



## ACTION REQUIRED

### 2012 Consolidated Financial Statements for Exhibition Place

|                          |   |
|--------------------------|---|
| <b>Date:</b>             | May 27, 2013  |
| <b>To:</b>               | Audit Committee   |
| <b>From:</b>             | Dianne Young, Chief Executive Officer, Exhibition Place |
| <b>Wards:</b>            | N/A   |
| <b>Reference Number:</b> |   |

### SUMMARY

This report submits the draft audited consolidated financial statements for the Board of Governors of Exhibition Place for the year ended December 31, 2012. These financial statements reflect the consolidated financial position of Exhibition Place as at December 31, 2012. The auditor of record for Exhibition Place, Price Waterhouse Coopers LLP, audited the financial statements in accordance with Canadian public sector accounting standards. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit is planned to provide an opinion that the financial statements present fairly, in all material respects, the financial position of Exhibition Place as at December 31, 2012 and the results of its operations, changes in net debt and its cash flows for the year ended December 31, 2012. The financial position includes results of operations for Canadian National Exhibition Association (CNEA), the Direct Energy Centre, Exhibition Place, the National Soccer Stadium (BMO Field), and Allstream Centre for the year ended December 31, 2012.

The final result of this audit is an opinion from the auditors that the consolidated financial statements present fairly, in all material respects, the financial position of Exhibition Place as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The consolidated Operating Budget for Exhibition Place is set on a cash basis as per the City directive. The approved budget for 2012 was a net loss of (\$2,389). The 2012 consolidated net profit on a cash basis which will be transferred to the City is \$4,618,811 compared to a budgeted loss of (\$2,389), for a favorable variance of \$4,621,200 or an achievement of 1,934%.

In accordance with the decision of City Council in December 2007, any surplus over budget target will be deposited in the Exhibition Place Conference Centre Reserve Fund to be held by the City of Toronto to provide a source of funding for any cash shortfalls with respect to Allstream Centre operations for the purpose of guaranteeing the loan of \$35.6M from the City of Toronto for the renovations of the Conference Centre which reopened in October 2009. In

addition, City Council at its meeting of March 5<sup>th</sup> and 6<sup>th</sup>, 2012 in considering the City Manager report on “Separation of the Canadian National Exhibition Association from Exhibition Place and the City”, agreed to authorize the placement of any surplus in excess of the Council approved budget for the CNEA Program, which is contained within the Exhibition Place operating budget, for 2011 and 2012 into the existing “Exhibition Place Stabilization Reserve Fund” to be held by the City for the sole purpose of assisting the CNEA to become independent from the Board and the City in 2013.

## **RECOMMENDATIONS**

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It is recommended that the Audit Committee and City Council approve the:

- 1) Consolidated audited financial statements attached as Appendix “A” to this report and pertaining to the consolidated operations of the Board of Governors of Exhibition Place for the year ended December 31, 2012, be approved;
- 2) Receive for information purposes, the following:
  - (a) The sum of \$1,854,663 has been transferred to the Exhibition Place Stabilization Fund being the surplus over budget for the CNEA Program; and
  - (b) The sum of \$2,764,148 has been transferred to the Exhibition Place Conference Centre Reserve Fund as recommended by City Council in 2007 being the surplus over budget for the consolidated Exhibition Place operations ( save and except for the CNEA Program).

## **Financial Impact**

There are no financial implications to this report.

## **DECISION HISTORY**

At its meeting of May 24, 2013, the Board considered subject report and unanimously approved it and recommended same to Audit Committee and City Council.

Audited consolidated financial statements for Exhibition Place are required to be submitted on an annual basis to the Finance & Audit Committee, the Board, City of Toronto Audit Committee, and ultimately to City Council.

At its meeting of December 2007, City Council approved of a recommendation to deposit any surplus over budget into the Exhibition Place Conference Centre Reserve Account to provide a source of funding for any cash shortfalls with respect to Allstream Centre loan repayment.

At its meeting of March 5 & 6, 2012, City Council approved of a recommendation to deposit any surplus over budget for the CNEA Program in 2011 and 2012 in the “Exhibition Place Stabilization Reserve Fund” for the sole purpose of assisting the CNEA to become independent.

