OTTAWA CONVENTION CENTRE

CENTRE DES CONGRÈS D'OTTAWA

An Agency of the Government of Ontario | Un organisme du gouvernement de l'Ontario

ANNUAL REPORT

2014/2015

OTTAWA CONVENTION CENTRE

CENTRE DES CONGRÈS D'OTTAWA

An Agency of the Government of Ontario | Un organisme du gouvernement de l'Ontario

EXECUTIVE LEADERSHIP TEAM

PATRICK KELLY
President

PAUL KEOGH
Senior Vice-President, Sales and Client Service

NINA KRESSLER
General Manager

DAN YOUNG,
Vice-President, Finance and Administration

OCC BOARD OF DIRECTORS

MARC SEAMAN (Chair - December 13, 2013 to December 12, 2015)
August 20, 2012 to December 12, 2015

BERNIE ASHE
October 23, 2008 – November 30, 2016

DICK BROWN
December 11, 2013 to December 10, 2016
April 11, 2006 – April 10, 2012

MATHIEU FLEURY
December 10, 2014 to November 30, 2018

MONA FORTIER
December 11, 2013 to November 30, 2016

DAVID GOLDSTEIN
November 14, 2012 to January 14, 2015

ANNIE HILLIS
December 11, 2013 to December 10, 2016

JEAN LALANDE
September 8, 2014 to September 7, 2017

RICHARD PATTEN
April 16, 2014 to April 15, 2017

MARIA RICCI
December 11, 2013 to December 10, 2016

DAVID W. SCOTT
December 11, 2013 to December 10, 2016

JIM WATSON
January 26, 2011 – December 10, 2014

55 Colonel By Drive, Ottawa, Ontario K1N 9J2
Tel. (613) 563-1984; 1-800-450-0077;
Fax (613) 563-7646
shaw-centre.com

MESSAGE

MESSAGE FROM CHAIR AND PRESIDENT

As the Ottawa Convention Centre (OCC) enters its 5th full year of operations, we are confident in the knowledge that we have earned a strong reputation in both the convention and local market places for hosting outstanding events and providing exceptional customer service to our clients. With this reputation, along with rising business confidence in the convention and meetings market, we anticipate that this will result in increased convention and local bookings. Our state of the art facility continues to offer cutting edge technology in a modern and attractive setting in the heart of the nation's capital and our management and staff continue to deliver exceptional customer service on a daily basis.

The fiscal year 2014/15 proved to be a challenging period in terms of convention volumes. Despite that, the OCC surpassed budgeted revenue of $14.6 million by over $750,000. This increase is attributable to an increase in the food and beverage spend of our convention clients. At 35 conventions, 2014/15 produced the lowest number of conventions since our re-opening. The decrease in convention business is attributable to weak booking pace figures for both 2014/15 and 2015/16, caused primarily by a lack of international conventions taking place in Ottawa during these years, and a disproportionately strong number of Canadian conventions during our inaugural years of 2011/12 to 2013/14.

OCC continues to have a significant impact on the local and provincial economy, through the hosting of conventions, meetings and events. In all, the OCC experienced 519 events, and produced $ 75 million in economic impact, including $28 million in tax revenues for the three levels of government.

Much of our focus is directed towards the future, and our efforts over the past year have produced strong booking volumes for the next four years. While we continue to sell aggressively to the Canadian association market with positive results, such as the four-year signing of the Association of Municipalities of Ontario (2017-2020), we initiated a number of tactical measures aimed at the United Kingdom and European association and Canadian corporate markets. In partnership with Ottawa Tourism (OT), sales missions were conducted in the UK and other European countries, resulting

in three confirmed bookings for 2015 and 2016, as well as several promising leads. We will continue to pursue this market aggressively, as it represents a primary means of achieving our strategic plan goal of 60 conventions per year by 2020.

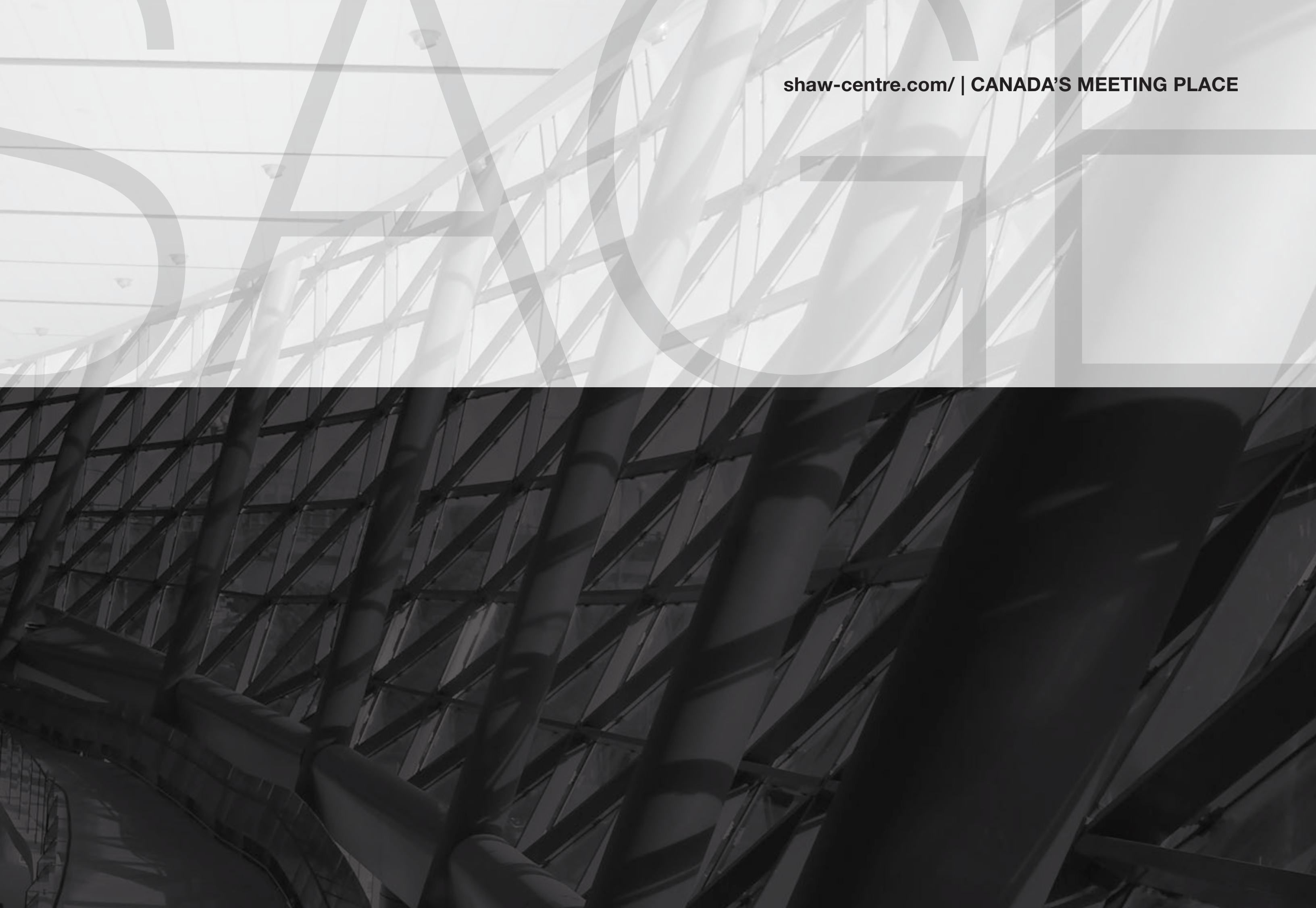
We also increased our sales activity in the Canadian corporate convention market with the addition of a dedicated sales representative, and this effort resulted in the booking of the largest convention in the history of the OCC, scheduled to take place in February 2016. In total, over $2.0 million of future corporate convention revenues was put on the books in 2014/15.

