



**Pacific Pilotage
Authority Canada**

**Administration de pilotage
du Pacifique Canada**

Pacific Pilotage Authority

UNAUDITED FINANCIAL STATEMENTS

Quarterly Results

Nine months to September 30, 2022

- Statement of Management Responsibility
- Unaudited Financial Statements and Notes
- Management's Discussion and Analysis

PACIFIC PILOTAGE AUTHORITY
1000 – 1130 West Pender Street
Vancouver, BC V6E 4A4
UNAUDITED FINANCIAL STATEMENTS
Quarterly Results
Nine months to September 30, 2022

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.

Originally signed by:

Julie Gascon
Chief Executive Officer

Vancouver, BC
November 15, 2022

Originally signed by:

Stuart Mackenzie
Chief Financial Officer

PACIFIC PILOTAGE AUTHORITY

Unaudited

Statement of Financial Position
(in thousands of Canadian dollars)

ASSETS

	September 30, 2022	As at December 31, 2021
Current		
Cash and cash equivalents	\$ 5,078	\$ 6,594
Trade accounts receivable	9,276	4,986
Investments	1,251	1,170
Prepaid expenses and other receivables	1,592	1,238
	<u>17,197</u>	<u>13,988</u>
Non-current		
Investments	622	1,191
Other receivables	149	149
Property and equipment	17,673	16,600
Intangible assets	577	587
	<u>19,021</u>	<u>18,527</u>
	<u>\$ 36,218</u>	<u>\$ 32,515</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 15,790	\$ 12,105
Borrowings	555	710
Other employee benefits	120	174
Lease liabilities	203	302
	<u>16,668</u>	<u>13,291</u>
Non-current		
Borrowings	4,909	5,285
Other employee benefits	686	655
Lease liabilities	2,396	1,303
	<u>7,991</u>	<u>7,243</u>
	<u>24,659</u>	<u>20,534</u>

EQUITY

Retained earnings	11,559	11,981
	<u>\$ 36,218</u>	<u>\$ 32,515</u>

Unaudited**PACIFIC PILOTAGE AUTHORITY**Statement of comprehensive income
(in thousands of Canadian dollars)

	Three months to September 30		Nine months to September 30	
	2022	2021	2022	2021
Revenue from contracts with customers				
Pilotage charges	\$ 33,713	\$ 19,981	\$ 81,132	\$ 62,988
Other revenue				
Interest and other revenues	88	47	237	230
	33,801	20,028	81,369	63,218
Expenses				
Contract pilots' fees	21,153	12,214	51,916	39,457
Salaries and benefits	3,839	3,649	11,659	10,524
Pilots' transportation	3,708	2,583	8,800	8,028
Pilots' training	654	630	2,296	1,060
Fuel	896	391	2,252	1,151
Depreciation and amortization	487	400	1,456	1,202
Professional and special services	493	373	1,315	1,030
Repairs and maintenance	330	239	869	677
Computer services	139	146	362	429
Utilities, materials, supplies and other	93	58	271	258
Rentals	63	55	185	134
Finance costs	57	16	174	97
Insurance	41	36	124	106
Travel	25	48	112	91
	31,978	20,838	81,791	64,244
Profit (loss) for the period	1,823	(810)	(422)	(1,026)
Other comprehensive income, not to be reclassified to profit or loss in subsequent periods	-	-	-	-
Total comprehensive profit (loss)	\$ 1,823	\$ (810)	\$ (422)	\$ (1,026)

Unaudited

PACIFIC PILOTAGE AUTHORITY

Statement of Changes in Equity
(in thousands of Canadian dollars)

	Nine months to September 30	
	2022	2021
Retained earnings, beginning of period	\$ 11,981	\$ 13,862
Loss for the period	(422)	(1,026)
Other comprehensive income and adjustments	-	-
Total comprehensive loss	<u>(422)</u>	<u>(1,026)</u>
Retained earnings, end of period	\$ <u>11,559</u>	\$ <u>12,836</u>

PACIFIC PILOTAGE AUTHORITY**Unaudited**Statement of Cash Flows
(in thousands of Canadian dollars)

