Canadian Tourism Commission

Quarterly Financial Report for the quarter ending June 30, 2023

Canadian Tourism Commission
Narrative Discussion
June 30, 2023

Introduction

The Canadian Tourism Commission (the "CTC") – doing business as Destination Canada – is Canada's national tourism marketing organization. A Crown corporation wholly owned by the Government of Canada, we lead the Canadian tourism industry in marketing and developing Canada as a premier four-season tourism destination. We provide market intelligence and industry data for decision making by governments, partners and tourism businesses. Reporting to Parliament through the Minister of Tourism and Associate Minister of Finance, our legislation requirements are outlined in the Canadian Tourism Commission Act.

The CTC runs marketing campaigns domestically and in international markets such as the U.K., Germany, France, Mexico, Japan, South Korea, Australia, China and the U.S., targeting leisure travellers and those travelling for business events. The CTC works collaboratively with industry, communities and government partners to elevate the appeal of Canada's tourism destinations to visitors and to enhance the quality of life of Canadian residents across the nation.

Narrative Discussion

The Narrative Discussion contained herein applies to the quarter.

Canadian Tourism Commission
Narrative Discussion
June 30, 2023

Quarterly and Year to Date Results
(in thousands)

	Three months ended June 30, 2023	Three months ended June 30, 2022	Variance
Partner revenues	$ 723	$ 280	$ 443

Partnerships with provincial and territorial marketing organizations, national, regional, and local companies have increased compared to the same quarter of the prior year. The US market had increased revenue of $620K, while the China market decreased by $160K.

Other revenue	419	267	152

Other revenue includes operational recoveries within the China office, interest revenues and recoveries of commodity taxes. The variance in Q2 relates to a $152K increase in interest earned on bank deposits.

Marketing and sales expenses	18,801	40,753	(21,952)

The marketing and sales budget was reduced in 2023 compared to 2022 resulting in lower levels of spending. Spend has also decreased in 2023 due to the reduction in one-time funding from the 2021 Federal Budget (Helping Visitors Discover Canada) from $60M in 2022 to $25.7M in 2023. The US market had decreased spend of $15M, and the Domestic market had decreased spend of $5.4M in Q2 2023 compared to Q2 2022

Analytics	3,332	1,685	1,647

The CTC prioritizes investment in research. Spend includes consulting fees and travel expenses. The increase is mainly due to travel and program expenses.

Corporate services and strategy	2,674	2,016	658

The CTC is dedicated to delivering efficient operations to maximize investment in our programs. The Corporate services and strategy spend for Q2 2023 is higher when compared to Q2 of last year mainly due to an increase in travel, salaries and meeting related expenses.

Destination Stewardship	701	174	527

The increase in expenses relates to salaries for new team members and the expansion in the Destination development program.

Parliamentary appropriations	30,886	39,041	(8,155)

The ($8M) variance in parliamentary appropriation for Q2 2023 compared to Q2 2022 is the result of the CTC not submitting the June drawdown request until July.

	Six months ended June 30, 2023	Six months ended June 30, 2022	Variance
Partner revenues	$ 871	$ 693	$ 178

Partnerships with provincial and territorial marketing organizations, national, regional, and local companies have increased compared to the same quarter of the prior year. The US market had increased revenue of $659K, and the following markets had decreased revenue: China - $174K, Mexico - $76K, Japan - $144K, Australia - $70K

Other revenue	836	468	368

Other revenue includes operational recoveries within the China office, interest revenues and recoveries of commodity taxes. The variance relates to a ($362K) increase in interest earned on bank deposits.

Marketing and sales expenses	39,207	62,332	(23,125)

The marketing and sales budget was reduced in 2023 compared to 2022 resulting in lower levels of spending. Spend has also decreased in 2023 due to the reduction in one-time funding from the 2021 Federal Budget (Helping Visitors Discover Canada) from $60M in 2022 to $25.7M in 2023. The US market had decreased spend of $16M, and the Domestic market had decreased spend of $7.5M in 2023 YTD compared to the same period in 2022. The US spend has also shifted from Spring/Summer to Fall/Winter.

Analytics	6,328	3,023	3,305

The CTC prioritizes investment in research. Spend includes consulting fees and travel expenses. The increase is mainly due to travel and program expenses.

