

# HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Annual Report 2021–2022







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# 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

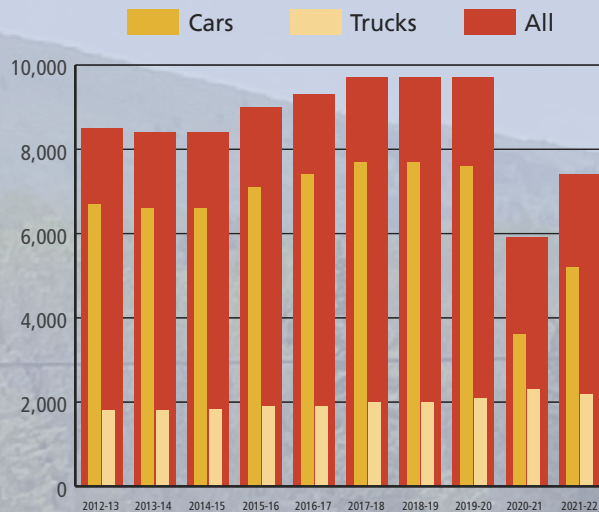
Constructed by Atlantic Highways Corporation, a subsidiary of Canadian Highways International Corporation, in 20 months. A national industry publication called Cobequid Pass the fastest highway ever to be designed and constructed in Canada.

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

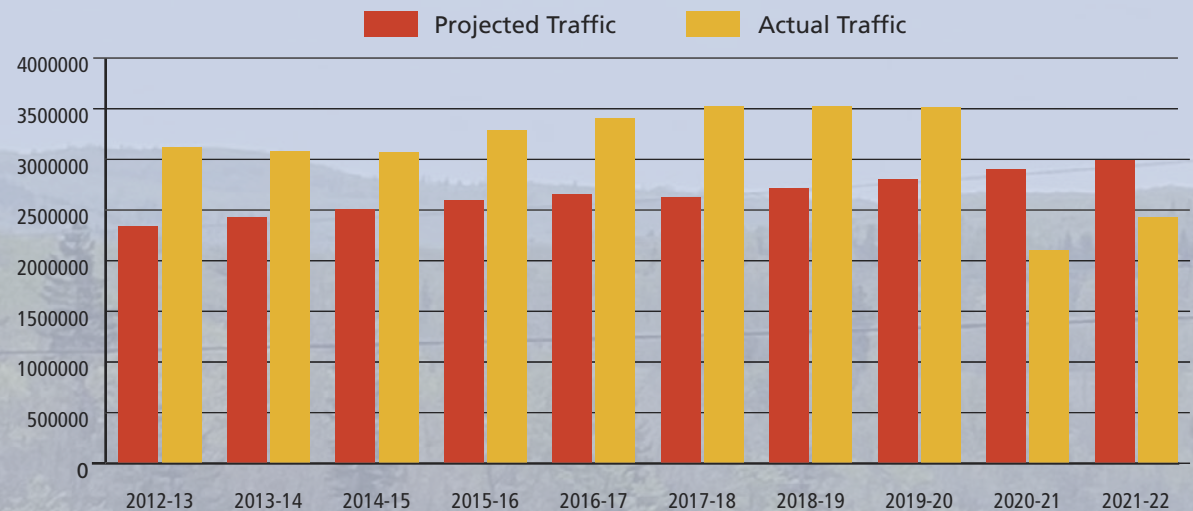
Opened November 15, 1997

Average daily traffic for 2021-22: 5,200 cars; 2,200 trucks

## Annual average daily traffic



## Projected traffic versus actual traffic





# LETTERS TO STAKEHOLDERS

## President's Letter

The Highway 104 Western Alignment Corporation has completed its 23rd year of operation providing a high level of highway operation and customer service.

On March 15th 2022, I was appointed President of Highway 104 Western Alignment Corporation. On behalf of the Corporation, I would sincerely like to thank Peter Hackett for his years of dedicated service as President to the Highway 104 Corporation.

The Government of Nova Scotia eliminated tolls for Nova Scotia Registered Vehicles on December 16, 2021.

The spring of 2022 has seen traffic volumes on the Cobequid Pass return to pre-pandemic levels. During 2021-22, the Corporation repaid all its debt to the bond holders. The Corporation will continue to operate with the mandate to manage revenue collection, and to fund annual and long term maintenance.

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

The Corporation's road maintenance contractor, the Department of Public Works (NSPW), provides summer and winter maintenance on the Cobequid Pass. The Corporation pays NSPW an annual fee for highway maintenance activities. NSPW 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 Darren Blundon, Controller Vicki Clark, CPA, CMA and Administrative Assistant Patricia Belleza, PCP.

