Financial Statements of

HALIFAX DARTMOUTH BRIDGE COMMISSION

Year ended March 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Chair and Commissioners of Halifax Harbour Bridges

We have audited the accompanying financial statements of Halifax-Dartmouth Bridge Commission (operating as Halifax Harbour Bridges), which comprise the statement of financial position as at March 31, 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 Commission'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 Commission'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 Halifax-Dartmouth Bridge Commission as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

Chartered Accountants
June 18, 2015
Halifax, Canada

HALIFAX DARTMOUTH BRIDGE COMMISSION

Statement of Financial Position

March 31, 2015, with comparative figures for 2014
(in thousands of dollars)

		2015		2014
Assets				
Current assets:				
Cash	$	13,632	$	9,270
Receivables		1,562		306
Prepaid expenses		183		183
		15,377		9,759
Restricted assets (note 5)		6,546		15,903
Big Lift Fund (note 6)		133,300		-
Property, plant and equipment (note 7)		124,136		98,400
	$	279,359	$	124,062
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued liabilities (note 8)	$	7,537	$	3,778
Refundable customer transponder amounts		19		20
Deferred revenue		3,064		2,935
Current portion of unearned revenue		108		103
Current portion of-long-term debt (note 9)		3,000		3,000
		13,728		9,836
Employee future benefits (note 16)		199		205
Unearned revenue		668		44
Long-term project holdbacks		2,203		-
Long-term debt (note 9)		178,551		39,000
		195,349		49,085
Equity:				
Reserve for restricted assets		6,546		15,903
Retained earnings		77,464		59,074
		84,010		74,977
Commitments (note 18)				
	$	279,359	$	124,062

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

Approved on behalf of the Commission:

W Mason

Wayne Mason
Chair

Vicki Harnish

Vicki Harnish
Vice Chair

HALIFAX DARTMOUTH BRIDGE COMMISSION

Statement of Comprehensive Income

Year ended March 31, 2015, with comparative figures for 2014
(in thousands of dollars)

	2015 Budget	2015 Actual	2014 Actual
Revenue:			
Toll revenue	$ 31,900	$ 31,008	$ 31,576
Other rate revenue	125	184	163
Other income	320	391	368
	32,345	31,583	32,107
Expenses:			
Operating expenses	7,593	7,056	6,357
Maintenance expenses	4,002	3,293	3,767
Amortization of property, plant and equipment	6,836	7,793	7,672
Loss on disposal of property, plant and equipment	60	391	37
	18,491	18,533	17,833
Operating income	13,854	13,050	14,274
Net finance costs (note 10):			
Finance income	(456)	(303)	(386)
Finance costs	2,166	4,320	2,375
	1,710	4,017	1,989
Comprehensive income	$ 12,144	$ 9,033	$ 12,285

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

HALIFAX DARTMOUTH BRIDGE COMMISSION

Statement of Changes in Equity

Year ended March 31, 2015, with comparative figures for 2014
(in thousands of dollars)

		Restricted Assets				
	Retained earnings	Capital fund	Operations and maintenance (OM) fund	Debt service fund	Total restricted	Total equity
Balance, April 1, 2013	48,675	9,997	2,858	1,162	14,017	62,692
Comprehensive income	12,110	124	36	15	175	12,285
Transfers to (from)	(1,711)	1,800	5	(94)	1,711	-
Balance, March 31, 2014	59,074	11,921	2,899	1,083	15,903	74,977
Comprehensive income	8,884	96	37	16	149	9,033
Transfers to (from)	9,506	(10,114)	(348)	956	(9,506)	-
Balance, March 31, 2015	77,464	1,903	2,588	2,055	6,546	84,010

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

HALIFAX DARTMOUTH BRIDGE COMMISSION

Statement of Cash Flows

Year ended March 31, 2015, with comparative figures for 2014
(in thousands of dollars)

