
CRANE COVE SEAFOODS LIMITED PARTNERSHIP
FINANCIAL STATEMENTS
MARCH 31, 2014

UK



103 Byng Avenue
Sydney, NS
B1P 5C1

Correspondence:
PO Box 695
Sydney, NS
B1P 6H7

Tel: 902-567-1088
Fax: 902-567-2649
Email: admin@ukca.ca

INDEPENDENT AUDITOR'S REPORT

To the Partners of
Crane Cove Seafoods Limited Partnership

We have audited the accompanying financial statements of Crane Cove Seafoods Limited Partnership, which comprise the balance sheet as at March 31, 2014 and the statements of earnings, partners' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by Management using the basis of accounting described in Note 2a.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note 2a, 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. These 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 judgement, 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 the 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 Crane Cove Seafoods Limited Partnership as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 2a.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2a to the financial statements, which describes the basis of accounting. The financial statements are prepared by Crane Cove Seafoods Limited Partnership to meet the requirements of the limited partner, Eskasoni First Nation. As a result, the financial statements may not be suitable for another purpose.

Sydney, Nova Scotia
August 5, 2014


Unsworth Kachafanas
Chartered Accountants

CRANE COVE SEAFOODS LIMITED PARTNERSHIP
BALANCE SHEET
AS AT MARCH 31,

| | 2014 | 2013 |
|--|----------------------------|----------------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 144,281 | \$ 195,280 |
| Accounts receivable | 237,089 | 269,620 |
| HST receivable | 17,350 | 1,126 |
| Prepaid expenses | <u>48,078</u> | <u>58,462</u> |
| | 446,798 | 524,488 |
| Property, plant and equipment (Note 3) | <u>2,821,502</u> | <u>3,118,917</u> |
| | <u>\$ 3,268,300</u> | <u>\$ 3,643,405</u> |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 662,517 | \$ 599,624 |
| Government remittances payable | 14,507 | 11,059 |
| Current portion of long term debt | <u>7,849</u> | <u>25,614</u> |
| | 684,873 | 636,297 |
| Long term debt (Note 4) | - | 11,736 |
| Deferred government assistance (Note 6) | <u>1,694,391</u> | <u>1,862,850</u> |
| | <u>2,379,264</u> | <u>2,510,883</u> |
| PARTNERS' EQUITY | | |
| Partners' equity | <u>889,036</u> | <u>1,132,522</u> |
| | <u>\$ 3,268,300</u> | <u>\$ 3,643,405</u> |

Approved on Behalf of the Board

_____ Director

_____ Director

UK

CRANE COVE SEAFOODS LIMITED PARTNERSHIP
STATEMENT OF EARNINGS
YEAR ENDED MARCH 31,

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Revenues | | |
| Fishing operations | \$ 9,165,803 | \$ 10,109,327 |
| Government assistance | - | 166,286 |
| Building management | 105,601 | 132,805 |
| Trucking | <u>204,361</u> | <u>163,511</u> |
| | 9,475,765 | 10,571,929 |
| Cost of goods sold (Schedule 1) | <u>6,130,516</u> | <u>6,368,428</u> |
| | 3,345,249 | 4,203,501 |
| General and administrative expenses (Schedule 2) | <u>1,533,089</u> | <u>1,675,630</u> |
| Earnings from operations | <u>1,812,160</u> | <u>2,527,871</u> |
| Other items | | |
| Loss on disposal of property, plant and equipment | (23,146) | - |
| Community contributions | <u>(32,500)</u> | <u>-</u> |
| | <u>(55,646)</u> | <u>-</u> |
| Net earnings | <u>\$ 1,756,514</u> | <u>\$ 2,527,871</u> |



