Consolidated Financial Statements of

HAMILTON-OSHAWA PORT AUTHORITY

And Independent Auditor's Report thereon

Year ended December 31, 2024

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Hamilton-Oshawa Port Authority

Opinion

We have audited the consolidated financial statements of Hamilton-Oshawa Port Authority (the "Authority"), which comprise:

- the consolidated statement of financial position as at December 31, 2024
- 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 notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Authority as at December 31, 2024, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

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

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

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 6, 2024.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

February 12, 2025

HAMILTON-OSHAWA PORT AUTHORITY

Consolidated Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 5,670,707	$ 10,248,314
Trade and other receivables (note 5)	5,663,886	5,941,994
Prepaid expenses	493,137	447,178
Inventories (note 6)	495,891	138,227
Current portion of note receivable (note 7)	93,949	–
	12,417,570	16,775,713
Note receivables (note 7)	21,468,435	–
Property and equipment (note 8)	204,225,269	188,658,106
Right-of-use asset (note 14)	9,711,263	5,658,899
Straight-line rent receivable	8,787,176	7,330,401
	$ 256,609,713	$ 218,423,119
Liabilities and Equity		
Current liabilities:		
Trade and other payables (note 9)	$ 17,604,711	$ 14,457,966
Current portion of long-term debt (note 13)	93,949	–
Current portion of lease liability (note 14)	957,651	664,094
	18,656,311	15,122,060
Employee benefits (note 10)	3,353,842	5,445,844
Long-term debt (note 13)	20,204,145	–
Lease liability (note 14)	10,325,099	6,484,304
Deferred revenue	52,500	60,000
	52,591,897	27,112,208
Equity:		
Contributed surplus	26,839,962	26,839,962
Retained earnings	176,940,620	166,776,257
Accumulated other comprehensive income (loss)	237,234	(2,305,308)
	204,017,816	191,310,911
Commitments and contingencies (note 15)		
	$ 256,609,713	$ 218,423,119

See accompanying notes to the financial statements.

On behalf of the Board:

DocuSigned by: Anne Waldes
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Director

HAMILTON-OSHAWA PORT AUTHORITY

Consolidated Statement of Income and Comprehensive Income

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Revenue from operations:		
Port revenue (note 11)	$ 46,910,005	$ 43,340,531
Operating expenses:		
Wages and other employee benefits (note 12)	10,208,270	9,103,464
Repairs and maintenance costs	2,174,951	2,692,842
Payments in lieu of taxes	936,966	858,539
Realty taxes	715,580	851,341
Professional and consulting fees	896,781	990,029
Depreciation (notes 8 and 14)	13,137,365	12,141,955
Federal stipend	2,214,622	2,006,359
Other operating and administrative	5,423,526	5,454,591
Impairment loss on trade and other receivables	32,030	9,052
Interest on lease liability (note 14)	629,979	468,475
	36,370,070	34,576,647
Income from operations before other income (expense)	10,539,935	8,763,884
Other income (expense):		
Investment income	503,229	408,544
Finance income (note 7)	421,507	–
Finance costs (note 13)	(396,984)	–
Gain on modification of lease (note 14)	529,250	–
Loss on disposal of property and equipment	(1,432,574)	(31,066)
	(375,572)	377,478
Net income for the year	10,164,363	9,141,362
Other comprehensive income (loss):		
Remeasurement of employee benefits liability (note 10)	2,542,542	(1,205,699)
Total comprehensive income for the year	$ 12,706,905	$ 7,935,663

See accompanying notes to the financial statements.

HAMILTON-OSHAWA PORT AUTHORITY

Consolidated Statement of Changes in Equity

Year ended December 31, 2024, with comparative information for 2023

	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2024	$ 26,839,962	$ 166,776,257	$ (2,305,308)	$ 191,310,911
Net income for the year	–	10,164,363	–	10,164,363
Other comprehensive income	–	–	2,542,542	2,542,542
Balance at December 31, 2024	$ 26,839,962	$ 176,940,620	$ 237,234	$ 204,017,816
Balance at January 1, 2023	$ 26,839,962	$ 157,634,895	$ (1,099,609)	$ 183,375,248
Net income for the year	–	9,141,362	–	9,141,362
Other comprehensive loss	–	–	(1,205,699)	(1,205,699)
Balance at December 31, 2023	$ 26,839,962	$ 166,776,257	$ (2,305,308)	$ 191,310,911

See accompanying notes to the financial statements.

