

2017 ANNUAL REPORT



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MESSAGE FROM THE CHAIR

This past year has been a prosperous year for our industry and an exciting year full of many successes for the organization and for Halifax.

From an industry perspective, 2017 was our fifth consecutive year of growth in overnight visitation representing 23% growth during this time period. This translates roughly into almost 300,000 more breakfasts, lunches, and dinners sold in our restaurants. It also means more shopping in our retail locations, and more people attending and participating in our cultural and entertainment experiences. Our growth is also being recognized abroad. Halifax was selected as one of the Top 10 Global Destinations on the Rise by TripAdvisor and this growth is helping fuel new investment in the tourism industry, our economy and our tax base.

This past year we introduced several important strategic changes, not the least of which was a relaunch of the company as Discover Halifax and the restructuring of our membership program. At the core of many of the organization's initiatives were two primary goals. First, we wanted to ensure our governance model was aligned to maximize engagement from all of our tourism businesses throughout the Halifax Regional Municipality, and to that end our membership was up 39% at year end. The second goal for the organization was to ensure that we continued to build and expand our highly successful programs of sales and marketing.



From an organization perspective, we are also starting to realize some of the benefits from changes introduced in 2016. Today, the company is achieving some of the best results in its history in both our sales and marketing programs. We are also very proud to have Discover Halifax named as Canada's leading Destination Marketing Organization by M+IT magazine.

I would like to express my sincere thanks to my colleagues on the Board of Directors for their commitment to the growth of the Halifax region. I would also like to acknowledge the commitment and vision of the management and staff at Discover Halifax.

Finally, I would like to thank our members for the excellent services, products, and experiences provided to our visitors and for your continued commitment to this industry.

Sincerely,

A handwritten signature in black ink that reads "Jeff Ransome". The signature is stylized with a large, looped "J" and a cursive "Ransome".

Jeff Ransome
Chair, Discover Halifax

MESSAGE FROM THE PRESIDENT AND CEO



To be globally recognized as Canada's Favourite City; this is our vision.

It is said that great vision statements are meant to be aspiring, ambitious, and even audacious. I will admit, having everyone on the planet know who we are, and recognize us as their favourite Canadian city, is audacious; but I would say we have the most important piece figured out. Consider this, we don't have to build a great place, we already have it. We are authentic, distinct, and we have the most welcoming people. We bring together all of the strengths from all of the communities that make up our region, from our beautiful pristine coastlines and charming communities to an urban core with the best facilities, all built on the most beautiful waterfront in the country. We have held a place in history and we are building towards a future that is second to none. If you think of it, to reach our vision we just need to tell our story to the rest of the world.

Telling our story is the cornerstone of our strategy and focus of everything we do, whether it is to win the next major conference or to continue the growth in our leisure market. Over the past few years we have been working hard to extend our reach and ability to tell the Halifax story. To this end, the restructuring undertaken in 2016 has helped us reduce administration costs, increase our investments in marketing and sales, and improve our capabilities. In the past three years, the reach of our leisure marketing campaigns has grown 336% and our website traffic up 176%. Similarly, we have increased our investment in our sales program for two consecutive years and we have grown the number of successful winning bids to 108 representing a total of 81,579 room nights. This represents a 61% increase in production from our best year ever.

In addition to strengthening our core programs, over the past year we made some significant changes to improve the value proposition for our membership and our visitors simultaneously. With the introduction of our new Visitor Experience Program, our strategy aims at providing a much deeper enrichment of content in

our "owned media" channels. Our objective is to provide visitors with compelling real things to do, purchase, and experience with the ultimate goal of driving conversion. With most of this new "enriched content" coming directly from our members' experiences, it is helping drive conversion not only for the destination but also for our members.

Some of the key projects introduced this past year in the Visitor Experience Program included the introduction of our new TV visitor channel now being broadcast 24-7 across hotels in Halifax, a complete overhaul of our website, introduction of our own visitor guide, public Wi-Fi landing pages and we made significant improvements to the group sales delegate welcome program. These programs help support the membership value proposition and are largely funded from our new pay-to-play model.

I am proud of the work we have done this past year, but success in our industry is a result of a true team approach and I would like to thank and recognize our many partners including Events East, our hotel partners, Tourism Nova Scotia, The Port of Halifax, and the Halifax Regional Municipality just to name a few. I would also like to especially recognize and thank our members for the tremendous work you do every day to meet and exceed our visitors' expectations.

Finally, I would like to thank the board of directors, the team at Discover Halifax and the many volunteers who contribute to the advancement of our industry and our vision of becoming globally recognized as the favorite city in Canada.

