Q2

Second Quarter Financial Report 2012-2013

for the period ended September 30, 2012

CBC Radio-Canada

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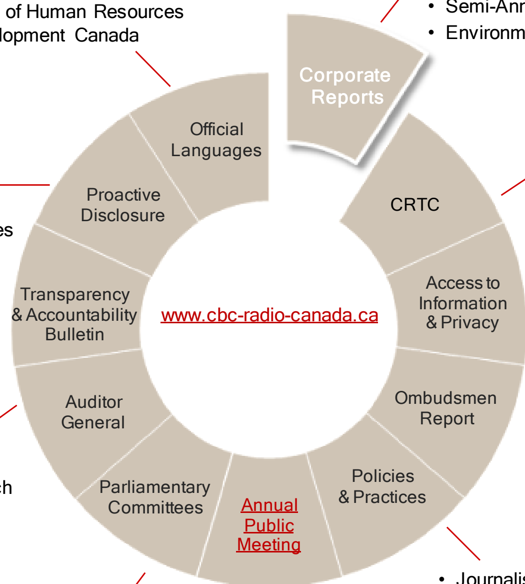
CBC/Radio-Canada's Commitment to Transparency and Accountability

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

- Review on 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

In addition to filing an annual report, we are required– like most Canadian federal Crown corporations – to file quarterly financial reports for the first three quarters of each fiscal year. In keeping with our commitment to transparency and effective oversight of public funds, we are pleased to present this quarterly report for the period ended September 30, 2012. It can be accessed on our corporate website.

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

Seasonality

The majority of our 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 because they are influenced by the programming schedule.

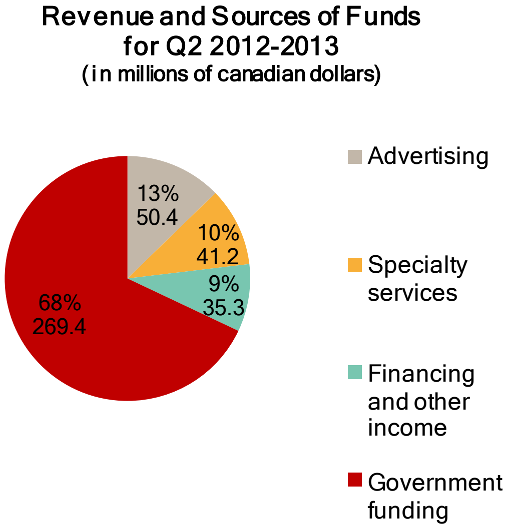
Government appropriations are recognized in income based on the annual budget, which reflects seasonal impacts on expenditures and self-generated revenue.

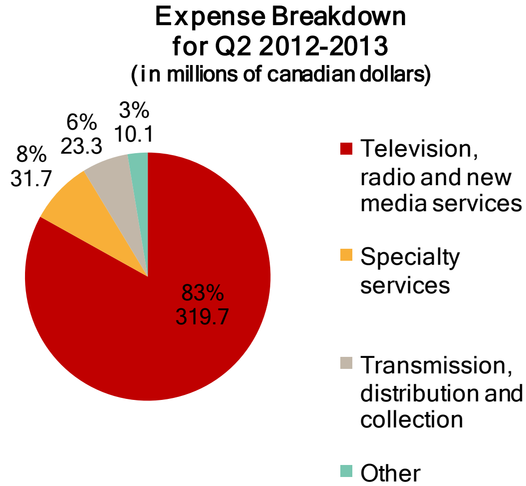
Note Regarding Forward-Looking Statements

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's government funding remains consistent with amounts announced in Federal Budget 2012; the funding received from the Local Programming Improvement Fund (LPIF) will be phased out by August 31, 2014; the television advertising market will remain healthy; and the broadcasting regulatory environment will not change significantly. Key risks and uncertainties are described in the Outlook and Risk Update section of this report. However, some risks and uncertainties are by definition difficult to predict and beyond our control. They include, but are not limited to, economic, financial, 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 September 30			For the six months ended September 30		
	2012	**2011**	**% change**	**2012**	**2011**	**% change**
Revenue	126,970	128,076	(0.9)	309,675	308,221	0.5
Expenses	(384,829)	(389,573)	(1.2)	(886,263)	(861,188)	2.9
Government funding	269,377	291,008	(7.4)	572,425	568,890	0.6
Net results before non-operating items	**11,518**	**29,511**	**(61.0)**	**(4,163)**	**15,923**	**(126.1)**

Net results before non-operating items for the quarter amounted to $11.5 million, a decrease of $18.0 million compared to the second quarter of the previous year. This movement reflects the following changes in revenue, funding and expenses:

- Revenue decreased by $1.1 million (0.9 per cent) compared to the same period in 2011–2012. This primarily reflects the reduction of the Local Programming Improvement Fund (LPIF) contribution rate effective September 1, 2012 as well as other non-recurring items. These decreases were partly offset by higher specialty services revenue.
- Expenses were lower by $4.7 million (1.2 per cent) compared to the second quarter of last year. Programming costs were lower in English, French and specialty services. Overall reductions in spending following Federal Budget 2012 also contributed to this decrease.
- Government funding recognized for accounting purposes was $21.6 million lower (7.4 per cent) compared to the second quarter of last year, reflecting the matching of funding to quarterly budgeted costs. Government appropriations for 2012–2013 are expected to be lower than the previous year by $27.8 million as a result of Federal Budget 2012 reductions.

Other Financial Matters

Same Strategy, Different Path

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

Starting in the first quarter, we began implementing the measures outlined in our plan and we remain on track this quarter. On July 31, 2012, we shut down our analogue over-the-air television transmission network, comprising 607 transmitters across Canada. Fewer than two per cent of Canadians were affected by the shutdown. This measure will result in operating costs savings. We also put up for sale certain assets related to the shutdown, including land, transmission towers, analogue television transmission equipment, and related buildings, located at approximately 100 different sites across the country.

During this quarter we also continued to move forward with our Workforce Adjustment Process. We expect to eliminate 650 full-time equivalent positions over three years, with up to 475 reductions taking place this financial year.

Local Programming Improvement Fund

On October 25, we informed our employees of our plans to deal with the loss of the LPIF, which will be phased out over three years. We made a decision to protect as much as possible the initiatives that the LPIF allowed us to implement. Regional programming is essential to our role as the national public broadcaster and improving our presence in communities across Canada is one of the top priorities of our five-year plan, Strategy 2015.

Last year, we drew $47.1 million from the Fund to improve service for viewers in 20 markets. That money was instrumental in allowing us to enhance our service. It funded the addition of weekend news in most of our French and English markets and allowed us to add late night local news at CBC, extend by 30 minutes our supper-hour news shows in several markets, and enhance our coverage of local events, sports and weather. We will protect many of these things; but this means that other priorities will be affected by the drop in funding.

We were aware of the CRTC's intended review of the Fund and we had put in place plans for a reduction in our current three-year financial projections. The Commission's decision to eliminate the fund entirely means that we now have to reduce our budget by a further $28.4 million by 2013−2014. To do so, the measures we will put in place include:

- Cancellation of plans for four new local radio stations.
- Elimination of the cross-cultural fund (this internal fund had already been reduced in the 2012 budget process) that supported major French-English joint projects such as *8th Fire*, series like CBC Radio 2 and Espace musique's *Rendez-Vous*, and joint coverage of events like the Arab Spring.
- Reduce regional contribution to non-news programming.
- Reductions to network schedules.
- Reduction of communications and promotional budgets, and seeking further efficiencies yet to be determined.

For more about this plan please read the communiqué.

Business Highlights

Over the quarter, we continued to implement our 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

We launched a diverse range of new Canadian programs this quarter across both French and English Services.

Radio-Canada's fall launch included new Télévision de Radio-Canada programs *Unité 9*, *Un air de famille* and a new morning show, *Alors on jase*.

Literature is front and centre on multiple services, including the weekday show *Plus on est de fous, plus on lit!* on Première Chaîne and the new ARTV magazine *Lire*. One notable addition to the Première Chaîne schedule is *Pas de midi sans info*, a daily current-affairs show. In the evening, *Radiorama* serves up a selection of the day's programming highlights across all television and radio platforms, including Radio-Canada International (RCI) and Réseau de l'information de Radio-Canada (RDI).

CBC Television and CBC Radio launched new seasons in September. On Radio One, *The Current* with Anna Maria Tremonti began its tenth season; other returning favourites include *Q with Jian Ghomeshi*, *Day 6*, *As It Happens*, *The Sunday Edition* and *The Massey Lectures*. The CBC Television schedule features new programs *Over the Rainbow*, *Titanic*, *Blood and Steel, Scotiabank Giller Prize Gala* and *Murdoch Mysteries*, as well as established favourites like *Dragons' Den*, *Rick Mercer Report* (also in its tenth season), *The Big Decision* and more.

As part of making CBC Television's programming schedule more Canadian, *George Stroumboulopoulos Tonight* debuted in primetime on September 17. CBC Television also introduced a 30 minute version of the *Lang & O'Leary Exchange* (which also continues in its 60 minute format on CBC News Network) following local supper hours newscasts in most markets.

For the third consecutive year, we were the national broadcast partner of Culture Days, which featured thousands of free, hands-on, interactive activities in communities across the country from September 28 to 30. Culture Days was featured on national programming such as *Q with Jian Ghomeshi* and *This is That* and on local television and radio programs. La Maison de Radio-Canada in Montreal featured an Open Doors event in conjunction with Culture Days.

