

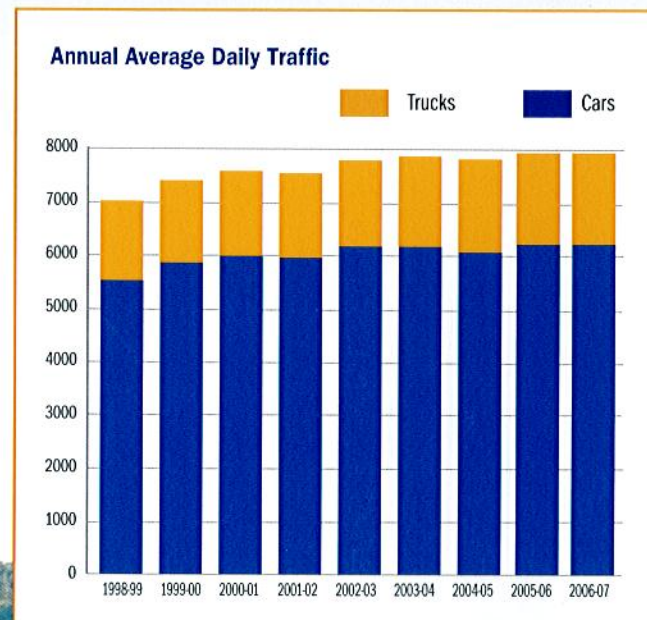
Highway 104 Western Alignment Corporation Annual Report 2006–2007



Maintaining a high standard

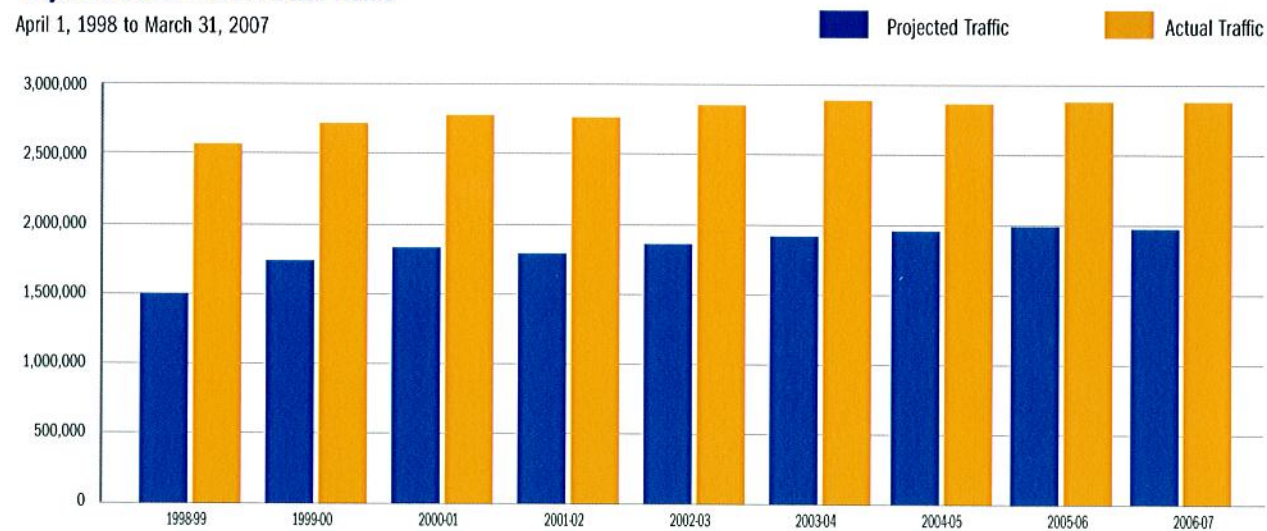
Facts at a Glance

- 45 kilometres between Masstown and Thomson Station
- Twinned, four-lanes
- Wide median: 22.6 metres
- 110 km/hr
- Five full interchanges
- Six major bridges
- Five large tunnels under the road for access to land parcels, snowmobile trails and wildlife passages
- 18 kilometres of access roads
- Constructed by Atlantic Highways Corporation, a subsidiary of Canadian Highways International Corporation, in 20 months. (A national industry publication called Cobequid Pass the fastest highway ever to be designed and constructed in Canada.)
- The Highway 104 Corporation contracts the management of the toll plaza to Atlantic Highways Management Corporation Limited
- Opened November 15, 1997
- Annual average daily traffic for 2006-07: cars - 6237; trucks - 1761



Projected Traffic versus Actual Traffic

April 1, 1998 to March 31, 2007



Letters to Stakeholders

President's Letter

This annual report marks the tenth annual report that has been issued by the Highway 104 Western Alignment Corporation. The Corporation continues to strive to provide the highest level of highway operation and customer service, and there have been advances toward those objectives this fiscal year.

As a result of amendments to the financial agreements secured last fiscal year with the assistance of our solicitors (McInnis Cooper) and the Bondholders' Representative (CIT Financial Ltd.), the Corporation was again able to maintain toll rates at 2004 levels. The Corporation was also able to make a prepayment on the Junior Bond Indenture.

