OTTAWA CONVENTION CENTRE
CENTRE DES CONGRÈS D'OTTAWA

Annual Report

2017/18

Ontario

Shaw Centre

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Executive Leadership Team

Nina Kressler
President & CEO

Dan Young
Vice-President & COO

Loretta Briard
General Manager

OCC Board of Directors

Dick Brown
December 11, 2013 to February 1, 2019

David Coletto
February 2, 2016 to November 30, 2018

Frank Colletti
May 6, 2015 to May 5, 2018

Annie Dugas
May 31, 2017 to May 30, 2020

Mathieu Fleury
December 10, 2014 to November 30, 2018

Annie Hillis
December 11, 2013 to December 10, 2019

Jean Lalande
September 8, 2014 to September 7, 2020

Richard Patten
April 16, 2014 to April 15, 2020

Jo-Anne Poirier (Chair)
March 21, 2018 to March 20, 2021

Maria Ricci
December 11, 2013 to December 10, 2019

Carolina Rivera Alvarez
December 14, 2016 to November 30, 2018

David W. Scott
December 11, 2013 to December 10, 2019

Message from the President and CEO

With the close of our fiscal year 2017/2018, the Ottawa Convention Centre will have had its most successful year since our opening in 2011, concluding the term with a surplus of $2.8M. With a strong emphasis on sales and marketing plus customer service, our efforts are reaping rewards. We hosted an impressive roster of international, corporate and national association conventions this year, bringing significant economic impact to the City of Ottawa and the province of Ontario.

In addition to numerous social functions and trade show events, we hosted 45 conventions, up from 30 in 2016, achieving a 55 per cent increase in convention revenue, a 15 per cent increase in overall gross revenue and an impressive increase in the Centre's net operating profit of 47% per cent.

Some of our more notable events included the 105th Grey Cup, Shopify 2018 Summit, CIBC Annual General Meeting, Translational Systems Biology Conference, Federation of Canadian Municipalities, 2017 Global 4H Summit, Pet Valu National Convention and Canadian Science Policy Conference.

In the 2017-18 fiscal year, the Ottawa Convention Centre hosted 55 events that drew

Nina Kressler
President & CEO

participants from outside the Ottawa-Gatineau area. This equaled over 78,800 out-of-town visitors who boosted Ottawa's economy by $167M in direct spending.

This direct spending contributed approximately $135M to Ottawa's GDP and supported approximately 2002 jobs, resulting in $85M in direct and indirect labour income. This includes $52M in labour income that stems from 1471 jobs that are supported directly by events held at the Centre. This positive labour impact contributes to Ottawa's continued strong job market; according to a recent Statistics Canada report, the region's unemployment rate is down to 4.4 per cent – its lowest level in well over a decade. Another positive economic impact comes in the form of tax revenue. In total, $60,590,305 in taxes for all three levels of government were generated during our past fiscal year.

Our success is only possible through collaboration with our stakeholders. Ottawa Tourism and the Ottawa Convention Centre conducted sales missions in London and participated in IMEX America and IMEX Frankfurt. Together we generated leads, requests for proposals and built awareness of Ottawa as a first-class meeting and convention destination. Our combined efforts have yielded great success and return on investment in many different ways.

As one example of that return on investment, our hotelier stakeholders have concluded a year of unprecedented growth with a 7 percent increase in average hotel occupancy rates, outperforming every other major city in Canada. Ottawa Tourism similarly reports that we had a year-over-year increase in visitors of 8.8 per cent to 11 million visitors, while visitor spending increased by 10.3 per cent to $2.3 billion. A significant portion of this increase can be attributed to accommodation spending. Our combined efforts to draw more visitors to Ottawa also helps the Ottawa International Airport Authority, which saw a 2 percent increase in passenger volumes in 2017 and a revenue increase of 5.2 percent.

The Ottawa Convention Centre values the principle that giving back to our community is as important to staff as welcoming our delegates and meeting planners. Our innovative Leave a Legacy program continues to benefit people far and wide as well as here at home. Among the meaningful post-event donations, we helped our clients deliver essential supplies for schools in Cameroon and Ottawa's St. Joe's Women's Centre as well as meals for the Ottawa Mission.

2018/2019 will not be a duplicate of Canada's 150th birthday year; however, we remain focused on building on our success of attracting more international conventions, expanding our

55%

INCREASE IN CONVENTION REVENUE IN 2017/18

corporate convention sector and continuing to grow our largest market, the Canadian Association Market. To support these marketing efforts, an estimated $500,000 of the projected revenue generated by a new Municipal Accommodation Tax implemented January 1 will be directed towards the Convention Development Fund. Ottawa Tourism and the Ottawa Convention Centre will use this fund to attract more large events to Ottawa.

A further $1 million of the projected tax revenue will be invested in the Major Events Fund, which Ottawa Tourism uses to attract large-scale events that draw tens of thousands of visitors to the city each year. Together, the Convention Development Fund and Major Events Fund will support the growth of our local tourism and hospitality industries through destination marketing and sales plus development activities promoting Ottawa internationally as a premiere venue for major events and conventions.

50%

OCCUPANCY RATE IN 2017/18

Strategic funding like this helps attract world leaders to our city. Conventions generate valuable and tangible economic impact, showcasing Canada's capital as a place of innovation, excellence and opportunity to its international delegates. Everyone at the Ottawa Convention Centre looks forward to supporting the growth of Ottawa's tourism industry while promoting our Centre as a premiere venue for major events and conventions.

Another important measure of success is attainment of key corporate objectives. For 2017/2018, we targeted several key areas, including an occupancy rate of 50 per cent, which we are proud to have attained. From a customer service perspective, we exceeded our target for client satisfaction, attaining an overall satisfaction score of 4.7 / 5. While we did not meet our targeted waste diversion rate of 70%, it will remain a focus area for the year ahead.

Success is not achieved as a solo mission. I wish to acknowledge and thank our partners, Aramark Entertainment Services Canada Inc. and Freeman Audio-Visual/Freeman Electrical Services. Our daily mantra of ***Inspired People Creating Extraordinary Events*** remains part of our culture. I also wish to thank our colleagues' on-going commitment to customer service. They truly make this a remarkable place to work!

Nina Kressler
President & CEO

Corporate Goals

OCC's corporate goals are set annually by the Executive Leadership Team. In 2017/18, OCC's corporate goals focused on the following strategic priorities: financial sustainability, client satisfaction, colleague satisfaction, partner performance and corporate social responsibility.

FINANCIAL SUSTAINABILITY

OCC's long range financial imperative is to generate revenues to support a surplus and maintain cash flows sufficient to provide for lifecycle requirements.

