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EXHIBITION PLACE

April 27, 2007

To: Board of Governors of Exhibition Place
From: Finance & Audit Committee
Subject: **2006 Consolidated Financial Statements for Exhibition Place**

Purpose:

This report submits the draft audited consolidated financial statements for Exhibition Place for the year ended December 31, 2006.

Financial Implications and Impact Statement:

There are no financial implications to this report.

Recommendation:

At its meeting of April 27, 2007 the Finance & Audit Committee considered the draft audited financial statements attached as Appendix "A" to this report and pertaining to the consolidated operations of Exhibition Place for year ended December 31, 2006, and recommend approval by the Board.

Background/Discussion:

The Finance Division of Exhibition Place is responsible for the preparation of the annual consolidated financial statements for Exhibition Place. These financial statements reflect the financial position and include the results from operations for the Canadian National Exhibition Association, the Direct Energy Centre and Exhibition Place for the year ended December 31, 2006.

The auditor of record for Exhibition Place, Ernst & Young LLP, audits these statements in accordance with Canadian generally accepted auditing standards. These standards require that the audit is planned and carried out to obtain reasonable assurance that the financial statements are free of material misstatement.

The audit also examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assesses the accounting principles used, significant estimates made by management, and evaluates the overall financial statement presentation.

The financial statements contain an auditor's report that states the opinion of Ernst & Young LLP that the financial statements present fairly, in all material respects, the financial position of the Board of Governors as of December 31, 2006 and the results of its operations for the year then ended.

The audited financial statements appended to this report will also be forwarded to the City of Toronto Audit Committee and ultimately to the City of Toronto Council for its information and review.

Operating Results for 2006

The Consolidated Statement of Operations indicates a net loss for the year ended December 31, 2006 of (\$2,533,181) on an accrual basis and a net loss of (\$2,408,153) on a cash basis. The consolidated Operating Budget for Exhibition Place is set on a cash basis and also prepared on a cash basis as per the City directive and the approved budget amount for 2006 was a net expenditure or loss of (\$53,415).

The following are the results from the three programs that make up Exhibition Place:

	Financial Statement		Cash Basis	
	Income (Loss)		Income (Loss)	
	2006	2005	2006	2005
Canadian National Exhibition Association	\$(1,193,309)	\$891,931	\$(1,182,222)	\$895,407
Exhibition Place Operations	(2,444,816)	(3,268,200)	(2,352,921)	(3,121,018)
Direct Energy Centre	1,104,944	1,419,630	1,126,989	1,527,200
Consolidated Net Income (Loss)	\$(2,533,181)	\$(956,639)	\$(2,408,153)	\$(698,411)

The 2006 consolidated net loss is (\$2,533,181) compared to a budgeted loss of (\$53,415) for an unfavorable variance of (\$2,479,766). A brief discussion of each program operations follows:-

Canadian National Exhibition Association

The total cash basis net loss for 2006 was (\$1,182,222) before the Public Sector Accounting Board requirements compared to a budget of \$797,802 for an unfavourable variance of (\$1,980,024). The year end loss was due mainly to the revenues shortfall from lower attendance as a result of extremely unfavorable weather over the long Labour Day weekend when the Air Show is scheduled.

Exhibition Place

Net Operating Loss, before the prescribed disclosure requirements of the Public Sector Accounting Board, provision for reorganization costs and contingencies as outlined in Schedule 2 of the auditors report, for the year ending December 31, 2006 was (\$1,841,001) compared to a budgeted loss of (\$1,743,191) for an unfavourable variance of (\$97,810). The cash basis net loss of (\$2,352,921) after adjustments for the items discussed above and as contained in Schedule 2, while it seems high is a significant improvement from the previous year.