HAMILTON-OSHAWA PORT AUTHORITY

Consolidated Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Net income for the year	$ 10,164,363	$ 9,141,362
Adjustments for:		
Depreciation (notes 8 and 13)	13,137,365	12,141,955
Employee benefits expense (note 10)	938,710	834,005
Amounts funded related to employee future benefits (note 10)	(488,170)	(785,793)
Loss on disposal of property and equipment	1,432,574	31,066
Gain on modification of lease	(529,250)	–
Impairment loss on trade and other receivables	32,030	9,052
Increase in straight-line rent receivable	(1,456,775)	(1,003,841)
Deferred revenue	(7,500)	(7,500)
Change in non-cash working capital:		
Decrease (increase) in trade and other receivables	246,078	(1,923,767)
(Increase) decrease in inventories	(357,664)	91,300
Increase in prepaid expenses	(45,959)	(113,998)
(Decrease) increase in trade and other payables	(653,255)	2,785,212
	22,412,547	21,199,053
Investing activities:		
Issuance of note receivables	(21,562,384)	–
Purchase of property and equipment (note 8)	(25,111,644)	(20,265,624)
Proceeds on disposal of property and equipment	110,333	2,475
	(46,563,695)	(20,263,149)
Financing activities:		
Lease liability payments	(724,553)	(73,192)
Proceeds from long-term debt	20,298,094	–
	19,573,541	(73,192)
(Decrease) increase in cash and cash equivalents during the year	(4,577,607)	862,712
Cash and cash equivalents, beginning of year	10,248,314	9,385,602
Cash and cash equivalents, end of year	$ 5,670,707	$ 10,248,314

See accompanying notes to the financial statements.

1. Reporting entity:

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

Hamilton-Oshawa Port 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.

These consolidated financial statements comprise the Hamilton-Oshawa Port Authority and its wholly owned subsidiary, Great Lakes Port Management Inc. (together referred to as the “Authority”).

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 commercial operations at the Ports of Hamilton and Oshawa, including harbour operations, port security, land use planning and maintenance. The Authority also has land holdings in Niagara and supports the recreational use of the Hamilton harbour through its marina operations.

2. Basis of accounting and function and presentation currency:

The Authority prepares its consolidated financial statements in accordance with IFRS Accounting Standards (IFRS). The consolidated financial statements were authorized for issuance by the Board of Directors on February 12, 2025.

Details of the Authority’s material accounting policies are included in note 3.

The preparation of the 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 have been prepared under the historical cost convention.

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 material accounting policies:

The material 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.

(a) Basis of consolidation:

Subsidiaries are entities controlled by the Hamilton-Oshawa Port Authority. The Hamilton-Oshawa Port Authority controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The consolidated financial statements include the accounts of the Hamilton-Oshawa Port 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.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, deposits held with banks and short-term deposits that are immediately callable held by major financial institutions.

(c) Property and equipment:

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:

Asset	Rate
Buildings	2.5% to 10%
Leasehold improvements	5% to 20%
Docks and services	2% to 33%
Equipment	5% to 33%

3. Summary of material accounting policies:

(c) Property and equipment (continued):

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.

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.

(d) Leases:

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

(i) As a lessee:

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 or the site on which it is located, 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. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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.

3. Summary of material accounting policies (continued):

(d) Leases (continued):

(i) As a lessee (continued):

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 comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Authority is reasonably certain to exercise, lease payments in an optional renewal period if the Authority is reasonably certain to exercise an extension option; and
- Payments of penalties for early termination of a lease unless the Authority is reasonably certain not to terminate early.

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

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 net income if the carrying amount of the right-of-use asset has been reduced to nil.

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

(ii) As a lessor:

When the Authority acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Authority makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Authority considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

3. Summary of material accounting policies (continued):

(d) Leases (continued):

(ii) As a lessor (continued):

If an arrangement contains lease and non-lease components, then the Authority applies IFRS 15 to allocate the consideration in the contract.

The Authority recognizes lease payment received under operating leases as income on a straight-line basis over the lease term. See note 3(h).

(e) 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). An impairment loss is recognized in net income 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 of disposal and value in use. Value in use is based on the estimate of future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. 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.

(f) 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 the expected future cash flows are discounted where the effect is material.

(g) 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.

3. Summary of material accounting policies (continued):

(g) Revenue recognition (continued):

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. GLPM revenue also includes operating lease revenue and piers and property revenue and is recognized and disclosed on the same basis as The Authority.

(h) 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.

(i) Employee benefits:

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Authority has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

The Authority’s net obligation in respect of defined benefit plans is calculated separately for each plan.

