



Canadian Tourism
Commission

Commission canadienne
du tourisme

Tourism as Canada's Engine for Growth

CANADIAN TOURISM COMMISSION
2014 ANNUAL REPORT



Canada

2014 CTC HIGHLIGHTS

10%

Increase in the number of arrivals to Canada from the CTC's 10 leisure markets in 2014

432,000

Number of travellers the CTC inspired to visit Canada in 2014 through our consumer advertising and travel-trade partnerships

\$667 million

The contribution to Canada's tourism economy directly through the CTC's marketing efforts

\$258 million

Revenue generated by the CTC's Business Events Canada in attracting meetings, conventions and business travel

295,000

Number of delegates generated through Business Events Canada

\$50 million

The contribution from our partners to CTC marketing activities and events

0.9:1

The ratio of partner contributions to every dollar of CTC funding

92%

Our partners' satisfaction with our work

627,000

Number of jobs in the tourism industry

7,500

Number of tourism jobs created or sustained by travel generated directly through the CTC's marketing efforts

\$122 million

Amount of federal tax revenue generated by the CTC's activities, paying back the Government of Canada's investment by a ratio of 2.1:1



1000 Island Rockport Boat Line -
Palaces and Palisades
Ontario

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This Annual Report details the progress of the objectives set in the CTC's 2014-2018 Corporate Plan and showcases key activities and initiatives undertaken throughout 2014. The Annual Report serves as the principal mechanism for the Canadian Tourism Commission to report to the Parliament of Canada and demonstrate the results achieved with public resources.



About the CTC

OUR VISION

To inspire the world to
explore Canada

The Canadian Tourism Commission (CTC) is Canada's national tourism marketing organization. A federal Crown corporation of the Government of Canada, we lead the Canadian tourism industry in marketing Canada as a premier four-season tourism destination where travellers can enjoy extraordinary experiences. We provide a consistent voice for Canada in the international tourism marketplace.

OUR MISSION

To harness Canada's collective
voice to grow tourism
export revenue

Our vision is to inspire the world to explore Canada. As tourism is one of the world's fastest-growing sectors, it is strategically important for the country to generate export revenues that provide new dollars to the Canadian economy. Through effective tourism marketing and promotions supported by aligned market research, we help to create jobs and generate wealth for Canadians by stimulating demand for Canada's visitor economy.

OUR GOAL

To grow tourism export revenue for
Canada in markets offering the
highest return and where the
Canada brand leads

With our partners in the tourism industry and the governments of Canada, the provinces and the territories, we promote Canada's extraordinary experiences in 12 countries around the world, conduct market research, offer stunning visuals through the Brand Canada Library and provide resources to help industry leverage Canada's successful tourism brand, *Canada*.
Keep Exploring.



OUR MANDATE

The CTC has a legislated 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
- Provide information about Canadian tourism to the private sector and to the governments of Canada, the provinces and the territories.

FINANCING & PARTNERSHIP

The CTC is financed through parliamentary appropriations and partnerships with the tourism industry.

The CTC is financed mainly through parliamentary appropriations by the Government of Canada. We also leverage, through marketing partnerships with Canadian tourism industry organizations and international travel trade businesses, our core appropriations with other levels of government and the private sector in public-private partnerships to extend our global marketing reach.

CTC 2014 LEISURE MARKETS

Australia, Brazil, China, France, Germany, India, Japan, Mexico, South Korea, UK

The CTC is invested in 10 markets around the world in 2014 to attract leisure travellers, and five business markets for the purposes of bringing meetings, conventions and incentive travel programs to Canada.

CTC 2014 BUSINESS MARKETS

Belgium (Brussels), France
Germany, UK, US



Message from the (Interim) Chair of the Board of Directors

In 2014, the CTC continued to deliver on its mandate to achieve results for the Canadian tourism industry and for Canada's economy.

The CTC supports a vibrant Canadian tourism industry by making investments that leverage entrepreneurial success and help Canada's travel sector, predominantly made up of small- and medium-sized businesses, reach the international marketplace. It is the CTC's job in partnership with those who make tourism their everyday business, to promote Canada as a must-visit destination.

2014 was a strong year for the tourism sector in Canada, with particularly strong increases in arrivals from the key markets where the CTC invests in marketing and promotion with our partners. Canada is reasserting itself as a global destination and we expect those results to continue in 2015.

I welcome our new President and CEO, David Goldstein, who brings a wealth of tourism experience and corporate leadership success to the CTC. I also welcome Olga Ilich of Richmond, BC, and Nora Duke of St. John's, NL, both of whom are recent additions to our Board of Directors – both bring extensive business experience and knowledge of the tourism sector. I would like to thank Steve Allan, our former Chair, who stepped down after many years of service to the CTC and to tourism.

To all our partners in the industry who continue to collaborate with us for the benefit of tourism businesses and our economy, thank you.

A handwritten signature in black ink, appearing to read 'SA', with a long horizontal line extending to the right.

Scott Allison
Interim Chair



Message from the President & CEO

This report tells the story of Canada’s premier innovative marketing organization working in partnership with our tourism industry to grow Canada’s economy, assisting the 170,000 small- and medium-sized tourism businesses across the country, and helping contribute over \$88 billion to the Canadian economy and support over 627,000 jobs.

In 2014, Canada was recognized as the top country in the world to visit, live in, study and attend or organize events. Working in partnership in 12 markets globally, the ‘sun never sets’ on the CTC’s work as we promote Canada as a premier travel destination. We are proud to share the results of these efforts for the past year. I want to thank provincial, territorial and destination marketing organizations, and all of our private sector partners across Canada who continue to work with us.

I am honoured to be joining the CTC at an exciting time for the organization and for the industry it supports. I commend the CTC team for its continued commitment to performance, excellence and innovation, and I would particularly like to thank Greg Klassen for his exceptional commitment and talent as the interim Chief Executive Officer.

Moving forward with such momentum makes me confident that we will continue to generate value for Canada’s economy – supporting businesses, communities and the livelihoods of the many Canadians working in tourism from coast to coast to coast.

David F. Goldstein
President & CEO

2014 Performance Exceeded Expectations

In 2014, CTC invested in 10 leisure markets: Australia, Brazil, China, France, Germany, India, Japan, Mexico, South Korea and the UK.



Total overnight trips to Canada increased to
17.1 Million*
+3.2%

Overnight trips to Canada from CTC markets
2.94 Million*
+10.1%

Total Revenue generated from international visitors
\$17.3 Billion*
+4.9%

Revenue generated from CTC markets
\$4.74 Billion*
+13.7%

*CTC Research Estimates

The CTC also works to generate business events in five markets: Belgium, France, Germany, the UK and US.

BUSINESS EVENTS CANADA

KEEP EXPLORING

- Attracts 2.5 million international visitors each year
- \$2.7 billion revenue
- 24% of international tourism revenue in Canada is generated by business travel
- Canada is the #1 location for outbound business meetings from the US
- BEC worked with partners to generate \$258 million in revenue

Revenue generated from CTC Markets

Total tourist expenditures in Canada by visitors from CTC's 10 overseas markets



UNITED KINGDOM



CHINA



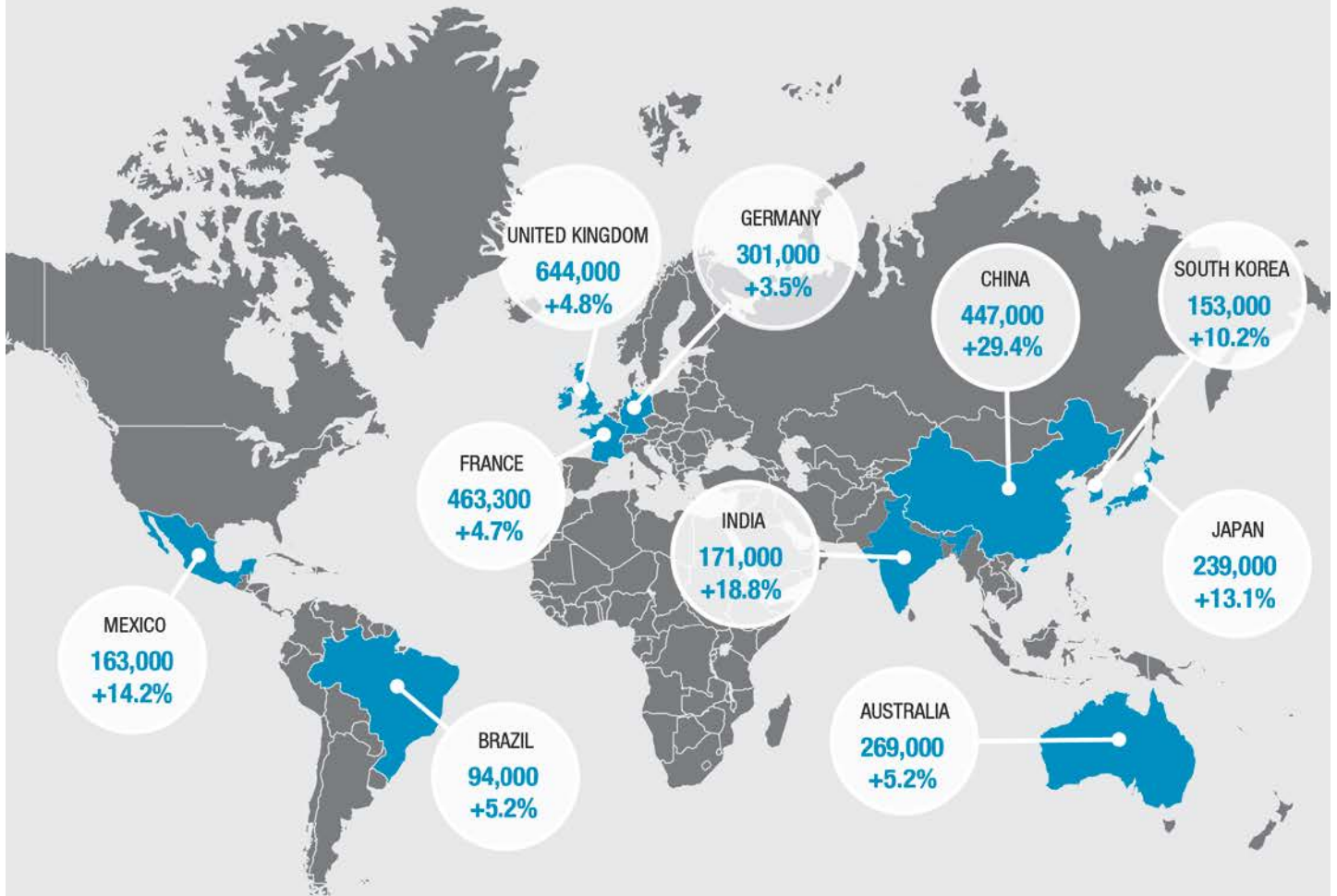
FRANCE



GERMANY

in Every Market

Visitors to Canada from CTC Markets
Number of overnight visitors from CTC Leisure Markets



Canada's tourism industry is one of the country's fundamental economic drivers and is the country's number one service export.

Tourism supports:

627,000 jobs

170,000 tourism business establishments



2014 YEAR IN REVIEW

GLOBAL TOURISM OVERVIEW

In 2014, international tourist arrivals (overnight visitors) reported by destinations around the world reached 1.1 billion, representing a 4.7% increase over the previous year or 51 million additional overnight trips.

This is the fifth consecutive year of robust growth above the long-term average (+3% to +4%) since the 2009 financial crisis. By region, the Americas (+7%) and Asia Pacific (+5%) registered the strongest growth, while Europe (+4%), the Middle East (+4%) and Africa (+2%) reported moderate growth.

5th consecutive year of global tourism growth

China is the world's largest source of tourism expenditures. The country is expected to reach US \$150 billion in export revenue (outbound travel expenditures) in 2014, more than 35% over second-place United States (US \$111 billion). Canadian travellers are expected to remain the seventh-largest source of international tourism expenditure in 2014 (US \$37 billion, +6.2%).

TOURISM INDUSTRY INDICATORS FOR CANADA

In 2014, all major tourism indicators for Canada—tourism revenue, GDP, arrivals and employment—increased. Canada's tourism industry is one of the country's fundamental economic drivers and is the country's number one service export. The CTC works with its partners to drive over \$17.3 billion in activity from people visiting Canada from international markets.

Total overnight international visitors to Canada increased to 17.1 million, up 3.2% over 2013. This was even more positive in the CTC's 10 key markets, with 10% growth in 2014 arrivals over 2013. The industry supports nearly 627,000 jobs and over 170,000 tourism business establishments.

10% growth from CTC markets

| Tourism Industry Indicator | 2013 Results | 2014 Results |
|--|-----------------------|-----------------------|
| Tourism export revenue ¹ | \$16.4 billion (est.) | \$17.3 billion (est.) |
| Tourism GDP ¹ | 2% (est.) | 2% (est.) |
| Tourism employment ¹ | 618,300 (est.) | 627,000 (est.) |
| International tourist receipts from CTC's markets ² | \$4.2 billion (est.) | \$4.7 billion (est.) |

Source: ¹ Statistics Canada; ² CTC Research Estimate

The surge in international travellers is being driven by emerging economies and the rise of a global middle class. Particularly strong growth was seen in the key CTC markets of China (+29%), India (+19%), Japan (+15%) and Mexico (+14%).

2014 CTC RESULTS HIGHLIGHTS

The CTC, with its partners, made a significant contribution to Canada's tourism economy, including increases to attributable tourism export revenue and number of people converted.

- ✓ Nearly 3 million visitors from the CTC's 10 leisure markets, an increase of 10% over 2013
- ✓ \$4.74 billion in total revenue from the CTC's 10 leisure markets, an increase of 13.7% over 2013
- ✓ Record year for arrivals for several CTC markets, including Australia, China and France

CTC's Marketing Efforts

The CTC helped bring more visitors to Canada in 2014. This means more airport traffic, hotel room occupancy, attraction receipts and visitors shopping at Canadian businesses and eating in our restaurants.

- ✓ \$667 million in tourism export revenue from leisure marketing programs
- ✓ 432,000 leisure travellers converted
- ✓ Canada named best country in the world to visit by the Reputation Institute
- ✓ Increases in aided destination awareness (+4%) and active consideration of visiting Canada (+6%)

Business Events Canada

Business tourism plays a crucial role in bolstering Canada's international business goals. Business events, including meetings and incentive travel, often provide delegates and visitors with their first experience of Canada and present a clear opportunity to forge valuable relationships, generate new investment and offer future growth opportunities for the country. BEC had a record year in 2014.

- ✓ \$258 million in revenue generated by Business Events Canada
- ✓ 295,000 delegates generated through business events
- ✓ Large convention bookings, including the TED Conference
- ✓ 25% growth from bookings in the life sciences sector

Demonstrating Value for Taxpayers Dollars

Throughout 2014, the CTC worked hard to increase the flow of international tourism dollars into Canada's economy. Our efforts helped to stimulate additional revenue growth to benefit tourism businesses, generate tax revenue and support jobs for Canadians. In 2014, our international tourism marketing presence is estimated to have:

- ✓ Generated \$925 million for Canada's tourism economy
- ✓ Contributed \$122 million towards federal tax revenue
- ✓ Supported 7,500 tourism jobs.

CTC IN COLLABORATION

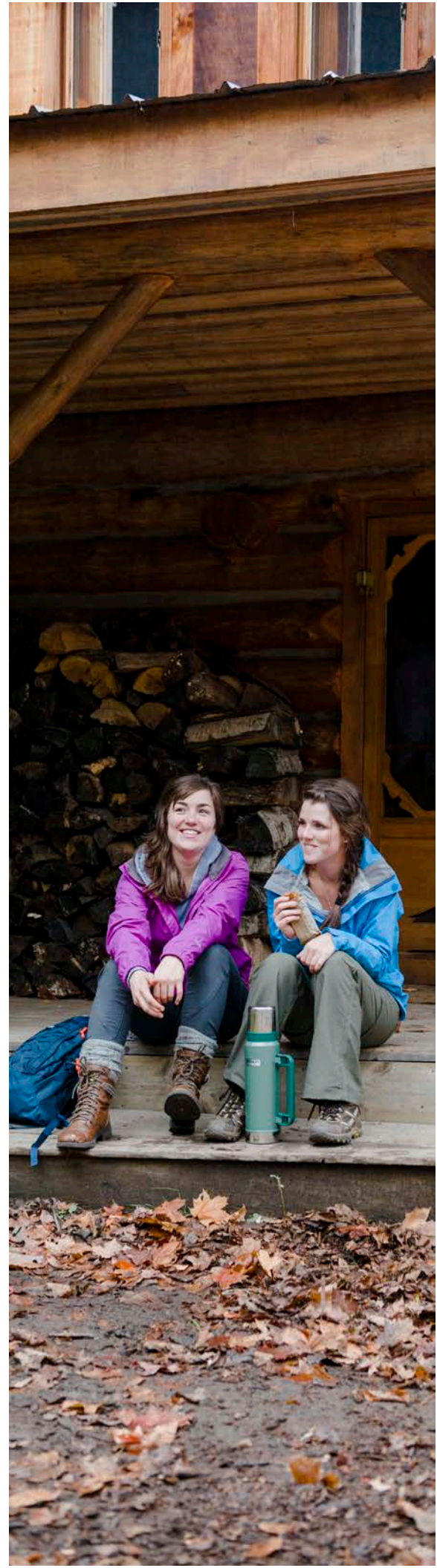
Supporting Canada's Federal Tourism Strategy

Launched in 2011, Canada's Federal Tourism Strategy (FTS) is a government initiative to help position Canada's tourism sector for long-term growth and competitiveness. The FTS sets out an approach for how the government is working to position Canada's tourism sector to take advantage of international growth opportunities, to increase tourism revenue and to create jobs in Canada.

