

Consolidated Financial Statements

Board of Governors of Exhibition Place

December 31, 2007

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, 2007 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, 2007 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 20, 2008.

Board of Governors of Exhibition Place

CONSOLIDATED BALANCE SHEET

As at December 31

	2007	2006
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	12,926,124	5,374,780
Accounts receivable		
Trade <i>[note 10]</i>	4,350,020	4,163,521
City of Toronto <i>[note 3[a]]</i>	1,090,438	2,216,778
Inventories	129,154	168,110
Prepaid expenses	41,937	72,289
Transfer receivable from the City of Toronto <i>[note 1]</i>	—	2,267,491
Total current assets	18,537,673	14,262,969
Receivable from the City of Toronto <i>[note 3[b]]</i>	5,671,421	4,609,959
Rent receivable <i>[note 4]</i>	2,552,159	2,469,294
Equipment, net <i>[note 5]</i>	257,260	209,612
	27,018,513	21,551,834
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
Trade <i>[note 10]</i>	7,512,315	8,592,923
City of Toronto <i>[note 3[a]]</i>	3,607,909	1,843,906
Current portion of employee benefits payable <i>[note 6]</i>	1,042,705	1,030,058
Transfer payable to the City of Toronto <i>[note 1]</i>	3,143,838	—
Deferred revenue <i>[note 7]</i>	4,289,496	4,057,808
Total current liabilities	19,596,263	15,524,695
Suite deposits payable	218,125	—
Employee benefits payable <i>[note 6]</i>	7,204,125	6,027,139
	27,018,513	21,551,834
Commitments and contingencies <i>[notes 3 and 9]</i>		

See accompanying notes

On behalf of the Board:

Chair
Board of Governors

Chair
Finance and Audit Committee

Board of Governors of Exhibition Place

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31

	2007	2006
	\$	\$
REVENUE		
Canadian National Exhibition <i>[schedule 1]</i>	23,940,608	20,186,067
Exhibition Place <i>[schedule 2]</i>	13,820,059	11,464,557
Direct Energy Centre <i>[schedule 3]</i>	17,317,912	14,930,108
National Soccer Stadium (BMO Field) <i>[schedule 4]</i>	8,390,230	—
	<u>63,468,809</u>	<u>46,580,732</u>
EXPENSES		
Canadian National Exhibition <i>[schedule 1]</i>	22,302,053	21,379,376
Exhibition Place <i>[schedule 2]</i>	16,124,561	13,909,373
Direct Energy Centre <i>[schedule 3]</i>	15,077,657	13,825,164
National Soccer Stadium (BMO Field) <i>[schedule 4]</i>	7,882,160	—
	<u>61,386,431</u>	<u>49,113,913</u>
Income (loss) before the following	2,082,378	(2,533,181)
Transfer (to) from the City of Toronto <i>[note 1]</i>	(2,082,378)	2,533,181
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

	2007	2006
	\$	\$
OPERATING ACTIVITIES		
Net income for the year	—	—
Add non-cash item		
Amortization of equipment	122,716	97,795
	<u>122,716</u>	<u>97,795</u>
Changes in non-cash working capital balances related to operations		
Decrease in accounts receivable	939,841	1,292,147
Decrease (increase) in inventories	38,956	(44,073)
Decrease in prepaid expenses	30,352	98,996
Decrease (increase) in transfer receivable from/payable to the City of Toronto	5,411,329	(1,569,080)
Increase in rent receivable	(82,865)	(49,816)
Increase in accounts payable and accrued liabilities	683,395	3,628,644
Increase in deferred revenue	231,688	1,076,402
Increase in suite deposits payable	218,125	—
Change in employee benefits payable	1,189,633	313,723
Increase in long-term receivable from the City of Toronto	(1,061,462)	(211,743)
Cash provided by operating activities	<u>7,721,708</u>	<u>4,632,995</u>
INVESTING ACTIVITIES		
Purchase of equipment	(170,364)	(149,959)
Cash used in investing activities	<u>(170,364)</u>	<u>(149,959)</u>
Net increase in cash and cash equivalents during the year	7,551,344	4,483,036
Cash and cash equivalents, beginning of year	5,374,780	891,744
Cash and cash equivalents, end of year	<u>12,926,124</u>	<u>5,374,780</u>

