Financial Statements of

HALIFAX DARTMOUTH BRIDGE COMMISSION

Year ended March 31, 2017

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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, 2017, 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, 2017, 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 Professional Accountants, Licensed Public Accountants
June 21, 2017
Halifax, Canada

HALIFAX DARTMOUTH BRIDGE COMMISSION

Statement of Financial Position

March 31, 2017, with comparative figures for 2016
(in thousands of dollars)

		2017		2016
Assets				
Current assets:				
Cash	$	11,172	$	6,698
Receivables		910		4,173
Prepaid expenses		344		230
Current portion of Big Lift Fund (note 6)		34,900		79,508
		47,326		90,609
Restricted assets (note 5)		14,642		10,845
Big Lift Fund (note 6)		–		11,890
Property, plant and equipment (note 7)		248,379		184,574
	$	310,347	$	297,918
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued liabilities (note 8)	$	17,995	$	13,985
Deferred revenue		3,300		3,172
Current portion of unearned revenue		199		38
Current portion of-long-term debt (note 9)		3,000		3,000
		24,494		20,195
Employee future benefits (note 16)		187		187
Unearned revenue		39		1,591
Long-term project holdbacks		–		1,824
Long-term debt (note 9)		172,551		175,551
		197,271		199,348
Equity:				
Reserve for restricted assets		14,642		10,845
Retained earnings		98,434		87,725
		113,076		98,570
Commitments (note 18)				
	$	310,347	$	297,918

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
Audit Committee Chair

HALIFAX DARTMOUTH BRIDGE COMMISSION

Statement of Comprehensive Income

Year ended March 31, 2017, with comparative figures for 2016
(in thousands of dollars)

	2017 Budget (unaudited)	2017 Actual	2016 Actual
Revenue:			
Toll revenue	$ 30,424	$ 30,774	$ 30,976
Other rate revenue	47	49	71
Other income	326	399	360
	30,797	31,222	31,407
Expenses:			
Operating expenses	6,741	6,916	6,601
Maintenance expenses	2,682	2,651	2,837
Amortization of property, plant and equipment	7,015	5,880	6,156
Loss on disposal of property, plant and equipment	–	223	357
	16,438	15,670	15,951
Operating income	14,359	15,552	15,456
Net finance costs (note 10):			
Finance income	(131)	(209)	(168)
Finance costs	2,392	1,255	1,064
	2,261	1,046	896
Comprehensive income	$ 12,098	$ 14,506	$ 14,560

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

HALIFAX DARTMOUTH BRIDGE COMMISSION

Statement of Changes in Equity

Year ended March 31, 2017, with comparative figures for 2016
(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, 2015	$ 77,464	$ 1,903	$ 2,588	$ 2,055	$ 6,546	$ 84,010
Comprehensive income	14,512	31	9	8	48	14,560
Transfers to (from)	(4,251)	3,782	(97)	566	4,251	–
Balance, March 31, 2016	87,725	5,716	2,500	2,629	10,845	98,570
Comprehensive income	14,457	27	10	12	49	14,506
Transfers to (from)	(3,748)	3,801	34	(87)	3,748	-
Balance, March 31, 2017	$98,434	$9,544	$2,544	$2,554	$14,642	$113,076

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

HALIFAX DARTMOUTH BRIDGE COMMISSION

Statement of Cash Flows

Year ended March 31, 2017, with comparative figures for 2016
(in thousands of dollars)

