

**Sydney Steel Corporation**  
**Financial Statements**

*March 31, 2023*

To the Directors of Sydney Steel Corporation:

## Opinion

We have audited the financial statements of Sydney Steel Corporation (the "Corporation"), which comprise the statement of financial position as at March 31, 2023, 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 the Corporation as at March 31, 2023, and the results of its financial activities, changes in its net financial assets 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 Corporation 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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, 2023

*MNP LLP*  
Chartered Professional Accountants

**Sydney Steel Corporation**  
**Statement of Financial Position**

*As at March 31, 2023*

	2023	2022
<b>FINANCIAL ASSETS</b>		
Cash	\$ 1,081,024	\$ 640,713
Receivables – HST	–	1,639
Receivable from Province of Nova Scotia	1,211,748	2,563,966
	2,292,772	3,206,318
<b>FINANCIAL LIABILITIES</b>		
Payables and accruals	–	3,750
Payable to Build Nova Scotia	1,188,218	2,122,661
	1,188,218	2,126,411
<b>NET FINANCIAL ASSETS</b>	<b>\$ 1,104,554</b>	<b>\$ 1,079,907</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 1,104,554</b>	<b>\$ 1,079,907</b>

Commitment (note 4)

See accompanying notes to financial statements.

On behalf of Sydney Steel Corporation

\_\_\_\_\_ Director

\_\_\_\_\_ Director

## Sydney Steel Corporation Statement of Financial Activities

*For the year ended March 31, 2023*

	Budget	2023	2022
	(Unaudited)		
<b>REVENUES</b>			
Contributions from the Province of Nova Scotia	\$ –	\$ 38,318	\$ 40,402
Recoveries related to contamination liability	1,683,000	938,114	877,821
Interest	–	24,647	2,612
	1,683,000	1,001,079	920,835
<b>EXPENSES</b>			
Remediation – accretion of contamination liability	1,683,000	938,114	877,821
Professional fees	–	10,710	12,760
Property taxes	–	27,608	27,608
Interest expense	–	–	34
	1,683,000	976,432	918,223
<b>OTHER REVENUES (EXPENSES)</b>			
Remeasurement of contamination liability	–	2,627,825	(2,586,858)
Increase (reduction) of recoveries related to remeasurement of contamination liability	–	(2,627,825)	2,586,858
	–	–	–
<b>ANNUAL SURPLUS</b>	–	24,647	2,612
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	1,079,907	1,079,907	1,077,295
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	\$ 1,079,907	\$ 1,104,554	\$ 1,079,907

See accompanying notes to financial statements.

**Sydney Steel Corporation**  
**Statement of Changes in Net Financial Assets**  
*For the year ended March 31, 2023*

	Budget (Unaudited)	2023	2022
<b>ANNUAL SURPLUS</b>	\$ -	\$ 24,647	\$ 2,612
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	1,079,907	1,079,907	1,077,295
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ 1,079,907	\$ 1,104,554	\$ 1,079,907

See accompanying notes to financial statements.

**Sydney Steel Corporation**  
**Statement of Cash Flows**  
*For the year ended March 31, 2023*

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Annual surplus	\$ 24,647	\$ 2,612
Change in non-cash operating working capital		
HST receivable	1,639	-
Receivable from Province of Nova Scotia	1,352,218	(483,059)
Payables and accruals	(3,750)	(7,750)
Payable to Build Nova Scotia	(934,443)	697,848
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	440,311	209,651
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	640,713	431,062
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 1,081,024	\$ 640,713

See accompanying notes to financial statements.

## **NATURE OF OPERATIONS**

Sydney Steel Corporation (“the Corporation”) is a crown corporation incorporated by a special act of the Province of Nova Scotia. The Corporation’s main function is to facilitate the remediation of the former steel plant site in Sydney, Nova Scotia.

### **1. SIGNIFICANT ACCOUNTING POLICIES**

(a) Basis of accounting

The Corporation’s financial statements are prepared in accordance with Canadian public sector accounting standards.