On November 5, 2012, City Council approved of a recommendation to expand the purpose of the Exhibition Place Conference Centre Reserve Fund to provide a source of funding for both Allstream Centre loan repayments and maintaining Direct Energy Centre and Allstream Centre in a state of good repair.

## **ISSUE BACKGROUND**

The Finance Department 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, Exhibition Place, Allstream Centre and the National Soccer Stadium (BMO Field) for the year ended December 31, 2012.

## **COMMENTS**

The auditor of record for Exhibition Place, Price Waterhouse Coopers LLP, audits these statements in accordance with Canadian public sector accounting standards. These standards require that the audit is planned and carried out to provide an opinion that the consolidated financial statements presents fairly, in all material respects, the financial position of the Board of Governors of Exhibition Place as at December 31, 2012 and the results of its operations, changes in its net debt and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

The audit also examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, significant estimates made by management, as well as evaluating the overall financial statement presentation. The consolidated financial statements contain an auditor's report that states the opinion of Price Waterhouse Coopers LLP that the financial statements present fairly, in all material respects, the financial position of the Board of Governors of Exhibition Place as at December 31, 2012 and the results of its operations for the year then ended.

### Operating Results for 2012

The Consolidated Statement of Operations indicates a net profit for the year ended December 31, 2011 of \$3,630,495 on an accrual basis and a net profit of \$4,618,811 on a cash basis. The consolidated Operating Budget for Exhibition Place is set on a cash basis per the City directive; the approved budget amount for 2012 was a net loss of (\$2,389).

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

|  | Net Income (Loss) |                  | Net Income (Loss) |                  |
|--|-------------------|------------------|-------------------|------------------|
|  | Accrual Basis     |                  | Cash Basis        |                  |
|  | 2012              | 2011             | 2012              | 2011             |
|  | \$                | \$               | \$                | \$               |
| Canadian National Exhibition Association | 2,802,734         | 2,070,337        | 2,654,663         | 2,120,261        |
| Exhibition Place                         | (4,953,429)       | (6,008,921)      | (4,816,473)       | (5,835,832)      |
| Direct Energy Centre                     | 6,446,496         | 6,232,299        | 6,446,496         | 6,234,358        |
| BMO Field                                | 342,228           | 496,869          | 334,125           | 530,818          |
| Allstream Centre                         | (1,007,534)       | (1,050,080)      | -                 | -                |
| <b>Net Income</b>                        | <b>3,630,495</b>  | <b>1,740,504</b> | <b>4,618,811</b>  | <b>3,049,605</b> |

The 2012 consolidated net profit on a cash basis is \$4,618,811 compared to a budgeted loss of (\$2,389) for a favorable variance of \$4,621,200. A brief discussion of each program operations follows:

#### Canadian National Exhibition Association (Schedule 1 of Auditors' Report)

The Statement of Operations summarizes the CNEA 2012 results in the following manner:

|                   | 2011         | 2012         | % +/- |
|-------------------|--------------|--------------|-------|
| Total Revenues    | \$25,910,870 | \$27,216,809 | +4.8  |
| Total Expenses    | \$23,840,533 | \$24,414,075 | +2.3  |
| Net Income (Loss) | \$ 2,070,337 | \$ 2,802,734 | +26.1 |

|   | 2012 Actuals     | 2012 Budget    | 2012 Variance    |
|---|------------------|----------------|------------------|
|   | \$               | \$             | \$               |
| Revenue   | 27,216,809       | 25,292,046     | 1,924,763        |
| Operating Expenses  | 24,399,555       | 24,473,720     | (74,165)         |
| <b>Net Profit (Loss) before Amortization and Employees Benefits</b> | <b>2,817,254</b> | <b>818,326</b> | <b>1,998,928</b> |
| Sick Leave benefits   | (3,909)          | -              | (3,909)          |
| Amortization of Equipments  | 18,429           | 18,326         | 103              |
| <b>Net Profit (Loss) per Financial Statements</b>                   | <b>2,802,734</b> | <b>800,000</b> | <b>2,002,734</b> |

The total net operating income for CNEA in 2012 was \$2,802,734 compared to a budget of \$800,000 for a favourable variance of \$2,002,734. The year-end favourable variance was mainly attributable to higher attendance, strong programming, a well-executed marketing plan and favourable weather conditions on the final weekend of the fair. It was an extremely successful CNE this year as most of the significant budgeted revenue categories were exceeded or significantly achieved; a noteworthy achievement as staff undertook diligent efforts to reduce expenditures as much as possible without impacting programming activities and the overall value of the event to the public.

