Financial Statements

Trade Centre Limited

March 31, 2014

Building a better working world

MANAGEMENT'S REPORT

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedule A, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors [the "Board"] are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and external audited financial statements yearly.

The external auditors, Ernst & Young LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to management of Trade Centre Limited and meet when required.

On behalf of Trade Centre Limited:

Carrie Cussons
Chief Financial Officer

Scott Ferguson
Chief Executive Officer

June 25, 2014.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trade Centre Limited

We have audited the accompanying financial statements of **Trade Centre Limited**, which comprise the statement of financial position as at March 31, 2014 and the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Trade Centre Limited** as at March 31, 2014, and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Halifax, Canada,
June 25, 2014.

Chartered Accountants

Trade Centre Limited

STATEMENT OF FINANCIAL POSITION

As at March 31

	2014 $	2013 $
FINANCIAL ASSETS		
Cash	**958,800**	1,844,013
Restricted cash	**2,262,837**	3,056,646
Accounts receivable	**1,775,277**	2,322,910
Due from Halifax Metro Centre	**246,464**	—
Inventory held for resale	**93,678**	104,456
Total financial assets	**5,337,056**	7,328,025
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	**862,141**	1,493,928
Deferred revenue	**5,000**	—
Due to Halifax Metro Centre	**—**	431,430
Events deposits	**263,748**	236,651
Due to Province of Nova Scotia	**3,440,532**	2,847,374
Advance ticket sales	**2,390,333**	3,056,646
Long-term service awards *[note 6]*	**902,000**	865,900
Other liabilities *[note 6]*	**818,000**	803,600
Total financial liabilities	**8,681,754**	9,735,529
Net debt	**(3,344,698)**	(2,407,504)
NON-FINANCIAL ASSETS		
Tangible capital assets, net *[note 3]*	**5,869,498**	8,315,950
Prepaid expenses	**577,802**	488,098
Total non-financial assets	**6,447,300**	8,804,048
Accumulated surplus *[note 7]*	**3,102,602**	6,396,544

Contractual obligations *[note 4]*
Related Party Transactions *[note 5]*

See accompanying notes

On behalf of the Board:

_________________Director   _________________Director

Trade Centre Limited

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended March 31

	2014	2014	2013
	$	$	$
	[budget]		
REVENUE			
Convention Centre *[note 10]*	**6,143,000**	**5,805,108**	6,079,702
Office tower	**2,678,000**	**2,524,682**	2,690,118
Exhibition Park	**1,518,000**	**1,574,731**	1,489,168
Ticket Atlantic	**1,255,000**	**1,243,991**	1,262,867
Government transfers *[note 8]*	**875,000**	**1,559,533**	1,586,776
TCL Major Events	**30,000**	**—**	443,816
World Trade Centre Atlantic Canada	**—**	**—**	156,599
Investment income	**25,000**	**21,032**	21,954
Total revenue	**12,524,000**	**12,729,077**	13,731,000
EXPENSES			
Event expenses *[note 10]*	**5,426,000**	**5,414,436**	5,935,419
Salaries, wages and benefits *[note 6]*	**2,816,000**	**3,230,767**	3,219,307
Maintenance	**1,271,900**	**1,190,943**	1,170,090
Taxes and insurance	**981,000**	**1,040,374**	974,929
Energy	**899,390**	**990,421**	883,897
Administration	**622,800**	**496,979**	706,061
Business development and marketing *[note 8]*	**506,910**	**1,137,460**	721,237
Total expenses	**12,524,000**	**13,501,380**	13,610,940
	—	**(772,303)**	120,060
Amortization of tangible capital assets	**2,550,000**	**2,521,639**	2,483,190
Annual deficit	**(2,550,000)**	**(3,293,942)**	(2,363,130)
Accumulated surplus, beginning of year	**6,396,544**	**6,396,544**	8,759,674
Accumulated surplus, end of year	**3,846,544**	**3,102,602**	6,396,544

Related party transactions [note 5]

See accompanying notes

Trade Centre Limited

STATEMENT OF CHANGES IN NET DEBT

Year ended March 31

	2014 $ [budget]	2014 $	2013 $
Annual deficit	**(2,550,000)**	**(3,293,942)**	(2,363,130)
Acquisition of tangible capital assets	**—**	**(75,186)**	(572,734)
Amortization of tangible capital assets	**2,550,000**	**2,521,639**	2,483,190
Increase in prepaid expenses	**—**	**(89,705)**	(438,219)
Increase in net debt	**—**	**(937,194)**	(890,893)
Net debt, beginning of year	**(2,407,504)**	**(2,407,504)**	(1,516,611)
Net debt, end of year	**(2,407,504)**	**(3,344,698)**	(2,407,504)