As a result of these booking successes and others, our booking pace status for future years is one of the strongest since we opened our doors in 2011. As of March 31, 2015 the OCC had 76 confirmed conventions for the period 2015/16 - 2019/20, with an additional 10 conventions remaining within the signing process. The confirmed bookings represent over $14.0 million in future convention revenue.

Continuing to build on the OCC's strong customer service reputation, the OCC lived up to its vision of "Inspired People Creating Extraordinary Events" in 2014/15, as measured by our client satisfaction survey score of 4.6 out of 5. Following are two testimonials that are representative of client feedback that we receive on a regular basis:

I wish to express my sincere gratitude and highest commendations to the Shaw Centre for their partnership with Carleton University and myself to host Ottawa's First International Summit on Accessibility. The meeting was attended by over 500 people and featured plenary sessions, a tradeshow and a number of concurrent breakouts. As the meeting had well over 15% of attendees using either wheelchairs or scooters, being assisted by aid dogs or some other form of visible or invisible disability, many provisions had to be made – and the Shaw Centre more than met the challenge. These examples of outstanding performance were partnered with exceptional "can do" attitude and service at all levels before, during and after the conference. The Shaw Centre truly has amazing staff who are there to not just to help, but to make the planning and execution process fun and enjoyable. I would not hesitate to recommend the Shaw Centre for meetings large and small. I have organized meetings there for between 40 and 2500 people and not once been disappointed.

Chuck E. Schouwerwou, CMP, CMM
President & Principal Meeting Planner
ConferSense Planners Inc.



Despite its size and all the moving parts and all the international delegates…we have received nothing but praise! One of my planner friends here in Ottawa said when their conference was held at the OCC, it was the most well run conference they had ever had. I will also be mentioning that I'm now a part of that 'club' if anyone asks me about booking the OCC. Your staff were phenomenal – always professional, always on time, always accommodating. We never had to ask for anything – they were always one step ahead of us.

Karen Norris
Meetings & Conference Coordinator
The Association of Faculties of Medicine of Canada

