

Financial Statements of

NOVA SCOTIA LANDS INC.

Year ended March 31, 2018



MGM & Associates
Chartered Professional 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
Nova Scotia Lands Inc.

We have audited the accompanying financial statements of Nova Scotia Lands Inc. which comprise the statement of financial position as at March 31, 2018 and the statements of financial activities, change in net financial assets (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 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 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 financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity'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 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 audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Nova Scotia Lands 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.

Chartered Professional Accountants
Licensed Public Accountants

Sydney, Canada

June 29, 2018

NOVA SCOTIA LANDS INC.

Statement of Financial Position

March 31, 2018, with comparative figures for 2017

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 315,830	\$ 310,114
Short-term investments	5,001,644	2,501,688
Receivables (note 2)	2,276,596	6,660,134
Prepaid expenses	1,136	1,067
	<u>7,595,206</u>	<u>9,473,003</u>
FINANCIAL LIABILITIES		
Payables and accruals (note 3)	2,740,468	7,351,998
Deferred recoveries	500	275,460
Payable to Portside Aggregates Limited	–	171,785
Payable to Province of Nova Scotia	4,533,253	1,751,754
	<u>7,274,221</u>	<u>9,550,997</u>
NET FINANCIAL ASSETS (DEBT)	<u>\$ 320,985</u>	<u>\$ (77,994)</u>
COMPANY POSITION		
Accumulated surplus (deficit)	\$ 320,984	\$ (77,995)
Capital stock (note 4)	1	1
	<u>\$ 320,985</u>	<u>\$ (77,994)</u>

Commitment (note 6)

See accompanying notes to financial statements.

On behalf of Nova Scotia Lands Inc.

_____ Director

_____ Director

NOVA SCOTIA LANDS INC.

Statement of Financial Activities

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

	Budget (Unaudited)	2018	2017
REVENUES			
Recoveries	\$ 13,019,000	\$ 13,943,867	\$ 14,218,190
Management fees (note 5)	146,000	146,200	35,950
Slag revenue	–	381,844	–
Rental and miscellaneous	1,217,000	591,837	587,715
	14,382,000	15,063,748	14,841,855
EXPENSES			
Demolition and remediation	6,565,000	6,482,422	11,058,215
Salaries and employee benefits	1,756,000	1,734,891	2,021,978
Professional services	4,681,000	5,475,514	1,207,472
Slag expense	–	282,461	–
General and administrative	1,380,000	689,481	613,590
	14,382,000	14,664,769	14,901,255
ANNUAL SURPLUS (DEFICIT)	–	398,979	(59,400)
ACCUMULATED DEFICIT, BEGINNING OF YEAR	(77,995)	(77,995)	(18,595)
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR	\$ (77,995)	\$ 320,984	\$ (77,995)

See accompanying notes to financial statements.

NOVA SCOTIA LANDS INC.

Statement of Change in Net Financial Assets (Debt)

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

	Budget (Unaudited)	2018	2017
ANNUAL SURPLUS (DEFICIT)	\$ -	\$ 398,979	\$ (59,400)
NET FINANCIAL DEBT, BEGINNING OF YEAR	(77,994)	(77,994)	(18,594)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ (77,994)	\$ 320,985	\$ (77,994)

See accompanying notes to financial statements.

NOVA SCOTIA LANDS INC.

Statement of Cash Flows

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 398,979	\$ (59,400)
Change in non-cash operating working capital		
Increase in short-term investments	(2,499,956)	(2,501,688)
Decrease (increase) in receivables	4,383,538	(3,965,003)
Increase in prepaids	(69)	(1,067)
Increase (decrease) in payables and accruals	(4,611,530)	6,524,206
Decrease in deferred recoveries	(274,960)	(418,082)
Increase (decrease) in payable to Portside Aggregates Limited	(171,785)	4,772
Increase (decrease) in payable to Province of Nova Scotia	2,781,499	(5,961,410)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,716	(6,377,672)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	310,114	6,687,786
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 315,830	\$ 310,114

See accompanying notes to financial statements.

NOVA SCOTIA LANDS INC.

Notes to Financial Statements

Year ended March 31, 2018

NATURE OF OPERATIONS

Nova Scotia Lands Inc. (“the Company”) is a crown corporation owned by the Province of Nova Scotia. Its principal role is to conduct remediation activities and put in place the necessary infrastructure for site redevelopment at various sites throughout Nova Scotia.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Company’s financial statements are 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).

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

(c) Net financial assets (debt)

Net financial assets (debt) represent the financial assets of the Company less direct liabilities.

(d) 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.

(e) Accumulated surplus (deficit)

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

(f) 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 financial statements and accompanying notes. Significant items subject to management’s estimates and assumptions include the valuation of receivables. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

NOVA SCOTIA LANDS INC.

Notes to Financial Statements

Year ended March 31, 2018

2. RECEIVABLES

	2018	2017
Harbourside Commercial Park Inc.	\$ 853,949	\$ 548,349
Sydney Steel Corporation	651,813	668,033
Harmonized sales tax	300,540	666,305
Province of Nova Scotia – expense recovery	–	4,659,296
Trade	484,519	64,400
Other	6,000	74,646
	2,296,821	6,681,029
Less allowance for doubtful accounts	(20,225)	(20,895)
	\$ 2,276,596	\$ 6,660,134

3. PAYABLES AND ACCRUALS

	2018	2017
Trade payables, government remittances and accruals	\$ 2,413,292	\$ 6,758,509
Contract holdbacks	327,176	593,489
	\$ 2,740,468	\$ 7,351,998

4. CAPITAL STOCK

Authorized

The Company is authorized to issue 100,000 common shares with a par value of \$1 each.

Issued and outstanding

	2018	2017
1 Common share	\$ 1	\$ 1

5. RELATED PARTY TRANSACTIONS

Included in revenues are recoveries of expenses of \$13,214,437 (2017 - \$13,483,084), \$695,263 (2017 - \$587,947), and \$Nil (2017 - \$106,366) received from the Province of Nova Scotia, Sydney Steel Corporation, and Harbourside Commercial Park Inc., respectively.

NOVA SCOTIA LANDS INC.

Notes to Financial Statements

Year ended March 31, 2018

5. RELATED PARTY TRANSACTIONS (Continued)

In addition, the Company received management fees of \$146,200 (2017 - \$35,950) from Harbourside Commercial Park Inc. The Company rented its office premises from Harbourside Commercial Park Inc. at an annual rent of \$59,207 (2017 - \$62,025).

All noted companies are 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.

6. COMMITMENT

On March 30, 2007, the Sydney Steel Corporation retained the services of a related party, Nova Scotia Lands Inc., to manage the remediation, redevelopment, and by-product operations to be conducted on Sydney Steel Corporation lands and to provide other services as may be required. This agreement which was initially for a two-year period has been renewed on an annual basis.

By way of an operating agreement, the Company has been assigned the responsibility of operating and maintaining the Port Mersey site. Accordingly, all associated revenues and expenses relating to this agreement are recorded in the Company's financial statements.

7. REMUNERATION

Pursuant to the Public Sector Compensation Disclosure Act, the Company is required to disclose individuals with compensation greater than \$100,000. Those individuals are as follows:

	Position	Salary and benefits
Donnie Burke	Executive Project Director	\$ 116,449
Stephen MacIsaac	President	106,909
Frank Potter	Executive Director of Operations	112,029
Kenneth Swain	Project Lead, Boat Harbour	147,256