The CTC, along with some 20 other federal departments and agencies, work together to improve Canada's competitiveness by delivering on the commitments set in the FTS to increase awareness of Canada as a premier tourist destination.

Key achievements:

- The CTC's Business Events Canada (BEC) division forged a new strategic alliance with the Department of Foreign Affairs, Trade and Development (DFATD) and Industry Canada. This alliance helps bolster the Global Markets Action Plan and BEC's strategy by providing access to sector experts, valuable content for marketing collateral, networking opportunities and access to international contacts, as well as the opportunity to collaborate on events and trade missions.
- The CTC revamped the *Canadian Signature Experiences* (CSE) program to showcase unique and diverse Canadian tourism experiences jointly with Provincial Marketing Organizations. In 2014, the CTC continued to promote Signature Experiences in its global marketing efforts, including 215 reported CSE-related integrations covering media/PR, social media, trade development, consumer direct initiatives by in-market teams and HQ. In addition, 77 CSE partners participated in RVC.
- The CTC led several innovative campaigns to increase awareness of Canada as a premier tourist destination, including launching the CTCTV television program in China, and promoting the *Hanako and Anne* television series in Japan, which led to record visitation to PEI in 2014.
- Significant gains were also made by FTS partners. For example, Transport Canada improved access to Canada by negotiating new or expanded bilateral air services agreements.
- Through the CAN+ Visa program, Citizenship and Immigration Canada facilitated low-risk travellers from some of our highest-growth markets, including China, India and Mexico. Results from these markets in 2014 were very positive, with a huge increase across all three.





Muskoka, Ontario

CTC IN COLLABORATION

Growth Through Partnerships

To compete internationally and increase export revenues, the CTC relies heavily on partners to expand the reach, impact and return of our marketing programs.

Generating new tourism business means developing a strong brand presence internationally. The CTC leads this effort through partnered global marketing and sales programs supported by large tourism-focused businesses, such as Canadian hotel chains, resort operators and rail companies, as well as destination marketing organizations (DMOs) and provincial marketing organizations (PMOs).

Our partners allow us to leverage our federal investment to promote Canada's tourism brand to the world, while helping drive business throughout the supply chain to benefit the entire tourism industry. Similarly, although networks vary across the country, PMOs and DMOs that partner with the CTC not only expand their own marketing efforts, but increase the reach and exposure of their local small- or medium-size businesses (SMEs).

2014 Partnership Results

In 2014, the CTC successfully continued our focus on forging partnerships with the tourism industry to enhance Canada's marketing power under a single brand and unified voice. The CTC's partnerships resulted in a contribution ratio of 0.9:1 against our appropriations of \$58 million, boosting our collective marketing muscle to \$110 million and exceeding our 2014 target of 0.6:1.

CTC partners are integral in marketing Canada to the world. In 2013, our partners told us they value our international reach and brand leadership.

- ✓ 92% of partners are highly satisfied with the CTC
- ✓ 87% of partners are highly aligned with the CTC's brand and marketing
- ✓ 81% of partners stated their intention to partner again with the CTC

This strong commitment to partnership will continue to be an important focus for the CTC for years to come.

CTC IN COLLABORATION

TOP CTC PARTNERSHIP PROGRAMS IN 2014

| | |
|--|-----------------------|
| APT Touring 2014 | Australia |
| RVC 2014 | International |
| International Travel Survey (Statistics Canada) | Research |
| Travel Survey of Residents of Canada (Statistics Canada) | Research |
| Travelmarvel Co-op 2014 | Australia |
| TED Conferences | BEC |
| Canon Korea Co-op Consumer Event | South Korea |
| Despegar.com Co-op Program | Mexico |
| Scenic Tours 2014 | Australia |
| OTMPC Micro Film Project | China |
| Flight Centre | Australia |
| Club Tourism International Inc. Promotion | Japan |
| GoMedia | Global Communications |
| JTB Media Co-op | Japan |
| Air Canada-Tokyo Campaign | Japan |



CTC ENTERPRISE BALANCED SCORECARD

| CTC PERFORMANCE MEASURES | PERSPECTIVE | 2012 RESULT | 2013 RESULT | 2014 TARGET | 2014 RESULT |
|--|-------------|----------------|------------------|-----------------------|---------------|
| GOAL: Grow tourism export revenue for Canada in markets offering the highest return and where the Canada brand leads | | | | | |
| Marketing campaign ROI | Customer | 56 : 1* | 38 : 1 | 58 : 1† | 121 : 1 |
| Number of leisure travellers converted | Customer | 408,728* | 259,900 | 203,000† | 432,500 |
| Number of delegates generated through business events | Customer | New for 2014 | | Benchmark | 295,000 |
| Attributable tourism export revenue from leisure programs | Financial | \$643 million | \$425 million | \$297 million† | \$667 million |
| Attributable tourism export revenue from BEC sales activities | Financial | \$44 million | \$120 million | \$100 million | \$258 million |
| Attributable tourism export revenue | Financial | \$687 million | \$545 million | \$397 million† | \$925 million |
| Attributable federal tax revenue | Financial | \$90.1 million | \$72.2 million | \$52 million† | \$122 million |
| Attributable jobs supported | Financial | 5,073 | 4,416 | 2,960† | 7,496 |
| Country brand rank | Customer | 2 | 2 (2012-2013) | Top 5 | 5 |
| Aided destination interest | Operations | 78% | 80% | 78% | 82% |
| Active consideration of visiting Canada | Operations | New for 2014 | | 18% | 24% |
| Objective 1: Seed the 2017 Millennial Travel Program | | | | | |
| Develop comprehensive and Board-approved strategy | Operations | New for 2014 | | Yes | Yes |
| Objective 2: Explore options for broader business events consistent with Canada's trade agenda | | | | | |
| Adapt BEC sales focus to align with Global Markets Action Plan | Operations | New for 2014 | | Yes | Yes |
| Objective 3: Further develop branded platforms for industry in the interest of both immediate and potential returns | | | | | |
| Develop branded platforms strategy | Operations | New for 2014 | | Yes | Yes |
| Partner brand alignment | Operations | 82%† | 87% | 82%† | 87%† |
| Partner satisfaction | Operations | 89%† | 92% | 89%† | 92%† |
| Partner contribution | Operations | 0.8 : 1 | 0.8 : 1 | 0.6 : 1 | 0.9 : 1 |
| Objective 4: Work to more holistically define the value of the CTC to industry beyond traditional return on investment measures | | | | | |
| Determine impacts of CTC's programmatic role | Operations | New for 2014 | | Yes | Yes |
| Explore conversion metrics for media relations, public relations and social media activities | Operations | New for 2014 | | Yes | Yes |

| Objective 5: Continue ongoing work on efficiencies | | | | | |
|---|-------------------|------------------|------------|---------|-------|
| Systems effectiveness | Operations | N/A [§] | 59% | 65% | 55% |
| Proportion of total budget allocated to programming | Operations | 72% | 67% | ≥ 62.6% | 65.6% |
| Ratio of corporate services to marketing and sales costs | Operations | New for 2014 | | ≤ 15.4% | 13.7% |
| Corporate Excellence | | | | | |
| Core values index | Learning & Growth | 66% | 79% | 70% | 82% |
| Employee engagement index | Learning & Growth | 74% | 74% (2012) | 65% | 62% |

* Based on short-term conversion results.

† Result is for 2013 as Partner Survey is conducted biennially.

‡ Targets based on measurement studies planned for markets of Australia, France, Germany and the UK.

§ Result not available as implementation of the applicable IT applications was delayed until late 2012.

Note: 2014 targets in bold were revised in the 2015-2019 Corporate Plan to reflect a refined methodology for determining attributable tourism revenue from the booking of business events, and the removal of traveller conversion and revenue targets for China.

Definitions of these metrics can be found in Appendix 1 on page 92.



Legendary Whale Wonders -
Stan Cook Sea Kayak Adventures
Newfoundland and Labrador

CTC Performance Report 2014

Strategic Theme 1: Generate Demand for Canada's Visitor Economy

The CTC is committed to generating demand for Canada's visitor economy. Our focus is to sustain a profitable tourism industry by growing tourism export revenue for Canada. This is accomplished through our core business of marketing Canada abroad as a tourism destination and generating demand for Canadian tourism products in order to bring new dollars into the country. This revenue helps support jobs and revenue for Canadian tourism businesses.

Below is a summary of CTC's performance against key indicators under this strategic theme of generating demand. Overall, the CTC's strong performance in marketing is in part due to the use of new engagement formats (i.e. more targeted online and content marketing) which have proven to be more successful than previous traditional forms of advertising. It is important to note that the improving economic conditions in many markets also helped the CTC and our partners "close the deal" with the many travellers who indicated high levels of intent to visit Canada based on our previous campaigns and finally took the steps to book a trip.

| Performance measure | Target | Result |
|---|----------------|-----------------|
| Marketing Campaign ROI | 62:1* | 121:1* |
| Number of leisure travellers converted* | 203,000* | 432,500* |
| Number of delegates generated through business events | Benchmark | 295,000 |
| Attributable tourism export revenue from leisure programs* | \$297 million* | \$667 million* |
| Attributable tourism export revenue from BEC sales activities | \$100 million | \$258 million |
| Attributable tourism export revenue* | \$397 million | \$925 million |
| Attributable federal tax revenue* | \$52 million | \$122 million |
| Attributable jobs supported* | 2,960 | 7,496 |
| Country brand rank | Top 5 | 5 th |
| Aided destination interest | 78% | 82% |
| Active consideration of visiting Canada | 18% | 24% |

**Targets and results based on measurement studies in the markets of Australia, France, Germany and the UK.*

Total Attributable Tourism Export Revenue

In 2014, the CTC was successful in attracting \$925 million in attributable export revenue. The result is based on the economic impacts of the CTC's marketing activities including converting leisure travellers (through direct-to-consumer advertising and travel trade promotions) and generating delegates through Business Events Canada.

\$925 million
in attributable tourism
export revenue

The CTC exceeded its 2014 target for attributable export revenue due to the robust performance of CTC's direct to consumer advertising and travel trade activities in CTC markets which, combined, converted 432,500 travellers and achieved \$667 million in attributable revenue. In addition, the very strong performance of Business Events Canada achieved an attributable export revenue of \$258 million from its sales activities by generating 295,000 delegates by booking several large conventions and incentive travel trips and adopting a more strategic approach. These results are explained in detail in the pages that follow.

(1) Direct to Consumer Advertising

In 2014, the CTC engaged in integrated advertising campaigns using a variety of channels, including television, print and online. The CTC also introduced a fresh content marketing approach such as video, takeovers and keyword searches, which provided consumers with more engaging content.

372,500
travellers converted
by CTC advertising

The results exceeded the targets for several reasons:

- i. CTC's new advertising approach targeted to specific consumer interests led to significantly higher engagement with the ads and getting bigger bang for the buck.
- ii. Strong consumer marketing campaigns in recent years, by the CTC and our partners, pooled a high number of "intended travellers" to Canada.
- iii. Improved economic conditions and reduced barriers to travel made it easier for these intended travellers to take a trip to Canada in 2014. The strong growth in visitation from the 10 CTC markets of 10.1% (vs 3.2% in all other markets) in 2014 is an indication of CTC's marketing impact in inspiring visitors to Canada.
- iv. The 2014 targets were set in 2013 based on 2012 performance, which was mixed, and at a time when economic conditions were still uncertain.

Independent third-party advertising tracking and conversion studies evaluate the results of our direct-to-consumer marketing efforts. These studies establish an unbiased view of the relationship between advertising expenditures, campaign awareness and sales that can be conservatively attributed to the marketing program.

In 2014, these studies took place in Australia, France, Germany and the UK. (Details from each study are reported in the market profile section starting on page 22). They indicate that the CTC's direct-to-consumer advertising campaigns inspired 372,500 travellers to visit Canada and generated \$560 million in attributable tourism export revenue in 2014. The associated return on investment is 121:1 against CTC's marketing spend to execute the campaign in the four markets measured in 2014. These results reflect the success of the new approach the CTC is taking in our direct-to-consumer marketing, which shifts resources away from costly ad buys to more targeted digital engagement and relationship building with key media, public relations and travel agent partners.

**The CTC's
campaigns
generated
\$560 million
in tourism revenue
for Canada.**

(2) Travel-trade promotions

The CTC works directly with international travel companies to develop and sell Canada as a vacation destination. Travel agents with a solid understanding of Canada's tourism products are more likely to influence consumers to visit. The CTC engages in key travel-trade activities, such as working with tour operators to include Canada in their sales offerings, plus motivating existing tour operators to add more Canadian product and experiences to their catalogues. Our investments in promotional activities with the travel trade result in actual sales of Canadian travel and travel packages to consumers in each of our leisure markets.

**The CTC's travel
trade promotions
booked over
60,000 trips**

The CTC's work with travel agents led to the booking of over 60,000 trips and generated nearly \$107 million in tourism revenue. The results achieved in 2014 are due to the strong engagement of the CTC with travel agents in all 10 markets, including partnerships with large volume travel operators such as Canadian Affair in the UK, Adventure World in Australia and Air Transat in France, as well as smaller luxury tour operators who generate significantly more revenue per trip.



Toronto, Ontario

Business Events Canada

Business Events Canada (BEC) is the division of the Canadian Tourism Commission charged with bringing meetings, conventions and incentive travel programs to Canada. Meetings, conventions and incentive travel attract close to two million visitors each year to Canada with total spending of \$1.7 billion—almost 24% of all money spent by inbound overnight travellers. Canada is the no. 1 location for outbound meetings business from the US, bringing in about \$1.4 billion.

Business Events Canada had an impressive year in 2014, working with partners to generate 323 leads which converted into \$258 million worth of business, including 295,000 delegates for future meetings, conventions and incentive travel. This increased business is due to booking some large conferences which will have a positive economic impact to Canada for years to come.

In addition, BEC supported key wins in corporate incentive travel, particularly in the insurance and information communication technology (ICT) sectors for partners such as Banff, Whistler, and Quebec City, generating millions in economic impact. This comes from BEC programs such as Incentive Canada and a strategic partnership with the Financial and Insurance Conference Planners.

BEC's more strategic approach is also yielding huge results in the life sciences sector. In 2014, BEC refined its sales strategy to align with the federal government's Global Markets Action Plan (GMAP), in an effort to more strategically align and focus on key sectors of priority. The results of this new strategic focus are described in detail on page 36.

Methodological note: A notable change in internal practices has had an impact on our ability to set targets for BEC. In 2014, the CTC adjusted its target for BEC, increasing it from \$40 million to \$100 million.

This change was due to upgraded software systems which led to an improvement in BEC's ability to count the sales revenue generated through business events. With the previous system, the value of contracts signed in a given year could only be based on leads that were generated in the same year. Under the new system, the value of business events confirmed as "definite" is now based on contracts signed in a given year, regardless of the year in which the lead materialized.

The change allows the CTC to report on the full breadth of economic value generated through booked business events, recognizing that booking conventions tends to be a multi-year process. We continue to learn and refine our methodology using this new system.



Ottawa, Ontario



Banff, Alberta

2014 CTC Market Highlights

EUROPE

FRANCE

463,000 travellers

\$653 million in visitor spending

+8.9% in revenue over 2013

France was Canada's third-largest overseas inbound market in 2014 after the UK and China, representing an estimated 9% of Canada's overseas tourist receipts. Amid challenging economic conditions, overnight arrivals grew nearly 5% in 2014, an all-time peak for France.

CTC's conversion rate was 158,000 total travellers to Canada in 2014, including 142,000 travellers through our direct-to-consumer advertising and a further 15,500 through travel-trade co-op promotions with key partners. This large increase over 2013 results is due in part to the CTC and partners closing the deal on the large number of intended travellers inspired by campaigns such as "35 Million Directors."

CTC LEISURE RESULTS

158,000 travellers converted

\$224 million in revenue generated

GERMANY

301,000 travellers

\$511 million in visitor spending

+7.6% in revenue over 2013

Germany was Canada's fourth-largest overseas inbound market in 2014, representing an estimated 7% of Canada's overseas tourist receipts. Backed by a resilient economy, German overnight travel to Canada grew 3.5% in 2014.

The CTC's conversion rate was nearly 146,000 travellers to Canada in 2014, including 144,000 travellers through our direct-to-consumer advertising and a further 1,700 through travel-trade co-op promotions with partners.

CTC LEISURE RESULTS

146,000 travellers converted

\$244 million in revenue generated

UK

644,000 travellers

\$911 million in visitor spending

+9% in revenue over 2013

The UK was Canada's largest overseas inbound market in 2014, representing an estimated 12% of Canada's overseas tourist receipts. An estimated 644,000 UK visitors came to Canada during 2014, still short of the peak of 894,000 visitors reached in 2007. Overall spending was up to \$911 million due to the growing economy, improving consumer confidence and the strong British Pound.

The CTC's conversion rate was 78,000 travellers to Canada in 2014, including 67,000 travellers through our direct-to-consumer advertising and a further 11,000 through travel-trade co-op promotions with partners.

