

**NATIONAL CAPITAL COMMISSION**

**QUARTERLY FINANCIAL REPORT FOR THE PERIOD**

**ENDED SEPTEMBER 30, 2011**

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# **NATIONAL CAPITAL COMMISSION NARRATIVE DISCUSSION FOR THE PERIOD ENDED SEPTEMBER 30, 2011**

## **Financial Results**

The National Capital Commission (NCC) recorded an increase of \$3.0 million (20 percent) in revenues during the first six months of 2011–2012, compared with the same period last year. This increase stems mainly from an amendment to the payment schedule for the contribution of Canadian Heritage to Canada Day celebrations, in order to better align cash inflows with expenditures related to the event (\$1.1 million). A settlement (\$0.5 million), higher interest revenues resulting from an increase in interest rates (\$0.4 million) as well as increases in other types of revenues also contributed to the positive variance.

Expenses increased by \$3.5 million (5 percent), compared with the period ended September 30, 2010, essentially due to the alignment of Canada Day expenditures with the Canadian Heritage contribution (\$1.1 million), the increase of periodic rehabilitation expenditures for leasing properties (\$1.0 million) and the launch of the bike share service, Capital BIXI (\$0.7 million).

Cumulative results at the end of the second quarter of 2011–2012 are in line with annual revenue and expenditure forecasts shown in the Summary of the Corporate Plan 2011–2012 to 2015–2016, with the exception of the revenue increase recorded to date and the planned contribution of \$10 million to the City of Gatineau for the Jacques-Cartier Street initiative, which will likely be delayed to next fiscal year.

## **Risk Analysis**

There are no significant changes to the risk analysis since the last quarter.

## **Significant Changes Related to Operations, Personnel and Programs**

No significant changes with regard to NCC operations, personnel or programs occurred during the period ended September 30, 2011.

## **Use of Parliamentary Appropriations**

Parliamentary appropriations approved for operating expenditures totalled \$78.4 million and \$83.2 million for the years ending March 31, 2012, and 2011, respectively. These appropriations were granted via the Main Estimates as of September 30, 2011, and 2010, respectively.

The NCC derives its funding from different sources: parliamentary appropriations, rental operations and easements, investment revenues, sponsorship, user access fees, and other fees and recoveries. The NCC draws down its parliamentary appropriations according to cash flow projections established for its disbursements. The expenditures recorded are not tied to a specific source of funding. A reconciliation of the amount of appropriations received and receivable to the amount of appropriations used cannot be provided.

Parliamentary appropriations approved for acquisition and improvement of tangible capital assets totalled \$32.0 million and \$79.8 million for the years ending March 31, 2012, and 2011, respectively. Of these appropriations, \$28.5 million and \$34.2 million were granted via the Main Estimates, and \$3.5 million and \$45.6 million via the Supplementary Estimates (A). All of these appropriations were granted as of September 30, 2011, and 2010, respectively. As of September 30, 2011, \$14.2 million of the Main Estimates were received as well as the total

amount of Supplementary Estimates (A) of \$3.5 million. As for the previous year, \$17.4 million of the Main Estimates and \$27.0 million of the Supplementary Estimates (A) were received as of September 30, 2010.

More information regarding the use of the parliamentary appropriations can be found in notes 5 and 9 to the quarterly financial statements of the NCC.

# Financial Statements

## Second Quarter 2011-2012

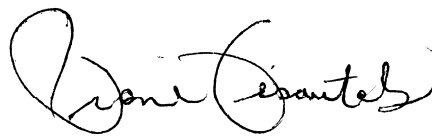
### Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring that all other information in the quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited 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 quarterly financial statements.



Marie Lemay, P.Eng., ing.  
Chief Executive Officer



Pierre Désautels, CMA  
Vice-President, Finance and Procurement, and  
Chief Financial Officer

Ottawa, Canada  
November 25, 2011

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
(in thousands of dollars)

