

NATIONAL CAPITAL COMMISSION

QUARTERLY FINANCIAL REPORT FOR THE PERIOD

ENDED SEPTEMBER 30, 2012

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NATIONAL CAPITAL COMMISSION NARRATIVE DISCUSSION FOR THE PERIOD ENDED SEPTEMBER 30, 2012

Financial Results

The National Capital Commission (NCC) recorded a net increase of \$0.6 million (3 percent) in revenues at the end of the second quarter of 2012–2013, compared with the same period last year. The largest increase was recorded in other revenues as a result of a higher net gain on disposal of tangible capital assets (\$0.7 million) and donations received (\$0.4 million), net of a claim settlement recorded in 2011–2012 (\$0.5 million).

Expenses decreased by \$1.8 million (2 percent), compared with the period ended September 30, 2011. Lower expenses were recorded under the Capital Experience program (\$2 million), mainly as a result of a fluctuation in Canada Day celebration expenses funded from Canadian Heritage (\$1.2 million, including \$0.5 million related to the Royal visit), as well as the completion of the Royal Canadian Navy Monument in 2011–2012 (\$0.5 million).

Results at the end of the second quarter of 2012–2013 are in line with annual revenue and expenditure forecasts to be shown in the Summary of the Corporate Plan 2012–2013 to 2016–2017.

Risk Analysis

In its 2011–2012 annual report, the NCC identified its potential inability to reduce the gap between current and required funding levels as a key corporate risk, particularly during these financially challenging times. A potential loss of influence and maintaining its reputation intact are also considered key corporate risks. In an effort to mitigate these risks, the organization has taken a number of measures, notably re-examining financial management strategies, better leveraging of partnerships to obtain the desired effect and a review of its quality control mechanisms for service delivery. More information is provided in the NCC's 2011–2012 annual report.

Significant Changes Related to Operations, Personnel and Programs

No significant changes with regard to NCC operations, personnel or programs occurred during the quarter ended September 30, 2012.

Use of Parliamentary Appropriations

The NCC derives its funding from different sources: parliamentary appropriations, rental operations and easements, investment revenues, sponsorship, user access fees, recoveries and other fees. 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. Accordingly, a reconciliation of the amount of appropriations received and receivable to the amount of appropriations used is not applicable.

More information regarding the use of the parliamentary appropriations can be found in note 7 to the quarterly financial statements of the NCC.

Financial Statements

Second Quarter 2012-2013

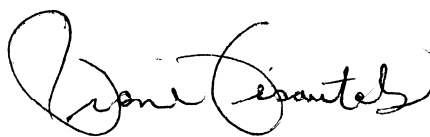
Statement of Management Responsibility

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.



Jean-François Trépanier, CPA, CA
Chief Executive Officer



Pierre Désautels, CMA
Senior Vice-President, Finance and Information
Technology Services and Chief Financial Officer

Ottawa, Canada
November 22, 2012

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

	September 30, 2012	March 31, 2012
FINANCIAL ASSETS		
Cash and cash equivalents (note 3)	89,472	76,758
Accounts receivable		
Federal government departments and agencies	2,208	2,892
Tenants and others	2,309	3,813
Investments (note 3)	45,015	49,195
	139,004	132,658
LIABILITIES		
Accounts payable and accrued liabilities		
Federal government departments and agencies	1,319	1,585
Others	13,403	15,191
Provision for environmental cleanup	42,325	42,500
Employee future benefits	8,466	8,603
Deferred rental revenue	4,550	4,615
Other liabilities (note 4)	4,483	4,581
	74,546	77,075
NET FINANCIAL ASSETS	64,458	55,583
NON-FINANCIAL ASSETS		
Tangible capital assets (note 5)	588,138	583,839
Prepaid expenses	2,931	3,269
Other non-financial assets	1,641	1,730
	592,710	588,838
ACCUMULATED SURPLUS	657,168	644,421