	2017	2016
Operating activities:		
Comprehensive income	$ 14,506	$ 14,560
Amortization of property, plant and equipment	5,880	6,156
Interest expense	1,255	1,064
Investment income	(209)	(168)
Unearned revenue	(1,552)	923
Loss on disposal of property, plant and equipment	223	357
	20,102	22,892
Net change in non-cash working capital balances (note 11)	7,448	3,809
	27,551	26,701
Investing activities:		
Purchase of property, plant and equipment, including capitalized interest of $3,924 (2016 - $4,307) (note 7)	(69,924)	(66,975)
Proceeds from disposal of property, plant and equipment	16	24
Investment in capital fund	(3,828)	(3,813)
Decrease (investment) in OM fund	(44)	88
Decrease (investment) in debt service fund	75	(574)
Investment in Big Lift fund	–	(98)
Decrease in accrued employee future benefits	–	(12)
Investment income received	209	168
	(73,495)	(71,192)
Financing activities:		
Long-term debt repayments	(3,000)	(3,000)
Increase (decrease) in long-term project holdbacks	(1,824)	(379)
Interest paid	(1,255)	(1,064)
Decrease in Big Lift Fund	56,498	42,000
	50,419	37,557
(Decrease) increase in cash	4,474	(6,934)
Cash, beginning of year	6,698	13,632
Cash, end of year	$ 11,172	$ 6,698

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

1. Reporting entity

The Halifax-Dartmouth Bridge Commission (the “Commission”), operating as Halifax Harbour Bridges, 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) and is a government business enterprise as defined by Public Sector Accounting Board recommendations. The Commission's address and principal place of business is 125 Wyse Road, Dartmouth, Nova Scotia, B3A 4K9.

The principal activities of the Halifax-Dartmouth Business Commission is the operation and maintenance of two toll bridges spanning Halifax Harbour; the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

The Commission is exempt from income tax under Section 149 of the income Tax Act.

2. Basis of financial statement 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 (IASB). The financial statements for the year ended March 31, 2017 were approved and authorized for issue by the Board of Commissioners on June 21, 2017.

(b) Basis of measurement

The Commission’s financial statements are prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

(c) Functional and presentation currency

The Commission’s functional and presentation currency is Canadian dollars. All financial information is presented in Canadian dollars and has been rounded to the nearest thousand.

2. Basis of preparation (continued)

(d) Use of estimates and judgments:

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

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

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

Estimates

(i) Depreciation and amortization

Depreciation and amortization is calculated to write off the cost, less estimated residual value, of assets on a systematic and rational basis over the expected useful life of the asset. Estimates of residual value and useful lives are based on past experience, as well as information obtained from the Commission'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

The Commission recognizes revenue at the time a vehicle crosses a bridge. The Nova Scotia Utility and Review Board (NSUARB) regulates toll rates charges by the commission. 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. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. 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, held to maturity or other financial liabilities. All financial instruments are initially recorded at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate method.

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

Financial instrument	Classification
Cash	Loans and receivables
Receivables	Loans and receivables
Restricted assets	Loans and receivables and held to maturity
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities

3. Significant accounting policies (continued)

(i) Financial assets

The Commission initially recognizes loans and receivables on the date that they originate. All other financial assets are recognized initially on the trade date at which the Commission becomes a party to the contractual provisions of the instrument.

The Commission 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 the Commission is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Commission 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 classified as Held to Maturity Investments

A financial asset is classified as a Held to Maturity Investment if they are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Commission intends to hold to maturity.

The OM Fund, Debt Service Fund and Capital Fund contain short-term investments such as Guaranteed Investment Certificates and Bankers Acceptances that are classified as held to maturity investments and initially recorded at fair value plus any directly attributable transaction costs.

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 portion of restricted assets 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 1.95%.

(ii) Financial liabilities

The Commission 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.

(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 the Commission'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 - 25 years
IT Computer and other equipment	3 - 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.

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.

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.

3. Significant accounting policies (continued)

f) Application of new and revised standards:

The Commission adopted the following accounting standards and amendments to accounting standards effective April 1, 2016:

Presentation of Financial Statements

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 adoption of these amendments did not have a significant impact on the Commission's financial statements

Annual Improvements to IFRS

Narrow-scope amendments were made to clarify the following in their respective standards: changes in method for disposal under IFRS 5, "Non-current assets held for sale and discontinued operations"; and disclosure of information 'elsewhere in the interim financial report' under IAS 34, "Interim financial reporting". The adoption of these amendments did not have a significant impact on the Commission's financial statements

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 the Commission reasonably expects to be applicable at a future date. The Commission 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 reporting periods beginning on or after January 1, 2018 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 for 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

3. Significant accounting policies (continued)

contracts with customers. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

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

Financial instruments

In July 2014, the IASB issued IFRS 9 (IFRS 9 (2014)), 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. The extent of the impact of the adoption of the standard on the Commission's financial statements has not yet been determined.

