

**HARBOURSIDE COMMERCIAL
PARK INC.**
Non-Consolidated Financial Statements of
March 31, 2020

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, 2020, and the non-consolidated statements of financial activities, changes in net financial 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, 2020, 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.

Other Matter

The non-consolidated financial statements of Harbourside Commercial Park Inc. for the year ended March 31, 2019 were audited by MGM & Associates Chartered Professional Accountants of Sydney, Nova Scotia, Canada, prior to its merger with MNP LLP. MGM & Associates Chartered Professional Accountants expressed a qualified opinion on those statements on July 31, 2019 for the reasons described in the Basis for Qualified Opinion paragraph.

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.

MNP LLP

Sydney, Nova Scotia

Chartered Professional Accountants

June 26, 2020

HARBOURSIDE COMMERCIAL PARK INC.

Non-Consolidated Statement of Financial Position

March 31, 2020, with comparative figures for 2019

	2020	2019 (Restated)
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 1,048,984	\$ 130,137
Short-term investments	600,110	1,000,284
Receivables (note 2)	873,182	878,553
Investment in capital leases (note 3)	1,121,050	1,013,846
	<u>3,643,326</u>	<u>3,022,820</u>
FINANCIAL LIABILITIES		
Payables and accruals (note 4)	940,538	1,096,880
Contamination provision (note 5)	508,339	530,000
	<u>1,448,877</u>	<u>1,626,880</u>
NET FINANCIAL ASSETS	<u>2,194,449</u>	<u>1,395,940</u>
NON-FINANCIAL ASSETS		
Investment in subsidiary	1	1
Tangible capital assets (note 6)	6,279,379	7,234,022
Prepays	113,971	30,784
	<u>6,393,351</u>	<u>7,264,807</u>
TOTAL NET ASSETS	<u>\$ 8,587,800</u>	<u>\$ 8,660,747</u>
COMPANY POSITION		
Capital stock (note 7)	\$ 1,500,001	\$ 1,500,001
Accumulated surplus	7,087,799	7,160,746
	<u>\$ 8,587,800</u>	<u>\$ 8,660,747</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, 2020, with comparative figures for 2019

	Budget (Unaudited)	2020	2019 (Restated)
REVENUES			
Grant – Province of Nova Scotia	\$ 510,000	\$ 510,000	\$ 510,000
Rental income	200,000	189,839	202,829
Recoveries	–	114,815	28,859
Gain on sale of assets	850,000	57,162	4,893
Interest and other income	12,000	38,846	52,326
Fair value of contributed tangible capital assets	–	–	2,089,400
	1,572,000	910,662	2,888,307
EXPENSES			
Management fee (note 8)	175,000	175,000	148,000
Electricity	35,000	36,070	38,088
General and administration	50,500	22,710	19,351
Repairs and maintenance	20,000	25,921	29,190
Amortization of tangible capital assets	552,000	517,512	501,854
Property taxes	215,000	186,554	203,956
Professional fees	15,000	33,958	21,706
Contamination (note 5)	–	(2,575)	530,000
Environmental monitoring expense (recovery) – Port Mersey	–	(11,541)	(15,555)
	1,062,500	983,609	1,476,590
ANNUAL SURPLUS (DEFICIT)	509,500	(72,947)	1,411,717
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
As previously reported	7,309,306	7,309,306	5,897,589
Restatement (note 11)	(148,560)	(148,560)	(148,560)
As restated	7,160,746	7,160,746	5,749,029
ACCUMULATED SURPLUS, END OF YEAR	\$ 7,670,246	\$ 7,087,799	\$ 7,160,746

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, 2020, with comparative figures for 2019

	2020	2019
		(Restated)
ANNUAL SURPLUS (DEFICIT)	\$ (72,947)	\$ 1,411,717
Change in non-financial assets		
Gain on sale of assets	(57,162)	(4,893)
Acquisition of tangible capital assets	(28,650)	(2,133,022)
Proceeds from sale of tangible capital assets	522,943	317,500
Amortization of tangible capital assets	517,512	501,854
Redemption of preferred shares	-	(8,240,619)
Increase in prepaids	(83,187)	(30,784)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	798,509	(8,178,247)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,395,940	9,574,187
NET FINANCIAL ASSETS, END OF YEAR	\$ 2,194,449	\$ 1,395,940

See accompanying notes to non-consolidated financial statements.

