Financial Statements of

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Years ended March 31, 2012 and 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Highway 104 Western Alignment Corporation

We have audited the accompanying financial statements of Highway 104 Western Alignment Corporation, which comprise the balance sheets as at March 31, 2012, March 31, 2011 and April 1, 2010, the statements of earnings and deficit and cash flows for the years ended March 31, 2012 and March 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements 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 Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Highway 104 Western Alignment Corporation as at March 31, 2012, March 31, 2011 and April 1, 2010, and its results of operations and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

Chartered Accountants
June 27, 2012
Halifax, Canada

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Statements of Financial Position

March 31, 2012, March 31, 2011 and April 1, 2010

	March 31, 2012	March 31, 2011	April 1, 2010
		(Note 17)	(Note 17)
Assets			
Current assets:			
Cash	$ 528,556	$ 752,336	$ 486,139
Inventory	5,625	10,357	8,733
Prepaids and other (note 4)	460,503	419,467	426,761
Receivables (note 5)	957,332	928,577	970,161
	1,952,016	2,110,737	1,891,794
Non-current assets:			
Restricted assets (note 6)	38,033,691	38,179,185	41,458,286
Property, plant and equipment (note 7)	45,934,670	51,844,730	57,190,170
	83,968,361	90,023,915	98,648,456
	$ 85,920,377	$ 92,134,652	$ 100,540,250
Liabilities and Equity			
Current liabilities:			
Accounts payables and accrued liabilities (note 8)	$ 555,222	$ 532,684	$ 1,467,459
Current portion of-long-term debt (note 9)	1,949,845	1,919,228	1,868,622
Deferred revenue	987,031	987,100	885,072
	3,492,098	3,439,012	4,221,153
Non-current liabilities:			
Long-term debt (note 9)	55,236,744	62,046,729	68,859,148
Deferred government grant	9,049,639	10,306,730	11,563,822
	64,286,383	72,353,459	80,422,970
Equity:			
Share capital	1	1	1
Reserve for restricted assets	32,094,675	32,240,169	35,519,269
Deficit	(13,952,780)	(15,897,989)	(19,623,143)
	18,141,896	16,342,181	15,896,127
	$ 85,920,377	$ 92,134,652	$ 100,540,250

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

Approved on behalf of the Board:

________________________ Director

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Statements of Comprehensive Income

Years ended March 31, 2012 and 2011

	March 31, 2012	March 31, 2011 (Note 17)
Revenue:		
Facility revenue	$ 20,600,048	$ 19,837,528
Expenses:		
Fees and banking services	309,976	313,216
Wages and benefits (note 10)	644,882	626,069
Toll collections	1,009,583	941,385
Facility maintenance, materials and supplies (note 11)	1,633,387	1,709,364
Engineering and professional fees (note 11)	137,983	211,221
Insurance	167,329	169,119
Other costs (note 11)	544,079	563,256
	4,447,219	4,533,630
Earnings from operations before the following items	16,152,829	15,303,898
Finance income (note 12)	403,462	382,542
Finance costs (note 12)	(9,007,513)	(9,665,628)
Net finance costs	(8,604,051)	(9,283,086)
Depreciation	(7,012,071)	(6,837,583)
Government grant amortization	1,263,008	1,262,825
Net income, being comprehensive income	$ 1,799,715	$ 446,054

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

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Statements of Changes in Equity

Years ended March 31, 2012 and 2011

	March 31, 2012	March 31, 2011
Common shares (1 share)	$ 1	$ 1
Deficit:		
Beginning of year	$ (15,897,989)	$ (19,623,143)
Net earnings (loss) for the year	1,799,715	446,054
Transfer to restricted assets	145,494	3,279,100
End of year	(13,952,780)	(15,897,989)
Reserve for restricted assets:		
Beginning of year	32,240,169	35,519,269
Transfers from project account	16,522,600	15,676,200
Interest income	451,329	352,676
Long-term debt payments, including interest	(15,775,807)	(16,421,697)
Change in market value of restricted assets	(56,218)	26,145
Major maintenance payments, including HST to be recovered	(1,287,398)	(2,912,424)
End of year	32,094,675	32,240,169
Total equity	$ 18,141,896	$ 16,342,181

