



Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Canadian Heritage and Official Languages

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Canadian Broadcasting Corporation, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of income, consolidated statement of comprehensive income (loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Canadian Broadcasting Corporation as at 31 March 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Canadian Broadcasting Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with the applicable provisions of Part X of the *Financial Administration Act* and regulations, Part III of the *Broadcasting Act* and the by-laws of the Canadian Broadcasting Corporation.



Maurice Laplante, CA
Assistant Auditor General
for the Auditor General of Canada

19 June 2013
Ottawa, Canada

Consolidated Statement of Financial Position

(Canadian \$)

(in thousands of dollars)

	March 31, 2013	March 31, 2012
ASSETS		
Current		
Cash (NOTE 5)	51,459	64,277
Trade and other receivables (NOTE 6)	184,470	177,331
Programming (NOTE 7)	145,379	166,104
Merchandising inventory	755	811
Prepaid expenses (NOTE 8)	137,563	113,370
Promissory notes receivable (NOTE 9)	2,154	2,158
Net investment in finance lease (NOTE 10)	2,387	2,499
Derivative financial instruments (NOTE 30)	629	133
Assets classified as held for sale (NOTE 11)	1,801	234
	526,597	526,917
Long-term		
Property and equipment (NOTE 11)	997,710	1,047,988
Intangible assets (NOTE 12)	17,563	28,435
Assets under finance lease (NOTE 13)	41,374	48,242
Promissory notes receivable (NOTE 9)	48,250	49,903
Net investment in finance lease (NOTE 10)	52,706	54,077
Deferred charges	9,509	7,806
Investment in associate (NOTE 14)	3,490	6,208
	1,170,602	1,242,659
TOTAL ASSETS	1,697,199	1,769,576
LIABILITIES		
Current		
Accounts payable and accrued liabilities (NOTE 15)	96,213	124,638
Provisions (NOTE 20)	51,296	39,062
Pension plans and employee-related liabilities (NOTE 16)	135,593	129,850
Bonds payable (NOTE 17)	20,578	20,093
Obligations under finance leases (NOTE 18)	10,906	9,945
Notes payable (NOTE 19)	7,960	7,794
Deferred revenues	8,982	3,522
Option liability (NOTE 14)	1,875	1,875
	333,403	336,779
Long-term		
Deferred revenues	9,039	2,587
Pension plans and employee-related liabilities (NOTE 16)	343,835	333,207
Bonds payable (NOTE 17)	277,008	288,533
Obligations under finance leases (NOTE 18)	44,447	54,206
Notes payable (NOTE 19)	113,049	118,885
Deferred capital funding (NOTE 24)	525,696	574,027
	1,313,074	1,371,445
Equity		
Retained earnings	50,162	60,996
Total equity attributable to the Corporation	50,162	60,996
Non-controlling interests	560	356
TOTAL EQUITY	50,722	61,352
TOTAL LIABILITIES AND EQUITY	1,697,199	1,769,576
Commitments (NOTE 28)		

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

APPROVED BY THE
BOARD OF DIRECTORS:



DIRECTOR



DIRECTOR

Consolidated Statement of Income

(Canadian \$)

(in thousands of dollars)

	For the year ended March 31	
	2013	2012
REVENUE (NOTE 21)		
Advertising	330,410	375,725
Specialty services (NOTE 22)	170,991	167,754
Other income	134,341	136,344
Financing income	10,323	9,141
	646,065	688,964
EXPENSES		
Television, radio and new media services costs	1,501,852	1,580,469
Specialty services (NOTE 22)	130,152	134,228
Transmission, distribution and collection	103,465	78,449
Corporate management	10,391	11,423
Payments to private stations	2,527	2,766
Finance costs (NOTE 23)	31,836	33,455
Share of profit in associate	(1,701)	(21)
	1,778,522	1,840,769
Operating loss before Government funding and non-operating items	(1,132,457)	(1,151,805)
GOVERNMENT FUNDING (NOTE 24)		
Parliamentary appropriation for operating expenditures	999,484	1,028,047
Parliamentary appropriation for working capital	4,000	4,000
Amortization of deferred capital funding	151,366	130,270
	1,154,850	1,162,317
Net results before non-operating items	22,393	10,512
NON-OPERATING ITEMS		
Gain (loss) on disposal of property and equipment	12,314	(517)
Gain on business divestitures (NOTE 25)	7,185	-
Dilution gain from merger transaction (NOTE 14)	-	25,775
Dividend income from merger transaction (NOTE 14)	-	5,094
	19,499	30,352
Net results for the year	41,892	40,864
Net results attributable to:		
The Corporation	41,688	40,940
Non-controlling interests	204	(76)
	41,892	40,864