Direct Energy Centre

Net Operating Income, before the prescribed disclosure requirements of the Public Sector Accounting Board, for the year ending December 31, 2006 was \$1,126,989 an achievement of 126% compared to a budget of \$891,975 for a favourable variance of \$235,014. Actuarial valuation of benefits liabilities in the amount of \$22,045 is not usually budgeted for and is outside of management's control. This valuation is reported to the City on a periodic basis by Mercer Human Resource Consulting; the impact of this is reflected in the statements resulting in an adjusted positive variance of \$212,969.

Settlement with the City of Toronto

As in prior years, various adjustments have to be made to the reported net income to determine the amount payable to or receivable from the City of Toronto on a "cash" basis. Specifically the adjustments are as follows:

	2006	2005
Financial Statement Net Loss	\$ (2,533,181)	\$ (956,639)
Adjust for Net Fixed Assets	(52,165)	(7,616)
Sick leave Adjustment	+ 73,323	+ 103,484
Vacation Bank Adjustment	+ 110,541	+ 29,661
WSIB & Post retirement Benefits	+ 129,860	+ 360,230
Escalating Tenants Lease Adjustment	(136,531)	(227,531)
Total Receivable from the City	\$ (2,408,153)	\$ (698,411)

The City is currently holding a balance of \$165,383 in the Exhibition Place Stabilization reserve Fund. The City Chief Financial Officer may choose to apply all or part of the reserve fund balance to reduce the above amount.

Conclusion

This report submits the draft audited consolidated financial statements for Exhibition Place for the year ended ending December 31, 2006.

Contact:

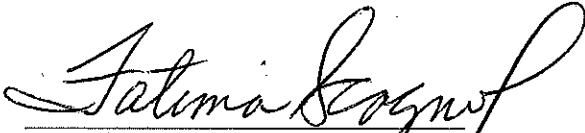
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Submitted by:

A handwritten signature in black ink, reading "Fatima Scagnol". The signature is written in a cursive style with a large, looping initial "F".

Fatima Scagnol, Corporate Secretary
On behalf of the Finance & Audit Committee

Consolidated Financial Statements

Board of Governors of Exhibition Place

December 31, 2006

April 23, 2007 10:06 AM

DRAFT FOR DISCUSSION

AUDITORS' REPORT

To the Members of the
Board of Governors of Exhibition Place

We have audited the consolidated balance sheet of the **Board of Governors of Exhibition Place** as at December 31, 2006 and the consolidated statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 18, 2007.

Chartered Accountants

Board of Governors of Exhibition Place

CONSOLIDATED BALANCE SHEET

As at December 31

	2006	2005
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	5,374,780	891,744
Accounts receivable		
Trade	4,163,521	4,380,090
City of Toronto	2,216,778	3,292,356
Inventories	168,110	124,037
Prepaid expenses	72,289	171,285
Transfer receivable from the City of Toronto [note 1]	2,267,491	698,411
Total current assets	14,262,969	9,557,923
Receivable from the City of Toronto [note 3]	4,609,959	4,398,216
Rent receivable [note 4]	2,469,294	2,419,478
Equipment, net [note 5]	209,612	157,448
	21,551,834	16,533,065
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
Trade	8,592,923	5,916,615
City of Toronto	1,843,906	891,570
Current portion of employee benefits payable [note 6]	1,030,058	893,374
Deferred revenue [note 7]	4,057,808	2,981,406
Total current liabilities	15,524,695	10,682,965
Employee benefits payable [note 6]	6,027,139	5,850,100
	21,551,834	16,533,065

Contingencies [note 9]

See accompanying notes

On behalf of the Board:

Chair, Board of Governors

Chair/ Finance & Audit Committee/Board of Governors

April 23, 2007 12:37 PM

DRAFT FOR DISCUSSION

Board of Governors of Exhibition Place

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31

	2006	2005
	\$	\$
REVENUE		
Annual Exhibition <i>[schedule 1]</i>	20,186,067	20,477,559
Exhibition Place <i>[schedule 2]</i>	11,464,557	10,378,278
Direct Energy Centre <i>[schedule 3]</i>	14,930,108	15,214,041
	<u>46,580,732</u>	<u>46,069,878</u>
EXPENSES <i>[note 6]</i>		
Annual Exhibition <i>[schedule 1]</i>	21,379,376	19,585,628
Exhibition Place <i>[schedule 2]</i>	13,909,373	13,646,478
Direct Energy Centre <i>[schedule 3]</i>	13,825,164	13,794,411
	<u>49,113,913</u>	<u>47,026,517</u>
Loss before the following	(2,533,181)	(956,639)
Transfer from the City of Toronto <i>[note 1]</i>	2,533,181	956,639
Net income for the year	<u>—</u>	<u>—</u>

