

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Annual Report
2018–2019



Highway 104
COBEQUID PASS



CONTENTS

FACTS AT A GLANCE.....	2
LETTERS TO STAKEHOLDERS	4
ADMINISTRATION AND ACCOUNTABILITY	6
MAINTENANCE FUNDING	9
FINANCING.....	12
FINANCIAL STATEMENTS	14

FACTS AT A GLANCE

45 kilometres between Masstown and Thomson Station

Twinned, four lanes

Wide median: 22.6 metres

110 km/hour speed limit

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

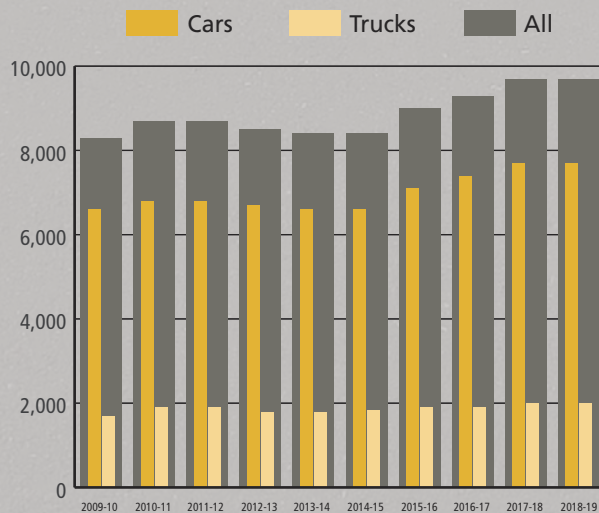
Constructed by Atlantic Highways Corporation, a subsidiary of Canadian Highways International Corporation, in 20 months. A national industry publication called Cobequid Pass the fastest highway ever to be designed and constructed in Canada.

The Highway 104 Corporation contracts the management of the toll plaza to Atlantic Highways Management Corporation Limited

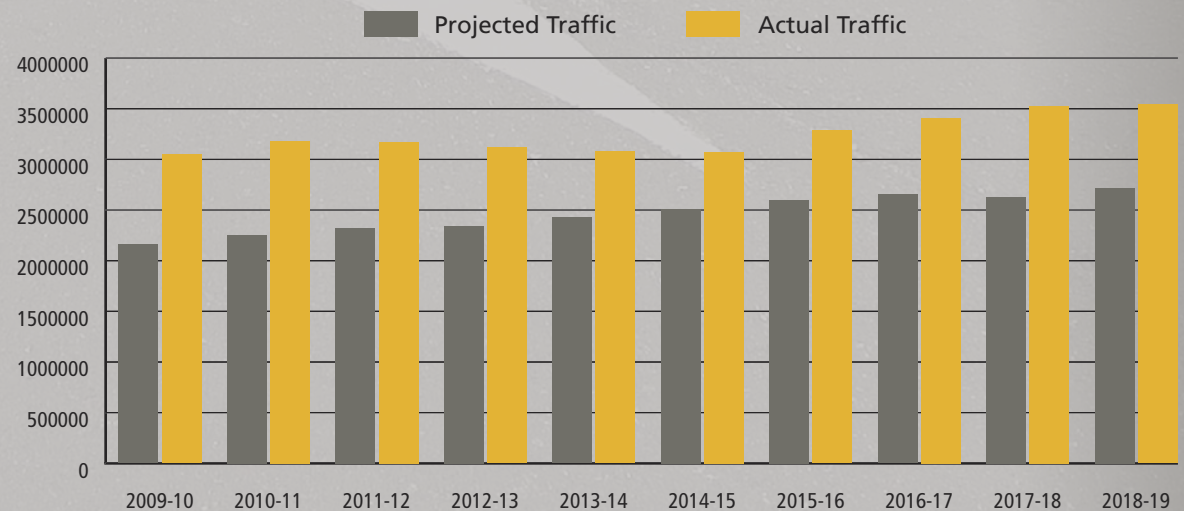
Opened November 15, 1997

Average daily traffic for 2018–19: 7,700 cars; 2,000 trucks

Annual average daily traffic



Projected traffic versus actual traffic





03172

NOVA SCOTIA
Transportation and
Infrastructure Renewal

LETTERS TO STAKEHOLDERS

President's Letter

The Highway 104 Western Alignment Corporation has completed its 21st year of operation providing a high level of highway operation and customer service.

Our customers continue to pay the same amount at the tolls, unchanged since 2004.

This can be attributed to a combination of sound financial management and higher than forecast automobile traffic volumes on the Cobequid Pass.

The Independent Maintenance Engineer (IME), WSP Canada, continues to monitor and update the original pavement renewal strategy and major maintenance contracts are tendered based on this strategy. The IME also plays a vital role in monitoring the condition of the roadway and reviewing the contracts called for capital maintenance activities, such as micro surfacing, structural repairs and paving contracts.

The law firm of McInnis-Cooper supports Corporation activities through the provision of legal advice. This firm has been engaged by the Corporation for the entire life of the of the project.

In July of 2018 CIT Financial was replaced as the Bondholder's representative by Canada Life, who is our largest Bondholder. Canada Life will provide financial oversight on behalf of the Bondholders.

KPMG continues to provide audit service and other financial advice to the Corporation.

The Corporation's road maintenance contractor, the Department of Transportation & Infrastructure Renewal (NSTIR), provides summer and winter maintenance on the Cobequid Pass. The Corporation pays NSTIR an annual fee for highway maintenance activities. NSTIR also provides project management services to the Corporation for any capital contracts that are called for highway projects such as re-paving, micro surfacing and structure repairs.