	2015	2014
Operating activities:		
Net income	$ 9,033	$ 12,285
Amortization of property, plant and equipment	7,793	7,672
Interest expense	1,716	2,286
Investment income	(303)	(386)
Unearned revenue	629	(2)
Unrealized loss on investments	-	89
Premium on long-term debt repayment	2,551	0
Loss on disposal of property, plant and equipment	391	37
	21,810	21,981
Net change in non-cash working capital balances (note 11)	2,631	(28)
	24,441	21,953
Investing activities:		
Purchase of property, plant and equipment	(33,927)	(13,878)
Proceeds from disposal of property, plant and equipment	7	28
Decrease (investment) in capital fund	10,018	(2,013)
Decrease (investment) in OM fund	311	(41)
Decrease (investment) in debt service fund	(972)	79
Investment in Big Lift fund	(133,300)	-
Increase (decrease) in accrued employee future benefits	(6)	17
Investment income received	303	388
	(157,566)	(15,420)
Financing activities:		
Long-term debt repayments	(20,449)	(3,000)
Line of credit payment	-	(2,000)
Proceeds from long-term debt	160,000	-
Increase in long-term project holdbacks	2,203	-
Premium paid on long term debt repayment	(2,551)	-
Interest paid	(1,716)	(2,288)
	137,487	(7,288)
Increase (decrease) in cash	4,362	(755)
Cash, beginning of year	9,270	10,025
Cash, end of year	$ 13,632	$ 9,270

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

1. Reporting entity

The Halifax-Dartmouth Bridge Commission, operating as Halifax Harbour Bridges (HHB) was created in 1950 by a statute of the Province of Nova Scotia (now the Halifax-Dartmouth Bridge Commission Act - Statutes of Nova Scotia, 2005, c.7). HHB's address and principal place of business is 125 Wyse Road, Dartmouth, Nova Scotia, B3A 4K9.

HHB is a self-supporting entity in which the principal business is the operation and maintenance of two toll bridges across the Halifax Harbour; the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. Under the Halifax-Dartmouth Bridge Commission Act, Section 27 (1) - With the approval of the Governor in Council, HHB may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them. The Government of the Province or the Halifax Regional Municipality may request HHB to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project as stipulated under the Halifax-Dartmouth Bridge Commission Act, Section 27 (2).

Under the Halifax-Dartmouth Bridge Commission Act, Section 27 (3) - Any costs incurred by HHB under this Section are expenses of operating the Bridges or a transportation project in respect of which HHB is collecting tolls, fees, rates and other charges.

The audited financial statements were approved by the Board of Commissioners on June 18, 2015.

2. Basis of financial statement preparation

(a) Statement of compliance

HHB, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the CPA Canada Public Sector Accounting Handbook. Government business enterprises are required to use International Financial Reporting Standards (IFRS) for profit-oriented entities, which is the basis under which these financial statements are prepared.

The financial statements are prepared on a going concern basis and have been presented in Canadian dollars. These Financial Statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB) and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

(b) Basis of measurement

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

2. Basis of preparation (continued)

(c) Functional and presentation currency

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

(d) Use of estimates and judgments:

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

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

The following judgments and estimates are those deemed by management to be material to HHB'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 HHB's internal and consulting engineers.

(ii) Depreciation and amortization

Judgment is used when determining the estimated useful lives of property, plant, and equipment. Among other factors, these judgments are based on past experience, as well as information obtained from HHB'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 HHB's internal and consulting engineers. Expected useful lives and residual values are reviewed annually for any change to estimates and assumptions.

3. Significant accounting policies

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

a) Revenue recognition

HHB recognizes revenue at the time a vehicle crosses a bridge. HHB's bridge toll rates are regulated by the Nova Scotia Utility and Review Board (NSUARB). Customer prepayments of their Electronic Toll Collection (ETC) crossings are initially recorded as deferred revenue. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

b) Finance income and finance costs

Finance income comprises interest income on funds invested and changes in the fair market 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.

c) Financial Instruments

Financial instruments are classified into one of the following categories: loans and receivables or fair value through profit and loss (FVTPL). Financial liabilities are classified as FVTPL, or as other financial liabilities. All financial instruments are initially recorded at fair value, plus in the case of instruments other than those classified at FVTPL, directly attributable transaction costs. Loans and receivables and other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial instruments classified as FVTPL are subsequently measured at fair value.

The Corporations Financial Instruments are comprised of the following:

Financial instrument	Classification
Cash	Loans and receivables
Receivables	Loans and receivables
Restricted assets	Loans and Receivables and 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

HHB 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 and loss) are recognized initially on the trade date at which HHB becomes a party to the contractual provisions of the instrument.