CRANE COVE SEAFOODS LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' EQUITY
YEAR ENDED MARCH 31,

| | Eskasoni Band Council | Eskasoni Benevolent General Partner Inc. | Total 2014 | Total 2013 |
|----------------------------|----------------------------------|---|---------------------------|-----------------------|
| Balance, beginning of year | \$ 1,131,392 | \$ 1,130 | \$ 1,132,522 | \$ 1,446,881 |
| Net earnings | 1,756,339 | 175 | 1,756,514 | 2,527,871 |
| Withdrawals | <u>(2,000,000)</u> | <u>-</u> | <u>(2,000,000)</u> | <u>(2,842,230)</u> |
| Balance, end of year | <u>\$ 887,731</u> | <u>\$ 1,305</u> | <u>\$ 889,036</u> | <u>\$ 1,132,522</u> |



CRANE COVE SEAFOODS LIMITED PARTNERSHIP
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31,

| | 2014 | 2013 |
|--|--------------------|--------------------|
| Net cash flow related to the following activities: | | |
| Operating | | |
| Net earnings | \$ 1,756,514 | \$ 2,527,871 |
| Items not affecting cash | | |
| Amortization of deferred contributions | (168,459) | (211,303) |
| Amortization of tangible assets | 283,268 | 351,051 |
| Loss on sale of property, plant and equipment | 23,146 | - |
| | <u>1,894,469</u> | <u>2,667,619</u> |
| Changes in non-cash operating working capital items | | |
| Increase in accounts payable and accrued liabilities | 66,339 | 173,288 |
| Decrease (increase) in prepaid expenses | 10,384 | (9,882) |
| Decrease in accounts receivable | 16,307 | 73,241 |
| | <u>93,030</u> | <u>236,647</u> |
| | <u>1,987,499</u> | <u>2,904,266</u> |
| Financing | | |
| Repayment of long term debt | (29,500) | (35,598) |
| Due to Eskasoni Band Council | - | (36,181) |
| | <u>(29,500)</u> | <u>(71,779)</u> |
| Investing | | |
| Additions to property, plant and equipment, net of long term debt and transfers to Eskasoni Band Council | (10,998) | (62,964) |
| Capital distribution to Eskasoni Band Council | (2,000,000) | (2,842,232) |
| Proceeds on disposal of property, plant and equipment | 2,000 | - |
| | <u>(2,008,998)</u> | <u>(2,905,196)</u> |
| Net cash outflow | <u>(50,999)</u> | <u>(72,709)</u> |
| Cash and cash equivalents, beginning of year | <u>195,280</u> | <u>267,989</u> |
| Cash and cash equivalents, end of year | <u>\$ 144,281</u> | <u>\$ 195,280</u> |

UK

CRANE COVE SEAFOODS LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

1. DESCRIPTION OF BUSINESS

The Crane Cove Seafoods Limited Partnership (the Partnership) is registered under the Partnerships and Business Names Registration Act. The Partnership is a limited partnership. The general partner is the Eskasoni Benevolent General Partner Inc. and the limited partner is the Eskasoni First Nation.

The Partnership operates to represent the Eskasoni First Nation and its residents in all aspects of their involvement in commercial fisheries and management of selected community projects.

2. ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements have been prepared in accordance with accounting principles determined by the limited partner, Eskasoni First Nation, to be appropriate for reporting on the operating results of Crane Cove Seafoods Limited Partnership for the specific purpose of incorporating the operating results into the financial statements of Eskasoni First Nation. The policies used in the preparation of the financial statements are detailed below.

The financial statements of the Partnership include the assets, liabilities, revenues and expenses related to the operation of Crane Cove Seafoods Limited Partnership. No amount has been included in the statement of earnings for the partners' interest on partners' invested capital. Net earnings for the year do not include income taxes which may be paid by the partners, if applicable.

b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments

c) Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described in Note 2a requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses for the year. Actual results could differ from the estimates made by management.

