

Non-Consolidated Financial Statements of

**HARBOURSIDE COMMERCIAL  
PARK INC.**

Year ended March 31, 2016



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## INDEPENDENT AUDITORS' REPORT

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, 2016 and the non-consolidated statements of financial activities, change 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 Non-Consolidated 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 as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' 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 non-consolidated 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 auditors' judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 non-consolidated 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**

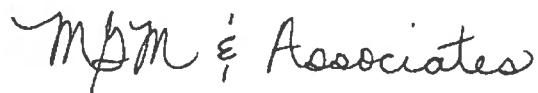
These financial statements have been prepared on a non-consolidated basis as disclosed in Note 1 to the non-consolidated financial statements. As a result, these financial statements are not in compliance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

**Qualified Opinion**

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of Harbourside Commercial Park Inc. as at March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

**Other Matters**

The comparative information for the year ended March 31, 2015 (prior to the restatement described in Note 2 to the financial statements) has been audited by another firm of chartered accountants.



Chartered Accountants

Sydney, Canada

July 11, 2016

# HARBOURSIDE COMMERCIAL PARK INC.

Non-Consolidated Statement of Financial Position

March 31, 2016, with comparative figures for 2015

	2016	2015 (Restated)
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 7,572,017	\$ 1,074,683
Receivables (note 3)	1,143,688	5,490,266
Restricted cash (note 4)	6,608	392,221
	8,722,313	6,957,170
<b>FINANCIAL LIABILITIES</b>		
Payables and accruals (note 5)	2,326,906	2,966,278
<b>NET FINANCIAL ASSETS</b>		
	6,395,407	3,990,892
<b>NON-FINANCIAL ASSETS</b>		
Investment in subsidiary	1	1
Tangible capital assets (note 6)	7,897,276	10,270,581
Future lease payments (note 7)	81,748	163,502
	7,979,025	10,434,084
<b>TOTAL NET ASSETS</b>		
	\$ 14,374,432	\$ 14,424,976
<b>COMPANY POSITION</b>		
Capital stock (note 8)	\$ 9,740,620	\$ 9,740,620
Accumulated surplus	4,633,812	4,684,356
	\$ 14,374,432	\$ 14,424,976

Commitments (note 10)  
Contractual obligations (note 11)

See accompanying notes to non-consolidated financial statements.

On behalf of Harbourside Commercial Park Inc.

\_\_\_\_\_  
Director

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Director

# HARBOURSIDE COMMERCIAL PARK INC.

## Non-Consolidated Statement of Financial Activities

Year ended March 31, 2016, with comparative figures for 2015

	Budget (Unaudited)	2016	2015 (Restated)
<b>REVENUES</b>			
Grant – Province of Nova Scotia	\$ 421,000	\$ 430,000	\$ 3,800,000
Rental income	628,000	623,998	677,580
Recoveries	–	133,417	669,744
Gain (loss) on sale of assets	260,000	220,053	(150,903)
Interest and other income	24,000	19,220	22,074
	<u>1,333,000</u>	<u>1,426,688</u>	<u>5,018,495</u>
<b>EXPENSES</b>			
Labour	152,000	152,266	122,514
Management fee	151,000	194,410	105,789
Electricity	38,000	39,679	59,407
General and administration	22,500	17,977	22,230
Repairs and maintenance	73,000	123,238	43,178
Amortization of tangible capital assets	470,000	603,674	95,778
Amortization of future lease payments	82,000	81,754	81,746
Property taxes	312,000	265,487	243,400
Professional fees	30,000	31,693	50,042
Environmental monitoring expense (recovery) – Port Mersey	–	(32,946)	250,000
	<u>1,330,500</u>	<u>1,477,232</u>	<u>1,074,084</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>2,500</b>	<b>(50,544)</b>	<b>3,944,411</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>			
As previously reported	4,668,209	4,668,209	739,945
Restatement (note 2)	16,147	16,147	–
As restated	<u>4,684,356</u>	<u>4,684,356</u>	<u>739,945</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 4,686,856</b>	<b>\$ 4,633,812</b>	<b>\$ 4,684,356</b>

See accompanying notes to Non-Consolidated financial statements.

# HARBOURSIDE COMMERCIAL PARK INC.

## Non-Consolidated Statement of Change in Net Financial Assets

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015 (Restated)
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ (50,544)	\$ 3,944,411
Change in non-financial assets		
Loss (gain) on sale of assets	(220,053)	150,903
Amortization of future lease payments	81,754	81,746
Purchase of tangible capital assets	(695,171)	(4,489,917)
Proceeds from sale of tangible capital assets	2,684,855	769,156
Amortization of tangible capital assets	603,674	95,778
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>2,404,515</b>	<b>552,077</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>3,990,892</b>	<b>3,438,815</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 6,395,407</b>	<b>\$ 3,990,892</b>

See accompanying notes to non-consolidated financial statements.

# HARBOURSIDE COMMERCIAL PARK INC.

## Non-Consolidated Statement of Cash Flows

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	\$ (50,544)	\$ 3,944,411
Items not involving cash		
Loss (gain) on sale of assets	(220,053)	150,903
Amortization of future lease payments	81,754	81,746
Amortization of tangible capital assets	603,674	95,778
Change in non-cash operating working capital		
Decrease (increase) in receivables	4,346,578	(4,784,314)
Increase (decrease) in payables and accruals	(639,372)	1,789,971
	<u>4,122,037</u>	<u>1,278,495</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(695,171)	(4,489,917)
Proceeds on sale of tangible capital assets	2,684,855	769,156
	<u>1,989,684</u>	<u>(3,720,761)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	6,111,721	(2,442,266)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		
	1,466,904	3,909,170
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		
	<u>\$ 7,578,625</u>	<u>\$ 1,466,904</u>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 7,572,017	\$ 1,074,683
Restricted cash	6,608	392,221
	<u>\$ 7,578,625</u>	<u>\$ 1,466,904</u>

See accompanying notes to non-consolidated financial statements.

# HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2016

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## 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.

### 1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation:

With one exception, these financial statements have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada). 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) Cash and cash equivalents

Cash and cash equivalents include balances with banks.

(c) Net financial assets

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

(d) Tangible capital assets

Tangible capital assets have 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. Tangible capital assets are recorded at net historical cost and include all costs directly attributable to the acquisition.

Tangible capital assets are amortized using the following methods and annual rates:

	Basis	Rate
Buildings	Straight-line	40 years
Rail road lines	Straight-line	40 years
Equipment	Straight-line	5 years
Vehicles	Straight-line	5 years

(e) Future lease payments

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



# HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2016

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## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Accumulated surplus

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

### (g) Revenue recognition

Revenues are recognized in the period in which the transaction or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis except when accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government recoveries are recognized as revenue when expenses are incurred and collectability is reasonably assured.

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.

### (h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingencies and the reported amounts of revenues and expenses in the non-consolidated financial statements and accompanying notes. Significant items subject to management's estimates and assumptions include the valuation of receivables and carrying value of tangible capital assets. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

## 2. RESTATEMENT

During the year, the Company discovered a prior period error in which too much amortization expense was recorded. During the fiscal year ended March 31, 2015, the Company recorded excess amortization in the amounts of \$5,292 and \$10,855 for buildings and equipment respectively. As a result of the correction, the following financial statement items as of March 31, 2015, have been adjusted by the following amounts:

### Statement of financial position March 31, 2015

Tangible capital assets	\$	16,147
Accumulated surplus		16,147

### Statement of financial activities year ended March 31, 2015

Amortization	\$	(16,147)
Annual surplus		16,147
Accumulated surplus, end of year		16,147

# HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2016

## 3. RECEIVABLES

	2016	2015
Sydney Utilities Limited	\$ 659,016	\$ 653,308
Sydney Steel Corporation	255,158	665,492
Escrow fund	193,392	750,000
Harmonized sales tax	24,044	–
Trade	12,078	77,806
Province of Nova Scotia	–	3,343,660
	<u>\$ 1,143,688</u>	<u>\$ 5,490,266</u>

## 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

	2016	2015
Payable to Nova Scotia Lands Inc.	\$ 1,694,819	\$ 2,132,855
Environmental monitoring – Port Mersey	200,000	250,000
Deposit on sale of land	193,579	156,250
Payable to Province of Nova Scotia	132,463	–
Remediation liability of Brooklyn Power Corporation Inc. site	75,540	392,221
Advances on rent	18,501	12,639
Trade payables and accruals	12,004	6,816
Harmonized sales tax	–	15,497
	<u>\$ 2,326,906</u>	<u>\$ 2,966,278</u>

# HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2016

## 6. TANGIBLE CAPITAL ASSETS

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value (Restated)
Land	\$ 1,653,933	\$ —	\$ 1,653,933	\$ 4,094,735
Buildings	3,675,962	288,745	3,387,217	2,864,929
Rail road lines	1,220,548	274,625	945,923	976,436
Equipment	2,238,477	501,076	1,737,401	2,164,941
Vehicles	356,694	183,892	172,802	169,540
	\$ 9,145,614	\$ 1,248,338	\$ 7,897,276	\$ 10,270,581

## 7. FUTURE LEASE PAYMENTS

	2016	2015
Cost	\$ 896,538	\$ 896,538
Less accumulated amortization	814,790	733,036
	\$ 81,748	\$ 163,502

Included in the assets purchased from the 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 12 months and generate \$11,087 in monthly rent.

## 8. CAPITAL STOCK

### Authorized

The Company is authorized to issue 10,000,000, 5% Class A non-cumulative, voting, non-retractable preference shares, redeemable by the Company at par with par value of \$1 each and 100,000 common shares with par value of \$1 each.

### Issued and outstanding

	2016	2015
1 common share	\$ 1	\$ 1
9,740,619 preference shares	9,740,619	9,740,619
	\$ 9,740,620	\$ 9,740,620

# HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2016

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## 9. RELATED PARTY TRANSACTIONS

At the end of the prior year, the Company purchased land, buildings, equipment and vehicles (Port Mersey assets) 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. During the current year, the Company received a grant in the amount of \$430,000 from the Province of Nova Scotia to cover part of the amortization expense for these assets. In conjunction with the Port Mersey purchase agreement, the Company assumed contracts previously held by Renova Scotia Bioenergy Inc.

Included in expenditures are management fees of \$194,410 (2015 - \$105,789) 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 (2015 - \$62,025) received from Nova Scotia Lands Inc., a company controlled by the Province of Nova Scotia. Also, included in revenues are recoveries of capital costs of \$119,077 (2015 - \$665,492) related to the construction of a maintenance building, received from Sydney Steel Corporation, a company controlled by the Province of Nova Scotia. Also included in revenues are recoveries of \$14,340 (2015 - \$Nil) received from Nova Scotia Lands Inc. related to use of assets owned by the Company.

These transactions are in the normal course of operations and are measured at the exchange amount which approximates fair market value.

## 10. 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.

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.

# HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2016

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## 10. COMMITMENTS (CONTINUED)

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.

## 11. CONTRACTUAL OBLIGATION

In a 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 the report date, the legal agreements were not complete or executed.