HHB derecognizes a financial asset when the contractual right to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of 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 the transferred financial assets that is created or retained by HHB 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, HHB 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.

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. HHB manages investments and makes purchase and sale decisions in accordance with provisions contained within HHB's loan agreements with the Province of Nova Scotia. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred.

The OM Fund, Debt Service Fund and Capital Fund are classified as FVTPL. Transaction costs are expensed when incurred. HHB uses publically available quotations provided by major Canadian financial institution to determine the fair values of HHB's restricted cash and investments.

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 rate method over the terms of the related debt, less any impairment cost. The Big Lift Fund consists of promissory notes due from the Province of Nova Scotia that are classified as loans and receivables.

3. Significant accounting policies (continued)

Cash

Cash includes cash on hand and balances with banks. Interest is received on funds in the general bank account at a rate of prime minus 1.75%.

(ii) Financial liabilities

HHB initially recognizes debt securities issued and subordinate 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.

(iii) Other financial liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Payables, lines of credit and long-term debt are classified as other financial liabilities. Direct and indirect costs that are attributable to the issue of other financial liabilities are presented as a reduction from the carry amount of the related debt and are amortized using the effective interest method over the term of the debt. These financial liabilities are deemed to have been issued at prevailing market rates at the date of advance; accordingly no adjustment for fair value has been made.

d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated amortization and any accumulated impairment losses. Land was recorded at deemed cost as of April 1, 2010, as per the optional election made on the transition to IFRS.

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 labor, any other costs directly attributable to bringing the asset to working condition for its intended use, the cost 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, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. When funds are temporarily invested pending their expenditure on qualifying assets, any such interest income earned on such funds is deducted from the borrowing costs incurred.

3. Significant accounting policies (continued)

When 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 future economic benefits are expected from its use or disposal.

Any 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 and are recognized net within profit or loss.

Any 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 and are recognized net within 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) Amortization of property, plant & equipment

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

Amortization commences in the year an asset is put in use. Amortization methods, useful lives and residual values are reviewed at each financial year end, based on consultation with HHB's internal and external consulting engineers, and adjusted if appropriate. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Asset	Rate
Buildings	5 - 50 years
Bridge and bridge components:	
Angus L. MacDonald	5 - 125 years
A. Murray MacKay	5 - 125 years
Electronic toll transponder	8 years
Other assets	2 - 5 years
IT Computer and other equipment	5 - 25 years
Mobile equipment	5 - 10 years

3. Significant accounting policies (continued)

(e) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit and 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.

Receivables 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 carry amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on an impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amount of 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 assets recoverable amount is estimated.

The recoverable amount of an asset 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 rate that reflects current market assessments of the time value of money and the risk specific to the asset.

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

3. Significant accounting policies (continued)

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 asset 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.

(f) Application of new and revised standards

HHB adopted the following accounting standards and amendments to accounting standards, effective April 1, 2014.

Financial instruments

Amendments to IAS 32, Financial Instruments: Presentation, clarify situations in which an entity has a legally enforceable right to set-off a financial liability and financial asset. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. There was no impact on HHB's financial statements upon adoption of these amendments.

Impairment of assets

Amendments to IAS 36, Impairment of assets, address the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce a requirement to disclose the discount rate used in determining impairment (or reversals) where the recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. There was no impact on HHB's financial statements upon the adoption of these amendments.

Levies

The IASB issued IFRIC 21, Levies in May 2013, which provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognized a liability for a levy only when the triggering event specified in the legislation occurs. There was no impact on HHB's financial statements upon adoption of the standard.

3. Significant accounting policies (continued)

(g) New accounting standards and interpretations issued but not yet adopted

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretation Committee ("IFRIC") issued the following standards that have not been applied in preparing these financial statements as their effective dates fall within annual periods beginning subsequent to the current reporting period. This listing is of standards and interpretations issued which HHB reasonably expects to be applicable at a future date. HHB intends to adopt these standards when they become effective.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after December 31, 2017 and permits early adoption. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

HHB intends to adopt IFRS 15 in its financial statements for the annual period beginning on April 1, 2018. The extent of the impact of adoption of the standard on HHB's financial statements has not yet been determined.