The Corporation's management team consists of General Manager Paul Richard, P.Eng, Controller Vicki Clark, CPA, CMA, and Administrative Assistant Patricia Belleza, PCP.

The Corporation works with NS TIR's Government liaison, Donald Maillet, P.Eng, as the Transportation Department continues to provide excellent service to the traveling public by maintaining the Cobequid Pass Toll Road as a first class highway facility.

The Corporation will continue to provide strong financial management and a safe, well maintained roadway for a quality driving experience.

Peter Hackett, P.Eng.

General Manager's Letter

The Cobequid Pass is an essential part of the Province's highway system, providing a safe, well maintained highway that is part of the TransCanada Highway which connects Nova Scotia to the rest of Canada.

Annual vehicle traffic volume hit its highest level ever, for the fourth consecutive year.

2018-19 saw 3,541,000 vehicles passing through the Toll Plaza, an increase of 1% over the previous fiscal year.

In comparison to the original traffic forecast from 1997, automobile traffic is up 50%, while truck traffic is down 13%.

In the summer of 2013, the Corporation embarked on a 5-year program to repave the entire Cobequid Pass. The cost of this program, which was completed in 2017/18, was \$25.3 million. As part of the

Corporation's Pavement Management Program, we will embark on a 5-year micro surfacing program beginning in the summer of 2019 to maintain the newly paved highway at a high standard. In the fall of 2019 the Corporation will also engage WSP Canada to perform a thorough inspection of all 29 structures on the Cobequid Pass.

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 2018-19. The financial statements are in accordance with the International Financial Reporting Standards. The accompanying notes provide a thorough explanation of the financial details of the Corporation's operations.

If you have any questions or comments regarding the Cobequid Pass or the Highway 104 Corporation, I would welcome hearing from you.

Paul E. Richard, P.Eng.

ADMINISTRATION AND ACCOUNTABILITY

Background

Creating the Highway 104 Western Alignment Corporation was key to constructing the Cobequid Pass Toll Highway. The Nova Scotia 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.

Highway 104 Corporation's mandate is to manage 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 Highway 104 Corporation is financially sustainable and responsible for its own debt, and does not have to rely on a Government debt guarantee. The Corporation's main 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 of Nova Scotia. The Auditor General conducted audits of the Highway 104 Corporation in 1996 and again in 2002.

Operating independently 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.

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 Highway Management Corporation Limited (AHMCL), and Canada Life Limited, the Bondholder's Representative.

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

The administration of Highway 104 Western Alignment Corporation is led by its General Manager, Paul Richard, P.Eng and by the Controller, Vicki Clark, CPA, CMA. Patricia M. Belleza, PCP provides administrative and accounting support.

Accountability

The financial activities of Highway 104 Corporation are carefully scrutinized by Canada Life Limited and the Department of Transportation and Infrastructure Renewal (NS TIR). In addition, the Corporation engages KPMG LLP to provide audit reports in accordance with International Financial Reporting Standards.

Detailed monthly reports of the highway's financial operations are sent to the Executive Director Highway Engineering & Construction, who is the Department's liaison with the Corporation. This liaison keeps the Deputy Minister and the Minister informed of the Corporation's

activities. 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 Corporation, NS TIR, AHMCL and the Independent Maintenance Engineer are represented on a Joint Advisory Committee, which meets on a quarterly basis to review and discuss the operations of the Corporation.

The Corporation's Annual General Meeting is held in the Fall of each year.

Maintenance

In fiscal 2018-19 the Corporation paid \$1,292,000 to NS TIR to provide maintenance services on the Cobequid Pass Toll Highway 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 also performs annual line painting, guardrail replacement and repair, litter removal, and other routine maintenance activities to ensure the highway is maintained at a high standard.

For Capital projects, the Corporation expended \$236,000 to upgrade the Waste Water Treatment Plant and \$192,000 for upgrades to the Tolling System.

These works were funded through the Corporation's Major Maintenance Reserve Fund, and involved no public monies.

Atlantic Highway Management Corporation

The toll operations are run by Atlantic Highway Management Corporation Limited (AHMCL), a subsidiary of Aecon. Wally Caldwell, PEng is the General Manager of AHMCL and David Ling is the Tolling Manager.

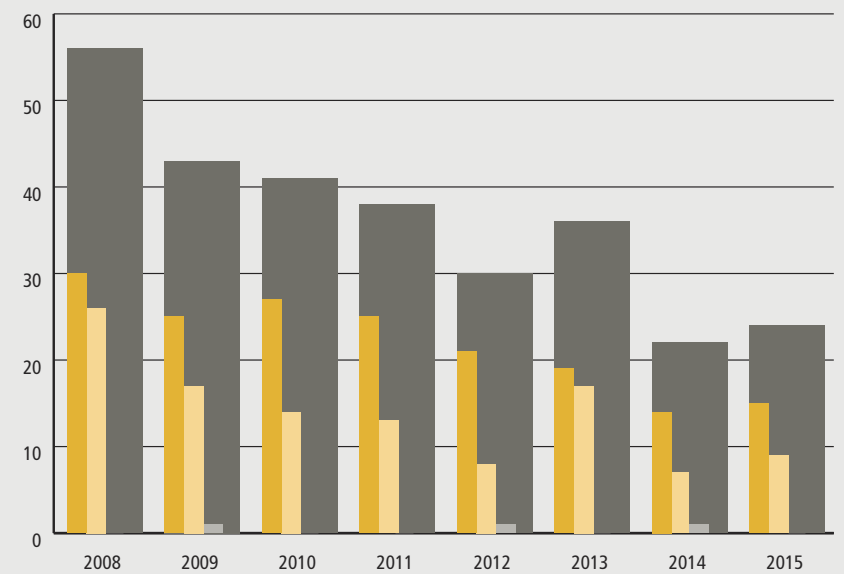
AHMCL currently employs about 40 people at the Toll Plaza, mostly from Cumberland and Colchester Counties.





