
CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

FINANCIAL STATEMENTS
MARCH 31, 2015

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

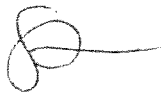
The accompanying financial statements are the responsibility of the management of the Canada-Nova Scotia Offshore Petroleum Board and have been prepared in compliance with legislation and generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Management is also responsible for the notes and schedules to the financial statements, and for ensuring this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Audit Committee is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through regular meetings with them. The Committee met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The external auditors, Levy Casey Carter MacLean Chartered Accountants, conducted an independent examination, in accordance with Canadian auditing standards, and expressed their opinion on the financial statements. The external auditors have full and free access to the financial management of the Board and meet when required.

On behalf of management of the Canada-Nova Scotia Offshore Petroleum Board:



Stuart Pinks
Chief Executive Officer



Christine Bonnell-Eisnor
Director, Regulatory
Affairs & Finance

May 12, 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD:

We have audited the accompanying financial statements, which comprise the statement of financial position of the Canada-Nova Scotia Offshore Petroleum Board as at March 31, 2015 and the statement of operations and accumulated operating surplus, remeasurement gains, changes in net debt 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 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 the 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 of material misstatement.

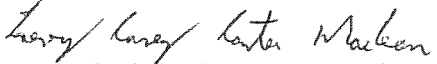
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board'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 Board'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, these financial statements present fairly, in all material respects, the financial position of the Canada-Nova Scotia Offshore Petroleum Board as at March 31, 2015, and the results of its operations, remeasurement gains, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Halifax, Nova Scotia
May 12, 2015


LEVY CASEY CARTER MACLEAN
CHARTERED ACCOUNTANTS

**Levy
Casey
Carter
MacLean**
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CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF FINANCIAL POSITION MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 2,736,615	\$ 2,452,182
Receivables, trade	51,081	68,631
Investments (note 2(i)) (note 3)	<u>2,518,803</u>	<u>2,278,660</u>
	<u>5,306,499</u>	<u>4,799,473</u>
LIABILITIES		
Payables and accruals, trade	1,175,675	923,478
Payable to governments (note 4)	1,782,188	2,082,246
Deferred grants (note 5)	47,500	-
Supplementary employee retirement plan obligation (note 6)	677,419	616,115
Post-retirement health and retiring allowance obligation (note 7)	<u>1,581,324</u>	<u>1,424,350</u>
	<u>5,264,106</u>	<u>5,046,189</u>
Net financial assets (debt)	<u>42,393</u>	<u>(246,716)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	323,846	414,403
Tangible capital assets (page 16)	<u>707,741</u>	<u>329,246</u>
	<u>1,031,587</u>	<u>743,649</u>
Accumulated surplus	\$ <u>1,073,980</u>	\$ <u>496,933</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus (page 4)	\$ 970,593	\$ 472,664
Accumulated remeasurement gains (page 5)	<u>103,387</u>	<u>24,269</u>
	\$ <u>1,073,980</u>	\$ <u>496,933</u>

Commitments (note 10)

Contingencies (note 12)