Corporate services and strategy	5,383	4,402	981

The CTC is dedicated to delivering efficient operations to maximize investment in our programs. The Corporate services and strategy spend for 2023 YTD is higher when compared to the same period last year mainly due to an increase in salaries, travel and meeting related expenses.

Destination stewardship	987	270	717

The increase in expenses relates to salaries for new team members and the expansion in the Destination

Parliamentary appropriations	54,035	73,622	(19,588)

The ($19M) variance in parliamentary appropriation for 2023 compared to 2022 is the result of lower drawdown of the Helping Visitors Discover Canada special funding, and the CTC not submitting the June drawdown request until July.

Risks and uncertainties

As part of our strategic management process, we conduct an enterprise risk assessment and use the results of that assessment in the development of our five-year strategic plan, risk mitigation strategy and internal audit plan. Risk mitigation action plans are developed and implemented accordingly.

The risks outlined in the 2023-2027 Corporate Plan which could potentially impact our organizational objectives are highlighted below.

- **Economic:**
  There is a risk that promoted activities do not result in increased tourism due to aggressive competition from other countries and due to other sectors in Canada competing for the same limited pool of investment dollars and labour.

  Mitigation activities: We will use research and data analytics to make decisions about the best opportunities for Canada domestically and internationally. We will work closely with our provincial, territorial and city partners to ensure alignment, and our decisions will be informed by the experience of our partners. We will reallocate funds as conditions dictate. We will support industry with research, information, tools, media assets and sales opportunities to support pathfinding and help maintain businesses during this critical period.

- **Environmental:**
  There is a risk that the environmental perception of Canada, tourism and Destination Canada itself could have a negative impact on the tourism assets that are being promoted.

  Mitigation activities: We are stewarding destination development based on values that are place-based, community-led and environmentcentered, and that are also balanced with economic viability. This values-based approach will contribute to mitigating the unintended and negative impacts on the tourism assets we promote. As a national leader, we will raise awareness and reinforce messages to our marketing and industry partners about capacity challenges of destinations and the need for environmental sensitivity when developing their programs. We will encourage them to meet Canada's greenhouse gas goals and to work alongside communities to instill actions that are regenerative. Further, we will promote these values to our travellers.

- **Social**
  There is a risk that our operations and tourism promotion activities do not consider all stakeholders and are not equitable towards all affected peoples and local communities. There is a further risk that the workload challenges of the past number of years negatively impact the mental health of our employees.

  Mitigation activities: We are working across multiple initiatives to ensure that our activities reflect the diversity of Canada. This includes working with our agency partners to showcase all elements of diversity in our global marketing; refining our processes in human resource recruitment, procurement and other practices; training our staff to be aware of biases; working to support Indigenous reconciliation through tourism; and following a community economic empowerment strategy. We are deploying our internal diversity, equity and inclusion strategy to ensure that we embrace diversity in our operations and reflect the communities we serve.

- **Governance**
  There is a risk that our corporate governance activities do not respond to the rapidly changing global business environment, leading to lower overall organizational effectiveness, efficiency and compliance.

Mitigation activities: We have conducted an extensive environmental scan exploring the big shifts in the tourism industry and aligned our governance activities in the changing environment. This starts with engaging with a Board of Directors made up of seasoned industry and business professionals who ensure that our strategic direction is aligned with the rapidly changing conditions. We have consulted broadly with the industry to develop a strong business strategy, implemented a full policy suite to address day-to-day operations, provided more robust enterprise risk management, and introduced an internal audit function serving as the final line of defense. We measure our performance against our own targets and our stakeholders' objectives, we are benchmarking some areas of market performance against key competitors, and we have implemented appropriate information technology controls to protect against the cyber risks of doing business in today's environment.

Canadian Tourism Commission
June 30, 2023

Statement of Management Responsibility by Senior Officials

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, 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 all other information in this 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.

