

16.

TRADE CENTRE LIMITED

BACKGROUND

16.1 Trade Centre Limited (TCL) was created in November 1981 by Order in Council and incorporated under the Nova Scotia Companies Act. The Province of Nova Scotia is the beneficial owner of all shares of the Corporation, which reports to the Minister of the Office of Economic Development.

16.2 The Order in Council establishing TCL indicates it was created “*for the purpose of constructing, managing and controlling Phase II of the Metro Centre Complex*”. This mandate indicates that the Corporation’s primary purpose is to oversee and administer the activities related to the complex. A secondary purpose, flowing from the first, is to actively promote the facility, Halifax Regional Municipality and Nova Scotia.

16.3 TCL’s operations are under the direct supervision of the President and Chief Executive Officer (CEO) who reports to a twelve-member Board of Directors (see Exhibit 16.1 on page 268). All Board members are appointed by the Executive Council. Four Board members are appointed upon nomination by the Halifax Regional Municipality (HRM).

16.4 TCL’s operation is comprised of seven distinct operating units.

- Atlantic Canada World Trade Centre (to encourage and promote international trade)
- World Trade and Convention Centre (a meeting and convention facility)
- World Trade Centre Tower (consisting of leasable office space)
- Halifax Metro Centre (managed under agreement for the Halifax Regional Municipality)
- Maritime Fall Fair Association (to operate the annual agricultural fair)
- Events Halifax (to encourage and promote events in Halifax)
- Exhibition Park (transferred to TCL in 2001)

16.5 Our Office conducted a review of selected aspects of the operations of Trade Centre Limited in 1993 with a follow-up in 1994. The 1994 follow-up Report noted some progress had been made in addressing the findings noted in our 1993 Report. The 1994 follow-up review also noted plans to address the remaining findings.

16.6 Certain, but not all, matters reported upon in our 1993 and 1994 Reports have been addressed either by the actions of Trade Centre Limited or by government initiatives. Matters not fully addressed have been reconsidered and, if appropriate, included in this Report.

16.7 TCL’s operating results have shown improvement since 1993. Current operating expenses have increased by 46.3% over 1993 levels, while revenues have risen by 79.1% over the same period.

As a result, current operating losses have declined by approximately \$970,000 as compared to 1993. TCL's annual operating results are summarized in Exhibit 16.2 on page 269.

16.8 For the year ended March 31, 2002, TCL reported a loss of \$1,575,312 (2001 - \$1,272,024). TCL had accumulated deficits of \$27,558,511 as at March 31, 2002 (2001 - \$25,983,199). Accumulated depreciation on facilities represented 68.1% and 67.2% of the accumulated deficits of TCL at March 31, 2002 and 2001, respectively. TCL had a staff complement of 80 permanent positions at the time of this assignment. TCL also employs part-time and casual staff, based on levels of activity.

16.9 The Province currently leases approximately 55% of the available office space of TCL's Office Tower. The rental income from these leases accounts for over 75% of the total Office Tower rental revenue. The Province continues to sole-source office space from TCL.

16.10 The current review was substantially performed in January and February 2002, and completed in October 2002. The mandate for this review is provided by Sections 8 and 17 of the Auditor General Act.