Approved by the Board

Board member

Board member

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
YEAR ENDED MARCH 31, 2015

	(Note 13) <u>Budget</u>	<u>2015</u>	<u>2014</u>
Revenue			
Government grants			
Government of Canada	\$ 3,965,000	\$ 3,965,000	\$ 3,750,000
Government of Nova Scotia	3,965,000	3,965,000	3,750,000
Costs recovered from industry	-	3,941,228	3,732,689
Interest and other	-	<u>12,378</u>	<u>36,315</u>
	<u>7,930,000</u>	<u>11,883,606</u>	<u>11,269,004</u>
Expenses			
Costs recoveries refunded to government (page 17)	-	3,941,228	3,732,690
Regulation of petroleum activities (page 17)	<u>7,930,000</u>	<u>7,231,895</u>	<u>7,309,776</u>
	<u>7,930,000</u>	<u>11,173,123</u>	<u>11,042,466</u>
Operating surplus before other revenue (expenses)	-	710,483	226,538
Amortization of tangible capital assets (page 16)	-	(264,805)	(162,449)
Net investment income (note 8)	-	<u>58,083</u>	<u>67,374</u>
	-	<u>(206,722)</u>	<u>(95,075)</u>
Operating surplus	-	503,761	131,463
Accumulated operating surplus, beginning of year	-	472,664	341,201
Repayment to Government of Canada	-	(2,916)	-
Repayment to Government of Nova Scotia	-	<u>(2,916)</u>	<u>-</u>
Accumulated operating surplus, end of year	<u>\$ -</u>	<u>\$ 970,593</u>	<u>\$ 472,664</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF REMEASUREMENT GAINS
YEAR ENDED MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
Accumulated remeasurement gains, beginning of the year	\$ 24,269	\$ 60,659
Unrealized gain (loss) arising during the year on investments	<u>79,118</u>	<u>(36,390)</u>
Accumulated remeasurement gains, end of year	<u>\$ 103,387</u>	<u>\$ 24,269</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2015

	(Note 13) <u>Budget</u>	<u>2015</u>	<u>2014</u>
Operating surplus	\$ -	\$ 503,761	\$ 131,463
Repayment to Government of Canada	-	(2,916)	-
Repayment to Government of Nova Scotia	-	(2,916)	-
	<u>-</u>	<u>497,929</u>	<u>131,463</u>
Change in tangible capital assets			
Acquisition of tangible capital assets	(595,000)	(643,301)	(160,369)
Amortization of tangible capital assets	-	264,805	162,449
	<u>(595,000)</u>	<u>(378,496)</u>	<u>2,080</u>
Change in other non-financial assets			
Use (acquisition) of prepaid expense	-	90,558	(161,795)
Net remeasurement gain (loss) (page 5)	-	79,118	(36,390)
Decrease (increase) in net financial debt	(595,000)	289,109	(64,642)
Net financial debt, beginning of the year	<u>(246,716)</u>	<u>(246,716)</u>	<u>(182,074)</u>
Net financial assets (debt), end of the year	<u>\$ (841,716)</u>	<u>\$ 42,393</u>	<u>\$ (246,716)</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
Operating Activities		
Operating surplus	\$ 503,761	\$ 131,463
Amortization of tangible capital assets	264,805	162,449
Loss (gain) on disposal of investments	5,905	(4,047)
Repayment to Government of Canada	(2,916)	-
Repayment to Government of Nova Scotia	(2,916)	-
Increase in supplementary employee retirement plan obligation	61,304	42,363
Increase (decrease) in post-retirement health and retiring allowance obligation	<u>156,974</u>	<u>(29,819)</u>
	986,917	302,409
Net change in non-cash working capital balances related to operations (note 9)	<u>107,748</u>	<u>302,281</u>
	<u>1,094,665</u>	<u>604,690</u>
Investing Activities		
Increase in accrued interest on investments	(144)	(4,638)
Purchase of investments	(775,781)	(832,706)
Proceeds on disposal of investments	<u>609,380</u>	<u>562,355</u>
	<u>(166,545)</u>	<u>(274,989)</u>
Capital Activities		
Purchase of		
Furniture and equipment	(2,609)	(3,592)
Computer equipment	(196,839)	(38,561)
Computer software	(413,458)	(118,217)
Equipment	<u>(30,395)</u>	<u>-</u>
	<u>(643,301)</u>	<u>(160,370)</u>
Increase in cash and cash equivalents during year	284,819	169,331
Cash and cash equivalents, beginning of year	<u>2,453,628</u>	<u>2,284,297</u>
Cash and cash equivalents, end of year	\$ <u>2,738,447</u>	\$ <u>2,453,628</u>
Represented by:		
Cash	\$ 2,736,615	\$ 2,452,182
Investment cash	<u>1,832</u>	<u>1,446</u>
	\$ <u>2,738,447</u>	\$ <u>2,453,628</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2015

1. Purpose of organization

The Canada-Nova Scotia Offshore Petroleum Board was formed to administer the relevant provisions of the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Acts as enacted by the Parliament of Canada and the Legislature of Nova Scotia. The Board is funded primarily by grants from the Federal and Provincial Governments in equal contributions. The Board also collects and remits to the Governments cost recovery charges assessed against industry from regulatory reviews, up to a maximum of 50% of the Board's approved budget. The Board is a non-profit organization and is, therefore, exempt from income tax under Section 149 of the Income Tax Act.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada) and reflect the following significant accounting policies.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and cash held within the investment portfolio.

