

ACCOUNTABILITY REPORT

2016-2017



Waterfront Development

Building on the Greatness of the Ocean.

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Accountability Statement

The Accountability Report of Waterfront Development for the year ended March 31, 2017 is prepared pursuant to the Finance Act and government policies and guidelines. These authorities require the reporting of outcomes against Waterfront Development's Business Plan for the fiscal year just ended. The reporting of Waterfront Development outcomes necessarily includes estimates, judgments and opinions by Waterfront Development management.

We acknowledge that this Accountability Report is the responsibility of Waterfront Development management. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in Waterfront Development's 2016-2017 Business Plan.

Dale Godsoe
Chair of the Board

Jennifer Angel
Acting President and CEO

Message from Board Chair & CEO

Our place by the ocean gives the world a reason to know us, to do business with us, and to visit us. Many of Nova Scotia's greatest accomplishments are tied to the sea. The waterfronts of Nova Scotia are important economic assets. At Waterfront Development, our goal is to align their development with strategies for growing key sectors of our economy.

Looking ahead, there are clear themes that we are planning for, and seeking opportunity in, related to the ocean economy. The outcomes of this work will be growth in ocean related sectors, and a vibrant city and province that is recognized globally as an attractive place to live and work. All of this is underpinned by increased private sector investment in our waterfronts and in our province.

Our seacoast and all that it provides is the reason people are drawn to visit our province. The Halifax and Lunenburg waterfronts are recognized internationally, and both are fundamentally built around their waterfronts, which we oversee and manage. They will both feature prominently during the Rendez-Vous 2017 Tall Ships Regatta this coming year, the planning for which has been active this year around the Province.

Another Waterfront Development owned and managed site, the Centre for Ocean Ventures and Entrepreneurship (COVE), is a touchstone to develop our ocean assets and strengths with an explicit program goal to commercialize ocean technology. COVE will include high quality marine infrastructure and collaborative space in which a community of ocean enterprises can start, grow and prosper.

The Queen's Marque project on the Halifax waterfront is a \$200 million private sector led development that will result in 75,000 square feet of new public space, three new wharves and the continuation of the Halifax Harbourwalk. It will create new vibrancy in the central waterfront, with substantial new residential, commercial and hotel units, and a design that pays tribute to our maritime heritage.

The high potential properties we plan, develop and manage become places where businesses want to invest and people want to gather. We strive to create the optimal mix of private sector businesses, public infrastructure, and community partners to flourish. Our model is to create the conditions for the private sector business to invest and thrive to design and develop great places, to inspire our partners, and to be financial self-sustainable.

The ocean is our greatest natural advantage as a province. The extent to which we are successful in harnessing that advantage will determine our prosperity.

Dale Godsoe
Chair of the Board

Jennifer Angel
Acting President & CEO

Measuring our Performance

Planning and Operating Context

Major challenges face the Nova Scotia economy, but there are also significant opportunities before us. Many of these opportunities relate to our ocean economy. Over the past year and looking ahead, key projects and enhanced external demand are expected to support economic growth in Nova Scotia.

Strategic Overview

Waterfront Development is a crown corporation that contributes to economic growth by developing and revitalizing key waterfront properties in Nova Scotia.

Waterfront Development acquires strategically important waterfront properties and plans, develops and manages this land in partnership with private and public sector partners. The revenue generated through these partnerships is reinvested in waterfront infrastructure for the public and to create new platforms for business.

Since the late 1970s Waterfront Development has led a series of successful projects that have transformed the Halifax Waterfront into the most visited tourism destination in Nova Scotia and a source of pride for residents. The backbone is the public boardwalk which provides unencumbered public access to the water's edge; a waterfront planning core principle.

Our strategy is to provide a “platform” for business clustering in key sectors through our planning, development and programming of strategic infrastructure with respect to traditional working waterfront themes and preservation of our maritime history, while embracing innovation and emerging best practices in placemaking.

In 2016-17, we advanced planning and commenced construction on large scale development projects with substantial private investment. We continued to develop and maintain high quality public infrastructure (on land and on the water), layering services, programs, places for business and high quality events. This placemaking work continued in 2016-17 with key projects in Queen's Marque, New Place, COVE and Rendez-Vous 2017 Tall Ships Regatta taking shape.

We approach development, large and small, through the lens of accessibility, sustainability, and quality, as well as focusing on Nova Scotia products and services. Whatever we develop on the waterfront, we want it to reflect our best.

Performance Measures

Waterfront Development implemented a set of Performance Measures that track the progress of our business model; to develop land with infrastructure that provides businesses with commercial opportunities, and attracts our community and visitors, generating economic activity. Through efficient operations, we also strive to generate revenue sufficient to sustain Waterfront Development's operating and partnership obligations.

Performance Scorecard 2017

Core Business Area 1 – Waterfront Planning & Development

Outcome: Access to infrastructure for sustainable growth.

