

2024 First Quarter

Financial Report

For the period ended March 31, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (MD&A) outlines the Great Lakes Pilotage Authority (GLPA) financial results and operational changes for the quarter ended March 31, 2024. This discussion should be read with the unaudited interim financial statements for the period, 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). We also recommend reading this information in conjunction with the GLPA’s annual financial statements and annual report for the year ended December 31, 2023.

GLPA management is responsible for the information presented in the MD&A and unaudited interim financial statements. 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. The financial results discussed in the MD&A are rounded to the nearest thousand.

MATERIALITY

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

FORWARD-LOOKING STATEMENTS

The MD&A and unaudited interim financial statements 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 similar. These forward-looking statements are not facts but estimates of future results. These are based on factors or assumptions regarding expected growth, results of operations, performance, business prospects and opportunities. While management considers the assumptions to be reasonable based on available information, these may prove to be incorrect. The 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

Under the Pilotage Act, the GLPA is mandated to ensure safety by operating a marine pilotage service in all Canadian waters within the provinces of Ontario, Manitoba, and Quebec, south of the northern entrance to the St. Lambert Lock. Vessels entering this region must engage in compulsory pilotage by GLPA employed pilots. Furthermore, the GLPA oversees a pilotage certification program, which includes about 250 certificate holders. This program ensures that Canadian vessels required to undergo compulsory pilotage are under the guidance of a valid certificate holder, especially when pilot services are not requested, in accordance with the *General Pilotage Regulations*.

The GLPA must coordinate its efforts and operations with those of many other organizations, such as the binational St. Lawrence Seaway Management Corporation and the US Great Lakes St. Lawrence Seaway Development Corporation, which operate the lock facilities and maintain traffic control systems within the region. It also coordinates with the Canadian Coast Guard, which provides navigation aids, and the US Coast Guard, which is responsible for US pilotage matters in international waters.

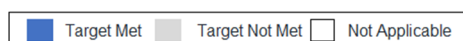
The GLPA is responsible for providing pilotage services within a commercially oriented framework aimed at achieving and maintaining financial self-sufficiency. Additionally, it must align with the government’s environmental, social, and economic policies.

SIGNIFICANT CHANGES AND BUSINESS DEVELOPMENTS

The GLPA is currently in negotiations with the Canadian Merchant Service Guild, representing the pilots' group. Negotiations are underway for 2 collective agreements covering Lake Ontario and District 1. In 2023, 2 collective agreements representing Cornwall and Districts 2 and 3 were ratified. The GLPA is actively engaged in negotiations with the guild to conclude the remaining 2 collective agreements with the pilot groups.

The GLPA incorporates a range of strategic and operational key performance indicators as vital components of its decision-making framework. The subsequent evaluation provides an overview of the GLPA's cumulative performance for the first 3 months of 2024, offering a comparative analysis versus established targets and the corresponding performance in 2023.

STRATEGIC PERFORMANCE INDICATORS	Q1 YTD-2024	Target	Vs Target	Q1 YTD -2023	Vs 2023
1 - NAVIGATIONAL SAFETY					
Number of major marine incidents	0	0	☐	0	☐
Number of minor marine incidents	0	0	☐	1	☐
% of incident-free assignments	100.0%	99.9%	■	99.6%	■
2 - PILOTAGE RELIABILITY					
Number of vessel delays due to shortage of pilots (hours)	0	0	■	0	■
3 - FINANCIAL SELF-SUFFICIENCY					
Net income (in millions)	(\$1.2)	(\$1.5)	■	(\$1.3)	■
OPERATIONAL PERFORMANCE INDICATORS	Q1 YTD-2024	Target	Vs Target	Q1 YTD -2023	Vs 2023
4 - PILOTAGE ASSIGNMENTS					
Navigational season	308	170	■	170	■
Winter work	104	101	■	101	■
5 - FINANCIAL SELF-SUFFICIENCY					
Cost per assignment	\$9,504	\$12,343	■	\$11,533	■



TRAFFIC

The GLPA provided pilotage services during the winter months in District 2 (the waterway between Port Colborne, Ontario and Port Huron, Michigan). The demand for pilotage during the winter season was 104 assignments, which is comparable to the 101 assignments in 2023.

The 2024 St. Lawrence Seaway navigation season began with the first ship entering the seaway system at the St. Lambert Lock on March 22, 2024, mirroring the start date of the 2023 season.

From the beginning of the navigation season to the end of the first quarter, there were 308 assignments serviced under compulsory pilotage compared to 170 assignments in 2023. This represents an 81% increase in traffic compared to 2023, attributed to mild winter conditions and the absence of appreciable ice cover on the Great Lakes, which facilitated early-season traffic movement.

