

2004-05 ANNUAL REPORT

OTTAWA CONGRESS CENTRE





Management Team

DAVID HAMILTON,
President

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

JOHN DOOLEY,
Director, Engineering

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

Board of Directors

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

SHANE BENNETT
August 21, 2003 to August 20, 2006

BOB CHIARELLI
January 1, 1998 to March 31, 2005

PHILIP B. DOWNEY
January 15, 1997 to September 24, 2003

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

WAYNE FRENCH
October 1, 1996 to August 5, 2006

EDWARD C. GORDON
May 27, 1998 to August 5, 2006

ANDRÉE LORTIE
August 21, 2003 to August 20, 2006
(resigned February 18, 2005)

MARK MAHEU
August 21, 2003 to August 20, 2006
(resigned August 25, 2004)

LAWRENCE M. MALLOY
January 1, 1996 to August 20, 2006

COLIN MCSWEENEY
September 24, 2003
to September 23, 2006

MICHAEL G. TEETER
January 1, 1999 to March 31, 2005



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An Agency of the Province of Ontario

Letter from the Chair

RECOVERY, PERFORMANCE, RENEWAL

The operating year reported on herein saw the Canadian tourism and convention sector begin a slow recovery from the lows of 2003, the Ottawa Congress retain its leadership position amongst the country's convention facilities, and plans to expand the Centre take significant steps forward.



While by no means a stellar period for the country's tourism sector, 2004/05 returned to a degree of stability after several challenging years. Both business and leisure travel began to show modest increases, with meetings and conventions following suit. As detailed in the President's message and financial statements in this report—the Centre maintained its steady revenue flow and posted an operational surplus for the ninth consecutive year.

The Ottawa Congress Centre also continued to outperform all Canadian Tier 2 (under 100,000 square feet) meeting facilities. According to the Pannell Kerr Forrester annual Canadian Convention Centre Survey, the Centre's revenue per square foot, average cover and occupancy rates exceeded those of Tier 2 facilities by 47 – 93%. The Centre even outperformed three of seven Tier 1 facilities in the country. This continued, consistently high level of performance is a testament to the dedication, innovation, and talents of the Centre's management and staff.

2004/05 also brought good news for Ottawa on destination marketing: a new voluntary fee levied by members of Ottawa Gatineau Hoteliers Association began to inject significant financial resources into marketing Ottawa to leisure, convention and travel trade markets. This has enabled the destination to increase its presence and profile in the meetings and conventions space, while putting more sales feet on the street in key Canadian and U.S. markets. The Ottawa Congress Centre has continued to partner with the city's hoteliers and destination marketing organization, Ottawa Tourism, to leverage enhanced marketing funds into more business for the city and the Centre.

Expanded marketing will be a key to the success of an expanded Ottawa Congress Centre. The expansion initiative, supported by all three levels of government, made significant strides during 2004/05. Funding agreements are being negotiated and the Expansion Business Plan was finalized. And a Project Management Team was put in place, with the Centre's Executive Vice-President, Joan Culliton, appointed COO, Expansion.

The year ahead will be a pivotal one for the tourism sector and for the important Ottawa Congress Centre expansion initiative. Excitement is building at the Centre, in the community and amongst the customers who will benefit from the renewal of an expanded Ottawa Congress Centre.

Philip B. Downey
Chairman

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

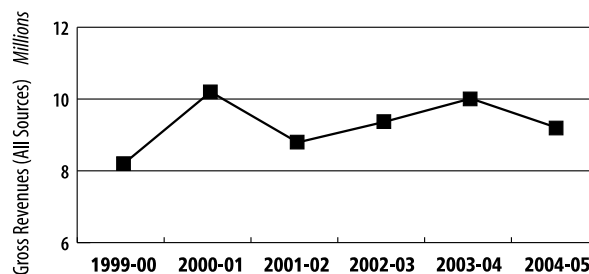
President's Report



Financial Analysis

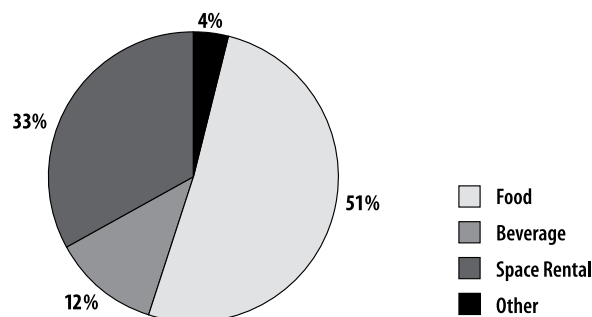
During fiscal 2004-05, the Ottawa Congress Centre posted its ninth consecutive operating surplus, with revenues of just under \$10 million. Concurrently, the Canadian Tourism Research Institute found the Centre had directly lost over \$4 million due to its inability to host larger meetings and conventions, further supporting the business rationale for an expanded Centre. With this in mind, the Centre's Board and Senior Management continued to work diligently throughout the year to develop the Centre's expansion program framework.