RESULTS IN BRIEF

16.11 The following are the principal results from this year's review.

- Trade Centre Limited's formal governance and accountability arrangements need to be modernized. In our view, this should include defining comprehensive corporate bylaws and terms of reference for Board committees. We were advised that the TCL Board recently initiated a process aimed at updating and improving the governance and accountability arrangements for the Corporation.
- The agreement with Halifax Regional Municipality dated May 14, 1982 for the management of the Halifax Metro Centre should be reviewed to ensure it appropriately reflects current circumstances, including cost allocation or sharing arrangements and indemnities for TCL for contracts and operations related to Halifax Metro Centre.
- TCL has well-established and understood internal business and communication processes which include monthly internal financial reporting. Management has initiated a business process and organizational review using external consulting resources which is intended to identify opportunities for improvement. TCL has established performance indicators and targets for its business divisions and for the Corporation but has yet to initiate formal external reporting against these indicators and targets.
- TCL entered into a contract with the Canadian Hockey Association (CHA) in which TCL guaranteed CHA a minimum profit of \$3 million on the World Junior Hockey Championships. The Provincial Finance Act requires Executive Council authorization for guarantees. The required authorization was not obtained. The Corporation indicated these statutory requirements were not communicated to TCL and that providing event performance guarantees is in the normal course of business.
- TCL's senior management were paid annual bonuses for the years ended March 31, 1997 to March 31, 2001 based on the recommendation of the CEO. Bonus eligibility and amounts were determined by the CEO. In the earlier years, bonuses were

approved by the full Board and in later years by the Executive Committee of the Board. A formal process and criteria for determining bonus amounts and eligibility should be defined, implemented and documented.

SCOPE OF REVIEW

16.12 The objective of this assignment was to examine selected aspects of the operations of Trade Centre Limited to determine the adequacy of:

- systems and controls;
- compliance with statutory or other requirements; and
- due regard for economy.

16.13 The selected aspects of TCL's operations subject to review were:

- governance and accountability; and
- business line and performance management.

16.14 Criteria were developed to assist in the planning and conduct of the assignment. Our approach included interviews with senior management and the Chair of the Board, a survey of current and selected past Board members and an examination of legislation, Board and Executive Committee minutes and other documentation. We reviewed information necessary to support our assessment of the objectives, criteria, and management's representations regarding actions taken to address the findings noted in our 1993 and 1994 Reports.

PRINCIPAL FINDINGS

Governance and Accountability

16.15 Upon incorporation of TCL in 1981, the Articles of Association were prepared. The Articles of Association serve as the bylaws for TCL but have not been updated since incorporation. Since 1981, there have been developments in the areas of corporate governance, management and accountability as well as statutory changes which impact the operations of TCL.

16.16 The day-to-day management of TCL is the responsibility of the President and CEO supported by senior management. The overall governance and management of the Corporation is the responsibility of the Board of Directors. A chart describing the governance and accountability relationships for TCL can be found in Exhibit 16.1 on page 268.

16.17 Under the current Board member recruitment process, for Board members nominated by the Province, a general notice for interested parties is issued. Interested candidates forward a covering letter and résumé to the Executive Council Office. Applications are then forwarded to the Office of Economic Development and reviewed by a screening panel. The names and applications of qualified candidates are forwarded to the Minister of the Office of Economic Development. The Minister recommends the candidates for the Board positions. The Minister's recommendations are forwarded to the Executive Council which then forwards them to the Human Resources Committee comprised of Members of the House of Assembly representing all parties. Candidate qualifications are reviewed by the Committee and if approved, a recommendation is made to Executive Council for formal appointment to the Board.

16.18 Based on a discussion with the Chair of the Board and a review of survey responses, the Board of TCL is not involved in the current Board member recruitment process. The Chair of the Board indicated there is a need for the Board to be involved in the Board member recruitment process. She also expressed a willingness to participate in such a process.

16.19 Our review indicated TCL's formal governance and accountability arrangements need to be modernized. In our view, this should include defining comprehensive corporate bylaws and terms of reference for Board committees. We were advised that the TCL Board recently initiated a process aimed at updating and improving the governance and accountability arrangements for the Corporation.

16.20 The formal roles and responsibilities of the Board, the Chair and the CEO should be defined and documented in sufficient detail to clarify specific accountabilities and expected standards, as well as to facilitate performance evaluations.

16.21 There should be a formal job description or accountability statement for the CEO position. The current contract, which was renewed in January 1999, requires the CEO "*to faithfully, honestly and diligently serve as Chief Executive Officer, World Trade and Convention Centre under the direction of the Minister of Economic Development and Tourism.*" The contract does not provide any additional description or accountabilities for the position.

