

Non-Consolidated Financial Statements of

**HARBOURSIDE COMMERCIAL
PARK INC.**

Year ended March 31, 2017



MGM & Associates
Chartered Accountants
Commerce Tower
15 Dorchester Street Suite 500
PO Box 1
Sydney NS B1P 6G9

Telephone (902) 539-3900
Fax (902) 564-6062
Internet www.mgm.ca

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, 2017 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 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.

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, 2017 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

MGM & Associates

Chartered Professional Accountants
Licensed Public Accountants
Sydney, Canada
June 29, 2017

HARBOURSIDE COMMERCIAL PARK INC.

Non-Consolidated Statement of Financial Position

March 31, 2017, with comparative figures for 2016

	2017	2016
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 231,665	\$ 7,572,017
Short-term investments	7,001,805	–
Receivables (note 2)	867,586	1,143,688
Restricted cash (note 3)	–	6,608
	<u>8,101,056</u>	<u>8,722,313</u>
FINANCIAL LIABILITIES		
Payables and accruals (note 4)	1,230,081	2,326,906
	<u>6,870,975</u>	<u>6,395,407</u>
NET FINANCIAL ASSETS		
	6,870,975	6,395,407
NON-FINANCIAL ASSETS		
Investment in subsidiary	1	1
Tangible capital assets (note 5)	7,297,020	7,897,276
Future lease payments (note 6)	–	81,748
	<u>7,297,021</u>	<u>7,979,025</u>
	<u>\$ 14,167,996</u>	<u>\$ 14,374,432</u>
COMPANY POSITION		
Capital stock (note 7)	\$ 9,740,620	\$ 9,740,620
Accumulated surplus	4,427,376	4,633,812
	<u>\$ 14,167,996</u>	<u>\$ 14,374,432</u>

Commitments (note 9)
Contractual obligation (note 10)

See accompanying notes to non-consolidated financial statements.

On behalf of Harbourside Commercial Park Inc.

_____ Director

_____ Director

HARBOURSIDE COMMERCIAL PARK INC.

Non-Consolidated Statement of Financial Activities

Year ended March 31, 2017, with comparative figures for 2016

	Budget (Unaudited)	2017	2016
REVENUES			
Grant – Province of Nova Scotia	\$ 510,000	\$ 510,000	\$ 430,000
Rental income	285,000	307,855	623,998
Recoveries	–	25,474	133,417
Gain on sale of assets	383,750	60,036	220,053
Interest and other income	12,000	62,241	19,220
	1,190,750	965,606	1,426,688
EXPENSES			
Labour	–	107,583	152,266
Management fee	206,000	35,950	194,410
Electricity	35,000	38,228	39,679
General and administration	39,500	12,176	17,977
Repairs and maintenance	25,000	29,797	123,238
Amortization of tangible capital assets	470,250	607,659	603,674
Amortization of future lease payments	81,750	81,748	81,754
Property taxes	324,000	257,674	265,487
Professional fees	45,000	41,273	31,693
Environmental monitoring expense (recovery) – Port Mersey	–	(40,046)	(32,946)
	1,226,500	1,172,042	1,477,232
ANNUAL DEFICIT	(35,750)	(206,436)	(50,544)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	4,633,812	4,633,812	4,684,356
ACCUMULATED SURPLUS, END OF YEAR	\$ 4,598,062	\$ 4,427,376	\$ 4,633,812

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, 2017, with comparative figures for 2016

	2017	2016
ANNUAL DEFICIT	\$ (206,436)	\$ (50,544)
Change in non-financial assets		
Gain on sale of assets	(60,036)	(220,053)
Amortization of future lease payments	81,748	81,754
Purchase of tangible capital assets	(62,878)	(695,171)
Proceeds from sale of tangible capital assets	115,511	2,684,855
Amortization of tangible capital assets	607,659	603,674
INCREASE IN NET FINANCIAL ASSETS	475,568	2,404,515
NET FINANCIAL ASSETS, BEGINNING OF YEAR	6,395,407	3,990,892
NET FINANCIAL ASSETS, END OF YEAR	\$ 6,870,975	\$ 6,395,407

See accompanying notes to non-consolidated financial statements.