NAVIGATIONAL SAFETY

Marine incidents

Navigational safety in the Great Lakes region is the GLPA’s primary objective. The GLPA continually evaluates its operations and makes every effort to introduce improvements to ensure employees work in a safe environment and that all vessel passages are safe and secure. In the first quarter of 2024, there were no incidents reported. For comparison, in 2023, there was 1 minor incident.

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 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 with respect to medical fitness, qualifications and navigation experience in the compulsory pilotage areas covered by their certificates. 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 has not been requested. As part of the changes to the *Pilotage Act*, on June 9, 2021, the responsibility for issuing, suspending and cancelling pilot licences and pilotage certificates was transferred from the GLPA to the Minister of Transport. The GLPA continues to work with Transport Canada to complete this transition.

As noted above, the GLPA continually monitors pilotage certificate holders to ensure they meet all the requirements of the certification program. This includes communicating with holders who do not continue to meet the requirements and recommending the suspension or cancellation of certificates to Transport Canada when deemed appropriate. Because Transport Canada is now responsible for enforcing the *Pilotage Act*, the GLPA communicates any deficiencies to the ministry.

PILOTAGE RELIABILITY

Delays to vessels

The GLPA continues to focus its attention on reducing vessel delay hours attributable to pilot shortages in a manner that does not materially affect its fiscal responsibilities. For the first quarter of 2024, the GLPA recorded no delays due to pilot shortages.

Recruitment, training and retention of apprentice pilots

Through its enterprise risk management assessment, the GLPA continues to view pilot succession planning as crucial, given that approximately 20 to 25 pilots are expected to retire in the next 5 years. To 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. Of the 6 apprentice pilots who are continuing their training from 2023, 4 are expected to be licensed by the end of this year. Additional recruitment efforts will continue in 2024.

FINANCIAL SELF-SUFFICIENCY

First-quarter revenues and earnings are significantly lower than those of other quarters due to seasonal factors, such as the closure of the seaway during the winter months, typically from January to March. The presence and quantity of ice influence traffic levels in March, and generally, the seaway reopens around March 22.

In the first quarter of 2024, the GLPA recorded revenues of \$2.7 million—an increase of \$0.9 million compared to the same period in 2023. Operating and administrative expenses also increased by \$0.8 million. Both revenue and expenses increased compared to the previous year, which can be attributed to the increased number of assignments during the navigational season, with 308 in the first quarter of 2024

versus 170 in the corresponding period of 2023. The rise in assignments is due to mild winter conditions and a lack of significant ice cover on the Great Lakes, facilitating early-season traffic movement.

The following table illustrates the GLPA’s performance for the first quarter of 2024 compared to the same period in 2023.

As at March 31				
In millions of Canadian dollars	2024	2023	Favorable (Unfavorable)	%
Revenues	\$2.7	\$1.8	\$0.9	50.0%
Operating expenses	\$3.0	\$2.5	-\$0.5	-20.0%
Administrative expenses	\$0.9	\$0.6	-\$0.3	-50.0%
Loss	-\$1.2	-\$1.3	\$0.1	7.7%
Other comprehensive income (loss)	-	-	-	-
Comprehensive loss	-\$1.2	-\$1.3	\$0.1	7.7%

Cash flow

The GLPA posted a cash balance of \$5.3 million and no short-term investments at the end of the first quarter of 2024. This compares to an \$11.0 million cash balance and no short-term investments for the same period of 2023. The GLPA did not draw upon its \$5.0 million line of credit in the first quarter.

GOVERNANCE AND ACCOUNTABILITY

Board of Directors

As of March 31, 2024, the Board of Directors consisted of the chair of the Board of Directors and 5 directors appointed by the Governor in Council. Of the 6 directors, 3 are female and 3 are male. The Board is responsible for overseeing the strategic direction and management of the GLPA and reports on the organization’s operations to Parliament through the Minister of Transport.

Board meetings

During the first quarter of 2024, 3 Board meetings and 2 committee meetings were held. The attendance rate of Board members at these meetings was 100%. Cumulative fees paid to Board members during the first quarter of 2024 totalled \$16,875 (versus \$13,750 for the same period in 2023).

Travel, hospitality and conference expenses

The following travel, hospitality and conference expenses were submitted during the first quarter of 2024:		
	3 months ended March 31, 2024	3 months ended March 31, 2023
Board of Directors	\$ 8,600	\$ 2,480
Administration	\$ 24,923	\$ 23,848
TOTAL	\$ 33,523	\$ 26,328

LABOUR RELATIONS

Pilot group

The pilots are organized into 4 collective bargaining groups based on the districts, all represented by the Canadian Merchant Service Guild as follows:

- 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

Of the 4 collective agreements with the pilots, 2 were ratified in 2023, and 2 are still under negotiations.

Public Service Alliance of Canada

The Public Service Alliance of Canada represents the GLPA's administrative and dispatching employees. The current agreement between the GLPA and the alliance is set to expire on June 30, 2024. Negotiations for a new agreement will begin later in the year.

