

# HIGHWAY 104 WESTERN ALIGNMENT CORPORATION



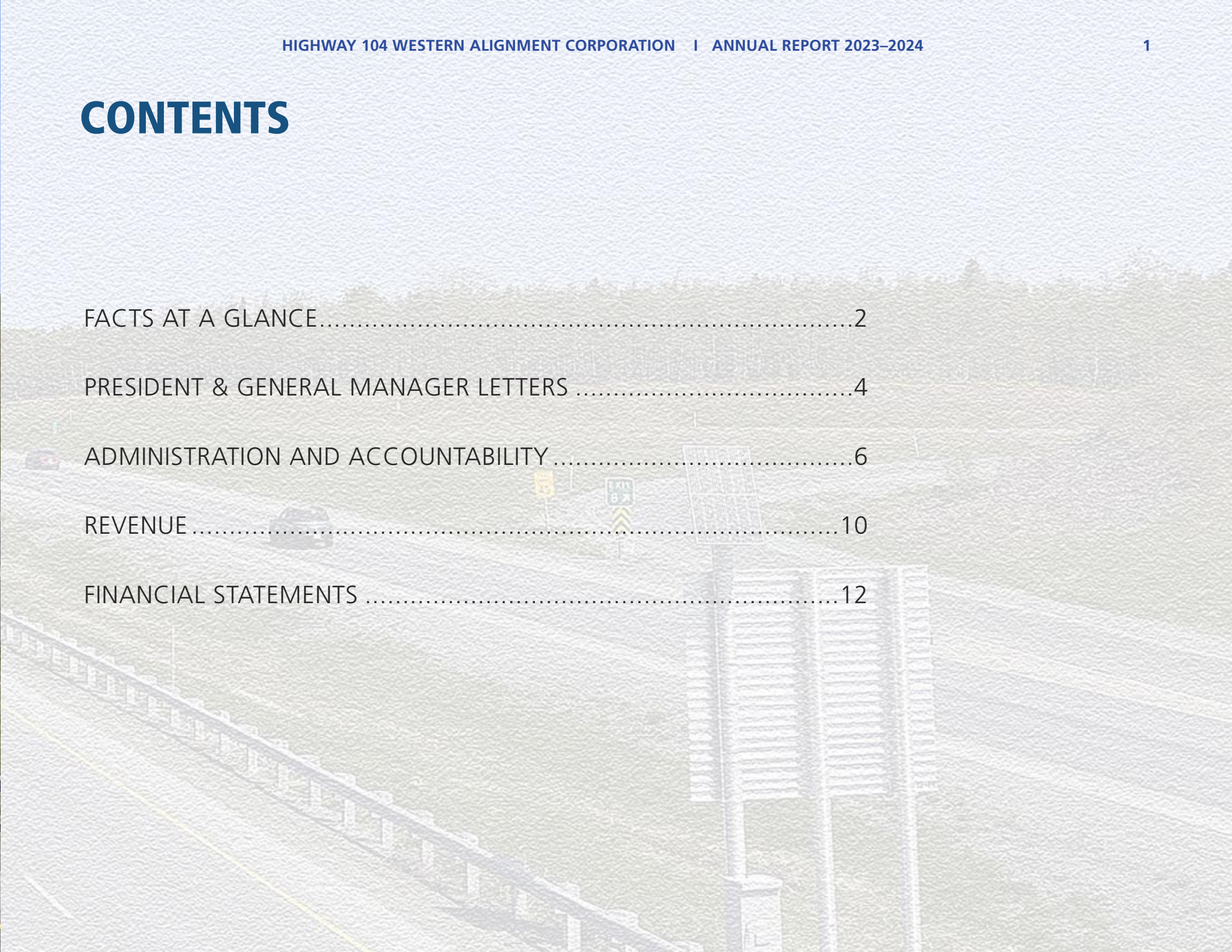
Annual Report 2023–2024







# CONTENTS



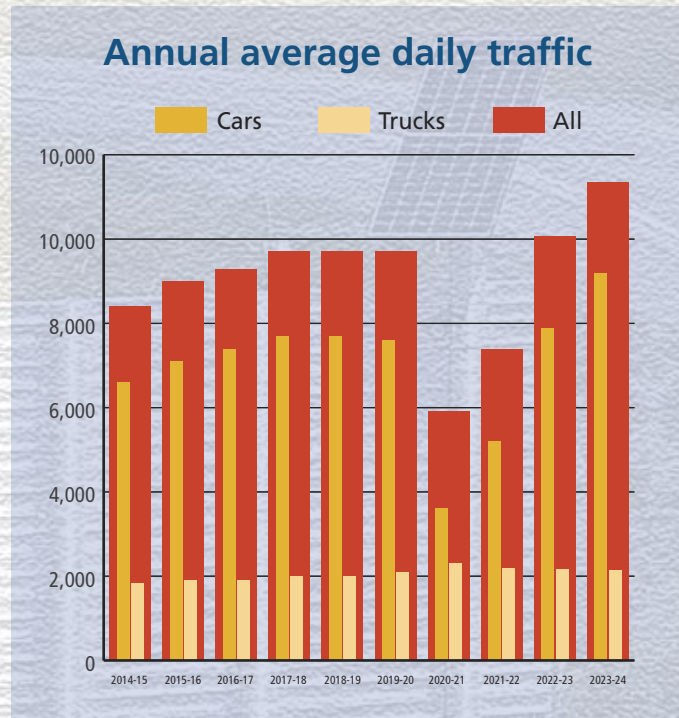
FACTS AT A GLANCE.....	2
PRESIDENT & GENERAL MANAGER LETTERS .....	4
ADMINISTRATION AND ACCOUNTABILITY .....	6
REVENUE .....	10
FINANCIAL STATEMENTS .....	12



# 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 2023–24: 9,190 cars; 2,140 trucks









# PRESIDENT & GENERAL MANAGER LETTERS

## President's Letter

The Highway 104 Western Alignment Corporation has completed its 25th year of operation providing a high level of highway operation and customer service.

Traffic volumes on the Cobequid Pass have returned to pre-pandemic levels. The Corporation operates with the mandate to manage revenue collection, and to fund annual and long-term maintenance.

KPMG continues to provide audit services 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 such as re-paving, micro-surfacing, structure repairs, and the new rest area design and construction.

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

The Corporation works with NSPW's Government Liaison, Don Maillet, 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.

On behalf of the Corporation, I thank David Ling for his service as General Manager of the Cobequid Pass Toll Plaza, and the entire team at the Toll Plaza.

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

**Mark Peachey, P.Eng**  
**President**



## 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 2023–24 were approximately 3.86 million vehicle and commercial units representing a 181,000 vehicle increase from 2022–23.

In 2023–24, the Highway 104 Western Alignment Corporation continued with the five-year micro-surfacing project. 2024–25 will be the final year. This year's contract was awarded to Dexter Construction.

Our Independent Engineer, WSP Canada, completed a study of the Thomson Road Overpass and this report is being reviewed by NS Department of Public Works. WSP Canada also completed the designs for repairs to Moose Brook Culvert, Cumberland Brook Culvert and Burntland Brook Culvert.

The construction of two rest areas near the existing Toll Plaza should be completed in 2024. The rest areas will have a large parking area for all vehicles, allowing motorists, truckers and their pets to take a break and relax on their journeys.

This report provides a broad overview of the history and administrative structure of the Highway 104 Western Alignment Corporation including traffic and financial reports of the Cobequid Pass for the fiscal year 2023–24.

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

**Bradley Cleary, P.Eng**  
**General Manager**



# ADMINISTRATION AND ACCOUNTABILITY

## Background

Creating the Highway 104 Western Alignment Corporation was key to constructing the Cobequid Pass Toll Highway. The 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. During 2021, the Corporation repaid all debts from excess cash reserves.

The Corporation is financially sustainable and responsible for its own debt, and does not have to rely on a Government debt guarantee. The Corporation's main source of revenue is tolls.

Because some public monies were involved in the highway's initial financing, and because the 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 Corporation in 1996 and again in 2002.