16.22 The contract with the CEO should include requirements for annual performance evaluations and reporting to government on the level of achievement of objectives. The contract should also include specified performance standards and expectations.

Recommendation 16.1

We recommend Trade Centre Limited's formal governance and accountability arrangements be modernized.

16.23 During the course of our review, the following compliance issues were noted.

- In December 2000, TCL entered into a contract with the Canadian Hockey Association (CHA) in which TCL guaranteed CHA a minimum net profit of \$3 million on the World Junior Hockey Championships to be held in Halifax commencing in December 2002. The Executive Council authorization for guarantees, required under the Provincial Finance Act, was not obtained prior to the signing of the agreement for this event. TCL indicated that it was not made aware of the requirement for Executive Council approval for such financial transactions and obligations and that providing event performance guarantees is in the normal course of business. The need for TCL to provide guarantees should be reconciled with the applicable provisions of the Provincial Finance Act which require prior Executive Council approval.

Recommendation 16.2

We recommend Trade Centre Limited and the government reconcile the Corporation's need to issue event performance guarantees with the requirements of the Provincial Finance Act for prior Executive Council approval.

- The Corporation has a performance bonus system in place for senior management. TCL senior management indicated that they had been advised by the Director of the Pension Services Group at the Department of Finance that the bonuses were not pensionable. However, the policy statement from the Department of Finance's Pension Services Group states "*a performance based bonus paid to a member of the Public Service Superannuation Plan will be treated as salary as defined in subsection 2(j) of the Public Service Superannuation Act.*" Therefore, it appears the bonuses paid by TCL were pensionable. See Exhibit 16.3 on page 270 for summary information on senior management compensation.

TCL's bonus payments to senior management, who are members of the Public Service Superannuation Plan, were not included in determination of salary for purposes of the calculation of pensionable earnings as required by the Public Service Superannuation Plan. As a result, required contributions to the Public Service Superannuation Fund were not made for fiscal years 1997 to 2001.

- The Public Sector Compensation (1994-1997) Act was in force for the period April 29, 1994 to October 31, 1997. During our review, we noted increases in senior management annual compensation rates in 1997. We also noted the approval of senior management bonuses on June 24, 1997 totaling \$82,000. These bonus amounts were budgeted for and included in the operating results of TCL for the year ended March 31, 1997 and distributed on November 17, 1997.

Recommendation 16.3

We recommend government, through the Department of Finance or Treasury and Policy Board, establish a communication strategy or process to ensure relevant statutory, policy or other requirements and initiatives are effectively communicated on a timely basis to all entities, their governing bodies and senior management included in the Government Reporting Entity. We also recommend TCL put in place a process to ensure the Corporation is aware of and in compliance with statutory or other requirements affecting its operations.

16.24 The Halifax Metro Centre (HMC) is managed by TCL under the agreement with the Halifax Regional Municipality dated May 14, 1982. HMC operating deficits are the responsibility of HRM and profits accrue to HRM. All contracts related to the operations of HMC are entered into by TCL.

16.25 Based on our review of the Halifax Metro Centre management agreement between TCL and Halifax Regional Municipality and discussions with senior management, there is no formal methodology for the allocation of costs between TCL and HRM. The HMC management agreement was unclear with respect to TCL's legal obligations relating to HMC operations. As a result, we were unable to assess the appropriateness of certain cost allocations or the legal obligations of TCL for HMC contracts and other operational agreements signed by TCL.

Recommendation 16.4

We recommend the agreement with Halifax Regional Municipality for the management of the Halifax Metro Centre be reviewed to ensure it appropriately reflects current circumstances, including cost allocation or sharing arrangements, and properly indemnifies TCL for contracts and operational risks related to HMC.

Business Line and Performance Management

16.26 TCL has well-defined processes for the development, review, monitoring and approval of its operating and capital budgets and its business and strategic plans. These processes involve all members of senior management and the Board. These processes were not subject to a detailed review during this assignment.

