

# Trade Centre Limited

[Operated by Events East Group]

**Financial statements**

**March 31, 2018**



## 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") is 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 frequently and external audited financial statements annually.

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 (operated by Events East Group):



Carrie Cussons  
President & CEO

June 27, 2018

## Independent auditors' report

To the Board of Directors of  
Trade Centre Limited and Events East Group

We have audited the accompanying financial statements of Trade Centre Limited [operated by Events East Group], which comprise the statement of financial position as at March 31, 2018 and the statements of operations and accumulated deficit, 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 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 [operated by Events East Group], as at March 31, 2018, 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 27, 2018

Chartered Professional Accountants  
Licensed Public Accountants



**Trade Centre Limited (operated by Events East Group)**

**Statement of financial position**

As at March 31

|  | 2018               | 2017               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <b>Financial assets</b>                                    |                    |                    |
| Cash   | 6,982,158          | 3,574,290          |
| Restricted cash  | 1,551,941          | 2,493,548          |
| Accounts receivable  | 295,788            | 516,818            |
| Due from Scotiabank Centre <i>(note 9)</i>                 | 133,964            | 389,862            |
| Due from Halifax Regional Municipality <i>(note 9)</i>     | 584,454            | —                  |
| Due from Events East Group <i>(note 9)</i>                 | 32,138             | —                  |
| Inventory held for resale                                  | —                  | 77,394             |
|  | <u>9,590,441</u>   | <u>7,051,912</u>   |
| <b>Financial liabilities</b>                               |                    |                    |
| Accounts payable and accrued liabilities                   | 214,897            | 970,915            |
| Long-term service award - one-time payment <i>(note 6)</i> | 887,016            | —                  |
| Deferred revenue   | 9,154              | 1,095,888          |
| Event deposits   | 9,951              | 414,550            |
| Due to Province of Nova Scotia <i>(note 9)</i>             | 10,532,651         | 6,356,522          |
| Advance ticket sales                                       | 1,589,943          | 2,536,067          |
| Long-term service awards <i>(note 6)</i>                   | 109,884            | 662,600            |
| Other liabilities <i>(note 6)</i>                          | 838,800            | 802,800            |
|  | <u>14,292,096</u>  | <u>12,839,342</u>  |
| <b>Net debt</b>  | <u>(4,701,655)</u> | <u>(5,787,430)</u> |
| <b>Non-financial assets</b>                                |                    |                    |
| Tangible capital assets, net <i>(note 3)</i>               | 1,712              | 872,339            |
| Assets held for sale, net <i>(note 4)</i>                  | 1,551,551          | 1,551,551          |
| Prepaid expenses   | 43,452             | 542,034            |
|  | <u>1,598,715</u>   | <u>2,765,924</u>   |
| <b>Accumulated deficit <i>(note 7)</i></b>                 | <u>(3,104,940)</u> | <u>(3,021,506)</u> |

See accompanying notes

On behalf of the Trade Centre Limited Board

  
Director

On behalf of the Events East Group Board

  
Director

Trade Centre Limited [operated by Events East Group]

