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April 17, 2003

To: Board of Governors of Exhibition Place
From: Finance & Audit Committee
Subject: Audit Results, Year Ended December 31, 2002

Recommendation(s):

The Finance and Audit Committee recommends the Board receive for information the report (April 7, 2003) from the General Manager & CEO entitled "Audit Results, Year Ended December 31, 2002" without amendment.

(Report dated April 7, 2003, addressed to
the Finance and Audit Committee from
General Manager & CEO)

Recommendations:

The Finance and Audit Committee recommend that the Board receive for information the attached report from the auditors, Ernst & Young LLP.

Background:

Pursuant to the new guidelines and recommendations for the performance of auditing activities, a direct communication from the auditors to the governing body of the organization is required. This communication is called "The Audit Results" and this is the first year that such a document has been presented to the Finance and Audit Committee and ultimately to the Board. Representatives from Ernst & Young will be present at the Finance Committee meeting to explain the significance of any comments contained in the Audit Results report.

Discussion:

The Audit Results report from Ernst & Young is divided into five sections and contains the following information:

1. Required Communications

This section covers a wide variety of subjects from changes in accounting policies to a statement of the annual fees paid. Generally the auditors state that they had the full co-operation of staff in

the performance of the audit and no material weaknesses in internal control procedures were discovered although suggestions for improvement are made in section 2, "Letter of Recommendations".

2. Letter of Recommendation

This section replaces the traditional management letter in which the auditors identify areas where improvements to internal control and accounting procedures could be made. The two audit observations and recommendations and management's response to these recommendations are listed below:

Observation # 1

Bank reconciliations are currently being performed on a monthly basis for all accounts. During our review we noted a value of approximately \$208,000 in stale-dated cheques with one cheque in the amount of \$188,610 making up the majority of the balance.

Audit Recommendation

The outstanding cheque list should be reviewed every six months for any stale-dated cheques. Stale dated cheques should be voided and new cheques be issued, or recovery of the expense should be booked.

Management's Response

Management concurs with this recommendation and a periodic review of stale-dated cheques will be incorporated into the monthly bank reconciliation process and action will be taken.

As noted in the auditors' comments above, one cheque to the City of Toronto makes up the majority of the dollar value of the stale-dated cheques and this item has subsequently been re-issued and delivered to the City.

Observation # 2

During our review of inter-company balances, we noted that the balances (BOG & NTC) do not agree.

Audit Recommendation

Inter-company balances should be reconciled quarterly to ensure they agree and eliminate for the quarterly and year-end financial statements.

Management's Response

In the past, Exhibition Place and NTC finance staff have met on a regular basis and any disputed costing issues are resolved, however no formal reconciliation is performed until year-end. The recommendation is to reconcile periodically the accounts payables and the accounts receivables

between the Board of Governors and the National Trade Centre and in 2003 this reconciliation process will be carried out on a quarterly basis.

3. Items of Significance Discussed with Management

Three items were identified in this section of the audit results report:

(a) New MOU between the CNEA and the Board: The auditors' opinion is that the new MOU has no impact on the presentation or accounting policies used to develop the financial statements.

(b) Accrual of Water Expense for 2002: In the preparation of financial statements it is reasonable and appropriate to make estimates and provisions in certain unusual circumstances. In this case the 2002 water bill rendered by the City was less than half the amount that had been billed for 2001. From an operational perspective, this level is unreasonable in light of the activity in 2002, with World Youth Day being the major event. In case this turns out to be a billing error on the part of the City that will be discovered at a later date, management chose to book an expense provision so that the 2002 water expenditure is approximately equal to the 2002 budget. Accordingly, management believes it a responsible to accrue to the budget amount until management has had an opportunity to fully review with the City.

(c) Allowance for Doubtful Accounts: In this situation the auditors had the benefit of using information that became available in April, 2003, and also the auditors were slightly more conservative than management in their expectations with regard to cases that are in litigation or under review.

