

**NATIONAL CAPITAL COMMISSION
COMMISSION DE LA CAPITALE NATIONALE**

**QUARTERLY FINANCIAL REPORT FOR THE PERIOD
ENDED DECEMBER 31, 2017**

Canada

TABLE OF CONTENTS

Management Discussion and Analysis.....	3
Year-over-Year Results Analysis.....	3
Budgetary Analysis.....	4
Use of Parliamentary Appropriations.....	5
Capital Expenditures.....	5
Risk Analysis.....	5
Significant Changes Related to Operations, Personnel and Programs.....	7
Statement of Management Responsibility.....	8
Statement of Financial Position.....	9
Statement of Operations and Accumulated Surplus.....	10
Statement of Change in Net Financial Assets.....	11
Statement of Cash Flows.....	12
Notes to the Quarterly Financial Statements.....	13

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2017

The nine month period ended December 31, 2017 resulted in a net surplus of \$8.8 million. The variance is mainly due to timing differences with respect to the receipt and use of government appropriations and non-recurring items such as recoveries. Recurring revenues and operating expenses are consistent with budget. Investments in capital assets were also consistent with plan.

The net surplus includes an amount of \$10.0 million representing the difference between capital parliamentary appropriations received and amortization of tangible capital assets expense. This surplus was partially offset by an operating deficit of \$1.2 million mainly as a result of unplanned expenses related to spring flooding and extreme weather conditions in the fall.

A. Year-Over-Year Results Analysis

Revenues increased by \$6.8 million, or 24.3% compared to the same period last year. The favorable variance resulted primarily from a \$3.3 million increase in recoveries, a \$1.3 million increase from other revenue sources and a \$1.1 million increase in user access fees, as outline below:

- Rental operations and easements increased by \$0.9 million, or 5.5% to \$17.8 million;
- User access fees increased by \$1.1 million, or 63.4% to \$2.8 million due to the improved process in 2016-2017 for recording fees, which resulted in more accurate and timely financial information when compared to the prior year. The variance should reverse by year-end;
- Headquarter sublease were in-line with last year at \$1.6 million;
- Interest revenues were in-line with last year at \$1.4 million;
- Recoveries increased by \$3.3 million, or 62.5% to \$8.6 million, primarily the result of funding installments recognized for the National Holocaust Monument and Rideau Hall projects;
- Monetary sponsorships increased to \$0.2 million; and
- Other revenues increased by \$1.3 million, or 141.7% to \$2.2 million primarily as a result of the contribution related to the Rideau Hall Forecourt project and the Sir John A. Macdonald Linear Park development.

Operating Expenses increased by \$6.3 million, or 6.8%, compared to the same period last year. The results by Program were as follows:

- Capital stewardship and Protection increased by \$5.1 million, or 7.7%, to \$70.4 million, primarily due to the commemoration monument project and rehabilitation projects.
- Capital planning increased by \$0.3 million, or 12.7%, to \$3.0 million due to increased salary and benefits in support of the Canada's sesquicentennial celebrations.
- Internal Services increased by \$0.9 million, or 3.9% to \$24.5 million.

Funding from the Government of Canada through Parliamentary Appropriations increased by \$6.5 million, or 10.0%, compared to the same period last year. The results by main categories of appropriations were as follows:

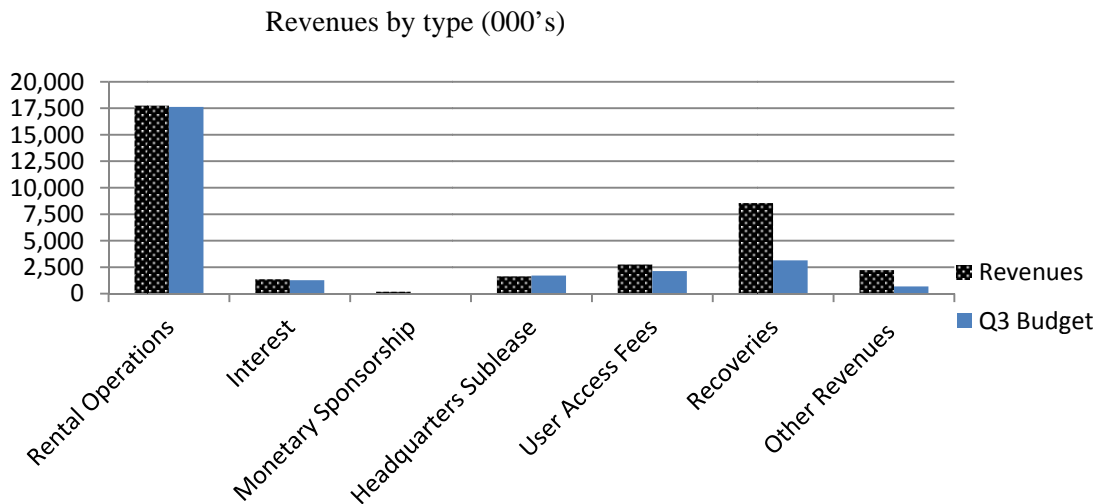
- Appropriations for Operating Expenditures increased by \$3.0 million, or 6.6%, to \$49.5 million.
- Appropriations for Capital Expenditures increased by \$3.5 million, an increase of 18.2% to \$22.5 million.