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.

3. Summary of material accounting policies (continued):

(i) Employee benefits (continued):

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.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The 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 net income 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.

(j) 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.

3. Summary of material accounting policies (continued):

(k) 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.

(l) Income taxes:

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

(m) Financial instruments:

Financial assets and liabilities are recognized when the Authority becomes a party to the contractual provisions of the instrument.

(i) 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 net income); and
- those to be measured at amortized cost.

3. Summary of material accounting policies (continued):

(m) Financial instruments (continued):

(ii) 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 net income, transaction costs that are directly attributable to the acquisition or issue of the financial asset. A trade or other receivable without a significant financing component is initially measured at the transaction price. 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 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 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.

Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

(iii) 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.

3. Summary of material accounting policies (continued):

(m) Financial instruments (continued):

(iii) Impairment (continued):

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.

(n) Change in accounting policy:

The Authority has adopted *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* and *Non-current Liabilities with Covenants (Amendments to IAS 1)* from January 1, 2024. The amendments apply retrospectively. They clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current loan liabilities that are subject to covenants within 12 months after the reporting period. Despite the change in policy there is no retrospective impact on the comparative statement of financial position.

(o) New accounting standards issued and not yet effective:

(i) Classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)

In May 2024, the International Accounting Standards Board (IASB) issued *Amendments to the Classification and Measurement of Financial Instruments* which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted, and are related to:

- settling financial liabilities using electronic payment systems; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Authority will be assessing the impact of the new amendments.

(ii) IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace *IAS 1 Presentation of Financial Statements* and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key requirements:

- entities are required to classify all income and expenses into five categories in the statement of income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net income will not change.

3. Summary of material accounting policies (continued):

(o) New accounting standards issued and not yet effective (continued):

(ii) IFRS 18 Presentation and Disclosures in Financial Statements (continued)

- management-defined performance measures (”MPMs”) are disclosed in a single note in the financial statements.
- enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Authority will be assessing the impact of the new standard, particularly with respect to the structure of the Authority’s statement of income, statement of cash flows and the additional disclosure required for MPMs.

4. Use of judgements and estimates:

In preparing these consolidated financial statements, management has made judgments and estimates about the future that affect the application of the Authority’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 be reasonable under the circumstances. Revisions to estimates are recognized prospectively.

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

Note 8 – Property and equipment

The Authority determines the useful lives of property and equipment based on the expected utility and usage of the assets.

Note 10 - Employee benefits

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 the outflow of resources to settle these obligations is subject to the same uncertain factors. For the sensitivity of employee benefit obligations, refer to note 10. Each sensitivity analysis included in note 10 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

4. Use of judgements and estimates (continued):

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 2024 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.

Note 14 - 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 readily determined. The incremental borrowing rates are subject to change due to changes in the business and macroeconomic environment.

Note 16(c) – Allowance for impairment

The Authority determines the expected credit losses related to trade and other receivables on a forward-looking basis.

5. Trade and other receivables:

	2024	2023
Trade and other receivables	$ 5,772,175	$ 6,035,954
Less: allowance for impairment (note 16(c))	108,289	93,960
	$ 5,663,886	$ 5,941,994

6. Inventories:

	2024	2023
Port security access cards	$ 112,842	$ 71,184
Materials and supplies	621,359	295,505
	734,201	366,689
Allowance for impairment	(238,310)	(228,462)
	$ 495,891	$ 138,227

In 2024, inventories of $347,186 (2023 - $380,731) were recognized as an expense during the year.

Inventories have been reduced by $9,847 (2023 - recovered - ($918)) as a result of the write-down to net realisable value. This write-down was recognized as an expense during 2024 and is included in other operating and administrative expenses.

7. Note receivable:

	2024	2023
Note receivable from tenant (a)	$ 20,876,094	$ –
Other third parties	686,290	–
	21,562,384	–
Less: current portion	93,949	–
	$ 21,468,435	$ –

(a) During the year, the Authority issued a note receivable to a tenant, stipulating that the Authority will provide funds for a percentage of the invoices incurred relating to a capital project, to be repaid by the tenant. The note receivable allows for an initial 18-month interest only period. The interest rate is the prime rate, and the interest earned by the Authority on the note receivable is used to recover the interest expense on the long-term debt (note 13).