However given the accounts receivable balance of \$4.2 million as of December 31, 2002, a difference of approximately \$70,000 (or 1.6% of the total) in an estimated amount is not unreasonable in the circumstances. Management sets up an allowance for doubtful accounts after a review with the operations area of each individual account and with a full understanding of the nature of the payee and the circumstances of the late payment.

4. Summary of Audit Differences

This is the section where the auditors identify amounts contained in the 2002 Financial Statements which they believe have not been recorded fully in keeping with generally accepted accounting principles as practiced in Canada.

The table below summarizes these "Audit Differences" and indicates management comments with respect to each one. However it is important to note that the auditor has indicated that the items below represent, in many cases, different methods of estimating financial data. Furthermore, the auditors agree that, in aggregate, these items are not material to the presentation of the financial statements.

Item	Description	Impact on Net Income	Management Response
Understatement of Accrued Liabilities	The December portion of the gas bill was not accrued in the 2002 expenses	Board's income would be decreased by \$27,986	This is an accurate comment

Overstatement of water billing accrual	An additional amount greater than the 2002 water billing was charged to the 2002 expenses	Board's income would be increased by \$262,042	The 2002 billing was significantly less than the prior year and management felt that a reasonable provision should be made in case there had been error in billing that would later be payable
Expensing of Capital Assets – CNEA	Electronic equipment purchased on behalf of the Casino was expensed in the current year	Increase income by \$50,579	This is a reasonable comment and will be taken into account when the capital asset recording policy is reviewed this year
Understatement of allowance for doubtful accounts	Auditors believe that the allowance for doubtful accounts should be increased by \$71,000.	Board's income would be decreased by \$71,000	Given the uncertainty of the outcome of various accounts under discussion or in litigation, a difference of \$71,000 is not unreasonable
Understatement of Accrued Liabilities	Various suppliers did not confirm the amount owed by the Board for goods and services	Board's income would be decreased by \$92,431	There are timing and other explanations about why a supplier would not confirm amount owed by the Board
Turnaround Effect of Prior Year's Differences	It is assumed that last year's differences (2001) would be booked in 2002	Board's income would be increased by \$168,859	This is a reasonable statement
Net Total of Audit Differences		\$290,063	

5. Letter of Independence.

This letter represents an unequivocal statement to the Board that the auditing firm, Ernst & Young LLP, has no financial interest in any of the consolidated entities that make up Exhibition Place and are completely objective and independent in their relationship with their client, the Board of Governors of Exhibition Place according to criteria developed by the governing accounting body.

Conclusion:

This report presents an audit report document to the Board of Governors from Ernst & Young LLP, the external auditors for 2002 for Exhibition Place and, where appropriate, management's comments about the information contained therein.

Contact:

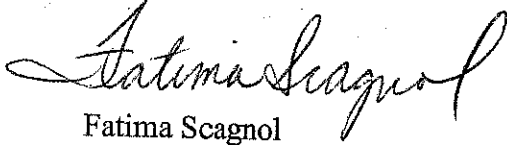
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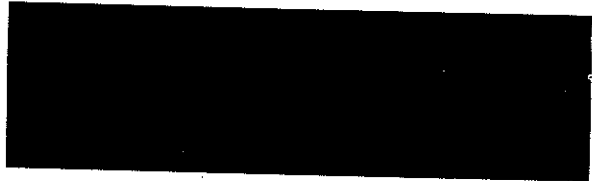
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Submitted by:



Fatima Scagnol

Corporate Secretary



April 17, 2003

Board of Governors of Exhibition Place

Audit Results – Year Ended December 31, 2002

Report to the Members of the Finance and Audit Committee



ERNST & YOUNG

Quality In Everything We Do

April 8, 2003

Members of the Finance and Audit Committee
of the Board of Governors of Exhibition Place
Dear Members of the Finance and Audit Committees:

We are pleased to present the results of our audit of the financial statements of the Board of Governors of Exhibition Place (the "Exhibition Place").

This report to the Finance and Audit Committee summarizes the issues of audit significance discussed with management of the Exhibition Place and provides the communications required by our professional standards.

The completion of this year's audit was accomplished through the effective support and the assistance of the Exhibition Place's and the National Trade Centre's finance and operating personnel.