Marsha Walden

President and CEO
Vancouver, Canada
August 15, 2023

Joanna Mukai

Interim VP Finance, CFO
Vancouver, Canada
August 15, 2023

Canadian Tourism Commission

Statement of Financial Position

As at June 30, 2023

(in thousands of Canadian dollars)

	June 30, 2023	December 31, 2022
Financial assets		
Cash and cash equivalents	23,605	27,411
Accounts receivable		
Partner	75	839
Government of Canada	344	1,194
Other	19	8
Other - Supplier Credit	85	1,480
Accrued benefit asset	2,525	2,525
Portfolio investments	971	852
	27,624	34,309
Liabilities		
Accounts payable and accrued liabilities		
Trade	7,989	12,307
Employee compensation	1,872	2,537
Government of Canada	1	652
Accrued benefit liability	2,495	2,528
Deferred revenue	4,688	-
Deferred lease inducements	237	286
Asset retirement obligation	112	112
	17,394	18,422
Net financial assets	10,230	15,887
Non-financial assets		
Prepaid expenses	12,846	3,358
Tangible capital assets	599	755
	13,445	4,113
Accumulated surplus	23,675	20,000

The accompanying notes form an integral part of these financial statements.

Contractual Obligations, Contingencies, Contractual Rights (Notes 3, 14, 15 and 17)

Canadian Tourism Commission

Statement of Operations

For the six months ended June 30

(in thousands)

	Six months ended June 30	
	2023	**2022**
Revenues		
Partner revenues	871	693
Other	836	468
	1,707	1,161
Marketing and sales	39,207	62,332
Analytics	6,328	3,023
Corporate services and strategy	5,383	4,402
Destination stewardship	987	270
Amortization of tangible capital assets	156	164
	52,061	70,191
Net cost of operations before funding from the Government of Canada	(50,354)	(69,030)
Parliamentary appropriations	54,035	73,622
Surplus (Deficit) for the year	3,681	4,593
Accumulated operating surplus, beginning of period	20,069	12,242
Accumulated operating surplus, end of period	23,750	16,835

The accompanying notes form an integral part of these financial statements.

Canadian Tourism Commission

Statement of Remeasurement Gains and Losses

For the six months ended June 30

(in thousands)

	Six months ended June 30	
	2023	**2022**
Accumulated remeasurement (loss), beginning of period	(69)	(36)
Unrealized loss attributable to foreign exchange	(75)	(92)
Amounts reclassified to the statement of operations	69	36
Net remeasurement loss for the period	(6)	(56)
Accumulated remeasurement loss, end of period	(75)	(92)

The accompanying notes form an integral part of these financial statements.

Canadian Tourism Commission

Statement of Change in Net Financial Assets

For the six months ended June 30

(in thousands)

	2023	2022
Surplus for the period	3,681	4,593
Acquisition of tangible capital assets	(2)	(67)
Amortization of tangible capital assets	156	164
	154	97
Effect of change in other non-financial assets		
Decrease in prepaid expenses	(9,486)	(1,093)
	(9,486)	(1,093)
Net remeasurement loss	(6)	(56)
(Decrease) Increase in net financial assets	(5,657)	3,542
Net financial assets, beginning of period	15,887	6,674
Net financial assets, end of period	10,230	10,216

The accompanying notes form an integral part of these financial statements.

Canadian Tourism Commission

Statement of Cash Flows

For the six months ended June 30

(in thousands)

	2023	2022
Operating transactions:		
Cash received from:		
Parliamentary appropriations used to fund operating and capital transactions	54,035	87,956
Partners	6,324	543
Other	255	251
Interest	533	170
	61,147	88,920
Cash paid for:		
Cash payments to suppliers	(54,459)	(64,571)
Cash payments to and on behalf of employees	(10,367)	(9,125)
Cash provided by (used in) operating transactions	(3,679)	15,224
Capital transactions:		
Acquisition of tangible capital assets	(2)	(67)
Cash used in capital transactions	(2)	(67)
Investing transactions:		
(Acquisition) of portfolio investments	(119)	(8)
Cash (used in) provided by investment transactions	(119)	(8)
Net remeasurement loss for the period	(6)	(56)
Net (decrease) increase in cash during the period	(3,806)	15,093
Cash and cash equivalents, beginning of period	27,411	11,118
Cash and cash equivalents, end of period	23,605	26,211

The accompanying notes form an integral part of these financial statements.

Canadian Tourism Commission
Notes to the Quarterly Financial Statements
June 30, 2023

1. AUTHORITY, OBJECTIVES AND DIRECTIVES

The Canadian Tourism Commission (the "Commission") was established on January 2, 2001, under the Canadian Tourism Commission Act (the "Act") and is a Crown corporation named in Part I of Schedule III to the Financial Administration Act. The Commission is for all purposes an agent of her Majesty in right of Canada. As a result, all obligations of the Commission are obligations of Canada. The Commission is not subject to income taxes.

