



# Confidential Information Memorandum

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# Island Excavators (1985) Ltd.

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## FOREWORD

This Confidential Information Memorandum (CIM) has been compiled by MRSB Mergers and Acquisitions (MRSB) from information provided by the management of Island Excavators (1985) Ltd.

The information contained herein has been prepared to assist interested parties in making their own evaluation of the operations of Island Excavators (1985) Ltd. and does not purport to contain all of the information that a prospective purchaser may desire. Prospective purchasers should conduct their own investigation and analysis of Island Excavators (1985) Ltd. and of the information contained in this CIM. MRSB has not independently verified any of the information contained herein. No representations or warranties are made or implied by MRSB or the Vendors as to the accuracy of the data presented. Parties who wish to pursue this matter further will be provided with such other information as mutually agreed. Any eventual agreement will contain such representations and warranties as agreed to between the parties.

Delivery of this Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase securities under the securities laws of any jurisdiction.

By accepting the CIM and signing a confidentiality agreement, the recipient acknowledges and agrees that:

- (1) all of the information contained herein or made available in connection with a further investigation of Island Excavators (1985) Ltd. is confidential, will be treated in a confidential manner, and the recipient will not, directly or indirectly, disclose or permit its agents or affiliates to disclose any of such information,
- (2) no personnel of Island Excavators (1985) Ltd. and no clients, customers, suppliers or other parties have dealings with the business are to be contacted directly or indirectly under any circumstances by or on behalf of the recipient without the prior written consent of MRSB or the Vendor,
- (3) MRSB makes no representation or warranty as to the accuracy of the CIM and shall have no liability for any representation (express or implied) contained in, or for any omissions from, the CIM or any other written or oral communications transmitted to the recipient in the course of its evaluation of Island Excavators (1985) Ltd., and
- (4) if the recipient does not wish to pursue this matter or upon a request from MRSB, the recipient will return the CIM to MRSB or the Vendors as soon as practicable, together with any other materials relating to Island Excavators (1985) Ltd. which the recipient may have received from MRSB or the Vendors.

Unless otherwise indicated, all dollar amounts in this CIM and appendices are expressed in Canadian currency.

All communications, and any offers pertaining thereto, may be directed to:

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Appendix A Financial Statements 2013, 2011

Appendix B Property Appraisals & Assessments

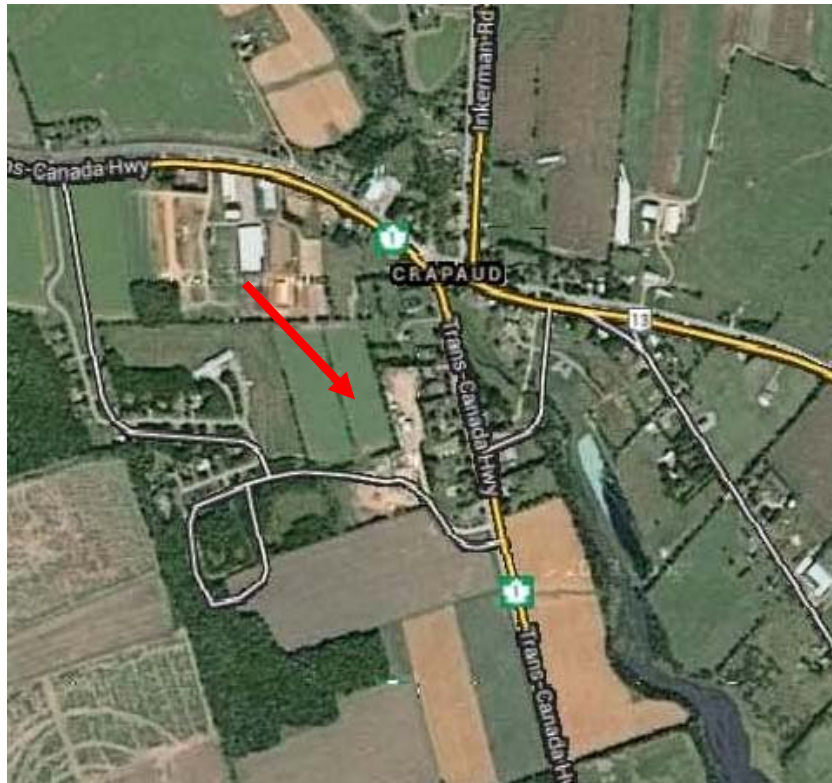
Appendix C Equipment Appraisals

Appendix D Shop Inventory

## 1.0 DESCRIPTION OF BUSINESS

Island Excavators (1985) Ltd. is located in Crapaud, Prince Edward Island and undertakes private and public projects all over Prince Edward Island.

Owned and operated by Wade Campbell, Island Excavators has been in operation since 1985.



Their central location in Crapaud, just off the Trans-Canada Highway is convenient to access all areas of Prince Edward Island.

Island Excavators is also member of the PEI Road Builders and Heavy Construction Association from which they have received several Highway and Grading awards. They have also received a number of safety awards from Workers Compensation Board of PEI.

Island Excavators believes in community involvement and sponsors a number of local hockey organizations: Junior B Crapaud, Junior C North River, Mid Isle Matrix (Atom and Pee Wee).

They are also major donors to Crapaud Rink and National Power Lifting Championships.

## 2.0 PRODUCTS AND SERVICES

Island Excavators (1985) Ltd. provides services and expertise in:

- road building
- site work
- shoreline erosion protection
- lagoon excavation
- heavy equipment rental
- land clearing
- snow removal
- general trucking

They also provide construction and landscaping products such as:

- gravel
- sand
- topsoil
- mushroom compost
- shale

## 3.0 MAJOR PROJECTS

A few of the major projects Island Excavators have recently completed are:

- Stratford Elementary School
- Crapaud Lagoon
- Mount Stewart Lagoon
- Shoreline

The following are a few pictures from each of those projects.

### Stratford Elementary School





## Crapaud Lagoon



## Mount Stewart Lagoon





## Shoreline





## 4.0 MARKET OVERVIEW

### 4.1 Provincial

Prince Edward Island has an aging infrastructure. The 2014-2015 Capital Budget will invest \$73 million in infrastructure projects across Prince Edward Island as well as \$32 million for projects to further improve the highway system. The budget also estimates that the Province will spend a total of approximately \$160 million over the next five years on transportation and infrastructure renewal.<sup>1</sup>

### 4.2 Federal

The Building Canada Plan will end in 2014; however, the Federal Government is committed to creating a new Infrastructure program for 2015.

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<sup>1</sup> Prince Edward Island Capital Estimates Fall 2013 as presented by the Honourable Wesley J. Sheridan, Minister of Finance, Energy and Municipal Affairs and Chair of Treasury Board.

## 5.0 BUSINESS OUTLOOK/BENEFITS FOR ACQUIRING PARTIES

The purchaser of Island Excavators (1985) Ltd. will be acquiring a well established and well known Island heavy construction operation. All of the equipment and product is in place to continue to provide services to the Island population and with such close proximity to the Confederation Bridge there is opportunity to continue to submit tenders for projects in Nova Scotia and New Brunswick.

Island Excavators currently has a number of private snow removal and sanding contracts for the 2014/2015 winter season. A current government snow removal and sanding contract is in place until April 2019 for approximately 110 total kilometers.

## 6.0 PERSONNEL

Island Excavators (1985) Ltd. employs 16 full time staff year round. During the winter these employees would be responsible for snow removal as well as any maintenance or building that may be required.

Approximately 25 – 50 are employed seasonally.

Current key staff includes:

- Wade Campbell – Owner
- Todd Ralph – Office Manager, 10 years service
- Joanne Lowther – Bookkeeper/Accountant, 8 years service
- Dennis Lowther – Foreman, 22 years service
- Ronnie MacKinnon – Foreman/Operating, 30+ years service
- Doug Ferguson, 30+ years service
- Vacant Position - Controller



## 7.0 BUSINESS ASSETS

### 7.1 Materials & Shop Inventory

As at September 30, 2014, materials inventory and fair market values (FMV) were as follow:  
Shop inventory can be viewed in Appendix D.

Island Excavators (1985) Ltd. Inventory September 30, 2014						
Aggregates	Unit	Amount	Cost	COST	Selling Prices	FMV
Imported 3-6" stone	t	400.00	32.56	13,024.00	40.00	16,000.00
Island crushed gravel	t	645.00	22.50	14,512.50	30.00	19,350.00
Rock Dust	t	901.50	23.00	20,734.50	35.25	31,777.88
R5 Stone	t	361.01	34.51	12,458.46	35.00	12,635.35
Reclaimed Asphalt	t	10,498.05	21.10	221,508.86	34.65	363,757.43
Reclaimed Asphalt - Winsloe	t	138.00	21.00	2,898.00	35.65	4,919.70
Concrete Rip-Rap	t	2,800.00	16.75	46,900.00	20.00	56,000.00
Sand	t	34,953.38	11.99	419,091.03	20.00	699,067.60
Imported Drainage	t	925.64	25.39	23,502.00	35.00	32,397.40
Imported Driveway Mix	t	720.46	27.19	19,589.31	28.00	20,172.88
Compost	yd	704.30	17.30	12,184.39	30.00	21,129.00
Topsoil	yd3	35,026.25	14.64	512,784.30	20.00	700,525.00
Island Rip-Rap	t	11,925.00	20.13	240,050.25	40.00	477,000.00
Pit Run Gravel	t	500.00	20.00	10,000.00	30.00	15,000.00
Fill-Stockpile	Tandem loads	1,376.75	56.29	77,497.26	80.00	110,140.00
<b>Total Inventory</b>				<b><u>1,646,734.84</u></b>		<b><u>2,579,872.24</u></b>

\*Prepared by client

### 7.2 Fixed Asset Listing and Market Values

Island Excavators (1985) Ltd. has had a number of recent appraisals completed on their property and equipment. These appraisals can be found in Appendix C of this document.

## 8.0 FINANCIAL HIGHLIGHTS

## 8.1 Net Income Before Taxes

**Table I**

	2013	2012	2011	2010	2009
<b>Revenues</b>					
Contracting	\$ 1,895,688	\$ 3,188,369	\$ 3,127,482	\$ 3,409,071	\$ 1,781,684
Equipment rental and small jobs	322,902	951,684	881,513	1,165,189	1,016,109
Snow Removal	387,479	424,239	327,395	231,348	308,172
Materials	92,654	134,154	28,222	13,126	33,510
Trucking	20,193	22,529	16,411	12,922	-
Miscellaneous	669	724	9,251	-	-
Gain on disposal of property and equipment	20,881	-	5,000	-	9,088
Interest (write off of interest)	4,701	(6,392)	2,311	3,336	1,312
	<u>\$ 2,745,167</u>	<u>\$ 4,715,307</u>	<u>\$ 4,397,585</u>	<u>\$ 4,834,992</u>	<u>\$ 3,149,875</u>
<b>Operating Expenses</b>					
Amortization of deferred finance charges	32,216	48,324	48,324	46,666	48,324
Amortization of leased assets	80,299	76,820	64,176	51,454	51,071
Amortization of property and equipment	227,258	222,960	210,685	268,936	199,235
Interest and bank charges	175,573	153,295	101,795	85,384	76,587
Interest on long term debt	69,058	51,195	45,885	48,161	20,610
Interest on obligations under capital lease	19,797	20,036	14,651	19,210	15,256
Loss on disposal of property under capital lease	-	21,288	-	4,093	-
Depletion of gravel pits	121	321	321	655	207
Gas and oil	405,066	480,195	487,918	501,628	339,658
Insurance	88,752	73,272	75,682	73,990	71,104
Licenses and registrations	28,209	20,138	29,931	30,533	27,186
Rentals	11,664	23,880	61,203	60,984	74,017
Repairs and maintenance	128,663	250,143	219,971	315,167	154,643
Supplies, materials and subcontracting	1,758,637	1,567,860	1,699,008	1,908,282	868,839
Travel	12,993	17,134	11,253	4,673	14,038
Wages and employee benefits	754,572	780,982	627,968	796,936	667,826
Worker's compensation insurance	26,794	51,359	44,254	23,943	19,096
	<u>\$ 3,819,672</u>	<u>\$ 3,859,202</u>	<u>\$ 3,743,025</u>	<u>\$ 4,240,695</u>	<u>\$ 2,647,697</u>
Earnings from operations	<u>\$ (1,074,505)</u>	<u>\$ 856,105</u>	<u>\$ 654,560</u>	<u>\$ 594,297</u>	<u>\$ 502,178</u>
<b>General and Administrative</b>					
Advertising and Promotion	14,766	22,720	43,173	21,752	15,773
Bad debts	(14,269)	16,805	34,683	44,599	45,914
Lights, heat and telephone	20,937	36,131	29,412	38,353	49,225
Office	14,170	22,532	24,741	29,892	20,504
Professional fees	9,304	16,842	14,812	11,202	12,586
Property taxes	3,435	3,137	3,777	4,943	2,209
Salaries and benefits	304,409	287,189	265,666	216,196	187,480
	<u>\$ 352,752</u>	<u>\$ 405,356</u>	<u>\$ 416,264</u>	<u>\$ 366,937</u>	<u>\$ 333,691</u>
<b>Total General and Administrative</b>	<u>\$ 352,752</u>	<u>\$ 405,356</u>	<u>\$ 416,264</u>	<u>\$ 366,937</u>	<u>\$ 333,691</u>
<b>Net Income</b>	<u><u>\$ (1,427,257)</u></u>	<u><u>\$ 450,749</u></u>	<u><u>\$ 238,296</u></u>	<u><u>\$ 227,360</u></u>	<u><u>\$ 168,487</u></u>

## 8.2 Normalized EBITDA

**Table II**

	Notes	2013	2012	2011	2010	2009
Net income before taxes		\$ (1,427,257)	\$ 450,749	\$ 238,296	\$ 227,360	\$ 168,487
EBITDA adjustments						
Miscellaneous		-	(724)	(9,251)	-	-
Gain on disposal of property and equipment		(20,881)	-	(5,000)	-	(9,088)
Interest (write off of interest)		(4,701)	6,392	(2,311)	(3,336)	(1,312)
Amortization of deferred finance charges		32,216	48,324	48,324	46,666	48,324
Amortization of leased assets		80,299	76,820	64,176	51,454	51,071
Amortization of property and equipment		227,752	222,960	210,685	268,936	199,235
Interest on long term debt		69,058	51,195	45,885	48,161	20,610
Interest on obligations under capital lease		19,797	20,036	14,651	19,210	15,256
		<u>\$ 403,540</u>	<u>\$ 425,003</u>	<u>\$ 367,159</u>	<u>\$ 431,091</u>	<u>\$ 324,096</u>
EBITDA		\$ (1,023,717)	\$ 875,752	\$ 605,455	\$ 658,451	\$ 492,583
Normalizing Adjustments						
Donations	1	7,260	10,533	38,062	3,656	7,829
Travel and meals	2	2,993	7,134	1,253	(5,327)	4,038
Extraordinary Item	3	800,000	37,665	-	-	-
		<u>\$ 810,253</u>	<u>\$ 55,332</u>	<u>\$ 39,315</u>	<u>\$ (1,671)</u>	<u>\$ 11,867</u>
Normalized EBITDA		<u><u>\$ (213,464)</u></u>	<u><u>\$ 931,084</u></u>	<u><u>\$ 644,770</u></u>	<u><u>\$ 656,780</u></u>	<u><u>\$ 504,450</u></u>

**Note 1 - Donations**

Donations have been added back to the earnings of the company, as they are discretionary in nature and therefore would not have to be continued by a potential purchaser.

**Note 2 - Travel and meals**

Travel and meal expenses include a combination of costs that could be considered discretionary in nature, and therefore would not have to be continued by a potential purchaser. Costs have been adjusted to approximately \$10,000 per year to reflect what a potential purchaser may incur.