See accompanying notes

Board of Governors of Exhibition Place

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31

	2006 \$	2005 \$
OPERATING ACTIVITIES		
Net income for the year	—	—
Add non-cash item		
Amortization of equipment	97,795	111,138
	97,795	111,138
Changes in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	1,292,147	(93,820)
Decrease (increase) in inventories	(44,073)	48,319
Decrease in prepaid expenses	98,996	22,326
Increase in transfer receivable from the City of Toronto	(1,569,080)	(1,103,595)
Increase in rent receivable	(49,816)	(227,531)
Increase (decrease) in accounts payable and accrued liabilities	3,628,644	(576,246)
Increase (decrease) in deferred revenue	1,076,402	(396,478)
Change in employee benefits payable	313,723	493,375
Cash provided by (used in) operating activities	4,671,312	(1,722,512)
INVESTING AND FINANCING ACTIVITIES		
Purchase of equipment	(149,959)	(118,753)
Increase in long-term receivable from the City of Toronto	(211,743)	(378,732)
Cash used in investing and financing activities	(361,702)	(497,485)
Net increase (decrease) in cash and cash equivalents during the year	4,483,036	(2,219,997)
Cash and cash equivalents, beginning of year	891,744	3,111,741
Cash and cash equivalents, end of year	5,374,780	891,744

See accompanying notes

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

1. OPERATIONS OF EXHIBITION PLACE AND RELATIONSHIP WITH CITY OF TORONTO

The Board of Governors of Exhibition Place [the "Board"] exists as a corporation without share capital by virtue of the City of Toronto Act, 1997 (No. 2) [the "Act"]. The Board operates, manages and maintains Exhibition Place on behalf of the City of Toronto [the "City"] under the terms of an agreement between the Board and the City. As defined within the Act, the City is entitled to any surplus resulting from the Board's activities and is responsible for any deficit the Board incurs. The amount due to/from the City resulting from the Board's activities is shown on the consolidated balance sheet as a transfer payable to/receivable from the City.

Major capital facilities are the property of the City and, therefore, the cost for such capital assets is recorded in the accounts of the City and not the Board.

To assist with major capital expenditures related to Exhibition Place, a Exhibition Place Capital Improvement Reserve Fund ["Capital Improvement Fund"] has been established that is administered by the City. The value of the Capital Improvement Fund is recorded within the City's accounts [note 8]. In addition, the Board contributes to the City's vehicle reserve and to the City's energy retrofit program. Contributions to the vehicle reserve are expensed as incurred and contributions to the energy retrofit program are made as savings from the retrofitting are realized [schedule 3].

The Board also has an agreement with the City, which established:

- [a] The Exhibition Place Stabilization Reserve Fund ["Stabilization Fund"] for the purpose of putting income aside in profitable years in order to offset deficits in other years. The Stabilization Fund is also recorded in the accounts of the City [note 8].
- [b] The Exhibition Place Reserve Fund for the purpose of putting income aside from the Direct Energy Centre naming rights agreement and any revenues from any future naming rights for a proposed conference centre, which is to be used for funding future financial obligations with respect to the proposed new conference centre [note 12]. The amount is also recorded in the accounts of the City [note 8].

Insurance coverage for the Board is done through the City. During the year, the Board contributes to the City's insurance reserve and expenses these contributions as made. Contributions for the year amounted to \$510,129 [2005 - \$791,828] and are included within expenses [schedules 1, 2 and 3].

