

Annual Report – Financial Overview

Financial Highlights – Statement of Comprehensive Income

(In thousands of dollars)	2022 Budget	March 31, 2022 Actual	March 31, 2021 Actual
Revenue	30,611	29,823	25,704
Expenses			
Operations	4,904	4,488	4,457
Maintenance	3,761	3,487	4,494
Administration	3,123	2,782	2,759
Amortization of property and equipment	9,258	9,651	9,338
Total Expenses	21,046	20,408	21,048
Operating Income	9,565	9,415	4,656
Net Finance Costs	3,932	3,910	3,923
Comprehensive Income	5,633	5,505	733

HHB's 2021-2022 audited financial statements are found at www.hdbc.ca/publications

Halifax Harbour Bridges (HHB) was created in 1950 by a statute of the Province of Nova Scotia and is a Government Business Enterprise (GBE) as defined by the Public Sector Accounting Board recommendations. As such, HHB prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).



Revenues

of HHB are derived from tolls based on traffic volumes on the Angus L. MacDonald and A. Murray McKay Bridges and related fees. Toll rates increased 25% on January 3, 2022 following an application to the Nova Scotia Utility and Review Board for an increase to fund future capital projects. Traffic volumes in fiscal 2021-2022 continued to be impacted by the COVID-19 pandemic. The budget assumed traffic levels at 90% of pre-pandemic levels and actual traffic levels finished at 88.5% for the fiscal year. As a result, toll revenues in fiscal 2022 increased over the prior year due to both the increase in rates and increase in traffic from the Covid lows of fiscal 2021. Toll revenue was less than budget as traffic volume did not meet the budgeted level.



Operations

includes the costs to staff the toll facilities, bridge patrol, the MACPASS Customer Service Centre and maintain the tolling equipment and IT infrastructure. In fiscal 2022, costs were below budget due to cost control of toll plaza operations and lower than expected spending in the IT and toll support areas.



Maintenance expenses

include costs of maintaining the structural integrity and operational standards of the bridges along with upkeep of buildings and equipment. These costs include snow removal, corrosion protection through painting, consulting engineering fees and operational costs of buildings, vehicles and properties. Maintenance costs are lower in 2022 compared to the prior year as the prior year included extensive inspections of the MacKay Bridge's main cables which were not repeated in fiscal 2022.



Administrative expenses

include insurance premiums, professional fees, property taxes and wages for accounting, treasury and public relations functions. In fiscal 2022, administration costs were lower than budget as planned spending on consultants for IT and HR initiatives was delayed. Costs were slightly higher than the prior year with increases in insurance and recruitment offset by savings in consulting.



Amortization of property plant and equipment

is a non-cash charge that represents the cost of HHB's long-term capital assets over their expected useful life. Amortization increased in fiscal 2022 as capital projects completed in the prior year are amortized.



Net Finance costs

consist of interest costs for HHB's long term debt offset by interest income earned on cash held in operating and loan reserve accounts. In fiscal 2022, net finance costs decreased compared to the prior year as principal repayments reduced interest expense. Interest income earned on cash balances was slightly higher than planned resulting in net financing costs lower than budget.



Outlook: Revenues and Expenses

The COVID-19 pandemic and its impact on traffic and toll revenue remains unpredictable. As the state of emergency and removal of all restrictions have led to a budget for the coming year that assumes a continued return to normal. For fiscal 2023, HHB has assumed traffic levels will average 95% of pre-pandemic levels. The assumed increase in traffic along with the increase in toll rates will generate higher revenues for fiscal 2023 and higher comprehensive income. The corresponding increase in cash flow is required to pay for the capital improvements to the bridges over the next ten years as presented to the UARB.

Financial Highlights – Statement of Financial Position

(In thousands of dollars)	March 31, 2022	March 31, 2021
Current Assets	10,994	13,139
Restricted Funds and Property Plant and Equipment	289,871	286,348
Total Assets	300,865	299,487
Current Liabilities	17,728	14,853
Long term debt and other liabilities	138,035	145,037
Equity	145,102	139,597
Total Liabilities and Equity	300,865	299,487

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HHB's financial condition remained strong in fiscal 2022 as shown in the statement of financial position. Current assets are primarily cash at \$9.7 million and current liabilities include deferred revenue of \$4.4 million which represents customer deposits in their Macpass accounts. Total assets increased when compared to fiscal 2021 as property plant and equipment rose in value as the age of the bridges has necessitated investment in improvements.

