Grant Thornton

Financial statements

Nova Scotia Lands Inc.

March 31, 2014

Nova Scotia Lands Inc.

Contents

	Page
Independent auditors' report	1 - 2
Statement of financial position	3
Statement of financial activities	4
Statement of changes in net financial assets	5
Statement of cash flows	6
Notes to the financial statements	7 – 10

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Independent auditors' report

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To the Directors of

Nova Scotia Lands Inc.

We have audited the accompanying financial statements of Nova Scotia Lands Inc., which comprise the statement of financial position as at March 31, 2014, and the statements of financial activities, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nova Scotia Lands Inc. as at March 31, 2014, and the results of its operations, changes in net financial assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Sydney, Canada

June 27, 2014

Grant Thornton LLP

Chartered accountants

Audit • Tax • Advisory

Nova Scotia Lands Inc.
Statement of financial position

March 31	2014	2013
Financial assets		
Cash and cash equivalents	**$ 10,566,057**	$ 6,976,656
Receivables		
Sydney Steel Corporation (Note 4)	**2,962,917**	3,318,277
Harbourside Commercial Park Inc. (Note 4)	**606,662**	584,077
Trade (Note 4)	**1,830,576**	5,940,083
	15,966,212	16,819,093
Liabilities		
Payables and accruals – trade	**1,203,070**	4,121,465
Deferred revenue	**1,661,290**	861,753
Payable to Portside Aggregates Limited	**257,660**	310,468
Payable to Province of Nova Scotia	**12,112,774**	11,017,672
	15,234,794	16,311,358
Net financial assets	**$ 731,418**	$ 507,735
Company position		
Accumulated surplus	**$ 731,417**	$ 507,734
Capital stock (Note 6)	**1**	1
	$ 731,418	$ 507,735

On behalf of the Board

_____ Director

_____ Director

See accompanying notes to the financial statements.

Nova Scotia Lands Inc.
Statement of financial activities

Year ended March 31	2014	2013
Revenue		
Recoveries (Notes 3 and 4)	**$ 4,406,902**	$ 10,040,766
Management fees (Note 4)	**91,154**	96,057
Miscellaneous	**121,030**	209,717
	4,619,086	10,346,540
Expenditures		
Demolition and remediation	**2,636,620**	8,336,406
Salaries and employee benefits (Note 7)	**1,032,780**	927,791
Professional services	**478,033**	697,430
General and administration	**247,970**	258,168
	4,395,403	10,219,795
Annual surplus	**223,683**	126,745
Accumulated surplus,		
Beginning of year	**507,734**	380,989
End of year	**$ 731,417**	$ 507,734

See accompanying notes to the financial statements.

Nova Scotia Lands Inc.
Statement of changes in net financial assets

Year ended March 31	2014	2013
Annual surplus	**$ 223,683**	$ 126,745
Net financial assets		
Beginning of year	**507,735**	380,990
End of year	**$ 731,418**	$ 507,735

See accompanying notes to the financial statements.

Nova Scotia Lands Inc.
Statement of cash flows

Year ended March 31	2014	2013
Increase in cash and cash equivalents		
Operating		
Annual surplus	$ 223,683	$ 126,745
Change in non-cash operating working capital (Note 5)	3,365,718	(6,932,710)
	3,589,401	(6,805,965)
Cash and cash equivalents, beginning of year	6,976,656	13,782,621
Cash and cash equivalents, end of year	$10,566,057	$ 6,976,656

See accompanying notes to the financial statements.

Nova Scotia Lands Inc.
Notes to the financial statements
March 31, 2014

1. Nature of operations

Nova Scotia Lands 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 continue the remediation activities at the former Sydney Steel Corporation site and put in place the necessary infrastructure for redevelopment of the site into a viable commercial park facility.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the Company's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards and pronouncements.

a) Accrual basis of accounting

Revenues and expenses are recorded on the accrual basis of accounting.

b) Financial assets

Cash and cash equivalents are recorded at cost which approximates market value.