16.27 The goals and objectives of the business lines are clearly identified, defined and communicated and are aligned with the goals and objectives of the Corporation. TCL has economic impact studies prepared for its operations every two to three years. We noted TCL has established performance indicators and targets for its business divisions and for the Corporation overall. However, it has yet to initiate formal external reporting against these indicators and targets.

Recommendation 16.5

We recommend Trade Centre Limited initiate formal external annual reporting of performance against indicators and targets.

16.28 Trade Centre Limited has a well-established system of monthly internal financial reporting. TCL also has established internal business and communication processes. Based on our discussions with management, these processes appear to be well understood. Management has initiated a business process and organizational review using external consulting resources which is intended to identify opportunities for improvement.

16.29 TCL has a bonus system in place for senior management, including the CEO. Amounts and eligibility are determined by the CEO based on an assessment of operating results, which includes subsidies from HRM and excludes other income. TCL's annual operating results are noted in Exhibit 16.2 on page 269. Management has indicated that bonuses were included in the budget for the years ended March 31, 1997 to March 31, 2001 (see Exhibit 16.3 on page 270). In the earlier years, approval was by the full Board while in later years approval was by the Executive Committee of the Board. The bonus process and criteria used to determine eligibility and amounts are not well-defined or documented.

Recommendation 16.6

We recommend Trade Centre Limited establish a more formal and documented process for determining eligibility and amounts of annual bonuses for senior management.

16.30 Bonuses paid to all members of senior management ranged from 6.3% to 25.0% of salary (i.e., \$3,500 to \$30,000). Total bonuses paid ranged from 17.2% to 39.6% of combined operating income for the years 1997 to 2000 (i.e., \$82,000 to \$100,000). Bonuses totalling \$89,500 were paid in 2001. Bonuses have not been paid in 2002.

16.31 Our Office conducted a compensation survey of the Provincial public sector in April 2000. The survey requested information on the salary and benefits being paid or provided in respect of employment in the Provincial public sector as at March 31, 2000. The survey requested information on other benefits such as bonuses. Information on TCL's bonus arrangements was not provided as part of the response submitted by the Corporation on May 10, 2000. TCL approved bonuses for the periods ended March 31, 1999 and 2000 on March 23, 1999 and May 16, 2000, respectively, with payment on March 30, 1999 and May 19, 2000, respectively. Management indicated that bonus amounts were included in TCL's budgets for these periods.

16.32 TCL currently utilizes the Province's payroll system but does not use it for the payment of bonuses to senior management. Use of the Province's payroll system for the payment of all employee compensation could avoid duplication of effort. The use of the Province's payroll system would also ensure compliance with existing statutory requirements (i.e., pension and tax withholdings).

16.33 We also noted the following with respect to the staff performance appraisal process.

- A review of senior management performance evaluations noted all had been completed, but six of the seven reviewed were not signed by the preparer and the employee. All performance evaluations should be signed by the preparer and the employee.
- Four of eight staff files reviewed did not contain performance evaluations or they were incomplete. Performance evaluations should be documented and completed on a timely basis.
- A review of staff position descriptions noted the position descriptions did not contain specific performance standards against which to evaluate staff. Performance standards should be established and clearly communicated and agreed to by staff.