Working with the toll plaza operator (Atlantic Highways Management Corporation Limited), the Corporation moved forward the Toll System Replacement Project with the calling of a Request For Proposals for a new tolling system.

The Corporation also engaged the Independent Maintenance Engineer (McCormick Rankin) to assess the original pavement renewal strategy and to provide recommendations for future work. A report is expected in the next fiscal year.

In consultation with the road maintenance contractor (Department of Transportation & Public Works), a new maintenance assessment and implementation procedure was initiated to ensure there will be a safe and quality driving experience now and in the future.

Growth in total traffic on the Cobequid Pass was flat for fiscal 2006-07 with toll revenues experiencing a similar result; the reduction in tourism traffic and high fuel prices continue to be areas that are of a concern.

The Corporation's management made up of General Manager Don Stonehouse, P.Eng., Controller Eva Hislop, CMA, and Administrative Assistant Patricia Belleza are a competent and dedicated team who, along with our Government liaison and advisor Alan MacRae, P.Eng., are providing excellent service to the traveling public maintaining the Cobequid Pass Toll Road as a first class highway facility.

As we move forward the Corporation will strive to continue to provide strong financial management and a roadway for a quality driving experience.

Lee Rankin, P.Eng.
President

General Manager's Letter

The location of the Cobequid Pass places it as a critical link in the Province's highway system, providing a portion of the Trans-Canada Highway that connects Nova Scotia to the rest of Canada and to the United States. In fiscal 2006-07 the Cobequid Pass Toll Plaza handled 2,919,000 vehicles, comprising 2,276,000 cars and 643,000 trucks. This compares to the same number of total vehicles (2,919,000 vehicles, comprising 2,262,000 cars and 657,000 trucks) in the previous fiscal year. In comparison to original forecasted traffic, automobile traffic is up 76%, while truck traffic is down 1.2%. Tolling revenue is down 0.7 % over fiscal 2005-06, reflecting steady toll rates.

In fiscal 2006-07, the Toll Operator (Atlantic Highways Management Corporation Limited) undertook the tasks required in the Phase 2 contract to replace our aging tolling system. The specifications for the new system were developed as well as a Request for Proposals to solicit submissions from interested toll system proponents. It is anticipated a toll system provider will be chosen in the next fiscal year.

In the meantime the Corporation was required to replace the lane toll terminals. The availability of replacement parts for the original equipment became problematic. The installation of the new touch screens was managed by the Toll Operator.

During the fiscal year the Corporation funded from toll revenue a \$740,000 major maintenance project to crack fill, seal, and micro-surface 20 km of the eastbound lanes from the toll plaza to Masstown. The comparable westbound lanes are scheduled for micro-surfacing next fiscal year.

Construction of an extension to the toll plaza building to provide for an upgraded emergency power supply and an increase in storage area was initiated. Completion is expected to be early in the next fiscal year.

This report provides a broad overview of the history and administrative structure of the Corporation, and the traffic and financial operation of the Cobequid Pass for fiscal 2006-07. I would recommend its reading. In regards to the financial statements, the accompanying notes are very important in explaining the financial details.

If you have any questions or comments regarding the Cobequid Pass, we would be pleased to hear from you. The contact information is printed on the back of this report.

Don L. Stonehouse, P.Eng.
General Manager

Administration and Accountability

Background

Creating the Highway 104 Western Alignment Corporation was key to constructing the Cobequid Pass Toll Highway. The Government is the sole shareholder of the Corporation, which is categorized as a Government Business Enterprise. Its sole purpose, by statute, is to oversee the financing, design, construction, operation and maintenance of the Cobequid Pass.



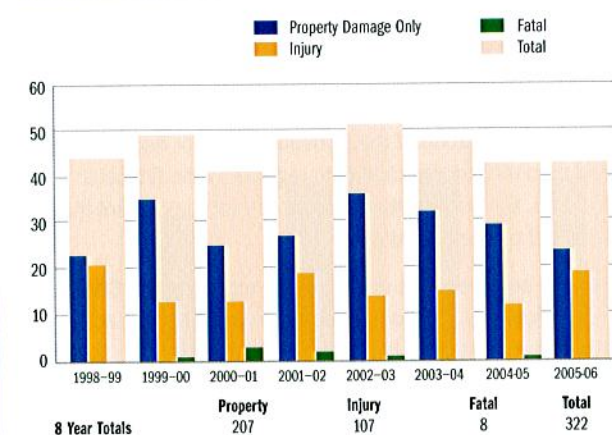
The Corporation's mandate is to manage toll revenue collection, to maintain the schedule to repay investors, and to fund annual and long term maintenance until the debt is fully paid in 2026. The Corporation is financially sustainable and responsible for its own debt, and does not

have to rely on a Government debt guarantee. The Corporation's sole source of revenue is tolls.

Because some public monies were involved in the highway's initial financing, and because the Highway 104 Corporation is wholly owned by the Crown, its annual operations may be scrutinized by the Auditor General.

Operating independent of government, the Highway 104 Corporation is the entity that permitted non-recourse financing, meaning private investors can lay no claim on government assets or money in the unlikely event toll revenue should fail to provide a return on investment.

