Grant Thornton

Consolidated Financial Statements

Island Waste Management Corporation

March 31, 2024

Contents

Management's Responsibility for Financial Reporting
March 31, 2024

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, 2024.

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.

Karen MacDonald	Tracey Laughlin
Chief Executive Officer	Chief Financial Officer

GrantThornton

Independent auditor's report

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To the Board of Directors of
Island Waste Management Corporation

Opinion

We have audited the consolidated financial statements of Island Waste Management Corporation ("the Corporation"), which comprise the consolidated statement of financial position as at March 31, 2024 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Island Waste Management Corporation as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

Our audit was conducted for the purpose of forming an opinion of the consolidated financial statements of Island Waste Management Corporation as a whole. The supplementary information included in the schedules presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information has been subject to the auditing procedures applied only to the extent necessary to express an opinion on the audit of the financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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.

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Charlottetown, Canada

June 24, 2024

Chartered Professional Accountants

Island Waste Management Corporation
Consolidated Statement of Operations and Changes in Net Assets

Year ended March 31	**2024**	2023
Revenues		
Household user fees (Page 22)	**$ 17,662,680**	$ 17,109,306
Disposal fees (Page 22)	**5,231,183**	5,339,811
Decommissioning and monitoring	**21,311**	21,311
Environmental Industrial Services Inc. (Page 26)	**1,413,933**	1,241,075
Stewardships and other	**446,184**	414,583
	24,775,291	24,126,086
Expenditures		
Administration (Page 23)	**1,973,658**	1,766,592
Advertising, education and public relations (Page 23)	**171,752**	136,787
Operational costs		
Residential collection (Page 23)	**8,461,134**	7,959,665
Disposal (Pages 24 - 25)	**9,928,704**	8,808,687
Decommissioning and monitoring	**21,311**	21,311
Interest on long-term debt	**582,629**	695,065
Depreciation	**2,312,315**	2,834,610
Environmental Industrial Services Inc. (Page 26)	**1,413,933**	1,241,075
Stewardships and other	**340,930**	320,206
	25,206,365	23,783,998
Excess of expenditures over revenues	**$ (431,074)**	$ 342,088

Net assets, beginning of year	**$ 1,670,180**	$ 1,328,092
Excess of expenditures over revenues	**(431,074)**	342,088
Net assets, end of year	**$ 1,239,105**	$ 1,670,180

See accompanying notes and schedules to the consolidated financial statements.

Island Waste Management Corporation
Consolidated Statement of Financial Position

March 31	2024	2023
Assets		
Current		
Cash and cash equivalents	**$ 4,120,864**	$ 3,816,356
Receivables (Note 3)	**1,639,038**	1,474,782
Term deposits	**1,500,000**	1,500,000
Prepaids	**553,879**	204,343
	7,813,781	6,995,481
Performance deposits	**627,690**	619,640
Property and equipment (Note 4)	**20,120,024**	21,744,121
	$ 28,561,495	$ 29,359,242

	2024	2023
Liabilities		
Current		
Payables and accruals	**$ 2,996,356**	$ 2,291,550
Contract liability (Note 5)	**2,760,846**	1,210,535
Current portion of long-term debt (Note 6)	**1,987,013**	1,867,345
Debt due on demand (Note 6)	**199,375**	199,375
Short-term borrowings (Note 7)	**1,500,000**	1,500,000
	9,443,545	7,738,806
Contractor deposits	**627,690**	614,000
Deferred government assistance (Note 9)	**3,105,613**	2,628,389
Long-term debt (Note 6)	**6,037,849**	8,024,862
Asset retirement obligation (Note 10)	**8,107,646**	8,683,006
	27,839,790	27,689,063
Net assets	**1,239,105**	1,670,180
	$ 28,561,495	$ 29,359,242

Commitments (Note 11)

On behalf of the Board

Matthew McK_______ 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	**2024**	2023
Increase (decrease) in cash and cash equivalents		
Operating		
Cash received from customers	**$ 26,265,524**	$ 24,201,868
Cash payments to suppliers	**(18,473,916)**	(16,464,922)
Cash payments to employees	**(3,993,951)**	(3,696,750)
Interest paid	**(671,143)**	(772,381)
Interest received	**224,234**	149,574
	3,350,250	3,417,389
Financing		
Proceeds (repayments) from short-term borrowings	**-**	(500,000)
Government assistance received	**634,906**	228,320
Repayment of long-term debt	**(1,867,345)**	(2,290,821)
	(1,232,441)	(2,562,501)
Investing		
Proceeds from sale of equipment	**21,500**	3,450
Purchase of property and equipment	**(1,834,800)**	(1,006,460)
	(1,813,300)	(1,003,010)
Net increase (decrease) in cash and cash equivalents	**304,508**	(148,122)
Cash and cash equivalents		
Beginning of year	**3,816,356**	3,964,478
End of year	**$ 4,120,864**	$ 3,816,356

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 [date to be determined].