Operating independently of government, the 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 Highway 104 Western Alignment Corporation.

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, Bradley Cleary, P. Eng and by the Controller, Vicki Clark, CPA. Patricia M. Belleza, PCP provides administrative and accounting support.

## Accountability

Highway 104 Western Alignment Corporation works very closely with the Nova Scotia Department of Public Works. 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 Corporation, NSPW, AHMCL and the Independent Maintenance Engineer are represented on a Joint Advisory Committee, which meets bi-annually 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 2023–24, the Corporation paid \$1.54 million to NSPW 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 in winter and line painting, shoulder repair, guardrail repair, mowing of road shoulders and medians in summer.

Other capital work included \$146,000 for micro-surfacing of road in 2023. Toll booth maintenance included \$429,000 to upgrade VMH overhead signs above the lanes, and \$119,000 to replace cameras. Construction in progress on the rest areas was \$5.4 million on the ramps and parking areas in the lanes and \$3.8 million for the buildings.

## Toll Operations

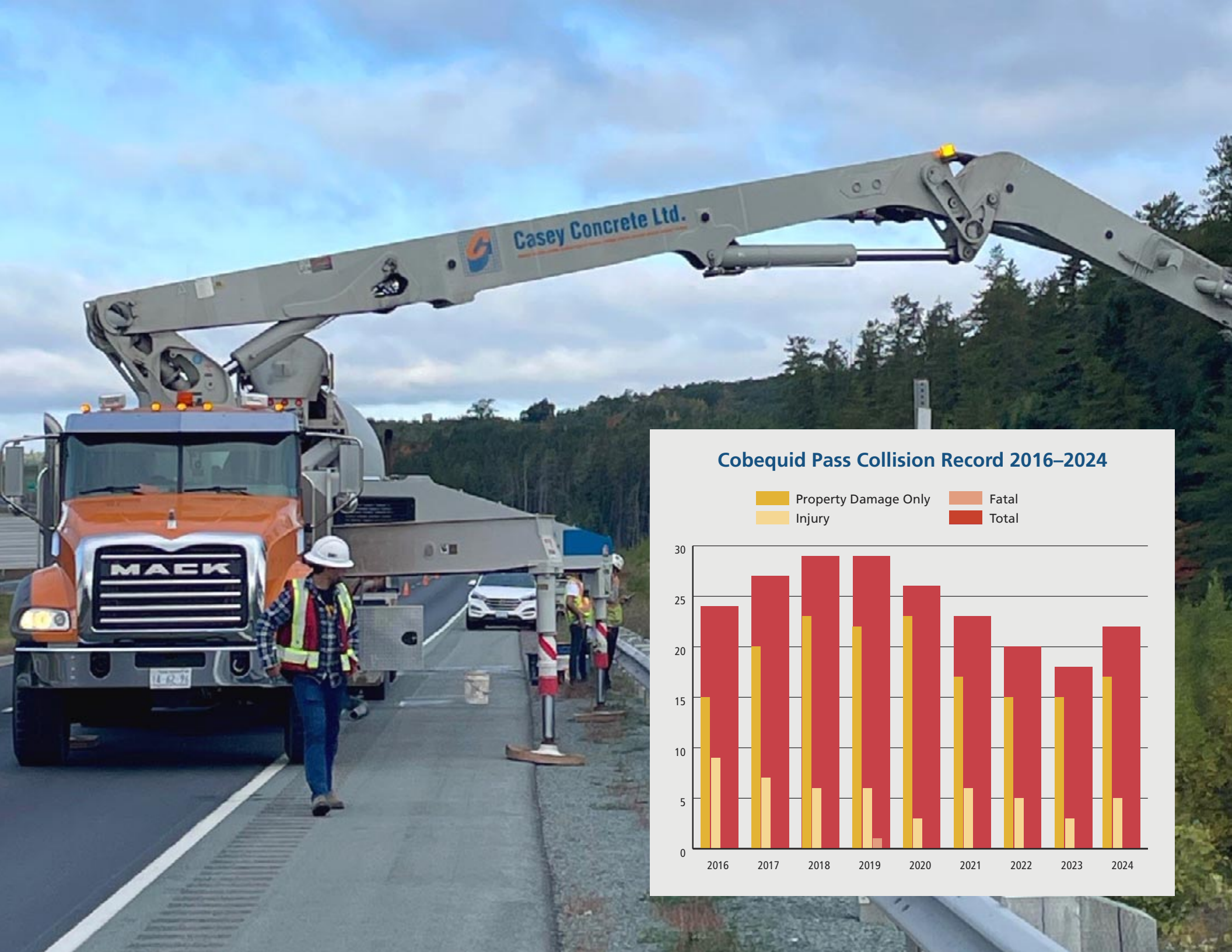
The Corporation contracts Atlantic Highway Management Corporation Limited (AHMCL), which is a subsidiary of AECON Group Inc., to run the toll operations for the Cobequid Pass. David Ling is the General Manager of AHMCL and Cheryl Cooke is the Toll Operations Manager.

