Financial Statements of

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Highway 104 Western Alignment Corporation

Opinion

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

- the statement of financial position as at March 31, 2020,
- the statement of comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended,
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Halifax, Canada

June 4, 2020

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 701,734	$ 1,128,179
Prepaids and other (note 4)	575,336	557,469
Receivables (note 5)	1,079,671	950,608
	2,356,741	2,636,256
Non-current assets:		
Restricted assets (note 6)	84,176,399	72,568,611
Property, plant and equipment (note 7)	24,706,928	27,106,760
	108,883,327	99,675,371
	$ 111,240,068	$ 102,311,627
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 2,453,307	$ 2,608,886
Current portion of-long-term debt (note 9)	3,600,121	3,256,779
Deferred revenue	1,483,859	1,382,279
	7,537,287	7,247,944
Non-current liabilities:		
Long-term debt (note 9)	24,556,309	28,156,430
Deferred government grant	2,512,764	2,889,892
	34,606.360	38,294,266
Equity:		
Share capital	1	1
Reserve for restricted assets	79,810,149	66,620,574
Deficit	(3,176,442)	(2,603,214)
	76,633,708	64,017,361
Commitments (note 15)		
	$ 111,240,068	$ 102,311,627

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

Approved on behalf of the Shareholder:

_______________________ President

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION
Statement of Comprehensive Income

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Facility revenue	$ 23,321,753	$ 23,440,595
Expenses:		
Fees and banking services	372,993	360,650
Wages and benefits (note 10)	732,464	718,154
Toll collection	1,250,842	1,202,626
Facility maintenance, materials and supplies (note 11)	1,903,588	1,943,597
Engineering and professional fees (note 11)	169,262	138,187
Insurance	206,129	179,617
Other costs (note 11)	651,583	601,299
	5,286,861	5,144,130
Earnings from operations before the following items	18,034,892	18,296,465
Finance income (note 12)	1,688,520	1,480,851
Finance costs (note 12)	(3,073,720)	(3,384,377)
Net finance costs	(1,385,200)	(1,903,526)
Depreciation	(4,411,678)	(4,089,855)
Government grant amortization	378,334	378,328
Net income, being comprehensive income	$ 12,616,348	$ 12,681,412

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

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION
Statement of Changes in Equity

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Share capital (1 share)	$ 1	$ 1
Deficit:		
Beginning of year	$ (2,603,214)	$ (7,157,501)
Net earnings for the year	12,616,348	12,681,412
Transfer to restricted assets	(13,189,576)	(8,127,125)
End of year	(3,176,442)	(2,603,214)
Reserve for restricted assets:		
Beginning of year	66,620,574	58,493,446
Transfers from project account	18,468,000	20,019,000
Interest income	1,618,411	1,312,074
Long-term debt payments, including interest	(6,329,292)	(6,329,293)
Change in market value of restricted assets	26,248	131,362
Major maintenance payments, including HST to be recovered	(593,792)	(7,006,015)
End of year	79,810,149	66,620,574
Total equity	$ 76,633,708	$ 64,017,361

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

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION
Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Increase (decrease) in cash:		
Operating activities:		
Net income	$ 12,616,348	$ 12,681,412
Items not affecting operating cash:		
Government grant amortization	(378,334)	(378,328)
Depreciation and loss on disposal	4,411,678	4,089,855
Net finance costs	1,385,200	1,903,526
Change in prepaids and other	(17,867)	(36,769)
Change in receivables	(129,065)	789,878
Change in accounts payable and accrued liabilities	(155,580)	(5,124,143)
Change in deferred revenue	101,580	66,446
	17,833,960	13,991,877
Investing:		
Interest received	2,102,716	617,043
Net cash increase in restricted assets	(12,021,984)	(7,263,237)
Purchase of property, plant and equipment	(2,011,845)	(666,284)
	(11,931,113)	(7,312,478)
Financing:		
Interest paid	(3,065,208)	(3,375,872)
Payment on long-term debt principal	(3,264,084)	(2,953,421)
	(6,329,292)	(6,329,293),
Increase in cash	(426,445)	350,106
Cash, beginning of year	1,128,179	778,073
Cash, end of year	$ 701,734	$ 1,128,179

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

2. Basis of preparation

(a) Statement of compliance

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

The financial statements were authorized for issue by the President on June 4, 2020.

(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.

2. Basis of preparation (continued)

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

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

Judgments:

(i) Capitalization and componentization

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

Estimates

(i) Depreciation and amortization

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

(ii) Debt repayment

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

3. Significant accounting policies

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

(a) Financial instruments

Initial measurement and classification

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

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

On initial recognition, a financial asset is classified as measured at amortized cost or Fair Value Through Profit and Loss ("FVTPL") while a debt instrument is recognized at 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
- it's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- it's 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.

3. Significant accounting policies (continued)

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.

3. Significant accounting policies (continued)

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

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

(i) Fair value measurement

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

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 – Applies to assets or liabilities for which there is no observable market data.

