Q3 2012-2013 QUARTERLY FINANCIAL REPORT

TO:	Board of Directors
MEETING:	February 21st, 2013
FROM:	Michael Mooney, Acting Vice-President and Chief Financial Officer
DECISION SOUGHT:	Audit Committee recommends to the Board of Directors approval to issue the CBC/Radio-Canada Financial Report for the quarter ended December 31st, 2012.
NEXT STEPS:	CBC/Radio-Canada will be publishing its Financial Report for the quarter ended December 31st, 2012.
DATE:	February 14th, 2013

Q3 FINANCIAL HIGHLIGHTS

- Revenue decrease of $36.3M compared to the same period last year primarily due to:
  - The impact of the NHL lock out on advertising revenues.
  - Decrease of $2.1M due to a reduction in LPIF contribution rate effective September 1st.

(in thousands of dollars)	For the three months ended December 31 2012	2011	Variance
Revenue	159,679	195,967	(36,288)
Expenses	(411,651)	(467,535)	55,884
Government funding	241,285	269,855	(28,570)
Gain from non-operating items	19,354	9,563	9,791
Net results for the period	**$ 8,667**	**$ 7,850**	**$ 817**
Other comprehensive income	183,509	34,697	148,812
Total comprehensive income for the period	**$ 192,176**	**$ 42,547**	**$ 149,629**

- Expenses lower than comparative quarter by $55.9M due to lower programming rights costs following spending reductions implemented across the organization in response to the federal budget and LPIF reductions, including ending contracts to broadcast Wheel of Fortune and Jeopardy. Lower costs of sports rights due to the NHL lock out also contributed to the decrease in operating expenses this quarter.
- The decrease in government funding by $28.6M reflects lower parliamentary appropriations for operating expenses by $24.4M in accordance with our reduced budgetary cost base this quarter relative to the same quarter last year, and reduced amortization of deferred capital funding by $3.9M due to lower depreciation as analogue TV assets are fully depreciated.
- A total non-operating gain of $19.4M for the quarter was mainly due to real estate sales in Calgary and Edmonton. In the comparative quarter of 2011, the non-operating gain of $9.6M was due to the sale of a parcel of land in Brossard, Quebec.
- Other comprehensive income arose from non-cash actuarial gains on our defined-benefit pension plan's obligations and assets, primarily due to a reduced discount rate applied to the plan's obligations of 0.25% this quarter.

More detailed analysis of variances on the statement of income and balance sheet, including year-to-date analysis, is provided in Appendix 1

1. ACCOUNTING AND REPORTING MATTERS

THE FOLLOWING TOPICS WERE DISCUSSED DURING THE AUDIT COMMITTEE MEETING

Significant Accounting Matters:

- **Update on Restructuring Activities –** restructuring charges of $1.7 million this quarter
- **Sirius Dividends –** $2.9 million declared and accounted for during the period using equity method
- **Shortened NHL Season –** conclusion that rights were not impaired and review of MD&A disclosure
- **New Accounting Pronouncements** – update provided on preparation for standards effective April 1, 2013
- **Pension plan quarterly impact** – other comprehensive gain of $183.5 million reflected in these quarterly financial statements

Quarterly Reporting Process Update:

- **Management Discussion & Analysis –** confirmed quarterly process and approval of senior management team
- **Financial Statements** – confirmed processes including quality assurance reviews
- **Update on Quarterly Testing** – discussed work performed and results

2. RESOLUTION

- Be it resolved that the Board of Directors approve the issuance of CBC/Radio-Canada Financial Report for the quarter ended December 31st, 2012.

APPENDIX 1 - CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

(in thousands of dollars)	Three months ended December 31			Nine months ended December 31			
	2012	**2011**	**Variance**	**2012**	**2011**	**Variance**	**Variance explained by:**
Revenue	159,679	195,967	(36,288)	469,354	504,188	(34,834)	**Three months:** Decrease in revenue overall mostly due to programming reductions following the federal budget cuts, the impact of the NHL lock out on advertising revenues and a lower LPIF contribution rate effective September 1, 2012. **Nine months:** Decrease in revenue mainly attributable to the factors discussed above, combined with a stellar playoff season last year which translated into higher than usual audiences and revenues. This was partially offset by higher French Services advertising revenues due to the success of new platforms and the growth in conventional advertising revenue.
Expenses	(411,651)	(467,535)	(55,884)	(1,297,914)	(1,328,723)	(30,809)	**Three months:** Decrease in expenses primarily due to lower programming expenses and reduced spending in response to Federal Budget 2012 and lower rights payments and production costs due to the NHL lock-out. In addition, the implementation of the Next Generation Convergence Network also contributed to the decrease. **Nine months:** Decrease in expenses is mainly due to the items mentioned above, partially offset by additional depreciation, impairment charges and the recognition of decommissioning costs arising from the acceleration of the shutdown of our remaining analogue TV transmitters and the cessation of RCI shortwave transmission.
Government funding	241,285	269,855	(28,570)	813,710	838,745	(25,035)	**Three and nine months:** The decrease in government funding recognized is consistent with lower forecasted expenditures following the budget reductions and other financial pressures. Operating appropriations are recognized based on expected needs according to forecasted revenues and forecasted expenditures for the period, which can result in quarterly fluctuations. Government appropriations are expected to be $27.8M lower in 2012-2013 than in the previous year.
Non-operating items	19,354	9,563	9,791	18,230	38,988	(20,758)	**Three months:** Increase due to the gains realized on the sale of transmission properties in Calgary and Edmonton in 2012 vs. the sale of the Brossard property in 2011. **Nine months:** Decrease due to a non-cash dilution (loss) gain from the merger transaction of Sirius Canada/ CSR in 2011, offset by the property sales mentioned above.
Net results for the period	**8,667**	**7,850**	**817**	**3,380**	**53,198**	**(49,818)**	
Other comprehensive income (loss)	183,509	34,697	148,812	(126,570)	(104,119)	(22,451)	**Three months:** 2012 actuarial gains on pension plan resulting from an increase in the discount rate from 3.75% to 4.00% partially offset by a lower than expected return on plan assets. **Nine months:** 2012 actuarial losses on pension plan due to a decrease in the discount rate on the obligation from 4.25% to 4.00% partially offset by a higher than expected return on plan assets.
Total comprehensive income (loss) for the period	**192,176**	**42,547**	**149,629**	**(123,190)**	**(50,921)**	**(72,269)**	

APPENDIX 1 - CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)	December 2012	March 2012	Variance	December 2011	Variance	Variance explained by:
ASSETS						
Cash	59,395	64,277	(4,882)	87,705	(28,310)	Timing of inflow/ outflows
Trade and other receivables	192,937	177,331	15,606	199,287	(6,350)	**Dec-March:** Higher receivables due to an accrual for proceeds from the sale of two properties as well as strong advertising sales in French Services, partially offset by seasonal patterns (the first three months of the calendar year have high volume such as hockey), as well as reduced sales due to the NHL lock-out. **Dec-Dec**: Lower this year largely due to the hockey lock-out, partially offset by proceeds on sale of the two properties in Alberta.
Programming	195,434	166,104	29,330	204,845	(9,411)	**Dec-March:** Increase due to higher production activity in both networks. Production continued this quarter in English Services for shows such as Murdoch Mysteries, Artic Air and Dragon's Den, and production started in French Services for programs such as 30 vie and Les enfants de la télé. Indirect costs accrued to programming have increased in proportion with the increase in non-procured programming levels. **Dec-Dec**: Decrease since last December due to amortization of longer-term program deals as aired -
Prepaid expenses	57,647	113,370	(55,723)	54,265 **s.18(b)** **s.21(1)(b)** **s.68.1**	3,382	**Dec-March:** The decrease in prepaid expenses is primarily due to the amortization of the over the April to June broadcast period. These costs were prepaid at March 2012. **Dec-Dec**: Increase due mainly to prepaid
Deferred charges	20,260	7,806	12,454	8,498	11,762	**Dec-March and Dec-Dec**
Investment in associate	4,260	6,208	(1,948)	6,495	(2,235)	CBC share of investment in Sirius/ CSR. Impacted at December 2012 by dividends receivable, which had the effect of lowering the investment value.

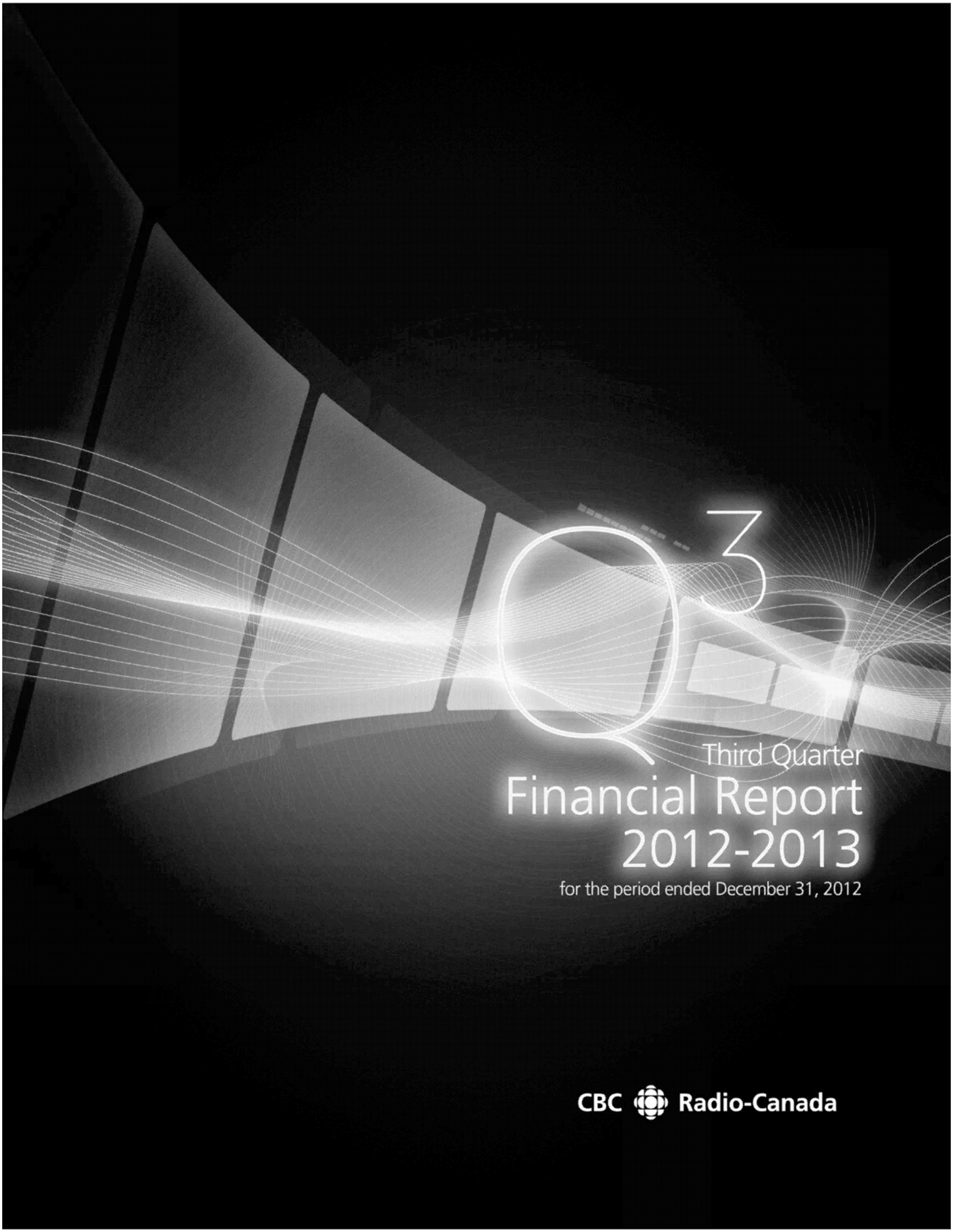
APPENDIX 1 - CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

(in thousands of dollars)	December 2012	March 2012	Variance	December 2011	Variance	Variance explained by:
LIABILITIES						
Accounts payable and accrued liabilities	75,014	124,638	(49,624)	80,251	(5,237)	**Dec-March:** Lower payables and accruals are consistent with seasonal patterns when trade payables and programming liabilities decrease during the financial year. Each March, the Corporation prepares for the upcoming production season and receives seasonally high levels of goods and services which are paid in the first quarter. Also contributing to the decrease is payments for procured programming rights and capital expenses that were included as accruals at March, in addition to lower incurred expenses resulting from the NHL lock-out. **Dec-Dec**: Decrease primarily as 2011 included significant amounts related to analogue transmission operating costs as well as higher capital accruals.
Provisions	50,894	39,062	11,832	35,944	14,950	**Dec-March**: The increase in provisions vs. March is due mainly to the addition of decommissioning and restructuring liabilities, as well as due to an increase in **Dec-Dec:** The increase is due to the items mentioned above in addition to other increases related to municipal taxes and employee-related provisions.
Pension plans and employee-related liabilities (s-t and l-t)	551,915	463,057	88,858	338,748	213,167	**Dec-March**: The overall increase in the pension plan liabilities was mainly due to actuarial losses on plan obligations during the year as the discount rate on the obligation decreased from 4.25% to 4.00%, partially offset by higher than expected returns on plan assets. **Dec-Dec:** Increase in liability mainly due to actuarial losses as the discount rate on the obligation decreased over the last year, as well as due to lower returns on assets in 2012 vs. 2011.
Deferred capital funding	518,793	574,027	(55,234)	579,462	(60,669)	**Dec-March:** The decrease in deferred capital funding is consistent with higher amortization and write-offs of analogue TV transmission assets at our non-mandatory sites, and write-offs of RCI transmission assets during the second quarter. **Dec-Dec:** Decrease due to items mentioned above.
EQUITY						
Total equity attributable to the Corporation	(62,379)	60,996	(123,375)	275,799	(338,178)	Equity reflects the total of net results and actuarial gains/ losses on the Corporation's defined benefit plans.

s.18(b)
s.21(1)(b)
s.68.1

APPENDIX 2 – Q3 2012-2013 QUARTERLY FINANCIAL REPORT

- Third Quarter Financial Report 2012-2013 for the period ended December 31st, 2012.



