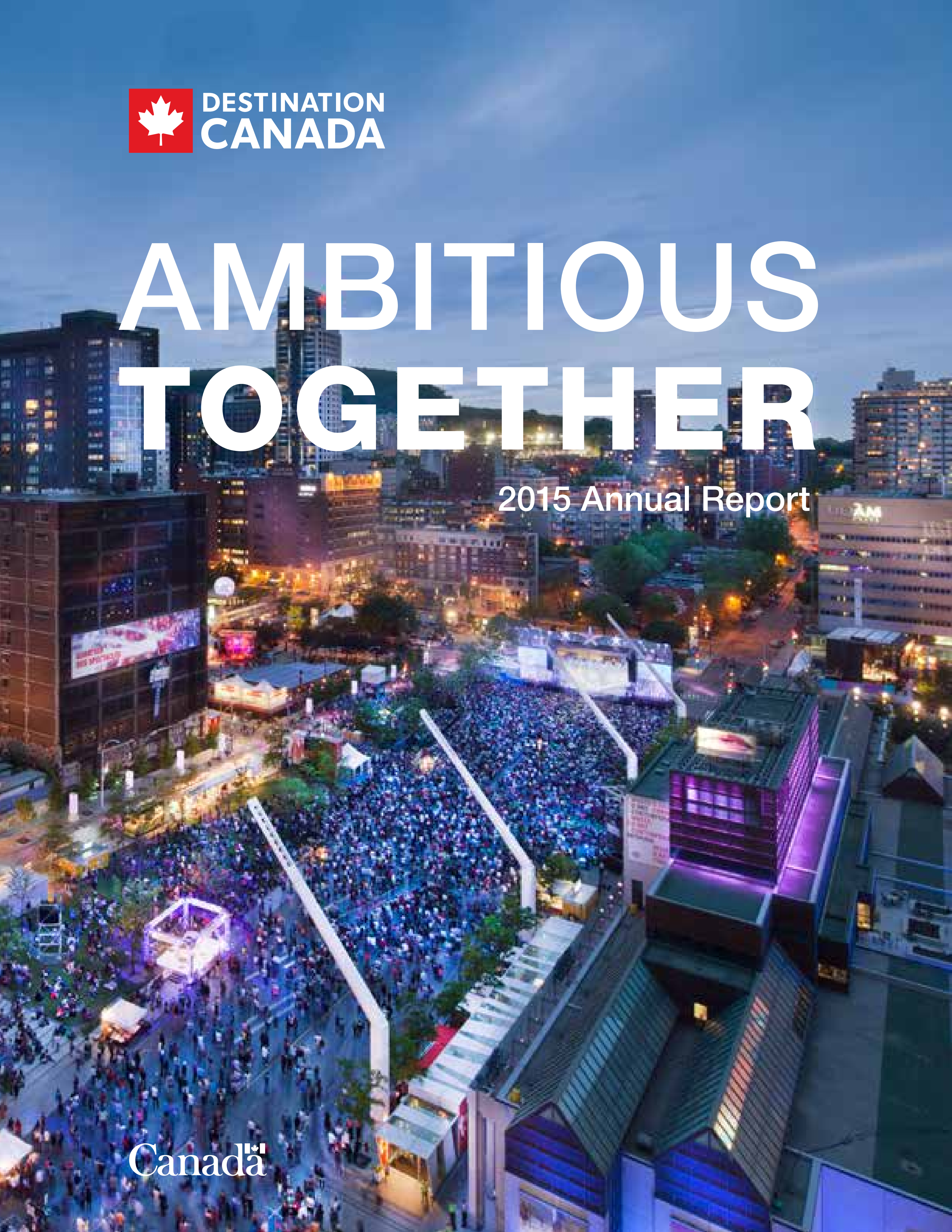
DESTINATION CANADA

AMBITIOUS TOGETHER

2015 Annual Report



Canada

Tourism in Canada

SPENDING CLOSE TO **$17 BILLION**

NEARLY **18 MILLION** INTERNATIONAL VISITORS*

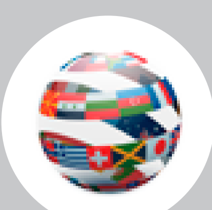
190,000 TOURISM BUSINESSES

637,000 JOBS

International Arrivals Growth

4.4%

GLOBAL



5%

TO CANADA

FROM NON DC MARKETS

7.9%

TO CANADA

FROM DC MARKETS

NEARLY **$6 BILLION** IN REVENUE

Each **1%** increase in arrivals leads to an

$817 million increase in Canada's exports.

*Overnight

DC activities generated

$437 MILLION IN REVENUE[1]

$57 MILLION IN FEDERAL TAXES & FEES

3,200 JOBS

1 : 1 PARTNER CO-INVESTMENT

12 Global Markets

LEISURE TRAVELLERS

Australia
Brazil
China
France
Germany
India
Japan
Mexico
South Korea
United Kingdom (UK)

BUSINESS AND INCENTIVE TRAVELLERS

Belgium
Germany
US
France
UK

[1] Based on converted leisure travellers from sample markets of Australia, Germany and the UK; trade bookings in all leisure markets; and delegates generated in all business event markets.

2015 Highlights

ECONOMIC IMPACT

$437 Million

Our marketing efforts attracted over 300,000 visitors and delegates to Canada spending $437 million

PARTNERSHIP GROWTH

$58 Million

Partners co-invested close to $58 million to market alongside us – a 14% growth over 2014 – enabling us to exceed our partnership goals

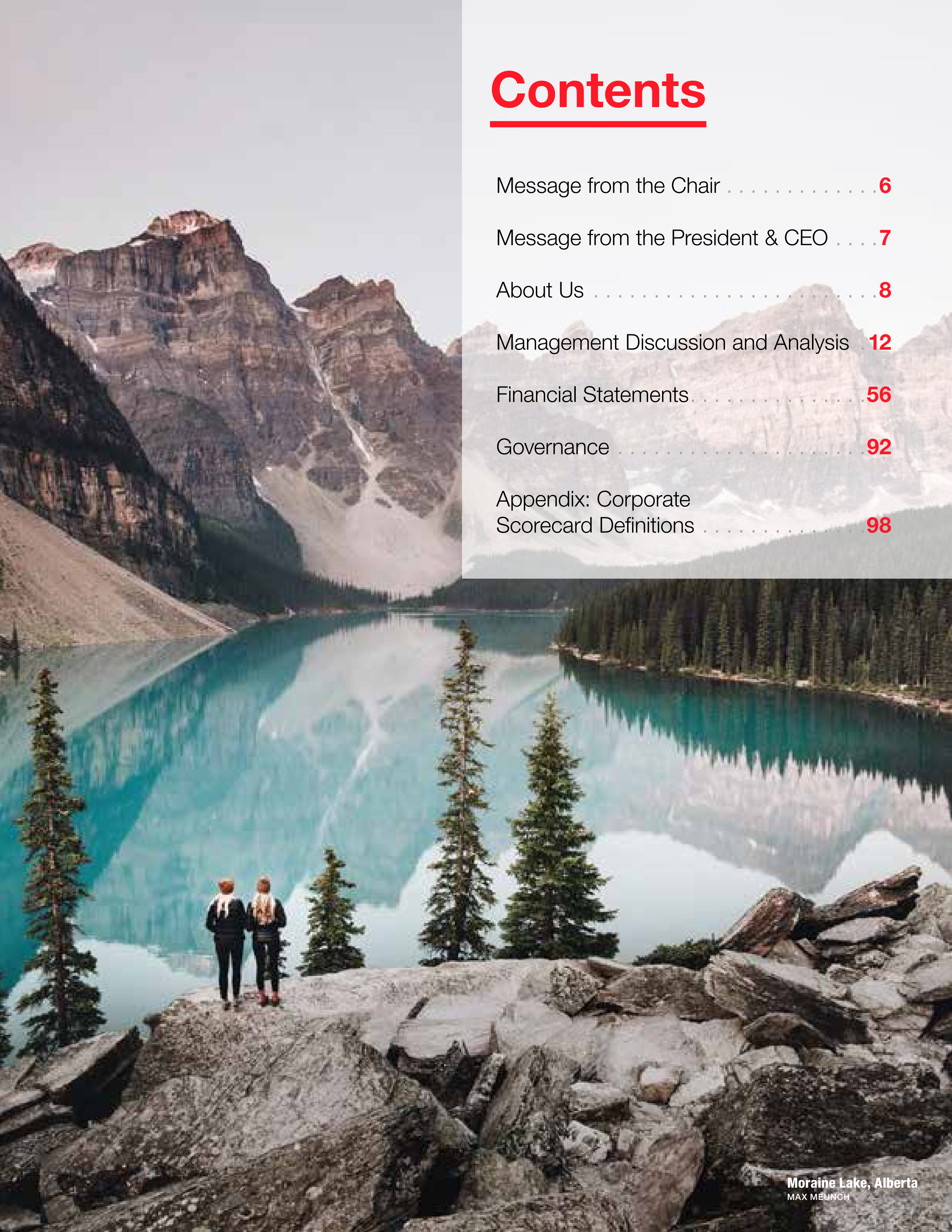
90% of our partners said that we helped them to advance their business objectives

CORPORATE EFFICIENCY

$3 Million

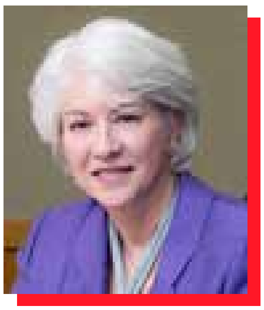
We shifted $3 million from our operating budget to marketing

Contents



Moraine Lake, Alberta
MAX MEUNCH

Message from the Chair



Canada is back!

These are exciting times with tremendous opportunity. Canada has an unparalleled global reputation with a winning mix of desirable destinations, attractions and experiences, along with high quality business services and facilities, that provide us with a strong opportunity to re-assert ourselves as a leading global destination for leisure and business travellers.

We are pleased to report that for the first time in over a decade, Canada's growth of international arrivals, at 7.5%, outpaced the international growth of 4.4% – which means Canada is actually growing global market share. We are proud of the role that DC played in helping to stimulate that growth and are pleased to report that from the markets where DC co-invests with our partners, we saw visitor growth of 7.9% – a growth rate almost 80% higher than the international average.

Our organization began its mandate in 2015 with the recruitment of new leadership, a change in corporate identity to "Destination Canada" and a targeted reinvestment for "Connecting America" in the 2015 Federal Budget – a three-year $30 million investment – to help re-establish Canada's position in the important United States (US) leisure market. We believe the confidence expressed by our federal shareholder has contributed to increased confidence from our key partners, allowing us to surpass our partnership goals for 2015 and build momentum for 2016 and beyond.

While exchange rates may be providing additional tail winds, research tells us that innovative marketing, collaborative partnerships and our country's strong reputation are all contributing to Canada's new competitive footing. We are especially pleased with the strengthening co-investments with our provincial, territorial and city destinations, as well as our new partnership with the Aboriginal Tourism Association of Canada – as we work together to help bring Canada's authentic Aboriginal tourism experiences to the global stage.

I would like to thank the rest of the Board, DC's management team and all the staff for their efforts, commitment and professionalism during this intense year of transition, setting the stage for Canada's ongoing success.

Olga Ilich
Chair, Board of Directors

Message from the President & CEO

2015 was an important pivotal year with significant achievements, both for DC and the sector as a whole. Canada is in the process of re-establishing its footing as a globally competitive international destination for business and leisure travelers, and DC has undergone a transformation that seizes on innovation in digital content marketing, increased collaboration and a focused strategy to take advantage of the current winning conditions.

In consultation with the industry and our partners, we believe that Canada is ready to move past a measurement of volume of visitors to a more highly developed view of global market share.

To that end, we are proposing a national aspirational target of $20 billion in export revenue, generated by 20 million international visitors by 2020. Or simply: 20-20-2020.

The Canadian industry is ready, as is DC. At DC, we've spent 2015 paying close attention to our operational structure to ensure more of our shareholder's investment is being spent efficiently on programming. We have reduced our overhead and operating expenses, and reduced our exposure to long-term pension risks. All of this was meant to drive over $3 million in savings annually to be re-invested in programming. This re-investment, together with the Connecting America investment over the next three years, will mean we can re-enter the US market and increase investments in our other key markets simultaneously in 2016 to maximize results.

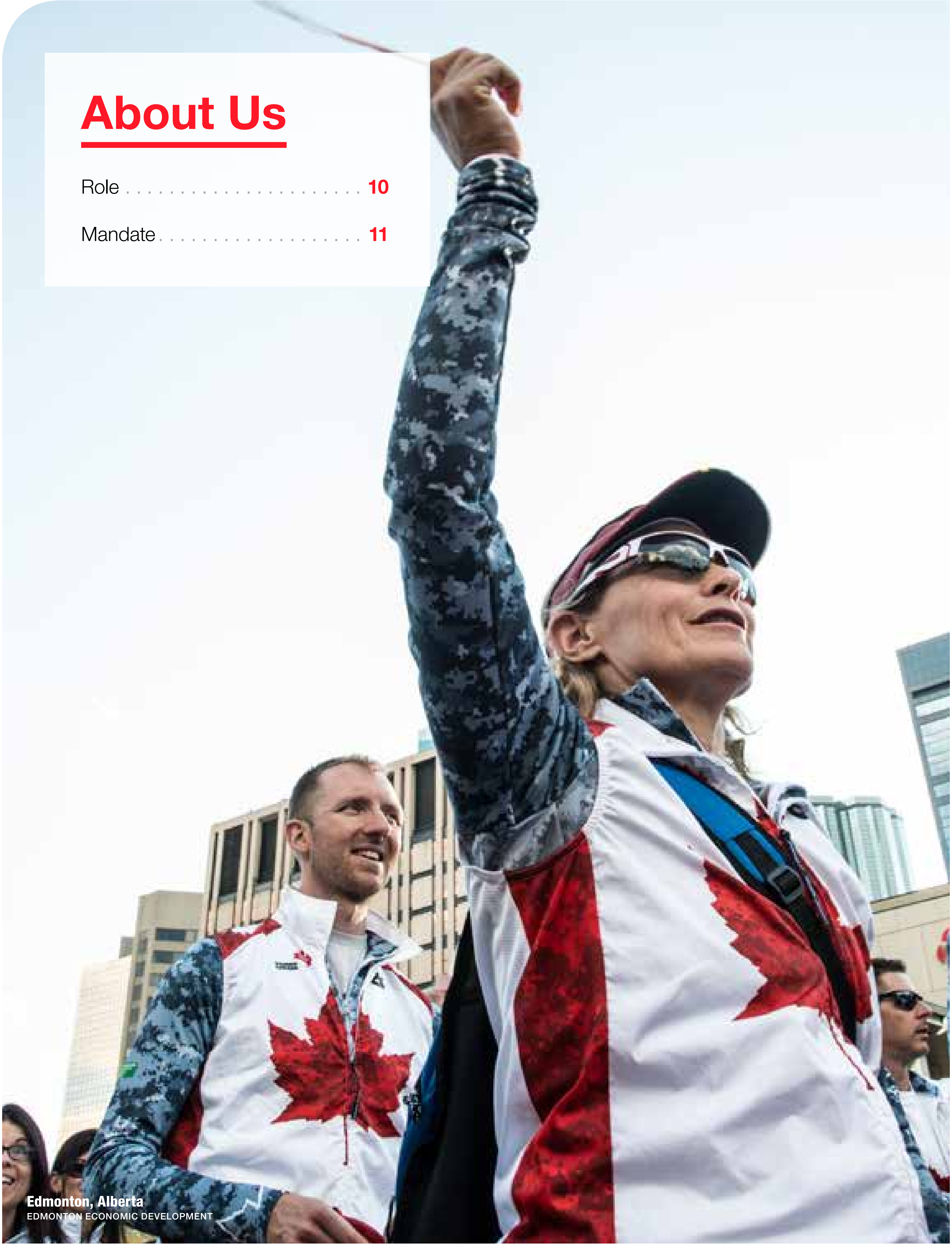
Our successes in 2015 have set the stage for the launch of several important activities, including Connecting America and the Millennial Travel Program – a celebration of 150 experiences across Canada that will inspire young Canadians to explore Canada leading up to – and through – our country's 150th anniversary.

DC looks forward to working with Canadian entrepreneurs from coast to coast to coast to create opportunity, jobs and growth.

Keep Exploring!

David F. Goldstein
President & CEO

About Us



Edmonton, Alberta
EDMONTON ECONOMIC DEVELOPMENT

Destination Canada is a catalyst of long-term success and prosperity for the thousands of small- and medium-sized businesses that make up Canada's tourism community. This prosperity undoubtedly has spillover effects, generating trade and investment for other sectors and contributing to a stronger Canada.

There is no doubt that partners are an integral part of this success.

As we look back on major organizational shifts and achievements for 2015, we are poised to pursue an ambitious goal for Canada going forward – to increase visitation, market share, investment and economic growth to new heights. This ambition is a shared vision with our industry – a vision rooted in collaboration, innovation and partnership with stakeholders and governments at all levels.

A refresh of our business strategy in 2015 has laid the foundations to realize this vision by 2020, and is the focus of this year's annual report.


Kluane National Park, Yukon


Saskatoon, Saskatchewan

Role

Tourism plays a critical role in Canada's entrepreneurial development and job creation.

As Canada's national tourism marketer, the Canadian Tourism Commission (CTC), operating as Destination Canada (DC), markets Canada abroad to leisure and business travellers to advance the economic well-being of Canadians. By working with partners in provincial and territorial governments and in the tourism industry, we help Canada's tourism businesses reach international markets.