	September 30, 2011	March 31, 2011	April 1, 2010
		(note 3)	(note 3)
<b>FINANCIAL ASSETS</b>			
Cash and cash equivalents (note 4)	33,243	44,744	4,654
Accounts receivable			
Federal government departments and agencies	1,894	4,520	3,851
Tenants and others	3,856	3,536	3,661
Investments (note 4)	99,284	100,587	120,707
	<b>138,277</b>	<b>153,387</b>	<b>132,873</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities			
Federal government departments and agencies	3,073	3,475	1,857
Others	13,882	31,153	18,894
Deferred capital funding (note 5)	295,112	287,335	236,163
Provision for environmental cleanup	42,470	42,657	39,339
Employee future benefits	8,526	8,395	8,211
Deferred rental revenue	4,652	4,717	4,820
Other liabilities (note 6)	4,672	4,770	4,429
	<b>372,387</b>	<b>382,502</b>	<b>313,713</b>
<b>NET DEBT</b>	<b>(234,110)</b>	<b>(229,115)</b>	<b>(180,840)</b>
<b>NON-FINANCIAL ASSETS</b>			
Tangible capital assets (note 7)	581,362	579,782	532,300
Prepaid expenses	2,957	2,957	2,829
Other receivable	1,819	1,907	2,085
	<b>586,138</b>	<b>584,646</b>	<b>537,214</b>
<b>ACCUMULATED SURPLUS</b>	<b>352,028</b>	<b>355,531</b>	<b>356,374</b>

The notes are an integral part of the financial statements.

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS (UNAUDITED)**  
(in thousands of dollars)

	Annual Budget	Three months ended		Six months ended	
	2011-2012	September 30		September 30	
	(Unaudited)	2011	2010	2011	2010
	(note 2)				
<b>REVENUE</b>					
Rental operations and easements	19,100	5,046	4,967	9,946	9,691
Interest	2,388	642	474	1,320	898
Sponsorship					
Monetary	966	364	161	572	378
Goods and services	240	19	27	47	60
Headquarters sublease	1,851	638	524	1,102	987
User access fees	1,310	543	459	995	886
Other fees and recoveries	6,251	2,303	1,086	4,196	2,303
Net gain on disposal of tangible capital assets	1,400	2	-	22	-
	<b>33,506</b>	<b>9,557</b>	<b>7,698</b>	<b>18,200</b>	<b>15,203</b>
<b>EXPENSES (notes 1 and 8)</b>					
Animating and promoting the Capital	20,373	6,089	5,333	12,854	11,520
Capital planning, design and land use	8,481	1,299	1,045	2,587	2,237
Real asset management and stewardship	90,749	20,073	19,144	40,280	38,377
Corporate services	32,157	7,570	7,313	15,131	15,174
	<b>151,760</b>	<b>35,031</b>	<b>32,835</b>	<b>70,852</b>	<b>67,308</b>
<b>Deficit before government of Canada funding</b>	<b>(118,254)</b>	<b>(25,474)</b>	<b>(25,137)</b>	<b>(52,652)</b>	<b>(52,105)</b>
Parliamentary appropriations for operating expenditures (note 9)	78,399	19,600	20,793	39,200	41,586
Amortization of deferred capital funding (note 5)	21,268	4,484	4,100	9,624	8,468
	<b>99,667</b>	<b>24,084</b>	<b>24,893</b>	<b>48,824</b>	<b>50,054</b>
<b>Deficit for the period</b>	<b>(18,587)</b>	<b>(1,390)</b>	<b>(244)</b>	<b>(3,828)</b>	<b>(2,051)</b>
<b>Accumulated surplus at beginning of the period</b>	<b>364,686</b>	<b>353,166</b>	<b>354,757</b>	<b>355,531</b>	<b>356,374</b>
Parliamentary appropriations to acquire and improve non-depreciable tangible capital assets (note 9)	-	252	272	325	462
<b>Accumulated surplus at end of the period</b>	<b>346,099</b>	<b>352,028</b>	<b>354,785</b>	<b>352,028</b>	<b>354,785</b>

The notes are an integral part of the financial statements.