Q3

Third Quarter

Financial Report 2012-2013

for the period ended December 31, 2012

CBC Radio-Canada

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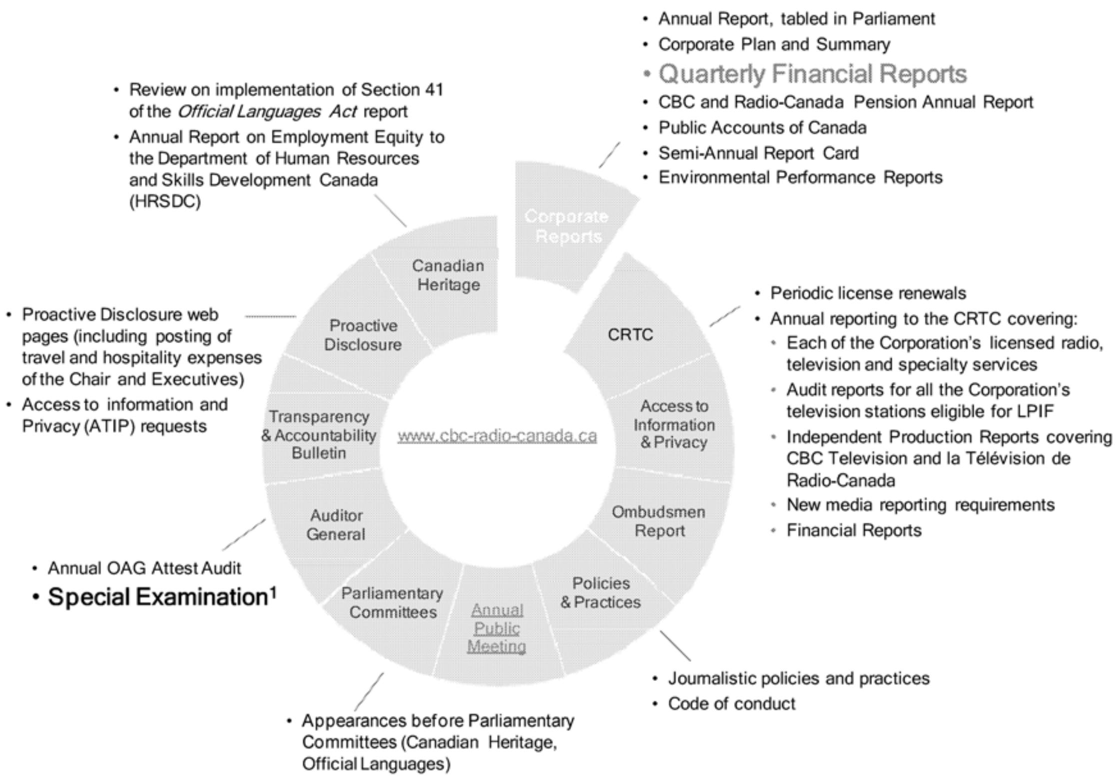
CBC/Radio-Canada's Commitment to Transparency and Accountability

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.



[1] On February 21st 2013, the OAG presented our Board of Directors with the results of their special examination on our key systems and practices. We are very pleased with the results of the examination. Refer here for further details. (placeholder: link)

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 December 31, 2012. It can be accessed on our corporate website.

These unaudited condensed consolidated financial statements for the quarter ended December 31, 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.

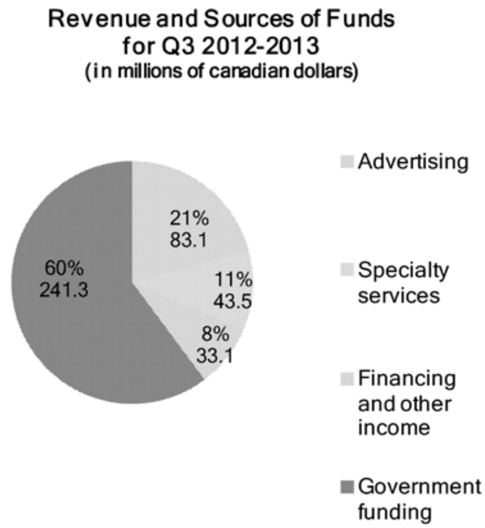
Government appropriations are recognized in income based on the annual budget, which reflects seasonal impacts on expenditures and self-generated revenue.

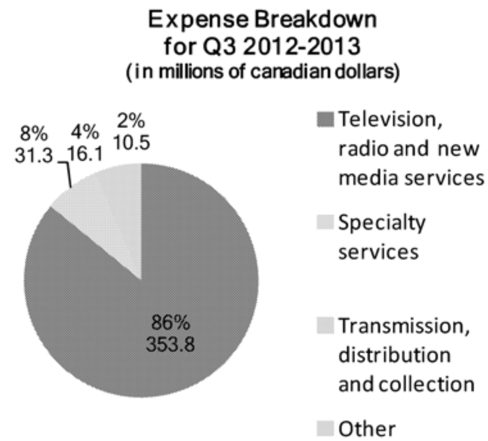
Note Regarding Forward-Looking Statements

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 December 31			For the nine months ended December 31		
	2012	2011	% change	2012	2011	% change
Revenue	159,679	195,967	(18.5)	469,354	504,188	(6.9)
Expenses	(411,651)	(467,535)	12.0	(1,297,914)	(1,328,723)	2.3
Government funding	241,285	269,855	(10.6)	813,710	838,745	(3.0)
Net results before non-operating items	**(10,687)**	**(1,713)**	**(523.9)**	**(14,850)**	**14,210**	**(204.5)**

Expenditure decreases of $55.9 million (12.0 per cent) exceeded the revenue reductions of $36.3 million (18.5 per cent) that resulted largely from the NHL labour disruption and other programming changes. Our reduction in government appropriations, which will total $27.8 million this year, combined with changes in the timing of recognizing this funding resulted in the net loss position this quarter. This was consistent with anticipated results and was more than offset by non-operating revenue arising from the sale of two transmission properties.

Net results before non-operating items for the quarter amounted to a loss of $10.7 million, compared to a loss of $1.7 million for the same period in 2011−2012. This movement was primarily due to the following changes in revenue, funding and expenses:

- Revenue decreased by $36.3 million (18.5 per cent) compared to the third quarter of 2011−2012. This primarily reflected the impact on advertising of programming reductions following the federal budget cuts and the absence of live professional hockey on Hockey Night in Canada (HNIC) because of the NHL lockout. The reduced LPIF contribution rate effective September 1, 2012 also contributed to this decrease.

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- Expenses were lower by $55.9 million (12.0 per cent) compared to the third quarter of 2011–2012. Most of the decrease was attributable to reduced spending on programming and operating cost reductions being implemented following the recent federal budget reductions, lower LPIF contributions and other financial pressures. Reduced spending on sports rights this quarter due to the NHL lockout also contributed to the decrease.
- Government funding recognized for accounting purposes was $28.6 million (10.6 per cent) lower compared to the third quarter of 2011–2012, 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

During this quarter, we continued implementing measures outlined in our financial plan to respond to an expected $200 million of financial pressures following reductions in our annual appropriations and other unavoidable new costs and investments required to keep pace as a modern public broadcaster. In addition, one-time restructuring costs to deal with these additional pressures are estimated at up to $25 million.

As part of this plan, we continue to move forward with our Workforce Adjustment Process. The Corporation expects to eliminate 650 full-time equivalent positions over three years, with up to 475 reductions taking place this financial year. The majority of this year's reductions were completed by July 31.

At the end of October, Radio Canada International's (RCI) shortwave transmission site in Sackville, New Brunswick officially closed down after 67 years of operation. We have moved exclusively to online distribution of our RCI programming, ending shortwave transmission on June 24. However, our shortwave transmitters were still operating until October to meet our international broadcasting agreements.

During this quarter, we also continued reviewing our existing transmission and real estate portfolios in order to increase self-generated revenues. Sales of properties in Calgary and Edmonton made possible by relocating transmission facilities have provided funding to reinvest in new capital equipment. We have also been successful in leasing excess space in our other properties, with close to 300,000 square feet of excess space leased by the end of this quarter. This is consistent with our plan to reduce our footprint by 800,000 square feet by 2017.

Business Highlights

We continue to fulfill our strategic mandate, despite resource constraints, guided by our five-year strategic plan, Strategy 2015. Over the quarter, we implemented a variety of initiatives that support the plan's 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

This quarter, our Canadian content resonated with our audiences and we continued to push boundaries with our programming.

This is particularly true of Télévision de Radio-Canada's *Unité 9*, a prime example of Radio-Canada's ongoing transformation. The show immerses the viewers into the lives of inmates in a women's prison. While helping to redefine the TV drama genre, it's pulling in record audience numbers with an average of 1.5 million viewers[1] every Tuesday night. The last episode before the holiday break drew 1.8 million viewers, making it the most watched drama episode this season in the French language market[1]. *Unité 9* continues this Winter with a total of 26 episodes over the Fall-Winter schedule.

The significant number of regional, national and international news events this Fall had a considerable impact on all our news and current affairs platforms. The weeks of October 1 and 15 earned RDI the fourth spot among Quebec's most-watched channels, with a share of over four per cent[1], while Radio-Canada.ca welcomed more than 2.6 million unique visitors in October 2012, the site's second-best month ever[2]. CBC News provided a unique, multi-platform Canadian perspective on the U.S. elections, including coverage and analysis on CBC Television, CBC Radio and CBC.ca. Other significant news highlights in the quarter included coverage of the 2012 Remembrance Day ceremonies and the devastating effects of Hurricane Sandy.

The absence of live games on Hockey Night in Canada (HNIC), due to the NHL lockout, proved significant for CBC Television. Not only in terms of the impact on programming, but also in terms of *HNIC*'s promotional value and audience draw for the rest of the prime time schedule. In spite of this, CBC Television aired seven of the top 10 Canadian entertainment series[1] in prime time. CBC Television's *Dragon's Den* averaged an audience of over one million and the *Rick Mercer Report* came very close to that mark.

CBC Radio One garnered its highest-ever Fall Survey audience share of 12.2 per cent, while Radio 2's audience share of 3.2 per cent was its highest Fall share since the programming format change in 2008. *The Current* celebrated its 10th anniversary on November 19, 2012, with a live broadcast from the Glenn Gould Studio in Toronto.

Also this quarter, CBC helped underscore the importance of Canadian literature. The gala for the Scotiabank Giller Prize, awarded annually to the author of the best English-language Canadian novel or short story collection, was hosted by CBC Radio One's Jian Ghomeshi and broadcast on CBC Television and streamed live on CBC Books. The prize winner, Will Ferguson, was interviewed by Jian Ghomeshi on the CBC Radio show *Q* the following morning.

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[1] Source: BBM
[2] Source: comScore

As is its tradition, Radio-Canada celebrated the holiday season across all platforms with a wide-appeal crop of comedy, variety and 2012 retrospective programming. This year's edition of the *Bye Bye* drew a combined total of 4.9 million viewers[1] for its live and repeat broadcasts, breaking its own historic 2011 record. Radio de Radio-Canada also attracted listeners with Première Chaîne's *À l'année prochaine*, and 14 new holiday-themed web radio streams on Espace.mu. On the web, Radio-Canada.ca launched the blog *Raconte-moi demain*, giving voice to dozens of personalities from all walks of life, who share their predictions of how our world will be 100 years into the future.