Cobequid Pass collision record 2008-15

Property Damage Only Fatal
Injury Total



MAINTENANCE FUNDING

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 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	Issued by
Senior Bond Issue	\$51.0 million	CIT Structured Finance
Junior Bond Issue ¹	\$9.9 million	CIT Structured Finance
Subordinate Notes ²	\$5.5 million	Province of Nova Scotia
Total Borrowed	\$66.4 million	
Equity	\$1	Province of Nova Scotia
Interest Earning	Amount based on interest rates	From all investments and bank accounts
Federal Funding	\$27.5 million	Government of Canada
Provincial Funding	\$27.5 million	Government of Nova Scotia

Notes:

¹ Junior Bond Issue was retired September 30, 2007

² Subordinate Notes were retired September 30, 1999

Operations

The Project Account was established to:

- Pay the 104 Western Alignment's ongoing administrative cost
- Pay operating and maintenance costs for the 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
- Subsidy Income

The Capital Reserve account is used to:

- Pay Trustee fees
- Pay senior 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 year of Senior Debt Payments, according to the amortization schedule, at any given time.)
- Meet the funding requirements of the Major Maintenance Reserve Fund

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 hold the scheduled Senior bond repayments for the following 12 month period.

Senior Debt Service Coverage Ratio (DSCR)

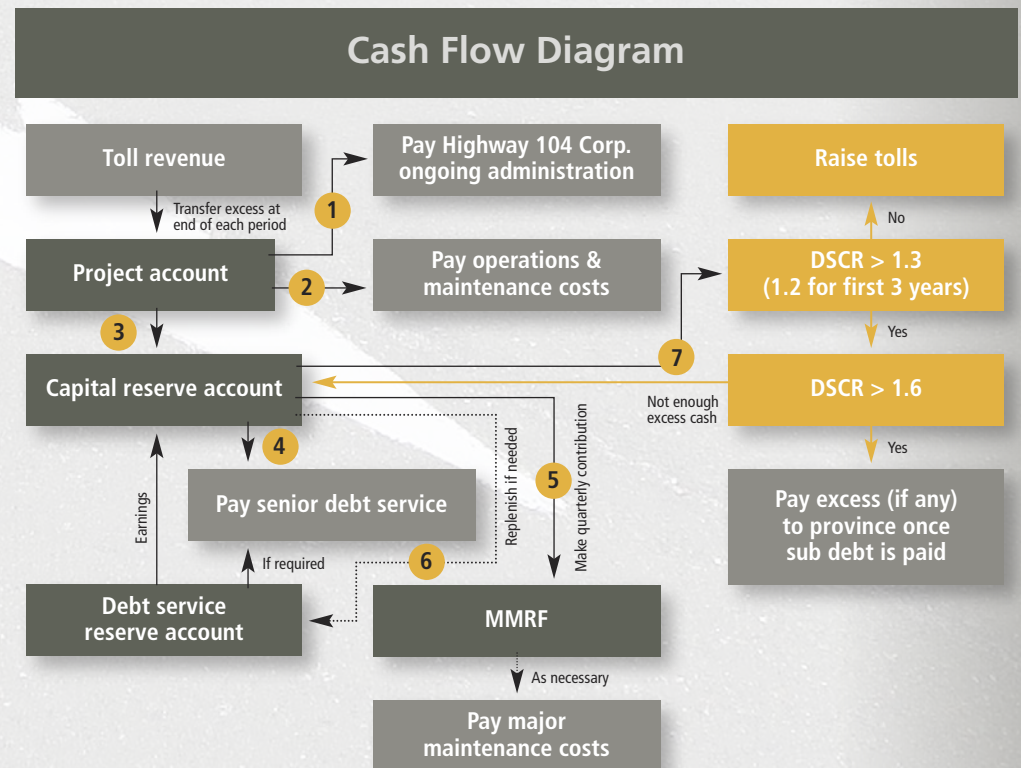
The Senior Debt Service Coverage Ratio must be 1.3:1.

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. If the Senior Debt Service Ratio is larger than 1.6:1, provisions in the agreements allow for some of the funds to be paid to the Province. The Province has declined to exercise this option, and has directed the Corporation to forego toll increases when possible.

Major Maintenance Reserve Fund (MMRF)

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

The first contribution to the MMRF fund came from the Subordinate Notes, which were 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.





FINANCING

Cobequid Pass was built as a public-private partnership that allowed the government to make an affordable financial contribution to build this much-needed highway.