Sincerely,

Ross Jefferson
President and CEO

BOARD OF DIRECTORS

ANGELA BROWNE

Director of Operations, Comfort Inn

ELIZABETH NEWMAN

VP Sales & Marketing, RCR Hospitality Group

MICHELE SARAN

CEO, Tourism Nova Scotia

BRAD ANGUISH

Director, Parks & Recreation, Halifax

JEFF RANSOME

Chair, Discover Halifax
General Manager, Halifax Marriott Harbourfront

PAUL BRIGLEY

VP, Finance & CFO, Halifax International Airport Authority

CHARLES CLERK

President, Island Beach Company

JENNIFER ANGEL

Vice Chair VP Operations & Marketing, Waterfront Development Corp

RICHARD ARNOLD

Treasurer, Discover Halifax
President, Atlantic Tours

COUNCILLOR LISA BLACKBURN

Halifax

KATHLEEN O'HALLORAN

Director, Global Accounts,
Strategic Site Selection

ROBERTA DEXTER

President, Strategic Meeting Designs

DAVID CLARK

Secretary, Discover Halifax
General Manager, Atlantic Hotel Halifax

MAYOR MIKE SAVAGE

Halifax

ROSS JEFFERSON

(Ex Officio) President & CEO,
Discover Halifax

DISCOVER HALIFAX TEAM

ROSS JEFFERSON

President & Chief Executive Officer

MEGAN BARSS

Sales Coordinator

MICHELE BOURGEOIS

Travel Trade & Meeting Services Specialist

MICHELLE BRENTON

Vice President, Sales

KATIE CONKLIN

Marketing & Communications Manager

BRENDA COUPAR

Manager of Events

MITCHELL DONNELLY

Membership Recruitment Manager

ERICA PELLERIN

Vice President, Marketing & Visitor Experience

ANGELA PETRY

Executive Administrator

CATHERINE PORTER

Sales Director

ANNIE RANKMORE

Community Manager

TRACY RODGERS

Membership Manager

JANICE RUDDOCK

Sales Director

JEFF TURNER

Sales Director

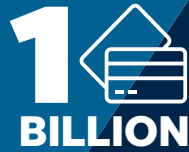


THE TOURISM ECONOMY IS IMPORTANT

IMPACT OF TOURISM



5.3
MILLION
OVERNIGHT STAYS PER YEAR



1
BILLION SPENT BY
VISITORS IN HALFAX EVERY YEAR

HALIFAX
=

54%
OF TOTAL PROVINCIAL
VISITATION

23,000
PEOPLE EMPLOYED
AND OVER

4,000
BUSINESSES



1 IN 27

PEOPLE IN HALIFAX ARE VISITORS

MEANING TOURISM ALSO IMPACTS
RETAIL STORES • SERVICES • DRY CLEANERS
CABS • DRUGSTORES • COFFEE SHOPS



MUNICIPAL TAX BENEFITS OF TOURISM



ESTIMATED
\$45.2
MILLION



LEVY TAX
\$3.2 MILLION
SUPPORTING MARKETING,
FESTIVALS AND EVENTS

PROPERTY TAXES FROM HOTELS

\$14
MILLION

PROPERTY TAXES FROM

1,600 OTHER
BUSINESSES
WHERE VISITORS
SPEND **70%** OF
THEIR MONEY

TAXES FROM

23,000 +

EMPLOYED BY TOURISM

TOURISM IS THE 5TH FASTEST GROWING INDUSTRY IN THE WORLD
OVER 5% ANNUALLY
(UNITED NATIONS WORLD TOURISM ORGANIZATION)

INVESTMENT IN TOURISM MARKETING HAS A HALO EFFECT
BY PROMOTING HALIFAX AS A GREAT PLACE TO:

☒ LIVE ☒ GO TO SCHOOL ☒ INVEST

DISCOVER HALIFAX BALANCED SCORECARD



CUSTOMERS	INNOVATIONS AND OPERATIONS	PEOPLE	FINANCIAL
<p>VISITATION STATISTICS</p> <p>Room Nights Sold: 1,555,859 (up 5.8%)</p> <p>Meetings & Conventions: 174 leads/bids submitted, 108 wins, representing 81,597 room nights (61% higher than our best year)</p> <p>Cruise: (Source: Port of Halifax) 173 cruise vessels 292,722 cruise passengers</p> <p>Airport Passengers: (Source: Halifax Stanfield International Airport) 4,083,188</p>	<ul style="list-style-type: none"> • New Membership and Visitor Experience Program Launched • Migrated to the Membership Module in our Customer Relationship Management System (CRM) • Redesign of Website and CRM Integration • Implementation of new Economic Impact Calculator in our CRM • On-line Visa Payment Integration with our CRM 	<ul style="list-style-type: none"> • Performance management program launched • Completion of Market Compensation Review • Training completed for several positions (Admin, Marketing, Sales) • Hired new Vice President of Sales 	<ul style="list-style-type: none"> • Continuation of organizational restructure and review of major contracts leading to approximately \$ 295,000+ in annual savings (2016-2017) • Design and launch of new Visitor Experience Program and new Marketing Partnerships. Target Revenue 2018 = \$172,000 • Active discussions on possible increase in Levy with Hotel Association. Additional Industry Contribution Target \$1.5 million
<p>MARKETING STATISTICS</p> <p>Total Reach of Campaigns: 42 Million Impressions, 8% annual growth (336 % three year growth)</p> <p>Website YTD: 1,350,455 sessions, 38% annual growth (176% three year)</p> <p>Social Media Following: 70% annual growth</p>			

MARKETING OVERVIEW



REFINING OUR STORY

In 2017 we took on the task of refining Halifax's brand story and positioning as it relates to visitors. Defining the heart and soul of the destination not only helps to provide our stakeholders with consistent, clear and compelling language to describe and promote Halifax, but it also increases brand awareness, recognition and consumer preference. After multiple stakeholder interviews, we landed on a vision to become globally recognized as **Canada's Favourite City**. The word favourite is an emotional one. We want to appeal to visitors' minds and hearts and create an experience that will leave a lasting impression, one they'll tell their friends and family about.

We also landed on a brand promise for Halifax as **A Perfect Balance**. Halifax provides the perfect balance of urban energy and a vibrant downtown juxtaposed by seaside, rural experiences that leave visitors feeling inspired. Halifax is a world-class city with a boutique feel. We embrace tradition and balance the past with a bold refreshing look forward. Halifax is authentic, diverse and simply put, there is just something special about it that draws visitors in and leaves them wanting more. Our new positioning is flexible. It allows us to promote Halifax in a way that best resonates with what visitors are looking for, whether it's seaside rural charm or vibrant urban energy.

