 16)	146,129	144,703	130,899
Bonds payable	14,135	19,642	19,223
Financial liability related to the monetization of receivables	10,407	10,337	10,174
Obligations under finance lease (NOTE 17)	9,470	9,343	7,300
Notes payable (NOTE 18)	5,434	5,404	4,897
Deferred revenues	4,199	3,825	2,185
Deferred operating appropriation	18,663	-	-
Derivative financial instruments	600	715	297
	318,758	**347,981**	**353,207**
Long-term			
Investment in associate (NOTE 14)	-	1,417	1,417
Deferred revenues	2,571	2,726	2,303
Pension plans and employee-related liabilities (NOTE 16)	213,111	210,268	329,907
Bonds payable	293,984	299,237	309,179
Financial liability related to the monetization of receivables	-	-	10,221
Obligations under finance lease (NOTE 17)	61,594	64,136	65,676
Notes payable (NOTE 18)	121,677	124,353	129,649
Deferred capital funding	601,830	609,428	632,221
	1,294,767	**1,311,565**	**1,480,573**
Equity			
Retained earnings	406,248	314,797	92,019
Accumulated other comprehensive income (loss)	-	5,000	(7,675)
Total equity attributable to the Corporation	**406,248**	**319,797**	**84,344**
Non-controlling interests	**2,432**	**2,263**	**280**
TOTAL EQUITY	**408,680**	**322,060**	**84,624**
TOTAL LIABILITIES AND EQUITY	**2,022,205**	**1,981,606**	**1,918,404**

Commitments (NOTE 24)

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

Condensed Consolidated Statement of Income (Loss)
(unaudited)

(Canadian $)	Three months ended June 30,	
	2011	2010
REVENUES (NOTE 20)	*(thousands*	*of dollars)*
Advertising	110,738	103,993
Specialty services	41,921	37,221
Other income	26,096	23,465
Financing income	1,390	1,377
	180,145	**166,056**
EXPENSES		
Television, radio and new media services costs	408,004	389,762
Specialty services	31,407	26,480
Transmission, distribution and collection	19,537	16,803
Corporate management	3,215	2,998
Payments to private stations	771	759
Finance costs	8,321	8,607
Loss on investment in associate	365	124
	471,620	**445,533**
Operating loss before Government funding and non-operating items	**(291,475)**	**(279,477)**
GOVERNMENT FUNDING (NOTE 21)		
Parliamentary appropriation for operating expenditures	244,769	238,037
Parliamentary appropriation for working capital	1,000	1,000
Amortization of deferred capital funding	33,166	30,269
	278,935	**269,306**
Net results before non-operating items	**(12,540)**	**(10,171)**
NON-OPERATING ITEMS		
Dilution gain from merger transaction (NOTE 14)	39,251	-
Dividend income from merger transaction (NOTE 14)	5,094	-
Loss on disposal of equipment	(1,481)	(135)
	42,864	**(135)**
Net results for the period	**30,324**	**(10,306)**
Net results attributable to:		
The Corporation	30,155	(10,357)
Non-controlling interests	169	51
	30,324	(10,306)

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

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

(Canadian $)	Three months ended June 30,	
	2011	**2010**
COMPREHENSIVE INCOME	*(thousands*	*of dollars)*
Net results for the period	30,324	(10,306)
Other comprehensive income (loss)		
Actuarial gains (losses) on defined benefit plans	61,296	(32,800)
Net unrealized gain on available-for-sale financial assets	94	124
Reclassification to income of net unrealized gain on available-for-sale financial asset arising from merger transaction	(5,094)	-
Total comprehensive income (loss) for the period	**86,620**	**(42,982)**
Total comprehensive income (loss) attributable to:		
The Corporation	86,451	(43,033)
Non-controlling interests	169	51
	86,620	(42,982)

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

Condensed Consolidated Statement of Changes in Equity (unaudited)

(Canadian $)

Three months ended June 30, 2011	Retained earnings (deficit)	Total accumulated other comprehensive income (loss)	Total equity attributable to the corporation	Non-controlling interests	Total
		(thousands of dollars)			
Balance as at March 31, 2011	314,797	5,000	319,797	2,263	322,060
Changes in period					
Net results for the period	30,155	-	30,155	169	30,324
Actuarial gains (losses) on post-retirement benefit plans	61,296	-	61,296		61,296
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 June 30, 2011	**406,248**	**-**	**406,248**	**2,432**	**408,680**

Three months ended June 30, 2010	Retained earnings (deficit)	Total accumulated other comprehensive income (loss)	Total equity attributable to the corporation	Non-controlling interests	Total
		(thousands of dollars)			
Balance as at April 1st, 2010	92,019	(7,675)	84,344	280	84,624
Changes in period					
Net results for the period	(10,357)	-	(10,357)	51	(10,306)
Actuarial gains (losses) on post-retirement benefit plans	(32,800)	-	(32,800)	-	(32,800)
Net unrealized gain on available-for-sale financial assets	-	124	124	-	124
Balance at June 30, 2010	**48,862**	**(7,551)**	**41,311**	**331**	**41,642**

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

Condensed Consolidated Statement of Cash Flows
(unaudited)

(Canadian $)	Three months ended June 30,	
	2011	2010
	(thousands	of dollars)
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net results for the period	30,324	(10,306)
Adjustments for:		
Loss on disposal of property and equipment	1,481	135
Change in fair value of financial instruments designated as at fair value through profit and loss	(115)	(785)
Depreciation of property and equipment	29,904	28,401
Amortization of intangible assets	4,162	4,472
Depreciation of assets under finance lease	2,000	1,763
Reclassification to income of net unrealized gain on available-for-sale financial asset arising from merger transaction	(5,094)	-
Loss on investment in associate	365	124
Dilution gain from merger transaction	(39,251)	-
Amortization of deferred charges	(28)	11,490
Amortization of deferred capital funding	(33,166)	(30,269)
Change in deferred operating appropriation	18,663	90,410
Change in deferred revenues [long-term]	(155)	-
Change in pension plan asset	834	-
Change in pension plans and employee-related liabilities [current]	9,836	(20,616)
Change in pension plans and employee-related liabilities [long-term]	2,663	(6,251)
Movements in working capital (NOTE 23)	(26,031)	(6,594)
	(3,608)	**61,974**
FINANCING ACTIVITIES		
Parliamentary appropriations (NOTE 21):		
Capital funding	25,568	25,391
Repayment of obligation under finance lease	(2,414)	(1,928)
Repayment of bonds	(4,878)	(4,531)
Repayment of notes	(2,670)	(2,288)
Interest paid	(15,732)	(15,559)
	(126)	**1,085**
INVESTING ACTIVITIES		
Acquisition of property and equipment	(15,688)	(8,289)
Acquisition of intangible assets	(791)	(1,265)
Return of capital-investment in associate	9,855	-
Deferred charges relating to programming rights	(1,444)	-
Proceeds from disposal of property and equipment	129	66
Dividend received	5,094	-
Interest received	1,508	1,506
	(1,337)	**(7,982)**
Change in cash	**(5,071)**	**55,077**
Cash, beginning of the year	**63,224**	**53,170**
Cash, end of the period	**58,153**	**108,247**

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

Notes to the Condensed Consolidated Financial Statements for the 3-month Period Ended June 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 August 24, 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

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.

2. Changes in Accounting Policies *(Continued)*

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 has 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).

As these interim condensed consolidated financial statements are the Corporation's first financial statements prepared using IFRS, certain disclosures that are required to be included in the annual consolidated financial statements prepared in accordance with IFRS that were not included in the Corporation's most recent annual consolidated financial statements prepared in accordance with Canadian GAAP have been included in these condensed consolidated financial statements for the comparative annual period.

These condensed consolidated financial statements should be read in conjunction with the Corporation's 2011 annual consolidated financial statements and in consideration of the IFRS transition disclosures included in Note 5 to these financial statements and the additional annual disclosures included herein.

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.

3. Significant Accounting Policies *(Continued)*

i. Subsidiaries and Special Purpose Entities

The interim condensed consolidated financial statements include the accounts of the Corporation, its subsidiaries; ARTV and Documentary Channel (documentary) and two special purpose entities; the Broadcast Centre Trust and the CBC Monetization Trust. These entities are deemed to be controlled by the Corporation. Control is presumed to exist when the Corporation owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. Control can also exist when the Corporation has power over more than half of the voting rights by virtue of an agreement with other investors, the Corporation has the power to govern the financial and operating policies of the entity under an agreement, the Corporation has the power to appoint or remove the majority of the members of the board of directors, the Corporation has the power to obtain benefits from the entity's activities or the Corporation has the power to cast the majority of votes at meetings of the board of directors.

