

Nova Scotia Lands Inc.
Financial Statements

March 31, 2021

Independent Auditor's Report

To the Directors of Nova Scotia Lands Inc.:

Opinion

We have audited the financial statements of Nova Scotia Lands Inc. (the "Company"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, 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 the Company as at March 31, 2021, 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 the 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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.

Auditor's Responsibilities 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 decisions 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 29, 2021

MNP LLP

Chartered Professional Accountants

Nova Scotia Lands Inc.
Statement of Financial Position
As at March 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash	\$ 6,878,037	\$ 231,052
Short-term investments	—	5,000,911
Receivables (note 2)	7,212,146	2,458,484
	14,090,183	7,690,447
FINANCIAL LIABILITIES		
Payables and accruals (note 3)	4,291,564	3,936,199
Deferred recoveries	30,500	30,500
Payable to Province of Nova Scotia	8,999,876	3,617,928
	13,321,940	7,584,627
NET FINANCIAL ASSETS	768,243	105,820
NON-FINANCIAL ASSETS		
Prepaid expenses	426,387	440,340
Tangible capital assets (note 4)	67,401	12,541
TOTAL NET ASSETS	\$ 1,262,031	\$ 558,701
COMPANY POSITION		
Accumulated surplus	\$ 1,262,030	\$ 558,700
Capital stock (note 5)	1	1
	\$ 1,262,031	\$ 558,701

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
For the year ended March 31, 2021

	Budget (Unaudited)	2021	2020
REVENUES			
Recoveries	\$ 45,473,000	\$ 24,159,211	\$ 16,598,331
Management fees (note 6)	180,000	180,000	175,000
Slag revenue	–	1,734	36,930
Rental and miscellaneous	764,000	237,224	382,108
Health infrastructure recovery	12,393,000	13,745,316	9,295,969
	<u>58,810,000</u>	<u>38,323,485</u>	<u>26,488,338</u>
EXPENSES			
Demolition and remediation	36,411,000	13,662,954	2,427,314
Salaries and employee benefits	2,098,000	3,568,483	3,403,797
Professional services	6,450,000	5,794,256	9,724,142
Slag expense	–	5,386	34,470
General and administrative	1,610,000	920,919	1,442,828
Health infrastructure expenses (Schedule)	12,393,000	13,668,157	9,295,969
	<u>58,962,000</u>	<u>37,620,155</u>	<u>26,328,520</u>
ANNUAL SURPLUS (DEFICIT)	(152,000)	703,330	159,818
ACCUMULATED DEFICIT, BEGINNING OF YEAR	558,700	558,700	398,882
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR	\$ 406,700	\$ 1,262,030	\$ 558,700

See accompanying notes to financial statements.

Nova Scotia Lands Inc.
Statement of Change in Net Financial Assets

For the year ended March 31, 2021

	Budget (Unaudited)	2021	2020
ANNUAL SURPLUS (DEFICIT)	\$ (152,000)	\$ 703,330	\$ 159,818
Change in non-financial assets			
Decrease (increase) in prepaid expenses	–	13,953	(439,130)
Acquisition of tangible capital assets	–	(77,159)	(14,297)
Amortization of tangible capital assets	3,000	22,299	1,756
NET FINANCIAL ASSETS, BEGINNING OF YEAR	105,820	105,820	397,673
NET FINANCIAL ASSETS, END OF YEAR	\$ (43,180)	\$ 768,243	\$ 105,820

See accompanying notes to financial statements.

Nova Scotia Lands Inc.
Statement of Cash Flows
For the year ended March 31, 2021

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 703,330	\$ 159,818
Items not involving cash		
Amortization of tangible capital assets	22,299	1,756
Change in non-cash operating working capital		
Decrease (increase) in short-term investments	5,000,911	(499,635)
Increase in receivables	(4,753,662)	(688,712)
Decrease (increase) in prepaids	13,953	(439,130)
Increase in payables and accruals	355,365	964,274
Increase in payable to Province of Nova Scotia	5,381,948	508,409
	6,724,144	6,780
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in tangible capital assets	(77,159)	(14,297)
(INCREASE) DECREASE IN CASH AND CASH EQUIVALENTS		
	6,646,985	(7,517)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	231,052	238,569
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,878,037	\$ 231,052

See accompanying notes to financial statements.