The nine month period ended December 31, 2017, resulted in a \$8.8 million surplus, compared to the \$1.8 million surplus for the same period last year. The variance is due to a timing difference related to the receipt and use of government appropriations and other sources of revenues received in 2017-2018.

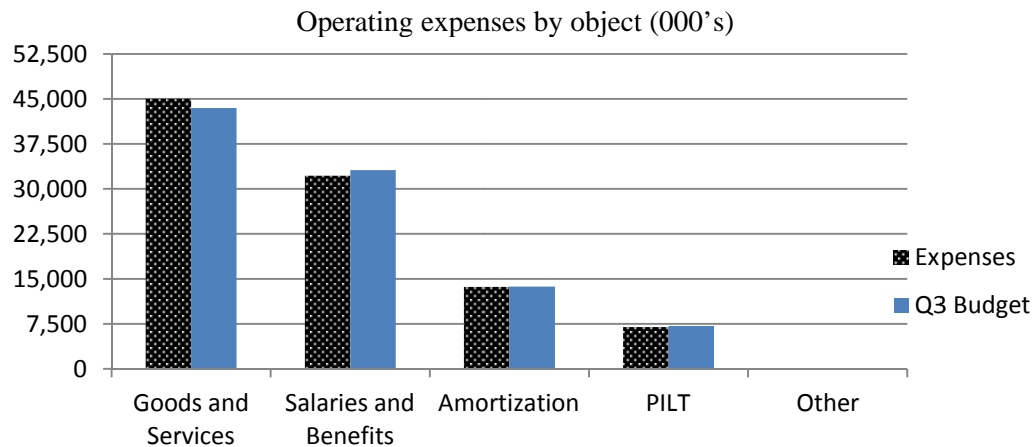
B. Budgetary Analysis

The revenue budget for the 2017-2018 fiscal year includes non-recurring items such as recoveries related to various projects and commemorations, with \$8.6 million recognized by the end of the third quarter, however \$2.6 million represents recoveries for a commemoration planned in the preceding year. As a result, non-recurring revenues are almost three times the annual budget. Recurring revenues total \$26.0 million and have achieving 80.0% of the annual budget as at December 31, 2017.

The following chart illustrates revenues and the Q3 Budget. Notably, recoveries and other revenues are trending higher than the budget, due to the unplanned receipt of funding installments for commemoration monuments and various project contributions. User access fees are also trending higher than the budget.



The following chart illustrates operating expenses totalling \$97.8 million and the Q3 Budget of \$97.4 million. The variances are due primarily to timing differences versus plan as follows: the timing of expenses regarding the construction of commemoration monuments and operational projects as well as the reprofiling of a \$2.3 million to 2019-2020 for the FCSAP Bayview project. Salaries show a favorable variance to date of \$0.9 million due to vacancies compared to the Q3 Budget.



C. Use of Parliamentary Appropriations

The NCC receives its funding from a number of sources: parliamentary appropriations, rental operations and easements, investment revenues, user access fees, cost recoveries, net gain on disposals of tangible capital assets and other revenues. The NCC draws down its parliamentary appropriations according to cash flow projections provided to the Minister of Canadian Heritage. As the nature of expenditures are not constrained by source of funding, direct matching of appropriations received and receivable to specific use is not applicable.