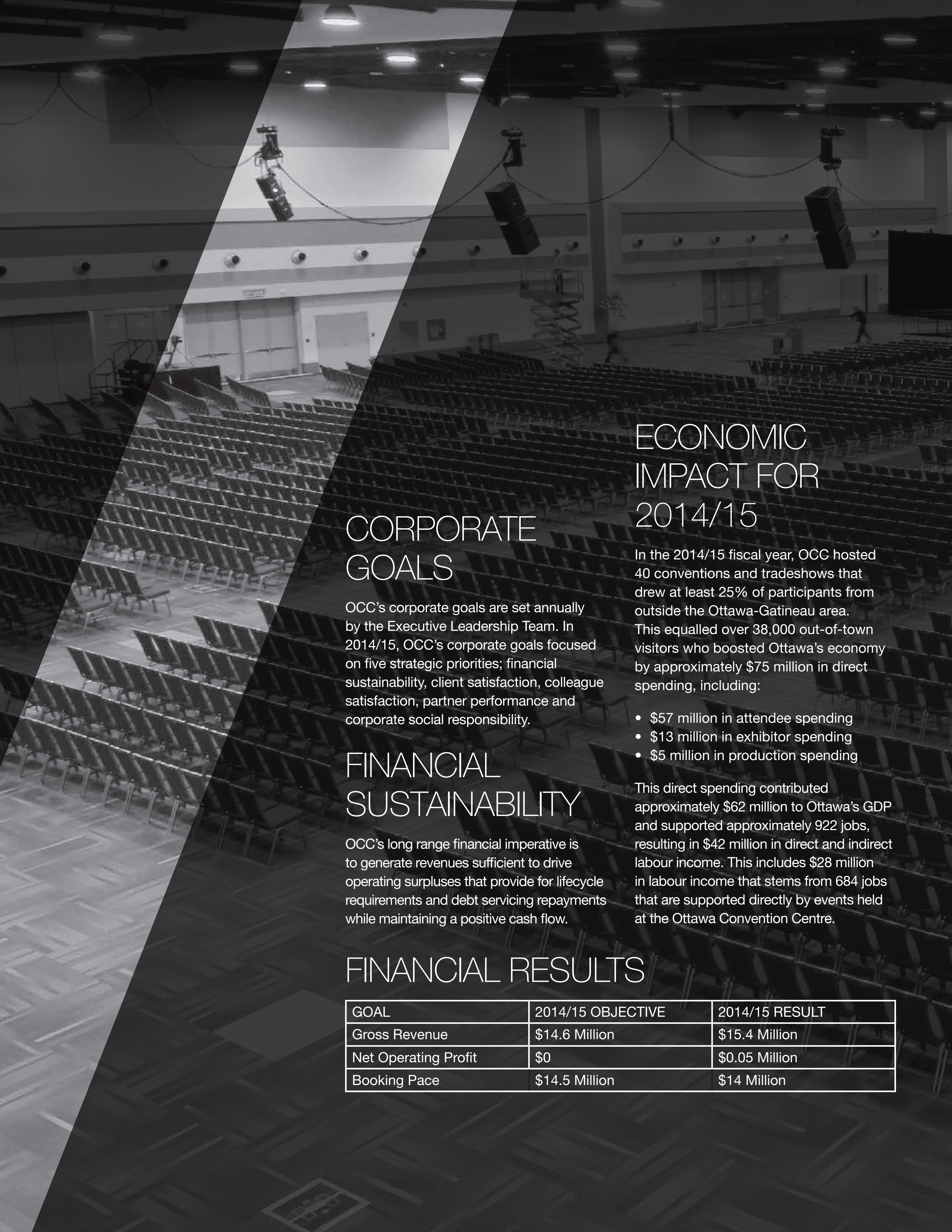
One of our major successes in 2014/15 was the signing of a ten-year naming rights agreement with Shaw Communications in October 2014. Accordingly, the facility name of the centre was changed to the Shaw Centre. Since then, a multi-faceted transition project has been successfully executed whereby the new facility name has been incorporated throughout OCC's operations. Revenues derived from the agreement will provide a new revenue stream to help improve OCC's operations, including our sales and marketing efforts.

We would once again like to acknowledge our in-house service partners – ARAMARK Entertainment Services (Canada) Inc. and Freeman Audio Visual/Freeman Electrical Services – for their valuable contributions to client satisfaction and revenue generation. We are also very appreciative of the support from our primary destination partner, Ottawa Tourism, for their ongoing leadership of our efforts to promote Ottawa as a global convention city to our national and international markets.

We are very proud of the efforts and accomplishments of our OCC colleagues, management and Board of Directors in 2014/15, and remain confident of our continued success in the years to come.

Marc Seaman
Chair, Board of Directors

Pat Kelly
President



CORPORATE GOALS

OCC's corporate goals are set annually by the Executive Leadership Team. In 2014/15, OCC's corporate goals focused on five strategic priorities; financial sustainability, client satisfaction, colleague satisfaction, partner performance and corporate social responsibility.

FINANCIAL SUSTAINABILITY

OCC's long range financial imperative is to generate revenues sufficient to drive operating surpluses that provide for lifecycle requirements and debt servicing repayments while maintaining a positive cash flow.

ECONOMIC IMPACT FOR 2014/15

In the 2014/15 fiscal year, OCC hosted 40 conventions and tradeshows that drew at least 25% of participants from outside the Ottawa-Gatineau area. This equalled over 38,000 out-of-town visitors who boosted Ottawa's economy by approximately $75 million in direct spending, including:

- $57 million in attendee spending
- $13 million in exhibitor spending
- $5 million in production spending

This direct spending contributed approximately $62 million to Ottawa's GDP and supported approximately 922 jobs, resulting in $42 million in direct and indirect labour income. This includes $28 million in labour income that stems from 684 jobs that are supported directly by events held at the Ottawa Convention Centre.

FINANCIAL RESULTS

GOAL	2014/15 OBJECTIVE	2014/15 RESULT
Gross Revenue	$14.6 Million	$15.4 Million
Net Operating Profit	$0	$0.05 Million
Booking Pace	$14.5 Million	$14 Million

IMPROVING CLIENT SATISFACTION

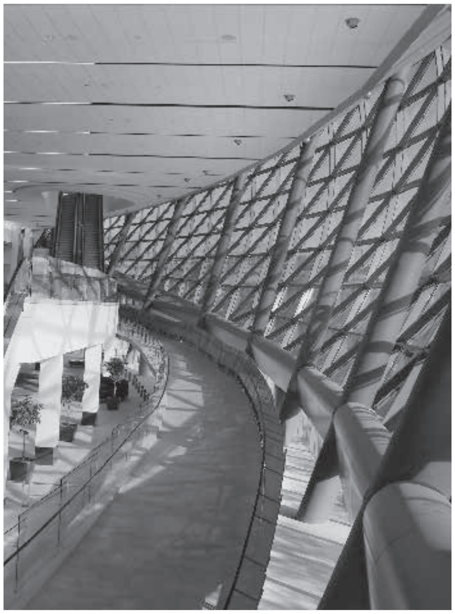
OCC recognizes the paramount importance of client satisfaction and reflects this through systems and procedures that ensure superior customer service from initial contact through to final invoicing. Our client satisfaction scores remain high. Again in 2014/15 we outperformed our target for overall satisfaction of 4.5 out of 5, with a year-end score of 4.6 out of 5.

In July, we finished in a tie for second place for the title of World's Best Convention Centre, an award handed out by the International Association of Congress Centres (AIPC). OCC was among 27 qualified finalists vying for the award at the 2014 AIPC Annual Conference. The Apex Award is presented bi-annually on the basis of a comprehensive analysis of convention centre performance based on customer satisfaction surveys. We are very proud of the fact that our clients have recognized us in this way.

