Hamilton-Oshawa Port Authority

Consolidated Financial Statements
December 31, 2022
(expressed in Canadian dollars)

Independent auditor's report

To the Board of Directors of Hamilton-Oshawa Port Authority

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Hamilton-Oshawa Port Authority and its subsidiary (together, the Authority) as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Authority's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of income and comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is

PricewaterhouseCoopers LLP
200 Apple Mill Road, Vaughan, Ontario, Canada L4K 0J8
T: +1 905 326 6800, F: +1 905 326 5339

necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Ontario
March 9, 2023

Hamilton-Oshawa Port Authority

Consolidated Statement of Financial Position

As at December 31, 2022

(expressed in Canadian dollars)

	2022 $	2021 $
Assets		
Current assets		
Cash and cash equivalents	9,385,602	17,387,131
Trade and other receivables (note 5)	4,027,279	4,129,606
Inventory and other current assets (note 6)	562,707	365,428
	13,975,588	21,882,165
Property and equipment (note 7)	179,123,153	165,715,674
Right-of-use asset (note 13)	7,103,724	-
Straight-line rent receivable	6,326,560	5,923,411
	206,529,025	193,521,250
Liabilities		
Current liabilities		
Trade and other payables (note 8)	11,672,754	16,078,140
Current portion of lease liability (note 13)	73,192	-
	11,745,946	16,078,140
Employee benefits (note 9)	4,191,933	6,038,726
Lease liability (note 13)	7,148,398	-
Deferred revenue	67,500	75,000
	23,153,777	22,191,866
Equity		
Contributed surplus	26,839,962	26,839,962
Retained earnings	157,634,895	147,709,963
Accumulated other comprehensive loss	(1,099,609)	(3,220,541)
	183,375,248	171,329,384
	206,529,025	193,521,250

Contingencies and commitments (note 12)

Approved by the Board of Directors

_______________ Director _______________ Director

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

Hamilton-Oshawa Port Authority

Consolidated Statement of Income and Comprehensive Income

For the year ended December 31, 2022

(expressed in Canadian dollars)

	2022 $	2021 $
Revenue from operations		
Port revenue (note 10)	40,144,120	37,269,996
Operating expenses		
Wages and other employee benefits (note 11)	8,519,999	8,133,143
Repairs and maintenance costs	2,353,103	1,903,279
Payments in lieu of taxes	905,855	868,570
Realty taxes	532,502	494,346
Professional and consulting fee	836,613	551,193
Depreciation (notes 7 and 13)	9,221,918	8,016,045
Federal stipend	1,822,031	1,643,645
Other operating and administrative	5,262,460	4,097,858
Interest on lease liability (note 13)	39,131	-
	29,493,612	25,708,079
Income from operations before other income	10,650,508	11,561,917
Other income (expense)		
Investment income	223,062	124,081
Gain (loss) on disposal of property and equipment	(948,638)	3,280
	(725,576)	127,361
Net income for the year	9,924,932	11,689,278
Other comprehensive income (note 9)	2,120,932	2,444,202
Comprehensive income for the year	12,045,864	14,133,480

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

Hamilton-Oshawa Port Authority

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

(expressed in Canadian dollars)

	Contributed surplus $	Retained earnings $	Accumulated other comprehensive loss $	Total equity $
Balance – December 31, 2020	26,839,962	136,020,685	(5,664,743)	157,195,904
Net income for the year	-	11,689,278	-	11,689,278
Actuarial gain on post-employment benefit obligation	-	-	2,444,202	2,444,202
Balance – December 31, 2021	26,839,962	147,709,963	(3,220,541)	171,329,384
Net income for the year	-	9,924,932	-	9,924,932
Actuarial gain on post-employment benefit obligation	-	-	2,120,932	2,120,932
Balance – December 31, 2022	26,839,962	157,634,895	(1,099,609)	183,375,248

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

Hamilton-Oshawa Port Authority

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

(expressed in Canadian dollars)