CBC Television's holiday schedule included *Canadian Country Music Association (CCMA) Home for the Holidays*, *Holiday Festival on Ice*, and *This Hour has 22 Minutes Holiday Special*. On CBC Radio, listeners could enjoy holiday music on *Canada Live* and CBCMusic.ca offered two holiday channels: Classical Holidays and Season Favourites. CBC Television's New Year's Eve line-up included specials from *This Hour has 22 Minutes*, *the Ron James Show* and *George Stromboulopoulous*. On Radio, *CBC Music Presents* offered the "best of 2012", as did *The Current*, and CBC Radio 2's *Drive*, which was also available on CBC Music.

More Regional

Radio-Canada is very often the sole source of local French-language programming for Canada's small francophone communities. Determined to forge ahead despite our current resource constraints, we are maintaining a strong presence in regions with minority French-speaking communities. This includes our regional newscasts, seven days a week, which we introduced during the first two years of Strategy 2015.

Similarly, as part of its continuing commitment to local service extension, CBC launched new local service in Kamloops, including a new CBC Radio One morning show and local digital content.

Demonstrating agility and a deep connection to the regions we serve, the CBC digital station in Hamilton, a unique service launched in 2012 in Ontario's Golden Horseshoe region, evolved its design based on audience feedback. This includes a new home-page that improves the overall user experience and has already resulted in higher audience usage.

French-speaking viewers in Est-du-Québec, Saguenay, Mauricie and Toronto who are Bell satellite subscribers now have access to local news and non-news programming in their region, as the distributor began retransmitting our local signals in late November.

Radio-Canada's new hyper-local digital service for Montreal's off island residents is setting up permanent locations at the centre of its territory in Brossard and Laval. This will permit reporting teams to work more closely with the communities they serve, while also ensuring a better use of resources and minimizing their environmental impact.

More Digital

The entire Corporation is working to expand our digital reach and the services we provide to Canadians. We are enhancing the user experience, establishing partnerships and developing distribution agreements.

During this quarter, CBC offered an innovative multi-platform experience for *Over the Rainbow* and *Dragon's Den* that included audience engagement with web components and mobile apps. We also launched a *Hockey Night in Canada* app and a CBC News app for Windows 8.

At the same time, Radio-Canada.ca launched a free magazine-style app for iPad that incorporates theme-based browsing of Radio-Canada.ca content, along with access to TV and radio clips. Personalized features let users follow the news in their region and choose topics. Since its release, this app has been among Apple's most popular for French-speaking Canadians. We also developed the Facebook TV schedule app *Radio-Canada et moi* to help Canadians choose what they want to watch on Télévision de

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[1] Source: BBM

Radio-Canada. The app flags matching user interests and availability, and sends alerts via email and social networks to let them know that their chosen shows will be aired soon.

Radio-Canada.ca's new games, *LeJudas.tv,* and Montreal's Rive Nord/Sud's *Supermaire,* explore the potential of the game market through features such as simulation and cross-platform drama and comedy series. *Supermaire* players try to secure the future of a municipal administration by managing its budget, while the alternate reality game *Le Judas* challenges players to identify a murderer from surveillance camera video footage.

Radio-Canada.ca also launched a new web-only series, *Le chum de ma mère est un extra-terrestre*, designed for kids aged 9-12 to help develop their Internet skills. In *Alphée des étoiles,* a new web documentary, director Hugo Latulippe recounts the day-to-day life of his five-year-old daughter struck by a rare genetic disorder.

To raise Tou.tv's profile, while also further cementing the national public broadcaster's position in a rapidly shifting market, the video on demand unit entered into agreements with top industry players to make our programming available on several platforms. Samsung now offers over 2,000 hours of free programming in French via its Smart TV. Microsoft is also a partner, with Xbox LIVE applications and its most recent operating system, Windows 8.

Finally, starting in January 2013, travellers flying with Air Transat will be able to get their arts and entertainment fix by watching episodes of ARTV's *La liste,* which presents host Marie-Soleil Michon's and her contributors' top picks in everyday living and psychology.

Other Business Matters

On February 21st, the Board of Directors was presented with the results of the Office of the Auditor General's (OAG) special examination of our key systems and practices. We are very pleased with the results which indicate the progress we've made since the last special examination in 2005. No significant deficiencies were identified during this examination, meaning the OAG did not find major weaknesses in our key systems and practices. While the majority of the areas examined actually resulted in positive comments, the OAG did identify some areas of improvement and made seven important recommendations. We agree with these recommendations and have already begun to act on them. This special examination is another level of assurance to Canadians that we manage our assets responsibly and effectively.

This quarter, we were also awarded a grade of "A" for our performance under Access to Information by the Information Commissioner in her special report tabled in Parliament. This contrasts with the "F" we received in the Commissioner's previous report, tabled in March 2011. Also in the third quarter, our ongoing improvements in transparency, accountability and access to information earned us a spot as a finalist in the 2012 Institute of Public Administration of Canada (IPAC)/Deloitte Public Sector Leadership Awards. Winners were announced in February 2013.

We also published our 2011−2012 Environment Performance Report. Here Canadians can assess our progress on becoming a greener, better organization. As we move forward, we are ensuring that our environmental program is sound and efficient by developing benchmarks and targets adapted to our industry. This will allow us to better measure our performance, improving our environmental management system and clarifying the mandates, roles and responsibilities of committees and employees whose work impacts our environment-related activities.

Looking Forward

On December 19, we filed our final written reply with the CRTC, officially wrapping up our part in the licence renewal process. On January 21 2013, the CRTC invited ARTV to refile one aspect of its licence renewal application in order to clarify the requirement that official language minority communities outside Quebec have access to ARTV's service through cable operators in their market.

Over the course of the hearings, organizations and individual Canadians alike appeared before the Commission to present the issues that matter to them. 8,000 comments were also filed with the CRTC in the lead-up to the hearings. This indicates the importance of public broadcasting to Canadians. In comparison, a total of 1021 interventions were received at the hearings for CTVglobemedia Inc., Shaw Media Inc., Shaw Cablesystems ltd., Corus Entertainment Inc., and Rogers Broadcasting.

We used the opportunity to reiterate our commitment to the essential and unique role that we play in the Canadian broadcasting system as the public broadcaster, the challenges we face in fulfilling that role, and our need for regulatory flexibility and additional revenue opportunities to meet those challenges. We look forward to the CRTC's decision, which is expected to take several months to finalize.

The NHL labour disruption, which began on September 16, 2012, came to an end on January 12, 2013. Following the signing of the collective bargaining agreement, the regular season began on January 19 with the return of *Hockey Night in Canada* to CBC Television and cbcsports.ca. Audiences will notice several changes to the 60th Anniversary season: a new rendition of *Hockey Tonight*, new on-air animations and even more opportunities for audience interaction with the program, the game and other fans across the country through the launch of *Hockey Night in Canada: 2nd Screen*.

1. Performance Update

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

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

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

Further details, 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 to track and assess our performance. We have developed a report card that allows us to monitor how well, according to surveyed Canadians, our services fulfill the Corporation's mandate under the *Broadcasting Act*, and the degree to which our programming adheres to the guiding principles of our new plan. Below is the report card for November 2012, an interim measure for Year 2 of the new strategy. It shows our results compared to November 2011. Differences of less than 0.3 are not statistically significant.

In the upcoming Annual Report 2012−2013, we will present a detailed analysis of our performance over the past two years and report on our progress against Strategy 2015 metrics.

Report on French Services

How does French Services fulfill its mandate under the *Act*?

Radio-Canada's radio and television programming is...	November 2012 Average Scores (/10)	November 2011 Average Scores (/10)
informative	8.2	8.3
enlightening	8.0	8.0
entertaining	7.8	7.9
available on new platforms	8.1	8.4
Metric definition: Average score is the average of the scores given by all respondents on a 10 point scale.	1 2 3 4 5 6 7 8 9 10 Strongly Disagree · Disagree · Agree · Strongly Agree	

Source: TNS Canadian Facts (1,200 Francophones per survey).

The telephone surveys are conducted in November and March of each year.

The results of the November 2012 tracking survey confirm that Francophones continue to feel that CBC/Radio-Canada French Services is fulfilling its mandate under the 1991 *Broadcasting Act*, with French Services receiving high scores for each aspect of its mandate that was measured, ranging from 7.8 (entertaining) to 8.2 (informative).

How does French Services' programming fare against the guiding principles of Strategy 2015?

Radio-Canada's programming...[1]	November 2012 Average Scores (/10)	November 2011 Average Scores (/10)
is high quality	8.2	8.4
is different from that offered on other channels	7.6	8.0
reflects regions of Canada	7.3	7.8
reflects my region	6.7	7.1
reflects diversity	7.2	7.7
reflects my culture	7.3	7.6
Metric definition: Average score is the average of the scores given by all respondents on a 10 point scale.	1 2 3 4 5 6 7 8 9 10 Strongly Disagree · Disagree · Agree · Strongly Agree	

[1.] Programming and content offered on any of our services, i.e., Télévision de Radio-Canada, RDI, ARTV, Première Chaîne, Espace musique, *Radio-Canada.ca* and Tou.tv.

Source: TNS Canadian Facts (1,200 Francophones per survey).

The telephone surveys are conducted in November and March of each year.

While Francophones continue to respond positively to initiatives French Services has announced or introduced since the launch of Strategy 2015, scores for each of the Strategy 2015 metrics – which measure whether French Services' programming offers original, innovative, quality Canadian content and that reflects Canadians and draws them together – declined in November 2012 compared to November 2011.

French Services' programming and content received its highest scores for being of "high quality" (8.2), while its lowest score was recorded for the measure "reflects my region" (6.7).

Report on English Services

How does English Services fulfill its mandate under the *Act*?

CBC's radio and television programming is...	November 2012 Average Scores (/10)	November 2011 Average Scores (/10)
informative	7.8	8.0
enlightening	7.4	7.5
entertaining	7.2	7.4
available on new platforms	8.3	8.2
Metric definition: Average score is the average of the scores given by all respondents on a 10 point scale.	1 2 3 4 5 6 7 8 9 10 — Strongly Disagree, Disagree, Agree, Strongly Agree	

Source: TNS Canadian Facts (1,200 Anglophones per survey).

The telephone surveys are conducted in November and March of each year.

In November 2012, English Services' Radio and Television programming maintained the results it obtained in November 2011. Anglophones continue to perceive that CBC/Radio-Canada's English Services is meeting its mandate under the 1991 *Broadcasting Act*. Its highest scores were for providing content that is "available on new platforms" (8.3) and "informative" (7.8).

How does English Services' programming fare against the guiding principles of Strategy 2015?

CBC's programming...[1]	November 2012 Average Scores (/10)	November 2011 Average Scores (/10)
is high quality	8.2	8.1
is different from that offered on other channels	7.4	7.5
reflects regions of Canada	8.0	8.1
reflects my region	6.4	6.4
reflects diversity	7.6	7.8
reflects my culture	6.7	6.9
Metric definition: Average score is the average of the scores given by all respondents on a 10 point scale.	1 2 3 4 5 6 7 8 9 10 — Strongly Disagree, Disagree, Agree, Strongly Agree	

1. Programming and content offered on any of our services, i.e., CBC Television, CBC News Network, **bold**, *documentary*, CBC Radio One, CBC Radio 2 and CBC.ca.

Source: TNS Canadian Facts (1,200 Anglophones per survey).

The telephone surveys are conducted in November and March of each year.

The implementation of Strategy 2015 continues to be perceived positively by Anglophones, with the scores recorded in November 2011 being maintained in November 2012.

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, a minimum of 75 per cent Canadian content is expected. For the peak period, 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

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

These indicators relate directly to our strategic priorities, and are formulated each year as part of the media's business plans. The KPI targets consider a number of factors including specific programming offers, sources of funding, broadcast industry trends, consumer behaviour patterns, and past performance results. Accordingly, in some cases our targets for 2012-2013 were set lower and in other cases set higher than prior year actual results in order to reflect the expected impact of programming changes due to Strategy 2015 initiatives, reduced government funding, phasing out of LPIF, and other financial constraints.

Our third quarter report contains a complete list of KPIs combining indicators applicable to the entire year (as seen in past 2012–2013 quarterly reports) and those applicable to periods of less than the full 12-month period (being presented below for the first time this fiscal year).