See accompanying notes

**CANADIAN NATIONAL EXHIBITION
SCHEDULE OF OPERATIONS**

Year ended December 31

	2007	2006
	\$	\$
REVENUE		
Midway, concessions and casino	9,362,382	8,361,505
Ground admissions	7,708,770	5,725,129
Entry fees and exhibit rentals	3,620,096	3,607,204
Sponsorships	2,060,402	1,450,389
Parking	1,188,958	1,041,840
	<u>23,940,608</u>	<u>20,186,067</u>
EXPENSES [note 6]		
Operations [note 3]	10,773,940	10,187,632
Attractions and casino	7,804,571	7,900,332
Marketing	3,466,045	2,997,714
Parking attendants' wages and sundry costs	287,431	201,066
Amortization of equipment	22,760	31,791
	<u>22,354,747</u>	<u>21,318,535</u>
Income (loss) before the following	1,585,861	(1,132,468)
Provision for commodity tax	—	(25,145)
Vacation and sick leave benefits recovery (cost) [note 6]	52,694	(35,696)
Net income (loss) for the year	<u>1,638,555</u>	<u>(1,193,309)</u>

See accompanying notes

**EXHIBITION PLACE
SCHEDULE OF OPERATIONS**

Year ended December 31

	2007	2006
	\$	\$
REVENUE		
Parking	5,862,679	4,589,583
Sale of services	3,886,517	3,242,323
Discounts, commission and realty tax recoveries	2,044,925	1,796,871
Building rentals and concessions	2,025,938	1,835,780
	<u>13,820,059</u>	<u>11,464,557</u>
EXPENSES		
Administration <i>[notes 3 and 6]</i>	4,269,453	4,293,703
Maintenance, cleaning and security	4,213,591	3,804,762
Cost of sale of services	3,247,253	2,675,429
Parking attendants' wages and sundry costs	1,772,577	1,468,271
Utilities <i>[note 3]</i>	765,597	721,488
City of Toronto vehicle reserve <i>[note 3]</i>	493,667	291,968
Amortization of equipment	42,787	49,937
	<u>14,804,925</u>	<u>13,305,558</u>
Loss before the following	(984,866)	(1,841,001)
Reorganization costs <i>[note 1]</i>	—	(71,729)
Provision for commodity tax	—	(75,000)
Vacation and sick leave benefits cost <i>[note 6]</i>	(1,319,636)	(257,086)
Contingencies <i>[note 9]</i>	—	(200,000)
Net loss for the year	<u>(2,304,502)</u>	<u>(2,444,816)</u>

See accompanying notes

**DIRECT ENERGY CENTRE
SCHEDULE OF OPERATIONS**

Year ended December 31

	2007	2006
	\$	\$
REVENUE		
Building rentals	7,769,962	6,684,908
Sale of services	5,460,706	4,663,459
Advertising, sponsorship, interest and recoveries	2,108,084	1,707,694
Catering commissions	1,279,160	1,174,047
Naming rights	700,000	700,000
	17,317,912	14,930,108
EXPENSES		
Administration <i>[notes 3 and 6]</i>	4,810,743	4,769,982
Maintenance, cleaning and security	3,770,666	3,544,064
Cost of sale of services	3,311,270	2,723,513
Utilities <i>[note 3]</i>	2,922,442	2,416,253
Contribution to City of Toronto - Exhibition Place		
Conference Centre Reserve Fund <i>[note 8]</i>	327,677	334,343
Amortization of equipment	12,169	16,067
	15,154,967	13,804,222
Income before the following	2,162,945	1,125,886
Vacation and sick benefits recovery (cost) <i>[note 6]</i>	77,310	(20,942)
Net income for the year	2,240,255	1,104,944

See accompanying notes

**NATIONAL SOCCER STADIUM (BMO FIELD)
SCHEDULE OF OPERATIONS**

Year ended December 31

	2007	2006
	\$	\$
REVENUE		
Food and beverage	4,815,982	—
Usage fees	1,369,173	—
Suite and ticket rebates	1,070,609	—
Sponsorships	594,589	—
Merchandise and other	539,877	—
	<u>8,390,230</u>	<u>—</u>
EXPENSES		
Salaries, wages and benefits	2,041,100	—
Cost of goods sold	1,582,054	—
Supplies and services	1,270,472	—
Royalty	1,060,391	—
Utilities, insurance and other <i>[note 3]</i>	871,196	—
Incentive and rebates	511,947	—
Contribution to City of Toronto Capital Reserve <i>[note 3]</i>	300,000	—
Management fee	200,000	—
Amortization of equipment	45,000	—
	<u>7,882,160</u>	<u>—</u>
Net income for the year	<u>508,070</u>	<u>—</u>

See accompanying notes

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

1. NATURE OF OPERATIONS

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, various reserves and reserve funds have been established and recorded within the City's accounts [note 8].