Control is presumed when the Corporation bears the majority of the risk associated with the collection of a special purpose entity's receivables through a guarantee it has provided.

Control is also exercised when the Corporation guarantees the bonds payable held by a special purpose entity through the rent payments made by the Corporation for the premises occupied.

The financial statements of subsidiaries and special purpose entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries and special purposes entities are consistent with those of the Corporation.

Non-controlling interests in the equity of the Corporation's subsidiaries are included in Equity. Non-controlling interests in subsidiaries are identified separately from the Corporation's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets, if appropriate. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

3. Significant Accounting Policies *(Continued)*

Changes in the Corporation's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Corporation's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owner of the Corporation.

When the Corporation loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

ii. Associates

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

The results and assets and liabilities of associates are incorporated in these condensed consolidated financial statements using the equity method of accounting. Interests in investments accounted for using the equity method are initially recognized at cost. The carrying value of the Corporation's interest in an entity is adjusted for the Corporation's share of income, other comprehensive income and distributions of the entity. The accounting policies of associates are consistent with those of the Corporation.

When the Corporation's share of losses exceeds its interest in an associate, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Corporation has an obligation or has made payments on behalf of the associate.

When the Corporation transacts with an associate of the Corporation, profits and losses are eliminated to the extent of the Corporation's interest in the relevant associate.

Investments are assessed for indications of impairment at the end of each reporting period. Any impairment loss is recognized when the net carrying amount is not recoverable and exceeds its fair value.

3. Significant Accounting Policies *(Continued)*

C. Government Funding

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

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

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.

Parliamentary appropriations for working capital are presented as revenues under the “government funding” caption of the Condensed Consolidated Statement of Income (Loss).

Parliamentary appropriations for property and equipment, intangible assets and assets under finance lease that are subject to depreciation are recorded as deferred capital funding on the Condensed Consolidated Statement of Financial Position, and are amortized on the same basis and over the same periods as the related property and equipment and intangible assets and assets under finance lease.

D. Regulatory Licenses

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

E. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable arising from the rendering of services and sale of goods in the ordinary course of the Corporation’s activities. Revenue is net of agency commissions and discounts. Revenue includes advertising, specialty services, other income and financing income and is recognized when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the Corporation and specific criteria have been met for each of the Corporations activities described below.

i. Advertising revenues

Revenues from the sale of advertising airtime are recognized when the advertisement has been broadcast, the Corporation has no remaining obligations and collectability is reasonably assured.

3. Significant Accounting Policies *(Continued)*

ii. Specialty services

Revenues from specialty services include the sale of advertising airtime by specialty channels, subscriber revenues and the sale of programs by the specialty channels to third-party broadcasters.

Revenues from the sale of advertising airtime are recognized when the advertisement has been broadcast, the specialty service has no remaining obligations and collectability is reasonably assured.

Revenues from program sales and subscriber fees are recognized when the delivery has occurred, or when services have been provided and the Corporation has no remaining obligations and collectability is reasonably assured.

iii. Other income

Other income includes revenues from the leasing of space, facilities and services; commercial production sales; program sponsorship; retransmission rights, host broadcaster's activities; goods sales and contributions from the Local Programming Improvement Fund (LPIF). These are recognized when the delivery has occurred, or when services have been provided and the Corporation has no remaining obligations and collectability is reasonably assured.

Rental income from the leasing of space, facilities and services is recognized in the Condensed Consolidated Statement of Income (Loss) on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognized as other income.

Revenue from the sale of services is recognized when the service has been delivered and the receipt of the income is probable. Where the delivery is over a period of time and an indeterminate number of acts, the revenue is recognized on a straight line basis. Examples of services sold include commercial production sales, program sponsorship and other services revenues.

Retransmission rights and LPIF are recognized on an accruals basis in accordance with the substance of the relevant agreements.

Revenue from the sale of goods is recognized when the risks and rewards of ownership of the goods have been passed to the customer and the Corporation has released all managerial involvement surrounding the goods, such as books and DVDs.

3. Significant Accounting Policies *(Continued)*

iv. Financing Income

Financing Income includes interest revenues from bank accounts, notes receivable and on the net investment in finance lease. Interest is recognized using the effective interest method.

F. Television, Radio and New Media Services Expenses

Television, radio and new media services expenses include all costs related to the production of programs, including direct out-of-pocket expenditures, departmental and administration expenses, the cost of activities related to technical labour and facilities and depreciation of property and equipment. A portion of the expenses that are directly attributable to the cost of generating programming, such as services provided by Human Resources, Finance and Administration, Building Management and other shared services, are also included in the related expenses. Television, radio and new media services expenses also include programming-related activities, such as Marketing and Sales, Merchandising and Communications.

G. Programming

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

Programming completed and in process of production (excluding acquired licence agreements) is recorded at cost less accumulated amortization and accumulated impairment losses, on an individual basis. Cost includes the cost of materials and services, labour and other direct expenses applicable to programming. Programming costs are recognized in the television, radio and new media services costs of the Condensed Consolidated Statement of Income (Loss), according to the expense recognition schedule, or when deemed unusable or when sold.

The payments made under the terms of each acquired licence agreement are either recorded as prepaid expenses or as programming, depending on whether the programming recognition criteria indicated below have been met. If not initially met, licence agreements are recorded as prepaid expenses. They are transferred to programming when the following criteria are met: cost is determined, material is accepted and the program is available for broadcast. Costs are charged to operations according to the expense recognition schedule, or when deemed unusable or when sold.

Costs of programs that are not considered to be recoverable are written off.

The expense recognition schedule is based on past broadcast experiences, audience results and future telecast plans. For programs with multiple telecasts, management uses the following recognition basis:

3. Significant Accounting Policies *(Continued)*

Category	Expense recognition schedule by telecast
Movies	50%/30%/20%
Dramatic series, comedy series, animated programs, mini-series (excluding strips[1])	70%/30%
Family drama series telecast as strips	50%/30%/20%
Other drama series telecast as strips	Evenly over telecast up to a maximum of five telecasts
Arts, music and variety (excluding strips)	70%/30%
Arts, music and variety series telecast as strips	50%/30%/20%
Documentaries	CBC Television: 70%/30% Télévision de Radio-Canada: 100%
Documentaries telecast as strips	Evenly over telecast up to a maximum of five telecasts
Factual, information education and game shows (excluding strips)	70%/30%
Factual, information education and game shows telecast as strips	Evenly over telecast up to a maximum of five telecasts
Children – animated and pre-school programs	Evenly over each telecast to a maximum of five telecasts
Youth and children drama programs	70%/30%
Other youth programs	33%/33%/34%

1 Method of broadcasting consecutive episodes.

3. Significant Accounting Policies *(Continued)*

H. Property and Equipment and Assets Under Finance Lease

The cost of property and equipment and assets under finance lease at April 1, 2010, the date of transition to IFRS, was determined by reference to its cost, except for certain real estate land and buildings, which were measured at fair value. Cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation of property and equipment is calculated on the straight-line method using rates based on the estimated useful life of the property and equipment. Where major parts of an asset have useful lives different from the asset as a whole, they have been componentized and depreciated according to the major categories to which they pertain. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Assets under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease unless it is reasonably certain the Corporation will obtain ownership by the end of the lease term. Assets under finance leases are treated in the same manner as owned assets.

Leasehold improvements are capitalized and then depreciated over the shorter of the lease term or the asset's useful life.

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

3. Significant Accounting Policies *(Continued)*

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

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

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

3. Significant Accounting Policies *(Continued)*

I. Intangible Assets

The Corporation's intangible assets comprise software acquired separately and internally developed software for internal use.

Software acquired separately is recorded at cost at the acquisition date. Expenditures relating to internally developed computer software applications are capitalized to the extent that the project is technically feasible, the Corporation intends to and has sufficient resources to complete development and to use or sell the asset, development costs can be measured reliably and it is probable that the asset will generate future economic benefits. The amount initially recognized for internally developed software is the sum of the expenditure incurred from the date the intangible asset first meets the recognition criteria listed above. Capitalization ceases when the developed asset is ready for use. The estimated useful life and amortization method are reviewed at the end of each fiscal year, with the effect of any changes in estimate being accounted for on a prospective basis.

