Great Lakes Pilotage Authority
Administration de pilotage des Grands Lacs

2023 Third Quarter

Financial Report

For the period ended September 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) provides a narrative discussion outlining the financial results and operational changes for the third quarter that ended September 30, 2023, for the Great Lakes Pilotage Authority (GLPA). This discussion should be read with the unaudited interim financial statements for the period ended September 30, 2023, which have been prepared in accordance with the Treasury Board of Canada "Standard on Quarterly Financial Reports for Crown Corporations" and Internal Accounting Standard 34 – *Interim Financial Reporting* (IAS 34) and are presented in Canadian dollars. We also recommend that this information be read in conjunction with the GLPA's annual financial statements and annual report for the year ended December 31, 2022. Financial results in the MD&A are rounded to the nearest thousand.

Management is responsible for the information presented in the unaudited interim financial statements and the MD&A. All references to "our" or "we" are references to the management of the GLPA. The Board of Directors, on the recommendation of its Audit Committee, approved the content of this MD&A and the unaudited interim financial statements.

MATERIALITY

In assessing the information to be provided in the MD&A, management applies the materiality principle as guidance for disclosure. Management considers the information to be material if it is considered probable that its omission or misstatement would influence decisions that users make on the basis of financial information.

FORWARD-LOOKING STATEMENTS

The unaudited interim financial statements and the MD&A contain forward-looking statements that reflect management's expectations regarding the GLPA's objectives, plans, strategies, future growth, results of operations, performance, and business prospects and opportunities. Forward-looking statements are typically identified by words or phrases such as "plans", "anticipates", "expects", "believes", "estimates", "intends" and other similar expressions. These forward-looking statements are not facts, but only estimates regarding future results. These estimates are based on certain factors or assumptions regarding expected growth, results of operations, performance, business prospects, and opportunities (assumptions). While management considers these assumptions to be reasonable based on available information, they may prove to be incorrect. These estimates of future results are subject to a number of risks, uncertainties, and other factors that could cause actual results to differ materially from what the GLPA expects.

DESCRIPTION OF THE OPERATIONS AND OBJECTIVES

Pursuant to the *Pilotage Act,* the GLPA has a mandate to operate in the interest of safety, a marine pilotage service in all Canadian waters in the Provinces of Ontario, Manitoba, and in Quebec, south of the northern entrance to the St. Lambert Lock. Pilotage services are provided to vessels entering the region which are subject to compulsory pilotage by pilots employed by the GLPA. In addition, the GLPA administers a marine pilotage certification program of approximately 250 certificate holders to ensure Canadian vessels subject to compulsory pilotage are under the conduct of a valid certificate holder when the services of a pilot are not requested per the *General Pilotage Regulations*.

The GLPA must coordinate its efforts and operations with many other organizations, such as the St. Lawrence Seaway Management Corporation and the United States (US) St. Lawrence Seaway Development Corporation, which are responsible for operating the lock facilities and maintaining traffic control systems within the region; the Canadian and United States Coast Guards are responsible for providing aids to navigation. Additionally, the United States Coast Guard's Great Lakes Pilotage Division is tasked with developing regulations, policies, and directions for the three American pilot associations.

The GLPA has the responsibility to provide pilotage services within a commercially oriented framework directed toward achieving and maintaining financial self-sufficiency. It must also be responsive to the Government's environmental, social, and economic policies.

SIGNIFICANT CHANGES AND BUSINESS DEVELOPMENTS

The GLPA's collective agreements with its five pilot groups (four collective agreements) expired in March 2022. To mitigate potential disruptions, the GLPA established a Resolution of Contract Renewal Disputes Agreement with the Canadian Merchant Service Guild (the Guild), representing the pilots, in June 2022. This agreement was aimed at ensuring continuous pilotage services by setting up a process for dispute resolution during collective bargaining if consensus could not be reached. Negotiations with the Guild began in fall 2022.

The GLPA also initiated discussions with the Public Service Alliance of Canada (PSAC), the union for dispatchers and clerical staff, after their collective agreement expired in June 2022.

