Financial Statements

Trade Centre Limited

March 31, 2015

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 24, 2015.

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, 2015 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, 2015, 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

Chartered Accountants

Halifax, Canada
June 24, 2015.

Trade Centre Limited

STATEMENT OF FINANCIAL POSITION

As at March 31

	2015	**2014**
	$	$
FINANCIAL ASSETS		
Cash	**1,602,589**	958,800
Restricted cash	**2,506,880**	2,262,837
Accounts receivable	**993,922**	1,775,277
Due from Scotiabank Centre	**168,806**	246,464
Due from Halifax Regional Municipality	**630,680**	—
Inventory held for resale	**141,461**	93,678
	6,044,338	5,337,056
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	**1,279,202**	1,105,205
Deferred revenue	**97,717**	5,000
Events deposits	**465,664**	263,748
Due to the Province of Nova Scotia	**4,212,963**	3,197,468
Advance ticket sales	**2,539,832**	2,390,333
Long-term service awards *[note 5]*	**779,600**	902,000
Other liabilities *[note 5]*	**814,200**	818,000
	10,189,178	8,681,754
Net debt	**(4,144,840)**	(3,344,698)
NON-FINANCIAL ASSETS		
Tangible capital assets, net *[note 3]*	**4,290,152**	5,869,498
Prepaid expenses	**511,922**	577,802
	4,802,074	6,447,300
Accumulated surplus *[note 6]*	**657,234**	3,102,602

See accompanying notes

On behalf of the Board:

________________Director   _________________Director

Trade Centre Limited

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Years ended March 31

	2015 $ [budget – unaudited]	2015 $ [actual]	2014 $ [actual]
REVENUE			
Convention Centre	**5,585,000**	**6,079,895**	5,805,108
Office tower	**2,278,000**	**2,425,578**	2,524,682
Exhibition Park	**1,538,000**	**1,662,865**	1,574,731
Ticket Atlantic	**1,360,000**	**1,380,537**	1,243,991
Government transfers *[note 7]*	**1,828,000**	**2,397,963**	1,559,533
Investment income	**25,000**	**23,897**	21,032
	12,614,000	**13,970,735**	12,729,077
EXPENSES			
Event expenses	**5,003,400**	**5,892,222**	5,414,436
Salaries, wages and benefits	**3,072,000**	**3,132,709**	3,230,767
Maintenance	**1,200,000**	**1,463,738**	1,190,943
Taxes and insurance	**1,008,600**	**946,856**	1,040,374
Energy	**930,000**	**970,654**	990,421
Administration	**450,000**	**413,427**	496,979
Advertising and marketing	**1,350,000**	**1,467,653**	1,137,460
	13,014,000	**14,287,259**	13,501,380
	(400,000)	**(316,524)**	(772,303)
Depreciation of tangible capital assets	**2,511,000**	**2,128,844**	2,521,639
Annual deficit	**(2,911,000)**	**(2,445,368)**	(3,293,942)
Accumulated surplus, beginning of year		**3,102,602**	6,396,544
Accumulated surplus, end of year		**657,234**	3,102,602

See accompanying notes

Trade Centre Limited

STATEMENT OF CHANGES IN NET DEBT

Years ended March 31

	2015 $ [budget – unaudited]	2015 $ [actual]	2014 $ [actual]
Annual deficit	**(2,911,000)**	**(2,445,368)**	(3,293,942)
Acquisition of tangible capital assets	**—**	**(549,498)**	(75,186)
Depreciation of tangible capital assets	**2,511,000**	**2,128,844**	2,521,639
Decrease (increase) in prepaid expenses	—	**65,880**	(89,705)
Increase in net debt		**(800,142)**	(937,194)
Net debt, beginning of year		**(3,344,698)**	(2,407,504)
Net debt, end of year		**(4,144,840)**	(3,344,698)