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF CHANGE IN NET DEBT (UNAUDITED)**  
(in thousands of dollars)

	Annual Budget	Three months ended		Six months ended	
	2011-2012	September 30		September 30	
	2011-2012	2011	2010	2011	2010
	(Unaudited)				
	(note 2)				
<b>Deficit for the period</b>	<b>(18,587)</b>	<b>(1,390)</b>	<b>(244)</b>	<b>(3,828)</b>	<b>(2,051)</b>
Acquisition and improvements of tangible capital assets (note 7)	(33,195)	(4,151)	(15,827)	(11,872)	(27,536)
Amortization of tangible capital assets (note 7)	23,246	5,119	4,827	10,312	9,663
Net gain on sale of tangible capital assets	(1,400)	(2)	-	(22)	-
Proceeds from disposal of tangible capital assets	2,000	2	1	2	1
	<b>(9,349)</b>	<b>968</b>	<b>(10,999)</b>	<b>(1,580)</b>	<b>(17,872)</b>
Change in prepaid expenses	-	2,692	3,239	-	74
Change in other receivable	177	44	45	88	90
Parliamentary appropriations to acquire and improve non-depreciable tangible capital assets (note 9)	-	252	272	325	462
	<b>177</b>	<b>2,988</b>	<b>3,556</b>	<b>413</b>	<b>626</b>
<b>(Increase) Decrease in net debt</b>	<b>(27,759)</b>	<b>2,566</b>	<b>(7,687)</b>	<b>(4,995)</b>	<b>(19,297)</b>
<b>Net debt at beginning of the period</b>	<b>(243,906)</b>	<b>(236,676)</b>	<b>(192,450)</b>	<b>(229,115)</b>	<b>(180,840)</b>
<b>Net debt at end of the period</b>	<b>(271,665)</b>	<b>(234,110)</b>	<b>(200,137)</b>	<b>(234,110)</b>	<b>(200,137)</b>

The notes are an integral part of the financial statements.



**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**  
(in thousands of dollars)

	Three months ended September 30		Six months ended September 30	
	2011	2010	2011	2010
<b>OPERATING ACTIVITIES</b>				
Cash receipts from parliamentary appropriations for operating activities	19,599	21,076	39,521	41,869
Cash receipts from rental operations and easements	5,199	5,120	10,514	10,143
Cash receipts from other operations	4,548	13,016	8,009	15,272
Cash paid to suppliers and employees	(28,532)	(25,711)	(66,801)	(60,498)
Interest received	700	644	1,198	1,078
Disbursements for contaminated sites	(348)	(287)	(444)	(571)
<b>Cash flows provided by (used by) operating activities</b>	<b>1,166</b>	<b>13,858</b>	<b>(8,003)</b>	<b>7,293</b>
<b>CAPITAL ACTIVITIES</b>				
Acquisition and improvements of tangible capital assets	(10,023)	(9,911)	(22,219)	(18,149)
Proceeds from disposal of tangible capital assets	2	1	2	1
Disbursements for environmental cleanup	(106)	(210)	(189)	(283)
<b>Cash flows used by capital activities</b>	<b>(10,127)</b>	<b>(10,120)</b>	<b>(22,406)</b>	<b>(18,431)</b>
<b>INVESTING ACTIVITIES</b>				
Disbursements for investments	(12,309)	(58,144)	(33,216)	(69,847)
Cash receipts from investments	24,929	60,076	34,398	76,390
<b>Cash flows provided by investing activities</b>	<b>12,620</b>	<b>1,932</b>	<b>1,182</b>	<b>6,543</b>
<b>FINANCING ACTIVITIES</b>				
Cash receipts from parliamentary appropriations to acquire and improve tangible capital assets	10,608	35,898	17,726	44,444
<b>Cash flows provided by financing activities</b>	<b>10,608</b>	<b>35,898</b>	<b>17,726</b>	<b>44,444</b>
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>14,267</b>	<b>41,568</b>	<b>(11,501)</b>	<b>39,849</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>18,976</b>	<b>2,935</b>	<b>44,744</b>	<b>4,654</b>
<b>Cash and cash equivalents at end of the period</b>	<b>33,243</b>	<b>44,503</b>	<b>33,243</b>	<b>44,503</b>

The notes are an integral part of the financial statements.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2011 (in thousands of dollars)

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### 2. Authority and Objectives

The National Capital Commission (NCC) was established in 1959 by the *National Capital Act* (1958). The NCC is an agent Crown corporation without share capital named in Part I of Schedule III to the *Financial Administration Act*, and is not subject to the requirements of the *Income Tax Act*. The objects and purposes of the NCC, as stated in the *National Capital Act* as amended in 1988, are the following:

- a. to prepare plans for and assist in the development, conservation and improvement of the National Capital Region in order that the nature and character of the seat of the Government of Canada may be in accordance with its national significance; and
- b. to organize, sponsor or promote such public activities and events in the National Capital Region as will enrich the cultural and social fabric of Canada, taking into account the federal character of Canada, the equality of status of the official languages of Canada and the heritage of the people of Canada.