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

Subsequent to initial recognition, software acquired separately and internally developed software is reported at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives (three to five years). The estimated useful life and amortization method are reviewed at the end of each fiscal year, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally generated software that is not yet available for use is tested for impairment at the date of transition and is tested at every following reporting period regardless of whether an impairment indicator exists until the asset is available for use.

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

3. Significant Accounting Policies *(Continued)*

J. Asset Impairment

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

Under the Corporation's business model, no assets are considered to generate cash flows that are largely independent of the cash flows of other assets and liabilities. Instead, all assets interact to create the "broadcast network production operations" which includes real estate, equipment and intangible assets. These operations are funded by overall parliamentary appropriations, national and local advertising and other commercial revenues. Overall levels of cash flow reflect public policy requirements and decisions. They reflect budgetary funding provided to the Corporation in its entirety.

The Corporation measures recoverability in terms of the service potential which represents the value in use to the Corporation of the assets held by the Corporation. The level of service provided by CBC/Radio Canada to which the programming rights and internally developed software assets contribute is determined largely by the Corporation's public service mandate.

K. Financial Instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss (FVTPL) are recognized immediately in profit or loss.

3. Significant Accounting Policies *(Continued)*

i. Classification of Financial Instruments

The Corporation's financial assets and financial liabilities are classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash	Fair value through profit or loss	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Promissory notes receivable	Loans and receivables	Amortized cost
Long-term receivables	Loans and receivables	Amortized cost
Long-term investments[1]	Available-for-sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Financial liability related to the monetization of receivables	Other liabilities	Amortized cost
Bonds payable	Other liabilities	Amortized cost
Notes payable	Other liabilities	Amortized cost
Derivatives	Held for trading	Fair value

1 Only investments in which the Corporation does not exercise significant influence.

ii. Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income and expense is recognized on an effective interest basis for debt instruments other than those financial instruments classified as at FVTPL.

3. Significant Accounting Policies *(Continued)*

iii. Financial Assets

Financial assets are classified into the following specified categories: financial assets at FVTPL, ”held-to-maturity” investments, ”available-for-sale” (AFS) financial assets and ”loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

iv. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the “Other income” line item in the Condensed Consolidated Statement of Income (Loss).

3. Significant Accounting Policies *(Continued)*

v. Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

If the Corporation sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity during the current financial year or during the two preceding financial years, it does not classify any financial assets as held to maturity unless the sale or reclassification: i) is so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value, ii) occurred after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or iii) is attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

vi. Available for Sale Financial Assets (AFS)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established.

vii. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. Significant Accounting Policies *(Continued)*

viii. Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets, objective evidence of impairment could include:

- breach of contract, such as a default or delinquency in interest or principal payments
- significant financial difficulty of the issuer or counterparty
- It becomes probable that the counterparty will enter bankruptcy
- There are noted recent changes in the credit rating of the counterparty
- There are known anomalies or negative economic trends in industries in which a significant portion of outstanding debtors operate

In addition, for AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a group of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments past the average credit terms as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

3. Significant Accounting Policies *(Continued)*

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

ix. Derecognition of Financial Assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

x. Financial Liabilities

Financial liabilities are classified as either financial liabilities ”at FVTPL” or ”other financial liabilities”.

Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the “other gains and losses” line item in the Condensed Consolidated Statement of Income (Loss).

3. Significant Accounting Policies *(Continued)*

Other Financial Liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

xi. Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

xii. Derivative Financial Instruments

The Corporation enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks. The Corporation does not apply hedge accounting to its derivatives.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The resulting gain or loss is recognized in Condensed Consolidated Statement of Income (Loss) immediately.

The fair values of derivatives financial instruments are presented in the Condensed Consolidated Statement of Financial Position; the positive fair values are reported as derivative financial assets and the negative fair values are reported as derivative financial liabilities.

Embedded Derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

L. Trade and Other Payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost.

3. Significant Accounting Policies *(Continued)*

M. Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Corporation recognizes any impairment loss on the assets associated with that contract.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

N. Contingencies

Contingent liabilities are not recognized in the Condensed Consolidated Statement of Financial Position. They may arise from uncertainty as to the existence of a liability, or represent an existing liability in respect of which settlement is not probable or the amount cannot be reliably measured. A liability is recognized when its existence is confirmed by a future event, settlement becomes probable or reliable measurement becomes possible.

O. Post-Employment Benefits

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

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.

3. Significant Accounting Policies *(Continued)*

The current period service costs, the interest cost on the accrued 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 accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued 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.

When the actuarial calculation results in a benefit asset to the Corporation, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan of in the Corporation. An economic benefit is available if it is realizable during the life of the plan, or on settlement of the plan liabilities.

P. Employee Benefits Other than Post-Employment

i. Short-term benefits and short-term compensated absences

The Corporation recognized the expense relating to short-term benefits as follows:

- for salaries, social security contribution, bonuses and vacations in the period the employees render the services;
- for employee health, dental and life insurance plans in the period the expenses are incurred; and
- for short-term non-accumulating compensated absences such as sick leave, parental leave, short-term disability and workers' compensation in the period the absence occurs.

The liability associated with these benefits is not discounted due to its short term nature.

3. Significant Accounting Policies (*Continued*)

ii. Other long-term employee benefits

Other long-term employee benefits liabilities are recognized as follows:

- for long-term disability and workers' compensation when the event that obligates the entity occurs;
- for continuation of benefit coverage for employees on long-term disability, the provision is determined on an actuarial basis using discount rates and assumptions consistent with those used for post-employment benefits and the related expense is recognized over the period the employees render the services. Actuarial gains (losses) and past service costs are recognized immediately in other comprehensive income in the period they occur.

iii. Termination benefits

The Corporation recognizes a liability and expense for termination benefits when it is demonstrably committed to a plan to terminate the employment of an employee or group of employees before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary departures. Termination benefits for voluntary departures are recognized as an expense if the Corporation has made an offer of voluntary departure, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Q. Asset Classified as Held for Sale

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

R. Leasing

Leases in which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases.

Leases in which the Corporation does not assume substantially all the risks and rewards of ownership are classified as operating leases.

i. The Corporation as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

3. Significant Accounting Policies (*Continued*)

ii. The Corporation as a lessee

An asset acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at inception of the lease less accumulated depreciation and accumulated impairment losses.

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

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

S. Deferred Revenues

Deferred revenues primarily relate to rent-free periods granted on leases where the Corporation is a lessee. Deferred revenues are recognized in the Condensed Consolidated Statement of Income (Loss) on a straight-line basis over the whole lease period.

T. Deferred Charges

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

U. Foreign Currencies

The condensed consolidated statements are presented in Canadian dollars ($), which is the Corporation's functional and presentation currency.

Transactions in a currency other than the Corporation's functional currency are translated into the functional currency at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the foreign exchange rate at the Condensed Consolidated Statement of Financial Position date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates prevailing at the date of the transaction.

3. Significant Accounting Policies *(Continued)*

V. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

i. Current tax

The tax currently payable is based on taxable net results for the year. Taxable net results differs from net results as reported in the Condensed Consolidated Statement of Income (Loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

ii. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is also recognized on unused tax losses and credits carried forward at the end of the reporting period.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are generally recognized for all deductible temporary differences and carry forward of tax losses and credits to the extent that it is probable that taxable profits will available against which those deductible temporary differences can be utilized.

W. Merchandising Inventory

Merchandising inventory is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. Cost is determined on an average cost basis and includes other costs incurred in bringing the inventory to its present location and condition.

3. Significant Accounting Policies *(Continued)*

X. Related Parties

The related parties of the Corporation consist mainly of government departments, agencies, Crown Corporations, subsidiaries, key management personnel of the Corporation or close family members of these related parties, private companies over which the Corporation has significant influence and the Corporation pension plan. The list of public entities in the national sphere of government was provided by the Government of Canada on their website www.canada.gc.ca.

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.

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 (Loss) in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. Actual results could significantly differ from those estimates.

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

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.

The following table illustrates such impacts:

Impact of changes in assumptions	Quarter ending June 30, 2011	
	Amounts recognized in net operating results	Amounts recognized in Other Comprehensive Income
Discount rate	5.25%	5.25%
Impact of a 1% increase	($2.2M)	($535M)
Impact of a 1% decrease	$1.4M	$606M
Expected return on plan assets	6.50%	N/A
Impact of a 1% increase	($11.2M)	N/A
Impact of a 1% decrease	$11.2M	N/A
Actual return on plan assets		
Impact of a 1% gain (greater return)		($45M)
Impact of a 1% loss (lower return)		$45M

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;

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

- 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

As stated in Note 3, these are the Corporation's first condensed consolidated financial statements prepared in accordance with IAS 34 and IFRS 1.

