



Grant Thornton

Financial Statements

Sydney Steel Corporation

March 31, 2009

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Grant Thornton

Auditors' Report

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To the Directors of

Sydney Steel Corporation

We have audited the balance sheet of Sydney Steel Corporation as at March 31, 2009, and the statement of changes in net assets (liabilities) in liquidation for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2009, and the changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2008, and for the year then ended were audited by another firm of chartered accountants who expressed an opinion without reservation dated July 4, 2008.

Sydney, Nova Scotia

May 27, 2009

Grant Thornton LLP

Chartered accountants

Sydney Steel Corporation

Balance sheet

March 31 2009 2008

Assets		
Cash	\$ 911,649	\$ 14,074,374
Receivables		
Province of Nova Scotia (Note 3)	6,492,403	
Trade	5,152	10,060
Sydney Environmental Resources Limited	14,215	6,458
Note	539,524	566,133
Prepaid expenses	56,351	107,119
	<u>8,019,294</u>	<u>14,764,144</u>
Property, plant, and equipment		116,222
	<u>\$ 8,019,294</u>	<u>\$ 14,880,366</u>
Liabilities		
Trade payables	\$ 322,524	\$ 468,277
Deposits and holdbacks payable		2,079,553
Property taxes payable		1,000,000
Payable to Province of Nova Scotia (Note 3)		5,467,185
Payable to Harbourside Commercial Park Inc. (Note 5)	878,756	944,594
Payable to Nova Scotia Lands Inc. (Note 5)	5,908,251	4,597,192
Payable to Sydney Utilities Limited (Note 5)	588,931	213,874
	<u>7,698,462</u>	<u>14,770,675</u>
Net assets in liquidation	<u>\$ 320,832</u>	<u>\$ 109,691</u>

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

Sydney Steel Corporation

Statement of changes in net assets (liabilities) in liquidation

Year Ended March 31 2009 2008

Increase in net assets in liquidation

Contributions from the Province of Nova Scotia (Note 3)	\$ 13,621,325	\$ 9,617,976
Proceeds on disposal of assets (Note 5)	34,373	8,992,562
Other income	98,568	31,567
Interest	<u>176,768</u>	<u>94,145</u>
	<u>13,931,034</u>	<u>18,736,250</u>

Decreases in net assets in liquidation

Demolition and remediation (Note 5)	10,132,249	7,771,788
Property taxes	1,000,000	1,000,000
Professional fees	868,425	724,186
General and administration	<u>1,719,219</u>	<u>153,568</u>
	<u>13,719,893</u>	<u>9,649,542</u>

Increase in net assets in liquidation 211,141 9,086,708

Net assets (liabilities) in liquidation,
Beginning of year 109,691 (8,977,017)

Net assets in liquidation, end of year \$ 320,832 \$ 109,691

See accompanying notes to the financial statements.

Sydney Steel Corporation

Notes to the financial statements

March 31, 2009

1. Nature of operations

Sydney Steel Corporation ("the Corporation") is a Crown Corporation incorporated by special act of the Province of Nova Scotia.

2. Summary of significant accounting policies

a) Basis of accounting

Effective December 31, 2000, the Corporation changed its basis of accounting from a going concern basis to liquidation basis in accordance with Canadian generally accepted accounting principles.

b) Valuation of non-cash assets

Effective with the December 31, 2000 adoption of the liquidation basis of accounting, the accounting basis for the Corporation's non-cash assets was established as their estimated realizable values at that date.

c) Mode of operations

Ernst & Young Inc. was appointed agent of the Province of Nova Scotia pursuant to a mandate which was to sell the assets of the Corporation and to direct the evolution of a land use plan and redevelopment strategy for the property.

d) Revenue recognition

Revenue is recognized when the risks and rewards of ownership have been substantially transferred and when collection is reasonably assured.

e) Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

Sydney Steel Corporation

Notes to the financial statements

March 31, 2009

2. Summary of significant accounting policies (continued)

(f) Foreign currency translation

Foreign currency translation of the current assets and liabilities denominated in US dollars is converted at the rate of exchange in effect at the balance sheet date. Income and expense items are translated at the rate of exchange in effect at the translation date. Translation gains or losses are included in determining the change in net assets in liquidation for the period.

3. Province of Nova Scotia

In connection with the former active operations of Sydney Steel Corporation, the Province of Nova Scotia (the "Province") has:

- Established the Sysco Decommissioning Fund to finance the closure, demolition, and remediation obligations of the Corporation; and
- Established the Sydney Steel Corporation Superannuation Fund to assume direct responsibility for the Corporation's pension obligations.

During the period 2001 – 2006, the Province provided contributions of \$58,751,000 to the Corporation to fund certain closure, demolition, and remediation expenditures. Upon further review in 2007, it was determined that the Corporation did not require these direct contributions due to better than expected recoveries on asset and scrap sales since the closure. As such, the Province directed the Corporation to return these contributions to the Sysco Decommissioning Fund (the "Fund"). The Fund will be utilized for future decommissioning, demolition and remediation of this Corporation's and adjacent sites.

In connection with the current liquidation and redevelopment plan, the Province has committed to continuing support. Expenses incurred during the year for which the Corporation will receive reimbursements from the Sysco Decommissioning Fund total \$13,621,325 (2008, \$9,617,976).

Sydney Steel Corporation

Notes to the financial statements

March 31, 2009

4. Commitments

- a) On March 30, 2007, the Corporation retained the services of Nova Scotia Lands Inc. to manage the remediation, redevelopment and by-product operations to be conducted on Corporation lands and to provide other services as may be required. This agreement which was initially for a two-year period has been renewed for an additional year.
- b) In fiscal 2006, the Corporation engaged a company to provide certain remediation services. The value of the contract is estimated at \$6,700,000. For the year ended March 31, 2009, expenditures under this contract of approximately \$3,617,000 (2008 - \$2,640,000) were incurred and are included in the reimbursement of expenses paid to Nova Scotia Lands Inc. (See Note 5).

5. Related party transactions

During the year, the Corporation sold land to Harbourside Commercial Park Inc. for proceeds of \$34,373. In fiscal 2008, the Corporation sold land, buildings, equipment, and other assets to Harbourside Commercial Park Inc. and Sydney Utilities Limited, both companies which are controlled by the Province of Nova Scotia, for proceeds totalling \$9,524,600. This resulted in a gain on sale of fixed assets of \$8,967,000.

Included in the demolition and remediation costs are reimbursement of expenses of \$9,430,058 (2008 - \$7,162,106) and \$375,057 (2008 - \$213,874) paid to Nova Scotia Lands Inc. and Sydney Utilities Limited, respectively. Both companies are controlled by the Province of Nova Scotia.

These transactions are in the normal course of operations and are measured at the exchange amount which approximates fair market value.

6. Contingent liabilities

The Corporation is a defendant in a lawsuit alleging damages as a result of environmental contamination caused by years of steel making. This litigation is in its preliminary stages and the outcome is not currently predictable.