The Corporation works with NSPW'S Government Liaison, Janice Harland, as the Public Works Department continues to provide excellent service to the travelling public by maintaining the Cobequid Pass Toll Road as a first class highway facility.

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

**Sincerely,**  
**Mark Peachey , P.Eng**

## General Manager's Letter

The Cobequid Pass is a 45 km section of 100 series twinned highway that runs through Colchester and Cumberland counties in Northern Nova Scotia.

This key thoroughfare provides an efficient , safe and well maintained highway, linking people and moving goods and services to the rest of Nova Scotia and Newfoundland.

Annual vehicle traffic volumes for 2021-2022 were approximately 2.6 million which is a 500,000 vehicle increase from 2020-2021. Car traffic accounted for most of the increase but there was also a modest increase in truck traffic. Compared to original forecast projections from the in-service date of 1997, automobile traffic was down 10% and truck traffic down about 13% from the projected forecasts.

On December 16, 2021, toll fares were eliminated for all Nova Scotia registered vehicles using the Cobequid Pass. Refunds have been processed for all Nova Scotia resident account holders having a balance in their accounts as of December 16, 2021.

In 2021-2022, the Corporation continued with the 5 year micro surfacing project and our Independent Engineer WSP Canada, will be completing level 3 bridge inspections on five selected structures identified from a review of recent bridge inspections.

In addition, triennial bridge inspections are being completed on another twenty two structures in 2022. A tender was awarded in May 2022 to Nova Construction for subgrade work on two rest areas located north of the Toll Plaza.

This report provides a broad overview of the history and administrative structure of the Corporation including traffic and financial operation of the Cobequid Pass for the fiscal year 2021-2022.

The financial statements are presented in accordance with International Financial Reporting standards. The accompanying notes provide a thorough explanation of the financial detail of the Corporation's operations.

We welcome any suggestions , questions or comments regarding the operation and of the Cobequid Pass or the Corporation and I look forward to hearing from you .

**Darren Blundon; BComm , Civil Eng. Technologist**  
**General Manager**

# 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.

The 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, Darren Blundon and by the Controller, Vicki Clark, CPA, CMA. Patricia M. Belleza, PCP provides administrative and accounting support.

## Accountability

The financial activities of the Corporation are carefully scrutinized by Canada Life Ltd, the Bondholder's Representative, and the Department of Public Works (NSPW). 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, NSPW, 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 2021-2022, the Corporation paid \$1.36 million to N.S. Dept. of Public Works to provide maintenance services to 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. Also included are summer maintenance duties such as line painting, guardrail repair, mowing medians and shoulders and gravel repair to shoulders and right of way.

Other capital work included \$1.3 million for micro surfacing 18.8 kms of road in 2021. Toll booth upgrades included replacement of some cameras and replacement of the treadle tray in Lane 5. Ongoing repairs were also made to the gate arms and bases. Some of the overhead lights in the toll lanes were also replaced.

In the Toll Plaza buildings a furnace heat pump was replaced.

