

SYDNEY UTILITIES LIMITED
Financial Statements
March 31, 2020

Independent Auditors' Report

To the Directors of Sydney Utilities Limited

Opinion

We have audited the accompanying financial statements of Sydney Utilities Limited which comprise the statement of financial position as at March 31, 2020 and the statements of financial activities, changes in net financial debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Sydney Utilities Limited as at March 31, 2020 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.

Other Matter

The financial statements of Sydney Utilities Limited for the year ended March 31, 2020 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.

MNP LLP

Sydney, Nova Scotia

Chartered Professional Accountants

June 26, 2020

SYDNEY UTILITIES LIMITED

Statement of Financial Position

March 31, 2020, with comparative figures for 2019

	2020	2019
FINANCIAL ASSETS		
Receivables		
Sydney Steel Corporation	\$ 14,206	\$ 12,567
Other	63,453	71,408
	<u>77,659</u>	<u>83,975</u>
FINANCIAL LIABILITIES		
Trade payables	58,512	38,329
Payable to Harbourside Commercial Park Inc.	626,053	656,148
	<u>684,565</u>	<u>694,477</u>
NET FINANCIAL DEBT	<u>(606,906)</u>	<u>(610,502)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets – land	200,250	200,250
TOTAL NET DEBT	<u>\$ (406,656)</u>	<u>\$ (410,252)</u>
COMPANY POSITION		
Capital stock (note 3)	\$ 1	\$ 1
Accumulated deficit	(406,657)	(410,253)
	<u>\$ (406,656)</u>	<u>\$ (410,252)</u>

See accompanying notes to financial statements.

On behalf of Sydney Utilities Limited



Director



Director

SYDNEY UTILITIES LIMITED

Statement of Financial Activities

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

	2020	2019
REVENUES		
Recoveries	\$ 111,104	\$ 118,022
EXPENSES		
Operating costs	96,580	93,796
Property taxes	10,928	10,928
	<u>107,508</u>	<u>104,724</u>
ANNUAL SURPLUS	3,596	13,298
ACCUMULATED DEFICIT, BEGINNING OF YEAR	(410,253)	(423,551)
ACCUMULATED DEFICIT, END OF YEAR	<u>\$ (406,657)</u>	<u>\$ (410,253)</u>

See accompanying notes to financial statements.

SYDNEY UTILITIES LIMITED

Statement of Change in Net Financial Debt

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

	2020	2019
ANNUAL SURPLUS	\$ 3,596	\$ 13,298
NET FINANCIAL DEBT, BEGINNING OF YEAR	(610,502)	(623,800)
NET FINANCIAL DEBT, END OF YEAR	\$ (606,906)	\$ (610,502)

See accompanying notes to financial statements.

SYDNEY UTILITIES LIMITED

Statement of Cash Flows

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 3,596	\$ 13,298
Change in non-cash operating working capital		
Decrease in receivable from Sydney Steel Corporation	(1,639)	–
Increase in other receivables	7,955	(31,714)
Increase in trade payables	20,183	679
Increase in payable to Harbourside Commercial Park Inc.	(30,095)	17,737
CHANGE IN CASH AND CASH EQUIVALENTS, BEING		
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ –	\$ –

See accompanying notes to financial statements.

SYDNEY UTILITIES LIMITED

Notes to Financial Statements

Year ended March 31, 2020

NATURE OF OPERATIONS

Sydney Utilities Limited (the "Company") is a wholly-owned subsidiary of Harbourside Commercial Park Inc. which is a crown corporation owned by the Province of Nova Scotia. It funds the operating costs of the Grand Lake pumping station. It commenced operations on March 30, 2007.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

(b) Net financial debt

Net financial liabilities represent the financial assets of the Company less financial liabilities.

(c) Tangible capital assets

Tangible capital assets having 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.

(d) Accumulated deficit

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

(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.

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

(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 and carrying value of land. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

SYDNEY UTILITIES LIMITED

Notes to Financial Statements

Year ended March 31, 2020

2. RELATED PARTY TRANSACTIONS

Included in revenue is a recovery of expenses received from Sydney Steel Corporation, a company commonly controlled by the Province of Nova Scotia, in the amount of \$10,928 (2019 - \$10,928). Included in expenses are water fees invoiced by the Province of Nova Scotia, Department of Environment, in the amount of \$2,388 (2019 - \$2,388). These transactions are in the normal course of operations and are measured at the exchange amount which approximates fair market value.

3. CAPITAL STOCK

Authorized

The Company is authorized to issue 40,000 common shares with par value of \$1 each.

Issued and outstanding

	2020	2019
1 common share	\$ 1	\$ 1

3. SUBSEQUENT EVENT

- (a) Subsequent to year end, on April 1, 2020, the Company amalgamated with Harbourside Commercial Park Inc. pursuant to the Nova Scotia Companies Act.
- (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.

4. COMPARATIVE FIGURES

The presentation of the Statement of Change in Net Financial Debt has been adjusted to remove non-financial assets from the calculation.