8. Property and equipment:

Reconciliation of the net carrying amount of each class of property and equipment is summarized below:

	Land	Buildings and leasehold improvements	Docks and services	Equipment	Capital development-in-progress	Total
January 1, 2023						
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 carrying amount	48,689,582	51,681,124	67,591,353	4,592,167	6,568,927	179,123,153
Year ended December 31, 2023						
Additions, net	3,581	9,713,439	9,466,060	1,082,544	–	20,265,624
Disposals - cost	–	(38,238)	–	(265,284)	–	(303,522)
Disposals - accumulated depreciation	–	4,698	–	265,283	–	269,981
Depreciation	–	(3,996,364)	(5,686,502)	(1,014,264)	–	(10,697,130)
	3,581	5,683,535	3,779,558	68,279	–	9,534,953
Net carrying amount	$ 48,693,163	$ 57,364,659	$ 71,370,911	$ 4,660,446	$ 6,568,927	$ 188,658,106
January 1, 2024						
Cost	$ 48,693,163	$ 128,102,420	$ 153,641,408	$ 17,866,110	$ 6,568,927	$ 354,872,028
Accumulated depreciation	–	(70,737,761)	(82,270,497)	(13,205,664)	–	(166,213,922)
Net carrying amount	48,693,163	57,364,659	71,370,911	4,660,446	6,568,927	188,658,106
Year ended December 31, 2024						
Additions, net	1,300,306	6,614,842	16,157,307	919,681	3,919,508	28,911,644
Disposals - cost	–	(134,773)	(1,673,418)	(371,349)	–	(2,179,540)
Disposals - accumulated depreciation	–	–	301,130	335,504	–	636,634
Depreciation	–	(4,418,428)	(6,338,456)	(1,044,691)	–	(11,801,575)
	1,300,306	2,061,641	8,446,563	(160,855)	3,919,508	15,567,163
Net carrying amount	$ 49,993,469	$ 59,426,300	$ 79,817,474	$ 4,499,591	$ 10,488,435	$ 204,225,269
December 31, 2024						
Cost	$ 49,993,469	$ 134,582,489	$ 168,125,297	$ 18,414,442	$ 10,488,435	$ 381,604,132
Accumulated depreciation	–	(75,156,189)	(88,307,823)	(13,914,851)	–	(177,378,863)
Net carrying amount	$ 49,993,469	$ 59,426,300	$ 79,817,474	$ 4,499,591	$ 10,488,435	$ 204,225,269

8. Property and equipment (continued):

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 Stelco Holdings Inc. (formerly 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, $10.5 million (2023 - $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 2024 relating to the Project.

Included within purchases of property and equipment during the fiscal year of $28.9 million are approximately $5.0 million (2023 - $1.2 million) of additions that have not yet been paid for.

During the year, the Authority wrote off $1.3 million (2023 - $nil) related to additional emergency dredging required in Oshawa due to extreme weather. During 2022, the Authority completed a major capital and maintenance dredging contract to restore draft in the Port of Oshawa and to widen the approach channel in Lake Ontario in an effort to improve navigation safety. Following the completion of this work, a major winter storm affected Lake Ontario at the end of 2022. During 2023, the Authority conducted an emergency dredging project to open a narrow passage so vessels could berth at the Port of Oshawa for the 2023 shipping season. The Authority conducted subsequent studies and a survey that identified additional sediment deposited in the channel. During the year, the Authority conducted dredging of the area to restore the channel.

9. Trade and other payables:

	2024	2023
Trade payables	$ 5,629,619	$ 3,848,763
Accrued expenses	6,825,337	5,900,607
Deferred revenue - current	1,911,223	1,475,729
Security deposits	3,238,532	3,232,867
	$ 17,604,711	$ 14,457,966

10. Employee benefits:

The Authority has a defined benefit pension plan (pension benefit plan), a supplemental employee 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.

Pension benefit plan, SERP and other benefit plan

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.

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

	Pension benefit plan and SERP		Other benefit plan	
	2024	2023	2024	2023
Present value of funded obligations	$ 18,512,260	$ 18,036,193	$ –	$ –
Fair value of plan assets	(20,676,824)	(19,107,874)	–	–
Impact of asset ceiling	1,176,260	2,253,826	–	–
(Surplus) deficit of funded plan	(988,304)	1,182,145	–	–
Present value of unfunded obligations	3,973,846	3,792,499	368,300	471,200
Net defined employee benefit liability	$ 2,985,542	$ 4,974,644	$ 368,300	$ 471,200