Enabling local tourism operators, particularly small- and medium-sized, to connect with new markets not only contributes to their livelihood and prosperity, but it acts as a springboard for trade and investment activities in Canada's other sectors.

Tourism generates **1** in **11** jobs in Canada and supports employment in **every community** across the country.

Toronto, Ontario
THOMAS KAKAREKO


Toronto, Ontario
SEBASTIAN SPASIC

Tourism is the **largest employer** of young Canadians.


Bute Inlet, British Columbia
GREG FUNNELL

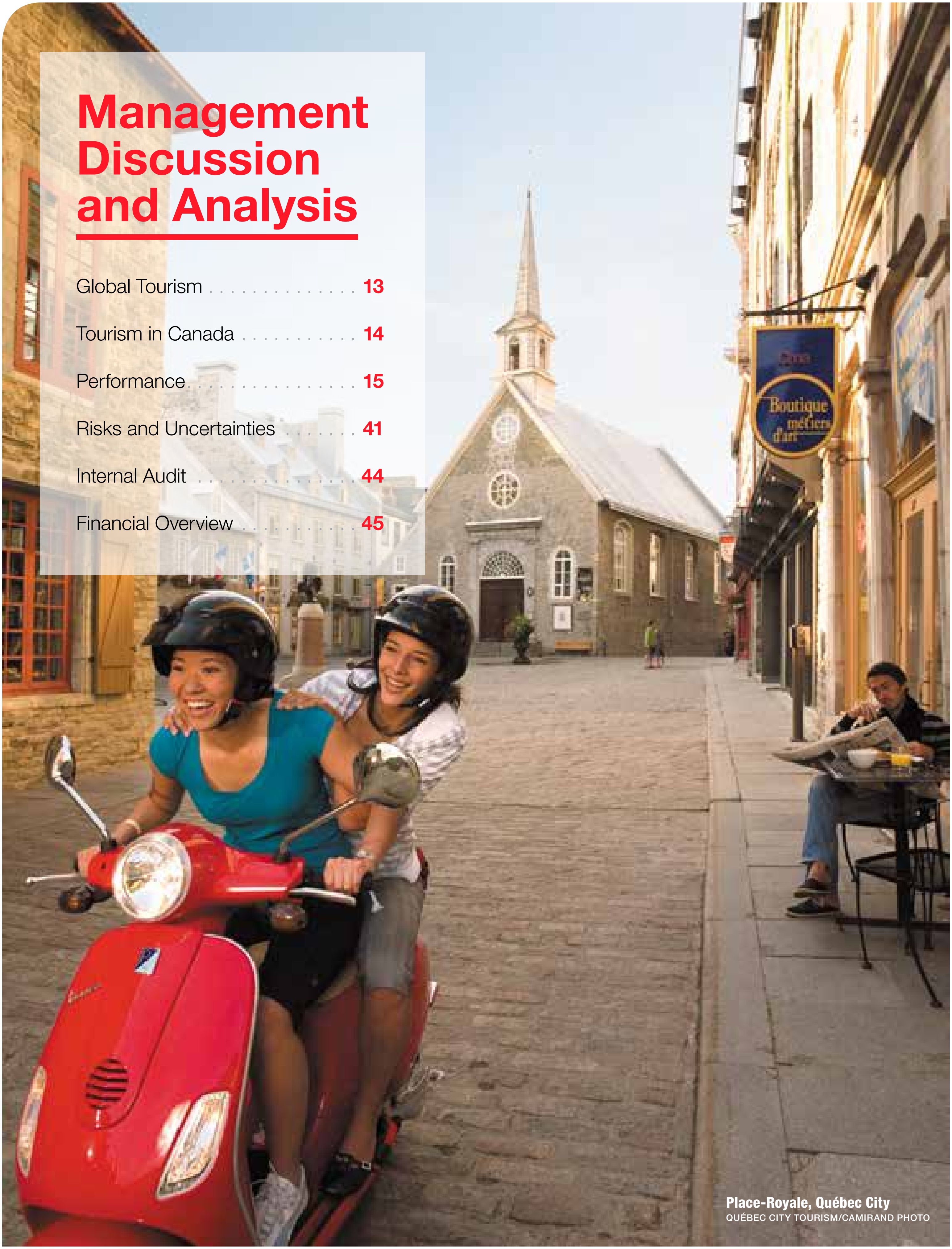
Half of all tourism jobs are filled by **young Canadians**.

Mandate

Our legislative mandate is to promote the interests of the tourism industry and to market Canada as a desirable tourist destination. Specifically, we have a mandate to:

- sustain a vibrant and profitable Canadian tourism industry;
- market Canada as a desirable tourist destination;
- support a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories with respect to Canadian tourism; and
- provide information about Canadian tourism to the private sector and to the governments of Canada, the provinces and the territories.

Management Discussion and Analysis



Place-Royale, Québec City
QUÉBEC CITY TOURISM/CAMIRAND PHOTO

Global Tourism

2015 was a solid year for global tourism and marked the sixth straight year of continued growth. Despite an increasingly volatile global economy, travel growth remained resilient, with the world welcoming nearly 1.2 billion overnight travellers. Even growth numbers were witnessed around the globe, with world regions across all continents except for Africa experiencing about 5% increases in arrivals from the previous year.

Despite the recent slowdown in China's economy, the country continues to be the world's largest source of tourism expenditures, outspending runner-up US by nearly 50% and seventh-place Canada by five times.

Tourism is the **fourth largest export** in the world and the **biggest service export** in Canada.

89% of Canada's visitors came from **DC's markets**.

Cape Breton, Nova Scotia
COMMUNICATIONS NOVA SCOTIA

Tourism in Canada

Turbulence in the world economy did not preclude Canada's tourism industry from attaining heightened results across major indicators. Canada welcomed close to 18 million overnight visitors in 2015, a remarkable increase of 7.5% from the prior year and notably larger than the growth rate of international arrivals of 4.4%. These visitors spent a combined $16.8 billion while travelling across every community in Canada, contributing to the livelihood of over 190,000 small- and medium-sized tourism businesses and supporting over 637,000 jobs.

Over three million of Canada's visitors arrived from the 10 leisure markets where DC invested in 2015, representing nearly $6 billion in revenue and an increase of 6.4% over 2014. Five of these markets – Australia, Brazil, China, France and India – registered a record number of arrivals to Canada. A weakened Canadian dollar, air capacity increases, international marketing and the implementation of the CAN+ Visa program have created the conditions to boost Canada's share of world arrivals.

Arrivals from the US, Canada's main inbound market, rose significantly to surpass 12 million amid the economic recovery south of the border and the stronger purchasing power of the greenback.

With one billion international travellers on the move spending over $1.3 trillion USD, predictions for sustained growth are strong over the next decade. This continuing momentum with the global tourism industry represents significant opportunity for Canadian economic prosperity.

For the first time in over a decade, **Canada outperformed** the international average.

Nimmo Bay Wilderness Resort, British Columbia
GREG FUNNELL

Canada's share of the global market is **growing.**

Marmot Basin Ski Resort, Alberta
MARMOT BASIN SKI RESORT

Performance

DC places tremendous value on measuring the success of its strategy to help Canada's tourism businesses grow and prosper. From shifting from traditional advertising to more content and digital marketing, to developing partnerships and platforms enabling businesses to better sell Canada, we delivered on our commitment to evolve our business in order to drive greater economic benefit for tourism entrepreneurs from coast to coast to coast.

CONSUMER DIRECT RESULTS

150,500 TRAVELLERS
CONVERTED FROM MARKETS OF AUSTRALIA, GERMANY AND THE UK[2]
- $231 million revenue
- return of 67 : 1

TRAVEL TRADE RESULTS

39,314 TRAVELLERS BOOKED
- $73 million

BUSINESS EVENTS RESULTS

116,715 DELEGATES GENERATED
- $132 million revenue

- **$437 MILLION** IN REVENUE
- **$57 MILLION** IN FEDERAL TAX REVENUE
- **3,201** JOBS

[2]Sample markets evaluated in 2015

GROWING CANADA'S SHARE

Research shows that arrivals growth from our leisure markets is outperforming the global average. The leisure markets that we invested in with our partners in 2015 together performed 45% better (6.4%) than the international growth rate of arrivals (4.4%).

Consumer Direct

To determine the relationship between the effectiveness of our campaigns and the impact on arrivals, we execute campaign effectiveness studies on a sampling basis of our leisure markets. Since 2013, we have employed a third party to annually assess a subset of our leisure markets on a rotating basis. Although we deploy marketing activities directed at consumers in all our markets, it is cost prohibitive to conduct studies in each

GENERATE DEMAND FOR VISITOR ECONOMY	2015 TARGET	2015 RESULT
Number of leisure travellers converted through consumer direct marketing in Australia, Germany and the UK	150,000	150,500
Number of leisure travellers booked through travel trade co-operative promotions	30,000	39,314
Attributable tourism export revenue from leisure travel	$271 million	$304 million
Number of delegates generated through business events	300,000	116,715
Attributable tourism export revenue from business events	$150 million	$132 million
Total attributable tourism export revenue	$421 million	$437 million
Attributable federal tax revenue	$55 million	$57 million
Attributable jobs supported	3,085	3,201
Marketing campaign ROI	74 : 1	67 : 1
Aided destination interest	79%	83%
Active consideration of visiting Canada	19%	28% [3]
Social engagement rate	0.7	1.3

[3] Increased propensity to travel from the markets of Brazil, France, India, Japan, and Mexico; easing of visa restrictions in India and Mexico; and concerted marketing and travel trade efforts by DC and partners have contributed to exceeding this target.

market annually. As such, a sampling methodology serves as a directional indicator of the effectiveness of our marketing approach in all our markets.

In 2015, the leisure markets assessed were Australia, Germany and the UK. Based on evaluated campaigns in only these three countries, DC's marketing efforts worked to attract 150,500 travellers to visit Canada, resulting in foreign traveller spending of $231 million and a return on our investment of 67 : 1.

Travel Trade

In addition to advertising directly to consumers as above, DC also reaches out to consumers indirectly through promotional activities with the travel trade. We assess the impact on arrivals of our marketing partnerships with the trade, such as tour operators and travel agents, in all our leisure markets. In 2015, close to 40,000 bookings to Canada were secured, equating to over $73 million in visitor spending from all our leisure markets.

St. John's, Newfoundland and Labrador
GREG FUNNELL

Greenwich Beach, Prince Edward Island
HEATHER OGG

Business Events

A third main channel, business events, tracks the bookings of meetings, conventions and incentive travel as a result of our efforts. Through the international promotion in five markets of Canada's diverse destinations, state-of-the-art facilities, high service levels and distinctive product experiences, our business events program positions Canada as an attractive place for international meetings and incentive trips.

In 2015, our program confirmed over $132 million in contracted business events and over 116,000 planned delegates. As a result of multiple unplanned staff departures, fewer contracts were able to be negotiated, contributing to both results being lower than targeted levels. However, the stronger purchasing power of foreign currencies relative to the Canadian dollar resulted in higher than expected per delegate spending, producing a revenue result that is disproportionately higher than the attendee count.

Collectively, all three channels generated $437 million in tourism revenue, $57 million in federal tax revenue, and support for over 3,200 tourism related jobs in Canada.

Ottawa, Ontario
OTTAWA TOURISM

INNOVATIVE CONTENT MARKETING

Travellers today are consuming information in new ways, not only in regards to the device but in format as well. This trend has allowed us to put innovation at the forefront and adjust our marketing efforts so that we are more highly connected and customer focused. We operate more like a media organization rather than a traditional advertiser. As a content marketer, we're leveraging all marketing channels to produce, curate and publish content that is most relevant and impactful to our target traveller. We are also collaborating more closely with other media organizations, influencers and multi-channel content networks to optimize our efforts and generate stronger leads for partners.

Research tells us that our greatest challenge is getting travellers to consider visiting Canada in the next two years. We believe that providing travellers with a richer idea of the wide range of specific experiences they can enjoy across the country will push Canada ahead on the consideration list. Simply put, we want to make Canada an easy destination for consumers to buy, enjoy, and tell others about.

Markets that DC is invested in performed **45% higher** than the international tourism growth average.

Pointe du Chene, New Brunswick
TOURISM NEW BRUNSWICK

Montréal, Québec

Content Marketing in Action

GERMANY CONSUMER INITIATIVE

A mature but important market, Germany delivers a steady stream of high-yield visitors to Canada, making it an ideal market to trial DC's new content marketing approach. DC led a pilot initiative incorporating digital, social and traditional channels to capitalize on the power of influential local German personalities. These personalities visited destinations in Canada and shared their stories of exploration and adventure with DC's target audience to help make Canada top of mind with potential German travellers.

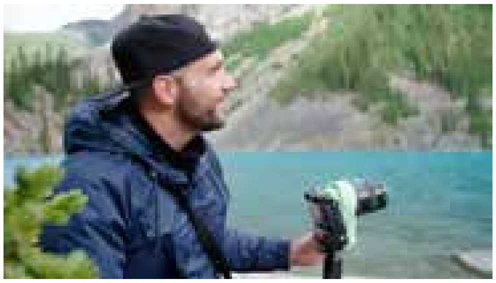
2015 TIMELINE OF RESULTS

SUMMER **Content Creation**	FALL **Integrated Marketing**	WINTER **Re-targeting** (CONTINUING INTO 2016)
93 videos + 50 photographs developed by key social media influencers, travel trade and media while travelling across Canada	Using paid media advertising + social and web channels	Using paid media + trade campaigns to drive more bookings and leads to partners
content shared with hundreds of thousands of German followers and fans, generating 1.5 million Instagram likes	15 million video views 13 million Facebook impressions 250,000 website visits	3,000 leads to provincial partners and key trade accounts, increased awareness of Canada from 8th to 4th place in Germany

Content Marketing in Action

GERMANY CONSUMER INITIATIVE

This initiative saw DC bring together a consortium of partners under a unified “Team Canada” approach. The provincial marketing organizations of British Columbia, Alberta, Manitoba, Ontario, Québec, Nova Scotia, Prince Edward Island, New Brunswick and Newfoundland and Labrador aligned investments and marketing efforts to ensure a more powerful and consistent presence for Canada in Germany.



Content Marketing in Action

SOCIAL MEDIA

Leveraging social media channels allows us to build awareness and interest in visiting Canada. Our focus is to be present where travellers are speaking with other travellers and support the conversation through content distribution. By harnessing the power of referral and advocacy, we inspire travellers to inspire others to visit Canada.

FACEBOOK

- Nearly 1.4 million followers
- Content reached close to 50 million users
- Over 5 million photo views
- Over 1 million clicks throughs to websites and articles on Canadian experiences

INSTAGRAM

- Doubled audience, making DC one of the top national tourism marketing accounts globally
- 354,000 followers shared nearly 1 million photos under #ExploreCanada hashtag

Whether through word of mouth, social media or peer reviews on travel websites, advocacy is the **biggest influencer** when making travel decisions.

HOW DOES DC PARTNER WITH YOU?

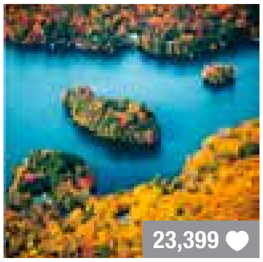
“We’ve been working with Destination Canada for years. Through the partnerships that we have with them – which is really the key word – we’ve been able to bring in media and tour operators from all over the world, and do joint marketing. Those are things that a company like ours would never be able to do without partnerships.”

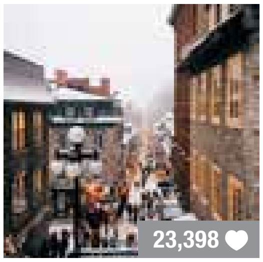
**Lynda Gunter, Owner and Operator,
Frontiers North Adventures, Winnipeg**

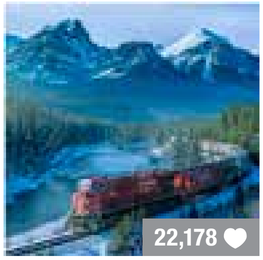
Content Marketing in Action

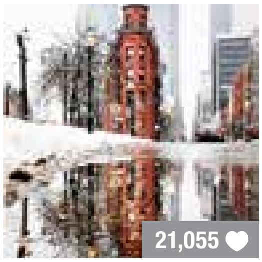
SOCIAL MEDIA

MOST LIKED ON DC'S INSTAGRAM ACCOUNT!

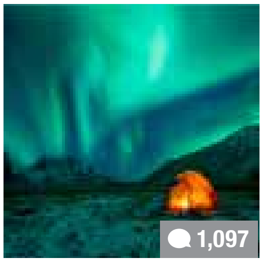


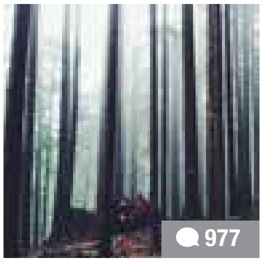


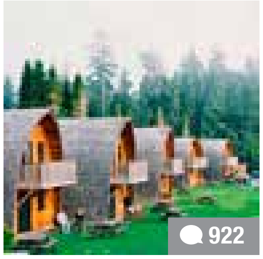


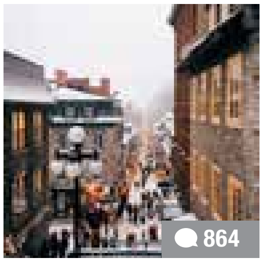


MOST COMMENTED ON DC'S INSTAGRAM ACCOUNT!









MILLENNIAL TRAVEL PROGRAM—CANADA'S 150TH

Millennials represent 23% of the travel market worldwide, spend on par with other long-haul travellers, and are the fastest-growing segment in the travel industry. They go off the beaten path and support smaller, local businesses. They are influencers and trend setters who use social media regularly to share their travel experiences and help define new "hot destinations".