MARKETING HIGHLIGHTS

From a marketing perspective, we continue to focus our efforts and media spend on the Maritime market. Representing 56.6% of visitation, Maritime visitors are five times the size of the next largest market, Ontario. As this market is looking for "urban experiences", our strategy is to focus on promoting Halifax as a vibrant urban centre with much to see and do and in 2017 there was no shortage of things to choose from. From the opening of the Discovery Centre and IKEA to major events such as Canada's 150th celebration, Rendez-Vous Tall Ships Regatta and the 100th Anniversary of the Halifax Explosion, 2017 was busy.

We launched four separate marketing campaigns totalling almost \$500,000 in media spend. They included the *Top 10 Reasons to visit in 2017*, *Summer Leisure Campaign* (events focused) as well as a *Dartmouth* and *Attractions* campaign in which we worked with strategic partners to pool funds and increase our reach. Other highlights included

sponsoring the Halifax page on TripAdvisor which allowed us to take over the majority of content and attending the Go Media conference in Halifax where we had 32 one-on-one interviews with hand-picked, top media from across Canada and the world.

Marketing results for 2017 were incredibly strong. The total reach of our campaigns generated 42 million impressions (8% increase vs. 2016, 336% three-year growth), our website received 1,350,455 visits (38% increase vs. 2016, 176% three-year growth) and our social media following grew to 118,000 (70% increase vs. 2016).

HALIFAX VISITORS

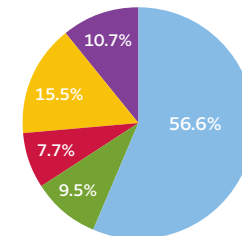
56.6% MARITIMES

9.5% ONTARIO

7.7% REST OF CANADA

15.5% USA

10.7% ALL OTHER



A LOOK AHEAD

As we look ahead to 2018, we remain very encouraged about our future. Kicking off the year, Halifax was named one of TripAdvisor's Top 10 Global Destinations on the Rise in 2018, an incredible accomplishment and one we should all be proud of. We will continue executing what has been a successful strategy for us and look to continue working with stakeholders, partners and members to make Halifax **Canada's Favourite City**.



Erica Pellerin,
VP, Marketing and
Visitor Experience

2017 MARKETING CAMPAIGNS



TOP 17 IN 2017

THERE'S NEVER BEEN A BETTER TIME TO VISIT HALIFAX

HALIFAX
NOVA SCOTIA • CANADA

NEW DISCOVERY CENTRE OPENING

JANUARY
The New Discovery Centre and historic STEAM-powered galleries, an interactive lab, a travelling Entails Gallery and an Immersive Dome Theatre. It will open in late January at 1275 Linear Street.

discoverycentre.ca

SAVOUR FOOD AND WINE FESTIVAL

JANUARY-MARCH
The Savor Food and Wine Festival is a series of five unique culinary and beverage events that showcase delicious local food, beverage, wine, creative cocktails and craft beer.

The Savor Food and Wine Festival brings together Nova Scotia's best chefs, winemakers, wine and food makers to host an elite food and beverage showcase all in one exciting festival season.

A fantastic reason to visit Halifax over the winter months.

www.savorfoodandwine.com

SIGNATURE HALIFAX ATTRACTIONS

APRIL
Visitors won't want to miss iconic Halifax attractions such as the waterfront Boardwalk, the Halifax Citadel National Historic Site, the Halifax Public Gardens, the award-winning Halifax Central Library, the unmissable Peggy's Cove lighthouse and so much more.

discoverhalifax.ca

HOP ON THE FERRY EXPLORE DARTMOUTH

MAY
Take a short and stunning ferry ride from downtown Halifax to the Dartmouth waterfront. Here you'll find some of the best views of the harbour and its vibrant waterfront.

Spend a day strolling through Dartmouth's local shops, cafes and restaurants, as well as its unique markets and galleries.

downtowndartmouth.ca

ROYAL NOVA SCOTIA INTERNATIONAL TATTOO

JUNE-JULY
If you are looking for a traditional Nova Scotia experience, complete with local, bagpipes and highland dancers, you won't want to miss the Royal Nova Scotia International Tattoo. The Tattoo is a week-long event held every summer in Halifax. It is a fast-paced show that changes every year, so there is always something new to see and experience.

halifax.ca

CANADA 150 IN HALIFAX

JULY
Halifax is THE PLACE TO BE for summer events. Celebrate in 2017.

2017 marks Canada's 150th anniversary of confederation and all year long Halifax will celebrate with the best of the country with plenty of unique celebrations, free admission to Expo Canada site and the biggest and best festivals and events in Atlantic Canada. July 1st in Halifax is going to be the biggest free event of the whole year - you won't want to miss it.

TD HALIFAX JAZZ FESTIVAL

JULY
The TD Halifax Jazz Festival is the oldest jazz festival and largest summer festival in Atlantic Canada. This outdoor, waterfront event features up to 50,000 visitors, features over 250 local musicians and is growing more each year.

halifaxjazzfestival.ca

HALIFAX PRIDE FESTIVAL

JULY
The Halifax Pride Festival is a celebration of LGBTQ+ community, history, and culture, including numerous diverse events that highlight the vibrant and inspiring members of the LGBTQ+ community.

