Consolidated Financial Statements

Board of Governors of Exhibition Place

December 31, 2009

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, 2009 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada,
March 26, 2010.

Chartered Accountants
Licensed Public Accountants

Board of Governors of Exhibition Place

CONSOLIDATED BALANCE SHEET

As at December 31

	2009	2008
	$	$
ASSETS		
Current		
Cash	**3,615,510**	4,652,751
Accounts receivable		
Trade *[note 10[b][i]]*	**5,966,749**	3,637,058
City of Toronto *[note 3[a]]*	**732,959**	14,940,435
Prepaid expenses and other	**271,407**	231,395
Total current assets	**10,586,625**	23,461,639
Receivable from the City of Toronto *[note 3[b]]*	**5,709,592**	5,653,207
Rent receivable *[note 4]*	**1,929,914**	2,546,088
Energy retrofit assets, net *[note 5]*	**6,549,764**	5,980,857
Building improvements and equipment, net *[note 6]*	**42,387,239**	142,813
	67,163,134	37,784,604
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
Trade	**6,228,967**	13,884,036
City of Toronto *[note 3[a]]*	**3,030,727**	1,782,568
Current portion of employee future benefits payable *[note 7]*	**1,240,888**	1,189,631
Transfer payable to the City of Toronto *[note 1]*	**1,974,051**	2,419,324
Deferred revenue	**4,056,333**	4,993,032
Current portion of loans payable *[notes 3[c] and 8]*	**577,036**	356,020
Total current liabilities	**17,108,002**	24,624,611
Suite deposits payable	**190,000**	218,125
Loans payable *[notes 3[c] and 8]*	**43,584,972**	5,998,211
Employee future benefits payable *[note 7]*	**6,280,160**	6,943,657
	67,163,134	37,784,604

Contingencies *[note 12]*

See accompanying notes

On behalf of the Board:

Director Director

Board of Governors of Exhibition Place

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31

	2009	2008
	$	$
REVENUE		
Canadian National Exhibition Association *[schedule 1]*	**28,596,778**	25,321,052
Exhibition Place *[schedule 2]*	**13,829,909**	12,402,813
Direct Energy Centre *[schedule 3]*	**15,361,506**	15,823,131
National Soccer Stadium [BMO Field] *[schedule 4]*	**8,035,306**	8,250,848
Allstream Centre *[schedule 5]*	**835,511**	—
	66,659,010	61,797,844
EXPENSES		
Canadian National Exhibition Association *[schedule 1]*	**27,718,775**	23,207,768
Exhibition Place *[schedule 2]*	**20,371,616**	19,226,587
Direct Energy Centre *[schedule 3]*	**7,641,085**	8,144,366
National Soccer Stadium [BMO Field] *[schedule 4]*	**7,657,438**	8,092,007
Allstream Centre *[schedule 5]*	**1,352,419**	—
	64,741,333	58,670,728
Income before the following	**1,917,677**	3,127,116
Transfer to the City of Toronto *[note 1]*	**(1,917,677)**	(3,127,116)
Net income for the year	**—**	—

See accompanying notes

Board of Governors of Exhibition Place

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31

	2009 $	2008 $
OPERATING ACTIVITIES		
Net income for the year	—	—
Add non-cash item		
Amortization of energy retrofit assets, building improvements and equipment	**897,196**	470,799
	897,196	470,799
Changes in non-cash working capital balances related to operations		
Decrease (increase) in trade accounts receivable	**(2,329,691)**	712,962
Decrease (increase) in accounts receivable from the City of Toronto	**14,207,476**	(4,640,490)
Increase in prepaid expenses and other	**(40,012)**	(60,304)
Decrease in rent receivable	**616,174**	6,071
Increase (decrease) in trade accounts payable and accrued liabilities	**(7,655,069)**	6,703,733
Increase (decrease) in accounts payable and accrued liabilities to the City of Toronto	**1,248,159**	(1,825,341)
Decrease in transfer payable to the City of Toronto	**(445,273)**	(724,514)
Increase (decrease) in deferred revenue	**(936,699)**	703,536
Decrease in suite deposits payable	**(28,125)**	—
	5,534,136	1,346,452
Decrease (increase) in long-term receivable from the City of Toronto	**(56,385)**	699,062
Change in employee future benefits payable	**(612,240)**	(794,390)
Cash provided by operating activities	**4,865,511**	1,251,124
INVESTING ACTIVITIES		
Purchase of energy retrofit assets, building improvements and equipment	**(43,710,529)**	(9,628)
Cash used in investing activities	**(43,710,529)**	(9,628)
FINANCING ACTIVITIES		
Proceeds from loans payable	**38,457,048**	—
Repayments of loans payable	**(649,271)**	(305,362)
Cash provided by (used in) financing activities	**37,807,777**	(305,362)
Net increase (decrease) in cash during the year	**(1,037,241)**	936,134
Cash, beginning of year	**4,652,751**	3,716,617
Cash, end of year	**3,615,510**	4,652,751
Non-cash transactions		
Energy retrofit assets financed through loans payable	**955,000**	393,797
Capital contributions for Allstream Centre building improvements	**5,880,000**	—