(c) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the operating surplus or deficit and the net remeasurement gains or losses, provides the change in net financial assets or net debt for the year.

(d) Tangible capital assets

Tangible capital assets are recorded at cost which includes all costs directly attributable to the acquisition, construction, development, installation or betterment of the tangible capital asset. The Board capitalizes assets with a value greater than \$2,500 and a useful life greater than one year. Amortization is recorded using the straight-line method over four years for furniture, fixtures and equipment and over three years for computer equipment and software. Leasehold improvements are amortized over the life of the lease.

(e) Use of estimates

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Such uncertainty exists when there could be a material difference between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. The preparation of the financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. The supplementary employee retirement plan obligation and the post-retirement health and retiring allowance obligation are items requiring the use of significant estimates because actual results may differ significantly from the various assumptions about plan members and economic conditions in the marketplace.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2015

2. Significant accounting policies (continued)

(e) Use of estimates (continued)

Estimates are based upon the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements and actual results could differ from these estimates.

(f) Revenue recognition

Revenues are recorded on the accrual basis. Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. Government transfers are recognized when the transfer is authorized and eligibility criteria are met except, when and to the extent, stipulations by the transferor gives rise to an obligation that meets the definition of a liability. Stipulations by the transferor may require that the funds only be used for providing specific services or the acquisition of tangible capital assets. For transfers with stipulations an equivalent amount of revenue is recognized as the liability is settled. Cost recoveries from industry are recognized when invoiced. Investment income is recorded as earned.

(g) Supplementary employee retirement plan obligation

The projected benefit method prorated on services has been used to determine the accrued benefit obligation and current service cost. The objective under this method is to expense each participant's benefits under the plan as they would accrue, taking into consideration future salary increases and the plan's benefit allocation formula.

Obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement.

The Board's fiscal year end date is March 31 and the measurement date of the plan's assets and obligations is March 31.

(h) Post-retirement health and retiring allowance obligation

Employees of the Board participate in the Province of Nova Scotia Pensioners Extended Health Plan upon retirement. This plan provides health care coverage to age 65. Employees are also eligible for one week of salary for each year of pensionable service, to a maximum of 26 weeks for Board staff who retire upon becoming eligible for retirement. These retirement benefits are recorded on an accrual basis based on an actuary's estimate.

Obligations are attributed to the period beginning on the member's date of hire and ending on the date the member reaches first full year of eligibility for benefits for the post-retirement health program and date of retirement for the retiring allowance program.

The Board's fiscal year end date is March 31 and the measurement date of the programs' obligations is March 31.

(i) Investments

The Board has designated its investment portfolio to fund the Board's obligations for supplementary employee retirement plans and post-retirement health and retiring allowances.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2015

2. Significant accounting policies (continued)

(i) Financial instruments

All financial instruments are measured using either the amortized cost method or the fair value method. Financial instruments included in the amortized cost category are recorded at either cost or amortized cost using the effective interest rate method. Transaction costs are included in the initial cost of financial instruments recognized using the cost method. Financial instruments included in the fair value category are initially recorded at fair value with each subsequent change in fair value recognized in the statement of remeasurement gains and losses until such time that the financial instrument is derecognized. When the financial instrument is derecognized the accumulated remeasurement gain or loss is reversed and recognized on the statement of operations. Transaction costs associated with financial instruments in the fair value category are expensed when incurred.

Accounts receivable, payables and accruals, payable to governments, supplementary employee retirement plan obligation and post-retirement health and retiring allowance obligations are recorded using the cost method. Cash and investments are recorded using the fair value method utilizing quoted prices in active markets to determine the fair value.