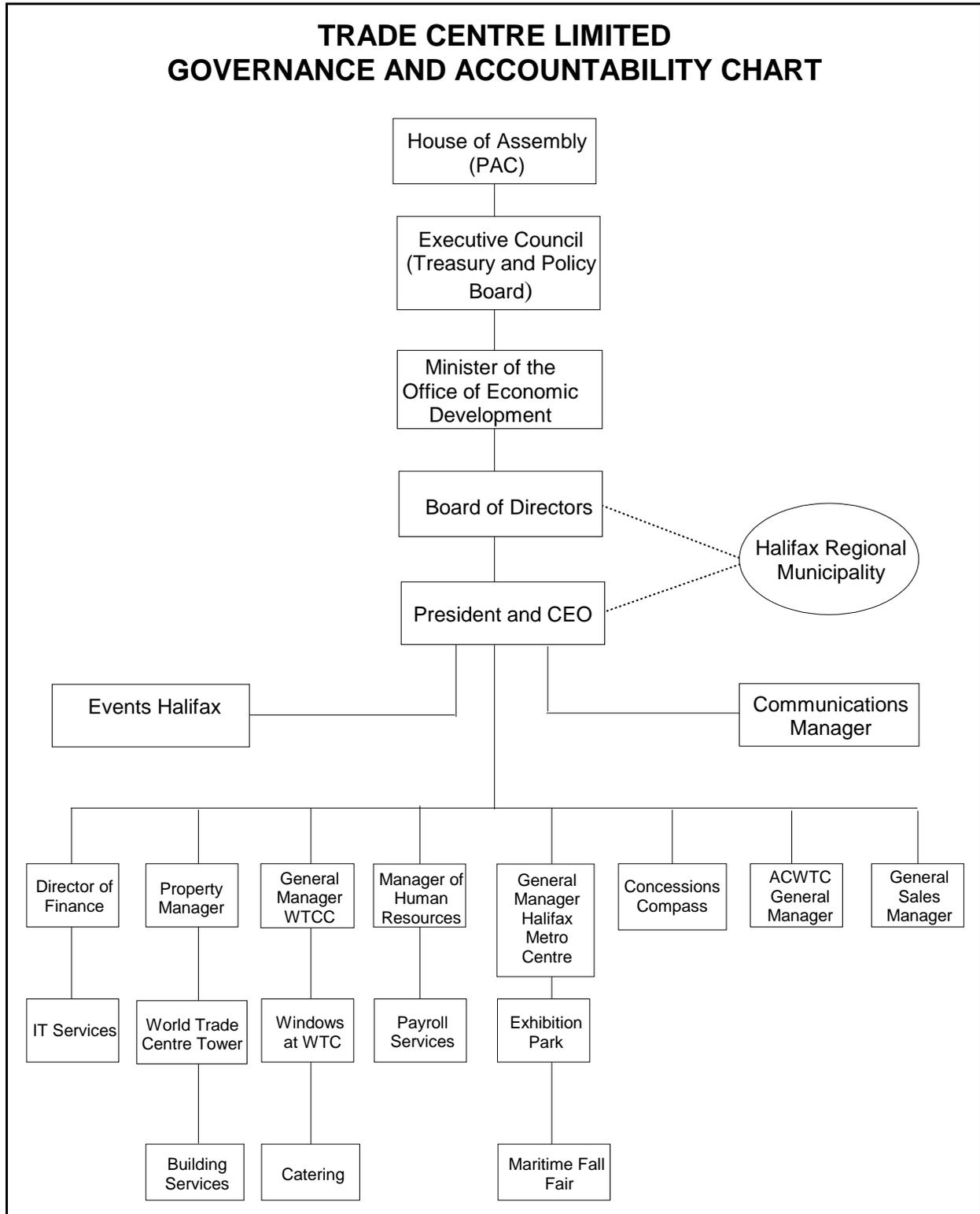
CONCLUDING REMARKS

16.34 Trade Centre Limited has been in operation for more than twenty years. It represents a significant and important infrastructure investment for the Province and the region.

16.35 Organizations such as TCL typically require periodic government support in order to maintain their operations and capital assets. TCL has not had to receive direct financial support from the Province for its operations since the fiscal year ended March 31, 1995. However, the facilities are more than twenty years old and there is currently no plan in place to address the long-term facility requirements of TCL. The government and TCL need to address this challenge to ensure TCL's ability to operate into the future.

16.36 TCL's Board and senior management should continue efforts to identify and implement improvements to the governance, accountability, and management policies and practices associated with the operations of the Corporation.