	2022 $	2021 $
Cash provided by (used in)		
Operating activities		
Net income for the year	9,924,932	11,689,278
Adjustments for		
Depreciation (notes 7 and 13)	9,221,918	8,016,045
Employee benefits expense (note 9)	1,056,882	1,137,924
Amounts funded related to employee future benefits (note 9)	(782,743)	(942,003)
Loss (gain) on disposal of property and equipment	948,638	(3,280)
Increase in straight-line rent receivable	(403,149)	(360,647)
Deferred revenue	(7,500)	(7,500)
Changes in non-cash working capital		
Decrease (increase) in trade and other receivables	102,327	(1,748,265)
Decrease (increase) in inventory and other current assets	(197,279)	14,579
Decrease in trade and other payables	(4,405,386)	(1,247,495)
	15,458,640	16,548,636
Investing activities		
Purchase of property and equipment (note 7)	(23,457,633)	(21,417,936)
Reimbursements for the Westport Modernization Project (note 7)	-	2,377,575
Proceeds on disposal of property and equipment	-	157,136
	(23,457,633)	(18,883,225)
Financing activities		
Lease liability payments	(2,536)	-
Change in cash and cash equivalents during the year	(8,001,529)	(2,334,589)
Cash and cash equivalents – Beginning of year	17,387,131	19,721,720
Cash and cash equivalents – End of year	9,385,602	17,387,131
Cash and cash equivalents – End of year comprise the following		
Cash	1,253,529	452,124
Short-term investments	8,132,073	16,935,007
	9,385,602	17,387,131

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

(expressed in Canadian dollars)

1 Nature of operations

Hamilton-Oshawa Port Authority (the Authority) operates pursuant to the Canada Marine Act and in accordance with the Letters Patent issued by the Federal Minister of Transport.

The Authority is a non-share capital corporation established under an act of federal parliament. The address of its registered office is 605 James Street North, Hamilton, Ontario, Canada.

The Authority, managed by a seven-member Board of Directors, operates on a commercial basis and is mandated to be financially self-sufficient. It is engaged to develop the Ports of Hamilton and Oshawa commercial operations, including harbour operations, port security, land use planning and maintenance. The Authority also supports the recreational use of the Hamilton harbour through its marina operations and launch ramp facility.

2 Basis of presentation and statement of compliance

The Authority prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as defined in Part I of the Chartered Professional Accountants of Canada Handbook.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The consolidated financial statements were authorized for issuance by the Board of Directors on March 9, 2023.

The currency of presentation for these consolidated financial statements is the Canadian dollar, which is also the functional currency of the Authority.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the accounts of the Authority and its wholly owned subsidiary, Great Lakes Port Management Inc. (GLPM). GLPM is fully consolidated and all significant intercompany accounts and transactions have been eliminated on consolidation.

(expressed in Canadian dollars)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and short-term investments that are immediately callable held by major financial institutions. Cash and cash equivalents are classified as current assets and are classified as financial assets at amortized cost.

Trade receivables

Trade receivables are amounts due from customers in the ordinary course of business where collection is expected in one year or less. Accounts receivable are classified as current assets and are measured at amortized cost.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Inventories include supplies used in the Authority's operations.

Property and equipment

Property and equipment include land, berthing structures, buildings, utilities, equipment, office furniture and equipment and roads and surfaces. Property and equipment are stated at acquisition cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost can be measured reliably. Repairs and maintenance costs are charged to the consolidated statement of income and comprehensive income during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, commencing in the year the asset becomes operational, to allocate the cost over their useful lives. The major classes of property and equipment are depreciated as follows:

Berthing structures	2 – 10%
Buildings	4 – 10%
Utilities	5 – 10%
Roads and surfaces	5 – 10%
Equipment	5 – 20%
Office furniture and equipment	10 – 33.3%

The Authority allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statement of income and comprehensive income in the period of disposal.

(expressed in Canadian dollars)

Government contributions representing funding and assistance received related to capitalized property and equipment are netted against the related additions. The additions net of the government contributions are amortized to income.

Leases

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, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Authority by the end of the lease term or the cost of the right-of-use asset reflects that the Authority will exercise a purchase option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Authority's incremental borrowing rate.

The Authority determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

Lease payments included in the measurement of the lease liability include fixed payments and lease payments in an optional renewal period if the Authority is reasonably certain to exercise an extension option.

The lease liability is measured at amortized cost using the effective interest method.

Leases with a term that is less than 12 months or of low value are expensed as incurred.