2. Summary of Material Accounting Policies

Basis of presentation
The consolidated financial statements of the Island Waste Management Corporation comply, in all material respects, with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) in effect as at March 31, 2024.

The principal accounting policies applied in the preparation of the consolidated financial statements 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.

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.

2. Summary of Material Accounting Policies (cont'd)

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
Revenues are recognized when performance obligations under agreements or contracts are satisfied, in an amount that reflects the consideration the Corporation expects to be entitled to in exchange for those services.

The Corporation determines revenue recognition through the following steps:

1) Identification of the contract, or contracts with a customer;
2) Identification of the performance obligations in the contract;
3) Determination of the transaction price;
4) Allocation of the transaction price to the performance obligations in the contract; and
5) Recognition of revenue, when, or as, the Corporation satisfies a performance obligation.

Household user fees are based on an annual assessment applied to the household's property tax assessment. Revenue is recognized straight-line over the year 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.

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's financial assets are classified as fair value through profit or loss, or amortized cost. Financial liabilities are classified as amortized cost. Financial assets and liabilities are initially recognized at fair value with subsequent measurement based on classification. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and choice where applicable.

Financial assets are measured at fair value except those classified as amortized cost which are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument, then subsequently carried at amortized cost using the effective interest rate method.

2. Summary of Material Accounting Policies (cont'd)

Financial liabilities are initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and are subsequently carried at cost using the effective interest rate method.

Impairment of financial assets
The Corporation measures impairment of financing assets using an expected credit loss ("ECL") model. This applies to financial assets classified at amortized cost. The ECL model results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual impairment.

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 10 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.

2. Summary of Material Accounting Policies (cont'd)

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:

3. Receivables

	2024	2023
Trade	**$ 1,450,231**	$ 1,260,222
Sales tax, net	**188,808**	214,555
	$ 1,639,038	$ 1,474,782

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

Landfill cells are depreciated based on volume used throughout the year.

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, 2024, 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, 2023	$ 832,524	611,447	19,450,773	2,708,134	22,662,339	3,004,715	7,824,173	3,048,608	1,221,053	507,971	3,611,027	$ 65,482,762
Additions	-	26,700	-	-	620,081	-	633,822	14,322	28,920	8,182	502,773	1,834,800
Dispositions	-	-	(868,806)	-	(220,865)	-	(266,349)	(534,000)	(30,248)	-	(286)	(1,920,554)
Balance Mar 31, 2024	832,524	638,146	18,581,969	2,708,134	23,061,555	3,004,715	8,191,649	2,528,929	1,219,726	516,155	4,113,509	65,397,012
Depreciation and Impairment												
Balance Apr 1, 2023	-	(394,851)	(10,268,813)	(1,388,175)	(19,083,815)	(2,683,477)	(5,042,918)	(2,454,774)	(1,153,372)	(503,461)	(764,990)	(43,738,646)
Disposals	-	-	-	-	211,942	-	237,399	468,907	30,248	-	-	948,496
Depreciation	-	(30,354)	(762,086)	(123,557)	(619,137)	(83,412)	(383,720)	(234,632)	(84,212)	(3,101)	(162,627)	(2,486,838)
Balance Mar 31, 2024	-	(425,205)	(11,030,899)	(1,511,732)	(19,491,010)	(2,766,889)	(5,189,240)	(2,220,499)	(1,207,338)	(506,560)	(927,617)	(45,276,987)
Carrying amount	**$ 832,524**	**212,941**	**7,555,071**	**1,196,402**	**3,570,545**	**237,826**	**3,002,409**	**308,430**	**12,389**	**9,595**	**3,185,892**	**$ 20,120,024**
Gross carrying												
Balance Apr 1, 2022	$ 832,524	611,447	15,125,380	2,708,134	22,583,381	3,004,715	7,784,026	3,032,517	1,221,053	506,400	2,988,746	$ 60,398,323
Additions	-	-	4,325,393	-	78,956	-	284,066	19,586	-	1,571	622,281	5,331,853
Dispositions	-	-		-	-	-	(243,919)	(3,495)	-	-	-	(247,414)
Balance Mar 31, 2023	832,524	611,447	19,450,773	2,708,134	22,662,337	3,004,714	7,824,173	3,048,608	1,221,053	507,971	3,611,027	65,482,762
Depreciation and Impairment												
Balance Apr 1, 2022	-	(365,165)	(9,077,580)	(1,264,618)	(18,436,790)	(2,575,794)	(4,908,421)	(2,153,351)	(1,066,003)	(489,704)	(630,705)	(40,968,131)
Disposals	-	-	-	-	-	-	206,786	3,495	-	-	-	210,281
Depreciation	-	(29,686)	(1,191,233)	(123,557)	(647,025)	(107,683)	(341,283)	(304,918)	(87,369)	(13,757)	(134,285)	(2,980,796)
Balance Mar 31, 2023	-	(394,851)	(10,268,813)	(1,388,175)	(19,083,815)	(2,683,477)	(5,042,918)	(2,454,774)	(1,153,372)	(503,461)	(764,990)	(43,738,646)
Carrying amount	**$ 832,524**	**216,596**	**9,181,960**	**1,319,959**	**3,578,522**	**321,238**	**2,781,255**	**593,834**	**67,681**	**4,510**	**2,846,037**	**$ 21,744,116**

