



Non-Consolidated Financial Statements

Harbourside Commercial Park Inc.

March 31, 2009

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Auditors' Report

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To the Directors of

Harbourside Commercial Park Inc.

We have audited the non-consolidated statement of financial position of Harbourside Commercial Park Inc. as at March 31, 2009, and the non-consolidated statements of financial activities and cash flows for the year then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the non-consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2009, and the results of its financial activities and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Sydney, Nova Scotia

May 15, 2009

Grant Thornton LLP
Chartered accountants

Harbourside Commercial Park Inc.

Non-Consolidated Statement of Financial Position

March 31

2009

2008

Financial assets

Cash and cash equivalents	\$ 955,463	\$ 759,030
Receivables		
Sydney Utilities Limited	1,139,845	854,614
Sydney Steel Corporation	878,756	944,594
Leasehold receivable	213,232	266,582
Trade	31,488	44,001
Investment in subsidiary	1	1
	<u>3,218,785</u>	<u>2,868,822</u>

Liabilities

Trade payables	42,613	57,187
Payable to Nova Scotia Lands Inc.	487,251	243,715
Payable to Province of Nova Scotia	655,465	1,067,276
	<u>1,185,329</u>	<u>1,368,178</u>

Net financial assets	<u>2,033,456</u>	<u>1,500,644</u>
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Non-financial assets

Capital assets (Note 3)	7,653,862	7,754,353
Future lease payments (Note 5)	660,862	776,188
	<u>8,314,724</u>	<u>8,530,541</u>

Net resources	<u>\$ 10,348,180</u>	<u>\$ 10,031,185</u>
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Company position

Capital stock (Note 7)	\$ 9,740,620	\$ 9,740,620
Accumulated surplus	607,560	290,565
	<u>\$ 10,348,180</u>	<u>\$ 10,031,185</u>

On behalf of the Board

Director

Director

See accompanying notes to the non-consolidated financial statements.

Harbourside Commercial Park Inc.

Non-Consolidated Statement of Financial Activities

Year Ended March 31 2009 2008

Revenue	<u>\$ 891,165</u>	<u>\$ 882,428</u>
Expenses		
Labour	120,093	117,624
Management fee (Note 6)	87,589	88,067
Electricity	28,644	67,983
General and administration	41,965	38,108
Repairs and maintenance	56,739	30,456
Amortization	225,517	230,100
Professional fees	<u>13,623</u>	<u>19,525</u>
	<u>574,170</u>	<u>591,863</u>
Net revenues	316,995	290,565
Accumulated surplus, beginning of year	<u>290,565</u>	<u> </u>
Accumulated surplus, end of year	<u>\$ 607,560</u>	<u>\$ 290,565</u>

See accompanying notes to the non-consolidated financial statements.

Harbourside Commercial Park Inc.

Non-Consolidated Statement of Cash Flows

Year Ended March 31

2009

2008

Increase in cash and cash equivalents

Operating		
Net revenues	\$ 316,995	\$ 290,565
Amortization	225,517	230,100
Loss on sale of capital assets		500
	<u>542,512</u>	<u>521,165</u>
Change in non-cash operating working capital (Note 8)	<u>(336,379)</u>	<u>(741,613)</u>
	<u>206,133</u>	<u>(220,448)</u>
Financing		
Issue of capital stock		<u>9,740,620</u>
Investing		
Purchase of capital assets	(36,573)	(7,904,603)
Proceeds on sale of capital assets	26,873	40,000
Investment in subsidiary		(1)
Investment in future lease payments		(896,538)
	<u>(9,700)</u>	<u>(8,761,142)</u>
Net increase in cash and cash equivalents	196,433	759,030
Cash and cash equivalents, beginning of year	<u>759,030</u>	
Cash and cash equivalents, end of year	<u>\$ 955,463</u>	<u>\$ 759,030</u>

See accompanying notes to the non-consolidated financial statements.

Harbourside Commercial Park Inc.

Notes to the Non-Consolidated Financial Statements

March 31, 2009

1. Nature of operations

Harbourside Commercial Park Inc. is a crown corporation owned by the Province of Nova Scotia. It was incorporated on March 30, 2007 with its principal role being to manage the commercial development of the remediated areas of the former Sydney Steel Corporation site.