Construction cost: \$112.9 million

Provincial contribution: \$27.5 million

Federal contribution: \$27.5 million

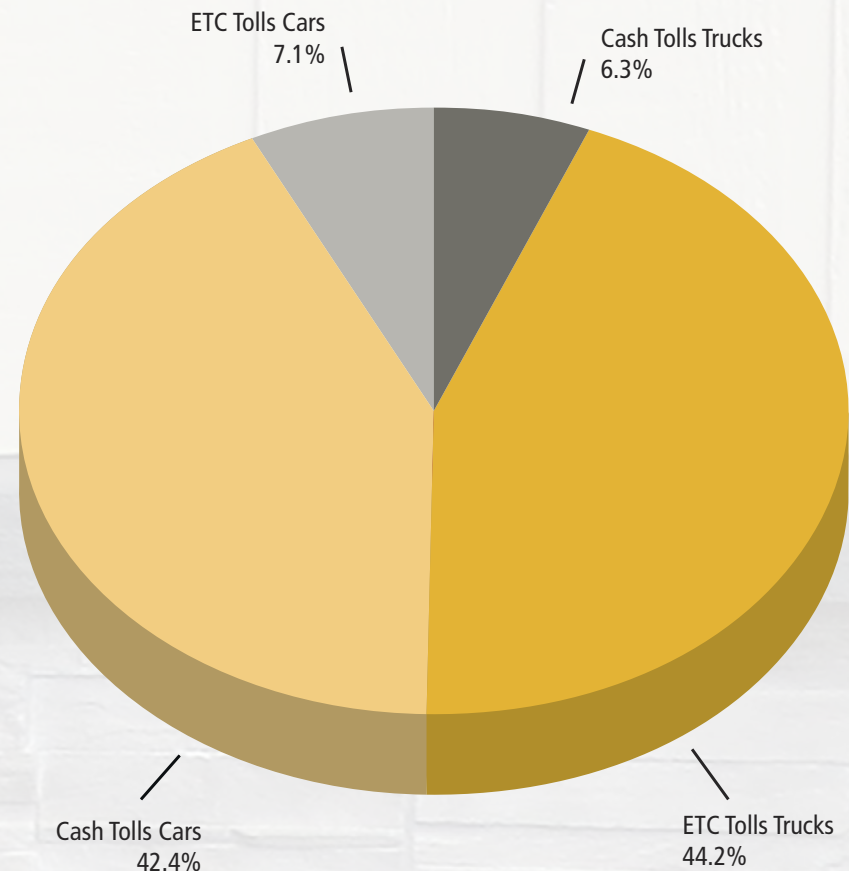
\$5.5 million in subordinate notes invested from the provincial pension fund

\$60.9 million provided by the sale of bonds to private investors underwritten by CIT Financial of Toronto

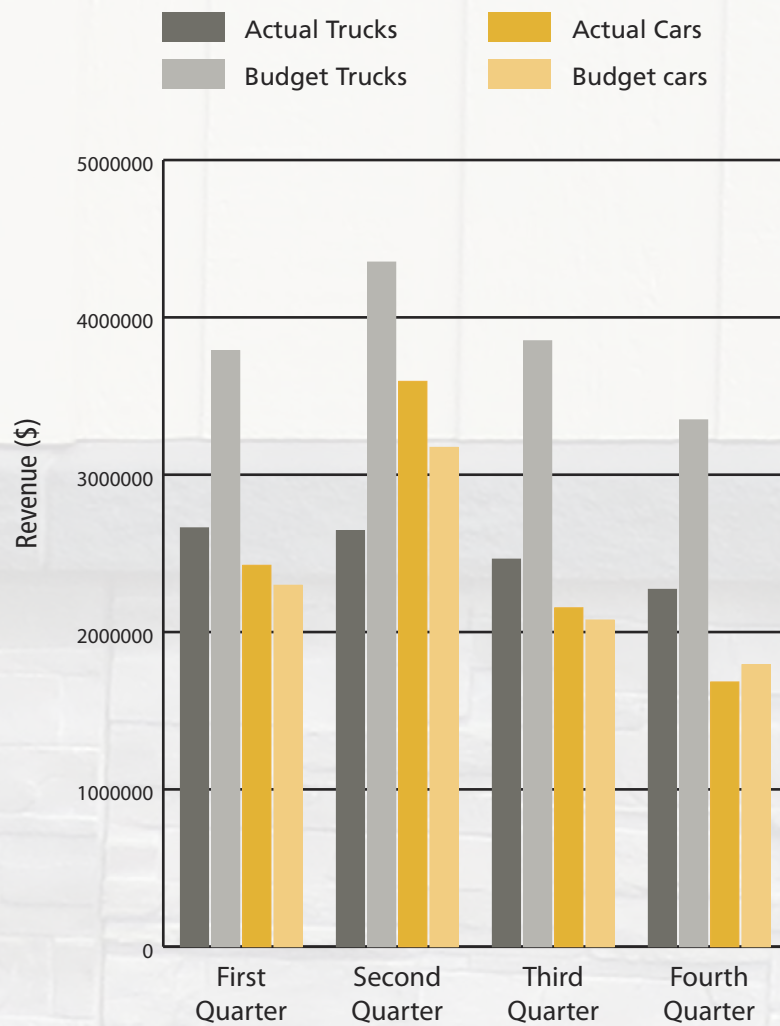
Toll revenues over 30 years will provide the investors a return; pay for toll operations; cover annual maintenance and contribute to long-term maintenance.

The money borrowed from the private sector by the Highway 104 Western Alignment Corporation through CIT Financial is borrowed on the security of tolls.