As always, we strive to continually improve the quality of our audit services. This meeting is a forum for you to provide feedback on ways we can continue to meet and exceed your expectations.

This report is intended solely for the use of the Exhibition Place, the Board of Governors and management, and should not be used for any other purpose.

Very truly yours,

Ernst & Young LLP

Required Communications

Generally accepted auditing standards in Canada require the auditor to ensure that the committee of the Board having oversight responsibility to the financial reporting process receives additional information regarding the scope and results of the audit that may assist them in fulfilling their responsibilities.

Area	Comments
<p>Scope of Services and Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS) As set out in our planning document, we designed our audit to express an opinion on the financial statements of your organization.</p> <p>The financial statements are the responsibility of management. Our audit was designed in accordance with GAAS, which provides for reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.</p> <p>As a part of our audit, we obtained a sufficient understanding of the internal control structure to plan our audit and to determine the nature, timing and extent of testing performed.</p>	<p>We anticipate issuing an unqualified audit opinion dated March 26, 2003 upon approval of the financial statements of your organization by the Board of Governors.</p>
<p>Changes to Audit Approach Outlined in Planning Document In our planning document, we indicated that we would verify substantively cash, accounts payable, activities, revenues, and accounts receivables. We also planned on testing controls over the payroll system.</p>	<p>There were no changes to the audit approach outlined in the planning document.</p>
<p>Significant Accounting Policies Initial selection of and changes in significant accounting policies or their application and new accounting and reporting standards during the year must be reported.</p>	<p>There were no changes in significant accounting policies during the year.</p>
<p>Auditors' Judgments About the Quality of Accounting Principles The preparation of financial statements may require management to select from more than one acceptable approach to accounting. We comment on the quality, not just the acceptability of accounting principles selected by management, the consistency of their application and the clarity and completeness of your organization's financial statements, including related disclosures.</p>	<p>We did not identify any areas where management's approach to accounting was significantly different from industry practice.</p>

Required Communications (continued)

Area	Comments
<p>Management Judgments and Accounting Estimates The preparation of financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.</p>	<p>There are no material estimates where actual amounts are likely to be materially different. Some minor differences were identified in the estimate of the allowance for doubtful accounts. This has been included in the summary of audit differences at the end of this document.</p>
<p>Major Issues Discussed with Management Including Accounting for Significant Unusual Transactions</p>	<p>See "Items of Audit Significance Discussed with Management".</p>
<p>Uncorrected Misstatements Determined by Management to be Immaterial We inform the audit committee about unadjusted audit differences accumulated by us during the current audit and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.</p>	<p>See "Summary of Audit Differences"</p>
<p>Significant Disclosures Not Made</p>	<p>None identified.</p>
<p>Disagreements with Management on Financial Accounting and Reporting Matters</p>	<p>None.</p>
<p>Serious Difficulties Encountered in Performing the Audit</p>	<p>None. There were no restrictions placed on the approach to or extent of our work. We have received the full cooperation of the directors and employees and were provided complete and timely access to all books and records, documents and other supporting data, which we required.</p>
<p>Material Weaknesses in Internal Controls</p>	<p>No material weaknesses in internal control were discovered during the normal course of the audit that would inhibit our ability to express our opinion. See our "Letter of recommendations" for suggestions for improvements in certain areas.</p>
<p>Irregularities and Illegal Acts</p>	<p>Testing of the financial records and enquiries made of personnel did not reveal any instances of irregularities or illegal acts.</p>
<p>Consultation with Other Accountants</p>	<p>None.</p>
<p>Other Information in Documents Containing Audited Financial Statements</p>	<p>None.</p>

Required Communications (continued)