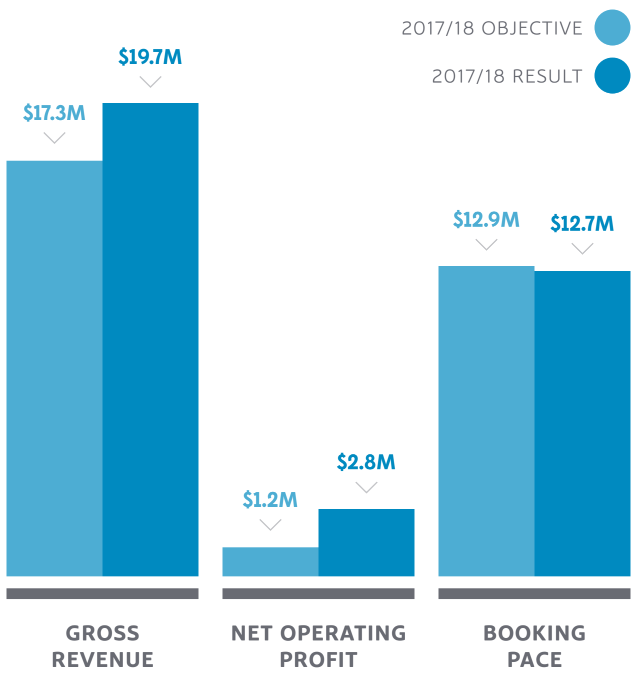
ECONOMIC IMPACT FOR 2017/18

In the 2017-18 fiscal year, OCC hosted 55 events that drew participants from outside the Ottawa-Gatineau area. This equaled over 78,800 out-of-town visitors who boosted Ottawa's economy by $167M in direct spending, including:

- **$136M** in attendee spending
- **$18M** in exhibitor spending
- **$12.5M** in production spending

This direct spending contributed approximately $135M to Ottawa's GDP and supported approximately 2002 jobs, resulting in $85M in direct and indirect labour income. This includes $52M in labour income that stems from 1471 jobs that are supported directly by events held at the Ottawa Convention Centre. In total, $60,590,305 in taxes for all three levels of government was generated in 2017/2018.

FINANCIAL RESULTS

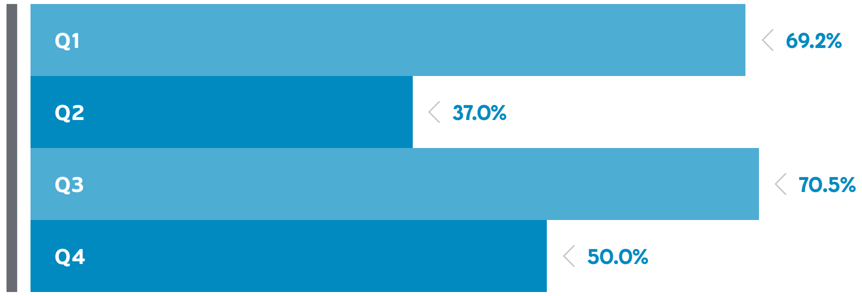


2002

JOBS SUPPORTED (APPROX.)

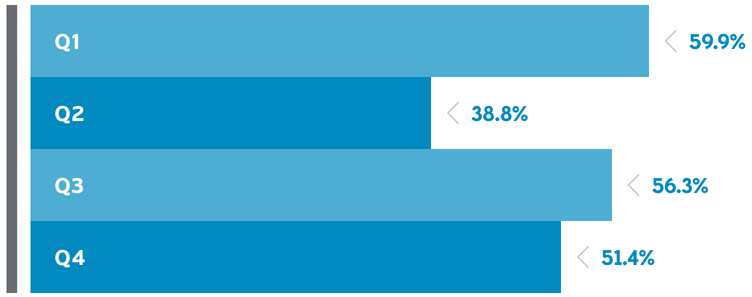
OCCUPANCY

BALLROOM



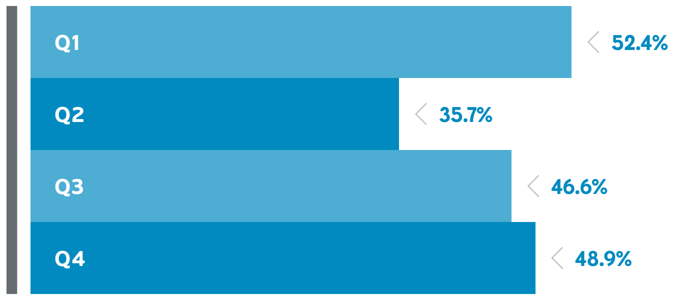
57.5%
AVERAGE
2017/18

TRADESHOW HALL



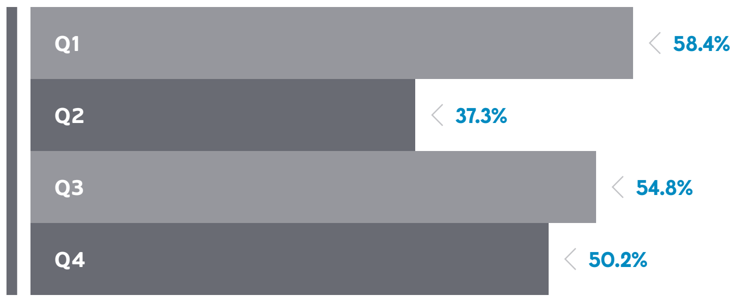
51.4%
AVERAGE
2017/18

MEETING ROOM



45.2%
AVERAGE
2017/18

TOTAL



49.9%
AVERAGE
2017/18

IMPROVING CLIENT SATISFACTION

OCC recognizes the paramount importance of client satisfaction and reflects this through systems and procedures that ensure superior customer service from initial contact through to final invoicing. In 2017/18, our client satisfaction scores reached 4.7 out of 5, surpassing its 4.6 annual target. We continue to look forward to surpassing this year's score in 2018/19.

We remain confident in the knowledge that we have earned a strong reputation in both the convention and meetings marketplaces for hosting outstanding events and providing exceptional customer service to our clients.

4.7/5

OUR CLIENT
SATISFACTORY SCORE

COLLEAGUES & PARTNERS

OCC recognizes the fundamental role of colleague and partner excellence in delivering a superior event experience and maintains a formal program to recruit, retain, recognize and train colleagues in all key areas of the organization, and maintain positive and mutually supportive partner relations.