See accompanying notes

Trade Centre Limited

STATEMENT OF CASH FLOWS

Year ended March 31

	2014	2013
	$	$
OPERATING ACTIVITIES		
Annual deficit	**(3,293,942)**	(2,363,130)
Add item not affecting cash:		
Amortization of tangible capital assets	**2,521,639**	2,483,190
Net changes in working capital:		
Accounts receivable	**547,633**	86,078
Inventory held for resale	**10,778**	5,347
Due to/from Halifax Metro Centre	**(677,894)**	1,029,880
Accounts payable and accrued liabilities	**(631,787)**	(27,884)
Event deposits	**27,097**	(338,736)
Deferred revenue	**5,000**	—
Due to Province of Nova Scotia	**593,158**	279,845
Advance ticket sales	**(666,313)**	(2,047,458)
Long-term service awards	**36,100**	(11,500)
Other liabilities	**14,400**	(251,700)
Prepaid expenses	**(89,704)**	(438,219)
Cash used in operating activities	**(1,603,835)**	(1,594,287)
CAPITAL ACTIVY		
Acquisition of tangible capital assets	**(75,186)**	(572,734)
Cash used in capital activity	**(75,186)**	(572,734)
Net change in cash during the year	**(1,679,021)**	(2,167,021)
Cash, beginning of year	**4,900,659**	7,067,680
Cash, end of year	**3,221,638**	4,900,659
Cash is comprised of:		
Cash	**958,800**	1,844,013
Restricted cash	**2,262,837**	3,056,646
	3,221,637	4,900,659

See accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

1. NATURE OF OPERATIONS

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. The Company is other government organization as defined by the Public Sector Accounting Board [the "PSAB"].

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by the Centre's management in accordance with the Chartered Professional Accountants of Canada ["CPA Canada"] Canadian Public Sector Handbook, which sets out the generally accepted accounting principles for government organizations.

Basis of presentation

The Company consists of four divisions: the Convention Centre, the Office Tower, Exhibition Park, and Ticket Atlantic. Operations of TCL Major Events and trade development activities of the World Trade Centre Atlantic Canada were transitioned to other provincial government agencies in March 2013 and are included herein for purposes of comparison.

Cash

Cash is comprised of cash on hand and balances held at financial institutions.

Restricted cash

Restricted cash represents cash received for advance ticket sales.

Inventory held for resale

Inventory held for resale consists of food and beverage supplies and are recorded at the lower of cost or net realizable value.

Advance ticket sales

Advance ticket sales are recorded as a liability on the statement of financial position until the event is held and amounts settled with third parties. Amounts received are segregated and are not available to fund the Company's operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Tangible capital assets

Tangible capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives using the following terms:

Building	10-30 years
Furniture and equipment	3-5 years
Leasehold improvements	Lease term

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Company's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

Contributed capital assets are recorded into revenue at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Prepaid expenses

Prepaid expenses include costs incurred prior to major events and conferences and are charged to expense over the periods expected to benefit from it.

Revenue

Revenue is recognized when the item has an appropriate basis of measurement, a reasonable estimate can be made of the amount involved, and for an item that involves obtaining or giving up future economic benefits, it is expected that such benefits will be obtained or given up. Event deposits are recorded as a liability until the event occurs and the revenue recognition criteria are met. Funds received when these criteria have not been met are recorded as unearned revenue.

Transfers [revenue from non-exchange transactions] are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed. Grants and transfers are recorded as expenses when the transfer is authorized, eligibility criteria have been met by the recipient and a reasonable estimate of the amount can be made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Measurement uncertainty

The preparation of the Company's financial statements in conformity with Canadian Public Sector Accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Items requiring the use of significant estimates include the useful life of tangible capital assets and employee future benefits.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from those estimates.

3. TANGIBLE CAPITAL ASSETS

	2014				
	Land $	**Building** $	**Furniture and equipment** $	**Leasehold improvements** $	**Total** $
Cost					
Balance, beginning of year	**213,113**	**46,832,083**	**4,963,110**	**1,527,718**	**53,536,024**
Additions	**—**	**—**	**66,299**	**8,888**	**75,187**
Balance, end of year	**213,113**	**46,832,083**	**5,029,409**	**1,536,606**	**53,611,211**
Accumulated amortization					
Balance, beginning of year	**—**	**38,947,553**	**4,753,493**	**1,519,028**	**45,220,074**
Amortization expense	**—**	**2,362,943**	**156,053**	**2,643**	**2,521,639**
Balance, end of year	**—**	**41,310,496**	**4,909,546**	**1,521,671**	**47,741,713**
Net book value, end of year	**213,113**	**5,521,587**	**119,863**	**14,935**	**5.869,498**

4. CONTRACTUAL OBLIGATIONS

The Company has entered into a number of multiple-year contracts for the delivery of services. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contracts.

