Grant Thornton

Consolidated Financial Statements

Island Waste Management Corporation

March 31, 2018

Contents

Management's Responsibility for Financial Reporting
March 31, 2018

The financial statements are the responsibility of management and have been prepared in conformity with International Financial Reporting Standards. Management is also responsible for the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. Based on management's knowledge, having exercised reasonable diligence, the financial statements fairly represent in all material respect, the financial position as at March 31, 2018.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board reviews internal financial reports on a regular basis and externally audited financial statements annually. The Board recommends approval of the audited external financial statements and meets periodically with management and external auditors concerning internal controls and other matters relating to financial reporting.

Grant Thornton, Island Waste Management Corporation's independent auditors, has performed an audit of Island Waste Management Corporation's financial statements in accordance with International Financial Reporting Standards. The Independent Auditor's Report outlines the scope of this independent audit and includes the opinion expressed on the financial statements. The auditors have full and free access to financial information and management of Island Waste Management Corporation as required.

Gerry Moore	Sheri Taylor Bradley
Chief Executive Officer	Chief Financial Officer

Independent auditor's report

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To the Board of Directors of

Island Waste Management Corporation

We have audited the accompanying consolidated financial statements of Island Waste Management Corporation, which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statement of operations and changes in net assets and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Island Waste Management Corporation as at March 31, 2018 and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Charlottetown, Prince Edward Island

June 11, 2018

Chartered Professional Accountants

Island Waste Management Corporation
Consolidated statement of operations and changes in net assets

Year ended March 31		**2018**		2017
Revenues				
Household user fees (Page 20)	**$**	**14,114,980**	$	13,964,992
Disposal fees (Page 20)		**4,419,103**		4,153,636
Tires		**965,751**		875,000
Decommissioning and monitoring		**21,027**		20,683
Environmental Industrial Services Inc. (Page 24)		**1,110,580**		986,487
Stewardships and other		**388,876**		538,929
		21,020,317		20,539,727
Expenditures				
Administration (Page 21)		**1,449,261**		1,484,142
Advertising, education and public relations (Page 21)		**169,669**		153,977
Operational costs				
Residential collection (Page 21)		**5,901,682**		5,669,365
Disposal (Pages 22 - 23)		**7,320,731**		7,138,752
Tire collection and disposal (Page 23)		**965,751**		875,000
Decommissioning and monitoring		**21,027**		20,683
Interest on long-term debt		**1,189,870**		1,275,444
Depreciation		**2,446,274**		2,309,168
Environmental Industrial Services Inc. (Page 24)		**1,110,580**		986,487
Stewardships and other		**300,324**		331,504
		20,875,169		20,244,522
Excess of revenues over expenditures	**$**	**145,148**	$	295,205

Net assets, beginning of year	**$**	**2,100,188**	$	1,804,983
Excess of revenues over expenditures		**145,148**		295,205
Net assets, end of year	**$**	**2,245,336**	$	2,100,188

See accompanying notes and schedules to the consolidated financial statements.

Island Waste Management Corporation
Consolidated statement of financial position

March 31	**2018**	2017
Assets		
Current		
Cash and cash equivalents	**$ 1,108,595**	$ 1,569,838
Receivables (Note 3)	**1,929,900**	1,240,725
Term deposits	**2,500,000**	-
Prepaids	**46,546**	60,671
	5,585,041	2,871,234
Performance deposits	**294,150**	194,150
Term deposits	**1,500,000**	4,000,000
Property and equipment (Note 4)	**22,153,852**	21,045,200
	$ 29,533,043	$ 28,110,584
Liabilities		
Current		
Payables and accruals	**$ 3,458,929**	$ 2,173,642
Current portion of long-term debt (Note 5)	**2,567,182**	2,577,541
Debt due on demand (Note 5)	**155,264**	146,613
	6,181,375	4,897,796
Contractor deposits	**294,000**	194,000
Deferred government assistance (Note 6)	**2,010,135**	224,958
Long-term debt (Note 5)	**16,369,059**	18,422,632
Asset retirement obligation (Note 7)	**2,433,138**	2,271,010
	27,287,707	26,010,396
Net assets	**2,245,336**	2,100,188
	$ 29,533,043	$ 28,110,584

Commitments (Note 8)

On behalf of the Board

_______________________________ Director _______________________________ Director

See accompanying notes and schedules to the consolidated financial statements.