As well as these objectives, in 1988, the Act gave the NCC an important additional power: to coordinate the policies and programs of the Government of Canada with respect to the organization, sponsorship or promotion by departments of public activities and events related to the National Capital Region.

The NCC is also responsible for the management and maintenance of the capital assets of the official residences located in the National Capital Region. It created the Canadiana Fund to encourage Canadians to participate in the enhancement of the state areas of the official residences through public donations of furnishings, paintings and works of art or the funds to purchase them. Pieces chosen should reflect Canada's heritage, artistic traditions and historical associations, or complement the architectural style of a particular residence.

### 3. Significant Accounting Policies

#### A. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective April 1, 2011, the NCC adopted the Public Sector Accounting Standards (PSAS). Please refer to note 3 for more details.

#### B. BASIS OF ACCOUNTING

These financial statements are prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the policies below.

These quarterly financial statements should be read in conjunction with the annual audited financial statements dated March 31, 2011, the first quarter financial statements for 2011-2012 as well as note 3 to the financial statements relating to the transition to Public Sector Accounting Standards.

## **NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)**

September 30, 2011 (in thousands of dollars)

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Both financial and non-financial assets are reported on the Statement of Financial Position. Non-financial assets are charged to expense through amortization or upon utilization. Non-financial assets are not taken into consideration when determining the net debt, but rather are deducted from the net debt to determine the accumulated surplus.

### **Measurement Uncertainty**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of financial assets, liabilities and non-financial assets at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Provision for environmental cleanup, employee future benefits, unsettled expropriations of property and land exchanges, estimated useful lives of tangible capital assets, tangible capital asset impairment loss and contingent liabilities are the most significant items for which estimates are used. Actual results could materially differ from those estimates.

### **Budget Figures (unaudited)**

The 2011-2012 budget is reflected in the Statement of Operations and Accumulated Surplus, and the Statement of Change in Net Debt. Budget data presented in these financial statements is based upon the 2011-2012 projections and estimates used to establish the financial tables presented in the 2011-2012 to 2015-2016 Corporate Plan.

### **C. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash and highly liquid investments. These investments purchased three months or less from maturity are recorded at cost.

### **D. INVESTMENTS**

Included in investments are temporary investments in money market instruments and portfolio investments, such as Government of Canada or provincial bonds. Investments are recorded at original cost net of amortized discounts and premiums, less any amounts written off to reflect a permanent decline in value.

### **E. TANGIBLE CAPITAL ASSETS**

Tangible capital assets are recorded at cost. The NCC's tangible capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An impairment loss is recognized when the carrying amount of a tangible capital asset is not recoverable, and exceeds its fair value. The impairment loss is measured as the amount by which the carrying amount exceeds its fair value.

Improvements that extend the useful life of buildings, infrastructure and equipment are capitalized and amortized according to their respective asset class. Land improvements and development costs are also capitalized.

Construction in progress represents assets that are not available for use and therefore are not subject to amortization.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2011 (in thousands of dollars)

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Antiques or works of art of the NCC and those donated to the Canadiana Fund are not recorded as tangible capital assets in the NCC's financial statement but instead as an expense and are disclosed in note 8. Antiques and works of art consist mainly of monuments, paintings, furniture and sculptures.

The cost of tangible capital assets in use is amortized on a straight line basis over the estimated useful life, as follows:

### Tangible Capital Assets

Buildings	20 years
Parkways, roadways and bridges	25 years
Park landscaping and improvement	20 and 25 years
Leasehold improvements	The shorter of either the term of the lease or the estimated useful life of the asset
Machinery and equipment	5 and 10 years
Office furniture and equipment	10 years
Vehicles	5 years
Computer and software	3 years

### F. REVENUE RECOGNITION

Revenue arises from rental operations and easements, net gain on disposal of capital assets, interest, sponsorship, headquarters sublease, user access fees, and other fees and recoveries, such as merchandising and advertising sales, concession revenue, contributions, gains resulting from non-related party donations not subject to externally imposed stipulations and expense recoveries.