DC is tapping into the potential of this travel segment with a national initiative to inspire millennials to explore Canada as it celebrates its 150th year of Confederation in 2017. We're well underway to deliver a campaign to consumers launching in 2016 that will position Canada as the must-see destination in the lead up to 2017 and beyond.

We've teamed up with our provincial and territorial tourism marketing partners, as well as key players in the travel industry and select lifestyle brands, to develop a consumer campaign. In 2015, we were successful in securing key partnerships to deliver the multi-year program, including a partnership with Bell Media Inc. to build the brand and assets leading up to the launch of the program.

Together with Canada's travel industry, we and Bell Media Inc. will continue work in 2016 to build a digital hub showcasing Canada's top 150 experiences through the eyes of key social influencers, and feature exclusive limited-time promotions and offers. The campaign will infuse Canada's travel brand with more fun, excitement and youthfulness. It will inspire and deliver real and relevant travel opportunities to youth travellers and create a legacy by inspiring a new generation to explore Canada. DC will also continue to collaborate with the federal family on various initiatives related to Canada's 150th.

Millennials are the **fastest growing** segment in the travel industry.

Bell Media

CONNECTING AMERICA

Americans are travelling again, US passport ownership has doubled since 2002, and we are enjoying increased air access. The time is right to win back our nearest neighbours.

We renewed our focus on the US leisure market in 2015, following the Government of Canada's investment of $30 million over three years devoted exclusively to bringing visitors from Canada's largest inbound tourism market.

In partnership with public and private sector entities across Canada, in 2015 we developed *Connecting America*, an integrated three-year national marketing program aimed at raising America's awareness of Canada as a travel destination. Co-investments with numerous provinces and territories were also established.

Launching in 2016, the program will target select US travel markets. "Big data" is an integral component of the program and will be used to identify potential travellers who are most likely to visit, based on their online activity and digital profiles. The initiative will zero in on those who stay longer, spend more, and are less impacted by currency fluctuations, and will deliver individualized content tailored to their unique needs and aspirations. By fueling their interest and engagement, we'll be able to drive demand for Canada and deliver more qualified leads to our partners.

WHAT IMPACT DOES DC HAVE ON YOUR BUSINESS?

"We use Destination Canada as a way of cultivating new leads and new partners in emerging markets. In more mature markets, we really look to Destination Canada to take the lead, to bring all of the industry together so that we can go in as one team, one voice, and truly be successful."

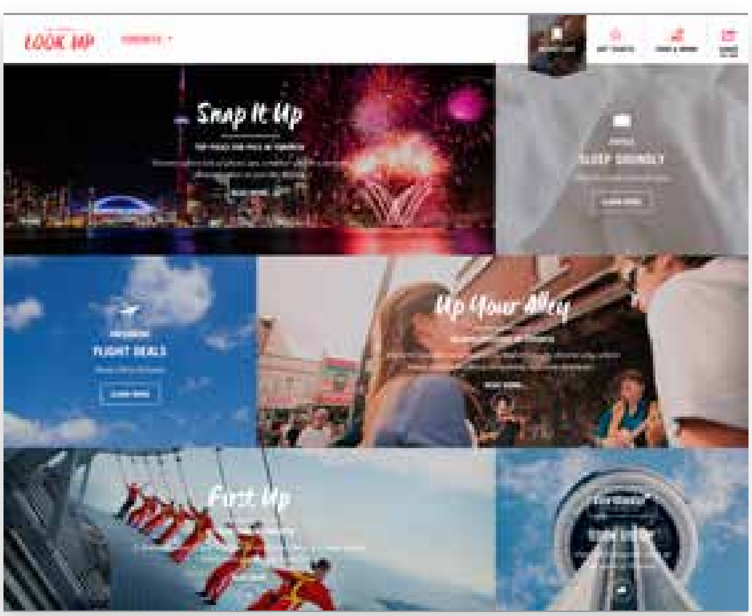
David McKenna, President, Brewster Travel Canada, Banff, AB

Visitors to Canada are **one-and-a-half times** as likely to visit again, and nearly **twice** as likely to recommend it as a place to visit.

CONNECTING THE GLOBAL CUSTOMER

Living in a hyper-connected world, DC employs innovative marketing approaches to reach travellers living in this digital age and to connect with them at every stage of their decision-making process.

In 2015, we conducted a pilot as part of the *Connecting America* program, adopting new technologies and leveraging big data, to transform how we market Canada internationally. This pilot, branded *Connecting the Global Customer*, employed data-driven marketing to deliver personalized content to individuals at key moments in their decision cycles – a departure from traditional marketing that uses one common message to target a wide range of customers. Premised on innovation and advances in marketing technology, the pilot delivered a seamless and consistent customer experience across multiple channels, including consumer websites, social posts and display ads. It also improved our understanding of how consumers make travel decisions, and developed our technical and analytical capabilities when deploying technologies related to audience segmentation and targeting. These learnings will be applied extensively when the *Connecting America* program officially launches in 2016.



Initial results of the pilot are promising:

- Positive impact on perceptions of Canada as a destination in key markets such as California and New York, leading to increased visitation
- Over 260,000 unique US users visited DC's US marketing site – Lookup.ca to explore Canada product offerings
- Over 33,000 unique leads to partners

BUSINESS EVENTS CANADA

Meetings, conventions and incentive travel generate approximately $3 billion in spending in Canada, or one-fifth of all receipts. Canada remains at the top of the destination list for meetings originating in the US – a country which brings in the bulk of the two million meetings and incentive visitors to Canada and over half of the receipts from this category.

Our Business Events Canada (BEC) division generates demand for international meetings, conventions and incentive travel for Canada, and reflects the growing significance of the meetings industry to Canada's economy. Meetings are often the catalyst for introducing Canada's export interests to influential entrepreneurs and investors from around the world. Visitors get to know Canada and its high quality products, services and facilities. Their advocacy has the potential to uncover trade, investment and partnership opportunities for Canadian businesses outside tourism – such as the life sciences, aerospace, natural resources, agriculture and technology sectors – supporting the Government of Canada's agenda for economic growth.

Travel has the power to **stimulate trade**.

In 2014, BEC launched a sector strategy aligned with the Government of Canada's trade priorities in seven industries. These industries, known as Canada's Centres of Excellence, represent the greatest potential for export revenue growth as Canada is considered to hold a competitive advantage and is a key player for future job creation or investment.

After successfully aligning with the Life Sciences sector in 2014, BEC turned its attention to foster alignment with the Information and Communications Technology and the Agriculture and Food sectors. The value of leads generated in these three industries in 2015 is $52 million. In 2016 and beyond, BEC will build on the momentum already established and expand its efforts to align with other sectors.

BEC SECTORS

- Life Sciences
- Aerospace
- Information & Communication Technology
- Clean Technology
- Infrastructure & Engineering
- Natural Resources
- Agriculture & Food

CANADA: BEAUTY AND BRAINS

BEC's new speaker series makes sure that Canada is at the forefront of global business planning. Using the power of thought leadership, the series features prominent and well respected Canadian leaders at industry events that are aligned with BEC's sectors of focus. The speakers move beyond Canada's vast natural beauty and urban appeal to show how the country is a great place to do business. Notable speakers in 2015 included Leonard Brody, Nancy Philips and Jim Treliving.

Each 1% increase in arrivals leads to an **$817 million increase** in Canada's exports.

SUPPORT CANADIAN TOURISM BUSINESSES TO SELL CANADA	2015 TARGET	2015 RESULT
Partner contribution	0.6 : 1	1 : 1
Partner brand alignment	84%	78%
Importance of trade shows, media shows and business events to industry partners' marketing and sales goals	Benchmark	81%
Attendance of media, tour operators and other buyers at trade shows, media shows and business events	12,000	11,269
Proportion of marketing programs and assets that are valued by partners	75%	90%[4]

[4] Enhanced tourism research products and the provision of new resource materials for partners on our content strategy and how to better capture the world's attention contributed to exceeding this target.

Over the last few years, we, together with our partners, have largely focused on helping the Canadian tourism industry broaden its exposure and take advantage of the tremendous growth in emerging markets like China, India, Brazil and Mexico. We define ourselves by the power of our partnerships. By bringing together the right partners and aligning industry efforts, we help Canadian tourism businesses extend their reach and assert a greater presence internationally. And when we advance their commercial interests, we make for a stronger Canada.

Partners co-invested **dollar for dollar** in our marketing.

HOW DOES DC PARTNER WITH YOU?

"Our experience with Destination Canada has been to promote Canada as a preferred host for international sport events at international conferences under the Team Canada brand. We've also partnered on the development of a sport tourism promotional video which we use internationally… so it's been a really positive experience for us with Destination Canada."

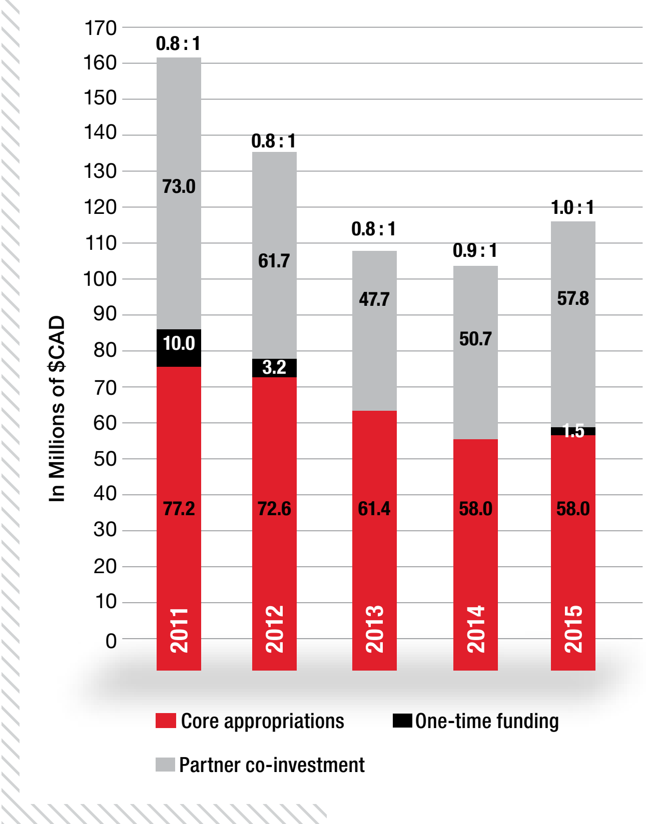
**Rick Traer, CEO,
Canadian Sport Tourism Alliance, Ottawa, ON**

PARTNERSHIPS AND CO-INVESTMENTS

We are stronger together, and partnerships are critical to our mutual success. Our bottom line results and marketing breakthroughs depend on public partnerships and private sectors co-investments. By aligning our investments, we are able to make a bigger impact in markets of mutual interest and get more out of our collective marketing dollars.

In 2015, we reexamined our partnership model with a view to increase co-investments that are more commercially relevant and enhance service delivery of our programs geared at driving long-term success for Canada's tourism entrepreneurs. By infusing innovation into how we partner and engage with industry, we were able to create stronger co-investment platforms for both public and private partners and forge stronger alignment with our domestic stakeholders.

PARTNER CO-INVESTMENT LEVELS



WHAT DOES DC DO FOR YOU?

"It is important for us to have an organization such as Destination Canada… it makes it easier for us to reach some of those markets that we could not afford to be marketing in on our own."

**Brenda Gallant,
Director of Marketing,
Tourism Prince Edward Island**

As mentioned earlier, we established a multi-year partnership with Bell Media Inc., a non-traditional partner. Through the company's perennial youth brands Much and VoyageVoyage, the partnership will reach out to young, independent and mobile travellers to experience Canada now and share their experiences, inspiring millennial travellers worldwide to explore Canada.

Most recently, we signed a cooperative agreement with the Aboriginal Tourism Association of Canada to increase the export capacity of Indigenous tourism experiences and support its continued growth across the country. Our partnership will ensure that Aboriginal tourism businesses have access to our marketing programs, services and partnerships they need to showcase their rich culture in targeted international markets.

WHAT DOES THE PARTNERSHIP AGREEMENT WITH DESTINATION CANADA SIGNIFY?

"It's historic. It's a recognition that our industry is a big part of tourism in this country, and that we're going to work in every market that we can to tell Canada's great history and culture."

Keith Henry, CEO and Chair, Aboriginal Tourism Association of Canada

COLLABORATING WITH THE FEDERAL FAMILY

DC has a strong history of working in partnership with the federal family to grow tourism for Canada. We've been long-time supporters of the whole-of-government approach, led by Innovation, Science and Economic Development (ISED), to increase the international competitiveness of Canada's tourism sector.

Examples of two additional partnerships in 2015 include:

PARKS CANADA
In 2015, DC and Parks Canada entered into an agreement to share market intelligence and align tourism strategies in order to enhance and compliment marketing efforts to travellers considering Parks Canada locations.

ATLANTIC CANADA TOURISM PARTNERSHIP
The Atlantic Canada Tourism Partnership (ACTP), which combines resources of the four Atlantic provinces and the four regional tourism associations for tourism market development, has long been an active partner with DC's marketing programs and research initiatives. In 2015, the ACTP joined the consortium to pilot DC's Germany Consumer Initiative.

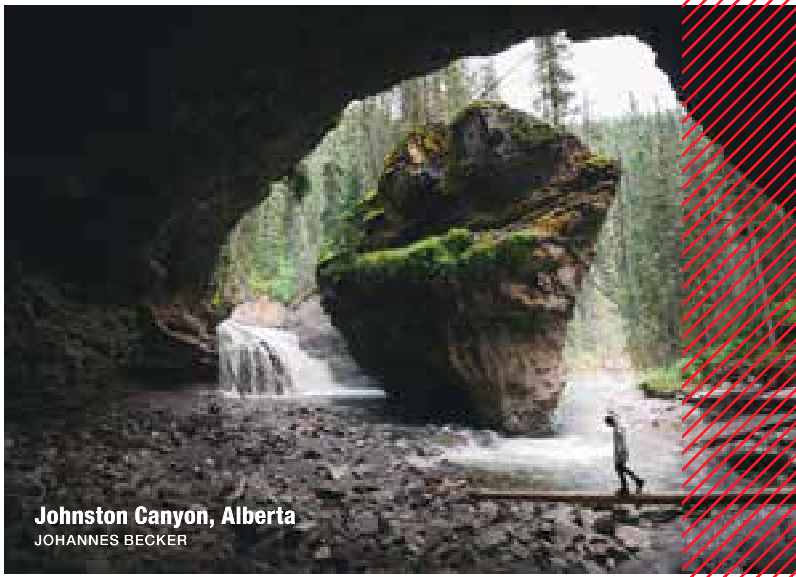
ADVANCING ABORIGINAL TOURISM

Canada's growing Aboriginal and Indigenous tourism sector showcases rich cultural background and traditions, promotes cultural understanding, and builds opportunities for job growth and economic development in communities across the country.

Our groundbreaking partnership with the Aboriginal Tourism Association of Canada will see us collaborate on joint initiatives, share information and market insights, and strengthen the promotion of Aboriginal and Indigenous tourism in international markets of mutual interest.

ABORIGINAL CANADA AUTOCHTONE CANADA


Hopewell Rocks, New Brunswick
TOURISM NEW BRUNSWICK


Johnston Canyon, Alberta
JOHANNES BECKER

We also broadened our partnership model for our industry-facing events in the US and here in Canada. To increase our value to the industry, we entered into a partnership arrangement with the Tourism Industry Association of Canada (TIAC). Both our organizations are the only two at a national level representing the full cross-section of Canada's tourism sector, and under this agreement, we have both made it a priority to better align efforts to support entrepreneurs and deliver results to industry.

Destination Canada is very proud of all the industry partners who join us at the table, at every level, to co-invest dollars and collaborate in the development and strengthening of marketing programs and initiatives.

WHAT DOES DC MEAN FOR YOU?

"They have key people anchored in various countries and regions worldwide. They give us the support, visibility and marketing that we otherwise would not have, so for us it's really vital to have that valuable partnership. It gives us the support and continuity we need to properly manage our business."

Annick Robichaud-Butland,
Hopewell Rocks, New Brunswick

FOSTERING ENTREPRENEURSHIP

TIAC AITC

The partnership with TIAC facilitates greater alignment between the two national tourism organizations, and formalizes the collaboration to provide timely and appropriate engagement opportunities to share information with entrepreneurs in all regions of the country.

TOWN HALLS

Sharing information and engaging with Canada's tourism community on emerging trends, upcoming priorities, and how to make the industry more competitive were key features of the co-hosted Town Hall sessions held across the country in 2015.

PATH TO EXPORT

Creating a path for tourism businesses to access global markets is essential in fostering long-term growth. The Path to Export initiative will support tourism entrepreneurs to become export-ready, and in 2015, DC and TIAC together conducted an initial review of best practices, existing resources and available tools.

TIAC TOURISM CONGRESS

In 2015, DC moved its Annual Public Meeting to coincide with the TIAC Tourism Congress held annually in Ottawa. This integration of two annual tourism industry events provided a far-reaching platform to communicate DC's recent performance and marketing strategy for the future.

LOOKING AHEAD

Other signature tourism events, including Rendez-vous Canada and GoMedia Canada, will be co-managed by both organizations starting in 2016 in order to leverage each organization's strengths for a more powerful impact.