Island Waste Management Corporation
Consolidated statement of cash flows

Year ended March 31	2018	2017
Increase (decrease) in cash and cash equivalents		
Operating		
Cash received from customers	**$ 20,961,529**	$ 20,235,204
Cash payments to suppliers	**(13,077,479)**	(12,866,822)
Cash payments to employees	**(3,382,144)**	(3,279,623)
Interest paid	**(1,201,698)**	(1,286,423)
Interest received	**108,268**	135,808
	3,408,476	2,938,144
Financing		
Proceeds from long-term debt	**612,689**	-
Government assistance received	**1,183,571**	-
Repayment of long-term debt	**(2,667,845)**	(2,487,046)
	(871,585)	(2,487,046)
Investing		
(Increase) decrease in performance deposits	**(100,000)**	(150)
Proceeds from sale of equipment	**12,441**	21,795
Purchase of property and equipment	**(2,910,575)**	(2,168,585)
	(2,998,134)	(2,146,940)
Net (decrease) increase in cash and cash equivalents	**(461,243)**	(1,695,842)
Cash and cash equivalents		
Beginning of year	**1,569,838**	3,265,680
End of year	**$ 1,108,595**	$ 1,569,838

See accompanying notes and schedules to the consolidated financial statements.

1. Nature of operations

The Corporation is a Prince Edward Island crown corporation established under the provisions of the *Environmental Protection Act* and therefore is exempt from income taxes under paragraph 149(1)(d) of the Canadian *Income Tax Act*. The Corporation's objective is to implement and manage a province-wide waste management system. This includes the collection and disposal of solid waste generated in Prince Edward Island.

Environmental Industrial Services Inc. is a wholly-owned subsidiary of Island Waste Management Corporation. The Corporation's objective is to operate water and wastewater facilities.

The Corporation and its wholly owned subsidiary are located at 110 Watts Avenue, Charlottetown, Prince Edward Island.

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on June 11, 2018.

2. Summary of significant accounting policies

Basis of presentation and adoption of IFRS
The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements of the Island Waste Management Corporation comply, in all material respects, with IFRS as issued by the International Accounting Standards Board (IASB) in effect as at March 31, 2018.

The principal accounting policies applied in the preparation of the consolidated financial statement are set out below.

Basis of measurement
The consolidated financial statements of the Corporation have been prepared on a historical cost basis. The Corporation's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Corporation operates, which is also the presentation currency of the consolidated financial statements.

2. Summary of significant accounting policies (cont'd)

Principals of consolidation
The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Environmental Industrial Services Inc. Significant intercompany transactions are eliminated upon consolidation.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Borrowing costs
Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are added to the cost of the assets until they are substantially ready for their intended use.

Revenue recognition
Household user fees are based on an annual assessment applied to the household's property tax assessment. Revenue is recognized evenly on a monthly basis based on the annual assessment rate.

Disposal revenues are recognized when the waste has been delivered to the drop off facilities.

Tire revenues are recognized when the tires have been disposed of at disposal sites.

Revenues and earnings from utility user fees and excess expenditure recoveries are recorded when collection is reasonably assured and all other significant conditions of service are met.

Deferred government assistance
Government grants relating to the acquisition of assets and equipment purchased by Environmental Industrial Services Inc. are recorded as deferred credits. This account is being amortized on the same basis as the related assets are being depreciated and is reflected as a reduction in current depreciation expense.

Financial instruments
The Corporation designates its financial assets as loans and receivables. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Financial assets designated as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are comprised of accounts receivable and performance deposits. These are initially measured at fair value and then at amortized cost less impairment. When impaired, the carrying amount is reduced by the impairment loss directly.

Financial liabilities are recognized initially at fair value and are subsequently stated at amortized cost. These liabilities included accounts payable and accrued liabilities, long-term debt, debt due on demand and contractor deposits.

2. Summary of significant accounting policies (cont'd)

Accounting estimates and measurement uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires the use of judgements, assumptions, and estimates as at the date of the consolidated financial statements that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities and the reported amounts of revenues and expenses during the reporting periods presented.

Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Some accounting measurements require management's best estimate, based on assumptions as at the consolidated financial statement date that reflect the most probable set of economic conditions and planned courses of action.

Asset retirement obligations, employee future benefits, allowance for doubtful accounts and depreciation are the most significant items that are based on accounting estimates. Actual results could differ from the estimates made by management in these consolidated financial statements, and these differences, which may be material, could require adjustment in subsequent reporting periods. See Note 7 for additional details on the asset retirement obligation.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow or resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

Specific accounting policies

To facilitate a better understanding of the Corporation's consolidated financial statements, significant accounting policies are disclosed in the notes, where applicable, of the related accounting topics. A listing of these notes is as follows:

Note	Topic	Page
4	Property and equipment	11
7	Asset retirement obligation	14
10	Employee future benefits	17

Future accounting standards and reporting changes
The following are future changes in accounting policies not yet effective as of March 31, 2018.

IFRS 9, Financial Instruments, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, which enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Corporation has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers, was issued in May 2014, which will replace IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurements of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Corporation has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

IFRS 16 was issued by the IASB on January 13, 2016. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. The Corporation has not yet begun the process of evaluating the impact of the standard on its consolidated financial statements.

3. Receivables

	2018	2017
Trade	**$ 845,942**	$ 895,420
Government assistance	**619,536**	-
Sales tax, net	**464,422**	345,305
	$ 1,929,900	$ 1,240,725

4. Property and equipment

Accounting policy
Property and equipment are reported at cost less subsequent depreciation and impairment losses. The cost of property and equipment includes expenditures that are directly attributable to their acquisition or construction, including borrowing costs, and any other cost directly attributable to the installation and decommissioning of the asset. Property and equipment are depreciated over their estimated lives on the diminishing balance basis. When parts of an item of property and equipment have materially different useful lives or patterns of benefit consumption, they are accounted for separately (i.e., as major components). The rates used are as follows:

Buildings	20 yrs,	straight line
Motor vehicles	5 yrs,	straight line
Office equipment	5 yrs,	straight line
Computer equipment	5 yrs,	straight line
Computer software	5 yrs,	straight line
Leasehold improvements	5 yrs,	straight line
Site equipment	5 and 10 yrs,	straight line
Leachate facility	15, 25 and 30 yrs,	straight line
Compost facility	10, 15, 20 and 25 yrs,	straight line
Waste Watch drop-off centers	15 yrs,	straight line
Waste and compost carts	10 and 20 yrs,	straight line
Waste water infrastructure	40 yrs,	straight line

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

IAS 36, Impairment of Assets, requires an entity to test assets for impairment if indications of impairment exist. Based on an analysis of cash flows, the Corporation has established that the appropriate cash generating unit for impairment review is the entire entity. As the Corporation has the power to increase disposal and sewer rates to ensure full funding into the foreseeable future, impairment at the entity level is remote. As at March 31, 2018, management conducted an impairment review at the entity level, which confirmed that there were no significant indicators of impairment which would have a material impact on the Corporation's ability to generate future economic benefits from its operating non-financial assets.