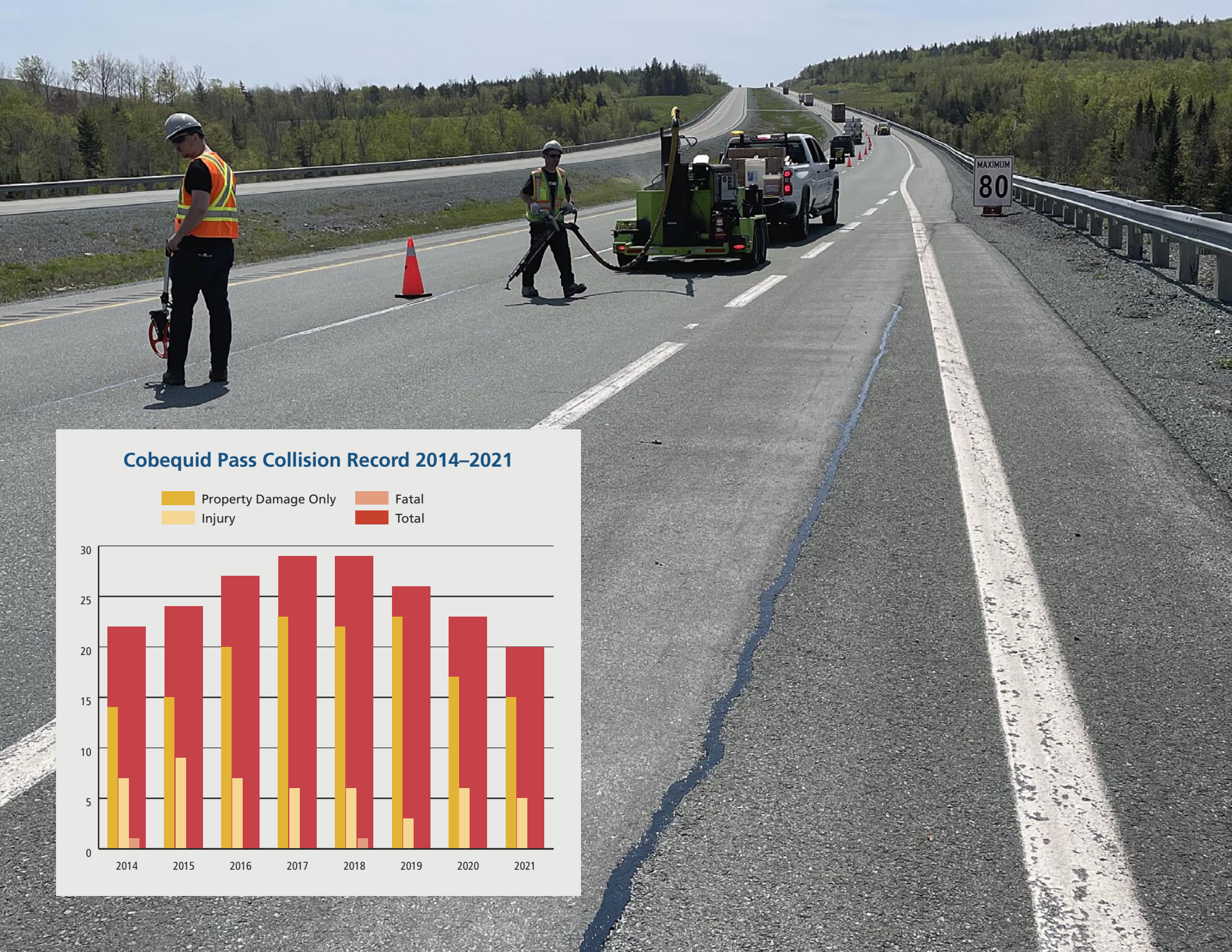
## Toll Operations

Highway 104 Corporation contracts Atlantic Highway Management Corporation Limited to operate and maintain the Toll Plaza. 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.

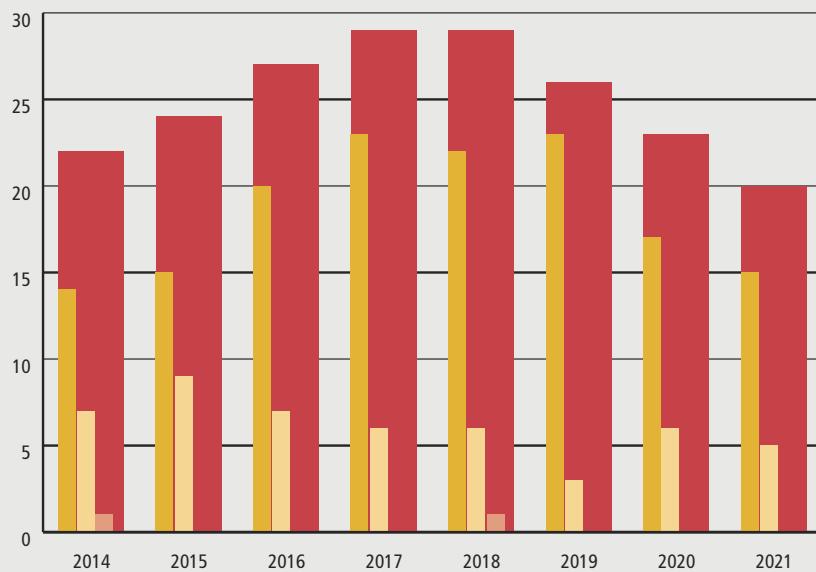
Cost of funding for toll operations comes entirely from the tolls collected.