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

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Statements of Cash Flows

Years ended March 31, 2012 and 2011

	March 31, 2012	March 31, 2011 (Note 17)
Increase (decrease) in cash:		
Operating activities:		
Total comprehensive income	$ 1,799,715	$ 446,054
Items not affecting cash:		
Government assistance amortization	(1,263,008)	(1,262,825)
Depreciation	7,012,071	6,837,583
Net finance costs	8,604,051	9,283,086
Change in inventories	4,732	(1,624)
Change in prepaids	(41,036)	7,294
Change in receivables	(28,755)	41,584
Change in accounts payable	22,538	(934,775)
Change in deferred revenue	(69)	102,028
	16,110,239	14,518,405
Investing:		
Interest received	454,522	356,390
Net cash decrease in restricted assets	89,276	3,305,246
Purchase of property, plant and equipment	(1,102,011)	(1,492,143)
	(558,213)	2,169,493
Financing:		
Interest paid	(8,952,891)	(9,635,538)
Payment on long-term debt principal	(6,822,915)	(6,786,163)
	(15,775,806)	(16,421,701)
Increase (decrease) in cash	(223,780)	266,197
Cash, beginning of year	752,336	486,139
Cash, end of year	$ 528,556	$ 752,336

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

1. Reporting entity

The Highway 104 Western Alignment Corporation (the "Corporation") is a company domiciled in Canada. The registered office is located at 1969 Upper Water Street, Halifax, in the Province of Nova Scotia. The Corporation has been established for the purpose of financing, designing, constructing, operating and maintaining a 45km stretch of highway (referred to as the Cobequid Pass) between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia (the "Facility"). The Corporation has been designated a Government Business Enterprise in accordance with the Nova Scotia Provincial Finance Act. The Highway 104 Western Alignment Corporation Act, which authorizes the collection of tolls, states that toll collection will cease upon complete payment of all costs and liabilities relating to the Facility. This includes financing, design, construction, operation and maintenance, and any repair, improvement, replacement, alteration or extension. The forecasted repayment date of all cost and liabilities relating to the Facility is in 2019.

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. These are the Corporation's first financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in note 17.

The financial statements were authorized for issue by the Board of Directors on June 26, 2012.

(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.

2. Basis of preparation (continued)

(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 area involving a higher degree of judgment is with respect to the forecasted repayment date for the long-term debt. The contractual maturities and estimated interest payments on the long-term debt outlined in note 12 are impacted by the estimates and assumptions regarding the forecasted repayment dates. In addition, the forecasted repayment date impacts the estimated useful life of the components of property, plant and equipment as outlined in note 3(b), as the useful life of each asset is based on the utility of each asset to the entity.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at April 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

(a) Financial instruments

The Corporation's financial instruments are comprised of the following:

Financial instrument	Classification
Cash	Loans and receivables
Receivables	Loans and receivables
Restricted assets	At fair value through profit or loss
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities

3. Significant accounting policies (continued)

(i) Financial assets

The Corporation initially recognizes loans and receivables and deposits on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash

Cash includes cash on hand, balances with banks and short-term deposits with original maturities of three months or less.

3. Significant accounting policies (continued)

(ii) Financial liabilities

The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

(iii) Other financial liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iv) Share capital

Common shares

Common shares are classified as equity.

(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.

3. Significant accounting policies (continued)

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 of when no economic benefits are expected to arise from the continued use of the asset.

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

(ii) Repairs and maintenance

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

(iii) Depreciation

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimate 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 the current and comparative periods are as follows:

• Highway and surface treatments	7 years
• Tolling system	3 to 9 years
• Toll plaza structure	13 years
• Other assets	10 years

3. Significant accounting policies (continued)

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

(c) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. Significant accounting policies (continued)

(ii) Non-financial assets

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

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

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

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

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

(d) Facility revenue

Facility revenue is recognized at the time a vehicle utilizes the highway. Provincial subsidies, net of rebates, are recognized as facility revenue per the First Amendment to the Omnibus Agreement.

(e) Government grants

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

3. Significant accounting policies (continued)

(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) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended March 31, 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Corporation, except for IFRS 9 *Financial Instruments*, which becomes mandatory for the Corporation's 2013 financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact has not been determined.