2017 marks the 30th year for the Halifax Pride Festival. Celebrate Pride throughout Halifax with over 800,000 visitors and Canadians, all waiting for the largest Pride festival east of Montreal.

halifaxpride.com

ROYAL NOVA SCOTIA INTERNATIONAL TATTOO
TD HALIFAX JAZZ FESTIVAL
HALIFAX PRIDE FESTIVAL
RUNDEZ-VOUS 2017 TALL SHIPS REGATTA
HALIFAX INTERNATIONAL BUSKER FESTIVAL
ATLANTIC FILM FESTIVAL

MEET
ELECTRIC
EVENTS

JOIN US AT THE
DARTMOUTH
HALIFAX

WHERE
FRESH FINDS

GOING WITH
SURF AND SUN

JOIN US AT THE
EDGE
HALIFAX

WORLD-RENOWNED
ATTRACTIONS
HALIFAX

HALIFAX CITADEL
NATIONAL HISTORIC SITE

ART GALLERY
OF NOVA SCOTIA

CANADIAN MUSEUM
OF IMMIGRATION AT
PIER 21

JOIN US AT THE
EDGE
HALIFAX

HALIFAX

NOVA SCOTIA • CANADA

VISION

Globally recognized as Canada's Favourite City.

PROMISE

A Perfect Balance.

BRAND BENEFITS

BOUTIQUE

Halifax is the perfect size, adding inclusive hospitality to exclusive experiences. Halifax allows visitors to make stories they can't make anywhere else. Halifax has it all, yet is approachable, accessible, and fun. Make genuine bonds with existing or new friends. Be immersed in the bustle, or soak in the relaxed pace of life and ocean views.

CHARACTER

We have that extra pizzazz and we care. We have a way of making each guest feel like they are our only guest. Visitors can get lost or run into a familiar face. We embrace tradition and balance the past with a bold and refreshing spirit.

WORLD-CLASS

We are players on the global stage and we punch above our weight class. Our hospitality, our festivals and events, our views, our shopping, our amenities and venues, our education, our food. There is something truly special about Halifax that draws people from across the world and leaves them eager to return.

VALUES

AUTHENTICITY

Visitors feel the quality of life and connection that result from our neighbourly approach. Our authenticity creates an undeniable sense of belonging. Halifax knows how to work together for collective progress.

BALANCE

Halifax is a paradox. We balance a relaxing pace of life with modern urban amenities. We balance affordability with world-class experiences. We balance strong historical ties with a continual drive to shake up the norm. We value balance and work to strike the right blend of hustle and heart everyday.

DIVERSITY

There is something for everyone in Halifax. We appreciate diversity of thought, background, and expression. Halifax is a unique mosaic that creates a rich, exciting experience for guests open to exploration.

KNOWLEDGE

Halifax is a bright city. We value continual learning and knowledge sharing. We are stronger together and eager to improve. What's more, visitors will experience something different and learn during their stay in Halifax.

PERSONALITY

FUN

Nova Scotians are lighthearted and know how to celebrate. We ignite a happy spirit and extend the good vibes to all visitors.

FRIENDLY

We are warm, charismatic, and genuine. Halifax is approachable, safe, and easy to navigate. Guests gain a local perspective from our candid hospitality.

BOLD

We are courageous, and take pride in our differences. Creativity is in our blood; we have an artistic history and our imagination persists today in a modern way.

RESPECTFUL

We respect our place on the ocean. We respect our past and those before us. We respect differences and similarities. We are open and truly believe we all win when embracing diversity.

CONSUMER TARGET

LEISURE

- Atlantic Canada – Urban Escape
- Canada and Beyond – Seaside City

MEETINGS AND CONVENTIONS

- Canada – Urban Escape and Seaside City
- US/International – Seaside City

MEMBERSHIP AND VISITOR EXPERIENCE



Visitors' needs have evolved. They're not only looking for compelling reasons to visit Halifax, but also for ways to enhance their experience once they arrive. One of our beliefs is that better information leads to an enhanced perception of our destination, a better overall experience and ultimately increased spending and longer stays, a major economic benefit for our industry.

That's why in 2017 we made significant changes to improve the value proposition for our members. The changes included re-hauling our Membership offer as well as launching a new Visitor Experience program that aims to provide better overall information for visitors, plus increased opportunities to showcase members. Providing a cohesive and consistent experience for visitors from attraction to in-market information also helps strengthen the brand of Halifax.

As part of the re-haul of our Membership offer, we set out to increase our Membership base to ensure it better represented all types of tourism businesses in all regions of the HRM. One of our key strategies in growing our Membership was to create relationships with strategic partners including business improvement districts, the Halifax International Airport Authority and regional Chamber of Commerce organizations throughout the HRM. Together we worked with these

partners to promote the value of Tourism and increase our membership base from 139 to 189 at the end of 2017. We now sit at close to 300 members. We would like to genuinely thank these organizations for working with us and we look forward to continued membership growth ahead.

Finally, we also made significant progress on our Visitor Experience Program in 2017. We introduced our new in-room hotel TV visitor channel that provides visitor information on hotels' TV channel guides, a re-haul of our website, introduction of our own visitor guide, being the sole content provider for the municipality's Wi-Fi landing pages and launching "Like Shop" on our Instagram account which allows visitors to find detailed information on every experience we show. These programs not only provide more and better information to visitors but also opportunities to showcase member experiences.

We're excited about the evolution of our Membership offer and proud of the introduction of our Visitor Experience program. We will continue to work to evolve the program to meet the ever-changing needs of visitors, our members and key partners.