The Canadian National Exhibition Association ["CNEA"], under an agreement with the Board, manages and operates an annual fair [the "Canadian National Exhibition"]. The City transferred in 2005, the reserve fund established for the CNEA for prizes and awards during the annual exhibition to the Canadian National Exhibition Foundation [the "Foundation"] [note 8].

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

Effective December 31, 2005, the Board entered into a 10-year, \$7,000,000 naming sponsorship agreement with the Direct Energy Marketing Limited. The "National Trade Centre" will now be known as the "Direct Energy Centre".

The Direct Energy Centre was managed by Arcturus SMG Canada and the relationship between the Direct Energy Centre and the Board was governed by the terms of a management agreement which expired as of December 31, 2006. Effective January 1, 2007 the Board assumed direct responsibility for managing the Direct Energy Centre. Costs related to the reorganization associated with the expiry of the management agreement are reflected in the Exhibition Place schedule of operations [schedule 2].

These consolidated financial statements include the accounts of the CNEA [schedule 1], Exhibition Place [schedule 2] and the Direct Energy Centre [schedule 3]. The CNEA is controlled by the Board and is the only separate operating unit that is incorporated and, as such, produces separate audited financial statements for its members.

The Board is not subject to income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for profit-oriented organizations, unless otherwise directed by specific accounting recommendations of the Public Sector Accounting Board. The significant accounting policies are summarized as follows:

Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The employee benefits liability and related costs charged to the consolidated statement of operations depend on certain actuarial and economic assumptions and on current information available to the Board, the City and the consultants retained to develop the actuarial projections. Actual results could differ from those estimates.

Revenue recognition

Revenue is recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Expenses are recorded when incurred.

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

Sponsorships

Agreements are entered into with a number of corporate sponsors whereby these sponsors provide cash, products, advertising or entertainment support to the Exhibition Place, CNEA, and the Direct Energy Centre activities. In return, consideration is provided in a number of diverse ways including specific rights to selected attractions or advertising recognition. Sponsorships received in cash and/or other consideration are recorded in the accounts at the amount of consideration received or given at either the fair value of the amount received or the fair value of the benefit given up - less any cash consideration, whichever is more reliably measurable.

Cash and cash equivalents

Cash and cash equivalents consist of term deposits with short-term maturities of three months or less from the date of acquisition. Cash and cash equivalents are valued at cost, which approximates market value.

Inventories

Inventories of materials and supplies are valued at the lower of cost and replacement cost. The average cost basis is used to calculate cost.

Equipment

Purchased equipment is recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Motor vehicles	5 years
Computer equipment	3 years
Electrical equipment	5 years
Other equipment and furniture	3 to 10 years

Employee benefit plans

The Board has adopted the following policies with respect to employee benefit plans:

- the Board's contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due;
- the costs of termination benefits and compensated absences are recognized when the event that obligates the Board occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis;

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

- the costs of other employee benefits are actuarially determined using the projected benefits method pro rated on service and management's best estimate of retirement ages of employees, salary escalation and expected health care costs;
- employee future benefit liabilities are discounted using current interest rates on long-term bonds;
- past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service period of employees active at the date of amendment; and
- net actuarial gains and losses are expensed in the period of revaluation.

3. LONG-TERM RECEIVABLE FROM THE CITY OF TORONTO

The long-term receivable from the City is calculated as follows:

	2006	2005
	\$	\$
Employee benefits obligation [note 6[a]]	7,057,197	6,743,474
Less net book value of equipment [note 5]	(209,612)	(157,448)
2003 adjustment - recording employee benefits	239,103	239,103
Other	(7,435)	(7,435)
Receivable from the City of Toronto before the following	7,079,253	6,817,694
Less step-up lease revenue receivable [note 4]	(2,469,294)	(2,419,478)
Receivable from the City of Toronto, end of year	4,609,959	4,398,216

4. RENT RECEIVABLE

The Board has numerous long-term tenants on the grounds that pay annual rents based on the stipulated contract amount indicated in the lease for that year. Many of these leases have step-up provisions so that the annual lease amount changes during the term of the lease. Canadian generally accepted accounting principles require the recognition of lease revenues over the term of the lease on a straight-line basis.