Cobequid Pass Collision Record 1998-2006



Data supplied by the Nova Scotia Department of Transportation and Public Works

Administration

One of the Corporation's primary administrative responsibilities is ensuring toll revenue is collected and distributed according to the agreements signed by the Government of Nova Scotia, Atlantic Highways Corporation and CIT Financial Limited, formerly Newcourt Credit Group, the Bondholders' Representative.

This responsibility includes maintaining budget control, issuing payment directives, and ensuring that parties to the agreements are meeting obligations in a timely fashion. It also means keeping communication lines open and direct between all parties.

The administration of the Highway 104 Western Alignment Corporation is led by its General Manager, Don Stonehouse, P.Eng. and by the Controller, Eva Hislop, CMA. Patricia Belleza provides administrative and accounting support.

Accountability

The financial activities of the Corporation are carefully scrutinized by CIT Financial Limited and the Department of Transportation and Public Works. In addition, the Corporation engages Grant Thornton LLP to provide audit reports in accordance with Generally Accepted Auditing Standards.

Detailed reports of the highway's operation are given to the Deputy Minister of the Department of Transportation and Public Works on a monthly basis, and he in turn informs the Minister of Transportation and Public Works as the owner. The Minister is well equipped to respond to questions from the public, Cabinet, Members of the Legislative Assembly, and the media, as is the Corporation's General Manager.

The Highway 104 Western Alignment Corporation is represented on the Department of Transportation and Public Works' Steering Committee, and meetings are scheduled regularly with Atlantic Highways Management Corporation Limited executives.

The Auditor General of Nova Scotia has the right to review the Highway 104 Corporation's activities, as it did in 1996 and 2002.



Maintenance

With a budget of \$884,000 in fiscal 2006-07, the Department of Transportation and Public Works provided maintenance on Cobequid Pass under the terms of the Annual Maintenance Agreement. The majority of this work consists of snow and ice removal during the winter months. The Department of Transportation and Public Works also performs annual line painting, guardrail replacement and repair, litter removal, and other duties to ensure the highway is maintained at a high standard.

The Corporation funded \$740,000 in Major Maintenance during the past fiscal year for 20 kilometres of crack filling, sealing and microsurfacing. These works were funded through the Corporation's Major Maintenance Reserve Fund and involved no public monies.

Atlantic Highways Management Corporation Limited

The toll operations are run by Atlantic Highways Management Corporation Limited (AHMCL), a subsidiary of the contractor, Atlantic Highways Corporation (AHC). Both are owned by Aecon.

AHC guaranteed the highway for three years, an unprecedented warranty period, and all deficiencies were repaired at their expense.

The electronic tolling system managed by AHMCL links vehicles carrying a transponder to a computerized account and automatically deducts the toll. Supplied by SIRIT Inc., the system provides for automatic toll collection and cash transactions with built-in audit capabilities. Nine hundred and eighty-six transponder units were sold this fiscal year.

AHMCL employs 42 people at the toll plaza, most from Cumberland and Colchester Counties. Aecon is an alliance of the project management and engineering firms Ambro Construction Ltd. and BFC Construction Corporation.



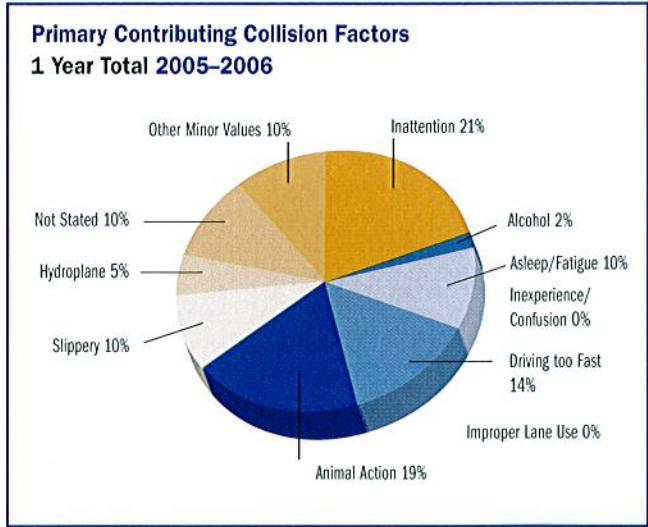


How Cobequid Pass and it's Ongoing Maintenance are Funded

Cobequid Pass is the only highway in Nova Scotia that required a relatively small one-time initial investment from governments for its construction. It is also the only highway that covers the cost of its annual and long-term maintenance over a 30-year period.

The terms of the agreement between the partners detail how toll revenue is used to repay investors, cover toll operations, and fund long and short term maintenance.

How the agreement works		
Funding	Amount	Provided by
Senior Bond Issue	\$51.0 million	CIT Financial Limited
Junior Bond Issue	\$9.9 million	CIT Financial Limited
Subordinate Notes	\$5.5 million	Province of Nova Scotia
Equity	\$1	Province of Nova Scotia
Interest Earnings		From all investments and bank accounts
Federal Funding	\$27.5 million	Government of Canada
Provincial Funding	\$27.5 million	Government of Nova Scotia



Data supplied by the Nova Scotia Department of Transportation and Public Works

Operations

- The Project Account was established to:
- Pay the Highway 104 Western Alignment Corporation's ongoing administrative costs
 - Pay operating and maintenance costs for Cobequid Pass.