CRANE COVE SEAFOODS LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

2. ACCOUNTING POLICIES - CONT'D

d) Property, Plant and Equipment

Property, plant and equipment is stated at cost. Amortization is calculated using the declining balance method based on the estimated useful life of the assets as follows:

| | |
|------------------------------|-----|
| Building | 5% |
| Equipment | 30% |
| Automotive; marine; trailers | 30% |

e) Revenue Recognition

Revenue from fishing is recognized at the settlement date. Revenue from projects and the processing of fish products is recognized according to the project contract or agreement usually in the form of a reimbursement of expenses.

f) Government Assistance

Government assistance received for operating expenses is included in the statement of earnings as revenue in the current year. Government assistance received for the acquisition of property, plant and equipment and licenses is deferred and amortized to earnings on the same basis as the related asset is amortized.

g) Financial Instruments

Measurement of financial instruments

The Partnership initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Partnership subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of these financial instruments are recognized in net income. Financial assets measured at amortized cost on a straight-line basis include cash, term deposits, and accounts receivable.

Investments in a private company are recognized at cost.

Financial liabilities measured at amortized cost on a straight-line basis include the bank overdraft, the bank loan, accounts payable, and long-term debt.



CRANE COVE SEAFOODS LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

2. ACCOUNTING POLICIES - CONT'D

f) Financial Instruments - Cont'd

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The 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 net income.

Transaction costs

The Partnership's transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. The carrying amount of the financial instruments that will not be subsequently measured at fair value is adjusted for transaction costs directly attributable to the origination, issuance or assumption of these instruments.

h) Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

3. PROPERTY, PLANT AND EQUIPMENT

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net Book Value 2014</u> | <u>Net Book Value 2013</u> |
|------------------|---------------------|-------------------------------------|--------------------------------|--------------------------------|
| Building | \$ 3,517,346 | \$ 1,060,588 | \$ 2,456,758 | \$ 2,586,061 |
| Equipment | | | | |
| Automotive | 728,516 | 493,649 | 234,867 | 347,859 |
| Computer | 424,441 | 325,599 | 98,842 | 138,745 |
| Marine | 156,107 | 135,796 | 20,311 | 33,140 |
| Office | 24,313 | 13,859 | 10,454 | 12,726 |
| Tools | <u>3,269</u> | <u>2,999</u> | <u>270</u> | <u>386</u> |
| | <u>\$ 4,853,992</u> | <u>\$ 2,032,490</u> | <u>\$ 2,821,502</u> | <u>\$ 3,118,917</u> |



CRANE COVE SEAFOODS LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

4. LONG TERM DEBT

| | <u>2014</u> | <u>2013</u> |
|---|--------------|------------------|
| Ford Credit | | |
| Loan #1 | \$ 7,849 | \$ 17,993 |
| Repayable in monthly installments of \$896, including principal and interest at 6.59%, maturing in December 2014, and secured by a vehicle with a net book value of \$10,998. | | |
| Loan #2 | - | 5,678 |
| Loan #3 | - | 13,679 |
| | <u>7,849</u> | 37,350 |
| Current portion | <u>7,849</u> | <u>25,614</u> |
| | <u>\$ -</u> | <u>\$ 11,736</u> |

5. RELATED PARTY TRANSACTIONS

The Eskasoni Band Council is the limited partner of the Partnership. During the year, the following transactions occurred between the Partnership and the Eskasoni First Nations Chief and Council, senior management and members of the Board of Directors:

- a) The Partnership purchased goods in the amount of \$57,808 (2013 - \$55,510) from Eskasoni Supermarket Limited. The Eskasoni Supermarket Limited is owned by the Partnership's limited partner.
- b) The Partnership employed two Band Councillors who received salaries of \$17,993 and \$65,762, respectively, and travel and meal allowances of \$4,151 and \$5,719 respectively.
- c) The Partnership paid \$214,030 (2013 - \$387,640) in lease payments for the use of vessels and licenses to the Eskasoni Band Council.
- d) The Partnership has advanced \$32,500 to the Eskasoni Band Council to assist in community projects managed by the Band.
- e) The Partnership paid directors' fees to a member of the board of directors of the general partner in the amount of \$1,800.
- f) The Eskasoni Band Council paid \$21,600 (2013 - \$21,600) in rent to the Partnership.
- g) The Partnership received rent of \$6,000 (2013 - \$6,000) from a company owned by a member of the board of directors of the general partner.
- h) The Partnership transferred vehicles to the Band having a book value of \$21,023.



