

Non-Consolidated Financial Statements of

**HARBOURSIDE COMMERCIAL
PARK INC.**

Year ended March 31, 2018



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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, 2018 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, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these non-consolidated financial statements present fairly, in all material respects, the financial position of Harbourside Commercial Park Inc. as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Handwritten signature in cursive script that reads "MPM & Associates".

Chartered Professional Accountants
Licensed Public Accountants

Sydney, Canada
June 29, 2018

HARBOURSIDE COMMERCIAL PARK INC.

Non-Consolidated Statement of Financial Position

March 31, 2018, with comparative figures for 2017

| | 2018 | 2017 |
|---------------------------------------|----------------------|----------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents | \$ 6,909,586 | \$ 231,665 |
| Short-term investments | 1,900,625 | 7,001,805 |
| Receivables (note 2) | 976,467 | 867,586 |
| Investment in capital leases (note 3) | 1,202,642 | — |
| | <u>10,989,320</u> | <u>8,101,056</u> |
| FINANCIAL LIABILITIES | | |
| Payables and accruals (note 4) | 1,415,133 | 1,230,081 |
| | <u>9,574,187</u> | <u>6,870,975</u> |
| NET FINANCIAL ASSETS | | |
| | 9,574,187 | 6,870,975 |
| NON-FINANCIAL ASSETS | | |
| Investment in subsidiary | 1 | 1 |
| Tangible capital assets (note 5) | 6,064,021 | 7,297,020 |
| | <u>6,064,022</u> | <u>7,297,021</u> |
| | <u>\$ 15,638,209</u> | <u>\$ 14,167,996</u> |
| TOTAL NET ASSETS | | |
| | \$ 15,638,209 | \$ 14,167,996 |
| COMPANY POSITION | | |
| Capital stock (note 6) | \$ 9,740,620 | \$ 9,740,620 |
| Accumulated surplus | 5,897,589 | 4,427,376 |
| | <u>\$ 15,638,209</u> | <u>\$ 14,167,996</u> |

Commitments (note 8)
Contractual obligation (note 9)

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, 2018, with comparative figures for 2017

| | Budget (Unaudited) | 2018 | 2017 |
|--|-----------------------|--------------|--------------|
| REVENUES | | | |
| Grant – Province of Nova Scotia | \$ 510,000 | \$ 510,000 | \$ 510,000 |
| Rental income | 203,000 | 215,863 | 307,855 |
| Recoveries | 60,000 | 44,953 | 25,474 |
| Gain on sale of assets | 400,000 | 1,692,689 | 60,036 |
| Interest and other income | – | 94,333 | 62,241 |
| | 1,173,000 | 2,557,838 | 965,606 |
| EXPENSES | | | |
| Labour | – | – | 107,583 |
| Management fee (note 7) | 146,200 | 146,200 | 35,950 |
| Electricity | 35,000 | 36,824 | 38,228 |
| General and administration | 35,500 | 16,730 | 12,176 |
| Repairs and maintenance | 29,000 | 77,968 | 29,797 |
| Amortization of tangible capital assets | 552,000 | 553,348 | 607,659 |
| Amortization of future lease payments | – | – | 81,748 |
| Property taxes | 280,000 | 229,987 | 257,674 |
| Professional fees | 40,000 | 41,380 | 41,273 |
| Environmental monitoring expense (recovery) – Port Mersey | – | (14,812) | (40,046) |
| | 1,117,700 | 1,087,625 | 1,172,042 |
| ANNUAL SURPLUS (DEFICIT) | 55,300 | 1,470,213 | (206,436) |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 4,427,376 | 4,427,376 | 4,633,812 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 4,482,676 | \$ 5,897,589 | \$ 4,427,376 |

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, 2018, with comparative figures for 2017

| | 2018 | 2017 |
|--|--------------|--------------|
| ANNUAL SURPLUS (DEFICIT) | \$ 1,470,213 | \$ (206,436) |
| Change in non-financial assets | | |
| Gain on sale of assets | (1,692,689) | (60,036) |
| Amortization of future lease payments | – | 81,748 |
| Purchase of tangible capital assets | – | (62,878) |
| Proceeds from sale of tangible capital assets | 2,372,340 | 115,511 |
| Amortization of tangible capital assets | 553,348 | 607,659 |
| INCREASE IN NET FINANCIAL ASSETS | 2,703,212 | 475,568 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | 6,870,975 | 6,395,407 |
| NET FINANCIAL ASSETS, END OF YEAR | \$ 9,574,187 | \$ 6,870,975 |

See accompanying notes to non-consolidated financial statements.

