

Non-Consolidated Financial Statements of

**HARBOURSIDE COMMERCIAL
PARK INC.**

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Directors of
Harbourside Commercial Park Inc.

Qualified Opinion

We have audited the non-consolidated financial statements of Harbourside Commercial Park Inc., which comprise the non-consolidated statement of financial position as at March 31, 2019, and the non-consolidated statements of financial activities, changes in net assets and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 non-consolidated financial statements are not in compliance with Canadian public sector accounting standards.

Responsibility of Management and Those Charged with Governance 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.

In preparing non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibility for the Audit of the Non-consolidated Financial Statements

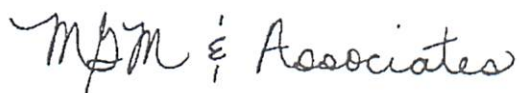
Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these non-consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in black ink that reads 'MGM & Associates'. The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants

Sydney, Canada
July 31, 2019

HARBOURSIDE COMMERCIAL PARK INC.

Non-Consolidated Statement of Financial Position

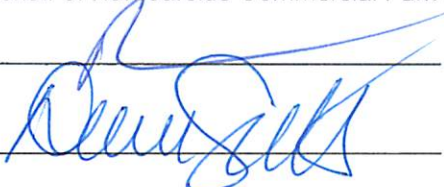
March 31, 2019, with comparative figures for 2018

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 130,137	\$ 6,909,586
Short-term investments	1,000,284	1,900,625
Receivables (note 2)	878,553	976,467
Prepays	30,784	—
Investment in capital leases (note 3)	1,013,846	1,202,642
	<u>3,053,604</u>	<u>10,989,320</u>
FINANCIAL LIABILITIES		
Payables and accruals (note 4)	1,096,880	1,415,133
Contamination provision (note 5)	530,000	—
	<u>1,626,880</u>	<u>1,415,133</u>
NET FINANCIAL ASSETS	<u>1,426,724</u>	<u>9,574,187</u>
NON-FINANCIAL ASSETS		
Investment in subsidiary	1	1
Tangible capital assets (note 6)	7,382,582	6,064,021
	<u>7,382,583</u>	<u>6,064,022</u>
TOTAL NET ASSETS	<u>\$ 8,809,307</u>	<u>\$ 15,638,209</u>
COMPANY POSITION		
Capital stock (note 7)	\$ 1,500,001	\$ 9,740,620
Accumulated surplus	7,309,306	5,897,589
	<u>\$ 8,809,307</u>	<u>\$ 15,638,209</u>

Commitments (note 9)
Contingency (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, 2019, with comparative figures for 2018

	Budget (Unaudited)	2019	2018
REVENUES			
Fair value of contributed tangible capital assets	\$ -	\$ 2,089,400	\$ -
Grant – Province of Nova Scotia	510,000	510,000	510,000
Rental income	203,000	202,829	215,863
Recoveries	-	28,859	44,953
Gain on sale of assets	350,000	4,893	1,692,689
Interest and other income	12,000	52,326	94,333
	<u>1,075,000</u>	<u>2,888,307</u>	<u>2,557,838</u>
EXPENSES			
Management fee (note 8)	148,000	148,000	146,200
Electricity	35,000	38,088	36,824
General and administration	46,000	19,351	16,730
Repairs and maintenance	29,000	29,190	77,968
Amortization of tangible capital assets	552,000	501,854	553,348
Property taxes	240,000	203,956	229,987
Professional fees	15,000	21,706	41,380
Contamination (note 5)	-	530,000	-
Environmental monitoring expense (recovery) – Port Mersey	-	(15,555)	(14,812)
	<u>1,065,000</u>	<u>1,476,590</u>	<u>1,087,625</u>
ANNUAL SURPLUS	<u>10,000</u>	<u>1,411,717</u>	<u>1,470,213</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>5,897,589</u>	<u>5,897,589</u>	<u>4,427,376</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 5,907,589</u>	<u>\$ 7,309,306</u>	<u>\$ 5,897,589</u>

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, 2019, with comparative figures for 2018

	2019	2018
ANNUAL SURPLUS	\$ 1,401,717	\$ 1,470,213
Change in non-financial assets		
Gain on sale of assets	(4,893)	(1,692,689)
Acquisition of tangible capital assets	(2,133,022)	–
Proceeds from sale of tangible capital assets	317,500	2,372,340
Amortization of tangible capital assets	501,854	553,348
Redemption of preferred shares	(8,240,619)	–
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(8,157,463)	2,703,212
NET FINANCIAL ASSETS, BEGINNING OF YEAR	9,574,187	6,870,975
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,416,724	\$ 9,574,187

See accompanying notes to non-consolidated financial statements.