Every month the Highway 104 Corporation transfers any cash balance from the Project Account into the Capital Reserve Account. By agreement, the Project Account keeps only a balance equal to two months of its operating/administrative budget.

- The sources of cash for the Project Account are:
- Toll revenue
 - Any cash not used during construction
 - Interest income

- The Capital Reserve account is used to:
- Pay Trustee fees
 - Pay accrued unpaid interest
 - Pay senior bond debt and junior bond debt as per scheduled quarterly repayment dates
 - Meet the minimum funding requirements of the Debt Service Reserve Account if required. (The Debt Service Reserve Account must be funded at one full year of Senior Debt Payments, according to the amortization schedule, at any given time.)
 - Meet the funding requirements of the Major Maintenance Reserve Fund
 - Pre-pay the debt

- The sources of cash for the Capital Reserve account are:
- The Project Account: All monies in excess of two months operating and administrative budget are deposited to the Capital Reserve Account
 - All excess funds in the Debt Service Reserve Account (DSRA). The DSRA, on any given bond principal and interest payment date, can only equal the scheduled Senior Bond repayments for the upcoming 12 month period.

Senior Debt Service Coverage Ratio (DSCR)

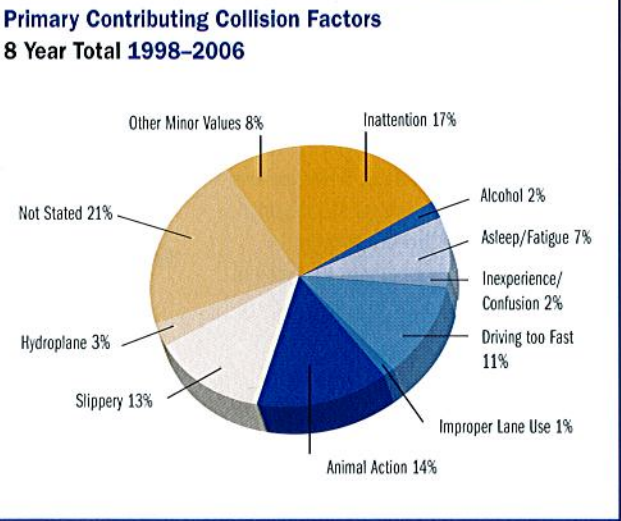
The Senior Debt Service Coverage Ratio must be 1.2:1 at any time during the first 36 months after December 31, 1997, the Date of Acceptance, and 1.3:1 at any time after the 36th month after the Date of Acceptance.

If the Senior Debt Service Ratio is larger than 1.3:1 but less than 1.6:1 then all funds in excess of expenditures and bond repayment are accumulated in the Capital Reserve Fund where they are placed in permitted investments. Since project start up the Senior Debt Service Ratio has never been less than 1.6:1.

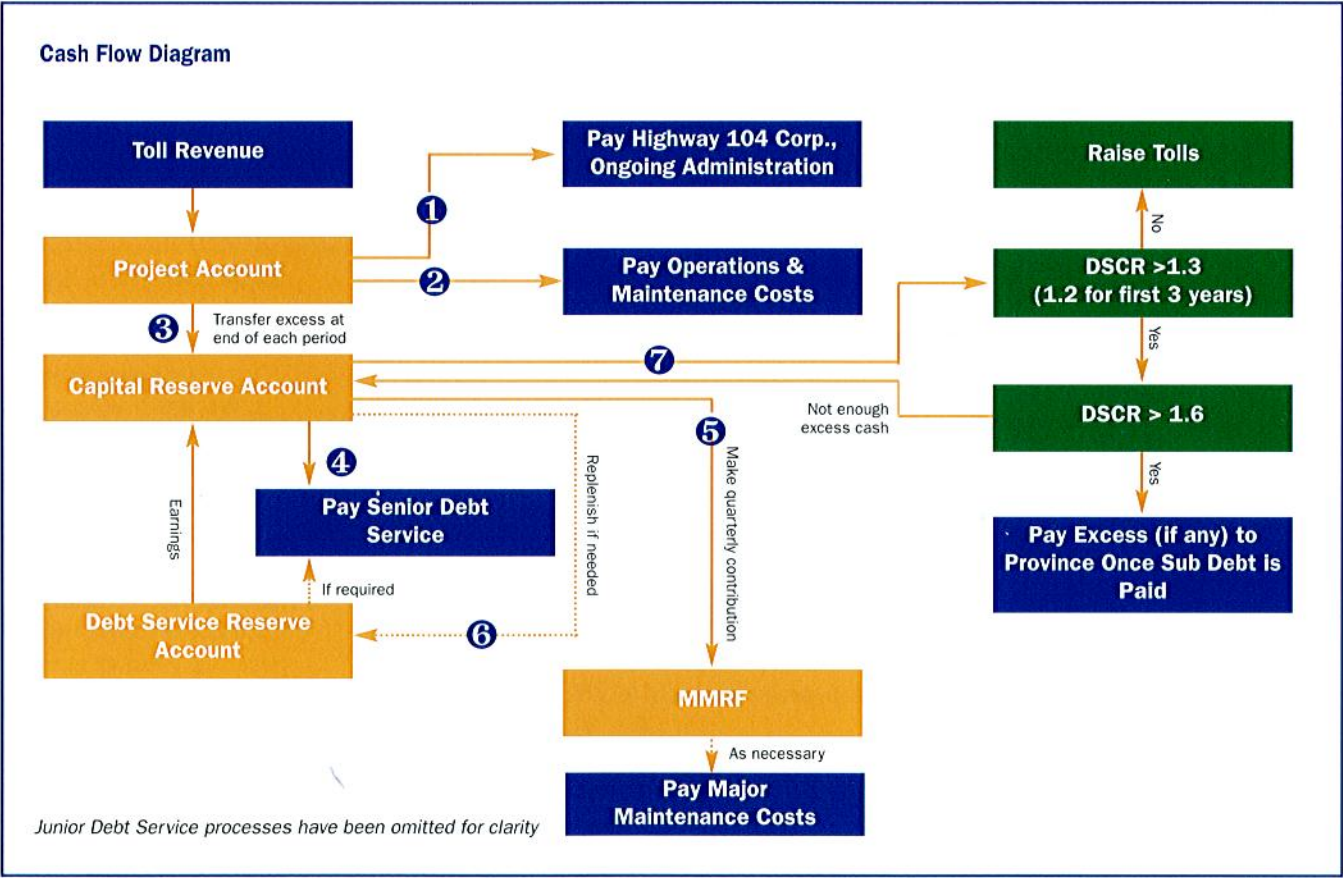
Major Maintenance Reserve Fund (MMRF)