HARBOURSIDE COMMERCIAL PARK INC.

Non-Consolidated Statement of Cash Flows

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual deficit	\$ (206,436)	\$ (50,544)
Items not involving cash		
Gain on sale of assets	(60,036)	(220,053)
Amortization of future lease payments	81,748	81,754
Amortization of tangible capital assets	607,659	603,674
Change in non-cash operating working capital		
Increase in short-term investments	(7,001,805)	-
Decrease in receivables	276,102	4,346,578
Decrease in payables and accruals	(1,096,825)	(639,372)
	<u>(7,399,593)</u>	<u>4,122,037</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible capital assets	(62,878)	(695,171)
Proceeds on sale of tangible capital assets	115,511	2,684,855
	<u>52,633</u>	<u>1,989,684</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(7,346,960)</u>	<u>6,111,721</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,578,625	1,466,904
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 231,665</u>	<u>\$ 7,578,625</u>
Cash and cash equivalents consist of:		
Cash	\$ 231,665	\$ 7,572,017
Restricted cash	-	6,608
	<u>\$ 231,665</u>	<u>\$ 7,578,625</u>

See accompanying notes to non-consolidated financial statements.

HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2017

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, 2017

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. RECEIVABLES

	2017	2016
Sydney Utilities Limited	\$ 635,107	\$ 659,016
Escrow fund	200,000	193,392
Sydney Steel Corporation	17,862	255,158
Trade	14,617	12,078
Harmonized sales tax	-	24,044
Province of Nova Scotia	-	-
	<u>\$ 867,586</u>	<u>\$ 1,143,688</u>

HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2017

3. 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.

4. PAYABLES AND ACCRUALS

	2017	2016
Payable to Nova Scotia Lands Inc.	\$ 548,349	\$ 1,694,819
Deposit on sale of land	204,447	193,579
Payable to Province of Nova Scotia	191,742	132,463
Environmental monitoring – Port Mersey	150,000	200,000
Remediation liability of Brooklyn Power Corporation Inc. site	59,114	75,540
Trade payables and accruals	50,742	12,004
Advances on rent	14,561	18,501
Harmonized sales tax	11,126	–
	<u>\$ 1,230,081</u>	<u>\$ 2,326,906</u>

5. TANGIBLE CAPITAL ASSETS

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
				(Restated)
Land	\$ 1,641,613	\$ –	\$ 1,641,613	\$ 1,653,933
Buildings	3,667,708	374,216	3,293,492	3,387,217
Rail road lines	1,220,548	305,139	915,409	945,923
Equipment	2,231,727	935,217	1,296,510	1,737,401
Vehicles	341,252	191,256	149,996	172,802
	<u>\$ 9,102,848</u>	<u>\$ 1,805,828</u>	<u>\$ 7,297,020</u>	<u>\$ 7,897,276</u>

HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2017

6. FUTURE LEASE PAYMENTS

	2017	2016
Cost	\$ 896,538	\$ 896,538
Less accumulated amortization	896,538	814,790
	\$ -	\$ 81,748

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. As of the end of the current fiscal year, these leases have expired.

7. 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

	2017	2016
1 common share	\$ 1	\$ 1
9,740,619 preference shares	9,740,619	9,740,619
	\$ 9,740,620	\$ 9,740,620

8. 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 \$510,000 (2016 - \$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 \$35,950 (2016 - \$194,410) and labour costs \$106,366 (2016 - \$Nil) paid to Nova Scotia Lands Inc., a company controlled by the Province of Nova Scotia.

HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2017

8. RELATED PARTY TRANSACTIONS (CONTINUED)

Included in revenues are office rentals in the amounts of \$62,025 (2016 - \$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 \$Nil (2016 - \$119,077) 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 \$Nil (2016 - \$14,340) 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.

9. 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.

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.

10. 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.