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
Information technology assets	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
For the year ended March 31, 2021

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

	2021	2020
Harbourside Commercial Park Inc.	\$ 2,316,568	\$ 124,132
Sydney Steel Corporation	1,412,246	1,084,713
Harmonized sales tax	–	345,171
Trade	3,488,401	935,585
Other	6,000	6,000
	<u>7,223,215</u>	<u>2,495,601</u>
Less allowance for doubtful accounts	(11,069)	(37,117)
	<u>\$ 7,212,146</u>	<u>\$ 2,458,484</u>

3. PAYABLES AND ACCRUALS

	2021	2020
Trade payables and accruals	\$ 2,373,656	\$ 3,555,369
Contract holdbacks	1,098,326	380,830
Harmonized sales tax	819,582	–
	<u>\$ 4,291,564</u>	<u>\$ 3,936,199</u>

Nova Scotia Lands Inc.
Notes to Financial Statements
For the year ended March 31, 2021

4. TANGIBLE CAPITAL ASSETS

	2021			2020	
	Cost	Accumulated amortization	Net book value	Net book value	
Leasehold improvements	\$ 14,297	\$ 4,766	\$ 9,531	\$	12,541
Information technology assets	77,159	19,289	57,870	-	
	\$ 91,456	\$ 24,055	\$ 67,401	\$	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

	2021		2020	
1 Common share	\$	1	\$	1

6. RELATED PARTY TRANSACTIONS

Included in revenues are recoveries of expenses of \$22,481,789 (2020 - \$15,567,309), \$1,380,264 (2020 - \$840,024) received from the Province of Nova Scotia and Sydney Steel Corporation, respectively. Also included in revenues are Health infrastructure revenues of \$13,745,316 (2020 - \$9,295,969) received from the Province of Nova Scotia.

In addition, the Company received management fees of \$180,000 (2020 - \$175,000) and various recoveries of \$29,176 (2020 - \$29,085) from Harbourside Commercial Park Inc. The Company rented its office premises from Harbourside Commercial Park Inc. at an annual rent of \$56,389 (2020 - \$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.

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
Carl Baillie	Project Manager	\$ 103,810
David Benoit	Executive Director of Strategic Health Infrastructure Planning	134,580
Rae Burke	Director of Procurement Equipment Stream	110,357
Donnie Burke	Executive Project Director	130,317
Andrew Campbell	Director of Procurement Stream	119,100
Tim Coolen	ICAT Technical Project Manager	106,452
Bryan Darrell	Senior Director – Major Construction and Renovations	135,183
Joyce Diamond	Solicitor	130,119
Andrew Feener	Director of Infrastructure Work Stream	117,269
Marie-Aurore Frey	Director of DBFM	116,599
Nicholas Goodine	Director of Project Management Services	107,163
Wilfred Kaiser	Project Director	108,370
Marie Therese Leblanc	Senior Architect	103,813
Ray Levy	Director of Infrastructure and Facilities	115,530
Stephen MacIsaac	President	154,394
David MacNeil	Executive Director	139,763
Adel Maher	Senior Architect	103,675
Greg McGrath	Senior Director of Technical	141,960
Stephanie Nowe-Morris	Senior Architect	103,418
John O'Connor	Vice-President of Infrastructure	194,280
Frank Potter	Project Director	114,147
Kenneth Swain	Project Lead, Boat Harbour	137,991
Neil Whyte	Director of Facilities Work Stream	135,210

9. SUBSEQUENT EVENTS

On April 1, 2021, the Company amalgamated with Harbourside Commercial Park Inc. pursuant to the Nova Scotia Companies Act. The amalgamated company will continue operations as Nova Scotia Lands Inc.

On April 4, 2021, the dam located at Grand Lake breached. The dam is under responsibility of the Company. Two third parties have alleged damage to assets as a result of the breach. The claims of the third parties are under review and an estimate of settlement, if any, cannot currently be predicted.

12. IMPACT ON OPERATIONS OF COVID-19

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

Nova Scotia Lands Inc.
Schedule – Health Infrastructure Expenses

For the year ended March 31, 2021

	2021	2020
Salaries and employee benefits	\$ 8,789,272	\$ 5,732,102
General and administrative	3,995,135	2,584,029
Other costs	344,388	402,501
Professional services	497,129	383,095
Travel	42,233	194,242
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	\$13,668,157	\$ 9,295,969