	Three months to September 30,		Nine months to September 30,	
	2022	2021	2022	2021
Cash flows from operating activities				
Cash receipts from customers	\$ 32,819	\$ 19,118	\$ 76,843	\$ 62,820
Cash paid to suppliers and others	(27,007)	(16,665)	(64,722)	(50,789)
Cash paid to employees	(4,169)	(3,845)	(12,026)	(10,440)
Other income received	88	47	237	230
Net cash provided by (used in) operating activities	<u>1,731</u>	<u>(1,345)</u>	<u>332</u>	<u>1,821</u>
Cash flows from investing activities				
Sale (purchase) of investments	(11)	(18)	488	(331)
Acquisition of property and equipment	(297)	(822)	(1,278)	(1,705)
Acquisition of intangible assets	-	(30)	(280)	(138)
Net cash used in investing activities	<u>(308)</u>	<u>(870)</u>	<u>(1,070)</u>	<u>(2,174)</u>
Cash flows from financing activities				
Principal repayment of borrowings	(180)	(105)	(531)	(313)
Principal repayment of leases	(103)	(87)	(247)	(262)
Net cash used in financing activities	<u>(283)</u>	<u>(192)</u>	<u>(778)</u>	<u>(575)</u>
Net increase (decrease) in cash and cash equivalents	1,140	(2,407)	(1,516)	(928)
Cash and cash equivalents, beginning of period	<u>3,938</u>	<u>9,186</u>	<u>6,594</u>	<u>7,707</u>
Cash and cash equivalents, end of period	\$ <u>5,078</u>	\$ <u>6,779</u>	\$ <u>5,078</u>	\$ <u>6,779</u>

Notes to the Unaudited Financial Statements

Basis of Presentation

In accordance with the Treasury Board of Canada Standard, these financial statements do not include all of the financial statement disclosure required for annual financial statements and should be read in conjunction with the Authority's audited financial statements for the year ended December 31, 2021. In management's opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

1. Authority and objectives

The Pacific Pilotage Authority (the "Authority") was established in 1972 pursuant to the *Pilotage Act* (the "Act"). The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters.

The pilotage charges that are applied by the Authority to vessels subject to compulsory pilotage are governed by the Act and must be established in accordance with the charging principles within the Act. The Act provides that pilotage charges shall be set at levels that are fair and reasonable and allow the Authority to be financially self-sufficient.

Coastal pilotage services are provided by British Columbia Coast Pilots Ltd. under an agreement for services. Pilotage services on the Fraser River are provided by employee pilots.

The Authority is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act* and is not subject to any income taxes. In fiscal 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 to report on the implementation of this directive in the Authority's next corporate plan. The Authority's policies were in alignment throughout the quarter ended September 30, 2022.

The principal registered address and records office of the Authority are located at 1000 - 1130 West Pender Street, Vancouver, BC, V6E 4A4.

2. Significant Accounting Policies

2.1 Statement of compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS).

The quarterly financial statements were authorized for issue by the Finance and Audit Committee on November 23, 2022.

2.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of the reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Authority takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, Canadian dollar deposits held at Canadian chartered banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

2.4 Revenue recognition

The Authority recognizes revenue upon the transfer of control of promised services to customers in an amount that reflects the consideration to which the Authority expects to collect in exchange for the pilotage services it provides. The Authority applies a five-step model framework for all of its contracts with customers:

1. Identification of the contract with its 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
5. Recognition of revenue when the Authority satisfies its performance obligation

Requests by customers for pilotage services are recognized as contracts in accordance with IFRS 15; in which enforceable rights and obligations are created. The Authority is bound to provide pilotage services through the *Pilotage Act*, and does not have a unilateral enforceable right to terminate a wholly unperformed contract.

When a pilotage assignment is complete and there are no other billable services to the customer as part of the assignment, the performance obligation is considered satisfied and revenue is recognized as a bundle of services promised in the contract (transportation, pilot boat, fuel, pilotage and time charges). The transaction price of each assignment is based on a published service charge and payment terms are 15 days. Contracts with customers do not include non-cash consideration; there are no significant financing components, no refund liabilities and contracts do not include variable consideration.