English Services

CBC Radio had exceptionally strong audience performance, with a 15.3 percent market share. Radio One enjoyed its highest ever Fall share, and Radio 2 had its highest Fall share since the programming changes in 2008.

Subscription levels for CBC News Network, **bold** and *documentary* are stable and at, or extremely near to, targets.

CBC News Network's audience share is trending to target during a period in which new primetime programming was introduced to the service, at the end of the second quarter.

For CBC Television, reduced programming as a result of the funding decreases announced in Federal Budget 2012, the absence of professional hockey due to the NHL labour disruption, and the phasing-out of the LPIF contributions had significant programming and revenue implications on our conventional and digital platforms. CBC Television's share performance fell from the prior year's results and is trending below target. However, the performance of winter season programming usually improves the final outcome of this indicator as measured at the end of the regular season. In addition, we are anticipating lower than targeted revenue for the full fiscal year.

The monthly average of unique visitors to CBC.ca is also trending below target, in large part because of a poor performance in the first quarter compared to the same period in 2011, when the federal election and the Vancouver Canucks' Stanley Cup playoff were strong draws. By contrast, in the third quarter, the monthly average of unique visitors was up 14 percent year over year. Continued strong performance would improve this indicator's outcome by year end.

		Annual Targets 2012-2013	Results to date	Annual Results 2011-2012
Radio Networks				
CBC Radio One and CBC Radio 2	All Day audience share[1]	14.3%	15.3%	14.7%
Television				
CBC Television	Prime-time audience share Regular season[3]	8.1%	5.3%	8.6%
CBC News Network	All Day audience share April-March[3]	1.4%	1.4%	1.4% [5]
Regional				
CBC Radio One morning shows	Average weekly hours tuned (Mon -Fri) Regular season[3]	6.0 million	5.6 million	6.0 million
TV supper and late-night news	Average weekly hours tuned (Mon -Fri) Regular season[3]	3.5 million	3.6 million	3.3 million
Regional web pages	Monthly average unique visitors April-March[2]	0.975 million	0.91 million	0.94 million [5]
New Platforms				
CBC.ca	Monthly average unique visitors April-March[2]	6.5 million	6.1 million	6.2 million [5]
Specialty Television Channels				
CBC News Network	Subscribers	11.4 million	11.4 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	$258 million	$399 million[6]

1. Source: BBM Canada, fall survey (diary), persons aged 12 years and older.

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

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

4. 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 was based on the regular season (i.e. September - March).
In 2012−2013, measurement is based on the fiscal year (April - March).

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

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French Services

The strength of Radio-Canada's multiplatform offering is having a positive effect on a number of our indicators.

The higher volume of compelling regional, national and international news stories in 2012 has significantly impacted the results of our platforms which offer news and current affairs content. This had a positive effect on a number of indicators, including specialty channels, regional webpages and websites. We currently estimate that Radio-Canada's websites will meet target by year-end. The same is true for specialty channels and regional webpages which may surpass 2012-2013 annual targets

Première Chaîne and Espace Musique have surpassed audience share targets, largely as a result of programming successes in several time slots and continued strength against competitors that were reorganizing in several markets. On Première chaîne, the success of shows such as the newly launched mid-day show, *Pas de midi sans info,* may have been in part the result of audiences' sustained interest in news and current affairs throughout the year.

Télévision de Radio-Canada is over target for audience share, powered by a strong Fall lineup that included *Unité 9*, a huge hit in its first season.

Year-to-date results for self-generated revenue are trending on target.

		Annual Targets 2012-2013	Results to date	Annual Results 2011-2012
Radio Networks				
Première Chaîne and Espace musique	Full-day audience share[1]	16.0%	18.5%	17.8%
Television				
Télévision de Radio-Canada	Prime-time audience share Fall/ Winter season[4]	18.2%	19.8% [5]	18.7%
RDI, ARTV, Explora	Full-day audience share April-March [4]	4.7%	5.3% [5]	4.6% [3]
Regional				
Première Chaîne	Morning shows audience share Mon-Fri 6-9 a.m.[1]	16.0%	17.7%	17.0%
Téléjournal 18h	Average viewer per minute Weekly average Mon-Fri 6-6:30 p.m. Fall/ Winter season[4]	0.290 million	0.324 million [5]	0.291 million
Regional web pages	Monthly average unique visitors April-March [2]	0.497 million	0.631 million	0.476 million [3]
Website				
Radio-Canada.ca, Tou.tv, Bandeapart.fm, RCI.net, Espace.mu	Monthly average unique visitors April-March [2]	2.1 million	2.2 million	2.1 million [3]
Specialty Televsion Channels				
RDI	Subscribers	11.2 million [6]	11.2 million [6]	11.1 million [6]
ARTV	Subscribers	2.1 million	2.1 million	2.1 million
Revenue[7]				
Conventional, specialty, online		$253.5 million	$187.3 million	$228.6 million [8]

1. Source: BBM Canada, spring and fall survey (diary), persons aged 12 years and older.

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

3. In 2011-2012, Radio-Canada websites' and specialty channels' targets and performance were measured from September to March. In 2012−2013, measurement is based on the fiscal year (April - March).

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

5. As at December 30, 2012.

6. In the current year, we discovered an RDI subscriber calculation error impacting annual targets, results to date and annual results. We have revised the figures in the table above to reflect the corrected calculation for all related figures and periods presented.

7. 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.

8. 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:

Dialogue, continuing the conversation

In the Fall of 2010, we launched the *Dialogue* program, starting with a corporate-wide survey to measure employee engagement and drive organizational change. Since then, various activities have been carried out at all levels across the organization to make CBC/Radio-Canada an even better workplace than it already is.

This November, we conducted a follow-up survey to gauge our progress over time, particularly on our two organizational priorities from the first survey: recognition and development. More than 60 per cent of our employees shared their thoughts with us.

Results of the survey were shared with our employees in January 2013. People are at the heart of everything we do, and we'll keep finding ways to continue engaging our employees and modernizing our environment.

Outstanding achievement in promoting official languages

In October, one of our on-air personalities, Bernard St-Laurent, was presented the Award of Excellence for Promotion of Linguistic Duality. Awarded annually by the Office of the Commissioner of Official Languages, this prestigious award recognized Bernard for his exceptional career accomplishments. For more than 14 years, the radio show he created – *C'est la vie* – has showcased Francophone culture across the country, encouraging English-speaking Canadians to explore French-language arts, culture, sports, science and business.

This recognition is a testament to CBC/Radio-Canada's commitment to expressing Canadian culture above and beyond our legislative requirements and to supporting the work of the Office of the Commissioner of Official Languages.

Recognition

Hubert T. Lacroix, President and CEO, launched the 2012 President's Awards this quarter. The awards are a way to acknowledge our employees' contributions, their achievements, qualities and skills. Winners will be named in the Spring.

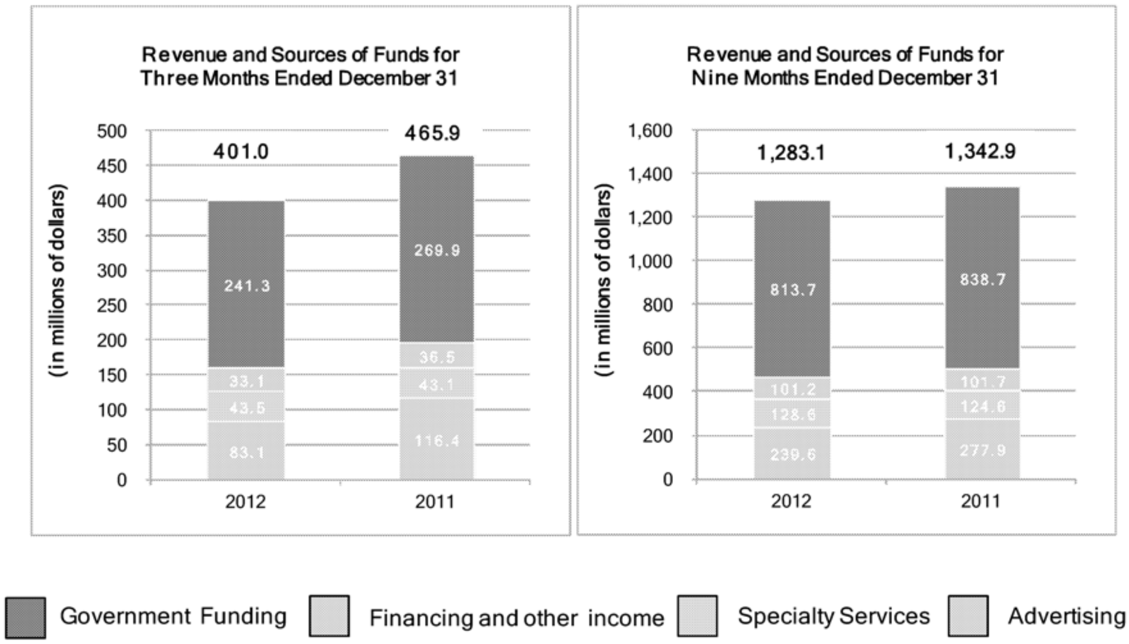
Board and Management

On December 13, the Government of Canada appointed Maureen McCaw as a member of our Board of Directors for a term of five years, effective immediately. Ms. McCaw, who is from Edmonton, was the founder and president of Criterion Research and was most recently the executive vice-president of Leger Marketing Research. She is a member of the Alberta Securities Commission and also sits on a number of industry and community boards, including Suncor Energy, Leger Marketing and Edmonton International Airport. Ms. McCaw completed a B.A. in Economics from the University of Alberta. Ms. McCaw replaces Edna Turpin. We'd like to thank Ms. Turpin for her dedication and hard work while sitting on CBC/Radio-Canada's Board.

Esther Enkin, formerly Executive Editor of CBC News, was appointed as the Corporation's new Ombudsman for English Services, effective January 1, 2013. Ms. Enkin was unanimously selected for the job by an expert selection committee with internal and external representation. Ms. Enkin succeeds Kirk LaPointe, who will remain on as Special Advisor through the transition period.

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 third quarter of 2012–2013, government funding represented approximately 60 per cent of total revenue and sources of funds. This included $28.8 million of amortization of deferred capital funding.

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

Advertising Revenue

We generate revenue by selling advertising on our conventional television broadcasts and on other platforms. In the third quarter of 2012–2013, advertising accounted for approximately 21 per cent of our total revenue and sources of funds.

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

Specialty Services Revenue

Specialty services revenue, which includes subscription and advertising from CBC News Network, **bold**, *documentary*, Explora, ARTV and the Réseau de l'information de Radio-Canada (RDI), generated approximately 11 per cent of total revenue and sources of funds in the third quarter of 2012–2013.

Financing and other income

Financing and other income, which includes contributions from the LPIF and the Canadian Media Fund (CMF) 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 8 per cent of total revenue and sources of funds in the third quarter. Included in these funds were $7.5 million of LPIF contributions in the third quarter of 2012–2013. This is a reduction of $2.1 million over the same quarter last year, reflecting the decreased LPIF rate. 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.

In December 2012, the Minister provided us with approval in principle of up to $25 million in aggregate during 2012–2013. 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 December 31			For the nine months ended December 31		
	2012	2011	% change	2012	2011	% change
Revenue	159,679	195,967	(18.5)	469,354	504,188	(6.9)
Expenses	(411,651)	(467,535)	12.0	(1,297,914)	(1,328,723)	2.3
Government funding	241,285	269,855	(10.6)	813,710	838,745	(3.0)
Net results before non-operating items	**(10,687)**	**(1,713)**	**(523.9)**	**(14,850)**	**14,210**	**(204.6)**
Non-operating items						
Dilution gain from merger transaction	-	-	N/A	-	25,775	N/M
Dividend income from merger transaction	-	-	N/A	-	5,094	N/M
Net gain on disposal of property and equipment	18,491	9,563	93.4	17,367	8,119	113.9
Gain on the sale of warrants	863	-	N/A	863	-	N/A
Non-operating items	**19,354**	**9,563**	**102.4**	**18,230**	**38,988**	**(53.2)**
Net results for the period	**8,667**	**7,850**	**10.4**	**3,380**	**53,198**	**(93.6)**

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

Net results before non-operating items for the third quarter of 2012–2013 was a loss of $10.7 million, greater than operating losses incurred in the same quarter last year by $9.0 million. The revenue decrease of $36.3million (18.5 per cent) reflected the impact on advertising of programming reductions following the federal budget cuts and the absence of professional hockey on HNIC, and also the reduction in our LPIF contributions. This decline in revenue was more than offset by expenditure reductions totalling $55.9 million (12.0 per cent). However, a reduction of $28.6 million (10.6 per cent) in the government funding recognized in income resulted in the operating loss position. This was consistent with anticipated results and is more than offset by non-operating revenue arising from the sale of two transmission properties.