**Note 3 - Extraordinary item**

In 2013, there was a large inventory adjustment which negatively impacted earnings. This write down amounted to approximately \$800,000 and is included in supplies, materials and subcontracting and was written down due to the economic conditions in the industry sector at this time. In 2012, the company had to pay \$37,665 to dispose of contaminated soil. This cost will not be represented in the future cash flows of the business. Therefore, we have adjusted cash flows accordingly in 2012 for that expense.

**Table III**

	2013	2012	2011	2010	2009
Normalized travel and meals expense	10,000	10,000	10,000	10,000	10,000
Expense	12,993	17,134	11,253	4,673	14,038
Adjustment required	2,993	7,134	1,253	(5,327)	4,038

### 8.3 Capital Additions

Island Excavators had a number of capital additions between 2009 and 2013. Additions are as follows in Table VI.

**Table VI**

	2013	2012	2011	2010	2009
Purchase of property and equipment	\$ 55,663	\$ 111,642	\$ 178,798	\$ 383,455	\$ 361,258
Purchase of assets under capital lease	43,188	200,754	390,013	133,314	190,950
Total Purchases	\$ 98,851	\$ 312,396	\$ 568,811	\$ 516,769	\$ 552,208

### 8.4 Financial Summary

Information as provided by Island Excavators (1985) Ltd.

**Table V**

	Estimated FMV
Materials inventory	2,580,000
Shop inventory	32,000
Equipment	1,731,000
Real estate	225,000
Excavation pits	69,000
Snow contracts	300,000
	<b>\$ 4,937,000</b>

## 9.0 SALE OF BUSINESS

The company is currently accepting offers for an en bloc sale of its assets.



**APPENDIX A**

**HISTORICAL FINANCIAL STATEMENTS**

**ISLAND EXCAVATORS (1985) LTD.**

**Financial Statements**

**December 31, 2013**

**ISLAND EXCAVATORS (1985) LTD.**

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**December 31, 2013**

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## REVIEW ENGAGEMENT REPORT

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### To the Shareholders of Island Excavators (1985) Ltd.

We have reviewed the balance sheet of Island Excavators (1985) Ltd. as at December 31, 2013 and the statements of income and deficit and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian Accounting Standards for Private Enterprises.

*MRSB Chartered Accountants*

MRSB CHARTERED ACCOUNTANTS

Charlottetown, PE

July 4, 2014

# ISLAND EXCAVATORS (1985) LTD.

## Balance Sheet December 31, 2013

	2013	2012
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 479	\$ 349
Accounts receivable (Note 5)	533,356	1,260,942
Income taxes recoverable	31,866	-
Tender deposits	700	103,325
Inventory	833,611	1,451,145
Prepaid expense	46,767	40,578
Current portion of promissory notes receivable (Note 6)	375,000	375,000
	<b>1,821,779</b>	<b>3,231,339</b>
<b>Property and equipment</b> (Note 7)	<b>1,483,579</b>	<b>1,701,539</b>
<b>Due from related parties</b> (Note 8)	<b>1,385,915</b>	<b>1,276,456</b>
<b>Gravel pits</b> (Note 9)	<b>22,817</b>	<b>22,938</b>
<b>Funds held in trust</b> (Note 10)	<b>20,000</b>	<b>20,000</b>
	<b>\$ 4,734,090</b>	<b>\$ 6,252,272</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Bank indebtedness (Note 11)	\$ 882,282	\$ 497,536
Operating loan	-	120,000
Tender deposits loan	-	103,200
Accounts payable and accrued liabilities	1,465,617	1,710,081
Government remittances payable	137,650	174,899
Holdbacks payable	12,173	-
Income taxes payable	-	31,866
Current portion of long term debt (Note 12)	460,494	252,789
Current portion of obligations under capital lease (Note 13)	183,421	208,476
Current portion of redeemable preferred shares (Note 14)	375,000	359,899
	<b>3,516,637</b>	<b>3,458,746</b>
<b>Long term debt</b> (Note 12)	<b>759,453</b>	<b>825,894</b>
<b>Obligations under capital lease</b> (Note 13)	<b>127,141</b>	<b>258,497</b>
	<b>4,403,231</b>	<b>4,543,137</b>
<b>Contingent liability</b> (Note 15)		
<b>Lease commitments</b> (Note 16)		
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (Note 17)	<b>430,001</b>	<b>412,886</b>
<b>Retained earnings (deficit)</b> (Statement 3)	<b>(99,142)</b>	<b>1,296,249</b>
	<b>330,859</b>	<b>1,709,135</b>
	<b>\$ 4,734,090</b>	<b>\$ 6,252,272</b>

(See accompanying notes to these financial statements)

Prepared without audit



**ISLAND EXCAVATORS (1985) LTD.****Statement of Income and Deficit****Year Ended December 31, 2013**

	2013	2012
<b>Income</b>		
Contracting	\$ 1,895,688	\$ 3,188,369
Snow removal	387,479	424,239
Equipment rental and small jobs (Note 18)	322,902	951,684
Materials	92,654	134,154
Gain on disposal of property and equipment	20,881	-
Trucking	20,193	22,529
Interest (write-off of interest)	4,701	(6,392)
Miscellaneous	669	724
	<u>2,745,167</u>	<u>4,715,307</u>
<b>Expenses</b>		
Amortization of deferred finance charges	32,216	48,324
Amortization of leased assets	80,299	76,820
Amortization of property and equipment	227,258	222,960
General and administrative expenses (Schedule 1)	352,752	405,356
Interest and bank charges	175,573	153,296
Interest on long term debt	69,058	51,195
Interest on obligations under capital lease	19,797	20,036
Loss on disposal of property and equipment	-	21,288
Operating expenses (Schedule 1)	3,215,471	3,265,284
	<u>4,172,424</u>	<u>4,264,559</u>
<b>Income (loss) before income taxes</b>	<b>(1,427,257)</b>	<b>450,748</b>
Income taxes (recovered) (Note 19)	<u>(31,866)</u>	<u>31,866</u>
<b>Net income (loss)</b>	<b>(1,395,391)</b>	<b>418,882</b>
<b>Retained earnings - beginning of year</b> (Note 21)	<u><b>1,296,249</b></u>	<u><b>877,367</b></u>
<b>Retained earnings (deficit) - end of year</b>	<u><b>\$ (99,142)</b></u>	<u><b>\$ 1,296,249</b></u>

(See accompanying notes to these financial statements)

Prepared without audit

# ISLAND EXCAVATORS (1985) LTD.

## Statement of Cash Flows

Year Ended December 31, 2013

	2013	2012
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (1,395,391)	\$ 418,882
Items not affecting cash:		
Amortization of deferred finance charges	32,216	48,324
Amortization of leased assets	80,299	76,820
Amortization of property and equipment	227,258	222,960
Depletion of gravel pits	121	321
(Gain) loss on disposal of property and equipment	(20,881)	21,288
	(1,076,378)	788,595
Changes in non-cash working capital (Note 22)	1,005,083	(202,327)
	(71,295)	586,268
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(82,949)	(111,642)
Purchase of leased assets	(14,266)	(200,754)
Proceeds on disposal of property and equipment	28,500	-
	(68,715)	(312,396)
<b>Cash flows from financing activities</b>		
Proceeds from long term debt	628,500	261,000
Repayment of long term debt	(487,236)	(217,892)
Repayment of obligations under capital lease	(199,599)	(220,015)
Proceeds from (repayment of) operating loan	(120,000)	120,000
Advances to related parties	(109,459)	(156,743)
Proceeds from obligations under capital lease	43,188	189,898
	(244,606)	(23,752)
<b>Increase (decrease) in cash</b>	(384,616)	250,120
<b>Deficiency - beginning of year</b>	(497,187)	(747,307)
<b>Deficiency - end of year</b>	\$ (881,803)	\$ (497,187)
<b>Deficiency consists of:</b>		
Cash	\$ 479	\$ 349
Bank indebtedness	(882,282)	(497,536)
	\$ (881,803)	\$ (497,187)
<b>Cash flows supplementary information</b>		
Interest received	\$ 4,701	\$ -
Interest paid	88,337	70,239

(See accompanying notes to these financial statements)

Prepared without audit

# ISLAND EXCAVATORS (1985) LTD.

## Notes to Financial Statements

Year Ended December 31, 2013

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### 1. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The company has incurred operating losses and working capital is weak. Continuation of the business is dependent upon the company attaining sufficiently profitable operations, maintaining adequate financing to satisfy liabilities as they become due, and obtaining agreement from lenders to continue to extend existing financing.

These financial statements do not reflect adjustments that would be necessary if the going concern basis were not appropriate, because management believes that actions already taken and planned will mitigate the adverse conditions and events.

### 2. DESCRIPTION OF BUSINESS

Island Excavators (1985) Ltd. was incorporated under the Prince Edward Island Companies Act on July 23, 1985 for the purpose of providing excavation services and equipment rentals in Prince Edward Island.

### 3. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian Accounting Standards for Private Enterprises (ASPE).

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### Cash

Cash is comprised of cash on hand.

#### Accounts receivable

Accounts receivable arise from trade sales and holdbacks receivable. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

*(continues)*

# ISLAND EXCAVATORS (1985) LTD.

## Notes to Financial Statements

Year Ended December 31, 2013

### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Inventory

Inventories of industrial materials are stated at the lower of cost and net realizable value. Cost includes the costs to purchase, costs to convert, an applicable share of overhead costs, and other costs directly attributable to the inventories. Cost is determined using the first in, first out method. Net realizable value represents the amount that may be realized from the sale of an inventory item under normal business conditions, less any applicable selling expenses. When inventories are sold, the carrying amount of those inventories are recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the loss or write-down occurs. The amount of reversal of any write-downs, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

#### Property and equipment

Property and equipment is stated at cost less accumulated amortization. Property and equipment is amortized over its estimated useful lives using the following rates and methods:

Buildings	5%	declining balance method
Motor and contractors moveable equipment	30%	declining balance method
Earth moving equipment	10 years	straight-line method
Office and shop equipment	20%	declining balance method
Paving	10%	declining balance method

#### Assets under capital lease

Assets under capital leases are stated at cost less accumulated amortization. Assets under capital lease are amortized over their estimated useful lives using the following rates and methods:

Earth moving equipment	10 years	straight-line method
Shop equipment and small tools	20%	declining balance method
Motor and contractors moveable equipment	30%	declining balance method

#### Depletion

Depletion of gravel pits is recorded in proportion to usage.

#### Income taxes

The company uses the income taxes payable method of accounting for income taxes. Under this method, the company reports as an expense (income) of the period only the cost (benefit) of current income taxes determined in accordance with the rules established by taxation authorities.

*(continues)*

# ISLAND EXCAVATORS (1985) LTD.

## Notes to Financial Statements

Year Ended December 31, 2013

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### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Financial instruments

The company 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 company subsequently measures all of 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, accounts receivable, tender deposits, promissory notes receivable, amounts due from related parties and funds held in trust.

Financial liabilities measured at amortized cost on a straight-line basis include bank indebtedness, accounts payable and accrued liabilities, holdbacks payable, long term debt, obligations under capital lease and redeemable preferred shares classified as liabilities.

Transaction costs on the acquisition, sale, or issue of financial instruments that are subsequently measured at amortized cost are shown as an adjustment to the carrying value of the related financial instrument.

When financial instruments that include both a debt and an equity component are issued, the proceeds are allocated firstly to the component for which the fair value is more readily determinable, and the residual is allocated to the other component.

#### Revenue recognition

The company recognizes revenues and profits from construction contracts on the percentage of completion basis. The percentage of completion is determined based on units of output completed to date for each contract. Any projected loss is recognized immediately for accounting purposes.

Other revenues are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest revenue is recognized on a time proportionate basis.

*(continues)*



# ISLAND EXCAVATORS (1985) LTD.

## Notes to Financial Statements

Year Ended December 31, 2013

### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Measurement uncertainty

When preparing financial statements according to Canadian ASPE, management makes estimates and assumptions relating to:

- reported amounts of income and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the company may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as allowance for doubtful accounts, useful lives of capital assets, asset impairments, legal and tax contingencies and income taxes.

### 5. ACCOUNTS RECEIVABLE

	2013	2012
Trade and unbilled contracts	\$ 398,091	\$ 920,737
Holdbacks on contracts	194,313	426,245
	592,404	1,346,982
Allowance for doubtful accounts	(59,049)	(86,040)
	<u>\$ 533,355</u>	<u>\$ 1,260,942</u>

# ISLAND EXCAVATORS (1985) LTD.

## Notes to Financial Statements

Year Ended December 31, 2013

### 6. PROMISSORY NOTES RECEIVABLE

	2013	2012
Promissory notes receivable - non-interest bearing, for mandatory redemption of Class B preferred shares	\$ 375,000	\$ 375,000
Current portion	(375,000)	(375,000)
	<u>\$ -</u>	<u>\$ -</u>

### 7. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Land	\$ 48,742	\$ -	\$ 48,742	\$ 48,742
Buildings	170,809	95,891	74,918	76,133
Motor and contractors moveable equipment	1,281,912	1,073,927	207,985	284,930
Earth moving equipment	2,619,506	2,065,745	553,761	526,342
Office and shop equipment	181,422	137,107	44,315	31,873
Paving	16,000	12,282	3,718	4,131
	<u>\$ 4,318,391</u>	<u>\$ 3,384,952</u>	<u>\$ 933,439</u>	<u>\$ 972,151</u>

The following assets are held under capital lease (Note 13):

Earth moving equipment	\$ 654,051	\$ 155,654	\$ 498,397	\$ 685,491
Shop equipment and small tools	45,141	10,023	35,118	43,897
Motor and contractors moveable equipment	25,000	8,375	16,625	-
	<u>\$ 724,192</u>	<u>\$ 174,052</u>	<u>\$ 550,140</u>	<u>\$ 729,388</u>
	<u>\$ 5,042,583</u>	<u>\$ 3,559,004</u>	<u>\$ 1,483,579</u>	<u>\$ 1,701,539</u>

# ISLAND EXCAVATORS (1985) LTD.

## Notes to Financial Statements

Year Ended December 31, 2013

### 8. DUE FROM RELATED PARTIES

	2013	2012
Bluefield Natural Products Inc.	\$ 1,135,180	\$ 1,062,649
T&B Holdings Ltd.	250,735	213,807
	<b>\$ 1,385,915</b>	<b>\$ 1,276,456</b>

T&B Holdings Ltd. is the parent company and controlling shareholder of Island Excavators (1985) Ltd. Island Excavators (1985) Ltd. and Bluefield Natural Products Inc. are related because of common share ownership between the companies. The amounts are non-interest bearing, have no set terms of repayment and are unsecured.

### 9. GRAVEL PITS

	Cost	Accumulated depletion	2013 Net book value	2012 Net book value
Gravel pits	\$ 40,000	\$ 17,183	\$ 22,817	\$ 22,938

### 10. FUNDS HELD IN TRUST

The funds held in trust relate to the Class B preferred shares issued under the Provincial Nominee Program. The company was required to contribute \$5,000 per investor to a fund held in trust related to potential rejected investors under the program. The company will receive a pro-rata share of the monies remaining in the fund when all rejected investors are known. Accordingly, these funds are recorded as a long term asset.

At this time, it is unlikely that the company will recover all of the \$20,000 contributed under this Program. However, the extent of the loss is not reasonably determinable at this time and therefore, no provision has been accrued in the financial statements.