4. Property and equipment (cont'd)

	Land	Buildings	Landfill cells	Leachate facility	Compost facility	WasteWatch drop-off	Waste carts	Site equipment	Motor vehicles	Office equip	EISI Infrastruct.	Total
Gross carrying												
Balance Apr 1, 2017	$ 832,524	611,447	13,407,029	2,680,126	21,448,007	2,388,639	6,785,589	1,986,835	871,324	404,340	520,659	$ 51,936,519
Additions	-	-	115,130	27,791	722,986	41,540	473,769	107,445	292,084	25,665	1,875,043	3,681,453
Dispositions	-	-	-	-	-	-	(154,820)	(95,963)	-	-	-	(250,783)
Balance Mar 31, 2018	832,524	611,447	13,522,159	2,707,917	22,170,993	2,430,179	7,104,538	1,998,317	1,163,408	430,005	2,395,702	55,367,189
Depreciation and Impairment												
Balance Apr 1, 2017	-	(199,007)	(7,846,862)	(647,435)	(14,453,526)	(1,650,229)	(3,910,862)	(1,095,151)	(579,617)	(369,400)	(139,230)	(30,891,319)
Disposals	-	-	-	-	-	-	119,496	25,367	-	-	-	144,863
Depreciation	-	(35,005)	(316,042)	(123,459)	(1,136,015)	(160,628)	(333,366)	(201,344)	(123,526)	(15,526)	(21,970)	(2,466,881)
Balance Mar 31, 2018	-	(234,012)	(8,162,904)	(770,894)	(15,589,541)	(1,810,857)	(4,124,732)	(1,267,628)	(703,143)	(384,926)	(164,700)	(33,213,337)
Carrying amount	$ 832,524	377,435	5,359,255	1,937,023	6,581,452	619,322	2,979,806	730,689	460,265	45,079	2,234,502	$ 22,153,852
Gross carrying												
Balance Apr 1, 2016	$ 832,524	593,719	12,526,177	2,138,001	21,445,844	2,345,872	6,707,432	1,753,058	820,844	377,687	400,169	$ 49,941,327
Additions	-	17,728	880,852	542,125	2,163	42,767	233,543	276,248	167,625	26,653	120,490	2,310,194
Dispositions	-	-	-	-	-	-	(155,386)	(42,471)	(117,145)	-	-	(315,002)
Balance Mar 31, 2017	832,524	611,447	13,407,029	2,680,126	21,448,007	2,388,639	6,785,589	1,986,835	871,324	404,340	520,659	51,936,519
Depreciation and Impairment												
Balance Apr 1, 2016	-	(169,321)	(7,537,109)	(528,160)	(13,356,515)	(1,492,412)	(3,709,914)	(971,520)	(582,682)	(352,596)	(117,300)	(28,817,529)
Disposals	-	-	-	-	-	-	122,476	42,471	91,678	-	-	256,625
Depreciation	-	(29,686)	(309,753)	(119,275)	(1,097,011)	(157,817)	(323,424)	(166,102)	(88,613)	(16,804)	(21,930)	(2,330,415)
Balance Mar 31, 2017	-	(199,007)	(7,846,862)	(647,435)	(14,453,526)	(1,650,229)	(3,910,862)	(1,095,151)	(579,617)	(369,400)	(139,230)	(30,891,319)
Carrying amount	$ 832,524	412,440	5,560,167	2,032,691	6,994,481	738,410	2,874,727	891,684	291,707	34,940	381,429	$ 21,045,200

As of the end of the year, the newest constructed landfill cell at the East Prince Waste Management Facility was not used. There were no current year additions. Prior year additions of $4,935,547 are included in landfill cell cost above and has not been depreciated as of yearend.

5. Long-term debt

	2018	2017
6.40% debenture amortized to and maturing in December 2027, payable in quarterly instalments of principal and interest of $599,547. The debenture is unconditionally secured by the Province of Prince Edward Island.	**$ 17,295,232**	$ 18,536,519
1.35% debenture amortized to and maturing in January 2019, payable in monthly instalments of principal and interest of $113,439.	**1,127,400**	2,463,654
1.91% debenture amortized to and maturing in June 2022, payable in monthly instalments of principal and interest of $10,493.	**513,609**	-
Prime plus 3% demand loan advanced to Environmental Industrial Services Inc. as security for the loan, the borrower has provided a promissory note for the full amount of the loan. The loan will not be outstanding for a period greater than 120 months.	**155,264**	146,613
	19,091,505	21,146,786
Less: current portion	**2,567,182**	2,577,541
debt due on demand	**155,264**	146,613
	$ 16,369,059	$ 18,422,632

Based on normal repayment terms, annual principal repayments in each of the next five years are due as follows: 2019 - $2,567,182; 2020 - $1,528,739; 2021 - $1,623,424; 2022 - $1,724,207; 2023 - $1,736,448 and beyond 2024 - $9,911,505.

6. Deferred government assistance

Deferred revenue represents government assistance received for water and sewer infrastructure. The revenue will be recognized over the life of the associated water and sewer assets.

	2018	2017
Balance, beginning of year	**$ 224,958**	151,889
Amount received or receivable during the year	**1,803,106**	87,500
Amount recognized as revenue during the year	**(17,929)**	(14,431)
Balance, end of year	**$ 2,010,135**	$ 224,958

7. Asset retirement obligation

Accounting policy
An asset retirement obligation is recognized as a liability for obligations associated with the closure of the Corporation's landfill site and returning such land to its original condition as set by standards of environmental regulations.