In preparation for the separation of the CNEA from the Board/City, on March 5, 6 and 7, 2012 Toronto City Council approved that the Board of Governors of Exhibition Place set aside any CNEA cash surplus over approved annual budget targets for the two years 2011 and 2012 into

the Exhibition Place Stabilization Reserve for the sole purpose of assisting the CNEA to become independent of the Board/City in 2013. In 2012, the sum of \$1,320,263 was transferred to the Stabilization Reserve being the cash surplus over budget for the 2011 year end. In 2013, the sum of \$1,854,663 will be transferred to the Stabilization Reserve being the cash surplus over budget for 2012 year end as shown in the chart below. The cash surpluses for 2011 and 2012 transferred to the Stabilization Reserve Fund total \$3,174,926

|   |  |  |  |  | <b>2012</b>      | <b>2011</b>      |
|---|--|--|--|--|------------------|------------------|
|   |  |  |  |  | <b>Actual</b>    | <b>Actual</b>    |
|   |  |  |  |  | <b>\$</b>        | <b>\$</b>        |
| <b>Net Income (Loss) per Financial Statements</b> |  |  |  |  | 2,802,734        | 2,070,337        |
| Amortization                                      |  |  |  |  | 18,429           | 16,009           |
| Purchase of Equipment                             |  |  |  |  | (169,234)        | -                |
| Employee Benefits                                 |  |  |  |  | 2,734            | 33,917           |
| <b>Net Income (cash basis)</b>                    |  |  |  |  | 2,654,663        | 2,120,263        |
| Budget  |  |  |  |  | 800,000          | 800,000          |
| <b>Transfer to City Stabilization Fund</b>        |  |  |  |  | <b>1,854,663</b> | <b>1,320,263</b> |

#### Revenues

The chart below is a comparison of major types of revenue with the corresponding previous year amount.

| Type of Revenue              | 2011         | 2012         | Comparison to 2011   |
|------------------------------|--------------|--------------|----------------------|
| Admission                    | \$7,864,052  | \$8,935,769  | \$1,071,717 increase |
| Parking                      | \$1,580,923  | \$1,607,515  | \$26,592 increase    |
| Entry Fees & Exhibit Rentals | \$4,094,056  | \$4,152,529  | \$58,473 increase    |
| Midway, Concessions, Casino  | \$11,313,229 | \$11,330,869 | \$17,640 increase    |
| Sponsorships*                | \$1,058,611  | \$1,190,027  | \$131,416 increase   |

*Sponsorship note: Included in sponsorships revenue for 2012 is \$95,000 (2011 - \$125,464) in non-cash (contra) items from corporate sponsors whereby these sponsors provide products, advertising or entertainment support to the Canadian National Exhibition activities. A similar amount is recorded as a corresponding offset in the marketing expenses. Canadian generally accepted accounting principles require that non-monetary sponsorship considerations, such as merchandise or services, have to be given an estimated fair value and be recorded directly in the financial records of the organization sponsorship.*

- Ground admission at \$8,935,769 is favourable to budget by \$957,694 due to higher paid attendance and increase in group and on-line sales. In addition, weather conditions were quite favourable.
- Parking revenues at \$1,607,615 is favourable to budget by \$173,611 mainly due to increase in attendance and diligence of staff in managing the lots.
- Entry fees and exhibit rentals at \$4,152,529 are favourable to budget by \$94,588 due to better use of exhibit spaces (e.g., new locations in Food Building), higher automated banking fees from a new supplier, and higher electrical show services.