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

Consolidated Statement of Comprehensive Income (Loss)

(Canadian \$)

(in thousands of dollars)

	For the year ended March 31	
	2013	2012
COMPREHENSIVE INCOME		
Net results for the year	41,892	40,864
Other comprehensive loss		
Actuarial losses on defined benefit plans	(52,522)	(301,815)
Net unrealized gain on available-for-sale financial assets	-	94
Reclassification to income of net unrealized gain on available-for-sale financial asset arising from merger transaction	-	(5,094)
Total comprehensive loss for the year	(10,630)	(265,951)
Total comprehensive loss attributable to:		
The Corporation	(10,834)	(265,875)
Non-controlling interests	204	(76)
	(10,630)	(265,951)

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

Consolidated Statement of Changes in Equity

(Canadian \$)

(in thousands of dollars)

	For the year ended March 31, 2013				
	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 year					
Net results for the year	41,688	-	41,688	204	41,892
Actuarial losses on post-retirement benefit plans	(52,522)	-	(52,522)	-	(52,522)
Balance at March 31, 2013	50,162	-	50,162	560	50,722

(in thousands of dollars)

	For the year ended March 31, 2012				
	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 year					
Net results for the year	40,940	-	40,940	(76)	40,864
Actuarial losses on post-retirement benefit plans	(301,815)	-	(301,815)	-	(301,815)
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)
Put option related to shares held in a subsidiary	-	-	-	(1,875)	(1,875)
Issuance of shares by a subsidiary	-	-	-	44	44
Balance at March 31, 2012	60,996	-	60,996	356	61,352

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

Consolidated Statement of Cash Flows

(Canadian \$)

(in thousands of dollars)

	For the year ended March 31	
	2013	2012
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net results for the year	41,892	40,864
Adjustments for:		
(Gain) loss on disposal of property and equipment	(12,314)	517
Interest revenue	(10,323)	(9,141)
Finance costs	31,836	33,455
Change in fair value of financial instruments designated as at fair value through profit and loss	(496)	(837)
Depreciation of property and equipment	137,893	120,389
Amortization of intangible assets	17,010	16,963
Depreciation of assets under finance lease	8,103	8,000
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 business divestitures	(7,185)	-
Share of profit in associate	(1,701)	(21)
Dilution gain from merger transaction	-	(25,775)
Change in deferred charges	(1,703)	(4,803)
Amortization of deferred capital funding	(151,366)	(130,270)
Change in deferred revenues [long-term]	6,381	(139)
Change in financial liability related to the monetization of receivables	-	(10,500)
Change in pension plan asset	-	148,769
Change in pension plans and employee-related liabilities [current]	788	(61)
Change in pension plans and employee-related liabilities [long-term]	(41,893)	(178,876)
Change in non-controlling interests	-	44
Accretion of promissory notes receivable	(18)	(194)
Movements in working capital (NOTE 27)	(19,741)	16,129
	4,149	19,419
FINANCING ACTIVITIES		
Repayment of obligation under finance lease	(10,033)	(9,324)
Repayment of bonds	(10,704)	(9,941)
Repayment of notes	(5,660)	(5,404)
Interest paid	(31,992)	(33,603)
	(58,389)	(58,272)
INVESTING ACTIVITIES		
Parliamentary appropriations for capital funding (NOTE 24)	103,035	102,272
Acquisition of property and equipment	(104,783)	(98,568)
Acquisition of intangible assets	(5,969)	(5,801)
Return of capital-investment in associate	-	9,855
Proceeds from disposal of property and equipment	20,761	10,279
Collection of promissory notes receivable	1,981	5,079
Collection of finance lease receivables	2,101	1,958
Proceeds from business divestitures	10,588	-
Dividend received	4,420	5,094
Interest received	9,288	9,738
	41,422	39,906
Change in cash	(12,818)	1,053
Cash, beginning of the year	64,277	63,224
Cash, end of the year	51,459	64,277

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