

Financial Statements of

NOVA SCOTIA LANDS INC.

Year ended March 31, 2016



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INDEPENDENT AUDITORS' REPORT

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, 2016 and the statements of financial activities, change in net financial assets (debt) 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 as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, 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.

Auditors' 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 auditors' 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 auditors consider 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, these financial statements present fairly, in all material respects, the financial position of Nova Scotia Lands Inc. as at March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Other Matters

The comparative information has been audited by another firm of chartered accountants.

MGM & Associates

Chartered Accountants
Sydney, Canada
July 11, 2016

NOVA SCOTIA LANDS INC.

Statement of Financial Position

March 31, 2016, with comparative figures for 2015

	2016	2015
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 6,687,786	\$ 6,464,670
Receivables (note 2)	2,695,131	4,258,531
	9,382,917	10,723,201
FINANCIAL LIABILITIES		
Payables and accruals (note 3)	827,792	3,165,769
Deferred recoveries	693,542	755,400
Payable to Portside Aggregates Limited	167,013	163,138
Payable to Province of Nova Scotia	7,713,164	6,018,486
	9,401,511	10,102,793
NET FINANCIAL ASSETS (DEBT)	\$ (18,594)	\$ 620,408
COMPANY POSITION		
Accumulated surplus (deficit)	\$ (18,595)	\$ 620,407
Capital stock (note 4)	1	1
	\$ (18,594)	\$ 620,408

Contingent liabilities (note 6)
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, 2016, with comparative figures for 2015

	Budget (Unaudited)	2016	2015
REVENUES			
Recoveries	\$ 12,532,000	\$ 11,139,429	\$ 16,864,301
Management fees (note 5)	160,000	194,410	105,789
Miscellaneous		105,322	333,581
	12,692,000	11,439,161	17,303,671
EXPENSES			
Demolition and remediation	6,717,000	8,384,116	14,250,953
Salaries and employee benefits	1,252,000	2,009,039	1,889,877
Professional services	100,000	1,111,934	514,468
General and administrative	4,624,000	573,074	759,383
	12,693,000	12,078,163	17,414,681
ANNUAL DEFICIT	(1,000)	(639,002)	(111,010)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	620,407	620,407	731,417
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR	\$ 619,407	\$ (18,595)	\$ 620,407

See accompanying notes to financial statements.

NOVA SCOTIA LANDS INC.

Statement of Change in Net Financial Assets (Debt)

Year ended March 31, 2016, with comparative figures for 2015

	Budget (Unaudited)	2016	2015
ANNUAL DEFICIT	\$ (1,000)	\$ (639,002)	\$ (111,010)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	620,408	620,408	731,418
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 619,408	\$ (18,594)	\$ 620,408

See accompanying notes to financial statements.

NOVA SCOTIA LANDS INC.

Statement of Cash Flows

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual deficit	\$ (639,002)	\$ (111,010)
Change in non-cash operating working capital		
Decrease in receivables	1,563,400	1,141,624
Increase (decrease) in payables and accruals	(2,337,977)	1,962,699
Decrease in deferred recoveries	(61,858)	(905,890)
Increase (decrease) in payable to Portside Aggregates Limited	3,875	(94,522)
Increase (decrease) in payable to Province of Nova Scotia	1,694,678	(6,094,288)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	223,116	(4,101,387)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,464,670	10,566,057
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,687,786	\$ 6,464,670

See accompanying notes to financial statements.

NOVA SCOTIA LANDS INC.

Notes to Financial Statements

Year ended March 31, 2016

NATURE OF OPERATIONS

Nova Scotia Lands Inc. ("the Company") is a crown corporation owned by the Province of Nova Scotia. Its principal role is to conduct remediation activities and put in place the necessary infrastructure for site redevelopment at various sites throughout Nova Scotia.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Company's financial statements are prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

(c) Net financial assets (debt)

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

(d) 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.

(e) Accumulated surplus (deficit)

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

(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. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

NOVA SCOTIA LANDS INC.

Notes to Financial Statements

Year ended March 31, 2016

2. RECEIVABLES

	2016	2015
Harbourside Commercial Park Inc.	\$ 1,694,819	\$ 2,132,855
Sydney Steel Corporation	687,098	1,175,605
Harmonized sales tax	215,947	623,921
Trade	108,590	321,150
Other	6,000	6,000
	2,712,454	4,259,531
Less allowance for doubtful accounts	(17,323)	(1,000)
	\$ 2,695,131	\$ 4,258,531

3. PAYABLES AND ACCRUALS

	2016	2015
Trade payables, government remittances and accruals	\$ 554,089	\$ 2,067,640
Contract holdbacks	273,703	1,098,129
	\$ 827,792	\$ 3,165,769

4. CAPITAL STOCK

Authorized

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

Issued and outstanding

	2016	2015
1 Common share	\$ 1	\$ 1

5. RELATED PARTY TRANSACTIONS

Included in trade receivables is an item from Renova Scotia Bioenergy Inc. in the amount of \$Nil (2015 - \$270,641).

Included in revenues are recoveries of expenses of \$10,574,694 (2015 - \$15,831,715), \$564,735 (2015 - \$789,420), and \$Nil (2015 - \$243,166) received from the Province of Nova Scotia, Sydney Steel Corporation, and Renova Scotia Bioenergy Inc., respectively.

NOVA SCOTIA LANDS INC.

Notes to Financial Statements

Year ended March 31, 2016

5. RELATED PARTY TRANSACTIONS (Continued)

In addition, the Company received management fees of \$194,410 (2015 - \$105,789) from Harbourside Commercial Park Inc. The Company rented its office premises from Harbourside Commercial Park Inc. at an annual rent of \$62,025 (2015 - \$62,025). The Company also incurred expenses of \$14,340 (2015 - \$Nil) related to use of assets of Harbourside Commercial Park Inc.

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.

6. CONTINGENT LIABILITIES

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 initial estimated contract value to remove the vessel is approximately \$12,000,000.

R. J. MacIsaac Construction Ltd. was contracted by the Company for services related to the disposal of the MV Miner. Subsequent to year end an arbitration agreement was signed to settle disputes between the Company and R. J. MacIsaac Construction Ltd.

The arbitration is still in the preliminary stage and the outcome is not currently predictable.

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.

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	\$ 112,192
Gary Campbell	President	129,288
Joel MacLean	Chief Operating Officer	119,024
Frank Potter	Executive Director of Operations	110,920
Kenneth Swain	Project Lead, Boat Harbour	150,238
Randy Vallis	Advisor, Boat Harbour	117,000