COVE did not receive approval for capital funding until spring 2016, so construction started later than expected. This impacted the progress against 2016-17 targets. As of the end of March 31, 2017, approximately six per cent of the project was recapitalized as opposed to the 50-70 per cent that we anticipated in 2016-17 business plan. This adjustment to construction schedule correspondingly deferred plans to attract and secure tenants to the extent our target of 90 per cent of the leasable area having “intent to lease” arrangements from private sector tenants was not achievable. Waterfront Development continues to work with partners in the COVE development to source tenants for the opening in 2018.

Measure	Target 2016-17	Actual 2016-17
Cunard Development construction commenced	100%	0
Queen’s Marque construction commenced	100%	100%
Tall Ships: funding secured, project plan developed and implemented (subject to funding approval)	50%	50%
Halifax Boardwalk Small Business: New property developed, site leases complete	100%	100%
Marine Marketing Partnership implementation of marketing plan	30%	30%

Cunard Development has been delayed due to engineering challenges on which Waterfront Development and the developer are working together to solve.

Outcome: Plan and design places (or waterfronts) that attract investment and people to generate economic activity and public benefits for Nova Scotia.

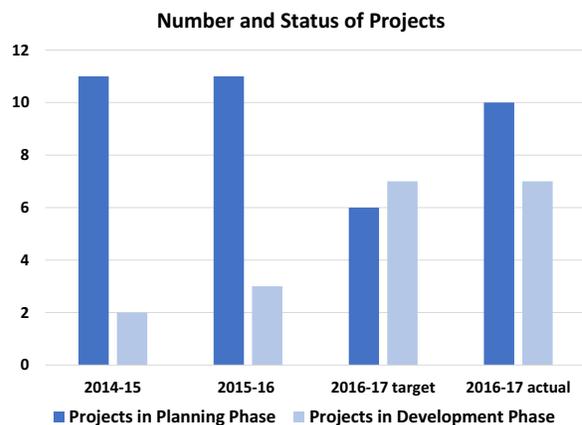
In 2016-17, there was substantial public engagement for the public space for Queen’s Marque, as well as related to planning and development of the New Place small business cluster. Boardwalk North planning commenced with key property stakeholders. All of these projects contribute to the overall Halifax Master Plan/Shared Vision.

During 2016-17, the number of public open spaces in planning doubled to ten, while six were improved. In 2016-17, the number of pedestrian visits on the Halifax waterfront grew from the 2.49 million to 2.7 million. Overall, our waterfronts hosted 66 different events and public programming initiatives, up from 46 events of the previous year.

Outcome: Redevelop waterfront properties from unimproved land to new buildings and infrastructure

Waterfront Development partners with private sector developers to achieve world-class development projects on the waterfront with an emphasis on high quality public space and access to the water’s edge. The total value of projects under development was approximately \$300 million in 2016-17, significantly larger than the prior year.

Core Business Area 2 – Infrastructure Development



Outcome: Build and maintain infrastructure that provides visitors and citizens with public gathering spaces and amenities, and businesses with platforms to flourish.

These measures quantify the planning and development activities of Waterfront Development related specifically to public infrastructure and public open space.

Core Business Area 3 – Commercial Marine Real Estate

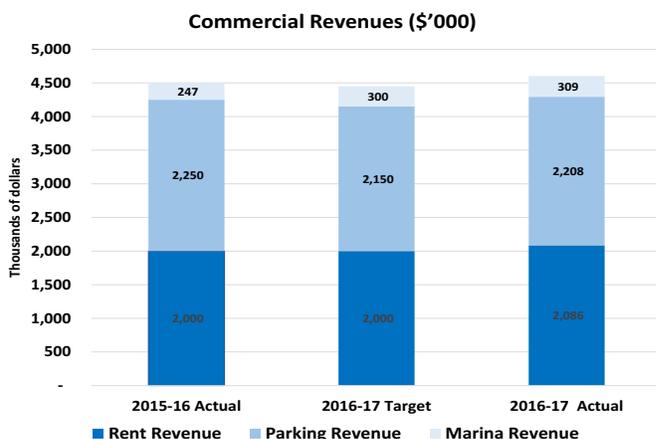
Outcome: Operate waterfront property to be financially self - sufficient.

Waterfront Development’s work is to support high value sectors to enable broad business success and economic growth. While economic growth is the primary objective, financial self-sufficiency is the model by which Waterfront Development aspires to deliver on its mandate. Waterfront Development generates revenue which is reinvested in the operation of the waterfronts under its responsibility, including repairs and maintenance of infrastructure, new projects, public programming and general operations. This measure captures the percentage of total operating budget for Halifax that is self-funded.

Measure	Base Year 2014-15	Actual 2015-16	Target 2016-17	Actual 2016-17
Percentage of operating budget generated from commercial activities	84%	89%	100%	96%

The over-arching goal for Waterfront Development is to develop waterfront infrastructure and places that will increase economic activity in Halifax and Nova Scotia. In addition, Waterfront Development continues to advance towards its supporting goal of becoming 100% self-sustaining for the Halifax

Waterfront. Construction in 2016-17 has required operating grants to subsidize lost operating revenues, but future revenue from land leases will mitigate these losses when construction is complete.