The Corporation has applied IFRS 1 in preparing these condensed consolidated financial statements. The accounting policies set out in Note 3 have been applied in preparing the condensed consolidated financial statements for the quarter ended June 30, 2011, the comparative information presented in these condensed consolidated financial statements for the quarter ended June 30, 2010, and in the preparation of an opening IFRS consolidated statement of financial position at April 1, 2010 (the date of the Corporation's transition to IFRS).

In preparing its opening IFRS statement of financial position, the Corporation has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. 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 accompany the tables.

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

(Canadian $)

	Canadian GAAP	PE[1]	Lease[2]	SPE[3]	April 1, 2010 Pension[4]	Long-term Investment[5]	Provisions[6]	IFRS
		(i)	*(ii)*	*(iii)*	*(iv)*	*(v)*	*(vi)*	
				(thousands of dollars)				
ASSETS								
Current								
Cash	50,003	-	-	3,167	-	-	**-**	**53,170**
Trade and other receivables	194,512	-	-	63	-	-	**-**	**194,575**
Programming	178,243	-	-	-	-	-	**-**	**178,243**
Merchandising inventory	1,703	-	-	-	-	-	**-**	**1,703**
Prepaid expenses	148,215	-	-	349	-	-	**-**	**148,564**
Promissory notes receivable	-	-	-	2,047	-	-	**-**	**2,047**
Net investment in finance lease	-	-	-	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
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[1]	Lease[2]	SPE[3]	Pension[4]	Long-term Investment[5]	Provisions[6]	IFRS
		(i)	*(ii)*	*(iii)*	*(iv)*	*(v)*	*(vi)*	
	(thousands of dollars)							
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	10,419	-	-	(10,419)	-	-	**-**	**-**
Financial liability related to the monetization of receivables	10,174	-	-	-	-	-	**-**	**10,174**
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**
Long-term								
Associate	1,417	-	-	-	-	-	**-**	**1,417**
Deferred revenues	2,303	-	-	-	-	-	**-**	**2,303**
Pension plans and employee-related liabilities	412,732	-	-	-	(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**

5. Transition to IFRS *(Continued)*

(Canadian $)

	March 31, 2011						
	Canadian GAAP	PE[1]	Lease[2]	SPE[3]	Pension[4]	Provisions[5]	IFRS
		(i)	*(ii)*	*(iii)*	*(iv)*	*(vi)*	
ASSETS	*(thousands of dollars)*						
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
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						
	Canadian GAAP	**PE**[1]	**Lease**[2]	**SPE**[3]	**Pension**[4]	**Provisions**[5]	**IFRS**
		(i)	*(ii)*	*(iii)*	*(iv)*	*(vi)*	
	(thousands of dollars)						
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	-	7,803	-	-	-	**9,343**
Notes payable	-	-	-	5,404	-	-	**5,404**
Deferred revenues	3,825	-	-	-	-	-	**3,825**
Derivative financial instruments	715	-	-	-	-	-	**715**
	341,793	**-**	**7,803**	**(1,615)**	**-**	**-**	**347,981**
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	-	-	-	-	-	**609,428**
	1,330,421	**-**	**57,873**	**124,353**	**(201,082)**	**-**	**1,311,565**
EQUITY							
Retained earnings	(167,638)	154,820	(17,138)	(5,098)	349,851	-	**314,797**
Accumulated other comprehensive income	5,000	-	-	-	-	-	**5,000**
Total equity attributable to the Corporation	(162,638)	154,820	(17,138)	(5,098)	349,851	-	**319,797**
Non-controlling interests	2,263	-	-	-	-	-	**2,263**
TOTAL EQUITY	**(160,375)**	**154,820**	**(17,138)**	**(5,098)**	**349,851**	**-**	**322,060**
TOTAL LIABILITIES AND EQUITY	**1,511,839**	**154,820**	**48,538**	**117,640**	**148,769**	**-**	**1,981,606**

5. Transition to IFRS *(Continued)*

D. Consolidated Statement of Income (Loss) and Reconciliations

(Canadian $)

	March 31, 2011					
	Canadian GAAP	PE[1]	Lease[2]	SPE[3]	Pension[4]	Sub-total IFRS
		(i)	*(ii)*	*(iii)*	*(iv)*	
	(thousands of dollars)					
REVENUES						
Advertising	367,700	-	-	-	-	367,700
Specialty services	152,971	-	-	-	-	152,971
Other income	127,771	(103)	-	3,228	-	130,896
Financing income	1,506	-	-	3,690	-	5,196
	649,948	**(103)**	**-**	**6,918**	**-**	**656,763**
EXPENSES						
Television, radio and new media services costs	1,476,778	-	-	-	(28,281)	1,448,497
Specialty services	133,273	-	-	-	-	133,273
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)	41,611
Corporate management	12,804	-	-	247	(250)	12,801
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	-	-	-	-	5,000
	1,839,546	**7,454**	**(247)**	**6,560**	**(29,463)**	**1,823,850**
Operating loss before Government funding	**(1,189,598)**	**(7,557)**	**247**	**358**	**29,463**	**(1,167,087)**
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	-	-	-	-	124,357
	1,159,938	**-**	**-**	**-**	**-**	**1,159,938**
Net results for the year	**(29,660)**	**(7,557)**	**247**	**358**	**29,463**	**(7,149)**
Net results attributable to:						
The Corporation	(29,621)	(7,557)	247	358	29,463	(7,110)
Non-controlling interests	(39)	-	-	-	-	(39)
	(29,660)	**(7,557)**	**247**	**358**	**29,463**	**(7,149)**

1 Property and equipment
2 Transponders under finance lease
3 Consolidation of Special Purpose Entities
4 Pension plans and employee-related expenses

5. Transition to IFRS *(Continued)*

(Canadian $)

	Sub-total IFRS	March 31, 2011 Long-term Investment[1] *(v)*	Function[2] *(vii)*	IFRS
		(thousands of dollars)		
REVENUES				
Advertising	367,700	-	-	367,700
Specialty services	152,971	-	-	152,971
Other income	130,896	-	-	130,896
Financing income	5,196	-	-	5,196
	656,763	**-**	**-**	**656,763**
EXPENSES				
Television, radio and new media services costs	1,448,497	-	105,192	1,553,689
Specialty services	133,273	-	(1,185)	132,088
Depreciation of property and equipment	127,163	-	(127,163)	-
Amortization intangible assets	17,887	-	(17,887)	-
Transmission, distribution and collection	41,611	-	40,520	82,131
Corporate management	12,801	-	523	13,324
Payments to private stations	3,018	-	-	3,018
Finance costs	34,600	-	-	34,600
Loss on investment in associate	5,000	7,675	-	12,675
	1,823,850	**7,675**	**-**	**1,831,525**
Operating loss before Government funding	**(1,167,087)**	**(7,675)**	**-**	**(1,174,762)**
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	-	-	124,357
	1,159,938	**-**	**-**	**1,159,938**
Net results for the year	**(7,149)**	**(7,675)**	**-**	**(14,824)**
Net results attributable to:				
The Corporation	(7,110)	(7,675)	-	(14,785)
Non-controlling interests	(39)	-	-	(39)
	(7,149)	**(7,675)**	**-**	**(14,824)**

1 Long-term investments – fair value adjustment
2 Change in presentation of the Consolidated Statement of Income (Loss) – function vs. nature

5. Transition to IFRS *(Continued)*

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

(Canadian $)

	March 31, 2011					
	Canadian GAAP	PE[1]	Lease[2]	SPE[3]	Pension[4]	Sub-total IFRS
		(i)	*(ii)*	*(iii)*	*(iv)*	
COMPREHENSIVE INCOME			*(thousands of dollars)*			
Net results for the year	**(29,660)**	**(7,557)**	**247**	**358**	**29,463**	**(7,149)**
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	-	-	-	-	5,000
Total comprehensive income (loss) for the year	**(24,660)**	**(7,557)**	**247**	**358**	**267,026**	**235,414**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:						
The Corporation	(24,621)	(7,557)	247	358	267,026	235,453
Non-controlling interests	(39)	-	-	-	-	(39)
	(24,660)	**(7,557)**	**247**	**358**	**267,026**	**235,414**

1 Property and equipment
2 Transponders under finance lease
3 Consolidation of Special Purpose Entities
4 Pension plans and employee-related expenses

5. Transition to IFRS *(Continued)*

	March 31, 2011			
	Sub-total IFRS	Long-term Investment[1] *(v)*	Function[2] *(vii)*	IFRS
	(thousands of dollars)			
COMPREHENSIVE INCOME				
Net results for the year	**(7,149)**	**(7,675)**	**-**	**(14,824)**
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	**235,414**	**-**	**-**	**235,414**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
The Corporation	235,453	-	-	235,453
Non-controlling interests	(39)	-	-	(39)
	235,414	**-**	**-**	**235,414**

1 Long-term investments – fair value adjustment
2 Change in presentation of the Consolidated Statement of Income (Loss) – function vs. nature

F. Explanations to the Reconciliation Tables

i. Property and equipment

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.