(b) Cash and cash equivalents

Cash and cash equivalents include balances with banks.

(c) Financial instruments

**Measurement of financial instruments**

The Corporation initially measures its financial assets and financial liabilities at fair value and subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and receivable from Province of Nova Scotia.

Financial liabilities measured at amortized cost include payables and accruals and payables to related companies.

**Impairment**

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in income. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

Unless otherwise noted, the Corporation is not subject to significant credit, market or liquidity risks arising from these instruments.

(d) Net financial assets

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

(e) Contamination provision

Liabilities for environmental contamination are recognized in the period in which the directly attributable costs of remediation activities can be estimated with a reasonable degree of certainty and are reduced by expected net recoveries. Any change to the estimated liability is charged to expense in the period of the changes.



**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(f) 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.

(g) Accumulated surplus

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

(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 financial statements and accompanying notes. Significant items subject to management's estimates and assumptions include the valuation of receivables, as well as the valuation of the contamination provision. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

(i) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets to or from the government that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future. Government transfers are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

**2. CONTAMINATION PROVISION**

The contamination provision relates to the estimated cost to remediate the contamination located on lands owned by the Corporation. The contamination resulted from a century of steel-making on the site. The basis of determining the estimate of the liability relies on a report from an external expert and management's assessment. The amount recorded in the financial statements has been discounted at a rate of 5% (2.5% - 2022) to reflect the fact that the expenditures will be made over several years.

**Sydney Steel Corporation**  
**Notes to Financial Statements**  
*For the year ended March 31, 2023*

**2. CONTAMINATION PROVISION (CONTINUED)**

The Province of Nova Scotia has accepted responsibility to fund the remediation of the lands owned by the Corporation as per the Public Accounts of the Province of Nova Scotia for the fiscal year 1999 – 2000.

	2023	2022
Gross contamination provision, beginning of year	\$ 20,846,967	\$ 19,252,758
Expenditures during the year	(1,060,558)	(1,870,470)
Accretion expense	938,114	877,821
Change in estimate of contamination provision	(2,627,825)	2,586,858
Gross contamination provision, end of year	18,096,698	20,846,967
Expected recoveries from Province of Nova Scotia	18,096,698	20,846,967
Net contamination provision	\$ –	\$ –

The most recent expert valuation of the gross contamination provision was prepared May 31, 2022.

**3. FINANCIAL INSTRUMENTS**

The Corporation is exposed to various risks through its financial instruments and includes the following significant risks at March 31, 2023:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation is exposed to credit risk due to the concentration of its significant receivable from the Province of Nova Scotia.

b) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation's main payable is to Build Nova Scotia who is related to both the Corporation and Province of Nova Scotia. Liquidity risk is mitigated through an agreement with the Province of Nova Scotia to fund expenses.

c) Cash concentration risk

The Corporation is exposed to concentration risk as all of its cash is held with one financial institution. To minimize this risk, the Corporation places its cash with a high-quality financial institution in Canada.

# Sydney Steel Corporation

## Notes to Financial Statements

*For the year ended March 31, 2023*

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#### **4. COMMITMENT**

On March 30, 2007, the Corporation retained the services of a related party, Nova Scotia Lands Inc (Build Nova Scotia as of Dec 1, 2022), to manage the remediation, redevelopment, and by-product operations to be conducted on 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.

#### **5. RELATED PARTY TRANSACTIONS**

Included in the funds receivable from the Province of Nova Scotia are reimbursement of expenses of \$889,698 (2022 - \$1,870,470) paid to Nova Scotia Lands Inc (April 1, 2022 to November 30<sup>th</sup>, 2022) and \$170,860 paid to Build Nova Scotia (December 1, 2022 to March 31, 2023). All companies are controlled by the Province of Nova Scotia.

As well, funds receivable from the Province of Nova Scotia are used to pay property taxes of \$27,608 (2022 - \$27,608), accounting fees of \$10,710 (2021 - \$12,760) and interest expense of nil (2022 - \$34).