HARBOURSIDE COMMERCIAL PARK INC.

Non-Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative figures for 2017

| | 2018 | 2017 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Annual surplus (deficit) | \$ 1,470,213 | \$ (206,436) |
| Items not involving cash | | |
| Gain on sale of assets | (1,692,689) | (60,036) |
| Amortization of future lease payments | – | 81,748 |
| Amortization of tangible capital assets | 553,348 | 607,659 |
| Change in non-cash operating working capital | | |
| Decrease (increase) in short-term investments | 5,101,180 | (7,001,805) |
| Decrease (increase) in receivables | (108,881) | 276,102 |
| Increase in capital lease receivables | (1,202,642) | – |
| Increase (decrease) in payables and accruals | 185,052 | (1,096,825) |
| | 4,305,581 | (7,399,593) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of tangible capital assets | – | (62,878) |
| Proceeds on sale of tangible capital assets | 2,372,340 | 115,511 |
| | 2,372,340 | 52,633 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 6,677,921 | (7,346,960) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 231,665 | 7,578,625 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 6,909,586 | \$ 231,665 |

See accompanying notes to non-consolidated financial statements.

HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2018

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. 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 |

(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.

HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

| | 2018 | 2017 |
|--------------------------|-------------------|-------------------|
| Sydney Utilities Limited | \$ 638,411 | \$ 635,107 |
| Escrow fund | 200,600 | 200,000 |
| Trade | 80,063 | 14,617 |
| Province of Nova Scotia | 44,325 | – |
| Harmonized sales tax | 13,068 | – |
| Sydney Steel Corporation | – | 17,862 |
| | <u>\$ 976,467</u> | <u>\$ 867,586</u> |

3. INVESTMENT IN CAPITAL LEASES

During the year the Company entered into capital lease arrangements to sell real and depreciable property. The capital leases are for ten year periods with no implicit interest rates.

HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2018

4. PAYABLES AND ACCRUALS

| | 2018 | 2017 |
|---|--------------|--------------|
| Payable to Nova Scotia Lands Inc. | \$ 853,949 | \$ 548,349 |
| Trade payables and accruals | 211,366 | 50,742 |
| Deposit on sale of land | 176,747 | 204,447 |
| Environmental monitoring – Port Mersey | 125,000 | 150,000 |
| Remediation liability of Brooklyn Power Corporation Inc. site | 45,321 | 59,114 |
| Advances on rent | 2,750 | 14,561 |
| Payable to Province of Nova Scotia | – | 191,742 |
| Harmonized sales tax | – | 11,126 |
| | \$ 1,415,133 | \$ 1,230,081 |

5. TANGIBLE CAPITAL ASSETS

| | 2018 | | 2017 | |
|-----------------|--------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 1,627,501 | \$ – | \$ 1,627,501 | \$ 1,641,613 |
| Buildings | 3,095,038 | 422,959 | 2,672,079 | 3,293,492 |
| Rail road lines | 1,220,548 | 335,654 | 884,894 | 915,409 |
| Equipment | 2,047,727 | 1,260,308 | 787,419 | 1,296,510 |
| Vehicles | 282,180 | 190,052 | 92,128 | 149,996 |
| | \$ 8,272,994 | \$ 2,208,973 | \$ 6,064,021 | \$ 7,297,020 |

6. 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

| | 2018 | 2017 |
|-----------------------------|--------------|--------------|
| 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, 2018

7. RELATED PARTY TRANSACTIONS

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 (2017 - \$510,000) 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 \$146,200 (2017 - \$35,950) and labour costs of \$Nil (2017 - \$106,366) 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 \$59,207 (2017 - \$62,025) received from Nova Scotia Lands Inc., 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.

8. 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.

By way of an operating agreement, the Company has assigned the responsibility of operating and maintaining the Port Mersey site, including execution of the steam agreement, to Nova Scotia Lands Inc. All associated revenues and expenses relating to Port Mersey are recorded in the financial statements of Nova Scotia Lands Inc.

HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2018

9. 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.