More Regional

On August 29, Radio-Canada officially opened the *Maison Radio-Canada Est du Québec*. With its state-of-the-art high definition (HD) equipment, it's the most advanced and efficient multi-platform production facility in the country. For Lower St. Lawrence, North Shore and Gaspé-Magdalen Islands residents, it means access to regional news, seven days a week, on radio, television and the web, along with nearly 5,000 hours of regional production per year.

The Rive Sud/Rive Nord initiative allowed us to provide Montreal's off-island communities with hyperlocal coverage during the recent Quebec election campaign. Through their unique deployment in the field and close monitoring of the election buzz on social networks, our teams were able to reflect residents' concerns in reports that offered an original take on the issues. For instance, the Rive Nord crew produced a web video documentary on the youngest candidate ever to be elected to the National Assembly, Léo Bureau-Blouin.

Beginning on September 17, many of CBC Television's local late-night newscasts expanded from 10 minutes to 30 minutes to offer increased coverage of local news and events. September 17 was also the premiere of *CBC News Now with Ian Hanomansing* on the CBC News Network. Broadcast live from Vancouver three hours each weeknight, this national program is in prime time in Western Canadian time zones, offering the region up-to-the-minute news.

CBC provided comprehensive coverage of the Canadian Country Music Association (CCMA) Awards in Saskatoon with a live broadcast on CBC Television on September 9, plus special content on CBCMusic.ca's three country music web radio stations and a CBCMusic.ca channel featuring top hits and favourites from previous CCMA winners.

Between July 6 and 15, CBC and Radio-Canada offered Canadians multi-platform coverage of the 100th Calgary Stampede.

More Digital

Radio-Canada's digital strategy continues to take shape, with a focus on enabling dialogue, original content and personalized access. Our new iPhone app offers a 360-degree tour of Canadian cities through Radio-Canada archival content. Our mobile radio app lets listeners record their response to the question of the day aired on *C'est bien meilleur le matin* and *Pas de midi sans info*. In addition, the *Radio-Canada et moi* personalized schedule on Facebook allows users to create a TV schedule tailored to their interests and schedule.

Since the end of the free preview period on July 2, Explora became available on demand through various francophone distributors. Early audience results confirm that Explora's positioning is relevant and has gained audience interest.

Radio Canada International's new web only service launched on June 24, RCI.net, has seen an increase in traffic indicating the continued relevance of RCI content.

CBC Music and Espace.mu continue to increase their content. New streams added to CBCMusic.ca include another Electronic stream, New Wave tracks personally selected by *Q* host Jian Ghomeshi, KIDS CBC, Bollywood, Canadian Roots and Classic Soul/R&B and a second Special Events stream. On Espace.mu music, Canadians were able to preview albums by Khaled, Louis-Jean Cormier, Catherine Durand and Zachary Richard before they came out in stores.

CBC launched the *Inside the News with Peter Mansbridge* website, offering a behind-the-scenes look at the news, in a magazine-style site optimized for tablets. The site includes essays by Peter Mansbridge, videos and photos, and his personal recommendations.

Other Business Matters

We hosted our fourth Annual Public Meeting (APM) on September 25, 2012, in front of a live audience in St. John's, Newfoundland and Labrador, highlighting our commitment to enhancing our regional presence. Canadians from across the country also tuned in via Twitter and webcast to hear Chair of the Board of Directors Rémi Racine, President and CEO Hubert T. Lacroix and Vice-President and Chief Financial Officer Suzanne Morris provide highlights of 2011–2012 and an overview of the Corporation's direction for the current fiscal year and beyond. Archived material from the APM can be viewed here.

During the quarter, we were awarded the Canadian broadcast rights for the Sochi 2014 Olympic Winter Games and the Rio de Janeiro 2016 Olympic Summer Games, as well as the Toronto 2015 Pan Am Games. We will present these Games as English and French language Signature Events, telling the story of talented Canadian athletes as they compete on the national, intercontinental and world stage. Canadians will be able to access all the excitement of these Games wherever and however they choose.

On September 5, 2012, the Canadian Radio-television and Telecommunications Commission (CRTC) re-launched the public process for the renewal of CBC/Radio-Canada's broadcasting licences. Our licence renewal hearings began on November 19. Strategy 2015 sets out our vision for the future of Canada's national public broadcaster, but to be able to respond to the evolving broadcasting environment and the preferences of Canadians, we need the CRTC to support a flexible regulatory framework. As part of the licence renewal process, the CRTC also intends to consider our applications to introduce national advertising on CBC Radio 2 and Espace musique.

Strategy, the national marketing and promotions magazine, chose CBC as one of its five "Brands of the Year" alongside companies like Loblaw and Lululemon. We were the only Canadian media company chosen for this honour.

Radio-Canada reached a multiyear agreement with video streaming service Netflix on October 1 that is a step forward in a key element of our digital strategy – delivering content on a range of platforms.

Looking Forward

On September 16, the NHL locked out its players, resulting in the cancellation of the pre-season and some regular season games. This has affected and will continue to affect CBC Television's programming schedule. We have developed contingency plans to manage the situation.

On July 26, CBC announced that its new broadcast centre for Kitchener-Waterloo will be located in Kitchener. Starting this winter, CBC will offer new local radio and digital news services to residents of the region.

We also announced an initiative to spark a national conversation about Canada's upcoming 150th anniversary. Our goal is to inform, inspire and incubate local, regional and national projects to mark the occasion. In partnership with other leading Canadian organizations, we will host a series of regional "2017 STARTS NOW" events in soon-to-be-announced cities across the country, commencing in April 2013 and culminating with a national conference in June 2013.

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 English Services and French Services.

Further details, including 2012-2013 targets for all performance indicators, 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 our progress in achieving our goals. Once we have updated the Board, we post an abridged version of the Report Card on our website.

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

Indicators for Specialty Channels, New Platforms and Revenues are measured from the beginning of the fiscal year, and second 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, which 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 past two broadcast years, 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 our five-year strategic plan, Strategy 2015.

Canadian Content		Yearly Regulatory Expectations	Results Sep. 1, 2011 to Aug 31, 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%	86%	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%	85%	84%
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	81%	82%

1.2 Operational Indicators

Many of the principal broadcasting measures are measured from September to March and become available at the end of the fall. Performance results are not always available on a quarterly basis, such as those for CBC Radio, CBC Television and la radio and la télévision de Radio-Canada. These performance results will be added to the quarterly reports starting next quarter.

English Services

At the end of the second quarter, the KPIs shown below are mostly trending favourably, with Specialty Channel subscriptions, CBC-News Network share and revenue performing at or near expectations. However, as noted in the first quarter report, the monthly average Unique Visitor metrics are currently trending behind expectations. For the first six months to date, CBC.ca Unique Visitors are 6 per cent below the previous year and regional Unique Visitors are 3 per cent below. We will continue to monitor this online performance.

Revenue results to date are favourable to plan. However, we anticipate lower revenue than targeted for the full Fiscal Year as a result of the NHL labour disruption.

		Annual Targets 2012-2013	Results to date	Annual Results 2011-2012
Television				
CBC News Network	All-day audience share[1]	1.4%	1.3%	1.4%[2]
Regional				
Regional web pages	Monthly average unique visitors[3]	975 K	886 K	940 K[2]
New Platforms				
CBC.ca	Monthly average unique visitors[3]	6.5 million	5.8 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	$178 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

Based on our current performance, we're confident that we will meet our annual targets. We surpassed our specialty channels audience target for several reasons, including a highly active news scene that attracted RDI audiences, the stabilization of Explora's subscriber base once the free preview ended on July 2, and a successful summer season for ARTV. We anticipate our year-end results for our specialty channels to stabilize closer to target. On our digital platforms, special events in September led to a sharp increase in reach for Radio-Canada.ca and its regional microsites. Based on monthly averages throughout 2012−13, we expect to meet our annual digital targets. The same is true for our specialty channels subscriber numbers.

Where revenue is concerned, based on the second quarter consolidated results, we estimate that we'll be close to hitting our target at the end of the year.

		Annual Targets 2012-2013	Results to date	Annual Results 2011-2012
Television				
Specialty Channels[1]	Full-day audience share[2]	4.7%	5.8%	4.6%[3]
Regional				
Regional web pages	Monthly average unique visitors[4]	497 K	566 K	476 K[3]
Website[5]				
Radio-Canada.ca, TOU.TV, Bandeapart.fm, RCI.net, Espace.mu	Monthly average unique visitors[4]	2.1 million	2.0 million	2.1 million[3]
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[6]				
Conventional, specialty, online		$253.5 million	$114.9 million	$228.6 million[7]

1. Specialty Channels includes RDI, ARTV and Explora.

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

3. 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).

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

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

6. 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.

7. In 2011−2012, measurement excluded ARTV and 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 depends upon our people and other significant resources described below.

2.1 People and Leadership

Our people remain key to our success. We need to continue to engage our employees, encourage their professional development and implement initiatives to promote a healthy workplace. Activity in the quarter included the following:

Inclusion and Diversity gets some HELP

One of our organizational priorities is to implement inclusion and diversity initiatives that will make our workforce more representative of the Canadian population. Every year, we invite managers to apply for the Help Energize Local Projects (HELP) Fund. This $200,000 fund helps managers reach their hiring targets and recruit diversity candidates in the four designated groups – members of visible minorities, persons with disabilities, Aboriginal Peoples, and women in technical positions – by allocating funding for internships, development opportunities, and workplace accommodations. We received more than 30 proposals and have approved 26 for funding. This fund has increased our capacity to recruit and retain diverse candidates.