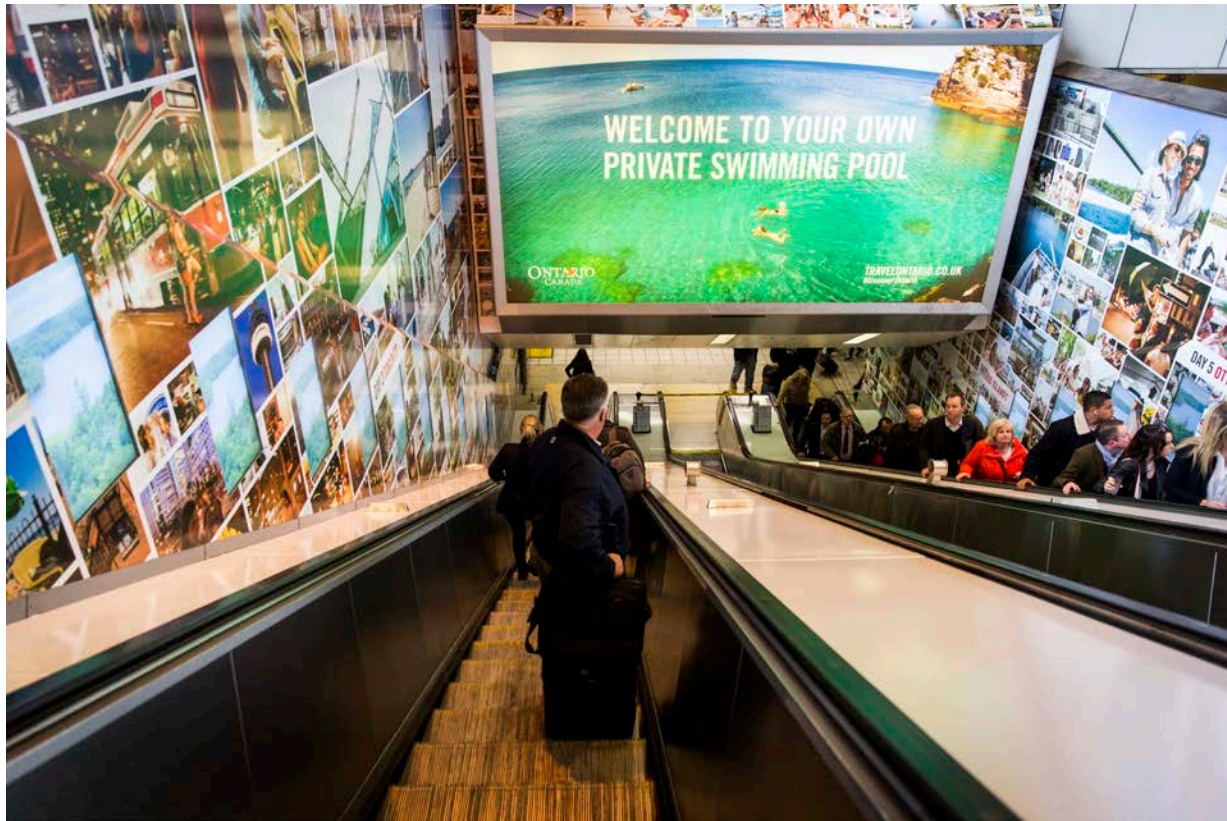
CTC LEISURE RESULTS

78,000 travellers converted

\$114 million in revenue generated

PARTNERING FOR SUCCESS

UK Marketing Campaign Profile: #DiscoverOntario Euston Station Takeover



In 2014, CTC UK launched a large campaign in partnership with the Ontario Tourism Marketing Partnership Corporation (OTMP) to showcase the breadth of Ontario experiences through a series of innovative marketing campaigns including targeted online and print ads, as well as a full takeover of a busy London station.

The “Euston Station Takeover” campaign took place at one of the UK’s busiest commuter hubs, London’s Euston Station, and disrupted the commuter journey to fully immerse the audience in Ontario’s experience. A combination of images and videos followed the flow of urban professionals as they descended into the Tube station, with a wall of giant posters of photos from around the province designed to capture their attention.

The Immersion Zone delivered huge impact, generating brand awareness among the 1.8 million who passed through the station during the two week campaign period, generating 9 million total impressions, over 90,000 clicks on the CTC/OTMP website (4 times the amount projected) and a click through rate 500% higher than the average CTC campaign.

ASIA PACIFIC

AUSTRALIA

269,000 travellers

\$483 million in visitor spending

+5.6% in revenue over 2013

Australia was Canada's fifth-largest overseas inbound market in 2014, representing an estimated 6% of Canada's overseas tourist receipts. An estimated 269,000 Australian travellers visited Canada during 2014, generating \$483 million in tourist receipts and supporting over 3,500 jobs. Despite a slowing Australian economy, arrivals and revenue to Canada grew by over 5% in 2014.

The CTC's conversion rate for 2014 was 35,000 travellers to Canada, including 19,000 travellers through our direct-to-consumer advertising and a further 16,000 through travel-trade co-op promotions with partners such as APT Discoveries.

CTC LEISURE RESULTS

35,000 travellers converted

\$62 million in revenue generated

CHINA

447,000 travellers

\$890 million in visitor spending

+34.5% in revenue over 2013

China was Canada's second-largest overseas inbound market in 2014, representing an estimated 11% of Canada's overseas tourist receipts. An estimated 447,000 Chinese travellers to Canada during 2014 lead to another record year for China, representing a growth of nearly 30% for arrivals and 35% for revenue.

Buoyed by Approved Destination Status (ADS), a favourable exchange rate, excellent air service and a relatively large population of Canadian residents of Chinese origin (1.3 million), we expect visitor growth to continue expanding at a double-digit pace. China is on track to become our second-largest market overall by 2016.

The CTC was successful in attracting 2,600 travellers through travel-trade co-op promotions with key partners.

CTC LEISURE RESULTS

2,600 travellers converted

\$6 million in revenue generated

| | | |
|---|--|---|
| <p>INDIA</p> <p>171,000 travellers</p> <p>\$183 million in visitor spending</p> <p>+20.3% in revenue over 2013</p> | <p>India was Canada's tenth-largest overseas inbound market in 2014, representing an estimated 3% of Canada's overseas tourist receipts. An estimated 171,000 Indian travellers visited Canada during 2014, generating \$183 million in tourist receipts and supporting over 1,300 jobs. Arrivals from India set record highs almost every single month during 2014. Arrivals and revenue from India grew by nearly 20% in 2014.</p> <p>The CTC was successful in attracting 1,700 travellers through travel trade co-op promotions with partners. No conversion study was done for this market.</p> | <p>CTC LEISURE RESULTS</p> <p>1,700 travellers converted</p> <p>\$4 million in revenue generated</p> |
| <p>JAPAN</p> <p>239,000 travellers</p> <p>\$357 million in visitor spending</p> <p>+10% in revenue over 2013</p> | <p>Japan was Canada's sixth-largest overseas inbound market in 2014, representing an estimated 4% of Canada's overseas tourist receipts. Despite outbound travel from Japan contracting 3% overall, overnight arrivals to Canada grew 13% in 2014, while revenues grew by 10%. An estimated 239,000 Japanese visited Canada, generating \$357 million in tourist receipts and supporting about 2,600 jobs.</p> <p>The CTC was successful in attracting 4,029 travellers through travel-trade co-op promotions with partners.</p> | <p>CTC LEISURE RESULTS</p> <p>4,000 travellers converted</p> <p>\$7.5 million in revenue generated</p> |
| <p>SOUTH KOREA</p> <p>153,000 travellers</p> <p>\$294 million in visitor spending</p> <p>+14.6% in revenue over 2013</p> | <p>South Korea was Canada's seventh-largest overseas inbound market in 2014, representing an estimated 4% of Canada's overseas tourist receipts. An estimated 153,000 South Koreans visited Canada during 2014, generating \$294 million in tourist receipts and supporting over 2,100 jobs. Despite a 6% reduction in seat capacity, South Korea arrivals grew 10% in 2014 and revenues grew by nearly 15%.</p> <p>The CTC was successful in converting 4,230 travellers through travel-trade co-op promotions with key partners.</p> | <p>CTC LEISURE RESULTS</p> <p>4,200 travellers converted</p> <p>\$7.6 million in revenue generated</p> |

INNOVATIVE IN THE CONTENT SPACE

Japan Marketing Campaign Profile: Hanako & Anne



In 2014, CTC-Japan teamed up with Tourism PEI and Air Canada for a major media and marketing campaign around a new TV series related to *Anne of Green Gables*. The classic children's novel by the Canadian author L.M. Montgomery is beloved in Japan. NHK broadcast a 156-episode six-month drama series, "Hanako and Anne," about Hanako Muraoka, the Japanese woman who first translated and introduced *Anne of Green Gables* to Japanese readers in 1952.

The show was a hit, averaging 60 million viewers, and helped create huge destination buzz for Canada. Capitalizing on this, the CTC launched a series of pages on our Japanese consumer website that showcased PEI as a tourism destination, with a series of PEI packages and PEI plus eastern Canada tour packages. Tour operators also promoted Canada with a wide range of product showcasing both new and existing destinations experiences and non-PEI provincial partners were also able to leverage their destinations.

Overall arrivals from Japan grew by 13% and revenues by 10%. PEI in particular reported visitor numbers from Japan up more than 225% over 2013, generating over \$20 million in tourism revenue.

AMERICAS

BRAZIL

94,000 travellers

\$180 million in visitor spending

+3.6% in revenue over 2013

Brazil was Canada's eleventh-largest overseas inbound market in 2014, representing an estimated 2% of Canada's overseas tourist receipts. An estimated 94,000 Brazilians visited Canada during 2014, generating \$180 million in tourist receipts and supporting over 1,300 jobs. Despite a sluggish economy, arrivals from Brazil grew by 5.2% and revenues by 3.6%.

The CTC was successful in attracting 2,300 travellers through travel-trade co-op promotions with partners.

CTC LEISURE RESULTS

2,200 travellers converted

\$5 million in revenue generated

MEXICO

163,000 travellers

\$273 million in visitor spending

+18.7% in revenue over 2013

Mexico was Canada's eighth-largest overseas inbound market in 2014, representing an estimated 3% of Canada's overseas tourist receipts. An estimated 163,000 Mexicans visited Canada during 2014, generating \$273 million in tourist receipts and supporting about 2,000 jobs. The CAN+ Visa program was implemented in May and contributed to a 14% increase in arrivals during 2014 and a 19% increase in revenues.

The CTC was successful in converting 1,941 travellers through travel-trade co-op promotions with partners.

CTC LEISURE RESULTS

1,900 travellers converted

\$3.5 million in revenue generated

BUILDING AWARENESS & DRIVING SALES

Brazil Marketing Campaign Profile

TORONTO | CANADÁ

SAIA DO COMUM E ENTRE NA EXTRAORDINÁRIA TORONTO



TORONTO & OTTAWA

Passagem aérea Air Canada, transfer in em Toronto, transfer out em Ottawa, 04 noites de hospedagem em Toronto com café da manhã, 02 noites de hospedagem em Ottawa, trem Toronto / Ottawa em classe econômica e cartão de assistência.

Saídas de 01/12/14 à 30/04/2015 (valor não válido para períodos de feriados, congressos, feiras e eventos. Sujeito a alteração de valores sem prévio aviso e mediante disponibilidade).

**A partir de entrada R\$ 1.566 + 9 x R\$ 406
Total R\$ 5.220 | US\$ 2.175***



In 2014, the CTC launched two new campaigns in Brazil in partnership with Tourism Toronto and Ontario Tourism Marketing Partnership Corporation to build awareness and drive immediate sales.

The first campaign focused on Toronto through print and online advertising. The second, larger campaign promoted Ontario, with broadcast, online and print ads in media including Globo TV, UOL.com and *Qual Viagem* magazine. Landing pages on the Toronto and Ontario websites promoted the tour operators' packages.

CTC-Brazil helped bring a TV crew from Globo to film three episodes of "Fantástico," Brazil's most-watched Sunday-night show. CTC-Brazil and its partners—OTMP, Tourisme Quebec, Tourism Toronto, Tourisme Montréal, Tourism Vancouver, Banff & Lake Louise Tourism, Via Rail and Frontiers North—brought local experts to the shoots to help bring to life Canadian tourism experiences.

CTC-Brazil also arranged for the first familiarization (FAM) trip for two key Brazilian tour operators, Seculo XXI and Terra Sante. The FAM trip had a religious theme, and the travel agents spent six days in Quebec, visiting Canadian icons such as Notre Dame Basilica and the Sainte-Anne-de-Beaupré Basilica near Quebec City. They were joined on the FAM by a TV crew from Rede Vida; the broadcaster is screening the trip in two 30-minute shows. More than 15 million Brazilians travel abroad to religious destinations each year.

Aided Destination Interest & Active Consideration Measures

| Performance measures | Target | Result |
|---|--------|--------|
| Aided destination interest | 78% | 82% |
| Active consideration of visiting Canada | 18% | 24% |

In 2014, the CTC increased aided destination interest and active consideration of Canada as a travel destination. This was accomplished by strong media, public relations and social media campaigns that profile Canada's exciting travel opportunities and motivated consumers' travel decisions.

GoMedia & Canada Media Marketplace



GoMedia is the CTC's annual international media show. It brings together domestic and international media with partners from around the world for one-to-one meetings, professional development, networks, pre- and post-event media tours and an awards show recognizing media and industry partners.

GoMedia 2014 was held in Winnipeg, MB, in August. It was attended by 270 attendees (110 media) and facilitated 21 pre/post tours.

Media and partners were able to experience Manitoba's refreshed tourism brand, the new Canadian Museum for Human Rights, Assiniboine Park Zoo (including the new Journey to Churchill exhibit), as well as the rest of the country through pre and post media trips.

The results are impressive. From August to December 2014, 600+ stories were published by the 110 journalists who attended GoMedia. Stories appeared in print, online and broadcast throughout Canada and the US, as well as the CTC's 10 international markets, for a circulation of 334 million and an ad value equivalency of \$16.8 million.

Canada Media Marketplace



San Francisco hosted the 27th Canada Media Marketplace, the CTC's annual media show, March 31-April 1, 2014. Over 125 Canadian tourism industry representatives—a broad spectrum of provincial/territorial and regional Canadian tourism organizations, major hotels and attractions—presented their news and latest products to 184 American journalists, bloggers and broadcasters.

Rendez-vous Canada Welcomed Over 1,600 Canadian Tourism Businesses



The CTC-led **Rendez-vous Canada** (RVC) generates millions of dollars for Canada's tourism industry annually. RVC is the premier international marketplace for Canadian tourism and provides a golden opportunity for Canadian industry representatives and international buyers to network and close business deals.

RVC 2014, held in Vancouver, broke attendance records, with 1,609-plus tourism-industry representatives taking part in over 24,000 one-to-one appointments. They were joined by 477 representatives from 366 buyer organizations, who flew in from 28 international markets.

In addition, 27 international and domestic travel-trade journalists from the CTC's key markets made sure RVC 2014 was in the headlines, spending four days scouring the marketplace for scoops on the latest news, products and trends from the Canadian travel industry.

The CTC's new Inside Track sessions, led by CTC in-market staff alongside the President and CEO of the Tourism Industry Association of Canada, provided consumer perspectives, market trends, latest research and insights from leading travel-trade accounts in each market. The panel sessions on each market allowed Canadian sellers to get a frank and insightful perspective.

The deals concluded in Vancouver will help support small- and medium-size tourism businesses across the country.

Social Media

The CTC is increasingly emphasizing our social media channels to build awareness and interest in visiting Canada. By leveraging Facebook, Twitter, YouTube, Instagram, Tumblr and Google+, we aim to inspire travellers to inspire their friends and families to visit Canada. Our focus is to be present where travellers are speaking with travellers and support the conversation. This has allowed us to cost-effectively build Canada's tourism brand globally and engage influencers and consumers in a two-way dialogue.

In 2014 we saw huge overall growth in our followers on our primary channels:

- Facebook: 100,000 to 300,000
- Instagram: 60,000 to 140,000
- Google+: 100,000 to 300,000
- Twitter: 95,000 to 140,000

Additional successes in 2014 include:

- The CTC closely aligned our social media channels to attract key demographics. The Pemberton trip with the CTC Youth Team featured notable YouTube and Instagram influencers and resulted in a 20% increase in followers in less than a week.
- Fall 2014 campaign advocacy initiatives included influencers from our three European markets creating content and driving traffic to our #SelfieSwap contest hub.
- We established the Social Media Working Group, adding value to our relationships with the PMOs and directly leading to the adoption of Instagram by two of the provinces (PEI and Newfoundland/Labrador).

MILLENNIAL FAM TRIPS: *what's in it for Canada?*

WHY TARGET MILLENNIALS?

Millennials (aged 19-29) are influencers in their own right. Without them, how would younger and older generations know what's cool and what's not? They are the fastest growing traveller segment, travel longer than older segments and their budgets are surprisingly substantial.

1 PEMBERTON MUSIC FESTIVAL, BC

Four of Instagram's finest took on a travel adventure of a lifetime. A celebrity YouTuber joined forces with edgy photographers to produce action, nature, aerial and city shots from Vancouver to the Pemberton Music Festival and back. Some of the influencers continued their photographic journey through Alberta's Rockies.