The Authority satisfies its performance obligations at a point in time as control is only passed once an assignment is complete because regulations prevent a ship from navigating in pilotage waters without a pilot designated by the Authority on board. Receivables related to contracts with customers are presented in the Authority's statement of financial position as trade accounts receivable and are accounted for in accordance with IFRS 9. The Authority has elected to apply a practical expedient that removes the requirement to disclose information about unsatisfied (or partially unsatisfied) performance obligations at year-end where such obligations are part of a contract with an original expected duration of one year or less.

2.5 Interest Income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Authority and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

2.6 Foreign currencies

In preparing the financial statements of the Authority, transactions in currencies other than the Authority's functional currency (foreign currencies) are recognized at the rate of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate in effect at the date of initial recognition.

2.7 Employee benefits

i. Pension benefits

All eligible employees of the Authority participate in the Public Service Pension Plan (the "Plan"), a multi-employer 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.

ii. Other employee benefits

Management, unionized employees, and Fraser River pilots are entitled to sick leave benefits as provided for under collective agreements or employment contracts. Unionized employees are entitled to severance benefits accumulated up to March 31, 2018. The liability for these benefits is estimated and recorded in the financial statements as the benefits accrue to the employees.

The costs and the defined benefit obligation are actuarially determined using the projected unit credit method prorated on service that incorporates management's best estimate assumptions.

Actuarial gains and losses are recognized immediately in other comprehensive income (OCI).

2.8 Leases

A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

i. Determining whether an arrangement contains a lease:

At the inception of an arrangement, the Authority assesses whether the arrangement is, or contains, a lease. An arrangement is, or contains, a lease if the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether an arrangement conveys the right to control the use of an identified asset, the Authority assesses whether:

- the arrangement involves the use of an identified asset;
- the Authority has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Authority has the right to direct the use of the asset.

For practical expediency, the Authority has elected to:

- Account for leases with a remaining term of less than 12 months as short-term leases and expense on a straight-line basis over the lease term; and
- Account for lease payments as an expense and not recognize a right-of-use ("ROU") asset if the underlying asset is of low dollar value.

ii. Recognition and measurement of the right-of-use asset:

For arrangements that contain a lease, the Authority recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset to its originally condition, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

iii. The lease term:

The lease term includes periods covered by an option to extend if the Authority is reasonably certain to exercise that option as well as periods covered by an option to terminate the lease if the Authority is reasonably certain not to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

iv. Recognition and measurement of the lease liability:

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined the Authority's incremental borrowing rate will be used. All extension options have been included in the measurement of lease obligations where applicable. Payments for optional renewals or purchase options are included if they are reasonably certain to be made. Variable lease payments that depend on sales or usage are excluded from the lease liability and recognize in income as incurred. Variable payments that depend on an index or rate are included in the lease liability based on the index or rate existing at each balance sheet date.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is re-measured when there is a change in the Authority's estimate of the amount expected to be payable under a residual value guarantee, when there is a change in future lease payments arising from a change in a rate used to determine those payments, or if the Authority changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2.9 Property and equipment

Property and equipment are initially recorded at cost, and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses. The cost of assets constructed by the Authority includes design, project management, legal, materials, interest on directly attributable construction loans, and construction costs. Spare engines are carried at cost and will be depreciated when put in service.

Depreciation is recognized so as to allocate the cost or valuation of the assets less their residual values over their useful lives, on a straight-line basis. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives of the Authority's assets are as follows:

- Buildings and floats 10 - 20 years
- Pilot boats 25 years
- Pilot boat engines 10,250 running hours
- Pilot boat generators 10 years
- Equipment
 - communication and other 4 - 10 years
 - computers 3 years
 - simulators 5 years
- Leasehold improvements shorter of 10 years or remaining term of lease
- Right of use assets remaining term of lease

In addition, the Authority reviews the carrying amount of its non-financial assets, which include property and equipment, at each financial year-end to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets (the "cash generating unit", or "CGU").

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value by applying a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. Impairment losses are recognized in comprehensive income.