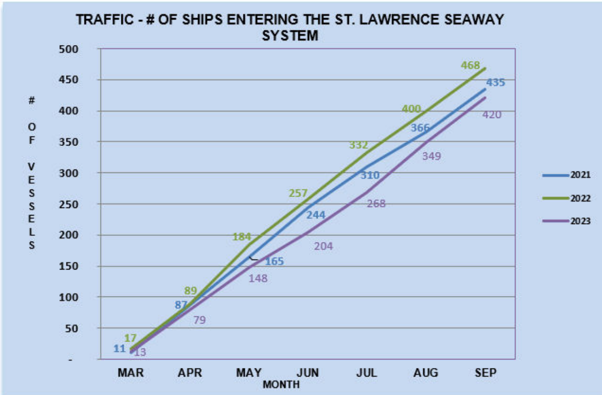
As of the current quarter, the GLPA has successfully ratified a collective agreement with two of the pilot groups for a term of five years. Additionally, the GLPA has finalized the collective agreement with the dispatchers and clerical staff for a duration of two years. The GLPA remains actively engaged in negotiations with the Guild to conclude the remaining three collective agreements with the pilot groups.

The GLPA incorporates a range of strategic and operational performance indicators (KPIs) as a vital component of its decision-making framework. The subsequent evaluation provides an overview of the GLPA's cumulative performance for the first nine months of 2023, offering a comparative analysis against established targets and the corresponding performance in 2022.

STRATEGIC PERFORMANCE INDICATORS	Q3 YTD-2023	Target	Vs Target	Q3 YTD -2022	Vs 2022
1 - NAVIGATIONAL SAFETY					
% of incident-free assignments	99.9%	99.9%	■	99.8%	■
2 - PILOTAGE RELIABILITY					
Number of vessel delays due to shortage of pilots (hours)	**1,611**	3,333	■	2,770	■
3 - FINANCIAL SELF-SUFFICIENCY					
Net income (in millions)	**($2.4)**	$1.7	□	$3.2	□
OPERATIONAL PERFORMANCE INDICATORS	**Q3 YTD-2023**	**Target**	**Vs Target**	**Q3 YTD -2022**	**Vs 2022**
4 - PILOTAGE RELIABILITY					
Number of new apprentice-pilots recruited	**5**	7	□	4	■
Number of new pilots licensed	**4**	5	□	3	■
5 - FINANCIAL SELF-SUFFICIENCY					
Cost per assignment	**$5,528**	$4,865	□	$4,358	□

■ Target Met ■ Target Not Met □ Not Applicable

TRAFFIC



During the third quarter, the GLPA recorded 216 vessels entering the Great Lakes system, amounting to a year-to-date (YTD) total of 420 vessels. This reflects a decrease from the previous year, where 211 vessels were recorded in the third quarter, with a YTD total of 468 in 2022. The 10% YTD decrease in vessel entries into the Great Lakes system is primarily due to a reduction in the number of foreign vessels.

The YTD pilotage assignments for September 2023 are 8% lower than the assignments recorded for the corresponding period in 2022. This reduction is primarily attributed to a 10% decrease in foreign vessels. This decline is largely influenced by the following specific vessel types, listed by importance: a 7% decrease in bulk carriers, 22% decrease in General cargo ships and 6% decrease in passenger ships. Pilotage demand from the Canadian domestic industry remained similar to prior year.

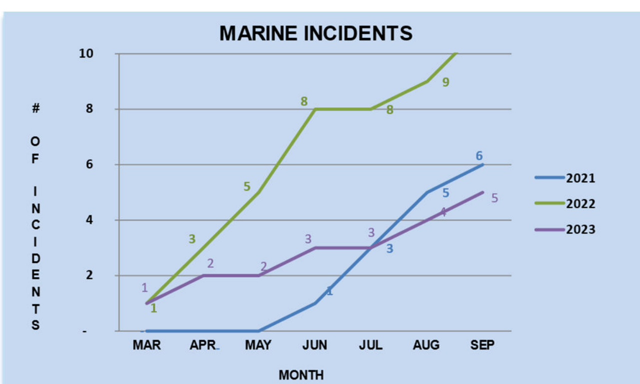
The GLPA anticipates that traffic trends observed thus far this year will persist, marked by a downturn in foreign vessel traffic. Consequently, we project a 10.6% decrease in navigation season assignments for the year when compared to the previous year.