Revenue Trend Analysis



Revenue on the year dipped slightly compared to the previous two years as the Centre continued to feel the lagging impact of the dramatic downturn in tourism and travel that marked the early part of this decade. Food and space rentals were again the main sources of revenue, with a slight increase in beverage sales credited to a new wine program introduced in Fall 2004. The Centre's operational surplus was down due to a modest decrease in revenues and restructuring expenses.

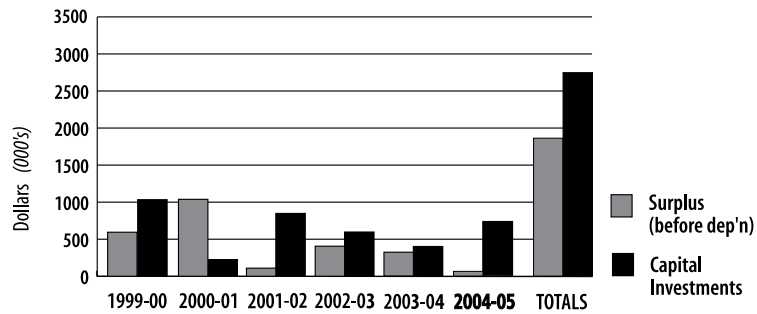
Revenue Mix 2004-2005



Capital Expenditures list

While the Centre's 20-year-old physical structure continues to be in need of repair and update, minimal capital expenditures were made in this regard as these improvements are included as a component of the planned expansion. Expenses related to the expansion initiative on the year included fees for project management and consulting services.

Investment of Surplus Funds



Noteworthy capital expenditures for fiscal year 2004/05 included:

Furnishings and Equipment	\$ 42,723
Computer Upgrade	\$ 20,420
Building	\$ 15,561
Expansion	\$ 632,021

Operational Highlights/Analysis

During 2004 – 05, the Centre undertook an operational restructuring to align operations more closely with corporate objectives as these relate to labour utilization, internal and external customer service, revenue maximization, and enhanced product development. The restructuring, undertaken with a view toward preparing for expansion, affected Finance, Human Resources, Corporate Services and Convention Services.

While conventions and meetings continue to make up the lion's share of the Centre's business mix, there has been growth in consumer and trade shows and an increase in food and beverage events. Ottawa's rebounding technology sector now represents over 10 percent of the Centre's business, with just over 20 percent coming from the Federal Government, the Centre's largest single source of business.

Innovative product development continues to be a key differentiator and area of focus for the Centre. Our in-house Executive Chef and Sommelier combine their talents to introduce new menus each season of the year—making the Centre one of a select few offering this unique variety and choice.

The Centre continues to value and build upon the strong relationships it has nurtured over the years with industry partners and community organizations. Our partnerships with the Canadian Tourism Commission, the Ontario Marketing Partnership Corporation, the Ottawa Gatineau Hotel Association, the Ottawa Airport Authority and Viking Rideau Corporation afford us the opportunity to extend our reach and our message to a wider audience.

In particular, we are pleased with the new direction that Ottawa Tourism has taken now that it has secured additional resources through the implementation of the Destination Marketing Fee, initiated by the Ottawa Gatineau Hotel Association.

In all, 2004-05 was a year during which we continued to work diligently to build our business with a view to the future and the exciting prospects that an expansion will bring for the Centre, the Ottawa community and the tourism sector in the Nation's Capital.

Thanks to the Board of Directors, Management and staff for their support and contribution to making 2004-05 a year that we can all look back upon with satisfaction and a sense of continued accomplishment.

David Hamilton
President

OTTAWA CONGRESS CENTRE

FINANCIAL STATEMENTS

MARCH 31, 2005





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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, 2005 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, 2005 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 2, 2005

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

OTTAWA CONGRESS CENTRE

FINANCIAL STATEMENTS

MARCH 31, 2005

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OTTAWA CONGRESS CENTRE

BALANCE SHEET

AS AT MARCH 31,

2005

2004

ASSETS**Current**

Cash	\$ 2,435,982	\$ 1,658,869
Accounts receivable	831,790	466,843
Inventory	189,436	165,494
Prepaid expenses	109,572	88,125

	<u>3,566,780</u>	<u>2,379,331</u>
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Property, plant and equipment (note 3)

	2,536,849	2,752,055
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Deferred charges (note 2)

	632,022	-
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	<u>\$ 6,735,651</u>	<u>\$ 5,131,386</u>
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LIABILITIES**Current**

Accounts payable and accrued liabilities	\$ 1,098,139	\$ 1,088,994
Customer deposits	1,138,568	1,322,981