Cash toll and ETC revenue



Revenue versus day 1 projections for fiscal 2018



FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Highway 104 Western Alignment Corporation

Opinion

We have audited the financial statements of Highway 104 Western Alignment Corporation (the Entity), which comprise:

- the statement of financial position as at March 31, 2019,
- the statement of comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended,
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to

our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants,
Licensed Public Accountants
June 25, 2019
Halifax, Canada

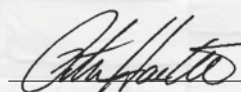
Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 1,128,179	\$ 778,073
Prepays and other (note 4)	557,469	520,700
Receivables (note 5)	950,608	1,740,486
	2,636,256	3,039,259
Non-current assets:		
Restricted assets (note 6)	72,568,611	64,441,562
Property, plant and equipment (note 7)	27,106,760	30,530,331
	99,675,371	94,971,893
	<u>\$ 102,311,627</u>	<u>\$ 98,011,152</u>
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 2,608,886	\$ 7,733,029
Current portion of long-term debt (note 9)	3,256,779	2,946,116
Deferred revenue	1,382,279	1,315,833
	7,247,944	11,994,978
Non-current liabilities:		
Long-term debt (note 9)	28,156,430	31,413,209
Deferred government grant	2,889,892	3,267,019
	31,046,322	34,680,228
Equity:		
Share capital	1	1
Reserve for restricted assets	66,620,574	58,493,446
Deficit	(2,603,214)	(7,157,501)
	64,017,361	51,335,946
Commitments (note 15)		
	<u>102,311,627</u>	<u>\$ 98,011,152</u>

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Shareholder:

 President

Statement of Comprehensive Income

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Facility revenue	\$ 23,440,595	\$ 23,196,181
Expenses:		
Fees and banking services	360,650	394,482
Wages and benefits (note 10)	718,154	715,619
Toll collection	1,202,626	1,169,359
Facility maintenance, materials and supplies (note 11)	1,935,475	1,927,762
Engineering and professional fees (note 11)	121,430	112,882
Insurance	179,617	170,494
Other costs (note 11)	626,178	609,925
	5,144,130	5,100,523
Earnings from operations before the following items	18,296,465	18,095,658
Finance income (note 12)	1,480,851	708,354
Finance costs (note 12)	(3,384,377)	(3,665,433)
Net finance costs	(1,903,526)	(2,957,079)
Depreciation and loss on disposal	(4,089,855)	(4,108,874)
Government grant amortization	378,328	378,288
Net income, being comprehensive income	<u>\$ 12,681,412</u>	<u>\$ 11,407,993</u>

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Statement of Changes in Equity

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Share capital (1 share)	\$ 1	\$ 1
Deficit:		
Beginning of year	\$ (7,157,501)	\$ (10,433,866)
Net earnings for the year	12,681,412	11,407,993
Transfer to restricted assets	(8,127,125)	(8,131,628)
End of year	(2,603,214)	(7,157,501)
Reserve for restricted assets:		
Beginning of year	58,493,446	50,361,818
Transfers from project account	20,019,000	18,011,000
Interest income	1,312,074	701,808
Long-term debt payments, including interest	(6,329,293)	(4,746,969)
Change in market value of restricted assets	131,362	(17,893)
Major maintenance payments, including HST to be recovered	(7,006,015)	(5,816,318)
End of year	66,620,574	58,493,446
Total equity	\$ 64,017,361	\$ 51,335,946

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Increase (decrease) in cash:		
Operating activities:		
Net income	\$ 12,681,412	\$ 11,407,993
Items not affecting cash:		
Government grant amortization	(378,328)	(378,288)
Depreciation and loss on disposal	4,089,855	4,108,874
Net finance costs	1,903,526	2,957,079
Change in prepaids and other	(36,769)	(15,767)
Change in receivables	789,878	(827,720)
Change in accounts payable and accrued liabilities	(5,124,143)	2,625,515
Change in deferred revenue	66,446	85,441
	13,991,877	19,963,127
Investing:		
Interest received	617,043	739,466
Net cash increase in restricted assets	(7,263,237)	(8,169,714)
Purchase of property, plant and equipment	(666,284)	(6,040,100)
	(7,312,478)	(13,470,348)
Financing:		
Interest paid	(3,375,872)	(3,656,968)
Payment on long-term debt principal	(2,953,421)	(2,672,325)
	(6,329,293)	(6,329,293)
Increase in cash	350,106	163,486
Cash, beginning of year	778,073	614,587
Cash, end of year	\$ 1,128,179	\$ 778,073

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Year ended March 31, 2019

1. Reporting entity

The Highway 104 Western Alignment Corporation (the "Corporation") is a company domiciled in Canada. The registered office is located at 36 Solutions Drive, Halifax, in the Province of Nova Scotia. The Corporation has been established for the purpose of financing, designing, constructing, operating and maintaining a 45 km stretch of highway (referred to as the Cobequid Pass) between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia (the "Facility"). The Corporation has been designated a Government Business Enterprise in accordance with the Nova Scotia Provincial Finance Act. The Highway 104 Western Alignment Corporation Act, which authorizes the collection of tolls, states that toll collection will cease upon complete payment of all costs and liabilities relating to the Facility. This includes financing, design, construction, operation and maintenance, and any repair, improvement, replacement, alteration or extension. The forecasted repayment date of all cost and liabilities relating to the Facility is in 2026.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements were authorized for issue by the President on June 25, 2019.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for restricted assets that are measured at fair value through profit and loss.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency for the Corporation.

(d) Use of estimates and judgments:

The preparation of the Corporation's financial statements in conformity with IFRS requires the use of accounting estimates and management's judgment to determine the appropriate application of accounting policies. Estimates and assumptions are required to determine the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to accounting estimates are recognized in the period in which the estimate was revised and any future periods affected.

The following judgments and estimates are those deemed by management to be material to the Corporation's financial statements:

Judgments:

(i) Capitalization and componentization

Judgment is used when determining if components of a construction project are of a capital or repair nature and as to what components constitute a significant cost in relation to the total cost of an asset and whether these components have similar or dissimilar patterns of consumption and useful lives for purposes of calculating depreciation. Among other factors, these judgments are based on past experience, as well as information obtained from the Corporation's internal and consulting engineers.

