Q1

First Quarter
Financial Report 2012-2013

for the period ending June 30, 2012

CBC Radio-Canada

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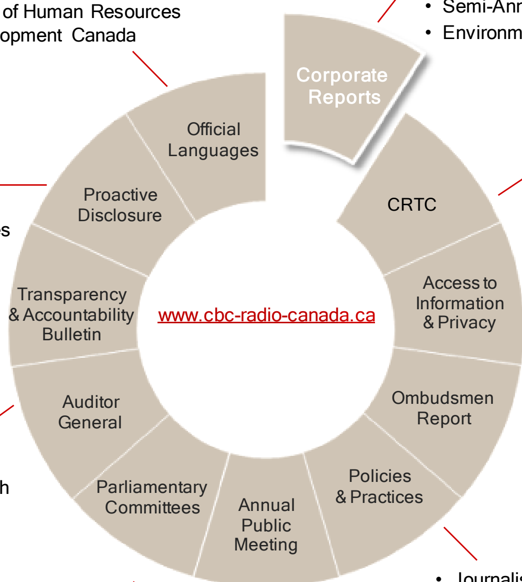
CBC/Radio-Canada's Commitment to Transparency and Accountability

As the national public broadcaster, CBC/Radio-Canada takes very seriously its obligation to be transparent and accountable to Canadians. To meet its responsibilities, the Corporation provides access on its corporate website to information about its activities and the way it manages public resources.

- Annual Report, tabled in Parliament
- Corporate Plan and Summary
- **Quarterly Financial Reports**
- CBC and Radio-Canada Pension Annual Report
- Public Accounts of Canada
- Semi-Annual Report Card
- Environmental Performance Reports

- Implementation of Section 41 of the *Official Languages Act* report
- Annual Report on Employment Equity to the Department of Human Resources and Skills Development Canada (HRSDC)

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



- Periodic license renewals
- Annual reporting to the CRTC covering:
  - Each of the Corporation's licensed radio, television and specialty services
  - Audit reports for all the Corporation's television stations eligible for LPIF
  - Independent Production Reports covering CBC Television and la Télévision de Radio-Canada
  - New media reporting requirements

- Annual OAG Attest Audit
- Special Examination, which began in the fall of 2011

- Journalistic policies and practices
- Code of conduct

- Appearances before Parliamentary Committees (Canadian Heritage, Official Languages)

Management Discussion and Analysis

Quarterly Reporting Requirement

As well as being required to file an annual report, most federal Crown corporations in Canada are required to file quarterly financial reports for the first three quarters of the fiscal year. This requirement supports effective oversight of public funds. Consistent with our efforts to be transparent, CBC/Radio-Canada is pleased to present this quarterly report for the period ended June 30, 2012. This report can be accessed on the CBC/Radio-Canada corporate website.

These condensed consolidated financial statements for the quarter ended June 30, 2012, have not been reviewed by our Auditor.

Seasonality

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

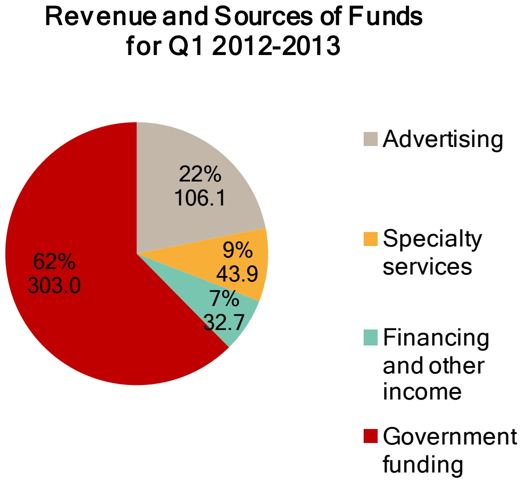
Government appropriations are recognized in income based on the annual budget, which reflects seasonal impacts on expenditures and self-generated revenue.

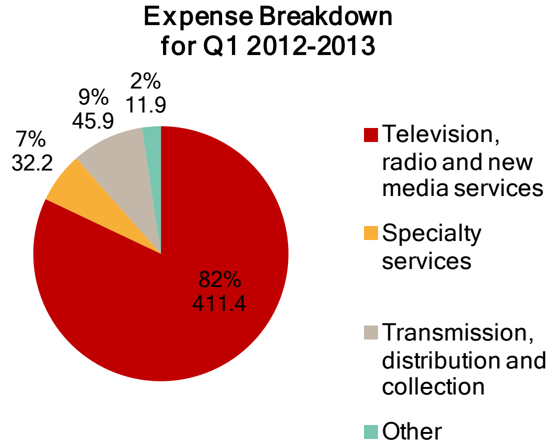
Note Regarding Forward-Looking Statements

This report contains forward-looking statements regarding objectives, strategies, and expected financial and operational results. Forward-looking statements are based on the following broad assumptions: CBC/Radio-Canada continues to receive stable government funding except as it relates to the Federal Budget 2012, the funding received from the Local Programming Improvement Fund will be phased out by August 31, 2014, 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 by definition 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.

Quarter in Review

Financial Highlights





(in thousands of Canadian dollars)	For the three months ended June 30			
	2012	**2011**	**$ change**	**% change**
Revenue	182,705	180,145	2,560	1.4
Expenses	(501,434)	(471,615)	(29,819)	(6.3)
Government funding	303,048	277,882	25,166	9.1
Net results before non-operating items	**(15,681)**	**(13,588)**	**(2,093)**	**(15.4)**

Net results before non-operating items for the first quarter of 2012–2013 amounted to a loss of $15.7 million, compared to a loss of $13.6 million for the same period in 2011–2012. This movement was primarily due to the following changes in revenue, funding and expenses:

- Revenue increased by $2.6 million (1.4 per cent) compared to the first quarter of 2011–2012. Higher digital revenues from both French and English Services contributed to the increase, as did higher facility rentals in French Services and subscriber growth in Specialty Services. These increases were partially offset by lower advertising revenue compared to the first quarter of 2011–2012, in which revenues were strong because a Canadian team (the Vancouver Canucks) was in the seven-game Stanley Cup final.

- Expenses were higher by $29.8 million (6.3 per cent) compared to the first quarter of last year as a result of one-time costs. Expenses in the first quarter of 2012−2013 reflected accelerated depreciation and decommissioning expenses necessary to shut down our remaining analogue TV transmission assets at non-mandatory sites, as approved by the Canadian Radio-television and Telecommunications Commission (CRTC). In addition, severance costs were recognized this quarter for employee departures as we implement changes following the Federal Budget 2012 announcement.
- Government funding recognized this quarter increased by $25.2 million (9.1 per cent) compared to the same quarter in 2011−2012. This increase was primarily due to recognizing previously received capital funding ($23.3 million), mostly related to accelerated depreciation and impairment charges on analogue TV transmission assets, as discussed above.

Other Financial Matters

Same Strategy, Different Path

On April 4, 2012, we announced that the Corporation would be facing $200 million in financial pressures over the next three years. This comprises a $115 million cut to our annual appropriation as part of Federal Budget 2012 and $85 million of unavoidable costs including those required to keep pace as a modern public broadcaster. In addition, one-time restructuring costs to deal with these additional pressures are estimated at $25 million.

We said we would face this challenge head-on by increasing revenues, transforming Radio-Canada International (RCI), accelerating the shutdown of our analogue transmitters, reducing costs and doing things differently. We have taken measures to generate additional revenues from our advertising and leasing activities. In addition, Radio Canada International began its transition from shortwave to the web on June 24 by shutting down its shortwave transmissions. This transformation will be completed in the upcoming months. We will also discontinue services that have reached the end of their life cycle.

During the quarter, regulatory approvals were received to shut down approximately 600 of our analogue TV transmitters on July 31, 2012. This initiative allows us to reduce costs and supports our strategic goal to be more digital.

Even after our revenue-generating and cost-reduction initiatives, we will still need to reduce our expenditures on *Strategy 2015: Everyone, Every way*. While we won't be able to move as far or as fast on certain elements as we had planned, we remain fully committed to defending CBC/Radio-Canada's leadership in Canadian programming, regional presence and digital platforms.

Local Programming Improvement Fund

On July 18, the CRTC announced that the Local Programming Improvement Fund (LPIF) will be phased out by August 31, 2014.The elimination of the LPIF will reduce CBC/Radio-Canada's funding by $47.1 million once fully phased out. Improving local service is one of the Corporation's top priorities. This decision doesn't change that, but it does present a significant challenge that could limit our local television activities, levels of service and our presence in some communities. CBC/Radio-Canada is currently reviewing its options to mitigate the implications of this decision.

Business Highlights

Over the quarter, CBC/Radio-Canada continued to implement its five-year strategic plan, Strategy 2015. The plan has three key thrusts:

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

More Distinctly Canadian

CBC and Radio-Canada continue to offer their many audiences co-produced, multiplatform coverage of major events. In April, to mark the hundredth anniversary of the *Titanic* sinking, English and French Services rolled out a wide range of digital spaces and programming, including a jointly produced two-hour original documentary, to help Canadians commemorate this disaster so closely linked to their country's history.

Bullying among Canada's youth was examined in #bullyPROOF, a week-long, multi-platform Signature Event. Stories and features, including a documentary, were presented on CBC Television, CBC News Network, CBC Radio One, and online at CBCNews.ca/bullyproof. Content and audience discussions were also available on Twitter and Facebook.

The performing arts were featured in two television specials. *Love Lies Bleeding* was a special adaptation of a performance by the Alberta Ballet. Presented through the eyes of an adoring fan, this exploration of the life and music of Sir Elton John was created by Jean Grand-Maître, directed by Moze Mossanen and introduced by the CBC's Jian Ghomeshi. *Romeos & Juliets*, also directed by Moze Mossanen, provided a "behind the curtain" view of the National Ballet of Canada as ten dancers competed for the chance to star in Romeo & Juliet.

The NHL's Stanley Cup playoffs on *Hockey Night in Canada* culminated in exclusive coverage of the Cup Final series between the Los Angeles Kings and New Jersey Devils. Audiences for this series averaged 2.7 million, with a total of 16.0 million Canadians enjoying the action over the series. Hockey coverage also included playoff features such as *Inside the Cup* and *It happened on HNIC*. CBC ended the hockey season with a broadcast of the NHL awards ceremony. This year's series drew a large audience, albeit lower than in the prior year when the viewership hit a high with a Canadian team reaching the Stanley Cup finals.

During May, 2012, Radio-Canada's news services posted significant increases in audience and traffic numbers over the same period last year. The Headlines section of Radio-Canada.ca saw a 30 per cent jump in traffic compared to May 2011 and the Radio-Canada.ca mobile site recorded its highest traffic to date. RDI achieved shares of around 6 per cent for certain weeks – double its usual average. These numbers were achieved in the context of the ongoing student protest movement that started earlier in the Spring, as well as other significant news stories unfolding in the Province of Quebec.