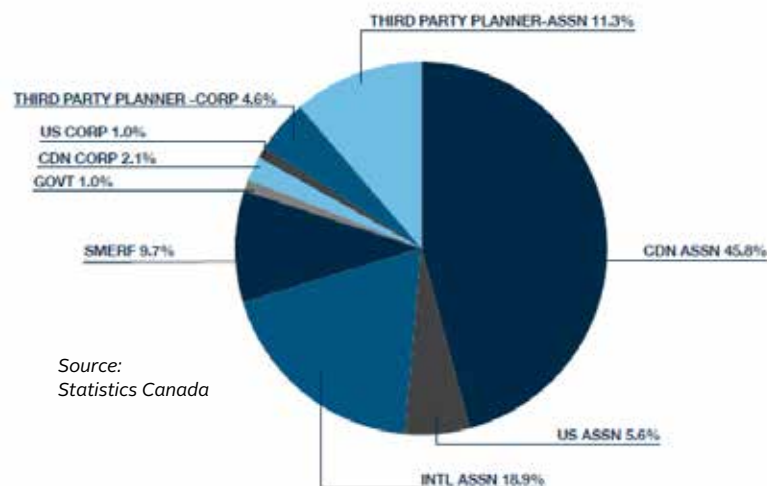
GROUP SALES OVERVIEW



Moving forward with the five year Sales Strategy plan from 2016, our priority in 2017 was to grow group visitation to Halifax. Our core strategies included taking a more strategic approach to the Meetings and Convention (M&C) and Tour and Travel markets, strengthening industry partnerships, strengthening our position as the premier M&C destination in Atlantic Canada and expanding our Ambassador Program.

2017 was the most productive year in the history of our organization and a banner year for M&C with over 26,000 delegates attending some of the largest conferences in the country. Discover Halifax increased its M&C budget in 2017, recognizing that M&C is a priority program and often represents a higher percentage of visitor spend than the national average. We completed 36 Site Inspections, submitted 174 Proposals and won 108 Bids that resulted in 81,597 room nights. This represents a 61% improvement over our best year ever.

M&C Leads come from a variety of market segments (see pie chart below):



Source:
Statistics Canada

The Canadian Association and Third Party Planner Association bookings account for approx. 57% of our leads and production. The International Association market contributes 25% followed by the SMERF (Social, Military, Educational, Religious and Fraternity) market at almost 10%. The remaining 8% is comprised of the corporate market. The performance trend continues with the Canadian Association market exceeding expectations, while the International Congress, SMERF, and Corporate Meetings market segments are targeted as potential growth markets.

Restructured in 2016, the sales team remains focused on geographical territories as well as specific market segments in order to leverage skillsets and resources. Two Sales Directors are based in Halifax – one is responsible for association, corporate and third party markets in Ottawa and Eastern Canada, and one is focused on International and SMERF-related congresses and sporting events. One Sales Director is based in Toronto to focus on association, corporate and third party markets in Southwestern Ontario and Western Canada. Discover Halifax also has complementary services to ensure visiting delegates have a memorable experience while they are here.

Discover Halifax and our strategic partners participated in 12 tradeshow, conferences and promotions in 2017, resulting in over 1,000 face-to-face meetings with buyers, meeting planners and decision makers. Client events were conducted in Ottawa and Toronto, our strongest performing markets for Canadian association and corporate clients. In addition, we presented 11 Ambassador Awards, representing over 9,000 room nights, to local industry champions who successfully won a bid to host a conference in Halifax in 2017.

In December 2017, the new Halifax Convention Centre opened, featuring 120,000 square feet of flexible event space including a mix of multi-purpose and meeting space, and a spectacular ballroom area with floor-to-ceiling windows overlooking downtown. With access to this additional meeting space, the outlook for hosting major conferences in 2018 and beyond is very strong. A great example of that is Rendez Vous Canada – in 2018 we had a great opportunity as the host city to welcome nearly 1900 international tourism professionals from more than 30 countries to show them what makes Nova Scotia a world-class tourist destination.

Aligning with our strategy of focusing on growth markets, 2018 will see us participate in all major industry related conferences and tradeshow and increase our sales activities within Canada. In the non-domestic markets, Discover Halifax will participate in Destination Canada led-events and sales missions in New York and Philadelphia as well as conferences such as E-Group's X-Change and IMEX America.