Estimates

(i) Depreciation and amortization

Depreciation and amortization are calculated to write off the cost, less estimated residual value, of assets on a systematic and rational basis over their expected useful lives. Estimates of residual value and useful lives are based on past experience, as well as information obtained from the internal and consulting engineers. Expected useful lives and residual values are reviewed annually for any change to estimates and assumptions.

(ii) Debt repayment

The contractual maturities and estimated interest payments on the long-term debt outlined in note 9 are impacted by the estimates and assumptions regarding the forecasted repayment dates. In addition, the forecasted repayment date impacts the estimated useful life of the components of property, plant and equipment as outlined in note 3(b) as the useful life of each asset is based on the utility of each asset to the Corporation.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

Initial measurement and classification

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Trade receivables are initially recognized when they originate. All other financial assets and financial liabilities are initially recognized when the Corporation becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is classified as measured at amortized cost or Fair Value Through Profit and Loss ("FVTPL") while a debt instrument is recognized at Fair Value Through Other Comprehensive Income ("FVOCI") or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or if it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

FINANCIAL STATEMENTS

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled. The Corporation also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Subsequent measurement

Financial assets at FVTPL	These assets, except derivatives designated as hedging instruments, are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Financial liabilities at amortized cost	These financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.
Debt instruments at FVOCI	These instruments are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

The Company's financial assets include short-term investments, cash and cash equivalents and accounts receivable. The Company's financial liabilities include accounts payable and accrued liabilities. Classification of these financial instruments is as follows:

Cash	Financial assets at amortized cost
Receivables	Financial assets at amortized cost
Restricted assets	Financial assets at FVTPL
Accounts payable and accrued liabilities	Financial liabilities at amortized cost
Long-term debt	Financial liabilities at amortized cost

(i) Fair value measurement

The Corporation classifies its fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The inputs fall into three levels that may be used to measure fair value:

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

- Level 3 – Applies to assets or liabilities for which there is no observable market data.

Impairment of financial assets

The Corporation recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortized cost. The Corporation measures loss allowances at an amount equal to the lifetime ECLs in accordance with the 'simplified approach' available under the standard. Under this approach, loss allowances on trade accounts receivable are always measured at lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment and includes forward-looking information.

The Corporation assumes that the credit risk on financial assets has increased if it is more than 30 days past due. The Corporation considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalized as a part of the asset.

When the parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no economic benefits are expected to arise from the continued use of the asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

(ii) Repairs and maintenance

Repairs and maintenance costs are charged to expense as incurred, except when these repairs significantly extend the life of the asset or result in an operating improvement. In these instances the portion of these repairs relating to the betterment is capitalized as part of plant and equipment.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. This method of depreciation most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for each of the asset categories are as follows:

Category	Useful life	Weighted average remaining useful life at March 31, 2019
Toll highway and road surface treatments	20–80 years	8 years
Tolling system	5 years	3 years
Toll plaza	40 years	8 years
Other assets	10 years	8 years

The Highway 104 Western Alignment Corporation Act, which authorizes the collection of tolls, states that toll collection will cease upon complete payment of all cost and liabilities relating to the facility. As such, the useful life of each asset is estimated based on the utility of each asset to the Corporation.

(c) Impairment

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The Corporation consists of a single CGU (cash generating unit), as the Corporation's assets do not generate separate cash inflows.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

An impairment loss is recognized if the carrying amount of the CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(d) Facility revenue

Facility revenue is recognized at the time a vehicle utilizes the highway. Customer prepayments of their electronic toll collection crossings are initially recorded as deferred revenue. When the customer utilizes the highway, revenue is recognized and the deferred revenue is reduced accordingly. Provincial subsidies, net of rebates, are recognized as facility revenue per the First Amendment to the Omnibus Agreement.

(e) Government grants

Government grants are recognized initially as deferred revenue at fair value when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are deferred and amortized to operations over the expected project life or useful life of the asset commencing at the start of the operating period using the straight-line method.

(f) Finance income and finance costs

Finance income comprises interest income on funds invested, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss,

using the effective interest method.

Finance costs comprise interest expense on borrowings and changes in the fair value of financial assets at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(g) Presentation of Financial Statements

Application of new and revised standards:

The Corporation adopted the following standards and amendments to accounting standards effective April 1, 2018:

(i) IFRS 9 *Financial Instruments* ("IFRS 9"):

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39").

(A) Classification and measurement of financial assets and financial liabilities:

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans, and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value in OCI ("FVOCI") - debt investment; or fair value in profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Corporation's financial assets and liabilities. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities.

Financial assets and liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Restricted assets	FVTPL	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

(B) Impairment of financial assets:

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" ("ECL") model. Under IFRS 9 credit losses are recognized earlier than under IAS 39.