COLLEAGUES & PARTNERS

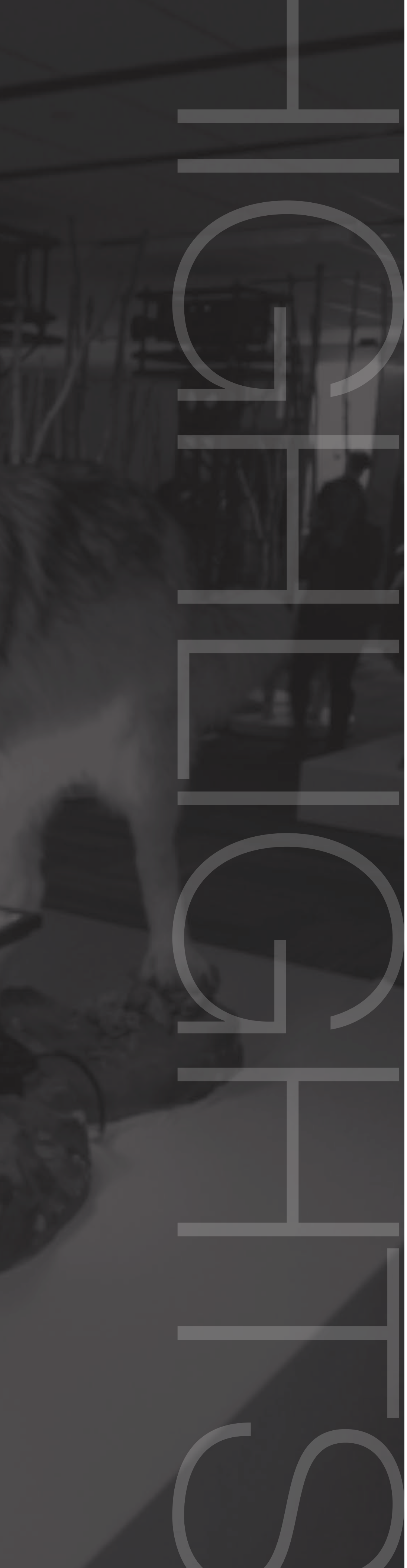
OCC recognizes the fundamental role of colleague and partner excellence in delivering a superior event experience and maintains a formal program to recruit, retain, recognize and train colleagues in all key areas of the organization, and maintain positive and mutually supportive partner relations.

OCC colleagues continually provide exceptional customer service which is evidenced through our client satisfaction scores. Our colleague satisfaction targets for 2014/15 were out of our reach this year as we aimed for a response rate of 55% but achieved 29.5%. Our overall satisfaction goal of 20 out of 24 was just within sight of our actual score of 19.1. OCC is committed to working with our colleagues to provide the best work environment and tools necessary to help them succeed within their roles. Our goal is to see our colleague satisfaction scores grow each year, alongside our client satisfaction scores. This outcome will ensure the financial success of OCC going forward with a high number of return clients and new bookings through word of mouth.



OCC's primary service partners, ARAMARK, Freeman Audio Visual and Freeman Electrical Services, are a key ingredient of our operational product offerings and third party initiatives. OCC works very closely with our service partners to ensure customer service remains high and to also ensure product quality exceeds industry standards and client demands. Our client satisfaction goals for our partners mirror the goals we set for ourselves. In 2014/15 scores for audio visual services, rigging and electrical and show services continued to climb.

GOALS SUSTAINABILITY



CORPORATE SOCIAL RESPONSIBILITY

OCC recognizes the role we play in the life and economy of our host community and that the community plays in supporting and enhancing the event experience of our clients. In doing so, we undertake to demonstrate ongoing corporate responsibility and maintain a positive community interface.

OCC is working with Waste Management to find strategies that will maximize the efficiency of our waste management system. In 2014/15, OCC successfully diverted 67% of waste from landfills. However, our goal for the future is a diversion rate of at least 80%, which we look forward to achieving in the next fiscal year.

In December, OCC colleagues organized and participated in a number of activities in support of various charities. One group of colleagues spent the afternoon at the Cornerstone Housing for Women spreading Christmas cheer by helping sort through donations and getting ready for the holiday season. Another team participated in Trees of Hope in support of CHEO (Children's Hospital of Eastern Ontario) and actually took first place honours in their division. At OCC, we recognize the importance of giving back to the community and already have goals in place for the upcoming year in terms of volunteerism in our community.

2014/15 OPERATIONAL HIGHLIGHTS

- On May 9th, Ottawa Convention Centre was honoured to host a breakfast for 700 Canadian military family members, along with politicians and business leaders to pay tribute to the 158 members of the Canadian Armed Forces who gave their lives in Afghanistan during Canada's 12 year mission. The tribute breakfast was organized by the True Patriot Love Foundation and Canada Company as part of the National Day of Honour to recognize the strength and sacrifice of the Canadian soldiers who fought in Afghanistan. The families were joined by Prime Minister Harper, Minister of National Defence Rob Nicholson, and Minister of Veterans Affairs Julian Fantino.

- OCC was host to the International Summit on Accessibility in July which brought in over 450 delegates from around the world. The Summit was the first international conference to promote access and inclusion for persons with disabilities in all aspects of life. It featured experts from around the world, providing a key opportunity for service organizations, governments, the post-secondary sector, hospitals, and others who want to review best practices and create action and placed a special emphasis on employment.

- From January 30th to February 1st, the first floor of the OCC was transformed into a beautiful northern landscape with wild animals and stunning vistas to celebrate Spectacular NWT Days 2015, an art gallery, museum, and cultural experience all rolled into one! The centre was filled with music and arctic games demonstrations and gave visitors the opportunity to experience the wonder of the northern lights.