Our colleagues have identified rewards and recognition as important to them. At OCC, we are focused on a culture of appreciation for our colleagues and clients; a culture where great work and results are noticed. To that end, we will continue to celebrate great work and offer encouragement through programs like *Encore! Encore!* which gives us the vehicle to recognize colleagues who live our company values every day on the job. When our colleagues meet a milestone career anniversary, we honour their

Jane Goodall
Dr. Jane Goodall: Journey from the Jungle in Ottawa at the Shaw Centre

dedication with special recognition and rewards. Our goal is for our colleagues to know that each of them are valued members of the OCC team and as such are responsible for our exceptional customer service scores.

OCC's primary service partners, Aramark Entertainment Services (Canada) Inc. and Freeman Audio-Visual/Freeman Electrical Services, are key ingredients of our operational product offerings and third-party initiatives. OCC works very closely with our service partners to ensure customer service remains high and product quality exceeds industry standards and client demands.

"We were very pleased with the collaboration between the Canadian Science Policy Centre and the Shaw Centre team for CSPC 2017. Many agreed it was our best conference ever and the Centre, along with its exceptional team, exceeded everyone's expectations. Thank you very much for all your hard work."

Mehrdad Hariri
CEO and President, Canadian Science Policy Centre

CORPORATE SOCIAL RESPONSIBILITY

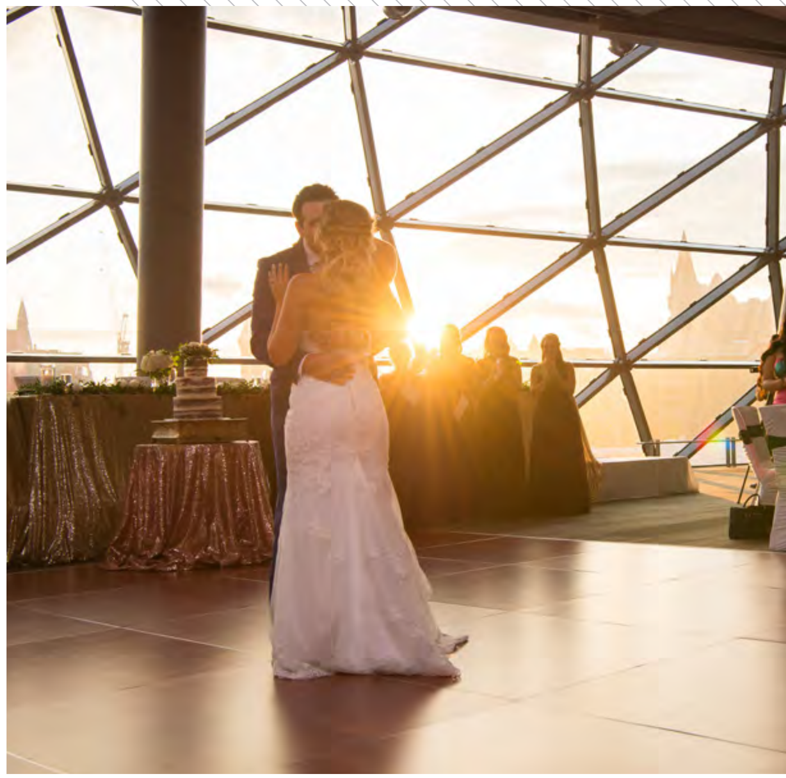
OCC recognizes the role we play in the life and economy of our host community and the role that the community plays in supporting and enhancing the event experience of our clients. In doing so, we undertake to demonstrate ongoing corporate responsibility and maintain a positive community interface.

At OCC we continuously strive to find strategies that will maximize the efficiency of our waste management system, with a long-term diversion goal of at least 70%. In 2017/18, OCC successfully diverted 52% of waste from landfills. We expect this number to continue to grow in the coming years as our focus on energy savings and waste management increases. OCC participates in a rigorous food waste management program that consists of monthly food quality audits whereby the entire kitchen area is scored based on pre-determined values and then reviewed by senior executives.

While many companies now practice some form of social responsibility programs, we, at the Ottawa Convention Centre, have decided to make it a core of our operations. Undertaking socially responsible initiatives not only allows us to appeal to socially conscious consumers (and colleagues), but it also makes a tangible difference in the world. We also encourage our clients to give back to our community. We offer three flexible CSR programs that enable them to have a positive impact with minimal effort, all of which are facilitated by our team: Leave a Legacy Program, Tablée des Chefs and Mealshare. This past year, many local and international charities benefited from our clients' generosity including St. Joes Women's Centre and Hope for Children Cameroon.

OCC colleagues also recognize the importance of giving back to the community, and as such have set a goal to participate in volunteer activities throughout the year. In 2017/18 OCC staff participated in a number of initiatives aimed at supporting various local community organizations and groups. In February, colleagues took part in a clothing drive to donate new and gently-used workwear supporting *Dress for Success* and *Suits His Style*, which included 55 dress shirts, 42 blazers, 41 skirts, 36 dresses, 33 pairs of pants, 23 pairs of shoes, and 27 ties. We will continue to look for partnership opportunities in the hopes of ensuring all salvageable materials that are left behind are delivered to charities most in need.

52%
OF WASTE SUCCESSFULLY DIVERTED FROM LANDFILLS BY OCC



2017/18 Operational Highlights

JUNE
1-4

JULY
11-15

NOVEMBER
21-26

Federation of Canadian Municipalities (FCM) – 2017 Annual Conference and Trade Show

The OCC hosted the Federation of Canadian Municipalities (FCM) - 2017 Annual Conference and Trade Show and welcomed 1900 local, national and international attendees from June 1st to June 4th. Among the delegates were elected officials and municipal members, as well as keynote speaker Jon Montgomery, Olympic champion and host of The Amazing Race Canada. The four days included plenaries, workshops, industry-led seminars and networking opportunities with a theme of Shaping Canada's Future, as Canada was celebrating 150 years of Confederation.