Action on Dialogue

In the fall of 2010, we launched a corporate-wide employee survey “Dialogue”, to measure employee engagement and identify ways to meet employee needs. Since then, we have launched many local and national initiatives to address the feedback received from employees. One key point was the need for expanded career opportunities at CBC/Radio-Canada.

As a result, between February and June 2012, we piloted a mentoring project in eight sectors across CBC/Radio-Canada. Employees were connected with mentors in an informal and non-traditional way, to have conversations focused on their specific needs and to facilitate their career and professional development. As phase two of the pilot launches this fall, we will first aim to expand our reach within the already participating sectors and then extend selectively across CBC/Radio-Canada.

In September 2012, we leveraged our recruitment system and improved the tools for both managers and employees. This will increase managers' ability to access the internal pool of talent while also making it easier for employees to access career opportunities that will help them grow.

Official languages – Linguistic Duality Day

On September 13, 2012, we celebrated Linguistic Duality Day which highlights the importance of linguistic diversity and cultural openness − both on our internal portal and on the corporate blog. We know that being compliant with the *Official Languages Act* is important − and we work hard to ensure that we are. Over and above compliance, Linguistic Duality Day was about showing respect for English- and French-speaking communities, and deepening our relationship with all Canadians.

Our 2011−2012 Review on the Implementation of Section 41 of the Official Languages Act is posted on our corporate website. This report outlines our key initiatives for developing Official Language Minority Communities (francophones outside of Quebec and anglophones in Quebec), and promoting English and French. It also highlights our regional achievements.

Recognition

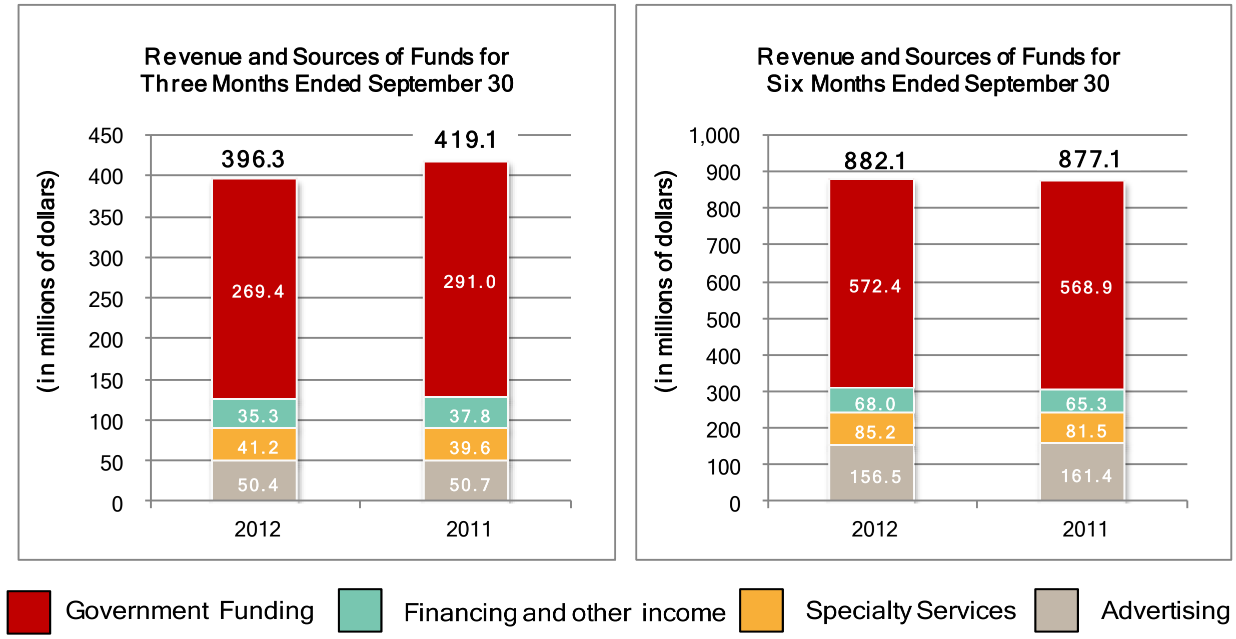
In June and October, Hubert T. Lacroix visited Toronto, Montreal and Regina to present the 2011 President's Awards. Celebrating our people's exceptional contributions and sharing our appreciation for their work remains one of our top priorities.

Board and Management

The Honourable James Moore, Minister of Canadian Heritage and Official Languages, announced on October 5, 2012, the reappointment of Hubert T. Lacroix as President and Chief Executive Officer of CBC/Radio-Canada for a five-year term. He was first appointed as President and CEO of CBC/Radio-Canada on January 1, 2008, for a five-year term. Prior to his appointment, Mr. Lacroix practiced law for nearly 25 years with two of Montréal's most prominent firms and gained broadcasting experience through his involvement with Telemedia Corporation and directorships with companies in this industry.

2.2 Resource Capacity

We have four sources of direct funding: government operational and capital funding, advertising revenue, specialty services revenue and financing and other income.



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

Government Funding

For the second quarter of 2012–2013, government funding represented approximately 68 per cent of total revenue and sources of funds. This included $36.6 million of amortization of deferred capital funding compared to $55.4 million in the first quarter, as a result of both accelerated depreciation on our remaining analogue transmission assets, and impairment related to the cessation of shortwave transmission of RCI programming.

The federal government announced funding reductions in its Federal Budget 2012. Our 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 for Canadian programming received since 2001. By the end of the current fiscal year, our operating appropriation is expected to be $999.5 million, a $27.8 million reduction in our operating appropriation for 2012–2013. This reduction grows to $69.6 million in 2013–2014, and to the full reduction of $115.0 million by 2014–2015.

Advertising Revenue

We generate revenue by selling advertising on our conventional television broadcasts and on other platforms. In the second quarter of 2012–2013, advertising accounted for approximately 13 per cent of our total revenue and sources of funds.

The proportion of advertising revenue in the second quarter is normally lower than in the first quarter, reflecting the seasonality of the broadcast schedule.

Specialty Services Revenue

Specialty services, which include subscription and advertising revenue from CBC News Network, **bold**, *documentary*, Explora, ARTV and the Réseau de l'information de Radio-Canada (RDI), generated approximately 10 per cent of total revenue and sources of funds in the second quarter of 2012−2013.

Financing and other income

Financing and other income, 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 of space at our transmission sites, accounted for approximately 9 per cent of total revenue and sources of funds in the second quarter. Included in these funds was $11.8 million of LPIF contributions in the second quarter of 2011−2012. The fund will be completely eliminated by August 31, 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 our borrowing authority be included in our 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 our borrowing activities to short-term initiatives with a quick payback period. Borrowing to meet working capital purposes is prohibited.

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

3. Results and Outlook

3.1 Results

Summary – Net Results

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2012	**2011**	**% change**	**2012**	**2011**	**% change**
Revenue	126,970	128,076	(0.9)	309,675	308,221	0.5
Expenses	(384,829)	(389,573)	(1.2)	(886,263)	(861,188)	2.9
Government funding	269,377	291,008	(7.4)	572,425	568,890	0.6
Net results before non-operating items	**11,518**	**29,511**	**(61.0)**	**(4,163)**	**15,923**	**(126.1)**
Non-operating items						
Dilution (loss) gain from merger transaction	-	(13,476)	N/M	-	25,775	N/M
Dividend income from merger transaction	-	-	N/A	-	5,094	N/M
Net (loss) gain on disposal of property and equipment	(628)	37	N/M	(1,124)	(1,444)	22.2
Non-operating items	**(628)**	**(13,439)**	**95.3**	**(1,124)**	**29,425**	**(103.8)**
Net results for the period	**10,890**	**16,072**	**(32.2)**	**(5,287)**	**45,348**	**(111.7)**

N/A = Not applicable
N/M = Not meaningful

Net results before non-operating items for the second quarter of 2012−2013 amounted to $11.5 million, a decrease of $18.0 million compared to the same quarter of the previous fiscal year. Revenue decreased by $1.1 million (0.9 per cent), expenditures by $4.7 million (1.2 per cent), and government funding recognized in income by $21.6 million (7.4 per cent).

On a year-to-date basis, a loss of $4.2 million was incurred before non-operating items, compared to income of $15.9 million for the first six months of 2011−2012. These results are in line with year-to-date plans, and include the financial effect of certain one-time restructuring measures we are implementing in response to the financial pressures we will be facing over the next three years. The following pages provide further detail and explanation of the net results for the quarter and the year-to-date.

Revenue

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2012	2011	% change	2012	2011	% change
Advertising						
English Services	27,328	28,657	(4.6)	102,146	110,097	(7.2)
French Services	23,056	22,047	4.6	54,347	51,345	5.8
	50,384	50,704	(0.6)	156,493	161,442	(3.1)
Specialty services						
CBC News Network	20,982	20,056	4.6	42,940	40,921	4.9
RDI	13,187	12,945	1.9	27,952	27,026	3.4
bold	1,022	954	7.1	2,070	1,971	5.0
Explora	404	-	N/A	641	-	N/A
documentary	1,466	1,380	6.2	2,987	2,784	7.3
ARTV	4,202	4,286	(2.0)	8,597	8,840	(2.7)
	41,263	39,621	4.1	85,187	81,542	4.5
Financing and other income						
English Services	15,680	14,509	8.1	27,619	25,321	9.1
French Services	11,524	10,936	5.4	22,147	18,440	20.1
Corporate Services	8,119	12,306	(34.0)	18,229	21,476	(15.1)
	35,323	37,751	(6.4)	67,995	65,237	4.2
TOTAL	**126,970**	**128,076**	**(0.9)**	**309,675**	**308,221**	**0.5**

N/A = Not applicable

Compared to the same periods in 2011–2012, revenue decreased by $1.1 million (0.9 per cent) in the second quarter and increased by $1.5 million (0.5 per cent) in the first six months of the fiscal year.