10. Employee benefits (continued):

The movement in the defined benefit obligation is as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2024	2023	2024	2023
As at January 1	$ 21,828,692	$ 19,743,356	$ 471,200	$ 429,800
Current service cost	657,364	603,155	9,100	7,700
Interest cost on obligations	1,026,803	1,010,705	22,000	21,800
Actuarial (gain) loss	(313,406)	1,215,715	(123,400)	25,600
Benefits paid	(713,347)	(744,239)	(10,600)	(13,700)
As at December 31	$ 22,486,106	$ 21,828,692	$ 368,300	$ 471,200

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

	Pension benefit plan and SERP		Other benefit plan	
	2024	2023	2024	2023
As at January 1	$ 19,107,874	$ 17,338,300	$ –	$ –
Interest income on plan assets	881,135	878,023	–	–
Actual return on plan assets less interest cost	923,592	863,697	–	–
Employer contributions	477,570	772,093	10,600	13,700
Benefits paid	(713,347)	(744,239)	(10,600)	(13,700)
As at December 31	$ 20,676,824	$ 19,107,874	$ –	$ –

The movement in the effect of the asset ceiling is as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2024	2023	2024	2023
As at January 1	$ 2,253,826	$ 1,357,077	$ –	$ –
Change in limit on minimum funding obligation	(1,077,566)	896,749	–	–
As at December 31	$ 1,176,260	$ 2,253,826	$ –	$ –

HAMILTON-OSHAWA PORT AUTHORITY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

10. Employee benefits (continued):

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

	2024		2023	
	Unquoted	%	Unquoted	%
Equity instruments:				
Canadian equity funds	$ 2,894,755	14	$ 2,675,110	14
Foreign equity funds	5,996,279	29	5,541,283	29
	8,891,034	43	8,216,393	43
Fixed income instruments:				
Bond funds	5,789,511	28	5,350,199	28
Long-term funds	5,789,511	28	5,350,206	28
	11,579,022	56	10,700,405	56
Money market	206,768	1	191,076	1
	$ 20,676,824	100	$ 19,107,874	100

The amounts recognized in net income are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2024	2023	2024	2023
Current service cost	$ 657,364	$ 603,155	$ 9,100	$ 7,700
Interest cost of obligations	1,026,803	1,010,705	22,000	21,800
Interest income on plan assets	(881,135)	(878,023)	–	–
Interest cost on limit on amount recognized	104,578	68,668	–	–
Total included in wages and other employee benefits expense	$ 907,610	$ 804,505	$ 31,100	$ 29,500

10. Employee benefits (continued):

The amounts recognized in other comprehensive income are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2024	2023	2024	2023
Actual return on plan assets less interest income	$ 923,592	$ 863,697	$ –	$ –
Actuarial gain (loss) arising from:				
Experience adjustment	133,839	(25,738)	121,700	–
Changes in financial assumption	179,567	(1,189,977)	1,700	(25,600)
Impact of asset ceiling	1,182,144	(828,081)	–	–
Other comprehensive income	$ 2,419,142	$ (1,180,099)	$ 123,400	$ (25,600)

The principal actuarial assumptions are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2024	2023	2024	2023
Defined benefit obligation as at December 31:				
Discount rate	4.7%	4.6%	4.7%	4.6%
Future salary increases	3.5%	3.5%	n/a	n/a
Benefit costs for years ending December 31				
Discount rate	4.7%	4.6%	4.7%	4.6%
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.

10. Employee benefits (continued):

A sensitivity analysis of the Authority's defined benefit pension plans at December 31, 2024 are 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	(6.3)%	7.0%	(6.5)%	7.2%
0.5% change in salary growth rate	1.3%	(1.2)%	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, 2024 are $374,186 (2023 - $791,728). As at December 31, 2024, the accumulated remeasurement of the employee benefit liability recognized in accumulated other comprehensive income is $237,234 (2023 - ($2,305,308)).

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 and supplementary plan for funding purposes were conducted as at December 31, 2022 for the SERP and other benefit plan, and as at December 31, 2023 for the pension benefit plan. The next valuations of these plans for funding purposes will be as at December 31, 2025 for the SERP and other benefit plan, and as at December 31, 2026 for the pension benefit plan.

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 to 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.

10. Employee benefits (continued):

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.

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	$ 809,300	$ 797,600	$ 3,408,800	$ 53,816,400	$ 58,832,100
Other benefit plan	20,400	20,100	65,800	664,600	770,900
As at December 31, 2024	$ 829,700	$ 817,700	$ 3,474,600	$ 54,481,000	$ 59,603,000

Defined contribution plan

Employer contributions to the defined contribution plan were $250,252 (2023 - $210,942).

