

2005-2006
Annual Report
OTTAWA CONGRESS CENTRE





Management Team

DAVID HAMILTON,
President

JOAN E. CULLITON,
Executive Vice-President
Chief Operating Officer, Expansion

ALLISON GEORGE,
Manager, Human Resources

PAUL KEOGH,
Director, Convention Services

FIONA LIVINGSTONE,
Director, Corporate Services

MICHAEL OIS,
Executive Chef

PETER SEGUIN,
Vice-President,
Food and Beverage

DAN YOUNG,
Controller

KELLEY ORR,
Director, Marketing and Sales

Board of Directors

PHILIP B. DOWNEY (CHAIRMAN)
September 24, 2003 to September 23, 2006
(resigned March 3, 2006)

SHANE BENNETT
August 21, 2003 to August 20, 2006
(resigned October 25, 2005)

BOB CHIARELLI
January 1, 1998 to March 31, 2006

GERALD A. DUST
August 21, 2003 to August 20, 2006

PAUL EVANS
September 22, 2005 to October 21, 2006

WAYNE FRENCH
October 1, 1996 to August 5, 2006

EDWARD C. GORDON
May 27, 1998 to August 5, 2006
(resigned September 30, 2005)

MICHAEL LANGFORD
September 22, 2005 to October 21, 2006

LAWRENCE M. MALLOY
January 1, 1996 to August 20, 2006
(resigned February 15, 2006)

COLIN MCSWEENEY
September 24, 2003 to September 23, 2006
(resigned March 6, 2006)

MICHAEL G. TEETER
January 1, 1999 to March 31, 2006
(resigned September 26, 2005)



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An Agency of the Province of Ontario

Message from the Chair



The year reported upon herein was one of both ongoing success and special challenges at the Ottawa Congress Centre.

There were many positives. Against the backdrop of a tourism sector slowly recovering from the lows of earlier this decade, the Congress Centre posted its 10th consecutive surplus on revenues of just under \$10 million – while continuing to outperform similarly sized and even some larger centres on the basis of sales per square foot. A decade in the black is strong testament to the innovation, resourcefulness and dedication of the Centre’s management and staff, who continued to attract, retain and service clients to the highest professional standards.

The developments on the Centre’s proposed expansion presented special challenges this past year. Over ten years in the making, the expansion remains an essential initiative for the future of the Ottawa conventions sector – indeed, for the economic health of the entire region. As reported elsewhere in this document, the Centre and the city again this past year lost millions of dollars in revenue because the Centre did not have space available for conventions that would have come to Ottawa. Through the year, senior management and the Board worked diligently to finalize funding agreements and begin design planning for a vertical expansion on the Centre’s existing site. With \$85 million in committed public funding in place, all parties were optimistic that a solution to Ottawa’s lack of meeting space was imminent. However, as the fiscal year ended, mounting delays forced a decision to defer work on the vertical expansion. Despite that fact, the Centre and its public funding partners remained committed to finding an Ottawa-based solution for improving the city’s convention capacity and facilities. In particular, the Minister of Tourism has challenged the Congress Centre Board to develop a plan for a viable option for the Centre’s improvement.

On a personal note, it has been my honour to serve the Province of Ontario as a volunteer Director of the Ottawa Congress Centre for six years, and as Chair for the past three years. I would like to take this opportunity to thank the management team, staff and members of the Board for their support and selfless dedication – and to wish them well in the future.

Philip B. Downey
Chairman

A handwritten signature in black ink, consisting of a large, stylized 'P' and 'D' followed by a long, sweeping horizontal stroke that ends in a small loop.