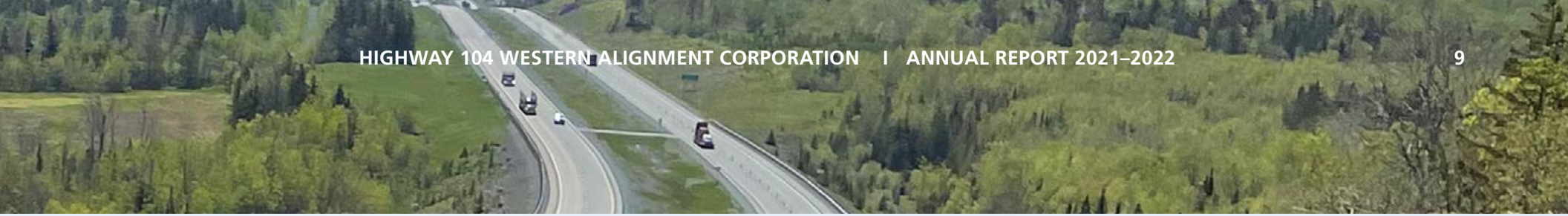




### Cobequid Pass Collision Record 2014–2021

Property Damage Only    Injury    Fatal    Total





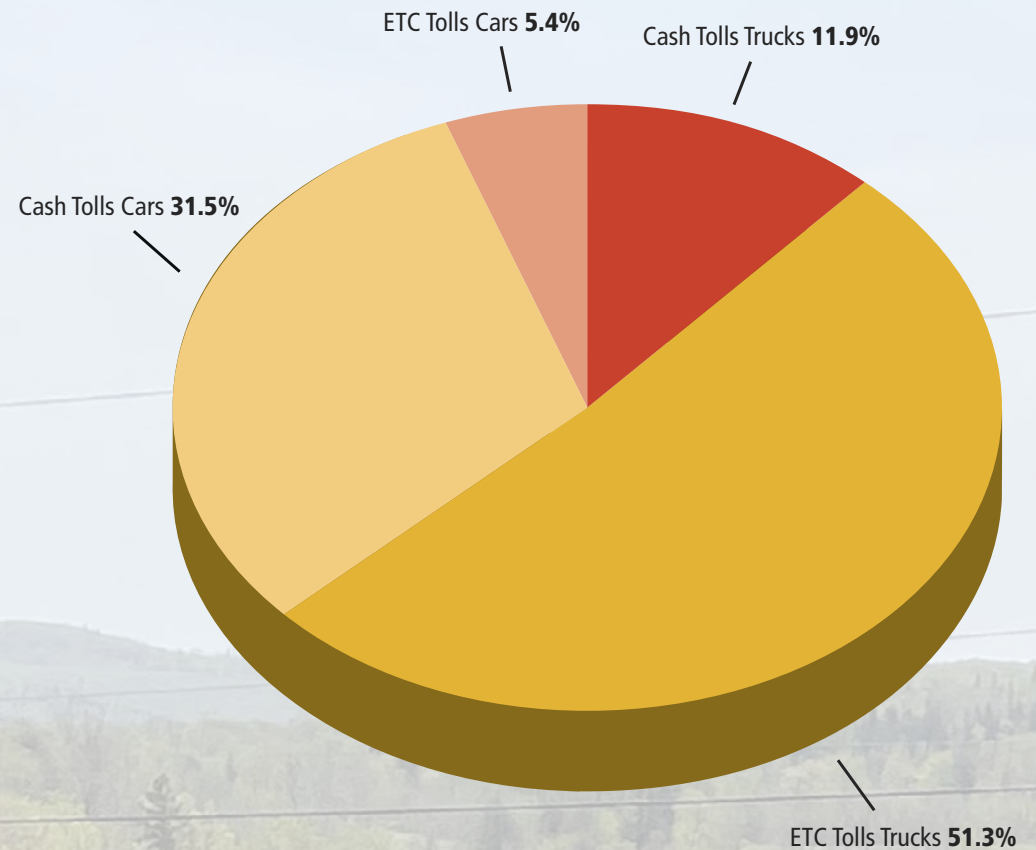
# REVENUE

The Corporation's main source of revenues is tolls. Tolls are paid by cash, debit, credit card, and electronic toll collection (ETC).

During April 1, 2021 to March 31, 2022, total revenue was \$17.2 million. Revenue from cash tolls was 43% of revenue and revenue from ETC tolls was 57% of revenue. Revenue from cars was 37% of revenue, and revenue from trucks was 63%.



## Cash Toll and ETC Revenue





# 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, 2022
- 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, 2022, and its financial performance and 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 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  
Halifax, Canada  
June 28, 2022

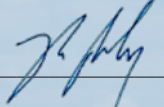
## Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash	\$ 5,179,176	\$ 726,966
Prepays and other (note 4)	648,779	617,203
Receivables (note 5)	673,727	1,015,022
	6,501,682	2,359,191
Non-current assets:		
Restricted assets (note 6)	62,465,267	88,732,171
Property, plant and equipment (note 7)	19,188,011	21,730,862
	81,653,278	110,463,033
	\$ 88,154,960	\$ 112,822,224
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 1,053,617	\$ 1,938,349
Current portion of long-term debt (note 9)	–	3,979,577
Deferred revenue	695,707	1,490,384
	1,749,324	7,408,310
Non-current liabilities:		
Long-term debt (note 9)	–	20,576,732
Deferred government grant	1,758,509	2,135,637
	1,758,509	22,712,369
Equity:		
Share capital	1	1
Reserve for restricted assets	58,099,017	84,365,921
Retained earnings (deficit)	26,548,109	(1,664,377)
	84,647,127	82,701,545
Commitments (note 15)		
	\$ 88,154,960	\$ 112,822,224