On a year-to-date basis, a loss of $14.9 million was incurred before non-operating items, compared to income of $14.2 million for the first nine months of 2011–2012. These results include the financial effect of one-time restructuring measures we are taking in response to the financial pressures we face 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 December 31			For the nine months ended December 31		
	2012	2011	% change	2012	2011	% change
Advertising						
English Services	42,492	76,886	(44.7)	144,638	186,983	(22.6)
French Services	40,583	39,530	2.7	94,930	90,875	4.5
	83,075	116,416	(28.6)	239,568	277,858	(13.8)
Specialty services						
CBC News Network	22,061	21,980	0.4	65,001	62,901	3.3
RDI	13,837	14,073	(1.7)	41,789	41,099	1.7
bold	1,018	1,062	(4.1)	3,088	3,033	1.8
Explora	566	-	N/A	1,207	-	N/A
documentary	1,635	1,369	19.4	4,622	4,153	11.3
ARTV	4,339	4,597	(5.6)	12,936	13,437	(3.7)
	43,456	43,081	0.9	128,643	124,623	3.2
Financing and other income						
English Services	11,860	14,863	(20.2)	39,479	40,184	(1.8)
French Services	12,073	12,709	(5.0)	34,220	31,149	9.9
Corporate Services	9,215	8,898	3.6	27,444	30,374	(9.6)
	33,148	36,470	(9.1)	101,143	101,707	(0.6)
TOTAL	**159,679**	**195,967**	**(18.5)**	**469,354**	**504,188**	**(6.9)**

N/A = Not applicable

The following paragraphs explain the revenue decrease of $36.3 million (18.5 per cent) in the third quarter and of $34.8 million (6.9 per cent) in the first nine months of the fiscal year, compared to the same periods in 2011−2012.

Advertising

In the third quarter, advertising revenue decreased by $33.3 million (28.6 per cent) compared to the same three months in 2011−2012. For English Services the impact on conventional and digital advertising of programming reductions following the federal budget cuts and the absence of HNIC due to the NHL lock-out, together with decreases in LPIF, were the main reasons for the decline of $34.4 million (44.7 per cent). For French Services, advertising revenue grew by $1.1 million (2.7 per cent) as a result of the success of new platforms, web and mobility, as well as growth in conventional advertising revenue.

On a year-to-date basis, advertising revenue decreased by $38.3 million (13.8 per cent) compared to the same nine months of 2011−2012. The $42.3 million (22.6 per cent) decline for English Services' advertising revenue was mostly due to the impact on advertising of the programming reductions following the federal budget cuts, the absence of NHL hockey in the third quarter, and the reduced LPIF funding. Because a Canadian team, the Vancouver Canucks, reached the Stanley Cup final in the 2011−2012 NHL playoffs, audiences and revenues that year were particularly strong, which is also a contributing factor to the year-over-year decrease. As with the quarterly results, French Services' year-to-date advertising revenue was higher by $4.1 million (4.5 per cent) as 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 remained stable in the third quarter of 2012−2013, and increased by $4.0 million (3.2 per cent) in the first nine months of 2012-2013, compared to the same periods last year.

On a year-to-date basis, the $4.0 million revenue increase was largely due to CBC News Network. The channel's revenue grew by $2.1 million (3.3 per cent) compared to last year as a result of stronger advertising rates and an increase in the number of subscribers. The channel is widely available across Canada, and is now in 11.4 million cable and satellite homes (compared to 11.3 million in December 2011). Explora, which launched on March 28, 2012 and is now in 210,000 homes also contributed to the revenue increase. During the third quarter, Explora generated $0.6 million in subscriber and advertising revenue, bringing the year-to-date revenue to $1.2 million.

Financing and other income

In the quarter, financing and other income decreased by $3.3 million (9.1 per cent) over the same period last year. This was primarily due to lower LPIF revenue of $2.1 million recognized for quarter ended December 31, 2012, compared to the same three months in 2011−2012. LPIF contributions were reduced to 1 per cent of Broadcast Distribution Undertakings (BDU) revenues effective September 1, 2012. English Services' other income decreased as a result of lower sports production recoveries and non-advertising revenue agreements tied to the NHL.

On a year-to-date basis, financing and other income decreased by $0.6 million (0.6 per cent) compared to the first nine months of 2011−2012. The main cause was a reduction of $2.1 million in LPIF revenues in English and French Services which was partially offset by French Services' facility rentals income and commercial production. LPIF contributions will continue to be phased out over the next two broadcast years, ending August 31, 2014. The fund contributed $47.1 million annually to improve service for viewers in 20 smaller markets.

Operating Expenses

(in thousands of Canadian dollars)	**For the three months ended December 31**			**For the nine months ended December 31**		
	2012	**2011**	**% change**	**2012**	**2011**	**% change**
Television, radio and new media services						
English Services	186,360	230,732	(19.2)	616,061	661,844	(6.9)
French Services	167,398	171,755	(2.5)	467,363	474,568	(1.5)
	353,758	402,487	(12.1)	1,083,424	1,136,412	(4.7)
Specialty services						
CBC News Network	15,678	16,671	(6.0)	47,160	48,796	(3.4)
RDI	10,001	10,117	(1.1)	30,318	31,828	(4.7)
bold	508	675	(24.7)	1,860	3,159	(41.1)
Explora	857	-	N/A	2,807	-	N/A
documentary	749	886	(15.5)	2,602	2,698	(3.6)
ARTV	3,525	3,395	3.8	10,513	10,476	0.4
	31,318	31,744	(1.3)	95,260	96,957	(1.8)
Transmission, distribution and collection	16,107	20,959	(23.1)	86,702	60,130	44.2
Corporate management	2,552	2,656	(3.9)	7,773	8,255	(5.8)
Payments to private stations	625	832	(24.9)	1,897	2,131	(11.0)
Finance costs	7,903	8,435	(6.3)	23,856	25,146	(5.1)
Loss (gain) on investment in associate	(612)	422	(245.0)	(998)	(308)	(224.0)
TOTAL	**411,651**	**467,535**	**(12.0)**	**1,297,914**	**1,328,723**	**(2.3)**

N/A = Not applicable

The following paragraphs explain the quarterly decrease in operating expenses of $55.9 million (12.0 per cent), and the year-to-date decrease of $30.8 million (2.3 per cent), compared to the same periods last year.

Television, radio and new media services

English Services' expenditures of $186.4 million in the third quarter were $44.4 million (19.2 per cent) lower than in the same period of 2011–2012. This resulted from lower spending on programming and other operating cost reductions implemented following the recent federal budget reductions, lower LPIF contributions, and other financial pressures. This includes the non-renewal of contracts for *Wheel of Fortune* and *Jeopardy!* in September 2012. Reduced spending on sports rights this quarter due to the NHL lockout also contributed to the decrease.

French Services' expenditures of $167.4 million for the third quarter were $4.4 million (2.5 per cent) lower than in the third quarter of 2011–2012. This was mostly due to a decrease in television and radio programming costs, as a result of recent budget reductions and other financial pressures.

On a year-to-date basis, English Services' expenditures decreased by $45.8 million (6.9 per cent) compared to the first nine months of 2011–2012. As mentioned above, reduced spending on programming and other cost reduction initiatives, in combination with lower spending due to the NHL lockout explain most of this decrease. Transmission and distribution costs have also decreased with the implementation of the Next Generation Converged Network which we use to provide certain signals. In addition, special programming and projects in the first nine months of 2011–2012 resulted in relatively lower year-to-date expenditures this year, although 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 and other financial pressures.

French Services' year-to-date expenditures were $7.2 million (1.5 per cent) lower than in the same nine months of 2011–2012. In addition to the reduction in French Services' television and radio programming costs mentioned above, the transformation of Radio Canada International (RCI) to a web service and the implementation of the Next Generation Converged Network also contributed to the decrease. This was partly offset by increased costs incurred in renting out our production facilities.

Specialty services

Specialty services' expenditures of $31.3 million decreased by $0.4 million (1.3 per cent) compared to the third quarter of 2011–2012. The main changes were:

- Expenses for CBC News Network decreased by $1.0 million (6.0 per cent) due to budget reductions and to lower newsgathering costs.
- A new specialty service, Explora, was launched on March 28, 2012.

In addition to the above, the decrease of $1.7 million (1.8 per cent) in specialty services expenses on a year-to-date basis was partly caused by a $1.5 million (4.7 per cent) decrease in RDI's expenses due to lower programming costs. Reduced program acquisitions and decreased amortization of programming for **bold** as a result of the planned sale of the channel explain the decrease of $1.3 million (41.1 per cent).

Other operating expenses

The expenditure decrease of $4.9 million (23.1 per cent) for the third quarter for transmission, distribution and collection activities was due to a reduction in operating costs arising from the implementation of the Next Generation Converged Network and the shutdown of our analogue transmission sites. On a year-to-date basis, the increase of $26.6 million (44.2 per cent) 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 one-time depreciation, impairment charges and the recognition of decommissioning costs, which were partly offset by savings from the cessation of these activities.

The year-over-year decrease in finance costs reflects the decreasing interest portion of financing leases, mostly for the Toronto Broadcast Centre.

Government Funding

(in thousands of Canadian dollars)	For the three months ended December 31			For the nine months ended December 31		
	2012	2011	% change	2012	2011	% change
Parliamentary appropriations for operating expenditures	211,810	236,182	(10.3)	690,242	738,615	(6.5)
Parliamentary appropriations for working capital	666	1,000	(33.4)	2,666	2,999	(11.1)
Amortization of deferred capital funding	28,809	32,673	(11.8)	120,802	97,131	24.4
TOTAL	**241,285**	**269,855**	**(10.6)**	**813,710**	**838,745**	**(3.0)**

Parliamentary appropriations for operating expenditures decreased by $24.4 million (10.3 per cent) in the third quarter of 2012−2013 compared to the same period of the previous fiscal year. On a year-to-date basis, the decrease was $48.4 million (6.5 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, compared to 2011-2012.

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 decrease of $3.9 million (11.8 per cent) in the third quarter is mainly due to a lower depreciation as analogue TV assets are fully depreciated. On a year-to-date basis, the increase of $23.7 million (24.4 per cent) was mainly due to accelerated depreciation resulting from our planned shutdown of remaining analogue TV assets by July 31, 2012.

Non-Operating Items

(in thousands of Canadian dollars)	For the three months ended December 31			For the nine months ended December 31		
	2012	2011	% change	2012	2011	% change
Dilution gain from merger transaction	-	-	N/A	-	25 775	N/M
Dividend income from merger transaction	-	-	N/A	-	5 094	N/M
Gain on disposal of property and equipment	18 491	9 563	93,4	17 367	8 119	113,9
Gain on sale of warrants	863	-	N/A	863	-	N/A
Non-operating items	**19 354**	**9 563**	**102,4**	**18 230**	**38 988**	**(53,2)**

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

A gain of $18.5 million on disposal of property and equipment in the third quarter was largely due to transmission site sales in Calgary and Edmonton. These properties were previously used for transmitting English radio signals. As part of our financial plan to review our transmission portfolio, we have relocated these radio transmissions to lower-cost locations. Sales were also completed this quarter of facilities located in Corner Brook, Newfoundland, and Sydney, Nova Scotia, consistent with our real estate strategy to reduce operating costs. Other non-operating losses were recorded on asset disposals as we continue to update our equipment, resulting in an aggregate gain of $17.4 million on a year-to-date basis. Disposals of property and equipment in 2011−2012 were mostly related to the proceeds from the sale of our Brossard AM transmitter site in October 2011.

A gain of $0.9 million was also recognized this quarter through the sale of our rights held under a warrant certificate for the issue of common shares in Stingray Digital Group Inc. This warrant related to the 2007 transaction pertaining to CBC's Galaxie pay audio undertaking.

Other 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 December 31			For the nine months ended December 31		
	2012	2011	% change	2012	2011	% change
Net results for the period	**8,667**	**7,850**	**10.4**	**3,380**	**53,198**	**(93.6)**
Other comprehensive income (loss)						
Actuarial gain (losses) on defined benefit plans	183,509	34,697	428.9	(126,570)	(99,119)	(27.7)
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 income (loss)	183,509	34,697	428.9	(126,570)	(104,119)	(21.6)
Total comprehensive income (loss) for the period	**192,176**	**42,547**	**351.7**	**(123,190)**	**(50,921)**	**(141.9)**

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

Total other comprehensive gains of $183.5 million were recognized this quarter, compared to other comprehensive gains of $34.7 million in the same quarter last year. These gains are due to non-cash fluctuations in the value of our pension plans' obligations and assets. These 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 $183.5 million of actuarial gains on defined benefit plans this quarter was mainly due to:

- An increase in the discount rate applied to the pension obligation from 3.75 per cent to 4.00 per cent, contributing to actuarial gains of $194.4 million, partially offset by
- A $10.9 million actuarial loss arising from a lower actual return on plan assets (1.25 per cent) than expected (1.5 per cent).