Financial instruments

In July 2014, the IASB issued IFRS 9, Financial Instruments which will replace IAS 39, Financial Instruments: Recognition and Measurement. The replacement standard provides a new model for the classification and measurement of financial instruments. The IASB has determined the revised effective date for IFRS 9 will be for annual periods beginning on or after January 1, 2018. HHB will evaluate the impact of the change to the financial statements based on the characteristics of financial instruments outstanding at the time of the adoption.

On December 18, 2014 the IASB issued amendments to IAS 1, Presentation of financial statements as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning of or after January 1, 2016 and early adoption is permitted. The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on April 1, 2016. The extent of the impact of adoption of the amendments on HHB's financial statements has not yet been determined.

(in thousands of dollars)

4. Harmonized sales tax (HST) and income tax status

As a public sector entity controlled by the Province of Nova Scotia, HHB is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

5. Restricted assets

	2015	2014
Capital fund – 2007 loan	$ 903	$ 11,921
Capital fund – 2015 loan	1,000	-
OM fund – 2007 loan	2,588	2,899
Debt service fund – 2007 Loan	555	1,083
Debt service fund – 2015 Loan	1,500	-
	$ 6,546	$ 15,903

2007 Loan

HHB entered into a long term loan agreement with the Province of Nova Scotia on July 25, 2007. This agreement requires that HHB maintain two reserve funds effective December 4, 2007 which are the Operating, Maintenance & Administrative Fund (OM Fund) and Debt Service Fund. Effective June 4, 2008, a Capital Fund was also established.

Under the terms of the loan agreement, the OM Fund must be maintained at an amount at least equal to 25% of the annual budgeted OM expenses for the following year. This fund can only be used to pay OM expenses, although any amount in the fund in excess of the required balance can be transferred to HHB's unrestricted accounts. At March 31, 2015, the OM Fund was held in a Guaranteed Investment Certificate at a rate of 1.05% per annum, maturing September 27, 2015 and had a market value of $2,588 (2014 - $2,899).

Under the terms of the loan agreement, the Debt Service Fund must be maintained at an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness. This fund can only be used to pay principal, interest, and fees, although any amount in the fund in excess of the required balance can be transferred to HHB's unrestricted accounts. At March 31, 2015, the Debt Service Fund was held in a Guaranteed Investment Certificate at a rate of 1.05% per annum, maturing September 27, 2015 and had a market value of $555 (2014 - $1,083).

5. Restricted assets (continued)

Under the terms of the loan agreement, HHB established and deposited a minimum of $900 to a Capital Fund commencing June 4, 2008, and every six months thereafter for the duration of the loan. Withdrawals are permitted from the Capital Fund to pay amounts owing in respect of the principal or interest on the long term loan, or for the maintenance of, or improvements to, the bridges. In October 2014, $12,913 was withdrawn from the 2007 loan Capital Fund and applied against the principal of the 2007 loan. At March 31, 2015, the Capital Fund, held by the Province of Nova Scotia, had a market value of $903 (2014 - $11,921) and was invested in a Bankers Acceptance earning 1.20% per annum.

2015 Loan

HHB entered into a long term loan agreement with the Province of Nova Scotia on February 06, 2015, for the capital project to replace the suspended span of the Macdonald Bridge. This agreement requires that HHB maintain an OM Fund, a Debt Service Fund, and a Capital Fund. The existing OM Fund for the 2007 loan meets the requirements for the 2015 loan.

Under the terms of the loan agreement, the Debt Service Fund must be maintained at a minimum amount of $1,500 in the 2015 and 2016 fiscal years. Following this period, the fund is to be maintained at equal to or greater than the debt service amount for the next fiscal year. This fund can only be used to pay principal, interest, and other amounts coming due, although any amount in the fund in excess of the required balance can be transferred to HHB's unrestricted accounts. At March 31, 2015, the Debt Service Fund was held in a Guaranteed Investment Certificate with a rate of 1.00% per annum, maturing August 10, 2015 and had a market value of $1,500.