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

5. EQUIPMENT

Equipment consists of the following:

	2006			2005		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
Motor vehicles	261,634	261,634	—	261,634	261,634	—
Computer equipment	240,407	221,019	19,388	215,927	189,886	26,041
Electrical equipment	323,193	317,286	5,907	323,193	314,332	8,861
Other equipment and furniture	647,157	462,840	184,317	521,678	399,132	122,546
	1,472,391	1,262,779	209,612	1,322,432	1,164,984	157,448

6. EMPLOYEE BENEFITS PAYABLE

The benefits for employees of the Board as reported in these consolidated financial statements have the following characteristics:

Sick leave

Regular full-time permanent employees receive a credit of 1.5 days for each completed month of continuous service. The sick leave credits accumulate for the employee each month and are reduced by any absences from work due to illness.

A payment of 50% of the balance of the accumulated sick leave credits is made to an employee, with ten or more years of service upon termination of employment subject to a maximum amount equivalent up to six months of the employee's current salary.

Vacation pay

Regular full-time permanent employees receive vacation entitlement according to years of completed service and the employee classification to which they belong. In addition, employees may carry over from one year to the next up to a maximum of one year's unused vacation entitlement.

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

WSIB

The Board is a Schedule 2 employer and, as such, pays the full cost of all medical and all other benefits for its employees that sustain injuries at the workplace plus the administration cost as determined by the Workplace Safety Insurance Board ["WSIB"].

The WSIB is governed by the applicable provincial legislation.

Post-retirement benefits

Full-time management and exempt staff who retire from the Board to an immediate pension are eligible to receive the following benefits up to age 65:

- Group life insurance
- Extended health coverage
- Major medical coverage
- Dental coverage

[a] The employee benefits payable of the Board, which is equal to the Board's accrued benefit obligations, consist of the following:

	2006	2005
	\$	\$
Sick leave	1,087,398	1,014,075
Vacation pay	521,134	410,593
WSIB	1,693,891	1,733,783
Other post-employment and post-retirement benefits	3,754,774	3,585,023
	7,057,197	6,743,474
Less current portion	1,030,058	893,374
	6,027,139	5,850,100

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

[b] The continuity of the Board's accrued benefit obligations, in aggregate, is as follows:

	2006 \$	2005 \$
Balance, beginning of year	6,332,881	5,869,167
Actuarial gain	(211,482)	—
Current service cost	508,924	482,780
Interest cost	369,771	349,088
Expected benefits paid	(464,031)	(368,154)
Balance, end of year	6,536,063	6,332,881
Vacation pay	521,134	410,593
Total accrued benefit obligations	7,057,197	6,743,474

[c] The benefit costs recognized during the year are as follows:

	2006 \$	2005 \$
Current service cost	508,924	482,780
Interest cost	369,771	349,088
Increase in vacation pay	110,541	29,661
Actuarial gain	(211,482)	—
	777,754	861,529

[d] There were cash payments of \$6,947 made in 2006 [2005 - \$20,272] with respect to the sick leave plan. Vacation leave entitlements were taken as paid absences from work.

The benefit plans as noted above are all unfunded; however, the Board participates in reserve funds established by the City for sick leave and health care benefits. The contributions to these reserves during the year totalled \$752,845 [2005 - \$674,179] and are included in expenses on the consolidated statement of operations.

[e] Actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as of December 31, 2002. The accrued benefit obligation as at December 31, 2006 is based on an extrapolation of the 2002 valuation. The next actuarial valuation is scheduled to be completed as at December 31, 2006.