- Concessions revenues of \$2,520,157 are favourable to budget by \$387,715 and Midway rides revenues of \$1,836,855 are favourable to budget by \$223,552 due to increase attendance and favourable weather.
- Casino revenues are unfavourable to budget by (\$155,588) due to the fact that the casino opened 35 days versus the budgeted 36 days (one day closure was due to Scotiabank Caribbean Festival event). Casino expenses decreased by \$37,168 which is in line with the decrease of the revenue stream from this area for a net unfavourable variance of (\$118,420).
- Sponsorship cash revenue at \$1,082,449 is favourable to budget by \$122,448 due to the new sponsorship agreement with President's Choice Financial in 2012. Contra deals are at \$95,000 which is lower by \$30,464 from the prior year due to the decrease of Transat Holidays for trip sponsorship, and National Post for advertising not repeating in 2012.

#### Expenses

- Actual expenses of \$24,417,984 was on target to budget with an overall result of a favourable variance of \$74,062.
- Corporate Secretary and Government Relations expenses was favourable to budget by \$45,627. 2012 was the first year that this activity was in-house and several efficiencies were implemented such as part-time salaries, meetings, travel, and contract personnel.
- Summer staff recruitment (Human Resource) was unfavourable to budget by (\$37,867) due to the additional cost of the on-line application program.
- Admission Gates was favourable to budget by \$87,590 due to cost efficiencies, especially at the gates from Ontario Place as this was the second year of operation with no gate sharing arrangement.
- The office of the General Manager was unfavourable to budget by (\$144,601) due to a number of one-time transitional costs.
- Marketing expenses was unfavourable to budget by (\$32,845) due to various factors including sponsorship commissions and costs associated with increased sales of tickets by partners such as Go Transit.
- Exhibitor Services expenses were favourable budget by \$75,639 due to diligent cost containment measures undertaken.

#### Exhibition Place (Schedule 2 of Auditors' Report)

Net Operating Loss for Exhibition Place on a cash basis for the year ended December 31, 2012 was (\$4,816,473) compared to a budgeted loss of (\$8,030,350) for a favourable variance of \$3,213,877.

|   |  |  |  | 2012               | 2012               | 2012             |
|---|--|--|--|--------------------|--------------------|------------------|
|   |  |  |  |                    |                    |                  |
|   |  |  |  | Actual             | Budget             | Variance         |
|   |  |  |  | \$                 | \$                 | \$               |
|   |  |  |  |                    |                    |                  |
| Revenue                                   |  |  |  | 18,407,643         | 14,230,661         | 4,176,982        |
| Expenses                                  |  |  |  | (23,224,116)       | (22,261,011)       | (963,105)        |
| <b>Income (loss) before the following</b> |  |  |  | (4,816,473)        | (8,030,350)        | 3,213,877        |
|   |  |  |  |                    |                    |                  |
| Employee benefits                         |  |  |  | (397,224)          | -                  | 397,224          |
| Vacation (pay) recovery                   |  |  |  | 72,959             | -                  | (72,959)         |
| Amortization of equipment                 |  |  |  | (43,341)           | (50,000)           | (6,659)          |
| Step-up lease                             |  |  |  | 230,650            | -                  | (230,650)        |
| <b>Net Income (Loss)</b>                  |  |  |  | <b>(4,953,429)</b> | <b>(8,080,350)</b> | <b>3,300,833</b> |