Impairment of non-financial assets

Property and equipment and the right-of-use asset are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Cash generating units that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Authority evaluates impairment losses for potential reversals whenever events or circumstances warrant such consideration.

(expressed in Canadian dollars)

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. Trade and other payables are recognized initially at fair value.

Provisions

Provisions are recognized when the Authority has a present obligation, legal or constructive, as a result of a past event, and it is probable the Authority will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation, and is discounted where the effect is material.

Revenue recognition

Operating lease revenue is recognized on a straight-line basis over the period of the lease. Rent revenue recognized in excess of rent invoices is classified as straight-line rent receivable on the consolidated statement of financial position.

The Authority separately discloses other revenue from tenants in note 10, included in piers and property revenue, which consists of non-lease components within lease arrangements arising from the recovery of certain operating expenses from tenants, which are accounted for in accordance with IFRS 15, Revenue from Contracts with Customers. Other revenue from tenants is recognized when the Authority has satisfied its performance obligation by delivering services as agreed upon in the lease agreements to tenants at an amount equal to the component of revenue allocated to such performance obligation.

Harbour revenue includes revenue from wharfage and harbour dues and is recognized as the performance obligation is satisfied at a point in time. Marina revenue includes revenue from slip rentals and boat storage and is recognized as the performance obligation is satisfied over time. GLPM revenue includes management fees and is recognized as the performance obligation is satisfied over time.

Deferred revenue

Deferred revenue comprises payments received in advance from customers, which are recognized into revenue over the life of the relevant lease or service period.

Contributed surplus

The Authority was incorporated without share capital. Assets gifted to or expropriated from the Authority by the Government of Canada are treated as increases to and reductions of contributed surplus, respectively.

(expressed in Canadian dollars)

Employee benefits

The Authority has three pension plans. For employees hired before July 1, 2011, a defined benefit plan and a supplemental executive retirement plan exist, and for employees hired after July 1, 2011, a defined contribution plan is available.

The costs of pension and other retirement benefits earned by employees are actuarially determined using the projected benefits method, pro-rated on service and using management's best estimate assumptions reflecting salary escalation, retirement ages of members, expected health-care costs and other actuarial factors. The pension payable to an employee is based on length of service and average earnings. Under the defined contribution plan, employees may contribute certain amounts annually with the Authority subject to regulated limitations.

The liability recognized in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of the plan assets, together with the adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefit will be paid and have terms to maturity approximating the terms of the related pension liability. The liability recognized in the consolidated statement of financial position for the registered pension plan also considers the minimum funding requirements as per the limit required per paragraph 64 of International Accounting Standard 19, Employee Benefits.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income, without recycling to the consolidated statement of income and comprehensive income in subsequent periods. Amounts recognized in other comprehensive income are recognized immediately in accumulated other comprehensive income. Current service cost, the recognized element of any past-service cost and the interest expense arising on the pension liability are included in the same line items in the consolidated statement of income and comprehensive income as the related compensation cost. Past-service costs are recognized immediately into earnings to the extent the benefits are vested and otherwise are amortized on a straight-line basis over the average period until the benefits become vested.

The cost of the defined contribution pension plan is charged to wages and other employment benefit expenses as the contributions become payable.

Payments in lieu of municipal taxes

Payments in lieu of municipal taxes are based on municipal assessments adjusted in accordance with the Federal Payments in Lieu Act. This amount is included in operating expenses in the consolidated statement of income and comprehensive income.

In accordance with a settlement agreement between Transport Canada, the Oshawa Port Authority (continued as the Authority) and the City of Oshawa dated July 15, 2010, the City of Oshawa agreed to waive annual payments in lieu of taxes through to January 25, 2027.

(expressed in Canadian dollars)

Federal stipend

In order to maintain its letters patent in good standing, the Authority is required to annually pay to Transport Canada a charge on gross revenue, which is calculated as follows:

Gross revenue	Charge
Up to $10,000,000	2%
On the next $10,000,000	4%
On the next $40,000,000	6%
On the next $10,000,000	4%
Over $70,000,000	2%

This amount is included in operating expenses in the consolidated statement of income and comprehensive income.

Income taxes

The Authority is exempt from income taxes under Section 149(1)(d) of the Income Tax Act (Canada).