Area	Comments												
<p>Auditors' Independence</p> <p>Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between your organization and Ernst & Young that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institution /order and applicable legislation, covering such matters as:</p> <ul style="list-style-type: none"> (a) holding a financial interest, either directly or indirectly in a client; (b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client; (c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client; (d) economic dependence on a client; and (e) provision of services in addition to the audit engagement. 	<p>We are not aware of any relationships between Ernst & Young and your organization that, in our professional opinion, may reasonably be thought to bear on our independence.</p> <p>Accordingly, we hereby confirm that we are objective with respect to your organization within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of March 26, 2003.</p>												
<p>Further, GAAS requires that we must confirm our independence to the appropriate committee of the Board. However, since the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario deal with the concept of independence in the terms of objectivity, our confirmation is to be made in that context.</p>													
<p>Other Audit and Non-Audit Services Provided to Your Organization</p>	<p>None.</p>												
<p>Annual Audit Fees (per contract)</p>	<table border="0"> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Board of Governors of Exhibition Place</td> <td style="text-align: right;">12,270</td> </tr> <tr> <td>Canadian National Exhibition Association</td> <td style="text-align: right;">7,550</td> </tr> <tr> <td>National Trade Centre</td> <td style="text-align: right;">9,440</td> </tr> <tr> <td>Canadian National Exhibition Foundation</td> <td style="text-align: right;"><u>1,890</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>31,150</u></td> </tr> </table>		\$	Board of Governors of Exhibition Place	12,270	Canadian National Exhibition Association	7,550	National Trade Centre	9,440	Canadian National Exhibition Foundation	<u>1,890</u>		<u>31,150</u>
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Letter of Recommendations



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Toronto, Canada M5K 1J7

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April 8, 2003

The Board of Governors of Exhibition Place

Our examination of the consolidated financial statements of The Board of Governors of Exhibition place and non-consolidated financial statements of The Canadian National Exhibition Association and the Canadian National Exhibition Foundation for the year ended December 31, 2002 has been completed. As part of our examination we studied and evaluated each entity's internal controls to the extent we considered necessary under Canadian generally accepted auditing standards. This was done to establish a basis for relying on such controls in determining the nature, timing and extent of the other auditing procedures necessary to enable us to express an opinion on the company's financial statements. The points that we have noted refer to observations that we believe are relevant during the year and during the period that we did our subsequent period testing and verification. The study was not designed to determine whether the companies' internal controls are adequate for management's purposes.

Letter of Recommendations

Accordingly, our examination of the financial statements, including the study and evaluation of internal controls, will not necessarily disclose all conditions requiring attention because both the audit and the study involve selected tests of accounting records and related data. However, during our examination, we have discovered opportunities for improvements in certain of the companies' internal controls. The attached memorandum of recommendations is enclosed for your information.

The comments outlined in the memorandum concern controls and areas for potential improvements and are not intended to reflect in any way upon the companies' personnel. The purpose of this memorandum is to document our observations and recommendations arising from the 2002 audit. Should you wish to discuss the memorandum in further detail, we would be pleased to do so.

Yours sincerely,

Ernst + Young LLP

Carla Jones/Diana Brouwer
Encl.

Letter of Recommendations

Banking Procedures – Exhibition Place/CNEA

Observation

Bank reconciliations are currently being performed on a monthly basis for all accounts.

During our review of the reconciliations, we noted a value of approximately \$208,000 in stale-dated cheques with one cheque in the amount of \$188,610 making up the majority of this balance.

Implication

Staled-dated cheques cannot be cashed by the payee therefore having the impact of understating cash and accounts payable. No error exists in the December 31, 2002 financial statements as the balance has been reclassified and Management has subsequently reissued one cheque in the amount of \$188,610.

Recommendation

The outstanding cheque list should be reviewed, every six months for any staled-dated cheques. Stale-dated cheques should be voided and new cheques should be issued, or a recovery of the expense should be booked.

Management's response

Management concurs with this recommendation and a periodic review of stale-dated cheques will be incorporated into the monthly bank reconciliation process and action will be taken.

As noted in the auditors' comments above, one cheque to the City of Toronto makes up the majority of the dollar value of the stale-dated cheques and this item has subsequently been re-issued and delivered to the City.

Letter of Recommendations

Inter-company Balances

Observation

During our review of the inter-company balances, we noted that balances (BOG & NTC) do not agree.

Implication

As these balances are eliminated on consolidation it is important that they agree, so that the correct elimination entries are booked for consolidation.