2017 Global 4-H Network Summit

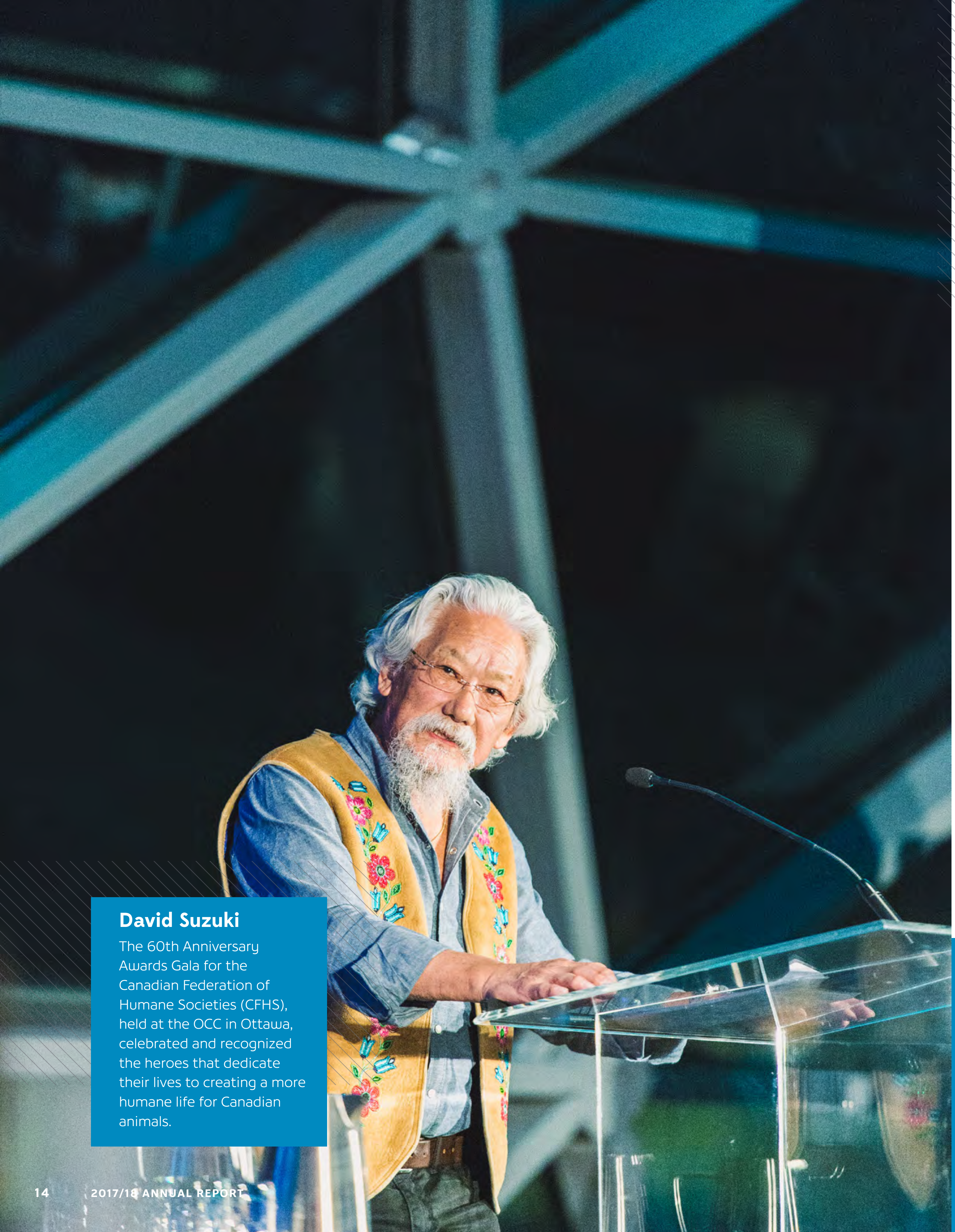
From July 11th to July 15th, the OCC hosted 454 delegates and 75 exhibitors from 27 countries at 4-H's Global Network Summit. 4-H, one of the largest youth organizations in the world, builds leaders from all over the world by offering skill building activities, meaningful leadership roles and partnerships with adult volunteers. Global 4-H Network Summit is an action-packed summit for 4-H youth, volunteers and professionals. Themes included community engagement, science, technology, sustainable agriculture, food security, and environment. We are proud to have hosted young leaders from not just Canada, but from around the world to join us during Canada's 150th birthday celebration.

105th Grey Cup

As part of Canada's 150th birthday celebration, Ottawa was chosen to host the 105th Grey Cup from November 21st to 26th. The Festival transformed and showcased our city across Canada and around the world and the OCC played a major role in the festivities by partnering with the CFL and OSEG, and hosting a variety of celebrations and events, including five press conferences, four public events, and three galas during the six-day period. Among those were: Shaw CFL Awards & Rev-Up Party, which was Grey Cup week's most iconic party; Commissioner Brunch with CFL Commissioner Randy Ambrosie, a high-profile VIP brunch, and Shaw Centre Client Appreciation hosted by OCC's marketing team in our CrEATe Kitchen. Among the keynote speakers we welcomed Dave Dickenson of the Calgary Stampeders, Marc Trestman of the Toronto Argonauts, and TSN's James Duthie.

"The Shaw Centre [OCC] was the perfect venue for OSEG to partner with when bringing the 105th Grey Cup Festival to Ottawa. It's central location, flexible event space, and top-notch team were the winning combo for this monumental city-wide event."

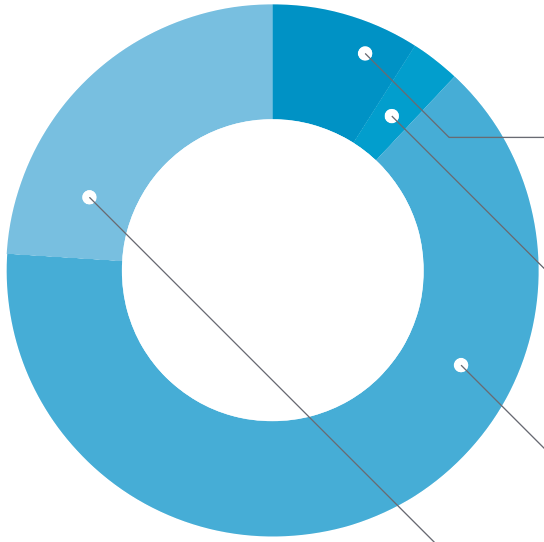
Valerie Hughes
Director, Major Events, Ottawa Sports and Entertainment Group, CFL's 105th Grey Cup Festival



David Suzuki
The 60th Anniversary Awards Gala for the Canadian Federation of Humane Societies (CFHS), held at the OCC in Ottawa, celebrated and recognized the heroes that dedicate their lives to creating a more humane life for Canadian animals.