Jasper National Park, Alberta
JEFF BARTLETT

TRADE AND MEDIA PLATFORMS

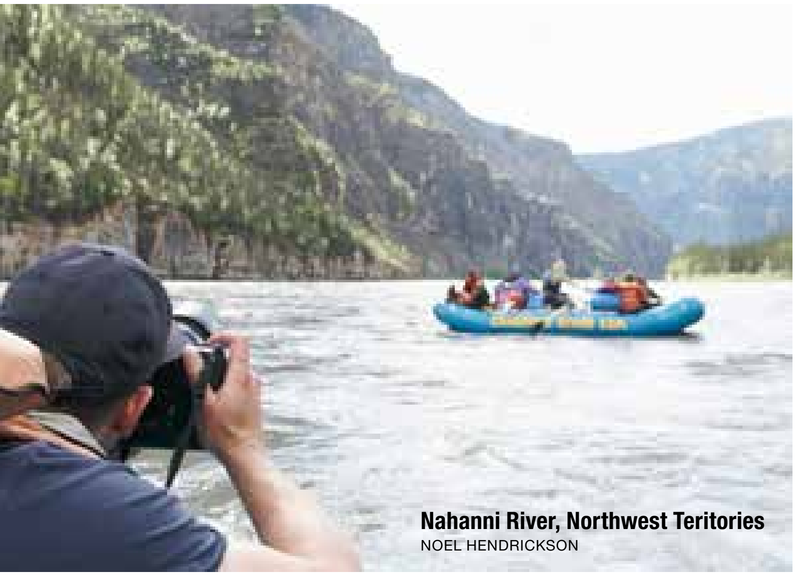
Tradeshows and media platforms allow businesses in the tourism community to sell their product and experiences by connecting with travel agents, tour operators and media from international markets. Through a number of events in 2015, we were able to facilitate access to global markets for thousands of Canada's tourism businesses.

Rendez-vous Canada (RVC), our flagship Canadian tourism industry event, was held in Niagara Falls, Ontario and attracted over 1,600 tourism industry representatives taking part in over 24,000 one-to-one appointments with international buyers. They were joined by 463 representatives from 343 buyer organizations, representing 31 international markets.

RVC2015
Niagara Falls, Ontario

2015 PLATFORMS

- CORROBOREE — AUSTRALIA
- BRAZIL ROADSHOW
- GOMEDIA CANADA
- RVC — CANADA
- SHOWCASE CANADA ASIA — CHINA
- IFTM TOP RESA — FRANCE
- ITB BERLIN — GERMANY
- INDIA ROADSHOW
- FOCUS CANADA JAPAN
- KOREA ROADSHOW
- CONOZCA — MEXICO
- WORLD TRAVEL MARKET — UK
- CANADA MEDIA MARKETPLACE — US



Nahanni River, Northwest Teritories
NOEL HENDRICKSON

Cape Enrage, New Brunswick
TOURSIM NEW BRUNSWICK

In addition to RVC, our presence at key tradeshows in our 10 leisure markets facilitated bringing together tourism businesses with qualified international wholesalers and retailers looking to enhance their range and diversity of product offerings for their local customers. Being able to offer such export vehicles gives our industry partners the inside track on how to expand their market reach.

WHAT DOES DC MEAN FOR YOU?

"Destination Canada showed me that they were open to working with regions such as ours, even if we are not an urban destination. We have exportable products to offer, and they gave us hope of working with the provinces adjacent to us. This is something that I never would have thought possible – that a region such as ours could work with Destination Canada. But we are supported and heard and are considered equally important as the big players. And that makes us want to continue and work together to export Canada."

**Randa Napky, Executive Director,
Tourisme Abitibi-Témiscamingue, QB**

TELLING THE STORY

DC's premier media events were a huge success in 2015.

GOMEDIA CANADA
Embodying the heart and soul of Canadian storytelling, this annual event connects top Canadian and international travel media with members of Canada's tourism industry. Held in Penticton, BC in 2015, GoMedia set up over 120 media in one-to-one meetings to uncover Canadian stories from coast to coast to coast and experience the best of the host city.

CANADA MEDIA MARKETPLACE
Canada Media Marketplace 2015 was the place to gather new story ideas, inspiration and background material, develop personal relationships with Canadian media-relations representatives and to network with other American and Canadian media. Held in New York City, more than 130 top US media were connected with Canada's tourism industry to generate travel media coverage and increase awareness of Canada's wonderful tourism offerings.

WHAT VALUE DOES DC BRING TO YOUR BUSINESS?

"We have been working with Destination Canada for many years in export markets – Japan, Korea, China – and the service they provide through the showcase series of marketplaces is invaluable. We also appreciate the familiarization tours that they bring from around the world. Our reach is extended far beyond what our own marketing and PR efforts could deliver. We find Destination Canada to understand our brand and what we do, and we trust them to represent us around the world."

Dave Cowen, General Manager, Butchart Gardens, Victoria, BC

ADVANCE CORPORATE EXCELLENCE AND EFFICIENCY	2015 TARGET	2015 RESULT
Proportion of total budget allocated to programming	≥ 61.5%	68.8%
Ratio of corporate services to marketing and sales costs	15.2%	12.3%
Systems effectiveness	65%	N/A[5]
Core values index	73%	82%
Employee engagement index	N/A[6]	65%

Advancing excellence and finding more efficient ways to do business has always been a priority for DC. Through a series of measures in 2015, we took steps to support government priorities, optimize our operating model, and increase the value we bring to the industry we serve.

OPTIMIZING OPERATIONS

Much attention in 2015 was spent on examining our business model and operating structure with a view to optimize the shareholder's investment in marketing. At the start of the year, our offices in Mexico and South Korea were transitioned to a General Sales Agent model – a model with demonstrated success in many of our other markets. This shift, along with a consolidation of various corporate management and non-management functions, has contributed to enhanced efficiencies and cost containment.

Administrative and discretionary spending was curtailed in 2015, and a revised policy was adopted to ensure compliance with a federal directive to streamline costs associated with travel, hospitality and conferences. Furthermore, the DC headquarters office space in Vancouver, BC was relocated to a smaller footprint. Beyond establishing closer controls over overhead costs, these efficiency initiatives have enabled us to significantly reduce our exposure to long-term pension risks, and have strengthened our balanced market portfolio approach by allowing for additional investments to be made in marketing on an ongoing basis.

Banff National Park, Alberta
PAUL ZIZKA

[5] Upon further consideration, measure was deemed no longer relevant as future system decisions would not be impacted by the survey.
[6] Target not identified as no study was planned for 2015. However, in light of the change in organizational leadership in 2015, a study was deemed worthwhile.

These additional investments in marketing have facilitated increased co-investment opportunities, thereby enabling us, alongside our partners, to exert a greater presence in the international marketplace. A stronger presence has no doubt contributed to increasing Canada's share of world arrivals and to driving economic growth for Canada's tourism community.

CORPORATE IDENTITY REFRESH

With a new business model and shifts in corporate priorities, the time was right in 2015 for a refreshed corporate identity. We received government approval to amend our operating name to "Destination Canada" to better convey our full business – both leisure and business tourism – and easily connect with travellers and stakeholders. The new corporate identity defines a modernized approach in how we tell Canada's story, yet allows us to continue providing a voice for Canadian tourism entrepreneurs. While "Canadian Tourism Commission" continues to be our legislative name, we envision the corporate brand of "Destination Canada" to be one that can be leveraged by the broader federal family for international programs and initiatives such as those related to study, work and investment.

Saskatoon, Saskatchewan
TOURISM SASKATOON

STRENGTHENED ACCOUNTABILITIES

In consultation with the industry, DC set a 5-year visitor arrivals and revenue goal – to bring in 20 million international visitors, spending $20 billion, by 2020. The strategy to support this ambitious goal encompasses new marketing techniques, innovative technologies and new approaches to partnerships, and is supported with a streamlined set of corporate performance metrics.

Internally, a pay for performance model linking compensation directly to the achievement of corporate and individual goals was rolled out to ensure that all employees were evaluated under a consistent framework. In addition to fostering closer strategic alignment, these initiatives enhance accountabilities for our shareholder and the industry we support.

SPECIAL EXAMINATION

The Auditor General of Canada conducts a special examination of DC at least once every 10 years. The most recent examination was carried out in 2015, and focused on the areas of corporate governance, strategic planning, performance measurement, risk management, marketing activities, tourism research, and human resource management. The Office of the Auditor General found no significant deficiencies in our systems and practices that were selected for examination. Furthermore, it was of the opinion that DC's "assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively".

Churchill, Manitoba
MAX MEUNCH

Risks and Uncertainties

As part of our strategic management process, we conduct an enterprise risk assessment and use the results of that assessment in the development of our five-year strategic plan, risk mitigation strategy and internal audit plan. Risk mitigation action plans are developed and implemented accordingly. The risks identified during the 2015 risk exercise as potentially impacting our organizational objectives are highlighted below.

- Very high residual risk
- High residual risk
- Medium residual risk
- Low residual risk

MARKETING EFFECTIVENESS

2015 (Medium residual risk)
2014 (Medium residual risk)
NO CHANGE

There is a risk that marketing effort is not effective or relevant and has minimal or unknown impact on the tourism industry.

Mitigation activities: DC will utilize a multi-pronged approach to address risks related to marketing effectiveness: maintain strong brand and agency; use Path to Purchase model; recruit, develop and retain the right talent; focus on opportunities for integrating innovation (core value) into DC's core business and measure against it; perform evaluations on results of conversion studies; use insights to inform decisions; better communicate DC's value and impact to the tourism industry by explicitly stating this as a strategic objective, measuring its impact in the scorecard and focusing efforts and resources optimally.

PERFORMANCE MEASUREMENT

2015 (High residual risk)
2014 (High residual risk)
NO CHANGE

There is a risk that DC will be unable to measure the impact, effectiveness and attributable results of marketing efforts, including the use of new marketing communications technologies in a manner that is meaningful to its various stakeholders. This risk has emerged as travellers move from traditional sources for travel information and inspiration, such as newspapers and billboards, to digital content such as blogs and websites. DC has worked to refine its approach to measurement, and is measuring its performance based on measures it can control and influence.

Mitigation activities: There is risk associated with any new measurement system. This risk is mitigated by the presence of all but one key performance indicator on past scorecards, and ongoing assessment of measurement effectiveness.

PRIVACY

2015 ● NEW RISK

The deployment of technologies based on identifying and marketing to the interests and passions of travellers requires the collection, assessment and action of travellers' consumer data. There is a risk that DC's activities will not meet or exceed regulatory requirements or consumer expectations around privacy.

Mitigation activities: DC is committed to protecting privacy and utilizes best practices to proactively assess and address privacy risk. DC has also conducted a thorough privacy impact assessment of its current and planned activities, taking into account Canadian federal obligations as well as anticipated regulatory changes in the European Union. DC will implement all of the recommendations of the assessment, and maintain an ongoing schedule to review, assess and update its privacy processes and policies.

CURRENCY

2015 ● NEW RISK

There is a risk that the impact of a lower valuation of the Canadian dollar and the resulting decreased purchasing power will result in diminished reach and reduced impact of DC marketing efforts in highly competitive international marketplaces.

Mitigation activities: Contingency plans are established that include stretching budgets across a diverse portfolio of 12 countries to ensure maximum benefit for program implementation with its mandate.

GLOBAL ECONOMIC, GEO-POLITICAL AND SECURITY ISSUES

2015 ● 2014 ● NO CHANGE

There is a risk that global economies (where DC invests) could experience a significant slowdown in growth, changes in the political landscape or security environment which impact international travel and the Canadian tourism industry.

Mitigation activities: DC will maintain a balanced country investment portfolio, and ensure country budgets are flexible to allow reallocations if necessary. In addition, DC will offer support, tools, assets and sales opportunities to industry to withstand these issues, facilitate their export readiness and help grow their businesses.

- ● Very high residual risk
- ● High residual risk
- ● Medium residual risk
- ● Low residual risk

TALENT MANAGEMENT

2015 NEW RISK

There is a risk that DC will not have the ability to recruit, engage, develop, renew and retain resources with the skills and talent required by the organization to meet current and future needs, impacting the organization's effectiveness and efficiency.

Mitigation activities: DC will provide a workplace where employees have meaningful work in a fair, safe, supportive and values-based environment. In addition, it will foster an environment where leaders set clear direction, engage employees as well as demonstrate and promote DC values. DC will also invest in an infrastructure of people and systems that enables high quality people management services.

CHANGE MANAGEMENT

2015 NEW RISK

There is a risk that DC's strategic shift to become a content marketing-based organization and the resulting business process and technology changes that accompany this move will cause a decreased ability to manage employee engagement, retention of corporate knowledge as well as provide consistency in operations, thus impacting the overall efficiency of the organization.

Mitigation activities: DC will continue to communicate and educate all employees, office holders, and stakeholders on the priorities, opportunities, business plans and challenges facing the organization. It will foster an environment where creativity and innovation is encouraged, and support management and employees at all levels with proper tools and resources. DC will continually monitor and assess effectiveness of its strategies through surveys and consultation.

- Very high residual risk
- High residual risk
- Medium residual risk
- Low residual risk

Internal Audit

DC engages an external firm to carry out our internal audit function. The internal auditor acts independently and reports directly to the Audit and Pension Committee of the Board of Directors. The development of our annual internal audit program is risk-based and, new this year, is integrated with the enterprise risk assessment process in order to minimize duplication. In 2015, the internal auditor focused on the risks associated with our use of social media as well as the development of the integrated enterprise risk assessment and internal audit planning approach. Management has developed action plans to address the internal auditor's recommendations.

Fogo Island, Newfoundland and Labrador
MEGHAN MCLELLAN

Financial Overview

DC's financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS). The following paragraphs provide readers with context for our 2015 financial statements which begin on Page 56 of this report. We also highlight issues and reasons for significant year over year changes. Detailed notes to our financial statements begin on Page 65.

STATEMENT OF FINANCIAL POSITION

Assets

Overall during the year ended December 31, 2015, the value of DC's financial assets increased by 31%. The main driver for this increase was a $4.7 million pension solvency investment we made in 2015 and appears in the accrued benefit asset amount. Accounts receivable from partnership contributions was $2.4 million, a $1.0 million increase in 2015 which reflects our continued efforts to secure new partnerships and further develop existing partnerships. Our tangible capital assets increased by just under $1.5 million as a result of our acquisition of leasehold improvements developed for our move to our new headquarters.

The net impact on cash is an increase of 13% from 2014.

Liabilities

DC's overall liability position increased by 23% in 2015. This increase is primarily driven by higher trade accounts payable due to the timing of payments, many of which were made right after December 31, 2015. The increase is partially offset by the headquarters relocation, as we decommissioned all asset retirement obligations at the former office space which were recorded at a higher value than the obligations resulting from the new lease.

Accumulated Surplus

The net impact of these changes is a $5.0 million surplus or 42% year over year increase in DC's Accumulated Surplus. We continue to carefully allocate our resources, focusing on maximizing marketing and sales funding as a percentage of total expenses, and have found efficiencies across the organization to maintain a healthy financial position.

Wolfville, Nova Scotia
GEORG SIMHONI

STATEMENT OF OPERATIONS

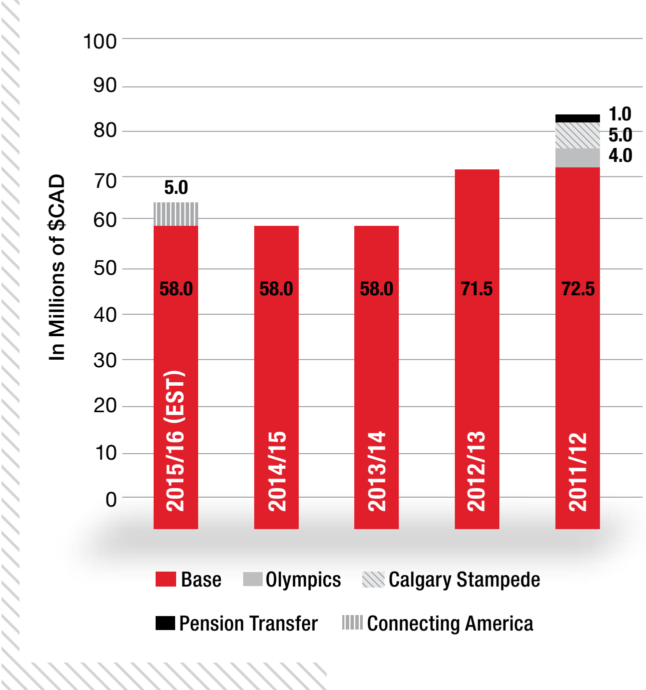
Nova Scotia
SMITA JACOB

Parliamentary Appropriations

DC is mainly financed by the Government of Canada through parliamentary appropriations, which in 2015 totalled $58.8 million. Federal government appropriations approved for the fiscal years ending March 31 are $58.0 million for 2014/15 and $63.0 million for 2015/16, respectively. Our fiscal year-end is December 31, which accounts for the difference in funding on the Statement of Operations compared to the graph on the following page. In addition to this ongoing appropriation to cover the cost of operations, we also receive special program appropriations, the most recent of which is for the Connecting America marketing initiative. This funding will total $30 million over three years: $5 million in 2015/16, $12.5 million in 2016/17, and $12.5 million in 2017/18.

Historically, the Government of Canada has invested in specific activities by providing one-time funding to DC for programs such as Leveraging the 2010 Olympics, Calgary Stampede Centennial, and a one-time transfer related to pension obligations. These supplementary appropriations are considered restricted appropriations, which is described in greater depth in Note 2 of the financial statements. DC is under pressure imposed by reduced federal funding, which resulted in significant decreases to core appropriations from 2011/12 through 2013/14 and no increases to the core appropriations from 2013/14 through 2015/16. Core appropriations have been consistent over the last two years and total appropriations are expected to only increase by the Connecting America special funding.