The 2012–2013 Révélations Radio-Canada recipients were announced in May. For the past five years, the Révélations initiative has been a true artistic partnership, providing personalized support and invaluable exposure for emerging French-language musical talent.

More Regional

Overall, our goal is to expand existing local service and add new local service for 6 million English-speaking and 2 million French-speaking Canadians who are presently under-served.

To that end, in this quarter we introduced:

- New weekend CBC Television news programming in Edmonton, Ottawa, Montreal and the Maritimes
- Expanded weekend radio news programming in Edmonton, Calgary, Toronto, Ottawa and Montreal
- Enhanced online weekend news content in Edmonton, Calgary, Toronto, Ottawa, Montreal, the Maritimes and St. John's

May marked the official launch of CBC Hamilton, CBC's first all-digital service, which is a key part of our Local Service Extension initiative, Strategy 2015, as well as part of our digital strategy. The launch of CBC Hamilton had over 900,000 page views since May. CBC Hamilton uses leading-edge technology to offer our content on any digital device – desktop, smartphone or tablet – so our local audiences can always get what they need, when and where they want it. The service can be accessed at *CBC.ca/Hamilton*.

Two programs produced in Quebec City and broadcast nationally by Télévision de Radio-Canada climbed to the top of the most watched programs by francophones this spring. The new show *Dans l'œil du dragon* scored an average of 805,000 viewers and a 24 per cent share, gaining the top spot in its time slot. *Les chefs!* returned for a third season on June 11. The first three episodes were watched by an average of 819,000 viewers per minute – a 27 per cent share.

Again this year, Radio-Canada partnered with l'Association acadienne des artistes professionnels du Nouveau-Brunswick to present *La Soirée des Éloizes*. The 2012 instalment of this awards gala celebrating excellence in Acadian arts was held on May 5. A live online chat session took place throughout the ceremony.

More Digital

Explora, the new digital specialty channel devoted to nature, health, science and the environment, has consolidated its schedule with several new programming additions about nature and our world. Explora's free preview period ran from March 28 to July 2.

CBC Music introduced a mobile app for Android mobile phones and tablets, allowing more users to access CBCMusic. CBCMusic.ca's Android App has had over 10,000 downloads during the first month following its launch. KIDSCBC.ca was re-launched to offer pre-schoolers a fun, innovative web zone where they can create their own customized play space and interact with their favourite shows and characters.

Tou.tv 2.0 is now available. Building on its major success, version 2.0 of the French-language entertainment web television site fosters discussion by allowing users to rate content. The Tou.tv home page now features the newest, funniest, and most-viewed sections, as well as viewer ratings of all content.

On June 22, we launched a social responsibility and public value hub, Citizenship: Inside and Out, on our corporate website. Consumers increasingly expect companies to practice good corporate citizenship, which includes social responsibility and public value. At CBC/Radio-Canada, we've been doing that for 75 years, and public value is very much at the heart of Strategy 2015. Now we have a website to talk about it, and we invite you to take a look and share your comments with us.

In June, CBC/Radio-Canada received a licence, with some conditions, from the CRTC to operate a French-language specialty service. The lineup will include programs highlighting CBC/Radio-Canada's archives as well as Canada's television heritage in general.

Other Business Matters

In line with CBC/Radio-Canada's Strategy 2015 objective of encouraging and capitalizing on partnerships, the Corporation has teamed with Rogers Media and Shaw Media to create the Canadian Premium Audience Exchange (CPAX), a private real-time bidding exchange that provides valuable digital inventory. CPAX gives buyers a central gateway to premium Canadian digital advertising inventory across more than 100 top domains in both English and French, reaching an audience of more than 15 million Canadians. It is another way for CBC/Radio-Canada to deliver targeted, best-in-class offerings to our advertising clients.

Strategy 2015 also calls on us to be more nimble, and on our employees to be more accountable for their decisions. As a result, the Corporation has started to look very closely at CBC/Radio-Canada's levels of management and especially the ratio of direct reports to managers, benchmarking us against other organizations – all with a view to accelerating our decision-making processes and making us more efficient.

CBC/Radio-Canada entered a long-term (49-year) leasing arrangement for unused space in the Toronto Broadcasting Centre with Allied Properties REIT, a leading owner, manager and developer of urban offices in Canada. This is consistent with our overall plan to revitalize this building, and supports CBC/Radio-Canada's *Same Strategy, Different Path* plan to reduce overall real estate costs and generate additional revenues to help offset budget pressures.

Stingray Digital, supported by a number of private sector media companies, filed an application on April 11, 2012, with the CRTC alleging that CBC Music is harmful to the competitive market for online music services, including Stingray Digital's own online subscription service. The application asked the CRTC to require CBC to either shut down the CBC Music service or substantially modify it. CBC filed a response defending the service. The overwhelming majority of interventions in the process were supportive of the service and on August 14, the CRTC dismissed Stingray's complaint.

The **bold** channel was put to market for auction with the assistance of industry professionals. The most advantageous offer, from Blue Ant Media Inc., was accepted. A final Asset Purchase Agreement was concluded in June. The transaction is subject to obtaining the required approvals as set out in our regulatory and legislative authorities.

Looking Forward

On August 1, the International Olympic Committee announced that CBC/Radio-Canada had been awarded the Canadian broadcast rights for the Sochi 2014 Olympic Winter Games and the Rio 2016 Olympic Summer Games. CBC/Radio-Canada has broadcast the Olympic Games on 19 different occasions for almost 60 years, including the Beijing 2008 Olympic Summer Games.

Our next Annual Public Meeting – which will be our fourth – will take place in St. John's, Newfoundland and Labrador, in September. To reflect our renewed commitment to the regions, we're holding the meeting outside of Ottawa for the first time.

CBC and Radio-Canada will be launching their new TV seasons in the second quarter and our new multimedia production centre in Rimouski is scheduled to be inaugurated on August 29. This facility will serve eastern Quebec using the most efficient multi-platform production methods.

CBC/Radio-Canada's licence renewal hearings with the CRTC are scheduled to begin on November 19, 2012. It's been 13 years since our licences were renewed making this a critical milestone for the Corporation. While Strategy 2015 sets out our vision for the future of Canada's National Public Broadcaster, we need a flexible regulatory framework that will enable us to respond to the evolving broadcasting environment and preferences of Canadians. The CRTC also intends to consider the Corporation's applications to introduce national advertising on CBC Radio 2 and Espace musique during the licence renewal hearings.

1. Performance Update

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

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

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

Further details are provided in our 2011–2012 Annual Report.

1.1 Strategic Indicators

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

A central feature of Strategy 2015 is the establishment of metrics that enable on-going tracking and monitoring of our performance. We have developed metrics for each of the four guiding principles upon which our vision rests and have applied these to all English and French services.

Twice a year, in January and June, our Board of Directors is presented with a Report Card that allows it to monitor the Corporation's progress in achieving its goals. Once the Board has been provided with an update, an abridged version of the Report Card is posted on the Corporation's website.

In addition to monitoring the overall performance of Strategy 2015, CBC/Radio-Canada has developed specific key performance indicators for English and French services. These indicators are designed to broadly measure the success of each media line in totality, given the breadth of activities undertaken. The indicators are taken from the media's business plans and reflect the organization's performance benchmarks and trends.

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

Annual targets for these performance measures in 2012–2013 are also provided, as are prior year results.

Canadian Content Expectations and Results

Regulatory requirements for Canadian content on television are specified by the CRTC. The CRTC sets expectations of service for Télévision de Radio-Canada and CBC Television. For the broadcast day between 6:00 a.m. and 12:00 a.m., a minimum of 75 per cent Canadian content is expected. 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. As shown in the table below, in the current broadcast year to date and in the prior year, Télévision de Radio-Canada and CBC Television have exceeded the CRTC's Canadian content expectations, both over the whole day and in prime time. Increasing Canadian programming is key to CBC/Radio-Canada's five-year strategic plan, Strategy 2015.

Canadian Content		Yearly Regulatory Expectations	Results Sep. 1, 2011 to June 30, 2012	Results Sep. 1, 2010 to Aug. 31, 2011
Télévision de Radio-Canada				
Broadcast day	(Mon-Sun, 6:00 a.m.-12:00 a.m.)	75%	88%	86%
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	93%	93%
CBC Television				
Broadcast day	(Mon-Sun, 6:00 a.m.-12:00 a.m.)	75%	86%	84%
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	82%	82%

1.2 Operational Indicators

Many of the principal measures in broadcasting are September to March, and as a consequence, performance results are not always available on a quarterly basis (becoming available beginning in the fall), such as those for CBC Radio and CBC Television. These performance results will be added to the quarterly reports as they become available.

English Services

At this early stage in the fiscal year, the performance results to date shown below are consistent with and tracking to the full-year targets. The exception is unique visitors to CBC.ca which is tracking below last year, during which time there were special events such as the 2011 federal election and the Vancouver Canucks' Stanley Cup playoff run. Performance of unique visitors' to CBC.ca will be monitored.

An update on all KPI's will be provided in future quarterly financial reports.

		Annual Targets 2012-2013	Results to date	Annual Results 2011-2012
Television				
CBC News Network	All-day audience share[1]	1.4%	1.4%	1.4%[2]
Regional				
Regional web pages	Monthly average unique visitors[3]	975 K	953 K	940 K[2]
New Platforms				
CBC.ca	Monthly average unique visitors[3]	6.5 million	6.0 million	6.2 million[2]
Specialty Television Channels				
CBC News Network	Subscribers	11.4 million	11.3 million	11.3 million
bold	Subscribers	2.7 million	2.6 million	2.6 million
documentary	Subscribers	2.6 million	2.7 million	2.6 million
Revenue[4]				
Conventional, specialty, online		$399 million	$105 million	$399 million[5]

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

2. In 2011–2012, measurement was based on the television season (i.e. September - March). In 2012–2013, measurement will be on the fiscal year (April - March).

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

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

5. In 2011–2012, measurement excluded merchandising/ licensing revenue which are included in 2012–2013.

French Services

The performance to date is as expected and consistent with our annual targets. The combined share for specialty channels shows an increase that can be mainly attributed to RDI's performance during some weeks of the quarter where news and public affairs drew large audiences. Similarly, the Regional web pages performance speaks to increased traffic on websites providing mostly news service to regions. Radio-Canada's websites as a whole drew a number of unique visitors marginally lower than the annual target, due to a slight decrease in Tou.tv's performance during the quarter.

Further updates will be provided in future quarterly financial reports.