Statement of operations and accumulated deficit

Year ended March 31

|   | 2018                    | 2018               | 2017               |
|---|-------------------------|--------------------|--------------------|
|   | \$                      | \$                 | \$                 |
|   | (budget –<br>unaudited) | [actual]           | [actual]           |
| <b>Revenue</b>  |                         |                    |                    |
| Convention Centre                                       | 4,500,000               | 6,238,318          | 5,039,089          |
| Office Tower  | 1,049,000               | 1,747,405          | 1,854,083          |
| Ticket Atlantic   | 1,336,900               | 1,066,646          | 1,254,967          |
| Government transfers <i>[note 8]</i>                    | 272,700                 | 594,453            | 798,239            |
| Investment income                                       | 22,900                  | 47,622             | 29,064             |
|   | <u>7,181,500</u>        | <u>9,694,444</u>   | <u>8,975,442</u>   |
| <b>Expenses</b>   |                         |                    |                    |
| Event expenses  | 3,009,700               | 3,975,838          | 4,225,598          |
| Salaries and benefits <i>[note 6]</i>                   | 2,118,900               | 2,374,525          | 2,409,772          |
| Maintenance   | 525,000                 | 895,346            | 981,850            |
| Taxes and insurance                                     | 507,900                 | 666,288            | 839,350            |
| Energy  | 418,200                 | 603,343            | 631,673            |
| Administration  | 416,100                 | 461,255            | 335,363            |
| Advertising and marketing                               | 39,600                  | 50,019             | 60,279             |
|   | <u>7,035,400</u>        | <u>9,026,614</u>   | <u>9,483,885</u>   |
|   | <u>146,100</u>          | <u>667,830</u>     | <u>(508,443)</u>   |
| <b>Halifax Convention Centre</b>                        |                         |                    |                    |
| Government transfers <i>[note 8]</i>                    | 6,918,000               | 7,049,313          | 3,065,890          |
| Expenses  | 6,265,300               | 6,483,725          | 2,782,436          |
|   | <u>652,700</u>          | <u>565,588</u>     | <u>283,454</u>     |
|   | <u>798,800</u>          | <u>1,233,418</u>   | <u>(224,989)</u>   |
| Depreciation of tangible capital assets <i>[note 3]</i> | 483,300                 | 204,352            | 577,322            |
| Annual surplus (deficit) from on-going operations       | 315,500                 | 1,029,066          | (802,311)          |
| Transfers to Events East Group <i>[note 10]</i>         | —                       | (1,112,500)        | —                  |
| Annual surplus (deficit)                                | <u>315,500</u>          | <u>(83,434)</u>    | <u>(802,311)</u>   |
| Accumulated deficit, beginning of year                  | (3,021,506)             | (3,021,506)        | (2,219,195)        |
| Accumulated deficit, end of year                        | <u>(2,706,006)</u>      | <u>(3,104,940)</u> | <u>(3,021,506)</u> |

See accompanying notes

Trade Centre Limited [operated by Events East Group]

Statement of changes in net debt

Year ended March 31

|  | 2018                    | 2018               | 2017               |
|--|-------------------------|--------------------|--------------------|
|  | \$                      | \$                 | \$                 |
|  | [budget –<br>unaudited] | [actual]           | [actual]           |
| <b>Annual surplus (deficit)</b>  | <b>315,500</b>          | <b>(83,434)</b>    | <b>(802,311)</b>   |
| Acquisition of tangible capital assets <i>[note 3]</i>                       | —                       | <b>(634,785)</b>   | (258,592)          |
| Disposal of tangible capital assets <i>[note 3]</i>                          | —                       | 5,058              | —                  |
| Depreciation of tangible capital assets <i>[note 3]</i>                      | 483,300                 | 204,352            | 577,322            |
| Decrease (increase) in prepaid expenses                                      | —                       | 498,582            | (44,787)           |
| Transfer of tangible capital assets to<br>Events East Group <i>[note 10]</i> | —                       | 1,096,002          | —                  |
| <b>Decrease (increase) in net debt</b>                                       | <b>798,800</b>          | <b>1,085,775</b>   | <b>(528,368)</b>   |
| Net debt, beginning of year  | <b>(5,787,430)</b>      | <b>(5,787,430)</b> | <b>(5,259,062)</b> |
| <b>Net debt, end of year</b>   | <b>(4,988,630)</b>      | <b>(4,701,655)</b> | <b>(5,787,430)</b> |

See accompanying notes

Trade Centre Limited [operated by Events East Group]