IFRS 16, Leases

IFRS 16, "Leases" ("IFRS 16"), was issued on January 13, 2016 and replaces the current guidance in IAS 17, "Leases". The new standard results in substantially all leases being recorded on the consolidated statement of financial position of the lessee. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Commission is currently evaluating the impact of this new standard on its financial statements.

IAS 7, Statements of Cash Flows

Amendments to IAS 7, "Statements of Cash Flows" ("IAS 7") require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Commission intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on April 1, 2017. The Commission does not expect that the amendments will have a material impact on its financial statements.

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

As a public sector entity controlled by the Province of Nova Scotia, the Commission 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.

(in thousands of dollars)

5. Restricted assets

	2017	2016
Capital fund – 2007 loan	$ 4,521	$ 2,707
Capital fund - 2015 loan	5,023	3,009
OM fund – 2007 loan	2,544	2,500
Debt service fund – 2007 Loan	404	479
Debt service fund – 2015 Loan	2,150	2,150
	$ 14,642	$ 10,845

2007 Loan

The Commission entered into a long term loan agreement with the Province of Nova Scotia on July 25, 2007. This agreement requires that the Commission 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 subject to a minimum balance of $2,500. 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 the Commission's unrestricted accounts. At March 31, 2017, the OM Fund was held in a term deposit at a rate of 1.25% per annum, maturing September 25, 2017 and had a market value of $ 2,544 (2016 - $2,500).

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 the Commission's unrestricted accounts. At March 31, 2017, the Debt Service Fund was held in a term deposit at a rate of 1.25% per annum, maturing September 25, 2017 and had a market value of $404 (2016 - $479).

Under the terms of the loan agreement, the Commission 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, 2017, the Capital Fund was invested in a banker’s acceptance and a guaranteed investment certificate earning between 0.87% - 1.65% per annum with a market value of $4,521 (2016 - $2,707).

5. Restricted assets (continued)

2015 Loan

The Commission entered into a long-term loan agreement with the Province of Nova Scotia on February 06, 2015, with the proceeds used to finance the replacement of the suspended span of the Macdonald Bridge (the Big Lift project). This agreement requires that the Commission maintain an OM Fund, a Debt Service Fund, and a Capital Fund. The existing OM Fund for the 2007 loan satisfies the requirements for the 2015 loan.

Under the terms of the loan agreement, the Debt Service Fund must be maintained at an amount equal to or greater than the debt service amount for the next fiscal year. The Debt Service Fund requirement drops to fifty percent of the 2015 loan debt service amount while the 2007 loan Debt Service Fund is in existence. 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 the Commission's unrestricted accounts. At March 31, 2017, the Debt Service Fund was held in term deposits with a rate of 1.31%, per annum, maturing August 10, 2017 and had a market value of $2,150 (2016 - $2,150).

Under the terms of the loan agreement, the Commission 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 to accumulate the required Capital Fund balance 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, 2017, the Capital Fund had a market value of $5,023 (2016 - $3,009) and was invested in banker's acceptances and a guaranteed investment certificate earning 0.87% – 1.65% per annum.

6. Big Lift Fund

The Big Lift Fund consists of proceeds from the 2015 loan to be spent on the Macdonald Bridge suspended span replacement project. 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 the Commission to make payments to third parties within the following 30 days in respect of capital improvements to the Macdonald Bridge. Amounts expected to be drawn down in the next 12 months to fund expenditures have been included in current assets.