The accompanying notes are an integral part of these financial statements.  
Approved on behalf of the Shareholder:

Mark Peachey

 President

## Statement of Comprehensive Income

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Facility revenue	\$ 17,230,782	\$ 17,699,729
Expenses:		
Fees and banking services	453,745	410,016
Wages and benefits (note 10)	713,963	715,981
Toll collection	1,358,152	1,252,615
Facility maintenance, materials and supplies (note 11)	2,015,616	1,919,972
Engineering and professional fees (note 11)	220,488	159,243
Insurance	203,164	226,911
Other costs (note 11)	664,102	555,026
	5,629,230	5,239,764
Earnings from operations before the following items	11,601,552	12,459,965
Finance income (note 12)	152,998	471,214
Finance costs (note 12)	(6,396,303)	(2,730,381)
Net finance costs	(6,243,305)	(2,259,167)
Depreciation	(3,791,014)	(4,511,299)
Government grant amortization	378,349	378,337
Net income, being comprehensive income	\$ 1,945,582	\$ 6,067,836

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

# FINANCIAL STATEMENTS

## Statement of Changes in Equity

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Share capital (1 share)	\$ 1	\$ 1
Deficit:		
Beginning of year	\$ (1,664,377)	\$ (3,176,442)
Net income for the year	1,945,582	6,067,83
Transfer from (to) short-term investments	26,266,904	(4,555,771)
End of year	26,548,109	(1,664,377)
Reserve for restricted assets:		
Beginning of year	84,365,921	79,810,149
Transfers from project account	7,241,000	12,672,000
Interest income	197,453	602,987
Long-term debt payments, including interest	(30,951,390)	(6,329,292)
Change in market value of restricted assets	(65,837)	(144,975)
Major maintenance payments, including HST to be recovered	(2,688,130)	(2,244,948)
End of year	58,099,017	84,365,921
Total equity	\$ 84,647,127	\$ 82,701,545

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

## Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Increase (decrease) in cash:		
Operating activities:		
Net income	\$ 1,945,582	\$ 6,067,836
Items not affecting operating cash:		
Government grant amortization	(378,349)	(378,337)
Depreciation	3,791,014	4,511,299
Net finance costs	3,791,014	2,259,167
Change in prepaids and other	(31,576)	(41,867)
Change in receivables	341,295	64,649
Change in accounts payable and accrued liabilities	(884,732)	(514,958)
Change in deferred revenue	(794,677)	6,525
	10,231,862	11,974,314
Investing:		
Interest received	211,572	914,436
Net cash decrease (increase) in short-term investments	26,208,329	(4,998,993)
Purchase of property, plant and equipment	(1,248,163)	(1,535,233)
	25,171,738	(5,619,790)
Financing:		
Interest paid	(6,358,485)	(2,721,866)
Payment on long-term debt principal	(24,592,905)	(3,607,426)
	(30,951,390)	(6,329,292)
Increase in cash	4,452,210	25,232
Cash, beginning of year	726,966	701,734
Cash, end of year	\$ 5,179,176	\$ 726,966

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

## Notes to Financial Statements

Year ended March 31, 2022

### 1. Reporting entity:

The Highway 104 Western Alignment Corporation (the “Corporation”) is a company domiciled in Canada. The registered office is located at 1741 Brunswick Street, Halifax, in the Province of Nova Scotia. The Corporation has been established under the Highway 104 Western Alignment Act 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 Corporation’s main source of revenue is tolls. Its mandate is to manage toll revenue collection, to maintain the schedule to repay investors, and to fund annual and long-term maintenance until full repayment of debt (which was originally forecasted to occur in 2026). The Corporation is responsible for its own debt and does not rely on a government debt guarantee. During 2021, the Corporation repaid all debt from excess cash reserves. The Corporation will continue its mandate to manage toll revenue collection and to fund annual and long-term maintenance indefinitely. The Corporation will also continue to operate as a Government Business Enterprise in accordance with the Nova Scotia Provincial Finance Act.

On December 16, 2021, the Nova Scotia Governor in Council by Order in Council (“OIC”) 2021-288, amended the Highway 104 Western Alignment Regulations with respect to the classification of vehicles and exemption of vehicles registered in Nova Scotia. As a result, payment of tolls is no longer required for vehicles with Nova Scotia registered license plates effective December 16, 2021.