The NCC received \$72.1 million, or 78.4% of its annual budget for Appropriations for the period ended December 31, 2017. Parliamentary Appropriations drawdowns are based on forecasted cash flow expenditures. The following illustrates the forecast of the Parliamentary Appropriations by Vote.

NCC Parliamentary Appropriations by vote (000's)

Vote	Annual Budget	Gov't Apps Recognized	% Recognized	Approved Supplementary Estimates	Forecast to March 2018
Operational Vote	67,591	49,542	73.3%	-	18,049
Supplementary Estimates	-	-	-	(2,236)	(2,236)
<i>sub-total</i>	67,591	49,542	73.3%	(2,236)	15,813
Capital Vote	24,305	22,515	92.6%	-	1,790
Supplementary Estimates	-	-	-	(805)	(805)
<i>sub-total</i>	24,305	22,515	92.6%	(805)	985
Total	91,896	72,057	78.4%	(3,041)	16,798

Additional details on the parliamentary appropriations can be found in the NCC's Quarterly Financial Statements at December 31, 2017 (Note 10).

D. Capital Expenditure

Investments by main categories of Capital Expenditures were as follows:

- Roads and bridges investments were \$1.2 million, or 37.0% of the budget.
- Historical properties were \$11.2 million, or 309.0% of the budget;
 - This is mainly due to the extensive work done for the Rideau Hall Forecourt and the O'Brien House, both deferred from 2015-2016.
- Rental properties were \$1.6 million, or 51.7% of the budget;
 - This includes work on the redevelopment of 7 Clarence Street.
- Development properties were \$0.5 million, or 110.5% of the budget.
- Green assets were \$2.5 million, or 39.3% of the budget.
- Other projects were \$1.6 million, or 22.3% of budget;
 - This primarily includes project management costs.
- Equipment expenditures were \$0.3 million, or 41.1% of the budget.
- Real property acquisitions of \$2.1 million were completed during the period (annual budget: \$3 million).

E. Risk Analysis

The NCC has adopted an enterprise risk management framework, which formalizes the corporation's approach to managing risks. This framework is applied to decision making, project management and planning. Enterprise

risk management is integrated into the NCC's planning and reporting cycle through a risk profile exercise, which helps to identify the key corporate risks and corresponding risk response measures for the planning period. Corporate risks are linked directly to the organization's performance and risk trends, and the effectiveness of risk response measures are reported to the board of directors each quarter.

As part of the annual risk identification exercise for the corporate risk profile, four interrelated key corporate risks were identified as having the most significant potential impact on the NCC during the planning period:

Financial Capacity

In a financially challenging business environment, there is a risk that the NCC will be unable to maintain sufficient levels of resources in order to effectively manage and maintain its assets, and deliver on its priorities.

As part of its measures to respond to financial capacity risks, the NCC will undertake the following:

- continue to implement process improvements and business optimization;
- evaluate the ideal use of available resources to deliver priorities;
- address deferred asset maintenance and life cycle management funding gaps through a funding request to ensure that assets are properly maintained; and
- implement plans to increase revenues and optimize lands.

Human Resource Capacity

In an increasingly competitive labour market, there is a risk that the NCC will be unable to recruit, train and retain a skilled and diverse workforce in order to effectively lead and deliver the corporation's activities.

As part of its measures to respond to human resource capacity risks, the NCC will undertake the following:

- enhance human resource planning and monitoring to recruit, manage and retain a talented workforce;
- ensure that the workforce is representative of the Canadian population;
- implement tools to retain corporate memory;
- provide training and development in alignment with employee learning needs and succession planning objectives; and
- develop and implement strategies to improve employee workload, as well as working conditions and environment.

Influence and Reputation

Collaboration and obtaining buy-in are essential to realize a shared vision for Canada's Capital Region. There is a risk that the NCC will be unable to exert sufficient influence in the region, and therefore be unable to secure the necessary support to accomplish federal objectives. The NCC's reputation also affects its influence with stakeholders, partners and the public.

As part of its measures to respond to influence and reputational risks, the NCC will undertake the following:

- continue to ensure public and stakeholder engagement and to implement strong and proactive communications;
- ensure proactive influence in urban planning, development and capital projects;

- continue proactive media engagement and relations;
- engage and leverage strategic partnerships and networks, including the board of directors and the mayors of Ottawa and Gatineau, to advance NCC and regional objectives;
- continue to advance openness and transparency objectives;
- continue to monitor and track the NCC's reputation; and
- remain attuned to user needs, and streamline processes in order to provide client services that are aligned with achieving corporate excellence.