#### Revenues/Expenses

- Parking revenues at \$6,734,923 is favourable to budget by \$162,318 primarily due to sold out concerts at Ontario Place and higher than budgeted games and attendance for Toronto Marlie's at RICOH due to the NHL lockout and higher than budgeted BMO Field parking because of added CSA World Cup qualifying games. Parking expenses are unfavourable to budget by (\$246,291) primarily to reflect additional revenue streams and costs for installation of new credit card software and additional security costs for a total net unfavourable variance after expenses of \$83,973.
- Tenant revenues for rent and services at \$2,282,840 are unfavourable to budget by (\$196,215), mainly due to lower show services from the QE Theatre, Muzik, Medieval Times and Liberty Grand. Show Services expenses are favourable to budget by \$153,743 for a net unfavourable variance of (\$42,472).
- Indirect expenses at \$18,817,590 are favourable to budget by \$1,695,698 primarily due to lower utilities due to the energy savings initiatives and warmer temperatures and lower operational maintenance costs.
- Program recoveries and interest income at \$343,018 is unfavourable to budget by (\$71,811) primarily due to lower than budgeted interest income and an net unfavourable variance from BMO Field and Ricoh Coliseum recoveries due to lower level of labor services.
- Rental income from events at \$976,659 is favourable to budget by \$313,079 or 147% primarily due to new unbudgeted events from Exhibition Place grounds such as Festival of Beer, Becel Ride for Heart and Ride to Conquer Cancer.

#### Direct Energy Centre (Schedule 3 of Auditors' Report)

Net Operating Income for Direct Energy Centre on a cash basis for the year ended December 31, 2012 was \$6,446,496 compared to a budget of \$7,027,626 for an unfavourable variance of (\$581,130).

|                          |  |  |  |                  |                  |                  |
|--------------------------|--|--|--|------------------|------------------|------------------|
|                          |  |  |  | <b>2012</b>      | <b>2012</b>      | <b>2012</b>      |
|                          |  |  |  |                  |                  |                  |
|                          |  |  |  | <b>Actual</b>    | <b>Budget</b>    | <b>Variance</b>  |
|                          |  |  |  | <b>\$</b>        | <b>\$</b>        | <b>\$</b>        |
|                          |  |  |  |                  |                  |                  |
| Revenue                  |  |  |  | 15,219,771       | 15,261,379       | (41,608)         |
| Expenses                 |  |  |  | (8,773,275)      | (8,233,753)      | (539,522)        |
| <b>Net Income (Loss)</b> |  |  |  | <b>6,446,496</b> | <b>7,027,626</b> | <b>(581,130)</b> |

#### Revenues/Expenses

- Rental income from events at \$7,454,623 is favourable to budget by \$10,190, a budget achievement of 100%.
- Net income from electrical services of \$1,092,551 is unfavourable to budget by (\$35,923) primarily due to lower than anticipated actual from events.
- Food & Beverage concessions of \$781,740 are unfavourable to budget by (\$111,572) primarily due to less than budgeted corporate events and lower attendance at some of the larger events.
- Telecommunications net revenue at \$399,560 is unfavourable to budget by (\$45,040) primarily due to lower than anticipated actual from budgeted events.
- Show services revenue from third-party billings at \$3,415,419 are favorable to budget by \$194,797 with corresponding increase in related show services expenses of \$271,694 for a net unfavourable variance of (\$76,897) primarily due to additional labour costs to deliver services.
- Advertising and sponsorship revenue within the Direct Energy Centre at \$218,997 is unfavourable to budget by (\$10,569).

#### National Soccer Stadium (BMO Field) (Schedule 4 of Auditors' Report)

Net Operating Income on a cash basis, before the prescribed disclosure requirements of the Public Sector Accounting Board, for the year ending December 31, 2012 was \$334,125 compared to a budget of \$260,335 for a favourable variance of \$73,790 or an achievement of 133%. This is the sixth year of operations for BMO Field.



|   |  |  |  | 2012        | 2012        | 2012        |
|---|--|--|--|-------------|-------------|-------------|
|   |  |  |  | Actual      | Budget      | Variance    |
|   |  |  |  | \$          | \$          | \$          |
|   |  |  |  |             |             |             |
| Revenue per financial statements          |  |  |  | 9,602,230   | 8,283,209   | 1,319,021   |
| Recoveries ( <b>Note 1</b> )              |  |  |  | (1,579,638) | -           | (1,579,638) |
| Net Revenues                              |  |  |  | 8,022,592   | 8,283,209   | (260,617)   |
|   |  |  |  |             |             |             |
| Expenses per financial statements         |  |  |  | (9,268,105) | (8,022,874) | (1,245,231) |
| Recoveries ( <b>Note 1</b> )              |  |  |  | 1,579,638   | -           | 1,579,638   |
| Net Expenses                              |  |  |  | (7,688,467) | (8,022,874) | 334,407     |
|   |  |  |  |             |             |             |
| <b>Income (loss) before the following</b> |  |  |  | 334,125     | 260,335     | 73,790      |
| Amortization of equipment                 |  |  |  | (18,526)    | (40,000)    | (21,474)    |
| Purchase of equipment                     |  |  |  | 26,629      | 30,000      | 3,371       |
| <b>Net Income (Loss)</b>                  |  |  |  | 342,228     | 250,335     | 55,687      |