2. Summary of significant accounting policies

a) Basis of accounting

With one exception, these financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the Company's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards and pronouncements. The investment in the wholly owned subsidiary company, Sydney Utilities Limited, is recorded at cost. These financial statements have not been prepared on a consolidated basis.

b) Accrual basis of accounting

Revenues and expenses are recorded on the accrual basis of accounting.

c) Financial assets

Cash and cash equivalents are recorded at cost which approximates market value. Accounts receivable are recorded at the principal amount less valuation allowances. These allowances are recorded where collectability is considered doubtful.

d) Net financial assets

Net assets represent the financial assets of the Company less direct liabilities.

e) Non financial assets

Capital assets having useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Capital assets are recorded at net historical cost and include all costs directly attributable to the acquisition.

Harbourside Commercial Park Inc.

Notes to the Non-Consolidated Financial Statements

March 31, 2009

2. Summary of significant accounting policies (continued)

Capital assets are amortized using the straight-line method at the following rates:

Buildings	40 years
Rail road lines	40 years
Equipment	5 years
Vehicles	5 years

(f) Future lease payments

The future lease payments are being amortized on a straight line basis as the related lease payments are received.

(g) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, and payables and accruals. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair market value of these financial instruments approximates their carrying values.

(h) Use of estimates

In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(i) Accumulated surplus

Accumulated surplus represents the liabilities of the Company less financial assets, and non-financial assets. This represents the accumulated balance of net deficit/surplus arising from the operations of the Company.

Harbourside Commercial Park Inc.

Notes to the Non-Consolidated Financial Statements

March 31, 2009

3. Capital assets		<u>2009</u>		<u>2008</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 4,009,450		\$ 4,009,450	\$ 4,001,950
Buildings	2,566,200	\$ 128,310	2,437,890	2,502,045
Rail road lines	1,220,548	61,028	1,159,520	1,190,034
Equipment	33,615	13,007	20,608	25,132
Vehicles	<u>43,990</u>	<u>17,596</u>	<u>26,394</u>	<u>35,192</u>
	<u>\$ 7,873,803</u>	<u>\$ 219,941</u>	<u>\$ 7,653,862</u>	<u>\$ 7,754,353</u>

4. Bank indebtedness

As security, the Company has pledged receivables.

5. Future lease payments	<u>2009</u>	<u>2008</u>
Cost	\$ 896,538	\$ 896,538
Less: accumulated amortization	<u>235,676</u>	<u>120,350</u>
	<u>\$ 660,862</u>	<u>\$ 776,188</u>

Included in the assets purchased from Sydney Steel Corporation was the right to collect lease payments for certain properties still owned by Sydney Steel Corporation. These leases expire over a period of 12 months to 108 months and generate \$14,342 in monthly rent. A discount factor of 10.8% has been used to determine the present value of these future lease payments.

6. Related party transactions

During the year the Company purchased land from Sydney Steel Corporation, a Crown corporation, at a cost of \$34,373. In the prior year, the Company purchased land, buildings, equipment and other assets from Sydney Steel Corporation, a crown corporation for proceeds totalling \$8,897,119.

Harbourside Commercial Park Inc.

Notes to the Non-Consolidated Financial Statements

March 31, 2009

6. Related party transactions (continued)

Included in expenditures are management fees of \$87,589 (2008 - \$88,067) paid to Nova Scotia Lands Inc, a company controlled by the Province of Nova Scotia. In addition Nova Scotia Lands Inc. rents office space from the Company for an amount of \$51,520 (2008 - \$51,520). These transactions are in the normal course of operations and are measured at the exchange amount which approximates fair market value.

7. Capital stock

	<u>2009</u>	<u>2008</u>
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Authorized:

The Company is authorized to issue 10,000,000 5% Class A non-cumulative, voting, non-retractable preference shares redeemable at par with par value of \$1 each and 100,000 common shares with par value of \$1 each.

Issued and outstanding:

1 common share	\$ 1	\$ 1
9,740,619 preference shares	<u>9,740,619</u>	<u>9,740,619</u>
	<u>\$ 9,740,620</u>	<u>\$ 9,740,620</u>

8. Supplemental cash flow information

	<u>2009</u>	<u>2008</u>
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Change in non-cash operating working capital:

Receivable from Sydney Utilities Limited	\$ (285,231)	\$ (854,614)
Receivable from Sydney Steel Corporation	65,838	(944,594)
Leasehold receivable	53,350	(266,582)
Trade receivables	12,513	(44,001)
Trade payables	(14,574)	57,187
Payable to Nova Scotia Lands Inc.	243,536	243,715
Payable to Province of Nova Scotia	<u>(411,811)</u>	<u>1,067,276</u>
	<u>\$ (336,379)</u>	<u>\$ (741,613)</u>