5. Contract Liability

On February 8, 2023, and February 26, 2024, the Island Regulatory and Appeals Commission issued Orders pursuant to the Environmental Protection Act approving new residential waste management rates for 2023 and 2024. In light of the current financial stresses facing Islanders, the Government of Prince Edward Island provided financial grants to the Corporation to subsidize the residential and commercial rate increases. The revenue will be recognized over the period.

	2024	2023
Contract liability, beginning of year	**$ 1,210,535**	$ 1,203,091
Amounts received or receivable during the year	**2,944,158**	1,210,535
Amounts recognized in revenue during the year	**(1,393,847)**	(1,203,091)
Contract liability, end of year	**$ 2,760,846**	$ 1,210,535

6. Long-term debt

	2024	2023
6.40% debenture amortized to and maturing in December 2027, payable in quarterly instalments of principal and interest of $599,547. The debenture is unconditionally secured by the Province of Prince Edward Island.	**$ 7,939,405**	$ 9,756,241
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.	**117,251**	117,251
Prime plus 1% 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.	**82,124**	82,124
1.13% debenture amortized to and maturing in November 2025, payable in monthly instalments of principal and interest of $4,315.	**85,458**	135,966
	8,224,237	10,091,582
Less: current portion	**1,987,013**	1,867,345
debt due on demand	**199,375**	199,375
	$ 6,037,849	$ 8,024,862

6. Long-term debt (cont'd)

Based on normal repayment terms, annual principal repayments in each of the next four years are due as follows: 2025 - $1,987,013; 2026 - $2,097,209; 2027 - $2,198,052 and 2028 - $1,742,587.

7. Short-term borrowings

The Corporation has short-term borrowings with the Province of Prince Edward Island with no set terms of repayment at a variable interest rate of 5.26% (2023 – 4.87%).

8. Revenue from contracts with customers

The Corporation has recognized the following amounts related to revenue in accordance with IFRS 15 on the statement of operations and changes in net assets.

	2024	2023
Household user fees	**$ 17,662,680**	$ 17,109,306
Disposal fees	**5,231,183**	5,339,811
Decommissioning and monitoring	**21,311**	21,311
Environmental Industrial Services Inc.	**1,413,933**	1,241,075
Stewardships and other	**446,184**	414,583
	$ 24,775,291	$ 24,126,086

These revenues recognized in accordance with IFRS 15 were derived from household user fees and waste management disposal sites. The Corporation has not recognized any additional contract assets or liabilities associated with this revenue.

9. Deferred government assistance

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

	2024	2023
Balance, beginning of year	**$ 2,628,389**	2,534,847
Amount received or receivable during the year	**634,906**	228,820
Amount recognized as revenue during the year	**(157,682)**	(135,277)
Balance, end of year	**$ 3,105,613**	$ 2,628,389

10. 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.

10. Asset retirement obligation (cont'd)

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

	2024	2023
Asset retirement obligation, beginning of year	**$ 8,683,006**	$ 4,229,952
Change in estimate	**(868,803)**	4,325,698
Accretion expense	**293,443**	127,356
Asset retirement obligation, end of year	**$ 8,107,646**	$ 8,683,006

The key assumptions, on which the carrying amount of the obligation is based, include a risk-free rate of 3.39% (2023 – 3.03%) and inflation rate of 2%. The total undiscounted amount of the estimated cash flows required to settle the remaining obligation is $14,371,000, which is net of amounts paid in previous years totalling $972,000. The expected timing of payment of the cash flow required for settling the obligation is 14 years (2023 - 17 years).