In addition, 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.

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.

5. Transition to IFRS *(Continued)*

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.

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 though 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.

5. Transition to IFRS *(Continued)*

vii. Change in presentation of the Consolidated Statement of Income (Loss) – function vs. nature

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.

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 (Loss) have also changed certain amounts previously presented in the Consolidated Statement of Cash Flows.

6. Trade and Other Receivables

	June 30, 2011	**March 31, 2011** *(thousands of dollars)*	**April 1, 2010**
Trade receivables	184,809	159,037	182,954
Allowance for doubtful accounts	(1,135)	(1,103)	(2,725)
Other	16,225	15,829	14,346
	199,899	**173,763**	**194,575**

Credit terms average 30 days. The Corporation recognized an allowance for doubtful accounts for receivables where there is objective evidence of impairment. Objective evidence is determined in accordance with Note 3K viii.

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.

6. Trade and Other Receivables *(Continued)*

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

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

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

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

	June 30, 2011	March 31, 2011 *(thousands of dollars)*	April 1, 2010
31 – 60 days	51,724	42,647	31,007
61-90 days	32,385	15,737	19,196
91-120 days	21,672	14,490	16,756
Total	**105,781**	**72,874**	**66,959**
Average age (days)	**94.8**	**84.3**	**92.1**

B. Movement in Allowance for Doubtful Accounts

	June 30, 2011	March 31, 2011
	(thousands of dollars)	
Balance at beginning of the period	(1,103)	(1,025)
Impairment losses recognized on receivables	-	-
Amounts written off during the period as uncollectible	-	-
Amounts recovered during the period	20	-
Impairment losses reversed	-	-
Increase in allowance for doubtful accounts	(52)	(78)
Balance at end of the period	**(1,135)**	**(1,103)**

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

7. Programming

	June 30, 2011	March 31, 2011 (thousands of dollars)	April 1, 2010
Programs completed	109,015	91,496	95,905
Programs in process of production	54,554	34,905	49,274
Broadcast rights available for broadcast	31,031	37,257	33,064
	194,600	**163,658**	**178,243**

The programming write-offs as of June 2011 represent $0.7 million (2010 – nil) and are recorded in the Condensed Consolidated Statement of Income (Loss) as television, radio and new media services expenses.

8. Prepaid expenses

	June 30, 2011	March 31, 2011 (thousands of dollars)	April 1, 2010
Programming rights	38,792	102,903	110,785
Service agreements	25,895	35,786	37,779
	64,687	**138,689**	**148,564**

9. Promissory Note 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 14), promissory notes receivable that are non-interest bearing and are repayable within one year.

9. Promissory Note Receivable (*Continued*)

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

	June 30, 2011		March 31, 2011	
	Minimum payments receivable	Present value of minimum payments receivable	Minimum payments receivable	Present value of minimum payments receivable
		(thousands of dollars)		
Less than one year	8,372	4,577	5,567	2,023
Later than one year but not later than five years	22,268	9,688	22,268	9,533
More than five years	60,777	41,834	62,169	42,232
Less: unearned financing income	(35,318)	-	(36,216)	-
Present value of minimum payments receivable	**56,099**	**56,099**	**53,788**	**53,788**

Interest revenue included in current period's revenues and presented as financing income is $0.9 million (2010 – $1.0 million).

Present value of minimum payments receivable:

	June 30, 2011	March 31, 2011	April 1, 2010
		(thousands of dollars)	
Included in the Condensed Consolidated Statement of Financial Position as promissory notes receivable:			
current	4,577	2,023	2,047
long-term	51,522	51,765	53,638
	56,099	**53,788**	**55,685**

10. Net Investment in Finance Lease

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

10. Net Investment in Finance Lease (*Continued*)

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

	June 30, 2011		**March 31, 2011**	
	Minimum lease payments receivable	Present value of minimum lease payments receivable	Minimum lease payments receivable	Present value of minimum lease payments receivable
		(thousands of dollars)		
Less than one year	6,050	2,384	6,050	2,351
Later than one year but not later than five years	24,200	11,136	24,200	10,969
More than five years	68,144	44,833	69,656	45,608
Less: unearned financing income	(40,041)	-	(40,978)	-
Present value of minimum lease payments receivable	**58,353**	**58,353**	**58,928**	**58,928**

Interest revenue included in current period's revenues and presented as other income, is $0.9 million (2010 – $1.0 million).

Present value of minimum lease payments receivable:

	June 30, 2011	**March 31, 2011**	**April 1, 2010**
		(thousands of dollars)	
Included in the Condensed Consolidated Statement of Financial Position as net investment in finance lease:			
current	2,384	2,351	2,182
long-term	55,969	56,577	58,960
	58,353	**58,928**	**61,142**

11. Property and Equipment

A. Cost and Accumulated Depreciation

The gross carrying amount is as follows:

	June 30, 2011	March 31, 2011	April 1, 2010
		(thousands of dollars)	
Cost	2,267,489	2,271,790	2,255,139
Accumulated depreciation	(1,202,429)	(1,191,195)	(1,166,950)
	1,065,060	**1,080,595**	**1,088,189**

	Land	Buildings & leasehold improvements	Technical & office equipment	Other	Uncompleted capital projects	Total
			(thousands of dollars)			
Cost at March 31, 2011	179,982	295,290	1,409,727	304,059	82,732	2,271,790
Additions	-	955	8,810	497	5,884	16,146
Transfers	-	2,558	25,292	4,715	(33,023)	(458)
Disposals	-	-	(18,526)	(1,463)	-	(19,989)
Cost at June 30, 2011	**179,982**	**298,803**	**1,425,303**	**307,808**	**55,593**	**2,267,489**
Accumulated depreciation at March 31, 2011	-	(88,838)	(1,049,212)	(53,145)	-	(1,191,195)
Depreciation for the period	-	(4,454)	(20,621)	(4,829)	-	(29,904)
Reverse depreciation on disposals	-	-	17,923	747	-	18,670
Accumulated depreciation at June 30, 2011	**-**	**(93,292)**	**(1,051,910)**	**(57,227)**	**-**	**(1,202,429)**
Net carrying amount at June 30, 2011	**179,982**	**205,511**	**373,393**	**250,581**	**55,593**	**1,065,060**
Net carrying amount at March 31, 2011	**179,982**	**206,452**	**360,515**	**250,914**	**82,732**	**1,080,595**

11. Property and Equipment *(Continued)*

	Land	Buildings & leasehold improvements	Technical & office equipment	Other	Uncompleted capital projects	Total
			(thousands of dollars)			
Cost at April 1, 2010	180,065	305,129	1,436,630	291,715	41,600	2,255,139
Additions	-	4,935	46,795	2,760	62,725	117,215
Transfers	-	(13,367)	20,552	14,105	(21,593)	(303)
Disposals	(83)	(1,407)	(94,250)	(4,521)	-	(100,261)
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	-	(76,626)	(1,056,342)	(33,982)	-	(1,166,950)
Depreciation for the period	-	(17,967)	(83,246)	(19,276)	-	(120,489)
Reverse depreciation on disposals	-	5,755	90,376	113	-	96,244
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**
Net carrying amount at March 31, 2010	**180,065**	**228,503**	**380,288**	**257,733**	**41,600**	**1,088,189**

The contractual commitments for the acquisition of property and equipment are $24.0 million for the period ended June 30, 2011 (March 31, 2010 – $14.3 millions).

B. Impairment

There were no indicators of impairment during first quarter of 2011-2012; therefore no impairment expense was recorded (2010 – nil).