		Annual Targets 2012-2013	Results to date	Annual Results 2011-2012
Television				
Specialty Channels RDI, ARTV	Full-day audience share[1]	4.7%	5.3%	4.6%[2]
Regional				
Regional web pages	Monthly average unique visitors[3]	497 K	598 K	476 K[2]
Website[4]				
Radio-Canada.ca, TOU.TV, Bandeapart.fm, RCI.net, Espace.mu	Monthly average unique visitors[3]	2.1 million	2.0 million	2.1 million[2]
Specialty Television Channels				
RDI	Subscribers	11.8 million	11.8 million	11.7 million
ARTV	Subscribers	2.1 million	2.1 million	2.1 million
Revenue[5]				
Conventional, specialty, online		$253.5 million	$61.9 million	$228.6 million[6]

1. Source: BBM Canada, Personal People Meter (PPM), Quebec francophones subscribing to a television distribution service, aged 2 years and older.

2. In 2011–2012, measurement was based on the television season (i.e. September - March). In 2012–2013, measurement will be on the fiscal year (April - March).

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

4. Espace.mu was introduced on June 13, 2011. RCI Vision was introduced on June 20, 2011, and results are included with RCI.net.

5. Revenue for ARTV is reported at 100 per cent although CBC/ Radio-Canada owns 85 per cent. Includes revenue from LPIF, a fund reported by the CRTC to support local programming. It is available to conventional television stations operating in non-metropolitan areas. In 2011–2012, measurement excluded merchandising/ licensing revenues which are included in targets for 2012–2013.

6. In 2011–2012, measurement excluded merchandising/ licensing revenue which are included in targets for 2012–2013.

2. Capability to Deliver Results

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

2.1 People and Leadership

Our people remain 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, which was significantly impacted by the Federal Budget 2012, included the following:

Workforce Adjustment Process

As a result of the previously discussed $200 million in financial pressures, the Corporation expects to eliminate 650 full-time equivalent positions over the next three years, with up to 475 reduction taking place in 2012–2013. We continue to work with our unions to find opportunities to minimize the impact on our employees.

Those who have or will be leaving the Corporation will receive outplacement counselling provided by an external firm specializing in career transition. This same firm will also provide employees (affected by layoffs or remaining with the Corporation) with necessary support to transition through this difficult phase. In addition, and on an ongoing basis, the Employee Assistance Program (EAP) offers CBC/Radio-Canada employees, their families and pensioners counselling and career advice.

CBC/Radio-Canada asks the CIRB to review its union structure

At the end of May, CBC/Radio-Canada filed an application with the Canada Industrial Relations Board (CIRB) to review the structure of its four bargaining units in the French network, who currently represent employees working in the province of Quebec and in Moncton, New Brunswick. This initiative is aimed at helping the public broadcaster attain the flexibility and versatility it needs to manage its operations more efficiently.

Inclusion and Diversity

As outlined in Strategy 2015, CBC/Radio-Canada is committed to Inclusion and Diversity. We recently filed a 2012–2015 Inclusion and Diversity Plan that will support and strategically advance our commitment. This plan will reduce gaps in our workforce representation and make us even more responsive to and reflective of the Canadian population.

As a federally-regulated employer, CBC/Radio-Canada is committed to compliance under the *Employment Equity Act* to provide equal opportunities for employment to four designated groups: women, Aboriginal peoples, persons with disabilities, and members of visible minority groups.

Thinking Beyond 2015: Leaders' Forum

In the face of our financial challenges, the Corporation must continue to find new ways to evolve as the public broadcaster Canadians want and need. This requires fully engaging our people in Strategy 2015, continuously looking for ways to improve, putting the best ideas on the table, and finding ways to implement these ideas. With this goal in mind, we brought together in May close to a hundred leaders from across the Corporation for a day and a half of forward thinking and innovation.

Employee Recognition

In May, we announced the winners of the 2011 President's Awards, which recognize exceptional contributions in 12 categories, including three new awards: Engagement, Spotlight on Support and Doing Things Better.

On June 5, 2012, nearly 400 employees gathered at Maison de Radio-Canada in Montreal for the *Salut aux talents* awards ceremony. Each year, eight awards in four categories − cooperation, creativity, excellence and public service values − are presented to selected projects. *Salut aux talents* also includes a Vice-President's Award, which this year, was given to all employees for the 75th anniversary of the Corporation.

2.2 Changes to Board and Management

Changes to the Board of Directors

Timothy W. Casgrain's five-year term as Chair of the Board of Directors ended in May 2012. During his term as a Chair, Mr. Casgrain and the Board helped see the Corporation through the planning, launch and implementation of Strategy 2015, financial challenges in 2009 and again this year, and the celebration of the public broadcaster's 75th anniversary.

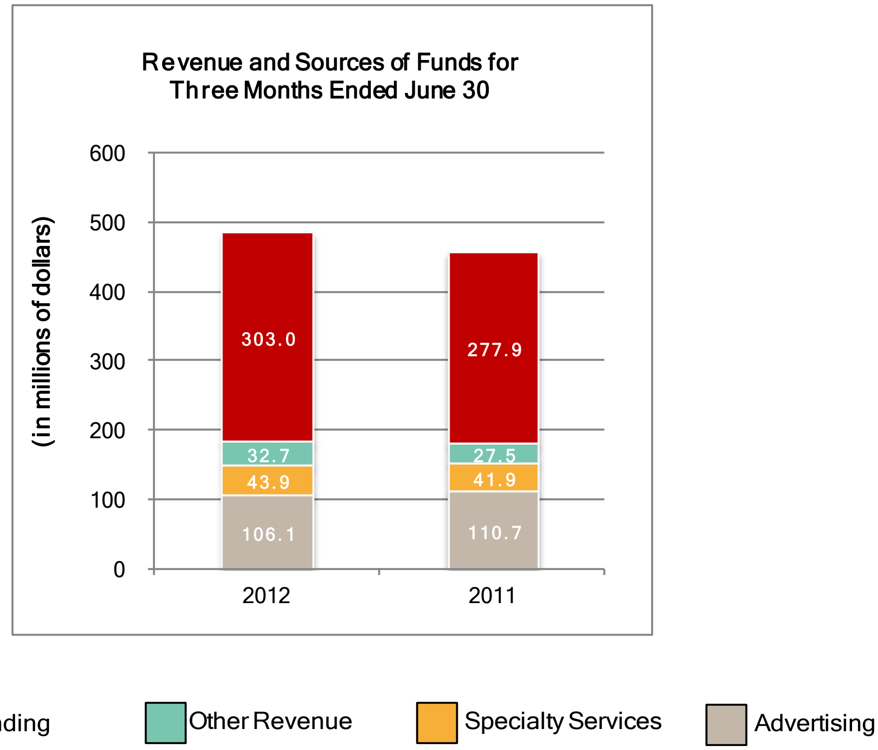
On June 21, Rémi Racine was appointed as Chairperson of the CBC/Radio-Canada Board of Directors for a term of five years. Terrance A. Leier and Marni Larkin were also appointed to the Board for terms of five years replacing John F. Young and Linda Black.

Changes to Executive Management

Michel Tremblay, Senior Vice-President, Corporate Strategy and Business Partnerships, left the Corporation at the end of June. The functions that reported to him were distributed in the following manner: Strategy Development will now be reporting directly to the President's office, the Research and Strategic Analysis Service to the Vice-President and Chief Regulatory Officer, and the Business Partnerships Service to the Vice-President and CFO.

2.3 Resource Capacity

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



Government Funding

For the first quarter of 2012–2013, $303.0 million in government funding was recognized as income (approximately 62 per cent of total revenue and sources of funds). This includes $55.4 million of amortization of deferred capital funding previously received as a result of the accelerated depreciation of our remaining analogue transmission assets.

The federal government announced funding reductions in its Federal Budget 2012. CBC/Radio-Canada's share of this reduction will be $115 million annually by 2014–2015. This includes the elimination, over that same period, of the $60 million in one-time funding received since 2001. By the end of the current fiscal year, the operating appropriation recognized as revenue is expected to be $999.5 million, which reflects a $27.8 million reduction in CBC/Radio-Canada's operating appropriation for 2012–2013. This reduction grows to $69.6 million in 2013–2014, and the full reduction of $115.0 million by 2014–2015.

Advertising Revenue

The Corporation sources a portion of its funds by selling advertising on its conventional television broadcasts and on other platforms. For the first quarter of 2012–2013, advertising accounted for $106.1 million in revenue (approximately 22 per cent of total revenue and sources of funds).

Specialty Services Revenue

Specialty services, which include subscription and advertising revenue from the Corporation's CBC News Network, **bold**, *documentary*, Explora, ARTV and the Réseau de l'information de Radio-Canada (RDI), generated $43.9 million (approximately 9 per cent of total revenue and sources of funds).

Other Revenue

Other revenue, which includes contributions from the LPIF and from activities such as program sales, merchandising activities, rental of mobile broadcasting vehicles to external parties, rental of real estate assets and leasing space at our transmission sites, accounted for $32.7 million (approximately 7 per cent of total revenue and sources of funds). Of this amount, LPIF contributions were $10.6 million in the first quarter of 2012–2013, compared to $9.4 million in the previous fiscal year. CBC/Radio-Canada is expecting to receive $47.1 million from this fund for the current broadcast year, which ends on August 31, 2012.

The CRTC recently announced the elimination of the fund by September 2014. The contribution rate will gradually decrease from its current 1.5 per cent to 1 per cent effective September 1, 2012 with a further decrease to 0.5 per cent on September 1, 2013 until complete elimination in September 2014.

Borrowing Authority

The Broadcasting Act, subsection 46.1, confers on CBC/Radio-Canada the authority to borrow 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 authority be included in its corporate plan for the approval of the Minister of Finance.

The confirmation of the annual borrowing authority is currently pending and any borrowings will need to be individually approved. Guidelines established by the Department of Finance limit borrowing activities of the Corporation to short-term initiatives with a quick payback period. Borrowing to meet working capital purposes is prohibited.

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.

3. Results and Outlook

3.1 Results

Summary – Net Results

(in thousands of Canadian dollars)	For the three months ended June 30			
	2012	2011	$ change	% change
Revenue	182,705	180,145	2,560	1.4
Expenses	(501,434)	(471,615)	(29,819)	(6.3)
Government funding	303,048	277,882	25,166	9.1
Net results before non-operating items	**(15,681)**	**(13,588)**	**(2,093)**	**(15.4)**
Non-operating items				
Dilution gain from merger transaction	-	39,251	(39,251)	N/M
Dividend income from merger transaction	-	5,094	(5,094)	N/M
Net loss on disposal of property and equipment	(496)	(1,481)	985	66.5
Non-operating items	**(496)**	**42,864**	**(43,360)**	**(101.2)**
Net results for the period	**(16,177)**	**29,276**	**(45,453)**	**(155.3)**

N/M = Not meaningful

Net results before non-operating items for the first quarter of 2012−2013 amounted to a loss of $15.7 million, an increase of $2.1 million compared to the same quarter of the previous fiscal year. Revenue increased by $2.6 million (1.4 per cent), expenditures by $29.8 million (6.3 per cent), and government funding recognized in income increased by $25.2 million (9.1 per cent).