As stated in section 5 of the Act, the Commission's mandate is to:

- sustain a vibrant and profitable Canadian tourism industry;
- market Canada as a desirable tourist destination;
- support a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories with respect to Canadian tourism; and
- provide information about Canadian tourism to the private sector and the governments of Canada, the provinces and the territories.

In December 2014, the Commission was issued directive PC 2014-1378 pursuant to section 89 of the *Financial Administration Act* directing the Commission to implement pension plan reforms. These reforms are to ensure that pension plans of Crown corporations provide a 50:50 current service cost-sharing ratio between employee and employer for pension contributions by December 31, 2017. The 50:50 cost- sharing ratio was fully implemented as of December 31, 2017.

In July 2015, the Commission was issued directive PC 2015-1109 pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditures policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Commission's next corporate plan. The Commission implemented its new Travel, Hospitality, Conference, and Event Expenditures Policy on August 21, 2015, which complied with the requirements of the directive. The Treasury Board issued revised directives and guidelines in 2017. On November 29, 2018, the Commission approved an updated policy to align with the new requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS"). Significant accounting policies are as follows:

a) Parliamentary appropriations

The Commission is mainly financed by the Government of Canada through parliamentary appropriations. Parliamentary appropriations used to fund core operations and capital expenditures are considered unrestricted and recognized as revenues when the appropriations are authorized, and any eligibility criteria are met. Parliamentary appropriations used to fund one-time activities are considered restricted. Restricted appropriations have eligibility criteria and stipulations that give rise to an obligation that meets the definition of a liability. Restricted appropriations are recognized as deferred revenue when the stipulation gives rise to a liability. Restricted appropriation revenue is recognized as the stipulation liabilities are settled.

As a result of the Commission's year-end date (December 31) being different than the Government of Canada's year-end date (March 31), the Commission is funded by portions of appropriations from two Government fiscal years.

The Commission will have a deferred parliamentary appropriations balance at year-end when the restricted funding received for the period exceeds the restricted appropriations recognized for the related fiscal period. The Commission will have a parliamentary appropriations receivable balance when restricted appropriations recognized exceed the restricted funding received.

The Commission does not have the authority to exceed approved appropriations.

b) Partner revenues

The Commission conducts marketing activities in partnership with a variety of Canadian and foreign organizations. Where the Commission assumes the financial risks of conducting a marketing activity, contributions received from a partnering organization are recognized in income over the effective life of the contract or when the event has taken place. Partner revenues received for which the related marketing activity has not yet taken place are recognized as deferred revenue.

c) Other revenues

Other revenues consist of cost recoveries from co-location partners, interest revenues, capital asset sales and other miscellaneous revenues. These items are recognized as revenue in the period in which the transaction or event occurred that gives rise to the revenue.

d) Foreign currency translation

Monetary assets and monetary liabilities denominated in foreign currencies are translated into Canadian dollars at the applicable year-end exchange rate. Non-monetary assets and non-monetary liabilities denominated in foreign currencies are translated into Canadian dollars at historical exchange rates. Revenue and expense items are translated during the year at the exchange rate in effect on the date of the transaction. Amortization expenses of tangible capital assets are translated at historical rates to which the assets relate. Realized gains and losses are considered Operating Expenses and are included in the Statement of Operations as Corporate Services. Unrealized gains and losses are reported on the Statement of Remeasurement Gains and Losses and in the Statement of Change in Net Financial Assets. The Commission does not hedge against the risk of foreign currency fluctuations.

e) Cash and cash equivalents

Cash and cash equivalents include cash in bank and mutual funds. These items are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

f) Portfolio investments

Portfolio investments are measured at amortized cost. Interest income related to these investments is calculated based on the effective interest method.

g) Prepaid expenses

Payments made prior to the related services being rendered are recorded as a prepaid expense. Prepaid expenses are recognized as an expense as the related services are rendered. Prepaid expenses consist of program and operating expenses such as subscriptions, marketing activities with Provincial and Territorial Marketing organizations and tradeshow expenditure.

h) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization and the amount of any write-downs or disposals. Tangible capital assets are written down when conditions indicate they no longer contribute to the ability to provide services and are accounted for as expenses in the Statement of Operations.

Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the assets as follows:

Leasehold improvements	remaining term of lease
Office furniture	5 years
Computer hardware	3 years
Computer software	5 years

Intangible assets are not recognized in these financial statements.

i) Deferred revenue

Deferred revenue consists of revenue from partnering organizations and restricted appropriations received from the Government of Canada. When revenues are received from partnering organizations, they are recognized as deferred revenue until the event has taken place or recognized as partner revenue over the effective life of the contract. When restricted appropriations are received from the Government of Canada, it is recognized as deferred revenue until the criteria and stipulations are met that gave rise to the liability. As at June 30, 2023, and December 31, 2022, the deferred revenue balance is solely made up of deferred revenue from partnering organizations.

j) Deferred lease inducements

Deferred lease inducements consist of various office lease inducements including reimbursement of leasehold improvement costs and free rent periods. These inducements are deferred and recognized as a straight-line reduction to office lease expenses over the term of the lease.

k) Asset retirement obligation

Asset retirement obligation consists of decommissioning costs for various office leases. The Commission recognizes asset retirement obligations as a result of legal obligations to restore leased office spaces back to their original states at the end of the lease term. Asset retirement obligations are measured initially at fair value, based on management's best estimates, with the resulting amount capitalized into the carrying amount of the related asset. The capitalized asset retirement cost is amortized on a straight-line basis over the term of the lease. The amortization expense is included in corporate services in determining the net cost of operations.

l) Employee future benefits

The Commission offers a number of funded, partly funded and unfunded defined benefit pension plans, other unfunded defined benefit plans (which include post-employment benefits, post-retirement benefits and non-vested sick leave), as well as defined contribution pension plans. The pension plans include a statutory plan, a supplemental plan and a plan to cover certain employees working outside of Canada. Other benefit plans include post-employment severance benefits and post-retirement health, dental and life insurance benefits and non-vested sick leave. The defined benefit pension plans provide benefits based on years of service and average pensionable earnings at retirement. The defined benefit component of the statutory plan and the supplemental plan has been closed effective December 30, 2017 and benefits and service of plan participants were frozen as of that date. The Commission funds certain pension plans annually based on actuarially determined amounts needed to satisfy employee future benefit entitlements under current benefit regulations. Cost of living adjustments are automatically provided for retirees in accordance with Consumer Price Index increases.

The costs and obligations of the defined benefit plans are actuarially determined using the projected benefit method prorated on service that incorporates management's best estimates of the rate of employee turnover, the average retirement age, the average cost of claims per person, future salary and benefit levels, expected return on plan assets, future medical costs, and other actuarial factors. For the purposes of calculating the expected return on plan assets, those plan assets are based on the market value of plan assets.

Past service costs arising from plan amendments are recognized in the years of which the plan amendment occurred.

The unamortized actuarial gains and losses incurred prior to the plan settlement that relate to the obligation settled are recognized in the period of settlement. This amount is included as part of the gain or loss arising on settlement. Gains and losses determined upon a plan settlement are accounted for in the Statement of Operations in the period of settlement.

Actuarial gains and losses are amortized over expected average remaining service lifetime (“EARSL”) of active employees. If no active employees are remaining, actuarial gains and losses are amortized fully in the next fiscal year. For 2022, EARSL has been determined to be 0 years (0 years - 2021) for the Supplementary Retirement Plan for certain employees of the Commission (“SRP”), 12 years (13 years - 2021) for the Pension Plan for Employees of the Commission in Japan, South Korea and China (“WWP”), 0 (0 years - 2021) for non-pension post-retirement benefits, 14 years (14 years – 2021) for severance benefits and 14 years (14 years - 2021) for sick leave benefits.

Employees working in the United Kingdom participate in the Global Affairs Canada defined benefit pension plans administered by the Government of Canada. The assets of these plans cannot be allocated among participating employers, and as such, these plans are deemed “multi-employer” plans and accounted for as defined contribution plans. The Commission’s contributions to these plans reflect the full benefit cost of the employer. These amounts vary depending upon the plan and are based on a percentage of the employee’s gross earnings.
Contributions may change over time depending on the experience of the plans since the Commission is required under present legislation to make adjustments for the rate of contributions to cover any actuarial deficiencies of these plans.
Contributions represent the total pension obligations of the Commission for these employees and are charged to operations during the year in which the services are rendered.