Core Business Area 4 – Business Development

Outcome: Provide businesses with commercial opportunities on waterfront properties

Waterfront Development's investment in the waterfronts is resulting in high quality infrastructure and the creation of places that are among Nova Scotia's most visited destinations. This measure quantifies the revenue generated by Waterfront Development through business operations on the properties (not the total revenue generated by businesses on the waterfront).

Key Project Activity 2016-17

Halifax

Cunard Development

Advanced planning including open space plans with development partner

Queen's Marque Development

Commenced site preparation construction with development partner

New Place / Small Business Cluster

Commenced construction in the Salter / Foundation lots

Boardwalk North

Updated in partnership with private stakeholders

Blue Flag Certification

Continue to maintain certification for internationally recognized environmental program

Halifax Waterfront Development

Considered multiple proposals for development on the waterfront

Visitors Information Center

Initiated planning with development partners and the Province on a pilot project to revitalize visitor services on the Halifax waterfront

Dartmouth

COVE (Centre for Ocean Ventures and Entrepreneurship)

Commenced construction and tenant strategy development

Dartmouth Cove Master Plan

Worked with HRM Planning to influence the city's Centre Plan

Public Marine Infrastructure Development Plan – Dartmouth

Continued to work with city regarding marine infrastructure recapitalization and management

Bedford

Bedford Master Plan and Development – Bedford

Advanced interim site works planning and commenced site stabilization

Lunenburg

Zwicker Public Wharf

Completed substantial repairs to Zwicker Wharf and added additional dinghy docks

Lunenburg Five Year Strategy

Updated the strategy moving forward

First Impressions Project

Implemented additional signage and amenities and contributed to development of new public open space through community partnership

Multiple Properties

Marine Marketing Partnership – Provincial

Advanced marketing planning and completed itinerary development

Public Amenities Plan – Halifax, Bedford, Lunenburg

Deployed significant new public amenities

Visiting Ships Program – Halifax, Lunenburg

Worked with partners to grow the visiting ships program to provide additional educational opportunities for public

Rendez-vous 2017 Tall Ships Regatta – 11 Provincial Ports

Commenced implementation of event plan with multiple partners and stakeholders around the Province

Waterfront Events Program – Halifax, Bedford, Lunenburg, Dartmouth

Delivered enhanced event program together with private and public partners across our waterfronts.

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Consolidated Financial Statements

Waterfront Development Corporation Limited

March 31, 2017

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Management statement on financial reporting

To the Shareholder of
Waterfront Development Corporation Limited

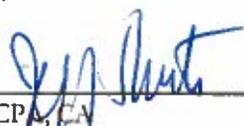
The accompanying consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Management is also responsible to ensure that all information reproduced in the annual report is consistent with the statements. In carrying out its responsibilities, management maintains appropriate systems of internal controls designed to ensure that the financial information produced is relevant and reliable and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

Ultimate responsibility for the consolidated financial statements rests with the Board of Directors. A Finance, Audit and Risk Management Committee of non-management Directors is appointed by the Board to review the consolidated financial statements in detail with management and to report to the Directors prior to their approval of the consolidated financial statements for publication. The Directors have established standards of conduct for employees to prevent conflicts of interest and unauthorized disclosure of confidential information.

The auditors review the consolidated financial statements in detail and meet separately with both the Finance, Audit and Risk Management Committee and management to review their findings. Grant Thornton LLP, Chartered Professional Accountants report directly to the Shareholder.



Jennifer Angel
Acting President & CEO
June 20, 2017



Jeff Shute, CPA, EA
Vice President Finance & Administration
June 20, 2017

Independent auditor's report

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To the Shareholder of
Waterfront Development Corporation Limited

We have audited the accompanying consolidated financial statements of Waterfront Development Corporation Limited (the "Corporation"), which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statement of operations, change in net 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidated 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 Corporation'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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at March 31, 2017, and the consolidated statements of operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Halifax, Canada
June 20, 2017



Chartered Professional Accountants
Licensed Public Accountants

Waterfront Development Corporation Limited

Consolidated statement of operations

Year ended March 31	Budget	2017	2016
Revenues			
Rents	\$ 3,749,000	\$ 4,239,321	\$ 4,052,733
Provincial grant revenue (note 16)	1,820,000	3,154,670	-
Federal grant revenue	-	446,505	-
Recoveries	340,000	393,667	303,851
Other income (note 16)	<u>-</u>	<u>336,873</u>	<u>235,144</u>
	<u>5,909,000</u>	<u>8,571,036</u>	<u>4,591,728</u>
Expenses			
Property expenses (Schedule 1)	1,962,000	1,963,337	2,032,100
Corporate expenses (Schedule 2)	2,359,000	2,306,480	2,565,632
Lunenburg real estate and development projects (Schedule 3)	52,500	187,320	414,877
Tall Ships Nova Scotia Festival (Schedule 4)	<u>-</u>	<u>58,916</u>	<u>-</u>
	<u>4,373,500</u>	<u>4,516,053</u>	<u>5,012,609</u>
Annual surplus (deficit), before other item (note 12)	1,535,500	4,054,983	(420,881)
Other item			
Loss on disposal of capital asset	<u>(120,000)</u>	<u>(230,809)</u>	<u>(10,768)</u>
Annual surplus (deficit)	1,415,500	3,824,174	(431,649)
Accumulated surplus, beginning of year	<u>38,798,881</u>	<u>38,798,881</u>	<u>39,230,530</u>
Accumulated surplus, end of year	<u>\$ 40,214,381</u>	<u>\$ 42,623,055</u>	<u>\$ 38,798,881</u>