Impairment of financial assets

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

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

3. Significant accounting policies (continued)

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

(b) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Repairs and maintenance

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

(iii) Depreciation

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

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

3. Significant accounting policies (continued)

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

Category	Useful life	Weighted average remaining useful life at March 31, 2020
Toll highway and road surface treatments	20 - 80 years	6 years
Tolling system	5 years	4 years
Toll plaza	40 years	6 years
Other assets	10 years	6 years

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

(c) Impairment

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

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

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

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

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

(d) Facility revenue

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

3. Significant accounting policies (continued)

(e) Government grants

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

(f) Finance income and finance costs

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

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

(g) Presentation of Financial Statements

Application of new and revised standards:

Leases:

The Corporation adopted the following standards and amendments to accounting standards effective April 1, 2019:

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

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

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

Management has determined that the impact of IFRS 16 is not significant to the Corporation.
New leases will be reviewed and if required set up as right-of-use assets.

4. Prepaids and other

		2020		2019
Advance to facility operator	$	524,404	$	504,832
Operating expenses		42,788		38,181
Inventory		8,144		14,456
	$	575,336	$	557,469

5. Receivables

		2020		2019
Due from the Province of Nova Scotia	$	729,027	$	815,145
HST receivable		266,364		90,636
Other trade receivables		84,280		44,827
	$	1,079,671	$	950,608

6. Restricted assets

		2020		2019
Capital reserve account	$	61,477,124	$	51,245,964
Major maintenance reserve account		16,274,495		14,895,875
Debt service reserve account		6,424,780		6,426,772
	$	84,176,399	$	72,568,611

Restricted assets are comprised of bank bearer deposit notes and bankers acceptances which are recorded at amortized cost and include accrued interest of $351,346 (March 31, 2019 - $791,790), have a weighted average term of 4.26 months to maturity (March 31, 2019 – 5.8 months), and a weighted average interest rate of 1.46% (March 31, 2019 – 2.33%).

6. Restricted assets (continued)

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

(i) The capital reserve account has been established to provide funds to pay the interest and principal on the senior bonds. These funds are also available to pay the trustee and bondholders' representative fees to the extent they are not paid out of the project account. This account provides funding to the major maintenance reserve and the senior debt reserve accounts. The capital reserve account is funded from excess funds transferred from the project bank 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 account is 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, 2019	6,411,332	4,072,937	107,736,078	32,088,780	50,498	150,359,625
Additions	293,374	820,481	3,870	894,121	–	2,011,846
Balance Mar 31, 2020	6,704,706	4,893,418	107,739,948	32,982,901	50,498	152,371,471
Balance, April 1, 2018	$5,989,936	3,828,049	107,736,078	32,088,780	50,498	149,693,341
Additions	421,396	274,888	–	–	–	696,284
Disposals		(30,000)	–	–	–	(30,000)
Balance Mar 31, 2019	6,411,332	4,072,937	107,736,078	32,088,780	50,498	150,359,625
Depreciation						
Balance, April 1, 2019	4,709,016	3,161,858	97,867,820	17,469,726	44,445	123,252,865
Depreciation for the year	270,681	514,951	1,409,843	2,215,337	866	4,411,678
Balance, Mar 31, 2020	4,979,697	3,676,809	99,277,663	19,685,063	45,311	127,664,543
Balance, April 1, 2018	$4,496,049	2,783,894	96,458,200	15,381,291	43,576	119,163,010
Depreciation for the year	212,967	377,964	1,409,620	2,088,435	869	4,089,855
Balance, Mar 31, 2019	4,709,016	3,161,858	97,867,820	17,469,726	44,445	123,252,865
Carrying amounts:						
At March 31, 2019	$1,702,316	911,079	9,868,258	14,619,054	6,053	27,106,760
At March 31, 2020	$1,725,009	1,216,609	8,462,285	13,297,838	5,187	24,706,928

8. Accounts payable and accrued liabilities

	2020	2019
Trade payables	$ 1,671,892	$ 946,706
Accrued expenses	781,415	1,662,180
	$ 2,453,307	$ 2,608,886

9. Long-term debt

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

	Nominal interest rate	Year of maturity	Face value	2020 Carrying amount	Face value	2019 Carrying amount
Senior toll revenue bonds	10.128%	2026	$28,200,260	$28,200,260	$31,464,415	$31,464,415

	2020	2019
Senior toll revenue bonds carrying amount	$ 28,200,260	$ 31,464,415
Deferred finance fees	(43,830)	(51,206)
	28,156,430	31,413,209
Current portion of long-term debt	3,600,121	3,256,779
	$ 24,556,309	$ 28,156,430

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

9. Long-term debt (continued)

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	3-5 years	More than 5 years
Non-derivative financial liabilities:							
Secured bond issues	$28,200,260	$37,975,751	$3,164,646	$3,164,646	$6,329,292	$18,987,875	$6,329,292
Accounts payables and accrued liabilities	2,453,307	2,453,307	2,453,307	–	–	–	–

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.