Financial instruments

Financial assets and liabilities are recognized when the Authority becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

- Classification

  The Authority classifies its financial instruments in the following categories:

  - those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and

  - those to be measured at amortized cost.

  The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

  The Authority does not currently have any assets measured subsequently at fair value.

(expressed in Canadian dollars)

- Initial and subsequent recognition

  - Financial assets at amortized cost

    Financial assets at amortized cost include cash and cash equivalents and trade and other receivables. At initial recognition, the Authority measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently, cash and cash equivalents and trade and other receivables are measured at amortized cost using the effective interest method. Trade and other receivables are classified as current assets if payment is due within 12 months. Otherwise, they are represented as non-current assets.

  - Financial liabilities at amortized cost

    Financial liabilities at amortized cost include trade and other payables. At initial recognition, the Authority measures the financial liability at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Trade and other payables are classified as current liabilities if payment is due within 12 months. Otherwise, they are represented as non-current liabilities.

  - Impairment

    The Authority assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. For trade and other receivables, the Authority applies the simplified approach permitted by IFRS 9, Financial Instruments, which requires lifetime expected credit losses to be recognized at the time of initial recognition of the receivables. Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

    Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant financial difficulty of the obligor, delinquencies in payments and when it becomes probable the borrower will enter bankruptcy or other financial reorganization.

4 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. The actual outcome may differ from these judgments, estimates and assumptions. Estimates and other judgments are continually evaluated and are based on management's experience and other factors, including expectations about future events that are believed to

(expressed in Canadian dollars)

be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Authority has made in the preparation of the consolidated financial statements.

Provisions and employee benefit obligations

Due to the nature of employee benefit obligations, a considerable part of their determination is based on estimates and/or judgments, including assumptions concerning the future. The actual outcome of these uncertain factors may be materially different from the estimates, causing differences with the estimated obligations. Hence, the differences between actual outcomes and the recorded obligations can impact results over the periods involved. The timing of outflow of resources to settle these obligations is subject to the same uncertain factors. For the sensitivity of employee benefit obligations, refer to note 9. Each sensitivity analysis included in note 9 is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the consolidated statement of financial position.

In the case of the funded plans, the Authority ensures the investment positions are managed within an asset liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension plans. Within this framework, the Authority's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Authority actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Authority has not changed the processes used to manage its risks from previous periods. The Authority does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2021 consists of equities and bonds. The Authority believes equities offer the best returns over the long term with an acceptable level of risk. The plans are not exposed to significant foreign currency risk.

Leases

The Authority enters into various types of contracts and uses significant judgment when determining whether a contract contains an identified asset and whether the Authority has the right to control the use of the identified asset.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs that affects this assessment and is within the control of the Authority as a lessee.

In determining the carrying amount of the right-of-use asset and lease liability, the Authority is required to estimate the incremental borrowing rate specific to the leased asset if the interest rate implicit in the lease is not

(expressed in Canadian dollars)

readily determined. The incremental borrowing rates are subject to change due to changes in the business and macroeconomic environment.

5 Trade and other receivables

	2022 $	2021 $
Trade and other receivables	4,115,687	4,206,528
Less: Allowance for doubtful accounts (note 14)	88,408	76,922
Trade and other receivables – net	4,027,279	4,129,606

6 Inventory and other current assets

	2022 $	2021 $
Inventory	229,527	72,951
Prepaid expenses	333,180	292,477
	562,707	365,428

(expressed in Canadian dollars)