Exhibit 16.1



TRADE CENTRE LIMITED (EXCLUDING HALIFAX METRO CENTRE)
FINANCIAL HIGHLIGHTS SUMMARY
For the Years Ended March 31

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Revenues										
Convention Centre	\$ 2,571,465	\$ 3,088,114	\$ 3,802,500	\$ 4,127,398	\$ 4,117,489	\$ 4,496,698	\$ 4,223,703	\$ 5,190,150	\$ 5,122,152	\$ 4,440,049
Office Tower										
PNS	1,430,952	1,429,487	1,379,246	1,419,982	1,410,113	1,601,689	1,596,041	1,519,182	1,695,850	1,697,953
Other	251,687	257,142	446,049	452,131	369,870	378,850	341,082	463,040	428,342	416,640
Exhibition Park	-	-	-	-	-	-	-	-	1,479,383	1,558,984
ACWTC & Windows	521,137	486,430	369,909	441,731	621,193	638,167	691,791	627,766	659,147	585,926
Other income	120,110	61,016	112,710	163,807	150,339	114,104	248,383	274,898	166,425	72,854
Revenues	4,895,351	5,322,189	6,110,414	6,605,049	6,669,004	7,229,508	7,101,000	8,075,036	9,551,299	8,772,406
<i>Revenues % growth</i>	<i>n/a</i>	<i>8.72%</i>	<i>14.81%</i>	<i>8.09%</i>	<i>0.97%</i>	<i>8.40%</i>	<i>-1.78%</i>	<i>13.72%</i>	<i>18.28%</i>	<i>-8.15%</i>
Expenses	6,271,898	6,343,359	6,732,941	6,780,479	6,709,702	6,992,029	6,982,832	7,796,888	9,746,545	9,178,525
<i>Expenses % growth</i>	<i>n/a</i>	<i>1.14%</i>	<i>6.14%</i>	<i>0.71%</i>	<i>-1.04%</i>	<i>4.21%</i>	<i>-0.13%</i>	<i>11.66%</i>	<i>25.01%</i>	<i>-5.83%</i>
Operating income (loss)	(1,376,547)	(1,021,170)	(622,527)	(175,430)	(40,698)	237,479	118,168	278,148	(195,246)	(406,119)
Amortization and depreciation	(1,236,283)	(1,210,735)	(1,148,194)	(1,078,866)	(1,060,063)	(1,418,004)	(1,468,381)	(1,556,937)	(1,548,703)	(1,642,534)
HRM subsidy	416,117	420,074	425,020	430,290	442,763	445,862	449,206	457,292	471,925	473,341
NS operating subsidy (surplus)	1,080,540	662,112	310,217	(91,053)	(251,725)	-	-	-	-	-
Loss for year	\$ (1,116,173)	\$ (1,149,719)	\$ (1,035,484)	\$ (915,059)	\$ (909,723)	\$ (734,663)	\$ (901,007)	\$ (821,497)	\$ (1,272,024)	\$ (1,575,312)
Budgeted deficit for year	(2,380,000)	(2,357,000)	(2,248,000)	(1,570,000)	(1,240,053)	(1,765,000)	(975,000)	(975,000)	(975,000)	(1,539,561)
Budget variance	\$ 1,263,827	\$ 1,207,281	\$ 1,212,516	\$ 654,941	\$ 330,330	\$ 1,030,337	\$ 73,993	\$ 153,503	\$ (297,024)	\$ (35,751)

*Note: The above financial highlights are derived from the financial statements and related information of TCL.
n/a - not available*