Statement of cash flows

Year ended March 31

|   | 2018             | 2017             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Operating activities</b>                         |                  |                  |
| Annual deficit                                      | (83,434)         | (802,311)        |
| Add items not affecting cash                        |                  |                  |
| Depreciation of tangible capital assets             | 204,352          | 577,322          |
| Long-term service awards                            | 434,300          | (88,400)         |
| Loss on disposal of tangible capital assets         | 5,058            | —                |
| Transfers to Events East Group                      | 1,112,500        | —                |
| Net changes in working capital                      |                  |                  |
| Accounts receivable                                 | 221,030          | (47,564)         |
| Inventory held for resale                           | 77,394           | 5,837            |
| Due from Scotiabank Centre                          | 255,898          | (291,237)        |
| Due from Halifax Regional Municipality              | (594,454)        | 1,139,500        |
| Due from Events East Group                          | (32,138)         | —                |
| Accounts payable and accrued liabilities            | (756,218)        | (104,735)        |
| Event deposits                                      | (404,599)        | 78,622           |
| Deferred revenue                                    | (1,086,734)      | 898,661          |
| Due to Province of Nova Scotia                      | 4,176,129        | 607,944          |
| Advance ticket sales                                | (946,124)        | 40,188           |
| Other liabilities                                   | 36,000           | (24,800)         |
| Prepaid expenses                                    | 498,582          | (44,787)         |
| Cash transferred to Events East Group               | (16,498)         | —                |
| <b>Cash provided by operating activities</b>        | <b>3,101,044</b> | <b>1,944,240</b> |
| <b>Capital activities</b>                           |                  |                  |
| Cash paid on acquisition of tangible capital assets | (634,785)        | (258,592)        |
| <b>Cash used in capital activities</b>              | <b>(634,785)</b> | <b>(258,592)</b> |
| <b>Net increase in cash during the year</b>         | <b>2,466,259</b> | <b>1,685,648</b> |
| Cash, beginning of year                             | 6,067,838        | 4,382,190        |
| <b>Cash, end of year</b>                            | <b>8,534,097</b> | <b>6,067,838</b> |
| <b>Cash is comprised of:</b>                        |                  |                  |
| Cash  | 6,982,156        | 3,574,290        |
| Restricted cash                                     | 1,551,941        | 2,493,548        |
|   | <b>8,534,097</b> | <b>6,067,838</b> |

See accompanying notes

## Trade Centre Limited [operated by Events East Group]

### Notes to financial statements

March 31, 2018

#### 1. Nature of operations

Trade Centre Limited [the "Company"], operated by Events East Group ["Events East"], has a mandate 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 Scotiabank Centre.

The Company is incorporated under the laws of the Province of Nova Scotia [the "Province" or "PNS"]. 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 T2 income tax return annually.

On April 4, 2016, the Province proclaimed the *Halifax Convention Centre Act*, which resulted in the formal creation of the Halifax Convention Centre Corporation and Board. Trade Centre Limited's Board was reduced to a Limited Board effective April 1, 2017. The Limited Board continued to oversee the Office Tower operations and its pending sale, and will oversee the future wind-up of the Company. Under the *Halifax Convention Centre Act*, the Halifax Convention Centre Corporation will manage Scotiabank Centre on behalf of the Halifax Regional Municipality ["HRM"].

Effective April 1, 2017, the Halifax Convention Centre Corporation, operating as Events East, commenced management and oversight of the World Trade and Convention Centre ["WTCC"] and Ticket Atlantic on behalf of the Limited Board. While the Company operated as Events East for the majority of fiscal 2018, the financial accountability of the organization remained with the Province until February 28, 2018, the date of substantial completion of the new convention centre building. Further to the agreement between HRM and PNS [the "shareholders"], substantial completion of the new convention centre triggered the shared financial accountability of the shareholders.

In conjunction with the change in governance discussed above, and in compliance with the *Halifax Convention Centre Act*, employees of Trade Centre Limited were designated as employees of the new entity on April 1, 2017. There were no changes to employees' salary or benefits stemming from this designation process.

The statements herein reflect Trade Centre Limited's operations including leasing and management of office space and provision of ticketing services for the period April 1, 2017 to March 31, 2018 and operation of the convention centre for the period April 1, 2017 to February 28, 2018. All convention centre activity ceased to be recognized in the Company as of February 28, 2018, the date the financial accountability transferred to Events East. As at March 31, 2018, the financial position of the Company comprises of the operating assets of the Office Tower, Ticket Atlantic and assets and liabilities wholly-owned by the Province.



## Trade Centre Limited [operated by Events East Group]

### Notes to financial statements

March 31, 2018

#### 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 ["CPA Canada"] Public Sector Accounting Standards ["PSAS"] 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

For the period April 1, 2017 to February 28, 2018, the Company consisted of three divisions: the Convention Centre, the Office Tower, and Ticket Atlantic. Subsequent to February 28, 2018, the Company consists of the Office Tower and Ticket Atlantic. These financial statements also include the marketing, business development, governance, operational readiness, and equipment procurement activities in support of opening the new convention centre until February 28, 2018. Scotiabank Centre's operations are not reflected in these financial statements as the facility is owned by HRM.