Number of Assignments	Actual / Forecast 2023	Budget 2023	Var %	Actual 2022	Var %
Winter Work (*)	102	74	37.8%	73	39.7%
NAVIGATION SEASON					
Year-to-date	5,699	6,124	-6.9%	6,197	-8.0%
For the remaining of the year	2,632	3,492	-24.6%	3,118	-15.6%
Total - Navigation Season	8,331	9,616	-13.4%	9,315	-10.6%
TOTAL	8,433	9,690	-13.0%	9,388	-10.2%

** The GLPA operates in the St. Lawrence Seaway. The Seaway usually closes in late December due to winter weather conditions and reopens in late March. Pilotage services are provided between Port Colborne, ON and Port Huron, MI during the winter months.*

NAVIGATIONAL SAFETY

Marine Incidents



The safety of navigation in the Great Lakes region is the primary objective of the GLPA. The GLPA continually evaluates its operations and strives to make improvements to ensure that employees work in a safe environment and that all vessel transits are safe and secure. In the third quarter of 2023, there were two minor incidents with no reported injuries, representing a 99.9% incident-free operation.

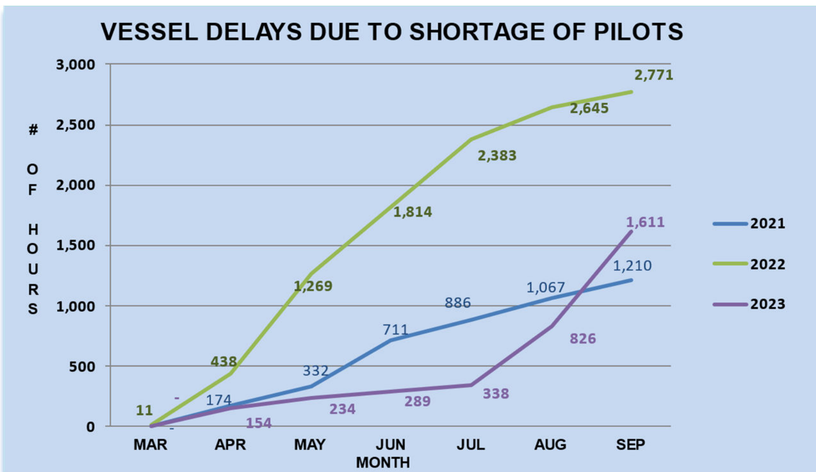
Canadian Vessel Transit Monitoring and Certificate Holder Monitoring

In response to the long-standing practice of exempting Canadian ships from compulsory pilotage, the GLPA introduced a certification program to ensure that all Canadian officers intending to perform pilotage duties on the Great Lakes must hold a valid pilotage certificate issued by the GLPA. The *Great Lakes Pilotage Regulations* were amended in 2011 to reflect this requirement. To properly administer this program and manage its risks, the GLPA monitors pilotage certificate holders to ensure they meet the requirements set out in the Regulations on medical fitness, qualifications, and navigation experience in the compulsory pilotage areas covered by their certificate. The GLPA must also monitor Canadian vessels transiting the Great Lakes region to ensure that any vessel subject to compulsory pilotage is under the conduct of a valid certificate holder whenever the service of a pilot is not requested. As part of the changes to the *Pilotage Act*, on June 9, 2021, the responsibility for the issuance, suspension, and cancellation of pilot licenses and pilotage certificates was transferred from the GLPA to the Minister of Transport. The GLPA continues to work with Transport Canada during this transition period.

As noted above, the GLPA continually monitors pilotage certificate holders to ensure that all requirements of the certification program are maintained. This includes communicating with those holders not maintaining the requirements and recommending to Transport Canada the suspension or cancellation of certificates when deemed appropriate. With Transport Canada now responsible for the enforcement of the *Pilotage Act*, the GLPA communicates any deficiencies to Transport Canada.

PILOTAGE RELIABILITY

Delays to Vessels



The GLPA maintains a commitment to reduce vessel delay hours caused by pilot shortages, all the while ensuring that fiscal prudence remains unaffected. During the third quarter of 2023, a total of 1,322 vessel delay hours were recorded and 1,611 hours for year-to-date total. In comparison to 957 hours in third quarter 2022 and 2,771 hours for year-to-date 2022.

Recruitment, Training, and Retention of Apprentice Pilots

Through its Enterprise Risk Management assessment, the GLPA continues to view pilot succession planning as crucial given approximately 17 pilots are expected to retire in the next five years. To properly mitigate this risk, the GLPA continues to plan for a high level of pilot recruitment and training.

