Consolidated Financial Statements of

TRADE CENTRE LIMITED

Year ended March 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Trade Centre Limited

We have audited the accompanying financial statements of Trade Centre Limited, which comprise the consolidated balance sheet as at March 31, 2011 and the consolidated statements of operations and deficit and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Trade Centre Limited as at March 31, 2011 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

July 21, 2011

Halifax, Canada

TRADE CENTRE LIMITED

Consolidated Balance Sheet

March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 446,854	$ 3,831,462
Accounts receivable (note 3)	1,040,567	1,609,990
Due from Halifax Metro Centre	1,967,165	4,586,456
Due from Halifax Regional Municipality	571,899	570,758
Inventories	123,452	115,669
Prepaid expenses	476,936	421,394
	4,626,873	11,135,729
Capital assets (note 4):		
Land, building, furniture and equipment and tenant leaseholds	52,433,070	52,278,784
Less accumulated depreciation and amortization	40,246,840	37,501,269
	12,186,230	14,777,515
	$ 16,813,103	$ 25,913,244
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 888,046	$ 1,028,300
Event deposits	622,784	529,237
Deferred revenue	-	140,755
Due to Province of Nova Scotia	1,271,410	11,214,435
Advance ticket sales	1,400,370	2,173,725
	4,182,610	15,086,452
Other liability (note 5)	1,000,821	1,150,801
Long-term service awards	407,926	377,926
Deferred capital contributions (note 6)	6,780,007	7,878,748
	12,371,364	24,493,927
Shareholder's equity:		
Share capital:		
Authorized:		
1,000,000 common shares without par value		
Issued and outstanding:		
100 common shares	100	100
Contributed surplus (note 7)	45,173,101	45,173,101
Deficit	(40,731,462)	(43,753,884)
	4,441,739	1,419,317
Commitments (note 8)		
	$ 16,813,103	$ 25,913,244

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

TRADE CENTRE LIMITED

Consolidated Statement of Operations and Deficit

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenues:		
Convention Centre	$ 6,882,771	$ 5,855,120
Office Tower	2,702,839	2,628,211
Exhibition Park	1,702,781	1,750,254
World Trade Centre Atlantic Canada	339,115	502,792
TCL Major Events	552,141	707,345
Ticket Atlantic	1,124,319	1,597,063
Halifax Regional Municipality Convention Centre operating subsidy (note 9)	571,899	570,758
	13,875,865	13,611,543
Expenses (note 10):		
Event expenses	5,741,148	5,993,546
Salaries, wages and benefits	3,558,595	3,320,786
Administration	809,095	1,021,023
Advertising and marketing	722,461	730,295
Maintenance	1,358,343	1,396,678
Energy	870,660	857,995
Taxes and insurance	992,602	935,927
	14,052,904	14,256,250
Loss before the undernoted	(177,039)	(644,707)
Other income:		
Interest income	46,291	22,149
One-time operating grant	4,800,000	-
	4,846,291	22,149
Earnings (loss) before depreciation and amortization	4,669,252	(622,558)
Depreciation and amortization	2,584,710	2,620,489
Amortization of deferred capital contributions	(937,880)	(1,105,321)
	1,646,830	1,515,168
Net earnings (loss) for the year	3,022,422	(2,137,726)
Deficit, beginning of year	(43,753,884)	(41,616,158)
Deficit, end of year	$ (40,731,462)	$ (43,753,884)

See accompanying notes to consolidated financial statements.

TRADE CENTRE LIMITED

Consolidated Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Net earnings (loss) for the year	$ 3,022,422	$ (2,137,726)
Items not involving cash:		
Amortization of deferred capital contributions	(1,098,741)	(1,105,321)
Depreciation and amortization	2,745,571	2,620,489
Change in non-cash operating working capital	(7,779,594)	(4,432,527)
	(3,110,342)	(5,055,085)
Financing:		
Increase (decrease) in long-term service awards	30,000	(5,729)
Decrease in other liability	(149,980)	(48,169)
Receipt of government capital contributions	-	636,631
	(119,980)	582,733
Investments:		
Purchase of capital assets	(154,286)	(826,861)
Change in cash and cash equivalents	(3,384,608)	(5,299,213)
Cash and cash equivalents, beginning of year	3,831,462	9,130,675
Cash and cash equivalents, end of year	$ 446,854	$ 3,831,462

See accompanying notes to consolidated financial statements.