Waterfront Development Corporation Limited
Consolidated statement of financial position

March 31

2017

2016

Financial assets

Cash and cash equivalents	\$ -	\$ 241,397
Receivables (note 3)	1,035,230	144,245
Receivable from Province of Nova Scotia (note 4)	<u>3,772,642</u>	<u>872,866</u>
	<u>4,807,872</u>	<u>1,258,508</u>

Liabilities

Bank indebtedness	567,007	-
Payables and accruals (note 5)	3,029,207	1,008,183
Loan payable (note 6)	1,990,000	1,025,000
Deferred revenue (note 7)	<u>3,928,924</u>	<u>4,258,548</u>
	<u>9,515,138</u>	<u>6,291,731</u>

Net debt (4,707,266) (5,033,223)

Non-financial assets

Tangible capital assets (note 8)	47,222,528	43,741,230
Prepays	<u>107,793</u>	<u>90,874</u>
	<u>47,330,321</u>	<u>43,832,104</u>

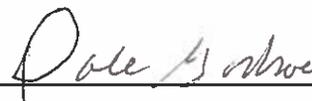
Accumulated surplus (note 9) \$ 42,623,055 \$ 38,798,881

Commitments (note 14)

On behalf of the Board



Director



Director

Waterfront Development Corporation Limited
Consolidated statement of change in net debt

Year ended March 31	Budget	2017	2016
Annual surplus (deficit)	\$ <u>1,415,500</u>	\$ <u>3,824,174</u>	\$ <u>(431,649)</u>
Acquisition of tangible capital assets (note 16)	(2,250,000)	(4,501,698)	(411,156)
Amortization of tangible capital assets	938,500	789,591	866,617
Cunard development	(120,000)	-	-
Loss on disposal of capital asset	<u>-</u>	<u>230,809</u>	<u>10,768</u>
	<u>(1,431,500)</u>	<u>(3,481,298)</u>	<u>466,229</u>
Acquisition of prepaid expense	179,000	(107,793)	(199,490)
Use of prepaid expense	<u>(179,000)</u>	<u>90,874</u>	<u>166,803</u>
	<u>-</u>	<u>(16,919)</u>	<u>(32,687)</u>
Increase in net financial assets	<u>(16,000)</u>	<u>325,957</u>	<u>1,893</u>
Net debt, beginning of year	<u>(5,033,223)</u>	<u>(5,033,223)</u>	<u>(5,035,116)</u>
Net debt, end of year	\$ <u>(5,049,223)</u>	\$ <u>(4,707,266)</u>	\$ <u>(5,033,223)</u>

Waterfront Development Corporation Limited
Consolidated statement of cash flows

Year ended March 31

2017

2016

Increase (decrease) in cash and cash equivalents

Operating		
Annual surplus (deficit)	\$ 3,824,174	\$ (431,649)
Amortization	789,591	866,617
Loss on disposal of capital asset	<u>230,809</u>	<u>10,768</u>
	4,844,574	445,736
Change in non-cash operating working capital (note 11)	<u>(1,786,656)</u>	<u>(358,040)</u>
	<u>3,057,918</u>	<u>87,696</u>
Financing		
Draw on loan payable	<u>965,000</u>	<u>620,000</u>
Investing		
Purchase of property and equipment	(4,501,698)	(411,156)
Deferred revenue	<u>(329,624)</u>	<u>(192,481)</u>
	<u>(4,831,322)</u>	<u>(603,637)</u>
Net (decrease) increase in cash and cash equivalents	(808,404)	104,059
Cash and cash equivalents (bank indebtedness)		
Beginning of year	<u>241,397</u>	<u>137,338</u>
End of year	\$ <u>(567,007)</u>	\$ <u>241,397</u>

See accompanying notes to the consolidated financial statements.

Waterfront Development Corporation Limited

Notes to the consolidated financial statements

March 31, 2017

1. Nature of operations

Waterfront Development Corporation Limited (the "Corporation") was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor on March 30, 1976.

The Corporation's mission is to serve as champion of a dynamic vision and to plan, coordinate, promote and develop properties, events and activities on designated waterfronts around Halifax Harbour and other locations as determined by the Shareholder as detailed in the order in Council No. 2005-373 dated August 19, 2005.

On September 20, 2005, the Corporation purchased significant holdings in the Town of Lunenburg, as well as a numbered company, 3104102 Nova Scotia Limited, which held additional properties in the town. This was done in cooperation with the province to revitalize the working waterfront in Lunenburg.