See accompanying notes

CANADIAN NATIONAL EXHIBITION ASSOCIATION
CONSOLIDATED SCHEDULE OF OPERATIONS

Year ended December 31

	2009 $	2008 $
REVENUE		
Midway, concessions and casino	**10,500,584**	11,009,043
Ground admissions	**7,553,167**	7,731,261
Marquee Tourism Event Program	**4,052,014**	—
Entry fees and exhibit rentals	**3,769,705**	3,729,607
Sponsorships *[note 2]*	**1,393,385**	1,559,297
Parking	**1,327,923**	1,291,844
	28,596,778	25,321,052
EXPENSES *[note 7]*		
Operations *[notes 3[a], [e] and [f]]*	**11,882,260**	11,004,980
Attractions and casino	**9,077,213**	9,197,593
Marquee Tourism Event Program	**3,900,590**	—
Marketing	**2,554,460**	2,671,078
Parking attendants' wages and sundry costs	**300,455**	300,938
Amortization of equipment	**11,142**	22,760
	27,726,120	23,197,349
Income before the following	**870,658**	2,123,703
Vacation and sick leave benefits recovery (cost) *[note 7]*	**7,345**	(10,419)
Net income for the year	**878,003**	2,113,284

See accompanying notes

EXHIBITION PLACE
CONSOLIDATED SCHEDULE OF OPERATIONS

Year ended December 31

	2009 $	2008 $
REVENUE		
Parking	**6,393,673**	6,332,403
Services	**3,427,464**	2,956,789
Building rentals and concessions	**2,609,857**	2,089,966
Discounts, commissions, incentives and realty tax recoveries	**1,175,999**	1,023,655
Naming rights *[note 1]*	**108,333**	—
Contribution from City of Toronto - Exhibition Place Conference Centre Reserve Fund *[note 9]*	**114,583**	—
	13,829,909	12,402,813
EXPENSES		
Maintenance, cleaning and security	**9,806,540**	9,967,545
Cost of services	**3,190,823**	2,508,464
Parking attendants' wages and sundry costs	**2,436,823**	2,231,107
Utilities	**2,395,612**	2,805,898
Administration *[notes 3[a], [e] and 7]*	**2,089,233**	1,490,445
Amortization of energy retrofit assets and equipment	**416,845**	388,298
City of Toronto Vehicle Reserve *[note 3[e]]*	**350,000**	350,000
Interest	**290,636**	289,638
	20,976,512	20,031,395
Loss before the following	**(7,146,603)**	(7,628,582)
Vacation and sick leave benefits recovery *[note 7]*	**604,896**	804,808
Net loss for the year	**(6,541,707)**	(6,823,774)

See accompanying notes

DIRECT ENERGY CENTRE
CONSOLIDATED SCHEDULE OF OPERATIONS

Year ended December 31

	2009 $	2008 $
REVENUE		
Building rentals	**7,873,212**	7,490,690
Services	**4,995,397**	5,544,073
Catering commissions	**998,959**	1,110,953
Advertising, sponsorship, interest and recoveries	**793,938**	977,415
Naming rights *[note 1]*	**700,000**	700,000
	15,361,506	15,823,131
EXPENSES		
Administration *[note 3[e]]*	**3,808,718**	3,860,052
Cost of services	**2,543,775**	3,014,742
Contribution to City of Toronto - Exhibition Place Conference Centre Reserve Fund *[note 9]*	**690,000**	564,367
Maintenance, cleaning and security	**589,418**	690,464
Amortization of equipment	**9,174**	14,741
	7,641,085	8,144,366
Net income for the year	**7,720,421**	7,678,765