Asset retirement obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the date of the statement of financial position. Provisions are determined by discounting the expected future cash flows at a risk free rate. The expected cash flows reflect current market assessments and the risks specific to the liability.

The obligation is reviewed regularly by the Corporation's management based on current regulations, cost, technologies and industry standards. The discounted obligation is initially capitalized as part of the carrying amount of the related landfill and a corresponding liability is recognized. The increase in the landfill site asset is depreciated over the estimated life of the corresponding landfill while the liability is accreted as finance expense in earnings, until settled or sold. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time, changes in the estimated future cash flows underlying the obligation and changes in the risk free rate. Estimated future cash flows are based on estimated current costs adjusted to the future expected closure date by applying an estimate of inflation. The increase in the obligation due to the passage of time is recognized as finance expenses whereas increases and/or decreases due to changes in the estimated future cash flows or changes in the risk free rate are capitalized. Actual costs incurred upon settlement of the obligation are charged against the obligation to the extent the obligation was established.

Any reduction on the obligation, and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the obligation, and, therefore, an addition to the carrying value of the asset, the Corporation considers whether this is an indication of impairment of the asset as a whole and, if so, tests for impairment in accordance with IAS 36. If the revised assets net of obligation exceeds the recoverable value, that portion of the increase is charged directly to expenses.

The following presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation:

7. Asset retirement obligation (cont'd)

	2018	2017
Asset retirement obligation, beginning of year	**$ 2,271,010**	$ 2,084,742
Liabilities incurred	**115,132**	141,610
Accretion expense	**46,996**	44,658
Asset retirement obligation, end of year	**$ 2,433,138**	$ 2,271,010

The key assumptions, on which the carrying amount of the obligation is based, include a risk free rate of 2.23% (2017 – 2.17%) and inflation rate of 2%. The total undiscounted amount of the estimated cash flows required to settle the remaining obligation is $4,560,000 (2017 - $4,560,000), of which $972,000 has been paid to date. The expected timing of payment of the cash flow required for settling the obligation is 12 years.

8. Commitments

The Corporation conducts a portion of its operations, the compost facility, pursuant to an operating agreement with a third party operator. Effective April 1, 2014, the agreement provides for the payment by the Corporation to the operator of the facility a minimum annual fee plus an excess tonnage fee. The minimum annual fee commitment under the operating agreement is as follows:

2019	$ 2,384,681
2020	$ 2,252,756
2021	$ 2,243,428
2022	$ 2,281,921
2023	$ 2,327,560
2024	$ 2,374,110

The Corporation has entered into various agreements for the collection of recyclables, waste and compost materials. Effective July 1, 2018 the Company will enter into its new contract for recyclables which carries into 2026. Minimum payments for the contracts currently in place are as follows:

2019	$ 5,401,723
2020	$ 3,915,940
2021	$ 1,894,728
2022	$ 1,917,531
2023	$ 1,948,206
2024	$ 1,979,376
2025	$ 2,011,050
2026	$ 504,750

The Corporation has entered into a waste processing agreement dated August 8, 1995 to supply PEI Energy Systems with a minimum annual guaranteed amount of 30,617 metric tonnes of waste. The 30 year agreement, expiring in August 2025, provides for the payment by the Corporation of a $45 per metric tonne quarterly fee adjusted for consumer price index fluctuations. Any shortage is the responsibility of the Corporation. Current annual costs for the waste processing are estimated at $2,117,000 (2017 - $2,094,000).

9. Financial risk management

The Corporation's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities and long-term debt.

Financial risk factors
The following sections describe the Corporation's financial risk exposure and related mitigation strategies:

Credit risk
Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation is subject to credit risk through trade receivables. The Corporation mitigates credit risk associated with its trade receivables through establishing credit approval limits and a regular monitoring process. The Corporation generally considers the credit quality of its financial assets that are neither past due or impaired to be solid. Credit risk is mitigated due to the large number of customers. Allowance for doubtful accounts is reviewed at each balance sheet date. The Corporation updates its estimates of allowances for doubtful accounts based on customer history.

Household user fees are collected by the Province of Prince Edward Island through its provincial tax system.