### 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 29, 2022.

#### (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.

### 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 amortized cost.

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 Fair Value Through Other Comprehensive Income (“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 Corporation's financial assets include cash, receivables, and short-term investments. The Corporation'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
Short-term investments	Financial assets at amortized cost
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 items in profit or loss.

### (ii) Repairs and maintenance

Repairs and maintenance costs are expensed 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, 2022
Toll highway	50–80 years	29 years
Road surface treatments	7–15 years	7 years
Tolling system	5 years	4 years
Toll plaza	40 years	14 years
Other assets	10 years	4 years

(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 cash generating unit (CGU), 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 deferred revenue is reduced accordingly.

(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 income 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) Accounting changes and recent pronouncements:

(i) Application of new and revised standards

The Corporation adopted the following amendments to accounting standards during the year:

*IAS 37 – Provisions, Contingent Liabilities and Contingent Assets*

On May 14, 2020, the IASB issued an amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendment specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to the contract can either be incremental costs of fulfilling the contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for contracts for which the Corporation has not yet fulfilled all its obligations on or after January 1, 2022 with early adoption permitted. Management has determined that the Corporation has no contracts that would be assessed under IAS 37.

*IFRS 9 – Financial Instruments*

On May 14, 2020, the IASB issued an amendment to IFRS 9 *Financial Instruments* clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included. The amendment is effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. Management has determined that the Corporation has no financial liabilities to assess under this amendment.

(ii) New accounting standards not yet adopted

The IASB issued the following standards that have not been applied in preparing these financial statements as their effective date falls within annual periods beginning subsequent to the current reporting period.

*IAS 1 – Presentation of Financial Statements*

On January 23, 2020, the IASB issued an amendment to IAS 1 *Presentation of Financial Statements* providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or noncurrent depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The Corporation is currently assessing the financial impact of the amendments and expects to apply the amendments at the effective date.

# FINANCIAL STATEMENTS

## 4. Prepays and other

	2022	2021
Advance to facility operator	\$ 628,221	\$ 552,034
Operating expenses	3,233	47,844
Inventory	17,325	17,325
	\$ 648,779	\$ 617,203

## 5. Receivables:

	2022	2021
Due from the Province of Nova Scotia	\$ 278,930	\$ 631,207
HST receivable	246,887	233,712
Other trade receivables	147,910	150,103
	\$ 673,727	\$ 1,015,022

## 6. Restricted assets:

	2022	2021
Capital reserve account	\$ 47,755,136	\$ 66,412,412
Major maintenance reserve account	14,710,131	15,982,168
Debt service reserve account	—	6,337,591
	\$ 62,465,267	\$ 88,732,171

Restricted assets are comprised of bearer deposit notes and banker's acceptances which are recorded at amortized cost and include accrued interest of \$60,366 (March 31, 2021 – \$57,626), have a weighted average term of 3 months to maturity (March 31, 2021 – 4.6 months), and a weighted average interest rate of 0.62% (March 31, 2021 – 0.21%). The restricted assets are held in the following accounts which were established under the Senior Toll Revenue Bond Indenture Agreement when the non-recourse financing for the Cobequid Pass was established. As the Senior toll revenue bonds were repaid during the year, solely the capital reserve account and major maintenance reserve account remain open as of March 31, 2022. Below is a summary of each of the reserve accounts:

- (i) The capital reserve account was established to provide funds to pay the interest and principal on the Senior toll revenue bonds, which occurred until the Senior toll revenue bonds were repaid during the current year. The account also provides funding to the major maintenance reserve account. The capital reserve account was funded from excess funds transferred from the project bank account of the Corporation as required under the Senior Toll Revenue Bond Indenture Agreement.
- (ii) The major maintenance reserve account was established for the purpose of paying major maintenance repair and rehabilitation expenses. This reserve is funded from the capital reserve account.
- (iii) The debt service reserve account was established to provide a reserve of funds to be available for payments as they come due for the Senior toll revenue bonds. As the Senior toll revenue bonds were repaid during the year, the balance in this account was transferred to the capital reserve account and the debt service reserve account was closed.