Trade Centre Limited (the "Company") is incorporated under the laws of the Province of Nova Scotia and its principal business activities include the operation of a trade and convention centre, the provision of marketing and promotion services, leasing of office and commercial space and the operation of Exhibition Park. Trade Centre Limited is another government organization as defined by Public Sector Accounting and Assurance Recommendations.

1. Significant accounting policies:

(a) Divisional operations:

The Trade Centre Limited consists of six divisions: the Convention Centre, TCL Major Events, the Office Tower, Exhibition Park, the World Trade Centre Atlantic Canada and Ticket Atlantic. Revenue and expenses are recorded on the accrual basis.

(b) Cash and cash equivalents:

Cash and cash equivalents include amounts on deposit with financial institutions and investments with maturities of 90 days or less.

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(d) Capital assets:

Capital assets are stated at cost. Depreciation and amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Building	Straight-line	10 to 30 years
Furniture and equipment	Straight-line	3 to 5 years
Tenant leaseholds	Straight-line	Lease term

1. Significant accounting policies (continued):

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(e) Deferred capital contributions:

Government assistance towards the acquisition of capital assets has been deferred and is being amortized to income on the same basis as the assets to which they relate are being depreciated.

(f) Long-term service awards:

Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of six months salary. Management recognizes compensation expense on an accrual basis.

(g) Revenue recognition:

Revenue is recognized when services are provided and collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Amounts received for future services are deferred until the service is provided. Deposits received and revenue related to any advance billings or ticket sales are deferred in current liabilities until the sale is recorded or the event has been completed.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Correction of prior presentation error:

Certain comparative figures have been recast in the current year to reflect a prior period immaterial presentation error. During the year management determined that the actual liability for advance ticket sales resided with the Trade Centre Limited. Advance ticket sales were previously recorded as liabilities in the Halifax Metro Centre financial statements where the cash received in advance had been deposited. Due to the fact that the tickets were sold by Ticket Atlantic, a division of Trade Centre Limited these advance ticket sales are the responsibility of Trade Centre Limited. Accordingly, prior year financial statements have been recast to reflect an increase in advance ticket sales liability by $2,173,725 and an increase in due from Halifax Metro Centre in the same amount.

3. Accounts receivable:

	2011	2010
Convention Centre events	$ 435,247	$ 231,971
Exhibition Park events	90,674	104,555
Events Nova Scotia funding	-	318,802
World Trade Centre Atlantic Canada	26,057	86,360
Other	487,953	875,458
Office tower rents	3,699	15,347
	1,043,630	1,632,493
Provision for doubtful accounts	(3,063)	(22,503)
	$ 1,040,567	$ 1,609,990

4. Capital assets:

			2011	2010
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
Land	$ 213,113	$ -	$ 213,113	$ 213,113
Building	45,899,993	34,356,231	11,543,762	13,846,290
Furniture and equipment	4,792,246	4,374,379	417,867	705,225
Tenant leaseholds	1,527,718	1,516,230	11,488	12,887
	$ 52,433,070	$ 40,246,840	$ 12,186,230	$ 14,777,515

5. Other liability:

Trade Centre Limited has a supplemental pension arrangement with the former President and Chief Executive Officer to provide post-employment benefits. The most recent valuation performed reflects a total post retirement pension obligation of $1,000,821. The cost of the post retirement pension obligation has being accrued over the estimated remaining service life of the individual who retired on April 1, 2009.

At March 31, 2011 the estimated accrued benefit obligation is $1,000,821 (2010 - $1,150,801). As the individual has retired, there is no benefit expense. As a result of a valuation performed as at March 31, 2011, there has been a decrease in the total post retirement pension obligation, which has been reflected as a reduction to salaries, wages and benefits expense.