The following pages provide further detail and explanation of the net results for the period.

Revenue

(in thousands of Canadian dollars)	For the three months ended June 30			
	2012	2011	$ change	% change
Advertising				
English Services	74,818	81,440	(6,622)	(8.1)
French Services	31,291	29,298	1,993	6.8
	106,109	110,738	(4,629)	(4.2)
Specialty services				
CBC News Network	21,958	20,865	1,093	5.2
RDI	14,765	14,081	684	4.9
bold	1,048	1,017	31	3.0
Explora	237	-	237	N/ A
documentary	1,521	1,404	117	8.3
ARTV	4,395	4,554	(159)	(3.5)
	43,924	41,921	2,003	4.8
Financing and other income				
English Services	11,939	10,812	1,127	10.4
French Services	10,623	7,504	3,119	41.6
Corporate Services	10,110	9,170	940	10.3
	32,672	27,486	5,186	18.9
TOTAL	**182,705**	**180,145**	**2,560**	**1.4**

N/ A = Not applicable

Advertising

Advertising revenue decreased by $4.6 million (4.2 per cent) in the first quarter of 2012–2013 when compared to the same period in 2011–2012.

Year-over-year advertising revenue was down $6.6 million (8.1 per cent) for English Services, primarily due to stronger audiences and revenues during the hockey playoffs in the first quarter of 2011–2012 with a Canadian team, the Vancouver Canucks, reaching the Stanley Cup finals.

Advertising revenue for French Services has increased by $2.0 million (6.8 per cent), partly as a result of the success of new platforms, mostly Tou.tv and mobility revenue. Advertising on conventional television also increased as anticipated in the Strategy 2015 plans.

Specialty services

Specialty services' revenue increased by $2.0 million (4.8 per cent) compared to the previous fiscal year.

CBC News Network is widely available across Canada, and is now in 11.3 million cable and satellite homes (compared to 11.1 million in the first quarter last year). This growth in subscribers translated into increased revenue of $0.3 million while advertising revenue also grew, by $0.8 million, due to higher audiences.

Growth in subscribers as a result of the move from analogue transmission was also the main reason for increased RDI revenue.

A new specialty service, Explora, was launched on March 28, 2012. This new channel was distributed free of charge during its first quarter of operations.

Financing and other income

Other and financing income increased by $5.2 million (18.9 per cent) in the first quarter compared to the same period in 2011–2012.

For English Services, the increase of $1.1 million (10.4 per cent) was mostly due to a new agreement for digital services related to the NHL playoffs.

For French Services, most of the quarter-over-quarter increase of $3.1 million (41.6 per cent) in other and financing income stems from facility rentals and growth in video on demand.

Corporate Services revenue increased by $0.9 million (10.3 per cent) in the first quarter of 2012–2013. This was due to an increase in gains on foreign exchange and increased tower rental revenue.

Operating Expenses

(in thousands of Canadian dollars)	For the three months ended June 30			
	2012	**2011**	**$ change**	**% change**
Television, radio and new media services				
English Services	252,024	249,379	2,645	1.1
French Services	159,374	158,625	749	0.5
	411,398	408,004	3,394	0.8
Specialty services				
CBC News Network	15,824	15,064	760	5.0
RDI	10,206	11,740	(1,534)	(13.1)
bold	573	886	(313)	(35.3)
Explora	1,287	-	1,287	N/ A
documentary	917	775	142	18.3
ARTV	3,384	2,942	442	15.0
	32,191	31,407	784	2.5
Transmission, distribution and collection	45,890	19,537	26,353	134.9
Corporate management	2,836	3,210	(374)	(11.7)
Payments to private stations	634	771	(137)	(17.8)
Finance costs	7,932	8,321	(389)	(4.7)
Loss on investment in associate	553	365	188	51.5
TOTAL	**501,434**	**471,615**	**29,819**	**6.3**

N/ A = Not applicable

Television, radio and new media services

English Services’ expenses were up $2.6 million (1.1 per cent) in the first three months of 2012–2013 due mostly to severance costs associated with our previously discussed financial pressures. This increase in one-time severance costs in 2012–2013 was partially offset by the non-recurrence of costs incurred last year broadcasting the federal election and other news special programming.

French Services’ expenditures were up $0.7 million (0.5 per cent). During the first quarter of 2012–2013, French Services incurred higher facility rental costs relative to last year, and incurred severance costs associated with responding to our financial pressures. However, in the first quarter of 2011–2012, additional expenses had been incurred as a result of the coverage of the federal election.

Specialty services

The following were the main changes in Specialty Services expenses in the first quarter of the current year compared to the same period last year mainly consisted of:

- Expenses for RDI were lower by $1.5 million (13.1 per cent) during this quarter as a result of a decrease in operating costs, programming schedule changes and because we incurred higher expenses in the first quarter of 2011–2012 due to the coverage of the federal election.
- A new specialty service, Explora, was launched on March 28, 2012. Start-up costs were incurred in the first quarter of 2012–2013.

Other operating expenses

The expenditure increase of $26.4 million (134.9 per cent) for transmission, distribution and collection activities is primarily due to the cessation of shortwave transmission of RCI programming and the acceleration of the shutdown of remaining analogue TV transmitters. This resulted in additional depreciation, impairment charges and the recognition of decommissioning costs.

Government Funding

(in thousands of Canadian dollars)	For the three months ended June 30			
	2012	**2011**	**$ change**	**% change**
Parliamentary appropriations for operating expenditures	246,613	244,769	1,844	0.8
Parliamentary appropriations for working capital	1,000	1,000	-	-
Amortization of deferred capital funding	55,435	32,113	23,322	72.6
TOTAL	**303,048**	**277,882**	**25,166**	**9.1**

Parliamentary appropriations for operating expenditures increased by $1.8 million (0.8 per cent) in the first quarter of 2012–2013 compared to the same period of the previous fiscal year. Parliamentary appropriations are recognized based on expected need when taking into account forecasted revenues and forecasted expenditures for the period.

By fiscal year-end 2013, the operating appropriation recognized as revenue is expected to be $999.5 million, which reflects a $27.8 million reduction in CBC/Radio-Canada's operating appropriation as a result of Federal Budget 2012.

Capital funding received is recorded as deferred capital funding. It is amortized and recognized as revenue over the same periods as the related property, equipment, equipment under capital lease, and intangible assets are used in CBC/Radio-Canada's operations. The increase of $23.3 million (72.6 per cent) in the first quarter of 2012–2013 is mainly related to the accelerated depreciation of our remaining analogue TV assets by July 31, 2012.

Non-Operating Items

(in thousands of Canadian dollars)	For the three months ended June 30			
	2012	**2011**	**$ change**	**% change**
Dilution gain from merger transaction	-	39,251	(39,251)	N/M
Dividend income from merger transaction	-	5,094	(5,094)	N/M
Net loss on disposal of property and equipment	(496)	(1,481)	985	66.5
Non-operating items	**(496)**	**42,864**	**(43,360)**	**(101.2)**

N/M = Not meaningful

Non-operating losses totalling $0.5 million were recorded in the first quarter of 2012–2013 on equipment disposals as the Corporation continues to invest in new transmission and technical equipment. The non-operating gain in 2011–2012 was mostly attributed to a non-cash dilution gain and dividend income from the merger transaction of Sirius Canada/CSR, in which the Corporation is invested.

Total Comprehensive Income

(in thousands of Canadian dollars)	For the three months ended June 30			
	2012	**2011**	**$ change**	**% change**
Net results for the period	**(16,177)**	**29,276**	**(45,453)**	**(155.3)**
Other comprehensive income				
Actuarial gains on defined benefit plans	18,998	61,296	(42,298)	(69.0)
Net unrealized gain on available-for-sale financial assets	-	94	(94)	N/ M
Reclassification to income of net unrealized gain on available-for-sale financial assets arising from merger transaction	-	(5,094)	5,094	N/ M
Total other comprehensive income	18,998	56,296	(37,298)	(66.3)
Total comprehensive income for the period	**2,821**	**85,572**	**(82,751)**	**(96.7)**

N/ M = Not meaningful

Total other comprehensive income recognized in the first quarter of 2012–2013 was $19.0 million, compared to a gain of $56.3 million in the first quarter of the prior year, mostly due to fluctuations in our pension plan's obligations and assets. These can fluctuate significantly when actual results differ from actuarial assumptions. Actuarial gains and losses are immediately recognized in other comprehensive income in each reporting period.

The $19.0 million in other comprehensive income for the first quarter of 2012–2013 was due primarily to actuarial gains on pension plan assets of $17.1 million arising from a higher return on plan assets during the quarter (1.8 per cent) than expected (1.5 per cent).

For the same period in the comparative year, other comprehensive income of $56.3 million was mostly attributable to the following:

- Net actuarial gains on defined benefit plans of $61.3 million, which reflects an actual return on plan assets of 3.0 per cent achieved during the quarter, exceeding the expected return of 1.6 per cent.;
- An actuarial loss on the pension obligation of $2.8 million; and
- A loss of $5.1 million resulting from the non-cash reclassification to income of amounts from the Sirius merger transaction.

The Corporation expects that macroeconomic factors will continue to impact discount rates and asset returns used in determining the actuarial gains and losses during the remainder of 2012–2013.

Further information on our pension plan is provided in Note 11 of our financial statements.

3.2 Financial Condition, Cash Flow and Liquidity

The Corporation's main liquidity sources are parliamentary appropriations for operating, capital and working capital requirements, and commercial activities such as advertising. As a result of the Federal Budget 2012, the Corporation will see its annual appropriations reduced by $115.0 million over a three year period, with an initial reduction of $27.8 million scheduled for 2012–2013. This is followed by a $69.6 million reduction scheduled for 2013–2014 prior to the full reduction of $115.0 million in 2014–2015.

In response to these reductions, one-time restructuring costs, and additional financial pressures inherent in funding the business and pursuing with Strategy 2015, the Corporation has started implementing a financial plan to allow it to continue to match its planned operating expenses with available liquidity resources. The financial plan includes sourcing new television and radio advertising to partially offset the reduction in federal appropriations combined with reducing operating and capital requirements through various cost reducing initiatives. Further, the Corporation is developing plans to address the recently-announced termination of the LPIF program over the next two broadcast years.

The Corporation's cash flows from operating, investing, and financing activities for the three months ended June 30 are summarized in the following table. The Corporation's cash balance at June 30, 2012 was $72.5 million, compared to $64.3 million at March 31, 2012.