INTERNAL CONTROLS AND PROCEDURES

During the first quarter of 2024, there were no changes in the internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, GLPA's internal controls.

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 approach. The 2023 annual report provides a description of the GLPA's risks.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Contractual obligations and commitments were explained in Note 18 – *Commitments* of the 2023 Audited Financial Statements. There were no material changes to the contractual obligations and commitments during the first quarter of 2024.

RELATED PARTY TRANSACTIONS

The GLPA conducts 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 – *Related Party Transactions* of the 2023 Audited Financial Statements.

SUBSEQUENT EVENTS

In management's opinion, there are no material subsequent events following the end of the first quarter that have not been reflected in the financial statements for the quarter.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates and judgments are described in Note 5 – *Critical accounting estimates and judgments* of the unaudited interim first-quarter financial statements ended March 31, 2024. Management's opinion is that there are no changes to the underlying estimates used to prepare the first-quarter financial statements that would have a significant impact on the first-quarter results.

ACCOUNTING PRONOUNCEMENTS

The GLPA's unaudited interim financial statements for the first quarter ended March 31, 2024, provide a comprehensive discussion of the impact of the pronouncements issued by the Internal Accounting Standards Board (IASB) or the International Financial Reporting Standards (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 first quarter ended March 31, 2024, contains further information on any such impact as well as discussions of proposed standards.

APPROPRIATIONS

Since 1998, the GLPA has been prohibited from receiving parliamentary appropriations, per section 36.01 of the *Pilotage Act*. The GLPA adheres to the principle of financial self-sufficiency and regularly endorses a strategy that ensures this strategic goal remains among its highest priorities.

UNAUDITED FINANCIAL STATEMENTS

Quarterly Results
Three months to March 31, 2024

GREAT LAKES PILOTAGE AUTHORITY

202 Pitt Street, 2nd floor.
Cornwall, Ontario K6H 5R9

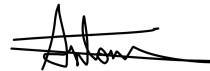
Statement of Management Responsibility:

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 are 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.



Jason Rimmer
Chief Executive Officer



Antony Sebastiampillai, CPA
Chief Financial Officer

Cornwall, Ontario
May 17, 2024

GREAT LAKES PILOTAGE AUTHORITY

Statement of Financial Position (in thousands)

Unaudited

	March 31, 2024	December 31, 2023
ASSETS		
Current		
Cash and cash equivalents	\$ 5,264	\$ 17,116
Trade and other receivables	1,473	7,138
Prepays	33	46
	6,770	24,300
Non-current		
Property and equipment	744	804
Intangible assets	20	23
Right-of-use assets	-	7
	\$ 7,534	\$ 25,134
LIABILITIES		
Current		
Accrued salaries and benefits	\$ 5,376	\$ 21,047
Other accounts payable and accrued charges	1,153	1,870
Employee benefits	17	17
Lease liability	-	7
	6,546	22,941
Non-current		
Employee benefits	2,114	2,099
	8,660	25,040
EQUITY		
Accumulated (loss) surplus	(1,126)	94
	\$ 7,534	\$ 25,134

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 March 31,	
	2024	2023
REVENUES		
Pilotage charges	\$ 2,429	\$ 1,546
Interest and other income	266	275
	2,695	1,821
EXPENSES		
Pilots' salaries and benefits	1,965	1,324
Administration staff salaries and benefits	383	412
Operation staff salaries and benefits	379	305
Transportation and travel	292	228
Professional and special services	269	157
Pilot training and recruiting costs	188	284
Utilities, materials and supplies	95	88
Pilot boat services	76	80
Amortization and depreciation	71	56
Pilotage Act administration fees	45	-
Communications	41	22
Interest and bank charges	34	10
Repairs and maintenance	27	81
Rentals	20	3
Portable pilotage units and navigation software	13	47
Purchased dispatching services	8	14
Depreciation of right of use asset	7	19
Pilot transfer services	2	6
Interest on lease liability	-	1
	3,915	3,137
Loss for the period	\$ (1,220)	\$ (1,316)
Other Comprehensive Income		
Items that will not be reclassified to net results		
Actuarial gain (loss) on employee benefits	-	-
Comprehensive loss for the period	\$ (1,220)	\$ (1,316)

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	
	March 31,	
	2024	2023
Accumulated surplus, beginning of period	\$ 94	\$ 7,229
Loss for the period	(1,220)	(1,316)
Accumulated (loss) surplus, end of period	<u>\$ (1,126)</u>	<u>\$ 5,913</u>