### 11. BANK INDEBTEDNESS

	2013	2012
Bank of Montreal - prime plus 1.5%; maximum limit of \$750,000, secured by book debts with a carrying value of \$549,669	\$ 796,146	\$ 410,032
Wells Fargo - 10.75%; maximum limit of \$104,000; unsecured	82,933	83,020
AMEX - 15.99%; maximum limit of \$10,000; unsecured	3,203	4,484
	<b>\$ 882,282</b>	<b>\$ 497,536</b>

**ISLAND EXCAVATORS (1985) LTD.****Notes to Financial Statements****Year Ended December 31, 2013****12. LONG TERM DEBT**

	<u>2013</u>	<u>2012</u>
Bank of Montreal - prime plus 2%; repayable in monthly principal installments of \$6,393 plus interest. The loan matures on May 31, 2017.	<b>\$ 262,107</b>	\$ 338,821
Finance PEI - prime plus 3%; repayable in monthly blended installments of \$6,766. The loan matures on December 1, 2016 and is secured by promissory note from the borrower in the amount of \$350,000, registered general security agreement over specific equipment with a carrying value of \$161,429 and an interest in all other present and after acquired personal property of the borrower, and a second collateral mortgage on land and buildings in Crapaud, P.E.I. with a carrying value of \$123,660.	<b>227,502</b>	287,590
Bank of Montreal - prime plus 2.375%; repayable in monthly principal installments of \$4,350 plus interest. The loan matures on November 30, 2017.	<b>204,450</b>	252,300
Kubota Canada Ltd. - 6.85%; repayable in monthly blended installments of \$1,006. The loan matures on December 5, 2015 and is secured by 2004 CASE tractor with a carrying value of \$11,215 and 2005 Pronovost snow blowers with a carrying value of \$1,513.	<b>22,517</b>	32,672
Finance PEI - prime plus 3%; repayable in monthly principal installments of \$4,231 plus interest. The loan matures on April 1, 2018 and is secured by a promissory note from the borrower in the amount of \$228,500, guarantee in the amount of \$228,500 signed by Wade Campbell, and a second collateral mortgage on land and buildings in Crapaud, P.E.I. with a carrying value of \$123,660.	<b>220,038</b>	-
Bank of Montreal - prime plus 2.375%; repayable in monthly principal installments of \$16,667 plus interest. The loan matures on May 1, 2015.	<b>283,333</b>	-
Bank of Montreal - prime plus 1.25%; repaid during the year.	<b>-</b>	167,300
	<b>1,219,947</b>	1,078,683
Current portion	<b>(460,494)</b>	(252,789)
	<b>\$ 759,453</b>	\$ 825,894

*(continues)*

**ISLAND EXCAVATORS (1985) LTD.****Notes to Financial Statements****Year Ended December 31, 2013****12. LONG TERM DEBT (continued)**

Principal repayments of long term debt are expected to be repaid over the next five years as follows:

2014	\$	460,494
2015		348,857
2016		263,061
2017		130,586
2018		16,949

The Bank of Montreal indebtedness and long term loans are secured by the following:

- GSA over all vehicles and equipment with a carrying value of \$763,352
- Guarantee from Trevor Campbell in the amount of \$1,789,000
- Guarantee from Wade Campbell in the amount of \$1,789,000
- Guarantee from T&B Holdings Ltd. in the amount of \$336,200 and subrogation and note
- Letter of undertaking signed by Trevor Campbell and Island Excavators (1985) Ltd.
- 1st collateral mortgage over cottage and land in Hampton, PEI including general security agreement signed by Trevor and Barb Campbell over cottage
- Assignment of life insurance for Trevor Campbell
- 2nd collateral mortgage over office building and land located in Crapaud, PEI with a carrying value of \$123,660
- Notice of registration of top soil, gravel, sand, salt and crushed asphalt used in projects and sold to the general public
- Letter of acknowledgement and breach, signed by Trevor Campbell and Wade Campbell

**13. OBLIGATIONS UNDER CAPITAL LEASE**

	<u>2013</u>	<u>2012</u>
CAT Leasing - 7.55%; repayable in monthly blended installments of \$1,941 plus applicable taxes. The lease matures on May 5, 2017 and is secured by a 2011 CAT D3 dozer with a carrying value of \$83,645.	\$ 69,940	\$ 87,843
CAT Leasing - 2%; repayable in monthly blended installments of \$1,644 plus applicable taxes. The lease matures on April 26, 2016 and is secured by a 2011 CAT 420E backhoe with a carrying value of \$72,251.	44,938	64,083
John Deere - 1.9%; repayable in monthly blended installments of \$4,456 plus applicable taxes. The lease matures on October 1, 2014 and is secured by a Hitachi Excavator with a carrying value of \$128,650.	44,184	96,279

(continues)



**ISLAND EXCAVATORS (1985) LTD.****Notes to Financial Statements****Year Ended December 31, 2013****13. OBLIGATIONS UNDER CAPITAL LEASE (continued)**

	2013	2012
Wells Fargo - 6.4%; repayable in monthly blended installments of \$3,053 plus applicable taxes. The lease matures on November 15, 2014 and is secured by a 2007 Komatsu D65EX-15 dozer with a carrying value of \$79,167.	<b>32,769</b>	66,140
GE Capital 0%; repayable in monthly blended installments of \$1,253 plus applicable taxes. The lease matures on December 1, 2015 and is secured by a 2012 JCB skidsteer with a carrying value of \$48,481.	<b>30,077</b>	45,116
RCAP Leasing - 11.309%; repayable in monthly blended installments of \$749 plus applicable taxes. The lease matures on October 1, 2016 and is secured by an On Grade GPS with a carrying value of \$22,800.	<b>21,710</b>	28,095
CAT Leasing - 2.55%; repayable in monthly blended installments of \$1,568 plus applicable taxes. The lease matures on January 8, 2015 and is secured by a 2009 CAT 420E backhoe with a carrying value of \$70,954.	<b>20,082</b>	38,626
National Leasing - 10.127%; repayable in monthly blended installments of \$365 plus applicable taxes. The lease matures on December 1, 2016 and is secured by a waste oil furnace with a carrying value of \$12,318.	<b>12,160</b>	15,255
Bodkin Leasing Corporation - 13.47%; repayable in monthly blended installments of \$698 plus applicable taxes. The lease matures on December 1, 2016 and is secured by a 1989 International 5000 Paystar with a carrying value of \$16,625.	<b>20,284</b>	-
CAT Leasing - 5.9%; repayable in monthly blended installments of \$535 plus applicable taxes. The lease matures on May 27, 2016 and is secured by a 2007 CAT mini excavator with a carrying value of \$15,249.	<b>14,418</b>	-
Wells Fargo - 6.96%; matured during the year.	-	25,536
	<b>310,562</b>	466,973
Current portion	<b>(183,421)</b>	(208,476)
	<b>\$ 127,141</b>	<b>\$ 258,497</b>

*(continues)*

**ISLAND EXCAVATORS (1985) LTD.****Notes to Financial Statements****Year Ended December 31, 2013****13. OBLIGATIONS UNDER CAPITAL LEASE (continued)**

Future minimum capital lease payments are approximately:

2014	\$ 183,421
2015	87,782
2016	53,531
2017	9,706
	<hr/>
Total minimum lease payments	334,440
Less: amount representing interest at various rates	(23,878)
	<hr/>
Present value of minimum lease payments	310,562
Less: current portion	183,421
	<hr/>
	\$ 127,141

Lease payments of \$199,599 were expensed for tax purposes.

**14. REDEEMABLE PREFERRED SHARES**

	2013	2012
800,000 Class B preferred shares	\$ 375,000	\$ 375,000
Less: unamortized portion of deferred finance charges	-	(15,101)
	<hr/>	<hr/>
	375,000	359,899
Current portion	(375,000)	(359,899)
	<hr/>	<hr/>
	\$ -	\$ -

The 800,000 Class B preferred shares were issued in September, 2008 under the Provincial Nominee Program for proceeds of \$800,000. As disclosed in Note 6, the company has paid \$375,000 for the option to redeem these shares five years from the date of issuance. Accordingly, the total anticipated redemption cost of \$375,000 has been classified as a liability rather than equity. The remaining value of \$425,000 has been classified as equity as disclosed in Note 17.

**15. CONTINGENT LIABILITY**

The company has provided a guarantee for loans of Bluefield Natural Products Inc., a related company, of \$100,000 with Farm Credit Corporation.

# ISLAND EXCAVATORS (1985) LTD.

## Notes to Financial Statements

Year Ended December 31, 2013

### 16. LEASE COMMITMENTS

The company has entered into a lease agreements with Ford Credit Canada and Kubota Finance for the lease of a 2013 Ford Edge and a 2011 New Holland tractor. The minimum lease payments due over the next four years are as follows:

2014	\$	15,100
2015		15,100
2016		9,802
2017		4,172

### 17. SHARE CAPITAL

Authorized:

Unlimited	Common shares with a par value of \$1 each
Unlimited	Class A preferred shares with a par value of \$1 each, issued in Series, terms and conditions to be established upon issuance
Unlimited	Class B preferred shares with a par value of \$1 each, non-voting, non-retractable, non-cumulative with an annual dividend rate of 3%. Redeemable on the fifth anniversary date of issuance by paying a discounted redemption rate of \$0.45 per share for Series 1 shares, and \$0.475 per share for Series 2 and 3 shares

		2013	2012
Issued:			
5,001	Common shares	\$ 5,001	\$ 5,001
800,000	Class B preferred shares	425,000	425,000
	Less unamortized portion of deferred finance charges	-	(17,115)
		<u>\$ 430,001</u>	<u>\$ 412,886</u>

### 18. RELATED PARTY TRANSACTIONS

During the year, Island Excavators (1985) Ltd. received equipment rental revenues in the amount of \$18,900 from Bluefield Natural Products Inc., a related party. Island Excavators (1985) Ltd. and Bluefield Natural Products Inc. are related because of common share ownership between the companies.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**ISLAND EXCAVATORS (1985) LTD.****Notes to Financial Statements****Year Ended December 31, 2013****19. INCOME TAXES**

The income tax provision (recovery) recorded differs from the income tax obtained by applying the statutory income tax rate of 30.64% (2012 - 29.00%) to the income (loss) for the year and is reconciled as follows:

	<u>2013</u>	<u>2012</u>
Loss before income taxes	<u>\$ (1,427,257)</u>	<u>\$ 450,748</u>
Income tax expense (recovery) at the combined basic federal and provincial tax rate:	\$ (437,312)	\$ 130,717
Increase (decrease) resulting from:		
Small business deduction	-	(45,851)
Taxable capital gain in excess of financial statement gain	(3,130)	6,174
Capital cost allowance claimed in excess of amortization	45,240	31,431
Political donation credit	-	(500)
Tax recoverable from capital loss carry back	50,774	-
Non-capital loss carried forward	321,227	-
Non-capital loss carry forward	-	(114,868)
Non-deductible expenses	(8,665)	37,840
Adjustment to prior year	-	(13,077)
Effective tax expense (recovery)	<u>\$ (31,866)</u>	<u>\$ 31,866</u>

The effective income tax rate is 2.25% (2012 - 7.07%).

**20. INVENTORY ADJUSTMENT**

Included in the supplies, materials and subcontracting expense is an inventory write-down of \$833,612. This adjustment reflects changes in market prices, and a portion of the change relates to opening inventory figures.

**21. PRIOR PERIOD ADJUSTMENT**

During the year, a prior period adjustment was recorded and resulted in an increase in amounts due from a related party of \$47,347, an increase in government remittances payable of \$2,255, and a decrease in supplies, materials and subcontracting expense of \$45,093 to the comparative figures from amounts previously reported on the 2012 financial statements.

**ISLAND EXCAVATORS (1985) LTD.****Notes to Financial Statements****Year Ended December 31, 2013****22. CHANGES IN NON-CASH WORKING CAPITAL**

	2013	2012
Accounts receivable	\$ 727,586	\$ 358,139
Income taxes	(63,732)	31,866
Tender deposits	102,625	(14,109)
Inventory	617,534	(812,162)
Prepaid expense	(6,189)	53,115
Tender deposits loan	(103,200)	14,332
Accounts payable and accrued liabilities	(244,465)	150,815
Government remittances payable	(37,249)	15,857
Holdbacks payable	12,173	-
Deposits received	-	(180)
	<b>\$ 1,005,083</b>	<b>\$ (202,327)</b>

**23. FINANCIAL INSTRUMENTS**

The company's financial instruments consist of cash, accounts receivable, tender deposits, promissory notes receivable, amounts due from related parties, funds held in trust, bank indebtedness, accounts payable and accrued liabilities, holdbacks payable, long term debt, obligations under capital lease and redeemable preferred shares classified as liabilities.

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of December 31, 2013.

**Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The company has a significant number of customers which minimizes concentration of credit risk.

**Liquidity risk**

Liquidity risk is the risk that an company will encounter difficulty in meeting obligations associated with financial liabilities. The company ensures that it has sufficient capital to meet short term financial obligations after taking into account its operations and cash on hand. The company actively maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the company manages exposure through its normal operating and financing activities. The company is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and long term credit facilities.

**ISLAND EXCAVATORS (1985) LTD.**

**Notes to Financial Statements**

**Year Ended December 31, 2013**

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**24. NON-CAPITAL TAX LOSSES CARRIED FORWARD**

The company has incurred losses of \$1,058,672 for tax purposes which are available to reduce future taxable income. Such benefits will be recorded as an adjustment to the tax provision in the year realized. The losses will expire as follows:

2033	\$ 1,058,672
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**25. COMPARATIVE FIGURES**

Some of the comparative figures have been reclassified to conform to the current year's presentation.

**ISLAND EXCAVATORS (1985) LTD.****Schedule of Expenses****(Schedule 1)****Year Ended December 31, 2013**

	2013	2012
<b>General and administrative</b>		
Advertising and promotion	\$ 14,766	\$ 22,720
Bad debts (recovery)	(14,269)	16,805
Lights, heat and telephone	20,937	36,131
Office	14,170	22,532
Professional fees	9,304	16,842
Property tax	3,435	3,137
Salaries and employee benefits	304,409	287,189
	<u>\$ 352,752</u>	<u>\$ 405,356</u>
<b>Operating</b>		
Depletion of gravel pits	\$ 121	\$ 321
Gas and oil	405,066	480,195
Insurance	88,752	73,272
Licenses and registrations	28,209	20,138
Rentals	11,664	23,880
Repairs and maintenance	128,663	250,143
Supplies, materials and subcontracting (Note 20)	1,758,637	1,567,860
Travel	12,993	17,134
Wages and employee benefits	754,572	780,982
Workers' compensation insurance	26,794	51,359
	<u>\$ 3,215,471</u>	<u>\$ 3,265,284</u>

(See accompanying notes to these financial statements)

Prepared without audit

**ISLAND EXCAVATORS (1985) LTD.**

**Financial Statements**

**December 31, 2011**



**ISLAND EXCAVATORS (1985) LTD.**  
**Index to Financial Statements**  
**December 31, 2011**

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## REVIEW ENGAGEMENT REPORT

To the Shareholders of Island Excavators (1985) Ltd.

We have reviewed the balance sheet of Island Excavators (1985) Ltd. as at December 31, 2011 and the statements of income and retained earnings and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for private enterprises.

We draw attention to Note 21 to the financial statements which describes that Island Excavators (1985) Ltd. adopted Canadian accounting standards for private enterprises on January 1, 2011 with a transition date of January 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2010 and January 1, 2010 and the statements of income and retained earnings and cash flows for the year ended December 31, 2010 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is neither audited nor reviewed.