The Major Maintenance Reserve Fund ensures that there are funds available to pay for all major maintenance costs such as repaving.

The first contribution to the MMRF fund came from the Subordinate Notes issued in November 1997. This was a total amount of \$500,000. The Financing Agreements require that specific quarterly contributions be made to the MMRF from the Capital Reserve Fund and these contributions are adjusted annually based on maintenance requirements.



Data supplied by the Nova Scotia Department of Transportation and Public Works



Auditor's Report

To the Shareholder of Highway 104
Western Alignment Corporation

We have audited the balance sheet of Highway 104 Western Alignment Corporation as at March 31, 2007, and the statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Grant Thornton LLP
Chartered Accountants
Halifax, Nova Scotia
May 9, 2007

Highway 104 Western Alignment Corporation

Statements of Earnings and Deficit

Year Ended March 31

	Budget 2007 (unaudited)	Actual 2007	2006
Revenue			
Facility revenue	\$ 17,105,100	\$ 17,076,909	\$ 17,199,316
Interest income	680,300	1,228,476	905,383
	17,785,400	18,305,385	18,104,699
Expenses			
Bondholder representative fees	170,200	110,129	192,623
Trustee fees	34,700	34,320	41,791
Salaries and benefits	151,600	158,749	153,246
Office	48,400	50,573	46,208
General and administrative	236,200	157,529	250,149
Enforcement	60,000	60,000	60,000
Independent engineer	50,000	37,625	39,333
Routine maintenance	937,500	893,704	929,174
Major maintenance	1,267,000	892,635	417,300
Facility operations	2,074,600	2,029,617	2,037,898
Transponders	-	36,916	45,835
	5,030,200	4,461,797	4,213,557
Earnings before other items	12,755,200	13,843,588	13,891,142
Other items			
Government assistance amortization (Note 2)	1,505,300	1,394,726	1,328,310
Amortization and depreciation	(3,471,500)	(3,330,699)	(3,138,232)
Interest on long term debt	(9,325,800)	(8,876,540)	(8,597,503)
Net earnings	\$ 1,463,200	\$ 3,031,075	\$ 3,483,717
Deficit, beginning of year		\$ (21,206,799)	\$(18,022,526)
Net earnings		3,031,075	3,483,717
Transfer from (to) reserve for restricted assets (Note 9)		397,591	(6,667,990)
Deficit, end of year		\$ (17,778,133)	\$(21,206,799)

See accompanying notes to the financial statements.

Highway 104 Western Alignment Corporation

Balance Sheet

March 31

	2007	2006
Assets		
Current		
Cash and cash equivalents	\$ 651,111	\$ 552,477
Inventory	14,137	8,898
Prepays (Note 3)	384,616	365,071
Receivables (Note 4)	64,052	106,391
	1,113,916	1,032,837
Restricted assets (Note 5)	32,427,057	32,824,648
Facility (Note 6)	100,666,644	103,775,444
Deferred financing fees (Note 2)	429,664	465,098
	\$ 134,637,281	\$ 138,098,027
Liabilities		
Current		
Payables and accruals	\$ 1,538,155	\$ 698,785
Current portion of long term debt (Note 7)	2,029,587	2,498,137
Deferred revenue	816,493	760,297
	4,384,235	3,957,219
Long term debt (Note 7)	76,569,989	82,094,100
Payable to the Province of Nova Scotia (Note 8)	250,000	250,000
Deferred government assistance (Note 2)	44,723,213	46,117,939
	125,927,437	132,419,258
Shareholder's Equity		
Capital stock, one no par value share issued and outstanding in favour of the Province of Nova Scotia	1	1
Reserve for restricted assets (Note 9)	26,487,976	26,885,567
Deficit	(17,778,133)	(21,206,799)
	8,709,844	5,678,769
	\$ 134,637,281	\$ 138,098,027

Commitments and contractual obligations (Note 12)
See accompanying notes to the financial statements.