@MRBENBROWN (UK)
222K Instagram followers
209K YouTube followers
 · active adventure traveller
 · high energy daily 'vlogger'



STEVEBOOKER.CO.UK (UK)
75K Instagram followers
78K YouTube followers
 · lifestyle/fashion blogger/tastemaker



@I3THWITNESS (US)
386K Instagram followers
 · raw style photography
 · urban scenery & music



@TWHEAT (US)
518K Instagram followers
 · full time photographer
 · former Instagram employee

2 OSHEAGA MUSIC FESTIVAL, QC

This FAM trip showcased youthful experiences from Saint-Sauveur to Montréal leading up to the Osheaga Music Festival. It featured a mix of urban discovery, outdoor experiences and music festival vibes through the eyes of four leading ladies on Instagram.



@HELLOPOE (UK)
70K Instagram followers
 · full time photographer



@ANDREADABENE (FR)
76K Instagram followers
 · photographer & world traveller



@JAYZOMBIE (US)
236K Instagram followers
 · former Instagram employee



@JEANNEMAP (CA)
27K Instagram followers
 · produces content in French

GROWTH OF INSTAGRAM FOLLOWERS ON @EXPLORECANADA

WHY INSTAGRAM?

- Image-based inspiration & influence
- High number of registered Millennial users
- Highly engaged community



46K = Average amount of views per Canadian video on Ben Brown's YouTube channel

Not that your vlogs aren't always awesome, but this one was superrr awesome. Looks like so much fun!

Steve and Ben are making Canada look like one of the best countries in the world. It is now definitely on my bucket list

BEST PERFORMING CONTENT ON INSTAGRAM



@explorecanada
 Vancouver, BC
5.5K Likes



@13thwitness
 Squamish, BC
28.4K Likes



@mrbenbrown
 Vancouver, BC
21K Likes

Love this feed :) really wanna go to canada now

I've been completely in awe of Steve and Ben's photos and videos this week @explorecanada. Canada, I think I love you...

Strategic Theme 2: Helping Canadian Businesses Sell Canada

Recognizing that many of Canada's tourism businesses, particularly small- and medium-sized enterprises, do not have the resources needed to reach lucrative international markets, the CTC makes available a range of programs and tools designed to align with Canada's tourism brand. These programs and tools give destination marketers and tourism businesses a competitive advantage in a crowded marketplace.

Industry business leaders and other levels of Canadian government have expressed the tremendous value they place on the tools, events and platforms the CTC offers, and have strongly encouraged the CTC to continue developing and refining these offerings. We measure our success through our ability to partner and deliver quality platforms which enable tourism businesses to promote their products internationally. Details on CTC partnership results can be found on pages 13-14.

| Performance measures | Target | Result |
|--------------------------|--------|--------|
| Partner brand alignment* | 82%* | 87%* |
| Partner satisfaction* | 89%* | 92%* |
| Partner contribution | 0.6:1 | 0.9:1 |

**Result is carried over from 2013 as partner survey is conducted biennially.*

In the 2014-2018 Corporate Plan, the CTC laid out a series of Operational Objectives to help Canadian businesses sell Canada.

Objective 1: Seed the 2017 Millennial Program

| Performance measure | Target | Result |
|---|--------|--------|
| Develop a comprehensive and Board-approved strategy (new) | Yes | Yes |

In 2014, the CTC developed a comprehensive youth program strategy which will see the CTC bring the travel industry together to deliver a Millennial Travel Program for Canada's 150th anniversary in 2017. The CTC wants millennials living in Canada and in the CTC's international markets to see Canada as THE travel destination for authentic adventures and extraordinary experiences.

In 2015, the CTC will continue advancing the program by securing partnerships with provincial and territorial tourism marketing partners, as well as key players in the travel industry and select lifestyle brands, to deliver a multi-year program that inspires millennials to explore Canada from coast to coast to coast.

CTC's Millennial Travel Program

The objective over the next three years is to build momentum toward booking travel in 2017. The goal is to build awareness for what Canada has to offer as a four-season destination and present specific experiences and limited time offers. The four phases of the plan are:

Gain Attention: Stand out from other tourism brands, tell a good story, make our money work harder.

Shift Perceptions: Break the "boring" barrier and challenge what millennials think they know about Canada by presenting an exciting place they want to visit now.

Showcase Experiences: Feature 150 specific things to do, places to stay, ways to get there and give examples of what an exciting Canadian experience could look like.

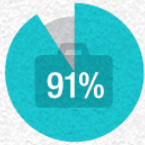
Offer Utility: Make it easier to travel within Canada by offering the right price points on the right products.

MILLENNIAL TRAVEL

Canada's big opportunity



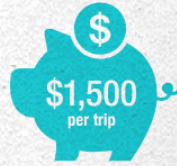
1 MILLENNIALS = BIG OPPORTUNITY FOR CANADA



91% of Canadian Millennials are interested in exploring Canada soon



67% share info & photos about their trips online



Millennials spend as much as older travellers

SOCIAL VALUES INSIGHTS

Authentic Experiencers

- Careful consumers
- Looking for emotionally meaningful experiences
- Seek stimulation from cultural learning

Cultural Explorers

- Enjoy things that are new & unique
- Reject authority and big businesses
- Looking for meaningful moments

Free Spirits

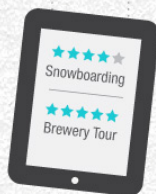
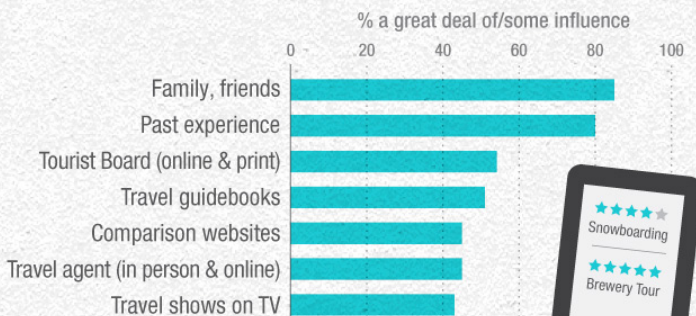
- Receptive to marketing
- Enjoy personal challenges
- Highly expressive and creative

2 CANADA HAS WHAT MILLENNIALS ARE LOOKING FOR



3 REACHING MILLENNIALS

We'll focus on their strongest influences:



4 LET'S TALK: ENGAGING WITH MILLENNIAL TRAVELLERS



Millennials
Tell a good story



Partners
Leverage the opportunity to extend reach & consumer value



Canadian & International Travel Trade
Sell the Experience

Sources include:

- TNS, CTC Youth Travel Study
- Statistics Canada, Travel Activities and Motivation Study (TAMS)
- Statistics Canada, Travel Survey of Residents of Canada (TSRC)

Objective 2: Explore Options for Broader Business Events Consistent with Canada’s Trade Agenda

| Performance measure | Target | Result |
|--|--------|--------|
| Adapt BEC sales focus to align with Global Markets Action Plan | Yes | Yes |

In 2014, BEC refined its sales strategy to align with the federal government’s Global Markets Action Plan (GMAP), in an effort to more strategically align with the federal government and focus on key sectors of priority. In 2014, BEC rolled out its sector approach with a focus on generating business from the international Life Sciences community. In 2014, this resulted in a 25% bump in new leads. These events will generate significant returns for the host destination, but also serve as a platform to showcase their ability to deliver relevance to the international Life Sciences community. Moving forward in 2015, BEC will expand its focus to the Technology sector.

In addition to this new sector focus, the CTC forged partnerships with the Department of Foreign Affairs, Trade and Development (DFATD) and the Canadian Manufacturers and Exporters (CME). These relationships help implement BEC’s strategy by providing access to sector experts, valuable content for marketing collateral, networking opportunities and access to international contacts, as well as the opportunity to collaborate on events and trade missions.



Objective 3: Further develop branded platforms for industry in the interest of both immediate and potential returns

| Performance measure | Target | Result |
|--|--------|--------|
| Develop Branded Platforms strategy (new) | Yes | Yes |

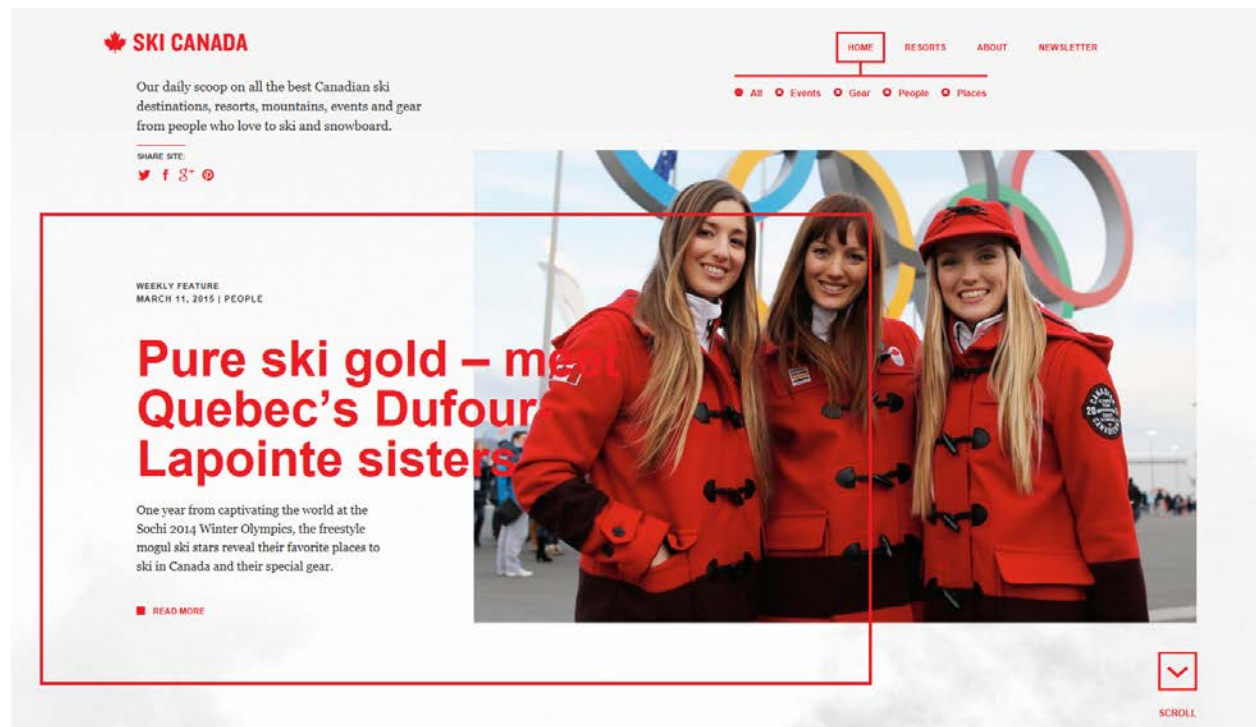
In 2014 the CTC developed a Branded Platform strategy to provide high-potential niche tourism sectors (currently ranging from ski to luxury to angling) with the opportunity to leverage CTC assets, marketing acumen and the power of Canada’s tourism brand.

The goal of these platforms is to work with tourism partners to generate engaging content to support our content-marketing strategy. The platforms also bolster the collaboration of industry partners’ marketing efforts while leading to a better alignment of partners under the Canada brand.

Ski Platform

In 2014, the CTC teamed up with members of the Canadian Ski Council to launch a new digital hub to inspire ski travellers around the world to make Canada their winter destination.

SkiCanadaNow.com has a fresh approach compared with regular destination tourist-board websites. Consumers can discover great ski and snowboard stories, inspirational images and heart-pounding videos. Guest contributors and influential ski personalities also chime in each week with their views.



Objective 4: Work to more holistically define the value of the CTC to industry beyond traditional return on investment measures

| Performance measure | Target | Result |
|--|---------------|---------------|
| Determine impacts of CTC's programmatic role | Yes | Yes |
| Explore conversion metrics for media relations, public relations and social media activities | Yes | Yes |

Work on these two commitments was addressed in the 2015-2019 Corporate Plan and lays the foundation for establishing benchmarks in 2015 and setting targets for the future.

Explore Conversion Metrics for Media Relations, Public Relations and Social Media Activities

In 2015, the CTC will commission a study to assess the effects of our media relations, public relations and social media activities in Japan. As Japan is the only market where these activities are solely conducted, such a study will yield a benchmark for measuring the impacts of these activities on traveller behaviour.

In other markets, which have a greater focus on creating a strong pool of potential customers for our partners, new metrics in the 2015-2019 Corporate Plan reflect our ability to influence consumers' interest in and likelihood of visiting Canada.

Determine Impacts of CTC's Programmatic Role

New metrics were added to the 2015-2019 Corporate Plan to reflect more of the CTC's business and to determine the impact of the CTC's programmatic role beyond traditional ROI metrics. This includes measures related to trade shows, media shows, lead generation and the value of our programs and assets as assessed by CTC partners.

Strategic Theme 3: Advance Corporate Excellence and Efficiency

Over the past several years, the CTC has transformed our business to be a lean and focused marketing organization. We are dedicated to delivering superior results against our strategy in an efficient manner, and we continually seek ways to streamline operations and maximize programming budgets.

In 2014, the CTC continued its ongoing work on efficiencies and successfully took measures to achieve its targets against its cost effectiveness ratios. These activities are outlined below.

| Performance measure | Target | Result |
|--|---------|--------|
| Proportion of total budget allocated to programming | ≥ 62.6% | 65.6% |
| Ratio of corporate services to marketing and sales costs | 15.4% | 13.7% |
| Systems effectiveness | 65% | 55% |
| Core values index | 70% | 82% |
| Employee engagement index | 65% | 62% |

Objective 5: Continue Ongoing Work on Efficiencies

Proportion of Budget Allocated to Programming & Ratio of Corporate Services to Marketing and Sales Costs

Through a series of initiatives over the last four years, we've streamlined our operating and governance models. This has allowed us to shift valuable resources to programming investments. Adopting a leaner and more scalable business model permits us to adapt quickly to changing market conditions and leverage new market opportunities as they arise.

Over the years we have centralized various marketing functions at our headquarters in Vancouver to create brand consistency while allowing for local cultural adaptation. It has eliminated replicating the creative process across international offices, leading to efficiencies. In 2014, the decision was made to move to a General Sales Agents (GSAs) model in Mexico and South Korea as of January 1, 2015, in line with business steps already proven by the CTC in Brazil, India, France, Australia and Germany, where marketplace needs are less complex and suited to this model.

The net decrease in 2014 Corporate Services spend is mainly due to salary efficiencies as well as streamlining internal services.

Systems Effectiveness

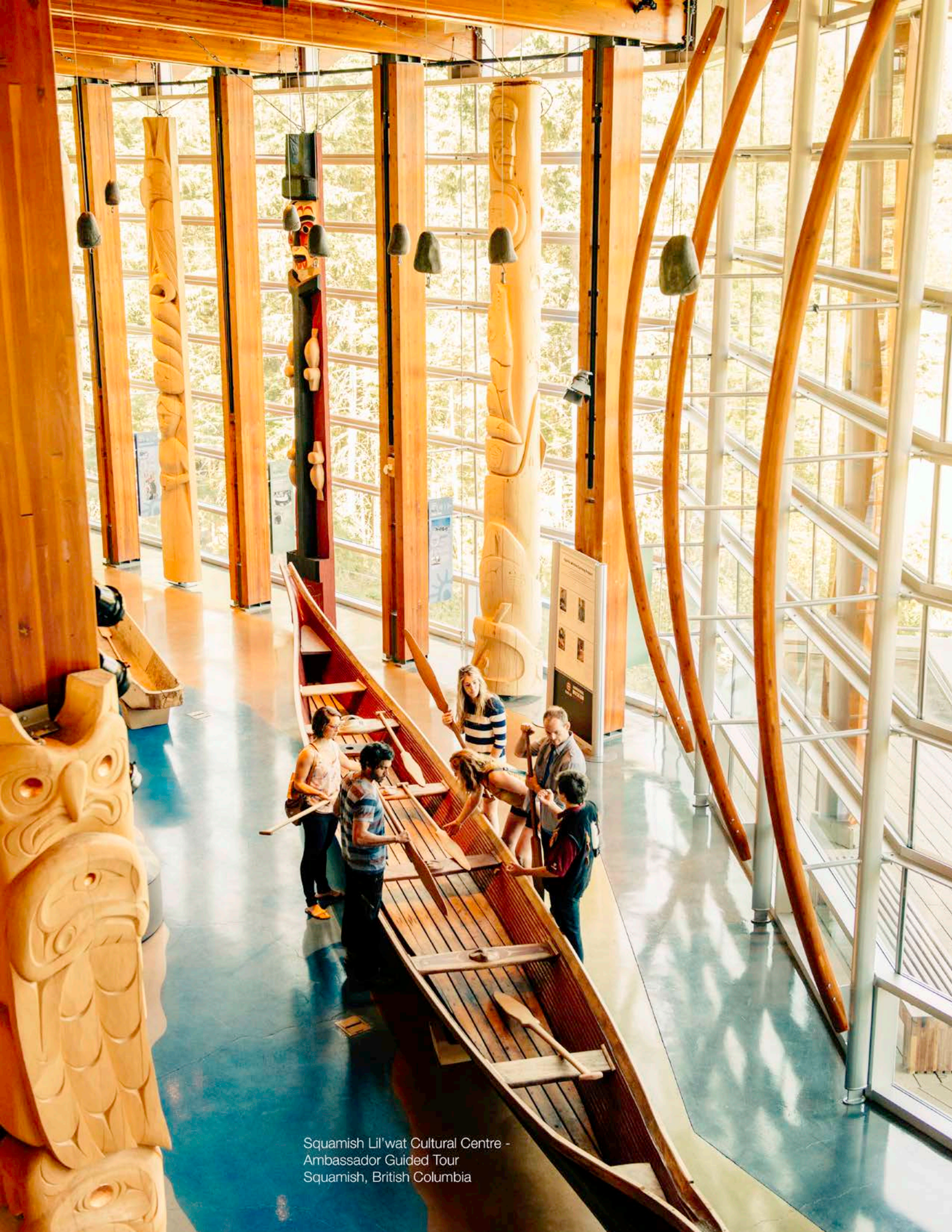
In 2013, we completed the installation of a new office suite of cloud-based systems for internal business functions, providing our staff with effective, easy-to-use-tools that saved money and freed up time and resources for our marketing work.