Recommendation

Inter-company balances should be reconciled quarterly to ensure they agree and eliminate properly for the quarterly and year-end financial statements.

Management's response

In the past, Exhibition Place and NTC finance staff have meet on a regular basis and any disputed costing issues are resolved, however no formal reconciliation is performed until year-end. The recommendation is to reconcile periodically the accounts payables and the accounts receivables between the Board of Governors and the National Trade Centre more frequently and in 2003 this reconciliation process will be carried out on a quarterly basis.

Items of Audit Significance Discussed with Management

During the course of planning and executing our audit, the following items/matters of audit significance were discussed with management:

Item	Description	Audit Results and Comments
New Memorandum of Understanding between Exhibition Place and the CNEA	<ul style="list-style-type: none"> During the year, the Board of Exhibition Place and the CNEA approved a new Memorandum of Understanding ["MOU"] for the period from January 1, 2002 to December 31, 2004. 	<ul style="list-style-type: none"> We have read over the memorandum and reviewed it for any impact that it may have on the CNEA financial statements. Our review of the MOU did not result in any changes to the accounting policies used in the CNEA financial statements. No impact on the Exhibition Place statements since these are consolidated within the Board of Governor statements.
Water Accrual	<ul style="list-style-type: none"> As noted on the Summary of audit differences management has accrued approximately \$260K for water. Management accrued for this amount in anticipation of being billed by the City for water used from a broken metered hydrant. 	<ul style="list-style-type: none"> Since it is unlikely that the City is going to bill for past water use EY disagrees with the accrual. We have included the amount of the accrual on our summary of audit differences.
Allowance for Doubtful Accounts	<ul style="list-style-type: none"> EY estimates that the allowance for doubtful accounts is too low based on the aging and amount of Accounts receivable balance at year end by approximately \$70K. 	<ul style="list-style-type: none"> EY has included this difference on the summary of audit differences.

Summary of Audit Differences

During the course of our audit, we accumulate differences between amounts recorded by your organization and amounts that we believe are required to be recorded under generally accepted accounting principles. Following is a summary of those differences:

Board of Governors of Exhibition Place	Recording/Differences Would Have Increased (Decreased) Income
	<u>2002</u>
Known Audit Differences:	
understatement of accrued liabilities	\$ (27,986)
overstatement of water accrual	262,042
expensing of capital assets (CNEA)	50,579
Likely Audit Differences:	
understatement of allowance for doubtful accounts	(71,000)
understatement of accrued liabilities	<u>(92,431)</u>
Total Unadjusted Audit Differences Before Turnaround Effect of Prior Year Differences	\$121,204
Turnaround Effect of Prior Year Differences	<u>\$168,859</u>
Total Unadjusted Audit Differences After Turnaround Effect of Prior Year Differences	<u>\$290,063</u>

Management has concluded that these differences are not material to the financial statements. We concur with their conclusion.

Letter of Independence

March 24, 2003

The Board of Governors of Exhibition Place

We have been engaged to audit the financial statements of the Board of Governors of Exhibition Place, the Canadian National Exhibition Association and the Canadian National Exhibition Foundation (the "Organizations") for the year ended December 31, 2002.

Assurance and Related Services Guideline AuG-11, Communications with audit committees (or equivalent) (the "Guideline"), requires that we communicate at least annually with you regarding all relationships between the Organizations and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Guideline requires us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute / ordre and applicable legislation, covering such matters as:

- a) holding a financial interest, either directly or indirectly, in a client;
- b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- d) economic dependence on a client; and
- e) provision of services in addition to the audit engagement, such as the preparation of tax returns.

We are not aware of any relationships between the Organizations and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence.

Since the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario deal with the concept of independence in terms of objectivity, our confirmation is to be made in that context. Accordingly, we hereby confirm that we are objective with respect to the Organization within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of February 17, 2003.


This report is intended solely for the use of the audit committee, the Board of Directors, management, and others within the Organizations and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence, as well as other matters.

Yours truly,

Ernst + Young LLP

Carla A. Jones / Diana Brouwer



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