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 2012-2013 (note 2)	Three months ended September 30 2012	Three months ended September 30 2011	Six months ended September 30 2012	Six months ended September 30 2011
REVENUES					
Rental operations and easements	19,085	4,895	5,046	9,702	9,946
Interest	2,120	596	614	1,172	1,258
Sponsorship					
Monetary	991	485	364	816	572
Goods and services	240	34	19	67	47
Headquarters sublease	2,024	607	638	1,106	1,102
User access fees	1,310	549	543	1,095	995
Recoveries	5,060	1,375	1,760	3,339	3,521
Other revenues	2,456	140	545	1,421	697
	33,286	8,681	9,529	18,718	18,138
EXPENSES (note 6)					
Capital Experience	29,526	6,742	8,001	15,150	17,120
Capital Planning	6,227	1,108	1,245	2,294	2,486
Capital Stewardship and Protection	81,639	18,010	18,331	36,758	36,333
Internal Services	30,442	7,215	7,454	14,890	14,913
	147,834	33,075	35,031	69,092	70,852
Deficit before funding from the Government of Canada	(114,548)	(24,394)	(25,502)	(50,374)	(52,714)
Funding from the Government of Canada					
Parliamentary appropriations for operating expenditures (note 7)	92,331	23,768	19,600	46,851	39,200
Parliamentary appropriations for tangible capital assets (note 7)	23,454	8,135	7,118	16,270	17,726
	115,785	31,903	26,718	63,121	56,926
Surplus for the period	1,237	7,509	1,216	12,747	4,212
Accumulated surplus at beginning of the period		649,659	646,658	644,421	643,662
Accumulated surplus at end of the period		657,168	647,874	657,168	647,874

The notes are an integral part of the financial statements.

NATIONAL CAPITAL COMMISSION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (UNAUDITED)
(in thousands of dollars)

	Annual budget 2012-2013 (note 2)	Three months ended September 30		Six months ended September 30	
		2012	2011	2012	2011
Surplus for the period	1,237	7,509	1,216	12,747	4,212
Acquisition and improvements of tangible capital assets (note 5)	(40,133)	(6,983)	(4,151)	(15,031)	(11,872)
Amortization of tangible capital assets (note 5)	22,979	5,273	5,119	10,529	10,312
Net (gain)/loss on disposal of tangible capital assets	(1,400)	3	(2)	(716)	(22)
Proceeds from disposal of tangible capital assets	2,000	-	2	919	2
	(16,554)	(1,707)	968	(4,299)	(1,580)
Change in prepaid expenses	-	2,259	2,692	338	-
Change in other non-financial assets	177	45	44	89	88
	177	2,304	2,736	427	88
Increase (decrease) in net financial assets	(15,140)	8,106	4,920	8,875	2,720
Net financial assets at beginning of the period		56,352	56,816	55,583	59,016
Net financial assets at end of the period		64,458	61,736	64,458	61,736

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	
	2012	2011	2012	2011
OPERATING ACTIVITIES				
Cash receipts from parliamentary appropriations				
for operating expenditures	23,768	19,599	47,455	39,521
Cash receipts from rental operations and easements	5,113	5,199	10,122	10,514
Cash receipts from other operations	3,044	4,548	5,875	8,009
Cash paid to suppliers	(15,177)	(16,260)	(35,585)	(42,157)
Cash paid to employees	(12,859)	(12,272)	(24,221)	(24,644)
Interest received	772	700	1,620	1,198
Disbursements for contaminated sites	(112)	(348)	(352)	(444)
Cash flows provided (used) by operating activities	4,549	1,166	4,914	(8,003)
CAPITAL ACTIVITIES				
Cash receipts from parliamentary appropriations				
for tangible capital assets	8,135	10,608	16,270	17,726
Acquisition and improvements of tangible capital assets	(6,371)	(10,023)	(13,131)	(22,219)
Proceeds from disposal of tangible capital assets	-	2	919	2
Disbursements for environmental cleanup	(184)	(106)	(244)	(189)
Cash flows provided (used) by capital activities	1,580	481	3,814	(4,680)
INVESTING ACTIVITIES				
Disbursements for investments purchased	(18,114)	(12,309)	(18,222)	(33,216)
Cash receipts from investments sold	8,612	24,929	22,208	34,398
Cash flows provided (used) by investing activities	(9,502)	12,620	3,986	1,182
Increase (decrease) in cash and cash equivalents	(3,373)	14,267	12,714	(11,501)
Cash and cash equivalents at beginning of the period	92,845	18,976	76,758	44,744
Cash and cash equivalents at end of the period	89,472	33,243	89,472	33,243

The notes are an integral part of the financial statements.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2012 (in thousands of dollars)

1. 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.

2. Significant Accounting Policies

BASIS OF ACCOUNTING

These financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS) established by the Public Sector Accounting Board 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, 2012 and with the first quarter financial statements.

Both financial and non-financial assets are reported on the statement of financial position. Non-financial assets are normally employed to provide future services and are charged to expense through amortization or upon utilization. Non-financial assets are not taken into consideration when determining the net financial assets, but rather are added to the net financial assets to determine the accumulated surplus.

No intangibles are recognized in the financial statements.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2012 (in thousands of dollars)

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian PSAS 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 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 2012-2013 budget is reflected in the statement of operations and accumulated surplus, and the statement of change in net financial assets. Budget data presented in these financial statements is based upon the 2012-2013 projections and estimates used to establish the financial tables presented in the *2012-2013 to 2016-2017 Corporate Plan*.