See accompanying notes

Trade Centre Limited

STATEMENT OF CASH FLOWS

Years ended March 31

	2015 $	2014 $
OPERATING ACTIVITIES		
Annual deficit	**(2,445,368)**	(3,293,942)
Add items not affecting cash:		
Depreciation of tangible capital assets	**2,128,844**	2,521,639
Long-term service awards	**(122,400)**	36,100
Net changes in working capital:		
Accounts receivable	**781,355**	547,633
Inventory held for resale	**(47,783)**	10,777
Due from Scotiabank Centre	**77,658**	(677,894)
Due from Halifax Regional Municipality	**(630,680)**	—
Accounts payable and accrued liabilities	**173,997**	(631,787)
Event deposits	**201,916**	27,097
Deferred revenue	**92,717**	5,000
Due to Province of Nova Scotia	**1,015,495**	593,158
Advance ticket sales	**149,499**	(666,313)
Other liabilities	**(3,800)**	14,400
Prepaid expenses	**65,880**	(89,704)
Cash provided by (used in) operating activities	**1,437,330**	(1,603,836)
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	**(549,498)**	(75,186)
Cash used in capital activities	**(549,498)**	(75,186)
Net increase (decrease) in cash during the year	**887,832**	(1,679,022)
Cash, beginning of year	**3,221,637**	4,900,659
Cash, end of year	**4,109,469**	3,221,637
Cash is comprised of:		
Cash	**1,602,589**	958,800
Restricted cash	**2,506,880**	2,262,837
	4,109,469	3,221,637

See accompanying notes

Trade Centre Limited **Schedule A**

SCHEDULE OF PAYMENTS

Year ended March 31, 2015

Name	Compensation $
Cussons, Carrie	**166,848**
Ferguson, Scott	**183,182**
Kanchuk, Robert	**103,688**
Logan, Robert	**125,203**
Parsons, Shelly	**103,574**
Smith, Greg	**101,942**

Trade Centre Limited

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

1. NATURE OF OPERATIONS

Trade Centre Limited's [the "Company"] mandate is to create economic and community benefits by bringing people together in Halifax and Nova Scotia. The Company's principal business operations comprise of a trade and convention centre, the provision of marketing and promotion services, the leasing of office and commercial space and the management and operation of Ticket Atlantic and Exhibition Park. The Company also manages and operates Scotiabank Centre, previously operated as the Halifax Metro Centre, on behalf of Halifax Regional Municipality ["HRM"].

The Company provides marketing and business development activities for the Halifax Convention Centre ["HCC"] pursuant to the *Halifax Convention Centre Act* dated May 2014. 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 HCC.

The Company is incorporated under the laws of the Province of Nova Scotia ["the Province"]. The Company is a governmental unit as set out in the consolidated financial statements of the Province and reports to the Legislative Assembly through the Department of Business. As an agency of the Province, the Company is not subject to income taxes pursuant to the *Income Tax Act 149(1)(d)*. However, since the Company is a corporation, it is still required to file a corporate income tax return annually.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by the Company's management in accordance with the *Chartered Professional Accountants of Canada Public Sector Accounting Standards* for other government organizations as defined by the Canadian Public Sector Accounting Board, which sets out 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. These financial statements also include the marketing and business development activities for the HCC. Scotiabank Centre's operations are not reflected in these financial statements as the facility is owned by HRM and operated by the Company through a management agreement.

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 as restricted cash and are not available to fund the Company's operations.

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 the related benefits are expected to be consumed.

Employee future benefits

Employee future benefits include the Company's participation in the Public Service Superannuation Fund, long-term service awards and a supplemental pension arrangement with a former executive. A liability for employee future benefits has been included in the financial statements for the long-term service awards and the supplemental pension arrangement. The Company is not responsible for any under-funded liability, nor does the Company have any access to any surplus that may arise, in the Public Service Superannuation Fund and accordingly, no liability associated with this plan has been recognised in the financial statements.

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.

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

	Land $	Building $	Furniture and equipment $	Leasehold improvements $	Total $
Cost, beginning of year	213,113	46,832,083	5,029,409	1,536,606	53,611,211
Additions	—	5,600	543,898	—	549,498
Cost, end of year	**213,113**	**46,837,683**	**5,573,307**	**1,536,606**	**54,160,709**
Accumulated depreciation, beginning of year	—	41,310,496	4,909,546	1,521,671	47,741,713
Depreciation expense	—	2,024,779	94,548	9,517	2,128,844
Accumulated depreciation, end of year	**—**	**43,335,275**	**5,004,094**	**1,531,188**	**49,870,557**
Net book value, end of year	**213,113**	**3,502,408**	**569,213**	**5,418**	**4,290,152**

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.

	$
2015	115,800
2016	128,800
2017	128,800
2018	46,600

5. 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 2015 were $348,687 [2014 – $332,627] and were recorded 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 Scotiabank Centre and a portion of the changes in this benefit is allocated to Scotiabank Centre.

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

	2015 $	**2014** $
Accrued benefit obligation, beginning of year	**975,300**	874,800
Add: current period benefit cost	**64,800**	60,800
Add: interest on accrued benefit obligation	**36,600**	36,300
Less: benefit payments	**(231,200)**	(61,900)
Actuarial (gain) loss	**(15,400)**	65,300
Accrued benefit obligation, end of year	**830,100**	975,300
Unamortized net actuarial loss, end of year	**(50,500)**	(73,300)
Net liability, end of year	**779,600**	902,000

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation are as follows: discount rate – 4.1% [2014 – 4.1%]; rate of compensation increase – scale ranging from 4.5% [2014 – 4.75%] at age 25 to 2.25% [2014 – 2.25%] at age 50; rate of inflation – 2.25% [2014 – 2.25%].