Highway 104 Western Alignment Corporation

Statement of Cash Flows

Year Ended March 31

	2007	2006
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	\$ 3,031,075	\$ 3,483,717
Government assistance amortization	(1,394,726)	(1,328,310)
Capitalized interest on bonds (Note 7)	-	2,018,580
Amortization of deferred financing fees	35,434	35,434
Amortization and depreciation	3,330,699	3,138,232
	5,002,482	7,347,653
Change in non-cash operating working capital (Note 11)	913,121	428,433
	5,915,603	7,776,086
Financing		
Principal repayment on bonds	(5,992,661)	(1,108,652)
Investing		
Decrease (increase) in restricted assets	397,591	(6,667,990)
Additions to facility	(221,899)	-
	175,692	(6,667,990)
Net increase (decrease) in cash and cash equivalents	98,634	(556)
Cash and cash equivalents, beginning of year	552,477	553,033
Cash and cash equivalents, end of year	\$ 651,111	\$ 552,477

See accompanying notes to the financial statements.

Highway 104 Western Alignment Corporation Notes to the Financial Statements March 31, 2007

1. Nature of operations
The Corporation has been established for the purpose of financing, designing, constructing, operating and maintaining the Facility consisting mainly of a 45 km stretch of highway (referred to as the Highway 104 Western Alignment) between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia. The Corporation has been designated a Government Business Enterprise by the Nova Scotia Provincial Finance Act. The Corporation follows generally accepted accounting policies for profit-oriented enterprises.

2. Summary of significant accounting policies
Pre-operating and operating periods – The pre-operating period was the twenty month construction period commencing April 1, 1996 until the date of acceptance in November 1997. Operations began December 1, 1997.

Facility – The Facility consists of the highway referred to as the Highway 104 Western Alignment and the toll plaza constructed on the highway. The costs of the Facility include certified progress payments to the Facility's contractor, independent engineer fees, professional fees and interest costs incurred during the pre-operating period. These costs are being amortized commencing at the start of the operating period until March 31, 2026 using the sinking fund method with an annual compounding rate of 5% except as described below.

Also included in the Facility are computer equipment costs of \$44,940. These costs have been amortized over three years under the straight line method.

The Corporation plans to purchase a new tolling system, new tolling booths, and a new generator. Accordingly, the useful life of those existing assets will expire in 2008. The remaining value of those assets is being amortized using the straight line method, over the remaining useful life of those assets. In the current year, amortization costs have increased by \$187,920 as a result of the change in amortization period.

The new tolling system and generator are currently under development and therefore no depreciation has been recorded in the year.

Revenue recognition – The Corporation recognizes revenue at the time a vehicle utilizes the highway.

Deferred costs - financing fees – Financing, commitment and bondholder representative fees related to the establishment and placement of the senior and junior toll revenue bonds have been deferred and are being amortized to operations over the term of the related bond debt commencing at the start of the operating period.

Deferred government assistance – Government assistance provided by the Province of Nova Scotia has been recorded as a deferral and is being amortized to operations over thirty years commencing at the start of the operating period using the sinking fund method with an annual compounding rate of 5%.

Cash and cash equivalents – Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less with the exception of restricted cash balances which are included in restricted assets. Bank borrowings are considered to be financing activities.

Use of estimates – In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

	2007	2006
3. Prepaids		
Operating expenses	\$ 36,617	\$ 32,349
Advance to operator	347,999	332,722
	\$ 384,616	\$ 365,071

	2007	2006
4. Receivables		
Harmonized Sales Tax	\$ 42,771	\$ 106,391
Other	21,281	-
	\$ 64,052	\$ 106,391

	Cash	Investments	2007 Total	2006 Total
5. Restricted assets				
Senior debt service reserve account	\$ 49	\$ 9,505,889	\$ 9,505,938	\$ 9,162,292
Capital reserve account	28	14,805,373	14,805,401	18,876,605
Major maintenance reserve account	787	8,114,931	8,115,718	4,785,751
	\$ 864	\$ 32,426,193	\$ 32,427,057	\$ 32,824,648

Investments are recorded at cost, have a weighted average term of 5.67 (2006 - 11.15) months to maturity and a weighted average interest rate of 4.47% (2006 - 4.28%). The market value of the investments approximates the carrying value.