## 7. Property, plant and equipment:

	Toll Plaza	Tolling System	Toll Highway	Road Surface Treatments	Other Assets	Total
<b>Cost</b>						
Balance, April 1, 2021	6,791,494	5,381,244	107,743,028	33,940,440	50,498	53,906,704
Additions	25,660	104,194	22,973	1,095,336	—	1,248,163

Balance, March 31, 2022	6,817,154	5,485,438	107,766,001	35,035,776	50,498	155,154,867
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Balance, April 1, 2020	6,704,706	4,893,418	107,739,948	32,982,901	50,498	152,371,471
Additions	86,788	487,826	3,080	957,539	—	1,535,233

Balance, March 31, 2021	6,791,494	5,381,244	107,743,028	33,940,440	50,498	153,906,7041
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## Depreciation

Balance, April 1, 2021	5,275,703	4,105,964	100,688,009	22,059,990	46,176	132,175,842
Depreciation for the year	212,545	441,519	920,956	2,215,128	866	3,791,014

Balance, March 31, 2022	5,488,248	4,547,483	101,608,965	24,275,118	47,042	135,966,856
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Balance, April 1, 2020	4,979,697	3,676,809	99,277,663	19,685,063	45,311	27,664,543
Depreciation for the year	296,006	429,155	1,410,346	2,374,927	865	4,511,299

Balance, March 31, 2021	5,275,703	4,105,964	100,688,009	22,059,990	46,176	132,175,842
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## Carrying amounts:

At March 31, 2021	1,515,791	1,275,280	7,055,019	11,880,450	4,322	21,730,862
At March 31, 2022	1,328,906	937,955	6,157,036	10,760,658	3,456	19,188,011

## Change in estimate:

From inception, the Corporation's mandate has been to manage toll revenue collection, maintain the schedule to repay investors, and fund maintenance until the debt was paid (which was originally forecasted to occur in 2026). This forecasted debt repayment date was the basis for the estimated useful life of the components of property, plant and equipment as the useful life of each asset is based on the utility of each asset to the Corporation.

As the debt was repaid in the current year, the Corporation's mandate continues to be to manage toll revenue collection and fund maintenance indefinitely on a go forward basis. As such, certain assets, which management had previously intended to depreciate in full by 2026, are now expected to remain in use for the foreseeable future. As a result, the remaining expected useful lives of the toll plaza, toll highway, and road surface treatments have increased. The useful life of the toll highway is estimated to be 50 – 80 years and toll plaza is 40 years. These assets were originally estimated to have a useful life of 30 years as this was the term of the non-recourse financing that was permitted under the Highway 104 Western Alignment Corporation Act.

The effect of these changes on depreciation expense, in current and future periods is as follows:

	2022	2023	2024	2025	2026	Later
Toll plaza	\$ (79,616)	\$ (84,974)	\$ (92,666)	\$ (105,166)	\$ (132,666)	\$ 132,666
Highway	(489,411)	(489,411)	(489,411)	(489,411)	(489,411)	489,411
Road surface treatments	(388,295)	(518,321)	(756,408)	(756,408)	(756,408)	628,677
Total	\$ (957,322)	\$ (1,092,706)	\$ (1,338,485)	\$ (1,350,985)	\$ (1,378,485)	\$ 1,250,754

#### 8. Accounts payable and accrued liabilities:

	2022	2021
Trade payables	\$ 995,237	\$ 1,764,669
Accrued expenses	58,380	173,680
	\$ 1,053,617	\$ 1,938,349

#### 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. During the year, the Corporation repaid the Senior toll revenue bonds. As such, the long-term debt balance at March 31, 2022 is \$nil.

	Nominal interest rate	Year of maturity	Face value	2022 Carrying amount	Face value	2021 Carrying amount
Senior toll revenue bonds	10.128%	2026	\$ –	\$ –	\$24,592,834	\$24,592,834
						2021
Senior toll revenue bonds carrying amount				\$	24,592,834	
Deferred finance fees					(36,525)	
					24,556,309	
Current portion of long-term debt					3,979,577	
				\$	20,576,732	

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

	2022	2021
Balance, April 1	\$ 24,556,309	\$ 28,156,320
Changes from financing cash flows: Repayment of principal	(24,592,905)	(3,607,426)
Other changes liability related: Amortization of deferred financing fees	36,596	7,305
	\$ –	\$ 24,556,309

The following are the contractual maturities of financial liabilities.

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	3-5 years	More than 5 years
<b>Non-derivative financial liabilities:</b>							
Accounts payables and accrued liabilities	\$1,053,617	\$1,053,617	\$1,053,617	\$ –	\$ –	\$ –	\$ –

#### 10. Wages and benefits

	2022	2021
Wages and benefits	\$ 639,827	\$ 635,952
Canadian Pension Plan (CPP) and EI remittances	74,136	80,029
	\$ 713,963	\$ 715,981

Wages and benefits include amounts related to contract employees.