PARLIAMENTARY APPROPRIATIONS

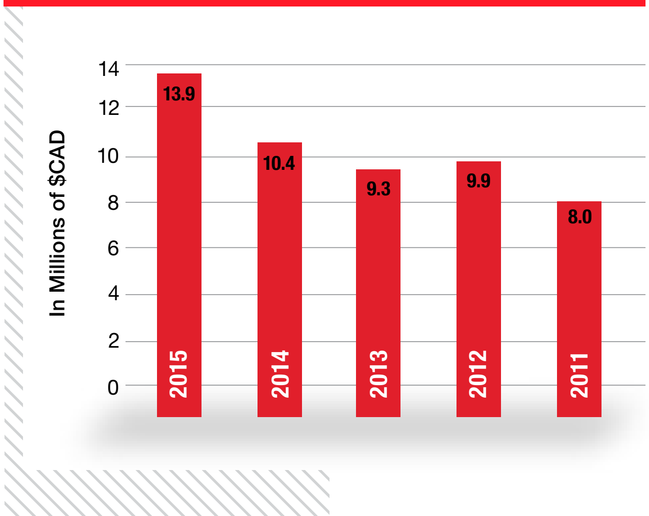


The table above shows the total appropriated funds from the Government of Canada for the past five fiscal years, and shows that DC's baseline appropriated funding has not increased for the past three years and is currently 18% lower now than in 2012/13. This reduced funding, in combination with the falling value of the Canadian dollar, has compelled DC to aggressively seek improved operational efficiencies to deliver our mandate.

As DC's fiscal year ends December 31, and the federal government's year end is March 31, in a given fiscal period, we draw appropriations from two government fiscal years. For the year ended December 31, 2015, we drew down $58.8 million of appropriations approved from government fiscal periods 2014/15 ($12.9 million) and 2015/16 ($45.9 million) (Note 9). The amount drawn in 2014 was $58.0 million.

Appropriations are recognized in the Statement of Operations and the Statement of Cash Flows in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board (Note 2a). In accordance with PS3410, Government Transfers, appropriations used to fund core activities are recognized as income as the appropriations are authorized and any eligibility criteria are met.

PARTNER REVENUES

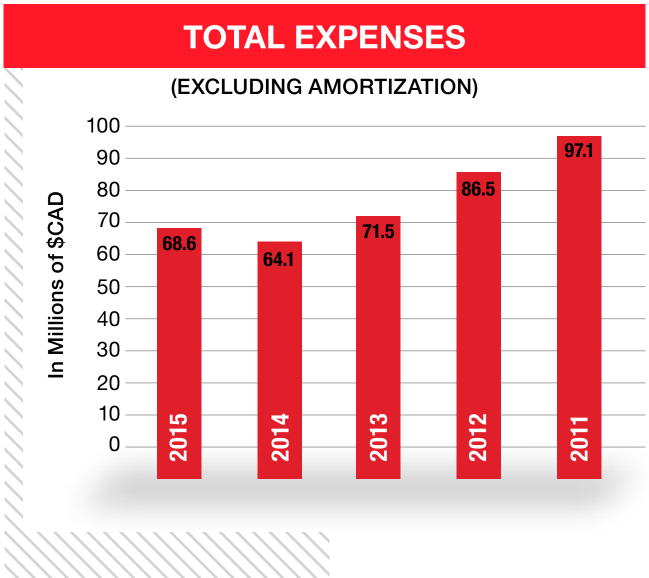


Partner Revenues

DC receives revenues through partnership agreements with other organizations in the tourism industry to align and maximize the impact of combined investment dollars. Where DC manages partnered programs (DC-led), partners pay their share of the costs to us for specific campaigns and activities. For accounting purposes, only DC-led partner contributions are recognized and reported as partner revenues in the Statement of Operations.

In 2015, we recognized $13.9 million of partner revenues, which reflect an increase of $3.5 million from the prior year. The net increase in 2015 is attributed to increased investment in new partnerships and from existing partners including a pilot model for collaboration in Germany ($1.8 million), Connecting the Global Customer U.S. pilot launched in 2015 ($1.4 million), the Canada Theatre campaign in Japan ($450,000), and increased partner funding in China in support of the Summer and Winter campaign and from Tourism Quebec media and trade promotion. Increased partnership funding was partially offset by a funding decrease in certain markets including France ($311,000), UK ($149,000), India ($88,000), and South Korea ($66,000).

Partner revenues in 2015 exceeded what was budgeted. These incremental revenues were directly spent on marketing campaigns. In 2016 we will adjust our planning cycle to be better aligned with the approval processes of destination and provincial marketing organizations. Currently we estimate partner investment levels in late November or early December, while many of our partner budgets are not finalized until February, March and sometimes even April.



Expenses

Total expenses (excluding amortization) in 2015 grew by $4.5 million to $68.6 million in 2015, an increase of 7.0% over 2014.

The majority of this increase was in marketing and sales expenses, which increased by $4.5 million over 2014. These increases were primarily in support of new initiatives including Connecting the Global Customer ($4.5 million) and the pilot program in Germany ($1.8 million total increase in expenses in Germany). This increase is consistent with the corresponding increase in partner revenues as described above.

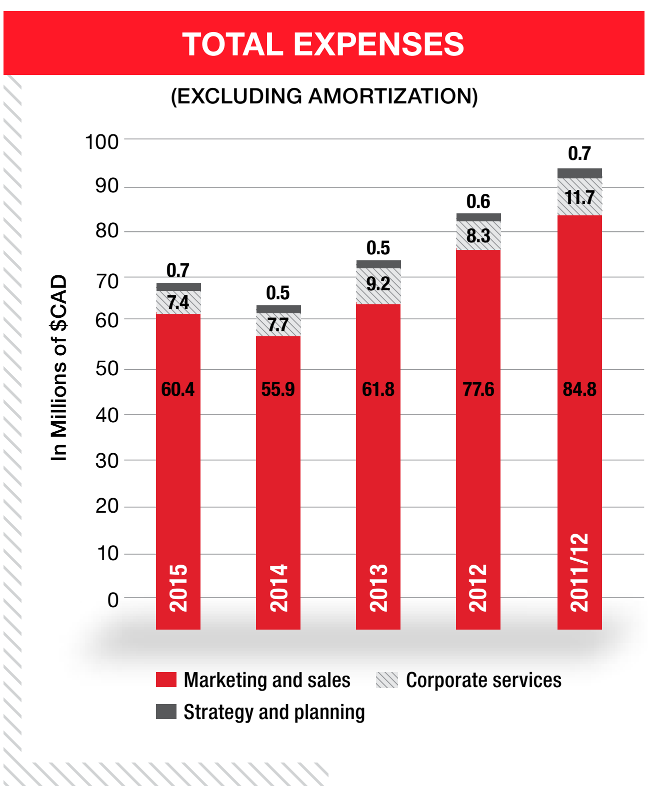
The cost of Corporate Services in 2015 was well controlled, decreasing by 3.0% over 2014 to $7.4 million.

PERFORMANCE MEASURES

As part of our strategy to manage no increases in core appropriations and measure progress while continuing to develop our expanding marketing strategy, DC has developed a number of performance indicators, three of which include:

Corporate Services

DC has established a Corporate Services ratio target of 15.2% or less, which compares corporate services costs to marketing and sales costs. In 2015, we were pleased to exceed this target, achieving 12.3%, which is an improvement on 2014's ratio of 13.7%. This reflects the success of our significant and ongoing efforts to improve efficiency throughout our operations. The following table illustrates the breakdown of our expenses into marketing and sales, corporate services, and strategy and planning.



Program Percentage

This is calculated as the total of program expenses (non-compensation and non-operating costs) expressed as a percentage of total expenses (Note 12). This measures our goal of maximizing the portion of our budget dedicated to marketing and sales programs. In 2015, program expenses represented 68.8% (65.6% in 2014) of expenditures, exceeding our minimum target of 61.5%.

Partner Contributions

This key metric is the ratio of partner contributions to every dollar of DC's funding. In 2015, DC achieved a ratio of 1 : 1 (0.9 : 1 in 2014). This ratio continues to grow and exceed our 2015 target of 0.6 : 1 (minimum).

EMPLOYEE FUTURE BENEFITS

DC offers a number of pension and benefit plans to our employees. The administration of, and the accounting for, these plans is complex in nature. Additional details of these employee future benefit plans are provided in Note 8 of the financial statements. There is significant volatility with respect to the funding requirements for the defined benefit portion of the Canadian pension plan and the supplemental retirement plan (SRP).

Pension Plan for Canadians

The Canadian pension plan consists of a defined benefit and a defined contribution component. The defined contribution component was established for Canadian employees hired on or after August 1, 2005. Our contributions under the defined contribution component are equal to a percentage of the employee's contributions to a group registered retirement savings plan. The employer matching percentage varies based on age plus service of the employee.

Our contributions to the defined benefit component of the Canadian pension plan are determined in accordance with the Pension Benefits Standards Act, 1985. We do not receive any additional funding for these solvency special payments.

St. John's, Newfoundland and Labrador
GREG FUNNELL

Saskatoon, Saskatchewan
TOURISM SASKATOON

Nunavut
DESTINATION CANADA

Tuktoyaktuk, Northwest Territories
DESTINATION CANADA

Between 2010 and 2014, we elected to use solvency relief measures available under the Pension Benefits Standards Regulations for Crown Corporations to reduce the solvency special payment requirements by applying the available measures. We were able to substantially reduce the special payments that would otherwise have been required. In 2014, we made special payments totaling $680,101 (taking into account funding relief measures).

In 2015, we elected to make special payments in the amount of $4.7 million to improve the funded position of the defined benefit component of the Canadian pension plan, and to allow DC to review and decide on strategies to reduce the future funding risks of the pension plan. DC's Board of Directors and the management team began reviewing risk management strategies in late 2015 and will consider mitigation options in 2016.

The obligations of the defined benefit component reported under the financial statements, which are aligned with accounting principles, are significantly lower than the expected cost of settlement, if settlement was to occur in the short term. The difference as at December 31, 2015 was estimated to be $13.8 million. Typically, the difference between accounting obligation and cost of settlement is expensed through the life of the pension plan as pension benefits are paid out from the plan. However, part of this difference may be crystallized and recognition accelerated if there is a full or partial settlement of the obligations. As of December 31, 2015, there were only two active members remaining in the defined benefit component.

Supplemental Retirement Plan

The SRP provides pension benefits in excess of statutory limits for certain Canadian staff. Prior to 2013, DC utilized a letter of credit to secure the value of the unfunded benefit (the difference between the projected liabilities and the value of the assets). In 2013 and 2014, we fully funded the SRP by contributing $1.6 million and $756,000, respectively. Based on an actuarial valuation completed in September 2015, the SRP continues to be fully funded and no contributions were required to be remitted to the SRP in 2015.

Pension Directive

In December 2014, pursuant to the Financial Administration Act (FAA), the Government of Canada issued a directive to DC to:

(a) Ensure that our pension plan will provide:

  i. a 50:50 current service cost-sharing ratio between employee and employer for pension contributions, to be phased in for all members by December 31, 2017; and

  ii. for any employee hired on or after January 1, 2015, that the normal age of retirement is raised to 65 years and that the age at which retirement benefits are available, other than those received at the normal age of retirement, corresponds with the age at which they are available under the Public Service Pension Plan.

(b) Outline our implementation strategies with respect to the commitments set out in (a) above in our next corporate plan and subsequent corporate plans until the commitments are fully implemented.

DC intends to comply with this directive.

HEADQUARTERS RELOCATION

DC moved to a new office location on November 2, 2015. It is a modern, creative and efficient space. The layout not only maximizes the utility of the square footage available, but also creates a more vibrant, dynamic and collaborative work environment as the teams are now all situated together on a single floor.

The total leasehold improvements, which make up the majority of the capital tangible assets net book value in 2015 related to this move, are $1.2 million, consisting of:

- $1.8 million for construction (including consulting and design);
- $402,000 for office furniture, computer hardware, and decommissioning leasehold improvements; and
- An offset of $1.0 million of landlord tenant improvement allowances (to be realized over the life of the lease).

As a result of this move, we estimate annual savings of $600,000 going forward.

Due to the office move, tangible capital asset additions in 2015 increased significantly compared to the prior year – $1,824,000 in 2015 ($20,000 in 2014) – which primarily relate to the leasehold improvements. These additions were more than offset by the total disposals of $3.4 million, $2.9 million of which were fully amortized leasehold improvements at the former office space. Other disposals included the sale of smaller tangible capital assets, which resulted in other revenues. We continue to reduce corporate costs by leasing a smaller and more cost effective space. The leasehold improvements will be amortized over the course of the lease on a straight-line basis.

FOREIGN EXCHANGE

DC's functional currency is the Canadian dollar, but we regularly transact in multiple foreign currencies as part of our international operations. As a result, we are impacted by fluctuations in foreign exchange rates. Realized gains and losses arise from the settlement of foreign currency transactions when translated into Canadian dollar equivalents using rates of exchange in effect at the time of the transaction. Unrealized gains and losses arise from the translation of monetary assets and liabilities denominated in foreign currencies translated into Canadian dollar equivalents at the rate of exchange in effect at year end. Realized gains and losses are considered Operating Expenses and are included in the Statement of Operations as Corporate Service expenses. Unrealized gains and losses are reported on the Statement of Remeasurement Gains and Losses.

In 2015, the foreign exchange rates of many currencies experienced significant volatility, notably strengthening against the Canadian dollar throughout the year. During 2015, we had significant transactions in British Pounds, Chinese Yuan, Euros, Japanese Yen, and US Dollars resulting in a realized foreign exchange loss of $553,000 and an unrealized foreign exchange gain of $593,000. The realized loss is included in the corporate service expenses. The following five currencies are our highest transaction foreign currencies and the Canadian dollar lost value against all of them during the year.

VALUE OF $100,000 CDN ON

CURRENCY	DECEMBER 31, 2014	DECEMBER 31, 2015
$	$85,993	$72,120
€	€70,739	€66,002
£	£55,357	£48,645
¥	¥527,865	¥467,973
¥	¥10,312,900	¥8,689,940

Financial Statements

The following financial statements and notes reflect our legal name, “Canadian Tourism Commission”.

La Reata Ranch, Saskatchewan

Management Responsibility Statement

The management of the CTC is responsible for the performance of the duties delegated to it by the Board of Directors. These include the preparation of an Annual Report together with audited financial statements. These statements, approved by the Board of Directors, were prepared in accordance with Canadian public sector accounting standards appropriate in the circumstances. Other financial and operational information appearing elsewhere in the Annual Report is consistent with that contained in the financial statements.

Management maintains internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with the relevant authorities.

Management also maintains financial and management control systems and practices designed to ensure the transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Tourism Commission Act*, and by-laws of the CTC. These systems and practices are also designed to ensure that assets are safeguarded and controlled, and that the operations of the CTC are carried out effectively. In addition, the Audit and Pension Committee, appointed by the Board of Directors, oversees the internal audit activities of the CTC and performs other such functions as are assigned to it.

The CTC's external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing his report thereon.

David Goldstein
President and Chief Executive Officer

André Joannette
Vice President, Finance and Operations and Chief Financial Officer

March 16, 2016

Independent Auditor's Report

Auditor General of Canada
Verificateur général du Canada

To the Minister of Innovation, Science and Economic Development

Report on the Financial Statements

I have audited the accompanying financial statements of the Canadian Tourism Commission, which comprise the statement of financial position as at 31 December 2015, and the statement of operations, statement of remeasurement gains and losses, statement of change in net financial assets and statement of 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Tourism Commission as at 31 December 2015, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Canadian Tourism Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Tourism Commission Act*, the by-laws of the Canadian Tourism Commission, and the directives issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 to the financial statements.

Tammy Squires, CPA, CA Principal
for the Auditor General of Canada

16 March 2016
Vancouver, Canada

CANADIAN TOURISM COMMISSION

Statement of Financial Position

AS AT DECEMBER 31, 2015

(in thousands)	2015	2014
Financial assets		
Cash and cash equivalents (Note 4)	$16,616	$14,748
Accounts receivable		
Partnership contributions	2,369	1,412
Government of Canada	238	169
Other	12	31
Accrued benefit asset (Note 8)	12,288	7,585
Portfolio investments (Note 5)	504	546
	32,027	24,491
Liabilities		
Accounts payable and accrued liabilities		
Trade	9,593	5,186
Employee compensation	1,310	1,943
Government of Canada	601	789
Accrued benefit liability (Note 8)	5,966	5,991
Deferred revenue	362	260
Asset retirement obligation	164	515
	17,996	14,684
Net financial assets	14,031	9,807
Non-financial assets		
Prepaid expenses and other assets	1,149	1,789
Tangible capital assets (Note 7)	1,788	326
	2,937	2,115
Accumulated surplus (Note 10)	$16,968	$11,922

Commitments and Contingencies (Notes 14 and 15)
The accompanying notes form an integral part of these financial statements.