Impairment losses recognized in prior periods are assessed at each financial year-end for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

With regard to simulators, the Authority's proportion of costs of software purchased for its own use and which is integral to the hardware (because without that software the equipment cannot operate), is treated as part of the cost of the computer hardware and capitalized to property and equipment.

2.10 Intangible assets

Acquired computer software is recorded at cost and amortized on a straight-line basis over its estimated useful life of 10 years.

2.11 Financial Instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit and loss) are added to or deducted from the fair value of the assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

Financial Assets

The Authority's financial assets include cash and cash equivalents, trade accounts receivable, certain other receivables and investments which include bonds issued by the Government of Canada, GIC's and corporate bonds.

On initial recognition, the Authority classifies its financial assets as measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

Financial assets are reclassified subsequent to their initial recognition when the Authority changes its business model for managing those financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets that are not designated as being measured at FVTPL are recorded at amortized cost or FVOCI as appropriate.

Financial assets are measured at amortized cost when both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at FVOCI when both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Authority's cash and cash equivalents are initially recognized at fair value and subsequently measured at amortized cost.

Since the objective of the Authority's investment policy is to hold investments and collect contractual cash flows on specified dates that are solely principal and interest on amounts outstanding, the Authority's investments are measured at amortized cost.

Investments classified as measured at amortized cost are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. When required, the Authority recognizes a loss allowance for expected credit losses. Such losses are included in other comprehensive income and reduce the carrying value of the related investments. Interest income and any gain or loss on derecognition is included in other comprehensive income.

Trade accounts receivable are initially recognized at the transaction price; certain other receivables are initially recognized at fair value; and both are subsequently measured at amortized cost using the effective interest method, less a provision for impairment when applicable. Receivables are considered individually for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

Financial liabilities are recognized when the Authority becomes a party to the contractual provisions of the financial instrument and are classified as measured at amortized cost, except for financial liabilities measured at fair value through profit or loss.

The Authority's financial liabilities include accounts payable and accrued liabilities, lease liabilities and borrowings and are all classified as measured at amortized cost using the effective interest method. Financial liabilities are removed from the balance sheet when the obligation specified in the contract is either discharged, cancelled or expires.

3. Significant accounting judgments and estimates

The preparation of financial statements requires the use of judgment in applying accounting policies and in making critical accounting estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

(a) Significant accounting judgments

Leases

The application of IFRS 16, "Leases", requires the Authority to make judgments that affect the valuation of lease liabilities and right-of-use assets. These include determining contracts in scope of IFRS 16 and determining the contract term.

The lease term determined by the Authority comprises the non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Authority is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Authority is reasonably certain not to exercise that option. This same term is applied to determine the depreciation rate of right-of-use assets.

(b) Significant accounting estimates

Depreciation – property and equipment

Significant components of property and equipment are depreciated over their estimated useful lives. Useful lives are determined based on current facts and past experience. While these useful life estimates are reviewed on a regular basis and depreciation calculations are revised accordingly, actual lives may differ from the estimates. As such, assets may continue in use after being fully depreciated, or may be retired or disposed of before being fully depreciated.

4. COVID-19

The COVID-19 global pandemic is expected to continue to have an impact on the Authority's business in 2022 and beyond. The extent of the potential future impact of the pandemic on the Authority's business is unclear but may have a material impact on its results of operations. Direct disruptors to business operations can potentially be through quarantines of pilots, restrictions in ship services, and closures of terminals. Indirect disruptors to business operations, which are more difficult to estimate and predict, include changes in consumer spending and impacts on trade flow volumes across the commodity sectors. Given the continued uncertainty, an estimate of the financial impact of the pandemic on the Authority's future results of operations cannot be made at this time.

Management's Discussion and Analysis

Unaudited financial results to September 30, 2022

Assignments	2022	2021	Change	2022	
	Actual	Actual		Plan	Variance
Coastal assignments	8,991	8,322	669	9,282	(291)
Fraser River assignments	720	736	(16)	732	(12)
Total	9,711	9,058	653	10,014	(303)

For the nine months ended September 30, 2022, the Authority completed 9,711 pilotage assignments, an increase of 653 assignments, or 7%, when compared to prior year, and 3% below plan. The variance to plan is because of a poor grain harvest in 2021 which impacted grain shipments not only in late 2021, but also at the beginning of 2022. With these traffic levels we generated revenues of \$81.1 million and incurred a net loss of \$0.4 million for the period.