The GLPA continues to use its Apprentice Pilot Training Program effectively. Among the five apprentice pilots continuing their training from 2022, four trainees obtained their license, and one is expected to be licensed in 2024. In 2023, the GLPA has hired five additional apprentice pilots.

FINANCIAL SELF-SUFFICIENCY

The GLPA recorded a loss of $0.9 million in the third quarter, contributing to a year-to-date loss of $2.4 million. This contrasts with a surplus of $1.1 million in the third quarter and a year-to-date surplus of $3.2 million in 2022.

The subsequent table provides an overview of the GLPA's performance in the third quarter and cumulative outcomes as of September 30th, 2023, in comparison with the corresponding period in 2022.

In millions	3 months ended Sept 30 2023	3 months ended Sept 30 2022	Favorable (Unfavorable)	%	YTD Sept 30 2023	YTD Sept 30 2022	Favorable (Unfavorable) Change	%	Explanation of change
Revenue	$15.0	$13.7	$1.3	10.0%	$29.7	$30.4	($0.7)	-2.2%	Revenue for the three months ended September has increased by 10% over the same period last year, primarily driven by an increase in assignment numbers. However, year-to-date revenue has decreased by 2.2% compared to the same period last year. This decrease is largely due to an 8% reduction in assignments during the navigational season, with the main contributor being a 10% year-over-year decline in foreign vessel assignments.
Operating costs	$15.2	$11.9	($3.3)	-28.0%	$29.5	$24.9	($4.6)	-18.6%	Operating costs have increased due to salary increases and accruals for pilot wages. Negotiations are ongoing; however, only one of the four collective agreements with the pilot's group has been ratified YTD. All collective agreements expired in March 2022.
Administrative costs	$0.7	$0.7	$0.0	0.0%	$2.6	$2.3	($0.3)	-11.0%	Administrative costs have increased compared to last year, primarily due to a rise in professional fees.
Surplus (loss)	-$0.9	$1.1	($2.0)	178.1%	($2.4)	$3.2	($5.6)	174.8%	
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	
Comprehensive profit (loss)	-$0.9	$1.1	-$2.0	178.1%	-$2.4	$3.2	-$5.6	174.8%	

Cash flow

The GLPA posted a cash balance of $16.2 million at the end of the third quarter in 2023 compared to a $19.1 million cash balance at end of last year. The GLPA did not utilize the available $5.0 million line of credit.

GOVERNANCE AND ACCOUNTABILITY

Board of Directors

As of September 30, 2023, the Board of Directors of the GLPA is composed of a Chairperson and six directors appointed by the Governor in Council. Among the seven directors, four are female and three are male. The Board's mandate is to guide the strategic direction and oversee the management of the GLPA. It also accounts for the GLPA's operations to Parliament through the Minister of Transport.

Board Meetings

During the third quarter of 2023, one Board meeting, two committee meetings and several ad hoc meetings were held. The fees paid to Board members during the third quarter of 2023 totaled $20,500 (YTD - $42,250) compared to $19,293 (YTD - $43,918 for the same period in 2022).

Travel, Hospitality, and Conference Expenses

THE FOLLOWING TRAVEL, HOSPITALITY AND CONFERENCE EXPENSES WERE SUBMITTED DURING THE THIRD QUARTER OF 2023:		
	3 months ended September 30, 2023	YTD September 30 2023
Board of Directors	$ 11,599	$ 22,357
Administration	$ 14,153	$ 69,591
TOTAL	$ 25,752	$ 91,948

LABOUR RELATIONS

Corporation of Professional Great Lakes Pilots, Corporation of the Upper St. Lawrence Pilots, The Pilots' Corporation – Lake Ontario and Harbours, *Corporation des Pilotes du Fleuve et de la Voie maritime du Saint-Laurent*

Out of the four collective agreements that expired on March 31, 2022, one has been successfully negotiated and ratified in June 2023. The negotiations for the remaining three collective agreements are ongoing.

Public Service Alliance of Canada (PSAC)

The negotiations between the GLPA and the PSAC, which represents our administrative and dispatching employees, have reached a conclusion. The new agreement was ratified this August and will extend for a term of two years. This comes after the previous agreement expired on June 30, 2022.

INTERNAL CONTROLS AND PROCEDURES

During the third quarter of 2023, there were no changes in internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the GLPA's internal controls over financial reporting.