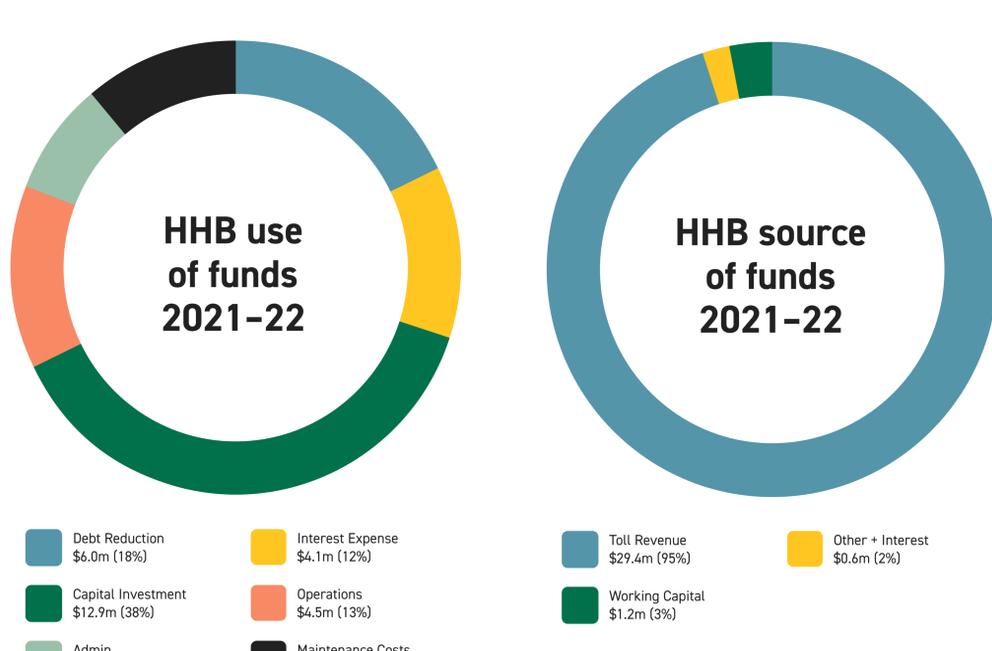
Overall the sum of current liabilities and long term debt have decreased in fiscal 2022 with the repayment of maturing debt. Equity has increased in fiscal 2022 with positive comprehensive income recorded for the year. Approximately \$15.4 million of the equity balance is recorded as a reserve for restricted assets, comprised of funds set aside under various loan agreement terms.



Outlook: Financial Position

HHB presented a ten year plan as part of the application to the UARB for a toll increase that included capital spending of \$280 million over the ten years. The plan included additional long term debt of \$155 million which, along with the increased toll revenues, will pay for the capital projects. It is expected that a portion of this additional debt will be incurred in fiscal 2023.

Financial Highlights – sources and uses of funds



Data for above charts from Statement of Cash Flows, part of HHB's 2021-2022 audited financial statement located at www.hdbc.ca/publications

The two charts above summarize data from the statement of cash flows included in HHB's audited financial statements. The charts illustrate how HHB obtained funding in fiscal 2022 and how the money was spent.

In fiscal 2022, the increase in traffic from prior year along with the increase in toll rates improved toll revenue to \$29.4 million and provided 95% of the cash flow.

66% of the cash spent was Capital investments (38%), debt reduction (16%) and interest expense (12%). The Capital investment of \$12.9 million is primarily improvements to the Bridges and related structures to extend their useful life. Significant projects included steel and coatings work on the Macdonald Bridge, concrete pier rehabilitation and expansion joint replacements. The cash requirements to fund the day to day work of HHB and bridge operations is represented by the categories of "Operations", "Maintenance" and "Administration" totaling \$10.8 million as discussed in the review of the Statement of Comprehensive Income.