Advertising

Overall, advertising revenue in the second quarter of 2012–2013 was comparable to the same three months of 2011–2012. English Services' advertising revenue decreased by $1.3 million (4.6 per cent) this year, largely because three pre-season hockey games were aired in 2011–2012 while none were aired in 2012–2013 because of the NHL lockout. French Services' advertising revenue grew by $1.0 million (4.6 per cent). Increased revenue from successful new platforms, mostly Tou.tv and mobility, as well as growth in conventional advertising revenue, in line with Strategy 2015 expectations, are the main factors in this increase.

On a year-to date basis, advertising revenue decreased by $4.9 million (3.1 per cent) compared to the first six months of 2011–2012. The $8.0 million (7.2 per cent) decrease in English Services' advertising revenue was mostly attributable to stronger audiences and revenues during the 2011–2012 hockey playoffs because a Canadian team, the Vancouver Canucks, reaching the Stanley Cup finals. French Services' advertising revenue increased by $3.0 million (5.8 per cent). As mentioned above, this is a result of the success of new platforms and growth in conventional advertising revenue.

Specialty services

Specialty services revenue, which includes advertising and subscriber revenue, increased by $1.6 million (4.1 per cent) in the second quarter of 2012−2013 and by $3.6 million (4.5 per cent) in the first six months of 2012−2013 compared to the same periods last year.

In the second quarter, CBC News Network’s advertising revenue was higher by $0.9 million (4.6 per cent) as a result of increased advertising rates as CBC News Network’s audience grew.

CBC News Network is widely available across Canada, and is now in 11.3 million cable and satellite homes (compared to 11.2 million in September 2011). On a year-to-date basis, this growth in subscribers translated into increased revenue of $0.4 million. Advertising revenue also grew, by $1.6 million, due to increased sales and stronger advertising rates.

On a year-to-date basis, RDI revenues increased by $0.9 million (3.4 per cent). This was mostly due to a growth in subscribers as a result of the move from analogue transmission, as well as higher advertising sales.

Financing and other income

For the quarter ending September 30, 2012, financing and other income decreased by $2.4 million (6.4 per cent) over the same period last year. This decrease was largely due to lower LPIF revenues of $1.1 million recognized for the quarter ended September 30, 2012, compared to the same period last year, as a result of the reduction of LPIF contributions to 1 per cent of Broadcast Distribution Undertakings (BDU) revenues effective September 1, 2012. Other non-recurring items also contributed to this decrease, which was partially offset by higher income received from facility rentals, program sales and commercial production in English and French Services.

On a year-to-date basis, increases in English and French Services financing and other income were greater than decreases in Corporate Services, resulting in an overall increase of $2.8 million (4.2 per cent). In addition to the areas of increased income mentioned above, English Services’ revenue also grew on a year-to-date basis as a result of a new agreement for digital services related to the NHL playoffs.

Operating Expenses

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2012	2011	% change	2012	2011	% change
Television, radio and new media services						
English Services	178,449	181,188	(1.5)	429,701	431,112	(0.3)
French Services	141,239	144,836	(2.5)	299,965	302,813	(0.9)
	319,688	326,024	(1.9)	729,666	733,925	(0.6)
Specialty services						
CBC News Network	15,658	17,061	(8.2)	31,482	32,125	(2.0)
RDI	10,111	9,971	1.4	20,317	21,711	(6.4)
bold	779	1,598	(51.3)	1,352	2,484	(45.6)
Explora	663	-	N/A	1,950	-	N/A
documentary	936	1,037	(9.7)	1,853	1,812	2.3
ARTV	3,604	4,139	(12.9)	6,988	7,081	(1.3)
	31,751	33,806	(6.1)	63,942	65,213	(1.9)
Transmission, distribution and collection	23,285	19,531	19.2	70,595	39,171	80.2
Corporate management	2,385	2,389	(0.2)	5,221	5,599	(6.8)
Payments to private stations	638	528	20.8	1,272	1,299	(2.1)
Finance costs	8,021	8,390	(4.4)	15,953	16,711	(4.5)
Gain on investment in associate	(939)	(1,095)	14.2	(386)	(730)	47.1
TOTAL	**384,829**	**389,573**	**(1.2)**	**886,263**	**861,188**	**2.9**

N/A = Not applicable

Operating expenses for the three months ended September 30, 2012 were $384.8 million, a decrease of $4.7 million (1.2 per cent) compared to the second quarter of 2011–2012. On a year-to-date basis, expenditures of $886.3 million increased by $25.1 million (2.9 per cent) compared to the same period in 2011–2012.

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

Television, radio and new media services

English Services' expenditures of $178.4 million for the second quarter decreased by $2.7 million (1.5 per cent) compared to the second quarter of 2011–2012. This variance is due in part to the Gemini awards being broadcast in March in 2013; in 2012 they were aired within the second quarter, in August 2011. An overall reduction in spending in response to the Federal Budget 2012 also contributed to the decrease.

French Services' expenditures of $141.2 million for the second quarter were $3.6 million (2.5 per cent) lower than those of the same period last fiscal year. This variance is mostly due to a decrease in television and radio programming costs. The transformation of RCI from a short-wave and web radio service into a web-only international service also contributed to the decrease in expenses. In addition, expenditures for network circuits were lower for both the English and French Services following the implementation of the Next Generation Converged Network.

On a year-to-date basis, English Services' expenditures decreased by $1.4 million (0.3 per cent) in comparison to the same period in 2011–2012. This decrease is partly explained by special programming and projects that occurred in the first six months of 2011–2012. In addition, expenditures related to network circuits are lower following the implementation of the Next Generation Converged Network. This was partly offset by an investment in the regions as planned in Strategy 2015 and by restructuring costs incurred as a result of recent budget reductions.

For the first six months, French Services' expenditures decreased by $2.8 million (0.9 per cent) compared to the first half of 2011–2012. As explained above, the reduction in television and radio programming costs, the transformation of RCI and the implementation of the Next Generation Converged Network were the main factors contributing to the year-to-date decrease; however, this was partly offset by increased costs incurred in renting out facilities.

Specialty services

Specialty services' expenditures of $31.8 million for the second quarter decreased by $2.1 million (6.1 per cent) compared to the second quarter of 2011–2012. The following were the main changes in specialty services expenses in the second quarter of the current year compared to the same period last year:

- Expenses for CBC News Network decreased by $1.4 million (8.2 per cent) due to lower programming spending.
- Reduced program acquisitions and decreased amortization of programming for **bold** as a result of the planned sale of the channel explain the decrease of $0.8 million (51.3 per cent).
- A new specialty service, Explora, was launched on March 28, 2012.

In addition to the above, on a year-to-date basis, the decrease of $1.3 million (1.9 per cent) in specialty services expenses was partly related to a decrease in RDI's expenses of $1.4 million (6.4 per cent) due to lower programming costs.

Other operating expenses

The expenditure increase of $3.8 million (19.2 per cent) for the second quarter and of $31.4 million (80.2 per cent) for the first half of the fiscal year for transmission, distribution and collection activities was 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.

For the second quarter of 2012–2013, other operating expenses remained relatively stable in comparison to the same quarter of 2011–2012.

Government Funding

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2012	**2011**	**% change**	**2012**	**2011**	**% change**
Parliamentary appropriations for operating expenditures	231,819	257,664	(10.0)	478,432	502,433	(4.8)
Parliamentary appropriations for working capital	1,000	999	0.1	2,000	1,999	0.1
Amortization of deferred capital funding	36,558	32,345	13.0	91,993	64,458	42.7
TOTAL	**269,377**	**291,008**	**(7.4)**	**572,425**	**568,890**	**0.6**

Parliamentary appropriations for operating expenditures decreased by $25.8 million (10.0 per cent) in the second quarter of 2012–2013 compared to the same period of the previous fiscal year. On a year-to-date basis, the decrease was $24.0 million (4.8 per cent). Parliamentary appropriations are recognized based on expected needs according to 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, a $27.8 million reduction in our operating appropriation in accordance with 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 and equipment, and intangible assets are used in CBC/Radio-Canada's operations. The increase of $4.2 million (13.0 per cent) in the second quarter and of $27.5 million (42.7 per cent) in the first six months of 2012–2013 was mainly due to the accelerated depreciation due to the shutdown of our remaining analogue TV assets by July 31, 2012.

Non-Operating Items

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2012	**2011**	**% change**	**2012**	**2011**	**% change**
Dilution (loss) gain from merger transaction	-	(13,476)	N/M	-	25,775	N/M
Dividend income from merger transaction	-	-	N/A	-	5,094	N/M
Net (loss) gain on disposal of property and equipment	(628)	37	N/M	(1,124)	(1,444)	22.2
Non-operating items	**(628)**	**(13,439)**	**95.3**	**(1,124)**	**29,425**	**(103.8)**

N/A = Not applicable
N/M = Not meaningful

Non-operating losses of $1.1 million for the first six months of 2012–2013, including $0.6 million this quarter, were recorded on equipment disposals as we continue to update our transmission and technical equipment. The non-operating items in 2011–2012 were mostly attributed to a non-cash dilution gain and dividend income from the merger transaction of Sirius Canada/CSR, in which we are invested.