These consolidated financial statements include the accounts of the Canadian National Exhibition Association ["CNEA"] [schedule 1], Exhibition Place [schedule 2], the Direct Energy Centre [schedule 3] and National Soccer Stadium (BMO Field) [schedule 4].

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 CNEA, under an agreement with the Board, manages and operates an annual fair [the "Canadian National Exhibition"].

Effective December 31, 2005, the Board entered into a 10-year naming sponsorship agreement with Direct Energy Marketing Limited for the "Direct Energy Centre" [schedule 3].

During 2006, 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].

The National Soccer Stadium (BMO Field) commenced its operations on April 28, 2007. The stadium is used to facilitate various sports functions throughout the year. The operation of the National Soccer Stadium (BMO Field) is governed by the terms of a management agreement that was entered into between the Board, the City and Maple Leaf Sports and Entertainment Ltd. ["MLSE"], whereby MLSE will manage the day-to-day operations of the stadium. The agreement was entered into in January 2007 and continues through to December 31, 2027.

The Board is not subject to income taxes.

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Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

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 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. The majority of the revenue in these consolidated financial statements is related to sales, service revenue [including suite sales and ticket rebates] and rent, and as such is recognized at point of sale or when the service has been provided.

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, Direct Energy Centre and National Soccer Stadium (BMO Field) 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 and funds held on deposit with the City that can be withdrawn on demand. Cash equivalents are valued at cost plus accrued interest which approximates fair value.

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Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

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;
- 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.

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

Derivatives

Derivative contracts entered into by the City, to which the Board is a party, and contracts entered into on its own behalf, are not designated to be in a hedging relationship and are recorded at their fair value as an asset or a liability based on quoted market prices or dealer quotes with changes in fair value recorded in the consolidated statement of operations.

New accounting policy changes

Effective January 1, 2007, Exhibition Place adopted the recommendations of the Canadian Institute of Chartered Accountants ["CICA"] relating to CICA 1530: *Comprehensive Income*, CICA 3855: *Financial Instruments – Recognition and Measurement* and CICA 3861: *Financial Instruments – Disclosure and Presentation*. CICA 3855 establishes standards for recognizing and measuring financial instruments including the accounting treatment for changes in fair value. As permitted by CICA 3855, Exhibition Place's derivative contracts are recorded at fair value and the other financial assets and liabilities are presented at amortized cost, which approximates fair value. Exhibition Place does not have any comprehensive income components and, as such, comprehensive income is equal to net income. The adoption of these recommendations did not have a significant impact on the consolidated financial statements in the prior or current year.

Future accounting policy changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. These new standards will be adopted on January 1, 2008.

The CICA has issued a new accounting standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. This new standard will be adopted on January 1, 2008.

The above two changes in accounting policies will only require additional disclosures in the consolidated financial statements.

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The CICA has also issued a new accounting standard, CICA 3031: *Inventories*, which provides enhanced guidance on the accounting for inventories on such areas as the measurement of inventories at the lower of cost and net realizable value and the requirement of the reversal of previous impairment charges where these are no longer required. This new standard will be adopted on January 1, 2008 and is not expected to have a significant impact on the consolidated financial statements.

3. RELATED PARTY TRANSACTIONS

[a] The Board is related to the City and its agencies, boards, and commissions in terms of the City's ability to affect the operating, investing and financing policies of these entities. The Board enters into transactions with these related parties in the normal course of business under normal trade terms and includes payments for various services and supplies. These amounts are included within the trade receivables and payables on the consolidated balance sheet.