RISKS AND RISK MANAGEMENT

The GLPA's management considers risks and opportunities at all levels of decision-making and has implemented an enterprise risk management (ERM) approach. A description of the GLPA's risks is provided in the 2022 Annual Report.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Contractual obligations and commitments were explained in Note 18 – *Commitments* of the 2022 Audited Financial Statements. There are no material changes to the contractual obligations and commitments during the third quarter of 2023.

RELATED PARTY TRANSACTIONS

The GLPA has a variety of transactions with related parties in the normal course of business. These transactions are not materially different from what was reported in Note 17 – R*elated Party Transactions* of the 2022 Audited Financial Statements.

SUBSEQUENT EVENTS

It is management's opinion that there are no material events subsequent to the end of the third quarter that have not been reflected in the quarterly statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates and judgments are described in Note 5 – *Critical accounting estimates and judgments* of the unaudited interim third quarter financial statements ended September 30, 2023. It is management's opinion that there are no changes in its underlying estimates used in the preparation of the third quarter financial statements that have a significant impact on the third quarter results.

ACCOUNTING PRONOUNCEMENTS

The GLPA's unaudited interim financial statements for the third quarter ended September 30, 2023, provide a comprehensive discussion of the impact of the pronouncements issued by the Internal Accounting Standards Board (IASB) or the IFRS Interpretations Committee on the GLPA's financial position, performance and cash flows. Note 3 - New and Revised Accounting Standards in the unaudited interim financial statements for the third quarter ended September 30, 2023, contain further information on any such impact and discussions on proposed standards.

APPROPRIATIONS

Since 1998, the GLPA is prohibited from receiving Parliamentary appropriations per section 36.01 of the *Pilotage Act*. The GLPA adheres to the principle of being financially self-sufficient and regularly endorses a strategy that ensures that this strategic goal remains one of its highest priorities.

GREAT LAKES PILOTAGE AUTHORITY

202 Pitt Street, 2nd floor

Cornwall, Ontario K6H 5R9

UNAUDITED FINANCIAL STATEMENTS

Quarterly Results

Nine months to September 30, 2023

Statement of Management Responsibility:

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of the operations, and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

Captain Jim Pound	Antony Sebastiampillai, CPA
Chairperson of the Board	Chief Financial Officer

Cornwall, Ontario
November 15, 2023

GREAT LAKES PILOTAGE AUTHORITY

Statement of Financial Position
(In thousands)

Unaudited

	September 30, 2023	December 31, 2022
ASSETS		
Current		
Cash and cash equivalents	$ 16,217	$ 19,130
Trade and other receivables	6,106	6,545
Prepaids	190	71
	22,513	25,746
Non-current		
Property and equipment	828	885
Intangible assets	30	54
Right-of-use assets	18	70
	$ 23,389	$ 26,755
LIABILITIES		
Current		
Accrued salaries and benefits	$ 15,058	$ 15,982
Other accounts payable and accrued charges	1,838	1,675
Employee benefits	15	220
Lease liability	27	85
	16,938	17,962
Non-current		
Employee benefits	1,605	1,564
	18,543	19,526
EQUITY		
Accumulated surplus	4,846	7,229
	$ 23,389	$ 26,755

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

GREAT LAKES PILOTAGE AUTHORITY

Statement of Operations and Comprehensive Income
(In thousands)

Unaudited

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
REVENUES				
Pilotage charges	$ 14,820	$ 13,508	$ 29,053	$ 30,173
Interest and other income	190	196	630	219
	15,010	13,704	29,683	30,392
EXPENSES				
Pilots' salaries and benefits	11,812	9,286	22,200	18,472
Transportation and travel	1,286	986	2,656	2,422
Pilot boat services	1,024	755	1,942	1,591
Operation staff salaries and benefits	737	548	1,605	1,219
Administration staff salaries and benefits	375	431	1,193	1,411
Professional and special services	205	134	1,018	433
Amortization and depreciation	113	74	225	222
Pilot Transfer Services	102	105	201	220
Utilities, materials and supplies	56	49	212	158
Pilotage Act Administration Fees	42	100	83	256
Repairs and maintenance	35	22	129	51
Communications	30	53	81	104
Portable Pilotage unit and navigation software	24	19	85	94
Depreciation of right-of-use asset	19	16	56	48
Purchased dispatching services	8	14	58	42
Pilot training and recruiting costs	6	8	290	433
Rentals	3	4	9	12
Interest on lease liability	0	1	2	3
Financing costs and other charges	(17)	7	21	14
	15,860	12,612	32,066	27,205
Profit (loss) for the period	$ (850)	$ 1,092	$ (2,383)	$ 3,187
Other Comprehensive Income				
Items that will not be reclassified to net results				
Actuarial gain (loss) on employee benefits	-			
Comprehensive income (loss) for the period	$ (850)	$ 1,092	$ (2,383)	$ 3,187