Total Comprehensive Income (loss)

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2012	**2011**	**% change**	**2012**	**2011**	**% change**
Net results for the period	**10,890**	**16,072**	**(32.2)**	**(5,287)**	**45,348**	**(111.7)**
Other comprehensive income (loss)						
Actuarial losses on defined benefit plans	(329,077)	(195,112)	(68.7)	(310,079)	(133,816)	(131.7)
Net unrealized gain on available-for-sale financial assets	-	-	N/A	-	94	N/M
Reclassification to income of net unrealized gain on available-for-sale financial assets arising from merger transaction	-	-	N/A	-	(5,094)	N/M
Total other comprehensive loss	(329,077)	(195,112)	(68.7)	(310,079)	(138,816)	(123.4)
Total comprehensive loss for the period	**(318,187)**	**(179,040)**	**(77.7)**	**(315,366)**	**(93,468)**	**(237.4)**

N/A = Not applicable
N/M = Not meaningful

Total other comprehensive losses of $329.1 million were recognized in the second quarter of 2012−2013, compared to other comprehensive losses of $195.1 million in the same quarter last year. These losses are due to non-cash fluctuations in the value of our pension plans' obligations and assets. Their values fluctuate significantly when actual results or interest rates differ from actuarial assumptions. Actuarial gains and losses are immediately recognized in other comprehensive income in each reporting period.

The $329.1 million of actuarial losses on defined benefit plans this quarter was mainly due to:

- A decrease in the discount rate applied to the pension obligation from 4.25 per cent to 3.75 per cent, contributing to actuarial losses of $396.8 million; offset by
- A $67.7 million gain arising from a higher actual return on plan assets (2.9 per cent) than expected (1.5 per cent).

On a year-to-date basis, the actuarial losses of $310.1 million was also due to the decrease in discount rate applied to pension obligations, offset partially by higher than expected returns on plan assets of 4.7 per cent actual compared to an expected 3.0 per cent.

In the second quarter of 2011−2012, the other comprehensive loss of $195.1 million was primarily due to a decrease in the discount rate on the pension obligation, partially offset by higher than expected returns on plan assets. On a year-to-date basis, the 2011−2012 actuarial losses of $133.8 million were also due to the lower discount rate applied to the pension obligations, partially offset by higher than expected returns on plan assets.

We expect 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

Our main sources of liquidity are parliamentary appropriations for operating, capital and working capital requirements, and commercial activities such as advertising. As a result of Federal Budget 2012, we will see our annual appropriations reduced by $115.0 million over three years, with an initial reduction of $27.8 million confirmed for 2012–2013. This will be followed by a $69.6 million reduction scheduled for 2013–2014 prior to the full reduction of $115.0 million in 2014–2015. Additionally, $47.1 million in funding from LPIF will be phased out by August 31, 2014.

In response to these reductions, one-time restructuring costs, and additional financial pressures inherent in funding the business and pursuing Strategy 2015, we are implementing a financial plan that will allow us to continue to match our planned operating expenses with available financial resources. Our 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 reduction initiatives. The elimination of LPIF funding is also expected to result in a decrease in certain programming.

Our cash flows from operating, investing, and financing activities for the three and six months ended September 30 are summarized in the following table. Our cash balance at September 30 2012 was $48.5 million, compared to $64.3 million at March 31, 2012.

Cash Position

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2012	2011	% change	2012	2011	% change
Cash - beginning of the period	**72,512**	**58,153**	**24.7**	**64,277**	**63,224**	**1.7**
Cash from (used in) operating activities	(24,441)	25,236	(196.8)	(5,016)	18,266	(127.5)
Cash used in financing activities	(3,439)	(3,439)	-	(29,135)	(29,135)	-
Cash from investing activities	3,865	3,068	26.0	18,371	30,663	(40.1)
Net change	(24,015)	24,865	(196.6)	(15,780)	19,794	(179.7)
Cash - end of the period	**48,497**	**83,018**	**(41.6)**	**48,497**	**83,018**	**(41.6)**

N/A = Not applicable
N/M = Not meaningful

Cash from (used in) operating activities

Cash used in operating activities was $24.4 million this quarter, a decrease of $49.7 million compared to the second quarter of last year. This change in cash from operations was primarily the result of using more cash to fund working capital requirements of $21.3 million combined with lower operating results.

Cash used in financing activities

Cash outflows for financing activities were consistent with 2011−2012, in both the second quarter and on a year-to-date basis. Cash used of $3.4 million in the second quarter each year related to meeting obligations under finance leases. Outflows totalled $29.1 million on a year-to-date basis for semi-annual repayments of the Toronto Broadcasting Centre bonds, payments of notes payable, and meeting obligations under finance leases.

Cash from investing activities

Investing activities generated cash of $3.9 million this quarter, compared with $3.1 million of cash from investing activities in the second quarter of 2011−2012. On a year-to-date basis, cash generated of $18.4 million was lower than 2011−2012 cash from investing activities of $30.7 million. The decrease in cash generated overall from investing activities on a year-to-date basis was primarily due to last year's activities including a $9.9 million return of capital on our investment in Sirius/CSR, and a $5.1 million dividend received in connection with the Sirius/CSR merger. Our core business investment in capital remained comparable with last year, with year-to-date parliamentary appropriations received of $49.6 million and acquisitions of new property, equipment and intangible assets totalling $35.3 million.

3.3 Outlook and Risk Update

In the second quarter, we continued to implement our three-year financial plan announced on April 4, 2012. We developed budget measures to deal with the CRTC decision to discontinue the Local Programming Improvement Fund (LPIF) by August 31, 2014, and contingency plans for the disrupted NHL season and we prepared for our licence renewal hearings scheduled for November 2012.

Strategy 2015 has been adjusted to reflect the end of the LPIF, from which we drew over $47.1 million last year to improve service for viewers in 20 smaller markets. This adjustment minimizes the impact on programming and protects the core elements of Strategy 2015. Some of the enhancements implemented to improve services and funded through the LPIF will be maintained. However, given the magnitude of the reduction, other priorities will be affected. While Strategy 2015 sets out our vision for the future of Canada's national public broadcaster, we need a flexible regulatory framework as part of the CRTC licence renewals to enable us to respond to the evolving broadcasting environment and preferences of Canadians.

We also face other potential pressures. The success of our financial plan will depend heavily on the strength of the advertising market, our overall revenue performance, the net impact of the NHL labour disruption and the CRTC's approval of our application for a licence change to introduce advertising/sponsorships for CBC Radio 2 and Espace musique. As well, there has been no confirmation that salary inflation funding, which the federal government has not funded since 2010−2011, will resume in 2013−2014 and future years. We continue to closely monitor the financial plan and adjust as required.

Key factors that could impact our results are summarized in the following table, which outlines changes in risks since the March 31, 2012 Annual Report and the June 30, 2012 Quarterly Report. A full discussion of risks and mitigation 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 (LPIF) challenge our ability to achieve the objectives of Strategy 2015.	Budget measures to manage the loss of LPIF contributions have been developed and integrated into the three-year financial plan. While the plan is being closely monitored and adjusted as required, there are significant challenges ahead.
b. Local Programming Improvement Fund (LPIF) The LPIF is a critical source of funding for CBC/Radio-Canada and provided $47.1 million in funding for the broadcast year ended August 31, 2012. The phased in elimination by August 31, 2014 will have a negative impact on our programming.	The CRTC decision to end LPIF contributions by August 31, 2014 will result in a decrease in programming. Some of the enhancements to local news shows funded through the LPIF will be maintained. However, given the magnitude of the reduction, other priorities will be affected, including reductions in local and national programming, reductions to communication and promotional budgets and plans for four new local radio stations will be scaled back to digital offerings only.

Key Risk	Update
c. *Advertising Revenue –Impact of National Hockey League (NHL) Lockout* The NHL has locked out the players and the hockey season is disrupted. There is currently no timetable for the resumption of the season.	The disrupted NHL season has impacted advertising revenues. Contingency plans have been developed for replacement programming and cost containment to address anticipated lower revenues.
2. Regulatory Issues	
a. Licence Renewal Licence renewal hearings began on November 19, 2012. The outcome of these hearings will set the terms and conditions of our CRTC licence and could determine whether we are able to meet the objectives of Strategy 2015.	We are seeking: (1) a regulatory framework that will give us more agility and flexibility to reflect the realities of our current broadcasting environment and (2) the ability to generate new revenue by adding advertising and sponsorships to CBC Radio 2 and Espace musique

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 of the condensed consolidated financial statements.