The NCC recognizes revenue when persuasive evidence of an arrangement exists, services have been provided or goods have been delivered, the amount is fixed and determinable, and collection is reasonably assured. The NCC also recognizes deferred revenue when payments are received in advance.

### G. PARLIAMENTARY APPROPRIATIONS

Parliamentary appropriations for operating expenditures and for grants and contributions to other levels of government and other authorities are included in the Statement of Operations and Accumulated Surplus in the year for which they were approved.

Parliamentary appropriations to acquire and improve depreciable tangible capital assets are recorded as deferred capital funding in the Statement of Financial Position, and are amortized on the same basis and over the same periods as the related tangible capital assets. Upon disposition of depreciable tangible capital assets, all remaining deferred capital funding related to the specific tangible capital assets is recognized into income. Parliamentary appropriations to acquire and improve non-depreciable tangible capital assets are recorded as surplus in the Statement of Operations and Accumulated Surplus.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2011 (in thousands of dollars)

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### 3. Transition to Public Sector Accounting Standards

Prior to the 2011-2012 financial statements, the NCC classified itself as a Government Business-Type Organization (GBTO) and followed the recommendations of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook – Part V. In October 2009, the Public Sector Accounting Board (PSAB) determined that the category will cease to exist for fiscal years starting January 1, 2011, GBTOs were required to reclassify themselves in accordance with Public Sector Accounting Standards (PSAS). In accordance with recommendations of the Public Sector Accounting Handbook, the NCC has determined that it is another government organization and that PSAS is the most appropriate framework for reporting purposes.

The adoption of PSAS is accounted for by retroactive application with restatement of prior periods. Although minor quantitative balances have changed, the following is a summary of the main qualitative differences for the NCC between its previous and current financial statements:

The March 31, 2011 Balance Sheet has been replaced by the Statement of Financial Position, segregating financial and non-financial assets, as well as the net debt (liabilities less financial assets) of the NCC; and accumulated surplus at the Statement of Financial Position date.

The Statement of Operations and Comprehensive Income for the year ended March 31, 2011 has been replaced by the Statement of Operations and Accumulated Surplus, reporting both revenues and expenses. A comparison of the actual results with the original comparative budget is disclosed.

The Statement of Equity has been replaced by the Statement of Change in Net Debt, which reports the extent to which the expenditures of the accounting period are offset by the revenues recognized in the period, as well as acquisitions of tangible capital assets and other items explaining the difference between the surplus/deficit of the period and the change in net debt for the period. A comparison of the actual results with the original comparative budget is also required and disclosed.

The Statement of Cash Flows now presents a new category for capital activities. This information was previously found in investing activities.

The following tables present the reconciliation of account balances and transactions from the previous reporting framework to the current method of presentation:

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2011 (in thousands of dollars)

### a) Reconciliation of the April 1, 2010 Statement of Financial Position

	Notes	Financial position as of April 1, 2010 as per previous financial statements	Variation to accumulated surplus	Reclassification	Financial Position as of April 1, 2010 as per PSAS
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents		4,654			4,654
Accounts receivable					
Federal government departments and agencies		3,851			3,851
Tenants and others	A	3,838		(177)	3,661
Investments	B	121,042	(335)		120,707
		<b>133,385</b>	<b>(335)</b>	<b>(177)</b>	<b>132,873</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities					
Federal government departments and agencies		1,857			1,857
Others	A	20,218		(1,324)	18,894
Deferred capital funding		236,163			236,163
Provision for environmental cleanup		39,339			39,339
Employee future benefits	A,C	6,659	802	750	8,211
Deferred rental revenue	A	4,717		103	4,820
Other liabilities	A	3,958		471	4,429
		<b>312,911</b>	<b>802</b>	<b>-</b>	<b>313,713</b>
<b>NET DEBT</b>		<b>(179,526)</b>	<b>(1,137)</b>	<b>(177)</b>	<b>(180,840)</b>
<b>NON-FINANCIAL ASSETS</b>					
Tangible capital assets	D	544,946	(12,646)		532,300
Prepaid expenses		2,829			2,829
Other receivable	A	1,908		177	2,085
		<b>549,683</b>	<b>(12,646)</b>	<b>177</b>	<b>537,214</b>
<b>ACCUMULATED SURPLUS</b>	E.1	<b>370,157</b>	<b>(13,783)</b>	<b>-</b>	<b>356,374</b>

**NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)**

September 30, 2011 (in thousands of dollars)

**b) Reconciliation of the March 31, 2011 Statement of Financial Position**

	Notes	Financial position as of March 31, 2011 as per previous financial statements	Variation to accumulated surplus	Reclassificatio n	Financial Position as of March 31, 2011 as per PSAS
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents		44,744			44,744
Accounts receivable					
Federal government departments and agencies		4,520			4,520
Tenants and others	A	3,713		(177)	3,536
Investments	B	101,383	(796)		100,587
		<b>154,360</b>	<b>(796)</b>	<b>(177)</b>	<b>153,387</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities					
Federal government departments and agencies		3,475			3,475
Others	A	32,006		(853)	31,153
Deferred capital funding		287,335			287,335
Provision for environmental cleanup		42,657			42,657
Employee future benefits	A,C	6,852	793	750	8,395
Deferred rental revenue	A	4,614		103	4,717
Other liabilities		4,770			4,770
		<b>381,709</b>	<b>793</b>	<b>-</b>	<b>382,502</b>
<b>NET DEBT</b>		<b>(227,349)</b>	<b>(1,589)</b>	<b>(177)</b>	<b>(229,115)</b>
<b>NON-FINANCIAL ASSETS</b>					
Tangible capital assets	D	593,603	(13,821)		579,782
Prepaid expenses		2,957			2,957
Other receivable	A	1,730		177	1,907
		<b>598,290</b>	<b>(13,821)</b>	<b>177</b>	<b>584,646</b>
<b>ACCUMULATED SURPLUS</b>	E.2	<b>370,941</b>	<b>(15,410)</b>	<b>-</b>	<b>355,531</b>

**NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)**

September 30, 2011 (in thousands of dollars)

**c) Reconciliation of the Statement of Operations and Accumulated Surplus for the year ended March 31, 2011**

	Notes	Statement of operations for the year ended March 31, 2011 as per previous financial statements	Variation to accumulated surplus	Statement of operations for the year ended March 31, 2011 as per PSAS
<b>REVENUE</b>				
Rental operations and easements		22,161		22,161
Interest	E.3	2,614	(461)	2,153
Sponsorship				
Monetary		1,127		1,127
Goods and services		234		234
Headquarters sublease		1,852		1,852
User access fees		2,199		2,199
Other fees and recoveries		4,375		4,375
		<b>34,562</b>	<b>(461)</b>	<b>34,101</b>
<b>EXPENSES</b>				
Animating and promoting the Capital	E.3	22,692	1,132	23,824
Capital planning, design and land use		4,340		4,340
Real asset management and stewardship	E.3	82,666	43	82,709
Corporate services	E.3	31,223	(9)	31,214
		<b>140,921</b>	<b>1,166</b>	<b>142,087</b>
<b>Deficit before Government of Canada funding</b>		<b>(106,359)</b>	<b>(1,627)</b>	<b>(107,986)</b>
Parliamentary appropriations for operating expenditures		83,467		83,467
Amortization of deferred capital funding		20,726		20,726
		<b>104,193</b>	<b>-</b>	<b>104,193</b>
<b>Annual deficit</b>	E.3	<b>(2,166)</b>	<b>(1,627)</b>	<b>(3,793)</b>
<b>Accumulated surplus at beginning of year</b>		<b>370,157</b>	<b>(13,783)</b>	<b>356,374</b>
Parliamentary appropriations to acquire and improve non-depreciable tangible capital assets		2,950		2,950
<b>Accumulated surplus at end of year</b>		<b>370,941</b>	<b>(15,410)</b>	<b>355,531</b>



## **NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)**

September 30, 2011 (in thousands of dollars)

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### **A. RECLASSIFICATION**

Current assets and liabilities are not presented under PSA standards. Therefore, the current portion of the other receivable, various deferred rental revenue and the employee future benefits were reclassified to the appropriate balances.

### **B. INVESTMENTS**

According to PSAS, the portfolio investments should be recorded at cost. Therefore, the NCC adjusted the portfolio investments from market value to cost as of April 1, 2010 and March 31, 2011.

### **C. EMPLOYEE FUTURE BENEFITS**

According to PSAS, the actuarial gains and losses should be amortized over the expected average remaining service life of the related employee group. The NCC decided to use the first-time adopter exemption to recognize all cumulative actuarial gains and losses as the date of transition to PSAS directly in accumulated surplus. Therefore, the NCC adjusted the balances as of April 1, 2010 and March 31, 2011.