In 2014, the CTC achieved process efficiencies and savings from systems maintenance and licensing costs of over \$500,000 (compared to our prior suite of systems). Further training and improvements to the system were made in 2014.

Core Values & Employee Engagement

Administered every two years by a third party, the employee engagement survey was administered in late October 2014. Overall, results were comparable to other North American organizations, and employees expressed a growing appreciation for the quality of performance appraisals and open access to training opportunities. Changes in the senior management team during 2014 may have had an impact on the employees understanding of the priorities and direction of the CTC.

The CTC continues to bolster internal communication efforts, including organizing regular employee town hall meetings and communicating on a timely and consistent basis.



Squamish Lil'wat Cultural Centre -
Ambassador Guided Tour
Squamish, British Columbia

Awards and Recognition in 2014

We are proud of our inventive marketing, and constantly look for ways to gain a competitive edge in the global tourism marketplace. The following is a list of various awards presented to the CTC in 2014.

Marketing Awards

India Travel Awards

Best international tourism organization to CTC-India

CTC claimed the Best National Tourism Board designation at the 2014 Travel Awards. The awards, which are held in four zones across the country, lead up to a national final. They are supported by India's Ministry of Tourism and prominent travel-trade organizations.

Korea Travel News

Best international tourism organization to CTC-South Korea

MairDuMont Award

2nd place, Best Campaign, "35 Million Directors"

Travel Bulletin Star Awards

Best international tourism organization to CTC-UK

The award was voted on by travel agents across the UK and was a highlight of a busy summer for the UK team, which hosted roadshows in London and Manchester attended by more than 180 travel-trade reps.

Staff Awards

CTC Award of Excellence

Cat Salt, CTC-UK



Cat was recognized for her dedication and commitment to CTC objectives and priorities. Her collaborative and innovative approach to marketing has been instrumental in engaging customers and raising Canada's profile in the Australian, French, German and UK markets.

CTC Ambassador Award

Denyse Johnson, CTC-Vancouver



Denyse was recognized for demonstrating the CTC's core values in her day-to-day interactions. Her ability to bring colleagues and teams together across the globe was integral in achieving common goals.

CTC Team Excellence Award

Procurement Division, CTC-Vancouver



The Procurement division was recognized for going above and beyond in delivering customized solutions for each department that are useful and aligned to protocol. In the last year, they have implemented an internal process to ensure that we have the best value for the public dollars that we are spending. Their collaboration and support for all of the CTC has been invaluable and much appreciated.

Corporate Governance

Constitution

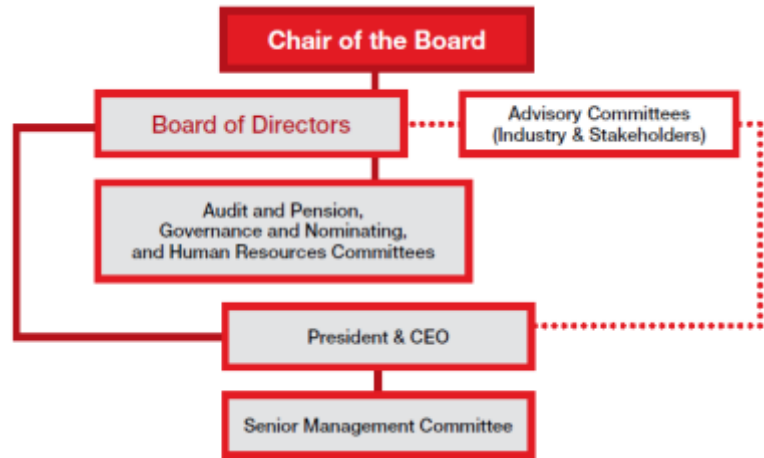
The CTC is a federal Crown corporation wholly owned by the Government of Canada (the “shareholder”). We are accountable to Canada’s Parliament through the Minister of Industry. The *Canadian Tourism Commission Act*, the *Financial Administration Act* (“FAA”) and subsequent regulations provide the legislative basis for the establishment of the CTC and our activities. We are not governed by the *Public Service Employment Act* and are considered a separate employer. However, we are subject to the requirements of several acts, including:

- *Official Languages Act*
- *Privacy Act*
- *Access to Information Act*
- *Canada Human Rights Act*
- *Values and Ethics Code for the Public Sector*
- *Canada Labour Code*
- *Employment Insurance Act*
- *Multiculturalism Act*
- *Employment Equity Act*
- *Federal Accountability Act*
- *Public Servants Disclosure Protection Act*
- *Conflict of Interest Act*
- *Alternative Fuels Act.*

The Government of Canada primarily regulates Crown corporations through its enabling legislation and the FAA. We are currently listed under Part I, Schedule III of the FAA, and as such, are required to submit an Annual Report, a five-year Corporate Plan and an Operating Budget to the responsible Minister, and undergo regular audits by the Auditor General of Canada. Recently, pursuant to section 138 of the FAA, the Office of the Auditor General of Canada (the “OAG”) carried out a Special Examination of the CTC. The last Special Examination was conducted in 2005. The OAG’s report concluded in February 2015, and had two recommendations for the CTC, both of which can be readily addressed. The CTC is satisfied with the OAG’s Special Examination report and will make every effort to continue the level of good governance that meets the expectations of sound practices in board stewardship, shareholder relations, and communications with the public.

2014 Board of Directors

A Board of Directors comprised of a maximum of 12 directors oversees the management of the organization and holds management accountable for its performance. The Board, which includes the President & CEO of the CTC and the Deputy Minister of Industry Canada (ex officio), is composed of senior business professionals who possess the experience, competencies and skills required to guide the CTC and help us deliver our strategic goals, seize opportunities and mitigate risks.



The Chair of the Board and the President & CEO are appointed by the Governor-in-Council. The remaining directors are appointed by the Minister of Industry with the approval of the Governor-in-Council.

The President & CEO is accountable to the Board of Directors for the management and performance of the organization. The Board is accountable to Parliament through the Minister of Industry. The primary vehicles for reporting to the Crown are the Annual Report and the five-year Corporate Plan, a summary of which is tabled annually in Parliament and available on the CTC corporate website at <http://en-corporate.canada.travel/about-ctc/corporate-reports>.

BOARD OF DIRECTORS

As at December 31, 2014



Scott Allison

Chair of the CTC Board of Directors (interim)
Vice-President, Canadian Operations,
Marriott Hotels of Canada
Toronto, ON



Michael Hannan

Group President,
VIAD Travel and Recreation
Banff, AB



Nora M. Duke

President & CEO,
Fortis Properties Corporation
St John's, NL



Olga Ilich

Partner,
Performance Construction
Richmond, BC



David Goldstein

President & Chief Executive Officer,
Canadian Tourism Commission
Vancouver, BC



David Jovanovic

Corporate Director
Niagara Falls, ON



John Knubley
(ex officio director)
Deputy Minister,
Industry Canada
Ottawa, ON



Rod Taylor
Chief Executive Officer,
Waste to Energy Canada
Whitehorse, YT



Dray Matovic
President,
Halex Ventures Inc.
Niagara Falls, ON



Rita Tsang
Owner, Chair & Chief Executive Officer,
Tour East Group
Toronto, ON



Robert Jacques Mercure
General Manager,
Fairmont Chateau Frontenac
Québec City, QC

2014 Board Activities

The CTC and the Government of Canada continue to collaborate to ensure that appointments to the Board are made in a timely fashion and that appointed directors have the skills required by the board. In 2014, three directors left the CTC Board, including the Chair, Steve Allan. The Board welcomed two new appointees, Nora Duke and Olga Ilich. As Board education remains a priority, these two new directors, along with Rita Tsang, who was appointed to the Board at the end of 2013, were provided with orientation sessions on the priorities and activities of the CTC, along with training on the roles and responsibilities of board directors of Crown corporations.

In 2014, the Board of Directors met five times in person in different regions of the country and four times via conference call. Attendance at these meetings averaged 92%.

Committees of the Board of Directors

In 2014, the CTC Board of Directors included the following committees:

Governance & Nominating Committee: The primary purpose of this committee is to assist the Board in fulfilling its oversight responsibilities regarding recommendations to the Minister on the appointment of board members and the development of the corporate approach to governance issues. The committee is an “arm” of the board, advising and supporting directors in applying the CTC’s corporate governance principles.

Chair: Rod Taylor

Members: Scott Allison, Olga Ilich, David Jovanovic

Audit and Pension Committee: In addition to the duties and functions mandated by the *Financial Administration Act*, this committee reviews and makes appropriate recommendations to the Board on the adequacy of the CTC’s processes for identifying and managing risk, internal control system and processes for complying with laws and regulations. The committee oversees the administration, financial reporting and investment activities of the CTC’s pension plan.

Chair: Michael Hannan

Members: Scott Allison, Nora Duke, Dragan Matovic

Human Resources Committee: This committee reviews as required the CTC’s human resources policies and plans, including succession plans, compensation and benefits plans, and makes recommendations to the Board as appropriate.

Chair: Scott Allison

Members: Robert Mercure, Rita Tsang

Advisory Committees

According to the CTC's corporate bylaws, the Board of Directors may, from time to time, create advisory committees composed of such persons as it may deem necessary to advise it on any matters pertaining to the affairs of the CTC. These committees are officially part of the CTC's governance.

In 2014, there were five CTC advisory committees chaired by and comprising tourism industry leaders and experts. The committees take their strategic direction from the Board and advise both the Board and the President & CEO. In consultation with the industry, the committees and staff develop annual and multi-year strategic plans consistent with the Board's strategic direction for each program area.

The following is a list of the advisory committee chairs as at December 31, 2014:

Brand Experiences Committee

William Knowlton

Vice-President, Marketing and Sales
Jonview Canada
Toronto, ON

Business Events Canada Committee

Chantal Sturk-Nadeau

Senior Vice President
Tourism Winnipeg
Winnipeg, MB

Core Markets Committee

David Whitaker

President & CEO
Tourism Toronto
Toronto, ON

Emerging Markets Committee

Mike Ruby

President
Muskoka Language International Inc.
Toronto, ON

Research Committee

Malcolm Fraser

President, ISL Web Marketing & Development
Halifax, NS

2014 Senior Management Committee

As at December 31, 2014



David Goldstein

President & Chief Executive Officer

Mr. Goldstein joined the CTC in December 2014 as President & CEO after having led the Tourism Industry Association of Canada since April 2010. Previous to his work at TIAC, Mr. Goldstein spent over 14 years in the broadcast and media industry. From 2007 to 2010, David was CTVglobemedia's Senior Vice-President, Regulatory Affairs, directing key elements of the strategic shift from analogue to digital media, driving the change from conventional TV advertising revenue to a subscription-based model and directing all of CTVglobemedia's major regulatory and public-policy submissions.



Greg Klassen

Senior Vice-President, Marketing Strategy and Communications

Mr. Klassen joined the CTC in 2001 after having worked in marketing with both Telus and AT&T, and having taught marketing at Algonquin College in Ottawa. He was appointed Vice-President of Marketing in 2006 and Senior Vice-President of Marketing Strategy and Communications in 2008. He holds an MBA from Thunderbird, The American Graduate School of International Management, and a Bachelor's degree in Economics from the University of Victoria. Mr. Klassen served as interim President & CEO of the CTC from January 1, 2014 to November 30, 2014.



Chantal Péan

Senior Vice-President, Corporate Affairs and Corporate Secretary

Ms. Péan joined the CTC in 1991 after having worked in the policy sections of the Department of Natural Resources and Public Works and Government Services Canada. She was instrumental in the transformation of the CTC from a Special Operating Agency to a Crown corporation. Ms. Péan was appointed Senior Vice-President of Corporate Affairs and Corporate Secretary in 2003. She holds a Bachelor of Science degree from the University of Manitoba, and a Bachelor of Law, a Notary Diploma (Droit notarial) and MBA from the University of Ottawa.



Lena Bullock

Vice-President, Finance and Chief Financial Officer

Ms. Bullock joined the CTC in 2005 as Executive Director, Financial Operations, and was appointed Vice-President of Finance and Chief Financial Officer in 2009. She has a Bachelor of Commerce degree from the University of British Columbia and is a Chartered Accountant with extensive experience in the private sector, including work with KPMG, Molson Breweries, Coca Cola Bottling Company and Blast Radius Inc.



Jon Mamela

Chief Marketing Officer

Mr. Mamela joined the CTC in 2013. He received his undergraduate degree in Chemistry from Bethany College in West Virginia, and an MBA in Marketing from Miami University in Oxford, Ohio. His extensive experience in the tourism sector includes positions with Travel Alberta, Fairmont Hotels & Resorts and Four Seasons Hotels & Resorts.



Rupert Peters

Vice-President, International (Interim)

Mr. Peters oversees CTC's international network across its core and emerging markets and is based in CTC's regional hub office in London, UK. He joined the CTC in May 2008 as Managing Director, UK, before becoming Regional Managing Director for CTC's core markets in 2010. Prior to joining CTC, Mr. Peters worked for VisitBritain for 20 years, holding a number of senior marketing and management positions both in London and throughout the world.

2014 Management Discussion and Analysis

The following Management's Discussion and Analysis should be read in conjunction with the financial statements and notes to the financial statements included in this Annual Report.

Important Accounting Estimates

The CTC's significant accounting policies are described in note 2 of the financial statements. The preparation of financial statements in conformity with Canadian public sector accounting standards ("PSAS") requires management to make estimates and assumptions. The most significant estimates involve the determination of employee future benefits, the useful lives for amortization of tangible capital assets and the fair value of asset retirement obligations.

Corporate Planning

The 2014-2018 Corporate Plan Summary established our goal, objectives and priorities for 2014. By focusing our efforts on the strategy below, we worked to achieve our mandate for the benefit of Canada's tourism industry.

Goal (Ultimate Outcome):

- To grow tourism export revenue for Canada in markets offering the highest return and where the Canada brand leads.

Strategic Themes (Intermediate Outcomes 2014-2018):

- Generate demand for Canada's visitor economy.
- Deliver branded platforms to help Canadian tourism business sell Canada.
- Advance corporate excellence and efficiency.

Operational Objectives (Immediate Outcomes 2014):

- Core Business: Execute effective sales and marketing.
- Objective 1: Seed the 2017 Youth Program.
- Objective 2: Develop broader business events.
- Objective 3: Develop branded platforms for industry.
- Objective 4: Develop measures to define the value of the CTC to industry.
- Objective 5: Continue ongoing work on efficiencies.

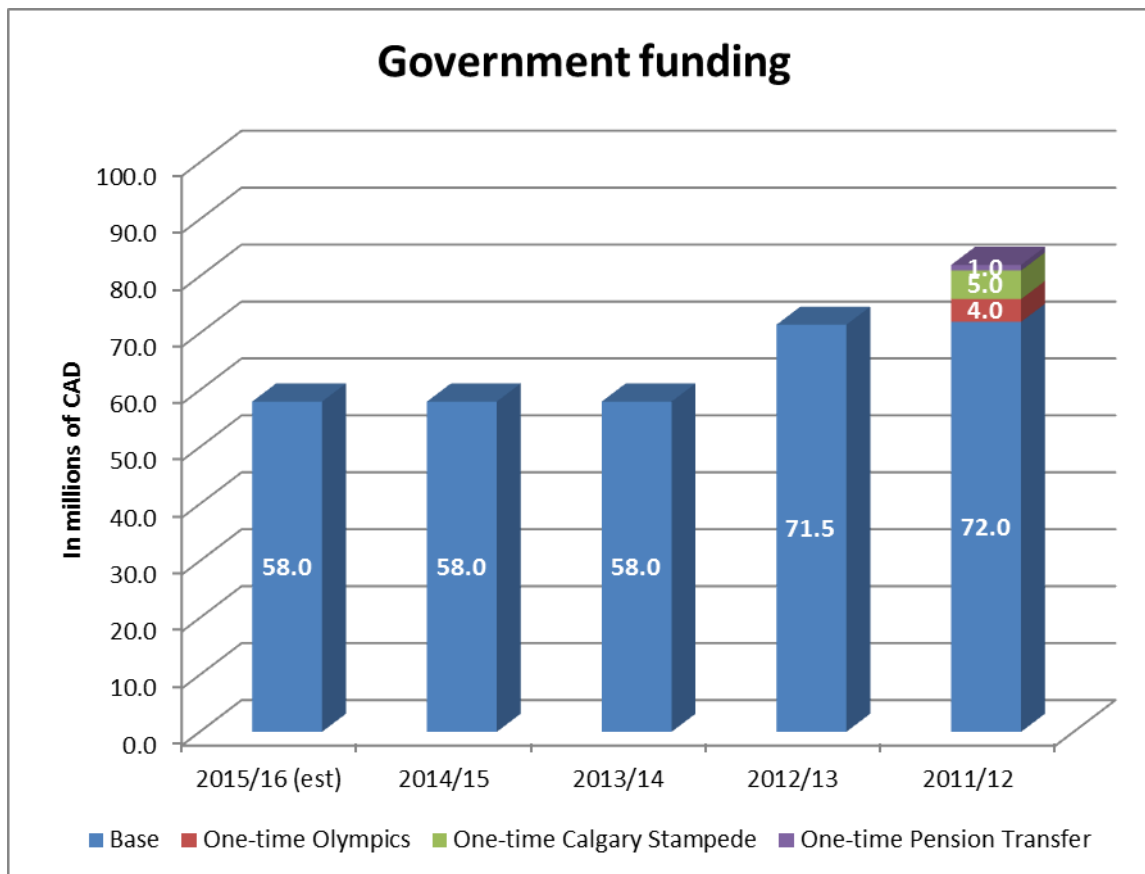
Analysis of Financial Results

a) Government Funding

The CTC receives an annual appropriation from our shareholder, the Government of Canada, to fund operating and capital costs. Additional funding is provided by CTC partner revenue.