7 Property and equipment

	Land $	Buildings $	Docks and services $	Equipment $	Capital development-in-progress $	Total $
January 1, 2021						
Cost	48,168,205	97,255,359	127,236,848	15,580,355	6,027,259	294,268,026
Accumulated depreciation	-	(59,777,357)	(68,254,151)	(11,391,304)	-	(139,422,812)
Net book value	48,168,205	37,478,002	58,982,697	4,189,051	6,027,259	154,845,214
Year ended December 31, 2021						
Additions, net	462,068	7,239,577	9,938,542	858,506	541,668	19,040,361
Disposals – cost	-	(156,208)	(16,056)	(693,372)	-	(865,636)
Disposals – accumulated depreciation	-	2,572	16,056	693,152	-	711,780
Depreciation	-	(3,402,529)	(3,732,858)	(880,658)	-	(8,016,045)
	462,068	3,683,412	6,205,684	(22,372)	541,668	10,870,460
Closing net book value	48,630,273	41,161,414	65,188,381	4,166,679	6,568,927	165,715,674
January 1, 2022						
Cost	48,630,273	104,338,728	137,159,334	15,745,489	6,568,927	312,442,751
Accumulated depreciation	-	(63,177,314)	(71,970,953)	(11,578,810)	-	(146,727,077)
Net book value	48,630,273	41,161,414	65,188,381	4,166,679	6,568,927	165,715,674
Year ended December 31, 2022						
Additions, net	59,309	14,491,875	7,561,268	1,345,181	-	23,457,633
Disposals – cost	-	(403,384)	(545,254)	(41,820)	-	(990,458)
Disposals – accumulated depreciation	-	-	-	41,820	-	41,820
Depreciation	-	(3,568,781)	(4,613,042)	(919,693)	-	(9,101,516)
	59,309	10,519,710	2,402,972	425,488	-	13,407,479
Closing net book value	48,689,582	51,681,124	67,591,353	4,592,167	6,568,927	179,123,153
December 31, 2022						
Cost	48,689,582	118,427,219	144,175,348	17,048,850	6,568,927	334,909,926
Accumulated depreciation	-	(66,746,095)	(76,583,995)	(12,456,683)	-	(155,786,773)
Net book value	48,689,582	51,681,124	67,591,353	4,592,167	6,568,927	179,123,153

The Authority continues to advance the Randle Reef Sediment Remediation Project (the Project) in partnership with Environment Canada, the Ontario Ministry of the Environment, the City of Hamilton, the City of Burlington and US Steel Canada. In September 2013, an important milestone was reached with the partners announcing that all legal agreements to fund and implement the Project had been executed. A project contractor commenced in 2015 to enable the construction of the contain-and-cap facility. To date, $6.6 million has been contributed by the Authority and is reflected in capital development-in-progress within property and equipment. There was no cash commitment made in 2022 relating to the Project.

(expressed in Canadian dollars)

Included within purchases of property and equipment during the fiscal year are approximately $1.2 million (2021 – $1.9 million) of additions that have not yet been paid for.

During 2019, the Authority received approval for a grant for the Westport Modernization Project from the Government of Canada of not more than 50% of eligible capital expenditures incurred before December 31, 2021, up to a maximum grant of $17.725 million. In 2021, the Authority claimed eligible capital expenditures of $2.4 million. The eligible capital expenditures are recorded in property and equipment net of the reimbursement received. As of December 31, 2021, the Authority has received the full amount of the grant.

8 Trade and other payables

	2022 $	2021 $
Trade payables	1,656,525	8,081,402
Accrued expenses	6,170,773	4,368,430
Deferred revenue	1,010,109	1,003,973
Security deposits	2,835,347	2,624,335
	11,672,754	16,078,140

9 Employee benefits

The Authority has a defined benefit pension plan (pension benefit plan), a supplemental executive retirement plan (SERP), a non-pension post-retirement benefit plan (other benefit plan) and a defined contribution plan. Certain information with respect to these plans is provided below.

The Authority operates defined benefit pension plans in Canada based on employee pensionable earnings and length of service. The pension benefit plan was closed to new members effective June 30, 2011.

The majority of benefit payments are from trustee administered funds; however, there is also an unfunded plan where the Authority meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practice. Responsibility for governance of the plans and overseeing all aspects of the plans, including investment decisions and contribution schedules, lies with the Authority. The Authority has set up a Pension Committee to assist in the management of the plans and has also appointed experienced, independent professional experts, such as investment managers, actuaries, custodians and trustees.