HALIFAX DARTMOUTH BRIDGE COMMISSION

Notes to Financial Statements (continued)

Year ended March 31, 2017
(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, 2016	$ 9,252	$ 8,019	$ 74,179	$ 44,856	$ 5,326	$ 15,968	$ 9,849	$ 2,256	$ 111,065	$ 280,770
Additions	-	202	171,292	680	418	170	801	91	69,506	243,160
Retirements	-	-	(23,553)	-	0	-	-5	(122)	(28)	(23,708)
Transfers	-	-	-	-	-	-	-	-	(173,236)	(173,236)
Balance, March 31, 2017	9,252	8,221	221,918	45,536	5,744	16,138	10,645	2,225	7,307	326,986

Accumulated amortization	Land	Buildings	Bridge ALM	Bridge AMM	ETC	Other	Comp Equip.	Mobile Equip.	WIP	Total
Balance, March 31, 2016	$ -	$ 2,704	$ 47,582	$ 24,640	$ 3,990	$ 6,899	$ 9,006	$ 1,375	$ -	$ 96,196
Amortization expense	-	249	1,552	1,739	581	1,313	271	175	-	5,880
Retirements		-	(23,353)	-	-	-	(1)	(115)	-	(23,469)
Balance, March 31, 2017	-	2,953	25,781	26,379	4,571	8,212	9,276	1,435	-	78,607

Net Book Values

	Land	Buildings	Bridge ALM	Bridge AMM	ETC	Other	Comp Equip.	Mobile Equip.	WIP	Total
Balance, March 31, 2016	$ 9,252	$ 5,314	$ 26,597	$ 20,216	$ 1,336	$ 9,069	$ 843	$ 881	$ 111,065	$ 184,574
Balance, March 31, 2017	$ 9,252	$ 5,268	$ 196,137	$ 19,157	$ 1,173	$ 7,926	$ 1,369	$ 790	$ 7,307	$ 248,379

Included in current year additions to WIP is capitalized interest of $3,924 (2016 - $4,307). Included as an offset to current year WIP additions is interest income earned on the Big Lift Fund of $348 (2016 - $853).

(in thousands of dollars)

8. Accounts payable and accrued liabilities

	2017	2016
Trade payables	$ 5,236	$ 2,540
Accrued expenses	3,373	3,866
Project holdbacks	7,579	7,608
Accrued liabilities	1,807	1,795
	17,995	15,809
Less: long-term portion of project holdbacks	-	(1,824)
	$ 17,995	$ 13,985

9. Long-term debt

	2017	2016
Province of Nova Scotia – 2007 Loan	$ 15,551	$ 18,551
Province of Nova Scotia – 2015 Loan	160,000	160,000
	175,551	178,551
Less: current portion	(3,000)	(3,000)
	$ 172,551	$ 175,551

Principal payments required on the loans for the next five years are due as follows:

2018	$ 3,000
2019	3,000
2020	13,551
2021	5,000
2022	6,000
	$ 30,551

9. Long-term debt (continued)

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

2007 Loan

Originally, 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 $9,551 due on maturity on December 4, 2019. In October 2014, the Commission made an additional prepayment of principal against this loan. Interest is paid semi-annually on June 4th and December 4th. The Commission is in compliance with a rate covenant contained in the loan that requires certain interest coverage ratios be maintained.

2015 Loan

A $160,000 unsecured loan issued February 6, 2015 bearing interest at an average rate of 2.80%. The loan proceeds have financed the replacement of the suspended span of the Macdonald Bridge (the Big Lift 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. In 2017, $3,924 (2016 - $4,307) of interest charges related to this loan are included with the cost of the Project during construction in property, plant and equipment.

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, 2017, the balance drawn was $nil (2016 - $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, 2017, the balance drawn was $nil (2016 - $nil) and no advances were outstanding during the year.