AHMCL currently employs over 40 staff at the Toll Plaza, mostly from Cumberland and Colchester counties.

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

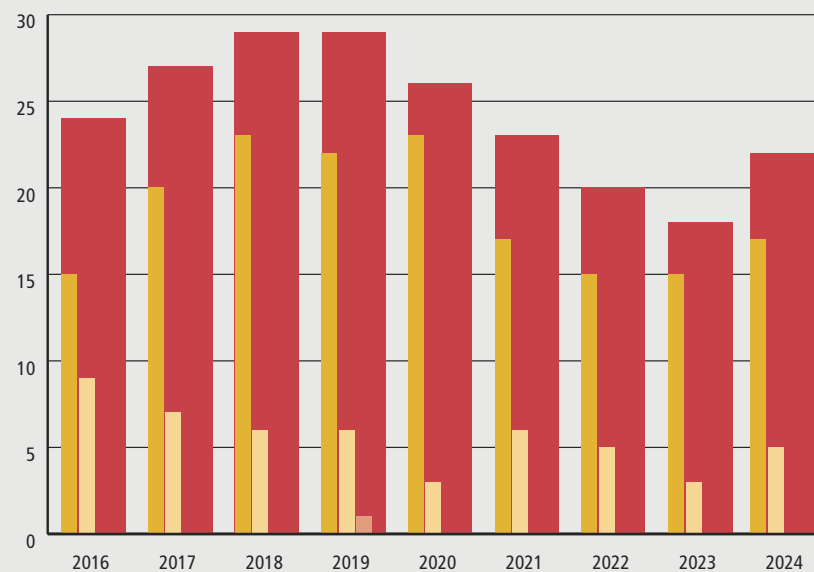






### Cobequid Pass Collision Record 2016–2024

Property Damage Only    Fatal  
Injury    Total









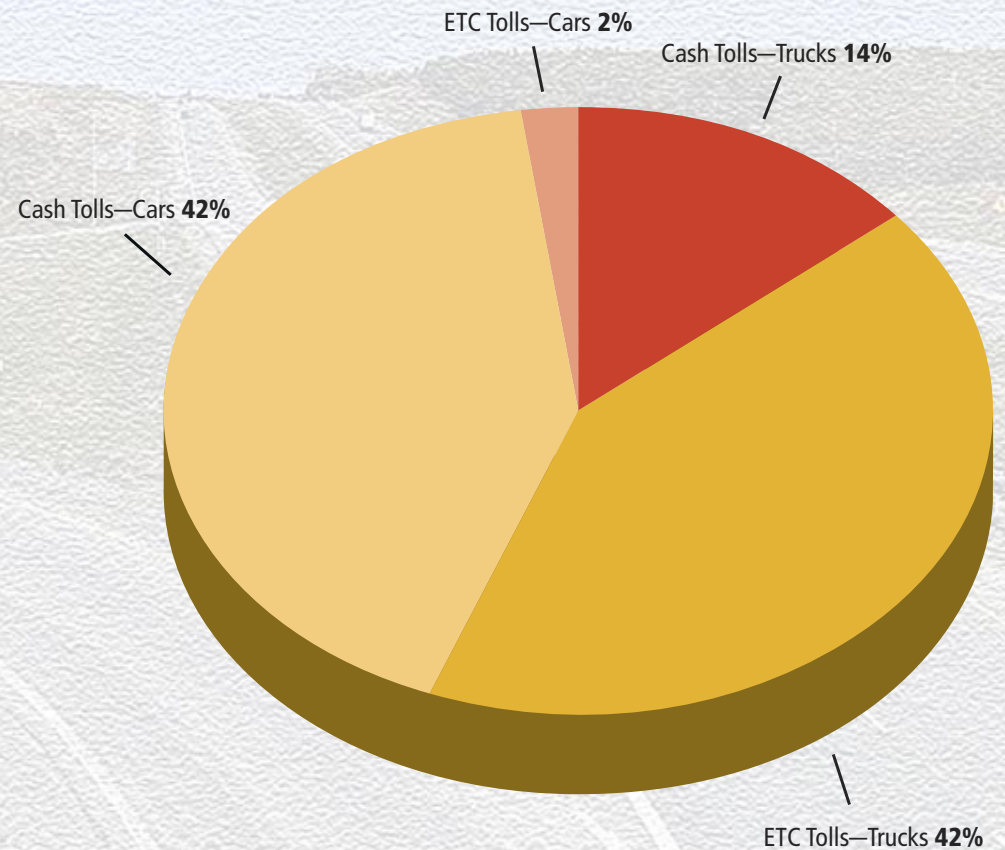
# REVENUE

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, 2023 to March 31, 2024, total revenue was \$11.25 million. Revenue from cash tolls was 56% of revenue and revenue from ETC tolls was 44% of revenue. Revenue from cars was 44% of revenue, and revenue from trucks was 56%.



**Cash Toll and ETC Revenue**









# FINANCIAL STATEMENTS

## INDEPENDENT AUDITOR'S 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, 2024
- 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 material accounting policy information

(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, 2024, its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### 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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's 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 Accounting Standards as issued by the International Accounting Standards Board, 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.

### Auditor's 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

auditor's 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 auditor's 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 auditor's 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 27, 2024



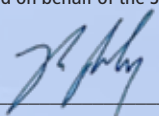
## Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash	\$ 3,180,873	\$ 5,959,996
Short-term investments (note 4)	5,086,388	—