*MRSB Chartered Accountants*

MRSB CHARTERED ACCOUNTANTS

Charlottetown, PE

May 14, 2012

# ISLAND EXCAVATORS (1985) LTD.

## Balance Sheet December 31, 2011

	December 31 2011	December 31 2010	January 1 2010
<b>ASSETS</b>			
<b>Current</b>			
Accounts receivable (Note 4)	\$ 1,670,939	\$ 1,417,682	\$ 810,795
Inventory	638,983	522,715	570,928
Tender deposits	89,216	96,843	119,599
Prepaid expense	93,693	87,535	92,312
	<b>2,492,831</b>	<b>2,124,775</b>	<b>1,593,634</b>
<b>Property And Equipment</b> (Note 5)	<b>1,746,629</b>	<b>1,416,262</b>	<b>1,271,523</b>
<b>Due From Related Parties</b> (Note 6)	<b>1,105,992</b>	<b>656,488</b>	<b>264,917</b>
<b>Promissory Notes Receivable</b> (Note 7)	<b>375,000</b>	<b>375,000</b>	<b>375,000</b>
<b>Gravel Pits</b> (Note 8)	<b>23,259</b>	<b>23,580</b>	<b>24,235</b>
<b>Funds Held In Trust</b> (Note 9)	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
	<b>\$ 5,763,711</b>	<b>\$ 4,616,105</b>	<b>\$ 3,549,309</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Bank indebtedness (Note 10)	\$ 747,307	\$ 869,221	\$ 695,007
Operating loan	-	-	75,000
Tender deposits loan (Note 11)	88,866	96,843	118,849
Accounts payable and accrued liabilities	1,553,088	1,113,438	671,948
Government remittances payable	164,520	74,584	25,267
Deposits received	180	-	-
Current portion of long term debt (Note 12)	208,524	227,151	125,085
Current portion of obligations under capital lease (Note 14)	208,901	126,088	143,099
	<b>2,971,386</b>	<b>2,507,325</b>	<b>1,854,255</b>
<b>Long Term Debt</b> (Note 12)	<b>824,051</b>	<b>643,936</b>	<b>477,506</b>
<b>Redeemable Preferred Shares</b> (Note 13)	<b>337,247</b>	<b>314,595</b>	<b>292,720</b>
<b>Obligations Under Capital Lease</b> (Note 14)	<b>288,190</b>	<b>149,636</b>	<b>176,367</b>
	<b>1,449,488</b>	<b>1,108,167</b>	<b>946,593</b>
	<b>4,420,874</b>	<b>3,615,492</b>	<b>2,800,848</b>
<b>Contingent Liability</b> (Note 15)			
<b>Lease Commitments</b> (Note 16)			
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share Capital</b> (Note 17)	<b>387,214</b>	<b>361,542</b>	<b>336,750</b>
<b>Retained Earnings</b> (Statement 3)	<b>955,623</b>	<b>639,071</b>	<b>411,711</b>
	<b>1,342,837</b>	<b>1,000,613</b>	<b>748,461</b>
	<b>\$ 5,763,711</b>	<b>\$ 4,616,105</b>	<b>\$ 3,549,309</b>

(See accompanying notes to these financial statements)

Prepared without audit

**ISLAND EXCAVATORS (1985) LTD.**  
**Statement of Income and Retained Earnings**  
**Year Ended December 31, 2011**

	2011	2010
<b>Income</b>		
Contracting	\$ 3,176,397	\$ 3,409,071
Equipment rental and small jobs (Note 18)	901,032	1,165,189
Snow removal	327,395	231,348
Materials	28,222	12,922
Trucking	16,411	13,126
Gain on disposal of property and equipment	5,000	-
Interest	2,311	3,336
	<u>4,456,768</u>	<u>4,834,992</u>
<b>Expense</b>		
Amortization of deferred finance charges	48,324	46,666
Amortization of leased assets	64,176	51,454
Amortization of property and equipment	211,183	268,936
General and administrative expenses (Schedule 1)	424,237	366,937
Interest and bank charges	101,794	85,384
Interest on long term debt	45,885	48,161
Interest on obligations under capital lease	14,651	19,210
Loss on disposal of property and equipment	-	4,093
Operating expenses (Schedule 1)	3,229,966	3,716,791
	<u>4,140,216</u>	<u>4,607,632</u>
<b>Net Income</b>	316,552	227,360
<b>Retained Earnings - Beginning Of Year</b>	639,071	411,711
<b>Retained Earnings - End Of Year</b>	<u>\$ 955,623</u>	<u>\$ 639,071</u>

**ISLAND EXCAVATORS (1985) LTD.****Statement of Cash Flows****Year Ended December 31, 2011**

	2011	2010
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 316,552	\$ 227,360
Items not affecting cash:		
Amortization of deferred finance charges	48,324	46,666
Amortization of leased assets	64,176	51,454
Amortization of property and equipment	211,183	268,936
Depletion of gravel pits	321	655
Gain on disposal of property and equipment	(5,000)	-
Loss on disposal of property and equipment	-	4,093
	<u>635,556</u>	<u>599,164</u>
Changes in non-cash working capital:		
Accounts receivable	(253,257)	(606,887)
Inventory	(116,268)	48,213
Tender deposits	7,627	22,756
Prepaid expense	(6,158)	4,777
Tender deposits loan	(7,977)	(22,006)
Accounts payable and accrued liabilities	439,648	441,488
Government remittances payable	89,936	49,317
Deposits received	180	-
	<u>153,731</u>	<u>(62,342)</u>
	<u>789,287</u>	<u>536,822</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(215,711)	(383,455)
Proceeds on disposal of property and equipment	5,000	47,550
Purchase of assets under capital lease	(390,013)	(133,314)
	<u>(600,724)</u>	<u>(469,219)</u>
<b>Cash Flows From Financing Activities</b>		
Advances to related parties	(449,504)	(391,571)
Proceeds from long term financing	389,149	737,000
Repayment of long term debt	(227,660)	(468,504)
Repayment of obligations under capital lease	(139,476)	(165,166)
Proceeds from capital leases	360,842	121,424
Repayment of operating loan	-	(75,000)
	<u>(66,649)</u>	<u>(241,817)</u>
<b>Increase (Decrease) In Cash</b>	<b>121,914</b>	<b>(174,214)</b>
<b>Deficiency - Beginning Of Year</b>	<u><b>(869,221)</b></u>	<u><b>(695,007)</b></u>
<b>Deficiency - End Of Year</b>	<u><b>\$ (747,307)</b></u>	<u><b>\$ (869,221)</b></u>
<b>Cash Flows Supplementary Information</b>		
Interest received	\$ 2,311	\$ 3,336
Interest paid	60,536	67,371

(See accompanying notes to these financial statements)

Prepared without audit

# ISLAND EXCAVATORS (1985) LTD.

## Notes to Financial Statements

Year Ended December 31, 2011

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### 1. DESCRIPTION OF BUSINESS

Island Excavators (1985) Ltd. was incorporated under the Prince Edward Island Companies Act on July 23, 1985 for the purpose of excavation services and equipment rentals in Prince Edward Island.

### 2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Changes In Accounting Policies - Accounting Standard For Private Enterprise

With regard to the company's transition from former Canadian generally accepted accounting principles (GAAP) to Canadian accounting standards for private enterprises (ASPE), the company has made the following elections available under Canadian Institute of Chartered Accountants (CICA) Handbook Section 1500 of Canadian accounting standards for private enterprises:

#### Related Party Transactions

Handbook Section 3840, "Related party transactions", specifies that certain related party transactions shall be measured at the carrying amount and some at the exchange amount. However, under Handbook Section 1500 of Canadian accounting standards for private enterprises, the company is not required to restate assets or liabilities related to transactions with related parties when the related party transaction occurred prior to the date of transition to accounting standards for private enterprises. The company has used this election.

#### Accounts Receivable

Accounts receivable arise from trade sales and holdbacks receivable. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

#### Inventory

Inventory of industrial minerals is recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

*(continues)*

# ISLAND EXCAVATORS (1985) LTD.

## Notes to Financial Statements

Year Ended December 31, 2011

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Property And Equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives using the following rates and methods:

Buildings	5%	declining balance method
Motor and contractors moveable equipment	30%	declining balance method
Earth moving equipment	10 years	straight-line method
Office and shop equipment	20%	declining balance method
Paving	10%	declining balance method

#### Assets Under Capital Leases

Assets under capital leases are stated at cost less accumulated amortization. Assets under capital leases are amortized over their estimated useful lives on a straight-line basis over 10 years.

#### Depletion

Depletion of gravel pits is recorded in proportion to usage.

#### Income Taxes

The company accounts for income taxes using the taxes payable method under which the company reports as an expense of the year only the cost of the current income taxes for that year, determined by taxation authorities.

#### Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

#### Revenue Recognition

The company recognizes revenues and profits from construction contracts on the percentage of completion basis. The percentage of completion is determined based on units of output completed to date for each contract. Any projected loss is recognized immediately for accounting purposes.

Other revenues are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest revenue is recognized on a time proportionate basis.

*(continues)*

# ISLAND EXCAVATORS (1985) LTD.

## Notes to Financial Statements

Year Ended December 31, 2011

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Measurement Uncertainty

When preparing financial statements according to Canadian accounting standards for private enterprises, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the company may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments, legal and tax contingencies, employee compensation plans, employee benefit plans, income taxes, and goodwill impairment.

### 4. ACCOUNTS RECEIVABLE

	<u>2011</u>	<u>2010</u>
Trade and unbilled contracts	\$ 1,374,000	\$ 1,170,718
Holdbacks on contracts	<u>377,435</u>	<u>288,807</u>
	1,751,435	1,459,525
Allowance for doubtful accounts	<u>(80,496)</u>	<u>(41,843)</u>
	<u>\$ 1,670,939</u>	<u>\$ 1,417,682</u>



# ISLAND EXCAVATORS (1985) LTD.

## Notes to Financial Statements

Year Ended December 31, 2011

### 5. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Land	\$ 48,742	\$ -	\$ 48,742	\$ 48,742
Buildings	167,892	87,752	80,140	78,593
Motor and contractors moveable equipment	1,557,617	1,150,072	407,545	383,003
Earth moving equipment	2,626,572	2,201,406	425,166	445,889
Office and shop equipment	192,598	163,075	29,523	29,851
Paving	16,000	11,410	4,590	5,100
	<b>\$ 4,609,421</b>	<b>\$ 3,613,715</b>	<b>\$ 995,706</b>	<b>\$ 991,178</b>

The following assets are held under capital lease (Note 14):

Earth moving equipment	<b>\$ 919,448</b>	<b>\$ 168,525</b>	<b>\$ 750,923</b>	<b>\$ 425,084</b>
<b>Total property and equipment</b>	<b>\$ 5,528,869</b>	<b>\$ 3,782,240</b>	<b>\$ 1,746,629</b>	<b>\$ 1,416,262</b>

### 6. DUE FROM RELATED PARTIES

	2011	2010
Bluefield Natural Products Inc.	\$ 867,952	\$ 456,831
T&B Holdings Ltd.	238,040	197,057
Camibuel Inc.	-	2,600
	<b>\$ 1,105,992</b>	<b>\$ 656,488</b>

T&B Holdings Ltd. is the parent company and controlling shareholder of Island Excavators (1985) Ltd. Island Excavators (1985) Ltd., Bluefield Natural Products Inc. and Camibuel Inc. are related because of common share ownership between the companies. The amounts are non-interest bearing, have no set terms of repayment and are unsecured. The related companies have indicated that they do not intend to request material repayment within the next year. Consequently, this amount has been classified as a non-current liability in the financial statements.

### 7. PROMISSORY NOTES RECEIVABLE

	2011	2010
Promissory notes receivable - non-interest bearing, due September 2013 for mandatory redemption of Class B preferred shares	<b>\$ 375,000</b>	<b>\$ 375,000</b>

Promissory notes receivable are expected to be repaid over the next two years as follows:

2013	\$ 375,000
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**ISLAND EXCAVATORS (1985) LTD.****Notes to Financial Statements****Year Ended December 31, 2011****8. GRAVEL PITS**

	<b>Cost</b>	<b>Accumulated Depletion</b>	<b>2011</b>	<b>2010</b>
Gravel pits	<b>\$ 40,000</b>	<b>\$ 16,741</b>	<b>\$ 23,259</b>	<b>\$ 23,580</b>

**9. FUNDS HELD IN TRUST**

The funds held in trust relate to the Class B preferred shares issued under the Provincial Nominee Program. The company was required to contribute \$5,000 per investor to a fund held in trust related to potential rejected investors under the program. The company will receive a pro-rate share of the monies remaining in the fund when all rejected investors are known. Accordingly, the funds are recorded as a long term asset.

**10. BANK INDEBTEDNESS**

	<b>2011</b>	<b>2010</b>
Bank of Montreal - prime plus 1.5%; maximum limit of \$450,000; secured by pledge of accounts receivables with a carrying value of \$1,670,939 and general security agreement over all assets with a carrying value of \$5,736,715, an assignment of fire and life insurance and guarantees of directors and the parent company	<b>\$ 656,860</b>	<b>\$ 779,034</b>
Wells Fargo - 15.99%; maximum limit of \$104,000; unsecured	<b>84,291</b>	<b>89,921</b>
AMEX - 10.75% limit of \$10,000, unsecured	<b>6,156</b>	<b>266</b>
	<b>\$ 747,307</b>	<b>\$ 869,221</b>

**11. TENDER DEPOSIT LOAN**

	<b>2011</b>	<b>2010</b>
Bank of Montreal - 3%; maximum limit of \$250,000; secured by general security agreement and guarantees of directors and the parent company	<b>\$ 88,866</b>	<b>\$ 96,843</b>

**ISLAND EXCAVATORS (1985) LTD.****Notes to Financial Statements****Year Ended December 31, 2011****12. LONG TERM DEBT**

	<u>2011</u>	<u>2010</u>
Bank of Montreal - prime plus 2%; repayable in monthly principal installments of \$6,393 plus interest. The loan matures on May 28, 2017.	<b>\$ 415,536</b>	\$ 492,250
Bank of Montreal - prime plus 1.25%; repayable in monthly principal installments of \$3,983 plus interest. The loan matures on June 1, 2016.	<b>215,100</b>	262,900
Bank of Montreal - prime plus 2.625%; repayable in monthly principal installments of \$1,583 plus interest. The loan matures on June 1, 2012.	<b>9,500</b>	28,500
Bank of Montreal - prime plus 2.625%; repayable in monthly principal installments of \$633 plus interest. The loan matures on June 1, 2012.	<b>3,800</b>	11,400
Innovation PEI - prime plus 3%; repayable in monthly blended installments of \$6,766. The loan matures on May 6, 2016 and is secured by promissory note from the borrower in the amount of \$350,000, registered general security agreement over specific equipment with a carrying value of \$258,346 and an interest in all other present and after acquired personal property of the borrower, first collateral mortgage on land and buildings in Crapaud, P.E.I. with a carrying value of \$134,020 and personal guarantee by shareholder.	<b>349,490</b>	-
Kubota Canada Ltd. - 6.85%; repayable in monthly blended installments of \$935. The loan matures on December 5, 2015 and is secured by 2004 Case tractor with a carrying value of \$45,788 and 2005 Pronovost snow blower with a carrying value of \$3,771.	<b>39,149</b>	-
Bank of Montreal - prime plus 1.5%; repaid during the year.	-	66,667
PEI Lending Agency - 7.5%; repaid during the year.	-	9,370
	<b>1,032,575</b>	871,087
Current portion	<b>208,524</b>	227,151
	<b>\$ 824,051</b>	\$ 643,936

*(continues)*

**ISLAND EXCAVATORS (1985) LTD.****Notes to Financial Statements****Year Ended December 31, 2011****12. LONG TERM DEBT (continued)**

Principal repayments of long term debt are expected to be repaid over the next five years as follows:

2012	\$	208,524
2013		199,672
2014		204,393
2015		209,410
2016		178,613

BMO loans are secured by general security agreement over all assets with a carrying value of \$5,736,715.