2. Summary of significant accounting policies

The following consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. Significant accounting policies are as follows:

Basis of accounting

These financial statements are prepared on a consolidated basis in accordance with Canadian public sector accounting standards. As such, the financial position and results of operations of the 100% owned subsidiary, 3104102 Nova Scotia Limited, are consolidated into these financial statements.

Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity, which is composed of all organizations that are controlled by Waterfront Development Corporation Limited. See note 12 for a description of the controlled organization.

Revenue recognition

The Corporation accounts for leases with its tenants as operating leases as all the risks and benefits of ownership are retained. Revenue is recognized when services are provided under the terms of each lease. Recovery and other revenues are recorded on an accrual basis as earned, and collectability is reasonably assured.

The Corporation receives amounts which it will use to fund future development projects. As a result, these amounts have been recorded as deferred revenue, and will be recognized as expenses are incurred on the future development projects.

Government assistance is recognized as revenue when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. The assistance is accounted for as a deferred capital grant when amounts have been received but not all eligibility criteria have been met.

Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met.

Waterfront Development Corporation Limited

Notes to the consolidated financial statements

March 31, 2017

2. Summary of significant accounting policies (continued)

Tangible capital assets including capital leases

Tangible capital assets are recorded at cost, which include amounts that are directly related to the acquisition, renovation and development of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10-50 years
Wharves and walkways	10-50 years
Equipment	3-10 years
Paving	10-50 years
Playground	20 years
Capital lease	45 years
Monuments	5-20 years

On an annual basis, the Corporation reviews the carrying amounts of properties held and used in the fulfilling of its mandate. This includes both revenue producing properties, as well as properties held for the greater public use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write downs are accounted for as expenses in the consolidated statement of operations.

There are ongoing negotiations for potential development projects on the Bedford, Dartmouth, Halifax, and Lunenburg waterfronts. The outcome of these negotiations and the possible financial impact on fair value of the existing land and buildings is indeterminable at this time.

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the year. Items requiring the use of significant estimates include the useful life of capital assets, rates for amortization, allowance for doubtful accounts, and liability for contaminated sites.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

Waterfront Development Corporation Limited

Notes to the consolidated financial statements

March 31, 2017

2. Summary of significant accounting policies (continued)

Liability for contaminated sites (continued)

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. Waterfront Development Corporation Limited:
 - is directly responsible; or
 - accepts responsibility;
- iv. a reasonable estimate of the amount can be made; and
- v. it is expected that future economic benefits will be given up.

The Corporation has ownership of a significant amount of waterfront lands surrounding the Halifax and Lunenburg harbours in Nova Scotia. These lands are predominantly former industrial sites and can reasonably be anticipated to contain some level of soil contamination. The likelihood and cost of remediation cannot be reasonably estimated due to the following factors:

- i. land holdings subject to potential remediation are limited to future development sites;
- ii. there is no certainty around which sites will ultimately be developed; and
- iii. any potential remediation costs associated with sites having been identified for potential development would be materially impacted by the type of development and the terms of the development agreement to be negotiated. This would include the development footprint and depth, as well as the public space component and terms of the development agreement.

Subsequent to year end, soil testing during excavation at the Queen's Marque development has indicated that the quantity of contaminated soil exceeds budgeted levels. The Province has confirmed that it will increase the capital grant as necessary to ensure the soils are remediated in accordance with environmental regulations and the development agreement. The quantity of additional soil to be remediated cannot be determined until the site is further excavated and tested, and thus no additional liability is recognized in these financial statements.

Prepays

Prepays include prepaid insurance and are charged to expense over the periods expected to benefit from it.

Income taxes

As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of the Income Tax Act.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, cash held in banks and bank overdrafts. There is an operating line loan, with credit available up to \$6 million at prime rate plus 1%, which expires on June 15, 2018 (note 6).

Financial instruments

Initial measurement

Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Waterfront Development Corporation Limited

Notes to the consolidated financial statements

March 31, 2017

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement

At each reporting date, the Corporation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for investments, which must be measured at fair value. The Corporation uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the consolidated statement of revenues and expenses. The financial instruments measured at amortized cost are cash and cash equivalents, bank indebtedness, receivables, payables and accruals and loan payable.

For financial assets measured at cost or amortized cost, the Corporation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Corporation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest or credit risks arising from financial instruments.

3. Receivables	<u>2017</u>	<u>2016</u>
Receivables	\$ 583,306	\$ 159,830
Harmonized sales tax receivable	467,510	-
Less: provision for doubtful accounts	<u>(15,586)</u>	<u>(15,585)</u>
	<u>\$ 1,035,230</u>	<u>\$ 144,245</u>

4. Receivable from Province of Nova Scotia	<u>2017</u>	<u>2016</u>
Capital and operating grant receivable	\$ <u>3,772,642</u>	\$ <u>872,866</u>

Amount includes the insurance proceeds due from the Province of Nova Scotia for the loss incurred on the Lunenburg asset in 2014 as a result of a fire of \$831,457.