Prepays and other (note 5)	801,738	722,626
Receivables (note 6)	1,749,225	1,430,539
	10,818,224	8,113,161
Non-current assets:		
Long-term investments (note 7)	5,076,451	—
Restricted assets (note 8)	62,168,945	67,334,370
Property, plant and equipment (note 9)	32,484,047	24,997,495
	99,729,443	92,331,865
	<b>\$ 110,547,667</b>	<b>\$ 100,445,026</b>
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 12,063,255	\$ 8,410,441
Deferred revenue	764,116	658,044
	12,827,371	9,068,485
Non-current liabilities:		
Deferred government grant	1,004,255	1,381,382
Equity:		
Share capital	1	1
Reserve for restricted assets	57,802,675	62,968,121
Retained earnings	38,913,365	27,027,037
	96,716,041	89,995,159
Commitments (note 16)		
	<b>\$ 110,547,667</b>	<b>\$ 100,445,026</b>

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

Approved on behalf of the Shareholder:

 President  
Mark Peachey

## Statement of Comprehensive Income

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Facility revenue	\$ 11,253,581	\$ 11,181,906
Expenses:		
Fees and banking services	214,390	197,179
Wages and benefits (note 11)	596,116	755,842
Toll collection	1,931,674	1,811,014
Facility maintenance, materials and supplies (note 12)	2,514,174	2,184,562
Engineering and professional fees (note 12)	299,448	210,317
Insurance	12,778	195,316
Other costs (note 12)	695,779	654,638
	6,264,359	6,008,868
Earnings from operations before the following items	4,989,222	5,173,038
Finance income (note 13)	3,873,883	2,244,722
Finance costs (note 13)	(1,235)	(1,225)
Net finance income (costs)	3,872,648	2,243,497
Depreciation	(2,519,351)	(2,446,855)
Government grant amortization	378,363	378,352
Net income, being comprehensive income	<b>\$ 6,720,882</b>	<b>\$ 5,348,032</b>