4.2 Transactions with Related Parties

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

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
November 21, 2012

Condensed Consolidated Statement of Financial Position (unaudited)

(in thousands of Canadian dollars)	September 30, 2012	March 31, 2012
ASSETS		
Current		
Cash	48,497	64,277
Trade and other receivables (NOTE 4)	143,772	177,331
Programming (NOTE 5)	214,567	166,104
Merchandising inventory	919	811
Prepaid expenses (NOTE 6)	52,960	113,370
Promissory notes receivable	2,229	2,158
Net investment in finance lease	2,575	2,499
Derivative financial instruments (NOTE 18)	174	133
Assets classified as held for sale (NOTE 7)	1,887	234
	467,580	**526,917**
Long-term		
Property and equipment (NOTE 7)	991,958	1,047,988
Intangible assets (NOTE 8)	22,682	28,435
Assets under finance lease	44,242	48,242
Promissory notes receivable	48,779	49,903
Net investment in finance lease	52,770	54,077
Deferred charges	21,303	7,806
Investment in associate (NOTE 9)	6,594	6,208
	1,188,328	**1,242,659**
TOTAL ASSETS	**1,655,908**	**1,769,576**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (NOTE 10)	89,642	124,638
Provisions (NOTE 12)	45,730	39,062
Pension plans and employee-related liabilities (NOTE 11)	121,447	129,850
Bonds payable	20,330	20,093
Obligations under finance lease	10,239	9,945
Notes payable	7,870	7,794
Deferred revenue	4,454	3,511
Option liability	1,875	1,875
Derivative financial instruments (NOTE 18)	70	11
	301,657	**336,779**
Long-term		
Deferred revenue	2,797	2,587
Pension plans and employee-related liabilities (NOTE 11)	626,071	333,207
Bonds payable	282,877	288,533
Obligations under finance lease	48,916	54,206
Notes payable	116,002	118,885
Deferred capital funding (NOTE 14)	531,602	574,027
	1,608,265	**1,371,445**
Equity		
(Deficit) retained earnings	(254,474)	60,996
Total equity attributable to the Corporation	**(254,474)**	**60,996**
Non-controlling interests	**460**	**356**
TOTAL EQUITY	**(254,014)**	**61,352**
TOTAL LIABILITIES AND EQUITY	**1,655,908**	**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 September 30		Six months ended September 30	
	2012	**2011**	**2012**	**2011**
REVENUE (NOTE 13)				
Advertising	50,384	50,704	156,493	161,442
Specialty services	41,263	39,621	85,187	81,542
Other income	33,170	35,424	63,495	60,582
Financing income	2,153	2,327	4,500	4,655
	126,970	**128,076**	**309,675**	**308,221**
EXPENSES				
Television, radio and new media services costs	319,688	326,024	729,666	733,925
Specialty services	31,751	33,806	63,942	65,213
Transmission, distribution and collection (NOTE 7)	23,285	19,531	70,595	39,171
Corporate management	2,385	2,389	5,221	5,599
Payments to private stations	638	528	1,272	1,299
Finance costs	8,021	8,390	15,953	16,711
Gain on investment in associate	(939)	(1,095)	(386)	(730)
	384,829	**389,573**	**886,263**	**861,188**
Operating loss before Government funding and non-operating items	**(257,859)**	**(261,497)**	**(576,588)**	**(552,967)**
GOVERNMENT FUNDING (NOTE 14)				
Parliamentary appropriation for operating expenditures	231,819	257,664	478,432	502,433
Parliamentary appropriation for working capital	1,000	999	2,000	1,999
Amortization of deferred capital funding	36,558	32,345	91,993	64,458
	269,377	**291,008**	**572,425**	**568,890**
Net results before non-operating items	**11,518**	**29,511**	**(4,163)**	**15,923**
NON-OPERATING ITEMS				
Dilution (loss) gain from merger transaction	-	(13,476)	-	25,775
Dividend income from merger transaction	-	-	-	5,094
Net (loss) gain on disposal of property and equipment	(628)	37	(1,124)	(1,444)
	(628)	**(13,439)**	**(1,124)**	**29,425**
Net results for the period	**10,890**	**16,072**	**(5,287)**	**45,348**
Net results attributable to:				
The Corporation	10,859	16,157	(5,391)	45,264
Non-controlling interests	31	(85)	104	84
	10,890	16,072	(5,287)	45,348

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

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

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2012	**2011**	**2012**	**2011**
COMPREHENSIVE INCOME (LOSS)				
Net results for the period	10,890	16,072	(5,287)	45,348
Other comprehensive income (loss)				
Actuarial losses on defined benefit plans (NOTE 11)	(329,077)	(195,112)	(310,079)	(133,816)
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 loss for the period	**(318,187)**	**(179,040)**	**(315,366)**	**(93,468)**
Total comprehensive income (loss) attributable to:				
The Corporation	(318,218)	(178,955)	(315,470)	(93,552)
Non-controlling interests	31	(85)	104	84
	(318,187)	(179,040)	(315,366)	(93,468)

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 September 30, 2012

	(Deficit) Retained earning	Total accumulated other comprehensive income	Total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at June 30, 2012	63,744	-	63,744	429	64,173
Changes in period					
Net results for the period	10,859	-	10,859	31	10,890
Actuarial losses on defined benefit plans	(329,077)	-	(329,077)	-	(329,077)
Balance at September 30, 2012	**(254,474)**	**-**	**(254,474)**	**460**	**(254,014)**

(in thousands of Canadian dollars)

Three months ended September 30, 2011

	Retained earnings	Total accumulated other comprehensive income	Total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at June 30, 2011	412,274	-	412,274	2,432	414,706
Changes in period					
Net results for the period	16,157	-	16,157	(85)	16,072
Actuarial losses on defined benefit plans	(195,112)	-	(195,112)	-	(195,112)
Balance at September 30, 2011	**233,319**	**-**	**233,319**	**2,347**	**235,666**

Six months ended September 30, 2012

	(Deficit) Retained earning	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	(5,391)	-	(5,391)	104	(5,287)
Actuarial losses on defined benefit plans	(310,079)	-	(310,079)	-	(310,079)
Balance at September 30, 2012	**(254,474)**	**-**	**(254,474)**	**460**	**(254,014)**

(in thousands of Canadian dollars)

Six months ended September 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	45,264	-	45,264	84	45,348
Actuarial losses on defined benefit plans	(133,816)	-	(133,816)	-	(133,816)
Net unrealized gain on available-for-sale financial assets	-	94	94	-	94
Reclassification to income of net unrealized gain on available-for-sale financial asset arising from merger transaction	-	(5,094)	(5,094)	-	(5,094)
Balance at September 30, 2011	**233,319**	**-**	**233,319**	**2,347**	**235,666**

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 September 30		Six months ended September 30	
	2012	2011	2012	2011
CASH FLOWS FROM (USED IN)				
OPERATING ACTIVITIES				
Net results for the period	10,890	16,072	(5,287)	45,348
Adjustments for:				
Net loss (gain) on disposal of property and equipment	628	(37)	1,124	1,444
Interest revenue	(2,153)	(2,327)	(4,500)	(4,655)
Finance costs	8,021	8,390	15,953	16,711
Change in fair value of financial instruments designated as at fair value through profit and loss	430	(1,409)	18	(1,524)
Depreciation of property and equipment	34,143	29,565	81,353	59,469
Amortization of intangible assets	4,192	4,095	8,565	8,257
Depreciation of assets under finance lease	2,000	2,000	4,000	4,000
Impairment charge on property and equipment	446	-	6,986	-
Reclassification to income of net unrealized gain on available-for-sale financial asset arising from merger transaction	-	-	-	(5,094)
Loss on investment in associate	(939)	(1,095)	(386)	(730)
Dilution loss (gain) from merger transaction	-	13,476	-	(25,775)
Change in deferred charges	(11,485)	(5,163)	(13,497)	(6,635)
Amortization of deferred capital funding	(36,558)	(32,345)	(91,993)	(64,458)
Change in deferred operating appropriation	(31,819)	(18,663)	-	-
Change in deferred revenue [long-term]	105	418	210	263
Change in pension plan asset	-	(12,429)	-	(9,871)
Change in pension plans and employee-related liabilities [current]	(11,968)	(12,715)	1,104	(584)
Change in pension plans and employee-related liabilities [long-term]	(8,972)	1,025	(17,215)	1,964
Accretion of promissory notes receivable	(4)	(50)	(9)	(50)
Movements in working capital (NOTE 16)	18,602	36,428	8,558	186
	(24,441)	**25,236**	**(5,016)**	**18,266**
FINANCING ACTIVITIES				
Repayment of obligation under finance lease	(2,451)	(2,303)	(4,994)	(4,717)
Repayment of bonds	-	-	(5,253)	(4,879)
Repayment of notes	-	-	(2,797)	(2,670)
Interest paid	(988)	(1,136)	(16,091)	(16,869)
	(3,439)	**(3,439)**	**(29,135)**	**(29,135)**
INVESTING ACTIVITIES				
Parliamentary appropriations for capital funding (NOTE 14)	23,999	25,000	49,568	50,568
Acquisition of property and equipment	(22,402)	(24,099)	(35,322)	(39,787)
Acquisition of intangible assets	(1,251)	(1,442)	(2,784)	(2,233)
Return of capital-investment in associate	-	-	-	9,855
Proceeds from disposal of property and equipment	170	235	210	364
Collection of promissory notes receivable	491	457	973	907
Collection of finance lease receivables	521	485	1,032	962
Dividend received	-	-	-	5,094
Interest received	2,337	2,432	4,694	4,933
	3,865	**3,068**	**18,371**	**30,663**
Change in cash	**(24,015)**	**24,865**	**(15,780)**	**19,794**
Cash, beginning of the period	**72,512**	**58,153**	**64,277**	**63,224**
Cash, end of the period	**48,497**	**83,018**	**48,497**	**83,018**

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

Notes to the Condensed Consolidated Financial Statements for the Three and Six Month Periods Ended September 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 November 21, 2012.

2. Significant Accounting Policies

A. Statement of Compliance

The Corporation prepared these condensed consolidated financial statements in accordance with Section 131.1 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 131.1 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, except as noted below.

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 (Loss), to require the net interest to be calculated by using a high quality corporate bond yield, as well as to improve disclosure about the risks arising from defined benefit plans. These amendments are effective for annual periods beginning on or after January 1, 2013. 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 such 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, allowance for doubtful accounts, 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 per cent voting control;
- The determination that an arrangement to lease a portion of a building owned by the Corporation meets the criteria of an operating lease and that the leased portion of the building does not qualify as an investment property;
- The determination that the Corporation's current restructuring activities do not result in a curtailment gain or loss; 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)	**September 30, 2012**	**March 31, 2012**
Trade receivables	130,824	163,871
Allowance for doubtful accounts	(3,292)	(1,979)
Other	16,240	15,439
	143,772	**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.