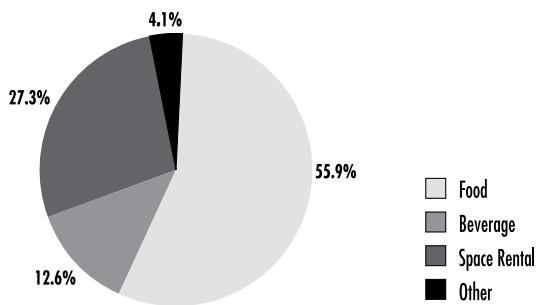
President's Report



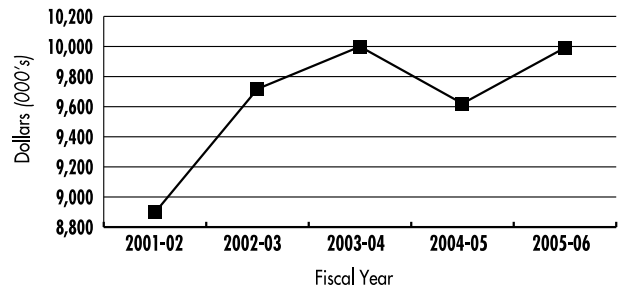
Financial Analysis

This year the Ottawa conventions sector enjoyed strong growth relative to the previous year, with a 28.7% increase in the number of conventions held in the city, and a 12.9% increase in convention room nights (as projected by Ottawa Tourism). The Ottawa Congress Centre captured a significant share of this increased market, with 2005/06 fiscal year revenues of \$9,991,752, and the Centre posting its 10th consecutive surplus on operating revenues. It is of note that the Centre's return to the Province of Ontario could have been even greater: the Canadian Tourism Research Institute's ongoing tracking found that the Centre lost some \$3.2 million in additional potential revenue as a result of its inability to host larger meetings and conventions due to insufficient space.

Revenue Mix 2005-2006



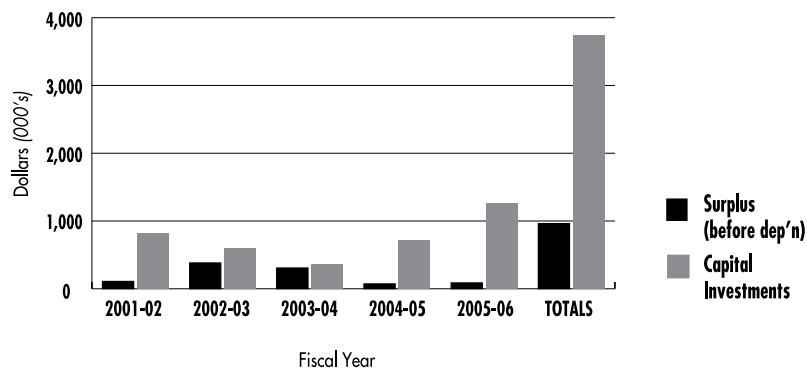
Revenue Trend Analysis



Capital Expenditures

While the Ottawa Congress Centre remains in critical need of repair and upgrades, only minor investments were made during fiscal 2005/06, as refurbishments were contemplated as part of the expected expansion of the Centre. We were, however, encouraged upon receiving \$28 million from the Province of Ontario which will be used for capital expansion or retrofit of the existing facility.

Investment of Surplus Funds



Noteworthy capital expenditures for fiscal year 2005/06 included:

Furnishings and Equipment	\$ 11,335
Computer Upgrade	\$ 2,532
Expansion Investment*	\$ 1,243,346

*Financial contribution as part of Province of Ontario's commitment to expand/improve OCC.

Operational Highlights

The Ottawa Congress Centre management team is very encouraged to report a 3.9% increase in revenue to just under the \$10 million mark for fiscal 2005/06 – the highest revenues achieved since 2000/01. While short term bookings of new business remained consistent with last year, long term bookings were up 10% – again an encouraging result. Revenue from food and beverage sales were up significantly, while space revenues decreased slightly. This was the result of innovative relationship building and marketing efforts targetted to key sales segments. Overall, the Centre's five year sales pace outlook report shows that the Centre's prospecting initiatives are generating leads and confirming business at a stronger pace than the year before.

Conventions and meetings accounted for the majority of the Centre's total revenue. In terms of specific areas of growth, the Centre saw increased activity in the technology sector as this market rebounded in the past year. Similarly, the medical sector proved very fruitful with two major conventions from the United States (the Pediatric Orthopaedic Association of North America and the Orthopaedic Trauma Association)—providing a combined economic impact in excess of \$2 million to the city. Four other medical conventions—each valued at over \$100,000—also took place during the year. As well, the Centre hosted the Convention Centres of Canada annual conference in fall 2005, at which senior management from convention centres across Canada compared performance management tools and best practices.