The following restricted accounts have been established in accordance to trust indenture agreements between the Corporation and the senior and junior bondholders and an Omnibus Agreement between the Corporation and the Province of Nova Scotia:

(i) The capital reserve account has been established to provide funds to pay the interest and principal on the senior and junior bonds and the subordinated notes. These funds are also available to pay the trustee and bondholders' representative fees to the extent they are not paid out of the project account. This account provides funding to the major maintenance reserve and the senior

debt reserve accounts. The capital reserve account is funded from excess funds transferred from the project bank accounts of the Corporation.

(ii) The senior debt service reserve account has been established to provide a reserve of funds to be available for payments as they come due for the senior toll revenue bonds. Funds can only be transferred from this fund when funds in the capital reserve account are insufficient to pay senior toll revenue bond payments. The account should maintain sufficient reserves equal to 12 months principal and interest payments due on the senior toll revenue bonds. The replenishment of the reserve comes from the capital reserve account.

(iii) The major maintenance reserve account has been established for the purpose of paying major maintenance repair and rehabilitation expenses. This reserve is funded from the capital reserve account in accordance with a maintenance budget recommended by the Independent Engineer through the terms of the major maintenance reserve fund agreement.

6. Facility		2007	2006	
	Cost	Net Book	Net Book	
		Total	Total	
Facility	\$124,667,560	\$24,222,813	\$100,444,747	\$103,775,444
New Tolling System	102,095	-	102,095	-
New Generator	119,802	-	119,802	-
Total	\$124,889,457	\$24,222,813	\$100,666,644	\$103,775,444

7. Long term debt 2007 2006

Senior toll revenue bonds bearing interest at 10.13%, maturing March 31, 2026, repayable in partial interest payments from June 30, 1998 until March 31, 2006 and then 80 equal blended quarterly payments of interest and principal of \$2,251,191. The amount by which the interest expense has exceeded interest payments has been capitalized as part of the principal. As security, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the Facility, a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account. **\$ 75,618,312** \$ 76,883,622

Junior toll revenue bonds bearing interest at 10.76%, maturing March 31, 2011, repayable in interest payments only from June 30, 1998 until March 31, 2001 and then 40 equal blended quarterly payments of principal and interest of \$231,737. As security, the Corporation has assigned a second charge security interest in all security pledged to senior toll revenue bondholders. **2,981,264** 7,708,615

Less: principal repayments due within one year **78,599,576** 84,592,237 **2,029,587** 2,498,137 **\$ 76,569,989** \$ 82,094,100

Minimum principal repayments required are as follows:	
2008	\$ 2,029,587
2009	2,247,401
2010	2,488,582
2011	2,755,649
2012	2,086,359

The combined fair value of the Corporation's long term debt, as comprised by senior and junior toll revenue bonds, is \$103,679,553 (2006 - \$109,706,839) and is determined using cash flows discounted at a rate equal to the prevailing market rate of interest for financial instruments having substantially the same terms and characteristics.

8. Payable to the Province of Nova Scotia
On the date of acceptance, the Province advanced \$250,000 to the Corporation to facilitate the Provincial subsidy. Under the First Amendment to the Omnibus Agreement, the Province reduced the tolls for transponder users and created a Provincial subsidy payable to the Corporation to offset the reduction. The advance is to be repaid to the Province on the earlier of the date when the toll rates are reinstated to the original rates as laid out in the Omnibus Agreement or when the Corporation has fully extinguished its obligations under the Senior and Junior Bond Indentures.

9. Reserve for restricted assets
The capital reserve account is to be funded from excess funds in the Project Bank Account. In addition, any interest earned on restricted assets forms part of the reserve account. **2007** 2006

Reserve for restricted assets, beginning of year	\$ 26,885,567	\$ 20,217,577
Transfers from project account	13,556,899	13,540,673
Interest income	1,189,352	882,413
Long term debt payments, including interest	(14,833,767)	(7,652,141)
Major maintenance payments, including HST to be recovered	(310,075)	(18,828)
Payments made to bondholders	-	(84,127)
	(397,591)	6,667,990
Reserve for restricted assets, end of year	\$ 26,487,976	\$ 26,885,567

10. Financial instruments
The Corporation's financial instruments consist of cash, receivables, restricted assets, payables and accruals, amount payable to the Province of Nova Scotia, deferred revenue and long term debt. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Corporation estimates the fair value of its financial instruments to approximate their carrying values with the exception of long term debt as outlined in Note 7 to the financial statements.

11. Supplemental cash flow information	2007	2006
Change in non-cash operating working capital		
Inventory	\$ (5,239)	\$ (2,397)
Prepaids	(19,545)	(6,059)
Receivables	42,339	354
Payables and accruals	839,370	392,490
Deferred revenue	56,196	44,045
	\$ 913,121	\$ 428,433

Cash and cash equivalents consist of:
Cash on hand and balances with banks **\$ 651,111** \$ 552,477
Interest paid **\$ 8,876,540** \$ 6,543,489

12. Commitments and contractual obligations
The Corporation has entered into the following agreements to finance, design, construct, operate and maintain the Highway 104 Western Alignment:

Omnibus Agreement – Agreement dated April 1, 1996, between the Corporation, the Contractor, the Operator and the Province of Nova Scotia to design, finance, construct, operate and maintain the Highway 104 Western Alignment. This agreement acknowledges that the Corporation has entered into a Design Build Agreement and an Operating Agreement to fulfill its obligations to the Province.