	$
2014	115,697
2015	142,364

5. RELATED PARTY TRANSACTIONS

The Company had the following transactions with the government and other government controlled organizations:

	2014 $	2013 $
Energy recoveries paid to Halifax Metro Centre[1]	**490,942**	494,790
Payroll recoveries expensed in Halifax Metro Centre[2]	**3,175,821**	2,968,076
Commissions paid to Halifax Metro Centre[3]	**85,485**	108,740
Transfers from Halifax Regional Municipality[4]	**619,533**	583,657
Transfers from Halifax Regional Municipality[5]	**640,000**	—
Transfers to Halifax Regional Municipality[6]	**940,472**	876,027
Rent revenue received from the Province of Nova Scotia[7]	**2,087,836**	2,285,002
Transfers from Nova Scotia department of Economic and Rural Development and Tourism[8]	**300,000**	777,503
Transportation and Infrastructure Renewal[9]	**—**	516,119

[1] Consists of electricity expense on the shared facility.

[2] Payroll of the Halifax Metro Centre is paid by the Company and is then reimbursed by the Centre.

[3] Included in expenses are commissions paid to the Halifax Metro Centre by the Company for commissions earned on ticket sales purchased through Ticket Atlantic, a division of the Company.

[4] 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. This amount is receivable at year end.

[5] HRM grant for sales and marketing of the new convention centre.

[6] Property taxes paid to HRM.

[7] The Company rents significant office tower space to departments and agencies of the Province of Nova Scotia. The amount represents rental revenue and tenant recoveries.

[8] ERDT grant for sales and marketing of the new convention centre; LY grant was $487,000 plus grant related to Events Nova Scotia/Major Events for $290,503. $111,077 of this amount is receivable at year end.

[9] TIR grant for energy efficiency upgrades.

The Halifax Metro Centre is related by virtue of common management and the Board of Directors. The Province of Nova Scotia is related as the Company is operated on its behalf and for its benefit.

The amounts due to/from related parties are without payment terms and are non-interest bearing.

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.

5. RELATED PARTY TRANSACTIONS [Cont'd]

Accounts receivable from, and accounts payable and accrued liabilities due to Halifax Metro Centre are presented as due from Halifax Metro Centre and due to Halifax Metro Centre on the statement of financial position.

6. EMPLOYEE FUTURE BENEFITS

Pension costs

Employees of the Company participate in the Public Service Superannuation Fund [the "Plan"], a contributory defined benefit pension plan administrated by the Public Service Superannuation Plan Trustee Inc, 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 2014 were $332,627 [2013 – $350,566] and are recognized as an expense during the year. 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.

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 month's salary. The accrued benefit liability also represents employees of the Halifax Metro Centre and a portion of the changes in this benefit are allocated to the Centre.

The last full valuation of the arrangement was performed as at March 31, 2014. The following outlines details of the accrued benefit obligation:

	2014 $	**2013** $
Accrued benefit obligation, opening balance	**874,800**	877,400
Actuarial loss due to discount rate change at beginning of year	**12,000**	26,500
Add: current period benefit cost	**60,800**	58,900
Less: benefit payouts	**(61,900)**	(108,200)
Add: interest on accrued benefit obligation	**36,300**	37,800
Actuarial loss (gain) due to other assumption changes and experience at the end of year	**53,300**	(17,600)
Accrued benefit obligation, closing balance	**975,300**	874,800
Unamortized net actuarial loss at end of year	**(73,300)**	(8,900)
Net liability at end of year	**902,000**	865,900

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation are as follows: discount rate – 4.1% [2013 – 4.3%]; rate of compensation increase – scale ranging from 4.75% [2013 – 4.75%] at age 25 to 2.25% [2013 – 2.25%] at age 50; rate of inflation – 2.25% [2013 – 2.25%].

6. EMPLOYEE FUTURE BENEFITS [Cont'd]

Other liabilities

The Company has a supplemental pension arrangement with the former President and Chief Executive Officer to provide post-employment benefits. 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.

As the individual has retired, there is no benefit expense. The last full valuation of the arrangement was performed as at March 31, 2014. The following outlines details of the accrued benefit obligation:

	2014 $	**2013** $
Accrued benefit obligation, opening balance	**803,600**	1,055,300
Actuarial loss due to assumption changes at beginning of year	**16,000**	49,500
Disposition of benefits at beginning of year		(241,600)
Add: interest on accrued benefit obligation	**32,500**	36,000
Deduct: Payments	**(54,900)**	(54,200)
Actuarial loss (gain) due to other assumption changes and experience at the end of year	**20,800**	(41,400)
Accrued benefit obligation, closing balance	**818,000**	803,600

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation are as follows: discount rate – 4.1% [2013 – 4.3%]; rate of inflation – 2.25% [2013 – 2.25%].