Under the terms of the loan agreement, HHB established and deposited a minimum of $1,000 to a Capital Fund commencing March 6, 2015, and will continue every six months over four years in order to accumulate a minimum of $8,000. This fund can only be used for payment of costs arising from any capital improvements planned for the Bridges, excluding re-decking projects. At March 31, 2015, the Capital Fund, held by the Province of Nova Scotia, had a market value of $1,000. Current investment is in a Bankers Acceptance earning 0.842% per annum.

6. Big Lift Fund

The Big Lift Fund consists of proceeds from the 2015 loan not yet expended on the Macdonald Bridge suspended span replacement. Under the terms of the loan agreement, these amounts have been invested in term promissory notes issued by the Province of Nova Scotia. The promissory notes mature monthly, through September 2017, in various amounts, to enable HHB to make payments to third parties within the following 30 days in respect of capital improvements to the Macdonald Bridge.

(in thousands of dollars)

7. Property, plant and equipment

Cost	Land	Buildings	Bridge ALM	Bridge AMM	ETC	Other	Comp Equip.	Mobile Equip.	WIP	Total
Balance, March 31, 2014	$ 9,184	$ 5,650	$ 72,679	$ 41,250	$ 5,452	$ 13,990	$ 9,299	$ 1,841	$ 23,274	$ 182,619
Additions	-	(67)	35	2,137	254	196	159	19	31,194	33,927
Retirements	-	-	(50)	(715)	-	(18)	-	(83)	-	(866)
Transfers	-	2,337	-	-	-	255	101	-	(2,693)	-
Balance, March 31, 2015	$ 9,184	$ 7,920	$ 72,664	$ 42,672	$ 5,706	$ 14,423	$ 9,559	$ 1,777	$ 51,775	$ 215,680

Accumulated amortization	Land	Buildings	Bridge ALM	Bridge AMM	ETC	Other	Comp Equip.	Mobile Equip.	WIP	Total
Balance, March 31, 2014	$ -	$ 2,258	$ 44,441	$ 21,425	$ 3,686	$ 4,288	$ 6,965	$ 1,156	$ -	$ 84,219
Amortization expense	-	210	3,189	1,541	488	1,182	1,026	157	-	7,793
Retirements	-	-	(50)	(323)	-	(18)	-	(77)	-	(468)
Balance, March 31, 2015	$ -	$ 2,468	$ 47,580	$ 22,643	$ 4,174	$ 5,452	$ 7,991	$ 1,236	$ -	$ 91,544
Net Book Values										
Balance, March 31, 2014	$ 9,184	$ 3,392	$ 28,238	$ 19,825	$ 1,766	$ 9,702	$ 2,334	$ 685	$ 23,274	$ 98,400
Balance, March 31, 2015	$ 9,184	$ 5,452	$ 25,084	$ 20,029	$ 1,532	$ 8,971	$ 1,568	$ 541	$ 51,775	$ 124,136

(in thousands of dollars)

8. Accounts payable and accrued liabilities

	2015	2014
Trade payables	$ 3,235	$ 1,647
Accrued expenses	2,843	744
Project holdbacks	398	619
Accrued liabilities	1,061	768
	$ 7,537	$ 3,778

9. Long-term debt

	2015	2014
Province of Nova Scotia – 2007 Loan	$ 21,551	$ 42,000
Province of Nova Scotia – 2015 Loan	160,000	-
	181,551	42,000
Less: current portion	(3,000)	(3,000)
	$ 178,551	$ 39,000

Long term debt consists of two separate loans from the Province of Nova Scotia:

2007 Loan

A $60,000 unsecured loan issued July 25, 2007 bearing interest at an average rate of 5.19%. The loan was to assist with (i) the payment on maturity of $100,000 5.95% Toll Revenue Bonds Series 1, due December 4, 2007 and (ii) repayment of advances under a committed revolving credit facility established with the Province of Nova Scotia. The 2007 Loan requires annual principal repayments of $3,000 due December 4th of each year with a final principal payment of $27,000 due on maturity on December 4, 2019. Interest is paid semi-annually on June 4th and December 4th. HHB is in compliance with a rate covenant contained in the loan that requires certain interest coverage ratios be maintained.

On October 22, 2015, HHB made a prepayment of $17,449 which was applied against the final loan principal maturity due in 2019. The prepayment was made at the market value of the principal repaid as determined in the repayment note. The prepayment required a total cash payment of $20,000 which included a market make-whole premium of $2,551 recorded as finance costs on the statement of Comprehensive Income (note 10).