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



# FINANCIAL STATEMENTS

## Statement of Changes in Equity

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Share capital (1 share)	\$ 1	\$ 1
Retained earnings (deficit)		
Beginning of year	\$ 27,027,037	\$ 26,548,109
Net income for the year	6,720,882	5,348,032
Transfer (to) from restricted assets	5,165,446	(4,869,104)
End of year	38,913,365	27,027,037
Reserve for restricted assets:		
Beginning of year	62,968,121	58,099,017
Transfers from project account	—	4,743,000
Interest income	3,213,410	1,994,573
Change in market value	62,702	82,074
Major maintenance payments, including HST to be recovered	(8,441,558)	(1,950,543)
End of year	57,802,675	62,968,121
Total equity	\$ 96,716,041	\$ 89,995,159

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

## Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Increase (decrease) in cash:		
Operating activities:		
Net income	\$ 6,720,882	\$ 5,348,032
Items not affecting operating cash:		
Government grant amortization	(378,363)	(378,352)
Depreciation	2,519,351	2,446,855
Net finance costs	(3,872,648)	(2,243,497)
Change in prepaids and other	(79,112)	(73,847)
Change in receivables	(318,686)	(756,812)
Change in short-term investments	(5,000,000)	—
Change in accounts payable and accrued liabilities	3,652,814	7,356,824
Change in deferred revenue	106,072	(37,663)
	3,350,310	11,661,540
Investing:		
Interest received	2,449,435	2,223,014
Net cash increase in long-term investments	(5,000,000)	—
Net cash (increase) decrease in restricted assets	6,427,035	(4,847,395)
Purchase of property, plant and equipment	(10,005,903)	(8,256,339)
	(6,129,433)	(10,880,720)
(Decrease) increase in cash	(2,779,123)	780,820
Cash, beginning of year	5,959,996	5,179,176
Cash, end of year	\$ 3,180,873	\$ 5,959,996

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



## Notes to Financial Statements

### Year ended March 31, 2024

#### 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 Mastown 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. The Corporation's mandate is to manage toll revenue collection and to fund annual and long-term maintenance.

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.

#### 2. Basis of preparation:

##### (a) Statement of compliance:

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

The financial statements were authorized for issue by the President on June 27, 2024.

##### (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 significant 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. Material 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 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
Long-term investments	Financial assets at amortized cost
Restricted assets	Financial assets at amortized cost
Accounts payable and accrued liabilities	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, 2024
Toll highway	50–80 years	27 years
Road surface treatments	7–15 years	5 years
Tolling system	5 years	3 years
Toll plaza	40 years	12 years
Other assets	10 years	2 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) New accounting standards:

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

*Definition of Accounting Estimates (Amendments to IAS 8)*

The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

*Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*

On February 12, 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements).

The amendments help companies provide useful accounting policy disclosures. The key amendments include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

(ii) Future accounting standards

A number of new standards, amendments to standards and interpretations of standards have been issued by the IASB and the IFRIC, the application of which is effective for periods beginning on or after January 1, 2024. The Corporation does not expect the implementation of these new accounting pronouncements to have a significant impact on its accounting policies.

*Presentation and Disclosure in Financial Statements IFRS 18:* On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged.

IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted.



# FINANCIAL STATEMENTS

## 4. Short-term investments:

	2024	2023
Guaranteed Investment Certificate	\$ 5,086,388	\$ –

Short-term investments are comprised of a GIC recorded at cost and include accrued interest of \$86,388 (2023 - \$nil), have a weighted average term of 8 months to maturity (2023 - nil), and a weighted average interest rate of 5.39% (2023 - nil).