OPERATING STATISTICS 2014/15

Number of events: **519**

Number of conventions: **35**

Number of trade & consumer shows: **29**

Number of meetings: **310**

Revenue: **$15,388,309**

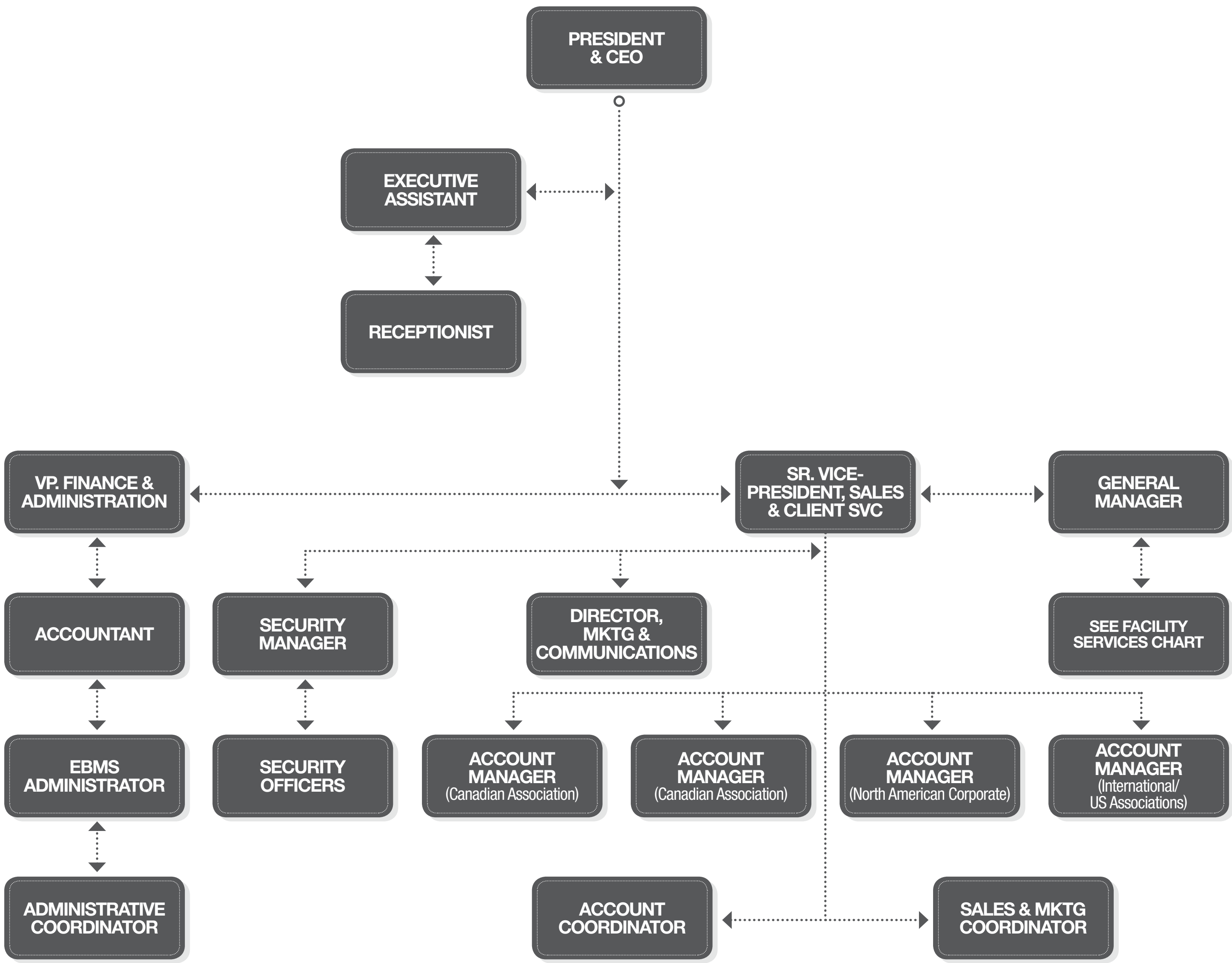
Net Operating Profit: **$0.05 million**

DISCLOSURE OF REMUNERATION

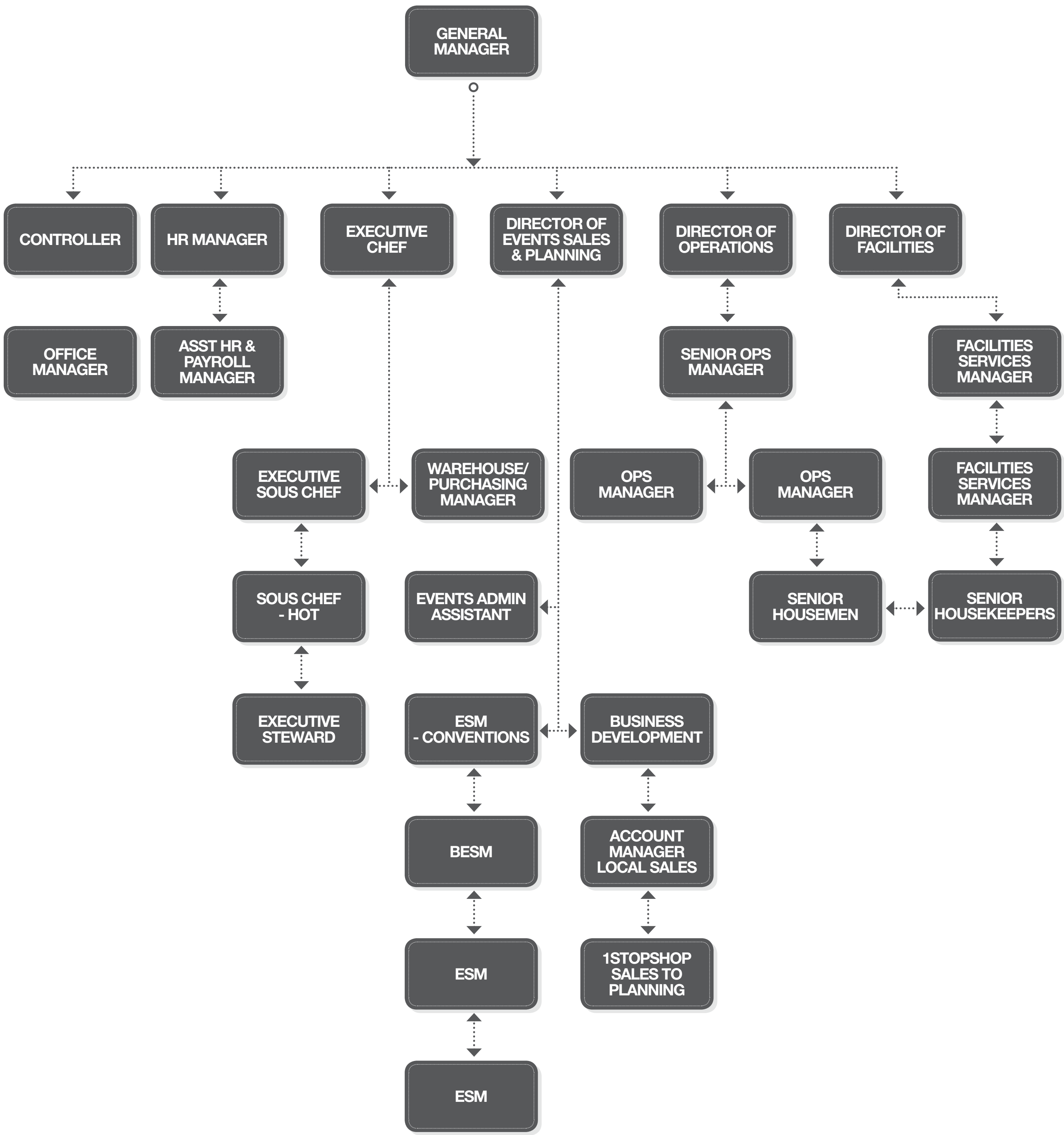
OCC Board of Directors are paid a remuneration as per the February 2015 Management Board of Cabinet's Agencies and Appointments Directive. Remuneration is based on a per diem basis while attending meetings or otherwise engaged in the duties of the OCC. The following was paid to each of the OCC directors for the fiscal year 2014/15:

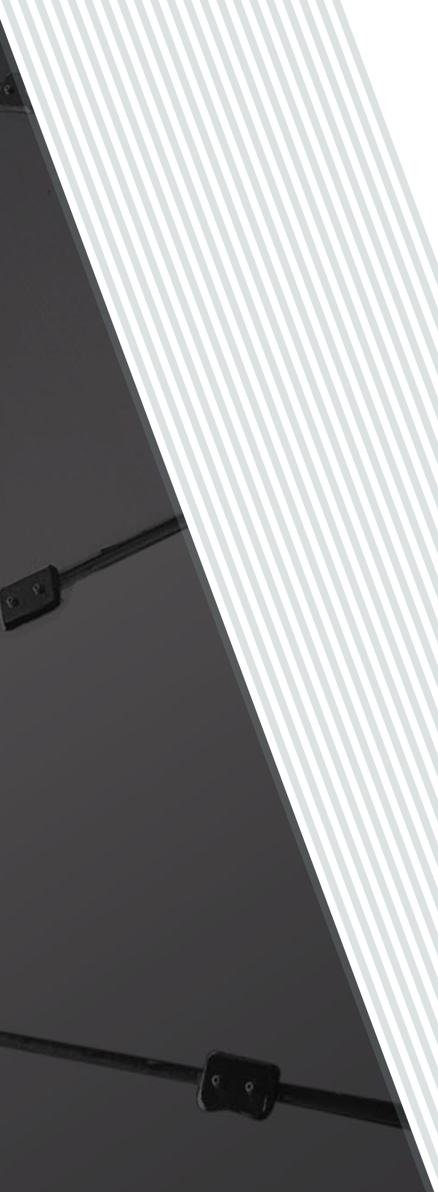
Marc Seaman	Chair	$11,016.00
Bernie Ashe	Director	$2,700.00
Dick Brown	Director	$1,200.00
Mathieu Fleury	Director	$ 0
Mona Fortier	Director	$2,100.00
David Goldstein	Director	$600.00
Annie Hillis	Director	$1,950.00
Jean Lalande	Director	$600.00
Richard Patten	Director	$1,350.00
Maria Ricci	Director	$1,500.00
David W. Scott	Director	$2,400.00
Jim Watson	Director	$ 0

OTTAWA CONVENTION CENTRE ORGANIZATION STRUCTURE 2014/2015



OTTAWA CONVENTION FACILITY SERVICES ORGANIZATION CHART 2014/2015





OTTAWA CONVENTION CENTRE CORPORATION FINANCIAL STATEMENTS

For the year ended March 31, 2015.

June 26, 2015

Independent Auditor's Report

To the Members of
Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

We have audited the accompanying financial statements of Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa, which comprise the statement of financial position as at March 31, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers LLP
99 Bank Street, Suite 800, Ottawa, Ontario, Canada K1P 1E4
T: +1 613 237 3702, F: +1 613 237 3963

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa as at March 31, 2015 and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa
Statement of Financial Position
As at March 31, 2015

	2015 $	2014 $
Assets		
Current		
Cash	1,910,776	1,422,935
Accounts receivable	284,285	330,231
Prepaid expenses	81,088	82,423
	2,276,149	1,835,589
Property, plant and equipment (note 3)	160,746,499	166,008,121
	163,022,648	167,843,710
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	2,012,365	1,668,662
Deferred revenue and deposits	2,256,557	1,767,626
Current portion of long-term debt (note 4)	140,698	134,288
	4,409,620	3,570,576
Deferred revenue and deposits	407,909	302,214
Long-term debt (note 4)	46,848,811	44,972,690
Deferred contributions related to property, plant and equipment (note 5)	110,248,841	113,461,773
	161,915,181	162,307,253
Net assets	1,107,467	5,536,457
	163,022,648	167,843,710

Commitments (note 9)

Approved by the Board of Directors

_________________________ Director _________________________ Director

The accompanying notes are an integral part of these financial statements.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa
Statement of Operations
For the year ended March 31, 2015

	2015 $	2014 $
Revenue		
Food and beverage	9,804,603	9,546,728
Space rental	3,789,362	4,044,710
Commissions	1,356,986	1,469,330
Advertising	340,998	196,839
Other	74,413	105,847
Interest earned	21,947	24,010
	15,388,309	15,387,464
Expenses (note 6)		
Direct	7,141,871	6,966,624
Facilities	5,143,894	5,373,891
Selling, general and administrative	3,052,611	2,675,064
	15,338,376	15,015,579
Excess of revenue over expenses before undernoted items	49,933	371,885
Interest on long-term debt	(2,112,530)	(2,013,715)
Amortization of deferred contributions related to property, plant and equipment	3,212,931	3,212,931
Naming rights contract costs	(296,655)	–
Amortization of property, plant and equipment	(5,282,669)	(5,303,707)
Excess of expenses over revenue for the year	(4,428,990)	(3,732,606)

The accompanying notes are an integral part of these financial statements.