***Note 1** - For budget purposes, expense recoveries and recoverable expenses are budgeted on a net basis and have a net zero impact on net income. For external reporting purposes, BMO Field shows expense recoveries on a gross basis.*

#### Revenues

- Overall, net revenues were unfavourable to budget by (\$260,617) and net expenses were favourable to budget by \$334,407. Below are explanations for significant variances to budget.
- Suite and ticket rebates of \$1,542,391 were unfavourable to budget by (\$86,870) primarily due to lower than anticipated demand for suite rentals throughout the season, and partially offset by higher Ticketmaster rebates and servicing fees from the TFC, CSA and Rugby matches.
- Food and beverage revenues of \$4,305,971 were unfavourable to budget by (\$254,600) primarily due to lower than anticipated sales at the TFC games due to lower stipe count, not hosting a TFC playoff game and not hosting three international games offset by five additional TFC games because the team advanced to the CONCACAF Champion League ("CCL") tournament.
- Usage fees and merchandise of \$1,254,397 were favourable to budget by \$63,393 due to additional revenue from hosting five additional TFC games offset by lower merchandise sales primarily due to lower stipe count partially offset by higher sales at the CSA and Rugby games due to higher event day sales.
- Cash sponsorship revenue of \$869,451 was favourable to budget by \$7,078 as a result of higher than anticipated CPI increases.

#### Expenses

- Royalty expenses were \$94,051 favourable to budget due primarily due to lower suite royalties payable due to lower nightly rentals and additional tickets and lower suite license fees collected.
- Excluding the impact of recoverable expenses, supplies and services of \$1,196,148 were favourable to budget by \$58,902 primarily due to savings in POS equipment lease,

winterization, IT costs, HR costs and outside contractors partially offset by higher than anticipated costs in concrete repairs, equipment maintenance and unbudgeted seat repairs.

- Cost of goods sold were \$71,909 favourable to budget due primarily to lower sales.
- Utility expenses of \$443,767 were unfavourable to budget by (\$13,567) due to higher than anticipated hydro costs due to higher consumption and water usage partially offset by lower than anticipated gas charges.

#### Allstream Centre (Schedule 5 of Auditors' Report)

Net Operating Profit for the Allstream Centre before interest on the City loan, amortization of building and contribution from naming fees is \$861,766 compared to a budget profit of \$550,431 for a favourable variance of \$311,335 or 157%. The Allstream Centre commenced operations October 19, 2009. Since, there is little prior year history; the rental budget was based on the pro-forma information presented to the City for the year ended December 31, 2012.

|  |  |  |  |  | 2012        | 2012        | 2012        |
|--|--|--|--|--|-------------|-------------|-------------|
|  |  |  |  |  | Actual      | Budget      | Variance    |
|  |  |  |  |  | \$          | \$          | \$          |
| Building Rental  |  |  |  |  | 1,434,090   | 945,926     | 488,164     |
| Net Show Services, Food and Beverage Commission and Parking            |  |  |  |  | 764,348     | 1,070,198   | (305,850)   |
| <b>Sub-total - Event Income</b>  |  |  |  |  | 2,198,438   | 2,016,124   | 182,314     |
| Departmental; Overhead Expenses  |  |  |  |  | (1,336,672) | (1,465,693) | 129,021     |
| <b>Net Profit (Loss) before Naming Fees, Interest and Amortization</b> |  |  |  |  | 861,766     | 550,431     | 311,335     |
| Naming Fees Revenue  |  |  |  |  | 1,158,000   | 1,220,000   | (62,000)    |
| Contribution from (to) Conference Reserve Fund - Cash Shortfall        |  |  |  |  | 777,854     | 1,028,049   | (250,195)   |
| <b>Net Profit (Loss) before Interest and Amortization</b>              |  |  |  |  | 2,797,620   | 2,798,480   | (860)       |
| Interest Expenses  |  |  |  |  | (1,861,322) | (1,862,182) | 860         |
| Loan Principal Repayments  |  |  |  |  | -           | (936,298)   | 936,298     |
| <b>Net Profit (Loss) before Amortization</b>                           |  |  |  |  | 936,298     | -           | 936,298     |
| Amortization   |  |  |  |  | (1,943,832) | -           | (1,943,832) |
| <b>Net Income (Loss) per Financial Statements</b>                      |  |  |  |  | (1,007,534) | -           | (1,007,534) |