C. Asset Classified as 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.

11. Property and Equipment (*Continued*)

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

The switch from analog transmission to digital over-the-air television is scheduled for August 31, 2011 for mandatory sites identified by the CRTC, in decision 2010-16. In markets where digital transmitters will be rolled out, the Corporation has the obligation to cease analog transmission.

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. The impact of the revised estimates represents an additional depreciation expense of $1.8 million recorded in the Condensed Consolidated Statement Income (Loss) in the first quarter of 2011-2012 (2010 – nil).

12. Intangible Assets

A. Cost And Accumulated Amortization

The gross carrying amount is as follows:

	June 30, 2011	March 31, 2011	April 1, 2010
		(thousands of dollars)	
Cost	145,978	145,187	135,602
Accumulated amortization	(109,662)	(105,500)	(87,877)
	36,316	**39,687**	**47,725**

	Internally developed software	Acquired software	Uncompleted capital projects	Total
		(thousands of dollars)		
Cost at March 31, 2011	136,579	2,209	6,399	145,187
Additions	267	66	-	333
Transfers	95	1,562	(1,199)	458
Disposals	-	-	-	-
Cost at June 30, 2011	**136,941**	**3,837**	**5,200**	**145,978**

12. Intangible Assets *(Continued)*

	Internally developed software	Acquired software	Uncompleted capital projects	Total
		(thousands of dollars)		
Accumulated amortization at March 31, 2011	(105,437)	(63)	-	(105,500)
Amortization for the period	(3,996)	(166)	-	(4,162)
Reverse amortization on disposals	-	-	-	-
Accumulated amortization at June 30, 2011	**(109,433)**	**(229)**	**-**	**(109,662)**
Net carrying amount as at June 30, 2011	**27,508**	**3,608**	**5,200**	**36,316**
Net carrying amount as at March 31, 2011	**31,142**	**2,146**	**6,399**	**39,687**

	Internally developed software	Acquired software	Uncompleted capital projects	Total
		(thousands of dollars)		
Cost at April 1, 2010	133,465	-	2,137	135,602
Additions	2,113	2,095	4,262	8,470
Transfers	1,265	114	-	1,379
Disposals	(264)	-	-	(264)
Cost at March 31, 2011	**136,579**	**2,209**	**6,399**	**145,187**
Accumulated amortization at April 1, 2010	(87,877)	-	-	(87,877)
Amortization for the year	(17,824)	(63)	-	(17,887)
Reverse amortization on disposals	264	-	-	264
Accumulated amortization at March 31, 2011	**(105,437)**	**(63)**	**-**	**(105,500)**
Net carrying amount as at March 31, 2011	**31,142**	**2,146**	**6,399**	**39,687**
Net carrying amount as at April 1, 2010	**45,588**	**-**	**2,137**	**47,725**

12. Intangible Assets *(Continued)*

B. Impairment

There were no indicators of impairment during the first quarter of 2011-2012; therefore no impairment expense was recorded (2010 – nil).

13. Assets Under Finance Lease

Assets under finance lease consist of two leases for mobile equipment and satellite transponders. The terms of these two leases are 5 and 18 years respectively.

	June 30, 2011	**March 31, 2011**	**April 1, 2010**
		(thousands of dollars)	
Automotive (cost)	619	619	-
Technical equipment (cost)	7,434	7,434	-
Transmission equipment (cost)	119,897	119,897	119,897
Accumulated depreciation – automotive	(31)	(23)	-
Accumulated depreciation – technical equipment	(555)	(326)	-
Accumulated depreciation – transmission equipment	(73,122)	(71,359)	(64,306)
Net carrying amount	**54,242**	**56,242**	**55,591**

Depreciation for the period ended June 30, 2011 was $2.0 million (2010 – $1.8 million). For more information, refer to Note 17.

14. Subsidiaries, Special Purpose Entities and Associates

A. Subsidiaries and Special Purpose Entities Undertakings

i. The Documentary Channel

The Corporation owns 82 per cent partnership interest in The Documentary Channel (*documentary*), a specialty service broadcasting documentaries. Accordingly, The Documentary Channel (*documentary*) financial results are consolidated in the Corporation's books. The subsidiary's fiscal year end is August 31. Additional financial statements corresponding to the Corporation's reporting period are prepared for consolidation purposes.

14. Subsidiaries, Special Purpose Entities and Associates (*Continued*)

ii. ARTV

ARTV is a French-language arts and entertainment specialty channel that has been broadcasting since September 2001 via cable and satellite. The Corporation owns 85 per cent of ARTV and, accordingly, consolidates their financial results in the Corporation's consolidated financial statements. The subsidiary's fiscal year end is August 31. Additional financial statements corresponding to the Corporation's reporting period are prepared for consolidation purposes.

iii. The Broadcast Centre Trust

The Broadcast Centre Trust (the TBC Trust) is a charitable trust that is a lessee under a long-term lease with the Corporation for the land on which the Canadian Broadcasting Centre (the building) is located in Toronto. The rent during the term is the sum of one dollar, paid on October 1, 1988. The TBC Trust is also a lessor under a long-term sub-lease with the Corporation for the Canadian Broadcasting Centre. In order to finance the construction of the building, the TBC Trust issued $400 million of bonds on January 30, 1997, which are guaranteed by the rent payments for the premises occupied by the Corporation. The rent payable by the Corporation to the TBC Trust covers all interest and principal on the bonds, all other payments on the bonds and all operating expenses and liabilities of the TBC Trust. The TBC Trust is a special purpose entity and, accordingly, the financial results of the TBC Trust are consolidated in the Corporation's books.

iv. CBC Monetization Trust

In 2003, the Corporation sold two parcels of land to Ontrea Inc., a wholly owned subsidiary of Ontario Teachers' Pension Plan Board. The CBC Monetization Trust was created during 2009 with the purpose of acquiring the Corporation's interest in the lease receivables. The Corporation has determined that it bears the majority of the risk associated with the collection of the Trust's receivables through the guarantee it has provided. As such this entity is consolidated by the Corporation.

14. Subsidiaries, Special Purpose Entities and Associates (*Continued*)

B. Associates

On November 24, 2010, Sirius Canada Inc., of which the Corporation is part owner, and Canadian Satellite Radio Holdings Inc. (CSR), the parent company of XM Canada, announced a merger of the two companies, subject to regulatory and governmental approvals. This transaction was concluded on June 21, 2011. Pursuant to the arrangement between the Corporation, Sirius XM Radio Inc., Slaight Communications (collectively referred to as the Vendors), Canadian Satellite Radio Holdings Inc. (CSR) and Sirius Canada Inc. (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 outstanding voting shares of CSR. Prior to this transaction, the Corporation held 25.05 per cent of the issued and outstanding common shares of Sirius, which was accounted for using the equity accounting method. In exchange for the Sirius Class A shares held by the Corporation, the Corporation received 53,570,361 Class B Voting Shares of CSR (equivalent to 17,856,787 Class A Subordinate Shares of CSR), representing a 14.54 per cent equity participation and a 19.9 per cent voting interest.

As part of the transaction, the Corporation also received consideration in cash and non-interest bearing promissory notes in exchange for the redemption of the Sirius Class C Shares held by the Corporation. The consideration received has been treated as a combination of dividend income and return of capital.

The Corporation has maintained sufficient board of directors' representation to exert significant influence. As such, the Corporation holds the power to participate in the financial and operating policy decisions of CSR, through both board representation and through its ongoing business relationship with CSR.

Prior to the transaction, the Corporation had invested $12 million in Class C shares of Sirius (Class C Shares), which were entitled to a preferential cumulative dividend of eight per cent per annum on the redemption price and were redeemable at any time by Sirius. As at the date of the transaction, the fair value of the Class C shares amounted to $17.1 million and the cumulative accrued and unpaid dividends of these shares amounted 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 CSR Transaction. As part of the CSR Transaction, the Corporation received cash consideration amounting to $14.9 million and non-interest bearing promissory notes with face value of $2.8 million in exchange for the redemption of the Class C shares. Included in the amounts above, the Corporation also received dividends in the amount of $5.1 million, which have been accounted for as dividend income in the Condensed Consolidated Statement of Income (Loss).

14. Subsidiaries, Special Purpose Entities and Associates *(Continued)*

The reverse take-over and retention of significant interest caused the Corporation to recognize a non-cash dilution gain of $39.3 million, 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.