## 5. Prepaids and other:

	2024	2023
Advance to facility operator	\$ 798,207	\$ 699,097
Other prepaid expenses	3,531	6,204
Inventory	–	17,325
	\$ 801,738	\$ 722,626

## 6. Receivables:

	2024	2023
HST receivable	1,485,038	1,288,147
Other trade receivables	264,187	142,392
	\$ 1,749,225	\$ 1,430,539

## 7. Long-term investments:

	2024	2023
Guaranteed Investment Certificate	\$ 5,076,451	\$ –

Long-term investments are comprised of a GIC recorded at cost and include accrued interest of \$76,451 (2023 - \$nil), have a weighted average term of 20 months to maturity (2023 - nil), and a weighted average interest rate of 4.77% (2023 - nil).

## 8. Restricted assets:

	2024	2023
Major maintenance reserve account	62,168,945	67,334,370

Restricted assets are comprised of bearer deposit notes and banker's acceptances which are recorded at amortized cost and include accrued interest of \$1,198,592 (2023 - \$nil), have a weighted average term of 5 months to maturity (2023 - 5.5 months), and a weighted average interest rate of 5.47% (2023 - 4.8%). The restricted assets are held in the major maintenance reserve account established under the Senior Toll Revenue Bond Indenture Agreement when the non-recourse financing for the Cobequid Pass was established. The purpose of the major maintenance reserve account is to pay major repair and rehabilitation expenses. The major maintenance reserve account is funded from excess funds transferred from the project bank account.

## 9. Property, plant and equipment:

	Toll Plaza	Toll Systems	Toll Highway	Construction in Progress	Road Surface Treatments	Other Assets	Total
<b>Cost</b>							
Bal, April 1, 2023	6,849,591	5,589,637	107,903,872	6,624,345	36,393,263	50,498	163,411,206
Additions	543,127	141,534	–	9,193,953	127,289	–	10,005,903
Bal, March 31, 2024	7,392,718	5,731,171	107,903,872	15,818,298	36,520,552	50,498	173,417,1096
Bal, April 1, 2022	6,817,154	5,485,438	107,766,001	–	35,035,776	50,498	155,154,867
Additions	32,437	104,199	137,871	6,624,345	1,357,487	–	8,256,339
Bal, March 31, 2023	6,849,591	5,589,637	107,903,872	6,624,345	36,393,263	50,498	163,411,206

## Depreciation

Bal, April 1, 2023	5,587,387	4,842,277	101,822,350	–	26,113,789	47,908	138,413,711
Depreciation for the year	113,790	282,282	217,077	–	1,905,337	865	2,519,351
Bal, March 31, 2024	5,701,177	5,124,559	102,039,427	–	28,019,126	48,773	140,933,062
Bal, April 1, 2022	5,488,248	4,547,483	101,608,965	–	24,275,118	47,042	135,966,856
Depreciation for the year	99,139	294,794	213,385	–	1,838,671	866	2,446,855
Bal, March 31, 2023	5,587,387	4,842,277	101,822,350	–	26,113,789	47,908	138,413,711

## Carrying amounts

At March 31, 2023	1,262,204	747,360	6,081,522	6,624,345	10,279,474	2,590	24,997,495
At March 31, 2024	1,691,541	606,612	5,864,445	15,818,298	8,501,426	1,725	32,484,047

During 2023, the Corporation commenced construction of Eastbound and Westbound highway rest areas, with the intention of constructing these rest areas for public use on behalf of the Province. The Corporation is committed to total costs of \$19,888,006 for this construction.

## 10. Accounts payable and accrued liabilities:

	2024	2023
Trade payables	\$ 10,601,432	\$ 8,349,631
Accrued expenses	1,461,823	60,810
	\$ 12,063,255	\$ 8,410,441

Trade payables at March 31, 2024 include \$9,193,953 of payables for construction of Eastbound and Westbound highway rest areas (Note 9(b)).



**11. Wages and benefits**

	2024	2023
Wages and benefits	\$ 516,247	\$ 677,468
Canadian Pension Plan (CPP) and EI remittances	79,869	78,374
	\$ 596,116	\$ 755,842

Contract services expenses for \$168,220 (2023—\$173,648) were reclassified from wages and benefits to facility, maintenance, and supplies—maintenance services in 2024 (Note 12(a)). The contract services expenses of \$173,648 are included in 2023 wages and benefits.