- Building rental income at \$1,434,090 is favourable to budget by \$488,164 or 152% primarily due to new meetings and conventions business.
- Food & Beverage concessions of \$665,344 are unfavourable to budget by (\$44,656) primarily due to lower than budgeted corporate events.
- Show services from third party billings at \$885,412 are unfavourable to budget by (\$305,107) with corresponding reduction in related show expenses of (\$152,310) for a net unfavourable variance of (\$152,797) primarily due to lower than budgeted show services billing from third parties.
- Direct and indirect expenses at \$5,468,647 are unfavourable to budget by (\$47,168) primarily due to lower utilities from the energy savings initiatives and lower operational maintenance costs and timing of marketing and sales expenditures offset by higher PMD show costs. Indirect expenses include costs from various departments. These are Marketing,

Event Services, Security, Concierge, Finance, Cleaning and Décor, House Technician, Operations, Utilities and wages & materials for base building upkeep and general maintenance of the buildings.

- Interest cost of \$1,861,322 and amortization cost of \$1,943,832 (a non-cash item) is related to the City loan financing and capitalization of asset for the new Allstream Centre building. Interest cost is reported on the accrual basis including the interest accrued on advances made by the City during the period of construction, under the loan agreement with the City and as per City Council directive actual loan repayment to the City commenced on November 1, 2010.

#### Settlement with the City of Toronto

As in prior years, various adjustments have to be made to the reported consolidated 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:

|   |  |  |  | <b>2012</b>         | <b>2011</b>         |
|---|--|--|--|---------------------|---------------------|
|   |  |  |  | <b>Actual</b>       | <b>Actual</b>       |
|   |  |  |  | <b>\$</b>           | <b>\$</b>           |
| <b>Net Income (Loss) per Financial Statements</b> |  |  |  | 3,630,495           | 1,740,504           |
| Conference Centre Deficit                         |  |  |  | 1,007,534           | 1,050,081           |
| Amortization                                      |  |  |  | 80,296              | 119,075             |
| Purchase of Equipment                             |  |  |  | (195,863)           | (19,243)            |
| Employee Benefits                                 |  |  |  | 326,999             | 358,194             |
| Net Step-up and Other                             |  |  |  | (230,650)           | (199,006)           |
| <b>Transfer Payable to the City</b>               |  |  |  | <b>4,618,811</b>    | <b>3,049,605</b>    |
| <b>City Reserve Funds</b>                         |  |  |  |                     |                     |
| Stabilization Reserve                             |  |  |  | 1,854,663           | 1,320,263           |
| Conference Reserve                                |  |  |  | 2,764,148           | 1,729,342           |
|   |  |  |  | <b>4,618,811</b>    | <b>3,049,605</b>    |
| <b>Year End Balances</b>                          |  |  |  | <b>31/ 12/ 2012</b> | <b>31/ 12/ 2011</b> |
|   |  |  |  | <b>\$</b>           | <b>\$</b>           |
| Stabilization Reserve                             |  |  |  | 3,174,926           | 1,320,262           |
| Conference Reserve                                |  |  |  | 4,611,896           | 2,711,866           |

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 Exhibition Place

## **ATTACHMENTS**

Price Waterhouse Coopers LLP – 2012 Financial Statements for Exhibition Place