Safety and Security

Safety and security have become important government priorities, and are of utmost importance for the NCC in carrying out its mandate. There is a risk that the NCC will be unable to ensure the safety and security of its lands and assets and their users, as well as its operations and employees.

As part of its measures to respond to safety and security risks, the NCC will undertake the following:

- continue to undertake regular inspections of lands and assets;
- ensure that corporate security and workplace health and safety policies and procedures are up-to-date;
- ensure that business continuity and disaster recovery plans are in place and up-to-date;
- determine critical infrastructure assets and ensure that threat and risk assessments are undertaken;
- maintain and manage up-to-date and relevant IT security infrastructure, and provide employee security awareness training; and
- continue to participate in the Government of Canada's security planning initiatives and committees.

F. Significant Changes Related to Operations, Personnel and Programs

No significant changes with regard to NCC operations, personnel or programs occurred during the three month period ended December 31, 2017.

Unaudited Financial Statements

For the nine months ended December 31, 2017

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 contained 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.



Dr. Mark Kristmanson
Chief Executive Officer



Michel Houle, CPA, CMA
Executive Director, Corporate Services and
Chief Financial Officer

Ottawa, Canada
February 27, 2018

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

	December 31, 2017	March 31, 2017
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	78,338	82,541
Restricted cash and cash equivalents - light rail transit (Note 4)	63,707	63,105
Accounts receivable		
Federal government departments and agencies	8,768	5,837
Others	5,405	5,265
Investments (Note 3)	19,197	19,114
	175,415	175,862
LIABILITIES		
Accounts payable and accrued liabilities		
Federal government departments and agencies	1,408	1,879
Others	17,204	19,908
Light rail transit (Note 4)	59,551	59,583
Provision for environmental cleanup	50,922	50,831
Deferred revenue (Note 5)	15,195	16,355
Employee future benefits (Note 6)	8,695	8,921
Other liabilities (Note 7)	8,319	7,358
	161,294	164,835
NET FINANCIAL ASSETS	14,121	11,027
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	634,863	627,107
Prepaid expenses	590	2,522
Other non-financial assets	1,261	1,394
	636,714	631,023
ACCUMULATED SURPLUS	650,835	642,050

The notes are an integral part of the financial statements.

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

	2017-2018 Annual Budget (Note 2)	Three months ended December 31		Nine months ended December 31	
		2017	2016	2017	2016
REVENUES					
Rental operations and easements	23,504	6,089	5,280	17,761	16,835
Interest	1,703	506	437	1,378	1,309
Monetary Sponsorship	-	-	-	196	80
Headquarters sublease	2,277	510	570	1,649	1,684
User access fees	2,843	1,067	286	2,771	1,696
Recoveries	4,185	1,615	1,658	8,562	5,269
Other revenues	923	744	546	2,245	929
	35,435	10,531	8,777	34,562	27,802
EXPENSES (Note 9)					
Capital Planning	5,372	1,018	1,019	2,953	2,621
Capital Stewardship and Protection	88,417	22,527	22,772	70,404	65,386
Internal Services	35,713	8,402	8,247	24,477	23,568
	129,502	31,947	32,038	97,834	91,575
Deficit before funding from the Government of Canada	(94,067)	(21,416)	(23,261)	(63,272)	(63,773)
Funding from the Government of Canada					
Parliamentary appropriations for operating expenditures (Note 10)	67,591	17,936	16,903	49,542	46,480
Parliamentary appropriations for tangible capital assets (Note 10)	24,305	9,675	6,836	22,515	19,045
	91,896	27,611	23,739	72,057	65,525
Surplus for the period	(2,171)	6,195	478	8,785	1,752
Accumulated surplus at beginning of the period	645,106	644,640	649,380	642,050	648,106
Accumulated surplus at end of the period	642,935	650,835	649,858	650,835	649,858

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)