Financial assets measured at amortized cost are assessed at each reporting date to determine the credit risk of the financial asset to apply the relevant impairment requirements. There are generally 3 stages of credit risk:

FINANCIAL STATEMENTS

- (i) Financial assets that are expected to perform in line with their contractual terms and which have no signs of increased credit risk;
- (ii) Financial assets that have significantly increased in credit risk since initial recognition but are not credit-impaired; and
- (iii) Credit-impaired financial instruments.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Corporation considers evidence of impairment of financial assets measured at amortized cost at both a specific asset and collective level. All individually significant financial assets measured at amortized cost are assessed for specific impairment. All individually significant financial assets measured at amortized cost found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Such assets that are not individually significant are collectively assessed for impairment by grouping together financial assets measured at amortized cost with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is measured through a loss allowance at an amount equal to:

- 12-month expected credit losses ("ECLs"): these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Corporation will measure loss allowances for receivables at an amount equal to lifetime expected credit losses. The presentation of the impairment will be to record the loss allowance net against the financial assets. Impairment losses will be presented in the Corporation's statement of comprehensive income. The Corporation does not expect any material change to impairment losses as the result of adopting IFRS 9.

- (ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue and related interpretations. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized when services are rendered, the amount is earned, and collectability is reasonably assured.

The adoption of IFRS 15 had no impact on the measurement and recognition of revenue.

- (h) New accounting standards and interpretations issued but not yet adopted:

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretation Committee ("IFRIC") issued the following standards that have not been applied in

preparing these financial statements as their effective dates fall within annual periods beginning subsequent to the current reporting period. This listing is of standards and interpretations issued which the Corporation reasonably expects to be applicable at a future date. The Corporation intends to adopt these standards when they become effective.

Leases

On January 13, 2016 the IASB issued IFRS 16, "Leases". The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17, "Leases".

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Corporation will adopt IFRS 16 in its financial statements for the fiscal period beginning on April 1, 2019. The extent of the impact of the adoption of the standard on the Corporation's financial statements has not yet been determined.

4. Prepaids and other

	2019	2018
Advance to facility operator	\$ 504,832	\$ 472,367
Operating expenses	38,181	37,346
Inventory	14,456	10,987
	\$ 557,469	\$ 520,700

5. Receivables

	2019	2018
Due from the Province of Nova Scotia	\$ 815,145	\$ 1,580,751
HST receivable	90,636	125,003
Other trade receivables	44,827	34,732
	\$ 950,608	\$ 1,740,486

6. Restricted assets

	2019	2018
Capital reserve account	\$ 51,245,964	\$ 38,924,147
Major maintenance reserve account	14,895,875	19,084,500
Debt service reserve account	6,426,772	6,432,915
	\$ 72,568,611	\$ 64,441,562

Restricted assets are comprised of bank bearer deposit notes and bankers acceptances which are recorded at fair value and include accrued interest of \$791,790 (2018 - \$59,334), have a weighted average term of 5.8 (2018 - 3.9) months to maturity and a weighted average interest rate of 2.33% (2018 - 1.61%).

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

- ## 7. Property, plant and equipment

8. Accounts payable and accrued liabilities

	2019	2018
Trade payables	\$ 946,706	\$ 556,999
Accrued expenses	1,662,180	7,176,030
	\$ 2,608,886	\$ 7,733,029

9. Long-term debt

This note provides information about the contractual terms of the Corporation's interest-bearing loans and borrowings, which are measured at amortized cost and denominated in Canadian dollars.

	Nominal interest rate	Year of maturity	Face value	2019 Carrying amount	Face value	2018 Carrying amount
Senior toll revenue bonds	10.251%	2026	\$51,000,000	\$31,464,415	\$51,000,000	\$34,417,836

	2019	2018
Senior toll revenue bonds carrying amount	\$ 31,464,415	\$ 34,417,836
Deferred finance fees	(51,206)	(58,511)
	31,413,209	34,359,325
Current portion of long-term debt	3,256,779	2,946,116
	\$ 28,156,430	\$ 31,413,209

The senior toll revenue bonds are secured by a first charge and security interest over all the present and future property and assets, including, but not limited to, cash and securities held in trust, rights under all material contracts, accounts receivable and interest.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities:							
Secured bond issues	\$31,464,415	\$44,305,042	\$3,164,646	\$3,164,646	\$6,329,292	\$18,987,875	\$12,658,584
Accounts payables and accrued liabilities	2,608,886	2,608,886	2,608,886	—	—	—	—

The contractual cash flows included above are based on agreements in place with the secured bond issues. These contractual cash flows do not include the impact of possible prepayments.

FINANCIAL STATEMENTS

A reconciliation of movements in long-term debt to cash flows arising from financing activities as provided below:

	2019	2018
Balance, April 1, 2018	\$ 34,359,325	\$ 37,024,345
Changes from financing cash flows:		
Repayment of principal	(2,953,421)	(2,672,325)
Other changes liability related:		
Amortization of deferred financing fees	7,305	\$ 7,305
	\$ 31,413,209	\$ 34,359,325

10. Wages and benefits

	2019	2018
Wages and benefits	\$ 703,004	\$ 700,718
Canadian Pension Plan (CPP) and EI remittances	15,150	14,901
	\$ 718,154	\$ 715,619

Wages and benefits include costs related to contract employees.