The following is the summarized financial information for the Corporations investments:

	Ownership interest as at:			Carrying value as at: (thousands of dollars)			Fair value as at:		
	June 30, 2011	March 31, 2011	April 1, 2010	June 30, 2011	March 31, 2011	April 1, 2010	June 30, 2011	March 31, 2011	April 1, 2010
CSR (Class B)	19.92%	-	-	19,810	-	-	49,999	-	-
ARTV[1]	-	-	62%	-	-	7,243	-	-	7,243
Other	-	-	-	17	17	17	17	17	17
Total assets	**-**	**-**	**-**	**19,827**	**17**	**7,260**	**50,016**	**17**	**7,260**
Sirius (Class A)	-	25%[2]	25%	-	(18,417)	(5,742)	-	(18,417)	(5,742)
Sirius (Class C)[3]	-	-	-	-	17,000	4,325	-	17,000	4,325
Total liabilities	**-**	**-**	**-**	**-**	**(1,417)**	**(1,417)**	**-**	**(1,417)**	**(1,417)**

1 Following the transaction that closed July 12, 2010, the Corporation now holds 85 per cent of ARTV and, accordingly, consolidates their financial results in the Corporation's consolidated financial statements.

2 The Corporation recognized in the Condensed Consolidated Statement of Income (Loss) 25 per cent of Sirius net results using the equity method up to June 21, 2011 (date of merger).

3 Investment formally classified as AFS and recorded at fair value. The Class C shares were redeemed upon completion of the merger transaction.

Upon completion of the CSR Transaction, a value of $19.8 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. The fair value at June 30, 2011 was determined using the closing market price of CSR Class A shares at June 30, 2011.

15. Accounts Payable and Accrued Liabilities

	June 30, 2011	March 31, 2011 *(thousands of dollars)*	April 1, 2010
Trade payables	32,287	53,280	57,641
Accruals	49,220	70,732	68,974
Other	719	1,324	1,547
	82,226	**125,336**	**128,162**

16. 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.

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

Employee-related assets/liabilities are as follows:

	June 30, 2011	March 31, 2011	April 1, 2010	June 30, 2011	March 31, 2011	April 1, 2010
		Current			Long-term	
			(thousands of dollars)			
Accrued pension benefit asset	-	-	-	209,411	148,769	-
Accrued pension benefit liability	-	-	-	69,311	68,462	188,751
Employee future benefits	-	-	-	143,610	141,616	140,948
Vacation pay	61,551	57,416	58,845	-	-	-
Workforce reduction and other	19,098	12,956	12,308	-	-	-
Salary-related liabilities	65,480	74,331	59,746	190	190	208
	146,129	**144,703**	**130,899**	**213,111**	**210,268**	**329,907**

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.

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

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

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

Assumptions – annual rates	June 30, 2011	March 31, 2011	April 1, 2011
Expected long-term rate of return on plan assets	6.50%	6.50%	6.50%
Discount rate used for the calculation of the pension benefit costs	5.25%	5.25%	5.25%
Discount rate used for the calculation of the pension obligation	5.25%	5.25%	5.25%
Discount rate - employee termination benefit	4.75%	5.00%	5.00%
Discount rate – LTD benefits	5.00%	5.00%	4.75%
Discount rate – post-employment benefit	5.25%	5.25%	5.25%
Long-term rate of compensation increase, excluding merit and promotion	2.75%	2.75%	3.25%
Health care cost trend rate	7.00% per annum until 2019, 4.50% thereafter	7.00% per annum until 2019, 4.50% thereafter	7.50% per annum until 2019, 4.50% thereafter
Indexation of pensions in payment	1.65%	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:

	June 30, 2011			March 31, 2011		
	Pension Plans	Unfunded pension	Other post-retirement plans	Pension Plans	Unfunded pension	Other post-retirement plans
	(thousands of dollars)					
Benefit obligation	4,454,831	69,311	143,247	4,414,441	68,462	141,234
Fair value of plan assets	4,664,242	-	-	4,563,210	-	-
	(209,411)	**69,311**	**143,247**	**(148,769)**	**68,462**	**141,234**
Unamortized unvested past service costs	-	-	(363)	-	-	(382)
Net liability (asset) arising from defined benefit obligation	**(209,411)**	**69,311**	**143,610**	**(148,769)**	**68,462**	**141,616**

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

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

	June 30, 2011		March 31, 2011	
	Pension plans	Other post-employment plans	Pension plans	Other post-employment plans
	(thousands of dollars)			
Opening defined benefit obligation	4,482,903	141,234	4,388,497	140,490
Current service cost	16,900	1,462	65,693	6,535
Interest cost	58,000	1,685	226,918	7,056
Contributions from employees	9,517	-	37,630	-
Actuarial (gains) losses	885	1,904	-	(153)
Past service cost[1]	15,000	-	-	
Benefits paid	(59,063)	(3,038)	(235,835)	(12,694)
Closing defined benefit obligation	**4,524,142**[2]	**143,247**	**4,482,903**[3]	**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 $4,454,831,000 and $69,311,000 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:

	June 30, 2011		March 31, 2011	
	Pension plans	Other post-employment plans	Pension plans	Other post-employment plans
	(thousands of dollars)			
Opening fair value of plan assets	4,563,210	-	4,199,746	-
Expected return on plan assets	72,984	-	268,354	-
Actuarial gains (losses)	64,085	-	237,563	-
Contributions from employees	9,517	-	37,630	-
Contributions from the Corporation	13,377	3,038	55,752	12,694
Benefits paid	(59,063)	(3,038)	(235,835)	(12,694)
Closing fair value of plan assets	**4,664,110**	**-**	**4,563,210**	**-**

16. 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.

	June 30, 2011	June 30, 2010
	(thousands of dollars)	
Current service cost	18,362	19,014
Interest on obligation	59,685	58,472
Expected return on plan assets	(72,984)	(67,000)
Past service cost	14,981	(19)
Expense recognized in net results	**20,044**	**10,467**
Less:		
Actuarial gains recognized in other comprehensive income	(61,296)	32,800
Total	**(41,252)**	**43,267**

The cumulative actuarial gains or losses recognized in Other comprehensive income represent $300.9 million as of June 30, 2011 (2010 – $(32.8) million).

17. Obligations under Finance Lease

Obligations under finance lease include satellite transponders and mobile equipment.

	Effective interest rate	Ending date
Transponder lease	6.8 per cent per annum	February 18, 2018
Mobile equipment lease	2.95 per cent per annum	January 31, 2016

The Corporation has an option to purchase the mobile equipment for a nominal amount at the end of the lease term.

17. Obligation under Finance Lease *(Continued)*

	June 30, 2011		March 31, 2011	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
		(thousands of dollars)		
Less than one year	13,760	9,470	13,760	9,343
Later than one year but not later than five years	66,349	54,734	66,781	48,135
More than five years	7,017	6,860	10,025	16,001
Less: future finance charges	(16,062)	-	(17,087)	-
Present value of minimum lease payments	**71,064**	**71,064**	**73,479**	**73,479**

Present value of minimum lease payments:

	June 30, 2011	March 31, 2011	April 1, 2010
		(thousands of dollars)	
Included in the Condensed Consolidated Statement of Financial Position as obligation under finance lease:			
current	9,470	9,343	7,300
long-term	61,594	64,136	65,676
	71,064	**73,479**	**72,976**

18. Notes Payable

The notes payable, held by the the CBC Monetization Trust, a special purpose entity of the Corporation, mature in May 2027 and bear interest at an annual rate of 4.688 per cent. Blended semi-annual payments are made in May and November of each year. The notes are redeemable at the subsidiary's option in whole or in part from time to time before maturity, on not less than 30 days and not more than 60 days prior notice. The redemption price is the greater of the outstanding principal amount of the notes to be redeemed and the net present value of all scheduled semi-annual payments on the notes from the date of redemption to the date of maturity, using the Government of Canada yield plus 0.30% on such date, together, in each case, with accrued but unpaid interest to, but excluding, the redemption date.

18. Notes Payable (*Continued*)

Principal payments are scheduled as follows:

	June 30, 2011		March 31, 2011	
	Minimum payments	**Present value of minimum payments**	**Minimum payments**	**Present value of minimum payments**
		(thousands of dollars)		
Less than one year	11,473	5,434	11,473	5,404
Later than one year but not later than five years	45,892	24,486	45,892	23,916
More than five years	126,202	97,191	131,939	100,437
Less: future finance charges	(56,456)	-	(59,547)	-
Present value of minimum payments	**127,111**	**127,111**	**129,757**	**129,757**

Interest expense included in current period's expenses and presented as finance costs is $1.5 million (2010 – $1.6 million).