Operating Statistics 2017/18

NUMBER OF EVENTS **505**



NUMBER OF CONVENTIONS **45**

NUMBER OF TRADE & CONSUMER SHOWS **12**

NUMBER OF MEETINGS **325**

OTHER EVENTS **123**

$19.7M
REVENUE

$2.8M
OPERATING SURPLUS

Disclosure of Remuneration

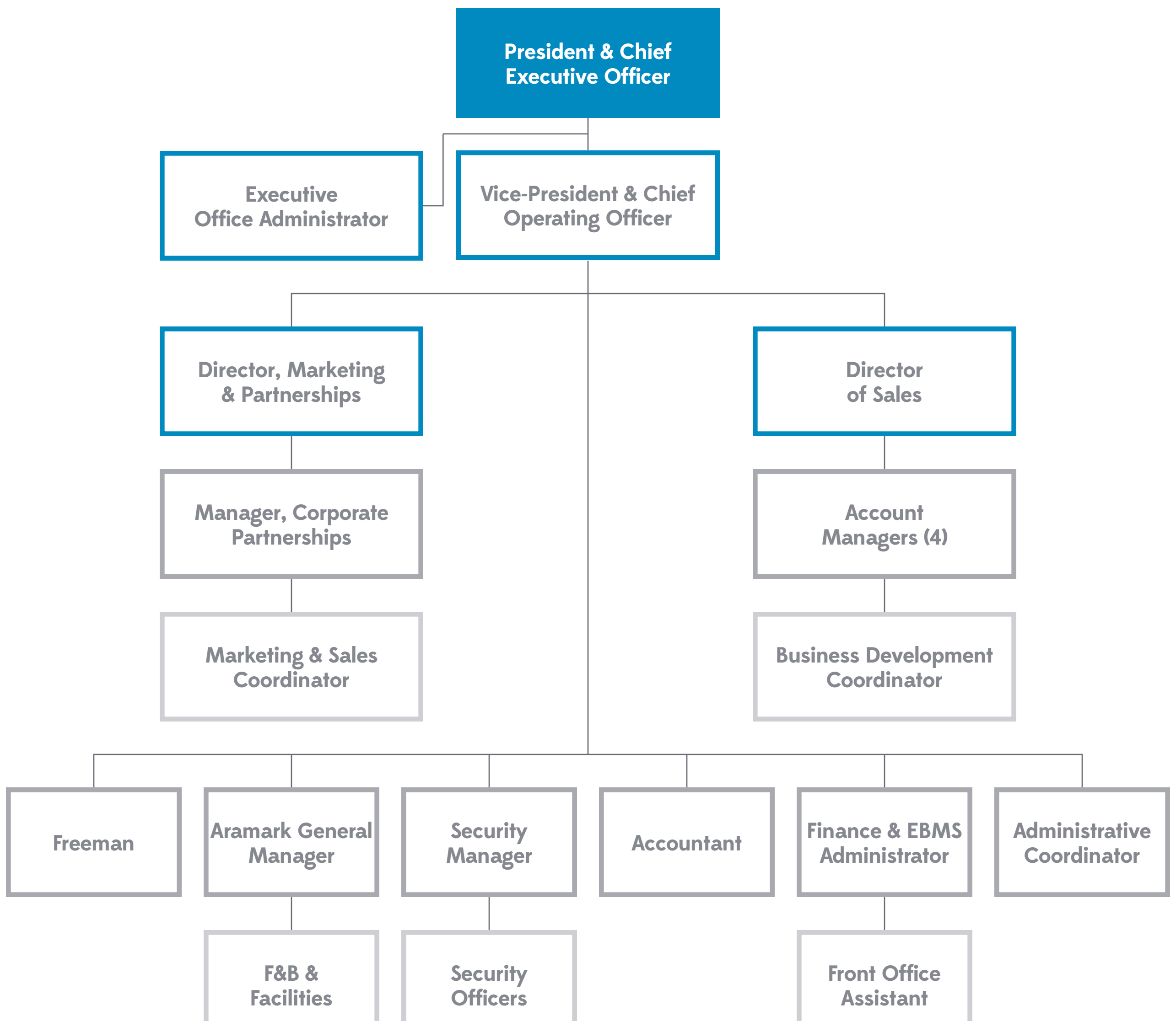
REMUNERATION

Except for the City of Ottawa representative, each member of Ottawa Convention Centre's Board of Directors is paid for his or her attendance at board, committee and other meetings as required. Outlined below is the total remuneration paid to each director for fiscal 2017/18.

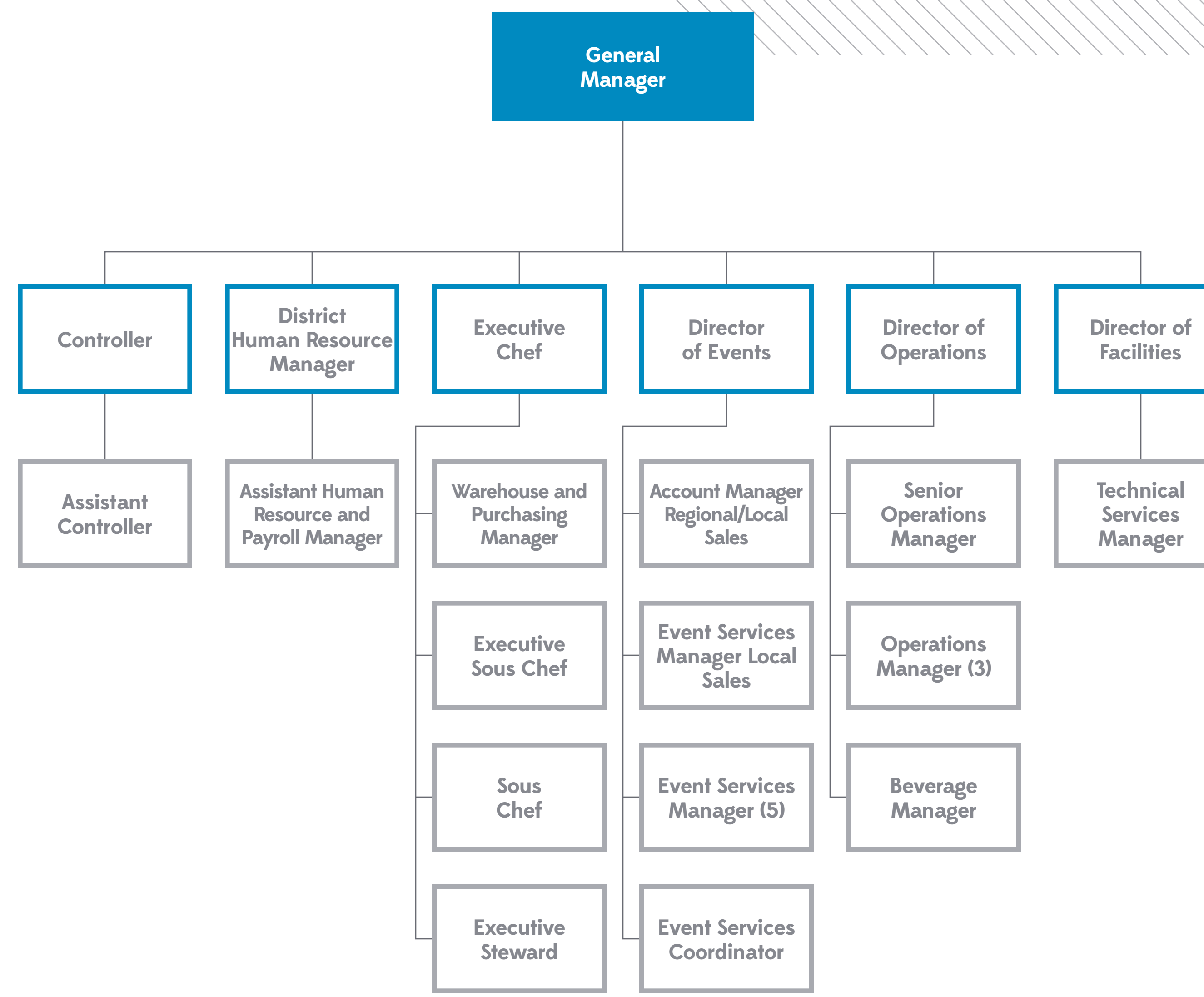
Dick Brown	Vice-Chair	$5,812.50
David Coletto	Director	$750
Annie Dugas	Director	$875
Mathieu Fleury	Director	$0
Annie Hillis	Director	$2,000
Frank Colletti	Director	$875
Jean Lalande	Director	$1,750
Richard Patten	Director	$1,500
Maria Ricci	Director	$1,500
Carolina Rivera Alvarez	Director	$750
David W. Scott	Director	$1,875
Marc Seaman	Chair	$1,600