Under this agreement, the Province of Nova Scotia retains ownership of the Facility, however, the Corporation is granted the right to operate and collect tolls for a thirty year period, at which time this right will revert back to the Province.

The Province contributed \$55,000,000 to the project.

Operating Agreement – Agreement dated May 22, 1996 between the Corporation and Atlantic Highways Management Corporation (the Operator) whereby the Operator is required to operate the Facility which includes the toll collection system, toll plaza and the administration building.

Facility operations expenses paid to the Operator during the year totalled \$2,029,617 (2006 - \$2,037,898).

Operator compensation is based on the annual operating budget plus a variable fee, subject to adjustment under certain conditions, equal to 10% of the total annual budget.

Major Maintenance Reserve Fund Agreement – Agreement between the Corporation, the Trustee and the Bondholders' Representative to provide for the major maintenance work required during the operating period of the Facility. The Agreement requires the Corporation, on an annual basis, to engage an independent engineer to report on all major maintenance work to be completed in the upcoming year, as well as a major maintenance budget to determine the required annual amount to be deposited in the Major Maintenance Reserve Account. The maximum annual fee is \$50,000. The agreement with the independent engineer was renewed for a one year term in November 2006.

The estimated deposits required to fund anticipated major maintenance for the next five years are as follows:	
2008	\$ 4,642,000
2009	825,000
2010	1,547,500
2011	1,120,000
2012	1,020,000

Annual Roadway Maintenance Agreement – The thirty year agreement between the Corporation and the Department of Transportation and Public Works of the Province of Nova Scotia to provide annual roadway maintenance services is renewable in five year increments and was last renewed March 3, 2006. The annual fee of \$884,000 is adjusted annually for inflation.

During the year, the Corporation incurred management fees of \$40,850 (2006 - \$27,300) from the Province of Nova Scotia.

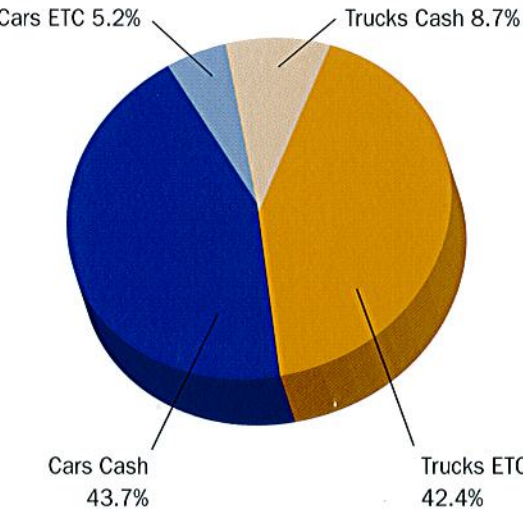
Other – The Corporation has also entered into various operating lease agreements for equipment and office space. The minimum lease payments for the next four years are as follows:

2008	\$ 26,694
2009	26,694
2010	26,694
2011	17,044

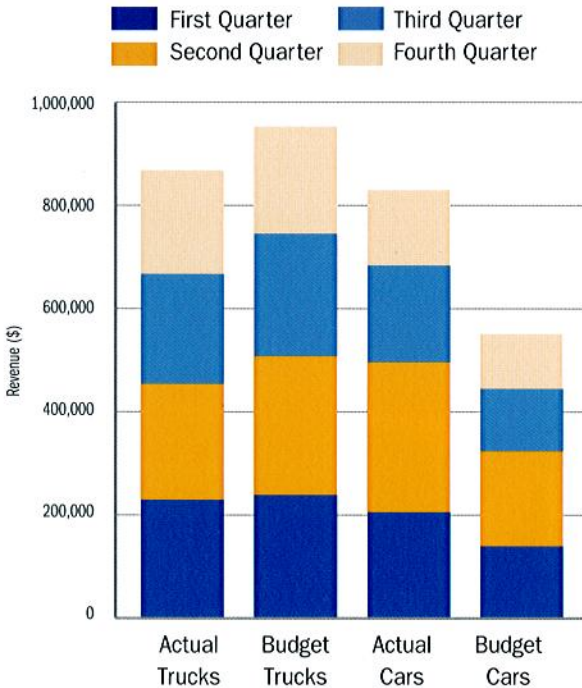
Financing

- Construction cost: \$112.9 million
- Provincial contribution: \$27.5 million
- Federal contribution: \$27.5 million
- \$5.5 million in subordinated notes invested from the provincial pension fund
- \$60.9 million provided by the sale of bonds to private investors underwritten by Newcourt Credit Group of Toronto
- Toll revenues over 30 years will provide the investors a return; pay for toll operations; cover the \$884,000 for annual maintenance provided by the Nova Scotia Department of Transportation and Public Works in fiscal 2006–07; and contribute to long-term maintenance.

Cash Toll and ETC Revenue April 1, 2006 to March 31, 2007 (Audited)



Revenue Versus Day 1 Projections For the Fiscal Year Ending March 31, 2007 (Audited)





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