



Financial statements

Sydney Utilities Limited

March 31, 2011

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## Independent auditors' report

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To the directors of

Sydney Utilities Limited

We have audited the accompanying financial statements of Sydney Utilities Limited, which comprise the statement of financial position as at March 31, 2011, and the statement financial activities, and cash flow statement 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**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the



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circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sydney Utilities Limited as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Sydney, Nova Scotia

June 28, 2011

*Grant Thornton LLP*

Chartered accountants

# Sydney Utilities Limited

## Statement of financial position

March 31 2011 2010

Financial assets		
Receivables		
Sydney Steel Corporation	\$ 1,165,078	\$ 840,050
Other	<u>66,941</u>	<u>27,232</u>
	<u>1,232,019</u>	<u>867,282</u>
Liabilities		
Trade payables	16,980	14,592
Payable to Harbourside Commercial Park Inc.	<u>1,860,743</u>	<u>1,485,644</u>
	<u>1,877,723</u>	<u>1,500,236</u>
Net financial liabilities	<u>(645,704)</u>	<u>(632,954)</u>
Non-financial assets		
Capital assets (Note 3)	200,250	495,501
Prepays	<u>5,453</u>	<u>5,453</u>
	<u>205,703</u>	<u>500,954</u>
Total net liabilities	<u>\$ (440,001)</u>	<u>\$ (132,000)</u>
Company position		
Capital stock (Note 5)	\$ 1	\$ 1
Accumulated deficit	<u>(440,002)</u>	<u>(132,001)</u>
	<u>\$ (440,001)</u>	<u>\$ (132,000)</u>

On behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying notes to the financial statements.

# Sydney Utilities Limited

## Statement of financial activities

Year ended March 31

2011

2010

Revenue		
Recoveries (Note 4)	<u>\$ 215,821</u>	<u>\$ 282,119</u>
Expenses		
Electricity	150,658	233,292
Amortization	44,000	44,000
Insurance	13,088	13,088
Property taxes	34,849	31,000
Miscellaneous	<u>17,226</u>	<u>4,739</u>
	<u>259,821</u>	<u>326,119</u>
	(44,000)	(44,000)
Write down of capital assets (Note 3)	<u>(264,001)</u>	<u>-</u>
Net expenditure	(308,001)	(44,000)
Accumulated deficit, beginning of year	<u>(132,001)</u>	<u>(88,001)</u>
Accumulated deficit, end of year	<u>\$ (440,002)</u>	<u>\$ (132,001)</u>

See accompanying notes to the statements.

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# Sydney Utilities Limited

## Notes to the financial statements

March 31, 2011

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### 1. Nature of operations

Sydney Utilities Limited is a wholly owned subsidiary of Harbourside Commercial Park Inc., which is a crown corporation. It funds the utility costs of the Sydney River pumping station and the operating costs of the Grand Lake pumping station. It commenced operations on March 30, 2007.

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### 2. Summary of significant accounting policies

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.

#### a) Accrual basis of accounting

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

#### b) 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.

#### c) Net financial liabilities

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

#### d) 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.

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

Sydney River substation	10 years
Sydney River pumping station	10 years
Storage tank	10 years

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# Sydney Utilities Limited

## Notes to the financial statements

March 31, 2011

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### 2. Summary of significant accounting policies (continued)

#### e) Accumulated deficit

Accumulated deficit 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.

#### f) 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.

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3. Capital assets			<u>2011</u>	<u>2010</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 200,250	\$ -	\$ 200,250	\$ 187,500
Sydney River substation	-	-	-	231,000
Sydney River pumping station	-	-	-	70,000
Storage tank	-	-	-	7,000
Water and power lines	-	-	-	1
	<u>\$ 200,250</u>	<u>\$ -</u>	<u>\$ 200,250</u>	<u>\$ 495,501</u>

The Utility is in the process of decommissioning the Sydney River pumping section and related assets. Consequently, the capital assets, net of land, will be demolished. As a result, the Utility has reduced the net book value associated with these assets to nil.

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### 4. Related party transactions

Included in revenues is a recovery of expenses received from Sydney Steel Corporation in the amount of \$215,821 (2010: \$282,119)

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

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# Sydney Utilities Limited

## Notes to the financial statements

March 31, 2011

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### 5. Capital stock

#### Authorized:

The Company is authorized to issue 40,000 common shares with par value of \$1 each.

#### Issued and outstanding:

	<u>2011</u>	<u>2010</u>
1 common share	<u>\$ 1</u>	<u>\$ 1</u>

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