11. 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, 2024, an extension to the agreement provides for the payment by the Corporation to the operator of the facility a minimum annual fee plus an excel tonnage fee. The minimum annual fee commitment under the operating agreement is as follows:

2025	$ 2,480,495
2025	$ 2,530,564
2027	$ 2,581,175
2028	$ 2,632,799

The Corporation has entered into an agreement for the collection of recyclables ending in fiscal 2026. The current contract for the collections of compost and waste ends in fiscal 2025. Effective September 1, 2024 the Corporation enters into its new contract for compost and waste for the East Prince and West Prince regions, as well as for the Capital, Central Eastern Kings and Southern Kings regions, effective November 1, 2024. These new compost and waste contracts carry into fiscal 2030. Minimum payments for the contracts currently in place as follows:

2025	$ 8,120,788
2026	$ 7,313,348
2027	$ 7,010,975
2028	$ 7,223,911
2029	$ 7,448,090
2030	$ 3,143,029

11. Commitments (cont'd)

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 $2,381,432 (2023 - $2,323,400).

12. 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 significant 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 6.

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.

12. Financial risk management (cont'd)

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, 2024, 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 $87,000 (2023 - $81,000). The Corporation currently has no strategy in place to mitigate this risk. Management does monitor the current price of fuel on a regular basis.

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.

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 does not have any financial instruments measured at fair value.

13. 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.

13. Employee future benefits (cont'd)

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 Public Section Pension Plan Act. The Public Section Pension Plan Act 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 $228,641 (2023 - $189,637).

At March 31, 2024, the Prince Edward Island Public Sector Pension Plan reported that the pension plan was fully funded.

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.

14. 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.

	2024	2023
Short term employee benefits	**$ 298,526**	$ 269,638
Post-employment benefits	**37,149**	33,851
	$ 335,676	$ 303,489

15. 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.

16. 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.

17. Bank indebtedness

The Corporation has an authorized operating overdraft of $1,500,000. The operating overdraft bears interest at prime less 0.1% for up to $1,500,000. Prime at March 31, 2024 was 7.20%. As security, the Corporation has provided a general security agreement on its investments (term deposits) held with Toronto Dominion Bank. The overdraft protection does not require financial guarantee. As at March 31, 2024, $1,500,000 (2023 - $1,500,000) was available.

18. Other matters

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

19. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

Island Waste Management Corporation
Consolidated Schedule of Revenues

Year ended March 31

Household User Fees

Year ended March 31	2024	2023
Cart revenues	**-**	3,105
Household user fees	**17,709,316**	17,156,043
Refunds and adjustments	**(46,636)**	(49,842)
	$ 17,662,680	$ 17,109,306

Disposal Fees

	2024	2023
East Prince Waste Management Facility	**$ 3,236,258**	$ 3,315,387
Energy from Waste	**880,901**	955,790
Central Compost Facility	**284,023**	305,024
Brockton	**133,549**	135,133
Dingwells Mills	**139,478**	111,480
Murray River	**116,587**	95,158
New London	**143,324**	124,891
Rebates	**297,000**	297,000
Other	**63**	(143)
	$ 5,231,183	$ 5,339,811

Island Waste Management Corporation
Consolidated Schedule of Expenditures

Year ended March 31	2024	2023

Administration

	2024	2023
Dues and memberships	**$ 3,913**	$ 2,458
Insurance	**63,008**	53,327
Interest and bank charges	**89,114**	77,316
Miscellaneous	**-**	1,339
Office supplies	**27,606**	24,225
Professional fees	**134,957**	133,228
Rent	**15,400**	16,800
Repairs and maintenance	**23,980**	18,313
Salaries and benefits	**1,511,817**	1,339,277
Supplies	**8,890**	670
Telephone	**40,296**	46,195
Travel	**18,384**	18,599
Utilities	**36,293**	35,847
	$ 1,973,658	$ 1,766,592

Advertising, Education and Public Relations

	2024	2023
Advertising	**$ 1,965**	$ 295
Education	**76,639**	62,894
Public relations	**2,155**	2,026
Wages and benefits	**90,993**	71,572
	$ 171,752	$ 136,787