See accompanying notes

NATIONAL SOCCER STADIUM [BMO FIELD]
CONSOLIDATED SCHEDULE OF OPERATIONS

Year ended December 31

	2009	2008
	$	$
REVENUE		
Food and beverage	**4,412,113**	4,523,003
Usage fees and merchandise	**1,642,475**	1,781,508
Suite and ticket rebates	**928,699**	828,001
Sponsorships	**874,583**	853,750
Other	**177,436**	264,586
	8,035,306	8,250,848
EXPENSES		
Salaries, wages and benefits	**1,832,227**	1,976,535
Cost of goods sold - food and beverage	**1,574,412**	1,585,758
Supplies and services	**1,335,086**	1,795,576
Royalty	**1,056,517**	1,084,097
Utilities, insurance and other *[note 3[e]]*	**776,863**	881,200
Contribution to City of Toronto Capital Reserve *[note 3[e]]*	**400,000**	400,000
Incentives and rebates	**386,778**	118,841
Management fee	**210,555**	205,000
Amortization of equipment	**85,000**	45,000
	7,657,438	8,092,007
Net income for the year	**377,868**	158,841

See accompanying notes

ALLSTREAM CENTRE
CONSOLIDATED SCHEDULE OF OPERATIONS

	Period from October 19, 2009- December 31, 2009 $
REVENUE	
Services	**185,441**
Building rentals	**25,557**
Catering commissions	**17,880**
Sponsorship	**22,000**
Parking	**9,216**
Contribution from City of Toronto - Exhibition Place Conference Centre Reserve Fund *[note 3[g]]*	**575,417**
	835,511
EXPENSES	
Interest	**365,472**
Amortization of building improvements and equipment	**375,035**
Administration	**328,556**
Utilities	**129,138**
Cost of services	**119,035**
Maintenance, cleaning and security	**35,183**
	1,352,419
Net loss for the period	**(516,908)**

See accompanying notes

Board of Governors of Exhibition Place

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

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, excluding certain building improvements, 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 9]*.

These consolidated financial statements include the accounts of the Canadian National Exhibition Association ["CNEA"] *[schedule 1]*, Exhibition Place *[schedule 2],* Direct Energy Centre *[schedule 3],* National Soccer Stadium [BMO Field] *[schedule 4]* and Allstream Centre *[schedule 5]*.

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 right sponsorship agreement with Direct Energy Marketing Limited for the "Direct Energy Centre" *[schedule 3]*.

Effective August 1, 2009, the Board entered into a 10-year naming right sponsorship agreement with MTS Allstream for the "Allstream Centre" *[schedule 2]*. The Allstream Centre commenced its operations on October 19, 2009 *[schedule 5]*.

The National Soccer Stadium [BMO Field] commenced its operations on April 28, 2007. The stadium is used to accommodate 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.

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:

Revenue recognition

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 the point of sale or when the service has been provided.

Deferred revenue consists of rentals for space in trade shows and other events which have been paid in advance and are attributable to a future period.

Sponsorships

Agreements are entered into with a number of corporate sponsors whereby these sponsors provide cash, products, advertising or entertainment support to Exhibition Place, CNEA, Direct Energy Centre, National Soccer Stadium [BMO Field] and Allstream 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.

Government assistance

The Board makes periodic applications for financial assistance under available government incentive programs. Government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets. Government assistance for non-capital expenditures is included in the consolidated statement of operations.

Energy retrofit assets

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

Trigeneration project	20 years
DEC Halls lighting retrofit project	15 years
Five Exhibition Buildings improvement project	15 years
Photovoltaic Horse Palace project	20 years
Boilers replacement and various lighting retrofit project	20 years

Building improvements and equipment

Building improvements and equipment are 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	2 to 10 years
Allstream Centre building improvements	25 years

Employee benefit plans

The Board has adopted the following policies with respect to employee future 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.

Derivative financial instruments

The Board utilizes derivative financial instruments in the management of its purchase of electricity. The Board's policy is not to utilize derivative financial instruments for trading or speculative purposes.