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	
	March 31,	
	2024	2023
OPERATING ACTIVITIES		
Loss for the period	\$ (1,220)	\$ (1,316)
Adjustments to determine net cash (used in) provided by operating activities:		
Employee benefits	15	(188)
Amortization and depreciation	71	56
Depreciation of right-of-use assets	7	19
Changes in non-cash working capital items:		
Decrease (increase) in receivables	5,665	5,434
Decrease (increase) in prepaids	13	9
Increase (decrease) in accrued salaries and benefits	(15,670)	(11,256)
Increase (decrease) in other accounts payable and accrued charges	(717)	(855)
Net cash used in operating activities	(11,836)	(8,097)
INVESTING ACTIVITIES		
Acquisition of property and equipment and intangible assets	(9)	(11)
Net cash used in investing activities	(9)	(11)
FINANCING ACTIVITIES		
Payment of the lease liability	(7)	(20)
Net cash used in financing activities	(7)	(20)
CASH AND CASH EQUIVALENTS		
Net Decrease in cash during the period	(11,852)	(8,128)
Balance, beginning of period	17,116	19,130
Balance, end of period	\$ 5,264	\$ 11,002

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

GREAT LAKES PILOTAGE AUTHORITY

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. The Great Lakes Pilotage Authority and its 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 1st, 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 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 (FAA).

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. The Authority continues to meet the requirement of this directive.

The Authority is exempt from income taxes.

Regulation of tariff of pilotage charges

The 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.

As per the Pilotage Act, the Authority shall pay the Minister of Transport an amount specified by the Minister for defraying the costs of the administration of the Act, including the development of regulations and the enforcement of the Act.

2. Basis of presentation

(a) Statement of compliance

These financial statements, including comparatives, have been prepared in compliance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The financial statements are prepared on a historical cost basis, as set out in the accounting policies below, except as permitted by IFRS and otherwise indicated within these notes.

3. New and revised accounting standards

No new or revised standard had a significant impact on the Authority's financial statements.

4. Material accounting policy information

The significant accounting policies are as follows:

(a) Cash and cash equivalents

Cash and cash equivalents comprise of 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. The Authority had no cash equivalents as at March 31, 2024 (2023–nil).

(b) Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on a straight-line basis and is based on the estimated useful lives of the assets. The estimated useful lives, residual values and depreciation methods are reviewed annually at the end of the year, with the effect of any changes in estimate being accounted for on a prospective basis. The following useful lives are used in calculation of depreciation:

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

Property and equipment are reviewed annually for indications of impairment or changes in estimated future economic benefits. If any such indications exist, the asset's carrying value is adjusted accordingly. Depreciation is not charged on projects in progress.

(c) Intangible asset

Intangible assets are recorded at cost. Amortization is calculated on a straight-line basis and is based on the estimated useful life of the assets as follows:

Asset category	Estimated useful life
Software	Up to 5 years

Intangible assets are reviewed annually for indications of impairment or changes in estimated future economic benefits. If any such indications exist, the asset's carrying value is adjusted accordingly. Amortization methods, useful lives and residual values are reviewed at each year end and adjusted on a prospective basis. Projects that are in progress are not subject to amortization.

(d) 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 depreciation 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	The 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.

(e) Pension benefits

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.

(f) 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.

(g) 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.

(h) Short-term employee benefits

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

(i) Revenue recognition

Revenue is recognized as control is transferred, at a specific point in time, namely when the pilot assigned to a vessel has completed the pilotage assignment. Revenues earned from pilot boat operation are recognized as services are rendered. Interest and other income are recognized using the effective interest method as they are earned.

(j) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. After initial recognition, cash and cash equivalents are measured at fair value through profit or loss and trade and other receivables are measured at amortized cost. Other accounts payable and accrued charges, accrued salaries and benefits, and lease liability are subsequently measured at amortized cost. Due to the short-term nature of these accounts, their carrying values are deemed to approximate their fair values.

(k) Impairment

For trade and other receivables, any impairment provision must be measured by applying the simplified approach as their payment terms do not include significant financing components. Under the simplified approach, the loss allowance is measured at an amount equal to the lifetime expected credit losses. The carrying amount of trade and other receivables is reduced through the use of an allowance account. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized in profit or loss. Changes in the carrying amount of the allowance account are recognized in profit or loss.

5. 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.

(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 benefits

The Authority engaged an external actuary to evaluate its post-employment benefits as well as the death benefits for retirees. These obligations are evaluated annually on December 31.

Amortization and Depreciation rates

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

(b) Significant accounting judgments

Management has made a significant accounting judgment in the preparation of these financial statements, see note 6.

6. Contingent liabilities

In the normal course of business, the Authority is subject to various claims or legal proceedings. The Authority believes that the final settlement of these claims is not expected to have a material effect on the financial statements.

The Authority is involved in a legal dispute following the termination of a service contract in 2023. The supplier has initiated legal action, claiming loss of profits. However, the claim amount has not been specified. Given the uncertainty surrounding the case's outcome and the inability to accurately estimate any potential financial repercussions, no liability has been recorded.