11. Expenses

(a) Facility maintenance, materials and supplies

	2019	2018
Highway improvements	\$ 8,401	\$ 7,709
Maintenance services	1,650,593	1,559,661
Maintenance materials and supplies	159,098	246,159
Technical services and warranties	117,383	114,233
	\$ 1,935,475	\$ 1,927,762

(b) Engineering and professional fees

	2019	2018
Legal fees	\$ 1,745	\$ 9,889
Audit fees	31,850	30,577
Consulting fees	53,350	36,879
Engineering fees	34,485	35,537
	\$ 121,430	\$ 112,882

(c) Other costs

	2019	2018
Training	\$ 10,392	\$ 15,159
Office supplies and stationery	21,909	17,446
Office equipment	79,780	84,296
Utilities	65,673	69,886
Travel and transportation costs	22,605	22,360
Enforcement	60,000	60,000
Security	34,354	36,815
Facility operator management fee	255,046	257,169
Meeting costs	9,227	8,294
Administrative costs	67,192	38,500
	\$ 626,178	\$ 609,925

12. Finance income and finance costs

	2019	2018
Interest income on restricted assets	\$ 1,312,074	\$ 701,807
Interest income on bank deposits	37,415	24,440
Net change in fair value of financial assets at fair value through profit or loss	131,362	(17,893)
Finance income	1,480,851	708,354
Interest expense on financial liabilities	(3,384,377)	(3,665,433)
Finance costs	(3,384,377)	(3,665,433)
Net finance costs recognized in profit or loss	\$ (1,903,526)	\$ (2,957,079)

13. Financial risk management

Overview

The Corporation has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Corporation's exposure to each of the above risks, its risk management framework and the Corporation's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management

Management has overall responsibility for the establishment and oversight of the Corporation's risk management framework.

The Corporation's policies are established to minimize the risks faced by the Corporation, to set appropriate controls and to monitor risks. Management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities. The Corporation, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Corporation's operations.

The Corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Corporation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Corporation standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, when possible
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when this is effective.

Credit risk

Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	Year ended March 31, 2019	Year ended March 31, 2018
Restricted assets	\$ 72,568,611	\$ 64,441,562
Receivables	950,608	1,740,486
Cash	1,128,179	778,073
	\$	\$ 66,960,121

The maximum exposure to credit risk for receivables at the reporting date by type of counterparty is outlined in note 5.

The aging of receivables at the reporting date was:

	2019	2018
Not past due	\$ 949,508	\$ 747,833
Past due 30-60	—	125,004
Past due 60-90	—	853,829
Over 90 days	1,100	13,820
	\$ 950,608	\$ 1,740,486

Based on a qualitative and quantitative analysis, taking into account historical losses on the Company's receivables, the composition of the Company's customers, and the ageing of its current receivables, the Company estimates the expected credit loss to be nil at March 31, 2019.

Restricted asset investments consist mainly of short-term money market deposits. The Corporation has deposited these investments with reputable Canadian financial institutions, from which management believes the risk of loss is remote.

The Corporation's cash is held with a top tier commercial Canadian bank.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporations' reputation.

Typically the Corporation ensures that it has sufficient cash and investments on demand to meet expected operational expenses for a period in excess of 365 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Interest rate risk

The Corporation is not exposed to interest rate risk on its long-term debt as it bears interest at a fixed rate. Interest rate risk on cash flows associated with investments and cash fluctuate due to changes in market interest rates. The Corporation manages this risk exposure by using a mix of fixed and variable rate investments.



FINANCIAL STATEMENTS

14. Financial instruments

Fair value versus carrying amounts

The fair value of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position are as follows:

		March 31, 2019		March 31, 2018	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value:					
Restricted assets	6	\$72,568,611	\$72,568,611	\$64,441,562	\$64,441,562
Advance to facility operator	4	504,832	504,832	472,367	472,367
Receivables	5	950,608	950,608	1,740,486	1,740,486
Cash		1,128,179	1,128,179	778,073	778,073
Liabilities carried at amortized cost:					
Secured bond issues	9	31,413,209	40,771,421	34,359,325	47,419,729
Accounts payable and accrued liabilities	8	2,608,886	2,608,886	7,733,029	7,733,029

		March 31, 2019			March 31, 2018		
		Fair value			Fair value		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets							
Cash	\$ 1,128,179	\$ –	\$ –	\$ 778,073	\$ –	\$ –	–
Advance to facility operator	–	504,832	–	–	472,367	–	–
Receivables	–	950,608	–	–	1,740,486	–	–
Restricted assets	72,568,611	–	–	64,441,562	–	–	–
Liabilities							
Accounts payable and accrued liabilities	–	2,608,886	–	–	7,733,029	–	–
Long-term debt	–	–	40,771,421	–	–	–	47,419,729

There have been no transfers between the levels within the year. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

15. Commitments

The following are the estimated contractual obligations for the next five years:

	Capital	Operating lease	Service contract
2020	\$ 1,600,000	\$ 46,174	\$ 1,318,100
2021	1,600,000	33,212	–
2022	1,600,000	32,649	–
2023	1,600,000	–	–
2024	1,600,000	–	–
Total contractual obligations	\$ 8,000,000	\$ 79,386	\$ 1,318,100

Capital

Capital commitments are based on the Major Maintenance Reserve Fund 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.

Operating lease

The Corporation has entered into various lease agreements for equipment and office space.

Service contract

The Service contract consists of an agreement between the Corporation and the Nova Scotia Transportation Infrastructure and Public Works to provide annual roadway maintenance services which is renewed annually.

16. Related party transactions

Included in these financial statements are transactions with various Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Nova Scotia (the Corporation's controlling shareholder).

The Corporation has applied the modified disclosure requirements under IAS 24, Related Party Disclosures, which exempt government-related entities from providing all of the disclosures about related party transactions with government or other government-related entities.

All other transactions with parties under the control of the government are routine operating transactions carried out as part of the Corporation's normal day-to-day operations. These routine transactions are individually insignificant and include maintenance services (\$1,292,300; 2018 -

\$1,276,073), enforcement, costs (\$60,000; 2018 - \$60,000), purchases of inventory (\$30,192; 2018 - \$20,720) and property, plant and equipment (\$7,356; 2018 - \$300,605).



HAPPY HOLIDAYS
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