[b] In addition to current trade receivables and payables, the Board has a long-term non-interest bearing receivable from the City, which relates to the funding of the following items:

	2007 \$	2006 \$
Employee benefits obligation [note 6[a]]	8,246,830	7,057,197
Less net book value of equipment [note 5]	(257,260)	(209,612)
2003 adjustment - recording employee benefits	239,103	239,103
Other	(5,100)	(7,435)
Receivable from the City of Toronto before the following	8,223,573	7,079,253
Less step-up lease revenue receivable [note 4]	(2,552,152)	(2,469,294)
Receivable from the City of Toronto	5,671,421	4,609,959

[c] The Board has agreements with the City to make future payments to the City from savings in connection with the energy retrofit projects paid for by the City related to buildings at Exhibition Place. The energy retrofit projects include the 100 Kw Horse Palace solar photovoltaic power generation array, Direct Energy Centre lighting retrofit, Exhibition Place five buildings retrofit and the Direct Energy Centre tri-generation. Payments made to the City are expensed in the year incurred and are reflected in utilities expense for Exhibition Place [schedule 2] and Direct Energy Centre [schedule 3]. The payments from the Board are determined based on loans the City has to finance these projects. The terms of these loans at the City are as follows:

Board of Governors of Exhibition Place

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- [i] Horse Palace solar photovoltaic: This \$600,000 energy retrofit project is a non-interest bearing loan with quarterly payments of \$5,250 that began in January 2007 and are to continue for 9 years to 2015 after which payments increase to \$6,000 for years 16-20; \$6,750 for years 21-25, and \$7,800 for years 26-30. The quarterly payments are to be made until October 1, 2030. Payments made during 2007 amounted to \$21,000 [2006 - nil]. As at December 31, 2007, the balance outstanding is \$579,000.
- [ii] Direct Energy Centre lighting control system retrofit: This \$800,000 energy retrofit project was for Halls A, B, C, D and Heritage Court. The energy retrofit loan bears interest at 5% and has yearly payments that begin in 2008 and ends in 2012. Included in the \$800,000 is a grant from the City of \$77,000. At December 31, 2007, the balance outstanding on the loan, net of the grant, is \$723,000.
- [iii] Five buildings retrofit project: This \$1,610,000 energy project was for the Queen Elizabeth Building, General Services Building, Horse Palace, Better Living Centre and East Annex. This energy retrofit loan bears interest at 5% and has yearly payments that begin in 2008. The Board received a grant from the City of \$146,673. At December 31, 2007, the balance outstanding on the loan, net of the grant, is \$1,463,327.
- [iv] Tri-generation project – The total project cost of \$4,400,000 was for a tri-generation system for the Direct Energy Centre. The project cost was financed in part by three separate sources.
- City energy retrofit loan of \$2,325,000 at 5% interest. Payments will begin in 2008 and will end in 2017. The balance outstanding on the loan as at December 31, 2007 is \$2,325,000.
 - Toronto Atmospheric Fund loan of \$1,000,000 with interest at the Canada Yield Rate plus 2%. Payments began in 2007 and will end in 2017. Payments made during 2007, including interest, amounted to \$67,402 [2006 - nil]. The balance outstanding on the loan as at December 31, 2007 is \$962,898.
 - Federation of Canadian Municipalities loan of \$1,075,000 at 2.34% interest. Payments begin in 2008 and will end in 2017. The balance outstanding on the loan as at December 31, 2007 is \$1,075,000.
- [d] The Board has several agreements with the City for the establishment of various reserve funds that are recorded within the City's accounts [note 8].
- [e] The Board contributes to the City's vehicle reserve and expenses the amount in the year incurred [schedule 2]. In addition, the Board's insurance coverage is provided through the City and as such, the Board contributes to the City's insurance reserve and expenses these

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Board of Governors of Exhibition Place

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contributions as made. Contributions for the year amounted to \$486,175 [2006 - \$510,129] and are included in expenses [schedules 1, 2, 3 and 4].

In addition, under the terms of the management agreement for the operation of the National Soccer Stadium (BMO Field), the Board is to make annual contributions to the City's Capital Reserve. These contributions are expensed in the year incurred [schedule 4].

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.

5. EQUIPMENT

Equipment consists of the following:

	2007			2006		
	Cost	Accumulated	Net	Cost	Accumulated	Net
	\$	amortization	book	\$	amortization	book
		\$	value		\$	value
			\$			\$
Motor vehicles	261,634	261,634	—	261,634	261,634	—
Computer equipment	241,881	231,549	10,332	240,407	221,019	19,388
Electrical equipment	325,409	320,683	4,726	323,193	317,286	5,907
Other equipment and furniture	813,829	571,627	242,202	647,157	462,840	184,317
	<u>1,642,753</u>	<u>1,385,493</u>	<u>257,260</u>	<u>1,472,391</u>	<u>1,262,779</u>	<u>209,612</u>

6. EMPLOYEE BENEFITS PAYABLE

The benefits for employees of the Board, the cost of which are reported in these consolidated financial statements, have the following characteristics:

Sick leave

The sick leave plan provides salary protection at 100% or 75% based on an employee's benefit eligibility date for up to 26 weeks per illness or per calendar year.