	2017-2018 Annual budget (Note 2)	Three months ended December 31		Nine months ended December 31	
		2017	2016	2017	2016
Surplus for the period	(2,171)	6,195	478	8,785	1,752
Acquisition and improvements of tangible capital assets (Note 8)	(25,890)	(7,020)	(9,626)	(21,425)	(21,447)
Amortization of tangible capital assets (Note 8)	18,924	4,717	4,340	13,664	12,804
(Net gain)/loss on disposal of tangible capital assets	-	(3)	110	1	112
Proceeds from disposal of tangible capital assets	-	4	-	4	-
	(6,966)	(2,302)	(5,176)	(7,756)	(8,531)
Change in prepaid expenses	1,151	2,173	3,591	1,932	(1,368)
Change in other non-financial assets	177	44	45	133	134
	1,328	2,217	3,636	2,065	(1,234)
Increase (Decrease) in net financial assets	(7,809)	6,110	(1,062)	3,094	(8,013)
Net financial assets at beginning of the period	(4,805)	8,011	28,079	11,027	35,030
Net financial assets at end of the period	(12,614)	14,121	27,017	14,121	27,017

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		Nine months ended	
	December 31		December 31	
	2017	2016	2017	2016
OPERATING ACTIVITIES				
Cash receipts from parliamentary appropriations for operating expenditures	17,935	11,576	50,038	45,135
Cash receipts from rental operations and easements	5,687	5,316	15,725	17,705
Cash receipts from other operations	940	828	10,973	6,758
Cash paid to suppliers	(14,913)	(12,572)	(49,973)	(46,504)
Cash paid to employees	(10,850)	(9,396)	(32,614)	(28,404)
Interest received	682	626	1,667	1,647
Disbursements related to the management and remediation of sites	(253)	(203)	(911)	(599)
Cash flows used by operating activities	(772)	(3,825)	(5,095)	(4,262)
CAPITAL ACTIVITIES				
Cash receipts from parliamentary appropriations for tangible capital assets	9,675	4,564	22,905	18,045
Acquisition and improvements of tangible capital assets	(7,147)	(9,700)	(21,636)	(17,534)
Proceeds from disposal of tangible capital assets	3	-	4	-
Disbursements for environmental cleanup	(4)	(50)	(65)	(399)
Cash flows provided (used) by capital activities	2,527	(5,186)	1,208	112
INVESTING ACTIVITIES				
Cash receipts for the light rail transit project	241	158	602	473
Disbursements for investments purchased	(763)	(437)	(1,208)	(839)
Cash receipts from investments sold	350	251	892	454
Cash flows (used) provided by investing activities	(172)	(28)	286	88
Increase (Decrease) in cash and cash equivalents	1,583	(9,039)	(3,601)	(4,062)
Cash and cash equivalents at beginning of the period	140,462	160,090	145,646	155,113
Cash and cash equivalents at end of the period	142,045	151,051	142,045	151,051
Represented by:				
Cash and cash equivalents	78,338	88,102	78,338	88,102
Restricted cash and cash equivalents - Light rail transit	63,707	62,949	63,707	62,949
	142,045	151,051	142,045	151,051

The notes are an integral part of the financial statements.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the period ended December 31, 2017

1. Authority and Objectives

The National Capital Commission (NCC) was established in 1959 by the *National Capital Act* (1958) as an agent Crown corporation without share capital, named in Part I of Schedule III of 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 amended *National Capital Act* (2013) are 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.

The NCC is also responsible for the management and maintenance of the tangible capital assets of the official residences located in the National Capital Region. The corporation 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 are selected to reflect Canada's heritage, artistic traditions and historical associations, or to complement the architectural style of a particular residence.

During 2015, the corporation was issued a directive (P.C. 2015-1106) pursuant to Section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies. The NCC met the requirements of the directive in 2015-2016.

2. Significant Accounting Policies

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the Canadian Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board (PSAB), and reflect the policies below.

These quarterly financial statements should be read in conjunction with the annual audited financial statements dated March 31, 2017, as well as with the financial statements of the first and second quarter.

Both financial and non-financial assets are reported on the Statement of Financial Position. Non-financial assets are normally utilized to provide future services, and are expensed through amortization or upon utilization. Non-financial assets are not included in the determination of net financial assets, but are added to the net financial assets in determining the accumulated surplus.

Intangibles asset are not recognized in the financial statements.

Measurement Uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported values of financial assets, liabilities and non-financial assets at the date of the financial statements,

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the period ended December 31, 2017

and the reported amounts of revenue and expenses for the reporting period. Estimated useful lives of tangible capital assets, unsettled land exchange, provision for environmental cleanup, employee future benefits, writedowns of tangible capital assets and the recognition of contingent liabilities are the most significant items for which estimates are used. Actual results could differ materially from those estimates.