On a year-to-date basis, the actuarial losses of $126.6 million resulted from a lower discount rate applied to the pension obligations, offset partially by higher returns on plan assets of 5.95 per cent compared to an expected return of 4.50 per cent.

In the third quarter of 2011−2012, the other comprehensive gains of $34.7 million were due to a decrease in the discount rate on the pension obligation resulting in actuarial losses of $188.9 million, offset by actuarial gains on higher than expected returns on plan assets of $223.6 million. On a year-to-date basis, the 2011−2012 actuarial losses of $99.1 million were due to a decrease in the discount rates on the pension obligation following reductions in yields on Government of Canada which were only 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, and to one-time restructuring costs, and additional financial pressures inherent in funding the business and pursuing Strategy 2015, we have implemented a financial plan that will allow us to continue to match our planned operating expenses with available financial resources. This plan includes sourcing new television and radio advertising to partially offset the reduction in government appropriations, combined with reducing operating and capital requirements through various cost reduction initiatives. However, the elimination of LPIF funding will also result in a decrease in certain programming.

Our cash flows from operating, investing, and financing activities for the three and nine months ended December 31 are summarized in the following table. Our cash balance at December 31 2012 was $59.4 million, compared to $64.3 million at March 31, 2012.

Cash Position

(in thousands of Canadian dollars)	For the three months ended December 31			For the nine months ended December 31		
	2012	2011	% change	2012	2011	% change
Cash - beginning of the period	**48,497**	**83,018**	**(41.6)**	**64,277**	**63,224**	**1.7**
Cash from operating activities	22,348	14,137	58.1	17,332	32,403	(46.5)
Cash used in financing activities	(25,747)	(25,697)	(0.2)	(54,882)	(54,832)	(0.1)
Cash from investing activities	14,297	16,247	(12.0)	32,668	46,910	(30.4)
Net change	10,898	4,687	132.5	(4,882)	24,481	(119.9)
Cash - end of the period	**59,395**	**87,705**	**(32.3)**	**59,395**	**87,705**	**(32.3)**

Cash from operating activities

Cash received from operating activities was $22.3 million this quarter, an increase of $8.2 million compared to the third quarter of last year. This change in cash from operations was primarily the result of increasing deferred operating appropriations, offset by a use of cash to fund working capital.

Cash used in financing activities

Cash outflows for financing activities were consistent with 2011–2012, in both the third quarter and on a year-to-date basis. Cash used of $25.7 million in the third quarter each year and $54.9 million on a year-to-date basis was for interest, 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 $14.3 million this quarter, a decrease of $2.0 million compared to the third quarter of 2011–2012. This decrease was primarily due to higher purchases of property, equipment, and intangible assets relative to last year as we continue to invest in new technology. In addition, this quarter we generated proceeds of $20.4 million on the disposal of surplus property and equipment, consistent with our financial plan. These proceeds were $10.6 million higher than proceeds received in the third quarter last year, which more than offset lower appropriations received for capital funding. On a year-to-date basis, the lower cash generated from investing activities of $32.7 million this year is primarily because last year's activities included 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 was comparable with last year, with year-to-date parliamentary appropriations received of $65.6 million and acquisitions of new property, equipment and intangible assets of $64.4 million.

3.3 Outlook and Risk Update

In the third quarter, we continued to implement our three-year financial plan announced on April 4, 2012. We appeared at our licence renewal hearings held in November 2012 and responded to the interventions filed. We look forward to the CRTC's decision which is expected in the next several months.

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.

In January 2013, the NHL announced a shortened 2012-2013 hockey season which began on January 19. We are delighted to have hockey back as part of our schedule and are closely monitoring the pace at which our audiences and advertising revenue return to our conventional and digital platforms. Although the lockout affected revenue in the current year, measures have been taken to offset the financial impact on the Corporation.

The success of our financial plan will depend heavily on the strength of the advertising market, our overall revenue performance, and the CRTC's approval of our application for a licence change to 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 it as required.

A full discussion of risks and mitigation strategies is included in the Annual Report, supplemented by a discussion of changes to key risks in the June 30, 2012 and September 30, 2012 Quarterly Reports.

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,	Suzanne Morris,
President and Chief Executive Officer	Vice-President and Chief Financial Officer

Ottawa, Canada
February 21, 2013

Condensed Consolidated Statement of Financial Position (unaudited)

(in thousands of Canadian dollars)	December 31, 2012	March 31, 2012
ASSETS		
Current		
Cash	59,395	64,277
Trade and other receivables (NOTE 4)	192,937	177,331
Programming (NOTE 5)	195,434	166,104
Merchandising inventory	856	811
Prepaid expenses (NOTE 6)	57,647	113,370
Promissory notes receivable	2,265	2,158
Net investment in finance lease	2,615	2,499
Derivative financial instruments (NOTE 18)	374	133
Assets classified as held for sale (NOTE 7)	1,183	234
	512,706	**526,917**
Long-term		
Property and equipment (NOTE 7)	986,524	1,047,988
Intangible assets (NOTE 8)	20,903	28,435
Assets under finance lease	43,436	48,242
Promissory notes receivable	48,204	49,903
Net investment in finance lease	52,101	54,077
Deferred charges	20,260	7,806
Investment in associate (NOTE 9)	4,260	6,208
	1,175,688	**1,242,659**
TOTAL ASSETS	**1,688,394**	**1,769,576**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (NOTE 10)	75,014	124,638
Provisions (NOTE 12)	50,894	39,062
Pension plans and employee-related liabilities (NOTE 11)	122,290	129,850
Bonds payable	15,146	20,093
Obligations under finance lease	10,632	9,945
Notes payable	6,564	7,794
Deferred revenue	4,529	3,511
Deferred operating vote drawdown	73,724	-
Option liability	1,875	1,875
Derivative financial instruments (NOTE 18)	10	11
	360,678	**336,779**
Long-term		
Deferred revenue	3,893	2,587
Pension plans and employee-related liabilities (NOTE 11)	429,625	333,207
Bonds payable	277,008	288,533
Obligations under finance lease	47,209	54,206
Notes payable	113,026	118,885
Deferred capital funding (NOTE 14)	518,793	574,027
	1,389,554	**1,371,445**
Equity		
(Deficit) Retained earnings	(62,379)	60,996
Total equity attributable to the Corporation	**(62,379)**	**60,996**
Non-controlling interests	**541**	**356**
TOTAL EQUITY	**(61,838)**	**61,352**
TOTAL LIABILITIES AND EQUITY	**1,688,394**	**1,769,576**

Commitments (NOTE 19)

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

Condensed Consolidated Statement of Income (unaudited)

(in thousands of Canadian dollars)	Three months ended December 31		Nine months ended December 31	
	2012	2011	2012	2011
REVENUE (NOTE 13)				
Advertising	83,075	116,416	239,568	277,858
Specialty services	43,456	43,081	128,643	124,623
Other income	31,072	34,204	94,567	94,786
Financing income	2,076	2,266	6,576	6,921
	159,679	**195,967**	**469,354**	**504,188**
EXPENSES				
Television, radio and new media services costs	353,758	402,487	1,083,424	1,136,412
Specialty services	31,318	31,744	95,260	96,957
Transmission, distribution and collection (NOTE 7)	16,107	20,959	86,702	60,130
Corporate management	2,552	2,656	7,773	8,255
Payments to private stations	625	832	1,897	2,131
Finance costs	7,903	8,435	23,856	25,146
Share of (profit) loss in investment in associate	(612)	422	(998)	(308)
	411,651	**467,535**	**1,297,914**	**1,328,723**
Operating loss before Government funding and non-operating items	**(251,972)**	**(271,568)**	**(828,560)**	**(824,535)**
GOVERNMENT FUNDING (NOTE 14)				
Parliamentary appropriation for operating expenditures	211,810	236,182	690,242	738,615
Parliamentary appropriation for working capital	666	1,000	2,666	2,999
Amortization of deferred capital funding	28,809	32,673	120,802	97,131
	241,285	**269,855**	**813,710**	**838,745**
Net results before non-operating items	**(10,687)**	**(1,713)**	**(14,850)**	**14,210**
NON-OPERATING ITEMS				
Dilution gain from merger transaction	-	-	-	25,775
Dividend income from merger transaction	-	-	-	5,094
Net gain on disposal of property and equipment (NOTE 7)	18,491	9,563	17,367	8,119
Gain on sale of warrants	863	-	863	-
	19,354	**9,563**	**18,230**	**38,988**
Net results for the period	**8,667**	**7,850**	**3,380**	**53,198**
Net results attributable to:				
The Corporation	8,586	7,782	3,195	53,046
Non-controlling interests	81	68	185	152
	8,667	7,850	3,380	53,198

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 December 31		Nine months ended December 31	
	2012	**2011**	**2012**	**2011**
COMPREHENSIVE INCOME (LOSS)				
Net results for the period	8,667	7,850	3,380	53,198
Other comprehensive income (loss)				
Actuarial gains (losses) on defined benefit plans (NOTE 11)	183,509	34,697	(126,570)	(99,119)
Net unrealized gain on available-for-sale financial assets	-	-	-	94
Reclassification to income of net unrealized gain on available-for-sale financial asset arising from merger transaction	-	-	-	(5,094)
Total comprehensive income (loss) for the period	**192,176**	**42,547**	**(123,190)**	**(50,921)**
Total comprehensive income (loss) attributable to:				
The Corporation	192,095	42,479	(123,375)	(51,073)
Non-controlling interests	81	68	185	152
	192,176	42,547	(123,190)	(50,921)

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 December 31, 2012**

	Deficit	Total accumulated other comprehensive income	Total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at September 30, 2012	(254,474)	-	(254,474)	460	(254,014)
Changes in period					
Net results for the period	8,586	-	8,586	81	8,667
Actuarial gains on defined benefit plans	183,509	-	183,509	-	183,509
Balance at December 31, 2012	**(62,379)**	**-**	**(62,379)**	**541**	**(61,838)**

(in thousands of Canadian dollars) — **Three months ended December 31, 2011**

	Retained earnings	Total accumulated other comprehensive income	Total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at September 30, 2011	233,319	-	233,319	2,347	235,666
Changes in period					
Net results for the period	7,782	-	7,782	68	7,850
Actuarial gains on defined benefit plans	34,697	-	34,697	-	34,697
Issuance of shares by a subsidiary	-	-	-	44	44
Balance at December 31, 2011	**275,798**	**-**	**275,798**	**2,459**	**278,257**

(in thousands of Canadian dollars) — **Nine months ended December 31, 2012**

	(Deficit) Retained earnings	Total accumulated other comprehensive income	Total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at March 31, 2012	60,996	-	60,996	356	61,352
Changes in period					
Net results for the period	3,195	-	3,195	185	3,380
Actuarial losses on defined benefit plans	(126,570)	-	(126,570)	-	(126,570)
Balance at December 31, 2012	**(62,379)**	**-**	**(62,379)**	**541**	**(61,838)**

(in thousands of Canadian dollars) — **Nine months ended December 31, 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	53,046	-	53,046	152	53,198
Actuarial losses on defined benefit plans	(99,119)	-	(99,119)	-	(99,119)
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)
Issuance of shares by a subsidiary	-	-	-	44	44
Balance at December 31, 2011	**275,798**	**-**	**275,798**	**2,459**	**278,257**