Successful partnerships continued to play a role in our marketing successes. Once again, the Centre partnered with the Canadian Tourism Commission, the Ontario Tourism Marketing Partnership Corporation and Ottawa Tourism in their initiatives to build convention and meeting business. As well, the Centre continues to play a key role in the planning and execution of a Convention Development Fund which will further enhance its marketing activities and those of the destination. And the Centre continues to be one of the most active of Ottawa's good corporate citizens, supporting worthy causes and events representing all walks of society.

Again this year, I would like to thank our management team, staff and Board, all of whom have served the Centre well. A special thanks also to Philip Downey, who has served as a volunteer member of the Board for nine years, including the last three as Chair.

We look forward to working with our partners and colleagues in the convention industry to find a workable and enduring solution to improving convention facilities and capacity in Ottawa.

David Hamilton
President



TABLE 1

Taxes Generated Through Ottawa Congress Centre Operations

(Unaudited)

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Provincial Taxes Generated						
Employee Income Tax	\$244,154	\$244,151	\$252,713	\$278,834	\$281,862	308,027
Employer Health Tax	111,945	110,877	113,094	126,034	109,360	123,214
PST (Revenues)	543,180	412,376	418,219	439,191	451,318	508,872
Alcohol Tax (purchases)	216,513	172,817	153,696	163,650	178,304	189,971
Total Provincial Taxes	\$1,115,792	\$940,221	\$937,722	\$1,007,708	\$1,020,844	1,130,084
Federal Taxes Generated						
EI (employee)	\$112,855	\$106,915	\$108,278	\$107,431	\$97,264	101,075
EI (employer)	148,965	140,288	141,819	140,335	126,150	130,254
CPP (employee)	147,040	165,751	191,654	210,149	202,758	215,924
CPP (employer)	147,040	165,751	191,654	210,149	202,758	215,924
Employee Income Tax	634,731	634,723	656,982	630,861	677,505	740,398
Goods & Services Tax (Net)	611,653	493,402	560,374	612,843	555,195	527,668
Alcohol Tax (purchases)	83,330	66,513	59,154	62,985	68,625	73,115
Total Federal Taxes	\$1,885,614	\$1,773,343	\$1,909,914	\$1,974,753	\$1,930,255	2,004,357
Other Taxes Generated						
City of Ottawa water tax	\$38,551	\$30,943	\$43,653	\$41,993	\$38,914	44,033
Annual Total Taxes	\$3,039,957	\$2,744,507	\$2,891,290	\$3,024,454	\$2,990,013	3,178,474

OTTAWA CONGRESS CENTRE

FINANCIAL STATEMENTS

MARCH 31, 2006





Newton & Co.
Chartered Accountants

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To the Chairman and Directors of:
Ottawa Congress Centre

AUDITORS' REPORT

We have audited the balance sheet of **Ottawa Congress Centre** as at March 31, 2006 and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Centre'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 financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2006 and the results of operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS

Ottawa, Ontario
June 6, 2006

David L. Brown *B.A., CA*
Philip A. Byrne *CA*
E. Jane Francis *CA, CMA*
Andrew K. Misener *CA*

OTTAWA CONGRESS CENTRE

FINANCIAL STATEMENTS

MARCH 31, 2006

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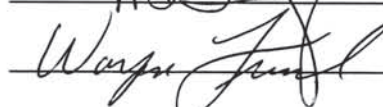
OTTAWA CONGRESS CENTRE