Scott Allison
Director

Michael Hannan
Director

CANADIAN TOURISM COMMISSION

Statement of Operations

FOR THE YEAR ENDED DECEMBER 31

(in thousands)	Budget 2015	2015	2014
Revenues			
Partner revenues	$8,918	$13,927	$10,391
Other	696	890	1,160
	9,614	14,817	11,551
Expenses			
Marketing and sales (Note 11)	57,484	60,421	55,920
Corporate services	8,209	7,434	7,659
Strategy and planning	635	697	512
Amortization of tangible capital assets	579	353	382
	66,907	68,905	64,473
Net cost of operations before funding from the Government of Canada	(57,293)	(54,088)	(52,922)
Parliamentary appropriations (Note 9)	60,822	58,779	57,976
Surplus for the period	3,529	4,691	5,054
Accumulated operating surplus, beginning of period	11,684	11,684	6,630
Accumulated operating surplus, end of period	$15,213	$16,375	$11,684

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

CANADIAN TOURISM COMMISSION

Statement of Remeasurement Gains and Losses

FOR THE YEAR ENDED DECEMBER 31

(in thousands)	2015	2014
Accumulated remeasurement gain, beginning of period	$238	$178
Unrealized gains attributable to foreign exchange	593	238
Amounts reclassified to the statement of operations	(238)	(178)
Net remeasurement gains for the period	355	60
Accumulated remeasurement gain, end of period	$593	$238

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

CANADIAN TOURISM COMMISSION

Statement of Change in Net Financial Assets

FOR THE YEAR ENDED DECEMBER 31

(in thousands)	Budget 2015	2015	2014
Surplus for the period	$3,529	$4,691	$5,054
Acquisition of tangible capital assets	(2,210)	(1,824)	(20)
Amortization of tangible capital assets	579	353	382
Net disposition of tangible capital assets	-	9	-
	(1,631)	(1,462)	362
Effect of change in other non-financial assets			
Decrease/(increase) in prepaid expenses	-	640	(781)
	-	640	(781)
Net remeasurement gain	-	355	60
Increase in net financial assets	1,898	4,224	4,695
Net financial assets, beginning of period	9,807	9,807	5,112
Net financial assets, end of period	$11,705	$14,031	$9,807

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

CANADIAN TOURISM COMMISSION

Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31

(in thousands)	2015	2014
Operating transactions:		
Cash received from:		
Parliamentary appropriations used to fund operating and capital transactions	$58,779	$57,976
Partners	13,072	9,371
Other	711	976
Interest on cash	166	166
	72,728	68,489
Cash paid for:		
Cash payments to suppliers	(52,620)	(50,866)
Cash payments to and on behalf of employees	(17,382)	(14,895)
Cash provided by operating transactions	2,726	2,728
Capital transactions:		
Acquisition of tangible capital assets	(1,278)	(20)
Disposition of tangible capital assets	9	-
Cash used in capital transactions	(1,269)	(20)
Investing transactions:		
Disposition of portfolio investments	56	62
Cash provided by investment transactions	56	62
Net remeasurement gain for the period	355	60
Net increase in cash during the period	1,868	2,830
Cash and cash equivalents, beginning of period	14,748	11,918
Cash and cash equivalents, end of period	$16,616	$14,748

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

Notes to the Audited Financial Statements

DECEMBER 31, 2015

1. Authority, Objectives and Directives

The Canadian Tourism Commission (the “CTC”) was established on January 2, 2001 under the *Canadian Tourism Commission Act* (the “Act”) and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The CTC is for all purposes an agent of her Majesty in right of Canada. As a result, all obligations of the CTC are obligations of Canada. The CTC is not subject to income taxes.

As stated in section 5 of the Act, the CTC’s mandate is to:

- sustain a vibrant and profitable Canadian tourism industry;
- market Canada as a desirable tourist destination;
- support a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories with respect to Canadian tourism; and
- provide information about Canadian tourism to the private sector and the governments of Canada, the provinces and the territories.

In December 2014, the CTC was issued directive PC 2014-1378 pursuant to section 89 of the *Financial Administration Act* directing the CTC to implement pension plan reforms. These reforms are intended to ensure that pension plans of Crown corporations provide a 50:50 current service cost-sharing ratio between employee and employer for pension contributions, to be phased in for all members by December 31, 2017. The CTC’s implementation strategy is outlined in its corporate plans until commitments under this directive are fully implemented.

In July 2015, the CTC was issued directive PC 2015-1109 pursuant to section 89 of the *Financial Administration* Act to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the CTC’s next corporate plan. The CTC implemented its new Travel, Hospitality, Conference, and Event Expenditures Policy on August 21, 2015 which complied with the requirements of the directive.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS"). Significant accounting policies are as follows:

a) Parliamentary appropriations

The CTC is mainly financed by the Government of Canada through parliamentary appropriations. Parliamentary appropriations used to fund core operations and capital expenditures are considered unrestricted and recognized as revenues when the appropriations are authorized and any eligibility criteria are met. Parliamentary appropriations used to fund one-time activities, such as Connecting America, Olympics or Stimulus, are considered restricted. Restricted appropriations have eligibility criteria and stipulations that give rise to an obligation that meets the definition of a liability. Restricted appropriations are recognized as deferred revenue when the stipulation gives rise to a liability. Restricted appropriation revenue is recognized as the stipulation liabilities are settled.

As a result of the CTC's year-end date (December 31) being different than the Government of Canada's year end date (March 31), the CTC is funded by portions of appropriations from two Government fiscal years. Refer to Note 9.

The CTC will have a deferred parliamentary appropriations balance at year-end when the restricted funding received for the period exceeds the restricted appropriations recognized for the related fiscal period. The CTC will have a parliamentary appropriations receivable balance when restricted appropriations recognized exceed the restricted funding received.

The CTC does not have the authority to exceed approved appropriations.

b) Partnership contributions

The CTC conducts marketing activities in partnership with a variety of Canadian and foreign organizations. Where the CTC assumes the financial risks of conducting a marketing activity, contributions received from a partnering organization are recognized in income when the related marketing activity takes place. Partnership contributions received for which the related marketing activity has not yet taken place are recognized as deferred revenue.

c) Other revenues

Other revenues consist of cost recoveries from co-location partners, interest revenues, capital asset sales and other miscellaneous revenues. These items are recognized as revenue in the period in which the transaction or event occurred that gives rise to the revenue.

d) Foreign currency translation

Monetary assets and monetary liabilities denominated in foreign currencies are translated into Canadian dollars at the applicable year-end exchange rate. Non-monetary assets and non-monetary liabilities denominated in foreign currencies are translated into Canadian dollars at historical exchange rates. Revenue and expense items are translated during the year at the exchange rate in effect on the date of the transaction. Amortization expenses of tangible capital assets are translated at historical rates to which the assets relate. Realized gains and losses are considered Operating Expenses and are included in the Statement of Operations as Corporate Services. Unrealized gains and losses are reported on the Statement of Remeasurement Gains and Losses and in the Statement of Change in Net Financial Assets. The CTC does not hedge against the risk of foreign currency fluctuations.

e) Cash and cash equivalents

Cash and cash equivalents include cash in bank and a money market term deposit. These items are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Refer to Note 4.

f) Portfolio investments

Portfolio investments are measured at amortized cost. Interest income related to these investments is calculated based on the effective interest method.

g) Prepaid expenses

Prepaid expenses consist of program and operating expenses recognized as an expense based on the term of usage for items such as subscriptions or based on the event date of tradeshows.

h) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization and the amount of any write-downs or disposals. Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the assets as follows:

Leasehold improvements	remaining term of lease
Office furniture	5 years
Computer hardware	3 years
Computer software	5 years

Intangible assets are not recognized in these financial statements.

i) Deferred revenue

Deferred revenue consists of deferred revenues from partnering organizations and deferred lease inducements. Deferred revenues from partnering organizations are recognized as revenues based on an event's date or a license period. Deferred revenues relating to lease inducements are recognized as a reduction of lease expense over the term of the lease.

j) Asset retirement obligation

Asset retirement obligations consist of decommissioning costs for various office leases. The CTC recognizes asset retirement obligations as a result of legal obligations to restore leased office spaces back to their original states at the end of the lease term. Asset retirement obligations are measured initially at fair value, based on management's best estimates, with the resulting amount capitalized into the carrying amount of the related asset. The capitalized asset retirement cost is included in leasehold improvements and amortized on the same basis as the related asset. The amortization expense is included in determining the net cost of operations. Refer to Note 7.

k) Employee future benefits

The CTC offers a number of funded, partly funded and unfunded defined benefit pension plans, other unfunded defined benefit plans (which include post-employment benefits, post-retirement benefits and non-vested sick leave), as well as defined contribution pension plans. The pension plans include statutory plans and a supplemental plan. Other benefit plans include post-employment severance benefits and post-retirement health, dental and life insurance benefits and non-vested sick leave. The defined benefit pension plans provide benefits based on years of service and average pensionable earnings at retirement. The CTC funds certain pension plans annually based on actuarially determined amounts needed to satisfy employee future benefit entitlements under current benefit regulations. Cost of living adjustments are automatically provided for retirees in accordance with Consumer Price Index increases.

The costs and obligations of the defined benefit plans are actuarially determined using the projected benefit method prorated on service that incorporates management's best estimates of the rate of employee turnover, the average retirement age, the average cost of claims per person, future salary and benefit levels, expected return on plan assets, future medical costs, and other actuarial factors. For the purposes of calculating the expected return on plan assets, those plan assets are based on the market value of plan assets.

Past service costs arising from plan amendments are recognized in the years in which the plan amendment occurred.

Actuarial gains and losses are amortized over expected average remaining service lifetime (“EARSL”) of active employees. For 2015, EARSL has been determined to be 8.9 years (8.7 years - 2014) for the Registered Pension Plan for Employees of the CTC (“RPP”), 0.0 years (8 years - 2014) for the Supplementary Retirement Plan for certain employees of the CTC (“SRP”), 12.6 years (14.3 years - 2014) for the Pension Plan for Employees of the CTC in Japan, South Korea and China (“WWP”), 7 years (7 years - 2014) for non-pension post-retirement benefits, 13 years (13 years - 2014) for severance benefits and 13 years (13 years - 2014) for sick leave benefits.

Employees working in the UK and the US participate in the Department of Foreign Affairs defined benefit pension plans administered by the Government of Canada. The assets of these plans cannot be allocated among participating employers, and as such, these plans are deemed “multi-employer” plans and accounted for as defined contribution plans. The CTC’s contributions to these plans reflect the full benefit cost of the employer. These amounts vary depending upon the plan and are based on a percentage of the employee’s gross earnings. Contributions may change over time depending on the experience of the plans since the CTC is required under present legislation to make adjustments for the rate of contributions to cover any actuarial deficiencies of these plans. Contributions represent the total pension obligations of the CTC for these employees and are charged to operations during the year in which the services are rendered.

l) Financial instruments

Financial assets and financial liabilities are measured at amortized cost. Financial assets consist of cash and cash equivalents, accounts receivable, and portfolio investments, while financial liabilities consist of accounts payable and accrued liabilities.

m) Measurement uncertainty

The preparation of financial statements in accordance with Canadian PSAS 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 amounts of income and expense during the reporting periods. Actual results could differ significantly from those estimates. The most significant estimates involve the determination of employee future benefits and related accrued benefit asset valuation, the useful lives for amortization of tangible capital assets and the fair value of the asset retirement obligation.

n) Related party transactions

Through common ownership, the CTC is related to all Government of Canada created departments, agencies and Crown corporations. The CTC’s transactions with these entities are in the normal course of operations and are measured at the exchange amount.

o) **Services provided without charge and partnership contributions in-kind**
Audit services are provided without charge from the Office of the Auditor General of Canada to the CTC for the annual audit of the financial statements. In the normal course of business, the CTC receives some partnership contributions in-kind, which are transfers of goods without consideration. No amount has been recognized in these financial statements with respect to the audit services and contributions in-kind provided.

p) **Adoption of New Accounting Standards**
Effective January 1, 2015, the CTC adopted Public Sector ("PS") 3260 *Liability for Contaminated Sites*. This new standard establishes how to account for and report a liability associated with the remediation of contaminated sites and applies to fiscal years beginning on or after April 1, 2014. The adoption of this standard has had no impact on the CTC's financial statements.

3. Future Accounting Changes

The following standards will be mandatorily effective for the CTC on January 1, 2018:

- PS 2200 *Related party disclosures*: This new standard defines a related party and establishes disclosures required for related party transactions.
- PS 3210 *Assets*: This section provides guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts and establishes general disclosure for assets.
- PS 3320 *Contingent assets*: This section defines and establishes disclosure standards on contingent assets.
- PS 3380 *Contractual rights*: This section defines and establishes disclosure standards on contractual rights.
- PS 3420 *Inter-entity transactions*: This section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

The following standard will be mandatorily effective for the CTC on January 1, 2019:

- PS 3430 *Restructuring transactions*: This section defines a restructuring transaction and establishes standards for recognizing assets and liabilities transferred in a restructuring transaction.

The CTC has not determined the impact of the future accounting standards at the present time.

4. Cash and Cash Equivalents

(in thousands)	2015	2014
Cash in bank	$16,265	$14,427
Money market term deposit	351	321
Total cash and cash equivalents	$16,616	$14,748

5. Portfolio Investments

The CTC holds portfolio investments consisting of Canadian provincial governmental bonds with maturity dates staggered between 2016 and 2031. The market value of the portfolio investments approximates fair value.

Issuer (in thousands)	Maturity Date	Cost	Interest Accrued to Date	Carrying Value	Market Value	Maturity
Province of New Brunswick	27-Dec-16	$ 51	$ 4	$ 56	$ 57	$ 57
Province of Quebec	01-Dec-17	93	9	101	104	106
Province of Quebec	01-Dec-19	76	9	85	89	94
Province of Nova Scotia	02-Dec-21	60	9	69	73	82
Province of Ontario	02-Dec-23	47	7	55	58	70
Province of Ontario	02-Dec-25	51	9	60	65	84
Province of BC	18-Dec-28	32	6	38	40	59
Province of Ontario	02-Dec-31	33	7	40	42	70
		$443	$60	$504	$528	$622

6. Foreign Currency Translation

The CTC is exposed to currency risk as a significant portion of its revenue and expenses are earned or incurred, and subsequently received or paid in currencies other than Canadian dollars. Currency risk arises due to fluctuations in foreign exchange rates, which could affect the CTC's financial results. The CTC does not hedge against fluctuations in foreign exchange rates and accepts the operational and financial risks associated with any such fluctuations.

The undernoted accounts are comprised of the following currencies as at December 31, 2015:

Currency (in thousands)	Cash		Accounts receivable		Accounts payable and and accrued liabilities	
	Currency units	Canadian equivalent	Currency units	Canadian equivalent	Currency units	Canadian equivalent
Australian Dollars	19	$ 19	10	$ 10	262	$ 265
Canadian Dollars	14,965	14,965	2,415	2,415	6,854	6,854
Chinese Yuan	2,947	632	-	-	5,333	1,139
Euros	28	42	34	52	809	1,225
Great Britain Pounds	57	116	(10)	(20)	349	718
Hong Kong Dollars	-	-	-	-	1	-
Japanese Yen	11,719	135	-	-	25,673	295
Mexican Pesos	458	37	-	-	-	-
South Korean Won	38,248	45	4,333	2	500	1
United States Dollars	451	625	116	160	726	1,007
Total Canadian equivalent		$16,616		$ 2,619		$ 11,504
Comprised of:						
Trade and partnership		-		$2,369		$ 9,593
Other		-		12		-
Employee compensation		-		-		1,310
Related party		-		238		601
Total		$16,616		$ 2,619		$ 11,504

At December 31, 2015, if the above foreign currencies had strengthened by 10 percent against the Canadian dollar, with all other variables held constant, the unrealized foreign exchange gain would have decreased by approximately $278,000 (increased by $20,000 - 2014). If the above foreign currencies had weakened by 10 percent against the Canadian dollar, with all other variables held constant, the unrealized foreign exchange gain would have increased by approximately $278,000 (decreased by $20,000 - 2014).

The amount of realized foreign exchange losses recorded under "Corporate services" on the statement of operations in 2015 is $553,756 ($331,193 in 2014).

7. Tangible Capital Assets

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Decom- -Leaseholds	2015 Total
Cost of tangible capital assets, opening	$283	$13	$2,516	$531	$515	$3,858
Acquisitions	67	6	1,416	223	112	1,824
Disposals	(23)	-	(2,338)	(479)	(515)	(3,355)
Cost of tangible capital assets, closing	327	19	1,594	275	112	2,327
Accumulated amortization, opening	258	13	2,274	516	471	3,532
Amortization expense	27	2	251	30	43	353
Disposals	(20)	-	(2,338)	(475)	(513)	(3,346)
Accumulated amortization, closing	265	15	187	71	1	539
Net book value	$ 62	$ 4	$1,407	$204	$111	$1,788

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Decom- -Leaseholds	2014 Total
Cost of tangible capital assets, opening	$265	$13	$2,516	$529	$515	$3,838
Acquisitions	18	-	-	2	-	20
Disposals	-	-	-	-	-	-
Cost of tangible capital assets, closing	283	13	2,516	531	515	3,858
Accumulated amortization, opening	204	10	2,010	502	424	3,150
Amortization expense	54	3	264	14	47	382
Disposals	-	-	-	-	-	-
Accumulated amortization, closing	258	13	2,274	516	471	3,532
Net book value	$ 25	$ -	$ 242	$ 15	$ 44	$ 326

Substantially all of the CTC's tangible capital assets are located in Canada. There are no assets legally restricted for the purpose of settling asset retirement obligations.