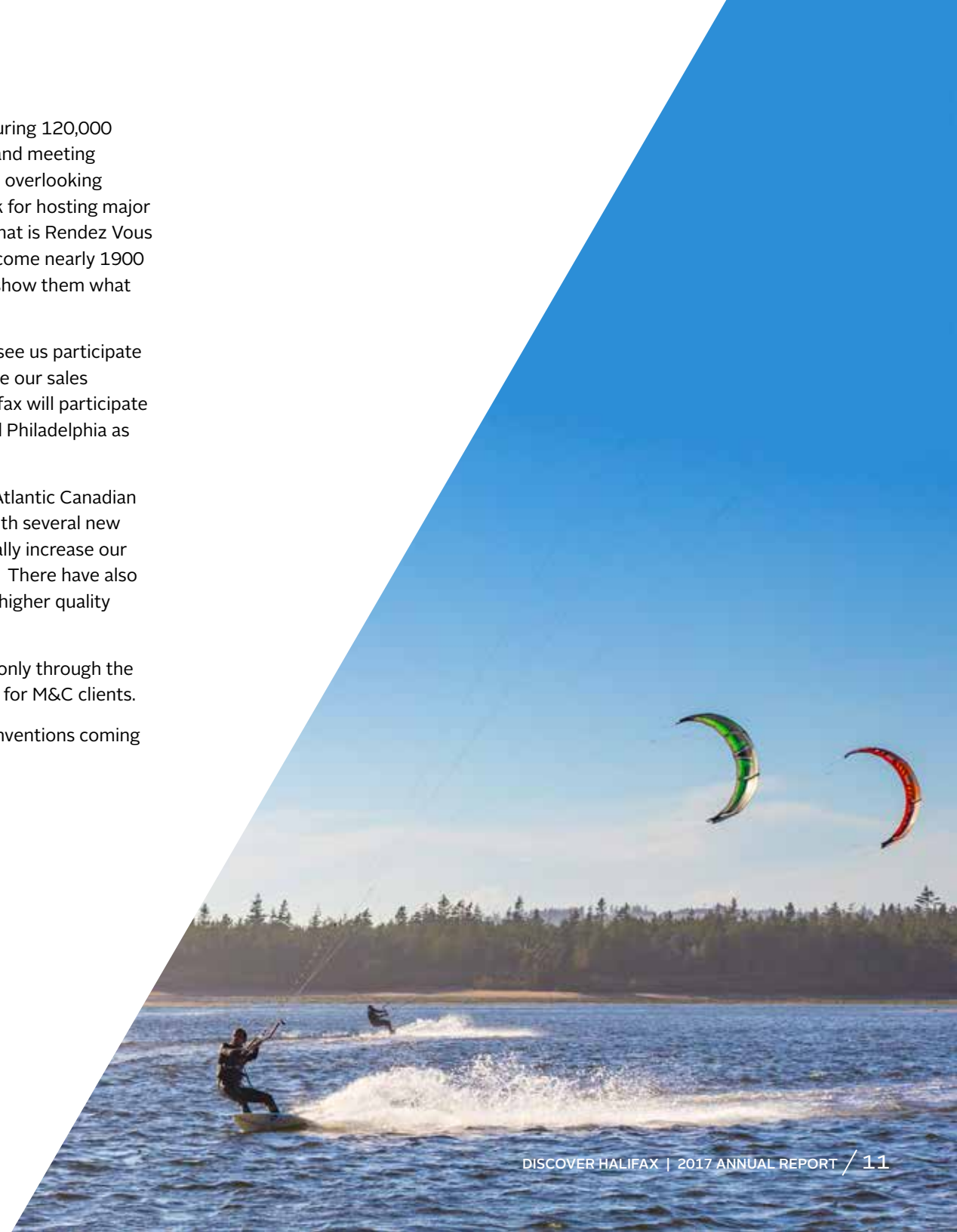
Looking forward to 2019, the Sutton Place Hotels will open its first Atlantic Canadian location in the Nova Centre in downtown Halifax. This hotel along with several new developments in the Halifax/Dartmouth/Bedford area will substantially increase our room capacity to attract more Meetings and Conventions to our city. There have also been major renovations to some of our signature hotels, providing a higher quality experience to our delegates.

Our success is made possible by the efforts of all our partners – it is only through the contributions of Team Halifax that we remain a destination of choice for M&C clients.

We are excited about the upward growth trend for Meetings and Conventions coming to Halifax and look forward to another exceptional year ahead.



Michelle Brenton,
Vice-President, Sales





THE NEW HALIFAX
CONVENTION CENTRE



DINER EN BLANC EVENT



SEA KAYAKING IN PROSPECT



THE MEETING AND CONVENTIONS
TEAM WITH THE NEW DISCOVER
HALIFAX TRADESHOW BOOTH

FINANCIALS

LYLE TILLEY DAVIDSON Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Destination Halifax Society (Operating as Discover Halifax)

We have audited the accompanying financial statements of Destination Halifax Society, (Operating as Discover Halifax), which comprise the statement of financial position as at December 31, 2017 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and 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 accounting standards for not-for-profit organizations, 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.

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

(continues)

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1718 Argyle St., Suite 720
Halifax, Nova Scotia B3J 3N6

Independent Auditor's Report to the Members of Destination Halifax Society (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Destination Halifax Society, (Operating as Discover Halifax), as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in cursive script that reads 'Lyle Tilley Davidson'.

Halifax, Nova Scotia
May 14, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

FINANCIALS

DESTINATION HALIFAX SOCIETY
(Operating as Discover Halifax)
Statement of Financial Position
December 31, 2017

	2017	2016 <i>As restated</i>
ASSETS		
CURRENT		
Cash	\$ 953,327	\$ 577,143
Short term investments - Marketing Reserve (Note 3)	201,305	200,661
Accounts receivable (Note 5)	130,652	231,060
HRM levy receivable	284,502	239,912
Harmonized sales tax recoverable	13,920	18,026
Prepaid expenses	87,295	93,684
	<u>1,671,001</u>	<u>1,360,486</u>
CAPITAL ASSETS (Notes 6, 11)	<u>117,136</u>	<u>5,025</u>
	\$ 1,788,137	\$ 1,365,511
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	\$ 197,270	\$ 140,234
Deferred revenue (Note 9)	138,558	154,122
	<u>335,828</u>	<u>294,356</u>
NET ASSETS		
Unrestricted fund	1,133,868	865,469
Marketing reserve (Note 4)	201,305	200,661
Invested in capital assets (Note 11)	117,136	5,025
	<u>1,452,309</u>	<u>1,071,155</u>
	\$ 1,788,137	\$ 1,365,511

CONTRACTUAL OBLIGATIONS (Note 10)

