

NOVA SCOTIA LANDS INC.
Financial Statements

March 31, 2020

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, 2020 and the statements of financial activities, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nova Scotia Lands Inc. as at March 31, 2020 and the results of its operations 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.

Other Matter

The financial statements of Nova Scotia Lands 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 an unmodified opinion on those statements on June 27, 2019.

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.

Sydney, Nova Scotia

June 26, 2020

MNP LLP

Chartered Professional Accountants

NOVA SCOTIA LANDS INC.

Statement of Financial Position

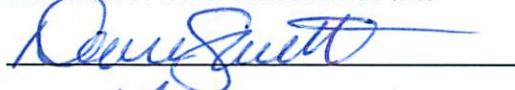
March 31, 2020, with comparative figures for 2019


	2020	2019
FINANCIAL ASSETS		
Cash	\$ 231,052	\$ 238,569
Short-term investments	5,000,911	4,501,276
Receivables (note 2)	2,458,484	1,769,772
	<u>7,690,447</u>	<u>6,509,617</u>
FINANCIAL LIABILITIES		
Payables and accruals (note 3)	3,936,199	2,971,925
Deferred recoveries	30,500	30,500
Payable to Province of Nova Scotia	3,617,928	3,109,519
	<u>7,584,627</u>	<u>6,111,944</u>
NET FINANCIAL ASSETS	<u>105,820</u>	<u>397,673</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	440,340	1,210
Tangible capital assets (note 4)	12,541	—
TOTAL NET ASSETS	<u>\$ 558,701</u>	<u>\$ 398,883</u>
COMPANY POSITION		
Accumulated surplus	\$ 558,700	\$ 398,882
Capital stock (note 5)	1	1
	<u>\$ 558,701</u>	<u>\$ 398,883</u>

Commitment (note 7)

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, 2020, with comparative figures for 2019

	Budget (Unaudited)	2020	2019
REVENUES			
Recoveries	\$ 22,098,000	\$ 16,598,331	\$ 15,738,968
Management fees (note 6)	175,000	175,000	148,000
Slag revenue	–	36,930	170,385
Rental and miscellaneous	362,000	382,108	426,165
Health infrastructure recovery	–	9,295,969	1,518,031
	22,635,000	26,488,338	18,001,549
EXPENSES			
Demolition and remediation	9,695,000	2,427,314	2,638,646
Salaries and employee benefits	2,099,000	3,403,797	2,726,151
Professional services	9,609,000	9,724,142	9,942,917
Slag expense	–	34,470	146,088
General and administrative	1,737,000	1,442,828	951,818
Health infrastructure expenses (Schedule)	–	9,295,969	1,518,031
	23,140,000	26,328,520	17,923,651
ANNUAL SURPLUS (DEFICIT)	(505,000)	159,818	77,898
ACCUMULATED DEFICIT, BEGINNING OF YEAR	398,882	398,882	320,984
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR	\$ (106,118)	\$ 558,700	\$ 398,882

See accompanying notes to financial statements.

NOVA SCOTIA LANDS INC.

Statement of Change in Net Financial Assets

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

	Budget	2020	2019
	(Unaudited)		
ANNUAL SURPLUS (DEFICIT)	\$ (505,000)	\$ 158,818	\$ 77,898
Change in non-financial assets			
Increase in prepaid expenses	–	(439,130)	(74)
Acquisition of tangible capital assets	–	(14,297)	–
Amortization of tangible capital assets	–	1,756	–
NET FINANCIAL ASSETS, BEGINNING OF YEAR	397,673	397,673	319,849
NET FINANCIAL ASSETS, END OF YEAR	\$ (107,327)	\$ 105,820	\$ 397,673

See accompanying notes to financial statements.

NOVA SCOTIA LANDS INC.