CRANE COVE SEAFOODS LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

6. GOVERNMENT ASSISTANCE

A total of \$168,459 for assistance received towards property, plant and equipment was amortized in the current year.

7. FINANCIAL INSTRUMENTS

The Partnership is exposed to various risks through its financial instruments. The following analysis provides a measure of the Partnership's risk exposure and concentrations at the balance sheet date.

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. Financial instruments which potentially subject the Partnership to concentrations of credit risk consist principally of accounts receivable. Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

The Partnership's most significant accounts receivable transactions are with fish buyers and brokers and arise in the normal course of the Partnership's operations. At the balance sheet date, there are two current receivable for \$129,672 representing 59% of the accounts receivable balance. To alleviate the potential for credit risk concentration, the Partnership monitors the balance receivable on a regular basis. Buyers usually remit payment within a week.

b) Liquidity risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting obligations associated with financial liabilities. The Partnership is exposed to liquidity risk arising primarily from its accounts payable, accrued liabilities and long term debt. The Partnership manages its liquidity risk by constantly monitoring forecasted and actual cash flow. Accounts payable and accrued liabilities are normally paid within thirty days.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

i) Currency rate risk

Currency risk is the risk that the fair value of a financial instrument or related future cash flow will fluctuate because of change in foreign exchange rates. The Partnership is not exposed to currency rate risk.



CRANE COVE SEAFOODS LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

7. FINANCIAL INSTRUMENTS - CONT'D

c) Market risk - Cont'd

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Partnership is not exposed to interest rate risk as its long term debt is set at fixed interest rates.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Partnership is not exposed to other price risk.

SCHEDULE 1

CRANE COVE SEAFOODS LIMITED PARTNERSHIP
SCHEDULE OF COST OF GOODS SOLD
 YEAR ENDED MARCH 31,

| | 2014 | 2013 |
|------------------------------------|----------------------------|----------------------------|
| Cost of goods sold | | |
| Bait and ice | \$ 176,307 | \$ 293,946 |
| Drug testing | 16,905 | 39,195 |
| Dues, fees and licenses | 432,195 | 552,574 |
| Fishers' training and development | 9,438 | - |
| Fuel | 515,333 | 660,820 |
| Gear | 58,267 | 141,469 |
| General supplies and crew expenses | 178,926 | 206,211 |
| Insurance | 78,991 | 79,294 |
| Quota purchases (non-renewable) | - | 6,493 |
| Repairs and maintenance | 765,453 | 742,110 |
| Salaries and wages | 3,674,268 | 3,446,357 |
| Shipping | 17,769 | 22,287 |
| Dressing and handling | 34,626 | 33,301 |
| Telephone | 11,285 | 15,165 |
| Trucking repairs and fuel | <u>160,753</u> | <u>129,206</u> |
| Total cost of goods sold | \$ <u>6,130,516</u> | \$ <u>6,368,428</u> |

UK

SCHEDULE 2

CRANE COVE SEAFOODS LIMITED PARTNERSHIP SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES YEAR ENDED MARCH 31,

| | 2014 | 2013 |
|--|----------------------------|----------------------------|
| General and administrative expenses | | |
| Advertising and promotion | \$ 56,459 | \$ 100,737 |
| Amortization | 114,809 | 139,748 |
| Bad debt | 4,505 | - |
| Insurance | 60,871 | 56,404 |
| Interest and bank charges | 5,042 | 4,182 |
| Interest on long term debt | 1,292 | 3,925 |
| Memberships, fees and licences | 12,201 | 12,284 |
| Office | 33,548 | 27,356 |
| Professional fees | 103,459 | 86,358 |
| Repairs and maintenance | 31,540 | 20,055 |
| Salaries and wages | 904,457 | 973,811 |
| Telephone | 38,554 | 44,586 |
| Training | 1,665 | 3,070 |
| Travel | 46,513 | 63,212 |
| Utilities | 59,893 | 45,566 |
| Vehicle | <u>58,281</u> | <u>94,336</u> |
| Total general and administrative expenses | \$ <u>1,533,089</u> | \$ <u>1,675,630</u> |