ON BEHALF OF THE BOARD

Director

Director

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LYLE TILLEY DAVIDSON

DESTINATION HALIFAX SOCIETY
(Operating as Discover Halifax)
Statement of Revenues and Expenditures
Year Ended December 31, 2017

	2017	2016 <i>As restated</i>
REVENUE		
Membership dues	\$ 128,905	\$ 135,715
Province of Nova Scotia	-	18,750
Halifax Regional Municipality	386,600	386,600
Group sales partnerships	148,656	62,124
Marketing partnerships	52,426	72,716
Hotel marketing levy	2,319,940	2,033,762
Other income	9,739	19,882
	<u>3,046,266</u>	<u>2,729,549</u>
MARKETING PROGRAMS AND EXPENDITURES		
Advertising	577,531	410,747
Owned and earned media	135,415	95,702
Amortization of media assets	5,974	-
Creative development	70,664	48,364
Web development	14,893	19,227
Client development	14,403	8,383
Client events and sales trips	47,739	54,655
Lead development and membership fees	63,094	41,598
Sponsorships	90,715	10,000
Familiarity trips and site inspections	113,467	106,714
Research	13,190	79,740
Trade shows	183,725	190,224
Travel and industry development	23,197	12,715
Continuous improvement	11,706	10,414
Wages and benefits - operations	932,759	992,234
	<u>2,298,472</u>	<u>2,080,717</u>
ADMINISTRATIVE EXPENDITURES		
Professional fees	35,714	63,383
Amortization of tangible assets	4,011	5,994
Interest and bank charges	2,090	1,405
Corporate communication	23,020	-
Information and communication technology	66,554	80,853
Office	20,371	19,349
Insurance	5,267	5,298
Miscellaneous	5,229	4,048
Rent	99,016	101,339
Staff development	13,535	9,231
Wages and benefits - administration	92,477	110,876
	<u>367,284</u>	<u>401,776</u>
	<u>2,665,756</u>	<u>2,482,493</u>
EXCESS OF REVENUE OVER EXPENDITURES	\$ 380,510	\$ 247,056

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LYLE TILLEY DAVIDSON

FINANCIALS

DESTINATION HALIFAX SOCIETY
(Operating as Discover Halifax)
Statement of Changes in Net Assets
Year Ended December 31, 2017

	Unrestricted Fund	Marketing Reserve	Invested in Capital Assets	2017	2016 <i>As restated</i>
NET ASSETS - BEGINNING OF YEAR					
As previously reported	\$ 900,196	\$ 200,661	\$ -	\$ 1,100,857	\$ 812,417
Restatement of capital assets <i>(Note 11)</i>	-	-	5,025	5,025	11,019
Restatement of excess of revenues over expenditures (amortization) <i>(Note 11)</i>	-	-	-	-	(5,994)
Prior period adjustment <i>(Note 12)</i>	(34,727)	-	-	(34,727)	(34,727)
As restated for capital assets	865,469	200,661	5,025	1,071,155	782,715
EXCESS OF REVENUES OVER EXPENDITURES	390,495	-	(9,985)	380,510	287,777
Interest income	-	644	-	644	663
Purchase of capital assets	(122,096)	-	122,096	-	-
NET ASSETS - END OF YEAR	\$ 1,133,868	\$ 201,305	\$ 117,136	\$ 1,452,309	\$ 1,071,155

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LYLE TILLEY DAVIDSON

DESTINATION HALIFAX SOCIETY
(Operating as Discover Halifax)
Statement of Cash Flows
Year Ended December 31, 2017

	2017	2016 <i>As restated</i>
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 380,510	\$ 247,056
Items not affecting cash:		
Amortization of tangible assets	4,011	5,994
Amortization of media assets	5,974	-
	<u>390,495</u>	<u>253,050</u>
Changes in non-cash working capital:		
Accounts receivable	100,408	(104,417)
Accounts payable and accrued liabilities	57,035	98,706
HRM levy receivable	(44,590)	20,357
Deferred revenue	(15,564)	(16,102)
Prepaid expenses	6,389	(30,908)
Harmonized sales tax recoverable	4,106	(23,623)
	<u>107,784</u>	<u>(55,987)</u>
Cash flow from operating activities	<u>498,279</u>	<u>197,063</u>
INVESTING ACTIVITY		
Purchase of capital assets	(122,095)	-
INCREASE IN CASH FLOW	376,184	197,063
Cash - beginning of year	<u>577,143</u>	<u>380,080</u>
CASH - END OF YEAR	<u>\$ 953,327</u>	<u>\$ 577,143</u>

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LYLE TILLEY DAVIDSON

FINANCIALS

DESTINATION HALIFAX SOCIETY
(Operating as Discover Halifax)
Notes to Financial Statements
Year Ended December 31, 2017

PURPOSE OF THE SOCIETY

Destination Halifax Society (operating as Discover Halifax) (the "Society") is a partnership between the Halifax Regional Municipality (HRM), the Hotel Association of Nova Scotia, the Province of Nova Scotia and participating industry members. Its mandate is to dramatically increase tourism activities in the region by promoting HRM as a year-round destination of choice for business and leisure travellers.

The sustainability of the organization was realized on April 1, 2002, with the introduction of a municipality administered marketing levy, currently at 2.0% on occupied rooms for accommodations of 20 rooms or greater within the municipality. Destination Halifax receives 60% (formerly 2/3 of 1.5% from inception to March 31, 2006 and 60% of 2% from April 1, 2006 to present) of the levy to carry out the objectives of the Society.

The Society registered the operating name Discover Halifax, effective May 25, 2017.