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

GREAT LAKES PILOTAGE AUTHORITY

Statement of Changes in Equity
(In thousands)

Unaudited

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30 2023	Nine months ended September 30 2022
Accumulated surplus, beginning of period	$ 5,696	$ 7,120	$ 7,229	$ 5,025
Profit (loss) for the period	(850)	1,092	(2,383)	3,187
Total comprehensive income (loss) for the period	(850)	1,092	(2,383)	3,187
Accumulated surplus, end of period	$ 4,846	$ 8,212	$ 4,846	$ 8,212

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

GREAT LAKES PILOTAGE AUTHORITY

Statement of Cash Flows
(In thousands)

Unaudited

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
OPERATIING ACTIVITIES				
Profit (loss) for the period	$ (850)	$ 1,092	$ (2,383)	$ 3,187
Adjustments to determine net cash (used in) provided by operating activities:				
Employee benefits	17	(5)	(164)	(186)
Amortization and depreciation	113	74	225	222
Depreciation of right-of-use assets	19	16	56	48
Changes in non-cash working capital items:				
Decrease (increase) in receivables	(1,716)	592	439	862
Decrease (increase) in prepaids	(42)	38	(119)	(40)
Increase (decrease) in accrued salaries and benefits	5,908	1,054	(924)	(6,470)
Increase (decrease) in other accounts payable and accrued charges	441	36	163	(378)
Net cash (used in) provided by operating activities	3,890	2,897	(2,707)	(2,755)
INVESTING ACTIVITIES				
Acquisition of property and equipment and intangible assets	(74)	(1)	(148)	(728)
Net cash used in investing activities	(74)	(1)	(148)	(728)
FINANCING ACTIVITIES				
Payment of the lease liability	(21)	(20)	(58)	(57)
Net cash used in financing activities	(21)	(20)	(58)	(57)
CASH AND CASH EQUIVALENTS				
Net Increase (decrease) in cash during the period	3,795	2,876	(2,913)	(3,540)
Balance, beginning of period	12,422	10,964	19,130	17,380
Balance, end of period	$ 16,217	$ 13,840	$ 16,217	$ 13,840
Represented by:				
Cash	$ 16,217	$ 13,840	$ 16,217	$ 13,840

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

Notes to the Unaudited Financial Statements

1. Authority and objectives

The Great Lakes Pilotage Authority, Ltd. (the Authority) was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and was continued under the *Canada Business Corporations Act*. Until October 1, 1998, it operated under the name of Great Lakes Pilotage Authority, Ltd. and was a subsidiary of the St. Lawrence Seaway Authority. Pursuant to the *Canada Marine Act*, which received Royal Assent on June 11, 1998, the name of the Authority was changed to Great Lakes Pilotage Authority and the Authority was deemed to have been established under subsection 3(1) of the *Pilotage Act*. The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act*.

The objectives of the Authority are to establish, operate, maintain, and administer a safe and efficient pilotage service within designated Canadian waters.

In July 2015, the Authority was issued a directive (P.C. 2015-1114) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference, and event expenditures in a manner that is consistent with its legal obligations, and the Authority continues to meet the requirements of this directive.

The Authority has been continually comparing and revising its directive on travel expenses with the Treasury Board directives and related instruments on travel, hospitality, conference, and event expenditures. The Authority confirms it is in full compliance with the directive.

The Authority is exempt from any income taxes.

The principal registered address and records office of the Authority are located at 202 Pitt Street, 2nd floor, Cornwall, Ontario.

<u>Regulation of tariff of pilotage charges</u>

The approval process for establishing or revising pilotage charges is set out in the Pilotage Act. The Authority may, by resolution, determine the charges to be paid to the Authority for the provision of services in relation to compulsory pilotage. To establish or revise pilotage charges, the Authority must publish a notice of the proposed charges on its website and allow any party at least 30 days to make representations about the proposal to the Authority. After considering all written representations, the Authority shall publish an announcement that sets out its decision in respect of the proposal, including the date on which it will take effect, which is not to be earlier than 60 days after the date the announcement is published.

