

Financial Statements of

NOVA SCOTIA LANDS INC.

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Directors of
Nova Scotia Lands Inc.

Opinion

We have audited the accompanying financial statements of Nova Scotia Lands Inc. which comprise the statement of financial position as at March 31, 2019 and the statements of financial activities, changes in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Nova Scotia Lands Inc. as at March 31, 2019 and the results of its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and Those Charged with Governance 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.

In preparing 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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.

MPM & Associates

Chartered Professional Accountants
Licensed Public Accountants

Sydney, Canada
June 27, 2019

NOVA SCOTIA LANDS INC.

Statement of Financial Position

March 31, 2019, with comparative figures for 2018

	2019	2018
FINANCIAL ASSETS		
Cash	\$ 238,569	\$ 315,830
Short-term investments	4,501,276	5,001,644
Receivables (note 2)	1,769,772	2,276,596
	<u>6,509,617</u>	<u>7,594,070</u>
FINANCIAL LIABILITIES		
Payables and accruals (note 3)	2,971,925	2,740,468
Deferred recoveries	30,500	500
Payable to Province of Nova Scotia	3,109,519	4,533,253
	<u>6,111,944</u>	<u>7,274,221</u>
NET FINANCIAL ASSETS	<u>397,673</u>	<u>319,849</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	1,210	1,136
TOTAL NET ASSETS	<u>\$ 398,883</u>	<u>\$ 320,985</u>
COMPANY POSITION		
Accumulated surplus (deficit)	\$ 398,882	\$ 320,984
Capital stock (note 4)	1	1
	<u>\$ 398,883</u>	<u>\$ 320,985</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, 2019, with comparative figures for 2018

	Budget (Unaudited)	2019	2018
REVENUES			
Recoveries	\$ 19,845,000	\$ 15,738,968	\$ 13,943,867
Management fees (note 5)	148,000	148,000	146,200
Slag revenue	–	170,385	381,844
Rental and miscellaneous	612,000	426,165	591,837
Health infrastructure recovery	–	1,518,031	–
	20,605,000	18,001,549	15,063,748
EXPENSES			
Demolition and remediation	4,618,000	2,638,646	6,482,422
Salaries and employee benefits	1,694,000	2,726,151	1,734,891
Professional services	11,552,000	9,942,917	5,475,514
Slag expense	–	146,088	282,461
General and administrative	2,822,000	951,818	689,481
Health infrastructure expenses (Schedule)	–	1,518,031	–
	20,686,000	17,923,651	14,664,769
ANNUAL SURPLUS (DEFICIT)	(81,000)	77,898	398,979
ACCUMULATED DEFICIT, BEGINNING OF YEAR	820,984	320,984	(77,995)
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR	\$ 239,984	\$ 398,882	\$ 320,984

See accompanying notes to financial statements.

NOVA SCOTIA LANDS INC.

Statement of Change in Net Financial Assets (Debt)

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

	Budget	2019	2018
	(Unaudited)		
ANNUAL SURPLUS (DEFICIT)	\$ (81,000)	\$ 77,898	\$ 398,979
Change in non-financial assets			
Increase in prepaid expenses	–	(74)	(69)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	319,849	319,849	(79,061)
NET FINANCIAL ASSETS, END OF YEAR	\$ 238,849	\$ 397,673	\$ 319,849

See accompanying notes to financial statements.

NOVA SCOTIA LANDS INC.

Statement of Cash Flows

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 77,898	\$ 398,979
Change in non-cash operating working capital		
Decrease (increase) in short-term investments	500,368	(2,499,956)
Decrease in receivables	506,824	4,383,538
Increase in prepaids	(74)	(69)
Increase (decrease) in payables and accruals	231,457	(4,611,530)
Increase (decrease) in deferred recoveries	30,000	(274,960)
Decrease in payable to Portside Aggregates Limited	-	(171,785)
Increase (decrease) in payable to Province of Nova Scotia	(1,423,734)	2,781,499
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(77,261)	5,716
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	315,830	310,114
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 238,569	\$ 315,830

See accompanying notes to financial statements.

NOVA SCOTIA LANDS INC.

Notes to Financial Statements

Year ended March 31, 2019

NATURE OF OPERATIONS

Nova Scotia Lands Inc. ("the Company") is a crown corporation owned by the Province of Nova Scotia. Its role is to conduct remediation activities and put in place the necessary infrastructure for site redevelopment at various sites throughout Nova Scotia. In 2018, the Health Infrastructure Division was created to deliver the QEII redevelopment and Cape Breton health facility developments. The QEII Redevelopment Project is a multi-year redevelopment project of our largest and most specialized health care services. In Cape Breton, master planning work is being undertaken for major healthcare redevelopment including expansion of services, renovations and construction of new health centres.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Company's financial statements are prepared in accordance with Canadian public sector accounting standards.

(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.

NOVA SCOTIA LANDS INC.

Notes to Financial Statements

Year ended March 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

2. RECEIVABLES

	2019	2018
Harbourside Commercial Park Inc.	\$ 492,127	\$ 853,949
Sydney Steel Corporation	738,217	651,813
Harmonized sales tax	344,334	300,540
Trade	202,213	484,519
Other	6,000	6,000
	1,782,891	2,296,821
Less allowance for doubtful accounts	(13,119)	(20,225)
	\$ 1,769,772	\$ 2,276,596

3. PAYABLES AND ACCRUALS

	2019	2018
Trade payables, government remittances and accruals	\$ 2,415,072	\$ 2,413,292
Contract holdbacks	556,853	327,176
	\$ 2,971,925	\$ 2,740,468

NOVA SCOTIA LANDS INC.

Notes to Financial Statements

Year ended March 31, 2019

4. CAPITAL STOCK

Authorized

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

Issued and outstanding

	2019	2018
1 Common share	\$ 1	\$ 1

5. RELATED PARTY TRANSACTIONS

Included in revenues are recoveries of expenses of \$15,214,343 (2018 - \$13,214,437), \$524,625 (2018 - \$695,263) and Health Infrastructure revenue \$1,518,031 (2018 - \$Nil) received from the Province of Nova Scotia and Sydney Steel Corporation, respectively.

In addition, the Company received management fees of \$148,000 (2018 - \$146,200) from Harbourside Commercial Park Inc. The Company rented its office premises from Harbourside Commercial Park Inc. at an annual rent of \$56,389 (2018 - \$59,207).

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. COMPARATIVE FIGURES

Certain of the 2018 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

NOVA SCOTIA LANDS INC.

Notes to Financial Statements

Year ended March 31, 2019

8. 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	\$ 132,751
Stephen MacIsaac	President	165,409
Frank Potter	Project Director	165,954
Kenneth Swain	Project Lead, Boat Harbour	141,223
Wilfred Kaiser	Project Director	157,750
David MacNeil	Executive Director	188,409
Jo Ann Fewer	Vice President	121,993

NOVA SCOTIA LANDS INC.

Schedule – Health Infrastructure Expenses

Year ended March 31, 2019

Salaries and employee benefits	\$ 1,310,795
Professional services	91,665
General and administrative	72,967
Travel	21,433
Other costs	21,171
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	\$ 1,518,031