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 December 31		Nine months ended December 31	
	2012	2011	2012	2011
CASH FLOWS FROM (USED IN)				
OPERATING ACTIVITIES				
Net results for the period	8,667	7,850	3,380	53,198
Adjustments for:				
Net gain on disposal of property and equipment	(18,491)	(9,563)	(17,367)	(8,119)
Interest revenue	(2,076)	(2,266)	(6,576)	(6,921)
Finance costs	7,903	8,435	23,856	25,146
Change in fair value of financial instruments designated as at fair value through profit and loss	(260)	477	(242)	(1,047)
Depreciation of property and equipment	28,052	30,808	109,405	90,277
Amortization of intangible assets	4,243	4,405	12,808	12,662
Depreciation of assets under finance lease	2,041	2,000	6,041	6,000
Impairment charge on property and equipment	-	-	6,986	-
Reclassification to income of net unrealized gain on available-for-sale financial asset arising from merger transaction	-	-	-	(5,094)
Gain on sale of warrants	(863)	-	(863)	-
Share of (profit) loss in investment in associate	(612)	422	(998)	(308)
Dilution gain from merger transaction	-	-	-	(25,775)
Change in deferred charges	1,043	1,140	(12,454)	(5,495)
Amortization of deferred capital funding	(28,809)	(32,673)	(120,802)	(97,131)
Change in deferred operating vote drawdown	73,724	78,818	73,724	78,818
Change in deferred revenue [long-term]	1,096	(55)	1,306	208
Change in pension plan asset	-	(17,077)	-	(26,948)
Change in pension plans and employee-related liabilities [current]	6,932	6,989	8,036	6,405
Change in pension plans and employee-related liabilities [long-term]	(12,937)	965	(30,152)	2,929
Change in non-controlling interests	-	45	-	45
Accretion of promissory notes receivable	(4)	(50)	(13)	(100)
Movements in working capital (NOTE 16)	(47,301)	(66,533)	(38,743)	(66,347)
	22,348	**14,137**	**17,332**	**32,403**
FINANCING ACTIVITIES				
Repayment of obligation under finance lease	(2,548)	(2,351)	(7,542)	(7,068)
Repayment of bonds	(5,451)	(5,062)	(10,704)	(9,941)
Repayment of notes	(2,863)	(2,734)	(5,660)	(5,404)
Interest paid	(14,885)	(15,550)	(30,976)	(32,419)
	(25,747)	**(25,697)**	**(54,882)**	**(54,832)**
INVESTING ACTIVITIES				
Parliamentary appropriations for capital funding (NOTE 14)	16,000	24,000	65,568	74,568
Acquisition of property and equipment	(23,974)	(21,096)	(59,296)	(60,883)
Acquisition of intangible assets	(2,324)	121	(5,108)	(2,112)
Return of capital-investment in associate	-	-	-	9,855
Proceeds from disposal of property and equipment	20,410	9,848	20,620	10,212
Collection of promissory notes receivable	500	466	1,473	1,373
Collection of finance lease receivables	529	494	1,561	1,456
Gain on sale of warrants	863	-	863	-
Dividend received	-	-	-	5,094
Interest received	2,293	2,414	6,987	7,347
	14,297	**16,247**	**32,668**	**46,910**
Change in cash	**10,898**	**4,687**	**(4,882)**	**24,481**
Cash, beginning of the period	**48,497**	**83,018**	**64,277**	**63,224**
Cash, end of the period	**59,395**	**87,705**	**59,395**	**87,705**

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

Notes to the Condensed Consolidated Financial Statements for the Three and Nine Month Periods Ended December 31, 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 February 20, 2013.

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 does not plan to adopt these standards early. The Corporation is assessing the potential impact of each pronouncement on its consolidated financial statements, as described below:

a) Standards, interpretations and amendments to standards that are expected to impact the Corporation:

IAS 19 Amendments to IAS 19 Employee Benefits

IAS 19 was amended in June 2011 to eliminate the option to defer the recognition of gains and losses, to amend the presentation of changes in the defined benefit obligation and plan assets on the Statement of Comprehensive Income, to require the net interest to be calculated by using a high quality corporate bond yield, as well as to improve disclosure about the risks arising from defined benefit plans. These amendments are effective for annual periods beginning on or after January 1, 2013. The Corporation expects the most significant impact of adopting this Standard to be a higher net expense for the year recognized in net results in the amount of $92 million, with a corresponding decrease in other comprehensive income, given that the Corporation's expected return on plan assets is greater than the discount rate in the current year. The amended Standard is not expected to affect the Corporation's statement of financial position or the statement of cash flows. The level of disclosure required will also increase as a result of this amended standard.

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. It applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurement. IFRS 13 will become effective for annual periods beginning on or after January 1, 2013. The Corporation does not expect this new standard to have an impact on how it calculates the fair value of its assets and liabilities. However, there will be increased disclosure required as a result of this standard, specifically related to the disclosure of the hierarchy levels for financial assets and liabilities not measured at fair value and the related disclosures about how those fair values are calculated.

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 revises 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). These amendments are effective for annual periods beginning on or after July 1, 2012. The Corporation has retained the "two statement" approach and has concluded that the implementation of this Standard will result in minor presentation changes relating to items of other comprehensive income.

2. Significant Accounting Policies (Continued)

Annual Improvements to IFRSs 2009-2011 Cycle Issued in May 2012

The *Annual Improvements to IFRSs 2009-2011* Cycle included a number of amendments to various IFRSs, effective for annual periods beginning on or after January 1, 2013. The Corporation's financial statements will be impacted by the following amendments to IFRSs once they are effective:

Amendments to IAS 1 Presentation of financial statements;

Amendments to IAS 16 Property, Plant and Equipment, and

Amendments to IAS 32, Financial Instruments: Presentation.

The impacts of these amendments are expected to be minor.

b) Standards, interpretations and amendments to standards that are not expected to impact the Corporation:

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. The Corporation has concluded that the adoption of these amendments will have no impact on its financial statements.

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. The Corporation does not expect these amendments to impact its financial statements.

c) Standards, interpretations and amendments to standards that management is currently assessing:

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. Management anticipates that the application of IFRS 9 may impact the amounts reported regarding the Corporation's financial assets and financial liabilities. The Corporation will complete a detailed review of the new Standard to determine the impact upon adoption of IFRS 9.

2. Significant Accounting Policies (Continued)

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. The Corporation is currently assessing whether IFRS 10 will impact the requirement to consolidate the Broadcast Centre Trust and the CBC Monetization Trust under the current standard, IAS 27. A detailed review is currently being performed by management to conclude on the potential impact, if any on the Corporation's financial statements upon the adoption of IFRS 10.

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.The Corporation does not have any interests in jointly controlled entities. However, it is currently performing an analysis of its arrangements to determine if any fall under the scope of IFRS 11.

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. The Corporation is currently assessing the revised disclosure requirements for interests in subsidiaries, special purpose entities and associates.

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 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 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.

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 in the financial statements 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;

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

- 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 investment property under IAS 40;
- The determination that the Corporation's current restructuring activities do not result in a pension curtailment; 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)	**December 31, 2012**	**March 31, 2012**
Trade receivables	179,920	163,871
Allowance for doubtful accounts	(3,196)	(1,979)
Other	16,213	15,439
	192,937	**177,331**

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

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

Trade receivables disclosed include amounts (see Note 4A) that are past due at the end of the reporting period for which the Corporation has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Corporation's credit terms average 30 days.

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

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

4. Trade and Other Receivables (Continued)

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

(in thousands of dollars)	December 31, 2012	March 31, 2012
31- 60 days	31,446	36,182
61- 90 days	27,123	25,381
91- 120 days	27,050	17,736
Total	**85,619**	**79,299**

B. Movement in Allowance for Doubtful Accounts

(in thousands of dollars)	December 31, 2012	March 31, 2012
Balance at beginning of the year	(1,979)	(1,103)
Amounts written off during the period as uncollectible	368	190
Amounts recovered during the period	-	-
Impairment losses reversed	433	695
Increase in allowance for doubtful accounts	(2,018)	(1,761)
Balance at end of the period	**(3,196)**	**(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)	**December 31, 2012**	**March 31, 2012**
Programs completed	73,290	90,973
Programs in process of production	93,411	46,045
Broadcast rights available for broadcast	28,733	29,086
	195,434	**166,104**

B. Movement in Programming

(in thousands of dollars)	**December 31, 2012**	**March 31, 2012**
Opening balance	166,104	163,658
Additions	592,959	1,013,491
Programs broadcast	(563,629)	(1,011,045)
	195,434	**166,104**

Programming includes amounts for television programs including specialty services.

The programming write-offs for the three months ended December 31, 2012 represent $0.8 million (2011–$0.6 million) and the nine months ended December 31, 2012 amount to $2.4 million (2011–$2.9 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)	**December 31, 2012**	**March 31, 2012**
Programming rights	35,699	95,809
Service agreements	21,948	17,561
	57,647	**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)	**December 31, 2012**	**March 31, 2012**
Cost	2,224,121	2,215,122
Accumulated depreciation and impairment charges	(1,237,597)	(1,167,134)
	986,524	**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	50	3,622	1,940	35,239	2,375	16,070	**59,296**
Transfers (refer to Note 8)	134	4,263	2,748	13,171	1,870	(22,354)	**(168)**
Assets classified as held for sale	(175)	(1,252)	-	-	-	-	**(1,427)**
Disposals and write-offs	(419)	(2,121)	(509)	(37,034)	(8,619)	-	**(48,702)**
Cost at December 31, 2012	**180,790**	**529,521**	**51,067**	**1,299,076**	**134,951**	**28,716**	**2,224,121**
Accumulated depreciation at March 31, 2012	-	(118,928)	(21,249)	(926,896)	(100,061)	-	**(1,167,134)**
Depreciation for the period	-	(27,344)	(2,246)	(69,918)	(9,897)	-	**(109,405)**
Impairment charges	(423)	-	-	(6,117)	(446)	-	**(6,986)**
Reverse depreciation on assets classified as held for sale	-	478	-	-	-	-	**478**
Reverse depreciation on disposals	-	1,028	295	35,821	8,306	-	**45,450**
Accumulated depreciation and impairment charges at December 31, 2012	**(423)**	**(144,766)**	**(23,200)**	**(967,110)**	**(102,098)**	**-**	**(1,237,597)**
Net carrying amount at December 31, 2012	**180,367**	**384,755**	**27,867**	**331,966**	**32,853**	**28,716**	**986,524**

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 $21.0 million as at December 31, 2012 (March 31, 2012–$16.0 million).

B. Impairment

On April 4, 2012, as part of the financial plan addressing Federal Budget 2012, the Corporation announced the cessation of shortwave transmission of RCI programming and the acceleration of the shutdown of remaining analogue television transmitters. As a result of ceasing these transmission and distribution services, the Corporation recorded an impairment charge of $6.5 million (2011–nil) and an additional depreciation expense of $26.0 million (2011–$2.6 million) for the nine month period ended December 31, 2012, in its Condensed Consolidated Statement of Income. No amounts have been recorded during the current quarter related to these amounts.

An additional charge of $0.4 million has been recorded during the current fiscal year to fully impair a mobile unit which is no longer in useable condition, with no amounts recorded during the current quarter.

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 December 31, 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 the most significant assets classified as held for sale for accounting purposes:

- A 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 December 31, 2012.

D. Items Disposed of During the Quarter

During the quarter, the Corporation disposed of a number of property and equipment resulting in a gain of $18.5 million. This gain was primarily made up of the following disposals:

- The Corporation disposed of two properties located in Edmonton, Alberta and Calgary, Alberta that were previously used as radio transmission sites. These sites became available for sale following the transfer of their signals to other locations. The net proceeds on the sale of these properties were $19.6 million and resulted in a net gain on disposition of $19.5 million.
- The Corporation also disposed of land and buildings previously classified as held for sale that resulted in a total gain of $0.1 million. Those properties are located in Corner Brook, Newfoundland, Sydney, Nova Scotia, and Stoneham, Quebec.

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)	**December 31, 2012**	**March 31, 2012**
Cost	155,063	150,807
Accumulated amortization	(134,160)	(122,372)
	20,903	**28,435**

(in thousands of dollars)	**Internally developed software**	**Acquired software**	**Uncompleted capital projects**	**Total**
Cost at March 31, 2012	138,331	10,596	1,880	**150,807**
Additions	354	1,671	3,083	**5,108**
Transfers (refer to Note 7)	769	31	(632)	**168**
Disposals	(1,020)	-	-	**(1,020)**
Cost at December 31, 2012	**138,434**	**12,298**	**4,331**	**155,063**
Accumulated amortization at March 31, 2012	(120,822)	(1,550)	-	**(122,372)**
Amortization for the period	(11,074)	(1,734)	-	**(12,808)**
Reverse depreciation on disposals	1,020	-		**1,020**
Accumulated amortization at December 31, 2012	**(130,876)**	**(3,284)**	**-**	**(134,160)**
Net carrying amount at December 31, 2012	**7,558**	**9,014**	**4,331**	**20,903**

(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 third 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:	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
CSR - Class B	14.5%	14.5%	4,243	6,191
Other	-	-	17	17
	-	-	4,260	6,208

The Corporation holds a 14.5 per cent equity interest and a 24.2 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 December 31, 2012, is $110.7 million (March 31, 2012–$53.6 million) and was determined using the closing market price of CSR Class A shares at December 31, 2012.

In November 2012, CSR announced the initiation of quarterly dividends as well as a special dividend to be paid out to all shareholders of Class A and Class B shares. The payment of the special dividend and the first quarterly dividend was made January 2, 2013. At December 31, 2012, the Corporation had recorded dividends receivable from CSR totalling $2.9 million (March 31, 2012–nil). A second quarterly dividend was declared by CSR on January 15, 2013.