Within 90 days of the announcement, a person who has reason to believe that the pilotage charges are not in accordance with the charging principles specified in the Pilotage Act, or that the Authority did not follow the proper process to establish or revise the charges, may file a notice of objection with the Canadian Transportation Agency (CTA). If the CTA determines that an objection is well founded, it may order the Authority to cancel the establishment or revision of the pilotage charge and to refund, with interest, each user of compulsory pilotage services the amount paid in excess of the charge previously in effect. The CTA shall also provide the person who filed the notice of objection and the Authority with written reasons for any decision that is made and, if applicable, any decision to fix the period within which the Authority is to make a refund to a user of compulsory pilotage services.

2. Basis of presentation

(a) Declaration of conformity

These financial statements, including comparatives, have been prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements were approved by the Board of Directors on November 22, 2023.

(b) Basis of measurement

The financial statements have been prepared at historical cost except for financial instruments classified as at amortized cost, which are measured at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

3. NEW AND REVISED ACCOUNTING STANDARDS

The IASB issued amendments to the following standards, which are effective for the Authority's annual periods beginning on or after January 1, 2023:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

Amendments to IAS 1 – Presentation of Financial Statements – Disclosure of Accounting Policies

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

Management has assessed that these changes had no significant impact on the Authority's financial statements.

4. Significant accounting policies

The significant accounting policies are as follows:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value.

(b) Investments

The objective of the Authority's investment policy is to maximize the investment rate of return in a Government of Canada guaranteed bond.

(c) Property and equipment

Property and equipment are recorded at cost. Depreciation of property and equipment is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Asset category	Estimated useful life
Buildings	20 years
Furniture	10 years
Leasehold improvements	shorter of the term of the lease and the useful life of the leasehold improvement
Communication and computer equipment	Up to 5 years

Depreciation methods, useful lives and residual values are reviewed at each year end and adjusted for the future. No depreciation is provided for projects in progress.

(d) Intangible asset

Software is recorded at cost. Amortization of software is calculated on a straight-line basis and is based on the estimated useful life of the asset as follows:

Asset category	Estimated useful life
Software	Up to 5 years

Amortization methods, useful lives and residual values are reviewed at each year end and adjusted for the future. No amortization is provided for projects in progress.

(e) Right-of-Use Asset and lease liabilities

The Authority assesses whether a contract is or contains a lease, at inception of a contract. The Authority recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases which, at the commencement date, have a term of 12 months or less) and leases of low-value assets. Right-of-use assets and lease liabilities are recognized at the commencement date of the lease.

Right-of-use assets are measured at cost, less any accumulated and impairment losses, and adjusted for any remeasurement of the liabilities. The cost includes the amount of lease liability recognized, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs.

Right-of-use assets are depreciated on a straight-line basis as follows:

Asset category	Estimated useful life
Building	shorter of the term of the lease and the useful life of the building

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the lease's implicit rate. If this rate cannot be readily determined, the Authority uses the incremental borrowing rate. It is subsequently measured when there is a change in future lease payments arising from change in an index or rate, or if the Authority changes its assessment of whether it will exercise an extension or termination option.

The right-of-use asset and the lease liability are presented as separate line items in the Statement of Financial Position.

(f) Pension benefits

Substantially, the employees of the Authority are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority to cover current service cost. Pursuant to legislation currently in place, the Authority has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Authority.

(g) Severance benefits

Employees are entitled to severance benefits, as provided under labour contracts and conditions of employment. The cost of the severance benefits earned by employees is determined annually on an actuarial basis using the projected unit credit method prorated with years of credited service and management's best estimate assumptions, such as the discount rate, rate of salary increase, inflation, retirement ages of employees and other factors. The actuarial gain (loss) is recognized in other comprehensive income and cannot be reclassified to profit in the future.

The benefit costs are determined using the cost of employee benefits for the current years' service, the interest cost on the accrued benefit obligation, the benefits paid and net actuarial gain or loss for the year

(h) Retirees' death benefits

Former employees who retired prior to 1999 have been granted a death benefit. The liability amount for this benefit is determined annually on an actuarial basis using the projected unit credit method. The actuarial gain (loss) is recognized in other comprehensive income and cannot be reclassified to profit in the future.

