



Non-consolidated financial statements

Harbourside Commercial Park Inc.

March 31, 2015

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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, 2015, 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.



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, 2015, 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

October 9, 2015

Grant Thornton LLP
Chartered accountants

Harbourside Commercial Park Inc.

Non-consolidated statement of financial position

March 31

2015

2014

Financial assets		
Cash and cash equivalents	\$ 1,074,683	\$ 3,909,170
Receivables (Note 3)	5,490,266	705,952
Restricted cash (Note 4)	<u>392,221</u>	<u>-</u>
	<u>6,957,170</u>	<u>4,615,122</u>
Liabilities		
Payables and accruals (Note 5)	<u>2,966,278</u>	<u>1,176,307</u>
Net financial assets	<u>3,990,892</u>	<u>3,438,815</u>
Non-financial assets		
Investment in subsidiary	1	1
Capital assets (Note 6)	10,254,434	6,796,501
Future lease payments (Note 7)	<u>163,502</u>	<u>245,248</u>
	<u>10,417,937</u>	<u>7,041,750</u>
Net resources	<u>\$ 14,408,829</u>	<u>\$ 10,480,565</u>
Company position		
Capital stock (Note 9)	\$ 9,740,620	\$ 9,740,620
Accumulated surplus	<u>4,668,209</u>	<u>739,945</u>
	<u>\$ 14,408,829</u>	<u>\$ 10,480,565</u>

Commitments (Note 11)

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 Budget 2015 2014

Revenues

Grant – Province of Nova Scotia (Note 8)	\$ -	\$ 3,800,000	\$ -
Rental income (Note 8)	831,000	677,580	757,292
Recoveries (Note 8)	-	669,744	32,869
(Loss) gain on sale/disposal of assets	156,700	(150,903)	(26,339)
Interest and other income	<u>24,000</u>	<u>22,074</u>	<u>26,970</u>
	<u>1,011,700</u>	<u>5,018,495</u>	<u>790,792</u>

Expenditures

Labour	130,000	122,514	130,138
Management fee (Note 8)	91,000	105,789	91,154
Electricity	58,000	59,407	50,869
General and administration	35,500	22,230	21,074
Repairs and maintenance	40,000	43,178	40,513
Amortization	167,000	193,671	186,731
Property taxes	312,000	243,400	254,124
Professional fees	40,000	50,042	39,999
Fair value purchase price adjustment (Note 8)	<u>-</u>	<u>250,000</u>	<u>-</u>
	<u>873,500</u>	<u>1,090,231</u>	<u>814,602</u>

Annual (deficit) surplus	<u>\$ 138,200</u>	<u>3,928,264</u>	<u>(23,810)</u>
Accumulated surplus, beginning of year		<u>739,945</u>	<u>763,755</u>
Accumulated surplus, end of year		<u>\$ 4,668,209</u>	<u>\$ 739,945</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	Budget	2015	2014
Annual (deficit) surplus	\$ 138,200	\$ 3,928,264	\$ (23,810)
Loss (gain) on sale/disposal of assets	(156,700)	150,903	26,339
Amortization of future lease payments	81,750	81,746	81,750
Purchase of tangible capital assets	(1,000,000)	(4,489,917)	(25,002)
Proceeds from sale/disposal of tangible capital assets	440,500	769,156	308,500
Amortization of tangible capital assets	<u>85,250</u>	<u>111,925</u>	<u>104,981</u>
Increase (decrease) in net financial assets	(411,000)	552,077	472,758
Net financial assets			
Beginning of year	<u>3,438,816</u>	<u>3,438,815</u>	<u>2,966,057</u>
End of year	<u>\$ 3,027,816</u>	<u>\$ 3,990,892</u>	<u>\$ 3,438,815</u>

See accompanying notes to the non-consolidated financial statements.

Harbourside Commercial Park Inc.