Derivative contracts entered into by the City, to which the Board is a party, and contracts entered into on its own behalf, 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, if any, recorded in the consolidated statement of operations.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the consolidated balance sheet date. Revenue and expense transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the transaction date. Gains or losses resulting from currency transactions are included in the consolidated statement of operations.

Financial instruments

The Board has designated its financial instruments as follows:

- Cash as held for trading;
- Current accounts receivable and long-term receivables as loans and receivables; and
- Accounts payable and accrued liabilities, loans payable and transfer payable to the City of Toronto as other liabilities.

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 reported 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 future 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.

Future accounting policy changes

In September 2009, the Public Sector Accounting Standards Board ["PSAB"] approved an amendment to the Introduction to Public Sector Accounting Standards. Under the amendment, Government business enterprises will adhere to standards for publicly accountable profit-oriented enterprises, meaning the adoption of International Financial Reporting Standards ["IFRS"], for fiscal periods beginning on or after January 1, 2011. Government business-type organizations ["GBTOs"] classification in the Public Sector Accounting Handbook would be eliminated and government organizations currently classified as GBTOs may be categorized as other government organizations ["OGOs"] or government not-for-profit organizations. The Board has been identified as a GBTO which under these new rules is an OGO and as such will adopt Public Sector Accounting Standards or IFRS. Management is currently addressing which option to choose.

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 at the agreed upon exchange amount. These amounts are included within receivables and payables on the consolidated balance sheet.

[b] In addition to current 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:

	2009 $	**2008** $
Employee future benefits payable *[note 7[a]]*	**7,521,048**	8,133,288
Less net book value of certain equipment	**(126,747)**	(142,813)
2003 adjustment - recording employee benefits	**239,103**	239,103
Other	**6,102**	(30,283)
Receivable from the City of Toronto before the following	**7,639,506**	8,199,295
Less step-up lease revenue receivable *[note 4]*	**(1,929,914)**	(2,546,088)
Receivable from the City of Toronto	**5,709,592**	5,653,207

[c] The Board has agreements with the City and another lender to make future payments as described in note 8 for the financing of energy retrofit assets as described in note 5 related to buildings at Exhibition Place for energy retrofit projects. The energy retrofit projects include the Trigeneration project, DEC Halls lighting retrofit project, Five Exhibition Buildings improvement project, Photovoltaic Horse Palace project and Boilers replacement and various lighting retrofit project. The payments from the Board are determined based on the terms of the loans. Estimated savings in connection with the energy retrofit projects are utilized for the repayment of principal and interest on these loans.

[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 9]*.

[e] Included in the City of Toronto Vehicle Reserve *[schedule 2]* are contributions of $350,000 [2008 - $350,000] which are expensed in the year incurred. 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 as these contributions are made. Contributions for the year to the City's insurance reserve amounted to $561,765 [2008 - $485,310] 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 of Toronto Capital Reserve. These contributions amounted to $400,000 [2008 - $400,000] and are expensed in the year incurred *[schedule 4]*.

[f] The Board donated $215,600 [2008 - $102,000] to the Canadian National Exhibition Foundation which is included in operations expense on schedule 1.

[g] The City contributed $575,417 from the Exhibition Place Conference Centre Reserve Fund which is included in revenue on schedule 5.

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. ENERGY RETROFIT ASSETS

Energy retrofit assets consist of the following projects:

	2009			2008		
	Cost $	**Accumulated amortization** $	**Net book value** $	**Cost** $	**Accumulated amortization** $	**Net book value** $
Trigeneration	**4,144,000**	**548,217**	**3,595,783**	4,144,000	341,017	3,802,983
DEC Halls lighting retrofit	**722,880**	**170,596**	**552,284**	722,880	122,404	600,476
Five Exhibition Buildings improvement	**1,353,692**	**164,997**	**1,188,695**	1,353,692	74,750	1,278,942
Photovoltaic Horse Palace	**331,619**	**49,742**	**281,877**	331,619	33,163	298,456
Boilers replacement and various lighting retrofit	**955,000**	**23,875**	**931,125**	—	—	—
	7,507,191	**957,427**	**6,549,764**	6,552,191	571,334	5,980,857

6. BUILDING IMPROVEMENTS AND EQUIPMENT

Building improvements and equipment consists of the following:

	2009			2008		
	Cost $	**Accumulated amortization** $	**Net book value** $	**Cost** $	**Accumulated amortization** $	**Net book value** $
Motor vehicles	**261,634**	**261,634**	**—**	261,634	261,634	—
Computer equipment	**251,508**	**248,302**	**3,206**	251,508	243,715	7,793
Electrical equipment	**384,775**	**326,502**	**58,273**	325,409	324,080	1,329
Other equipment and furniture	**4,745,155**	**939,640**	**3,805,515**	813,829	680,138	133,691
Allstream Centre Building Improvements	**38,764,844**	**244,599**	**38,520,245**	—	—	—
	44,407,916	**2,020,677**	**42,387,239**	1,652,380	1,509,567	142,813

During the year, the Board received approximately $5,880,000 of capital contributions from the City which have been credited to the cost of Allstream Centre building improvements.

7. EMPLOYEE FUTURE BENEFITS PAYABLE

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

Sick leave

The Board's short-term disability plan for non-unionized employees, 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. Absences greater than 26 weeks duration are covered under the Board's long-term disability plan.

Under the sick leave benefit plan, for unionized employees, employees were credited with a maximum of 18 days sick time per annum. Unused sick leave could accumulate and employees may become entitled to a cash payment, capped at one-half of unused sick time to a maximum of 130 days when they leave the Board's employment. Effective February 28, 2008 employees are unable to accumulate unused sick leave credits. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could be taken in cash by employees on termination of employment.

Vacation pay

Regular full-time permanent employees receive vacation entitlement according to the 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.

Workplace Safety Insurance Board ["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 WSIB.

Post-retirement and post-employment benefits

The Board provides health, dental, life insurance and long-term disability benefits to certain employees.

[a] The employee future benefits payable recorded in the consolidated financial statements, which is equal to the Board's accrued benefit obligation, consists of the following:

	2009 $	2008 $
Sick leave	**1,078,653**	1,193,151
Vacation pay	**689,453**	661,249
WSIB	**2,648,736**	2,236,702
Other post-employment and post-retirement benefits	**3,104,206**	4,042,186
	7,521,048	8,133,288
Less current portion	**1,240,888**	1,189,631
	6,280,160	6,943,657

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

	2009 $	2008 $
Balance, beginning of year	**7,472,039**	8,393,896
Current service cost	**416,836**	762,561
Interest cost	**418,832**	427,262
Expected benefits paid	**(560,244)**	(635,817)
Actuarial gain	**(915,868)**	(1,475,863)
Balance, end of year	**6,831,595**	7,472,039
Vacation pay	**689,453**	661,249
Total accrued benefit obligation	**7,521,048**	8,133,288

[c] The benefit recovery recognized during the year is calculated as follows:

	2009 $	**2008** $
Current service cost	**416,836**	762,561
Interest cost	**418,832**	427,262
Actuarial gain	**(915,868)**	(1,475,863)
Increase in vacation pay	**28,204**	127,467
	(51,996)	(158,573)

[d] There were $72,125 cash payments made in 2009 [2008 - $58,160] 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 totaled $962,912 [2008 - $906,319] 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, 2009. The next actuarial valuation is expected to be completed in 2012.

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

	2009 %	**2008** %
Discount rate for accrued benefit obligation		
Sick leave	**5.30**	7.00
Post-employment benefits	**5.30**	6.50
Post-retirement benefits	**6.10**	7.00
Discount rate for benefit costs		
Sick leave	**7.00**	5.00
Post-employment benefits	**6.50**	4.65
Post-retirement benefits	**7.00**	5.00
Health care inflation - hospital, dental care and other medical	**4.0-8.0**	4.50-7.50
Health care inflation - drugs	**8.00**	10.00
Rate of compensation increase	**3.00**	3.00

The health care rate for medical and drugs is assumed to be reduced to 4.00% by 2020. The health care rate for dental is assumed to be reduced to 3% by 2015.

[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, 2009 amounted to $770,899 [2008 - $758,097] and are included in the consolidated statement of operations.

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 2009 amounted to $1,017,160 [2008 - $984,177] and are included in the consolidated statement of operations.

