



Non-consolidated financial statements

Harbourside Commercial Park Inc.

March 31, 2011

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Independent auditors' report

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To the Directors of

Harbourside Commercial Park Inc.

We have audited the accompanying non-consolidated financial statements of Harbourside Commercial Park Inc., which comprise the non-consolidated statement of financial position as at March 31, 2011, and the non-consolidated statements 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 non-consolidated 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 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 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 non-consolidated 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 non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of Harbourside Commercial Park 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

Harbourside Commercial Park Inc.

Non-consolidated statement of financial position

March 31

2011

2010

Financial assets		
Cash and cash equivalents	\$ 2,466,477	\$ 1,716,748
Receivables		
Sydney Utilities Limited	1,860,743	1,485,644
Sydney Steel Corporation	371,193	371,755
Leasehold receivable	108,173	161,137
Trade	61,762	18,347
Investment in subsidiary	<u>1</u>	<u>1</u>
	<u>4,868,349</u>	<u>3,753,632</u>
Liabilities		
Trade payables	114,163	39,200
Payable to Nova Scotia Lands Inc.	1,136,090	539,929
Payable to Province of Nova Scotia	868,092	46,894
Long term debt (Note 9)	<u>1,000,000</u>	<u>1,000,000</u>
	<u>3,118,345</u>	<u>1,626,023</u>
Net financial assets	<u>1,750,004</u>	<u>2,127,609</u>
Non-financial assets		
Capital assets (Note 3)	8,044,871	7,553,184
Future lease payments (Note 5)	<u>490,498</u>	<u>572,246</u>
	<u>8,535,369</u>	<u>8,125,430</u>
Net resources	<u>\$ 10,285,373</u>	<u>\$ 10,253,039</u>
Company position		
Capital stock (Note 7)	\$ 9,740,620	\$ 9,740,620
Accumulated surplus	<u>544,753</u>	<u>512,419</u>
	<u>\$ 10,285,373</u>	<u>\$ 10,253,039</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

2011

2010

Revenue	<u>\$ 1,069,507</u>	<u>\$ 873,389</u>
Expenses		
Labour	126,023	153,137
Management fee (Note 6)	101,092	93,010
Electricity	39,154	40,236
General and administration	59,798	28,284
Repairs and maintenance	55,552	30,357
Amortization	207,855	209,079
Property taxes	411,020	387,000
Professional fees	<u>36,679</u>	<u>27,427</u>
	<u>1,037,173</u>	<u>968,530</u>
Net revenues (net expenses)	32,334	(95,141)
Accumulated surplus, beginning of year	<u>512,419</u>	<u>607,560</u>
Accumulated surplus, end of year	<u>\$ 544,753</u>	<u>\$ 512,419</u>

See accompanying notes to the non-consolidated financial statements.

Harbourside Commercial Park Inc.

Non-consolidated statement of cash flows

Year ended March 31

2011

2010

Increase (decrease) in cash and cash equivalents

Operating

Net revenues (net expenses)	\$ 32,334	\$ (95,141)
Amortization	<u>207,855</u>	<u>209,079</u>
	240,189	113,938
Change in non-cash operating working capital (Note 8)	<u>1,127,334</u>	<u>(332,868)</u>
	<u>1,367,523</u>	<u>(218,930)</u>

Financing

Issue of long term debt	<u>-</u>	<u>1,000,000</u>
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Investing

Purchase of capital assets	(617,794)	(154,785)
Proceeds on sale of capital assets	<u>-</u>	<u>135,000</u>
	<u>(617,794)</u>	<u>(19,785)</u>

Net increase in cash and cash equivalents 749,729 761,285

Cash and cash equivalents, beginning of year 1,716,748 955,463

Cash and cash equivalents, end of year \$ 2,466,477 \$ 1,716,748

See accompanying notes to the non-consolidated financial statements.

Harbourside Commercial Park Inc.

Notes to the non-consolidated financial statements

March 31, 2011

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 financial 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, 2011

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) Accumulated surplus

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

(h) Financial instruments

Risk management policy

The Company is exposed to various risks through its financial instruments, which consist of cash and cash equivalents, receivables, payables and accruals and long term debt. 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.

Interest rate risk

The Company's long term debt bears interest at a fixed rate. Accordingly, there is limited exposure to interest rate risk.

Fair value

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

(i) 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.

Harbourside Commercial Park Inc.

Notes to the non-consolidated financial statements

March 31, 2011

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	\$ 4,517,563	\$ -	\$ 4,517,563	\$ 3,971,200
Buildings	2,589,511	251,494	2,338,017	2,381,154
Rail road lines	1,220,549	122,055	1,098,494	1,129,007
Equipment	54,276	34,716	19,560	30,415
Vehicles	<u>129,481</u>	<u>58,244</u>	<u>71,237</u>	<u>41,408</u>
	<u>\$ 8,511,380</u>	<u>\$ 466,509</u>	<u>\$ 8,044,871</u>	<u>\$ 7,553,184</u>

4. Bank indebtedness

As security, the Company has pledged receivables.

5. Future lease payments			<u>2011</u>	<u>2010</u>
Cost			\$ 896,538	\$ 896,538
Less: accumulated amortization			<u>406,040</u>	<u>324,292</u>
			<u>\$ 490,498</u>	<u>\$ 572,246</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 72 months and generate \$11,087 in monthly rent. A discount factor of 10.8% has been used to determine the present value of these future lease payments.

Harbourside Commercial Park Inc.

Notes to the non-consolidated financial statements

March 31, 2011

6. Related party transactions

During the year the Company purchased land and buildings from Sydney Steel Corporation, a Crown corporation for proceeds totalling \$507,065 (2010: \$96,750).

Included in expenditures are management fees of \$101,092 (2010: \$93,010) paid to Nova Scotia Lands Inc, a company controlled by the Province of Nova Scotia.

Included in revenues are office rentals in the amounts of \$51,520 (2010: \$51,520) and \$278,571 (2010: \$153,759) received from Nova Scotia Lands Inc. and Sydney Tar Ponds Agency, respectively.

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>2011</u>	<u>2010</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>2011</u>	<u>2010</u>
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Change in non-cash operating working capital:

Receivable from Sydney Utilities Limited	\$ (375,099)	\$ (345,799)
Receivable from Sydney Steel Corporation	562	507,001
Leasehold receivable	52,964	52,095
Trade receivables	(43,415)	13,141
Trade payables	74,963	(3,413)
Payable to Nova Scotia Lands Inc.	596,161	52,678
Payable to Province of Nova Scotia	<u>821,198</u>	<u>(608,571)</u>
	<u>\$ 1,127,334</u>	<u>\$ (332,868)</u>

Harbourside Commercial Park Inc.

Notes to the non-consolidated financial statements

March 31, 2011

9. Long term debt

In the prior year, the Province of Nova Scotia loaned the Company \$1,000,000 to purchase land owned by Sydney Steel Corporation. The loan bears interest of 3.06% per annum. The loan shall be paid in full from the application of all net proceeds from the sale of land being purchased with the financial assistance under this loan or until such payments aggregate \$1,000,000 and no later than 5 years from receipt of the loan.