8. Accrued Benefit Asset/Liability

The CTC offers a number of employee future benefit plans covering its employees in Canada and abroad. The following table summarizes these plans and the benefits they provide:

Employees Covered	Name of the Plan	Nature of the Plan	Contributors	Accounting Treatment
Canada	Registered Pension Plan for the Employees of the CTC – Defined Benefit component	Funded, Defined Benefit Plan	CTC and plan members	Defined Benefit Plan
	Registered Pension Plan for the Employees of the CTC – Defined Contribution component	Combination of Defined Contribution Plan and Group RRSP	CTC and plan members	Defined Contribution Plan
	Supplementary Retirement Plan for Certain Employees of the CTC	Funded, Defined Benefit Plan	CTC and plan members	Defined Benefit Plan
	Non-Pension Post-Retirement Benefit Plan for Canadian Employees	Unfunded, Defined Benefit Plan	CTC and plan members	Defined Benefit Plan
China, Japan and South Korea	Pension Plan for Employees of the CTC in China, Japan and South Korea	Unfunded, Defined Benefit Plan	CTC	Defined Benefit Plan
US	Qualified Pension Plan for US Citizen Employees Working in the US	Funded Multi-employer Defined Benefit Plan	CTC	Defined Contribution Plan
	Registered Pension Plan for Canadian Citizen Employees Working in the US	Funded Multi-employer Defined Benefit Plan	CTC	Defined Contribution Plan
	Non-Pension Post-Retirement Benefit Plan for Certain US Employees	Unfunded, Defined Benefit Plan	CTC and plan members	Defined Benefit Plan
UK	Canadian High Commission Locally Engaged Staff Pension Scheme	Funded Multi-employer Defined Benefit Plan	CTC and plan members	Defined Contribution Plan
Canada, China, Japan, South Korea, US, UK	Severance Benefits for certain Canadian and Locally Engaged Employees	Unfunded, Defined Benefit Plan	CTC	Defined Benefit Plan

Defined contribution plans

Canada

The CTC established a defined contribution pension plan for non-unionized employees in Canada, hired on or after August 1, 2005. On January 30, 2007, the Canadian unionized employees of the CTC agreed to participate in the defined contribution plan effective March 8, 2007. This decision impacted unionized employees hired on or after August 1, 2005.

The total cost for the CTC's defined contribution pension plans was $414,957 in 2015 ($402,756 - 2014).

US and UK

The CTC also participates in multi-employer defined benefit plans providing pension benefits to employees working in the US and in the UK. These plans, to which total cost was $221,621 in 2015 ($285,547 - 2014), are accounted for as defined contribution plans.

Defined benefit plans

Canada

The CTC has a number of defined benefit plans in Canada, which provide post-retirement and post-employment benefits to its employees.

Effective January 2, 2004, pension arrangements include a RPP as well as a supplemental arrangement, which provides pension benefits in excess of statutory limits. The CTC provides pension benefits based on employees' years of service and average earnings at the time of retirement. The registered pension plan is funded by contributions from the CTC and from the members. In accordance with pension legislation, the CTC contributes amounts determined on an actuarial basis and has the ultimate responsibility for ensuring that the liabilities of the plan are adequately funded over time. The supplemental retirement plan liabilities arising on and after January 2, 2004 are funded annually on a hypothetical plan termination basis according to the valuation report prepared by the actuary.

China, Japan and South Korea

The CTC has a defined benefit pension plan for certain locally engaged staff in China, Japan and South Korea. The Pension Scheme for Employees of the Government of Canada Locally Engaged Outside Canada, 1996 (known as the World Wide Plan, "WWP"), provides retirement benefits based on employees' years of service and average earnings at the time of retirement. These liabilities are funded on a pay-as-you-go basis.

In March 2012, the CTC received $1.0 million from Treasury Board Secretariat ("TBS") relating to locally engaged staff pension benefits under the WWP for service prior to January 2, 2001. Prior to this, TBS had been reimbursing the CTC for amounts related to the past service period. The funds are held by the CTC in bonds and a money market term deposit and are recorded as portfolio investments (Note 5) and cash and cash equivalents (Note 4). The CTC continues to be responsible for the service accruing on and after January 2, 2001.

Severance and post-retirement benefits
Severance benefits are provided for certain current employees in Canada, China, Japan, South Korea, the US and the UK. The cost of the benefits is fully paid by the CTC. The severance benefit plans are unfunded.

Post-retirement benefits which may include health, dental and life insurance are provided for certain retired employees in Canada and the US. The cost of these benefits is shared by the CTC and the retirees. The post-retirement benefit plans are unfunded.

Measurement date and date of actuarial valuation:
The most recent actuarial valuation of the Canadian registered defined benefit pension plan for funding purposes was as at December 31, 2014 and was filed with the Office of Superintendent of Financial Institutions ("OSFI") by the due date of June 30, 2015.

The going concern financial position based on the most recent actuarial valuation showed a funding surplus of $5,743,500 (surplus of $4,141,500 - 2014). The valuation also identified an average solvency ratio of 78.3% (72.5% - 2014).

Under normal circumstances, the CTC would be required to make special payments over the five years following the effective date of the valuation to eliminate any unfunded liability and any solvency shortfall. However, on March 25, 2011, the federal government released the Regulations amending certain Regulations in force in 2009 and made under the Pension Benefits Standards Act, 1985. Under these new regulations, the CTC may reduce its solvency special payments determined under the most recent funding actuarial valuation of the plan filed with regulatory authorities, if it notifies the appropriate Ministers that it intends to do so. In 2011, the CTC received approval from the appropriate Ministers regarding its decision to reduce its solvency special payments until it reaches the maximum permitted aggregate reduction in solvency special payments.

As a result of these regulations, the CTC was not required to make any special payments in 2013. The CTC reached the maximum permitted aggregate reduction in solvency special payments in August 2014. In 2014, the CTC was required to resume making solvency special payments with payments totaling $680,101. The CTC continued making solvency special payments of $700,540 in 2015 until it was determined in August 2015 to accelerate the future special solvency payments resulting in a payment of $3,000,000 in September 2015 and $1,000,000 in December 2015 for a total of $4,700,540 in 2015. Future special solvency payments cannot be reasonably estimated until a new funding valuation is completed.

The CTC measures its accrued benefit obligations and the market value of plan assets of its pension plans and post-retirement non-pension benefits for accounting purposes at September 30th of each year.

CHANGE IN ACCRUED BENEFIT OBLIGATION

(in thousands)	Pension		Other Benefit Plans	
	2015	2014	2015	2014
Accrued benefit obligation, beginning of year	$22,198	$20,634	$5,811	$5,060
Current period benefit cost (employer portion)	80	271	127	181
Interest cost on average accrued benefit obligation	1,229	1,196	145	147
Employees' contributions	34	86	-	-
Benefits paid	(1,170)	(966)	(292)	(453)
Actuarial loss / (gain)	1,637	1,156	(1,392)	876
Decrease in obligation due to curtailment	-	(179)	-	-
Accrued benefit obligation, end of year	$24,008	$22,198	$4,399	$5,811

CHANGE IN PLAN ASSETS

(in thousands)	Pension		Other Benefit Plans	
	2015	2014	2015	2014
Market value of plan assets, beginning of year	$29,184	$23,869	$ -	$ -
Actual return on plan assets net of actual investment expenses	2,308	4,141	-	-
Employer contributions	5,119	2,054	291	453
Employees' contributions	34	86	-	-
Benefits paid	(1,170)	(966)	(291)	(453)
Market value of plan assets, end of year	$35,475	$29,184	$ -	$ -

RECONCILIATION OF FUNDED STATUS

(in thousands) Detailed Pension Plan information	2015	2014
Defined benefit component of Pension Plan for Employees of the CTC		
Accrued benefit obligation	$(20,458)	$(19,466)
Plan assets	31,735	26,189
Surplus	$ 11,277	$ 6,723
Supplementary Retirement Plan for Certain Employees of the CTC		
Accrued benefit obligation	$ (2,543)	$ (1,699)
Plan assets	3,741	2,995
Surplus	$ 1,198	$ 1,296
Pension Plan for Employees of the CTC in China, Japan and South Korea		
Accrued benefit obligation	$ (1,006)	$ (1,032)
Plan assets	-	-
Deficit	$ (1,006)	$ (1,032)

The accrued benefit obligation and market value of assets at year-end are the following amounts in respect of plans that are unfunded or partially funded:

Funded Status (in thousands)	Pension		Other Benefit Plans	
	2015	2014	2015	2014
Accrued benefit obligation	$ (1,006)	$ (1,032)	$ (4,399)	$ (5,811)
Plan assets	-	-	-	-
Funded status – deficit at end of year	$ (1,006)	$ (1,032)	$ (4,399)	$ (5,811)

The plan assets of the Pension Plan for Employees of the CTC in China, Japan and South Korea were less than the accrued benefit obligation at the measurement date for 2015 and 2014.

Reconciliation of Funded Status to Accrued Benefit Asset/Liability (in thousands)	Pension		Other Benefit Plans	
	2015	2014	2015	2014
Funded status – surplus / (deficit), end of year	$11,469	$6,987	$(4,399)	$(5,811)
Employer contributions during period from measurement date to fiscal year end	1,008	1,207	-	-
Unamortized actuarial (gains) / losses	(119)	(1,776)	(530)	989
Valuation allowance	(1,100)	-	-	-
Accrued benefit asset / (liability)	$11,258	$6,418	$(4,929)	$(4,822)

The cumulative excess of pension contributions on the RPP and SRP over pension benefit cost is reported as an accrued benefit asset. The Pension Plan for Employees of CTC in China, Japan, and South Korea, the post-retirement, post-employment benefits and sick leave are reported as an accrued benefit liability.

Accrued Benefit Asset / (Liability) (in thousands)	2015	2014
Registered Pension Plan for the Employees of the CTC	$ 10,170	$ 5,977
Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the CTC	2,118	1,608
Total accrued benefit asset	12,288	7,585
Pension Plan for the Employees of the CTC in China, Japan and South Korea	(1,030)	(1,166)
Notional defined contribution component of the Supplementary Retirement Plan for Certain Employees of the CTC	(9)	(2)
Non-pension Post Retirement Benefit Plan	(4,237)	(3,986)
Post Employment Severance Plan	(541)	(693)
Post Employment Non-Vested Sick Leave Plan	(149)	(144)
Total accrued benefit liability	(5,966)	(5,991)
Total net accrued benefit asset	$ 6,322	$ 1,594

The weighted-average asset allocation by asset category of the CTC's defined benefit pension plans is as follows:

Asset Allocation	2015	2014
Equity securities	55%	60%
Debt securities	32%	35%
Cash	8%	0%
Receivable from Government of Canada	5%	5%
Total	100%	100%

NET BENEFIT COST RECOGNIZED IN THE PERIOD

(in thousands)	Pension		Other Benefit Plans	
	2015	2014	2015	2014
Current period benefit cost	$ 114	$ 357	$ 127	$ 181
Interest cost	-	-	145	148
Amortization of net actuarial (gain) / loss	(590)	(29)	126	8
Curtailment gain	-	(179)	-	-
Total	(476)	149	398	337
Less: employee contributions	(34)	(86)	-	-
Retirement benefits (income) / expense	(510)	63	398	337
Interest cost on average accrued benefit obligation	1,229	1,196	-	-
Expected return on average pension plan assets	(1,738)	(1,549)	-	-
Retirement benefits interest income	(509)	(353)	-	-
Increase in valuation allowance provided against accrued benefit asset	1,100	-	-	-
Total pension expense / (income)	$ 81	$ (290)	$ 398	$ 337

SIGNIFICANT ACTUARIAL ASSUMPTIONS USED ARE AS FOLLOWS (WEIGHTED AVERAGE):

	Pension		Other Benefit Plans	
	2015	2014	2015	2014
Accrued benefit obligation				
Discount rate				
· Registered Pension Plan for the Employees of the CTC	5.75%	6.15%		
· Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the CTC	2.78%	2.56%		
· Pension Plan for the Employees of the CTC in China, Japan and South Korea	1.22%	1.93%		
· Non-pension post retirement			2.09%	2.56%
· Post employment severance			1.22%	1.93%
· Post Employment Non-Vested Sick Leave Plan			1.22%	1.93%
Rate of compensation increase				
· Canadian	1.50%	1.50%	2.50%	2.50%
· Locally engaged	2.75%	2.75%	2.75%	2.75%
Pension expense				
Discount rate				
· Registered Pension Plan for the Employees of the CTC	6.15%	6.50%		
· Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the CTC	2.56%	2.97%		
· Pension Plan for the Employees of the CTC in China, Japan and South Korea	1.93%	2.27%		
· Non-pension post retirement			2.56%	2.97%
· Post employment severance			1.93%	2.27%
· Post Employment Non-Vested Sick Leave Plan			1.93%	2.27%
Expected long-term rate of return on plan assets				
· Registered Pension Plan for the Employees of the CTC	6.15%	6.50%		
· Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the CTC	3.08%	3.25%		
Rate of compensation increase:				
· Canadian	1.50%	3.13%	2.50%	3.13%
· Locally engaged	2.75%	2.75%	2.75%	2.75%

ASSUMED HEALTH CARE COST TREND RATE FOR OTHER BENEFIT PLANS:

Net benefit cost	Other Benefit Plans			
	2015		2014	
	CDN	US	CDN	US
Initial health care trend rate	6.40%	8.50%	6.50%	8.80%
Ultimate health care trend rate	4.50%	4.50%	4.50%	4.50%
Year ultimate rate reached	2030	2033	2030	2033

Accrued benefit obligation	Other Benefit Plans			
	2015		2014	
	CDN	US	CDN	US
Initial health care trend rate	6.23%	8.33%	6.40%	8.50%
Ultimate health care trend rate	4.50%	4.50%	4.50%	4.50%
Year ultimate rate reached	2030	2033	2030	2033

Total cash amounts

Total cash amounts for employee future benefits, consisting of cash contributed in the normal course of business by the CTC to its funded and unfunded defined benefit pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, cash contributed to its defined contribution plans and cash contributed to its multi-employer defined benefit plan is $6,510,391 ($3,196,735 - 2014). The total cash amount in 2015 includes solvency special payments totaling $4,700,540 ($680,101 – 2014).

9. Parliamentary Appropriations

The schedule below reconciles the amount of funding available to the CTC during the year with the amount actually used in operations:

(in thousands)	2015	2014
Amounts provided for operating and capital expenditures		
Amounts voted:		
Main estimates 2014/15 (2013/14)	$ 57,973	$ 57,973
Supplementary estimates B	3	-
Supplementary estimates C	-	3
	57,976	57,976
Less portion recognized in prior year	(45,089)	(45,089)
Amounts recognized in current year	12,887	12,887
Amounts voted:		
Main estimates 2015/16 (2014/15)	57,976	57,973
Supplementary estimates B	-	3
Supplementary estimates C	5,000	-
	62,976	57,976
Less portion to be recognized in following year	(17,084)	(12,887)
Amounts recognized in the current year	45,892	45,089
Parliamentary appropriations used for operations and capital in the year	58,779	57,976
Parliamentary appropriations (deferred)		
Opening Balance	-	-
Cash Received from Government Fiscal 2014/15 (2013/14)	(12,887)	12,887)
Cash Received from Government Fiscal 2015/16 (2014/15)	(45,892)	(45,089)
Appropriations used for operations and capital in the year	58,779	57,976
Ending Balance	$ -	$ -

10. Accumulated Surplus

The accumulated surplus is comprised of:

(in thousands)	2015	2014
Accumulated operating surplus	$ 16,375	$ 11,684
Accumulated remeasurement gain	593	238
Accumulated surplus	$ 16,968	$ 11,922

11. Marketing and Sales Expenses

The CTC carries out its activities in a variety of countries. These countries are supported by the CTC's Corporate Marketing and Sales units, located at headquarters including E-Marketing, Brand Experiences, Research, and Global Communications. Geographical information is as follows:

(in thousands)	2015	2014
Core Markets (UK, France, Germany and Australia)	$ 17,096	$16,502
Corporate Marketing	17,711	13,988
Emerging Markets (India, Brazil, Mexico, Japan, South Korea and China)	17,515	16,851
US (Business Events Canada)	8,099	8,579
	$ 60,421	$ 55,920

12. Expenditure by Object

The following is a summary of expenditures by object:

(in thousands)	2015	2014
Program		
Advertising	$ 6,254	$ 1,647
Public and media relations	5,127	5,041
Consumer development	18,407	19,802
Trade development	18,227	16,199
Research	2,657	2,040
Total Program Expenses	50,672	44,729
Salaries and benefits	12,021	12,990
Operating Expense		
Other	2,568	2,443
Rent	1,393	2,016
Travel	477	591
Professional services	1,421	1,322
Total Operating Expenses	5,859	6,372
Expenses before amortization	68,552	64,091
Amortization	353	382
Total Expenses	$ 68,905	$ 64,473

13. Financial Instruments

Financial assets consist of cash and cash equivalents, accounts receivable, and portfolio investments. Financial liabilities consist of accounts payable and accrued liabilities.

Credit risk

The CTC is exposed to credit risk resulting from the possibility that parties may default on their financial obligations and from concentrations of third party financial obligations that have similar economic characteristics such that they could be similarly affected by changes in economic conditions. There is no concentration of credit risk with any one customer. Financial instruments that potentially expose the CTC to credit risk consist of cash and cash equivalents, portfolio investments and accounts receivable.

The CTC holds its cash and cash equivalents in bank accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

In March 2012, the CTC received $1.0 million from Treasury Board Secretariat relating to locally engaged staff pension benefits under the WWP (Note 8). The CTC's policy is to invest these funds with well-established financial institutions in investments composed of low risk assets. Currently the CTC has invested these funds in Canadian provincial governmental bonds as well as a money market term deposit (Note 4 and Note 5). All investments are monitored by management on a monthly basis.

At December 31, 2015, the exposure to credit risk for cash and cash equivalents is $16,616,000 ($14,748,000 – 2014) (Note 4) and for portfolio investments is $503,679 ($546,172 – 2014) (Note 5).

Accounts receivable credit risk is minimized by the fact that many of the partners that work with the CTC are federally, provincially or municipally funded. The CTC measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the CTC's historical experience regarding collections. At December 31, 2015 the impairment allowance is $0 ($655 – 2014). The amounts outstanding at year end are as follows:

Accounts Receivable (in thousands)	Total	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	>120 days
Partnership contributions	$ 2,369	$ 1,461	$ 625	$ 11	$ 272	$ -	$ -
Government of Canada	238	238	-	-	-	-	-
Other	12	12	-	-	-	-	-
Total	$ 2,619	$ 1,711	$ 625	$ 11	$ 272	$ -	$ -

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the credit risk.