Cash flows from operating activities resulted in inflows of \$0.3 million for the nine months, together with \$0.5 million received from the sale of investments. Offsetting these inflows was \$1.5 million of capital expenditure on the new simulator and leasehold improvements, and \$0.8 million of borrowings repaid. As a result, cash and cash equivalents decreased by \$1.5 million from \$6.6 million at December 31, 2021 to \$5.1 million at September 30, 2022. Borrowings at September 30, 2022 were \$5.5 million.

During the third quarter the Authority exercised its option to extend the current term of its office lease by a further six years to 2033. As a result, the associated lease liability increased by \$1.2 million, with a corresponding increase in the right-of-use asset included in Property and equipment.

Operating Segment Analysis

	Nine months to September 30				
	2022	2021	Change	2022	Variance
	Actual	Actual		Plan	
	\$'000	\$'000	%	\$'000	%
Coastal pilotage revenue	55,597	45,370	18%	55,160	1%
Coastal contract expenses	(51,916)	(39,457)	24%	(50,564)	-3%
Coastal margin	3,681	5,914		4,596	
Launch revenue	10,634	7,205	32%	8,825	17%
Launch expenses	(10,184)	(7,067)	31%	(8,513)	-16%
Launch margin	451	138		312	
Travel revenue	7,890	4,836	39%	6,739	15%
Pilot transportation expenses	(7,036)	(7,436)	-6%	(5,614)	-20%
Travel margin	854	(2,600)		1,125	
River pilotage revenue	2,512	2,814	-12%	2,960	-18%
River pilot wages and benefits	(2,612)	(2,458)	6%	(2,628)	1%
River margin	(100)	357		332	
Total margin	4,886	3,808		6,365	
Other revenue and expenses					
Surcharges	4,499	2,761	39%	3,461	23%
Other income	237	230	3%	1,308	-451%
Pilot training expenses	(2,296)	(1,060)	54%	(2,076)	-10%
Administrative salaries and benefits	(3,964)	(3,514)	11%	(3,717)	-6%
Other expenses	(2,329)	(2,050)	12%	(2,460)	6%
Depreciation	(1,456)	(1,202)	17%	(2,745)	89%
TOTAL PROFIT (LOSS)	\$ (422)	\$ (1,028)		\$ 136	

The financial results for the nine months ended September 30, 2022, were better than prior year by \$0.6 million, but \$0.6 million below plan. Significant changes from prior year and variances from plan are explained below:

- Coastal pilotage revenues increased 18% from prior year due to the return of cruise ships in 2022 after a two year absence. However, revenues were only 1% above plan for the first nine months of fiscal 2022 because of an unexpected drop in traffic volumes in other sectors. Changes in assignment volumes compared to prior year for key product sectors were as follows:
 - Containers – (8)%
 - Grain – (52)%
 - Forest Products – 1%
 - Coal – 14%
 - Auto – (1)%
 - Cruise ships generated 1,206 assignments in the first nine months of 2022, compared to no cruise assignments in 2021

The changes in coastal revenues compared to prior year are largely mirrored in the changes in coastal contract expenses, which vary directly with changes in assignment volumes.

Overall, the margins for coastal pilotage for the first nine months of fiscal 2022 were 7% of revenue, down from 13% for the same period in the prior year. The decrease in margins is due largely to new contract rates payable to coastal pilots that came into effect in January, but without a corresponding increase in our service charges until June 2022. Coastal margins are also slightly below plan due to a larger than expected impact from cruise ships, which typically generate lower than average margins.