8. LOANS PAYABLE

Loans payable consist of the following:

	2009 $	2008 $
Loans payable to the City of Toronto:		
Allstream Centre building improvements, bearing interest at 5% and due on October 1, 2035. Interest owing on the loan is added to the principal until the first repayment date of November 1, 2010	**37,130,316**	—
Trigeneration, bearing interest at 5% and due on December 31, 2032	**2,644,483**	2,308,160
Trigeneration, bearing interest at 2.34% and due on July 31, 2017	**860,000**	967,500
Photovoltaic Horse Palace, a non-interest bearing loan discounted at an imputed interest rate of 5% and due on October 1, 2030	**317,411**	322,381
Five Exhibition Buildings improvement, bearing interest at 5% and due on December 31, 2016	**672,919**	755,731
Five Exhibition Buildings improvement , bearing interest at an average rate of 2.56% and due on December 31, 2018	**460,046**	512,629
DEC Halls lighting retrofit, bearing interest at 5% and due on December 31, 2016	**396,762**	441,935
DEC Halls lighting retrofit, bearing interest at 2.51% and due on December 31, 2017	**142,764**	160,609
Boilers replacement and various lighting retrofit, bearing interest at 4.5% and due on December 31, 2037	**748,481**	—
Boilers replacement and various lighting retrofit, bearing interest at 2.0% and due on December 31, 2021	**241,925**	—
Loan payable to Toronto Atmospheric Fund		
Trigeneration, bearing interest at 6.06% and due on January 3, 2017	**546,901**	885,286
	44,162,008	6,354,231
Less current portion	**577,036**	356,020
	43,584,972	5,998,211

The fixed principal repayments of the loans payable are as follows:

	$
2010	577,036
2011	1,177,797
2012	1,232,131
2013	1,289,208
2014	1,349,165
2015 and thereafter	38,536,671
	44,162,008

In February 2010, the Board received financing in the amount of $2,000,000 for the new Allstream Conference Centre which is included in building improvements in note 6. This loan bears interest of 2.375% and is for a 20-year term.

9. 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, 2009 was $80,325 [2008 - $79,925]. In 2009, there was no withdrawal from the fund by the City to finance certain expenditures related to the buildings at Exhibition Place [2008 - $1,240,972]. In addition, there was interest income earned in the amount of $400 [2008 - $38,222].

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, 2009 was nil [2008 - nil]. 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 the financing of future financial obligations with respect to the proposed conference centre. Contributions made during the year amounted to $690,000 [2008 - $564,367] *[schedule 3]*. In addition, there was interest income earned in the amount of $9,278 [2008 - $23,393]. The balance of the Exhibition Place Conference Centre Reserve Fund as at December 31, 2009 was $3,657,291 [2008 - $1,251,013].

10. FINANCIAL INSTRUMENTS

[a] Fair value

The carrying values of the Board's financial instruments approximate their fair values unless otherwise noted.

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

[b] Risk management

The Board's investment activities expose it to a range of financial risks. These risks include credit risk, foreign currency risk, market risk, liquidity risk and interest rate risk, which are as follows:

[i] Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Board. The cost of the assets as presented in the consolidated balance sheet represents the maximum credit risk exposure at the date of the consolidated financial statements.

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, 2009, two customers represented 10% of the Board's trade accounts receivable balance [2008 - two customers represented 10%].

Of the current and long-term receivables in the amount of $14,339,214 [2008 - $26,776,788], $6,442,551 [2008 - $20,593,642] is receivable from the City.

Management therefore believes that the Board's credit risk is low.

[ii] Foreign currency risk

The Board has limited foreign currency risk with respect to its financial instruments as substantially all of the Board's financial assets and financial liabilities are denominated in Canadian dollars.

[iii] Market risk

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 2009 expired on December 31, 2009.

[iv] Liquidity risk

Liquidity risk is the risk of being unable to settle or meet commitments as they come due. The Board has $6,228,967 of trade accounts payable and accrued liabilities that are due within one year. The Board has cash and accounts receivable from the City that will be sufficient to satisfy these liabilities.

[v] Interest rate risk

The Board is exposed to interest rate risk on its loans payable. The Board is not exposed to significant interest rate risk on its monetary current assets and current liabilities due to their short-term maturities.

11. CAPITAL MANAGEMENT

In managing capital, the Board focuses on liquid resources available for operations. The Board's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. Excess funds are advanced to the City to be invested to earn a rate of return for the benefit of the Board. These funds can be withdrawn on demand. As at December 31, 2009, the Board has met its objective of having sufficient liquid resources to meet its current obligations.

12. 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 able to be estimated.

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