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

[f] The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations and benefit costs for other post-employment and post-retirement benefits are as follows:

	2006	2005
	%	%
Discount rate for accrued benefit obligations and benefit costs		
Sick leave	6.0	6.0
Other post-employment/post-retirement benefits	5.5	5.5
Health care inflation - hospital, dental care and other medical	4.5	4.5
Health care inflation - drugs	10.0	10.5
Rate of compensation increase	3.0	3.0

The health care rate for drugs will reduce to 5.5% over 10 years.

[g] In addition to the above noted plans, the Board makes contributions to the Ontario Municipal Employees Retirement Fund ["OMERS"], which is a multi-employer plan, on behalf of qualifying employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Total employer contributions for employees for the year ended December 31, 2006 amounted to \$608,675 [2005 - \$542,634].

In addition to contributions for employees who participate in the OMERS plan, the Board has arrangements with bargaining units to make contributions to various pension plans and registered retirement savings plans on behalf of its employees. Contributions expensed under these plans for 2006 amounted to \$791,761 [2005 - \$783,852].

7. DEFERRED REVENUE

Deferred revenue consists of rentals for space in trade shows and other events which have been paid in advance.

8. RESERVE FUNDS

The City established and maintains the Capital Improvement Fund. The purpose of this fund is to assist in the financing of major capital costs related to all of the buildings at Exhibition Place. The balance of the Capital Improvement Fund as at December 31, 2006 was \$1,966,346 [2005 - \$943,269]. In 2006 there was a contribution from the City in the amount of \$941,129 [2005 - nil]. In addition, there was interest income earned in the amount of \$81,949 [2005 - \$43,081]. No expenditures were made from the Capital Improvement Fund in 2006 or 2005.

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

The City has also established and maintains the Stabilization Fund for the purpose of putting income aside in profitable years in order to offset deficits in other years. The balance of the Stabilization Fund as at December 31, 2006 was \$165,383 [2005 - \$156,354]. Interest income earned in the Stabilization Fund during the year was \$9,029 [2005 - \$770]. There were no expenditures made from the Stabilization Fund in 2006 or 2005.

During 2003, the City Council approved a new contribution policy for the Stabilization Fund and the Capital Improvement Fund. Beginning in fiscal 2003, any surplus generated by the operations of Exhibition Place greater than the approved annual budget will be distributed as follows:

- [i] the surplus will be contributed to the Stabilization Fund [up to a maximum accumulated balance of \$2,000,000]; and
- [ii] the residual, if any, will be contributed to the Capital Improvement Fund.

The above disposition of any future Exhibition Place annual surpluses is subject to the City Council contribution policy and a determination by the Chief Financial Officer of the City of the most appropriate course of action.

The City originally established the CNEA Prize Fund Reserve [the "Prize Fund"] on behalf of the CNEA. The original purpose of the Prize Fund was to ensure that sufficient funds were available to pay for prizes and awards that are presented during the Canadian National Exhibition. City Council, at its meeting on October 26 – 31, 2005, adopted a staff recommendation to transfer the balance of the funds in the Prize Fund to the Foundation. The City transferred, on January 10, 2006, an amount of \$156,179 to the Foundation.

The City established and maintains an Exhibition Place Reserve Fund which is to be used for funding future financial obligations with respect to the proposed conference centre [note 1]. Contributions made during the year amounted to \$334,343 [2005 – nil] and are shown as an expense in the statement of operations. The balance of the Exhibition Place Reserve Fund as at December 31, 2006 was \$334,343 [2005 – nil].

9. CONTINGENCIES

In the normal course of its operations, the Board is subject to various litigations and claims. Where a reasonable estimate of amounts can be made, accruals are made by management. While the ultimate disposition of these matters is not determinable at this time, management believes they will not have a material impact on the Board's future financial position.

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

10. FINANCIAL INSTRUMENTS

Credit risk

The Board, in the normal course of business, is exposed to credit risk from its customers. This risk is mitigated by the fact that management believes the Board has thorough and rigorous credit approval procedures. As at December 31, 2006, one [2005 - two customers] customer represented 12% [2005 - 55%] of the Board's trade accounts receivable balance.