Cash Position

(in thousands of Canadian dollars)	For the three months ended June 30			
	2012	2011	$ change	% change
Cash - beginning of the period	**64,277**	**63,224**	**1,053**	**1.7**
Cash from (used in) operating activities	19,425	(6,970)	26,395	378.7
Cash used in financing activities	(25,696)	(25,696)	-	-
Cash from investing activities	14,506	27,595	(13,089)	(47.4)
Net change	8,235	(5,071)	13,306	262.4
Cash - end of the period	**72,512**	**58,153**	**14,359**	**24.7**

N/ M = Not meaningful

Cash from (used in) operating activities

Cash from operating activities was $19.4 million, an increase of $26.4 million compared to the first quarter of last year. This movement in cash flows was primarily the result of a reduction in cash used in working capital of $26.2 million.

Cash used in financing activities

Cash used in financing activities was $25.7 million, equal with $25.7 million used in the first three months of last year. Financing outflows consisted of interest payments of $15.1 million, and other obligations totalling $10.6 million related to semi-annual repayments of the Toronto Broadcasting Centre bonds, payments of notes payable, and obligations under finance leases.

Cash from investing activities

Investing activities generated cash of $14.5 million this quarter, compared to cash generated of $27.6 million in the first three months of 2011−2012. Investment in capital was comparable with the first quarter of last year, with parliamentary appropriations received of $25.6 million, and acquisitions of new property, equipment, and intangible assets totalling $14.5 million. The decrease in cash generated overall from investing activities was primarily due to last year's activities including a $9.9 million return of capital on the Corporation's investment in Sirius/CSR, and a $5.1 million dividend received in connection with the Sirius/CSR merger.

CBC/Radio-Canada First Quarter Financial Report 2012-2013

3.3 Outlook and Risk Update

The first quarter was highlighted by the Corporation implementing its new three-year financial plan approved by CBC/Radio-Canada's Board of Directors. The plan was announced on April 4, 2012 following the Federal Budget 2012 appropriation reductions. The financial plan seeks to manage $200 million in annual financial pressures and restructuring costs. The implementation plan is currently on track to achieve expected targets.

While the plan is being closely monitored and adjusted as required, there are significant challenges ahead. On July 18, 2012, the CRTC released its policy decision on the future of the LPIF. The Commission will phase out the fund over the next two broadcast years. Specifically, the Commission will reduce the contribution rate from 1.5 per cent to 1 per cent for the 2012–2013 broadcast year, from 1 per cent to 0.5 per cent for the 2013–2014 broadcast year and discontinue the LPIF as of September 1, 2014. We are reviewing the implications of this decision on our local programming television initiatives and our budgets. For the broadcast year ending August 31, 2012, the Corporation is expected to receive approximately $47.1 million from LPIF.

In addition, the success of the plan will depend heavily on the strength of the advertising market, our overall revenue performance and the CRTC's approval of our application for a licence change to add advertising/sponsorships for both CBC Radio 2 and Espace musique. This application will be considered by the CRTC during the licence renewal hearings scheduled for November 2012. As well, there has been no confirmation whether salary inflation funding, which the Federal government has not funded since 2010–2011, will resume in 2013–2014 and future years.

Key factors that could impact the Corporation's results are summarized in the following table, which outlines changes in risks since the March 31, 2012 Annual Report. A full discussion of risks and mitigating strategies is included in the Annual Report.

Key Risk	Update
1. Budget Concerns	
a. Strategy, Budget and Planning There is a risk that the objectives of Strategy 2015 will not be met due to inadequate financial resources. Strategy 2015 requires the redirection of funds and resources and an increase in revenues to succeed. The Federal Budget 2012 appropriation reduction, other financial pressures and the recent decision to phase out the Local Programming Improvement Fund challenge the achievement of the objectives of Strategy 2015.	We are updating plans and implementing mitigation initiatives and closely monitoring our financial situation.
b. Local Programming Improvement Fund (LPIF) The LPIF is a critical source of funding for CBC/Radio-Canada. LPIF funding for the broadcast year ending August 31, 2012, is estimated to be $47.1 million and has been incorporated into CBC/Radio-Canada plans. Any reduction would have a negative impact on our programming.	On July 18, 2012 the CRTC released its policy decision on the future of the LPIF. The Commission will phase out the fund over the next two broadcast years. Specifically, the Commission will: ▪ for the 2012-2013 broadcast year, reduce the contribution rate from 1.5% to 1%; ▪ for the 2013-2014 broadcast year, reduce the contribution rate to 0.5%; and ▪ as of 1 September 2014, discontinue the LPIF. We are reviewing the implications of this decision on our local programming television initiatives and budgets.

Key Risk	Update
c. *Advertising Revenue – Impact of National Hockey League (NHL) Lockout*	
The NHL is in talks with the National Hockey League Players' Association (NHLPA) to negotiate a new collective bargaining agreement. Should negotiations not go well, there is a risk that the hockey season may be delayed. A delayed season may negatively impact advertising revenues.	We are monitoring the situation and developing contingency plans.
2. Union Relations	
Failure to develop a long-term strategy for gaining more operational flexibility from our unions may have a negative impact on the working relationship between management and employees and could derail Strategy 2015.	On May 31, 2012, CBC/Radio-Canada filed an application with the Canada Industrial Relations Board (CIRB) to review the bargaining structure for employees working in the province of Quebec and in Moncton, NB. The union structure covered by the application for review consists of four bargaining units representing nearly 3,000 employees. CBC/Radio-Canada believes that a simplified structure would contribute to a better work environment and allow it to operate more efficiently, in step with industry best practices. The CIRB filing is in line with our desire to have productive relations with bargaining units and to foster an environment that yields high-quality content and that offers employees stimulating development and career opportunities. The CIRB will be examining the merits of CBC/Radio-Canada's application in the coming months.
3. Regulatory Issues	
a. *Licence Renewal*	
Licence renewal hearings will begin on November 19, 2012. The outcome of these hearings will set the terms and conditions of our CRTC licence over the next five years and could determine whether we are able to meet the objectives of Strategy 2015.	The CRTC intends to consider the Corporation's applications to introduce national advertising on Radio 2 and Espace Musique during the licence renewal hearings. The Corporation filed material updating our renewal applications on July 16, 2012. The CRTC will soon relaunch the process for the public to participate in the licence renewal process.
b. *DTV Transition*	
CBC/Radio-Canada had applied to the CRTC to modify its licences to reflect the shutdown of the remaining analogue TV transmitters to help address funding reductions under Federal Budget 2012.	This risk has been resolved. The CRTC approved our application and the remaining analogue TV transmitters were shut down on July 31, 2012.

4. Financial Reporting Disclosure

4.1 Critical Accounting Estimates and Future Accounting Standards

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

4.2 Transactions with Related Parties

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

5. Statement of Management Responsibility by Senior Officials

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

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

Hubert T. Lacroix,

President and Chief Executive Officer

Suzanne Morris,

Vice-President and Chief Financial Officer

Ottawa, Canada
August 23, 2012

Condensed Consolidated Statement of Financial Position (unaudited)

(in thousands of Canadian dollars)	June 30, 2012	March 31, 2012
ASSETS		
Current		
Cash	72,512	64,277
Trade and other receivables (NOTE 4)	187,474	177,331
Programming (NOTE 5)	179,923	166,104
Merchandising inventory	803	811
Prepaid expenses (NOTE 6)	57,483	113,370
Promissory notes receivable	2,193	2,158
Net investment in finance lease	2,537	2,499
Derivative financial instruments (NOTE 18)	534	133
Asset classified as held for sale (NOTE 7)	234	234
	503,693	526,917
Long-term		
Property and equipment (NOTE 7)	1,006,605	1,047,988
Intangible assets (NOTE 8)	25,614	28,435
Assets under finance lease	46,242	48,242
Promissory notes receivable	49,346	49,903
Net investment in finance lease	53,429	54,077
Deferred charges	9,818	7,806
Investment in associate (NOTE 9)	5,655	6,208
	1,196,709	1,242,659
TOTAL ASSETS	1,700,402	1,769,576
LIABILITIES		
Current		
Accounts payable and accrued liabilities (NOTE 10)	75,466	124,638
Provisions (NOTE 12)	48,552	39,062
Pension plans and employee-related liabilities (NOTE 11)	139,045	129,850
Bonds payable	14,796	20,093
Obligations under finance lease	10,081	9,945
Notes payable	6,432	7,794
Deferred revenue	4,963	3,511
Deferred operating vote drawdown (NOTE 14)	31,819	-
Option liability	1,875	1,875
Derivative financial instruments (NOTE 18)	-	11
	333,029	336,779
Long-term		
Deferred revenue	2,692	2,587
Pension plans and employee-related liabilities (NOTE 11)	305,966	333,207
Bonds payable	282,877	288,533
Obligations under finance lease	51,526	54,206
Notes payable	115,978	118,885
Deferred capital funding (NOTE 14)	544,161	574,027
	1,303,200	1,371,445
Equity		
Retained earnings	63,744	60,996
Total equity attributable to the Corporation	63,744	60,996
Non-controlling interests	429	356
TOTAL EQUITY	64,173	61,352
TOTAL LIABILITIES AND EQUITY	1,700,402	1,769,576

Commitments (NOTE 19)

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

Condensed Consolidated Statement of Income (Loss) (unaudited)

(in thousands of Canadian dollars)	Three months ended June 30 2012	2011
REVENUE (NOTE 13)		
Advertising	106,109	110,738
Specialty services	43,924	41,921
Other income	30,325	25,158
Financing income	2,347	2,328
	182,705	180,145
EXPENSES		
Television, radio and new media services costs	411,398	408,004
Specialty services	32,191	31,407
Transmission, distribution and collection	45,890	19,537
Corporate management	2,836	3,210
Payments to private stations	634	771
Finance costs	7,932	8,321
Loss on investment in associate	553	365
	501,434	471,615
Operating loss before Government funding and non-operating items	(318,729)	(291,470)
GOVERNMENT FUNDING (NOTE 14)		
Parliamentary appropriation for operating expenditures	246,613	244,769
Parliamentary appropriation for working capital	1,000	1,000
Amortization of deferred capital funding	55,435	32,113
	303,048	277,882
Net results before non-operating items	(15,681)	(13,588)
NON-OPERATING ITEMS		
Dilution gain from merger transaction	-	39,251
Dividend income from merger transaction	-	5,094
Net loss on disposal of property and equipment	(496)	(1,481)
	(496)	42,864
Net results for the period	(16,177)	29,276
Net results attributable to:		
The Corporation	(16,250)	29,107
Non-controlling interests	73	169
	(16,177)	29,276

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

Condensed Consolidated Statement of Comprehensive Income (unaudited)