3. Investments

	<u>2015</u>	<u>2014</u>
Investments, at cost	\$ 2,387,758	\$ 2,227,262
Accrued investment income	25,825	25,682
Unrealized gain on investments	103,388	24,270
Investment cash	<u>1,832</u>	<u>1,446</u>
Investments, at fair market value	<u>\$ 2,518,803</u>	<u>\$ 2,278,660</u>

4. Payable to governments

	<u>2015</u>	<u>2014</u>
Federal government - cost recovery funds	\$ 891,094	\$ 1,041,123
Provincial government - cost recovery funds	<u>891,094</u>	<u>1,041,123</u>
	<u>\$ 1,782,188</u>	<u>\$ 2,082,246</u>

5. Deferred grants

The Government of Nova Scotia provided an advance on the grant for the 2015/16 fiscal year in the amount of \$47,500 on March 31, 2015. The grant is being accounted for as described in note 2(f).

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

6. Pension obligations

(a) Supplementary employee retirement plan (SERP)

The Board Supplementary Employee Retirement Plan provides benefits to its employees who are members of the Public Service Superannuation Plan (PSSP). Employees are eligible for membership in this plan once their pensionable earnings have reached a level such that their benefits under the PSSP are limited by the maximum pension limits under the Income Tax Act.

The Board measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31 of each year. An actuarial valuation of the retirement plan for funding purposes was completed as of March 31, 2015. Prior to that, that most recent actuarial valuation was as of March 31, 2011 and was extrapolated to March 31, 2014. An updated actuarial valuation is completed at least every three years.

The Board has adopted the recommendations of Section 3250 of the Public Sector Accounting Standards Handbook. The following is required for disclosure purposes:

	<u>2015</u>	<u>2014</u>
<u>Components of Supplementary Employee Retirement Plan Cost</u>		
Current service cost	\$ 33,908	\$ 28,382
Interest cost	30,574	27,825
Amortization of net actuarial losses	<u>24,264</u>	<u>2,254</u>
Supplementary Employee Retirement Plan Cost	<u>\$ 88,746</u>	<u>\$ 58,461</u>
 <u>Weighted-Average Assumptions for Expense</u>		
Discount rate	<u>4.30 %</u>	<u>4.75 %</u>
Rate of compensation increase	<u>2.50 %</u>	<u>2.50 %</u>
 <u>Weighted-Average Assumptions for Disclosure</u>		
Discount rate	<u>4.10 %</u>	<u>4.30 %</u>
Rate of compensation increase	<u>2.25 %</u>	<u>2.50 %</u>
 <u>Change in Accrued Benefit Obligation</u>		
Accrued benefit obligation at the end of the prior year	\$ 707,781	\$ 579,640
Current service cost	33,908	28,382
Interest cost	30,574	27,825
Benefits paid	(27,442)	(16,098)
Actuarial loss	<u>91,256</u>	<u>88,032</u>
Accrued benefit obligation at the end of the year	<u>\$ 836,077</u>	<u>\$ 707,781</u>
 <u>Reconciliation of Funded Status to Accrued Benefit Liability</u>		
Benefit obligation at end of year	\$ 836,077	\$ 707,781
Unamortized net actuarial loss	<u>(158,658)</u>	<u>(91,666)</u>
Accrued benefit liability	<u>\$ 677,419</u>	<u>\$ 616,115</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

6. Pension obligations (continued)

(b) Multiemployer defined benefit pension plan

The Board contributes to a pension plan under the Public Service Superannuation Act administered by the Public Service Superannuation Plan Trustee Inc. The Board matches employees' contributions calculated as follows: 8.4% (2014 - 8.4%) on that part of their salary that is equal to or less than the "Year's Maximum Pensionable Earnings" (YMPE) under the Canada Pension Plan and 10.9% (2014 - 10.9%) on the part of their salary that is in excess of the YMPE. The Board has recognized contributions of \$363,025 in 2015 (2014 - \$359,325). There is no further liability with respect to past service at March 31, 2015.