Accounts receivable are recorded at the principal amount less valuation allowances. These allowances are recorded where collectability is considered doubtful.

c) Net financial assets

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

d) Accumulated surplus

Accumulated surplus 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) Financial instruments

Risk management policy

The Company is exposed to various risks through its financial instruments, which consist of cash and cash equivalents, receivables, and payables and accruals. The following analysis provides a measure of the risks at the balance sheet date, March 31, 2014.

2. Summary of significant accounting policies (continued)

f) Financial instruments (continued)

Credit risk

The Company provides credit to its clients in the normal course of its operations. The Company determines, on a continuing basis, the probable losses and sets up a provision for losses based on the estimated realizable value.

Fair value

The fair value of cash, accounts receivable, and accounts payable, approximates their carrying value given their short-term maturity date.

Financial commitments

Accounts payable, and accrued liabilities - the carrying amount included in the balance sheet approximates fair value, given the short-term maturity of these instruments.

g) Use of estimates

In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Commitment

On March 30, 2007, Sydney Steel Corporation retained the services of Nova Scotia Lands Inc. 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.

4. Related party transactions

Included in trade receivables are amounts due from Sydney Tar Ponds Agency in the amount of $561,394 (2013 - $5,467,297) and amounts due from Renova Scotia Bioenergy Inc. in the amount of $870,880 (2013 - $0). Included in revenues are recoveries of expenses of $2,548,244 (2013 -$2,785,139), $635,917 (2013 - $6,823,728) and $1,168,847 (2013 - $0) received from Sydney Steel Corporation, Sydney Tar Ponds Agency, and Renova Scotia Bioenergy Inc., respectively.

In addition, the Company received management fees of $91,154 (2013: $96,057) from Harbourside Commercial Park Inc. The Company rented its office premises from Harbourside Commercial Park Inc. at an annual rent of $53,112 (2013: $51,520). 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.

5. Supplemental cash flow information

	2014	2013
Change in non-cash operating working capital:		
Receivable from Sydney Steel Corporation	$ 355,360	$ (1,895,255)
Receivable from Harbourside Commercial Park Inc.	(22,585)	(3,605)
Trade receivables	4,109,507	(2,953,414)
Payables and accruals - trade	(2,918,395)	3,230,999
Deferred revenue	799,537	174,524
Payable to Portside Aggregates Limited	(52,808)	313,821
Payable to Province of Nova Scotia	1,095,102	(5,799,780)
	$ 3,365,718	$ (6,932,710)

6. Capital stock

	2014	2013
Authorized:		
The Company is authorized to issue 100,000 common shares with a par value of $1 each.		
Issued and outstanding:		
1 common share	$ 1	$ 1

7. 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:

Name	Position	Salary and benefits
Joel MacLean	Chief Operating Officer	$111,642
Frank Potter	Executive Director of Operations	$113,786

8. Subsequent event

Subsequent to year end, the Company entered into an agreement with the Province of Nova Scotia to oversee the removal and disposal of the derelict vessel, the MV Miner, from provincial lands at Scatarie Island, Nova Scotia. The estimated contract value to remove the vessel is approximately $12,000,000.

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June 27, 2014

Dear Mr. Campbell:

In connection with our audit of Nova Scotia Lands Inc. (the "Company") financial statements as of March 31, 2014, and for the year then ended, the Canadian Auditing Standards require that we advise management and those charged with governance of the following internal control matters identified during our audit.

Our responsibilities

Our responsibility, as prescribed by the Canadian Auditing Standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. An audit includes consideration of internal control over financial reporting (hereinafter referred to as "internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of identifying deficiencies in internal control or expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion on internal control effectiveness.

Identified deficiencies in internal control

We identified the following internal control matters as of the date of this letter that are of sufficient importance to merit your attention. The matters discussed herein are those that we noted as of June 27, 2014.

Advisory comments

HST claimed on behalf of the Province

There are HST amounts on some purchase orders that are being claimed in the monthly HST remittance of the Company as instructed by the Province. However, these amounts have not been assigned the appropriate department number used by the Company. It is possible that these amounts are being charged elsewhere to another department within the Province's SAP system, resulting in HST being claimed twice.