Interest rate risk
Interest rate risk is the potential for financial loss arising from changes in interest rates. Financial instruments that potentially subject the Corporation to interest rate risk include financial liabilities with floating interest rates. The Corporation currently has no financial instruments which are exposed to interest rate risk due to floating rates but is exposed to risk associated with fixed term debt that matures as noted in Note 5.

Liquidity risk
Liquidity risk is the risk that the Corporation may not have cash available to satisfy financial liabilities as they come due. The Corporation prepares an annual cash flow budget which it monitors on a monthly basis to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements.

Market risk
The Corporation is subject to market risk related to the price of diesel fuel. The Corporation has entered into various agreements for the collection of recyclables, waste and compost materials. These contracts include a provision that requires the Corporation to pay an annual fuel adjustment based on the annual average price of diesel fuel as compared to the base rate per the contract. For the year end March 31, 2018, had the average price of diesel fuel increased or decreased by 10% during the year, the earnings of the Corporation would have increased or decreased by approximately $10,000 (2017 - $49,000). The Corporation currently has no strategy in place to mitigate this risk. Management does monitor the current price of fuel on a regular basis.

9. Financial risk management (cont'd)

Fair values

The carrying amounts for cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate fair value due to the short term maturity of these instruments or terms of the instrument. The carrying amount for the long-term debt approximated fair value as the interest rate was reflective of rates available for similar debt.

IFRS 7, "Financial Instruments – Disclosures", prescribes the following three-level fair value hierarchy for disclosure purposes based on the transparency of the inputs used to measure the fair values of the asset and liabilities:

a) Level 1 – quoted price (unadjusted) of identical instruments in active markets that the reporting entity has the ability to access at the measurement date.
b) Level 2 – inputs are quoted prices of similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, inputs other than quoted prices used in a valuation model that are observable for that instrument, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
c) Level 3 – one or more significant inputs used in a valuation technique are unobservable for the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value

The Corporation's financial instruments measured at fair value are cash and cash equivalents and are recorded based on level 1 measurement.

10. Employee future benefits

Short term benefits

The Corporation's short term benefits for qualified active employees include base salary, compensated absences, group life insurance, dental and medical coverage.

Pension plan

The permanent employees of the Corporation participate in the multi-employer contributory defined benefit pension plan administered by the Province of Prince Edward Island under the Civil Service Superannuation Act. The Civil Service Superannuation Fund provides pensions to employees of the Provincial Government and certain crown corporations and agencies based on the length of service and average salary. Since sufficient information is not readily available to account for the Corporation's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting rules for defined contribution pension plans. The current year expense for this pension plan is $185,000 (2017 - $173,000).

At March 31, 2017, the Civil Service Superannuation Fund reported that the pension plan was 100% funded.

10. Employee future benefits (cont'd)

Retirement pay benefits
The Corporations currently provides a retirement pay benefit equal to one weeks' pay for each year of service, subject to a maximum benefit equal to 26 weeks' pay. The retirement pay benefit is payable upon retirement. Employees qualify at retirement if they have accrued 10 years of service, attained age 55 and are eligible to receive a pension from the Civil Service Superannuation Fund. Retirement pay benefits are accrued on an annual basis based on eligibility and are reflected in the accounts payable at year end.

Employee benefits risks
The Corporation's defined benefit plan is indirectly exposed to economic risks with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets. Benefit obligations are exposed to uncertainty of future economic conditions, primarily inflation risk due to uncertainty of the timing of the payments.

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to such factors as workforce average age and earnings levels, attrition and retirement rates.

The Corporation is also exposed to funding risk in the multi-employer plans arising from legislative changes affecting eligibility for and amount of pension and related benefits and performance of plan assets affected by investment policies set by the government. Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind up or amendments and funding requirements.

11. Related party transactions

Included in these consolidated financial statements are transactions with various Prince Edward Island crown corporations, departments, agencies and boards related to the Corporation by virtue of common influence by the Government of Prince Edward Island. Routine operating transactions in the ordinary course of business with related parties are settled at prevailing market prices under normal trade terms.

The table below presents total compensation of the key management personnel, which includes the Board of Directors and senior executive management. Board of Director honorariums are paid based on standards set and approved by the Treasury Board.