7. Post-retirement health and retiring allowance obligation

The Board provides other retirement benefits to its employees by participating in the Province of Nova Scotia's post-retirement health insurance program and also provides retiring allowance benefits to those employees who retire from the Board. Both benefits are funded on a pay-as-you-go basis. The Board funds on a cash basis as contributions are made.

An actuarial valuation of the retirement plan for funding purposes was completed as of March 31, 2015. Prior to that, that most recent actuarial valuation was as of March 31, 2011 and was extrapolated to March 31, 2014. The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the Board's best estimates.

	<u>2015</u>	<u>2014</u>
<u>Components of Post-Retirement Health and Retiring Allowance Cost</u>		
Current service cost (employer portion)	\$ 96,231	\$ 82,692
Interest cost	73,371	70,185
Actuarial loss	<u>20,700</u>	<u>6,818</u>
Post-Retirement Health and Retiring Allowance Cost	<u>\$ 190,302</u>	<u>\$ 159,695</u>
<u>Weighted-Average Assumptions for Expense</u>		
Discount rate	<u>4.30 %</u>	<u>4.75 %</u>
Rate of compensation increase	<u>2.50 %</u>	<u>2.50 %</u>
Initial weighted average health care trend rate	<u>6.33 %</u>	<u>6.50 %</u>
Ultimate weighted average health care trend rate	<u>4.50 %</u>	<u>4.50 %</u>
Year ultimate rate reached	<u>2030</u>	<u>2025</u>
<u>Weighted-Average Assumptions for Disclosure</u>		
Discount rate	<u>4.10 %</u>	<u>4.30 %</u>
Rate of compensation increase	<u>2.25 %</u>	<u>2.50 %</u>
Initial weighted average health care trend rate	<u>7.00 %</u>	<u>6.33 %</u>
Ultimate weighted average health care trend rate	<u>4.50 %</u>	<u>4.50 %</u>
Year ultimate rate reached	<u>2030</u>	<u>2025</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

7. Post-retirement health and retiring allowance obligation (continued)

<u>Change in Accrued Benefit Obligation</u>		
Accrued benefit obligation at the end of the prior year	\$ 1,674,840	\$ 1,531,002
Current service cost (employer portion)	96,231	82,692
Interest cost	73,371	70,185
Benefits paid	(33,327)	(189,514)
Actuarial loss (gain)	<u>(186,585)</u>	<u>180,475</u>
Accrued benefit obligation at the end of the year	<u>\$ 1,624,530</u>	<u>\$ 1,674,840</u>
<u>Reconciliation of Funded Status to Accrued Benefit Liability</u>		
Benefit obligation at the end of year	\$ 1,624,530	\$ 1,674,840
Unamortized net actuarial loss	<u>(43,206)</u>	<u>(250,490)</u>
Accrued benefit liability	<u>\$ 1,581,324</u>	<u>\$ 1,424,350</u>

8. Net investment income

	<u>2015</u>	<u>2014</u>
Investment income	\$ 78,077	\$ 76,178
Gain (loss) on disposal of investments	(5,905)	4,047
Portfolio management fees	<u>(14,089)</u>	<u>(12,851)</u>
	<u>\$ 58,083</u>	<u>\$ 67,374</u>

9. Net change in non-cash working capital balances related to operations

	<u>2015</u>	<u>2014</u>
Increase (decrease) in cash from changes in:		
Receivables	\$ 17,552	\$ 17,521
Prepaid expenses	90,558	(161,795)
Payables and accruals	252,197	(140,958)
Payable to governments	(300,059)	587,513
Deferred grants	<u>47,500</u>	<u>-</u>
	<u>\$ 107,748</u>	<u>\$ 302,281</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2015

10. Commitments

The Board has entered into various lease agreements for premises and equipment. The approximate minimum payments required over the next five fiscal years are as follows:

2016	\$	299,816
2017	\$	290,372
2018	\$	290,372
2019	\$	114,792
2020	\$	101,431

11. Financial instruments

The following are the significant risks that the Board is exposed to through its financial instruments:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The Board's main credit risks relate to its accounts receivable. In order to reduce its credit risk, the Board has adopted credit policies which include the analysis of the financial position of its regulated entities and the regular review of their credit limits. The Board does not have a significant exposure to any individual regulated entity or counterparty. Management reviews accounts receivable on a case by case basis to determine if an allowance is necessary to reflect an impairment in collectability.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Board has investments in guaranteed investment certificates, debentures, bonds, mid and medium term notes and high-interest savings accounts which bear interest at fixed rates ranging between 1.96% and 5.04%. Consequently, the Board's exposure to interest rate risk on these investments is minimal.

(c) Market rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The debentures, bonds and mid and medium term notes held in the Board's investment portfolio expose the Board to market risk as such investments are subject to price changes in the open market.

(d) Liquidity risk

Liquidity risk is the risk that the Board will encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. The Board's ability to meet its obligations depends on the receipt of funds whether in the form of revenue or advances.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2015

12. Contingencies

The Board has been involved with the following legal proceedings throughout the year:

- (a) An application was submitted by Shin Han F&P Inc. to the Supreme Court of Nova Scotia during the 2013 fiscal year for an order quashing the Board's decision to cancel an exploration license due to the license holder's failure to post the required work deposit. After the Court ruled in the Board's favour, an appeal was submitted. An appeal hearing occurred on October 6, 2014 and in December 2014, the Nova Scotia Court of Appeal dismissed the appeal. An application to leave to appeal to the Supreme Court of Canada was then made in February 2015. A decision on whether leave will be granted is expected in the Fall of 2015.
- (b) An application was submitted by Geophysical Service Incorporated (GSI) to the Supreme Court of Nova Scotia during the 2013 fiscal year for a declaratory judgment stating that the Board has no authority to request, hold, or distribute information the applicant obtained from conducting seismic surveys in the Nova Scotia offshore area. GSI claims injunction relief and an order preserving its right to claim damages. A hearing was held in November 2013 and an order was issued by the Court in October 2014 dismissing the application. An appeal was then filed and the proceeding remains ongoing as the parties seek direction and ruling on the next phase of the appeal process.
- (c) An application was submitted by GSI to the Federal Court of Canada requesting an injunction against the Board for an alleged copyright infringement through the use of seismic survey data. The temporary and permanent injunctions would require that the information be removed from current and future publications. The Court denied the injunction application in May 2014, at which time the Board filed a motion requesting that the copyright certificate be struck. Shortly thereafter, a notice of discontinuance was filed to stop the application against the Board.

A second claim is an action filed in the Federal Court of Canada in relation to an alleged copyright infringement prior to 2013. GSI claims damages for copyright infringement and reserves its right to elect to claim statutory damages under the Copyright Act. It also claims exemplary or punitive damages. GSI filed the claim on the express condition that it would be held in abeyance pending the resolution of the above noted injunction application, which has been discontinued. The Board has requested that this second claim also be discontinued.

At this time, the outcome of these legal proceedings is not determinable. No liability has been recognized in these financial statements with regard to the above mentioned claims due to their uncertainty.

13. Budget information

The budget figures presented are for comparison purposes and are unaudited. Amortization was not contemplated in the development of the budget and, as such, has not been included.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2015

	COST			
	Opening	Additions	Disposals	Closing
Leasehold improvements	\$ 639,095	\$ -	\$ -	\$ 639,095
Furniture and fixtures	445,095	2,609	-	447,704
Computer equipment	1,229,955	196,839	-	1,426,794
Computer software	860,458	413,458	-	1,273,916
Equipment	<u>168,035</u>	<u>30,395</u>	<u>-</u>	<u>198,430</u>
	<u>\$ 3,342,638</u>	<u>\$ 643,301</u>	<u>\$ -</u>	<u>\$ 3,985,939</u>