	2015 $	2014 $
Net assets – Beginning of year	5,536,457	9,269,063
Excess of expenses over revenue for the year	(4,428,990)	(3,732,606)
Net assets – End of year	1,107,467	5,536,457

The accompanying notes are an integral part of these financial statements.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Cash Flows

For the year ended March 31, 2015

	2015 $	2014 $
Cash flows provided by (used in)		
Operating activities		
Excess of expenses over revenue for the year	(4,428,990)	(3,732,606)
Items not affecting cash –		
Amortization of property, plant and equipment	5,282,669	5,303,707
Amortization of deferred contributions related to property, plant and equipment	(3,212,931)	(3,212,931)
Capitalization of interest to long-term debt	2,016,819	1,911,885
	(342,433)	270,055
Net change in non-cash working capital balances (note 7)	985,609	(295,640)
	643,176	(25,585)
Capital activity		
Purchase of property, plant and equipment	(21,047)	(119,248)
Financing activity		
Repayment of long-term debt	(134,288)	(128,171)
Increase (decrease) in cash during the year	487,841	(273,004)
Cash – Beginning of year	1,422,935	1,695,939
Cash – End of year	1,910,776	1,422,935
Supplementary information		
Interest paid	95,712	102,327

The accompanying notes are an integral part of these financial statements.

1 Nature of organization

The Ottawa Convention Centre Corporation ("the Centre") was incorporated by a special Act of the Ontario Provincial Legislature. The mandate of the Centre is to operate, maintain and manage an international class convention centre facility in the City of Ottawa in a manner that will promote and develop tourism and industry in Ontario. The Centre is exempt from income taxes.

2 Summary of significant accounting policies

Basis of presentation

The financial statements of the Centre are prepared in accordance with Canadian public sector accounting standards (PSAS), including accounting standards that apply to government not-for-profit organizations.

Revenue recognition

Revenue from food, beverage, space rental and other is recognized when the related goods or services are provided to the customer. Advertising revenue is recognized in the year in which the advertising is provided to the client. Commission revenue is recognized in the year in which the related event is held.

The Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed materials and services

From time to time, the Centre receives contributed materials and services. Since these materials and services are either not normally purchased by the Centre or the fair value of the materials or services cannot be reasonably estimated, contributed materials and services are not recognized in these financial statements.

Use of estimates

The preparation of the financial statements in conformity with PSAS 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates made in the preparation of these financial statements include the useful lives of property, plant and equipment, and commission revenues earned. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided for by the straight-line method over the estimated useful life of the various classes of assets, except in the year of acquisition when a pro-rated share of the year's amortization is recorded based on the fiscal quarter in which the asset is acquired. Amortization is calculated at the following rates.

Building	40 years straight-line
Software	5 years straight-line
Furniture, equipment and fixtures	10 years straight-line
Technology network	15 years straight-line

The Centre reviews long-lived assets for impairment whenever events or changes in circumstances indicate the asset no longer has any long-term service potential to the Centre. The impairment loss, if any, is the excess of the carrying value over any residual value. Impairment losses are not reversed in future periods.

Deferred revenue and deposits

Deferred revenue and deposits represent amounts received in advance from customers in relation to services to be rendered in future periods.

Deferred contributions related to property, plant and equipment

Deferred contributions represent amounts received from various levels of government as well as one of the Centre's significant partners, to be used towards the construction and purchase of property, plant and equipment.

Deferred contributions are recognized as revenue on the same basis as the amortization of property, plant and equipment.

Employee future benefits

All full-time employees of the Centre are eligible to be members of the Centre's defined contribution pension plan which offers employees a pension benefit, upon retirement or termination, based on the accumulated contributions made by the individual employee and by the Centre, on their behalf, plus any investment earnings on these contributions. Contributions required to be made by the Centre are recorded in the period in which employee services are rendered.

During the period, the Centre recorded an expense of $86,609 (2014 – $90,264) for contributions made to the defined contribution pension plan, which is included in selling, general and administrative expenses.

Financial instruments

The Centre's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and long-term debt.

The Centre has classified its financial instruments as follows.

Asset/liability	Measurement
Cash	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

The carrying amount of these financial assets and financial liabilities approximates their fair values unless otherwise disclosed.

3 Property, plant and equipment

			2015
	Cost $	Accumulated amortization $	Net carrying amount $
Building	170,119,370	17,011,053	153,108,317
Software	274,577	260,662	13,915
Furniture, equipment and fixtures	8,394,470	3,339,869	5,054,601
Technology network	2,476,912	660,509	1,816,403
Land	753,263	–	753,263
	182,018,592	21,272,093	160,746,499

			2014
	Cost $	Accumulated amortization $	Net carrying amount $
Building	170,119,370	12,758,070	157,361,300
Software	274,577	233,947	40,630
Furniture, equipment and fixtures	8,373,422	2,502,025	5,871,397
Technology network	2,476,912	495,381	1,981,531
Land	753,263	–	753,263
	181,997,544	15,989,423	166,008,121

4 Long-term debt

On November 2, 2012 the Centre was granted an amendment to the financing agreement with the Ontario Financing Authority. As a result of the amendment, the Centre will not be required to pay any annual instalments of principal or interest on this loan for a period of up to five years ("Stalled Repayment Period"), during which interest expense will continue to accrue. At the discretion of the Ontario Financing Authority but no later than September 2018, the Centre is required to resume blended interest and principal repayments, based on an adjusted loan amortization schedule which will be provided by the Ontario Financing Authority, at the end of the Stalled Repayment Period. The loan has been presented as a long-term liability on the assumption that the Ontario Financing Authority will not request early repayment.