Non-consolidated statement of cash flows

Year ended March 31

2015

2014

Increase (decrease) in cash and cash equivalents

Operating

Annual (deficit) surplus	\$ 3,928,264	\$ (23,810)
Loss on sale/disposal of assets	150,903	26,339
Amortization	<u>193,671</u>	<u>186,731</u>
	4,272,838	189,260

Change in non-cash operating
working capital (Note 10)

<u>(2,994,343)</u>	<u>(1,024,362)</u>
<u>1,278,495</u>	<u>(835,102)</u>

Investing

Purchase of capital assets	(4,489,917)	(25,002)
Proceeds on sale/disposal of capital assets	<u>769,156</u>	<u>308,500</u>
	<u>(3,720,761)</u>	<u>283,498</u>

Net decrease in cash and cash equivalents

(2,442,266)	(551,604)
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Cash and cash equivalents, beginning of year

<u>3,909,170</u>	<u>4,460,774</u>
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Cash and cash equivalents, end of year

<u>\$ 1,466,904</u>	<u>\$ 3,909,170</u>
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Cash and cash equivalents consist of:

Cash	\$ 1,074,683	\$ 3,909,170
Restricted cash	<u>392,221</u>	<u>-</u>
	<u>\$ 1,466,904</u>	<u>\$ 3,909,170</u>

See accompanying notes to the non-consolidated financial statements.

Harbourside Commercial Park Inc.

Notes to the non-consolidated financial statements

March 31, 2015

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 and Port Mersey Commercial Park.

2. Summary of significant accounting policies

Basis of accounting

With one exception, the Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector, which are represented by the Public Sector Accounting Standards (PSAS) of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada), supplemented where appropriate by other accounting standards of CPA Canada and the International Federation of Accountants. 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.

Cash and cash equivalents

Cash and cash equivalents include balances with banks.

Net financial assets

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

Capital 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:

Buildings	40 years
Rail road lines	40 years
Equipment	5 years
Vehicles	5 years

Harbourside Commercial Park Inc.

Notes to the non-consolidated financial statements

March 31, 2015

2. Summary of significant accounting policies (continued)

Future lease payments

The future lease payments are being amortized on a straight-line basis as the related lease payments are received.

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.

Revenue recognition

Revenues are recorded on the accrual basis of accounting.

Revenue from rental services is recognized when the services are provided. Amounts received in advance of the provision of services are recorded as advances on rent. Government recoveries are recognized as revenue when expenses are incurred and collectability is reasonably assured.

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.

3. Receivables	<u>2015</u>	<u>2014</u>
Province of Nova Scotia	\$ 3,343,660	\$ -
Sydney Utilities Limited	653,308	689,015
Sydney Steel Corporation	665,492	-
Commodity tax	-	10,327
Escrow fund	750,000	-
Trade	<u>77,806</u>	<u>6,610</u>
	<u>\$ 5,490,266</u>	<u>\$ 705,952</u>

Harbourside Commercial Park Inc.

Notes to the non-consolidated financial statements

March 31, 2015

4. Restricted cash

In conjunction with the asset purchase agreement between the Company and Renova Scotia Bioenergy Inc., the Company has assumed the escrow agreement with Emera Energy Inc., Brooklyn Power Corporation Inc., and others dated as of July 22, 2013 regarding environmental remediation, as amended. The funds in escrow are conditionally owned by the Company provided that it performs certain environmental remediation at the Brooklyn Power Corporation Inc. site. The agreement notes that if the contracted environmental remediation is not completed by May 31, 2015, at this date the funds become payable to Emera Energy Inc.. Subsequent to May 31, 2015, as the contracted environmental remediation was not completed by this date, a verbal decision was reached between the Company and Emera Energy Inc. agreeing that Emera Energy Inc. would not withdraw the funds in escrow.