(in thousands of dollars)

9. Long-term debt (continued)

2015 Loan

A $160,000 unsecured loan issued February 6, 2015 bearing interest at an average rate of 2.80%. The loan is to facilitate capital improvements to the Angus L. Macdonald Bridge as contemplated by the Angus L. Macdonald Bridge Suspended Span Replacement Project. The 2015 loan is to be repaid over twenty years starting June 1, 2019 with annual principal repayments of between $4,000 and $10,000. Interest is paid semi-annually on June 1st and December 1st of each year.

Line of Credit

A $60,000 revolving, unsecured line of credit with the Province of Nova Scotia issued June 30, 2008, maturing on December 5, 2019. Interest is charged on outstanding balances at a rate equal to the arithmetical average of the discount rates on Canadian Dealer Offered Rate (CDOR) Banker's Acceptances applicable on the date of the requested advance payable at maturity. As at March 31, 2015, the balance drawn was $nil (2014 - $nil).

Operating Loan Facility

A $5,000, unsecured, operating loan facility with a chartered bank which bears interest at the bank prime rate minus 0.5% per annum. As at March 31, 2015, the balance drawn was $nil (2014 - $nil) and no advances were outstanding during the year.

10. Finance income and finance costs

		2015		2014
Interest income on restricted assets	$	(201)	$	(263)
Investment income		(102)		(123)
Finance income		(303)		(386)
Interest expense on long-term debt		1,716		2,268
Interest on line of credit		-		18
Unrealized loss on investments		-		89
Realized loss on investments		53		-
Market make-whole premium on long-term debt prepayment		2,551		-
Finance costs		4,320		2,375
Net finance cost recognized in profit or loss	$	4,017	$	1,989

(in thousands of dollars)

11. Net change in non-cash working capital balances

		2015		2014
Decrease (increase):				
Accounts receivable	$	(1,256)	$	33
Prepaid expenses		-		42
Increase (decrease):				
Accounts payable and accrued liabilities		3,759		(154)
Deferred revenue		129		51
Refundable customer transponder amounts		(1)		-
Net change	$	2,631	$	(28)

12. Financial risk management

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

- Credit risk
- Interest rate risk
- Liquidity risk

a) Credit risk

HHB provides credit to certain non-toll revenue customers in the normal course of its operations. In order to reduce its credit risk, HHB has adopted credit policies including the monitoring of customer accounts. HHB does not have a significant exposure to any individual customer or counterpart.

12. Financial risk management (continued)

b) Interest rate risk

The long term debt has fixed interest rates for the entire terms of both loans and consequently, there is no risk of higher interest rates in the future. The line of credit and operating loan facility are floating rate facilities with the interest rate set on the date of advance as per note 9 which consequently entails interest rate risk exposure on any outstanding balances.

c) Liquidity risk

HHB is exposed to liquidity risk arising primarily from its long-term debt with the Province of Nova Scotia. The 2007 loan requires a balloon principal repayment of $9,551 on December 4, 2019 and the 2015 loan requires annual repayments of principal, ranging between $4,000 and $10,000, beginning on June 1, 2019.

HHB manages liquidity risk by monitoring short and long-term cash flows and by controlling the level of operating and capital expenditures. The 2007 loan requires annual contributions to a capital fund of $1,800 which may be used to repay principal and interest on the debt. The 2015 loan requires annual contributions to a capital fund of $2,000 to a minimum of $8,000 that is to be maintained for the life of the loan. HHB believes the establishment and continued growth of the 2007 loan capital fund partially offsets the risk associated with the future balloon payment for this loan.

HHB’s cash, restricted cash and investments are invested in liquid interest-bearing investments.

13. Capital management

HHB's capital management objective is to ensure there is adequate cash flow to meet its operational requirements, fund capital expenditures and make required debt payments.

HHB regularly reviews its projected future toll revenues in conjunction with its current cash position and borrowing ability in order to finance significant future projects that are required to upgrade and maintain its property, plant and equipment. There were no changes to HHB's approach to capital management during the year.

14. Related party transactions

As a provincially controlled public sector entity, HHB is considered to be related to the Province of Nova Scotia. HHB is also related to the City of Halifax by virtue of Halifax's right to appoint four members of HHB's Board of Commissioners.