HARBORSIDE COMMERCIAL PARK INC.

Non-Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (72,947)	\$ 1,411,717
Items not involving cash		
Fair value of contributed tangible capital assets	–	(2,089,400)
Gain on sale of assets	(57,162)	(4,893)
Amortization of tangible capital assets	517,512	501,854
Increase (decrease) in contamination provision	(21,661)	530,000
Change in non-cash operating working capital		
Decrease in receivables	5,371	97,914
Increase in prepaids	(83,187)	(30,784)
Decrease in payables and accruals	(156,342)	(318,253)
	131,584	98,155
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in capital lease receivables	(107,204)	188,796
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in short-term investments	400,174	900,341
Purchase of tangible capital assets	(28,650)	(43,622)
Proceeds on sale of tangible capital assets	522,943	317,500
Redemption of preferred shares	–	(8,240,619)
	894,467	(7,066,400)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	918,847	(6,779,449)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	130,137	6,909,586
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,048,984	\$ 130,137

See accompanying notes to non-consolidated financial statements.

HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2020

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, 2020

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

	2020	2019
Sydney Utilities Limited	\$ 626,053	\$ 656,148
Escrow fund	204,261	201,704
Trade	40,212	17,947
Harmonized sales tax	2,656	2,754
	<u>\$ 873,182</u>	<u>\$ 878,553</u>

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, 2020

4. PAYABLES AND ACCRUALS

	2020	2019
Province of Nova Scotia	\$ 495,700	\$ 295,869
Nova Scotia Lands Inc.	124,130	492,126
Deposit on sale of land	107,129	102,997
Trade payables and accruals	91,996	59,305
Environmental monitoring – Port Mersey	75,000	100,000
Remediation liability of Brooklyn Power Corporation Inc. site	43,833	43,833
Advances on rent	2,750	2,750
	\$ 940,538	\$ 1,096,880

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 2.5% (2019 -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 \$508,339 (2019 - \$530,000).

6. TANGIBLE CAPITAL ASSETS

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
				(Restated)
Land	\$ 2,006,651	\$ –	\$ 2,006,651	\$ 2,006,651
Buildings	3,860,452	523,922	3,336,530	3,878,424
Rail road lines	1,220,548	396,681	823,867	854,380
Equipment	1,850,249	1,801,376	48,873	436,187
Vehicles	330,730	267,272	63,458	58,380
	\$ 9,268,630	\$ 2,989,251	\$ 6,279,379	\$ 7,234,022

HARBORSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2020

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

	2020	2019
1 common share	\$ 1	\$ 1
1,500,000 (2019 – 1,500,000) preference shares	1,500,000	1,500,000
	<u>\$ 1,500,001</u>	<u>\$ 1,500,001</u>

8. RELATED PARTY TRANSACTIONS

During the current year, the Company received a grant in the amount of \$510,000 (2019 - \$510,000) from the Province of Nova Scotia.

Included in expenditures are management fees of \$175,000 (2019 - \$148,000) and various operating expenses of \$29,085 (2019 - \$Nil) 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 (2019 - \$56,389) received from Nova Scotia Lands Inc., a company controlled by the Province of Nova Scotia.

During the year ended March 31, 2019, 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, 2020

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.

11. RESTATEMENT

During the year, the Company determined that it had not properly allocated costs of capital improvements during the fiscal year March 31, 2016 which were subsequently sold. These financial statements have been restated retrospectively to correct the error. As a result, tangible capital assets and accumulated surplus have decreased by \$148,560. Prepaids have been adjusted to be presented as a non-financial asset. As a result, the Statement of Financial Position and the Statement of Change in Net Financial Assets have been adjusted to reflect the change in presentation of prepaids.

HARBOURSIDE COMMERCIAL PARK INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2020

12. SUBSEQUENT EVENT

- (a) On April 1, 2020, the Company amalgamated with Sydney Utilities Limited pursuant to the Nova Scotia Companies Act. The amalgamated company will continue operations as Harbourside Commercial Park Inc.
- (b) On March 11, 2020 the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", was classified as a pandemic and has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to business globally resulting in economic slowdown. The duration and impact of the COVID-19 outbreak, including the impact of government and central bank interventions aimed at stabilizing the economic decline, is not fully known at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on financial result of the Company in future periods.