**13. REDEEMABLE PREFERRED SHARES**

	<u>2011</u>	<u>2010</u>
800,000 Class B preferred shares, redeemable September, 2013	\$ 375,000	\$ 375,000
Less: Unamortized deferred finance fees	<u>37,753</u>	<u>60,405</u>
	<u>\$ 337,247</u>	<u>\$ 314,595</u>

The amount of redeemable preferred shares estimated to be redeemed over the next two fiscal years are as follows:

2013	\$	375,000
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The 800,000 Class B preferred shares were issued in September, 2008 under the Provincial Nominee Program for proceeds of \$800,000. As disclosed in Note 7, the company has paid \$375,000 for the option to redeem these shares five years from the date of issuance. Accordingly, the total anticipated redemption cost of \$375,000 has been classified as a liability rather than equity. The remaining value of \$425,000 has been classified as equity as disclosed in Note 17.

**ISLAND EXCAVATORS (1985) LTD.****Notes to Financial Statements****Year Ended December 31, 2011****14. OBLIGATIONS UNDER CAPITAL LEASE**

	<u>2011</u>	<u>2010</u>
Wells Fargo - 6.96%; repayable in monthly blended installments of \$3,477. The lease matures on August 1, 2012 and is secured by two 2007 Peterbuilt trucks and a 2008 tandem trailer with a carrying value of \$148,078.	\$ 65,965	\$ 102,476
CAT Leasing - 2.55%; repayable in monthly blended installments of \$1,732. The lease matures on January 8, 2015 and is secured by a 2009 CAT 420E backhoe with a carrying value of \$98,136.	61,820	80,950
Wells Fargo - 9.326%; repayable in monthly blended installments of \$1,296. The lease matures on April 2, 2012 and is secured by a Eager Beaver float with a carrying value of \$34,861.	5,097	19,596
Wells Fargo - 9.326%; repayable in monthly blended installments of \$2,719. The lease matures on June 1, 2012 and is secured by a Cheng Gong loader with a carrying value of \$77,634.	18,525	48,335
Wells Fargo - 6.845%; repayable in monthly blended installments of \$1,274. The lease matures on August 1, 2012 and is secured by a 2004 Bomag roller with a carrying value of \$32,973.	10,043	24,367
John Deere - 1.9%; repayable in monthly blended installments of \$4,456. The lease matures on October 1, 2014 and is secured by a Hitachi Excavator with a carrying value of \$161,850.	147,395	-
CAT Leasing - 2%; repayable in monthly blended installments of \$1,817. The lease matures on April 26, 2016 and is secured by a 2011 CAT 420E backhoe with a carrying value of \$98,223.	90,799	-
Wells Fargo - 6.4%; repayable in monthly blended installments of \$3,053. The lease matures on November 15, 2014 and is secured by a 2007 Komatsu D65EX-15 dozer with a carrying value of \$99,167.	97,447	-
	<b>497,091</b>	<b>275,724</b>
Current portion	<b>208,901</b>	<b>126,088</b>
	\$ 288,190	\$ 149,636

*(continues)*

**ISLAND EXCAVATORS (1985) LTD.****Notes to Financial Statements****Year Ended December 31, 2011****14. OBLIGATIONS UNDER CAPITAL LEASE (continued)**

	<u>2011</u>	<u>2010</u>
Future minimum capital lease payments are approximately:		
2012	\$ 208,901	
2013	160,509	
2014	120,982	
2015	23,533	
2016	<u>7,267</u>	
Total minimum lease payments	521,192	
Less: amount representing interest at various rates	<u>(24,101)</u>	
	<u>\$ 497,091</u>	

**15. CONTINGENT LIABILITY**

The company has provided a guarantee for loans of Bluefield Natural Products Inc., a related company, of \$300,000.

**16. LEASE COMMITMENTS**

The company has entered into lease agreements for the lease of certain earth moving equipment. The minimum lease payments due over the next year is \$25,908.

**17. SHARE CAPITAL**

Authorized:

- Unlimited common shares with a par value of \$1 each
- Unlimited Class A preferred shares with a par value of \$1 each, issued in Series, terms and conditions to be established upon issuance
- Unlimited Class B preferred shares with a par value of \$1 each, non-voting, non-retractable, non-cumulative with an annual dividend rate of 3%. Redeemable on the fifth anniversary date of issuance by paying a discounted redemption rate of \$0.45 per share for Series 1 shares, and \$0.475 per share for Series 2 and 3 shares

	<u>2011</u>	<u>2010</u>
Issued:		
5,001 common shares	\$ 5,001	\$ 5,001
800,000 Class B preferred shares	425,000	425,000
Less: Unamortized deferred finance fees	<u>(42,787)</u>	<u>(68,459)</u>
	<u>\$ 387,214</u>	<u>\$ 361,542</u>

# ISLAND EXCAVATORS (1985) LTD.

## Notes to Financial Statements

Year Ended December 31, 2011

### 18. RELATED PARTY TRANSACTIONS

During the year, the company performed small jobs and rented equipment to Bluefield Natural Products Ltd. in the amount of \$46,982. Island Excavators (1985) Ltd. is related to Bluefield Natural Products Inc. because of common share ownership between the companies. These transactions are in the normal course of operations and are measured at the exchange value agreed to by the related parties.

### 19. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 28.00% (2010 - 28.27%) to the income for the year and is reconciled as follows:

	2011	2010
Income before taxes	\$ 316,552	\$ 227,360
Income tax expense at the combined basic federal and provincial tax rate:	\$ 88,635	\$ 64,275
Increase (decrease) resulting from:		
Taxable capital gain in excess of financial statement gain	(1,400)	1,157
Capital cost allowance claimed in excess of amortization	15,334	27,564
Non-capital loss carryforward	44,603	27,953
Non-deductible expenses	(147,172)	(120,949)
Effective tax expense	\$ -	\$ -

The effective income tax rate is -% (2010 - -%).

### 20. NON-CAPITAL TAX LOSSES CARRIED FORWARD

The company has incurred losses of \$396,095 for tax purposes which are available to reduce future taxable income. Such benefits will be recorded as an adjustment to the tax provision in the year realized. The losses will expire as follows:

2024	\$ 60,861
2026	32,129
2029	45,919
2030	97,890
2031	159,296

### 21. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR PRIVATE ENTERPRISES

(continues)

**ISLAND EXCAVATORS (1985) LTD.**

**Notes to Financial Statements**

**Year Ended December 31, 2011**

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**21. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR PRIVATE ENTERPRISES**  
***(continued)***

During the year the company adopted accounting standards for private enterprises. These financial statements are the first prepared in accordance with these standards. The changes have been applied retrospectively, and have not resulted in any changes to opening retained earnings, comparative net income, or statement of cash flows. As a result of the retrospective application of ASPE, the deferred finance charges have been reclassified as an adjustment to the carrying value of the redeemable preferred shares and share capital as they no longer meet criteria as an asset on the balance sheet.



# ISLAND EXCAVATORS (1985) LTD.

## Notes to Financial Statements

Year Ended December 31, 2011

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### 22. FINANCIAL INSTRUMENTS

The company's financial instruments consist of accounts receivable, tender deposits, due from related parties, promissory notes receivable, funds held in trust, bank indebtedness, tender deposit loan, accounts payable and accrued liabilities, government remittances payable, customer deposits, long term debt, obligations under capital lease and preferred shares classified as liabilities.

Transacting in financial instruments exposes the company to certain financial risks and uncertainties. These risks include:

#### Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk through trade receivables. In order to reduce its credit risk, the company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The company has a significant number of customers which minimizes concentration of credit risk. The company generally considers the credit quality of its financial assets that are neither past due or impaired to be solid.

#### Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company ensures that it has sufficient capital to meet short term financial obligations after taking into account its operations and cash on hand. The company actively maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

#### Fair Value

The company's carrying value of accounts receivable, tender deposits, bank indebtedness, tender deposits loan and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The fair value of amounts due from related parties is less than carrying value because the amounts are non-interest bearing. However, because the amounts due from related parties have no fixed repayment terms, the fair value and the exposure to related risk cannot be determined with any degree of certainty, and the amounts are therefore reported at their carrying value.

The carrying value of the long term debt, obligations under capital lease and redeemable preferred shares approximates the fair value as the interest rates are consistent with the current rates offered to the company for debt with similar terms.

#### Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the company manages exposure through its normal operating and financing activities. The company is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and long term credit facilities.

**ISLAND EXCAVATORS (1985) LTD.**

**Notes to Financial Statements**

**Year Ended December 31, 2011**

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**23. COMPARATIVE FIGURES**

Some of the comparative figures have been reclassified to conform to the current year's presentation.

**ISLAND EXCAVATORS (1985) LTD.****Schedule of Expenses****(Schedule 1)****Year Ended December 31, 2011**

	2011	2010
<b>General and administrative</b>		
Advertising and promotion	\$ 43,173	\$ 21,752
Bad debts	42,656	44,599
Lights, heat and telephone	29,412	38,353
Office	24,741	29,892
Professional fees	14,812	11,202
Property tax	3,777	4,943
Salaries and employee benefits	265,666	216,196
	<u>\$ 424,237</u>	<u>\$ 366,937</u>
<b>Operating</b>		
Depletion of gravel pits	\$ 321	\$ 655
Gas and oil	487,918	501,628
Insurance	48,138	73,990
Licenses and registrations	29,931	30,533
Rentals	61,203	60,984
Repairs and maintenance	219,971	315,167
Supplies, materials and subcontracting	1,699,135	1,908,282
Travel	11,253	4,673
Wages and employee benefits	627,842	796,936
Workers' compensation insurance	44,254	23,943
	<u>\$ 3,229,966</u>	<u>\$ 3,716,791</u>

(See accompanying notes to these financial statements)

Prepared without audit

**APPENDIX B**

**PROPERTY APPRAISAL  
AND ASSESSMENTS**

Property Listing  
 Island Excavators (1985) Owned  
 September 30 2014

#	PID	Location	Acreage	Use	Internal Value
1	437228	Crapaud	2.3	Shop/Yard	
2	624437	Crapaud	3.5	Office/Yard	
3	798801	Crapaud	0.3	Yard	
4	1007152	Crapaud	0.2	ROW	\$ 350,000.00
5	455253	Westmoreland	54.2	Excavation Pit	
6	765479	Westmoreland	15.7	Excavation Pit	\$ 50,000.00
7	294058	Springton	19	Excavation Pit	\$ 19,000.00

### Reconciliation and Final Value Conclusion

Two approaches were utilized to value the subject property; the conclusions are summarized as follows:

Value by Direct Comparison Approach	\$ 229,000
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Value by Income Capitalization Approach	\$ 222,000
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The Direct Comparison Approach can be utilized by appraisers in estimating the value of commercial or income producing properties if good comparable sales data exists and if a reliable unit of comparison can be identified, isolated and applied to the subject. In this particular instance, the sales data included several properties with similar locational and physical characteristics. It is felt that the conclusion by the Direct Comparison Approach provides support to the final value estimate.

The income analysis is usually relied upon more heavily when appraising an income producing property. Since the property is owner-occupied, the value estimate by Income Approach indicated herein is based on an analysis of market rents. Market rents, operating costs and the overall capitalization rate used to convert the net income into an indication of value are well supported. The Income Approach is considered to most representative of the subject property.

Most weight is attributed to the Income Approach. In the final analysis, the income approach is considered to be most relevant with some weight attributed to the Direct Comparison Approach. As such, the final value estimate is concluded to be **\$225,000**.

Therefore, based on the information contained in this report, and subject to the Contingent and Limiting Conditions incorporated herein, we are of the opinion that the **Market Value** of the subject property, known as "Island Excavator" property, located at Civic #20403 and 20405 Trans Canada Highway - Route #1, Crapaud, Queens County, Prince Edward Island, as of March 13, 2006, is:

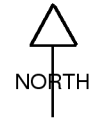
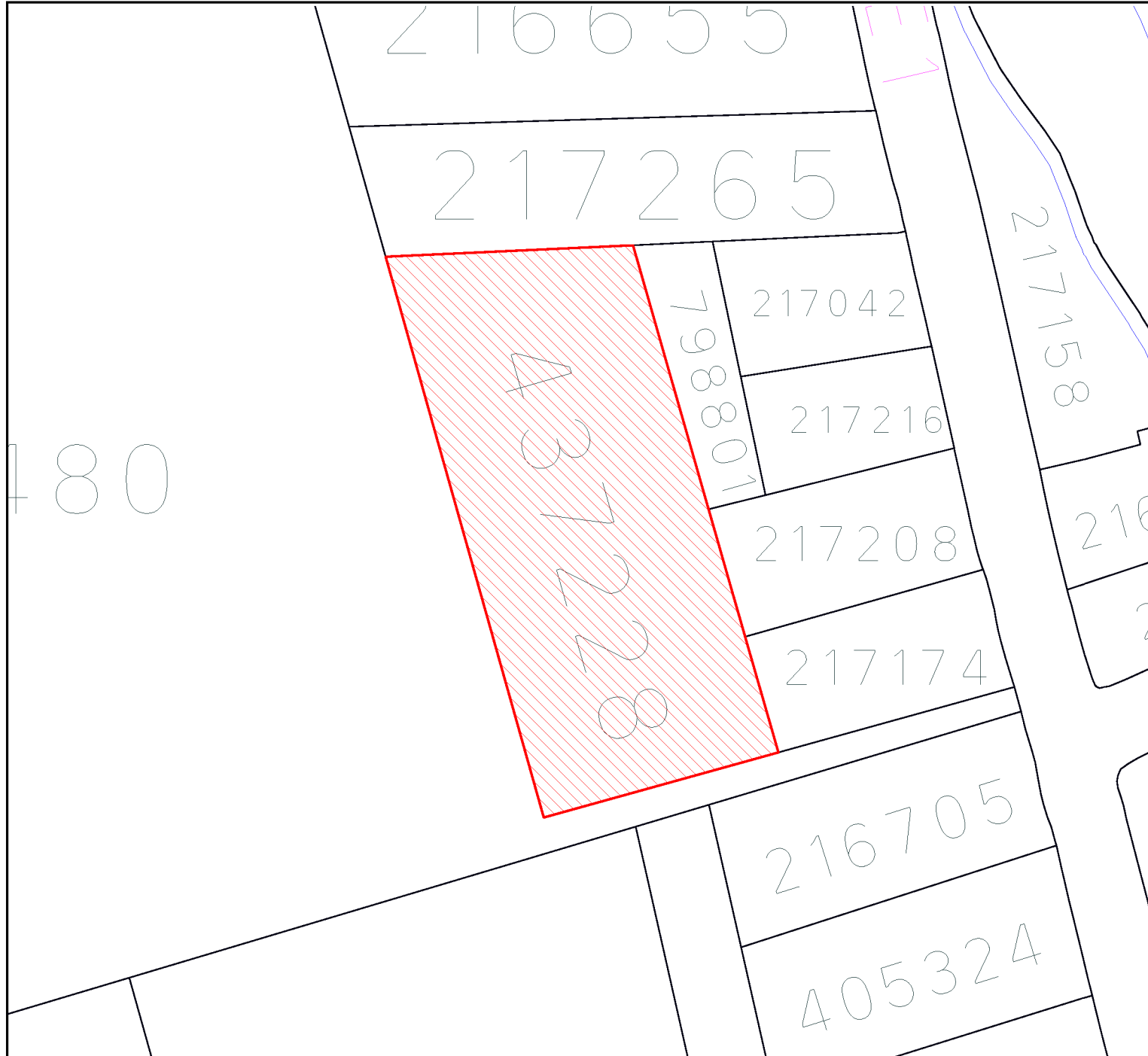
Two Hundred Twenty Five Thousand Dollars.....\$ 225,000

Respectfully submitted,

**ALTUS HELYAR**

A DIVISION OF ALTUS GROUP LIMITED

<u>Parcel</u>		<u>Map #</u>	<u>Property Location</u>	<u>Owner Name &amp; Mailing Address</u>	
437228		11L048F12	20403 TRANS CANADA HWY - RTE 1 CRAPAUD	ISLAND EXCAVATORS (1985) LTD  CRAPAUD, PE C0A 1J0	
Original Prop No:					
Lot/Township #:	29				
School Unit #:	3				
<u>Parcel and Lease</u>		<u>Acreage</u>	<u>Assessment Values</u>	<u>Taxable</u>	<u>Designated Taxpayer and Mailing Address</u>
437228 - 0		2.3	Commercial: \$ 83500	83500	ISLAND EXCAVATORS (1985) LTD
Account Status:	A		Non Commercial:	0	
			Residential:	0	CRAPAUD
Farm Qual:	N		Farm:	0	PE PO BOX 11 C0A 1J0
Municipality:	2420				<u>Dates</u>
% in Municip:	100				Assessment Effective:
Spec Prop Code:	206				Last Owner Chg: 09-DEC-86
MHI Number:					Initially Filed: 01-JAN-00
					Dormant:
Owner ID Code:					
Ownership Code:	C61				
Tax Exempt Code:					



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11 KENT ST. CHARLOTTETOWN  
PEI C1A 7NB

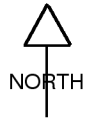
PHONE: 902-368-5167  
FAX: 902-368-5255

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EXACT DIMENSIONS OR AREAS.