Recommendations to strengthen internal control

We recommend that the Company and those charged with governance consider the following actions:

The Company should schedule a meeting with the appropriate finance personnel of the Province of Nova Scotia to examine the process of how HST is recorded and reported to ensure compliance with CRA regulations.

This communication is intended solely for the information and use of management, those charged with governance, and others within the Company, and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

Grant Thornton LLP

Grant Thornton LLP

John L. MacNeil, CA
Partner

Communications of audit results

Nova Scotia Lands Inc.

For the year ended March 31, 2014

Grant Thornton

Nova Scotia Lands Inc.
PO Box 430, Station A
Sydney, NS B1P 6H2

June 27, 2014

To the members of the Board of Directors of Nova Scotia Lands Inc.

We are pleased to report that we have now completed our audit of the financial statements of Nova Scotia Lands Inc. for the year ended March 31, 2014. The result of this audit is included in this letter.

Status of the audit

The audit is complete pending receipt of the following:

- Receipt of signed management representation letter.

Our responsibility

Our function as auditors of Nova Scotia Lands Inc. is to report to the Directors by expressing an opinion on whether the financial statements are free from material misstatement and present fairly the financial position, results of operations and cash flows in accordance with Canadian public sector accounting standards. We conducted our audit in accordance with Canadian generally accepted auditing standards. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit was designed to provide reasonable but not absolute assurance that there are no misstatements in the financial statements resulting from fraud because fraud is usually accompanied by acts designed to conceal its existence.

The audit of the financial statements does not relieve management of those charged with governance of their responsibilities. Our audit was undertaken on a risk based approach; more audit effort is directed in areas where there is a higher risk of material misstatement.

Independence

We have a rigorous process where we continually monitor and maintain our independence. The process of maintaining our independence includes, but is not limited to:

- Identification of threats to our independence and putting into place safeguards to mitigate those threats. For example, we evaluate the independence threat of any non-audit services provided to Nova Scotia Lands Inc.; and

- Confirming the independence of our engagement team members.

In accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook Section 260.17, we advise that we are independent of Nova Scotia Lands Inc. and have confirmed this in a separate letter dated June 3, 2014.

Internal control

The primary objective of an audit is to express an opinion on the financial statements. To meet this objective, we obtained an understanding of internal control relevant to the audit when identifying and assessing the risks of material misstatement. In making those risk assessments, we considered internal control 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 internal control.

During the course of performing our audit, we identified controls around HST that should be evaluated more closely with the Province of Nova Scotia. This is detailed in a separate letter.

Fraud and illegal acts

Our inquiries of management did not reveal any fraud or illegal acts. Furthermore, nothing has come to our attention that indicates any director, officer, or senior employee may have an interest that is in conflict with their responsibilities to Nova Scotia Lands Inc.

Legal issues

Our audit procedures included an enquiry of legal counsel regarding legal contingencies. Furthermore, our audit procedures included consideration of any regulatory issues that affect the operation or financial reporting framework of the entity. There were no legal matters reported by legal counsel that require disclosure in the financial statements.

Summary of misstatements

Our audit did not identify any non-trivial misstatements.

Summary of disclosure matters

In accordance with the Public Sector Compensation Disclosure Policies, a note was added to disclose individuals with total salaries and compensation in excess of $100,000 in accordance with these guidelines.

Significant new accounting policies

There were no significant new accounting policies noted in the year.

Cooperation during the audit

We report that we received cooperation from management and the employees of Nova Scotia Lands Inc. To our knowledge, we were provided access to all necessary records and other documentation and any issues that arose as a result of our audit were discussed with management and have been resolved to our satisfaction.

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Consultations with other accountants

To our knowledge, management did not seek the advice or opinion of other external accountants on financial reporting or accounting matters.

Yours very truly,

Grant Thornton LLP

Grant Thornton LLP

John MacNeil, CA
Partner