5. Payables and accruals	<u>2017</u>	<u>2016</u>
Payables and accruals	\$ 2,696,430	\$ 740,657
Salaries and benefits payable	142,966	73,353
Marketing payable	41,567	46,053
Other	<u>148,244</u>	<u>148,120</u>
	<u>\$ 3,029,207</u>	<u>\$ 1,008,183</u>

Waterfront Development Corporation Limited

Notes to the consolidated financial statements

March 31, 2017

6. Loan payable

Cash flow resulting from the Bedford waterfront project has been used to temporarily repay the revolving operating line loan at prime rate plus 1%. If segregated funding was required or costs incurred to finance related developments and activities, the total debt would be increased from \$1,990,000 to \$4,480,336 through additional borrowings and other available funding as illustrated below:

	<u>2017</u>	<u>2016</u>
Demand loan	\$ 1,990,000	\$ 1,025,000
Bedford waterfront project (note 7)	<u>2,490,336</u>	<u>2,821,651</u>
	<u>\$ 4,480,336</u>	<u>\$ 3,846,651</u>

7. Deferred revenue

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement as at March 31, 2017:

	<u>Balance at beginning of year</u>	<u>Receipts during year</u>	<u>Related expense incurred</u>	<u>Balance at end of year</u>
Deposits for project developments and programs	\$ 258,498	\$ 1,691	\$ -	\$ 260,189
Bedford waterfront project	2,821,651	-	(331,315)	2,490,336
Development of Halifax waterfront	346,943	-	-	346,943
Proceeds from insurance	<u>831,456</u>	<u>-</u>	<u>-</u>	<u>831,456</u>
	<u>\$ 4,258,548</u>	<u>\$ 1,691</u>	<u>\$ (331,315)</u>	<u>\$ 3,928,924</u>

Deposits for project developments and programs

The Corporation received a deposit from Southwest Properties Limited for future development of the Cunard Block property.

Bedford waterfront project

The Corporation has previously received amounts from third parties for depositing fill in Bedford. The intent is to develop the Bedford waterfront property and utilize this long term deferred revenue in that development over future periods.

Development of Halifax waterfront

The Corporation received amounts from a third party as part of a development agreement for the Halifax waterfront; the intent is to use these funds in the development of the waterfront in future periods.

Receivable from Province of Nova Scotia for insurance proceeds

The Corporation has recorded a long term receivable and deferred revenue for insurance proceeds related to the loss incurred on the Lunenburg asset in 2014. Revenues will be recognized as the related expenses are incurred to construct a new asset.

Waterfront Development Corporation Limited

Notes to the consolidated financial statements

March 31, 2017

8. Tangible capital assets

March 31, 2017

	March 31, 2017										2016 Total	
	Land	Buildings	Wharves and walkways	Waterlots	Equipment	Paving	Capital lease	Monuments	Lunenburg (note 12)	Playground		Assets under Construction
Cost												
Opening balance	\$ 25,460,663	\$ 10,763,466	\$ 9,185,207	\$ 1,238,201	\$ 2,662,514	\$ 483,390	\$ 1,704,472	\$ 481,809	\$ 4,644,255	\$ 242,298	\$ -	\$ 56,866,275
Additions	1,908,536	-	-	14,746	612,257	-	-	-	-	-	1,966,159	4,501,698
Disposals	-	-	(186,832)	-	(84,612)	(160,558)	-	(32,800)	-	-	-	(464,802)
Closing balance	27,369,199	10,763,466	8,998,375	1,252,947	3,190,159	322,832	1,704,472	449,009	4,644,255	242,298	1,966,159	60,903,171
Accumulated amortization												
Opening balance	-	6,249,956	2,566,205	-	1,817,261	223,631	1,455,266	298,057	466,874	47,796	-	13,125,046
Amortization	-	224,707	194,894	-	237,949	4,887	35,528	22,147	57,364	12,115	-	789,591
Disposals	-	-	(80,427)	-	(73,696)	(60,738)	-	(19,133)	-	-	-	(233,994)
Closing balance	-	6,474,663	2,680,672	-	1,981,514	167,780	1,490,794	301,071	524,238	59,911	-	13,680,643
Net book value	\$ 27,369,199	\$ 4,288,803	\$ 6,317,703	\$ 1,252,947	\$ 1,208,645	\$ 155,052	\$ 213,678	\$ 147,938	\$ 4,120,017	\$ 182,387	\$ 1,966,159	\$ 47,222,528

March 31, 2016

	March 31, 2016										2016 Total	
	Land	Buildings	Wharves and walkways	Waterlots	Equipment	Paving	Capital lease	Monuments	Lunenburg (note 12)	Playground		Assets under Construction
Cost												
Opening balance	\$ 25,397,393	\$ 10,747,673	\$ 9,149,426	\$ 1,238,201	\$ 2,532,323	\$ 483,390	\$ 1,704,472	\$ 451,076	\$ 4,644,255	\$ 242,298	\$ -	\$ 56,590,507
Additions	63,270	15,793	35,781	-	265,579	-	-	30,733	-	-	-	411,156
Disposals	-	-	-	-	(135,388)	-	-	-	-	-	-	(135,388)
Closing balance	25,460,663	10,763,466	9,185,207	1,238,201	2,662,514	483,390	1,704,472	481,809	4,644,255	242,298	-	56,866,275
Accumulated amortization												
Opening balance	-	6,023,770	2,335,679	-	1,699,837	215,407	1,419,738	243,728	409,509	35,661	-	12,363,049
Amortization	-	226,186	230,526	-	242,044	8,524	35,528	54,329	57,365	12,115	-	866,617
Disposals	-	-	-	-	(124,620)	-	-	-	-	-	-	(124,620)
Closing balance	-	6,249,956	2,566,205	-	1,817,261	223,631	1,455,266	298,057	466,874	47,796	-	13,125,046
Net book value	\$ 25,460,663	\$ 4,513,510	\$ 6,619,002	\$ 1,238,201	\$ 845,253	\$ 259,759	\$ 249,206	\$ 183,752	\$ 4,177,381	\$ 194,502	\$ -	\$ 43,741,230