(expressed in Canadian dollars)

The amounts recognized in the consolidated statement of financial position are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2022 $	2021 $	2022 $	2021 $
Present value of funded obligations	16,352,018	21,307,184	-	-
Fair value of plan asset	(17,338,300)	(19,996,534)	-	-
Impact of asset ceiling	1,357,077	-	-	-
Deficit of funded plan	370,795	1,310,650	-	-
Present value of unfunded obligations	3,391,338	4,166,476	429,800	561,600
Deficit of the plan	3,762,133	5,477,126	429,800	561,600

The movement in the defined benefit obligation is as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2022 $	2021 $	2022 $	2021 $
As at January 1	25,473,660	26,276,877	561,600	580,100
Current service cost	847,780	895,767	13,800	15,300
Interest cost on obligations	778,193	696,835	17,100	15,300
Actuarial (gain) loss	(6,592,979)	(1,653,221)	(149,600)	(38,800)
Benefits paid	(763,298)	(742,598)	(13,100)	(10,300)
As at December 31	19,743,356	25,473,660	429,800	561,600

The movement in the fair value of plan assets is as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2022 $	2021 $	2022 $	2021 $
As at January 1	19,996,534	18,569,970	-	-
Interest cost on plan assets	599,991	485,278	-	-
Actual return on plan assets less interest cost	(3,264,570)	752,181	-	-
Employer contributions	769,643	931,703	13,100	10,300
Benefits paid	(763,298)	(742,598)	(13,100)	(10,300)
As at December 31	17,338,300	19,996,534	-	-

(expressed in Canadian dollars)

Plan assets, the majority of which are funding the Authority's defined pension plans, comprise the following:

	2022		2021	
	Unquoted $	**%**	**Unquoted $**	**%**
Equity instruments				
Canadian equity funds	2,427,357	14	3,196,147	16
Foreign equity funds	5,028,120	29	5,946,341	30
	7,455,477	43	9,142,488	46
Fixed income instruments				
Bond funds	4,854,719	28	5,117,421	25
Long-term bonds	4,854,724	28	5,536,470	28
	9,709,443	56	10,653,891	53
Money market	173,380	1	200,155	1
	17,338,300	100	19,996,534	100

The amounts recognized in net income are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2022 $	**2021 $**	**2022 $**	**2021 $**
Current service costs	847,780	895,767	13,800	15,300
Interest cost of obligations	778,193	696,835	17,100	15,300
Interest cost on plan assets	(599,991)	(485,278)	-	-
Total included in wages and other employee benefits expense	1,025,982	1,107,324	30,900	30,600

(expressed in Canadian dollars)

The amounts recognized in other comprehensive income are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2022 $	2021 $	2022 $	2021 $
Actual return on plan assets less interest cost	(3,264,570)	752,181	-	-
Actuarial loss on benefit obligations	(207,423)	(56,823)	-	-
Gain from change in financial assumptions	6,800,402	1,710,044	149,600	38,800
Impact of asset ceiling	(1,357,077)	-	-	-
Other comprehensive income	1,971,332	2,405,402	149,600	38,800

The principal actuarial assumptions are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2022 %	2021 %	2022 %	2021 %
Defined benefit obligation as at December 31				
Discount rate	5.1	3.0	5.1	3.0
Future salary increases	3.5	3.5	n/a	n/a
Benefit costs for years ended December 31				
Discount rate	5.1	3.0	5.1	3.0
Future salary increases	3.5	3.5	n/a	n/a

The sensitivity of the defined benefit obligation to changes in assumptions is set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

(expressed in Canadian dollars)

A sensitivity analysis of the Authority's defined benefit pension plans is as follows:

	Impact on pension benefit plan and SERP		Impact on other benefit plan	
	Increase in assumption %	**Decrease in assumption %**	**Increase in assumption %**	**Decrease in assumption %**
0.5% change in discount rate	(6.4)	7.1	(6.1)	6.9
0.5% change in salary growth rate	1.4	(1.3)	n/a	n/a
0.5% change in life expectancy	(0.9)	0.9	(0.6)	0.6

Expected contributions to pension benefit plans for the year ended December 31, 2023 are $769,560. As at December 31, 2022, the accumulated actuarial losses recognized in accumulated other comprehensive loss were $1,099,609 (2021 – $3,220,541).

The Authority's actuary prepares annual valuations of the plans' assets and accrued benefit obligations using January 1 as a measurement date and extrapolating to December 31. The most recent valuations of the pension benefit plan and supplementary plan for funding purposes were conducted as at December 31, 2021. The next valuations of these plans for funding purposes will be as at December 31, 2022.

Through its defined benefit plans, the Authority is exposed to a number of risks, the most significant of which are detailed below.