Approved appropriations by government fiscal year are \$58.0M for 2013/14 and \$58.0M for 2014/15.

In past years, the Government of Canada has invested in specific activities by providing one-time funding to the CTC for programs such as Leveraging the 2010 Olympics, Calgary Stampede Centennial and a one-time transfer related to pension obligations. The amounts noted for 2013/14 and 2014/15 government fiscal periods do not include any special funding for one-time activities and reflect only the CTC's base appropriations used to fund core activities. Appropriations, both base and one-time, have been consistent over the last two years and are estimated to be \$58.0M for 2015/16, consistent with 2014/15.



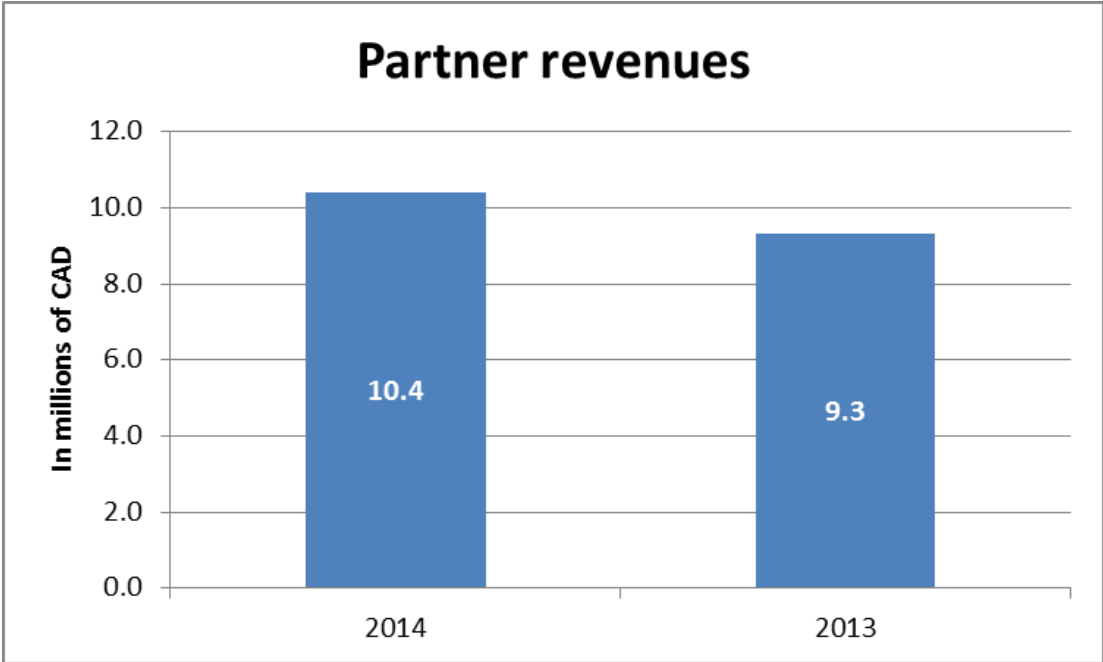
As the CTC has a different fiscal year end from the Government of Canada, in a given fiscal period, the CTC draws appropriations from two government fiscal periods. For the year ended December 31, 2014, the CTC drew down \$58.0M of appropriations approved from government fiscal periods 2013/14 (\$12.9M) and 2014/15 (\$45.1M) (note 9). The amount drawn in 2013 was \$61.4M.

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 (note 2) appropriations used to fund core activities are recognized as income as the appropriations are authorized and any eligibility criteria and/or stipulations are met. There are no eligibility criteria or stipulations for base appropriations. Total appropriations recognized in the Statement of Operations in 2014 are \$58.0M (2013 - \$63.0M).

b) Partner Revenues

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

In 2014, the CTC recognized \$10.4M of partner revenues, a net increase of \$1.1M from \$9.3M in 2013. The net increase in 2014 is attributed to an increase of \$2.3M related to new initiatives including Ski Canada Now, Luxury Program and CTCTV in China, as well as increased partner engagement in the UK market and Business Events Canada, and surpluses from Rendez-vous Canada, GoMedia and Canada Media Marketplace. This increase is offset by a decrease of \$1.2M related to decreased partner engagement in certain markets, including India, South Korea and Mexico, and licensing changes to the EQ program.



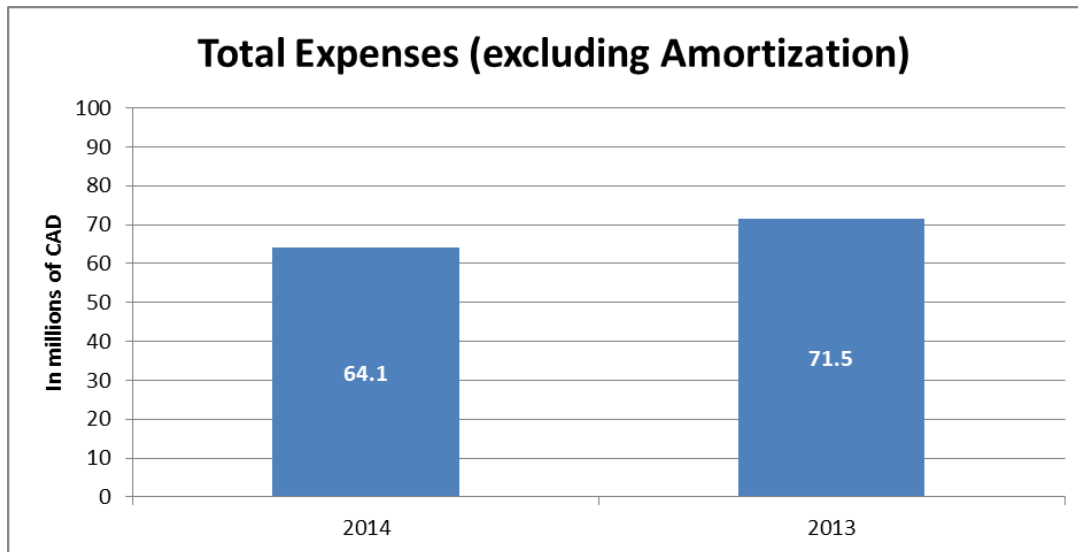
c) Other Revenues

Other revenues consist mainly of cost recoveries from co-location partners (where provincial tourism organizations and the CTC share office space in China), commodity tax recoveries and interest revenue.

In 2014, other revenues are broadly consistent with the prior year.

d) Expenses (excluding Amortization)

Total expenses (excluding amortization) have declined year over year, by \$7.4M from \$71.5M in 2013 to \$64.1M in 2014.

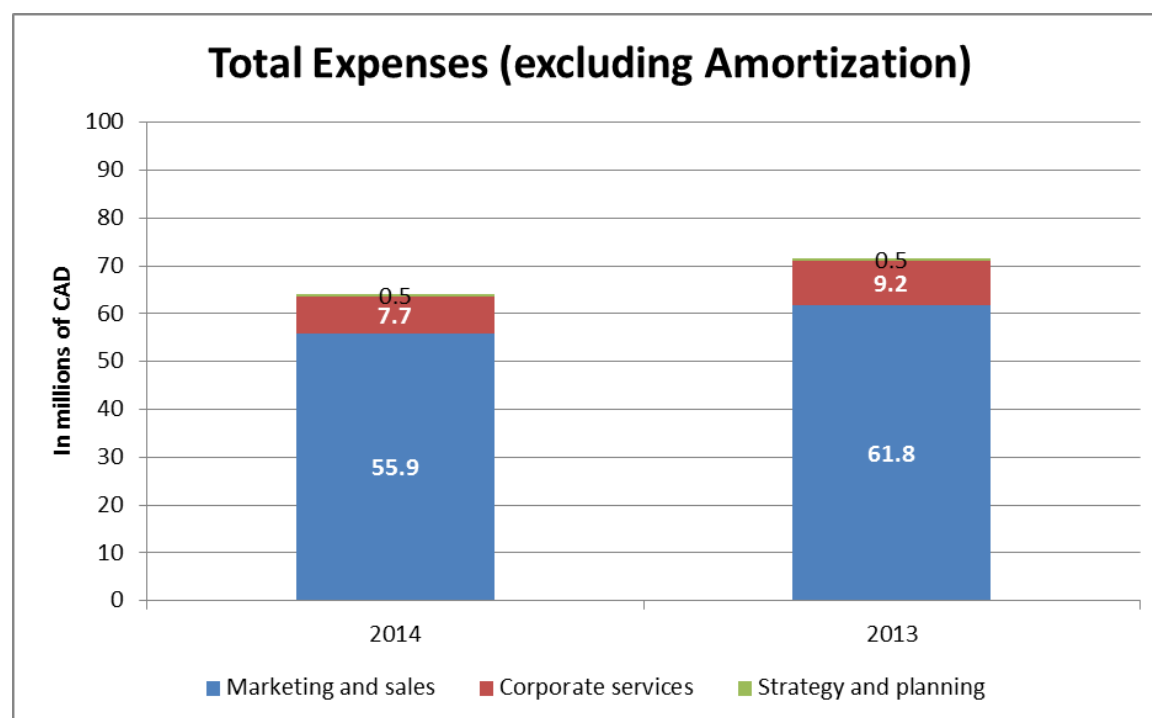


Marketing and Sales spending declined over prior year by \$5.9M. The net decrease in 2014 Marketing and Sales spend is attributed to a decrease of \$790,000 in Marketing Strategy and Communications initiatives offset by an increase of \$210,000 in spend on Business Events Canada initiatives, a decrease of \$4.5M in Core and Emerging Markets initiatives, and a decrease of \$440,000 in Research activities primarily related to the EQ program.

Corporate Services spending year over year decreased by \$1.5M. The net decrease in 2014 Corporate Services spend is mainly due to salary efficiencies as well as streamlining internal services.

Corporate Service Ratio

The CTC targets a Corporate Service Ratio (ratio of Corporate Services costs over Marketing and Sales costs) of approximately 15%. The ratio achieved for 2014 was 13.7%.



Program Percentage Metric

This key metric is defined as program expenses (non-compensation and non-operating costs) as a percentage of total expenses (note 12). It is indicative of the CTC's practice of dedicating the highest possible portion of our budget to marketing and sales programs. In 2014, the CTC achieved a ratio of 65.6% (2013 – 66.5%) in line with the target of 62.6% (minimum).

Employee Future Benefits

The CTC 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. The funding requirements for the Canadian defined benefit pension plan and supplemental retirement plan are significant.

Canadian Defined Benefit Pension Plan

Since 2005, the CTC has contributed \$5.9M in special payments to the Canadian defined benefit pension plan to fund the going concern of unfunded liabilities and solvency deficiencies. The CTC does not receive any additional funding for these solvency special payments. The CTC has taken several significant steps to mitigate the financial burden:

- The CTC established a defined contribution pension plan for Canadian excluded employees hired on or after August 1, 2005 and for Canadian unionized employees hired on or after August 1, 2005 effective March 8, 2007. This change impacted the majority of the Canadian employee base.
- Since 2010, the CTC has taken advantage of relief measures offered through the *Solvency Funding Relief Regulations, 2009 (the “2009 Relief Regulations”)*, which allow the amount of the minimum special payments determined over a 10-year period (vs. a 5-year period), thereby reducing the annual amount payable.
- In 2011, the CTC began taking advantage of the amendments to the *Pension Benefits Standards Regulations, 1985 (the “Regulations”)*, released by the federal government in March 2011, which allowed a Crown corporation to further reduce its annual solvency special payments up to an aggregate reduction of 15% of assets (under Section 9.16 of the *Pension Benefits Standards Act, 1985*, and in accordance with Section 9.2 and Subsections 9(13.3), 9(13.4) and 9(13.5) of the *Regulations*).
- In June 2012, the CTC submitted a request to the Department of Finance to withdraw from the *2009 Relief Regulations* but continue under the 2011 amendments to the *Regulations*. As a result of the withdrawal, as required under subparagraph 19(1)(a)(ii) of the *2009 Relief Regulations*, the CTC contributed special payments of \$438,000 in 2012.
- In 2013, the CTC elected to use the 2011 solvency relief to reduce the solvency special payment requirements to the maximum of 15% of assets. As a result, no solvency special payments were required in 2013.
- In August 2014, the CTC reached the maximum permitted aggregate reduction in solvency special payments. As a result, the CTC was required to resume making solvency special payments with payments totalling \$680,101 in 2014. Future special solvency payments cannot be reasonably estimated until a new funding valuation is completed.

Supplemental Retirement Plan

The supplemental retirement plan (“SRP”) provides pension benefits in excess of statutory limits for certain Canadian staff. Since 2005, the CTC had been utilizing a letter of credit (“LoC”) to secure the value of the unfunded benefit (the difference between the projected liabilities and the value of the assets). The annual cost of the LoC was approximately \$3,000. In 2013, the CTC became aware that the LoC is considered a “borrowing,” which requires Ministerial approval under Part X, section 127(3) of the *Financial Administration Act* (“FAA”) and therefore terminated its use. As a result, the CTC contributed \$1.6M into the SRP. Going forward, the CTC will be required to fund the value of the benefit increases, which will be determined by annual actuarial valuations. This creates a new, ongoing cost for the CTC as this plan was previously unfunded. In 2014 the cost to the CTC to fund this plan was \$756,000.

Pension Directive

In December 2014, pursuant to the *Financial Administration Act*, the Government of Canada issued a directive to the CTC:

- (a) to ensure that its 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) to outline its implementation strategies with respect to the commitments set out in (a) above in its next corporate plan and subsequent corporate plans until the commitments are fully implemented.

The CTC intends to comply with this directive.

Foreign Exchange

CTC's functional currency is the Canadian dollar, but we regularly transact in multiple foreign currencies as part of our international operations. As a result, the CTC is 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 Services. Unrealized gains and losses are reported on the Statement of Remeasurement Gains and Losses.

In 2014, the foreign exchange rates of many currencies experienced significant volatility, notably strengthening against the Canadian dollar throughout the year. During 2014, the CTC had significant transactions in British Pounds, Chinese Yuan, Euros, Japanese Yen, Korean Won, Mexican Peso, and US Dollars resulting in a realized foreign exchange loss of \$331,000 and an unrealized foreign exchange gain of \$238,000.

Systems Project

The CTC completed the final phase of our systems replacement project in 2013 with the implementation of a financial reporting tool and a human resource information system.

In 2014, the CTC achieved process efficiencies and savings from systems maintenance and licensing costs of over \$500,000 (compared to its prior suite of systems).

e) Tangible Capital Asset Additions

Tangible capital asset additions remained low in 2014 at \$20,000 (2013 – \$9,000). The CTC continues our efforts to reduce costs.

Risks and Uncertainties

Enterprise Risk Assessment

As part of its strategic management process, the CTC conducts an enterprise risk assessment and uses the results of that assessment in the development of its five-year strategic plan and risk mitigation strategy. Risk mitigation action plans are developed and implemented accordingly.

The latest assessment was completed in the summer of 2014. The resulting risk register, framed in theoretical terms, along with residual risk ratings, is presented below. For the purposes of the CTC Annual Report, only those risks that fall under the direct control of CTC management to mitigate are included.