(in thousands of dollars)

10. Finance income and finance costs

	2017 Budget (unaudited)	2017	2016
Interest income on restricted assets	$ (818)	$ (466)	$ (925)
Investment income	(40)	(91)	(96)
Less amounts capitalized to property, plant and equipment	727	348	853
Finance income	(131)	(209)	(168)
Interest expense on long-term debt	5,986	5,179	5,371
Less amounts capitalized to property, plant, and equipment	(3,594)	(3,924)	(4,307)
Finance costs	2,392	1,255	1,064
Net finance cost recognized in profit or loss	$ 2,261	$ 1,046	$ 896

For the year ended March 31, 2017, interest charges of $3,924 (2016 - $4,307) have been included in property, plant and equipment.

11. Net change in non-cash working capital balances

	2017	2016
Decrease (increase):		
Receivables	$ 3,263	$ (2,611)
Prepaid expenses	(114)	(47)
Increase (decrease):		
Accounts payable and accrued liabilities	4,010	6,448
Deferred revenue	128	108
Refundable customer transponder amounts	-	(19)
Current portion unearned revenue	161	(70)
Net change	$ 7,448	$ 3,809

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

The Commission provides credit to certain non-toll revenue customers in the normal course of its operations. In order to reduce its credit risk, the Commission has adopted credit policies including the monitoring of customer accounts.

The Commission has credit risk exposure related to contributions due from partners for the Macdonald Bridge suspended span replacement project. The counterparties involved are government controlled entities.

a) 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

The Commission 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.

The Commission 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. the Commission 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.

The Commission’s cash, restricted assets and Big Lift Fund investments are invested in liquid, interest-bearing, investments.

13. Capital management

The Commission'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.

The Commission 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 the Commission's approach to capital management during the year.

14. Related party transactions

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

The Commission 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.

The Commission has two long-term loans with the Province of Nova Scotia (Note 6). The 2007 loan has an outstanding balance of $15,551 and interest charges for the period ended March 31, 2017 of $910 (2016 - $1,064), of which $258 (2016 - $310) was payable at year end. The 2015 loan has an outstanding balance of $160,000 and interest charges for the period ended March 31, 2017 of $4,290 (2016 - $4,307), of which $1,426 (2016 - $1,438) was payable at year-end.

The Commission has a $60,000 revolving, unsecured line of credit from the Province of Nova Scotia. There were no draws on the facility during the year ended March 31, 2017, nor in the year ended March 31, 2016.

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

15. Pension plans

The Commission 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.

The Commission recognized an expense of $172 or the period ended March 31, 2017 (2016 - $154). No future contributions are required in respect of past service at March 31, 2017.

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(in thousands of dollars)

16. Accrued employee future benefits

The Commission'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 as of March 31, 2015. Under direction from the Commission's parent, the Province of Nova Scotia, this policy was closed effective March 31, 2015 such that services earned towards this benefit are frozen as of that date. The Commission has recorded a liability of $186 in accrued employee benefits at March 31, 2017 (2016 - $187). A total of $nil (2016 - $13) was allocated to operating and maintenance expenses for the period.

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, 2017				March 31, 2016			
	Carrying value	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	$11,172	$11,172	$ –	$ –	$ 6,698	$6,698	$ –	$ –
Receivables	$ 910	$ –	$ 910	$ –	$ 4,173	$ –	$4,173	$ –
Restricted assets	$14,642	$ –	$14,642	$ –	$10,845	$ –	$10,845	$ –
Bif Lift Fund	$34,900	$ –	$34,900	$ –	$91,398	$ –	$91,398	$ –
Liabilities								
Trade and other payables	$17,995	$ –	$17,995	$ –	$13,985	$ –	$13,985	$ –

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

The Commission has entered into contracts for the 2017-18 fiscal year for the continued maintenance and capital improvement of the bridges in the amount of $21,318.

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Contract obligations	$ 234	$ 146	$ 139	$ 122	$ nil
Capital contract obligations	21,084	nil	nil	nil	nil
Total contract obligations	$ 21,318	$ 146	$ 139	$ 122	$ nil

19. Comparative information:

Certain comparative information for March 31, 2016 have been reclassified to conform with the financial statement presentation adopted for March 31, 2017.