(in thousands of Canadian dollars)	Three months ended June 30 2012	2011
COMPREHENSIVE INCOME		
Net results for the period	(16,177)	29,276
Other comprehensive income		
Actuarial gains on defined benefit plans	18,998	61,296
Net unrealized gain on available-for-sale financial assets	-	94
Reclassification to income of net unrealized gain on available-for-sale financial asset arising from merger transaction	-	(5,094)
Total comprehensive income for the period	**2,821**	**85,572**
Total comprehensive income attributable to:		
The Corporation	2,748	85,403
Non-controlling interests	73	169
	2,821	85,572

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

Condensed Consolidated Statement of Changes in Equity (unaudited)

(in thousands of Canadian dollars) — Three months ended June 30, 2012

	Retained earnings	Total accumulated other comprehensive income	Total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at March 31, 2012	60,996	-	60,996	356	61,352
Changes in period					
Net results for the period	(16,250)	-	(16,250)	73	(16,177)
Actuarial gains on defined benefit plans	18,998	-	18,998		18,998
Balance at June 30, 2012	**63,744**	**-**	**63,744**	**429**	**64,173**

(in thousands of Canadian dollars) — Three months ended June 30, 2011

	Retained earnings	Total accumulated other comprehensive income	Total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at March 31, 2011	321,871	5,000	326,871	2,263	329,134
Changes in period					
Net results for the period	29,107	-	29,107	169	29,276
Actuarial gains on defined 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	**412,274**	**-**	**412,274**	**2,432**	**414,706**

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

Condensed Consolidated Statement of Cash Flows (unaudited)

(in thousands of Canadian dollars)	Three months ended June 30 2012	2011
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net results for the period	(16,177)	29,276
Adjustments for:		
Net loss on disposal of property and equipment	496	1,481
Interest revenue	(2,347)	(2,328)
Finance costs	7,932	8,321
Change in fair value of financial instruments designated as at fair value through profit and loss	(412)	(115)
Depreciation of property and equipment	47,210	29,904
Amortization of intangible assets	4,373	4,162
Depreciation of assets under finance lease	2,000	2,000
Impairment charge of property and equipment	6,540	-
Reclassification to income of net unrealized gain on available-for-sale financial asset arising from merger transaction	-	(5,094)
Loss on investment in associate	553	365
Dilution gain from merger transaction	-	(39,251)
Change in deferred charges	(2,012)	(1,472)
Amortization of deferred capital funding	(55,435)	(32,113)
Change in deferred operating appropriation	31,819	18,663
Change in deferred revenue [long-term]	105	(155)
Change in pension plan asset	-	2,558
Change in pension plans and employee-related liabilities [current]	13,072	12,131
Change in pension plans and employee-related liabilities [long-term]	(8,243)	939
Accretion of promissory notes receivable	(5)	-
Movements in working capital (NOTE 16)	(10,044)	(36,242)
	19,425	**(6,970)**
FINANCING ACTIVITIES		
Repayment of obligation under finance lease	(2,543)	(2,414)
Repayment of bonds	(5,253)	(4,879)
Repayment of notes	(2,797)	(2,670)
Interest paid	(15,103)	(15,733)
	(25,696)	**(25,696)**
INVESTING ACTIVITIES		
Parliamentary appropriations for capital funding (NOTE 14)	25,569	25,568
Acquisition of property and equipment	(12,920)	(15,688)
Acquisition of intangible assets	(1,533)	(791)
Return of capital-investment in associate	-	9,855
Proceeds from disposal of property and equipment	40	129
Collection of promissory notes receivable	482	450
Collection of finance lease receivables	511	477
Dividend received	-	5,094
Interest received	2,357	2,501
	14,506	**27,595**
Change in cash	**8,235**	**(5,071)**
Cash, beginning of the year	**64,277**	**63,224**
Cash, end of the period	**72,512**	**58,153**

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

Notes to the Condensed Consolidated Financial Statements for the Three Month Period Ended June 30, 2012

(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.

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

These condensed consolidated financial statements have been authorized for issuance by the Board of Directors on August 23, 2012.

2. Significant Accounting Policies

A. Statement of Compliance

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

B. Basis of Preparation

Section 83 of the *Financial Administration Act* requires that most parent Crown Corporations prepare and make public quarterly financial reports in compliance with the Standard on *Quarterly Financial Reports for Crown Corporations*.

These interim consolidated financial statements are presented on a condensed basis as permitted by IAS 34 and therefore do not include all disclosures that would otherwise be required in a full set of financial statements. These interim condensed consolidated financial statements are intended to provide an update on the latest complete set of audited annual financial statements for the year ended March 31, 2012. Accordingly, they should be read in conjunction with the audited annual consolidated financial statements. The interim condensed consolidated financial statements are unaudited for all periods presented. The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the Corporation's last audited annual consolidated financial statements.

2. Significant Accounting Policies (Continued)

C. Future Accounting Changes

The Corporation has reviewed new and revised accounting pronouncements in addition to the ongoing annual improvements 2009–2011 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. On December 16, 2011, the IASB published amendments that defer the mandatory effective date for IFRS 9 and require certain additional disclosures to annual periods beginning on or after January 1, 2015.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 replaces 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 establishes a single basis of control to determine whether an entity should be included in the consolidated financial statements. IFRS 10 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.

IFRS 12 *Disclosure of Interests 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 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.

2. Significant Accounting Policies (Continued)

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” through profit and loss (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).The Corporation has retained the “two statement” approach and expects the implementation of this Standard to result in minor presentation changes relating to items of other comprehensive income. 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 Corporation does not expect these amendments to impact its financial statements. 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, 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. The Corporation expects the most significant impact of adopting this Standard to be a higher net expense for the year recognized in net results in the amount of $92 million with a corresponding decrease in other comprehensive income given that the Corporation’s expected return on plan assets is greater than the discount rate in the current year.

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. 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 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, accruals associated with the Federal Budget 2012 restructuring, estimated useful lives of property and equipment, intangibles and programming, provisions associated with legal claims and other contingencies.

When accounting for defined benefit pension plans, assumptions are made in estimating 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 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.

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.

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

B. Critical Judgements

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

- 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;
- The determination that, as of the reporting date, deferred taxes should not be recognized because the Corporation does not expect to generate material taxable income or losses in the periods temporary differences are scheduled to reverse due to its specific operating structure;
- That the Corporation exercised significant influence over Canadian Satellite Radio Holdings Inc. from the date of the merger transaction through to March 26, 2012, despite holding less than 20% voting control; and
- The determination of the components related to the Corporation's property and equipment.

Determinations of critical judgements are reassessed at each reporting date.

4. Trade and Other Receivables

(in thousands of dollars)	June 30, 2012	March 31, 2012
Trade receivables	174,685	163,871
Allowance for doubtful accounts	(2,732)	(1,979)
Other	15,521	15,439
	187,474	**177,331**

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

Before accepting any new customer, the Corporation reviews the credit application submitted by the customer. An external credit scoring agency may be used to assess the potential customer's credit quality and define credit limits by customer. Limits and scoring attributed to customers are reviewed at least once every three years to determine whether adjustments are required.

Trade receivables disclosed include amounts (see Note 4A) 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. The Corporation’s credit terms average 30 days.

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.

4. Trade and Other Receivables (Continued)

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

(in thousands of dollars)	June 30, 2012	March 31, 2012
31 - 60 days	42,421	36,182
61 - 90 days	40,379	25,381
91 - 120 days	22,346	17,736
Total	**105,146**	**79,299**

B. Movement in Allowance for Doubtful Accounts

(in thousands of dollars)	June 30, 2012	March 31, 2012
Balance at beginning of the year	(1,979)	(1,103)
Amounts written off during the period as uncollectible	-	181
Amounts recovered during the period	141	144
Increase in allowance for doubtful accounts	(894)	(1,201)
Balance at end of the period	**(2,732)**	**(1,979)**

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

5. Programming

A. Programming by Genre

(in thousands of dollars)	June 30, 2012	March 31, 2012
Programs completed	84,246	90,973
Programs in process of production	67,888	46,045
Broadcast rights available for broadcast	27,789	29,086
	179,923	166,104

B. Movement in Programming

(in thousands of dollars)	June 30, 2012	March 31, 2012
Opening balance	166,104	163,658
Additions	218,733	1,013,491
Programs broadcast	(204,914)	(1,011,045)
	179,923	166,104

Programming includes amounts for television programs including specialty services.

The programming write-offs for the three months ended June 30, 2012 amount to $0.5 million (2011–$0.7 million). Programming write-offs are mainly due to terminated projects, programs not telecasted in the past two years, programming not suitable for telecast or pilots not progressing into a series.

6. Prepaid expenses

(in thousands of dollars)	June 30, 2012	March 31, 2012
Programming rights	36,387	95,809
Service agreements	21,096	17,561
	57,483	113,370

7. Property and Equipment

A. Cost and Accumulated Depreciation

The property and equipment carrying amounts are as follows:

(in thousands of dollars)	June 30, 2012	March 31, 2012
Cost	2,209,503	2,215,122
Accumulated depreciation and impairment charges	(1,202,898)	(1,167,134)
	1,006,605	**1,047,988**

(in thousands of dollars)

	Land	Buildings	Leasehold impro-vements	Technical equipment	Other	Un-completed capital projects	Total
Cost at March 31, 2012	181,200	525,009	46,888	1,287,700	139,325	35,000	**2,215,122**
Additions	-	108	59	6,928	165	5,660	**12,920**
Transfers (refer to Note 8)	-	547	-	2,489	905	(3,958)	**(17)**
Disposals and write-offs	(1)	(573)	(122)	(13,880)	(3,946)	-	**(18,522)**
Cost at June 30, 2012	**181,199**	**525,091**	**46,825**	**1,283,237**	**136,449**	**36,702**	**2,209,503**
Accumulated depreciation at March 31, 2012	-	(118,928)	(21,249)	(926,896)	(100,061)	-	**(1,167,134)**
Depreciation for the period	-	(10,589)	(762)	(32,388)	(3,471)	-	**(47,210)**
Impairment charges	(423)	-	-	(6,117)	-	-	**(6,540)**
Reverse depreciation on disposals	-	327	-	13,715	3,944	-	**17,986**
Accumulated depreciation and impairment charges at June 30, 2012	**(423)**	**(129,190)**	**(22,011)**	**(951,686)**	**(99,588)**	**-**	**(1,202,898)**
Net carrying amount as at June 30, 2012	**180,776**	**395,901**	**24,814**	**331,551**	**36,861**	**36,702**	**1,006,605**

7. Property and Equipment (Continued)

(in thousands of dollars)

	Land	Buildings	Leasehold impro-vements	Technical equipment	Other	Un-completed capital projects	Total
Cost at March 31, 2011	179,982	508,003	44,800	1,315,115	141,158	82,732	**2,271,790**
Additions	1,195	6,822	1,547	47,427	10,435	31,142	**98,568**
Transfers	63	11,982	542	59,346	3,363	(75,296)	**-**
Asset classified as held for sale	-	-	-	(3,724)	(2,308)	-	**(6,032)**
Disposals and write-offs	(40)	(1,798)	(1)	(130,464)	(13,323)	(3,578)	**(149,204)**
Cost at March 31, 2012	**181,200**	**525,009**	**46,888**	**1,287,700**	**139,325**	**35,000**	**2,215,122**
Accumulated depreciation at March 31, 2011	-	(86,790)	(18,609)	(984,429)	(101,367)	-	**(1,191,195)**
Depreciation for the year	-	(32,845)	(2,641)	(70,988)	(13,915)	-	**(120,389)**
Reverse depreciation on asset classified as held for sale	-	-	-	3,490	2,308	-	**5,798**
Reverse depreciation on disposals	-	707	1	125,031	12,913	-	**138,652**
Accumulated depreciation at March 31, 2012	**-**	**(118,928)**	**(21,249)**	**(926,896)**	**(100,061)**	**-**	**(1,167,134)**
Net carrying amount as at March 31, 2012	**181,200**	**406,081**	**25,639**	**360,804**	**39,264**	**35,000**	**1,047,988**

The contractual commitments for the acquisition of property and equipment are $23.8 million as at June 30, 2012 (March 31, 2012–$16.0 million).