Since the risk assessment presented in the 2014-2018 Corporate Plan Summary, four new risks have been identified, two risks have been merged and renamed (Strategic Talent Management Development and Retention renamed Key Talent Management) and one risk has been removed or effectively mitigated (Special Examination Readiness). In 2014, the risk of Special Examination Readiness was effectively mitigated by completing Internal Audit Special Examination Preparedness and ensuring any deficiencies were remedied prior to the OAG Special Examination.

| | |
|---|--|
| <p>MAINTAIN CORPORATE SERVICES RATIO OF 15%</p> <p>Mitigation activities:</p> <ul style="list-style-type: none"> o CTC will continue to review costs and identify areas where discretionary spending could be reallocated to marketing and demonstrate how planned future reductions will impact the ratio. | <p>Risk trend: N/A</p> <p>This risk was introduced as new in 2014.</p> |
| <p>RETENTION & RECRUITMENT OF KEY TALENT DURING A PERIOD OF TRANSITION</p> <p>Mitigation activities:</p> <ul style="list-style-type: none"> o Continue to develop interesting and innovative projects and initiatives, fully involve and empower staff and make them part of finding solutions to continue to excel and deliver results with less budget. o Human Resources team will map CTC's current talent against future needs to develop 2015 training needs or short/long term, temporary staffing. Staff vacant positions with the right talent on a short or long term basis. o Keep the lines of communication open. | <p>Risk trend: N/A</p> <p>This risk was introduced as new in 2014.</p> |
| <p>ENSURING EFFECTIVE PERFORMANCE MEASUREMENT OF NEW MARKETING TECHNOLOGIES</p> <p>Mitigation activities:</p> <ul style="list-style-type: none"> o The CTC will explore new approaches to measuring the impact of our activities and marketing in 2015. | <p>Risk trend: N/A</p> <p>This risk was introduced as new in 2014.</p> |

| | |
|---|---|
| <p>ENSURING MARKETING EFFECTIVENESS</p> <p>Mitigation activities:</p> <ul style="list-style-type: none"> o Maintain strong brand and agency. o Use of advanced path to purchase model. o Use of key balanced scorecard metrics (campaign return on investment, partner survey). o Recruit, develop and retain the right talent. o Focus on opportunities for integrating innovation (core value) into our core business and measure against it. o Perform evaluations on results of conversion studies. o Better communicate the CTC's value and impact to the tourism industry by explicitly stating this as a Strategic Objective and measuring its impact in the balanced scorecard. o Use insights to inform decisions. o Focus efforts and resources. o These activities are on-going. | <p>Risk trend: ↑</p> <p>This risk increased due to a portion of CTC program funding being re-assigned to an innovative pilot project (Follow The Global Customer) in 2015 to 2017, and an increase in uncertainty related to the CTC continuing to receive partner investment in foreign markets.</p> |
| <p>CONTINUING CRITICAL OPERATIONS IN THE EVENT OF A DISASTER OR OTHER EMERGENCIES.</p> <p>Mitigation activities:</p> <ul style="list-style-type: none"> o Maintain current crisis communication plan, business continuity plan and disaster recovery plan. o Test the plans from time to time. | <p>Risk trend: ↓</p> <p>This risk decreased due to the update of the Business Continuity and Disaster Recovery Plans.</p> |
| <p>NEW CONTRACTING PROCESS IN FINANCIAL SYSTEM</p> <p>Mitigation activities:</p> <ul style="list-style-type: none"> o Further training to be provided by the Procurement unit. o Ensure that budget owners are running and reviewing the relevant reports (i.e. Contract Detail Report) on a monthly basis. | <p>Risk trend: ↔</p> |

Internal Audit

The CTC engages an external firm to carry out our internal audit function. The internal auditors act independently and report directly to the Audit and Pension Committee of the Board of Directors. The development of CTC's annual internal audit program is risk-based and incorporates the results of the enterprise risk assessment and input from the Board of Directors and key management personnel. In 2014, the internal auditor conducted audits on General Sales Agents and CTC Foreign Offices. Management will develop and implement action plans to address the internal auditor's recommendations.

Special Examination

Budget Implementation Act 2009 amended Part X of the *Financial Administration Act*, whereby extending the frequency of Special Examinations from every five to 10 years.

The OAG completed fieldwork for a Special Examination of the CTC in 2014. A Special Examination Report was received from the OAG in February 2015.

The next Special Examination for the CTC will be completed prior to 2025.

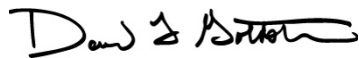
Management Responsibility Statement

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



Aaron Shuto
Acting Chief Financial Officer

March 19, 2015



Auditor's Report



Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Industry

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 2014, 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.

.../2

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 2014, 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 directive issued pursuant to section 89 of the *Financial Administration Act*, described in Note 1 to the financial statements.



Lana Dar, CPA, CA
Principal
for the Auditor General of Canada

19 March 2015
Vancouver, Canada

Financial Statements

Canadian Tourism Commission

Statement of Financial Position

As at December 31

(in thousands)

| | 2014 | 2013 |
|--|------------------|-----------------|
| Financial assets | | |
| Cash and cash equivalents (Note 4) | \$ 14,748 | \$ 11,918 |
| Accounts receivable | | |
| Partnership contributions | 1,412 | 768 |
| Government of Canada | 169 | 474 |
| Other | 31 | 48 |
| Accrued benefit asset (Note 8) | 7,585 | 5,677 |
| Portfolio investments (Note 5) | 546 | 590 |
| | <u>24,491</u> | <u>19,475</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | | |
| Trade | \$ 5,186 | \$ 5,160 |
| Employee compensation | 1,943 | 1,787 |
| Government of Canada | 789 | - |
| Accrued benefit liability (Note 8) | 5,991 | 6,144 |
| Deferred revenue | 260 | 751 |
| Asset retirement obligation | 515 | 521 |
| | <u>14,684</u> | <u>14,363</u> |
| Net financial assets | <u>9,807</u> | <u>5,112</u> |
| Non-financial assets | | |
| Prepaid expenses and other assets | 1,789 | 1,008 |
| Tangible capital assets (Note 7) | 326 | 688 |
| | <u>2,115</u> | <u>1,696</u> |
| Accumulated surplus (Note 10) | <u>\$ 11,922</u> | <u>\$ 6,808</u> |

Commitments and Contingencies (Notes 14 and 15)

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

Approved on behalf of the Board of Directors



Scott Allison
Director



Michael Hannan
Director

Canadian Tourism Commission

Statement of Operations

For the year ended December 31

(in thousands)

| | Budget 2014 | 2014 | 2013 |
|--|-----------------|------------------|-----------------|
| Revenues | | | |
| Partner revenues | \$ 7,516 | \$ 10,391 | \$ 9,271 |
| Other | 614 | 1,160 | 1,026 |
| | <u>8,130</u> | <u>11,551</u> | <u>10,297</u> |
| Expenses | | | |
| Marketing and sales (Note 11) | 56,806 | 55,920 | 61,779 |
| Corporate services | 9,120 | 7,659 | 9,220 |
| Strategy and planning | 616 | 512 | 543 |
| Amortization of tangible capital assets | 429 | 382 | 436 |
| | <u>66,971</u> | <u>64,473</u> | <u>71,978</u> |
| Net cost of operations before funding from the Government of Canada | (58,841) | (52,922) | (61,681) |
| Parliamentary appropriations (Note 9) | 57,976 | 57,976 | 62,964 |
| Surplus / (deficit) for the period | <u>(865)</u> | <u>5,054</u> | <u>1,283</u> |
| Accumulated operating surplus, beginning of period | 6,630 | 6,630 | 5,347 |
| Accumulated operating surplus, end of period | <u>\$ 5,765</u> | <u>\$ 11,684</u> | <u>\$ 6,630</u> |

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)

| | 2014 | 2013 |
|--|----------------------|----------------------|
| Accumulated remeasurement gain, beginning of period | <u>\$ 178</u> | <u>\$ -</u> |
| Unrealized gains attributable to foreign exchange | 238 | 178 |
| Amounts reclassified to the statement of operations | (178) | - |
| Net remeasurement gain for the period | <u>60</u> | <u>178</u> |
| Accumulated remeasurement gain, end of period | <u><u>\$ 238</u></u> | <u><u>\$ 178</u></u> |

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 2014 | 2014 | 2013 |
|---|-------------|----------|----------|
| Surplus / (deficit) for the period | \$ (865) | \$ 5,054 | \$ 1,283 |
| Acquisition of tangible capital assets | (300) | (20) | (9) |
| Amortization of tangible capital assets | 429 | 382 | 436 |
| | 129 | 362 | 427 |
| Effect of change in other non-financial assets | | | |
| (Increase) / decrease in prepaid expenses | - | (781) | 1,114 |
| | - | (781) | 1,114 |
| Net remeasurement gain | - | 60 | 178 |
| Increase / (decrease) in net financial assets | (736) | 4,695 | 3,002 |
| Net financial assets, beginning of period | 5,112 | 5,112 | 2,110 |
| Net financial assets, end of period | \$ 4,376 | \$ 9,807 | \$ 5,112 |

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)

| | 2014 | 2013 |
|--|------------------|------------------|
| Operating transactions: | | |
| Cash received from: | | |
| Parliamentary appropriations used to fund operating and capital transactions | \$ 57,976 | \$ 61,355 |
| Partner revenues | 9,371 | 10,341 |
| Other revenues | 976 | 828 |
| Interest on cash | 166 | 198 |
| | <u>68,489</u> | <u>72,722</u> |
| Cash paid for: | | |
| Cash payments to suppliers | (50,866) | (56,197) |
| Cash payments to and on behalf of employees | (14,895) | (16,497) |
| Cash provided by operating transactions | <u>2,728</u> | <u>28</u> |
| Capital transactions: | | |
| Acquisition of tangible capital assets | (20) | (9) |
| Cash used in capital transactions | <u>(20)</u> | <u>(9)</u> |
| Investing transactions: | | |
| Disposition of portfolio investments | 62 | 46 |
| Cash provided by investment transactions | <u>62</u> | <u>46</u> |
| Net remeasurement gain for the period | 60 | 178 |
| Increase in cash and cash equivalents during the period | <u>2,830</u> | <u>243</u> |
| Cash and cash equivalents, beginning of period | 11,918 | 11,675 |
| Cash and cash equivalents, end of period | <u>\$ 14,748</u> | <u>\$ 11,918</u> |

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

Notes to the Financial Statements

Canadian Tourism Commission
Notes to the Audited Financial Statements
December 31, 2014

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 will be outlined in its corporate plans until commitments under this directive are fully implemented.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standards. 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 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 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 consists 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 tradeshow.

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 of which the plan amendment occurred.

Actuarial gains and losses are amortized over expected average remaining service lifetime (EARSL) of active employees. For 2014, EARSL has been determined to be 8.7 years (8.7 years - 2013) for the Registered Pension Plan for Employees of the CTC ("RPP"), 8 years (8 years - 2013) for the Supplementary Retirement Plan for certain employees of the CTC ("SRP"), 14.3 years (15.3 years - 2013) for the Pension Plan for Employees of the CTC in Japan, South Korea and China ("WWP"), 7 years (17 years - 2013) for non-pension post-retirement benefits, 13 years (13 years - 2013) for severance benefits and 13 years (13 years - 2013) for sick leave benefits.

Employees working in the United Kingdom and the United States 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 public sector accounting standards 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, 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 Corporation is related to all Government of Canada created departments, agencies and Crown corporations. The Corporation's transactions with these entities are in the normal course of operations and are measured at the exchange amount.

3. FUTURE ACCOUNTING CHANGES

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 CTC will adopt this section effective January 1, 2015. There is no expected financial impact upon adoption.

4. CASH AND CASH EQUIVALENTS (000s)

| | 2014 | | 2013 | |
|--|-----------|---------------|-----------|---------------|
| Cash in bank | \$ | 14,427 | \$ | 11,584 |
| Money market term deposit | | 321 | | 334 |
| Total cash and cash equivalents | \$ | 14,748 | \$ | 11,918 |

During 2014, the CTC entered into an agreement with Parks Canada to manage a refresh of content on the Parks Canada website. As part of this agreement, Parks Canada paid \$125,000 to the CTC in 2014 with restrictions to use this amount only for the refresh of content project. At December 31, 2014, the unspent balance related to these externally restricted funds is \$53,609 and is included in the cash in bank balance and in deferred revenues.

5. PORTFOLIO INVESTMENTS (000s)

The CTC holds portfolio investments consisting of Canadian Provincial Governmental bonds with maturity dates staggered between 2015 and 2031. The market value of the portfolio investments approximates fair value.

| Issuer | Maturity Date | Cost | Interest Accrued to Date | Carrying Value | Market Value | Maturity |
|---------------------------|---------------|--------|--------------------------|----------------|--------------|----------|
| Province of Nova Scotia | 01-Dec-15 | 56 | 3 | 59 | 59 | 60 |
| Province of New Brunswick | 27-Dec-16 | 51 | 3 | 55 | 56 | 57 |
| Province of Quebec | 01-Dec-17 | 93 | 6 | 99 | 101 | 106 |
| Province of Quebec | 01-Dec-19 | 76 | 7 | 82 | 85 | 94 |
| Province of Nova Scotia | 02-Dec-21 | 60 | 6 | 66 | 69 | 82 |
| Province of Ontario | 02-Dec-23 | 47 | 5 | 53 | 55 | 70 |
| Province of Ontario | 02-Dec-25 | 51 | 6 | 58 | 60 | 84 |
| Province of BC | 18-Dec-28 | 32 | 4 | 36 | 38 | 59 |
| Province of Ontario | 02-Dec-31 | 33 | 5 | 38 | 39 | 70 |
| | | \$ 499 | \$ 45 | \$ 546 | \$ 562 | \$ 682 |

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, 2014:

(000s)

| Currency | Cash | | Accounts receivable | | Accounts payable and accrued liabilities | |
|----------------------------------|----------------|---------------------|---------------------|---------------------|--|---------------------|
| | Currency units | Canadian equivalent | Currency units | Canadian equivalent | Currency units | Canadian equivalent |
| Australian Dollars | 169 | \$ 160 | 10 | \$ 9 | 52 | \$ 49 |
| Canadian Dollars | 11,151 | 11,151 | 1,584 | 1,584 | 4,472 | 4,467 |
| Chinese Yuan | 2,062 | 390 | - | - | 6,238 | 1,179 |
| Euros | 257 | 363 | 4 | 5 | 186 | 263 |
| Great Britain Pounds | 781 | 1,410 | (5) | (9) | 537 | 970 |
| Hong Kong Dollars | - | - | - | - | 145 | 22 |
| Japanese Yen | 5,916 | 57 | - | - | 28,326 | 275 |
| Mexican Pesos | 1,058 | 83 | 5 | - | 1,252 | 99 |
| South Korean Won | 38,084 | 40 | - | - | 15,397 | 16 |
| United States Dollars | 940 | 1,093 | 20 | 23 | 497 | 578 |
| Total Canadian equivalent | | \$ 14,748 | | \$ 1,612 | | \$ 7,918 |
| Comprised of: | | | | | | |
| Trade and partnership | | \$ - | | \$ 1,412 | | \$ 5,186 |
| Other | | - | | 31 | | - |
| Employee compensation | | - | | - | | 1,943 |
| Related party | | - | | 169 | | 789 |
| Total | | \$ 14,748 | | \$ 1,612 | | \$ 7,918 |

At December 31, 2014, if the above foreign currencies had strengthened (or weakened) by 10 percent against the Canadian dollar, with all other variables held constant, the unrealized foreign exchange gain or loss would have increased (or decreased) by approximately \$20,000 (\$74,000 - 2013).

The amount of realized foreign exchange losses recorded under "Corporate services" on the statement of operations in 2014 is \$331,193 (\$524,401 in 2013).

7. TANGIBLE CAPITAL ASSETS (000s)

| | 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 |

| | Computer Hardware | Computer Software | Leasehold Improvements | Office Furniture | Decom- Leaseholds | 2013 Total |
|--|----------------------|----------------------|---------------------------|---------------------|----------------------|---------------|
| Cost of tangible capital assets, opening | \$ 310 | \$ 157 | \$ 3,625 | \$ 529 | \$ 833 | \$ 5,454 |
| Acquisitions | 4 | - | 5 | - | - | 9 |
| Disposals | (49) | (144) | (1,114) | - | (318) | (1,625) |
| Cost of tangible capital assets, closing | 265 | 13 | 2,516 | 529 | 515 | 3,838 |
| Accumulated amortization, opening | 161 | 151 | 2,853 | 479 | 695 | 4,339 |
| Amortization expense | 92 | 3 | 271 | 23 | 47 | 436 |
| Disposals | (49) | (144) | (1,114) | - | (318) | (1,625) |
| Accumulated amortization, closing | 204 | 10 | 2,010 | 502 | 424 | 3,150 |
| Net book value | \$ 61 | \$ 3 | \$ 506 | \$ 27 | \$ 91 | \$ 688 |

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 Canadian Tourism Commission – Defined Benefit component | Funded, Defined Benefit Plan | CTC and plan members | Defined Benefit Plan |
| | Registered Pension Plan for the Employees of the Canadian Tourism Commission – 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 Canadian Tourism Commission | 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 \$402,756 in 2014 (\$447,311 - 2013).

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 \$285,547 in 2014 (\$406,908 - 2013), 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 registered pension plan 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, US and 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, 2013 and was filed with the Office of Superintendent of Financial Institutions (“OSFI”) by the due date of June 30, 2014.

The going concern financial position based on the most recent actuarial valuation showed a funding surplus of \$4,141,500 (surplus of \$1,592,000 - 2013). The valuation also identified an average solvency ratio of 72.5% (75.0% - 2013).