##### 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 is 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                | Held for sale |
| Furniture and equipment | 3 – 5 years   |
| Leasehold improvements  | Held for sale |

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 deficit.

## Trade Centre Limited [operated by Events East Group]

### Notes to financial statements

March 31, 2018

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, in which case they are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

#### **Intangible capital assets**

The Company has an intangible asset in the form of a license to operate as a World Trade Centre. This asset is considered to have an indefinite life and is therefore not amortized. The license is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed its fair value. Impairment is assessed by comparing the carrying amount of the intangible asset with its fair value, generally determined on a discounted cash flow basis. When the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases. The asset was purchased in 1982 at a cost of \$36,000, and as at March 31, 2018, the net book value of the asset is nil (2017 – nil).

#### **Prepaid expenses**

Prepaid expenses include costs incurred prior to the periods expected to benefit from them, including maintenance and software agreements, property taxes, and insurance.

#### **Employee future benefits**

Employee future benefits include the Company's participation in the Public Service Superannuation Fund (the "Plan"), 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 underfunded liability, nor does the Company have any access to any surplus that may arise in the Plan and, accordingly, no liability associated with this plan has been recognized 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.

Government transfers 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 stipulations 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.

## Trade Centre Limited [operated by Events East Group]

### Notes to financial statements

March 31, 2018

#### Measurement uncertainty

The preparation of the Company's financial statements in conformity with PSAS 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 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 the preparation of the financial statements and are reviewed periodically 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

|  | <b>Furniture<br/>and<br/>equipment</b> |
|--|--|
|  | <b>\$</b>                              |
| <b>Cost, beginning of year</b>                         | <b>5,674,599</b>                       |
| Additions  | 634,786                                |
| Disposals  | (4,683,229)                            |
| Transfers to Events East Group                         | (1,538,321)                            |
| <b>Cost, end of year</b>                               | <b>87,835</b>                          |
| <b>Accumulated depreciation,<br/>beginning of year</b> | <b>5,002,257</b>                       |
| Depreciation expense                                   | 204,353                                |
| Disposals  | (4,678,169)                            |
| Transfers to Events East Group                         | (442,319)                              |
| <b>Accumulated depreciation,<br/>end of year</b>       | <b>86,123</b>                          |
| <b>Net book value, end of year</b>                     | <b>1,712</b>                           |

#### 4. Assets held for sale

A purchase and sale agreement has been executed with an external third party to sell the WTCC building and land. The sale took place subsequent to year end on April 9, 2018, therefore the transaction is not accounted for in these financial statements. All criteria have been met to recognize the building as "held for sale". Accordingly, this property, plant and equipment is presented separately on the statement of financial position as an asset held for sale, recognized at the lower of carrying value and fair value less costs to sell, and the depreciation of this property, plant and equipment has ceased. Refer to note 14, Subsequent Events, for further details.

## Trade Centre Limited [operated by Events East Group]

### Notes to financial statements

March 31, 2018

#### 5. Contractual obligations

With the transition to Events East, certain contractual obligations of the Company have been assigned to the new entity. Only one multi-year contract remains, related to the delivery of a ticketing system. This contractual obligation will become a liability in the future when the terms of the contract are met. Disclosure relates to the unperformed portion of the contract.

|         |           |
|---------|-----------|
| 2018-19 | \$116,400 |
| 2019-20 | \$19,400  |

#### 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 fiscal 2018 amounted to \$365,059 [2017 – \$358,816] and are recognized as an expense during the year. Total employee contributions for fiscal 2018 amounted to \$365,158 [2017 – \$359,269]. The Company is not responsible for any underfunded liability, nor does the Company have any access to any surplus that may arise in this Plan. Designated employees of Events East continue to participate 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 26 weeks' salary. Effective April 1, 2015, the Treasury and Policy Board of the Province issued an administrative directive, permanently curtailing accumulation of service award years for non-bargaining unit employees. In addition, employees have been offered a one-time option for "Service Payout" under this plan, which is effective March 31, 2018. Approximately 91% of eligible employees have elected to take the service payout.