Organizational Structure

OCC Organizational Chart



OCC Food Service Provider



Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Financial Statements
March 31, 2018

June 25, 2018

Independent Auditor's Report

To the Members of
Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

We have audited the accompanying financial statements of Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net liabilities and cash flows for the year then ended, and the related notes, which comprise 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.

Auditor's 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 auditor's 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 auditor considers 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.

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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 Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa as at March 31, 2018 and the results of its operations, change in its net liabilities and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

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Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Financial Position

As at March 31, 2018

	2018 $	2017 $
Assets		
Current		
Cash	5,618,232	4,601,176
Accounts receivable	923,631	685,474
Prepaid expenses	88,844	86,949
	6,630,707	5,373,599
Property, plant and equipment (note 4)	145,687,622	150,905,133
	152,318,329	156,278,732
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	1,875,153	2,164,402
Deferred revenue and deposits	2,136,415	2,992,013
Current portion of long-term debt (note 5)	51,790,381	154,451
	55,801,949	5,310,866
Deferred revenue and deposits	686,179	786,394
Long-term debt (note 5)	1,370,977	50,857,196
Deferred contributions related to property, plant and equipment (note 6)	100,610,048	103,822,979
	158,469,153	160,777,435
Net liabilities	(6,150,824)	(4,498,703)
	152,318,329	156,278,732

Commitments and contingencies (note 10)

Approved by the Board of Directors

____________________ Director ____________________ Director

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

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Operations

For the year ended March 31, 2018

	2018 $	2017 $
Revenue		
Food and beverage	12,253,808	10,255,778
Space rental	5,213,422	4,555,652
Commissions	1,633,024	1,752,922
Advertising	504,743	492,119
Other	74,043	75,204
Interest earned	36,903	16,108
	19,715,943	17,147,783
Expenses (note 7)		
Direct	8,652,664	7,443,951
Facilities	5,506,004	5,214,272
Selling, general and administrative	2,775,747	2,605,495
	16,934,415	15,263,718
Excess of revenue over expenses before undernoted items	2,781,528	1,884,065
Interest on long-term debt	(2,379,711)	(2,283,904)
Amortization of deferred contributions related to property, plant and equipment	3,212,931	3,212,931
Amortization of property, plant and equipment	(5,266,869)	(5,274,611)
Excess of expenses over revenue for the year	(1,652,121)	(2,461,519)

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

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Changes in Net Liabilities

For the year ended March 31, 2018

	2018 $	2017 $
Net liabilities - Beginning of year	(4,498,703)	(2,037,184)
Excess of expenses over revenue for the year	(1,652,121)	(2,461,519)
Net liabilities - End of year	(6,150,824)	(4,498,703)

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

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Cash Flows

For the year ended March 31, 2018

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenue for the year	(1,652,121)	(2,461,519)
Items not affecting cash -		
Amortization of property, plant and equipment	5,266,869	5,274,611
Amortization of deferred contributions related to property, plant and equipment	(3,212,931)	(3,212,931)
Capitalization of interest to long-term debt	2,304,162	2,201,318
	2,705,979	1,801,479
Net change in non-cash working capital balances (note 8)	(1,485,114)	1,710,367
	1,220,865	3,511,846
Capital activity		
Purchase of property, plant and equipment	(49,358)	-
Financing activity		
Repayment of long-term debt	(154,451)	(147,414)
Increase in cash during the year	1,017,056	3,364,432
Cash - Beginning of year	4,601,176	1,236,744
Cash - End of year	5,618,232	4,601,176
Supplementary information		
Interest paid	75,549	82,586

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

1 Nature of organization

The Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa ("the Centre") was incorporated by a special Act of the Ontario Provincial Legislature. The mandate of the Centre is to operate, maintain and manage an international class convention centre facility in the City of Ottawa in a manner that will promote and develop tourism and industry in Ontario. The Centre is exempt from income taxes.

2 Summary of significant accounting policies

Basis of presentation

The financial statements of the Centre are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), including accounting standards that apply to government not-for-profit organizations.

Revenue recognition

Revenue from food, beverage, space rental and other is recognized when the related goods or services are provided to the customer. Advertising revenue is recognized in the year in which the advertising is provided to the client. Commission revenue is recognized in the year in which the related event is held.

The Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed materials and services

From time to time, the Centre may receive contributed materials and services. Since these materials and services are either not normally purchased by the Centre or the fair value of the materials or services cannot be reasonably estimated, contributed materials and services are not recognized in these financial statements.

Use of estimates

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

Significant estimates made in the preparation of these financial statements include the useful lives of property, plant and equipment, and commission revenues earned. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided for using the straight-line method over the estimated useful lives of the various classes of assets, except in the year of acquisition when a pro-rated share of the year's amortization is recorded based on the fiscal quarter in which the asset is acquired. Amortization is calculated at the following rates.

Building	40 years straight-line
Software	5 years straight-line
Furniture, equipment and fixtures	10 years straight-line
Technology network	15 years straight-line

The Centre reviews long-lived assets for impairment whenever events or changes in circumstances indicate the asset no longer has any long-term service potential to the Centre. The impairment loss, if any, is the excess of the carrying value over any residual value. Impairment losses are not reversed in future periods.