SCALE: 1:1495  
DATE: Nov 29, 2013  
TIME: 11:59:05 AM  
ACREAGE: 2.29  
WORK UNIT: 8059



<u>Parcel</u>		<u>Map #</u>	<u>Property Location</u>	<u>Owner Name &amp; Mailing Address</u>	
624437		11L048F12	20405 TRANS CANADA HWY - RTE 1 CRAPAUD	ISLAND EXCAVATORS (1985) LTD  CRAPAUD, PE C0A 1J0	
Original Prop No:					
Lot/Township #:	29				
School Unit #:	3				
<u>Parcel and Lease</u>	<u>Acreage</u>	<u>Assessment Values</u>		<u>Taxable</u>	<u>Designated Taxpayer and Mailing Address</u>
624437 - 0	3.67	Commercial:	\$ 49600	49600	ISLAND EXCAVATORS (1985) LTD
Account Status:	A	Non Commercial:	\$ 27800	27800	
		Residential:		0	CRAPAUD
Farm Qual:	N	Farm:		0	PE
					PO BOX 11 C0A 1J0
Municipality:	2420				<u>Dates</u>
% in Municip:	100				Assessment Effective:
Spec Prop Code:	206				Last Owner Chg: 09-DEC-86
MHI Number:					Initially Filed: 01-JAN-00
					Dormant:
Owner ID Code:					
Ownership Code:	C61				
Tax Exempt Code:					

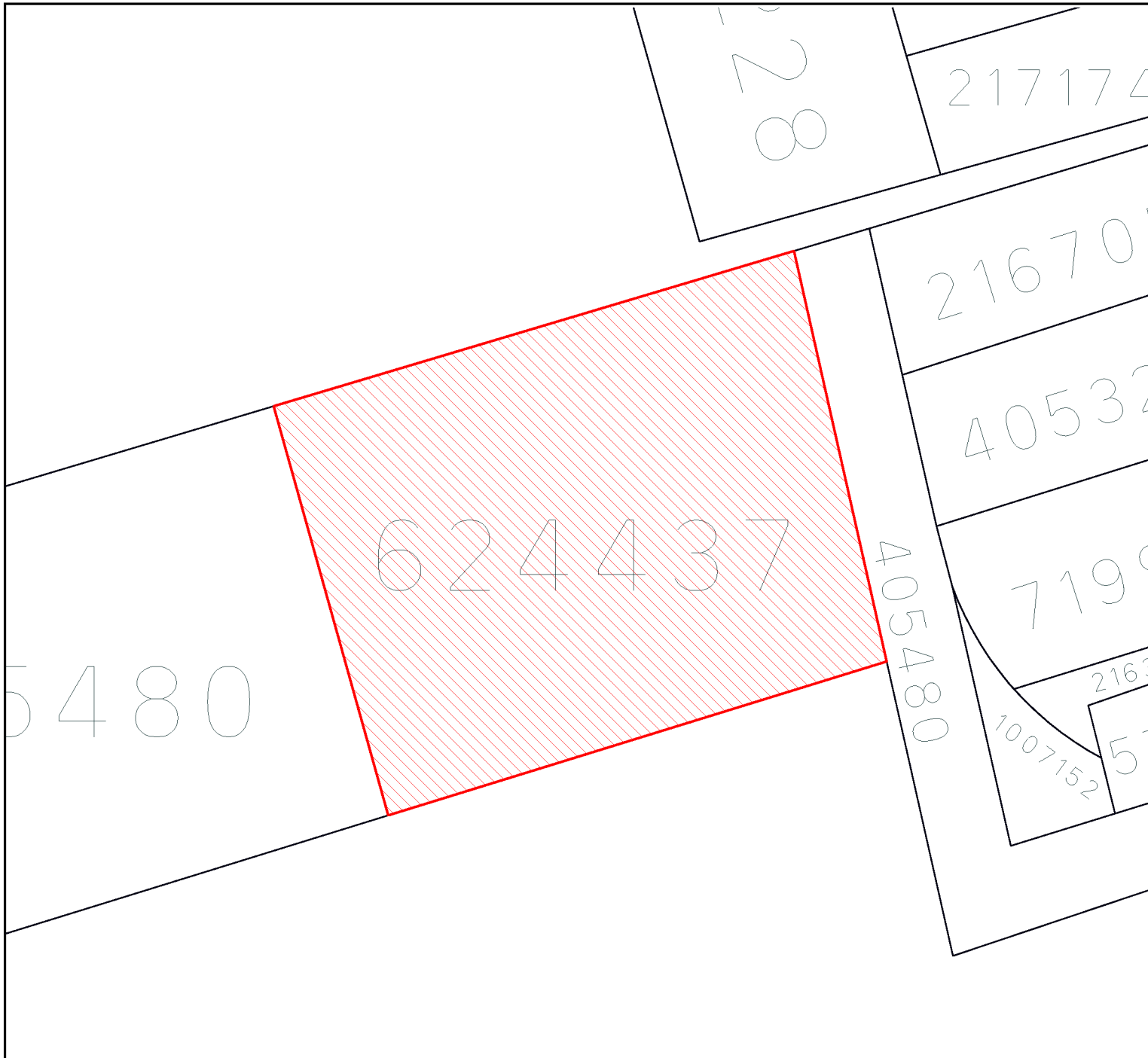


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ACREAGE: 3.63  
WORK UNIT: 8059



<u>Parcel</u>	<u>Map #</u>	<u>Property Location</u>	<u>Owner Name &amp; Mailing Address</u>
294058	11L062B1	SPRINGTON	ISLAND EXCAVATORS (1985) LTD

Original Prop No:

Lot/Township #: 67  
School Unit #: 3

<u>Parcel and Lease</u>	<u>Acreage</u>	<u>Assessment Values</u>	<u>Taxable</u>	<u>Designated Taxpayer and Mailing Address</u>
294058 - 0	16.43	Commercial:	0	ISLAND EXCAVATORS (1985) LTD
Account Status:	A	Non Commercial: \$ 1900	1900	
		Residential:	0	CRAPAUD
Farm Qual:	N	Farm:	0	PE
				C0A 1J0
Municipality:	2900			<u>Dates</u>
% in Municip:	100			Assessment Effective:
Spec Prop Code:				Last Owner Chg: 21-FEB-90
MHI Number:				Initially Filed: 01-JAN-00
				Dormant:
Owner ID Code:				
Ownership Code:	C61			
Tax Exempt Code:				

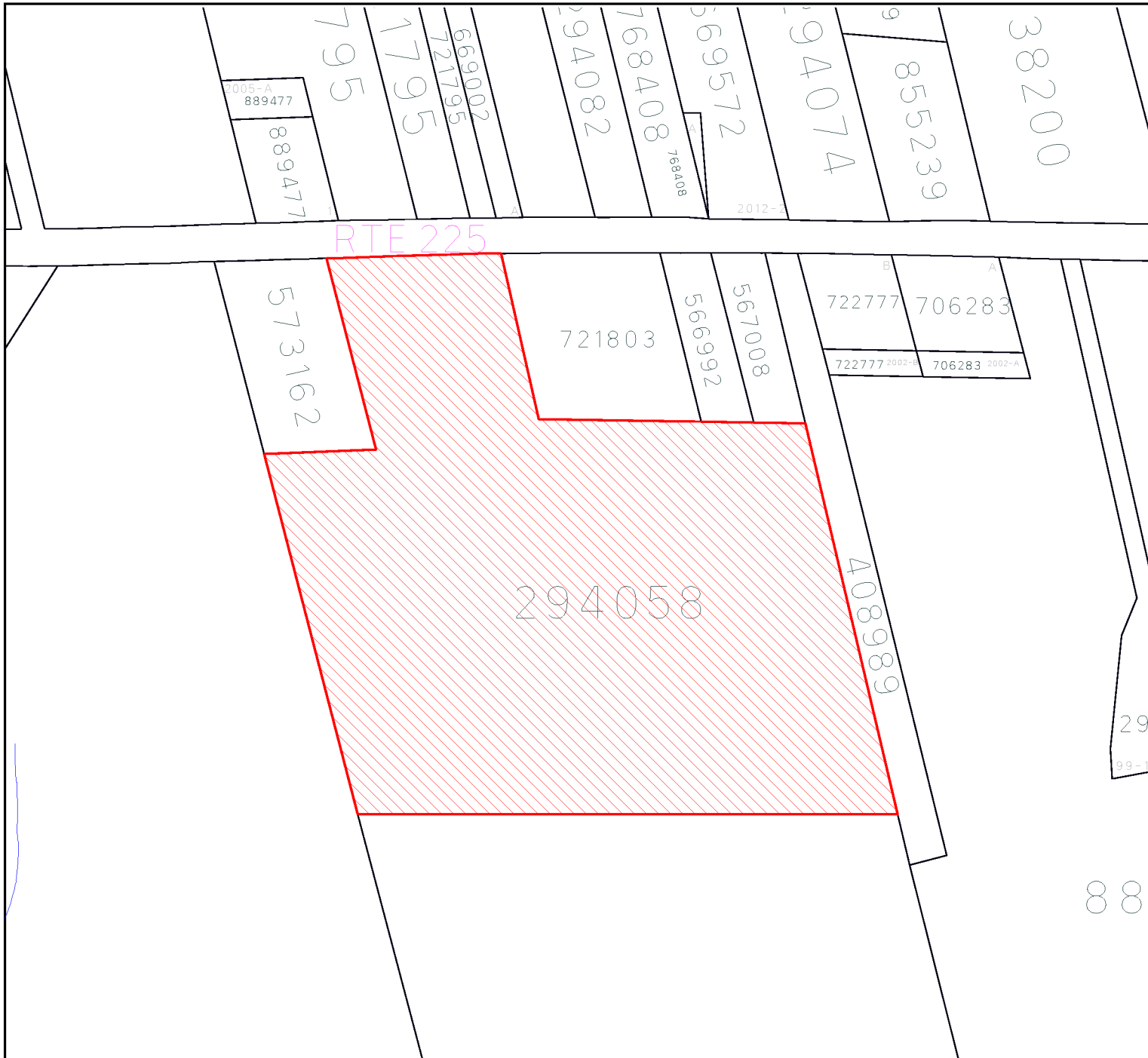


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WORK UNIT: 2164

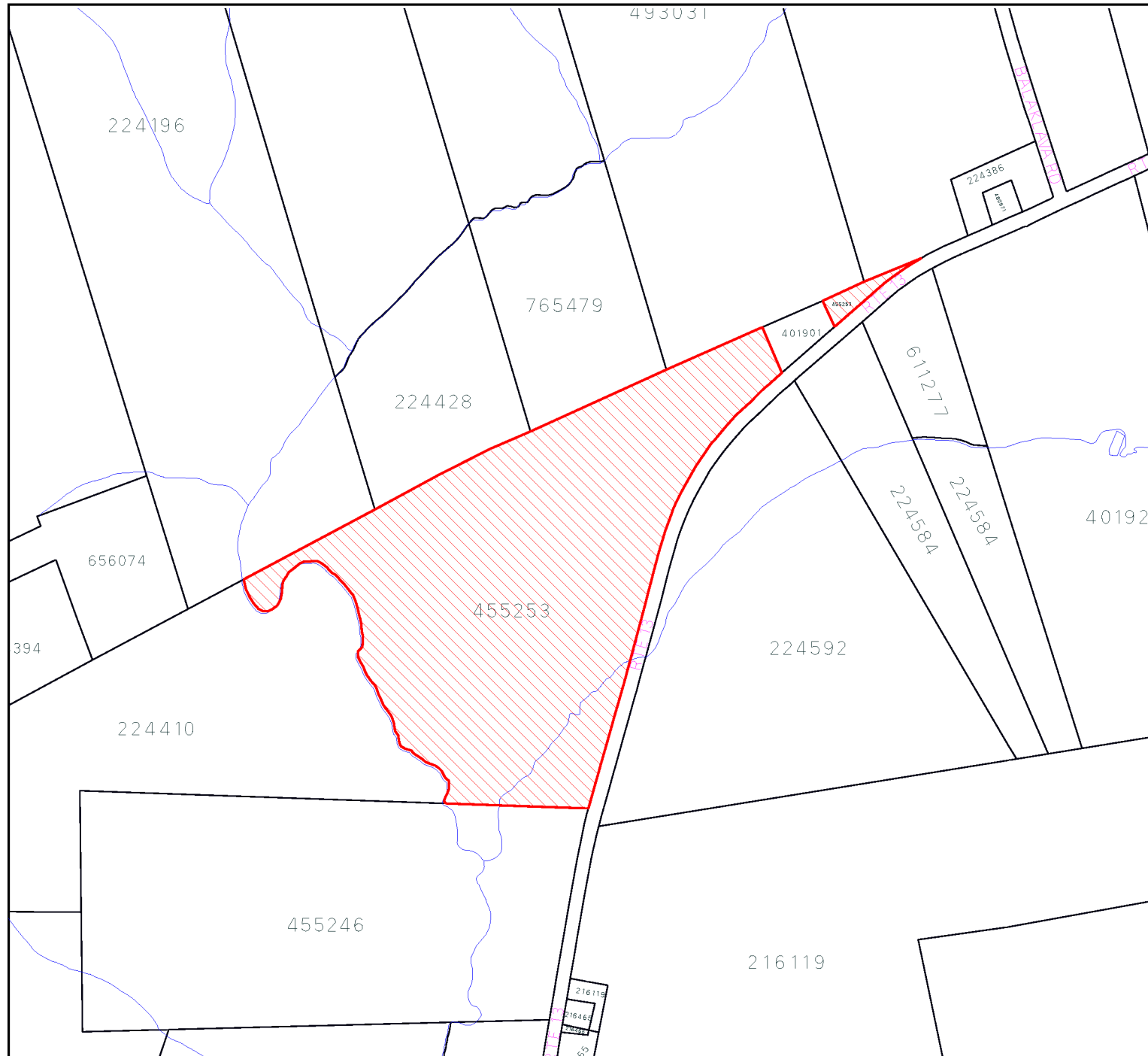


<u>Parcel</u>	<u>Map #</u>	<u>Property Location</u>	<u>Owner Name &amp; Mailing Address</u>
455253	11L061A3	WESTMORELAND	ISLAND EXCAVATORS (1985) LTD

Original Prop No:

Lot/Township #: 29  
School Unit #: 3

<u>Parcel and Lease</u>	<u>Acreage</u>	<u>Assessment Values</u>	<u>Taxable</u>	<u>Designated Taxpayer and Mailing Address</u>
455253 - 0	48.0	Commercial:	0	ISLAND EXCAVATORS (1985) LTD
Account Status:	A	Non Commercial: \$ 22800	22800	
		Residential:	0	CRAPAUD
Farm Qual:	N	Farm:	0	PE
				C0A 1J0
Municipality:	2900			<u>Dates</u>
% in Municip:	100			Assessment Effective:
Spec Prop Code:				Last Owner Chg: 21-FEB-90
MHI Number:				Initially Filed: 01-JAN-00
				Dormant:
Owner ID Code:				
Ownership Code:	C61			
Tax Exempt Code:				