B. Impairment

On April 4, 2012, as part of the financial plan addressing Federal Budget 2012, the Corporation announced the cessation of shortwave transmission of RCI programming and the acceleration of the shutdown of remaining analogue television transmitters. As a result of ceasing these transmission and distribution services, the Corporation recorded an impairment charge of $6.5 million (2011–nil) and an additional depreciation expense of $19.6 million in the first quarter of 2012–2013 (2011–$1.8 million) respectively, in its Condensed Consolidated Statement of Income (Loss).

7. Property and Equipment (Continued)

C. Asset Classified as Held For Sale

With the increased requirements for high-definition broadcasting, the Corporation no longer utilizes one of its standard-definition mobile units. As such, the Corporation has listed this unit for sale and intends to dispose of it within the next twelve months. This mobile unit has a net carrying amount of $0.2 million at June 30, 2012 (March 31, 2012–$0.2 million).

8. Intangible Assets

A. Cost and Accumulated Amortization

The Corporation's intangible assets comprise software acquired separately and internally developed software for internal use. The intangible assets carrying amounts are as follows:

(in thousands of dollars)	June 30, 2012	March 31, 2012
Cost	152,359	150,807
Accumulated amortization	(126,745)	(122,372)
	25,614	**28,435**

(in thousands of dollars)	Internally developed software	Acquired software	Uncompleted capital projects	Total
Cost at March 31, 2012	138,331	10,596	1,880	**150,807**
Additions	183	543	807	**1,533**
Transfers (refer to Note 7)	500	9	(492)	**17**
Disposals	2	-	-	**2**
Cost at June 30, 2012	**139,016**	**11,148**	**2,195**	**152,359**
Accumulated amortization at March 31, 2012	(120,822)	(1,550)	-	**(122,372)**
Amortization for the period	(3,833)	(540)	-	**(4,373)**
Accumulated amortization at June 30, 2012	**(124,655)**	**(2,090)**	**-**	**(126,745)**
Net carrying amount as at June 30, 2012	**14,361**	**9,058**	**2,195**	**25,614**

8. Intangible Assets (Continued)

(in thousands of dollars)	Internally developed software	Acquired software	Uncompleted capital projects	Total
Cost at March 31, 2011	136,579	2,209	6,399	145,187
Additions	1,713	1,853	2,235	5,801
Transfers	220	6,534	(6,754)	-
Disposals	(181)	-	-	(181)
Cost at March 31, 2012	**138,331**	**10,596**	**1,880**	**150,807**
Accumulated amortization at March 31, 2011	(105,437)	(63)	-	(105,500)
Amortization for the year	(15,476)	(1,487)	-	(16,963)
Reverse amortization on disposals	91	-	-	91
Accumulated amortization at March 31, 2012	**(120,822)**	**(1,550)**	**-**	**(122,372)**
Net carrying amount as at March 31, 2012	**17,509**	**9,046**	**1,880**	**28,435**

B. Impairment

There were no indicators of impairment during the first quarter of 2012–2013 and, as such, no impairment expense was recorded (2011–nil).

9. Subsidiaries, Special Purpose Entities and Associates

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

(in thousands of dollars)	Ownership interest as at:		Carrying value as at:	
	June 30, 2012	March 31, 2012	June 30, 2012	March 31, 2012
CSR - Class B	14.51%	14.51%	5,638	6,191
Other	-	-	17	17
	-	-	**5,655**	**6,208**

The Corporation holds a 14.5 per cent equity interest and a 21.7 per cent voting interest in Canadian Satellite Radio Holdings Inc. (CSR) through its investment in Class B Voting Shares, obtained as part of a merger transaction involving Sirius Canada Inc. (Sirius), an investee previously accounted for under the equity method, and CSR that closed in June 2011. Given that the Corporation's voting interest exceeds 20 per cent and that it holds the power to participate in the financial and operating policy decisions of CSR through board representation, and through its ongoing business relationship with CSR, the Corporation judges that it has significant influence over CSR and applies equity accounting to its investment in Class B shares.

The fair value of the Corporation's investment in CSR at June 30, 2012, is $62.5 million (March 31, 2012–$53.6 million) and was determined using the closing market price of CSR Class A shares at June 30, 2012.

The following tables present the summarized financial information for CSR:

(in thousands of dollars)	June 30, 2012[1]	June 30, 2011[2]
Revenue	64,718	43,084
Net income	(4,189)	6,123

[1]Amounts for the period ended June 30, 2012, include results for CSR through to May 31, 2012.
[2]Amounts for the period ended June 30, 2011, include results for Sirius through to May 31, 2011.

(in thousands of dollars)	June 30, 2012[1]	March 31, 2012[2]
Assets	397,416	397,158
Liabilities	358,641	354,367

[1]Amounts at June 30, 2012 include balances for CSR as at May 31, 2012.
[2]Amounts at March 31, 2012 include balances for CSR as at February 29, 2012.

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

10. Accounts Payable and Accrued Liabilities

(in thousands of dollars)	June 30, 2012	March 31, 2012
Trade payables	26,821	54,925
Accruals	45,400	65,243
Other	3,245	4,470
	75,466	124,638

11. Pension Plans and Employee-Related Assets/Liabilities

Employee-related assets/liabilities are as follows:

(in thousands of dollars)	Current		Long-term	
	June 30, 2012	March 31, 2012	June 30, 2012	March 31,2012
Accrued pension benefit liability	-	-	148,543	175,813
Employee future benefits	-	-	157,252	157,223
Vacation pay	64,604	57,099	-	-
Workforce reduction	20,564	6,310	-	-
Salary-related liabilities	53,877	66,441	171	171
	139,045	129,850	305,966	333,207

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. The actuarial valuation of the CBC/Radio-Canada Pension Plan will be required on an annual basis going forward under new regulatory requirements. The amounts included in these financial statements reflect the latest valuations, which were performed as of December 31, 2011.

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

The Corporation maintains a non-contributory long-term 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 salary rate at March 2005, July 2005 or at retirement/death, depending on the category of employees. The Corporation also provides employee future benefits such as long-term disability and workers' compensation, continuation of benefits coverage for employees on long-term disability and post-retirement life insurance. The last actuarial valuations for the non-contributory long-term benefit plan and the continuation of benefits coverage plan were made as at December 2009.

In the quarter, the Corporation updated its measurement of the pension valuation completed as of March 31, 2012.

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

Assumptions – annual rates	June 30, 2012	March 31, 2012
Assumptions for the calculation of pension benefit costs:		
Expected long-term rate of return on plan assets	6.00%	6.50%
Discount rate	4.25%	5.25%
Assumptions for the calculation of the benefit obligation:		
Discount rate - pension	4.25%	4.25%
Discount rate - employee termination benefit	4.00%	4.00%
Discount rate – LTD benefits	3.75%	3.75%
Discount rate – post-employment benefit	4.25%	4.25%
Long-term rate of compensation increase, excluding merit and promotion	2.75%	2.75%
Health care cost trend rate	7.00% per annum until 2019, 4.50% thereafter	7.00% per annum until 2019, 4.50% thereafter
Indexation of pensions in payment	1.65%	1.65%

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

(in thousands of dollars)		June 30, 2012			March 31, 2012	
	Funded pension plan	Unfunded pension plans	Other post-retirement plans	Funded pension plan	Unfunded pension plans	Other post-retirement plans
Benefit obligation	5,209,693	82,652	156,964	5,184,634	81,993	156,917
Fair value of plan assets	5,143,802	-	-	5,090,814	-	-
Deficit	**65,891**	**82,652**	**156,964**	**93,820**	**81,993**	**156,917**
Less:						
Unamortized unvested past service costs	-	-	(288)	-	-	(306)
Net liability arising from defined benefit obligation	**65,891**	**82,652**	**157,252**	**93,820**	**81,993**	**157,223**

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

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

(in thousands of dollars)	June 30, 2012		March 31, 2012	
	Pension plans	Other post-employment plans	Pension plans	Other post-employment plans
Opening defined benefit obligation	5,266,627	156,917	4,482,903	141,234
Current service cost	25,390	1,762	72,541	6,761
Interest cost	55,424	1,506	231,924	7,120
Contributions from employees	10,398	-	41,186	-
Actuarial losses (gain)	(1,872)	-	667,400	15,056
Benefits paid	(63,622)	(3,221)	(244,327)	(13,254)
Past service cost[1]	-	-	15,000	-
Closing defined benefit obligation	**5,292,345[2]**	**156,964**	**5,266,627[3]**	**156,917**

[1]Estimated cost of changes to certain minimum benefit requirements in the Pension Benefits Standards Act affecting the CBC/Radio-Canada Pension Plan. This cost is a one-time charge to the Condensed Consolidated Statement of Income (Loss) in the fiscal year ended March 31, 2012.
[2]The accrued benefit obligations for the funded plan and for the unfunded plans are $5,209,693 and $82,652 respectively
[3]The accrued benefit obligations for the funded plan and for the unfunded plans are $5,184,634 and $81,993 respectively.

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

(in thousands of dollars)	June 30, 2012		March 31, 2012	
	Pension plans	Other post-employment plans	Pension plans	Other post-employment plans
Opening fair value of plan assets	5,090,814	-	4,563,210	-
Expected return on plan assets	75,295	-	291,938	-
Actuarial gains	17,126	-	379,386	-
Contributions from employees	10,398	-	41,186	-
Contributions from the Corporation	13,791	3,221	59,421	13,254
Benefits paid	(63,622)	(3,221)	(244,327)	(13,254)
Closing fair value of plan assets	**5,143,802**	**-**	**5,090,814**	**-**

The Corporation expects to make a contribution of $59.7 million to the defined benefit pension plans during the current fiscal year.