### **D. TANGIBLE CAPITAL ASSETS**

According to PSAS, antiques and works of art are not considered a tangible capital asset. The NCC received several donations through the Canadiana Fund which are mainly antiques and works of art, and has also built and acquired various monuments over the years. Therefore, the NCC had to write-down those assets as of April 1, 2010 and March 31, 2011.

Antiques and works of art will now be presented in the Statement of Cash Flows in operating activities. As at March 31, 2011, this information was presented in investing activities.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2011 (in thousands of dollars)

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### E. RECONCILIATION OF THE ACCUMULATED SURPLUS

	Notes	
<b>E.1 Accumulated surplus as of April 1, 2010 as per previous financial statements</b>		<b><u>370,157</u></b>
Reevaluation of investment from market value to cost	B	(335)
Recognition of actuarial gains and losses on employee future benefits	C	(802)
Write-off of antiques and works of art	D	(12,646)
		<b><u>(13,783)</u></b>
<b>Accumulated surplus as of April 1, 2010 as per PSAS</b>		<b><u>356,374</u></b>
<b>E.2 Accumulated surplus as of March 31, 2011 as per previous financial statements</b>		<b><u>370,941</u></b>
Reevaluation of investment from market value to cost	B	(796)
Recognition of actuarial gains and losses on employee future benefits	C	(793)
Write-off of antiques and works of art	D	(13,821)
		<b><u>(15,410)</u></b>
<b>Accumulated surplus as of March 31, 2011 as per PSAS</b>		<b><u>355,531</u></b>
<b>E.3 Annual deficit as of March 31, 2011 as per previous financial statements</b>		<b><u>(2,166)</u></b>
Reevaluation of investment from market value to cost		(461)
Recognition of actuarial gains and losses on employee future benefits		9
Write-off of antiques and works of art		(1,175)
		<b><u>(1,627)</u></b>
<b>Annual deficit as of March 31, 2011 as per PSAS</b>		<b><u>(3,793)</u></b>

## 4. Cash and Cash Equivalents and Investments

The NCC's policy is to invest excess cash in guaranteed investment certificates, bankers' acceptances, guaranteed notes, term deposits, and securities of the Government of Canada or of a provincial government. These types of investments are purchased from a member of the Canadian Payments Association and are redeemable on short notice.

### A. CASH AND CASH EQUIVALENTS

As at September 30, 2011, in addition to the \$33.1 million (\$39.2 million at March 31, 2011) in cash, cash and cash equivalents included banker's acceptances and bearer deposit notes, which amounted to \$0.1 million (\$5.5 million at March 31, 2011) at a weighted average interest rate of 1.1 percent (1.1 percent at March 31, 2011).

### B. INVESTMENTS

As at September 30, 2011, temporary investments include bankers' acceptances and bearer deposit notes, which amounted to \$72.4 million (\$73.8 million at March 31, 2011) at a weighted average interest rate of 1.4 percent (1.4 percent at March 31, 2011) and have an average term-to-maturity of 11 months (10 months at March 31, 2011).

As at September 30, 2011, portfolio investments include bonds of federal and provincial governments, which amounted to \$26.9 million (\$26.8 million at March 31, 2011) at a weighted average interest rate of 4.0 percent (4.0 percent at March 31, 2011).

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2011 (in thousands of dollars)

	September 30, 2011		March 31, 2011	
	Cost	Market Value	Cost	Market Value
Federal government	1,065	1,186	1,074	1,176
Provincial governments	41,144	43,418	54,490	55,205
Bankers' acceptances and bearer deposit notes	57,005	57,057	44,957	44,970
Other	70	70	66	66
	<b>99,284</b>	<b>101,731</b>	<b>100,587</b>	<b>101,417</b>

### C. RESTRICTED FUNDS

- i. As at September 30, 2011, included in the temporary and portfolio investments mentioned above, \$63.1 million (\$61.9 million at March 31, 2011) and \$7.4 million (\$7.2 million at March 31, 2011), respectively, are restricted. Restricted investments include funds whose use is restricted or limited to the sole purpose for which they have been segregated.

