



Financial statements

Sydney Steel Corporation

March 31, 2010

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Auditors' report

Grant Thornton LLP
Suite 200
500 George Place
Sydney, NS
B1P 1K6
T (902) 562-5581
F (902) 562-0073
www.GrantThornton.ca

To the Directors of

Sydney Steel Corporation

We have audited the balance sheet of Sydney Steel Corporation as at March 31, 2010, and the statement of changes in net assets in liquidation for the year then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010, and the changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Sydney, Nova Scotia

May 18, 2010

Grant Thornton LLP
Chartered accountants

Sydney Steel Corporation

Balance sheet

March 31

2010

2009

Assets

Cash	\$ 132,014	\$ 911,649
Receivables		
Province of Nova Scotia (Note 3)	17,209,172	6,492,403
Trade	-	5,152
Sydney Environmental Resources Limited	14,215	14,215
Note	455,721	539,524
Prepaid expenses	<u>160,205</u>	<u>56,351</u>
	<u>17,971,327</u>	<u>8,019,294</u>

Liabilities

Trade payables	540,931	322,524
Payable to Harbourside Commercial Park Inc. (Note 5)	371,755	878,756
Payable to Nova Scotia Lands Inc. (Note 5)	15,788,865	5,908,251
Payable to Sydney Utilities Limited (Note 5)	<u>840,050</u>	<u>588,931</u>
	<u>17,541,601</u>	<u>7,698,462</u>

Net assets in liquidation

\$ 429,726 \$ 320,832

On behalf of the Board

 Director

 Director

See accompanying notes to the financial statements.

Sydney Steel Corporation

Statement of changes in net assets in liquidation

Year ended March 31

2010

2009

Increase in net assets in liquidation

Contributions from the Province of Nova Scotia (Note 3)	\$ 11,216,769	\$ 13,621,325
Proceeds on disposal of assets (Note 5)	96,750	34,373
Other income	120,100	98,568
Interest	<u>12,046</u>	<u>176,768</u>
	<u>11,445,665</u>	<u>13,931,034</u>

Decrease in net assets in liquidation

Demolition and remediation (Note 5)	10,317,154	10,132,249
Property taxes	112,000	1,000,000
Professional fees	835,928	868,425
General and administration	<u>71,689</u>	<u>1,719,219</u>
	<u>11,336,771</u>	<u>13,719,893</u>

Increase in net assets in liquidation	108,894	211,141
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Net assets in liquidation,		
Beginning of year	<u>320,832</u>	<u>109,691</u>
End of year	<u>\$ 429,726</u>	<u>\$ 320,832</u>

See accompanying notes to the financial statements.

Sydney Steel Corporation

Notes to the financial statements

March 31, 2010

1. Nature of operations

Sydney Steel Corporation ("the Corporation") is a Crown Corporation incorporated by special act of the Province of Nova Scotia.

2. Summary of significant accounting policies

a) Basis of accounting

Effective December 31, 2000, the Corporation changed its basis of accounting from a going concern basis to a liquidation basis in accordance with Canadian generally accepted accounting principles.

b) Valuation of non-cash assets

Effective with the December 31, 2000, adoption of the liquidation basis of accounting, the accounting basis for the Corporation's non-cash assets was established as their estimated realizable values at that date.

c) Mode of operations

Ernst & Young Inc. was appointed agent of the Province of Nova Scotia pursuant to a mandate which was to sell the assets of the Corporation and to direct the evolution of a land use plan and redevelopment strategy for the property.

d) Revenue recognition

Revenue is recognized when the risks and rewards of ownership have been substantially transferred and when collection is reasonably assured.

e) Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

Sydney Steel Corporation

Notes to the financial statements

March 31, 2010

2. Summary of significant accounting policies (continued)

(f) Foreign currency translation

Foreign currency translation of the current assets and liabilities denominated in US dollars is converted at the rate of exchange in effect at the balance sheet date. Income and expense items are translated at the rate of exchange in effect at the translation date. Translation gains or losses are included in determining the change in net assets in liquidation for the period.

3. Province of Nova Scotia

In connection with the former active operations of Sydney Steel Corporation, the Province of Nova Scotia (the "Province") has:

- Established the Sysco Decommissioning Fund to finance the closure, demolition, and remediation obligations of the Corporation; and
- Established the Sydney Steel Corporation Superannuation Fund to assume direct responsibility for the Corporation's pension obligations.

During the period 2001 – 2006, the Province provided contributions of \$58,751,000 to the Corporation to fund certain closure, demolition, and remediation expenditures. Upon further review in 2007, it was determined that the Corporation did not require these direct contributions due to better than expected recoveries on asset and scrap sales since the closure. As such, the Province directed the Corporation to return these contributions to the Sysco Decommissioning Fund (the "Fund"). The Fund will be utilized for future decommissioning, demolition and remediation of this Corporation's and adjacent sites.

In connection with the current liquidation and redevelopment plan, the Province has committed to continuing support. Expenses incurred during the year for which the Corporation will receive reimbursements from the Sysco Decommissioning Fund total \$11,216,769 (2009, \$13,621,325).

4. Commitment

On March 30, 2007, the 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.

Sydney Steel Corporation

Notes to the financial statements

March 31, 2010

5. Related party transactions

During the year, the Corporation sold land to Harbourside Commercial Park Inc. for proceeds of \$96,750 (2009 - \$34,373). Both companies are controlled by the Province of Nova Scotia.

Included in the demolition and remediation costs are reimbursement of expenses of \$9,950,391 (2009 - \$9,430,058) and \$282,119 (2009 - \$375,057) paid to Nova Scotia Lands Inc. and Sydney Utilities Limited, respectively. Both 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 Corporation is a defendant in a lawsuit alleging damages as a result of environmental contamination caused by years of steel making. This litigation is in its preliminary stages and the outcome is not currently predictable.