Budget Figures

The 2017-2018 budget figures, as presented in the *2017-2018 to 2021-2022 Corporate Plan*, are included, as appropriate, in the Statement of Operations and Accumulated surplus and the Statement of Change in Net Financial Assets.

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, provincial or municipal governments. 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 December 31, 2017, cash and cash equivalents include \$78.3 million (\$82.5 million as at March 31, 2017) in cash, invested at a weighted average interest rate of 1.4 percent (1.1 percent as at March 31, 2017).

B. INVESTMENTS

As at December 31, 2017, the long-term portfolio of investments includes bonds of provincial governments, totalling \$19.2 million (\$19.1 million as at March 31, 2017) invested at a weighted average interest rate of 3.7 percent (3.7 percent as at March 31, 2017).

(in thousands of dollars)	December 31, 2017		March 31, 2017	
	Cost	Quoted Market Value	Cost	Quoted Market Value
Provincial governments	19,197	19,809	19,114	20,241
	19,197	19,809	19,114	20,241

C. DESIGNATED FUNDS

As at December 31, 2017, cash and cash equivalents include \$35.3 million (\$37.1 million as at March 31, 2017) in designated funds whose use is designated or limited for the sole purpose for which they have been segregated.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the period ended December 31, 2017

4. Light Rail Transit

The following table includes amounts received at December 31, 2017 as well as the interest earned for the period. Interest of \$0.6 million (\$0.5 million as at December 31, 2016) has been recorded and included in the Financial assets under “Restricted cash and cash equivalents - light rail transit” and under the “Light rail transit” liability.

The “Restricted cash and cash equivalents - light rail transit” under Financial assets are composed of the following.

(in thousands of dollars)

	March 31, 2017	Interest	December 31, 2017
Security deposit	51,519	492	52,011
Performance deposit	11,586	110	11,696
Total	63,105	602	63,707

As at December 31, 2017, the NCC recognized revenues totalling \$0.6 million (\$0.6 million as at December 31, 2016) as it continues to provide the City access to the light rail transit properties for a defined period of time. The “Light rail transit” totals \$59.6 million (\$59.6 million as at March 31, 2017).

5. Deferred revenue

Deferred revenues are composed of the following.

(in thousands of dollars)

	December 31, 2017	March 31, 2017
Deferred rental revenues	7,274	7,920
Deferred easement and license of occupation revenues	5,733	5,192
Other deferred revenues	2,188	3,243
	15,195	16,355

The deferred rental revenue is primarily the present value of the minimum future lease payments that the NCC has collected under of three different land lease agreements. The present value for the current agreements was determined using discount rates of 4.27 percent, 6.01 percent and 6.5 percent. This deferred rental revenue will be recognized in income over the term of the lease agreements, which have different termination dates extending to 2068.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the period ended December 31, 2017

6. Employee Future benefits

As at the Statement of Financial Position date, information relating to NCC benefits plans other than the pension plan is as follows.

(in thousands of dollars)

	December 31, 2017	March 31, 2017
Accrued benefit obligation, beginning of the period	8,921	4,551
Cost for the period	(87)	4,596
Benefits paid during the period	(139)	(226)
Accrued benefit obligation, end of the period	8,695	8,921

i. Severance and Workers' Compensation Benefits

Severance benefits ceased to accumulate when the new collective agreement was signed in February 2013. As at December 31, 2017, the severance benefit totals \$1.6 million (\$1.7 million as at March 31, 2017) and represents the obligation for employees who delayed payment until the time of termination.

The NCC provides workers' compensation benefits, based on benefits determined by the Workplace Safety and Insurance Board of Ontario. The value of the accrued obligation for workers' compensation is determined using actuarial data from the Workplace Safety and Insurance Board of Ontario and totals \$1.2 million as at December 31, 2017 (\$1.2 million as at March 31, 2017).

These benefit plans are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from the NCC's future appropriations and other sources of revenue.

ii. Sick Leave Benefits

The accrued sick leave obligation totals \$5.9 million as at December 31, 2017 (\$5.9 million as at March 31, 2017). The NCC has recorded an obligation related to sick leave benefits for its employees. The NCC uses an actuarial valuation to determine the value of its sick leave benefits. The estimated average remaining service period for employees is 12 years.