## 5. Deferred Capital Funding

	September 30, 2011	March 31, 2011
Deferred balance at beginning of the period	287,335	236,163
Parliamentary appropriations to acquire and improve depreciable tangible capital assets	17,401	71,898
Amortization of deferred capital funding	(9,624)	(20,726)
<b>Deferred balance at end of the period</b>	<b>295,112</b>	<b>287,335</b>
<b>Distributed as follows:</b>		
Used deferred capital funding	265,044	263,903
Unused deferred capital funding	30,068	23,432
	<b>295,112</b>	<b>287,335</b>

## 6. Other Liabilities

Other Liabilities is comprised of the following:

	September 30, 2011	March 31, 2011	April 1, 2010
Deferred rent inducement	1,491	1,583	1,765
Unsettled expropriations and land exchanges	2,802	2,799	1,796
Other liabilities	379	388	868
	<b>4,672</b>	<b>4,770</b>	<b>4,429</b>

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2011 (in thousands of dollars)

### 7. Tangible Capital Assets

	COST				ACCUMULATED AMORTIZATION				Net Book Value	
	Opening Balance	Acquisitions	Disposals / Adjustments	Closing Balance	Opening Balance	Amortization expense	Disposals / Adjustments	Closing Balance	September 30, 2011	Net Book Value March 31, 2011
Land	288,948	1,126	-	290,074	-	-	-	-	290,074	288,948
Buildings and Infrastructure <sup>1</sup>	641,058	10,057	-	651,115	360,457	9,343	-	369,800	281,315	280,601
Leasehold improvements	16,308	14	-	16,322	10,948	346	-	11,294	5,028	5,360
Equipment	18,775	675	713	18,737	13,902	623	733	13,792	4,945	4,873
	<b>965,089</b>	<b>11,872</b>	<b>713</b>	<b>976,248</b>	<b>385,307</b>	<b>10,312</b>	<b>733</b>	<b>394,886</b>	<b>581,362</b>	<b>579,782</b>

1. The total cost of buildings and infrastructure includes \$45.3 million (\$41.0 million at March 31, 2011) of construction in progress. When completed, the cost of these projects will be amortized on the basis on their estimated useful life.

## 8. Expenses by Object

Summary of expenses by Object:

	Three months ended		Six months ended	
	September 30		September 30	
	2011	2010	2011	2010
Salaries and employess benefits	12,477	12,324	24,684	24,016
Goods and services	14,662	13,004	30,312	28,379
Goods and services in kind	19	26	47	59
Payments in lieu of municipal taxes	2,754	2,654	5,497	5,191
Amortization	5,119	4,827	10,312	9,663
	<b>35,031</b>	<b>32,835</b>	<b>70,852</b>	<b>67,308</b>

Antiques, works of art and monuments acquired or built by the NCC and those donated to the Canadiana Fund are not recorded as tangible capital assets. These assets are recorded as expense and are included under "Goods and services" in the table above. For the period ended September 30, 2011, antiques, works of art and monuments amounted to \$0.6 million (\$0.1 million at September 30, 2010).

## 9. Parliamentary Appropriations

	Three months ended		Six months ended	
	September 30		September 30	
	2011	2010	2011	2010
<b>Parliamentary appropriations for operating expenditures<sup>1</sup></b>				
Amount received during the period and recorded in the statement of operations and accumulated surplus	<b>19,600</b>	<b>20,793</b>	<b>39,200</b>	<b>41,586</b>
<b>Parliamentary appropriations to acquire and improve tangible capital assets<sup>2</sup></b>				
Amount received for depreciable tangible capital assets recorded in the statement of financial position	10,356	35,626	17,401	43,982
Amount received for non-depreciable tangible capital assets recorded in the statement of operations and accumulated surplus	252	272	325	462
	<b>10,608</b>	<b>35,898</b>	<b>17,726</b>	<b>44,444</b>
<b>Parliamentary appropriations recorded during the period</b>	<b>30,208</b>	<b>56,691</b>	<b>56,926</b>	<b>86,030</b>

1. As at September 30, 2011 and 2010, the amounts approved for the years ending March 31, 2012 and 2011 totaled \$78.4 million and \$83.2 million respectively.

2. As at September 30, 2011 and 2010, the amounts approved for the years ending March 31, 2012 and 2011 totaled \$32.0 million and \$79.8 million respectively.