Deferred revenue and deposits

Deferred revenue and deposits represent amounts received in advance from customers in relation to services to be rendered in future periods.

Deferred contributions related to property, plant and equipment

Deferred contributions represent amounts received from various levels of government as well as one of the Centre's significant partners, to be used towards the construction and purchase of property, plant and equipment.

Deferred contributions are recognized as revenue on the same basis as the amortization of property, plant and equipment.

Employee future benefits

All full-time employees of the Centre are eligible to be members of the Centre's defined contribution pension plan which offers employees a pension benefit, upon retirement or termination, based on the accumulated contributions made by the individual employee and by the Centre, on their behalf, plus any investment earnings on these contributions. Contributions required to be made by the Centre are recorded in the period in which employee services are rendered.

During the year, the Centre recorded an expense of $78,866 (2017 - $71,171) for contributions made to the defined contribution pension plan, which is included in selling, general and administrative expenses.

Financial instruments

The Centre's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and long-term debt.

The Centre has classified its financial instruments as follows.

Asset/liability	**Measurement**
Cash	fair value
Accounts receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost
Long-term debt	amortized cost

The carrying amount of these financial assets and financial liabilities approximates their fair values unless otherwise disclosed.

Changes in Accounting Policies

The Centre adopted the following new accounting policies:

1. PS 2200 Related Party Transactions
   On April 1, 2017, the Centre adopted the PSA Handbook Section PS 2200 "Related Party Transactions". The new standard defines a related party and includes the requirement for disclosure of related party transactions and is effective for years beginning on or after April 1, 2017. To address this new standard, Note 3-Related Party Transactions has been included below.

2. PS 3210 Assets
   On April 1, 2017, the Centre adopted the PSA Handbook Section PS 3210 "Assets". The new standard provides guidance for applying the definition of assets set out in Section PS 1000, Financial Statement Concepts, and establishes general disclosure standards for assets and is effective for years beginning on or after April 1, 2017. This accounting change had no significant impact on the Centre's financial statements.

3. PS 3320 Contingent Assets
   On April 1, 2017, the Centre adopted the PSA Handbook Section PS 3320 "Contingent Assets". The new standard defines and establishes disclosure standards on contingent assets and is effective for years beginning on or after April 1, 2017. This accounting change had no significant impact on the Centre's financial statements.

4. PS 3380 Contractual Rights
   On April 1, 2017, the Centre adopted the PSA Handbook Section PS 3380 "Contractual Rights". The new standard defines and establishes disclosure standards on contractual rights and is effective for years beginning on or after April 1, 2017. This accounting change had no significant impact on the Centre's financial statements.

5. PS 3420 Inter-entity transactions
On April 1, 2017, the Centre adopted the PSA Handbook Section PS 3420 "Inter-entity transactions". The new standard establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective and is effective for years beginning on or after April 1, 2017. This accounting change had no significant impact on the Centre's financial statements.

3 Related Party Transactions

The Centre is related through common ownership to all Province of Ontario ministries, agencies, and crown corporations. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

Please refer to Note 5 Long-term debt for further details regarding the long term debt transaction.

4 Property, plant and equipment

	2018		
	Cost $	Accumulated amortization $	Net carrying amount $
Building	170,840,512	29,824,092	141,016,420
Software	274,577	274,577	-
Furniture, equipment and fixtures	8,443,826	5,846,907	2,596,919
Technology network	2,476,912	1,155,892	1,321,020
Land	753,263	-	753,263
	182,789,090	37,101,468	145,687,622

	2017		
	Cost $	Accumulated amortization $	Net carrying amount $
Building	170,840,512	25,553,080	145,287,432
Software	274,577	274,577	-
Furniture, equipment and fixtures	8,394,470	5,016,179	3,378,291
Technology network	2,476,912	990,765	1,486,147
Land	753,263	-	753,263
	182,739,734	31,834,601	150,905,133

5 Long-term debt

On November 2, 2012, the Centre was granted an amendment to the financing agreement with the Ontario Financing Authority (OFA), a related party through common control. As a result of the amendment, the Centre will not be required to pay any annual instalments of principal or interest on this loan for a period of up to five years ("Stalled Repayment Period"), during which interest expense will continue to accrue. At the discretion of the OFA but no later than September 2018, the Centre is required to resume blended interest and principal repayments, based on an adjusted loan amortization schedule which will be provided by the OFA, at the end of the Stalled Repayment Period.

During the current year, the Centre informed the OFA that it would not be able to meet its obligation for this loan and would therefore breach the debt agreement in September 2018 upon failing to make the payment. Therefore, the loan has been presented as a current liability as at March 31, 2018.

	2018 $	2017 $
Loan payable from the OFA, bearing interest at the province's cost of funds plus 0.525% (2017 - 0.525%), compounded annually, including $2,304,162 (2017 - $2,201,318) of capitalized interest. As at March 31, 2018, the interest rate amounted to 4.7% (2017 - 4.7%).	51,628,557	49,324,395
Debt related to acquisition of technology services network, bearing interest at 4.7% per annum and requiring blended monthly payments of $19,167 (2017 - $19,167) from April 2011 through March 2026.	1,532,801	1,687,252
	53,161,358	51,011,647
Less: Current portion	51,790,381	154,451
	1,370,977	50,857,196

Principle payments required on long-term debt obligations over the next five years are as follows.

Year ending March 31	$
2019	161,824
2020	169,548
2021	177,641
2022	186,120
2023	195,005

Debt Extinguishment

On May 4, 2018, the Centre was granted a release of its obligation to repay the $40,000,000 loan plus interest to the OFA. The release is for the full amount of any outstanding principal and interest totalling $51,628,557 as of the effective date of March 31, 2018. As a result, a new agreement has been signed requiring the Centre to make annual payments of $1,000,000 to the OFA in perpetuity subject to the Centre's ability to make such payments and the guarantee it obtained from the Ministry of Tourism, Culture, and Sport (the "Ministry"). The future cash flows related to this obligation have been valued at the Net Present Value of a perpetuity using a 3.63% discount rate (which is based on the Province of Ontario's 25 year borrowing rate plus a 0.5% premium reflecting the Centre's credit risk) and disclosed below totalling $27,583,238. The difference in carrying value of the old debt and the new obligation as of April 1, 2018 will be recognized as a gain on debt extinguishment totalling 24,045,319 for the year ending March 31, 2019.

As part of the new agreement with the OFA, the Centre obtained a guarantee from the Ministry, a related party through common control, to pay any shortfall in the required annual payment each year to the OFA on behalf of the Centre. The Centre is not obligated to repay any amounts paid by the Ministry under this guarantee.