	2018	2017
Short term employee benefits	**$ 212,120**	$ 206,176
Post-employment benefits	**25,950**	24,905
	$ 238,070	$ 231,081

12. Rate regulation

The Corporation is subject to rate regulation on the household user fees and disposal fees charged to residents of Prince Edward Island under the *Island Regulatory Appeals Commission Act*. The purpose of this Act, which is administered by the Island Regulatory and Appeal Commission (IRAC), is to regulate the rate the Corporation may charge for collection and disposal of solid waste within Prince Edward Island and to ensure at all times a just and reasonable price for this service. Changes in household user fees and disposal fees can only be implemented with the approval of IRAC.

13. Capital management

The Corporation's objectives when managing capital is to safeguard the Corporation's ability to support the normal operating requirements on an ongoing basis, support any capital expenditures that may be required in the normal operations of the Corporation and generate sufficient cash flow to manage its existing debt.

The Corporation's capital consists of cash and cash equivalents, long-term debt and net assets. The Corporation's primary uses of these funds are to finance capital expenditures, repay debt obligations and fund normal operations. In order to facilitate the management of its capital requirements, the Corporation prepares annual operating budgets and actual to budget forecasts on a quarterly basis. To maintain or obtain additional capital, the Corporation may issue new debt, reduce operating costs, utilize the central banking credit agreement or make a request to IRAC to increase household user and disposal fees.

The Corporation is not subject to externally imposed capital requirements and there have been no changes with respect to the overall capital risk management strategy during the year.

14. Bank indebtedness

The Company has an authorized operating overdraft of $2,000,000 from the P.E.I. Treasury Board. The operating overdraft bears interest at prime less 0.1% for up to $2,000,000. Prime at March 31, 2018 was 3.45%. As security, the Company has provided a general security agreement on its investments (term deposits) held with Toronto Dominion Bank. The overdraft protection does not require financial guarantee.

15. Other matters

Costs associated with the closure and decommissioning of provincial dump sites are the responsibility of the Province of Prince Edward Island.

Island Waste Management Corporation
Consolidated schedule of revenues

Year ended March 31

	2018	2017
Household user fees		
Billed by Island Waste Management Corporation	**$ 90,201**	$ 73,308
Billed through property taxes	**14,085,957**	13,955,755
Cart revenues	**2,032**	2,381
Refunds and adjustments	**(63,210)**	(66,452)
	$ 14,114,980	$ 13,964,992

	2018	2017
Disposal fees		
East Prince Waste Management facility	**$ 2,569,206**	$ 2,370,344
Energy from Waste	**1,139,363**	1,111,283
Central Compost facility	**324,764**	336,375
Brockton	**115,519**	101,050
Dingwells Mills	**99,725**	85,180
Murray River	**73,892**	59,981
New London	**96,371**	89,703
Other	**263**	(280)
	$ 4,419,103	$ 4,153,636

Island Waste Management Corporation
Consolidated schedule of expenditures

Year ended March 31	2018	2017

Administration

	2018	2017
Dues and memberships	**$ 2,720**	$ 2,938
Insurance	**24,665**	22,868
Interest and bank charges	**11,828**	10,979
Miscellaneous	**6,945**	7,178
Office equipment	**1,121**	1,020
Office supplies	**16,808**	20,300
Professional fees	**32,830**	29,992
Rent	**16,800**	16,800
Repairs and maintenance	**19,133**	21,009
Salaries and benefits	**1,200,594**	1,225,670
Supplies	**6,416**	19,941
Telephone	**35,879**	36,969
Travel	**41,574**	36,274
Utilities	**31,948**	32,204
	$ 1,449,261	$ 1,484,142

Advertising, education and public relations

	2018	2017
Advertising	**$ 3,774**	$ 3,027
Education	**83,092**	78,724
Public relations	**23,414**	13,539
Wages and benefits	**59,389**	58,687
	$ 169,669	$ 153,977

Residential collection

	2018	2017
Cart purchases and write-offs	**$ 80,262**	$ 48,398
Collection contracts		
Compost and waste	**3,981,549**	3,831,808
Recyclables	**1,251,941**	1,230,747
Operations support technicians		
Wages and benefits	**522,081**	492,644
Vehicle and supplies	**65,849**	65,768
	$ 5,901,682	$ 5,669,365

