



Financial statements

Nova Scotia Lands Inc.

March 31, 2011

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Independent auditors' report

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To the directors of

Nova Scotia Lands Inc.

We have audited the accompanying financial statements of Nova Scotia Lands Inc., which comprise the statement of financial position as at March 31, 2011, and the statement of 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 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 Nova Scotia Lands Inc. 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

Nova Scotia Lands Inc.

Statement of financial position

March 31

2011

2010

Financial assets

| | | |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 6,437,782 | \$ 636,341 |
| Receivables | | |
| Sydney Steel Corporation (Note 4) | 24,735,373 | 15,788,865 |
| Harbourside Commercial Park Inc. (Note 4) | 1,136,090 | 539,929 |
| Portside Aggregates Limited | 52,032 | - |
| Trade | <u>4,370,294</u> | <u>2,462,533</u> |
| | <u>36,731,571</u> | <u>19,427,668</u> |

Liabilities

| | | |
|--|-------------------|-------------------|
| Payables and accruals – trade (Note 7) | 4,658,174 | 2,419,177 |
| Deferred revenue | 1,503,214 | - |
| Payable to Province of Nova Scotia | 30,352,769 | 16,916,233 |
| Payable to Portside Aggregates Limited | - | 30,698 |
| | <u>36,514,157</u> | <u>19,366,108</u> |

Net financial assets

217,414 61,560

Non-financial assets

Prepays - 18,065

Net resources

\$ 217,414 \$ 79,625

Company position

| | | |
|------------------------|-------------------|------------------|
| Accumulated surplus | \$ 217,413 | \$ 79,624 |
| Capital stock (Note 6) | <u>1</u> | <u>1</u> |
| | <u>\$ 217,414</u> | <u>\$ 79,625</u> |

On behalf of the Board

_____ Director _____ Director

See accompanying notes to the financial statements.

Nova Scotia Lands Inc.

Statement of financial activities

| Year ended March 31 | 2011 | 2010 |
|--------------------------------|-------------------|-------------------|
| Revenue | | |
| Recoveries (Notes 3 and 4) | \$ 9,639,479 | \$ 13,385,406 |
| Management fees (Note 4) | 101,092 | 93,010 |
| Miscellaneous | <u>325,216</u> | <u>271,198</u> |
| | <u>10,065,787</u> | <u>13,749,614</u> |
| Expenditures | | |
| Demolition and remediation | 8,127,204 | 11,434,663 |
| Salaries and employee benefits | 844,344 | 1,019,836 |
| Professional services | 710,724 | 949,492 |
| General and administration | <u>245,726</u> | <u>265,999</u> |
| | <u>9,927,998</u> | <u>13,669,990</u> |
| Net revenues | 137,789 | 79,624 |
| Accumulated surplus, | | |
| Beginning of year | <u>79,624</u> | <u>-</u> |
| End of year | <u>\$ 217,413</u> | <u>\$ 79,624</u> |

See accompanying notes to the financial statements.

Nova Scotia Lands Inc.

Statement of cash flows

Year ended March 31

2011

2010

Increase (decrease) in cash and cash equivalents

Operating

Net revenues \$ 137,789 \$ 79,624

Change in non-cash operating
working capital (Note 5) 5,663,652 (6,256,913)

5,801,441 (6,177,289)

Cash and cash equivalents, beginning of year 636,341 6,813,630

Cash and cash equivalents, end of year \$ 6,437,782 \$ 636,341

See accompanying notes to the financial statements.

Nova Scotia Lands Inc.

Notes to the financial statements

March 31, 2011

1. Nature of operations

Nova Scotia Lands 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 continue the remediation activities at the former Sydney Steel Corporation site and put in place the necessary infrastructure for redevelopment of the site into a viable commercial park facility.

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 collectibility is considered doubtful.

c) Net financial liabilities

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

d) 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.

e) 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.

Nova Scotia Lands Inc.

Notes to the financial statements

March 31, 2011

2. Summary of significant accounting policies (continued)

f) Financial instruments

Risk management policy

The Company is exposed to various risks through its financial instruments, which consist of cash and cash equivalents, receivables, and payables and accruals. The following analysis provides a measure of the risks at the balance sheet date, March 31, 2011.

Credit risk

The Company provides credit to its clients in the normal course of its operations. The Company determines, on a continuing basis, the probable losses and sets up a provision for losses based on the estimated realizable value.

Fair value

The fair value of cash, accounts receivable, and accounts payable, approximates their carrying value given their short-term maturity date.

Financial commitments

Accounts payable, and accrued liabilities - the carrying amount included in the balance sheet approximates fair value, given the short-term maturity of these instruments.

3. Commitments

On March 30, 2007, Sydney Steel 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 on an annual basis.

4. Related party transactions

Included in revenues are recoveries of expenses of \$5,436,697 (2010: \$9,950,391) and \$3,942,255 (2010: \$3,338,612) received from Sydney Steel Corporation and Sydney Tar Ponds Agency, respectively. In addition, the Company received management fees of \$101,092 (2010: \$93,010) from Harbourside Commercial Park Inc. The Company rented its office premises from Harbourside Commercial Park Inc. at an annual rent of \$51,520 (2010: \$51,520). All noted 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.

Nova Scotia Lands Inc.

Notes to the financial statements

March 31, 2011

5. Supplemental cash flow information 2011 2010

Change in non-cash operating working capital:

| | | |
|--|---------------------|-----------------------|
| Receivable from Sydney Steel Corporation | \$ (8,946,508) | \$ (9,880,614) |
| Receivable from Harbourside Commercial Park Inc. | (596,161) | (52,678) |
| Trade receivables | (1,907,761) | (1,906,028) |
| Prepays | 18,065 | 21,677 |
| Payables and accruals - trade | 2,238,997 | 812,882 |
| Deferred revenue | 1,503,214 | - |
| Payable to Province of Nova Scotia | 13,436,536 | 4,692,685 |
| Payable to Portside Aggregates Limited | <u>(82,730)</u> | <u>55,163</u> |
| | <u>\$ 5,663,652</u> | <u>\$ (6,256,913)</u> |

6. Capital stock 2011 2010

Authorized:

The Company is authorized to issue 100,000 common shares with a par value of \$1 each.

Issued and outstanding:

| | | |
|----------------|-------------|-------------|
| 1 common share | <u>\$ 1</u> | <u>\$ 1</u> |
|----------------|-------------|-------------|

7. Other matters

During the year, the Canada Revenue Agency ruled that the recovery of costs from Sydney Steel Corporation as a management fee attract Harmonized Sales Tax ("HST"). Consequently, the Company filed a voluntary disclosure related to HST amounts that should have otherwise been charged on these management fees for the fiscal years ending March 31, 2008, 2009, and 2010. The Company has recorded the HST of \$3,450,532 and is included in payables and accruals.