BALANCE SHEET

AS AT MARCH 31, 2006

	Operating Fund	Capital Fund	Total 2006	Total 2005
ASSETS				
Current				
Cash	\$ 1,123,669	\$ -	\$ 1,123,669	\$ 2,435,982
Contribution receivable from the Province of Ontario (note 5)	-	28,000,000	28,000,000	-
Accounts receivable	761,390	-	761,390	831,790
Inventory	175,934	-	175,934	189,436
Prepaid expenses	120,432	-	120,432	109,572
	<u>2,181,425</u>	<u>28,000,000</u>	<u>30,181,425</u>	<u>3,566,780</u>
Property, plant and equipment (note 3)	2,154,344	-	2,154,344	2,412,169
Deferred charges (note 2)	2,023,971	-	2,023,971	756,702
	<u>\$ 6,359,740</u>	<u>\$ 28,000,000</u>	<u>\$ 34,359,740</u>	<u>\$ 6,735,651</u>
LIABILITIES				
Current				
Accounts payable and accrued liabilities	\$ 784,708	\$ -	\$ 784,708	\$ 1,098,139
Customer deposits	1,236,104	-	1,236,104	1,138,568
	<u>2,020,812</u>	<u>-</u>	<u>2,020,812</u>	<u>2,236,707</u>
Deferred contributions related to property, plant and equipment (note 4)	2,679,508	-	2,679,508	2,743,613
	<u>4,700,320</u>	<u>-</u>	<u>4,700,320</u>	<u>4,980,320</u>
Contingent liabilities (note 9)				
NET ASSETS				
Invested in property, plant and equipment	1,623,438	-	1,623,438	1,793,235
Unrestricted operating fund	35,982	-	35,982	(37,904)
Internally restricted capital fund (note 5)	-	28,000,000	28,000,000	-
	<u>1,659,420</u>	<u>28,000,000</u>	<u>29,659,420</u>	<u>1,755,331</u>
	<u>\$ 6,359,740</u>	<u>\$ 28,000,000</u>	<u>\$ 34,359,740</u>	<u>\$ 6,735,651</u>

APPROVED BY THE BOARD:


 _____ Director

 _____ Director

(The accompanying notes are an integral part of these financial statements)



OTTAWA CONGRESS CENTRE

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED MARCH 31, 2006

	Operating Fund	Capital Fund	Total 2006	Total 2005
Revenue				
Contribution from the Province of Ontario	\$ -	\$ 28,000,000	\$ 28,000,000	\$ -
Food	5,583,881	-	5,583,881	4,977,565
Beverage	1,262,632	-	1,262,632	1,113,939
Space rental	2,732,640	-	2,732,640	3,139,958
Customer service	399,462	-	399,462	385,104
Partnerships	(4,953)	-	(4,953)	(11,785)
Interest	18,090	-	18,090	15,888
	<u>9,991,752</u>	<u>28,000,000</u>	<u>37,991,752</u>	<u>9,620,669</u>
Expenses - Schedule 1 and 2				
Direct	4,837,377	-	4,837,377	4,554,577
Facilities	2,185,254	-	2,185,254	2,207,006
Selling, general and administrative	2,881,368	-	2,881,368	2,785,644
	<u>9,903,999</u>	<u>-</u>	<u>9,903,999</u>	<u>9,547,227</u>
Operating excess of revenue over expenses before undernoted items	87,753	28,000,000	28,087,753	73,442
Amortization of property, plant and equipment	(271,692)	-	(271,692)	(293,908)
Amortization of deferred contributions related to property, plant and equipment (note 4)	88,028	-	88,028	92,838
Excess of revenue over expenses (expenses over revenue)	<u>\$ (95,911)</u>	<u>\$ 28,000,000</u>	<u>\$ 27,904,089</u>	<u>\$ (127,628)</u>

(The accompanying notes are an integral part of these financial statements)



OTTAWA CONGRESS CENTRE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2006

	Invested in PP&E	Unrestricted Fund	Capital Fund	Total 2006	Total 2005
Balance, April 1	\$ 1,793,235	\$ (37,904)	\$ -	\$ 1,755,331	\$ 1,882,959
Excess of expenses over revenue	-	(95,911)	28,000,000	27,904,089	(127,628)
Additions to property, plant and equipment	13,867	(13,867)	-	-	-
Amortization of property, plant and equipment	(271,692)	271,692	-	-	-
Amortization of deferred contributions related to property, plant and equipment	88,028	(88,028)	-	-	-
Balance, March 31	<u>\$ 1,623,438</u>	<u>\$ 35,982</u>	<u>\$ 28,000,000</u>	<u>\$ 29,659,420</u>	<u>\$ 1,755,331</u>

(The accompanying notes are an integral part of these financial statements)