The key assumptions used in the actuarial evaluation include a discount rate of 2.3 percent, as well as an economic wage increase rate of 2.2 percent for 2017 and 2.6 percent thereafter. Included in the sick leave obligations is a non-amortized actuarial gain of \$0.5 million.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the period ended December 31, 2017

7. Other Liabilities

Other liabilities are composed of the following.

(in thousands of dollars)

	December 31, 2017	March 31, 2017
Deferred rent inducement ¹	7,126	6,168
Unsettled land exchange ²	1,000	1,000
Unsettled expropriation ³	193	190
	8,319	7,358

1. The deferred rent inducement represents the balance of \$0.3 million from the original lease plus the deferred rent inducement for the new lease of \$4.6 million. In addition, \$2.2 million represents the difference in rates paid on the two leases.

2. The unsettled land exchange will be completed when the third parties involved in the exchange are ready to receive the goods and/or services under the agreement.

3. The unsettled expropriation is payable on demand.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the period ended December 31, 2017

8. Tangible Capital Assets

(in thousands of dollars)

	COST				ACCUMULATED AMORTIZATION				December 31, 2017 Net Book Value	March 31, 2017 Net Book Value
	Opening Balance	Acquisitions	Disposals / Adjustments	Closing Balance	Opening Balance	Amortization expense	Disposals / Adjustments	Closing Balance		
Land ¹	305,896	2,272	1	308,167	-	-	-	-	308,167	305,896
Buildings and Infrastructure ²	762,927	18,607	610	780,924	450,676	12,401	606	462,471	318,453	312,251
Leasehold improvements ²	12,304	99	-	12,403	9,720	324	-	10,044	2,359	2,584
Equipment ²	18,953	447	158	19,242	12,577	939	158	13,358	5,884	6,376
	1,100,080	21,425	769	1,120,736	472,973	13,664	764	485,873	634,863	627,107

1. The land cost includes \$0.2 million (\$0.2 million as at 31 March 2017) of unsettled expropriation and land exchange.

2. The total cost of buildings and infrastructure, leasehold improvements and equipment include \$30.9 million (\$27.7 million as at March 31, 2017) of construction in progress. When completed, the cost of these projects will be amortized on the basis on their estimated useful life.

3. As at December 31, 2017, no asset held for sale was disclosed separately (none as at March 31, 2017).

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the period ended December 31, 2017

9. Expenses by Object

The following provides a summary of expenses by object.

(in thousands of dollars)	2017-2018 Annual Budget (Note 2)	Three months ended December 31		Nine months ended December 31	
		2017	2016	2017	2016
Goods and services	57,284	14,179	15,441	45,022	43,129
Salaries and employee benefits	43,790	10,641	9,712	32,187	28,380
Amortization	18,924	4,717	4,340	13,664	12,804
Payments in lieu of municipal taxes	9,504	2,410	2,435	6,960	7,150
Net loss on disposal of tangible capital assets	-	-	110	1	112
	129,502	31,947	32,038	97,834	91,575

Antiques, works of art and monuments acquired or built by the NCC and those donated to the Canadiana Fund or the NCC are not recorded as tangible capital assets but are recorded as expenses and are included in "Goods and services." For the period ended December 31, 2017, the value of antiques, works of art and monuments totalled \$2.7 million (\$4.6 million as at December 31, 2016).

10. Parliamentary Appropriations

(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2017	2016	2017	2016
Parliamentary appropriations for operating expenditures¹				
Amount received during the period	17,936	11,577	49,542	46,480
Amount received from a previous period	-	5,326	-	-
	17,936	16,903	49,542	46,480
Parliamentary appropriations for tangible capital assets²				
Amount received during the period	9,675	4,564	22,515	19,045
Amount received from a previous period	-	2,272	-	-
	9,675	6,836	22,515	19,045
Parliamentary appropriations approved and recorded during the period	27,611	23,739	72,057	65,525

1. As at December 31, 2017 and 2016, the amounts approved for the years ending March 31, 2018 and 2017 totaled \$65.4 million and \$66.4 million, respectively.

2. As at December 31, 2017 and 2016, the amounts approved for the years ending March 31, 2018 and 2017 totaled \$23.5 million and \$22.4 million, respectively.