4. Prepaids and other

	March 31, 2012	March 31, 2011	April 1, 2010
Advance to facility operator	$ 406,305	$ 387,657	$ 387,657
Operating expenses	54,198	31,810	39,104
	$ 460,503	$ 419,467	$ 426,761

5. Receivables

	March 31, 2012	March 31, 2011	April 1, 2010
Due from the Province of Nova Scotia	$ 860,706	$ 828,950	$ 418,836
HST receivable	67,702	92,310	159,883
Other trade receivables	28,924	7,317	391,442
	$ 957,332	$ 928,577	$ 970,161

6. Restricted assets

	March 31, 2012	March 31, 2011	April 1, 2010
Capital reserve account	$ 19,039,266	$ 18,993,558	$ 21,867,044
Major maintenance reserve account	11,273,547	10,762,790	10,556,610
Debt service reserve account	7,720,878	8,422,837	9,034,632
	$ 38,033,691	$ 38,179,185	$ 41,458,286

Restricted assets are comprised of investments which are recorded at fair value and include accrued interest of $74,533 (2011 - $83,447), have a weighted average term of 8.91 (2011 – 5.75) months to maturity and a weighted average interest rate of 1.18% (2011 – 1.27%).

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

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

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

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

7. Property, plant and equipment

	Toll Plaza	Tolling System	Toll Highway	Road surface Treatments	Other Assets	Total
Cost						
Balance, April 1, 2010	3,879,694	2,689,007	122,532,886	5,155,120	50,498	134,307,205
Additions	978,351	41,637	–	472,155	–	1,492,143
Balance, March 31, 2011	4,858,045	2,730,644	122,532,886	5,627,275	50,498	135,799,348
Balance, April 1, 2011	4,858,045	2,730,644	122,532,886	5,627,275	50,498	135,799,348
Additions	565,345	37,950	107,046	391,670	–	1,102,011
Balance, March 31, 2012	5,423,390	2,768,594	122,639,932	6,018,945	50,498	136,901,359
Depreciation						
Balance, April 1, 2010	1,655,320	275,176	72,078,207	3,098,232	10,100	77,117,035
Depreciation for the year	304,144	377,830	5,608,973	536,536	10,100	6,837,583
Balance, March 31, 2011	1,959,464	653,006	77,687,180	3,634,768	20,200	83,954,618
Balance, April 1, 2011	1,959,464	653,006	77,687,180	3,634,768	20,200	83,954,618
Depreciation for the year	401,634	382,574	5,616,779	600,984	10,100	7,012,071
Balance, March 31, 2012	2,361,098	1,035,580	83,303,959	4,235,752	30,300	90,966,689
Carrying amounts:						
At April 1, 2010	2,224,374	2,413,831	50,454,679	2,056,888	40,398	57,190,170
At March 31, 2011	2,898,581	2,077,638	44,845,706	1,992,507	30,298	51,844,730
At March 31, 2012	3,062,292	1,733,014	39,335,973	1,783,193	20,198	45,934,670

8. Accounts payable and accrued liabilities

	Year ended March 31, 2012	Year ended March 31, 2011	April 1, 2010
Trade payables	$ 506,737	$ 487,940	$ 1,324,924
Accrued expenses	48,485	44,744	142,535
	$ 555,222	$ 532,684	$ 1,467,459

9. Long-term debt

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

	Nominal interest rate	Year of maturity	Face value	2012 Carrying amount	Face value	2011 Carrying amount	Face value	2010 Carrying amount
Secured bond issues	10.251%	2026	$51,000,000	$57,186,589	$51,000,000	$63,965,957	$51,000,000	$70,727,770

Bound loans are secured over all the present and future property and assets, including rights to operate the facility, a security interest in the debt service reserve account and the major maintenance reserve account.

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

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities:							
Secured bond issues	57,186,589	109,840,330	3,854,840	3,854,840	15,419,360	23,129,041	61,582,249
Accounts payables and accrued liabilities	555,222	555,222	555,222	–	–	–	–

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

10. Personnel expenses

	2012	2011
Wages and salaries	$ 636,629	$ 618,943
Canadian Pension Plan (CPP) and EI remittances	8,253	7,126
	$ 644,882	$ 626,069

Wages and salaries include costs related to contract employees.