The capital lease is a prepaid long term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

Waterfront Development Corporation Limited

Notes to the consolidated financial statements

March 31, 2017

9. Accumulated surplus 2017 2016

The accumulated surplus is made up as follows:

Accumulated surplus	\$ 28,875,226	\$ 25,051,052
Contributed surplus	13,747,826	13,747,826
Share capital	<u>3</u>	<u>3</u>
	<u>\$ 42,623,055</u>	<u>\$ 38,798,881</u>

Authorized:

5,000 shares without nominal or par value

Issued:

3 shares	\$ <u>3</u>	\$ <u>3</u>
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The shares are held in trust by one representative of the province for the Queen in Right of the Province of Nova Scotia.

10. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Service Superannuation Plan. This plan is sponsored by the Nova Scotia government, and provides benefits to the employees of multiple government organizations. Although each participating entity is responsible for its contributions to the plan, the amount for which each individual entity is obligated is not determinable based on the Province's actuarial report, and therefore no liability is recognized in these statements. Expenses are recorded in the period when the Corporation is obligated to make contributions for services rendered by employees. During the year, the Corporation made contributions to the plan in the amount of \$94,020 (2015 - \$105,965). The Province engaged an actuary in December 2015 to complete a full actuarial valuation of the Nova Scotia Public Service Superannuation Plan, at which time there was an unfunded liability. The Province is required to engage an actuary to perform an actuarial valuation of the plan on or before December 31, 2017.

11. Supplemental cash flow information 2017 2016

Change in non-cash operating working capital:

Receivables	\$ (3,790,761)	\$ 104,805
Prepays	(16,919)	(32,687)
Payables and accruals	<u>2,021,024</u>	<u>(430,158)</u>
	<u>\$ (1,786,656)</u>	<u>\$ (358,040)</u>

12. Lunenburg investment

In fiscal 2006, the Corporation acquired real estate properties in the Town of Lunenburg by way of a 100% share purchase of 3104102 Nova Scotia Limited and direct asset purchases.

Waterfront Development Corporation Limited

Notes to the consolidated financial statements

March 31, 2017

12. Lunenburg Investment (continued)

The province provides an annual operating grant to cover any shortfall between revenues and expenditures and tangible capital asset construction or purchases.

The Lunenburg assets consist of land, buildings and wharves. These assets have been shown as a separate line item within the Tangible Capital Assets schedule in note 8 to the consolidated financial statements. This is to recognize these assets as a unique group whose title with the Corporation may not necessarily be long term in nature, depending on decisions of the province.

13. Related party transactions

During the year, the Corporation transacted business with various Departments and Crown Corporations of the Province of Nova Scotia. These transactions included rent charged to these entities for use of the Corporation's assets. Other revenues received from related parties include operating and capital grants. Various expenditures were incurred by the Corporation for transactions with these same related parties for payroll benefits, consulting and legal services. All transactions with related parties are in the normal course of operations and are transacted at the exchange amount agreed to by related parties.

14. Commitments

- (i) The Corporation entered into an agreement with an existing combined residential and commercial building on the Halifax waterfront to allow partial early conversion of the complex into condominium units. The Corporation received total compensation of \$500,000. The Corporation has committed to use the compensation on the construction of amenities on the Halifax waterfront. In the current fiscal year, the Corporation has recognized \$Nil (2016 - \$117,987) as deferred revenue. The Corporation has cumulatively recognized \$500,000 as deferred revenue and expended \$153,057 on amenities for a net deferred balance of \$346,943 (refer to note 7).
- (ii) During the 2013 fiscal year, the Corporation issued a request for proposals for the development of the property known as Cunard Block. Southwest Properties Limited was selected as the preferred proponent based on the proposals received. The Corporation will be responsible for the design and construction of the public space component of the development. Southwest Properties will be contributing a portion of the cost and a \$3 million dollar grant was approved by the province in fiscal 2014.
- (iii) A building owned by the Corporation in the Town of Lunenburg was destroyed by a fire in September 2013. The building was a total loss and demolition took place in fiscal 2015. The Corporation has recognized a receivable for insurance proceeds from the Province of Nova Scotia in the amount of \$831,456 in these consolidated financial statements after expenditure of \$194,206 to demolish and remediate the property. The receipt of proceeds will be contingent on a replacement property being constructed and, as such, a liability has been booked for the same amount to recognize the commitment to rebuild. The timing, cost, and likelihood of spending approval by the province of the replacement property is not known at present.