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

	2020	2019
Balance, April 1, 2019	$31,413,209	$34,359,325
Changes from financing cash flows:		
Repayment of principal	(3,264,084)	(2,953,421)
Other changes liability related:		
Amortization of deferred financing fees	7,305	7,305
	$28,156,430	$31,413,209

10. Wages and benefits

	2020	2019
Wages and benefits	$ 650,832	$ 621,639
Canadian Pension Plan (CPP) and EI remittances	81,632	96,515
	$ 732,464	$ 718,154

Wages and benefits include costs related to contract employees.

11. Expenses

(a) Facility maintenance, materials and supplies

	2020	2019
Highway improvements	$ 20,525	$ 8,401
Maintenance services	1,560,264	1,660,522
Maintenance materials and supplies	223,109	157,290
Technical services and warranties	99,690	117,384
	$ 1,903,588	$ 1,943,597

(b) Engineering and professional fees

	2020	2019
Legal fees	$ 32,414	$ 3,503
Audit fees	35,864	31,850
Consulting fees	38,012	20,390
Engineering fees	62,972	82,444
	$ 169,262	$ 138,187

(c) Other costs

	2020	2019
Training	$ 18,877	$ 10,392
Office supplies and stationery	21,073	21,909
Office equipment	82,024	79,780
Utilities	64,543	61,804
Travel and transportation costs	12,545	12,913
Enforcement	60,000	60,000
Security	38,255	34,354
Facility operator management fee	265,820	255,046
Meeting costs	10,066	9,227
Administrative costs	78,380	55,874
	$ 651,583	$ 601,299

12. Finance income and finance costs

	2020	2019
Interest income on restricted assets	$ 1,644,660	$ 1,443,437
Interest income on bank deposits	43,860	37,414
Finance income	1,688,520	1,480,851
Interest expense on financial liabilities	(3,073,720)	(3,384,377)
Finance costs	(3,073,720)	(3,384,377)
Net finance costs recognized in profit or loss	$(1,385,200)	$(1,903,526)

13. Financial risk management

Overview

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

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

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

Risk management

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

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

Operational risk

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

13. Financial risk management (continued)

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

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

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

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

Credit risk

Exposure to credit risk

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

	Carrying amount	
	Year ended March 31, 2020	Year ended March 31, 2019
Restricted assets	$ 84,176,399	$ 72,568,611
Receivables	1,079,671	950,608
Cash	701,734	1,128,179
	$ 85,957,804	$ 74,647,398

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

13. Financial risk management (continued)

The aging of receivables at the reporting date was:

	2020	2019
Not past due	$1,057,318	$ 949,508
Past due 30-60	-	
Past due 60-90	-	
Over 90 days	22,353	1,100
	$1,079,671	$ 950,608

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

Restricted asset investments consist of short-term money market investments. 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 and a third party trustee.

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 short-term market interest rates. The Corporation invests in fixed short-term investments guaranteed by the Government of Canada, provincial governments, or Schedule 1 banks.

14. Financial instruments

Fair value versus carrying amounts

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

The fair value of the secured bond, and the carrying amount shown in the Statement of Financial Position is as follows:

		March 31, 2020		March 31, 2019	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities carried at amortized cost:					
Secured bond issues	9	28,156,430	36,296,593	31,413,209	40,771,421

	March 31, 2020			March 31, 2019		
	Fair value			Fair value		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Liabilities						
Long-term debt	–	–	36,296,593	–	–	40,771,421

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

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

15. Commitments

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

	Capital	Service contract
2021	$ 1,600,000	$ 1,347,100
2022	1,600,000	-
2023	1,600,000	-
2024	1,600,000	-
2025	1,600,000	-
Total contractual obligations	$8,000,000	$ 1,347,100

Capital

Capital commitments are based on the Major Maintenance Reserve Fund Agreement between the Corporation, the Trustee and the Bondholders' Representative to provide for the major maintenance work required during the operating period of the Facility. The Agreement requires the Corporation, on an annual basis, to engage an independent engineer to report on all major maintenance work to be completed in the upcoming year, as well as a major maintenance budget to determine the required annual amount to be deposited in the Major Maintenance Reserve Account.

Service contract

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

16. Related party transactions

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

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

All other transactions with parties under the control of the government are routine operating transactions carried out as part of the Corporation's normal day-to-day operations. These routine transactions are individually insignificant and include maintenance services ($1,318,000; 2019 - $1,292,300), enforcement, costs ($60,000; 2019 - $60,000), purchases of inventory ($8,145; 2019 - $30,192) and property, plant and equipment ($46,631.48; 2019 - $7,356).

17. Comparative information

These financial statements contain certain reclassifications of prior year amounts to be consistent with the current period presentation

18. Subsequent event

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian government, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, which may have a direct impact on the Corporation's financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Corporation will include a reduction in revenue.