The accrued benefit liability also represents employees who provide service to Scotiabank Centre, and a part of their pension costs are allocated to Scotiabank Centre.

**Trade Centre Limited [operated by Events East Group]**

**Notes to financial statements**

March 31, 2018

The most recent full valuation of the public service award was performed as at March 31, 2018. The following outlines details of the accrued benefit obligation:

|   | 2018<br>\$       | 2017<br>\$ |
|---|------------------|------------|
| <b>Accrued benefit obligation, beginning of year</b>                      | <b>781,100</b>   | 882,700    |
| Add: Actuarial loss due to assumption changes, beginning of year          | 36,800           | —          |
| Add: Interest on accrued benefit obligation                               | 28,000           | 33,500     |
| Less: Benefit payments  | —                | (135,100)  |
| Add: Settlement loss  | 170,200          | —          |
| Add: Actuarial loss due to other assumption and data changes, end of year | 123,500          | —          |
| <b>Accrued benefit obligation, end of year</b>                            | <b>1,139,600</b> | 781,100    |
| Unamortized net actuarial loss, end of year                               | (42,700)         | (118,500)  |
| <b>Net total liability, end of year</b>                                   | <b>1,096,900</b> | 662,600    |
| Less current portion to be paid out in fiscal 2019                        | 987,016          | —          |
| <b>Long-term service award</b>  | <b>109,884</b>   | 662,600    |

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation are as follows: discount rate – 3.42% [2017 – 4.1%]; rate of compensation increase – scale ranging from 4.5% [2017 – 4.5%] at age 30 to 2.0% [2017 – 2.0%] at age 50; rate of inflation – 2.0% [2017 – 2.0%]. Actuarial gains and losses are amortized over the expected average remaining service lifetime of 10 years. Amortization of actuarial gains and losses reflected in the current year expense related to the public service award is a loss of \$2,100 [2017 – loss of \$13,200]. During the year expense of \$313,109 [2017 – \$34,657] including accelerated recognition of previously unrecognized actuarial losses of \$168,703 [2017 – nil] as a result of the settlement, and settlement losses of \$122,706 [2017 – nil] due to actual benefits as part of the one-time payout option being higher than expected were recorded in the statement of operations and deficit.

**Other liabilities**

The Company has a supplemental pension arrangement with a former President and Chief Executive Officer to provide post-employment benefits. The cost of the post-retirement pension obligation has been 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. A full valuation of the arrangement was performed as at March 31, 2018. The following outlines details of the accrued benefit obligation:

|   | 2018<br>\$     | 2017<br>\$ |
|---|----------------|------------|
| <b>Accrued benefit obligation, beginning of year</b>                      | <b>802,800</b> | 827,600    |
| Add: Actuarial loss due to assumption changes, beginning of year          | 51,300         | —          |
| Add: Interest on accrued benefit obligation                               | 28,200         | 32,700     |
| Less: Benefit payments  | (57,200)       | (57,500)   |
| Add: Actuarial loss due to other assumption and data changes, end of year | 13,700         | —          |
| <b>Accrued benefit obligation, end of year</b>                            | <b>838,800</b> | 802,800    |

## Trade Centre Limited [operated by Events East Group]

### Notes to financial statements

March 31, 2018

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation are as follows: discount rate – 3.42% [2017 – 4.1%]; rate of inflation – 2.0% [2017 – 2.0%].

Actuarial gains and losses related to the supplemental pension arrangement are recognized immediately in the current year expense as the only plan member is inactive. The actuarial loss for the year ended March 31, 2018 is nil [2017 – loss of nil]. During the year expense of \$36,000 [2017 - \$17,612] were recorded in the statement of operations and deficit.