The significant actuarial assumptions adopted in measuring the Centre's accrued benefit obligation are as follows: discount rate - 5.40% (2010 - 4.95%); rate of compensation increase - 0% (2010 - 0%).

6. Deferred capital contributions:

Trade Centre Limited entered into an agreement with the Province of Nova Scotia (the "Province") for the Province to fund a capital renovation plan, which was completed in fiscal 2010 at a total actual cost of $11,250,000 ($10,050,000 Convention Centre, $1,000,000 Public Service Commission, $200,000 Exhibition Park). The costs of the capital renovation are being capitalized as capital assets with the funding recorded as deferred capital contributions. These amounts are being amortized on a straight-line basis over periods ranging from 10 to 15 years.

7. Contributed surplus:

	2011	2010
Government of Canada	$ 2,750,000	$ 2,750,000
Halifax Regional Municipality	1,500,000	1,500,000
Province of Nova Scotia	40,923,101	40,923,101
	$ 45,173,101	$ 45,173,101

Contributed surplus consists of non-repayable grants from the three levels of government as set forth above to assist in the financing of the capital cost of the project. These grants have been treated as contributed surplus since they have been received by virtue of the Province of Nova Scotia's position as the sole shareholder of the Trade Centre Limited.

8. Commitments:

Trade Centre Limited is committed to minimum annual operating lease, signage and other payments as follows:

2012	$	304,979
2013		284,616
2014		240,904
2015		228,000
	$	1,058,499

9. Halifax Regional Municipality Convention Centre operating subsidy:

Pursuant to the Financing Agreement of May 14, 1982, the Halifax Regional Municipality makes an annual contribution to the operating deficit of the Convention Centre. Trade Centre Limited has recognized the contribution relating to the 2011 fiscal year in these consolidated financial statements.

10. Inventories expensed:

During the year the inventories expensed through the statement of operations amounted to $1,231,368 (2010 - $1,062,064).

11. Related party transactions:

The Company rents significant office tower space to departments and agencies of the Province of Nova Scotia. For the year ended March 31, 2011, rental revenue and tenant recoveries included $2,294,507 (2010 - $2,280,377) received from departments and agencies of the Province of Nova Scotia.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

12. Employee Pension Plan:

Employees of the Company participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administrated by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. Total employer contributions for 2011 were $351,043 (2010 - $300,028) and are recognized as an expense in the period. The Company is not responsible for any under-funded liability, nor does the Company have any access to any surplus that may arise in this Plan.

13. Fair value of financial instruments and risk management:

(a) Fair values:

The Company's financial instruments, being cash and cash equivalents, accounts receivable, due from Halifax Regional Municipality, accounts payable and accrued liabilities, other liability and due to the Province of Nova Scotia, approximate fair value due to their short-term nature or the recent calculation of the liability amount. It is not possible to determine the fair value of the long-term service awards due to the uncertainty of the timing of the payout of the award.

Fair value measurements are categorized using the fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

Cash and cash equivalents have been categorized as Level 1 financial instruments.

(b) Associated risks:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The Company's assets are primarily exposed to credit and liquidity risk.

13. Fair value of financial instruments and risk management (continued):

(i) Credit risk:

The Company's assets are primarily exposed to credit risk which is the risk that a debtor may be pay amounts owing thus resulting in a loss. To mitigate this risk the Company undertakes credit checks to ensure the credit worthiness of its customers prior to entering into any rental agreements or other contracts.

(ii) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The sources of funds are used to pay for expenses, capital expenditures, and debt payments. In the normal course of business the Company enters into contracts that give rise to commitments for future payments which may also impact the Company's liquidity. The Company also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

(c) Capital risk management:

The Company carries out its programs in conjunction with the contributed surplus (note 7) that has been provided to it over the years. In addition it receives an operating subsidy from the Halifax Regional Municipality on a yearly basis (note 9). The day to day operations are funded by the revenues received and amounts due to the Province of Nova Scotia.

14. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the financial presentation adopted per the current year.