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. As a result, the CTC was required to resume making solvency special payments with payments totaling \$680,101 in 2014. 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 (000s):

| | Pension | | Other Benefit Plans | |
|---|-----------|-----------|---------------------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| Accrued benefit obligation, beginning of year | \$ 20,634 | \$ 21,749 | \$ 5,060 | \$ 5,383 |
| Current period benefit cost (employer portion) | 271 | 401 | 181 | 197 |
| Interest cost on average accrued benefit obligation | 1,196 | 1,169 | 147 | 114 |
| Employees' contributions | 86 | 100 | - | - |
| Benefits paid | (966) | (1,212) | (453) | (224) |
| Actuarial loss / (gain) | 1,156 | (1,573) | 876 | (410) |
| Decrease in obligation due to curtailment | (179) | - | - | - |
| Accrued benefit obligation, end of year | \$ 22,198 | \$ 20,634 | \$ 5,811 | \$ 5,060 |

CHANGE IN PLAN ASSETS (000s):

| | Pension | | Other Benefit Plans | |
|--|-----------|-----------|---------------------|-------|
| | 2014 | 2013 | 2014 | 2013 |
| Market value of plan assets, beginning of year | \$ 23,869 | \$ 22,057 | \$ - | \$ - |
| Actual return on plan assets net of actual investment expenses | 4,141 | 2,274 | - | - |
| Employer contributions | 2,054 | 650 | 453 | 224 |
| Employees' contributions | 86 | 100 | - | - |
| Benefits paid | (966) | (1,212) | (453) | (224) |
| Market value of plan assets, end of year | \$ 29,184 | \$ 23,869 | \$ - | \$ - |

RECONCILIATION OF FUNDED STATUS (000s):

| Detailed Pension Plan information | 2014 | 2013 |
|--|-------------|-------------|
| Defined benefit component of Pension Plan for Employees of the Canadian Tourism Commission | | |
| Accrued benefit obligation | \$ (19,466) | \$ (17,280) |
| Plan assets | 26,189 | 22,633 |
| Surplus | \$ 6,723 | \$ 5,353 |
| Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission | | |
| Accrued benefit obligation | \$ (1,699) | \$ (2,374) |
| Plan assets | 2,995 | 1,235 |
| Surplus / (Deficit) | \$ 1,296 | \$ (1,139) |
| Pension Plan for Employees of the Commission in China, Japan and South Korea | | |
| Accrued benefit obligation | \$ (1,032) | \$ (979) |
| Plan assets | - | - |
| Deficit | \$ (1,032) | \$ (979) |

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 | Pension | | Other Benefit Plans | |
|--------------------------------------|------------|------------|---------------------|------------|
| | 2014 | 2013 | 2014 | 2013 |
| Accrued benefit obligation | \$ (1,032) | \$ (3,353) | \$ (5,811) | \$ (5,060) |
| Plan assets | - | 1,235 | - | - |
| Funded status – deficit, end of year | \$ (1,032) | \$ (2,118) | \$ (5,811) | \$ (5,060) |

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 2014. In the prior year, the plan assets of both the Pension Plan for Employees of the CTC in China, Japan and South Korea and the Supplementary Retirement Plan were less than the accrued benefit obligation at the measurement date for 2013.

The plan assets reported in 2013 relate to the Supplementary Retirement Plan. The fund status changed from an unfunded status in 2013 to a funded status in 2014 which resulted in the plan assets and the related accrued benefit obligation not being reported in the funded status table for 2014.

RECONCILIATION OF FUNDED STATUS TO ACCRUED BENEFIT ASSET / (LIABILITY) (000s):

| | Pension | | Other Benefit Plans | |
|---|-----------------|-----------------|---------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Funded status – surplus / (deficit), end of year | \$ 6,987 | \$ 3,236 | \$ (5,811) | \$ (5,060) |
| Employer contributions during period from measurement date to fiscal year end | 1,207 | 1,605 | - | - |
| Unamortized actuarial (gains) / losses | (1,776) | (369) | 989 | 121 |
| Accrued benefit asset / (liability) | <u>\$ 6,418</u> | <u>\$ 4,472</u> | <u>\$ (4,822)</u> | <u>\$ (4,939)</u> |

The cumulative excess of pension contributions on the Registered Pension Plan and Supplementary Retirement Plan 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) | 2014 | 2013 |
|---|-----------------|-----------------|
| Registered Pension Plan for the Employees of the Canadian Tourism Commission | \$ 5,977 | \$ 4,951 |
| Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission | 1,608 | 726 |
| Total accrued benefit asset | <u>7,585</u> | <u>5,677</u> |
| Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission | - | - |
| Pension Plan for the Employees of the CTC in China, Japan and South Korea | (1,166) | (1,205) |
| Notional defined contribution component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission | (2) | (1) |
| Non-pension Post Retirement Benefit Plan | (3,986) | (3,804) |
| Post Employment Severance Plan | (693) | (1,007) |
| Post Employment Non-Vested Sick Leave Plan | (144) | (127) |
| Total accrued benefit liability | <u>(5,991)</u> | <u>(6,144)</u> |
| Total net accrued benefit asset / (liability) | <u>\$ 1,594</u> | <u>\$ (467)</u> |

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

| Asset Allocation | 2014 | 2013 |
|--------------------------------------|-------------|-------------|
| Equity securities | 60% | 66% |
| Debt securities | 35% | 31% |
| Receivable from Government of Canada | 5% | 3% |
| Total | 100% | 100% |

NET BENEFIT COST RECOGNIZED IN THE PERIOD (000s):

| | Pension | | Other Benefit Plans | |
|---|-----------------|---------------|----------------------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| Current period benefit cost | \$ 357 | \$ 501 | \$ 181 | \$ 197 |
| Interest cost | - | - | 148 | 114 |
| Amortization of net actuarial (gain) / loss | (29) | 290 | 8 | 35 |
| Curtailment (gain) / loss | (179) | - | - | - |
| Total | 149 | 791 | 337 | 346 |
| Less: employee contributions | (86) | (100) | - | - |
| Retirement benefits expense | 63 | 691 | 337 | 346 |
| Interest cost on average accrued benefit obligation | 1,196 | 1,169 | - | - |
| Expected return on average pension plan assets | (1,549) | (1,310) | - | - |
| Retirement benefits interest expense | \$ (353) | \$ (141) | \$ - | \$ - |
| Total pension expense | \$ (290) | \$ 550 | \$ 337 | \$ 346 |

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

| | Pension | | Other Benefit Plans | |
|---|---------|-------|---------------------|-------|
| | 2014 | 2013 | 2014 | 2013 |
| Accrued benefit obligation | | | | |
| Discount rate | | | | |
| · Registered Pension Plan for the Employees of the Canadian Tourism Commission | 6.15% | 6.50% | | |
| · Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission | 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% |
| Rate of compensation increase | | | | |
| · Canadian | 1.50% | 3.13% | 2.50% | 3.13% |
| · Locally engaged | 2.75% | 2.75% | 2.75% | 2.75% |
| Pension expense | | | | |
| Discount rate | | | | |
| · Registered Pension Plan for the Employees of the Canadian Tourism Commission | 6.50% | 6.10% | | |
| · Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission | 2.97% | 2.22% | | |
| · Pension Plan for the Employees of the CTC in China, Japan and South Korea | 2.27% | 1.53% | | |
| · Non-pension post retirement | | | 2.97% | 2.22% |
| · Post employment severance | | | 2.27% | 1.53% |
| · Post Employment Non-Vested Sick Leave Plan | | | 2.27% | 1.53% |
| Expected long-term rate of return on plan assets | | | | |
| · Registered Pension Plan for the Employees of the Canadian Tourism Commission | 6.50% | 6.10% | | |
| · Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission | 3.25% | 3.05% | | |
| Rate of compensation increase: | | | | |
| · Canadian | 3.13% | 3.13% | 3.13% | 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 | | | |
|---------------------------------|---------------------|-------|-------|-------|
| | 2014 | | 2013 | |
| | CDN | US | CDN | US |
| Initial health care trend rate | 6.50% | 8.80% | 6.50% | 9.00% |
| 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 | | | |
|---------------------------------|---------------------|-------|-------|-------|
| | 2014 | | 2013 | |
| | CDN | US | CDN | US |
| Initial health care trend rate | 6.40% | 8.50% | 6.40% | 8.80% |
| 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 \$3,196,735 (\$2,797,054 - 2013). The total cash amount in 2014 includes solvency special payments totaling \$680,101 (\$0 - 2013) and Supplementary Retirement Plan funding payments totaling \$756,000 (\$1,565,000 - 2013).

Letter of Credit

The CTC has a registered retirement compensation arrangement for certain employees of the CTC. In 2012, the CTC held a letter of credit with a face value of \$1,487,000, measured based on the actuarial valuation of the estimated assets and liabilities of the Supplementary Retirement Plan. The letter of credit was not renewed in 2013 and a payment of \$1,565,000 was applied to the unfunded benefit obligation of the Supplementary Retirement Plan.

9. PARLIAMENTARY APPROPRIATIONS (000s)

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

| | 2014 | 2013 |
|--|-----------------|-----------------|
| Amounts provided for operating and capital expenditures | | |
| Amounts voted: | | |
| Main estimates 2013/14 (2012/13) | \$ 57,973 | \$ 71,496 |
| Supplementary estimates B | - | - |
| Supplementary estimates C | 3 | - |
| | <u>57,976</u> | <u>71,496</u> |
| Less portion recognized in prior year | (45,089) | (53,621) |
| Amounts recognized in current year | <u>12,887</u> | <u>17,875</u> |
| Amounts voted: | | |
| Main estimates 2014/15 (2013/14) | 57,973 | 57,833 |
| Supplementary estimates B | 3 | 140 |
| Supplementary estimates C | - | 3 |
| | <u>57,976</u> | <u>57,976</u> |
| Less portion to be recognized in following year | <u>(12,887)</u> | <u>(12,887)</u> |
| Amounts recognized in the current year | <u>45,089</u> | <u>45,089</u> |
| Parliamentary appropriations used for operations and capital in the year | <u>57,976</u> | <u>62,964</u> |
| Parliamentary appropriations (deferred) | | |
| Opening Balance | - | (1,609) |
| Cash Received from Government Fiscal 2013/14 (2012/13) | (12,887) | (16,266) |
| Cash Received from Government Fiscal 2014/15 (2013/14) | (45,089) | (45,089) |
| Appropriations used for operations and capital in the year | 57,976 | 62,964 |
| Ending Balance | <u>\$ -</u> | <u>\$ -</u> |

10. ACCUMULATED SURPLUS (000s)

The accumulated surplus is comprised of:

| | 2014 | 2013 |
|--------------------------------|------------------|-----------------|
| Accumulated operating surplus | \$ 11,684 | \$ 6,630 |
| Accumulated remeasurement gain | 238 | 178 |
| Accumulated surplus | <u>\$ 11,922</u> | <u>\$ 6,808</u> |

11. MARKETING AND SALES EXPENSES (000s)

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:

| | 2014 | 2013 |
|--|------------------|------------------|
| Core Markets (UK, France, Germany and Australia) | \$ 16,502 | \$ 18,125 |
| Corporate Marketing | 13,988 | 16,014 |
| Emerging Markets (India, Brazil, Mexico, Japan, South Korea and China) | 16,851 | 19,597 |
| US (Business Events Canada) | 8,579 | 8,043 |
| | <u>\$ 55,920</u> | <u>\$ 61,779</u> |

12. EXPENDITURE BY OBJECT (000s)

The following is a summary of expenditures by object:

| | 2014 | 2013 |
|------------------------------|------------------|------------------|
| Program | | |
| Advertising | \$ 1,647 | \$ 2,427 |
| Public and media relations | 5,041 | 6,275 |
| Consumer development | 19,802 | 22,089 |
| Trade development | 16,199 | 16,429 |
| Research | 2,040 | 3,762 |
| Total Program Expenses | <u>44,729</u> | <u>50,982</u> |
| Salaries and benefits | 12,990 | 13,850 |
| Operating Expense | | |
| Other | 2,443 | 2,820 |
| Rent | 2,016 | 1,851 |
| Travel | 591 | 1,141 |
| Professional services | 1,322 | 898 |
| Total Operating Expenses | <u>6,372</u> | <u>6,710</u> |
| Expenses before amortization | <u>64,091</u> | <u>71,542</u> |
| Amortization | 382 | 436 |
| Total Expenses | <u>\$ 64,473</u> | <u>\$ 71,978</u> |

13. FINANCIAL INSTRUMENTS

Financial assets consist of cash and cash equivalents, accounts receivable, and 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). 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, 2014, the exposure to credit risk for cash and cash equivalents is \$14,748,000 (\$11,917,546 – 2013) (Note 4) and for portfolio investments is \$546,172 (\$590,257 – 2013) (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, 2014 the impairment allowance is \$655 (\$0 – 2013). The amounts outstanding at year end are as follows:

(000s)

| Accounts Receivable | Total | Current | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 to 120 days | > 120 days |
|---------------------------|-----------------|-----------------|---------------|---------------|---------------|----------------|-------------|
| Partnership contributions | \$ 1,412 | \$ 833 | \$ 543 | \$ 36 | \$ - | \$ - | \$ - |
| Government of Canada | 169 | 169 | - | - | - | - | - |
| Other | 31 | - | - | - | - | - | - |
| Total | \$ 1,612 | \$ 1,002 | \$ 543 | \$ 36 | \$ - | \$ - | \$ - |

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:

(000s)

| Accounts Payable | Total | Current | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 to 120 days | > 120 days |
|-----------------------|-----------------|-----------------|-----------------|---------------|---------------|----------------|-------------|
| Trade | \$ 5,186 | \$ 2,661 | \$ 2,523 | \$ 8 | \$ - | \$ (6) | \$ - |
| Employee compensation | 1,943 | 1,943 | - | - | - | - | - |
| Government of Canada | 789 | 789 | - | - | - | - | - |
| Total | \$ 7,918 | \$ 5,393 | \$ 2,523 | \$ 8 | \$ - | \$ (6) | \$ - |

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, 2014, the exposure to currency risk for financial assets is \$3,625,000 (\$1,673,000 – 2013) and for financial liabilities is \$3,451,000 (\$2,439,000 – 2013) (Note 6).

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, 2014, the exposure to interest rate risk for portfolio investments is \$546,172 (\$590,257 – 2013).

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, 2014, 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 is purchase orders issued for which CTC has not yet been invoiced.

(000s)

| 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|-------|------|------|------|------|-------|
| 3,664 | 259 | 158 | - | - \$ | 4,081 |

In February 2015, the Commission entered in to a 10 year lease for a new Vancouver head office location which is not reflected in the Commitments table above. The total commitment over the 10 year lease is estimated to be \$5.8 million.

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.

Appendix 1: 2014 Enterprise Balanced Scorecard Definitions

Marketing campaign ROI

Value of tourist receipts generated by CTC's measured marketing campaigns per dollar spent to execute the campaign. 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.

Number of leisure travellers converted

Number of people who converted as a result of CTC's measured marketing campaigns over those who recalled the CTC 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 delegates generated through business events

Number of individuals coming to Canada as a result of CTC's BEC leads having been converted into definite business.

Attributable tourism export revenue from leisure programs

Total spend by foreign leisure visitors on Canadian-produced tourism goods and services as a result of CTC's leisure programs. Purchases may take place outside of Canada if a Canadian company supplies the goods or services (e.g. purchase of an airline ticket from a Canadian international carrier for travel to Canada).

Attributable tourism export revenue from BEC sales activities

The attributable tourism export revenue for Canada generated as a result of CTC's BEC leads conversion into definite business, calculated as: (total # of converted leads into definite business) x (average visitor spend for meeting/travel type).

Attributable tourism export revenue

Export tourism revenue that is attributable to CTC's leisure programs and BEC sales activities.

Attributable jobs supported

The estimated attributable employment from tourism revenue generated by CTC's marketing, travel trade and BEC sales activities.

Attributable federal tax revenue

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

Country brand rank

Annual rank of country brands, according to FutureBrand's Country Brand Index. The approach incorporates a global quantitative survey, expert opinions and external statistics, which are compared and combined to better understand drivers, preference, importance and relativism of country brands.

Aided destination interest

Percentage of long-haul travellers in CTC 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 who are at the stages of creating a vacation movie, detailed itinerary planning, finalizing travel arrangements or booking a trip in the Path-to-Purchase.

Develop a comprehensive and Board-approved strategy

Develop a comprehensive strategy for the Youth Program to receive approval from the CTC Board of Directors.

Develop a branded platforms strategy

Develop a strategy to identify innovative and branded platforms that can be executed to further give Canadian tourism businesses an edge in a highly competitive marketplace.

Partner brand alignment

Percentage of partners that have aligned with at least one element of the CTC 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).

Partner satisfaction

Percentage of partners satisfied with their relationship with the CTC.

Partner contribution

Ratio of total partner contributions (cash, in-kind, third party) vs. CTC parliamentary appropriations.

Determine impacts of CTC's programmatic role

Better understand how our marketing platforms support tourism businesses, position the industry for success and drive economic value.

Explore conversion metrics for media relations, public relations and social media activities

Explore metrics that assess the impact that media relations, public relations and social media activities have on traveller conversion.

Adapt BEC sales focus to align with Global Markets Action Plan

BEC to show how meetings held in Canada can lure international delegates from different industries to invest in Canada's economy and enhance Canada's brand reputation and competitiveness around the world.

Systems effectiveness

Employee satisfaction with the support provided by applicable IT applications.

Proportion of total budget allocated to programming

Percentage of CTC'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.

Core values index

Average value of three employee survey questions regarding how the CTC effectively demonstrates CTC's core values: act with integrity; be creative and seek opportunities to innovate; collaborate to achieve common goals.

Employee engagement index

An index measuring an employee's belief in the CTC's mission and vision, and his or her commitment to the CTC as demonstrated through hard work, passion and organizational pride.



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