#### 11. Expenses

##### (a) Facility maintenance, materials and supplies

	2022	2021
Highway improvements	\$ 7,057	\$ –
Maintenance services	1,684,601	1,618,940
Maintenance materials and supplies	237,482	199,076
Technical services and warranties	86,476	101,956
	\$ 2,015,616	\$ 1,919,972

##### (b) Engineering and professional fees

	2022	2021
Legal fees	\$ 1,070	\$ 6,961
Audit fees	54,941	30,240
Consulting fees	52,136	59,178
Engineering fees	112,341	62,864
	\$ 220,488	\$ 159,243

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## (c) Other costs

	2022	2021
Training	\$ 916	\$ 2,230
Office supplies and stationery	26,626	16,788
Office equipment	110,604	86,204
Utilities	94,334	74,343
Travel and transportation costs	7,930	5,601
Enforcement	60,000	60,000
Security	24,376	17,805
Facility operator management fee	271,604	260,094
Meeting costs	10,836	5,811
Administrative costs	56,876	26,150
	\$ 664,102	\$ 555,026

## 12. Finance income and finance costs:

	2022	2021
Interest income on short-term investments	\$ 131,615	\$ 458,012
Interest income on bank deposits	21,383	13,202
Finance income	152,998	471,214
Interest expense on financial liabilities	(6,396,303)	(2,730,381)
Finance costs	(6,396,303)	(2,730,381)
Net finance costs recognized in profit or loss	\$ (6,243,305)	\$ (2,259,167)

Interest expense on financial liabilities for the year ended March 31, 2022, includes quarterly interest payments on the Senior toll revenue bonds up to the date the bonds were repaid, and the market makewhole premium of \$4,956,683 required under the Senior Toll Revenue Bond Indenture Agreement at the time of the Senior toll revenue bonds were repaid.

## 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.

During the year, amendments were made to Highway 104 Western Alignment Regulations resulting in tolls not being collected from vehicles registered in Nova Scotia. See further details in note 1. Going forward, this regulatory change is expected to negatively impact the revenues of the Corporation.

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.

In the face of the COVID-19 pandemic, the Corporation adopted adequate preventive measures to ensure a safe work environment for employees, customers and clients.

### 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, 2022	Year ended March 31, 2021
Short-term investments	\$ 62,465,267	\$ 88,732,171
Receivables	673,727	1,015,022
Cash	5,179,176	726,966
	\$ 68,318,170	\$ 90,474,159

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:

	2022		2021	
Not past due	\$	634,478	\$	956,258
Past due 30-60		—		—
Past due 60-90		—		—
Over 90 days		39,249		58,764
	\$	673,727	\$	1,015,022

Based on a qualitative and quantitative analysis, taking into account historical losses on the Corporation's receivables, the composition of the Corporation's customers, and the aging of its current receivables, the Corporation estimates the expected credit loss to be \$nil at March 31, 2022.

Short-term investments consist of Canadian short-term money market investments. The Corporation has deposited these investments with a third party custodian, from which management believes the risk of loss is remote.

The Corporation's cash is held with a top tier commercial Canadian bank and a third party custodian.

### 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 Corporation's reputation.

Typically the Corporation ensures that it has sufficient cash and investments on hand 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

Interest rate risk on cash flows associated with investments and cash fluctuate due to changes in short-term market interest rates. The Corporation invests in fixed short-term investments guaranteed by the Government of Canada, provincial governments, or Schedule 1 banks.

### 14. Financial instruments:

#### Fair value versus carrying amounts

The carrying amounts of financial assets and financial liabilities recognized approximate their fair values. For cash, receivables, and trade and other payables, the carrying value approximates their fair values due to the short-term maturity of these instruments.

The fair value of the secured bond issues is \$nil as all bonds were repaid during the year. The carrying amount of the bonds for the year ended March 31, 2021 shown in the Statement of Financial Position is as follows:

March 31, 2022			March 31, 2021		
Note	Carrying amount	Fair value	Carrying amount	Fair value	
Liabilities carried at amortized cost:					
Secured bond issues	9	—	—	24,556,309	31,472,677

March 31, 2022				March 31, 2021			
Fair value				Fair value			
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	
Liabilities							
Long-term debt	—	—	—	—	—	—	31,472,677



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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:

	Service contract	Lease
2023	\$ 1,402,652	51,219
2024	—	51,651
2025	—	52,086
2026	—	34,913
2027	—	—
Total contractual obligations	\$ 1,402,652	189,865

### Service contract

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

### Lease

The lease is for the Corporation's office located at 1741 Brunswick Street, Halifax, N.S.

## 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 (\$1,445,604; 2021 - \$1,354,079), enforcement costs (\$60,000; 2021 - \$60,000), and purchase of property, plant and equipment (\$75,129; 2021 - \$48,677).







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