11. Expenses

(a) Facility maintenance materials and supplies

	2012	2011
Highway improvements	$ 52,850	$ 28,798
Maintenance services	1,427,787	1,348,247
Maintenance materials and supplies	81,172	318,718
Technical services and warranties	71,578	13,601
	$ 1,633,387	$ 1,709,364

(b) Engineering and professional fees

	2012	2011
Legal fees	$ 3,071	$ 19,420
Audit fees	43,123	39,930
Consulting fees	48,184	61,730
Engineering fees	43,605	90,141
	$ 137,983	$ 211,221

11. Expenses (continued)

(c) Other costs

	2012	2011
Training	$ 16,018	$ 14,059
Office supplies and stationery	14,004	18,187
Office equipment	74,620	76,390
Utilities	57,341	62,210
Travel and transportation costs	9,483	32,422
Enforcement	60,000	60,000
Security	39,816	34,947
Facility operator management fee	207,420	191,253
Meeting costs	16,245	20,575
Administrative costs	49,132	53,213
	$ 544,079	$ 563,256

12. Finance income and finance costs

	2012	2011
Interest income on restricted assets	$ 451,329	$ 352,676
Interest income on bank deposits	8,351	3,721
Net change in fair value of financial assets at fair value through profit or loss	(56,218)	26,145
Finance income	403,462	382,542
Interest expense on long-term debt	(9,007,513)	(9,665,628)
Finance cost	(9,007,513)	(9,665,628)
Net finance costs recognized in profit or loss	$(8,604,051)	$(9,283,086)

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 behaviour. 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:

13. Financial risk management (continued)

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

Credit risk

Exposure to credit risk

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

	Carrying amount		
	Year ended March 31, 2012	Year ended March 31, 2011	April 1, 2010
Restricted assets	$ 38,033,691	$ 38,179,185	$ 41,458,286
Receivables	957,332	928,577	970,161
Cash	528,556	752,336	486,139
	$ 39,519,579	$ 39,860,098	$ 42,914,586

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

13. Financial risk management (continued)

The aging of receivables at the reporting date was:

	March 31, 2012	March 31, 2011	April 1, 2010
Not past due	928,408	578,672	902,993
Past due 30-60	7,745	349,905	17,695
Past due 60-90	17,384	–	–
Over 90 days	3,795	–	49,473
	957,332	928,577	970,161

There is no allowance for impairment in respect to receivables and no write offs of receivable balances within the past three fiscal years. The Corporation has receivables with reputable organizations and therefore believes there is no exposure to credit risk.

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

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

Liquidity risk

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

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

Interest rate risk

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

14. Financial instruments

Fair value versus carrying amounts

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

		March 31, 2012		March 31, 2011	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value:					
Restricted assets	6	38,033,691	38,033,691	$ 38,179,185	$ 38,179,185
Receivables	5	957,332	957,332	928,577	928,577
Cash		528,556	528,556	752,336	752,336
Liabilities carried at amortized cost:					
Secured bond issues	9	57,186,589	88,798,393	63,965,957	96,955,441
Trade and other payables	8	555,222	555,222	532,684	532,684

All the Corporation's financial instruments are classified as Level 1 and 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. Capital commitments

During the year ended March 31, 2012, the Corporation entered into a contract to purchase property, plant and equipment for $1,102,000.

16. Related parties

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, enforcement, purchases of inventory and property, plant and equipment. Collectively the transactions increase enforcement costs by $60,000 (March 31, 2011 - $60,000), maintenance services by $1,163,740 (March 31, 2011 - $1,135,509), increase inventory by $15,060 (March 31, 2011 - $20,720), and increase property, plant and equipment by $35,000 (March 31, 2011 - $70,069).

17. Explanation of translation to IFRS

As stated in note 2(a), these are the Corporation's first financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended March 31, 2012, the comparative information presented in these financial statements for the year ended March 31, 2011 and in the preparation of an opening IFRS statement of financial position at April 1, 2010 (the Corporation's date of transition).

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet as at the transition date of April 1, 2010 and allows certain exemptions on the transition to IFRS. There were no elections considered significant to the Corporation applied.

In preparing its opening IFRS statement of financial position, the Corporation has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Corporation's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

17. Explanation of translation to IFRS (continued)

(a) Reconciliation of equity:

	Note	April 1, 2010 Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets:				
Cash		$ 486,139	$ –	$ 486,139
Inventory		8,733	–	8,733
Prepaids		426,761	–	426,761
Receivables		970,161	–	970,161
		1,891,794	–	1,891,794
Non-current assets:				
Restricted assets		41,458,286	–	41,458,286
Property, plant and equipment	(iii)	94,470,628	(37,280,458)	57,190,170
		135,928,914	(37,280,458)	98,648,456
		$ 137,820,708	$ (37,280,458)	$ 100,540,250
Liabilities and Equity				
Current liabilities:				
Accounts payables and accrued liabilities		$ 1,467,459	$ –	$ 1,467,459
Current portion of-long-term debt		1,868,622	–	1,868,622
Deferred revenue		885,072	–	885,072
		4,221,153	–	4,221,153
Non-current liabilities:				
Long-term debt	(ii)	68,790,390	68,758	68,859,148
Deferred government grant	(i)	40,356,497	(28,792,675)	11,563,822
		109,146,887	(28,723,917)	80,422,970
Equity:				
Share capital		1	–	1
Reserve for restricted assets		35,519,269	–	35,519,269
Deficit		(11,066,602)	(8,556,541)	(19,623,143)
		24,452,668	(8,556,541)	15,896,127
		$ 137,820,708	$ (37,280,458)	$ 100,540,250

17. Explanation of translation to IFRS (continued)

	Note	March 31, 2011 Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets:				
Cash		$ 752,336	$ –	$ 752,336
Inventory		10,357	–	10,357
Prepaids		419,467	–	419,467
Receivables		928,577	–	928,577
		2,110,737	–	2,110,737
Non-current assets:				
Restricted assets		38,179,185	–	38,179,185
Property, plant and equipment	(iii)	91,196,464	(39,351,734)	51,844,730
		129,375,649	(39,351,734)	90,023,915
		$ 131,486,386	$ (39,351,734)	$ 92,134,652
Liabilities and Equity				
Current liabilities:				
Accounts payables and accrued liabilities		$ 532,684	$ –	$ 532,684
Current portion of-long-term debt		1,919,228	–	1,919,228
Deferred revenue		987,100	–	987,100
		3,439,012	–	3,439,012
Non-current liabilities:				
Long-term debt	(ii)	61,972,816	73,913	62,046,729
Deferred government grant	(i)	38,661,199	(28,354,469)	10,306,730
		100,634,015	(28,280,556)	72,353,459
Equity:				
Share capital		1	–	1
Reserve for restricted assets		32,240,169	–	32,240,169
Deficit		(4,826,811)	(11,071,178)	(15,897,989)
		27,413,359	(11,071,178)	16,342,181
		$ 131,486,386	$ (39,351,734)	$ 92,134,652

17. Explanation of translation to IFRS (continued)

(b) Reconciliation of comprehensive income for the year ended March 31, 2011

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue		$ 19,837,528	$ –	$ 19,837,528
Expenses:				
Fees and banking services		313,216	–	313,216
Wages and benefits		626,069	–	626,069
Toll collections		941,385	–	941,385
Facility maintenance, materials and supplies	(iii)	2,181,520	(472,156)	1,709,364
Engineering and professional fees		211,221	–	211,221
Insurance		169,119	–	169,119
Other costs		563,256	–	563,256
		5,005,786	(472,156)	4,533,630
Earnings from operations before the following items		14,831,742	472,156	15,303,898
Finance income		382,542	–	382,542
Finance costs	(i)	(9,660,062)	(5,566)	(9,665,628)
Net finance costs		(9,277,520)	(5,566)	(9,283,086)
Amortization	(iii)	(4,294,152)	(2,543,431)	(6,837,583)
Government grant amortization	(i)	1,700,621	(437,796)	1,262,825
Net income (loss) being comprehensive income (loss)		$ 2,960,091	$ (2,514,637)	$ 446,054

17. Explanation of translation to IFRS (continued)

(i) Government grants

Under Canadian GAAP funding from the Province of Nova Scotia was accounted for as a Government Grant. Under IFRS this funding is viewed as the Government's participation in the ownership of the corporation and, as a result, is scoped out of IAS 20, Government Grants. The adjustment on transition to IFRS is to record the funding as contributed capital within equity.

(ii) Financing fees

The amortization period related to financing, commitment and bondholder representative fees were adjusted to reflect the expected project end date of March 31, 2019.

(iii) Property, plant and equipment

Under IFRS, the useful life of an asset is defined in terms of the asset's expected utility to the entity. The Corporation has therefore adjusted the amortization period so that it does not extend beyond the project end date. More detailed asset componentization was also required under IFRS. These factors resulted in a net book value decrease in property, plant and equipment on adoption of IFRS.

Material adjustments to the statement of cash flows for 2011

Interest paid has been moved into the body of the *Statement of Cash Flows*, whereas they were previously disclosed as supplementary information. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.