The annual cost of this benefit comprises the amount of benefits paid in the year, the interest cost on the accrued benefit obligation plus the change in the actuarial liability during the year, reduced by a retiree contribution.

(i) Employee benefits

The Authority's short-term employee benefits which include compensated absences, are evaluated on an undiscounted basis, and are expensed as the related services are rendered.

(j) Effects of changes in foreign exchange rate

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the Statement of Financial Position date. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at monthly average exchange rates. All exchange gains and losses are included under interest and other income in profit and loss for the year.

(k) Revenue recognition

Revenue is recognized as control is passed. The Authority has assessed that the control for pilotage services is passed at a certain point in time, more specifically when the pilot assigned to a vessel has completed his pilotage assignment, or the assignment is cancelled. Revenues earned from pilot boat income are recognized as services are rendered. Interest and other income are recognized using the effective interest method as they are earned.

Pursuant to Section 34 of the *Pilotage Act*, an interested person may file a notice of objection with the Canadian Transportation Agency (CTA) if that person has reason to believe that the proposed pilotage charges are prejudicial to the public interest that is set out in section 5 of the *Canada Transportation Act*. Such pilotage charges under objection will not be recognized as revenue until a CTA decision has been rendered.

(l) Financial assets

Financial assets are classified or designated into one of three categories:

- Amortized cost.
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVTOCI).

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. The Authority has financial assets in one category, amortized cost.

(i) *Amortized cost* – Policy applicable to cash, cash equivalent, trade and other receivables and investments

Financial assets are measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows.
- The contract terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

On initial recognition, financial assets are measured at fair value. Fair value on initial recognition includes transaction cost directly attributable to the acquisition of financial assets. Subsequent to initial recognition, financial assets classified in this category are recognized at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset to it carrying amount. When calculating the effective interest rate, the Authority estimates future cash flows, considering all contractual terms of the financial instrument. Interest income is presented in Interest and Other Income in the Statement of Operations and Comprehensive Income.

(ii) *Impairment of financial assets other than those measured at fair value*

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty.
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of all financial assets, excluding accounts receivables, is directly reduced by the impairment loss. The carrying amount of accounts receivables is reduced through the use of an allowance account. When accounts receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

To assess the impairment of trade and other receivables, the Authority applies a simplified approach in calculating the allowance for expected credit loss (ECLs). Therefore, the Authority does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Authority has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(iii) *Derecognition of financial assets*

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expires; or
- If the Authority transfers the financial asset and substantially all risks and rewards of ownership to another entity.

(m) Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or amortized cost. The Authority classifies its financial liabilities at amortized cost unless it has designated liabilities at FVTPL or is required to measure liabilities at FVTPL.

(i) *Amortized cost* – Policy applicable to other accounts payable and accrued charges and accrued salaries and benefits

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Authority has classified other accounts payable and accrued charges and accrued salaries and benefits as other financial liabilities at amortized cost. Due to the short-term nature of these accounts, their carrying values are deemed to approximate their fair values.

(ii) *Derecognition of financial liabilities*

The Authority derecognizes financial liabilities when, and only when, the Authority's obligations are discharged, cancelled or they expire.

(n) Exchange of services

Exchanges of services are recorded at the estimated fair value of the goods or services received. Revenues from exchange of services are recognized when the related services are rendered. Expenses resulting from exchange of services are recognized during the period when the related goods or services are provided by third parties.

5. Contingent Liability

Legal Proceedings: As of the most recent reporting period, GLPA is involved in a legal dispute following the termination of a pilot boat service contract. The supplier has initiated legal action, claiming loss of profits. However, the claim amount has not been specified. Given the current uncertainty surrounding the case's outcome and the inability to accurately estimate any potential financial repercussions, this issue is classified as a contingent liability. The GLPA is actively defending against the claim.

6. Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal year are discussed as follows.

(a) Significant accounting estimates

Significant accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next year.

Employee severance and retirees' death benefits

The Authority engages a third-party actuary to assess the fair value of its employee severance benefits and the retirees' death benefit. The Authority assesses these obligations on December 31 each year.

Amortization and Depreciation rates

Refer to Note 4 (c), 4 (d) and 4 (e) for the estimated maximum useful lives of property and equipment and intangible assets and right-of-use asset.

(b) Significant accounting judgments

Significant accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Management has not made any significant accounting judgments in the preparation of these interim quarterly financial statements.