#### 7. Accumulated deficit

The accumulated deficit consists of the following:

|   | 2018<br>\$  | 2017<br>\$  |
|---|-------------|-------------|
| Accumulated deficit                                   | (3,105,040) | (3,021,606) |
| Share capital   |             |             |
| Authorized: 1,000,000 common shares without par value | 100         | 100         |
| Issued and outstanding: 100 common shares             | (3,104,940) | (3,021,506) |

#### 8. Government transfers

Government transfers consist of the following:

|   | 2018<br>\$       | 2017<br>\$       |
|---|------------------|------------------|
| Transfers from Halifax Regional Municipality – WTCC <sup>(1)</sup>              | 594,453          | 641,439          |
| Transfers from Nova Scotia Department of Business – Office Tower <sup>(2)</sup> | —                | 156,800          |
| Transfers from Halifax Regional Municipality – HCC <sup>(3)</sup>               | —                | 890,500          |
| Transfers from Nova Scotia Department of Business – HCC <sup>(3)</sup>          | 6,502,673        | 3,078,500        |
|   | <u>7,097,126</u> | <u>4,767,239</u> |

<sup>(1)</sup> Pursuant to the Financing Agreement dated May 14, 1982, HRM makes an annual contribution to the operating deficit of the Company.

<sup>(2)</sup> The Company received an operating grant from the Nova Scotia Department of Business during fiscal 2017 to mitigate lost revenue of the WTCC Office Tower.

<sup>(3)</sup> During fiscal 2018, the Company continued marketing and business development activities for the new convention centre on behalf of its shareholders. Marketing and business development expenditures of \$1,411,465 [2017 – \$1,578,000 (\$633,000 – HRM, \$945,000 – PNS)] were funded by transfers received from PNS and are included in the Company's statement of operations and accumulated deficit. Additional funding of \$3,178,114 [2017 – \$1,291,000 (\$257,500 – HRM, \$1,033,500 – PNS)] was transferred from PNS to prepare to operate the new convention centre, and \$1,913,094 was received from PNS [2017 – \$1,100,000 (nil – HRM, \$1,100,000 – PNS)] to procure event related equipment for the new convention centre.

## Trade Centre Limited [operated by Events East Group]

### Notes to financial statements

March 31, 2018

#### 9. Related party transactions

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

|   | 2018<br>\$ | 2017<br>\$ |
|---|------------|------------|
| Energy recoveries paid to Scotiabank Centre <sup>(1)</sup>        | 433,713    | 448,886    |
| Payroll recoveries received from Scotiabank Centre <sup>(2)</sup> | 2,855,776  | 3,158,783  |
| Commissions paid to Scotiabank Centre <sup>(3)</sup>              | 70,408     | 74,387     |
| Transfers from HRM <sup>(4)</sup>                                 | 594,453    | 641,439    |
| Transfers from HRM – HCC <sup>(5)</sup>                           | —          | 890,500    |
| Payments to Halifax Regional Municipality <sup>(6)</sup>          | 572,532    | 741,550    |
| Rent revenue received from departments of PNS <sup>(7)</sup>      | 1,423,431  | 1,410,167  |
| Transfers from Nova Scotia Department of Business <sup>(8)</sup>  | 7,049,312  | 3,235,300  |
| Net receivables from Events East <sup>(9)</sup>                   | 32,138     | —          |
| Payroll payments made by PNS <sup>(10)</sup>                      | 9,380,444  | 6,356,522  |

<sup>(1)</sup> Electricity expenses of the shared facility.

<sup>(2)</sup> Payroll and related costs of Scotiabank Centre are paid by the Company on behalf of Scotiabank Centre.

<sup>(3)</sup> Commissions earned on ticket sales purchased through Ticket Atlantic.

<sup>(4)</sup> Pursuant to the Financing Agreement dated May 14, 1982, HRM makes an annual contribution to the operating deficit of the Company.

<sup>(5)</sup> HRM grants for HCC: sales and marketing of nil [2017 – \$633,000]; operational readiness of nil [2017 – \$257,500].

<sup>(6)</sup> Property taxes paid to HRM.

<sup>(7)</sup> The Company rents significant office tower space to departments and agencies of the Province. The amount represents rental revenue and tenant recoveries.

<sup>(8)</sup> Department of Business grant for sales and marketing of the new convention centre: \$1,451,354 [2017 – \$945,000]; grant to fund client incentives related to delayed opening: \$1,032,281 [2017 – nil]; grants to support operational readiness: \$2,401,730 [2017 – \$1,033,500]; smallwares equipment capital grant \$2,163,947 [2017 – \$1,100,000]. A grant of nil [2017 – \$156,800] was received to mitigate reduced Office Tower revenues.

<sup>(9)</sup> Events East and the Company have a variety of intercompany transactions related to establishing the opening balance for Events East, as well as general expenses paid by the Company on behalf of Events East.