Liquidity risk
Liquidity risk is the risk that the CTC will not be able to meet all cash outflow obligations as they come due. To mitigate this risk, the CTC monitors cash activities and expected outflows through monthly and quarterly budget and forecast analysis. In addition, investments are maintained in assets that may be converted to cash in the near term if unexpected cash outflows arise. The maturities of the financial liabilities at year-end are as follows:

Accounts Payable (in thousands)	Total	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	>120 days
Trade	$ 9,593	$ 7,132	$ 2,410	$ 10	$ -	$ -	$ 41
Employee compensation	1,310	1,310	-	-	-	-	-
Government of Canada	601	601	-	-	-	-	-
Total	$ 11,504	$ 9,043	$ 2,410	$ 10	$ -	$ -	$ 41

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the liquidity risk.

Currency risk

Currency risk arises due to the fact that the CTC operates in several different currencies and translates non-Canadian revenue and expenses to Canadian dollars at different points in time. The CTC does not hedge against fluctuations in foreign exchange rates and accepts the operational and financial risks associated with any such fluctuations. At December 31, 2015, the exposure to currency risk based on the year-end monetary balances denominated in a foreign currency for financial assets is $1,856,000 ($3,625,000 – 2014) and for financial liabilities is $4,650,000 ($3,451,000 – 2014) (Note 6). The impact of a 10% change in foreign exchange rates would not have a material impact on net operations.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the currency risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The CTC is exposed to this risk through its interest bearing portfolio investment balances. The CTC does not hedge against fluctuations in market interest rates and accepts the operational and financial risks associated with any such fluctuations. A variation of 1% in the interest rate would not have a material impact on the financial statements. At December 31, 2015, the exposure to interest rate risk for portfolio investments is $503,679 ($546,172 – 2014).

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the interest rate risk.

14. Commitments

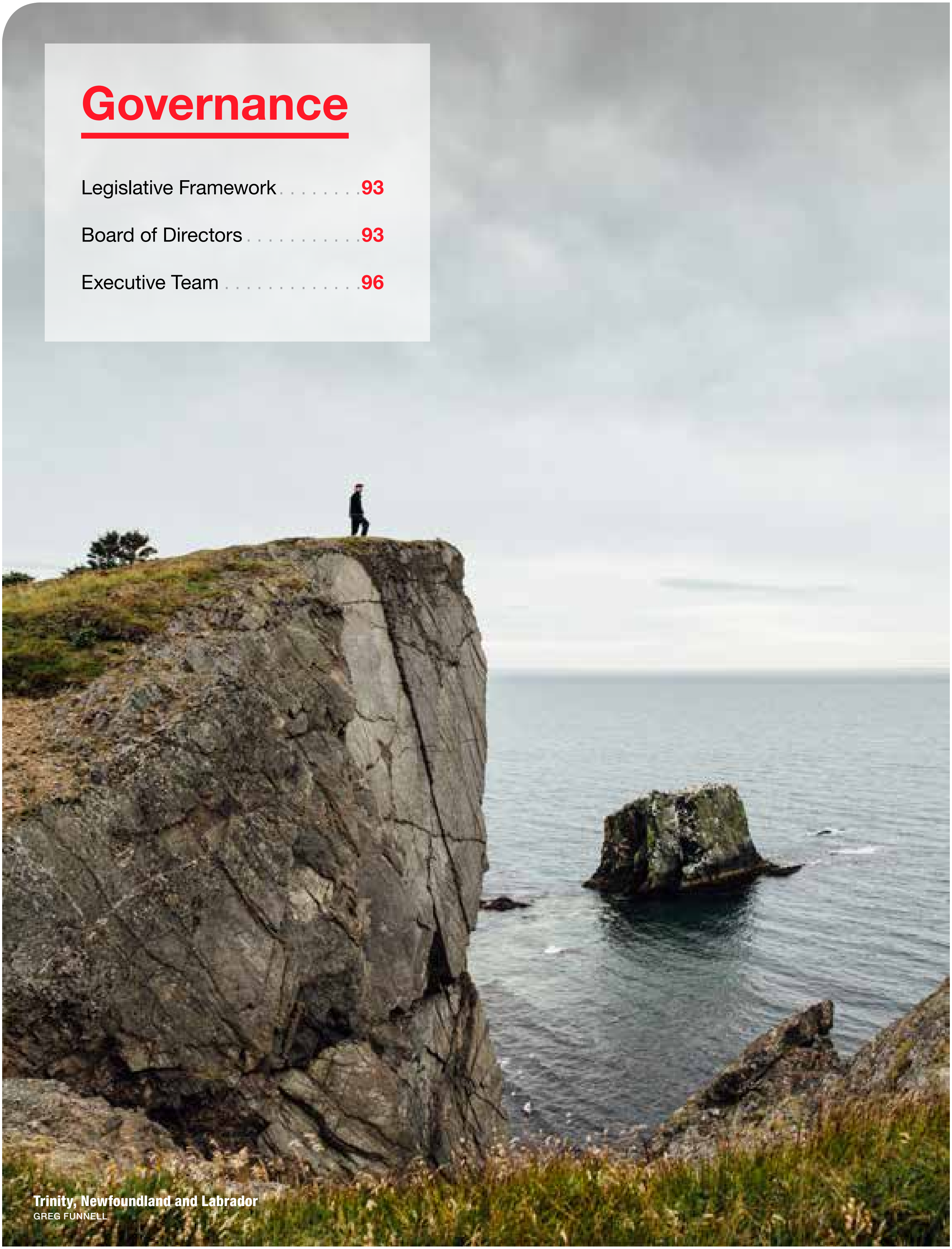
The CTC has entered into various agreements for marketing and consulting services and leases for office premises and equipment in Canada and abroad. CTC's commitments, as at December 31, 2015, are shown in the table below. Commitments are recorded based on the minimum contractual commitment made by the CTC. Also included in the commitment amount are purchase orders issued for which CTC has not yet been invoiced. The total commitments of the CTC as at December 31, 2015 are $8.6 million ($4.1 million - 2014).

(in thousands)	2016	2017	2018	2019	2020	Total
	$ 5,981	$ 1,024	$ 772	$ 443	$ 337	$ 8,557

15. Contingencies

In the normal course of business, various claims and lawsuits have been brought against the CTC. Where in the opinion of management, losses, which may result from the settlement of the matters, are determinable within a reasonable range and such losses are considered by management as likely to be incurred, they are charged to expenses. In the event management concludes that potential losses are indeterminable, no provision is recognized in the accounts of the CTC. Due to the confidential and sensitive nature of the claims and lawsuits, the CTC cannot disclose any information regarding potential losses.

Governance



Trinity, Newfoundland and Labrador
GREG FUNNELL

Legislative Framework

DC is a federal Crown corporation wholly owned by the Government of Canada, and is provided with an annual mandate letter communicating overarching public policy priorities, broad strategic goals and expectations. The Canadian Tourism Commission Act and various regulations provide the legislative basis for the establishment of DC and its activities. Through the Minister of ISED, DC is accountable to Canada's Parliament, and submits an Annual Report, a 5-year Corporate Plan and an Operating Budget annually to Parliament.

Board of Directors

The Board consists of up to 12 members who oversee the management of DC, and provide strategic guidance and effective oversight. The Board ensures that appropriate systems of governance, leadership and stewardship are in place while at the same time empowering management to lead the organization.

The Board comprises the Chair and the President & CEO of DC which are Governor-in-Council appointments, and the Deputy Minister of ISED (ex officio). Further, up to nine additional directors, appointed by the Minister with Governor-in-Council approval, make up the remainder of the Board. Directors are appointed based on the full range of skills, experience and competencies required to add value to DC's decisions on strategic opportunities and risks.

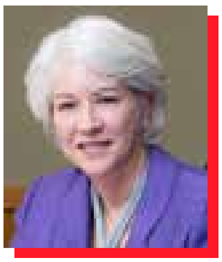
Board membership underwent a series of changes in 2015. Ms. Danielle Poudrette was appointed as member of the Board in April, replacing outgoing member Mr. David Jovanovic. Ms. Olga Ilich was appointed as Chair of the Board in June, and the Board also saw the departure of Mr. Rod Taylor in June. Two vacancies remained at the end of 2015.

The Board met seven times in 2015, and experienced an average attendance rate of 88%.

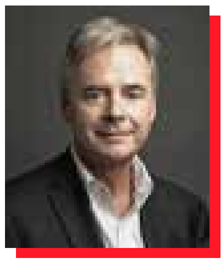
Fort Edmonton Park, Alberta
EDMONTON ECONOMIC DEVELOPMENT

BOARD MEMBERSHIP

AS AT DECEMBER 31, 2015



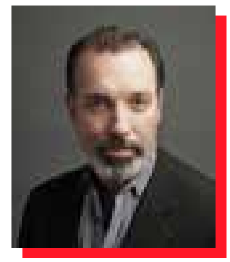
OLGA ILICH
CHAIR
Partner,
Performance
Construction
Richmond, BC



SCOTT ALLISON
VICE-CHAIR
Vice-President,
Canadian
Operations, Marriott
Hotels of Canada
Toronto, ON

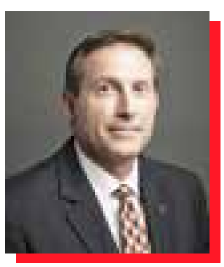
DAVID GOLDSTEIN
PRESIDENT & CEO
Destination Canada
Vancouver, BC

NORA DUKE
Executive Vice
President,
Corporate Services
& Chief Human
Resource Officer,
Fortis Inc.
St. John's, NF



MICHAEL HANNAN
President,
H2 Hotels and
Resorts
Canmore, AB

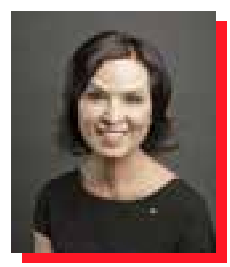
JOHN KNUBLEY
(EX OFFICIO)
Deputy Minister
Innovation, Science
and Economic
Development
Ottawa, ON



DRAY MATOVIC
President,
Halex Ventures, Inc.
Niagara Falls, ON

ROBERT MERCURE
General Manager,
Fairmont Château
Frontenac
Québec City, QC

DANIELLE POUDRETTE
Global Marketing
Executive
and Business
Improvement
Advisor
Montreal, QC



RITA TSANG
Founder, Chairman
& Chief Executive
Officer,
Tour East Group
Toronto, ON

COMMITTEES OF THE BOARD

Three Board committees support the Board in its execution of duties. These committees ensure that appropriate systems of governance and stewardship are in place while at the same time empowering management to deliver on its mandate.

The Governance and Nominating Committee advises and supports directors in applying DC's corporate governance principles and develops best governance practices. The Committee also assists the Board in evaluating potential board candidates and developing recommendations to the Minister on board appointments (excluding the Chair, the President & CEO and the ex officio director).

In addition to the duties and functions mandated by the FAA, the Audit and Pension Committee reviews and recommends to the Board processes for identifying and managing risk, internal control systems and processes for complying with related laws and regulations. The Committee also oversees the administration, investment activities and financial reporting of DC's pension plans.

The Human Resources Committee reviews the President & CEO's annual objectives and DC's human resources policies, plans and processes, including succession, compensation and benefits plans, and makes recommendations to the Board as appropriate.

ADVISORY COMMITTEES

From time to time, the Board creates advisory committees to advise it on how best to deliver DC's programs and services. The committees take their direction from the Board and report to both the Board and the President & CEO. These committees have a majority of their members appointed from private sector tourism entities who play an important role in linking DC to the tourism industry.

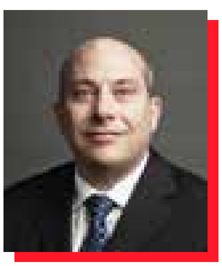
In 2015, DC sought to merge its Core Markets, Emerging Markets and Brand Experiences advisory committees into a newly developed International Advisory Committee, and also sought to establish a US Advisory Committee. These two new committees were effective 2016, and complement the existing Business Events Canada and Research advisory committees.

Executive Team

The President & CEO is accountable to the Board, and has responsibility for the day-to-day operations of DC. Senior Management plays a vital role in strategic leadership, working closely with the Board to set objectives, develop strategies, implement actions and manage performance. Executive management also recommends to the Board sweeping changes, identifies business risks and manages the complex intellectual, capital and technical resources of DC.

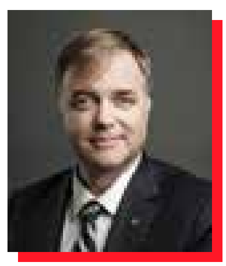
EXECUTIVE TEAM

AS AT DECEMBER 31, 2015

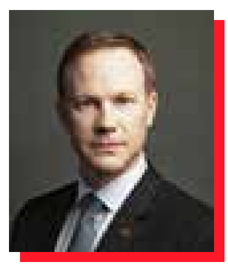


ANDRÉ JOANNETTE
CHIEF FINANCIAL OFFICER

SARAH SIDHU
GENERAL COUNSEL & CORPORATE SECRETARY



GILLES VERRET
VICE-PRESIDENT, STRATEGY & CORPORATE COMMUNICATIONS



JON MAMELA
CHIEF MARKETING OFFICER

EMMANUELLE LEGAULT
VICE-PRESIDENT, INTERNATIONAL

Pemberton, British Columbia
MAURICE LI

Winnipeg, Manitoba
TRAVEL MANITOBA

Appendix

CORPORATE SCORECARD DEFINITIONS

Number of leisure travellers converted through consumer direct marketing in Australia, Germany and the UK
Number of people converted as a result of DC's measured marketing campaigns over those who recalled the DC campaigns. Calculated as the proportion of travellers who recalled seeing the advertising against the size of the long-haul population, aged 18 and over.

Number of leisure travellers booked through travel trade co-operative promotions
Number of people who booked a trip as a result of DC's travel trade co-op promotions.

Attributable tourism export revenue from leisure travel
Export tourism revenue attributable to DC's leisure programs.

Number of delegates generated through business events
Number of individuals estimated to come to Canada as a result of DC's BEC leads having been converted into definite business.

Attributable tourism export revenue from business events
Export tourism revenue attributable to DC's BEC sales activities. This is revenue expected in future years based on the value of contracts for business events that were booked and signed in the current year.

Total attributable tourism export revenue
Sum of export tourism revenue attributable to DC's leisure programs and BEC sales activities.

Attributable federal tax revenue
Estimated attributable federal tax revenue generated by DC's marketing, travel trade and BEC programs. Calculations are based on data from DC's advertising tracking and conversion studies data and Statistics Canada.

Attributable jobs supported
Estimated attributable employment from tourism revenue generated by DC's marketing, travel trade and BEC sales activities.

Marketing campaign ROI
Value of tourist receipts generated by DC's direct-to-consumer marketing campaigns per dollar spent to execute the campaigns. This form of conversion counts those individuals who were considering travelling to Canada but had not yet booked a trip prior to being exposed to the campaign, and were positively influenced to visit or book a trip to Canada upon seeing the advertising.

Aided destination interest
Percentage of long-haul travellers in DC markets who are somewhat or very interested in visiting Canada in the next two years when prompted about Canada among a set of competitive destinations.

Active consideration of visiting Canada
Percentage of long-haul pleasure travellers at the "creating a vacation movie", "detailed itinerary planning", "finalizing travel arrangements" or "booking a trip" stage in the Path-to-Purchase.

Appendix

CORPORATE SCORECARD DEFINITIONS

Social engagement rate
Percentage of our Facebook fans (on our English page) that took action (comment, like or share) with the content that DC publishes.

Partner contribution
Ratio of total partner contributions (cash, in-kind, third party) versus DC parliamentary appropriations.

Partner brand alignment
Percentage of partners aligned with at least one element of the DC brand: visual identity (e.g. logo, colour palette, typography, pattern bar graphics); tone and writing style; experiential photography style; and/or assets (video, text, social media).

Importance of trade shows, media shows and business events to industry partners' marketing and sales goals
As measured through DC's biennial Partner Survey, an indication of the quality and relevance of DC's marketing platforms to partners' business goals.

Attendance of media, tour operators and other buyers at trade shows, media shows and business events
Full capacity at DC shows and business events is an indication of the reach and relevancy of DC's programs to industry.

Proportion of marketing programs and assets that are valued by partners
Percentage of marketing programs and assets rated as "valuable" or "highly valuable" by at least three-quarters of users.

Proportion of total budget allocated to programming
Percentage of DC's total budget, exclusive of partner contributions, allocated to programming. Programming excludes overhead costs, operating expenditures and compensation.

Ratio of corporate services to marketing and sales costs
Corporate services costs divided by marketing and sales costs.

Systems effectiveness
Employee satisfaction with the support provided by applicable IT applications.

Core values index
Average value of three employee survey questions regarding how DC effectively demonstrates its core values of Act with integrity; Be creative and seek opportunities to innovate; and Collaborate to achieve common goals.

Employee engagement index
Index measuring an employee's belief in DC's mission and vision and their commitment to DC as demonstrated through their hard work, passion and organizational pride.

Edmonton, Alberta

Cornwall, Newfoundland and Labrador
NEWFOUNDLAND AND LABRADOR TOURISM

Miscou Island, New Brunswick

Maple Creek, Saskatchewan
DESTINATION CANADA

Georgetown, Prince Edward Island

Niagara Falls, Ontario

Destination Canada
800 - 1045 Howe Street,
Vancouver, BC,
V6Z 2A9

Canada
destinationcanada.com