Exhibit 16.3

TRADE CENTRE LIMITED SENIOR MANAGEMENT COMPENSATION For the Years Ended March 31						
	1997	1998	1999	2000	2001	2002
Trade Centre Limited (TCL)						
Operating income (loss) (before HRM subsidy, amortization, and operating subsidy)	\$ (40,698)	\$ 237,479	\$ 118,168	\$ 278,148	\$ (195,246)	\$ (406,119)
<i>Bonuses allocated</i>	<i>57,651</i>	<i>63,369</i>	<i>63,369</i>	<i>69,035</i>	<i>61,050</i>	-
Halifax Metro Centre (HMC)						
Operating income (loss)	165,549	194,263	65,081	38,919	44,960	232,373
<i>Bonuses allocated</i>	<i>24,349</i>	<i>26,631</i>	<i>26,631</i>	<i>30,965</i>	<i>28,450</i>	-
Combined Operations (TCL and HMC)						
Operating income (loss) (before HRM subsidy, amortization, and operating subsidy)	\$ 124,851	\$ 431,742	\$ 183,249	\$ 317,067	\$ (150,286)	\$ (173,746)
<i>Total bonuses</i>	<i>82,000</i>	<i>90,000</i>	<i>90,000</i>	<i>100,000</i>	<i>89,500</i>	-
Operating income (loss) before bonuses	\$ 206,851	\$ 521,742	\$ 273,249	\$ 417,067	\$ (60,786)	\$ (173,746)
Bonuses as a % of operating income before bonuses	39.6%	17.2%	32.9%	24.0%	n/a	n/a
Senior management salaries	\$ 542,265	\$ 639,863	\$ 674,298	\$ 728,245	\$ 678,092	\$ 679,771
Bonuses	82,000	90,000	90,000	100,000	89,500	-
Total	\$ 624,265	\$ 729,863	\$ 764,298	\$ 828,245	\$ 767,592	\$ 679,771
# of senior management staff	10	10	10	10	9	9
Bonuses as a % of individual salary						
Low	8.1%	8.2%	7.5%	6.6%	6.3%	n/a
High	25.0%	24.4%	23.6%	24.9%	23.1%	n/a
Increase in total senior management salaries	1.9%	18.0%	5.4%	8.0%	2.9%	0.0%
Increases as a % of individual salary						
Low	0.0%	11.5%	3.2%	0.0%	0.0%	0.0%
High	8.3%	64.4%	9.2%	13.1%	11.1%	0.0%

TRADE CENTRE LIMITED'S RESPONSE

Thank you for the opportunity to preview the Trade Centre Limited Draft Audit Report. I found the final report to be clearly documented and professionally presented. However, we do have a few points that I would like to see included in the published report for purposes of clarification as outlined in the attached documents.

Page 262 Results in Brief, Section 16.11

Paragraph 3

- *The remarks in this paragraph do not clarify between financial and non-financial performance measurements. Full financial measurement and reporting is done on monthly bases via our internal financial statements.*

Paragraph 4

- *Due to the business focus of both the Halifax Metro Centre and Events Halifax, an “event guarantee”, is a normal course of business, no matter what the amount. It is important to note that a business case must be made that neutralizes Trade Centre Limited’s risk, prior to moving forward. In this specific incident, the bid guarantee was fully supported by booked tickets equal to the guarantee when issued. The ticket orders were received in cash within six (6) months of the date of the guarantee.*

Page 264 Principal Findings, Governance and Accountability

Section 16.23

Paragraph 1

To reiterate,

- *Due to the business focus of both the Halifax Metro Centre and Events Halifax, an “event guarantee”, is a normal course of business, no matter what the amount. It is important to note that a business case must be made that neutralizes Trade Centre Limited’s risk, prior to moving forward. In this specific incident, the bid guarantee was fully supported by booked tickets equal to the guarantee when issued. The ticket orders were received in cash within six (6) months of the date of the guarantee.*

Paragraph 2

- *Trade Centre Limited discussed this issue with Pension Services. It appeared that the type of bonus given was not pensionable earnings according to the Public Service Superannuation Plan. Both Trade Centre Limited and the Director of Pension Services discussed all issues pertinent to the type of bonuses and determined that the amounts were not pensionable due to the following reasons:*