11. 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.

(in thousands of dollars)	June 30, 2012	June 30, 2011
Current service cost	27,152	18,362
Interest on obligation	56,930	59,685
Expected return on plan assets	(75,295)	(72,984)
Vested past service cost	(19)	14,981
Expense recognized in net results	8,768	20,044
Plus:		
Actuarial gains recognized in other comprehensive income	(18,998)	(61,296)
Total amounts recognized in comprehensive income	**(10,230)**	**(41,252)**

The cumulative actuarial losses recognized in Other Comprehensive Income represent $45.3 million as of June 30, 2012 (2011 gain–$298.9 million).

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

(in thousands of dollars)	June 30, 2012	June 30, 2011
Television, radio and new media services costs	8,143	19,111
Specialty services	286	137
Transmission, distribution and collection	254	597
Corporate management	85	199
Total	**8,768**	**20,044**

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The Corporation's assessment of the expected returns is based on historical return trends and analysts' forecast of the market returns for the asset over the life of the related obligations. The actual return on plan assets for the period was $92.4 million or 1.82 per cent (2011–3.02 per cent).

The assets of the plan have been invested as follows:

(in thousands of dollars)	June 30, 2012	June 30, 2011
Fixed income	53%	53%
Canadian equities	12%	13%
Global equities	20%	19%
Strategic[1]	15%	15%
	100%	**100%**

[1]Strategic investments include real estate, private placements, hedge funds and infrastructure funds.

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

For the period ended June 30, 2012, the total expense related to employee benefits incurred by the Corporation was $262.2 million (2011–$267.2 million).

12. Provisions

			June 30, 2012		
			Restructuring costs		
(in thousands of dollars)	Claims and legal proceedings	Environmental	Workforce reduction	Decommissioning	Total
Balance, beginning of year	38,762	300	-	-	39,062
Additional provisions recognized	5,268		13,936	5,388	24,592
Provisions utilized	(2,649)	-	(11,751)	-	(14,400)
Remeasurement or settlement without cost	(702)	-	-	-	(702)
Balance, end of period	**40,679**	**300**	**2,185**	**5,388**	**48,552**

			March 31, 2012		
			Restructuring costs		
(in thousands of dollars)	Claims and legal proceedings	Environmental	Workforce reduction	Decommissioning	Total
Balance, beginning of year	35,272	300	-	-	35,572
Additional provisions recognized	13,045	-	-	-	13,045
Provisions utilized	(3,241)	-	-	-	(3,241)
Remeasurement or settlement without cost	(6,314)	-	-	-	(6,314)
Balance, end of year	**38,762**	**300**	**-**	**-**	**39,062**

A. Restructuring costs

Restructuring costs incurred during the period arose from the Corporation's response to the announcement of Federal Budget 2012, as well as other financial pressures. Expenses recognized to date include workforce reductions where demonstrably committed and estimable, accelerating the shutdown of analogue television transmitters and associated decommissioning work, and ceasing shortwave transmission for the Corporation's RCI service as discussed in Note 7. In addition, incremental deferred capital funding has been recognized in relation to these depreciation and impairment charges, as presented in Note 14.

For the period ended June 30, 2012, the total expense related to restructuring costs was $45.3 million (2011–nil), and the associated capital funding recognized in income was $25.7 million (2011–nil).

12. Provisions (Continued)

B. Claims and legal proceedings

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

Litigation is subject to many uncertainties and the outcome of individual matters is not always predictable. Claims that are uncertain in terms of the outcome or potential outflow or that are not measurable are considered to be a contingency and are not recorded in the Corporation’s condensed consolidated financial statements. At June 30, 2012, the Corporation had provisions amounting to $40.7 million (March 31, 2012–$38.8 million) in respect of legal claims. All matters are classified as current as where estimable the Corporation expects them to be resolved within 12 months.

The Corporation has not recorded any provision in relation to onerous contracts.

C. Environmental liabilities

At June 30, 2012, the Corporation had provisions totalling $0.3 million for two environmental matters (March 31, 2012–$0.3 million). One former AM transmission site in Rimouski has Polychlorinated Biphenyls (PCB) concentrations exceeding permitted levels determined by the Ministère du Développement durable, de l'Environnement et des Parcs (MDDEP). Additionally, remediation work is required at the Corporation’s Mont Logan property to clean-up oil contaminants found in ground samples from the site’s former transmission tower and associated building. Costs associated with remediation work at these two sites are estimated at $0.2 million, and $0.1 million, respectively. Both matters are subject to ministry approvals and other environmental reviews. The Corporation expects clean-up on the properties to begin within 12 months.

D. Contingencies

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

13. Revenue

The Corporation recognized revenue from the following sources:

(in thousands of dollars)	June 30, 2012	June 30, 2011
Advertising	106,109	110,738
Building, tower, facility and service rentals	9,715	8,885
Production revenue	3,414	3,198
Digital programming	2,908	997
Retransmission rights	750	1,002
Program sponsorship	841	1,229
Other services	626	134
Total Rendering of services	**124,363**	**126,183**
Total Specialty Services	**43,924**	**41,921**
Total Financing income	**2,347**	**2,328**
Contribution from the Local Programming Improvement Fund (LPIF)	10,602	9,443
Contra revenues other than advertising	930	464
Gain (Loss) on foreign exchange rates	122	(309)
Net gain from fair value of financial instruments	417	115
Total Revenue	**182,705**	**180,145**

14. Government Funding

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

(in thousands of dollars)	June 30, 2012	June 30, 2011
Operating funding	278,432	263,432
Capital funding	25,569	25,568
Working capital funding	1,000	1,000
	305,001	**290,000**

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 revenue.

14. Government Funding (Continued)

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

(in thousands of dollars)	June 30, 2012	March 31, 2012
Operating funding received during period	278,432	1,028,047
Less: Parliamentary appropriation for operating expenditures recognized in the Condensed Consolidated Statement of Income during period	(246,613)	(1,028,047)
Deferred operating vote drawdown	**31,819**	**-**

Capital Funding received is recorded as Deferred Capital Funding in the Condensed Consolidated Statement of Financial Position. 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.

(in thousands of dollars)	June 30, 2012	March 31, 2012
Balance, beginning of year	574,027	602,025
Government funding for capital expenditures	25,569	102,272
Amortization of deferred capital funding	(55,435)	(130,270)
Balance, end of period	**544,161**	**574,027**

15. Seasonality

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

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

16. Movements in Working Capital

(in thousands of dollars)	June 30, 2012	June 30, 2011
Changes in Working Capital are comprised of:		
Trade and other receivables	(10,009)	(26,328)
Programming	(13,819)	(31,235)
Merchandising inventory	8	160
Prepaid expenses	55,887	73,997
Promissory notes receivable	(4)	(3)
Financial liability related to the sale of receivables	-	70
Accounts payable and accrued liabilities	(49,172)	(42,686)
Provisions	7,305	(8,077)
Deferred revenue	1,452	374
Pension plans and employee-related liabilities	(1,692)	(2,514)
	(10,044)	**(36,242)**

17. Related Parties

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

A. Transactions with Related Parties Excluding Government-Related Entities

	Rendering of services Period ended June 30		Receipt of services Period ended June 30		Pension contributions Period ended June 30	
(in thousands of dollars)	2012	2011	2012	2011	2012	2011
Associate	1,032	851	-	-	-	-
Other related entities	-	-	23	-	-	-
Corporate Pension Plan	-	-	-	-	13,791	12,489
	1,032	**851**	**23**	**-**	**13,791**	**12,489**

17. Related Parties (Continued)

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

	Amounts owed by related parties		Amounts owed to related parties	
(in thousands of dollars)	June 30, 2012	March 31, 2012	June 30, 2012	March 31, 2012
Associate	417	446	-	-
Other related entities	-	-	-	-
	417	446	-	-

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

B. Other Transaction with Associate

On June 21, 2011 the Corporation exchanged its interests in Sirius for shares in CSR pursuant to the reverse take-over of CSR by Sirius. The reverse take-over and retention of significant influence in the CSR combined entity caused the Corporation to recognize a non-cash dilution gain. This amount is made up of a gain on the disposed interest as well as the Corporation's proportionate share of CSR's share issuance. In addition, the Corporation recognized dividend income related to redemption of the original investment the Corporation had in Sirius Class C shares. Finally, the Corporation received a promissory note in connection with dividends declared on the Class A shares of the associate. More information on this transaction is provided in Note 9 to the condensed consolidated financial statements.

C. Transactions with Government-Related Entities

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

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

For the three months ended June 30, 2012, the aggregate amount of the Corporation's significant transactions with other government-related entities amounted to $0.1 million of its rendering of services (2011–$0.5 million) and $0.05 million of its purchase of goods and services (2011–$0.3 million). There were no individually significant transactions during the three months ended June 30, 2012 (2011–none).

18. Financial Instruments

The fair values of cash, trade and other receivables, the short-term portion of the promissory notes receivable, the short-term portion of the net investment in finance lease, accounts payable and accrued liabilities, the short-term portion of the bonds payable, the short-term portion of the obligations under finance lease 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, 2012		March 31, 2012			
(in thousands of dollars)	Carrying values	Fair values	Carrying values	Fair values	Method[1]	Note
Financial instruments measured at fair value:						
Derivative financial asset instruments	472	472	80	80	Level 1	(a)
Derivative financial asset instruments - stock options	62	62	53	53	Level 2	(b)
Derivative financial liability instruments	-	-	11	11	Level 1	(a)
Financial instruments measured at amortized cost:						
Promissory notes receivable (long-term)	49,346	59,304	49,903	58,764		(c)
Net investment in finance lease (long-term)	53,429	65,646	54,077	64,999		(c)
Bonds payable (long-term)	282,877	380,485	288,533	396,127		(d)
Obligations under finance lease (long-term)	51,526	56,200	54,206	58,955		(d)
Notes payable (long-term)	115,978	136,075	118,885	132,835		(d)

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

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

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

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

(c) The fair values related to the various amounts receivable were determined using the expected future cash flows and discounted using rates that reflect the credit worthiness of the various counterparties.

(d) The fair values related to the Corporation's various financial liabilities were determined using the expected future cash flows and were discounted using Government bond rates with similar terms and characteristics.

19. Commitments

The Corporation entered into commitments by renewing purchase agreements and entering into new purchase agreements. Management estimates that these new commitments, for the three month period ended June 30, 2012, will result in future expenditures of approximately $79.6 million. As of June 30, 2012, the Corporation's total commitments amounted to $838.5 million and will span the next 14 years.