Residential Collection

	2024	2023
Cart purchases and write-offs	**$ 62,113**	$ 57,330
Collection contracts		
Compost and waste	**5,317,878**	5,042,483
Recyclables	**2,526,419**	2,292,029
Operations support technicians		
Wages and benefits	**472,782**	481,362
Vehicle and supplies	**81,943**	86,461
	$ 8,461,134	$ 7,959,665

Island Waste Management Corporation
Consolidated Schedule of Expenditures

Year ended March 31	**2024**	2023

Disposal

East Prince Waste Management Facility

	2024	2023
Accretion	**$ 293,446**	$ 127,661
Equipment rental	**4,113**	11,515
Gas and oil	**101,872**	126,292
Household hazardous waste	**27,425**	24,119
Leachate disposal	**84,751**	61,560
Office and miscellaneous	**55,780**	28,583
Repairs and maintenance	**320,612**	226,766
Salaries, wages and benefits	**639,446**	606,538
Security	**27,782**	22,360
Supplies and materials	**205,925**	213,385
Telephone	**7,638**	3,065
Travel	**505**	509
Utilities	**69,768**	70,394
	$ 1,839,061	$ 1,522,747

Queens County Regional Landfill

	2024	2023
Repairs and maintenance	**$ -**	$ 3,790
Utilities	**2,553**	1,777
	$ 2,553	$ 5,567

Energy from Waste

	2024	2023
Fly ash disposal	**$ 214,848**	$ 208,108
PEI Energy Systems	**2,618,170**	2,513,502
Repairs and maintenance – scale	**4,131**	3,725
Scale house supplies	**5,927**	4,345
Wages and benefits – scale operator and inspector	**157,107**	145,498
	$ 3,000,183	$ 2,875,178

Central Composting Facility

	2024	2023
Consulting fees	**$ 18,819**	$ 18,321
Contract	**2,403,338**	2,364,157
Insurance	**274,397**	232,583
Property tax	**339**	337
Repairs and maintenance	**326,062**	147,502
Wages and benefits	**70,146**	63,025
	$ 3,093,101	$ 2,825,925

Island Waste Management Corporation
Consolidated Schedule of Expenditures

Year ended March 31	2024	2023

Disposal (cont'd)

Waste Watch Drop-Off Centers

	2024	2023
Blue bag disposal	**$ 62,192**	$ 60,329
Green Isle Environmental contract	**347,317**	325,301
Household hazardous waste	**192,465**	174,657
Material and supplies	**42,659**	38,229
Miscellaneous and asphalt shingles	**724**	600
Repairs and maintenance	**380,342**	214,178
Security	**984**	984
Signage	**1,854**	-
Telephone	**12,449**	11,656
Travel	**14,663**	17,923
Utilities	**10,262**	9,966
Wages and benefits	**406,378**	405,474
	$ 1,472,190	$ 1,259,297

Transportation of Material

	2024	2023
Motor vehicle	**$ 379,157**	$ 185,859
Supplies	**5,141**	2,572
Wages and benefits	**137,319**	131,542
	$ 521,617	$ 319,973
	$ 9,928,704	$ 8,808,687

Island Waste Management Corporation
Consolidated Schedule of Utility Operations
Year ended March 31, 2024

	2024 Revenues	**2024 Operating costs**	2023 Revenues	2023 Operating costs
Addictions	**$ 2,356**	**$ 2,502**	$ 2,502	$ 2,502
Albany	**593,440**	**593,440**	531,985	531,985
Bloomfield	**70,933**	**70,933**	44,514	44,514
Brudenell	**132,569**	**132,569**	93,516	93,516
Corrections	**10,314**	**10,314**	14,354	14,534
Crowbush	**98,011**	**99,367**	76,765	76,765
Eastern School	**7,984**	**7,984**	4,417	4,417
Finance PEI	**9,155**	**9,155**	6,159	6,159
Georgetown	**210,831**	**210,831**	232,502	232,502
Mill River	**91,552**	**91,552**	88,266	88,266
Northport - Alberton	**51,663**	**52,663**	49,493	59,753
Parks	**93,385**	**93,385**	71,148	71,148
Western School	**41,740**	**41,740**	27,422	27,422
	$ 1,413,933	**$ 1,413,933**	$ 1,241,075	$ 1,241,075

Included in the costs above are wages of $507,963 (2023 - $452,462), capital asset depreciation of $162,627 (2023 - $134,285), amortization of deferred government assistance of $145,783 (2023 – $123,381), and interest of $14,737 (2023 - $7,823).