HARBOURSIDE COMMERCIAL PARK INC.

Non-Consolidated Statement of Cash Flows

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 1,411,717	\$ 1,470,213
Items not involving cash		
Fair value of contributed tangible capital assets	(2,089,400)	–
Gain on sale of assets	(4,893)	(1,692,689)
Amortization of tangible capital assets	501,854	553,348
Increase in contamination provision	530,000	–
Change in non-cash operating working capital		
Decrease (increase) in receivables	97,914	(108,881)
Increase in prepaids	(30,784)	–
Increase (decrease) in payables and accruals	(318,253)	185,052
	98,155	407,043
CASH FLOWS FROM FINANCING ACTIVITIES		
(Increase) decrease in capital lease receivables	188,796	(1,202,642)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in short-term investments	900,341	5,101,180
Purchase of tangible capital assets	(43,622)	–
Proceeds on sale of tangible capital assets	317,500	2,372,340
Redemption of preferred shares	(8,240,619)	–
	(7,066,400)	7,473,520
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,779,449)	6,677,921
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,909,586	231,665
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 130,137	\$ 6,909,586

See accompanying notes to non-consolidated financial statements.

HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2019

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. Contributed tangible capital assets are recorded at fair value at the date of 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, 2019

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, carrying value of tangible capital assets and the carrying value of the contamination provision. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. RECEIVABLES

	2019	2018
Sydney Utilities Limited	\$ 656,148	\$ 638,411
Escrow fund	201,704	200,600
Trade	17,947	80,063
Harmonized sales tax	2,754	13,068
Province of Nova Scotia	-	44,325
	\$ 878,553	\$ 976,467

3. INVESTMENT IN CAPITAL LEASES

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, 2019

4. PAYABLES AND ACCRUALS

	2019	2018
Nova Scotia Lands Inc.	\$ 492,126	\$ 853,949
Province of Nova Scotia	295,869	—
Deposit on sale of land	102,997	176,747
Environmental monitoring – Port Mersey	100,000	125,000
Remediation liability of Brooklyn Power Corporation Inc. site	43,833	45,321
Advances on rent	2,750	2,750
Trade payables and accruals	59,305	211,366
	<u>\$ 1,096,880</u>	<u>\$ 1,415,133</u>

5. CONTAMINATION PROVISION

The contamination provision relates to the estimated cost to remediate the contamination located on lands acquired by the Company on March 29, 2019. The contamination resulted from over a century of industrial operations on the site. The basis of determining the estimate of the liability relies on management's assessment, which is compiled based on expert reports obtained by the site's former operator. The assessment is supported by a third party review of the contamination provision prepared on July 19, 2019. The amount recorded in the financial statements has been discounted at a rate of 3.38% to reflect the fact that the expenditures will be made over several years. The Company has accepted responsibility to fund the remediation of the lands and has estimated the gross contamination provision to be \$530,000 at March 31, 2019.

6. TANGIBLE CAPITAL ASSETS

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,006,651	\$ —	\$ 2,006,651	\$ 1,627,501
Buildings	4,518,128	491,144	4,026,984	2,672,079
Rail road lines	1,220,548	366,168	854,380	884,894
Equipment	1,903,249	1,467,062	436,187	787,419
Vehicles	282,080	223,700	58,380	92,128
	<u>\$ 9,930,656</u>	<u>\$ 2,548,074</u>	<u>\$ 7,382,582</u>	<u>\$ 6,064,021</u>

HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2019

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

	2019	2018
1 common share	\$ 1	\$ 1
1,500,000 (2018 - 9,740,619) preference shares	1,500,000	9,740,619
	<u>\$ 1,500,001</u>	<u>\$ 9,740,620</u>

During the year, 8,240,619 preferred shares were redeemed for \$8,240,619.

8. RELATED PARTY TRANSACTIONS

During the current year, the Company received a grant in the amount of \$510,000 (2018 - \$510,000) from the Province of Nova Scotia.

Included in expenditures are management fees of \$148,000 (2018 - \$146,200) 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 \$56,389 (2018 - \$59,207) received from Nova Scotia Lands Inc., a company controlled by the Province of Nova Scotia.

The Company received a contribution of tangible capital assets of \$2,089,400 from a company that the Province of Nova Scotia was a shareholder.

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.

HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2019

9. COMMITMENTS (CONTINUED)

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.

10. CONTINGENCY

The Company has performed activities under the terms of a remediation agreement which are subject to the mutual approval of the parties involved. Any additional costs required and settlement of receivables is contingent on approval of the work performed. The outcome of the matter is not determinable and discrepancy upon settlement, if any, will be accounted for as a charge to operations in the period of settlement.