6. FINANCIAL REPORTING DISCLOSURE

6A. ACCOUNTING DISCLOSURES

For a description of the Corporation's significant accounting policies, see note 2 of the consolidated financial statements.

6B. CHANGES IN ACCOUNTING POLICIES

The Corporation is currently assessing the potential impact on its consolidated financial statements of the following changes in accounting policy.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the Canadian Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) announced that all publicly accountable Canadian reporting entities will adopt International Financial Reporting Standards (IFRS) as Canadian generally accepted accounting principles for years beginning on or after January 1, 2011. The changeover date for full adoption of IFRS is April 1, 2011 for the Corporation. The Corporation's 2011–2012 consolidated financial statements will need to comply with IFRS. The standards also require that the Corporation present complete comparative figures in the 2011–2012 consolidated financial statements.

IFRS TRANSITION PLAN

To meet the IFRS transition requirements, CBC | Radio-Canada established an enterprise-wide multidisciplinary IFRS project team governed by a Steering Committee. As part of the IFRS changeover plan and governance model, the project provided regular progress reporting to the Audit Committee of the Board of Directors.

The transition plan comprised three phases: IFRS diagnostic assessment and planning, detailed evaluation and implementation, and completion and integration of all system process changes.

To date, CBC | Radio-Canada has completed the analysis of the impact of IFRS on financial reporting and has successfully implemented the parallel reporting solution to be used for the 2010–2011 reporting year. In addition, the Corporation has completed a business impacts analysis, identifying the potential impacts to the people and processes involved in transacting and monitoring our business. Appropriate training has been provided to those affected, and processes and systems have been modified to ensure readiness for the 2011–2012 fiscal year.

IFRS TRANSITION IMPACT

The required changes to our accounting policies are expected to have a material impact on our financial statements. There will be adjustments to our opening equity upon implementation of these standards in addition to changes to the Corporation's consolidated financial statements and notes. These adjustments are currently being audited by the Corporation's external auditor, who will issue a report as part of the 2012 audit.

The first-time adoption of IFRS requires that the Corporation adjust its accounting policies to meet the requirements of IFRS in effect at the transition date (April 1, 2010). These policies will form the ongoing basis of accounting for the Corporation. First-time adoption also requires that, upon initial application, these policies are retrospectively applied subject to some elective or prescribed areas.

While IFRS represents a principle-based framework similar to Canadian generally accepted accounting principles (GAAP) in many aspects, there are significant requirement differences in some areas with respect to recognition, measurement and disclosure. The Corporation has identified major impacts relating to:

- First time adoption of IFRS
- Property, plant and equipment
- Employee benefits
- Consolidated and separate financial statements – special purpose entities
- Leases

IFRS 1 – FIRST-TIME ADOPTION OF IFRS

IFRS 1 *First-time Adoption of IFRS* ("IFRS 1") is applicable when an entity adopts IFRS for the first time in its financial statements. Although the adoption of the IFRS standards is to be presented retrospectively, IFRS 1 provides elective exemptions that provide an alternative implementation basis.

CBC | Radio-Canada expects to exercise elective exemptions in the following areas:

- Business combinations (application date)
- Property and equipment (fair value on transition for selected assets)
- Leases (IFRIC 4 "Determining whether an arrangement contains a lease")
- Assets and liabilities of subsidiaries and associates (adoption of CBC | Radio-Canada's transition date)
- Decommissioning liabilities (included in the cost of property, plant and equipment)
- Borrowing costs (capitalization, where appropriate from date of transition)
- Employee benefits, "fresh start" election

IAS 16 – PROPERTY, PLANT AND EQUIPMENT

IAS 16 *Property, Plant and Equipment* ("IAS 16") permits a choice between the revaluation basis and cost basis for the Corporation's property, plant and equipment. Consistent with its current policy, CBC | Radio-Canada is expected to use the cost basis. The Corporation is expected to apply the Deemed Cost Election under IFRS 1 to revalue its real estate property and plant assets to their fair market value at the transition date of April 1, 2010. The difference between the carrying amount and the fair value of these assets will be reflected as an adjustment to our opening retained earnings. The Corporation currently expects the impact of this election to result in an increase of $162.4 million in real estate property and plant asset values.

All other property and equipment are expected to be transitioned at their current cost.

IAS 19 – EMPLOYEE BENEFITS

The application of IAS 19 *Employee Benefits* ("IAS 19") primarily affects the accounting for the Corporation's pension costs and obligations. CBC | Radio-Canada is expected to elect to adopt the "fresh start" exemption permitted under IFRS 1. Under the "fresh start" exemption, any unrecognized amounts at March 31, 2010 under CICA 3461 (Employee future benefits) are immediately recognized at April 1, 2010, as a transition adjustment to retained earnings. The Corporation expects the transition adjustment to increase retained earnings and decrease the book value of the employee benefits liability by $83 million for all CBC | Radio-Canada benefit plans.

The methodology for the calculation of the discount rate used to determine the accrued benefit obligation under CICA 3461 is no longer permitted under IAS 19. Accordingly, the Corporation will no longer be using the rate inherent in the amount at which the accrued benefit could be settled but will use a discount rate based on market yields for high-quality debt instruments using the methodology recommended by the Canadian Institute of Actuaries. CBC|Radio-Canada expects this change in methodology to result in additional volatility in the pension obligation and related expenses.

IAS 27 – CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AND SIC 12 CONSOLIDATION SPECIAL PURPOSE ENTITIES

In 2009, CBC|Radio-Canada entered into an agreement whereby the CBC Monetization Trust (the "Trust") was created with the purpose of acquiring CBC|Radio-Canada's interest in certain long-term receivables. SIC 12 *Special Purpose Entities* ("SIC 12") considers the Trust to be a special purpose entity requiring consolidation under IAS 27 *Consolidated and Separate Financial Statements* ("IAS 27"). The Corporation expects that, at the transition date, the net book value of the assets consolidated from the Trust to be $120.4 million, the liabilities for the Trust to be $125.9 million and the adjustment to the opening retained earnings to be $5.5 million.

IAS 17 – LEASES

Lease contracts in effect as of the date of transition were analyzed for their classification as operating or finance leases under IAS 17 *Leases* ("IAS 17"). Under the parameters of IAS 17, the current agreement in place for the lease of satellite transponders from Telesat is expected to be classified as a finance lease retroactive to the date of inception of the lease. The Corporation expects the net book value of the assets under finance lease to be $56 million, the liability for the lease to be $73 million and the adjustment to the opening retained earnings to be $17 million.

IMPACT ON INFORMATION TECHNOLOGY AND OTHER SYSTEMS

No significant changes to the financial systems were necessary to support the IFRS transition. A strategy was, however, developed and implemented for dual reporting as of April 1, 2010, under Canadian GAAP and IFRS.

INTERNAL CONTROLS

The Corporation assessed the impact of the conversion to IFRS on internal control and business processes. The Corporation does not expect that the IFRS transition will have a significant impact on internal controls. However, some additional controls will be required in regard to recording transitional adjustments and the application of new standards.

FINANCIAL STATEMENT DISCLOSURES

Draft IFRS financial statements and disclosures have been prepared, based on most recent determination of accounting policies and optional exemptions available under IFRS 1. These statements and disclosures will be used in future reporting periods.

6C. TRANSACTIONS WITH RELATED PARTIES

The Corporation, through the normal course of business, is involved in transactions with other related parties. Details are provided in note 26 of the Consolidated Financial Statements.