Board of Governors of Exhibition Place

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Employees will receive a fresh bank of 130 days each January 1. Unused days will not be carried over from year to year and there is no payout of these days upon termination.

Vacation pay

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

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"].

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 recorded in the consolidated financial statements, which is equal to the Board's accrued benefit obligations, consists of the following:

	2007 \$	2006 \$
Sick leave	638,403	1,087,398
Vacation pay	533,782	521,134
WSIB	2,253,965	1,693,891
Other post-employment and post-retirement benefits	4,820,680	3,754,774
	<u>8,246,830</u>	<u>7,057,197</u>
Less current portion	1,042,705	1,030,058
	<u>7,204,125</u>	<u>6,027,139</u>

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Board of Governors of Exhibition Place

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

	2007 \$	2006 \$
Balance, beginning of year	6,536,063	6,332,881
Actuarial loss (gain)	648,153	(211,482)
Current service cost	699,197	508,924
Interest cost	369,054	369,771
Expected benefits paid	(539,419)	(464,031)
Balance, end of year	7,713,048	6,536,063
Vacation pay	533,782	521,134
Total accrued benefit obligations	8,246,830	7,057,197

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

	2007 \$	2006 \$
Current service cost	699,197	508,924
Interest cost	369,054	369,771
Increase in vacation pay	12,648	110,541
Actuarial (gain)loss	648,153	(211,482)
	1,729,052	777,754

[d] There were no cash payments made in 2007 [2006 - \$6,947] 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 \$824,470 [2006 - \$752,845] 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, 2006. The accrued benefit obligation as at December 31, 2007 is based on an extrapolation of the 2006 valuation. The next valuation is expected to be completed in 2010.

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[f] The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations and benefit costs for employee future benefits are as follows:

	2007 %	2006 %
Discount rate for accrued benefit obligations		
Sick leave	5.0	6.0
Other post-employment/post-retirement benefits	5.0	5.5
Discount rate for benefit cost		
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	10.0
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, 2007 amounted to \$672,825 [2006 - \$608,675].

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 2007 amounted to \$903,028 [2006 - \$791,761].

7. DEFERRED REVENUE

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

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

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, 2007 was \$1,282,675 [2006 - \$1,966,346]. In 2007, \$786,750 was withdrawn from the fund by the City to finance some of the expenditures related to the proposed conference centre project. In addition, there was interest income earned in the amount of \$103,079 [2006 - \$81,949].

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, 2007 was nil [2006 - \$165,383]. In 2007, the City withdrew the balance to fund in part the Board's 2006 deficit.

During 2003, 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 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 established and maintains an Exhibition Place Conference Centre Reserve Fund. The purpose of this fund is for the financing of future financial obligations with respect to the proposed conference centre. Contributions made during the year amounted to \$327,677 [2006 - \$334,343] [*schedule 3*]. In addition, there was interest income earned in the amount of \$4,933 [2006 - nil]. The balance of the Exhibition Place Conference Centre Reserve Fund as at December 31, 2007 was \$666,953 [2006 - \$334,343].

9. CONTINGENCIES

In the normal course of its operations, the Board is subject to various arbitrations, litigations and claims. Where a potential liability is determinable, management believes the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is determinable.

DRAFT FOR DISCUSSION

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

10. FINANCIAL INSTRUMENTS

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, 2007, there was one customer that represented 10% of the Board's trade accounts receivable balance [2006 - one customer represented 12%].

The fair value of the long-term receivable from the City is not determinable since there are no fixed terms of repayment.

The Board is exposed to changes in electricity prices associated with a wholesale spot market for electricity in Ontario. The Board has addressed the commodity price risk exposure associated with changes in the wholesale price of electricity by entering into energy related purchase and sales contracts, through an agreement with the City and with an external party, which fixes a portion of the wholesale price over the term of the contract. All contracts entered into by the City in 2007 expired on December 31, 2007. The Board has one contract into which it entered separate from the City that expires on September 30, 2008. The fair value of the derivative contract as at December 31, 2007 is a loss of \$10,632 and is recorded in the consolidated statement of operations and in accounts payable and accrued liabilities.

11. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 consolidated financial statements.