Other liabilities

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

	2015 $	**2014** $
Accrued benefit obligation, beginning of year	**818,000**	803,600
Add: interest on accrued benefit obligation	**32,400**	32,500
Less: benefit payments	**(55,500)**	(54,900)
Actuarial loss	**19,300**	36,800
Accrued benefit obligation, end of year	**814,200**	818,000

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation are as follows: discount rate – 4.1% [2014 – 4.1%]; rate of inflation – 2.25% [2014 – 2.25%].

During 2015, the Province identified that the excess contribution cap had not been applied to the supplemental pension arrangement since April 2005. This resulted in a refund of overpayment of $31,322 which had previously been expensed in the Company's financial statements. This was recognized as a reduction to defined benefit plan expense in 2015.

6. ACCUMULATED SURPLUS

The accumulated surplus consists of the following:

	2015 $	**2014** $
Accumulated surplus	**657,134**	3,102,502
Share capital		
Authorized: 1,000,000 common shares without par value		
Issued and outstanding: 100 common shares	**100**	100
	657,234	3,102,602

7. GOVERNMENT TRANSFERS

Government transfers consist of the following:

	2015 $	**2014** $
Transfers from Halifax Regional Municipality	**1,270,680**	1,259,533
Transfers from the Department of Business	**1,225,000**	300,000
	2,495,680	1,559,533

During 2015, the Company continued marketing and business development activities for the HCC on behalf of its shareholders. Marketing and business development expenditures related to HCC of $1,107,283 [2014 – $980,160] were funded by transfers received from HRM and the Department of Business and are included in the Company's statement of operations.

Additional funding of $127,500 [2014 – $Nil] was transferred from the Department of Business to prepare to operate HCC and $332,500 [2014 – $Nil] to upgrade event-related technology. $200,000 [2014 – $Nil] was transferred by the Department of Business for maintenance expenditures associated with Exhibition Park.

8. RELATED PARTY TRANSACTIONS

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

	2015 $	2014 $
Energy recoveries paid to Scotiabank Centre[1]	**490,402**	490,942
Payroll recoveries received from Scotiabank Centre[2]	**3,260,503**	3,175,821
Commissions paid to Scotiabank Centre[3]	**93,518**	85,485
Transfers from Halifax Regional Municipality[4]	**630,680**	619,533
Transfers from Halifax Regional Municipality[5]	**640,000**	640,000
Payments to Halifax Regional Municipality[6]	**833,797**	940,472
Rent revenue received from the Province of Nova Scotia[7]	**2,027,459**	2,087,836
Transfers from the Nova Scotia Department of Business[8]	**1,225,000**	300,000

[1] Electricity expenses of the shared facility.
[2] Payroll of Scotiabank Centre is paid by the Company on behalf of Scotiabank Centre.
[3] Commissions earned on ticket sales purchased through Ticket Atlantic.
[4] Pursuant to the Financing Agreement dated May 14, 1982, HRM makes an annual contribution to the operating deficit of the Company. This amount is receivable at March 31, 2015.
[5] HRM grant for sales and marketing of HCC.
[6] Property taxes paid to HRM.
[7] The Company rents significant office tower space to departments and agencies of the Province. The amount represents rental revenue and tenant recoveries.
[8] The Department of Business grant for sales and marketing of the new convention centre: $565,000 [2014 – $300,000] of which $258,212 was receivable at year end; Operational Readiness grant: $127,500 [2014 – $Nil] receivable at year end; Event Management System grant $332,500[2014 – $Nil]; Exhibition Park maintenance $200,000 [2014 – $Nil].

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. Amounts due to/from related parties are non-interest bearing without payment terms.

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 Scotiabank 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.

Risks and uncertainties

The Company's management recognizes the importance of managing significant risks including 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 HRM on a yearly basis. The day to day operations of the Company are funded by revenue and amounts received from 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.

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.

Compensation amount includes total base income before taxes for 2014-2015 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 April 7, 2015 the Minister of Finance and Treasury Board announced the decision to permanently freeze the value of existing public service awards effective April 1, 2015. The impact of this decision is not reflected in these statements, but will have a future impact on employee future benefits as it relates to long term services awards *[note 5]*. A full valuation of this Plan, considering this curtailment of benefits, will be performed for year ended March 31, 2016.