	June 30, 2011	March 31, 2011	April 1, 2010
		(thousands of dollars)	
Included in the Condensed Consolidated Statement of Financial Position as notes payable:			
current	5,434	5,404	4,897
long-term	121,677	124,353	129,649
	127,111	**129,757**	**134,546**

19. Provisions

	June 30, 2011		March 31, 2011	
	Claims and legal proceedings	Environmental	Claims and legal proceedings	Environmental
	(thousands of dollars)			
Balance, beginning of year	28,376	300	50,070	-
Additional provisions recognized	1,440	-	6,649	300
Reductions resulting from re-measurement or settlement without cost	(2,621)	-	6,177	-
Reductions resulting from payments	-	-	(34,520)	-
Balance, end of period	**27,195**	**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.

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 June 30, 2011 the Corporation had provisions amounting to $27.2 million (March 2011 – $28.7 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 the second quarter of 2011-2012.

20. Revenues

The Corporation recognized revenue from the following sources:

	June 30, 2011	June 30, 2010
	(thousands of dollars)	
Advertising	110,738	103,993
Building, tower, facility and service rentals	8,885	7,154
Production revenues	3,662	2,967
Digital programming	997	1,196
Retransmission rights	1,002	878
Program sponsorship	1,229	1,156
Other services	1,072	1,393
Total Rendering of services	**127,585**	**118,737**
Total Specialty Services	**41,921**	**37,221**
Total Financing income	**1,390**	**1,377**
Contribution from the Local Programming Improvement Fund (LPIF)	9,443	7,789
Contra revenues other than advertising	-	140
Gain (Loss) on foreign exchange rates	(309)	8
Net gain from fair value of financial instruments	115	784
Total Revenues	**180,145**	**166,056**

21. Government Funding

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

	June 30, 2011	June 30, 2010
	(thousands of dollars)	
Operating funding	263,432	328,447
Capital funding	25,568	25,391
Working capital funding	1,000	1,000
	290,000	**354,838**

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 (Loss) based on the net difference between quarterly budgeted expenses and self-generated revenues.

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.

	June 30, 2011	June 30, 2010
	(thousands of dollars)	
Operating funding received	263,432	328,447
Deferred operating appropriation	(18,663)	(90,410)
Parliamentary appropriation for operating expenditures recognized in the Condensed Consolidated Statement of Income (Loss)	**244,769**	**238,037**

21. 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.

	June 30, 2011	June 30, 2010
	(thousands of dollars)	
Balance, beginning of year	**609,428**	**632,221**
Government funding for capital expenditures	25,568	25,391
Amortization of deferred capital funding	(33,166)	(30,269)
Balance, end of period	**601,830**	**627,343**

22. 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.

23. Movements in Working Capital

	June 30, 2011	June 30, 2010
	(thousands of dollars)	
Cash flows provided by (used for):		
Trade and other receivables	(26,136)	11,478
Programming	(31,235)	(19,636)
Merchandising inventory	160	19
Prepaid expenses	74,002	32,220
Promissory notes receivable	(450)	(512)
Net investment in finance lease	11	10
Accounts payable and accrued liabilities	(43,110)	(64,331)
Provision	(1,181)	-
Obligation under finance lease	1,026	1,079
Deferred revenues	374	2,639
Pension plans and employee-related liabilities	(8,410)	21,836
Bonds payable	5,758	5,937
Financial liability related to the monetization of receivables	70	140
Notes payable	3,090	2,527
	(26,031)	**(6,594)**

24. Commitments

The Corporation entered into commitments by renewing purchase agreements and entering into new purchase agreements. Management estimates that these new commitments, for the three-month period ended June 30, 2011, will result in future expenditures of approximately $74.6 million. In total, as of June 30, 2011, the Corporation had $914.9 million of commitments to be paid over the next 15 years.

25. 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:

25. Related Parties *(Continued)*

A. Transactions with Related Parties Excluding Government Related Entities

	Associate		Corporation Pension Plan	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(thousands of dollars)			
Rendering of services	851	763	-	-
Receiving of services	-	-	-	-
Pension contributions	-	-	12,489	12,873
	851	**763**	**12,489**	**12,873**

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

	Amounts owed by related parties		Amounts owed to related parties	
	June 30, 2011	March 31, 2011	June 30, 2011	March 31, 2011
	(thousands of dollars)			
Associate	407	180	-	-
	407	**180**	**-**	**-**

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 XM Radio Inc. ("Sirius") for shares in Canadian Satellite Radio Holdings Inc. (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 $39.3 million. This amount is made up of a gain on the disposed interest in the amount of $8.1 million as well as CBC/Radio-Canada's proportionate share of CSR's share issuance amounting to $31.2 million. In addition, the Corporation recognized $5.1 million in dividend income related to redemption of the $12.0 million investment the Corporation had in Sirius Class C shares. In addition, 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 14 to the condensed consolidated financial statements.

25. 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 period ended June 30, 2011, management estimates that the aggregate amount of the Corporation’s significant transactions with other government-related entities amounted to $0.5 million of its rendering of services (2010 – $0.1 million) and $0.3 million of its purchase of goods and services (2010 – $0.1 million).

26. 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, provisions, 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.

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

	June 30, 2011 Carrying values	June 30, 2011 Fair values	March 31, 2011 Carrying values	March 31, 2011 Fair values	April 1, 2010 Carrying values	April 1, 2010 Fair values	Method[1]	Note
			(millions of dollars)					
Financial instruments measured at fair value:								
Derivative financial liabilities instruments	0.6	0.6	0.7	0.7	0.3	0.3	Level 1	*(a)*
Long-term investments – non-voting Class C shares	-	-	17.0	17.0	4.3	4.3	Level 2	*(b)*
Financial instruments measured at amortized cost:								
Long-term receivables	-	-	-	-	10.1	9.4		
Promissory notes receivable (long-term)	51.5	57.3	51.8	56.8	53.6	57.6		
Net investment in finance lease (long-term)	56.0	63.2	56.6	62.6	59.0	63.4		
Bonds payable (long-term)	294.0	381.2	299.2	382.2	309.2	389.1		
Financial liability related to the monetization of receivables (long-term)	-	-	-	-	10.2	10.2		
Obligations under finance lease (long-term)	61.6	65.5	64.1	68.6	65.7	71.0		
Notes payable (long-term)	121.7	127.8	124.4	128.0	129.6	130.1		

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.

(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.

26. Financial Instruments (*Continued*)

B. Liquidity Risk

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

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

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

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

	Carrying amount of liability at June 30, 2011	**Contractual cash flows**	**Within 1 Year**	**2 to 5 Years**	**6 to 9 Years**	**Over 9 Years**
			(thousands of dollars)			
Bonds payable	308,119	528,621	33,039	132,155	132,155	231,272
Notes payable	127,111	183,567	11,473	45,892	45,892	80,310
Finance lease – Transponders	63,638	79,197	12,030	48,120	19,047	-
Finance lease – Mobile equipment	7,426	7,929	1,730	6,199	-	-
Financial liability related to the monetization of receivables	10,407	10,500	10,500	-	-	-

26. Financial Instruments *(Continued)*

	Carrying amount of liability at March 31, 2011	Contractual cash flows	Within 1 Year	2 to 5 Years	6 to 9 Years	Over 9 Years
			(thousands of dollars)			
Bonds payable	318,879	545,140	33,039	132,155	132,155	247,791
Notes payable	129,757	189,304	11,473	45,892	45,892	86,047
Finance lease – Transponders	64,907	82,205	12,030	48,120	22,055	-
Finance lease – Mobile equipment	7,803	8,361	1,730	6,631	-	-
Financial liability related to the monetization of receivables	10,337	10,500	10,500	-	-	-

	Carrying amount of liability at April 1, 2010	Contractual cash flows	Within 1 Year	2 to 5 Years	6 to 9 Years	Over 9 Years
			(thousands of dollars)			
Bonds payable	328,402	578,180	33,039	132,156	132,156	280,829
Notes payable	134,546	199,821	10,517	45,892	45,892	97,520
Finance lease – Transponders	72,233	94,235	12,030	48,120	34,085	-
Financial liability related to the monetization of receivables	20,395	21,000	10,500	10,500	-	-

There are no expected future cash flow requirements for the derivative financial instruments and the financial guarantee.