The new agreement with the OFA also requires the Centre to make additional annual payments to the OFA to the extent excess cash flow from operations permits. The agreement with the OFA stipulates that the amount of any such additional payment will be negotiated annually by the Centre and the OFA based on actual operating results for the particular year as well as taking into consideration the Centre's three-year plan, including its capital plan.

Long-term debt disclosures as of April 1. 2018, after giving effect to the above agreements, would be as follows:

	April 1, 2018 $	March 31, 2018 $
Loan payable to the Ontario Financing Authority, extinguished during the year ending March 31, 2019.	-	51,628,557
Present value of non-interest bearing obligation to pay $1,000,000 per year to the OFA in perpetuity, discounted at a rate of 3.63% per annum	27,583,238	-
Debt related to acquisition of technology services network, bearing interest at 4.7% per annum and requiring blended monthly payments of $19,167 (2017 - $19,167) from April 2011 through March 2026.	1,532,801	1,532,801
	29,116,039	53,161,358
Less: Current portion	1,161,824	51,790,381
	27,954,215	1,370,977

The calculation of the gain on debt extinguishment is as follows:

	April 1, 2018 $
Loan payable to the Ontario Financing Authority	51,628,557
Present value of non-interest bearing obligation to pay $1,000,000 per year to the OFA in perpetuity, discounted at a rate of 3.63% per annum	(27,583,238)
Gain on debt extinguishment recognized during the year ending March 31, 2019	24,045,319

6 Deferred contributions

	2018 $	2017 $
Balance - Beginning of year	103,822,979	107,035,910
Amortization	(3,212,931)	(3,212,931)
Balance - End of year	100,610,048	103,822,979

7 Expenses

Expenses presented by function are represented as follows.

	2018 $	2017 $
Direct	8,652,664	7,443,951
Facilities	10,772,873	10,488,883
Selling, general and administrative	2,775,747	2,605,495
Financial	2,379,711	2,283,904
	24,580,995	22,822,233

The above presentation of expenses by function excludes the amortization of deferred contributions related to property, plant and equipment, as these are considered revenue in accordance with the Centre's accounting policies described in note 2.

8 Net change in non-cash working capital balances

The net change in non-cash working capital balances consists of the following changes in current assets and liabilities.

	2018 $	2017 $
Accounts receivable	(238,157)	506,074
Prepaid expenses	(1,895)	(4,799)
Accounts payable and accrued liabilities	(289,249)	359,739
Deferred revenue and deposits - Current	(855,598)	540,698
Deferred revenue and deposits - Long-term	(100,215)	308,655
	(1,485,114)	1,710,367

9 Financial instruments and risk management

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category.

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Cash, being the only financial instrument measured at fair value, was measured as a Level 1 financial instrument.

Credit risk

Credit risk refers to the risk resulting from the possibility that parties may default on their financial obligations to the Centre. The Centre's booking policies are designed to minimize the amounts due from customers upon the conclusion of their event and thereby reduce the Centre's exposure to credit risk. Further, the Centre's management performs regular reviews of the creditworthiness of its customers and has collection policies that management feels are adequate to minimize losses in this area. The Centre does not consider its accounts receivable as presenting any significant credit risk.

As at March 31, 2018, the Centre did not have any accounts receivable that were past due but not impaired.

Furthermore, in May 2018, the Centre obtained a guarantee from the Ministry of Tourism, Culture and Sport in relation to its perpetual obligation to the OFA detailed in Note 5. The ability of the Centre to draw on this guarantee is subject to the ongoing creditworthiness of the Ministry, however, the Centre does not currently perceive any significant credit risk related to the Ministry.

Liquidity risk

Liquidity risk refers to the risk that the Centre will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its long-term debt and the new obligation to the OFA. Following the release of its obligation to repay the OFA the loan payable to the OFA, the fair value of the obligation to the Centre amounts to $27,583,238 under the new obligation. The OFA requires that a payment of $1,000,000 be made on March 31, 2019. As part of the new agreement with the OFA, the Centre obtained a guarantee from the Ministry of Tourism, Culture and Sport that it will, pay on behalf of the Centre, all or a portion of the annual payments due to the OFA to the extent the Centre is unable to make such payments

The table below is a maturity analysis of the Centre's financial liabilities as at March 31, 2018.

	Up to 6 months $	More than 6 months up to 1 year $	More than 1 year up to 5 years $	More than 5 years $	Total $
Accounts payable and accrued liabilities	1,813,346	48,051	6,878	6,878	1,875,153
Long-term debt (excluding non-capitalized interest)	51,708,226	82,155	932,628	438,349	53,161,358
	53,521,572	130,206	939,506	445,227	55,036,511

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Centre has $1,532,801 in debt bearing interest annually in relation to the acquisition of technology services network (note 5). Management does not consider the Centre to be exposed to significant interest rate risk.

As at March 31, 2018, the Centre's total exposure to interest rate risk is $1,532,801. The Centre's estimate of the effect on net assets, as at March 31, 2018, of a one percent increase or decrease in the interest rate on the loan payable, with all other variables held constant, would amount to an approximate increase or decrease of $15,328. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivity is calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

10 Commitments and contingencies

The Centre has entered into facility services and technology services agreements related to the operation of the Centre, both expiring in 2026. Under the facility services agreement, among other terms, the Centre will pay a facility management fee of $260,000 (2017 - $250,000) with annual escalations of $10,000 thereafter. Under the technology services agreement, the Centre will make annual payments adjusted for inflation of $300,868 (2017 - $296,130) attributable to the ongoing service agreement.

The Centre has also entered into a telecommunications equipment lease agreement with RCAP March 1, 2015 to February 28, 2018. The agreement was renewed in October 2017 and expires April 1, 2021. Under the agreement, the Centre will pay an annual fee of $30,877 (2017 - $34,242). All figures exclude applicable taxes.

The Centre is involved in various claims and litigation that arise in the normal course of business. During the year ended March 31, 2016, a statement of claim in the amount of $9,600,000 was issued against the Centre related to an alleged breach of contract by the plaintiff. The Centre does not agree with the claim. At this time, the outcome of these proceedings cannot be determined, therefore no amounts have been recorded related to this claim.

11 Capital management

The Centre's objective when managing capital is to maintain its ability to continue as a going concern in order to execute its mandate to operate a world-class convention facility. The Centre's capital structure is comprised of its net assets, long-term debt and deferred contributions related to property, plant and equipment. The Centre's objective in management of its capital structure is to ensure access to sufficient cash flow to carry out its ongoing operations and service its obligations.

Ontario

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