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SCALE: 1:8027  
DATE: Dec 3, 2013  
TIME: 04:21:47 PM  
ACREAGE: 54.31  
WORK UNIT: 2059

<u>Parcel</u>	<u>Map #</u>	<u>Property Location</u>	<u>Owner Name &amp; Mailing Address</u>
765479	11L061A3	WESTMORELAND	ISLAND EXCAVATORS (1985) LTD

Original Prop No:

Lot/Township #: 29  
School Unit #: 3

<u>Parcel and Lease</u>	<u>Acreage</u>	<u>Assessment Values</u>	<u>Taxable</u>	<u>Designated Taxpayer and Mailing Address</u>
765479 - 0	12.5	Commercial:	0	ISLAND EXCAVATORS (1985) LTD
Account Status:	A	Non Commercial: \$ 1400	1400	
		Residential:	0	CRAPAUD
Farm Qual:	N	Farm:	0	PE
				C0A 1J0
Municipality:	2900			<u>Dates</u>
% in Municip:	100			Assessment Effective:
Spec Prop Code:				Last Owner Chg: 12-FEB-90
MHI Number:				Initially Filed: 07-MAR-90
				Dormant:
Owner ID Code:				
Ownership Code:	C61			
Tax Exempt Code:				

PEI GEOMATICS  
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Owner Name: ISLAND EXCAVATORS (1985) LTD

Location: null

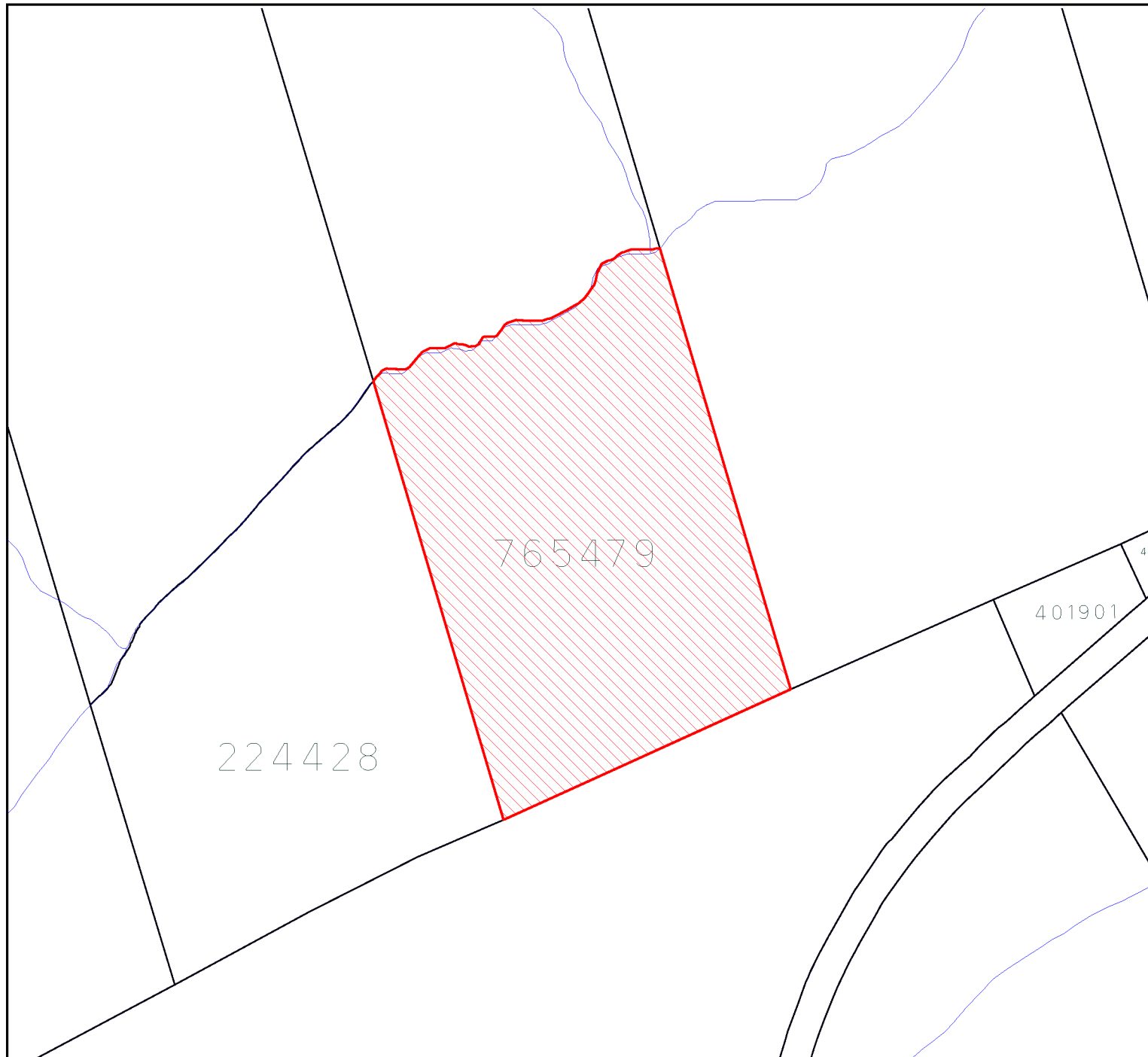


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SCALE: 1:3804  
DATE: Dec 3, 2013  
TIME: 04:22:55 PM  
ACREAGE: 15.73  
WORK UNIT: 2145





**APPENDIX C**

**EQUIPMENT APPRAISALS**

**Island Excavators 1985 Ltd.**  
**Equipment Listing -Sept 30 , 2014**

	<b>Description</b>	<b>Serial Number</b>	<b>Internal Value</b>
Heavy Machinery / Hauling	1993 International Eagle Tractor (Grey)	2HSFBBJR5PC074204	8,500
	2000 International Eagle Tractor(White)	2HSCHASROYC037763	25,000
	1995 Western Star Truck (Doug's Float)	2WKPDCCCH7SK936707	12,000
	1999 International Dump (Red)	1HTGLADTXXH203377	15,000
	1998 Volvo Road Tractor (Red)	4VG7DGHOWN764931	12,000
	1999 Midland Dump Trailer	2M9B2R6CRXR018054	12,000
	1978 Trailmobile Dump Trailer	<b>DA7261306</b>	6,000
	1990 Arnes Dump Trailer	2A9072624LA003304	15,000
	1999 Midland Dump Trailer	2MFB2R6C3XR00045D	8,000
	2005 Transcraft Hi-Boy Trailer	<b>1TTF48208Y2005977</b>	8,000
	1998 Custom Triaxle Dump Trailer	2L9DA63S8W1D70285	30,000
	1999 Craig Float Trailer	<b>2C9DFL5C7WH017011</b>	10,000
	2007 Eager Beaver Float Trailer	112SD24807L072854	30,000
	1996 3 Ton Homemade Flatbed Trailer	96HSD14843	1,000
	2008 MAC Aluminum Tandem Dump Trailer	5MADS28228C015664	23,000
	2007 Peterbilt 378 Dump Tractor (Alex)	1XPFDU9X27N675723	30,000
	2007 Peterbilt 378 Dump Tractor	1XPFDU9X47N675724	30,000
	1976 Gaynor Float Trailer	G762413	10,000
	1975 International Paystar Truck W/Plow	18055EGB18052	22,000
	1974 International Road Tractor c/w Snowplow	A9057DGB10086	22,000
	1977 International Truck w/Plow	UA257HHA10436	22,000
	1986 International 5 Ton W/Plow (Dennis)	2HTTEL6RZGCA12228	24,000
	1983 FWD Snowplow (Ronnie)	1F9AC28R7DCFT1166	18,000
	2006 Freightliner Tandem Dump (Dean)	1FVH5CV06HV47220	35,000
	2005 Trailmobile 30FT Reefer Trailer	<b>1PT01ANM719005840</b>	5,000
	2005 Trailmobile 30FT Reefer Trailer	<b>1PT01AN4619005797</b>	5,000
	2010 Gatormode Tag Trailer	4Z1HD202XAS013331	5,500
	2000 Midland Tridem Dump	2MFB2R4D5YR000673	16,500
	1995 International Eagle Tandem (Sand Truck)	2HSFBASRXS0017798	12,000
	Two 19.5 FT Dump Boxes		6,000
	Sand Box		3,000
	1989 International Plow Sander Truck		8,500
	Four Rock Boxes for flatbed trailer		12,000
	<b>Total "MTS Morrisons" value</b>		
	<b>2000 Eagle Platform Trailer</b>	<b>1TTF48208Y2005977</b>	
Vehicles	2002 Dodge Dakota (Red)	<b>1B7HG48N62S529398</b>	2,500
	2006 Ford F-150 XLT Supercrew (Todd)	1FTRW14W56FA12435	7,000
	2002 Dodge Ram 2500 (Dennis)	1D7HU16Z42J152949	6,500
	2002 Dodge Ram 2500 (Red/Grey)		6,500
	2004 GMC Sierra (White)		10,000
	2006 Dodge Ram 2500 Quad Cab (Wade)	1D7KS28CX6J244812	14,000
	2002 GMC Sierra 3/4 Ton Truck (Duramax)		3,500
	2000 Dodge Ram 3/4 - 1500 ST Reg CAB	RBT10E00670211116	2,500
	<b>Total "Toyota Charlottetown" value</b>		
	<b>2013 Ford Edge Limited</b>	<b>2FMDK4KC8DBC19184</b>	
Excavators	<b>2001 Honda CR-V EX 4dr AWD</b>	<b>JHLRD1761C</b>	3,000
	2010 Hitachi ZX 200 LC Excavator	<b>1FFAST0XPBD320875</b>	125,000

Backhoe	2007 CAT 302.5 Mini Excavator	<b>CAT3025CTGBB016532</b>	25,875
	2011 Caterpillar 420E Backhoe Loader	CAT0420EVDJL01027	65,000
	2011 Cheng Gong 958	<b>NEED SERIAL NO.</b>	125,000
Loader	2007 Cheng Gong 956G Loader	000074	75,000
	1995 525 IH Dresser Loader	007050	20,000
Dozers	2012 D3K Dozer		95,000
	1994 Caterpillar D6E Dozer	<b>2MJ1635</b>	46,000
Skid Steer	2012 JCB Skid Streer	<b>GE0225TR4B1746711</b>	43,000
	2006 GEHL Skid Steer	<b>21404477</b>	17,250
Gradders	1985 Champion Gradder 740 (Ronnie)	7401278016508	20,000
Articulated Dump Truck	2005 CASE ROCK Truck	<b>HHD000344</b>	92,500
Aggregate Equipment	2006 Thomas Screener	<b>2T93A9BC541145013</b>	23,000
	2001 Screen King Screener		18,000
Compaction Equipment	2004 Bomag 177D Roller	901581531056	29,900
	1994 Bomag 124D Roller	A219C16178	11,500
	1976 Bomag 210 Roller	<b>0081099</b>	5,750
Attachments	86" Provost Blower		2,500
	86" Provost Blower		2,500
	Tramac Backhoe Hammer		2,875
	Tramac Backhoe Hammer	<b>ATTACHMENT</b>	2,875
	NPK Backhoe Hammers	<b>ATTACHMENT</b>	2,875
	Bradco Trencher		2,500
	JD Roto Tiller		800
	T-Rex HDS Profiler-Recalmer		5,200
	6' Omarv Mower	<b>ATTACHMENT</b>	5,000
	6' Omarv Mower	<b>ATTACHMENT</b>	5,000
	2005 Finn T-60 HydroSeeder		12,000
	Wing and Plow for 950B loader	<b>ATTACHMENT</b>	15,000
	Post Hole Digger and 12" auger for Skid Steer	<b>ATTACHMENT</b>	3,500
	72' Pick Broom for Skid Steer	<b>ATTACHMENT</b>	5,000
	Various Construction attachment (buckets, ripper, etc.)		67,000
Other	1997 Case MX 110 Tractor Model Ser# JJA0079022		30,000
Other	Topcon Automatic Laser		400
	Theodolite, Tripod, Road		600
	1975 VOHL Snowblower	NV407	15,000
	1976 VOHL Snowblower	00V469	15,000
	1989 International Paystar Plow Truck (Doug)	2HTTEGBR6K016799	25,000
	Scales		20,000
	2001 JD 4600 Farm Tractor	LV4600H460629	15,000
	Small Salt Box		1,500
	Tamper for Backhoe		2,500
	Jumping Jack #77		200
	Jumping Jack #95		200
	Chainsaws		200
	Chopsaw / Cut-off saw		500
	Sand box (95 IT Sand Truck)		8,500
	1991 IH 2500 Sand Truck (Dave)		8,000
	2001 New Holland TM115 Tractor	167794B7120748	35,000
	2000 Ford 3/4 Ton F250 (Phillips)		2,500
	2 New Knife Edge Trench Boxes c/w spreader bars		20,000

1 Trench Box

1,000

**TOTAL INTERNAL ASSET LISTING VALUE**

**1,731,000**

**APPENDIX D**

**SHOP INVENTORY**

**Island Excavators (1985) Ltd.**  
**Shop Inventory - Prepaids**

<u>Description</u>	<u>Unit</u>	<u>Qty</u>	<u>Unit Cost</u>	<u>Increase for</u> <u>Prices for</u> <u>2013</u>	<u>Ext Cost</u>
<u>Lubricants</u>	<u>Noonan's</u>			<u>0.05</u> <u>1.05</u>	
Premium 15W40	L	1500	2.49	1.05	3,921.75
Max 10W30	16 x 1L	20	3.94	1.05	82.69
80W90	20L	5	78.00	1.05	409.50
Hyd 32/68	drum	1	719.00	1.05	754.95
Diesel Coolant	45 gal drum	0.5	625.00	1.05	328.13
Windshield Washer	drum	0	135.30	1.05	-
Methyl Hydrate	4 x 4L	0	4.95	1.05	-
Hand Cleaner	2kg	1	28.64	1.05	30.07
Brake Cleaner	390g	12	2.95	1.05	37.17
Fuel Conditioner	litres	0	2.99	1.05	-
Diesel fuel	litres	9500	1.40		13,300.00
<u>ters - Luberfinder (Traction)</u>					
FP 1127F		0	6.58	1.05	-
FP 1101F		1	4.29	1.05	4.50
FP 587F		0	7.82	1.05	-
LFF 3806		2	7.36	1.05	15.46

LFF 3886	1	9.86	1.05	10.35
LFF 3581	1	18.81	1.05	19.75
LFH 8217	0	20.36	1.05	-
LP 585F	1	15.93	1.05	16.73
L 8706F	1	31.68	1.05	33.26
LFH 4990	0	96.74	1.05	-
LFP 791	0	7.33	1.05	-
LFF 8215	0	17.37	1.05	-
LFF 8736B	0	55.95	1.05	-
LFP 5570	2	5.12	1.05	10.75
FP 586F	1	15.93	1.05	16.73
LFW 4072	1	11.66	1.05	12.24
LFF 3501	1	22.50	1.05	23.63
LP 712	0	31.10	1.05	-
LP 2278	0	21.14	1.05	-
LFW 4075	3	20.68	1.05	65.14
LFW 5875	0	11.53	1.05	-
PH 2856A	0	4.92	1.05	-
LFF 1001	2	14.18	1.05	29.78
364F	1	14.95	1.05	15.70
LFP 2285	0	18.88	1.05	-
LFP 4005	1	18.24	1.05	19.15
LFP 780	2	5.31	1.05	11.15
LFF 2749	4	11.34	1.05	47.63