OTTAWA CONGRESS CENTRE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31,

2006

2005

**Net inflow (outflow) of cash related
to the following activities****Operating Activities**

Operations

Excess of revenue over expenses (expenses over revenue) \$ 27,904,089 \$ (127,628)

Add back non-cash outlays:

Amortization of property, plant and equipment 271,692 293,908

Amortization of deferred contributions related to property,
plant and equipment (88,028) (92,838)28,087,753 73,442

Net change in non-cash working capital balances (note 6) (28,142,853) (585,604)

(55,100) (512,162)**Investing Activities**

Additions to property, plant and equipment (13,867) (78,703)

Expansion costs (1,243,346) (632,022)

(1,257,213) (710,725)**Financing Activities**

Contributions related to property, plant and equipment - 2,000,000

Net cash inflow (outflow)

(1,312,313) 777,113

Cash position, April 12,435,982 1,658,869**Cash position, March 31**\$ 1,123,669 \$ 2,435,982

(The accompanying notes are an integral part of these financial statements)



OTTAWA CONGRESS CENTRE

NOTES TO FINANCIAL STATEMENTS**MARCH 31, 2006**

1. DESCRIPTION OF BUSINESS

The Ottawa Congress 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. SIGNIFICANT ACCOUNTING POLICIES

The Ottawa Congress Centre follows the deferral method of accounting for contributions.

Fund Accounting

Revenues and expenses related to food, beverage, service delivery and administrative activities are reported in the Operating Fund.

Revenues and expenditures related to an expanded or retrofitted facility are reported in the Capital Fund.

Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Use of Estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

Inventory

The inventory is valued at the lower of cost and replacement cost. Cost is determined using a first-in, first-out method.



OTTAWA CONGRESS CENTRE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, Plant and Equipment

The original facility and pre-operating costs were financed by other entities and were acquired April 1, 1984 from the Regional Municipality of Ottawa-Carleton for \$1.

Property, plant and equipment are recorded at cost. Amortization is recorded using the following annual rates and methods:

Building	35 years straight line
Computer hardware and software	3 years straight line
Furniture, equipment and fixtures	5 to 10 years straight line

Amortization of assets under construction begins when they are ready for their intended use.

Deferred Charges

Deferred charges relate to costs pertaining directly to the expansion of the Centre's facility but are not part of actual building construction. These costs will be deferred until the expanded facility is ready for productive use at which point they will be amortized over the expected future period of benefit.

Deferred Contributions Related to Property, Plant and Equipment

Deferred contributions represent the unamortized amounts which are recognized as revenue on the same basis as the amortization of property, plant and equipment purchased.

3. PROPERTY, PLANT AND EQUIPMENT

	2006		2005	
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Building	\$ 1,434,963	\$ 330,496	\$ 1,104,467	\$ 1,145,466
Computer hardware and software	662,144	612,909	49,235	80,107
Furniture, equipment and fixtures	4,025,625	3,024,983	1,000,642	1,186,596
	<u>\$ 6,122,732</u>	<u>\$ 3,968,388</u>	<u>\$ 2,154,344</u>	<u>\$ 2,412,169</u>



OTTAWA CONGRESS CENTRE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

4. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY, PLANT AND EQUIPMENT

Deferred contributions consist of amounts received from the Province of Ontario and interest earned on funds held for the purchase of property, plant and equipment. They are credited to revenue as the property, plant and equipment are amortized. During the year, \$23,923 was received in interest and deferred contributions of \$88,028 (2005 - \$92,838) were recognized as revenue.

5. INTERNALLY RESTRICTED CAPITAL FUND

During the year, \$28,000,000 was committed by the Province of Ontario and received on April 3, 2006. It is the intention of the Ottawa Congress Centre to use these funds for a capital expansion or retrofit of the existing facility. As such, the Board of Directors has internally restricted these funds for this purpose and any interest earned thereon.