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform, a deficit will be created. The plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while contributing volatility and risk in the short term.

As the plans mature, the Authority intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

However, the Authority believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Authority's long-term strategy to manage the plans efficiently.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

(expressed in Canadian dollars)

Inflation risk

The majority of the plans' benefit obligations are linked to inflation; higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plans against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The expected maturity analysis of the undiscounted pension plans is presented below:

	Less than a year $	Between 1 and 2 years $	Between 2 and 5 years $	More than 5 years $	Total $
Pension benefit plan and SERP	741,500	736,700	2,691,400	53,373,700	57,543,300
Other benefit plan	20,900	21,200	65,100	1,339,200	1,446,400
As at December 31, 2022	762,400	757,900	2,756,500	54,712,900	58,989,700

Employer contributions to the defined contribution plan were as follows:

	2022 $	2021 $
Employer contributions	170,085	141,366

10 Port revenue

	2022 $	2021 $
Harbour	3,989,169	4,510,289
Piers and property	31,565,530	29,355,315
GLPM	1,864,639	943,698
Straight-line rent revenue	403,149	360,647
Marina	2,321,633	2,100,047
	40,144,120	37,269,996

(expressed in Canadian dollars)

Non-lease components within lease arrangements arising from the recovery of certain operating expenses from tenants are identified within piers and property revenue as follows:

	2022 $	2021 $
Base rent	29,115,520	27,279,056
Other revenue from tenants (a)	2,402,113	2,031,700
Total rent revenue	31,517,633	29,310,756

(a) Other revenue from tenants includes charges for the following services: garbage, janitorial, pest control, window cleaning, security, utilities and maintenance.

11 Wages and other employee benefits

	2022 $	2021 $
Salaries and wages (including termination benefits)	6,285,957	5,995,037
Pension costs – DC plan	170,085	141,366
Pension costs – DB and SERP plans	1,025,982	1,107,324
Other benefit costs	1,037,975	889,416
	8,519,999	8,133,143

Compensation of key management

The following disclosure is required pursuant to the Port Authority's Management Regulations. The total remuneration includes all Board of Directors, the Chief Executive Officer and employees exceeding $247,201 per year.

				2022	2021
Name	**Title**	**Salaries** **$**	**Taxable benefits** **$**	**Total** **$**	**Total** **$**
Bradley, David	Director	29,950	-	29,950	28,400
Davis, Meghan	Director	30,000	-	30,000	30,000
Hamilton, Ian	President & CEO, Hamilton	566,588	2,686	569,274	483,770
Howlett, James	Director	28,950	-	28,950	25,400
Knight, Janet	Executive Vice President	317,679	2,402	320,081	286,387
Loomis, Christopher	Director	14,900	-	14,900	28,400
Waldes, Anne	Director	35,000	-	35,000	35,000
		1,023,067	5,088	1,028,155	917,357

(expressed in Canadian dollars)

12 Contingencies and commitments

The Authority has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for.

Borrowing limit and credit facility

The Authority has an aggregate borrowing limit of $45,500,000 (2021 – $45,500,000). Borrowing is defined in section 9.3 of the Letters Patent.

The Authority has a $7.5 million credit demand facility available, which has not been drawn on as at December 31, 2022.

13 Right-of-use asset and lease liability

During 2022, the Authority entered into a property lease through its subsidiary, GLPM. The right-of-use asset is reflected in the consolidated statement of financial position as follows:

	2022 $	2021 $
Cost	7,224,126	-
Accumulated depreciation	(120,402)	-
Net carrying amount at December 31	7,103,724	-

The contractual undiscounted cash flows of the Authority's lease liability are as follows:

	2022 $	2021 $
No later than 1 year	541,667	-
Later than 1 year and not later than 5 years	8,263,667	-
Total undiscounted lease liability at December 31	8,805,334	-

The discounted lease liability is reflected in the consolidated statement of financial position as follows:

	2022 $	2021 $
Current	73,192	-
Non-current	7,148,398	-
Carrying value of lease liability at December 31	7,221,590	-

(expressed in Canadian dollars)

At the inception of the lease, the lease liability was measured at the present value of the remaining lease payments, discounted using the Authority's incremental borrowing rate of 6.5% as of December 1, 2022. The right-of-use asset was measured at the amount equal to the lease liability. There was no prepaid rent or accrued lease payments relating to this lease that would have required an adjustment to the right-of-use asset at the date of initial applications.