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

HHB has a long-term loan for $60,000 from the Province of Nova Scotia. Interest on the 2007 long-term debt for the period ended March 31, 2015 was $1,716 (2014 - $2,268), of which $356 (2014 - $694) was payable at year end.

HHB has a long-term loan for $160,000 from the Province of Nova Scotia. Interest on the 2015 long-term debt for the period ended March 31, 2015 was $636 (2014 - $nil), of which $636 (2014 - $nil) was payable at year-end.

HHB has a $60,000 revolving, unsecured line of credit from the Province of Nova Scotia. During the period ended March 31, 2015, HHB drew and repaid $16,200 on this facility.

HHB collects toll revenue from the province and HRM and makes purchases from HRM in the normal course of business.

15. Pension plans

HHB sponsors a defined contribution pension plan for all permanent employees. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

HHB recognized an expense of $159 for the period ended March 31, 2015 (2014 - $155). No future contributions are required in respect of past service at March 31, 2015.

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(in thousands of dollars)

16. Accrued employee future benefits

HHB's policy is that all employees whose age and years of service total 80 or more, or who become disabled at any age, will be paid a retirement benefit equal to one month's salary for their first ten years of service, plus one month's salary for each additional five full years of service. The benefit is based on the salary in effect at the time of retirement. HHB has recorded a liability of $199 in retirement benefits at March 31, 2015 (2014 - $205). A total of $20 (2014 - $18) was allocated to operating and maintenance expenses for the period.

HHB's retiring allowance program is unfunded and benefits are based on length of service and final earnings, as per the criteria described in the preceding paragraph.

A summary of principal retirement allowance benefits expense and disclosure information, for the current fiscal year follows. Actuarial measurements are as of March 31, 2015.

Components of benefit cost		2015		2014
Current service cost	$	15	$	14
Interest cost		8		8
Experience adjustments		(18)		-
Changes in financial assumptions		15		(4)
Total benefit cost recognized in the period	$	20	$	18

Changes in accrued benefit obligation		2015		2014
Accrued benefit obligation at end of prior period	$	205	$	187
Current service cost		15		14
Interest cost		8		8
Benefits paid		(26)		-
Actuarial loss (gain)		(3)		(4)
Accrued benefit obligation at the end of period	$	199	$	205

Amounts recognized in the statement of financial position		2015		2014
Accrued benefit obligation	$	(199)	$	(205)
Excess (deficit)		(199)		(205)
Net liability	$	(199)	$	(205)

(in thousands of dollars)

16. Accrued employee future benefits (continued)

Weighted average assumptions for expense	2015	2014
Discount rate	3.40%	4.00%
Rate of compensation increase	2.50%	2.50%
Rate of price inflation	2.50%	2.50%

Weighted average assumptions to determine benefit obligations	2015	2014
Discount rate	4.20%	4.20%
Rate of compensation increase	2.50%	2.50%
Rate of price inflation	2.50%	2.50%

17. Fair value measurement

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

	March 31, 2015				March 31, 2014			
	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Carrying value	Fair value Level 1	Fair value Level 2	Fair value Level 3
Assets								
Cash	$ 13,632	$ 13,632	$ -	$ -	$ 9,270	$ 9,270	$ -	$ -
Receivables	1,422	-	-	1,422	306	-	-	306
Restricted assets	6,546	6,546	-	-	15,903	15,903	-	-
Big Lift Fund	133,300	133,300	-	-	-	-	-	-
Liabilities								
Trade and other payables	7,537	-	-	7,537	3,778	-	-	3,778

All of HHB'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)

(in thousands of dollars)

18. Commitments

HHB has entered into contracts for the 2016 fiscal year for the continued maintenance and capital improvement of the bridges in the amount of $64,058.

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Contract obligations	$ 119	$ 32	$ nil	$ nil	$ nil
Capital contract obligations	63,939	61,174	4,315	nil	nil
Total contract obligations	$ 64,058	$ 61,206	$ 4,315	$ nil	$ nil

19. Comparative information

Certain comparative information for March 31, 2014 have been reclassified to conform with the financial statement presentation adopted for March 31, 2015.