Fair value

The fair values of the Board's financial instruments classified as current approximate their carrying values due to their short-term maturity. The fair value of the receivable from the City is not reasonably determinable since there are no fixed terms of repayment.

11. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2006 consolidated financial statements.

12. SUBSEQUENT EVENT

At its City Council meetings on March 5, 6, 7 and 8, 2007, Council approved capital funding, including a \$21,200,000 loan from the City, to construct and furnish a new Conference Centre at Exhibition Place. Under the proposed plan, the Automotive Building will be renovated to accommodate the new conference facility.

ANNUAL EXHIBITION SCHEDULE OF OPERATIONS

Year ended December 31

	2006 \$	2005 \$
REVENUE		
Midway, concessions and casino	8,361,505	8,570,456
Ground admissions	5,725,129	6,346,356
Entry fees and exhibit rentals	3,607,204	3,541,257
Parking	1,041,840	1,313,258
Sponsorships	1,450,389	706,232
	20,186,067	20,477,559
EXPENSES [note 6]		
Operations [note 1]	10,187,632	9,644,352
Attractions and casino	7,900,332	7,546,204
Marketing	2,997,714	2,188,250
Parking attendants' wages and sundry costs	201,066	164,341
Amortization of equipment	31,791	21,443
	21,318,535	19,564,590
Income (loss) before the following	(1,132,468)	912,969
Provision for commodity tax	(25,145)	—
Vacation and sick benefits	(35,696)	(21,038)
Net income (loss) for the year	(1,193,309)	891,931

See accompanying notes

EXHIBITION PLACE SCHEDULE OF OPERATIONS

Year ended December 31

	2006 \$	2005 \$
REVENUES		
Building rentals and concessions	1,835,780	1,897,575
Sale of services	3,242,323	3,022,621
Parking	4,589,583	4,235,575
Discounts, commission and realty tax recoveries	1,796,871	1,222,507
	11,464,557	10,378,278
EXPENSES		
Maintenance, cleaning and security	3,804,762	4,060,709
Administration <i>[notes 1 and 6]</i>	4,293,703	4,322,010
Cost of sale of services	2,675,429	2,398,158
Utilities	721,488	729,900
Parking attendants' wages and sundry costs	1,468,271	1,364,059
City of Toronto vehicle reserve <i>[note 1]</i>	291,968	320,549
Amortization of equipment	49,937	70,634
	13,305,558	13,266,019
Loss before the following	(1,841,001)	(2,887,741)
Reorganization costs <i>[note 1]</i>	(71,729)	—
Provision for commodity tax	(75,000)	—
Vacation and sick benefits	(257,086)	(380,459)
Contingencies <i>[note 9]</i>	(200,000)	—
Net loss for the year	(2,444,816)	(3,268,200)

See accompanying notes

**DIRECT ENERGY CENTRE
SCHEDULE OF OPERATIONS**

Year ended December 31

	2006 \$	2005 \$
REVENUE		
Building rentals	6,684,908	7,046,626
Sale of services	4,663,459	5,324,655
Catering commissions	1,174,047	1,227,224
Advertising, sponsorship, interest and recoveries	1,707,694	1,615,536
Naming rights	700,000	—
	14,930,108	15,214,041
EXPENSES		
Maintenance, cleaning and security	3,544,064	3,600,833
Administration <i>[note 1]</i>	4,404,325	4,436,322
Cost of sale of services	2,723,513	3,065,053
Utilities	2,326,976	2,581,263
Naming rights costs	365,657	—
Amortization of equipment	16,067	19,061
	13,380,602	13,702,532
Income before the following	1,549,506	1,511,509
Vacation and sick benefits <i>[note 6]</i>	(20,942)	(91,879)
City of Toronto Exhibition Place Reserve Fund <i>[note 8]</i>	(334,343)	—
City of Toronto energy retrofit program <i>[note 1]</i>	(89,277)	—
Income for the year	1,104,944	1,419,630

See accompanying notes