Waterfront Development Corporation Limited

Notes to the consolidated financial statements

March 31, 2017

14. Commitments (continued)

- (iv) During the year, the Corporation entered into an agreement with Armour Group Limited ("AGL") to develop the Queen's Marque on the Halifax waterfront, a \$200 million mixed use development project including residential, office, hotel, retail, significant public space and 3 new piers. The Corporation will continue to own the land and manage the public space through a 99-year land lease with AGL. The province approved a capital grant to the Corporation for \$6,569,513 to bring the site to a development-ready state, and construction is underway.
- (v) During the year, the Corporation began recapitalization of the Centre for Ocean Ventures and Entrepreneurship site ("COVE" site) on the Dartmouth side of Halifax Harbour at the site of the former Canadian Coast Guard Base. The property was purchased by the Corporation in 2015, and the \$19.7 million project will be funded through a federal / provincial cost share (\$7.1 million federal and \$12.6 million provincial). The Corporation is leading design and construction in partnership with the Nova Scotia Community College, and the facility is expected to open in the spring of 2018.

15. Employee compensation

As required under the Public Sector Compensation Disclosure Act for the Province of Nova Scotia, the following are total gross compensation in excess of \$100,000 for individual employees of the Corporation:

Colin MacLean, Past President & CEO	\$ 201,529
Jennifer Angel, Acting President & CEO	\$ 144,326
Adam Langley, Director of Operations	\$ 102,880
Peter Bigelow, Senior Planner	\$ 101,500

16. Provincial grant revenue and other income

Actual revenue amounts for grants and other income can vary significantly from budget during each fiscal year. This is due to additional budget allocations for certain items being approved that were not included in the original budget. Additional capital grant approvals for the Queen's Marque project and the COVE site are the primary factors impacting the revenue variance from budget for fiscal 2017.

17. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2017 consolidated financial statements.

Waterfront Development Corporation Limited

Schedule 1 – Property expenses

Year ended March 31	Budget	2017	2016
Expense			
Amortization	\$ 872,000	\$ 732,226	\$ 809,252
Bedford development	-	36,753	77,740
Equipment and supplies	80,000	105,114	110,513
Insurance	130,000	123,752	112,352
Landscaping and waste removal	217,000	282,767	249,606
Miscellaneous	20,000	38,773	23,002
Property taxes	24,000	22,846	23,831
Repairs and maintenance	268,000	223,112	308,440
Security	167,000	152,349	158,904
Utilities	184,000	245,645	158,460
Total expenditures	\$ 1,962,000	\$ 1,963,337	\$ 2,032,100

Waterfront Development Corporation Limited

Schedule 2 - Corporate expenses

Year ended March 31	Budget	2017	2016
Expense			
Directors' fees and expenses	\$ 30,000	\$ 18,325	\$ 27,675
Doubtful accounts	6,000	-	-
Loan interest	20,000	8,855	13,931
Office operations	293,000	283,534	235,320
Professional fees			
Programs	175,000	174,026	424,555
Audit	25,000	20,502	20,412
Consulting	30,000	31,507	59,524
Legal fees	20,000	12,827	54,199
Salaries, contracts and benefits	1,636,000	1,611,365	1,538,190
Waterfront promotions and public relations	124,000	145,539	191,826
Total expenditures	\$ 2,359,000	\$ 2,306,480	\$ 2,565,632

Waterfront Development Corporation Limited
Schedule 3 – Revenue and expense for the
Lunenburg real estate and development projects

Year ended March 31	Budget	2017	2016
Revenue			
Rents	\$ 207,000	\$ 225,140	\$ 236,491
Operating grant (note 12)	<u>313,000</u>	<u>313,000</u>	<u>-</u>
	<u>520,000</u>	<u>538,140</u>	<u>236,491</u>
Expense			
Administration	30,000	15,873	24,068
Amortization	52,500	57,365	57,365
Operating	410,000	549,007	486,708
Professional fees	<u>80,000</u>	<u>103,215</u>	<u>83,227</u>
	<u>572,500</u>	<u>725,460</u>	<u>651,368</u>
Excess of expenses over revenue (note 12)	\$ <u>(52,500)</u>	\$ <u>(187,320)</u>	\$ <u>(414,877)</u>

Waterfront Development Corporation Limited
Schedule 4 - Revenue and expense for the
Tall Ships Nova Scotia Festival

Year ended March 31	Budget	2017	2016
Revenue			
Government grant	\$ <u>750,000</u>	\$ <u>750,000</u>	\$ <u>-</u>
Expense			
Administration and management	300,000	222,536	-
Marketing	350,000	196,243	-
Program	<u>100,000</u>	<u>390,137</u>	<u>-</u>
	<u>750,000</u>	<u>808,916</u>	<u>-</u>
Excess of expenses over revenue	\$ <u>-</u>	\$ <u>(58,916)</u>	\$ <u>-</u>