- Launch revenues were 32% above prior year for the first nine months of fiscal 2022 because of cruise ship activity. Similarly launch expenses were up over the prior year by 31%. Margins in this sector were 4% for the period, above the prior year margin of 2%.
- Travel revenues were 39% above prior year for the first nine months of fiscal 2022. because of cruise ship activity. In spite of the increased activity from cruises, transportation expenses were 6% below prior year as we switched back to using scheduled flights for many pilot flights, with the exception of longer haul flights north where we continued to use charter flights for the first three months of 2022. We had planned that we would have returned to using only scheduled flights by the end of 2021, but with the increase in COVID infections we retained some of the charter flights for pilot safety. Hence actual expenses in 2022 exceeded our plan. With the increase in revenue and decrease in costs, the margins for travel improved to 11% for the first nine months of 2022.
- Fraser River revenues were 12% below prior year for the first nine months of fiscal 2022, reflecting a 2% drop in assignments and a change in the mix of vessels with the average size being smaller and therefore revenue from unit fees being lower. Margins in this sector were (4)% for the period, well below the 13% earned in the prior year, which was the result of an increase in overtime from covering for pilots on sick leave.
- Revenue from surcharges increased over the prior year with the introduction of the temporary surcharge in March 2021 to mitigate the financial impacts of the COVID-19 pandemic. Hence the surcharge was in effect for all nine months of the reporting period in 2022, compared to only seven months in 2021. In addition, the temporary surcharge was increased from \$175 to \$400 per assignment in June 2022.
- Pilot training was deferred during the pandemic as access to training schools was limited. Now that the schools are fully open training has resumed and catching up with the backlog in required training is well underway.
- In our planned results, we had assumed for 2022 that we would have a contract in place for helicopter services for pilot transportation for tankers outbound from the terminal related to the Trans Mountain pipeline. The contract would have been recorded as a right-of-use asset, with corresponding depreciation expense, offset by a

reimbursement of expenses which would have been included in other income. As the project has been delayed until 2024, both other income and depreciation expense will be lower than plan throughout 2022.

Key Performance Indicators

Performance of the Authority is regularly reviewed by the Board of Directors. Certain key performance indicators are incorporated as part of this review and are disclosed below.

<h2 style="margin: 0;">Pacific Pilotage Authority</h2> <h3 style="margin: 0;">KEY PERFORMANCE INDICATORS</h3> <h3 style="margin: 0;">Nine months to September 30</h3>

Safety		2022	2021
1.	Incidents on vessels under pilotage [0]	6	5
2.	Incidents on pilot launches [0]	0	0
3.	Pollution incidents on pilot launches [0]	0	0
Reliability			
4.	Number of delays (hours) caused by pilots [0]	1 (2.5)	2 (6.5)
5.	Number of delays (hours) caused by dispatch errors [0]	0	0
6.	Number of delays (hours) caused by launches [0]	0	0
7.	Total number of delays (Total hours delayed) [0]	1 (2.5)	2 (6.5)
Efficiency: General			
8.	Maintain an average of 5 working days to resolve all complaints [≤ 5 days]	1.8 days	6.3 days
9.	Maintain an average of 5 working days to resolve all invoice disputes [≤ 5 days]	2.2 days	2.4 days
Efficiency: Pilots			
10.	Complaints regarding pilot service level [0%] (no. of complaints/number of assignments)	0.1%	0.1%
11.	Callbacks as percentage of assignments [$\leq 2.5\%$]	3.0%	0.5%
12.	Annualized assignments per pilot a) Coastal [≥ 119] b) Fraser River [≥ 122]	117 120	104 123
13.	Utilization of pilots – terminal delays [$\leq 5\%$] (hours delayed at terminal/total hours on assignment)	2%	2%
14.	Utilization of pilots – cancellations [$\leq 8\%$] (number of cancellations/number of assignments)	8%	9%
Financial			
15.	Average revenue/cost per assignment a) Revenue [\$7,726] b) Cost [\$7,699] c) Profit (loss) [\$27]	\$8,379 \$8,423 \$(44)	\$6,979 \$7,093 \$(114)
16.	Maintain an adequate contingency fund [$\geq \$2.3m$]	\$1.9 million	\$2.1 million
17.	Accounts receivable - % of invoices under 30 days [$\geq 95\%$]	93%	99%
18.	Working capital ratio - current assets/current liabilities [1.0]	1.03	1.05

[]: goal