Gains and losses determined upon a plan curtailment are accounted for in the period of curtailment.

m) Financial instruments

Financial assets consist of cash and cash equivalents, accounts receivable, and portfolio investments, while financial liabilities consist of accounts payable and accrued liabilities. Financial assets and financial liabilities are measured at amortized cost, which approximates their fair value.

n) 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 assets and liabilities at the date of the financial statements and the amounts of income and expense during the reporting periods. Actual results could differ significantly from those estimates. The most significant estimates involve the determination of the employee future benefits liability and related accrued benefit asset, the useful lives for amortization of tangible capital assets, the fair value of the asset retirement obligation, contingencies, partner revenues, prepaid expenses and accrued liabilities.

o) Related party transactions

Through common ownership, the Commission is related to all Government of Canada created departments, agencies and Crown corporations. The Commission's transactions with these entities are in the normal course of operations and are measured at the exchange amount.

Related parties also include key management personnel (KMP) having authority for planning, controlling, and directing the activities of the Commission, as well as their close family members. The Commission has defined its KMP to be members of the Board of Directors and management employees at the Senior Vice-President level and above.

p) Partnership contributions in-kind

In the normal course of business, the Commission receives in-kind contributions from its partners including the transfer of various types of goods and services to assist in the delivery of programs. The audit services and the in-kind contributions from partners are not recognized in the financial statements.

q) Inter-entity transactions

Inter-entity transactions are transactions between commonly controlled entities. The Commission records inter-entity transactions at the exchange amount except the following:

- Audit services received without charge between commonly controlled entities.
- In-kind contributions received from commonly controlled entities.

The value of the audit services is considered insignificant in the context of the financial statements as a whole and inter-entity in-kind contributions are not recognized in the financial statements.

3. FINANCIAL STATEMENT PRESENTATION

a) These unaudited interim financial statements should be read in conjunction with the annual financial statements of the Canadian Tourism Commission (the "Commission") as at and for the year ended December 31, 2022, and the narrative discussion included in the quarterly financial report. Amounts in these interim financial statements as at June 30, 2023, are unaudited and are presented in Canadian dollars.

b) The Commission changed the allocation of its Research unit expenses from Marketing and Sales to Strategy, Analytics and Destination Stewardship. The prior year's comparatives have been restated to reflect the current year presentation. Refer to the Statement of Operations.

4. PARLIAMENTARY APPROPRIATIONS

Parliamentary appropriations approved for the Government fiscal period April 1, 2023, to March 31, 2024, are $111.2 which includes $96.2M base funding and $15.0M relating to the 2021 Federal Budget - incremental funding for the purpose of Helping Visitors Discover Canada. The Commission does not have the authority to exceed approved appropriations.

Canadian Tourism Commission
Notes to the Quarterly Financial Statements
June 30, 2023

5. ACCUMULATED SURPLUS (000S)

The accumulated surplus is comprised of:

	June 30, 2023	December 31, 2022
Accumulated operating surplus	$ 23,750	$ 20,069
Accumulated remeasurement gain / (loss)	(75)	(69)
Accumulated surplus	$ 23,675	$ 20,000

6. TANGIBLE CAPITAL ASSETS (000S)

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	June 30, 2023
Cost of tangible capital assets, opening	$ 825	$ -	$ 1,824	$ 337	$ 2,986
Acquisitions	2				2
Disposals	(59)				(59)
Cost of tangible capital assets, closing	768	-	1,824	337	2,929
Accumulated amortization, opening	652	-	1,272	307	2,231
Amortization expense	51		95	10	156
Disposals	(59)				(59)
Accumulated amortization, closing	644	-	1,367	317	2,328
Net book value	$ 124	$ -	$ 457	$ 20	$ 601

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	2022 Total
Cost of tangible capital assets, opening	$ 754	$ -	$ 1,948	$ 340	$ 3,042
Acquisitions	113				113
Disposals	(42)		(124)	(3)	(169)
Cost of tangible capital assets, closing	825	-	1,824	337	2,986
Accumulated amortization, opening	587	-	1,205	291	2,083
Amortization expense	107		191	19	317
Disposals	(42)		(124)	(3)	(169)
Accumulated amortization, closing	652	-	1,272	307	2,231
Net book value	$ 173	$ -	$ 552	$ 30	$ 755