	<u>2,236,707</u>	<u>2,411,975</u>
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**Deferred contributions related to property,
plant and equipment** (note 4)

	2,743,613	836,452
--	-----------	---------

	<u>4,980,320</u>	<u>3,248,427</u>
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NET ASSETS**Invested in property, plant and equipment
Unrestricted**

	1,793,235	1,915,602
	(37,904)	(32,643)

	<u>1,755,331</u>	<u>1,882,959</u>
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	<u>\$ 6,735,651</u>	<u>\$ 5,131,386</u>
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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,

2005

2004

Revenue

Food	\$ 4,977,565	\$ 5,153,491
Beverage	1,113,939	1,117,473
Space rental	3,139,958	3,318,319
Customer service	385,104	362,201
Partnerships	(11,785)	11,299
Interest	15,888	36,659
	<u>9,620,669</u>	<u>9,999,442</u>

Expenses - Schedule 1 and 2

Direct	4,554,577	4,548,124
Facilities	2,207,006	2,376,041
Selling, general and administrative	2,785,644	2,766,716
	<u>9,547,227</u>	<u>9,690,881</u>

**Operating excess of revenue over expenses
before undernoted items**

73,442 308,561

Amortization of property, plant and equipment

(293,908) (288,986)

Amortization of deferred contributions**related to property, plant and equipment (note 4)**92,838 92,462**Excess of revenue over expenses
(expenses over revenue)**\$ (127,628) \$ 112,037

(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, 2005

	Invested in Capital Assets	Unrestricted	Total 2005	Total 2004
Balance, April 1	\$ 1,915,602	\$ (32,643)	\$ 1,882,959	\$ 1,770,922
Excess of revenue over expenses (expenses over revenue)		(127,628)	(127,628)	112,037
Additions to property, plant and equipment	78,703	(78,703)		
Amortization of property, plant and equipment	(293,908)	293,908		
Amortization of deferred contributions related to property, plant and equipment	92,838	(92,838)		
Balance, March 31	<u>\$ 1,793,235</u>	<u>\$ (37,904)</u>	<u>\$ 1,755,331</u>	<u>\$ 1,882,959</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,

2005

2004

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

Operating Activities

Operations

Excess of revenue over expenses
(expenses over revenue)

\$ (127,628) \$ 112,037

Add back non-cash outlays:

Amortization of property, plant and equipment

293,908 288,986

Amortization of deferred contributions

related to property, plant and equipment

(92,838) (92,462)

73,442 308,561

Net change in non-cash working capital balances (note 5)

(585,604) 261,826(512,162) 570,387

Investing Activities

Additions to property, plant and equipment

(78,703) (367,719)

Expansion costs

(632,022) -(710,725) (367,719)

Financing Activities

Contributions related to property, plant and equipment

2,000,000 -

Net cash inflow

777,113 202,668

Cash position, April 1

1,658,869 1,456,201

Cash position, March 31

\$ 2,435,982 \$ 1,658,869

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



OTTAWA CONGRESS CENTRE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

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

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.

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
Accounting software	10 years straight line

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



OTTAWA CONGRESS CENTRE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Deferred Charges**

Deferred charges relate to costs pertaining directly to the expansion of the Centre's building facility but 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

	2005		2004	
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Building	\$ 1,559,643	\$ 289,497	\$ 1,270,146	\$ 1,295,739
Computer hardware and software	659,612	579,505	80,107	77,802
Furniture, equipment and fixtures	4,014,290	2,827,694	1,186,596	1,378,514
	<u>\$ 6,233,545</u>	<u>\$ 3,696,696</u>	<u>\$ 2,536,849</u>	<u>\$ 2,752,055</u>

4. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY, PLANT AND EQUIPMENT

Deferred contributions consist of amounts received from the Province of Ontario for the purchase of property, plant and equipment. They are credited to revenue as the property, plant and equipment are amortized. During the year, \$2,000,000 was received and deferred contributions of \$92,838 (2004 - \$92,462) were recognized as revenue.



OTTAWA CONGRESS CENTRE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

5. STATEMENT OF CASH FLOWS

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

	<u>2005</u>	<u>2004</u>
Accounts receivable	\$ (364,947)	\$ 124,055
Inventory	(23,942)	(14,647)
Prepaid expenses	(21,447)	126
Accounts payable and accrued liabilities	9,145	212,288
Customer deposits	(184,413)	(59,996)
	<u>\$ (585,604)</u>	<u>\$ 261,826</u>

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments of the Centre consist mainly of cash, accounts receivable, accounts payable and accrued liabilities and customer deposits. The carrying value of these amounts approximate their fair values given their short term nature.

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 which is guaranteed by the Province of Ontario. Interest is charged at prime plus 0.5%.



NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

7. RESTRUCTURING

During the current year, the Centre completed an internal staff review which resulted in the termination of four employees all of whom received severance and termination benefits. Pursuant to the terms of the severance packages, certain employees opted for a continuation of salary and benefits for periods ranging from 3 to 42 weeks. Should these employees obtain alternate employment during the continuance period, the Centre is obligated to pay them a lump sum equal to 50% of the continued salary unpaid as at that time, in lieu of further salary continuance. The maximum potential cost to be incurred under this restructuring is \$118,201.

As at March 31, 2005, the Centre has accrued \$65,840 in severance liability being management's best estimate of the remaining obligation given the uncertainty resulting from the alternate employment clause of the severance packages. Severance and termination costs of \$118,201 were charged against earnings during the year.



Schedule 1

OTTAWA CONGRESS CENTRE**DIRECT EXPENSES****FOR THE YEAR ENDED MARCH 31,****2005****2004**

China/glassware and cutlery	\$ 116,980	\$ 106,260
Credit card commissions	9,133	14,846
Dishwashing products	16,711	18,775
Equipment rentals	2,821	2,697
Flowers and decorations	93,334	82,425
Food and beverage	1,542,212	1,544,177
Full-time salaries	1,159,751	1,004,452
Laundry and linen	123,648	120,842
Liquor delivery	1,593	1,229
Menus and wine lists	-	1,348
Part-time labour	1,474,479	1,605,935
Ticket printing	635	-
Uniforms	13,280	45,138
	<u>\$ 4,554,577</u>	<u>\$ 4,548,124</u>

OTTAWA CONGRESS CENTRE**FACILITIES EXPENSES****FOR THE YEAR ENDED MARCH 31,****2005****2004**

Consulting fees	\$ -	\$ 385
Equipment rentals	10,491	10,399
Full-time salaries	701,751	901,705
Housekeeping	409,234	348,784
Licences and permits	3,720	7,876
Maintenance contracts	255,338	287,971
Maintenance supplies	54,094	64,517
Meeting materials	7,702	7,218
Part-time labour	148,979	148,679
Security	204,966	224,291
Uniforms	13,244	23,933
Utilities	397,487	350,283
	<u>\$ 2,207,006</u>	<u>\$ 2,376,041</u>



Schedule 2

OTTAWA CONGRESS CENTRE

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED MARCH 31,	2005	2004
Advertising and promotion	\$ 360,982	\$ 292,790
Associations and memberships	20,047	21,570
Bad debts	12,116	42
Bank charges and interest	21,180	20,297
Consulting fees	3,190	5,892
Directors' fees	16,500	20,466
Insurance	118,219	109,038
Office expenses	145,223	154,047
Postage and delivery	14,107	11,695
Professional fees	48,017	80,115
Salaries and benefits	1,931,045	1,955,919
Telephone	50,324	46,637
Travel	44,694	48,208
	<u>\$ 2,785,644</u>	<u>\$ 2,766,716</u>



TABLE 1
Taxes Generated Through Ottawa Congress Centre Operations

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Provincial Taxes Generated						
Employee Income Tax	\$ 250,665	\$ 244,154	\$ 244,151	\$ 252,713	\$ 278,834	\$ 281,862
Employee Health Tax	86,330	111,945	110,877	113,094	126,034	109,360
PST (Revenues)	380,256	543,180	412,376	418,219	439,191	451,318
Alcohol Tax (purchases)	160,107	216,513	172,817	153,696	163,650	178,304
Total Provincial Taxes	\$ 877,358	\$ 1,115,792	\$ 940,221	\$ 937,722	\$ 1,007,708	\$ 1,020,844
Federal Taxes Generated						
EI (employee)	\$ 96,069	\$ 112,855	\$ 106,915	\$ 108,278	\$ 107,431	\$ 97,264
EI (employer)	126,675	148,965	140,288	141,819	140,335	126,150
CPP (employee)	104,044	147,040	165,751	191,654	210,149	202,758
CPP (employer)	104,044	147,040	165,751	191,654	210,149	202,758
Employee Income Tax	465,520	634,731	634,723	656,982	630,861	677,505
Goods and Services Tax (Net)	435,939	611,653	493,402	560,374	612,843	555,195
Alcohol Tax (purchases)	48,924	83,330	66,513	59,154	62,985	68,625
Total Federal Taxes	\$1,381,215	\$1,885,614	\$1,773,343	\$1,909,914	\$1,974,753	\$1,930,254
Other Taxes Generated						
RMOC - Water	\$ 43,371	\$ 38,551	\$ 30,943	\$ 43,653	\$ 41,993	\$ 38,914
Annual Total Taxes	\$2,301,944	\$3,039,957	\$2,744,507	\$2,891,290	\$3,024,454	\$2,990,013