	ACCUMULATED AMORTIZATION			
	Opening	Amortization	Disposals	Closing
Leasehold improvements	\$ 563,746	\$ 18,453	\$ -	\$ 582,199
Furniture and fixtures	439,708	2,960	-	442,668
Computer equipment	1,124,475	99,260	-	1,223,735
Computer software	717,429	140,333	-	857,762
Equipment	<u>168,035</u>	<u>3,799</u>	<u>-</u>	<u>171,834</u>
	<u>\$ 3,013,393</u>	<u>\$ 264,805</u>	<u>\$ -</u>	<u>\$ 3,278,198</u>

	NET BOOK VALUE	
	2015	2014
Leasehold improvements	\$ 56,896	\$ 75,349
Furniture and fixtures	5,036	5,387
Computer equipment	203,059	105,480
Computer software	416,154	143,030
Equipment	<u>26,596</u>	<u>-</u>
	<u>\$ 707,741</u>	<u>\$ 329,246</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

SCHEDULE OF EXPENSES YEAR ENDED MARCH 31, 2015

	(Note 13) <u>Budget</u>	<u>2015</u>	<u>2014</u>
Cost recoveries refunded to government			
Government of Canada	\$ -	\$ 1,970,614	\$ 1,866,345
Government of Nova Scotia	<u>-</u>	<u>1,970,614</u>	<u>1,866,345</u>
Total cost recoveries refunded to government	<u>\$ -</u>	<u>\$ 3,941,228</u>	<u>\$ 3,732,690</u>
Regulation of petroleum activities			
Personnel, consulting and Board members	\$ 5,442,000	\$ 5,124,684	\$ 5,215,396
General office and support	1,607,000	1,151,382	1,247,488
Office and laboratory premise costs	636,000	666,781	618,736
Supplementary employee retirement plan cost	65,000	88,746	58,461
Post-retirement health and retiring allowance cost	170,000	190,302	159,695
Diving certification	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total regulation of petroleum activities	<u>\$ 7,930,000</u>	<u>\$ 7,231,895</u>	<u>\$ 7,309,776</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

SCHEDULE OF ACCUMULATED SURPLUS
YEAR ENDED MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
Internally restricted investment for retirement obligations		
Accumulated surplus (deficit), beginning of the year	\$ 137,587	\$ 9,556
Net investment income	58,083	67,374
HST recovery on investment management fees	(983)	(897)
Net remeasurement gain (loss) for the year	79,118	(36,390)
Increase in retirement obligations	(218,278)	(12,544)
Transfer from operating funds	103,926	211,095
Funding needed (paid in) if plans wound up	(103,926)	103,926
Accrued retirement benefits paid out (accrued)	<u>204,533</u>	<u>(204,533)</u>
Accumulated surplus, end of the year*	<u>\$ 260,060</u>	<u>\$ 137,587</u>
Internally restricted investment in tangible capital assets		
Accumulated surplus, beginning of the year	\$ 329,246	\$ 331,326
Purchases	643,300	160,369
Amortization	<u>(264,805)</u>	<u>(162,449)</u>
Accumulated surplus, end of the year	<u>\$ 707,741</u>	<u>\$ 329,246</u>
Accumulated remeasurement gains		
Accumulated surplus, beginning of the year	\$ 24,270	\$ 60,660
Unrealized gain (loss) arising during the year on investments	<u>79,118</u>	<u>(36,390)</u>
Accumulated surplus, end of the year	<u>\$ 103,388</u>	<u>\$ 24,270</u>
Unrestricted		
Accumulated surplus, end of the year	\$ 1,073,980	\$ 496,933
Balance allocated to retirement obligations as per above	(260,060)	(137,587)
Balance allocated to tangible capital assets as per above	(707,741)	(329,246)
Balance allocated to remeasurement gains as per above	<u>(103,388)</u>	<u>(24,270)</u>
Accumulated unrestricted surplus, end of the year	<u>\$ 2,791</u>	<u>\$ 5,830</u>
Total accumulated surplus	<u>\$ 1,073,980</u>	<u>\$ 496,933</u>

*Actual pension and other retirement obligations at March 31, 2015 were \$2,460,607. Investments were \$2,518,803 meaning the obligations were fully funded as of March 31, 2015.