5. Payables and accruals	<u>2015</u>	<u>2014</u>
Trade payables and accruals	\$ 6,816	\$ 39,137
Advances on rent	12,639	12,639
Commodity tax	15,497	-
Deposit on sale of land	156,250	169,598
Escrow fund on remediation	392,221	-
Payable to Nova Scotia Lands Inc.	2,132,855	606,662
Payable to Province of Nova Scotia	-	348,271
Accrued liabilities (environmental monitoring)	<u>250,000</u>	<u>-</u>
	<u>\$ 2,966,278</u>	<u>\$ 1,176,307</u>

6. Capital assets			<u>2015</u>	<u>2014</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Land – Port Mersey (Note 8)	\$ 86,000	\$ -	\$ 86,000	\$ -
Buildings – Port Mersey (Note 8)	1,414,000	-	1,414,000	-
Equipment – Port Mersey (Note 8)	2,150,000	-	2,150,000	-
Vehicles – Port Mersey (Note 8)	150,000	-	150,000	-
Land	4,008,735	-	4,008,735	4,071,243
Buildings	1,647,775	202,138	1,445,637	1,692,124
Rail road lines	1,220,548	244,112	976,436	1,006,951
Equipment	79,177	75,091	4,086	19,921
Vehicles	<u>159,010</u>	<u>139,470</u>	<u>19,540</u>	<u>6,262</u>
	<u>\$ 10,915,245</u>	<u>\$ 660,811</u>	<u>\$10,254,434</u>	<u>\$ 6,796,501</u>

Harbourside Commercial Park Inc.

Notes to the non-consolidated financial statements

March 31, 2015

7. Future lease payments	<u>2015</u>	<u>2014</u>
Cost	\$ 896,538	\$ 896,538
Less: accumulated amortization	<u>733,036</u>	<u>651,290</u>
	<u>\$ 163,502</u>	<u>\$ 245,248</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 24 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.

8. Related party transactions

During the year, the Company purchased land, buildings, equipment, and vehicles (Port Mersey) from Renova Scotia Bioenergy Inc. (a company controlled by the Province of Nova Scotia) for \$3,800,000. The Company received a grant in the amount of \$3,800,000 from the Province of Nova Scotia which was used to purchase these assets. In conjunction with the Port Mersey purchase agreement, the Company assumed contracts previously held by Renova Scotia Bioenergy Inc. (Note 11).

In the prior year, the Company received one parcel of land from the Province of Nova Scotia for proceeds of \$1. The properties were adjacent to the former Sydney Steel Corporation site.

Included in expenditures are management fees of \$105,789 (2014 - \$91,154) 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 \$62,025 (2014 - \$53,112) and nil (2014 - \$119,990) received from Nova Scotia Lands Inc. and Sydney Tar Ponds Agency, respectively. Also included in revenues are recoveries of capital costs of \$665,492 (2014 - nil) related to the construction of a maintenance building, received from Sydney Steel Corporation, a company 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.

Harbourside Commercial Park Inc.

Notes to the non-consolidated financial statements

March 31, 2015

9. Capital stock 2015 2014

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>

10. Supplemental cash flow information 2015 2014

Change in non-cash operating working capital:

Receivables	\$ (4,784,314)	\$ 152,053
Payables and accruals	<u>1,789,971</u>	<u>(1,176,415)</u>
	<u>\$ (2,994,343)</u>	<u>\$ (1,024,362)</u>

11. Commitments

In conjunction with the asset purchase agreement between the Company and Renova Scotia Bioenergy Inc., the Company has assumed:

The escrow agreement with Emera Energy Inc., Brooklyn Power Corporation Inc., and others dated as of July 22, 2013 regarding environmental remediation, as amended (Note 4).

As per the steam agreement with Emera Energy Inc. dated July 22, 2013, the Company shall pay Brooklyn Power Corporation \$33,500 per month towards fixed operating costs. In addition, the Company shall purchase steam from Brooklyn Power Corporation as needed for use in its operations of the Port Mersey site. These payments in aggregate must total a minimum of \$1 million per year.

This agreement shall be co-terminous with the Power Purchase Agreement between Brooklyn Power Corporation and Nova Scotia Power Inc. dated June 30, 1992, as amended or replaced from time to time.

All other assumed contracts per the asset purchase agreement between the Company and Renova Scotia Bioenergy Inc. relate to activities and contracts carried out in the normal course of operations.

Harbourside Commercial Park Inc.

Notes to the non-consolidated financial statements

March 31, 2015

12. Contractual obligation

In the prior 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 March 31, 2015 the legal agreements were not complete or executed.