**12. Expenses:****(a) Facility maintenance, materials and supplies.**

	2024	2023
Highway improvements	\$ 4,009	\$ 2,160
Maintenance services	2,123,979	1,804,402
Maintenance materials and supplies	265,947	267,333
Technical services and warranties	120,239	110,667
	\$ 2,514,174	\$ 2,184,562

**(b) Engineering and professional fees**

	2024	2023
Legal fees	\$ 15,694	\$ 5,127
Audit fees	43,869	43,970
Consulting fees	93,862	59,177
Engineering fees	146,023	102,043
	\$ 299,448	\$ 210,317

**(c) Other costs**

	2024	2023
Training	\$ 1,473	\$ 9,717
Office supplies and stationery	17,761	18,596
Office equipment	101,698	99,180
Utilities	113,317	95,906
Travel and transportation costs	10,449	8,858
Enforcement	—	10,000
Security	23,832	23,947
Facility operator management fee	358,701	340,214
Meeting costs	8,925	8,485
Administrative costs	59,623	39,735
	\$ 695,779	\$ 654,638

**13. Finance income and finance costs:**

	2024	2023
Interest income on investments	\$ 3,438,950	\$ 2,076,647
Interest income on bank deposits	434,933	168,075
Finance income	3,873,883	2,244,722
Interest expense on financial liabilities	(1,235)	(1,225)
Finance costs	(1,235)	(1,225)
Net finance costs recognized in profit or loss	\$ 3,872,648	\$ 2,243,497

**14. 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



# FINANCIAL STATEMENTS

- 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	2024	2023
Restricted assets	\$ 62,168,945	\$ 67,334,370
	5,076,451	–
	5,086,388	–
Receivables	1,749,225	1,430,539
Cash	3,180,873	5,959,996
	\$ 77,261,882	\$ 74,724,905

The maximum exposure to credit risk for receivables at the reporting date by type of counterparty is outlined in note 6.

The aging of receivables at the reporting date was:

	2024	2023
Not past due	\$ 1,584,953	\$ 1,402,498
Past due 30-60	112,972	–
Past due 60-90	–	–
Over 90 days	51,300	28,041
	\$ 1,749,225	\$ 1,430,539

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, 2024.

Short-term investments consist of Canadian short-term money market investments. Long-term investments consist of Canadian long-term money market investments. The Corporation has deposited these investments with a third party custodian, and a Schedule 1 Canadian bank, from which management believes the risk of loss is remote.

The Corporation's cash is held with a Schedule 1 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 and long-term investments guaranteed by the Government of Canada, provincial governments, or Schedule 1 banks.

## 15. Financial instruments:

Fair value versus carrying amounts

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

## 16. Commitments:

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

	Roadway maintenance	Office lease	Capital projects
2025	\$ 1,541,714	\$ 52,082	\$ 5,411,577
2026	–	34,913	–
Total contractual obligations	\$ 1,541,714	\$ 86,995	\$ 5,411,577

### Roadway maintenance

An agreement between the Corporation and the Nova Scotia Department of Public Works provides annual roadway maintenance services. This agreement is renewed annually.

### Office Lease

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

### Capital Expenditures

The Corporation is committed to incurring other capital expenditures of \$5,411,577 to complete the construction of the Eastbound and Westbound rest areas, and micro-sealing on the Cobequid Pass. These commitments are expected to be settled in 2025.



### 17. 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 (\$1,541,714; 2023—\$1,402,652), enforcement costs (\$nil; 2023—\$10,000), and purchase of property, plant and equipment (\$443,869; 2023—\$530,781).















Highway 104  
Western Alignment Corporation  
1741 Brunswick Street, Suite 700  
Halifax, Nova Scotia B3J 3X8  
Canada

T (902) 422-6764  
F (902) 422-6401  
E [info@highway104.ns.ca](mailto:info@highway104.ns.ca)  
W [www.highway104.ns.ca](http://www.highway104.ns.ca)