Statement of Cash Flows

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 159,818	\$ 77,898
Items not involving cash		
Amortization of tangible capital assets	1,756	–
Change in non-cash operating working capital		
Decrease (increase) in short-term investments	(499,635)	500,368
Decrease (increase) in receivables	(688,712)	506,824
Increase in prepaids	(439,130)	(74)
Increase in payables and accruals	964,274	231,457
Increase in deferred recoveries	–	30,000
Increase (decrease) in payable to Province of Nova Scotia	508,409	(1,423,734)
	6,780	(77,261)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in tangible capital assets	(14,297)	–
DECREASE IN CASH AND CASH EQUIVALENTS	(7,517)	(77,261)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	238,569	315,830
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 231,052	\$ 238,569

See accompanying notes to financial statements.

NOVA SCOTIA LANDS INC.

Notes to Financial Statements

Year ended March 31, 2020

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

Net financial assets represent the financial assets of the Company less direct 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
Leasehold improvements	Straight-line	5 years

(e) 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.

NOVA SCOTIA LANDS INC.

Notes to Financial Statements

Year ended March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government recoveries are recognized as revenue when expenses are incurred and collectability is reasonably assured.

(f) Accumulated surplus

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

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

2. RECEIVABLES

	2020	2019
Harbourside Commercial Park Inc.	\$ 124,132	\$ 492,127
Sydney Steel Corporation	1,084,713	738,217
Harmonized sales tax	345,171	344,334
Trade	935,585	202,213
Other	6,000	6,000
	2,495,601	1,782,891
Less allowance for doubtful accounts	(37,117)	(13,119)
	\$ 2,458,484	\$ 1,769,772

3. PAYABLES AND ACCRUALS

	2020	2019
Trade payables, government remittances and accruals	\$ 3,555,369	\$ 2,415,072
Contract holdbacks	380,830	556,853
	\$ 3,936,199	\$ 2,971,925

NOVA SCOTIA LANDS INC.

Notes to Financial Statements

Year ended March 31, 2020

4. TANGIBLE CAPITAL ASSETS

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements	\$ 14,297	\$ 1,756	\$ 12,541	\$ -

5. CAPITAL STOCK

Authorized

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

Issued and outstanding

	2020		2019	
1 Common share		\$ 1		\$ 1

6. RELATED PARTY TRANSACTIONS

Included in revenues are recoveries of expenses of \$15,567,309 (2019 - \$15,214,343), \$869,882 (2019 - \$524,625) and Health Infrastructure revenue \$9,295,969 (2019 - \$1,518,031) received from the Province of Nova Scotia and Sydney Steel Corporation, respectively.

In addition, the Company received management fees of \$175,000 (2019 - \$148,000) and various recoveries of \$29,085 (2019 - \$Nil) from Harbourside Commercial Park Inc. The Company rented its office premises from Harbourside Commercial Park Inc. at an annual rent of \$56,389 (2019 - \$56,389).

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.

7. 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 operating agreements, the Company has been assigned the responsibility of operating and maintaining the Port Mersey Commercial Park and the Trenton Commercial Park. Accordingly, all associated revenues and expenses relating to these agreements are recorded in the Company's financial statements.

NOVA SCOTIA LANDS INC.

Notes to Financial Statements

Year ended March 31, 2020

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	\$ 123,621
Stephen MacIsaac	President	145,899
Frank Potter	Project Director	113,709
Kenneth Swain	Project Lead, Boat Harbour	139,617
Wilfred Kaiser	Project Director	102,875
David MacNeil	Executive Director	132,624
Jo Ann Fewer	Vice President	127,760
Greg McGrath	Senior Director of Technical	105,623
John O'Connor	Vice President of Infrastructure	176,667
Neil Whyte	Director of Facilities Work Stream	126,421

9. SUBSEQUENT EVENT

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.

NOVA SCOTIA LANDS INC.

Schedule – Health Infrastructure Expenses

Year ended March 31, 2020

	2020	2019
Salaries and employee benefits	\$ 5,732,102	\$ 1,310,795
General and administrative	2,584,029	72,967
Other costs	402,501	21,171
Professional services	383,095	91,665
Travel	194,242	21,433
	<u>\$ 9,295,969</u>	<u>\$ 1,518,031</u>