On January 15, 2013, CSR officially changed its name to Sirius XM Canada Holdings Inc.

The following tables present the summarized financial information for CSR:

(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2012 [1]	2011 [2]	2012 [1]	2011 [2]
Revenue	68,959	63,155	201,929	161,786
Net income (loss)	3,258	(3,412)	5,186	10,865

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

(in thousands of dollars)	December 31, 2012 [1]	March 31, 2012 [2]
Assets	409,148	397,158
Liabilities	380,003	354,367

[1]Amounts at December 31, 2012 include balances for CSR as at November 30, 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)	December 31, 2012	March 31, 2012
Trade payables	27,985	54,925
Accruals	43,908	65,243
Other	3,121	4,470
	75,014	**124,638**

11. Pension Plans and Employee-Related Liabilities

Employee-related liabilities are as follows:

(in thousands of dollars)	Current		Long-term	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31,2012
Accrued pension benefit liability	-	-	267,662	175,813
Employee future benefits	-	-	161,807	157,223
Vacation pay	59,930	57,099	-	-
Workforce reduction	10,426	6,310	-	-
Salary-related liabilities	51,934	66,441	156	171
	122,290	**129,850**	**429,625**	**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 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	December 31, 2012	March 31, 2012
Assumptions for the calculation of pension benefit costs:		
Expected long-term rate of return on plan assets	6.00%	6.50%
Discount rate	4.25%	5.25%
Assumptions for the calculation of the benefit obligation:		
Discount rate - pension	4.00%	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)	December 31, 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	5,459,083	86,728	161,558	5,184,634	81,993	156,917
Fair value of plan assets	5,278,149	-	-	5,090,814	-	-
Deficit	**180,934**	**86,728**	**161,558**	**93,820**	**81,993**	**156,917**
Less:						
Unamortized unvested past service costs	-	-	(249)	-	-	(306)
Net liability arising from defined benefit obligation	**180,934**	**86,728**	**161,807**	**93,820**	**81,993**	**157,223**

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

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

(in thousands of dollars)	December 31, 2012 Pension plans	December 31, 2012 Other post-employment plans	March 31, 2012 Pension plans	March 31, 2012 Other post-employment plans
Opening defined benefit obligation	5,266,627	156,917	4,482,903	141,234
Current service cost	76,169	5,285	72,541	6,761
Interest cost	166,272	4,516	231,924	7,120
Contributions from employees	34,498	-	41,186	-
Actuarial losses	195,978	4,501	667,400	15,056
Benefits paid	(193,733)	(9,661)	(244,327)	(13,254)
Past service cost[1]	-	-	15,000	-
Closing defined benefit obligation	**5,545,811[2]**	**161,558**	**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 $5,459,083 and $86,728 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)	December 31, 2012 Pension plans	December 31, 2012 Other post-employment plans	March 31, 2012 Pension plans	March 31, 2012 Other post-employment plans
Opening fair value of plan assets	5,090,814	-	4,563,210	-
Expected return on plan assets	225,884	-	291,938	-
Actuarial gains	73,908	-	379,386	-
Contributions from employees	34,498	-	41,186	-
Contributions from the Corporation	46,778	9,661	59,421	13,254
Benefits paid	(193,733)	(9,661)	(244,327)	(13,254)
Closing fair value of plan assets	**5,278,149**	**-**	**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 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 December 31		Nine months ended December 31	
	2012	2011	2012	2011
Current service cost	27,152	18,362	81,454	55,086
Interest on obligation	56,930	59,685	170,788	179,055
Expected return on plan assets	(75,295)	(72,984)	(225,880)	(218,952)
Vested past service cost	(19)	(19)	(57)	14,943
Expense recognized in net results	8,768	5,044	26,305	30,132
Plus:				
Actuarial (gains)/losses recognized in other comprehensive loss	(183,509)	(34,697)	126,570	99,119
Total amounts recognized in comprehensive loss	**(174,741)**	**(29,653)**	**152,875**	**129,251**

The cumulative actuarial losses recognized in Other Comprehensive Income represent $190.9 million as of December 31, 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 as follows:

(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2012	2011	2012	2011
Television, radio and new media services costs	7,762	4,554	23,013	26,985
Specialty services	682	301	2,333	2,023
Transmission, distribution and collection	243	142	719	843
Corporate management	81	47	240	281
Total	**8,768**	**5,044**	**26,305**	**30,132**

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 nine months periods was $64.4 million or 1.25 per cent and $299.8 million or 5.95 per cent, respectively (2011–6.21 per cent and 13.18 per cent, respectively).

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

The assets of the plan have been invested as follows:

(in thousands of dollars)	December 31, 2012	December 31, 2011
Fixed income	52%	54%
Canadian equities	11%	12%
Global equities	21%	19%
Strategic[1]	16%	15%
	100%	100%

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

For the three and nine month periods ended December 31, 2012, the total expense related to employee benefits incurred by the Corporation was $229.7 million and $709.3 million, respectively (2011–$237.4 million and $729.1 million, respectively).

12. Provisions

December 31, 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	10,237	-	13,958	6,658	30,853
Increases due to accretion	-	-	-	39	39
Provisions utilized	(7,566)	(40)	(12,921)	(308)	(20,835)
Remeasurement or settlement without cost	(3,389)	-	-	-	(3,389)
Balance at September 30, 2012	**38,044**	**260**	**1,037**	**6,389**	**45,730**
Additional provisions recognized	6,006	-	1,227	-	7,233
Increases due to accretion	-	-	-	39	39
Provisions utilized	(224)	(170)	(52)	(724)	(1,170)
Remeasurement or settlement without cost	(938)	-	-	-	(938)
Balance at December 31, 2012	**42,888**	**90**	**2,212**	**5,704**	**50,894**

12. Provisions (Continued)

March 31, 2012

(in thousands of dollars)	Claims and legal proceedings	Environmental	Restructuring costs: Workforce reduction	Restructuring costs: 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 nine 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 nine months periods ended December 31, 2012, the total expense related to restructuring costs is $1.7 million and $55.1 million, respectively (2011–nil and nil). The associated capital funding recognized in income is $32.1 million for the nine months ended December 31, 2012, with no amounts recorded in the current quarter (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.

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 December 31, 2012, the Corporation had provisions amounting to $42.9 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 December 31, 2012, the Corporation had provisions totalling $0.1 million for one environmental matter (March 31, 2012–$0.3 million for two matters). Remediation work is required at the Corporation's Mont Logan property to clean-up oil contaminants found in ground samples from the site's former transmission tower and associated building. The total costs associated with remediation work at this site has been estimated at $0.1 million. This matter is subject to ministry approvals and other environmental reviews.

Included in the amounts provided at March 31, 2012 was $0.2 million for work to be performed on a former AM transmission site in Rimouski, which had Polychlorinated Biphenyls (PCB) concentrations exceeding permitted levels determined by the Ministère du Développement durable, de l'Environnement et des Parcs (MDDEP).

Work on the Rimouski site was significantly completed during the third quarter, with spending for the three and nine month periods ended December 31, 2012 totalling $0.2 million. The Corporation has also begun work on the Mont Logan property, with spending for the nine month period ending December 31, 2012 totalling $0.04 million, with no amounts incurred in the current quarter.

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 December 31		Nine months ended December 31	
	2012	2011	2012	2011
Advertising	83,075	116,416	239,568	277,858
Building, tower, facility and service rentals	13,901	13,548	33,665	32,789
Production revenue	4,752	5,326	12,866	11,962
Digital programming	1,898	1,454	6,796	3,731
Retransmission rights	791	1,006	2,368	4,881
Program sponsorship	648	1,561	4,625	4,872
Other services	270	1,717	1,191	2,381
Total Rendering of services	**105,335**	**141,028**	**301,079**	**338,474**
Total Specialty Services	**43,456**	**43,081**	**128,643**	**124,623**
Total Financing income	**2,076**	**2,266**	**6,576**	**6,921**
Contribution from the Local Programming Improvement Fund (LPIF)	7,450	9,545	29,816	31,865
Contra revenues other than advertising	1,097	607	2,916	1,511
Gain (loss) on foreign exchange rates	1	(132)	68	(352)
Net gain (loss) from fair value of financial instruments	264	(428)	256	1,146
Total Revenue	**159,679**	**195,967**	**469,354**	**504,188**

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 December 31		Nine months ended December 31	
	2012	2011	2012	2011
Operating funding	285,534	315,000	763,966	817,433
Capital funding	16,000	24,000	65,568	74,568
Working capital funding	666	1,000	2,666	2,999
	302,200	**340,000**	**832,200**	**895,000**

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 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)	**December 31, 2012**	**March 31, 2012**
Operating funding received during period	763,966	1,028,047
Less: Parliamentary appropriation for operating expenditures recognized in the Condensed Consolidated Statement of Income (Loss) during period	(690,242)	(1,028,047)
Deferred operating vote drawdown	**73,724**	**-**

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)	**December 31, 2012**	**March 31, 2012**
Balance, beginning of year	574,027	602,025
Government funding for capital expenditures	65,568	102,272
Amortization of deferred capital funding	(120,802)	(130,270)
Balance, end of period	**518,793**	**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 December 31		Nine months ended December 31	
	2012	2011	2012	2011
Changes in Working Capital are comprised of:				
Trade and other receivables	(46,290)	(49,781)	(12,633)	(25,681)
Programming	19,133	12,917	(29,330)	(41,187)
Merchandising inventory	63	(171)	(45)	(56)
Prepaid expenses	(4,687)	3,872	55,723	84,097
Promissory notes receivable	(3)	(4)	(9)	(8)
Obligation under finance lease	-	(140)	-	-
Financial liability related to the sale of receivables	-	(10,500)	-	(10,500)
Accounts payable and accrued liabilities	(14,128)	(12,043)	(49,624)	(43,895)
Provisions	5,125	1,043	11,753	372
Deferred revenue	(425)	440	1,018	(254)
Pension plans and employee-related liabilities	(6,089)	(12,166)	(15,596)	(29,235)
	(47,301)	**(66,533)**	**(38,743)**	**(66,347)**

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 December 31		Nine months ended December 31	
	2012	2011	2012	2011
Associate	991	1,132	2,847	2,540
	991	**1,132**	**2,847**	**2,540**

	Receipt of services			
(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2012	2011	2012	2011
Associate	27	2	27	2
Other related entities	-	-	23	-
	27	**2**	**50**	**2**

	Pension contributions			
(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2012	2011	2012	2011
Corporate Pension Plan	16,296	18,118	44,596	45,039
	16,296	**18,118**	**44,596**	**45,039**

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	
	December 31, 2012	March 31, 2012	December 31, 2012	March 31, 2012
Associate	390	446	-	-
	390	**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.

17. Related Parties (Continued)

B. Other Transaction with Associate

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

At December 31, 2012, the Corporation has dividends receivable from CSR totalling $3.0 million (March 31, 2012–nil). See note 9 for more details.

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 December 31, 2012, the aggregate amount of the Corporation's significant transactions with other government-related entities amounted to $0.2 million of its rendering of services (2011–$0.2 million) and $0.3 million of its purchase of goods and services (2011–$0.3 million). For the nine months ended December 31, 2012, the aggregate amount of the Corporation's significant transactions with other government-related entities amounted to $0.8 million of its rendering of services (2011–$1.0 million) and $0.5 million of its purchase of goods and services (2011–$0.7 million).There were no individually significant transactions during the nine months ended December 31, 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)	December 31, 2012 Carrying values	Fair values	March 31, 2012 Carrying values	Fair values	Method [1]	Note
Financial instruments measured at fair value:						
Derivative financial asset instruments	213	213	80	80	Level 1	(a)
Derivative financial asset instruments - stock options	161	161	53	53	Level 2	(b)
Derivative financial liability instruments	10	10	11	11	Level 1	(a)
Financial instruments measured at amortized cost:						
Promissory notes receivable (long-term)	48,204	57,484	49,903	58,764		(c)
Net investment in finance lease (long-term)	52,101	63,683	54,077	64,999		(c)
Bonds payable (long-term)	277,008	380,552	288,533	396,127		(d)
Obligations under finance lease (long-term)	47,209	49,948	54,206	58,955		(d)
Notes payable (long-term)	113,026	127,844	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 nine month period ended December 31, 2012, will result in future expenditures of approximately $272.4 million. As of December 31, 2012, the Corporation's total commitments amounted to $917.9 million and will span the next 15 years.

B. The Corporation as a Lessor – Operating Leases

The Corporation has an agreement in place 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.