6. STATEMENT OF CASH FLOWS

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

	<u>2006</u>	<u>2005</u>
Contribution receivable from the Province of Ontario	\$ (28,000,000)	-
Accounts receivable	70,400	(364,946)
Inventory	13,502	(23,942)
Prepaid expenses	(10,860)	(21,447)
Accounts payable and accrued liabilities	(313,431)	9,145
Customer deposits	97,536	(184,414)
	<u>\$ (28,142,853)</u>	<u>\$ (585,604)</u>

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments of the Centre consist mainly of cash, contribution receivable from the Province of Ontario, accounts receivable and accounts payable. The carrying value of these amounts approximate their fair values given their short term nature.



OTTAWA CONGRESS CENTRE

NOTES TO FINANCIAL STATEMENTS**MARCH 31, 2006**

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)**Credit Risk**

The Centre provides credit to its customers in the normal course of business. The Centre performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses, which to date, have been within the range of management's expectations.

The Centre is exposed to credit risk in the event of non-performance by counterparties. The Centre's activities have a large number of diverse customers which minimizes concentration of credit risk.

Financing Available

The Centre has an unused line of credit of \$200,000. Interest is charged at prime plus 0.5%.

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the 2006 financial statement presentation. Specifically, deferred charges in the prior year reflect \$124,680 previously recorded in property, plant and equipment.

9. CONTINGENT LIABILITY

A Statement of Claim was issued August 2005. The plaintiff is seeking damages in relation to a November 2005 proposal request issued by the Congress Centre to provide architectural and engineering services design team for a major expansion of the Congress Centre's convention facility. The plaintiffs are claiming damages in respect of costs and expenses incurred in responding to the proposal together with lost profits totaling \$2 million dollars.

It is management's view, which is supported by legal counsel, that the claims are highly speculative and not likely to be successful, other than, perhaps, in relation to certain, arguably unnecessary costs incurred during the request for proposal interview process.

At this time, the arguably unnecessary costs incurred by the plaintiff are not measurable or determinable, it is management's view that these costs are insignificant in relation to the total amount claimed. No liability has been reported in the financial statements for these costs or the \$2 million dollar claim.



Schedule 1

OTTAWA CONGRESS CENTRE

DIRECT EXPENSES

FOR THE YEAR ENDED MARCH 31,

	2006	2005
China/glassware and cutlery	\$ 120,460	\$ 116,980
Credit card commissions	14,007	9,133
Dishwashing products	11,691	16,711
Equipment rentals	3,420	2,821
Flowers and decorations	46,816	93,334
Food and beverage	1,711,194	1,542,212
Full-time salaries	1,165,118	1,159,751
Laundry and linen	135,297	123,648
Liquor delivery	1,440	1,593
Menus and wine lists	1,588	-
Part-time labour	1,603,905	1,474,479
Ticket printing	2,414	635
Uniforms	20,027	13,280
	<u>\$ 4,837,377</u>	<u>\$ 4,554,577</u>

OTTAWA CONGRESS CENTRE

FACILITIES EXPENSES

FOR THE YEAR ENDED MARCH 31,

	2006	2005
Equipment rentals	\$ 8,826	\$ 10,491
Full-time salaries	628,915	701,751
Housekeeping	386,444	409,234
Licences and permits	6,059	3,720
Maintenance contracts	254,246	255,338
Maintenance supplies	62,899	54,094
Meeting materials	1,241	7,702
Part-time labour	138,126	148,979
Security	202,785	204,966
Uniforms	22,311	13,244
Utilities	473,402	397,487
	<u>\$ 2,185,254</u>	<u>\$ 2,207,006</u>

(The accompanying notes are an integral part of these financial statements)



Schedule 2

OTTAWA CONGRESS CENTRE

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED MARCH 31,	2006	2005
Advertising and promotion	\$ 309,205	\$ 360,982
Associations and memberships	19,760	20,047
Bad debts	14,616	12,116
Bank charges and interest	19,618	21,180
Consulting fees	5,723	3,190
Directors' fees	13,250	16,500
Insurance	113,711	118,219
Office expenses	141,756	145,223
Postage and delivery	14,648	14,107
Professional fees	90,169	48,017
Salaries and benefits	2,042,318	1,931,045
Telephone	57,954	50,324
Travel	38,640	44,694
	<u>\$ 2,881,368</u>	<u>\$ 2,785,644</u>

(The accompanying notes are an integral part of these financial statements)