3. 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, 2012, the cash and cash equivalents include \$89.5 million (\$76.8 million at March 31, 2012) in cash.

B. INVESTMENTS

As at September 30, 2012, short-term portfolio investments include bankers' acceptances and bearer deposit notes, which amounted to \$17.3 million (\$21.5 million at March 31, 2012) at a weighted average interest rate of 1.4 percent (1.5 percent at March 31, 2012) and have an average term-to-maturity of 12 months (12 months at March 31, 2012).

As at September 30, 2012, long-term portfolio investments include bonds of the Government of Canada and of provincial governments, which amounted to \$27.7 million (\$27.7 million at March 31, 2012) at a weighted average interest rate of 3.9 percent (3.9 percent at March 31, 2012).

	September 30, 2012		March 31, 2012	
	Cost	Quoted Market Value	Cost	Quoted Market Value
Federal government	1,094	1,106	1,121	1,137
Provincial governments	26,569	28,407	26,583	28,041
Bankers' acceptances and bearer deposit notes	17,263	17,264	21,488	21,497
Other	89	89	3	3
	45,015	46,866	49,195	50,678

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2012 (in thousands of dollars)

C. DESIGNATED FUNDS

As at September 30, 2012, included in the cash and cash equivalents, short-term and long-term portfolio investments mentioned above, \$44.9 million (\$36.5 million at March 31, 2102), \$17.3 million (\$21.5 million at March 31, 2012) and \$8.0 million (\$7.9 million at March 31, 2012), respectively, are designated. These investments include funds whose use is designated or limited to the sole purpose for which they have been segregated.

4. Other Liabilities

Other liabilities comprise the following:

	September 30, 2012	March 31, 2012
Deferred rent inducement	1,308	1,400
Unsettled land exchanges ¹	2,629	2,626
Unsettled expropriation ²	176	176
Other liabilities	370	379
	4,483	4,581

1. The unsettled land exchanges will be completed when the third parties involved in the exchanges will be ready to receive the goods and/or services under the agreements.

2. The unsettled expropriation is payable on demand.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2012 (in thousands of dollars)

5. Tangible Capital Assets

	COST				ACCUMULATED AMORTIZATION				Net Book Value September 30, 2012	Net Book Value March 31, 2012
	Opening Balance	Acquisitions	Disposals / Adjustments	Closing Balance	Opening Balance	Amortization expense	Disposals / Adjustments	Closing Balance		
Land ¹	292,006	932	12	292,926	-	-	-	-	292,926	292,006
Buildings and Infrastructure ²	660,417	13,299	351	673,365	378,789	9,592	163	388,218	285,147	281,628
Leasehold improvements	11,747	-	-	11,747	6,989	273	-	7,262	4,485	4,758
Equipment	19,436	800	46	20,190	13,989	664	43	14,610	5,580	5,447
	983,606	15,031	409	998,228	399,767	10,529	206	410,090	588,138	583,839

1. The land cost include \$1.8 million (\$1.8 million at March 31, 2012) of unsettled expropriation and land exchanges.

2. The total cost of buildings and infrastructure includes \$30.3 million (\$21.4 million at March 31, 2012) of construction in progress. When completed, the cost of these projects will be amortized on the basis on their estimated useful life.

6. Expenses by Object

Summary of expenses by object:

	Three months ended September 30		Six months ended September 30	
	2012	2011	2012	2011
Salaries and employess benefits	12,487	12,477	24,812	24,684
Goods and services	12,755	14,662	28,314	30,312
Goods and services in kind	34	19	67	47
Payments in lieu of municipal taxes	2,523	2,754	5,370	5,497
Amortization	5,273	5,119	10,529	10,312
Net loss on disposal of tangible capital assets	3	-	-	-
	33,075	35,031	69,092	70,852

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 expenses and are included under “Goods and services” in the table above. For the period ended September 30, 2012, antiques, works of art and monuments amounted to \$0.3 million (\$0.6 million at September 30, 2011).

7. Parliamentary Appropriations

	Three months ended September 30		Six months ended September 30	
	2012	2011	2012	2011
Parliamentary appropriations for operating expenditures¹				
Amount received during the period	23,768	19,600	46,851	39,200
Parliamentary appropriations for tangible capital assets²				
Amount received during the period	8,135	7,118	16,270	17,726
Parliamentary appropriations recorded during the period	31,903	26,718	63,121	56,926

1. As at September 30, 2012 and 2011, the amounts approved for the years ending March 31, 2013 and 2012 totaled \$94.0 million and \$78.4 million respectively.

2. As at September 30, 2012 and 2011, the amounts approved for the years ending March 31, 2013 and 2012 totaled \$32.5 million and \$32.0 million respectively.

8. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.