Amounts recognized in the consolidated statement of income and comprehensive income are as follows:

	2022 $	2021 $
Interest expense on lease liability	39,131	-
Variable lease payments not included in the measurement of lease liabilities	-	-
Expenses relating to short-term leases	-	-
Expenses relating to leases of low-value assets	11,048	-
	50,179	-

Operating leases – lessor

The future minimum lease payments to be received under non-cancellable operating leases are as follows:

	2022 $	2021 $
No later than 1 year	20,885,648	20,202,395
Year 2	19,138,875	18,050,082
Year 3	17,209,526	16,577,418
Year 4	12,814,529	14,734,238
Year 5	10,633,978	11,416,148
Later than 5 years	56,860,827	62,352,430
	137,543,383	143,332,711

14 Financial instruments

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables are recorded at carrying amounts, which approximate fair value.

(expressed in Canadian dollars)

Fair values, including valuation methods and assumptions

The following table summarizes the fair value of financial assets and liabilities as at December 31, 2022 and December 31, 2021:

	2022 $	2021 $
Assets		
Cash and cash equivalents	9,385,602	17,387,131
Trade and other receivables	4,027,279	4,129,606
Liabilities		
Trade and other payables	11,672,754	16,078,140

Market risk

- Foreign exchange risk

  The Authority is not exposed to foreign exchange risk fluctuations.

- Price risk

  The Authority is not exposed to price risk.

- Interest risk

  The Authority's exposure to general levels of interest risk is limited to outstanding drawings on the demand credit facility.

- Interest rate risk

  The Authority is not exposed to interest rate risk, as there are currently no significant borrowings drawn by the Authority.

Credit risk

The Authority's exposure to concentration of credit risk is limited. The Authority places its cash and cash equivalents and restricted cash with major Canadian financial institutions of high creditworthiness. Credit risk associated with trade and other receivables is minimized, as the Authority performs credit assessments for new customers, monitors the aging of trade and other receivables and contacts debtors regarding payment history. The maximum exposure to credit risk as at the reporting date is the carrying value of accounts receivable. The fair value of trade and other receivables and trade and other payables approximates their carrying value due to their short-term maturity.

(expressed in Canadian dollars)

No financial assets are past due except for certain trade and current receivables. As at December 31, 2022, trade and other receivables of $3,030,693 (2021 – $3,091,211) were current, $977,308 (2021 – $904,958) were past due but not impaired and $88,408 (2021 – $76,922) were impaired. The aging analysis of the two categories of receivables is as follows:

	2022 $	2021 $
Trade and other receivables		
Current (less than 30 days)	3,030,693	3,091,211
Past due but not impaired (over 30 days)	977,308	904,958
Impaired	88,408	76,922
Past due but not impaired		
Up to 3 months	479,689	732,275
3 to 6 months	497,619	172,683
Impaired		
3 to 6 months	-	-
More than 6 months	88,408	76,922

The following table summarizes the changes in the allowance for doubtful accounts for trade receivables:

	2022 $	2021 $
Allowance for doubtful accounts		
Beginning of year	76,922	117,559
Provision	20,891	-
Accounts receivable written off during the year	(9,405)	(40,637)
End of year	88,408	76,922

Liquidity risk

Cash flow forecasting is performed to monitor the Authority's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times.

Surplus cash held by the Authority over and above balances required for working capital management is invested in callable interest bearing short-term deposits with a maturity within 12 months, which are selected with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

As at the reporting date, the Authority held callable short-term deposits of $8,132,073 (2021 – $16,935,007) that are available to readily generate cash inflows for managing liquidity risk.

The Authority's financial liabilities consist of trade and other payables in the amount of $2,077,275 (2021 – $4,087,753), which have a contractual maturity of three months or less.

(expressed in Canadian dollars)

15 Capital management

The Authority manages its capital and credit facility availability to ensure the Authority has adequate financial structure and borrowing capacity to allow for financial flexibility and sufficient liquidity. This may require the Authority to establish new credit facilities as needed. The Authority monitors its generation of cash from operations and available credit as part of its overall assessment.