The Society's mission is to optimize the return on investment for its investors and stakeholders by:

- Maximizing revenue per visitor earnings
- Leveraging strategic partnerships
- Providing a platform on which to advance the individual and collective business goals of its investors
- Building and protecting the destination brand

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued, except for transactions with related parties which are recorded at the exchange amount. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

(continues)

DESTINATION HALIFAX SOCIETY
(Operating as Discover Halifax)
Notes to Financial Statements
Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. The most significant estimates in these financial statements is the allowance for doubtful accounts and useful lives of capital assets.

Cash

Cash consists of deposits held with a Canadian financial institution.

Revenue recognition

Destination Halifax Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Membership revenue is recognized in revenue over the life of the membership.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a straight-line basis at the following rates:

Computer equipment	3 years
Furniture and fixtures	5 years
Server	3 years
Content development	3 years
Tradeshow booth	3 years
Website	3 years

Amortization is calculated at one-half of the normal annual rate in the year of acquisition, with the exception of software; no amortization is recorded in the year of disposal.

The Society regularly reviews its capital assets to eliminate obsolete items. Government assistance received related to assets is deferred and amortized on the same basis as the related asset.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

(continues)

FINANCIALS

DESTINATION HALIFAX SOCIETY (Operating as Discover Halifax) Notes to Financial Statements Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long lived assets

The Society tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

2. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The Society's financial instruments consist of cash, short term investments, accounts receivable, HRM levy receivable, and accounts payable and accrued liabilities. The following analysis provides information about the Society's risk exposure and concentration as of December 31, 2017.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk from funders and members. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. Credit risk is minimized due to the nature of the revenue.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its receipt of funds from its members and other related sources and accounts payable and accrued liabilities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Society is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its investments held in a savings account.

3. SHORT TERM INVESTMENTS

The marketing reserve's short-term investments consist of cash invested in a power savings account with an interest rate of 0.40%. The balance of the power savings account at December 31, 2017 was \$201,305 (\$200,661 - 2016).

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LYLE TILLEY DAVIDSON

DESTINATION HALIFAX SOCIETY (Operating as Discover Halifax) Notes to Financial Statements Year Ended December 31, 2017

4. MARKETING RESERVE

The marketing reserve, which may not exceed \$500,000, has been established for the purpose of allocating incremental funds against operating and marketing expenses based on the policies established by the Board. This fund is to be accessed for the purpose of facilitating expenses incurred in an environment of abnormal circumstance. During the fiscal year, no marketing expenditures were made out of the reserve.

5. ACCOUNTS RECEIVABLE

	2017	2016
Accounts receivable	\$ 130,652	\$ 235,880
Allowance for doubtful accounts	-	(4,820)
	<u>\$ 130,652</u>	<u>\$ 231,060</u>

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer equipment	\$ 13,657	\$ 12,643	\$ 1,014	\$ 4,304
Furniture and fixtures	68,701	68,701	-	-
Server	4,325	4,325	-	721
Content development	10,721	1,787	8,934	-
Tradeshaw booth	25,125	4,187	20,938	-
Website	86,250	-	86,250	-
	<u>\$ 208,779</u>	<u>\$ 91,643</u>	<u>\$ 117,136</u>	<u>\$ 5,025</u>

As at December 31, 2017 the website was not yet in use; therefore, no amortization has been taken on this asset for 2017.

7. BANK INDEBTEDNESS

Destination Halifax Society has access to a \$100,000 line of credit with interest of prime plus 2.5%, none of which was used during the year (2016 - \$nil).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Trade accounts payable	\$ 153,964	\$ 69,910
Accrued liabilities	<u>43,306</u>	<u>70,324</u>
	<u>\$ 197,270</u>	<u>\$ 140,234</u>

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LYLE TILLEY DAVIDSON

FINANCIALS

DESTINATION HALIFAX SOCIETY
(Operating as Discover Halifax)
Notes to Financial Statements
Year Ended December 31, 2017

9. DEFERRED REVENUE

As at December 31, 2017, \$138,558 (2016 - \$154,122) was recorded as deferred revenue. Deferred revenue represents memberships, trade show fees as well as advertizing revenue and partner contributions for the following fiscal year that have been invoiced in the current year.

10. CONTRACTUAL OBLIGATIONS

The Society has leases under various agreements for premises and office equipment, expiring in April 2023 and April 2020 respectively, requiring the following annual minimum payments.

Contractual obligation repayment schedule:

2018	\$	91,569
2019		107,398
2020		114,830
2021		120,556
2022		123,481
Thereafter		41,487
	\$	<u>599,321</u>

11. CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2017, Discover Halifax elected to change their capital asset policy to capitalize and amortize capital items instead of expensing when costs incurred. As a result, this policy change has been applied retrospectively in accordance with the ASNPO framework. This resulted in a restatement of net assets of \$5,025 (2016 - \$11,019), and a reduction of the excess of revenues over expenditures as presented for 2016 of \$5,994 for amortization. As a result of the retrospective application of the accounting policy, comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

12. PRIOR PERIOD ADJUSTMENT

During 2017 it was noted that \$34,727 of expenditures that were recorded and paid for in 2017 actually related to expenses that were incurred during the 2016 fiscal year. To correct this cut off error, a prior period adjustment has been recorded which resulted in a reduction of net assets and a reduction of the excess of revenues over expenditures of \$34,727 for the 2016 year from previously stated. Additionally, this adjustment increased accrued liabilities \$39,937 and increased harmonized sales tax recoverable \$5,209 for 2016 from previously stated.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