During 2013, the Province of Nova Scotia made a decision to cover the costs of the PSSA SERP on behalf of Crown corporations. This change resulted in a one-time recovery of costs related to the pension arrangements with the former President and Chief Executive Officer of Trade Centre Limited. As a result the Company recovered $76,710 in 2013 in accrued benefits previously expensed in the Company's financial statements.

7. ACCUMULATED SURPLUS

The accumulated surplus is made up as follows:

	2014 $	2013 $
Accumulated surplus	**3,102,502**	6,396,444
Share capital		
Authorized: 1,000,000 common shares without par value		
Issued and outstanding: 100 common shares	**100**	100
	3,102,602	6,396,544

8. GOVERNMENT TRANSFERS

Government transfers consist of the following:

	2014 $	2013 $
Transfers from Halifax Regional Municipality	**1,259,533**	583,657
Transfers from Nova Scotia department of Transportation and Infrastructure Renewal	**—**	516,119
Transfers from Nova Scotia department of Economic and Rural Development	**300,000**	777,503
	1,559,533	1,877,279

During 2014, the Company undertook marketing and business development activities for the Halifax Convention Centre on behalf of the shareholders (the Halifax Regional Municipality and the Province of Nova Scotia). Expenditures of $980,160 [budget – $300,000; 2013 $487,000] for these activities were funded by the 2014 government grants and are included in the Company's statement of operations.

9. FINANCIAL INSTRUMENTS

Measurement of financial instruments

The Company's financial instruments are recorded at cost or amortized cost. Financial assets consist of assets that could be used to settle existing liabilities or fund future activities, and include cash and restricted cash, due from Halifax Regional Municipality, due from Halifax Metro Centre and accounts receivable. Financial liabilities consist of the Company's accounts payable and accrued liabilities, due to the Province of Nova Scotia, long-term service awards, and other liabilities. The carrying value of the Company's financial instruments approximates their fair value. Transaction costs are expensed as incurred.

9. FINANCIAL INSTRUMENTS [Cont'd]

Risks and uncertainties

The Company's management recognizes the importance of managing significant risks and this includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant risks currently managed by the Company include liquidity risk, credit risk, and capital risk.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its contractual obligations and financial liabilities. The Company manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities.

Credit risk

The Company's assets are primarily exposed to credit risk which is the risk that a debtor may be unable or unwilling to 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.

Capital risk

The Company carries out its programs in conjunction with contributions from the three levels of government 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. The day to day operations are funded by the revenue received and amounts due to the Province of Nova Scotia.

10. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Province of Nova Scotia. The budget as provided to the Province has been adjusted to reflect the presentation of gratuities on a gross basis ($537,000). While this has no impact on the overall budget, it results in an increase to Convention Centre revenue and a corresponding increase to Event Expenses.

11. COMPENSATION DISCLOSURE

This Schedule of Payments [Schedule A] is published in compliance with the provisions of *The Public Sector Compensation Disclosure Act*.

The Act requires the publication of the names of every person who receives the amount of compensation of $100,000 or more in the fiscal year and the amount paid to each.

11. COMPENSATION DISCLOSURE [Cont'd]

Compensation amount includes total base income before taxes for 2013-2014 as well as all overtime payments, retirement or severance payments, lump-sum payments and vacation payouts, payments made for exceptional benefits not provided to the majority of employees and the value of the benefit derived from vehicles or allowances with respect to vehicles.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year financial statement presentation.

13. SUBSEQUENT EVENT

On May 1, 2014, the Halifax Convention Centre act received Royal Assent by the Province of Nova Scotia and is expected to be proclaimed in the next year. The act establishes the Halifax Convention Centre Corporation, enacts the corporation's by-laws and defines the objective of the new entity. The act defines the conditions by which Trade Centre Limited employees will become employees of the Halifax Convention Centre Corporation upon completion of the new Halifax Convention Centre. The impact of the act on the financial statements of Trade Centre Limited during the subsequent period is uncertain at this time.

Trade Centre Limited **Schedule A**

SCHEDULE OF PAYMENTS

Year ended March 31, 2014
[note 11]

Name	Compensation $ *[note 11]*
Crundwell, Kris	**160,586**
Cussons, Carrie	**162,055**
Ferguson, Scott	**180,510**
Kanchuk, Robert	**100,693**
Logan, Robert	**115,685**
Williams, Ralph	**123,428**