LFP 3191	1	7.81	1.05	8.20
FP 603	0	7.96	1.05	-
LFF 3540	1	9.05	1.05	9.50
LFF 8020	1	10.64	1.05	11.17
FP 215F	0	4.61	1.05	-
LFF 1000	0	15.76	1.05	-
LFF 5	4	4.76	1.05	19.99
FP 230F	1	12.56	1.05	13.19
LFW 4071	1	8.45	1.05	8.87
L 296F	0	4.61	1.05	-
PH 253	0	4.18	1.05	-
L 1261F	0	13.77	1.05	-
PH 2808	0	5.43	1.05	-
LP 478	1	4.61	1.05	4.84
PH 832	3	8.03	1.05	25.29
LFF 3417	3	10.26	1.05	32.32
LFF 3349	0	9.95	1.05	-
LFF 9732	0	34.75	1.05	-
L 4604F	0	73.76	1.05	-
LFF 5421	1	22.69	1.05	23.82
LFP 2292	2	6.20	1.05	13.02
LFF 3584	1	10.88	1.05	11.42
LFP 8642	2	22.58	1.05	47.42



LFP 880	0	16.65	1.05	-
LFP 781	1	18.82	1.05	19.76
PH 299	0	7.97	1.05	-
LFF 5823B	1	12.29	1.05	12.90
LFP 3000XL	2	37.73	1.05	79.23
<b><u>Hose Clamps</u></b>	(Lawson)			
# 40	8	2.39	1.05	20.08
# 36	6	1.43	1.05	9.01
# 24	6	1.59	1.05	10.02
# 20	2	1.26	1.05	2.65
# 16	3	1.21	1.05	3.81
# 12	4	1.17	1.05	4.91
# 10	4	1.13	1.05	4.75
# 8	0	1.59	1.05	-
# 6	0	0.70	1.05	-
# 4	0	0.56	1.05	-
<b><u>Grade 8 thread bolts</u></b>				
1/4 x 2	50	0.21	1.05	11.03
5/16 x 1	30	0.20	1.05	6.30
5/16 x 1 1/2	30	0.16	1.05	5.04
5/16 x 2	25	0.22	1.05	5.78
5/16 x 3	11	0.42	1.05	4.85
3/8 x 1	25	0.28	1.05	7.35

3/8 x 1 1/2	25	0.38	1.05	9.98
3/8 x 2	30	0.35	1.05	11.03
3/8 x 2 1/2	30	0.49	1.05	15.44
3/8 x 3	30	0.55	1.05	17.33
7/16 x 1	20	0.51	1.05	10.71
7/16 x 1 1/2	25	0.35	1.05	9.19
7/16 x 2	50	0.34	1.05	17.85
7/16 x 2 1/2	25	0.36	1.05	9.45
7/16 x 3	30	0.61	1.05	19.22
7/16 x 3 1/2	30	0.81	1.05	25.52
1/2 x 1	11	0.83	1.05	9.59
1/2 x 1 1/2	20	0.60	1.05	12.60
1/2 x 2	30	0.69	1.05	21.74
1/2 x 2 1/2	30	0.79	1.05	24.89
1/2 x 3	40	1.42	1.05	59.64
1/2 x 3 1/2	30	1.46	1.05	45.99
1/2 x 4	20	1.85	1.05	38.85
5/8 x 1 1/2	20	1.42	1.05	29.82
5/8 x 2	10	1.05	1.05	11.03
5/8 x 2 1/2	25	1.05	1.05	27.56
5/8 x 3	9	1.14	1.05	10.77
5/8 x 3 1/2	11	1.38	1.05	15.94
5/8 x 4	7	1.77	1.05	13.01

3/4 x 1 1/2	20	1.45	1.05	30.45
3/4 x 2	30	1.67	1.05	52.61
3/4 x 2 1/2	11	1.97	1.05	22.75
3/4 x 3	20	2.21	1.05	46.41
3/4 x 3 1/2	2	2.08	1.05	4.37
3/4 x 4	3	3.81	1.05	12.00
3/4 x 4 1/2	7	3.13	1.05	23.01
3/4 x 5	10	3.30	1.05	34.65
3/4 x 5 1/2	10	3.41	1.05	35.81
3/4 x 6	3	6.35	1.05	20.00
7/8 x 3	25	3.92	1.05	102.90
7/8 x 3 1/2	20	3.98	1.05	83.58
7/8 x 4	7	3.29	1.05	24.18
7/8 x 5	3	4.05	1.05	12.76
7/8 x 6	11	4.88	1.05	56.36
1 x 3	0	4.46	1.05	-

**Grade 5 coarse thread bolts**

1/4 x 3/4	50	0.02	1.05	1.05
1/4 x 1	30	0.15	1.05	4.73
1/4 x 1 1/2	30	0.16	1.05	5.04
1/4 x 2	25	0.19	1.05	4.99
1/4 x 2 1/2	25	0.18	1.05	4.73
1/4 x 3	11	0.22	1.05	2.54

1/4 flat washer	100	0.13	1.05	13.65
1/4 lock washers	50	1.07	1.05	56.18
1/4 nuts	50	0.09	1.05	4.73
5/16 x 3/4	25	0.11	1.05	2.89
5/16 x 1	20	0.20	1.05	4.20
5/16 x 1 1/4	25	0.20	1.05	5.25
5/16 x 1 1/2	30	0.16	1.05	5.04
5/16 x 2	9	0.22	1.05	2.08
5/16 x 3	5	0.42	1.05	2.21
5/16 flat washers	50	0.05	1.05	2.63
5/16 lock washers	40	1.20	1.05	50.40
5/16 nuts	25	0.12	1.05	3.15
3/8 x 1	20	0.37	1.05	7.77
3/8 x 1 1/4	20	0.38	1.05	7.98
3/8 x 1 1/2	30	0.38	1.05	11.97
3/8 x 2	30	0.35	1.05	11.03
3/8 x 2 1/2	30	0.49	1.05	15.44
3/8 x 3	25	0.55	1.05	14.44
3/8 flat washer	50	0.07	1.05	3.68
3/8 lock washer	60	0.05	1.05	3.15
7/16 x 1	60	0.51	1.05	32.13
7/16 x 1 1/2	50	0.35	1.05	18.38
7/16 x 2	30	0.34	1.05	10.71
7/16 x 2 1/2	25	0.36	1.05	9.45

7/16 x 3	7	0.61	1.05	4.48
7/16 x 3 1/2	20	0.81	1.05	17.01
7/16 flat washer	30	0.31	1.05	9.77
7/16 lock washer	60	0.09	1.05	5.67
7/16 nuts	60	0.35	1.05	22.05
1/2 x 1 1/2	20	0.60	1.05	12.60
1/2 x 2	20	0.69	1.05	14.49
1/2 x 2 1/2	25	0.79	1.05	20.74
1/2 x 3	0	1.42	1.05	-
1/2 x 3 1/2	6	1.46	1.05	9.20
1/2 x 4	4	1.85	1.05	7.77
1/2 lock washers	60	0.31	1.05	19.53
1/2 flat washers	25	0.46	1.05	12.08
nuts	10	0.42	1.05	4.41

**1/4" Fine Thread Bolts (Grade 5)**

1/4 x 1	50	0.15	1.05	7.88
1/4 x 1.5	60	1.34	1.05	84.42
1/4 x 2	50	0.21	1.05	11.03
1/4 x 2 1/2	50	0.18	1.05	9.45
1/4 x 3	20	0.22	1.05	4.62
1/4 x 3 1/2	40	0.22	1.05	9.24
1/4 nuts	50	0.39	1.05	20.48

5/16 x 1/2	40	0.20	1.05	8.40
5/16 x 1	40	0.20	1.05	8.40
5/16 x 1.5	40	1.75	1.05	73.50
5/16 x 2	30	0.22	1.05	6.93
5/16 x 2 1/2	30	0.35	1.05	11.03
5/16 x 3	25	0.42	1.05	11.03
5/16 nuts	40	1.15	1.05	48.30
3/8 x 3/4	50	0.35	1.05	18.38
3/8 x 1	30	0.28	1.05	8.82
3/8 x 1 1/2	50	0.46	1.05	24.15
3/8 x 2	25	0.31	1.05	8.14
3/8 x 2.5	30	0.55	1.05	17.33
3/8 x 3	20	0.56	1.05	11.76
3/8 x 3 1/2	0	0.62	1.05	-
3/8 nuts	25	0.19	1.05	4.99
7/16 x 1 1/4	25	0.35	1.05	9.19
7/16 x 1 1/2	30	0.35	1.05	11.03
7/16 x 2	30	0.34	1.05	10.71
7/16 x 3	20	2.16	1.05	45.36
7/16 x 3 1/2	1	0.81	1.05	0.85
7/16 nuts	30	0.34	1.05	10.71
1/2 X 1	25	0.83	1.05	21.79
1/2 X 1 1/2	20	0.60	1.05	12.60
1/2 X 2	30	0.69	1.05	21.74

1/2 X 2 1/2	25	0.79	1.05	20.74
1/2 X 3	20	1.42	1.05	29.82
1/2 nuts	30	0.39	1.05	12.29
<b><u>Grader Blades &amp; Wings</u></b> (LSW)				
5/8" x 12' Carbide	6	276.00	1.05	1,738.80
<b><u>Tires</u></b> (Oliver Tire)				
11R 22.5	16	340.00	1.05	5,712.00
11R 24.5	10	215.00	1.05	2,257.50
<b><u>Fuses</u></b>				
5 amp	10	0.99	1.05	10.40
10 amp	6	1.10	1.05	6.93
15 amp	6	0.99	1.05	6.24
20 amp	5	0.69	1.05	-
25 amp	5	0.86	1.05	3.62
30 amp	0	1.31	1.05	4.52
<b><u>Studs</u></b>				
5/16 x 1.5	4	2.25	1.05	-
5/16 x 1.75	4	2.47	1.05	9.45
3/8 x 1.75	0	2.65	1.05	10.37
7/16 x 2	4	2.42	1.05	-
7/16 x 2.5	10	2.46	1.05	10.16
5/8 x 2.5	6	2.53	1.05	25.83
				15.94

5/8 x 3	4	2.73	1.05	11.47
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**Nuts for Studs**

.75 RH	6	0.59	1.05	3.72
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.75 LH	6	0.59	1.05	3.72
			1.05	-

1 RH	4	0.82	1.05	3.44
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1 LH	4	0.82	1.05	3.44
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**(Lawson) Cotter pins**

1/16 x 1/2	20	1.25	1.05	26.25
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1/16 x 3/4	5	1.25	1.05	6.56
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1/16 x 1	11	1.25	1.05	14.44
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3/32 x 1 1/4	10	1.25	1.05	13.13
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3/32 x 1 1/2	10	1.25	1.05	13.13
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3/32 x 2	11	1.25	1.05	14.44
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7/64 x 3/4	15	1.25	1.05	19.69
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7/64 x 1	30	1.25	1.05	39.38
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1/8 x 1	10	1.25	1.05	13.13
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1/8 x 1.25	10	1.25	1.05	13.13
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1/8 x 1.5	15	1.25	1.05	19.69
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1/8 x 1.75	11	1.25	1.05	14.44
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5/32 x 1	9	1.25	1.05	11.81
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5/32 x 1.5	7	1.25	1.05	9.19
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5/32 x 1.75	16	1.25	1.05	21.00
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5/32 x 2	11	1.25	1.05	14.44
3/16 x 1	17	1.25	1.05	22.31
3/16 x 1.5	6	1.25	1.05	7.88
3/16 x 2	3	1.25	1.05	3.94
3/16 x 2.5	0	1.25	1.05	-
<b><u>Air Brake Fittings</u></b>	(Lawson)			
½" inserts	0	0.61	1.05	-
3/8" inserts	0	4.87	1.05	-
1/4" inserts	0	2.21	1.05	-
½" union	4	9.11	1.05	38.26
3/8" union	2	5.60	1.05	11.76
1/4" union	0	4.47	1.05	-
3/4" plugs	0	0.59	1.05	-
½" 90 degree elbow	2	5.15	1.05	10.82
3/8" 90 degree elbow	2	3.47	1.05	7.29
1/4" 90 degree elbow	0	4.03	1.05	-
3/8" 45 degree elbow	0	4.57	1.05	-
90 degree male elbow	0	14.55	1.05	-
45 degree male elbow	0	10.65	1.05	-
1/4 x 3/8 reducers	0	3.28	1.05	-
3/8 x 3/8 reducers	0	4.00	1.05	-
1/2 x 3/8 reducers	1	5.61	1.05	5.89
1/4" couplers	0	5.35	1.05	-

1/4" male compression	0	2.57	1.05	-
3/8" male compression	0	5.60	1.05	-
1/2" male compression	0	5.61	1.05	-
1/8" compression union	0	1.22	1.05	-
3/16" compression union	1	1.99	1.05	2.09
1/4" compression union	0	4.47	1.05	-
5/16" compression union	1	2.70	1.05	2.84
3/8" furls	0	4.15	1.05	-
1/4" furls	0	3.59	1.05	-
3/8" nuts	0	0.96	1.05	-
1/4" nuts	0	0.60	1.05	-
Hitch pins	5	3.19	1.05	16.75

### **Battery Cable Ends**

Top Post	0	9.55	1.05	-
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### **Solderless Terminals**

Male Connectors	3	2.36	1.05	7.43
Female connectors	0	0.63	1.05	-

### **Clevis Pins**

1/4 x 7/8	0	2.33	1.05	-
	0			
5/16 x 1	0	2.33	1.05	-
7	0	2.33	1.05	-
3/8 x 2	0	2.33	1.05	-

1/2 x 1 1/2	0	2.33	1.05	-
5/8 x 3	0	2.33	1.05	-
<b><u>Woodruff keys</u></b>	(Lawson)			
3/16 x 5/8	0	0.96	1.05	-
3/16 x 3/4	0	1.01	1.05	-
3/16 x 7/8	0	1.04	1.05	-
3/16 x 1	0	1.12	1.05	-
3/16 x 1 1/4	0	1.12	1.05	-
1/4 x 3/4	0	1.25	1.05	-
1/4 x 7/8	0	1.29	1.05	-
1/4 x 1	0	1.31	1.05	-
1/4 x 1 1/8	0	1.32	1.05	-
1/4 x 1 1/4	0	1.32	1.05	-
5/16 x 1	0	1.39	1.05	-
5/16 x 1 1/4	0	1.39	1.05	-
3/8 x 1 1/4	0	1.44	1.05	-
3/8 x 1 1/2	0	1.44	1.05	-
<b><u>Mechanical Screws</u></b>				
1/4 x 1/2	6	0.09	1.05	0.57
1/4 x 3/4	3	0.09	1.05	0.28
1/4 x 1	7	0.09	1.05	0.66
1/4 x 1 1/2	0	0.09	1.05	-

5/16 x 1		0	0.09	1.05	-
<b><u>Bulbs &amp; Lights</u></b>		(Lawsons)			
1157		2	0.61	1.05	1.28
1156		2	0.76	1.05	1.60
SB67		0	0.67	1.05	-
SB194		0	0.57	1.05	-
SB1895		0	0.57	1.05	-
SBH4656		0	13.44	1.05	-
SBH4651		2	13.44	1.05	28.22
Rolls of wire @ 100'	100 ft /roll	3	53.48	1.05	168.46
<b><u>Welding Supplies</u></b>		(Praxair)			
Welding rods (6011) boxes		1	25.57	1.05	26.85
<b><u>Heater Hose</u></b>					
1/2"	lin ft	0	1.51	1.05	-
<b><u>Gas Line</u></b>					
3/8"	lin ft (20ft/roll)	5	1.71	1.05	8.98
5/16"	lin ft (20ft/roll)	5	1.54	1.05	8.09
1/4"	lin ft (20ft/roll)	5	1.50	1.05	7.88
				\$ 32,269.53	