<sup>(10)</sup> PNS processes payroll on behalf of the Company and invoices the Company; this amount represents payroll and related expenses for the period April 1, 2017 to February 28, 2018.

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 without payment terms and are non-interest bearing.

## Trade Centre Limited [operated by Events East Group]

### Notes to financial statements

March 31, 2018

#### 10. Transfers to Events East Group

As discussed in note 1, Nature of operations, substantial completion of the Halifax Convention Centre building triggered the shared financial accountability by HRM and PNS of the convention centre operations. As such, effective February 28, 2018 the Company transferred convention centre assets to Events East. No consideration was exchanged and amounts paid or payable by the Company on behalf of Events East were settled as intercompany transactions. All contractual obligations related to the convention centre operations were assigned to Events East. Below is a summary of the accounts and balances that were transferred to Events East from the Company:

|  | <u>\$</u>          |
|--|--------------------|
| Cash                                     | 16,498             |
| Accounts receivable                      | 1,645              |
| Inventory for resale                     | 152,191            |
| Intercompany transactions                | 514,765            |
| Tangible capital assets                  | 1,096,002          |
| Prepaid expenses                         | 172,920            |
| Accounts payable and accrued liabilities | (90,561)           |
| Event deposits                           | (750,960)          |
| Transfers to Events East Group           | <u>(1,112,500)</u> |

#### 11. 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, receivables from HRM, Scotiabank Centre, Events East and general accounts receivable. Financial liabilities consist of the Company's accounts payable and accrued liabilities, due to the Province, 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.



## Trade Centre Limited [operated by Events East Group]

### Notes to financial statements

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#### *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 requires deposits for events where collectability is uncertain.

#### *Capital risk*

The Company carries out its programs in conjunction with contributions from two levels of government that have provided to programs over the years. In addition, it receives an operating subsidy from HRM on a yearly basis. The day-to-day operations are funded by the revenue received and amounts due to PNS.

#### **12. Budgeted figures**

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Province of Nova Scotia.

#### **13. Compensation disclosure**

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

*The Public Sector Compensation Disclosure 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 income taxes for fiscal 2018 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.

Amounts provided in Schedule A represent 12 months of compensation; however, due to the transition to Events East effective March 1, 2018, only 11 months of the compensation has been expensed in the statement of operations and accumulated deficit of the Company. *The Public Sector Compensation Disclosure Act* requires reporting of compensation for a full twelve month period and in order to be transparent, management has included this information within Schedule A.

#### **14. Subsequent event**

##### **Sale of the World Trade and Convention Centre building**

At the direction of the Nova Scotia Department of Transportation and Infrastructure Renewal ["TIR"], the Company executed a purchase and sale agreement with an external third party, as a result of an unsolicited bid. Effective April 9, 2018, the WTCC building was sold to Armco Capital Inc.



**Trade Centre Limited [operated by Events East Group]**

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The gross proceeds of the sale were \$13.5 million less selling costs. The net proceeds of the sale will be \$11.6 million, which will be recognized as a gain for the Company in fiscal 2019. In accordance with section 16 of the *Finance Act* (Nova Scotia), funds resulting from the sale of real property by a Government Reporting Entity must be deposited into the Province's General Revenue Fund. This transfer of funds will be recorded as an operating expense in fiscal 2019, and therefore the transaction will have no net impact on the statement of operations and accumulated deficit of the Company. Related transactions are not reflected in these statements.

**Trade Centre wind-up**

Operations of the Company are expected to be wound up during fiscal 2019. All appropriate legal and financial transactions will be undertaken at that time.

Schedule of payments

Year ended March 31, 2018

|                    | <u>Compensation</u><br><u>\$</u> |
|--------------------|----------------------------------|
| <b>Name</b>        |                                  |
| Baldwin, Dawn      | 104,857                          |
| Cussons, Carrie    | 168,691                          |
| Dooley, Peggy      | 104,857                          |
| Fougere, Suzanne   | 135,886                          |
| Logan, Robert      | 126,682                          |
| Luzeux, Christophe | 100,159                          |
| Parsons, Shelly    | 114,573                          |
| Smith, Greg        | <u>103,030</u>                   |