- *The management bonus did not form part of the contractual obligations with any of the employees to whom it was paid (i.e. not guaranteed and discretionary).*
- *The management bonus was based on the financial performance of the organization in any given year and at the discretion of the President with Board Approval.*
- *If the bonuses formed part of the employment contract. And if they were guaranteed if the performance goals and objectives were met, regardless of the organization's performance, then Trade Centre Limited would have ensured that pension deductions were remitted.*
- *To ensure future compliance, the Director of Pension Services has advised Trade Centre Limited that a legal opinion would be considered if this should arise again in the future. This will eliminate any possibility of a contradiction of the PSSA Act.*

Section 16.25

With reference to cost allocations between TCL and HMC - they are consistently reviewed on an annual basis and particularly at year-end to determine if changes or adjustments are required. The allocations are based upon actual direct costs identified at source, formulas based upon patterns of use over time and by actual metered charges. Our external auditors as part of their annual audit review examine the allocations on an annual basis.

Trade Centre Limited sought advice from Patterson Palmer Law our current legal advisors. We inquired as to the potential liability of Trade Centre Limited and its shareholders with respect to signing contracts relating to the Metro Centre and the liability of the Province of Nova Scotia as shareholder of Trade Centre Limited. The general nature of the contracts entered into by Trade Centre Limited do not appear to fall within any extraordinary circumstances in which the fundamental rule of company law (i.e. limited liability exists to protect shareholders from liability incurred by the company) might be lifted. Therefore, the separate legal status of Trade Centre Limited should be respected and the Province, as shareholder, would generally not have any liability as shareholder arising in respect of liabilities incurred by Trade Centre Limited.

Section 16.23

Paragraph 3

Trade Centre Limited was informed about the Public Sector Compensation Restraint (1994-1997) Act by the Public Sector Compensation Restraint Board. Trade Centre Limited worked diligently with the Compensation Restraint Board to ensure we followed the specifics of Bill 52. Timely information was received from the Chairperson and the Administrator & Chief Executive Officer of the Public Sector Compensation Restraint Board. Trade Centre Limited found the Board to be informative, timely and responsive to our questions and concerns.

Page 266 Principal Findings, Business Line and Performance Management*Section 16.27*

The remarks in this paragraph do not clarify between financial and non-financial performance measurements. Full financial measurement and reporting is done on monthly bases via our internal financial statements.

Section 16.28 and 16.29

*Trade Centre Limited does not agree with the analysis of operating income and as outlined in Exhibit 16.2 and 16.3. Please see **Exhibit A** as submitted by Trade Centre Limited. [Note that TCL's Exhibit A has not been included in this Report.]*

Trade Centre Limited financial reporting is in accordance with Generally Accepted Accounting Principles (GAAP). A review of the Public Accounts of the Province of Nova Scotia, Volume 2 Agencies and Funds for the fiscal year 2000-2001 reveals many examples where provincial grants and funding is reported as gross revenues. This is consistent with Trade Centre Limited reporting, in accordance with GAAP, as shown in our annual audited financial statements.

Exhibit 16.2 reports the Halifax Regional Municipality (HRM) payments as a subsidy to be reflected after operating income. These funds are guaranteed by the Agreement and are restricted to the support of the convention centre and its financial operations, and not for the general operation of Trade Centre Limited. Therefore, the HRM funds are more accurately reflected as a revenue item as it is reported in our audited financial statements.

*Bonus Amounts for Trade Centre Limited in Exhibit 16.3 have been restated to reflect the change in basis of measurement as defined by TCL, in our opinion **Exhibit B** is a more accurate representation. [Note that TCL's Exhibit B has not been included in this Report.]*

However, we feel Halifax Metro Centre information is outside the scope of this audit since the facility is owned by the Halifax Regional Municipality and only managed by Trade Centre Limited. Moreover, as our legal counsel has indicated there is no legal liability for the Province of Nova Scotia with respect to the HMC's operation.