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4. Trade and Other Receivables (Continued)

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

(in thousands of dollars)	**September 30, 2012**	**March 31, 2012**
31- 60 days	15,310	36,182
61- 90 days	13,007	25,381
91- 120 days	30,886	17,736
Total	**59,203**	**79,299**

B. Movement in Allowance for Doubtful Accounts

(in thousands of dollars)	**September 30, 2012**	**March 31, 2012**
Balance at beginning of the year	(1 979)	(1 103)
Amounts written off during the period as uncollectible	357	190
Amounts recovered during the period	-	-
Impairment losses reversed	371	695
Increase in allowance for doubtful accounts	(2 041)	(1 761)
Balance at end of the period	**(3 292)**	**(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)	**September 30, 2012**	**March 31, 2012**
Programs completed	72,964	90,973
Programs in process of production	111,498	46,045
Broadcast rights available for broadcast	30,105	29,086
	214,567	**166,104**

B. Movement in Programming

(in thousands of dollars)	**September 30, 2012**	**March 31, 2012**
Opening balance	166,104	163,658
Additions	424,007	1,013,491
Programs broadcast	(375,544)	(1,011,045)
	214,567	**166,104**

Programming includes amounts for television programs including specialty services.

The programming write-offs for the three months ended September 30, 2012 represent $1.1 million (2011–$1.6 million) and the six months ended September 30, 2012 amount to $1.6 million (2011–$2.3 million). Programming write-offs are mainly due to terminated projects, programs not telecast in the past two years, programming not suitable for telecast or pilots not progressing into a series.

6. Prepaid expenses

(in thousands of dollars)	**September 30, 2012**	**March 31, 2012**
Programming rights	35,117	95,809
Service agreements	17,843	17,561
	52,960	**113,370**

7. Property and Equipment

A. Cost , Accumulated Depreciation and Impairment Charges

The property and equipment carrying amounts are as follows:

(in thousands of dollars)	**September 30, 2012**	**March 31, 2012**
Cost	2,223,355	2,215,122
Accumulated depreciation and impairment charges	(1,231,397)	(1,167,134)
	991,958	**1,047,988**

(in thousands of dollars)	**Land**	**Buildings**	**Leasehold improvements**	**Technical equipment**	**Other**	**Uncompleted 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	38	1,536	979	20,630	1,637	10,502	**35,322**
Transfers (refer to Note 8)	130	1,908	2,733	12,754	1,869	(19,422)	**(28)**
Assets classified as held for sale	(447)	(1,800)	-	-	-	-	**(2,247)**
Disposals and write-offs	(1)	(1,173)	(205)	(18,862)	(4,573)	-	**(24,814)**
Cost at September 30, 2012	**180,920**	**525,480**	**50,395**	**1,302,222**	**138,258**	**26,080**	**2,223,355**
Accumulated depreciation at March 31, 2012	-	(118,928)	(21,249)	(926,896)	(100,061)	-	**(1,167,134)**
Depreciation for the period	-	(19,268)	(1,496)	(53,817)	(6,772)	-	**(81,353)**
Impairment charges	(423)	-	-	(6,117)	(446)	-	**(6,986)**
Reverse depreciation on assets classified as held for sale	-	594	-	-	-	-	**594**
Reverse depreciation on disposals	-	629	-	18,384	4,469	-	**23,482**
Accumulated depreciation and impairment charges at September 30, 2012	**(423)**	**(136,973)**	**(22,745)**	**(968,446)**	**(102,810)**	**-**	**(1,231,397)**
Net carrying amount at September 30, 2012	**180,497**	**388,507**	**27,650**	**333,776**	**35,448**	**26,080**	**991,958**

7. Property and Equipment (Continued)

(in thousands of dollars)	Land	Buildings	Leasehold improvements	Technical equipment	Other	Uncompleted 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 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 $20.4 million as at September 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 in its first quarter (2011–nil) and an additional depreciation expense of $6.4 million (2011–$0.6 million) and $26.0 million (2011–$2.4 million) for the three and six month periods ended September 30, 2012, respectively, in its Condensed Consolidated Statement of Income (Loss).

An additional charge of $0.4 million was recorded in the second quarter of 2012–2013 to fully impair a mobile unit which is no longer in useable condition.

7. Property and Equipment (Continued)

C. Assets Classified as Held For Sale

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

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 September 30, 2012 (March 31, 2012–$0.2 million).

As part of the Corporation's financial plan, it has developed a strategy to reduce ownership in land and buildings. As part of this initiative, the following properties are classified as held for sale for accounting purposes:

- A building and land located in Cornerbrook, Newfoundland, with a total carrying amount at September 30, 2012 of $0.3 million. Sale and transfer of this property was completed on November 1, 2012.
- A building and land located in Sydney, Nova Scotia, having a total carrying amount of $0.3 million, is expected to be sold before the end of the Corporation's third quarter.
- Another property, located in Iqaluit, Nunavut, has a carrying amount of $0.5 million and is expected to be sold in the next twelve months.
- In order to consolidate its operations in Rimouski, Quebec, the regional broadcasting activities in the area have been relocated into a single, leased property. The Corporation has listed its owned property in Rimouski for sale and intends to dispose of it in the next twelve months. This property has a net carrying amount of $0.4 million as at September 30, 2012.
- A parcel of land located in Stoneham, Quebec, that is no longer required following the shutdown of analogue television operations. The total carrying amount of the property at September 30, 2012 is $0.1 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)	**September 30, 2012**	**March 31, 2012**
Cost	153,619	150,807
Accumulated amortization	(130,937)	(122,372)
	22,682	**28,435**

8. Intangible Assets (Continued)

(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	209	1,113	1,462	**2,784**
Transfers (refer to Note 7)	629	31	(632)	**28**
Cost at September 30, 2012	**139,169**	**11,740**	**2,710**	**153,619**
Accumulated amortization at March 31, 2012	(120,822)	(1,550)	-	**(122,372)**
Amortization for the period	(7,441)	(1,124)	-	**(8,565)**
Accumulated amortization at September 30, 2012	**(128,263)**	**(2,674)**	**-**	**(130,937)**
Net carrying amount at September 30, 2012	**10,906**	**9,066**	**2,710**	**22,682**

(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 at March 31, 2012	**17,509**	**9,046**	**1,880**	**28,435**

B. Impairment

There were no indicators of impairment during the second 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:	
	September 30, 2012	March 31, 2012	September 30, 2012	March 31, 2012
CSR - Class B	14.50%	14.51%	6,577	6,191
Other	-	-	17	17
	-	-	**6,594**	**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 September 30, 2012, is $75.9 million (March 31, 2012–$53.6 million) and was determined using the closing market price of CSR Class A shares at September 30, 2012.

The following tables present the summarized financial information for CSR:

	Three months ended September 30		Six months ended September 30	
(in thousands of dollars)	2012 [1]	2011 [2]	2012 [1]	2011 [2]
Revenue	68,252	55,546	132,970	98,631
Net income	6,117	8,154	1,928	14,277

[1] Amounts for the three and six month periods ended September 30, 2012, include results for CSR through to August 31, 2012.
[2] Amounts for the three and six month periods ended September 30, 2011, include results for the combined CSR/Sirius entity through to August 31, 2011.

(in thousands of dollars)	September 30, 2012 [1]	March 31, 2012 [2]
Assets	407,128	397,158
Liabilities	361,873	354,367

[1] Amounts at September 30, 2012 include balances for CSR as at August 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)	September 30, 2012	March 31, 2012
Trade payables	35,827	54,925
Accruals	50,824	65,243
Other	2,991	4,470
	89,642	**124,638**

11. Pension Plans and Employee-Related Assets/Liabilities

Employee-related assets/liabilities are as follows:

(in thousands of dollars)	Current		Long-term	
	September 30, 2012	March 31, 2012	September 30, 2012	March 31, 2012
Accrued pension benefit liability	-	-	464,128	175,813
Employee future benefits	-	-	161,782	157,223
Vacation pay	51,827	57,099	-	-
Workforce reduction	10,240	6,310	-	-
Salary-related liabilities	59,380	66,441	161	171
	121,447	**129,850**	**626,071**	**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 ten 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.