	2015 $	2014 $
Loan payable from the Ontario Financing Authority, bearing interest at the province's cost of funds plus 0.525% (2014 – 0.525%), compounded annually, including $3,824,910 (2014 – $1,868,800) of capitalized interest. As at March 31, 2015, the interest rate amounted to 4.7% (2014 – 4.7%).	45,014,144	42,997,325
Debt related to acquisition of technology services network, bearing interest of 4.7% per annum and requiring blended monthly payments of $19,167 (2014 – $19,167) from April 2011 through March 2026.	1,975,365	2,109,653
	46,989,509	45,106,978
Less: Current portion	140,698	134,288
	46,848,811	44,972,690

Long-term debt, excluding the loan payable to the Ontario Financing Authority, matures over the next five years as follows.

	$
Year ending March 31, 2016	140,698
2017	147,414
2018	154,451
2019	161,823
2020	169,548

5 Deferred contributions

	2015 $	2014 $
Balance – Beginning of year	113,461,773	116,674,704
Amortization	(3,212,932)	(3,212,931)
Balance – End of year	110,248,841	113,461,773

6 Expenses

Expenses presented by function are represented as follows.

	2015 $	2014 $
Direct	7,141,871	6,966,624
Facilities	10,426,563	10,677,598
Selling, general and administrative	3,349,266	2,675,064
Financial	2,112,530	2,013,715
	23,030,230	22,333,001

The above presentation of expenses by function excludes the amortization of deferred contributions related to property, plant and equipment, as these are considered revenue in accordance with the Centre's accounting policies described in note 2.

7 Net change in non-cash working capital balances

The net change in non-cash working capital balances consists of the following changes in current assets and liabilities.

	2015 $	2014 $
Accounts receivable	45,946	176,229
Prepaid expenses	1,334	3,014
Accounts payable and accrued liabilities	343,703	(224,826)
Deferred revenue and deposits – Current	488,931	(185,592)
Deferred revenue and deposits – Long-term	105,695	(64,465)
	985,609	(295,640)

8 Financial instruments and risk management

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Cash, being the only financial instrument measured at fair value, was measured as a Level 1 financial instrument.

Credit risk

Credit risk refers to the risk resulting from the possibility that parties may default on their financial obligations to the Centre. The Centre's booking policies are designed to minimize the amounts due from customers upon the conclusion of their event and thereby reduce their credit risk exposure. Further, the Centre's management performs regular reviews of the credit worthiness of its customers and has collection policies that management feels are adequate to minimize losses in this area. The Centre does not consider its accounts receivable as presenting any significant credit risk.

As at March 31, 2015, based on their invoice date, the following accounts receivable were past due but not impaired.

	31 – 60 days $	61 – 90 days $	91 – 120 days $	Over 120 days $
Accounts receivable	36,785	1,935	–	–

Liquidity risk

Liquidity risk refers to the risk that the Centre will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its loan payable. As at March 31, 2015, the Centre was in compliance with loan covenants and was able to discharge its liabilities. In November 2012, the Centre successfully renegotiated its long-term debt agreement with the Ontario Financing Authority (note 4), and as a result, the Centre expects to continue to be in compliance with loan covenants and be able to discharge its liabilities in fiscal 2016.

The table below is a maturity analysis of the Centre's financial liabilities as at March 31, 2015 excluding the loan payable to the Ontario Financing Authority (note 4).

	Up to 6 months $	More than 6 months up to 1 year $	More than 1 year up to 5 years $	More than 5 years $	Total $
Accounts payable and accrued liabilities	1,881,124	5,646	62,798	62,797	2,012,365
Long-term debt (excluding non-capitalized interest)	69,529	71,169	633,237	1,201,430	1,975,365
	1,950,653	76,815	696,035	1,264,227	3,987,730

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Centre has $45,014,144 (2014 – $42,997,325) in debt bearing interest at the Province of Ontario's cost of funds plus 0.525 % annually (note 4). Management does not consider the Centre to be exposed to significant interest rate risk, other than on its loan payable.

As at March 31, 2015, the Centre's total exposure to interest rate risk is $45,014,144. The Centre's estimate of the effect on net assets, as at March 31, 2015, of a one percent increase or decrease in the interest rate on the loan payable, with all other variables held constant, would amount to an approximate increase or decrease of $450,141. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Financing available

The Centre has an unused line of credit of $5,000,000 (2014 – $5,000,000) which is available until March 2016. Interest is charged at prime.

Sensitivity analysis

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

9 Commitments

The Centre has entered into facility services and technology services agreements related to the operation of the new facility, both expiring in 2026. Under the facility services agreement, among other terms, the Centre will pay a facility management fee of $230,000 (2014 – $220,000) with annual escalations of $10,000 thereafter. Under the technology services agreement, the Centre will make annual payments of $290,000 (2014 – $286,000) attributable to the ongoing service agreement. All figures exclude applicable taxes.

10 Capital management

The Centre's objective when managing capital is to maintain its ability to continue as a going concern in order to execute its mandate to operate a world class convention facility. The Centre's capital structure is comprised of its net assets and deferred contributions related to property, plant and equipment. The Centre's objective in management of its capital structure is to ensure access to sufficient cash flow to carry out its ongoing operations and service the debt obligations to the Ontario Financing Authority.

OTTAWA CONVENTION CENTRE

CENTRE DES CONGRÈS D'OTTAWA

An Agency of the Government of Ontario | Un organisme du gouvernement de l'Ontario

55 Colonel By Drive, Ottawa, Ontario K1N 9J2
Tel. (613) 563-1984; 1-800-450-0077; Fax (613) 563-7646
shaw-centre.com