Island Waste Management Corporation
Consolidated schedule of expenditures

Year ended March 31

Disposal

East Prince Waste Management facility

Year ended March 31	**2018**	2017
Accretion	**$ 46,998**	$ 44,655
Equipment rental	**31,063**	15,830
Gas and oil	**60,418**	56,114
Household hazardous waste	**17,556**	18,535
Leachate disposal	**56,242**	51,588
Office and miscellaneous	**19,783**	24,952
Repairs and maintenance	**218,307**	248,949
Salaries, wages and benefits	**494,400**	495,069
Security	**7,413**	7,046
Supplies and materials	**180,132**	120,655
Telephone	**3,349**	3,213
Travel and conferences	**3,925**	873
Utilities	**48,066**	41,116
	$ 1,187,652	$ 1,128,595

Queens County Regional Landfill

	2018	2017
Repairs and maintenance	**$ 1,545**	$ 2,340
Utilities	**1,535**	1,456
	$ 3,080	$ 3,796

Energy from Waste

	2018	2017
Fly ash disposal	**$ 224,707**	$ 226,829
PEI Energy Systems	**2,084,133**	2,134,724
Repairs and maintenance – scale	**10,452**	2,479
Scale house supplies	**2,460**	3,790
Wages and benefits – scale operator and inspector	**110,505**	93,052
	$ 2,432,257	$ 2,460,874

Central Composting facility

	2018	2017
Contract	**$ 2,103,697**	$ 2,030,489
Insurance	**44,406**	45,739
Property tax	**301**	272
Repairs and maintenance	**83,064**	77,843
Wages and benefits	**59,258**	58,463
	$ 2,290,726	$ 2,212,806

Year ended March 31

Disposal (cont'd)

Waste Watch Drop-Off Centers

	2018	2017
Blue bag disposal	**$ 32,000**	$ 32,000
Green Isle Environmental contract	**424,783**	344,060
Household hazardous waste	**112,322**	106,513
Material and supplies	**46,353**	24,957
Miscellaneous and asphalt shingles	**1,639**	11,841
Repairs and maintenance	**236,868**	257,074
Security	**984**	984
Signage	**2,751**	1,609
Telephone	**6,895**	6,740
Travel	**11,191**	14,599
Utilities	**10,583**	10,321
Wages and benefits	**347,806**	314,824
	$ 1,234,175	$ 1,125,522

Transportation of material

	2018	2017
Motor vehicle	**$ 71,692**	$ 85,697
Supplies	**3,869**	5,735
Wages and benefits	**95,630**	115,727
	$ 171,191	$ 207,159
	$ 7,320,731	$ 7,138,752

Tire collection and disposal

	2018	2017
Collection	**$ 284,282**	$ 268,088
Disposal	**681,469**	606,912
	$ 965,751	$ 875,000

Island Waste Management Corporation
Consolidated schedule of utility operations
Year ended March 31, 2018

	2018 **Revenues**	**2018** **Operating costs**	2017 Revenues	2017 Operating costs
Albany	**$ 399,177**	**$ 399,177**	$ 400,257	$ 400,257
Bloomfield	**21,112**	**21,112**	17,565	17,565
Brudenell	**122,551**	**122,551**	103,385	103,385
Correctional services	**13,418**	**13,418**	28,056	28,056
Crowbush	**86,006**	**86,006**	80,605	80,605
Eastern School	**3,937**	**3,937**	3,068	3,068
Finance PEI	**57,795**	**57,795**	18,162	18,162
Georgetown	**142,232**	**142,232**	122,474	122,474
Humpty Dumpty	**9,939**	**9,939**	1,789	1,789
Mill River	**75,100**	**75,100**	82,778	82,778
Northport - Alberton	**50,785**	**50,785**	45,815	45,815
Other	**698**	**698**	5,931	5,931
Parks	**91,377**	**91,377**	47,005	47,005
Western School	**36,453**	**36,453**	29,597	29,597
	$ 1,110,580	**$ 1,110,580**	$ 986,487	$ 986,487

Included in the costs above are wages of $492,481 (2017 - $452,710), depreciation of $6,858 (2017 - $6,816) and interest of $8,106 (2017 - $8,559).