During the year, the Corporation has 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	September 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	3.75%	4.25%
Discount rate - employee termination benefit	3.50%	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)	September 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	5,623,149	88,983	161,514	5,184,634	81,993	156,917
Fair value of plan assets	5,248,004	-	-	5,090,814	-	-
Deficit	**375,145**	**88,983**	**161,514**	**93,820**	**81,993**	**156,917**
Less:						
Unamortized unvested past service costs	-	-	(268)	-	-	(306)
Net liability arising from defined benefit obligation	**375,145**	**88,983**	**161,782**	**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)	September 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	50,779	3,525	72,541	6,761
Interest cost	110,847	3,012	231,924	7,120
Contributions from employees	21,210	-	41,186	-
Actuarial losses	390,386	4,501	667,400	15,056
Benefits paid	(127,717)	(6,441)	(244,327)	(13,254)
Past service cost[1]	-	-	15,000	-
Closing defined benefit obligation	**5,712,132[2]**	**161,514**	**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 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 $5,623,149 and $88,983 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)	September 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	150,589		291,938	-
Actuarial gains	84,808		379,386	-
Contributions from employees	21,210		41,186	-
Contributions from the Corporation	28,300	6,442	59,421	13,254
Benefits paid	(127,717)	(6,442)	(244,327)	(13,254)
Closing fair value of plan assets	**5,248,004**	**-**	**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)	**Three months ended September 30**		**Six months ended September 30**	
	2012	**2011**	**2012**	**2011**
Current service cost	27,152	18,362	54,304	36,724
Interest on obligation	56,930	59,685	113,860	119,370
Expected return on plan assets	(75,295)	(72,984)	(150,589)	(145,968)
Vested past service cost	(19)	(19)	(38)	14,962
Expense recognized in net results	8,768	5,044	17,537	25,088
Plus:				
Actuarial losses recognized in other comprehensive loss	329,077	195,112	310,079	133,816
Total amounts recognized in comprehensive loss	**337,845**	**200,156**	**327,616**	**158,904**

The cumulative actuarial losses recognized in Other Comprehensive Income (Loss) represent $374.3 million as of September 30, 2012 (March 31, 2012 losses – $64.3 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)	**Three months ended September 30**		**Six months ended September 30**	
	2012	**2011**	**2012**	**2011**
Television, radio and new media services costs	7,539	4,028	15,251	22,431
Specialty services	915	848	1,651	1,722
Transmission, distribution and collection	235	126	476	701
Corporate management	79	42	159	234
Total	**8,768**	**5,044**	**17,537**	**25,088**

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 three and six months periods was $143.0 million or 2.80 per cent and $235.4 million or 4.66 per cent, respectively (2011–3.50 per cent and 6.58 per cent, respectively).

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

The assets of the plan have been invested as follows:

(in thousands of dollars)	**September 30, 2012**	**September 30, 2011**
Fixed income	53%	55%
Canadian equities	11%	13%
Global equities	20%	17%
Strategic[1]	16%	15%
	100%	**100%**

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

For the three and six month periods ended September 30, 2012, the total expense related to employee benefits incurred by the Corporation was $217.3 million and $479.5 million, respectively (2011–$224.5 million and $491.7 million, respectively).

12. Provisions

			September 30, 2012		
			Restructuring costs		
(in thousands of dollars)	**Claims and legal proceedings**	**Environmental**	**Workforce reduction**	**Decommissioning**	**Total**
Balance at March 31, 2012	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 at June 30, 2012	**40,679**	**300**	**2,185**	**5,388**	**48,552**
Additional provisions recognized	4,969	-	22	1,270	6,261
Increases due to accretion	-	-	-	39	39
Provisions utilized	(4,917)	(40)	(1,170)	(308)	(6,435)
Remeasurement or settlement without cost	(2,687)	-	-	-	(2,687)
Balance at September 30, 2012	**38,044**	**260**	**1,037**	**6,389**	**45,730**

12. Provisions (Continued)

	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 first six months of the year have arisen 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 three and six months periods ended September 30, 2012, the total expense related to restructuring costs was $8.0 million and $53.4 million, respectively (2011–nil and nil), and the associated capital funding recognized in income was $6.4 million and $32.1 million, respectively (2011–nil and nil). The majority of these costs have been recorded as part of Transmission, distribution and collection expenses on the Corporation's Statement of Income (Loss).

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. The Corporation's provisions consist mainly of real estate valuation and related municipal tax issues, 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 September 30, 2012, the Corporation had provisions amounting to $38.0 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 identified any onerous contracts.

12. Provisions (Continued)

C. Environmental liabilities

At September 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 has begun work on the Mont Logan property, with spending for the three and six month periods ending September 30, 2012 totalling $0.04 million.

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)	Three months ended September 30		Six months ended September 30	
	2012	**2011**	**2012**	**2011**
Advertising	50,384	50,704	156,493	161,442
Building, tower, facility and service rentals	10,049	10,356	19,764	19,241
Production revenue	4,700	3,438	8,114	6,636
Digital programming	1,990	1,280	4,898	2,277
Retransmission rights	827	2,873	1,577	3,875
Program sponsorship	3,136	2,082	3,977	3,311
Other services	295	530	921	664
Total Rendering of services	**71,381**	**71,263**	**195,744**	**197,446**
Total Specialty Services	**41,263**	**39,621**	**85,187**	**81,542**
Total Financing income	**2,153**	**2,327**	**4,500**	**4,655**
Contribution from the Local Programming Improvement Fund (LPIF)	11,764	12,877	22,366	22,320
Contra revenues other than advertising	889	440	1,819	904
(Loss) gain on foreign exchange rates	(55)	89	67	(220)
Net (loss) gain from fair value of financial instruments	(425)	1,459	(8)	1,574
Total Revenue	**126,970**	**128,076**	**309,675**	**308,221**

14. Government Funding

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

(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2012	**2011**	**2012**	**2011**
Operating funding	200,000	239,001	478,432	502,433
Capital funding	23,999	25,000	49,568	50,568
Working capital funding	1,000	999	2,000	1,999
	224,999	**265,000**	**530,000**	**555,000**

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)	**September 30, 2012**	**March 31, 2012**
Operating funding received during period	478,432	1,028,047
Less: Parliamentary appropriation for operating expenditures recognized in the Condensed Consolidated Statement of Income (Loss) during period	(478,432)	(1,028,047)
Deferred operating vote drawdown	-	-

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)	**September 30, 2012**	**March 31, 2012**
Balance, beginning of year	574,027	602,025
Government funding for capital expenditures	49,568	102,272
Amortization of deferred capital funding	(91,993)	(130,270)
Balance, end of period	**531,602**	**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)	**Three months ended September 30**		**Six months ended September 30**	
	2012	**2011**	**2012**	**2011**
Changes in Working Capital are comprised of:				
Trade and other receivables	43,666	50,428	33,657	24,100
Programming	(34,644)	(22,869)	(48,463)	(54,104)
Merchandising inventory	(116)	(45)	(108)	115
Prepaid expenses	4,523	6,228	60,410	80,225
Promissory notes receivable	(2)	(1)	(6)	(4)
Financial liability related to the sale of receivables	-	70	-	140
Accounts payable and accrued liabilities	13,676	10,834	(35,496)	(31,852)
Provisions	(677)	7,406	6,628	(671)
Deferred revenue	(9)	(1,068)	1,443	(694)
Pension plans and employee-related liabilities	(7,815)	(14,555)	(9,507)	(17,069)
	18,602	**36,428**	**8,558**	**186**

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			
(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2012	**2011**	**2012**	**2011**
Associate	820	653	1,857	1,408
	820	**653**	**1,857**	**1,408**

	Receipt of services			
(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2012	**2011**	**2012**	**2011**
Other related entities	-	-	23	-
	-	**-**	**23**	**-**

	Pension contributions			
(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2012	**2011**	**2012**	**2011**
Corporate Pension Plan	14,509	14,432	28,300	26,921
	14,509	**14,432**	**28,300**	**26,921**

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

(in thousands of dollars)	Amounts owed by related parties		Amounts owed to related parties	
	September 30, 2012	**March 31, 2012**	**September 30, 2012**	**March 31, 2012**
Associate	347	446	-	-
	347	**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

During the second quarter of last year, the Corporation adjusted the dilution gain recorded as part of the merger between CSR and Sirius in order to reflect the requirements of reverse-takeover accounting, as well as to reflect previously unrecognized losses in Sirius. This change had the effect of lowering the dilution gain by $13.5 million.

17. Related Parties (Continued)

C. Transactions with Government-Related Entities

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

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

For the three months ended September 30, 2012, the aggregate amount of the Corporation’s significant transactions with other government-related entities amounted to $0.5 million of its rendering of services (2011–$0.4 million) and $0.2 million of its purchase of goods and services (2011–$0.06 million). For the six months ended September 30, 2012, the aggregate amount of the Corporation’s significant transactions with other government-related entities amounted to $0.6 million of its rendering of services (2011–$0.9 million) and $0.2 million of its purchase of goods and services (2011–$0.4 million).There were no individually significant transactions during the six months ended September 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, the short-term portion of the notes payable and the option liability approximate their carrying value due to the short-term nature of these instruments.

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

(in thousands of dollars)	September 30, 2012		March 31, 2012			
	Carrying values	Fair values	Carrying values	Fair values	Method [1]	Note
Financial instruments measured at fair value:						
Derivative financial asset instruments	96	96	80	80	Level 1	(a)
Derivative financial asset instruments - stock options	78	78	53	53	Level 2	(b)
Derivative financial liability instruments	70	70	11	11	Level 1	(a)
Financial instruments measured at amortized cost:						
Promissory notes receivable (long-term)	48,779	58,504	49,903	58,764		(c)
Net investment in finance lease (long-term)	52,770	64,789	54,077	64,999		(c)
Bonds payable (long-term)	282,877	394,084	288,533	396,127		(d)
Obligations under finance lease (long-term)	48,916	55,754	54,206	58,955		(d)
Notes payable (long-term)	116,002	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 an option pricing model.

(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

A. Program-related, Operating Leases and Other

The Corporation entered into commitments by renewing purchase agreements and entering into new purchase agreements. Management estimates that these new commitments, for the six month period ended September 30, 2012, will result in future expenditures of approximately $223.4 million. As of September 30, 2012, the Corporation's total commitments amounted to $925.6 million and will span the next 15 years.

B. The Corporation as a Lessor – Operating Leases

The Corporation received final approval to lease out a portion of the Toronto Broadcast Centre. The lease, which is expected to commence in March 2013 following the completion of certain building improvements, is for a term of 49 years and three months less a day. Total undiscounted rent payments under the agreement amount to $344.6 million.