



Grant Thornton

Non-consolidated financial statements

Harbourside Commercial Park Inc.

March 31, 2014

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Independent auditor's 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, 2014, and the non-consolidated statements of financial activities, changes in net financial assets, and cash flows 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 non-consolidated 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.



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

Basis for qualified opinion

These financial statements have been prepared on a non-consolidated basis as disclosed in Note 2 to the non-consolidated financial statements. As a result, these financial statements are not in compliance with Canadian generally accepted accounting principles for the public sector.

Qualified opinion

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* paragraph, 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, 2014, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Sydney, Canada

June 27, 2014

Grant Thornton LLP

Chartered accountants

Harbourside Commercial Park Inc.

Non-consolidated statement of financial position

March 31 2014 2013

Financial assets		
Cash and cash equivalents	\$ 3,909,170	\$ 4,460,774
Receivables		
Sydney Utilities Limited	689,015	661,629
Leasehold receivable	-	2,957
Trade	16,937	193,419
Investment in subsidiary	<u>1</u>	<u>1</u>
	<u>4,615,123</u>	<u>5,318,780</u>
Liabilities		
Trade payables	221,374	225,916
Payable to Nova Scotia Lands Inc.	606,662	584,077
Payable to Province of Nova Scotia	<u>348,271</u>	<u>1,542,729</u>
	<u>1,176,307</u>	<u>2,352,722</u>
Net financial assets	<u>3,438,816</u>	<u>2,966,058</u>
Non-financial assets		
Capital assets (Note 3)	6,796,501	7,211,319
Future lease payments (Note 5)	<u>245,248</u>	<u>326,998</u>
	<u>7,041,749</u>	<u>7,538,317</u>
Net resources	<u>\$ 10,480,565</u>	<u>\$ 10,504,375</u>
Company position		
Capital stock (Note 7)	\$ 9,740,620	\$ 9,740,620
Accumulated surplus	<u>739,945</u>	<u>763,755</u>
	<u>\$ 10,480,565</u>	<u>\$ 10,504,375</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 2014 2013

Revenues

Rental income (Note 6)	\$ 757,292	\$ 960,574
Recoveries	32,869	36,507
(Loss) gain on sale/disposal of assets	(26,339)	100,000
Interest and other income	<u>26,970</u>	<u>22,635</u>
	<u>790,792</u>	<u>1,119,716</u>

Expenditures

Labour	130,138	171,534
Management fee (Note 6)	91,154	96,057
Electricity	50,869	46,696
General and administration	21,074	50,599
Repairs and maintenance	40,513	35,122
Amortization	186,731	202,673
Property taxes	254,124	317,465
Professional fees	<u>39,999</u>	<u>26,704</u>
	<u>814,602</u>	<u>946,850</u>

Annual (deficit) surplus	(23,810)	172,866
Accumulated surplus, beginning of year	<u>763,755</u>	<u>590,889</u>
Accumulated surplus, end of year	<u>\$ 739,945</u>	<u>\$ 763,755</u>

See accompanying notes to the non-consolidated financial statements.

Harbourside Commercial Park Inc.

Non-consolidated statement of changes in net financial assets

Year ended March 31	2014	2013
Annual (deficit) surplus	\$ (23,810)	\$ 172,866
Loss (gain) on sale/disposal of assets	26,339	(100,000)
Amortization of future lease payments	81,750	81,750
Purchase of tangible capital assets	(25,002)	(5,001)
Proceeds from sale/disposal of tangible capital assets	308,500	250,000
Amortization of tangible capital assets	<u>104,981</u>	<u>120,923</u>
Increase in net financial assets	472,758	520,538
Net financial assets		
Beginning of year	<u>2,966,058</u>	<u>2,445,520</u>
End of year	<u>\$ 3,438,816</u>	<u>\$ 2,966,058</u>

See accompanying notes to the non-consolidated financial statements.

Harbourside Commercial Park Inc.

Non-consolidated statement of cash flows

Year ended March 31

2014

2013

Increase (decrease) in cash and cash equivalents		
Operating		
Annual (deficit) surplus	\$ (23,810)	\$ 172,866
Loss (gain) on sale/disposal of assets	26,339	(100,000)
Amortization	<u>186,731</u>	<u>202,673</u>
	189,260	275,539
Change in non-cash operating working capital (Note 8)	<u>(1,024,362)</u>	<u>1,144,413</u>
	<u>(835,102)</u>	<u>1,419,952</u>
Financing		
Repayment of long term debt	<u>-</u>	<u>(1,000,000)</u>
Investing		
Purchase of capital assets	(25,002)	(5,001)
Proceeds on sale/disposal of capital assets	<u>308,500</u>	<u>250,000</u>
	<u>283,498</u>	<u>244,999</u>
Net increase (decrease) in cash and cash equivalents	(551,604)	664,951
Cash and cash equivalents, beginning of year	<u>4,460,774</u>	<u>3,795,823</u>
Cash and cash equivalents, end of year	<u>\$ 3,909,170</u>	<u>\$ 4,460,774</u>

See accompanying notes to the non-consolidated financial statements.

Harbourside Commercial Park Inc.

Notes to the non-consolidated financial statements

March 31, 2014

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, 2014

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 and payables and accruals. The following analysis provides a measure of the risks at the balance sheet date, March 31, 2014.

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.

(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, 2014

3. Capital assets			<u>2014</u>	<u>2013</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 4,071,243	\$ -	\$ 4,071,243	\$ 4,238,123
Buildings	2,051,533	359,409	1,692,124	1,911,370
Rail road lines	1,220,549	213,598	1,006,951	1,037,465
Equipment	79,177	59,256	19,921	-
Vehicles	<u>134,581</u>	<u>128,319</u>	<u>6,262</u>	<u>24,361</u>
	<u>\$ 7,557,083</u>	<u>\$ 760,582</u>	<u>\$ 6,796,501</u>	<u>\$ 7,211,319</u>

4. Bank indebtedness

As security, the Company has pledged receivables.

5. Future lease payments			<u>2014</u>	<u>2013</u>
Cost			\$ 896,538	\$ 896,538
Less: accumulated amortization			<u>651,290</u>	<u>569,540</u>
			<u>\$ 245,248</u>	<u>\$ 326,998</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 36 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, 2014

6. Related party transactions

During the year, the Company received one parcel (2013 - 2 parcels) of land from the Province of Nova Scotia for proceeds of \$1 (2013 - \$1).

Included in expenditures are management fees of \$91,154 (2013 - \$96,057) paid to Nova Scotia Lands Inc., a company controlled by the Province of Nova Scotia.

Included in rental income are office rentals in the amounts of \$53,112 (2013 - \$51,520) and \$119,990 (2013 - \$277,217) 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>2014</u>	<u>2013</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>2014</u>	<u>2013</u>
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Change in non-cash operating working capital:

Receivable from Sydney Utilities Limited	\$ (27,386)	\$ 88,355
Leasehold receivable	2,957	52,482
Trade receivables	176,482	(75,430)
Trade payables	(4,542)	103,547
Payable to Nova Scotia Lands Inc.	22,585	3,605
Payable to Province of Nova Scotia	<u>(1,194,458)</u>	<u>971,854</u>
	<u>\$ (1,024,362)</u>	<u>\$ 1,144,413</u>

Harbourside Commercial Park Inc.

Notes to the non-consolidated financial statements

March 31, 2014

9. Contractual obligation

During the year, the Company entered into an arrangement to potentially dispose of a parcel of land with a cost base of \$123,750 for proceeds of \$123,750. As of the report date the legal agreements were not complete or executed.