11. Port revenue:

	2024	2023
Piers and property	$ 34,195,388	$ 31,216,795
Straight-line rent revenue	1,456,773	1,003,841
Harbour	4,540,811	4,234,770
Marina	3,032,487	2,789,276
GLPM	3,684,546	4,095,849
	$ 46,910,005	$ 43,340,531

Included within piers and property revenue are amounts related to lease arrangements as follows:

	2024	2023
Base rent	$ 31,815,569	$ 28,436,593
Other revenue from tenants (a)	2,379,819	2,721,550
	$ 34,195,388	$ 31,158,143

(a) Non-lease components within lease arrangements arising from the recovery of certain operating expenses from tenants are identified within other revenue. Other revenue from tenants includes charges for the following services: garbage, janitorial, pest control, window cleaning, security, utilities and maintenance.

12. Wages and other employee benefits:

	2024	2023
Salaries and wages (including termination benefits)	$ 7,757,723	$ 7,007,548
Pension costs - Defined contribution plan	250,252	210,942
Pension costs - Defined benefit and SERP plans	907,610	804,505
Pension costs - Other benefit plan	31,100	29,500
Other benefit costs	1,261,585	1,050,969
	$ 10,208,270	$ 9,103,464

12. Wages and other employee benefits (continued):

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 $261,249 per year.

Name	Title	Salaries	Taxable benefits	Total 2024	Total 2023
Bradley, David	Director	$ 29,000	$ –	$ 29,000	$ 29,950
Davis, Meghan	Director	30,000	–	30,000	30,000
DiGregorio, Nancy	Director	20,750	–	20,750	16,900
Hamilton, Ian	President and CEO	584,766	2,713	587,479	529,376
Howlett, James	Director	–	–	–	6,983
Knight, Janet	Executive Vice President	344,426	2,594	347,020	318,800
Loomis, Christopher	Director	29,000	–	29,000	27,550
Waldes, Anne	Director	35,000	–	35,000	35,000
		$ 1,072,942	$ 5,307	$1,078,249	$ 994,559

13. Long-term debt:

During the year, the Authority entered into a credit facility agreement to finance one of their tenant's capital projects on the Authority's property. The Authority is authorized to draw up to $26 million against this facility. The credit facility bears interest at the prime rate and is interest only for the initial 18 months, and thereafter the credit facility will rollover into a committed loan facility. The committed loan facility will have an amortization period of 20 years for borrowings related to the tenant's capital projects, and 10 years for general leaseholds or equipment, with the first installment coming due in November 2025, following the initial 18-month interest only period. As such, the loan has been classified as long-term, with a short-term portion reflecting the expected principal repayments due in the next 12 months. The debt is secured by an assignment of leases and equipment contracts, a progress payment agreement with the Authority's tenant, and a specific assignment of insurance. The Authority is required to comply with certain financial covenants, which have been met as of December 31, 2024.

The interest costs of $396,984 related to the debt was paid by the Authority and $421,507 was recovered from a tenant through a note receivable (note 7).

13. Long-term debt (continued):

Future principal payments required on all long-term debt for the next five years and thereafter are as follows:

2025	$ 93,949
2026	581,933
2027	614,452
2028	648,789
2029	685,045
Thereafter	17,673,926
	20,298,094
Less: current portion	93,949
	$ 20,204,145

Subsequent to year end, the Authority entered into a new credit facility agreement in which $15 million is available to be drawn upon.

14. Right-of-use asset and lease liability:

The Authority has a property lease through its subsidiary, GLPM. During the year, the property was sold to another entity, which resulted in a modification of the lease. The Authority entered into an amended lease with the new owner, in which the demised property to be leased was reduced, and the lease term was extended from 5 years to 10 years. As such, the Authority accounted for these changes as a lease modification. Under the amended lease, the Authority, or any sub-tenants, are required to make capital improvements to the demised property in the minimum amount of $10 million before the end of the lease term on June 30, 2034. To date, $1.2 million of capital improvements has been made by the Authority.

14. Right-of-use asset and lease liability (continued):

The right-of-use asset is reflected in the consolidated statement of financial position as follows:

	2024	2023
Opening cost at January 1	$ 7,224,126	$7,224,126
Accumulated depreciation	(1,565,227)	(120,402)
Opening net carrying amount at January 1	$ 5,658,899	$ 7,103,724
Adjustment for change in scope of lease - cost	$ (1,970,217)	$ –
Adjustment for change in scope of lease - accumulated depreciation	623,902	–
Adjustment for modification of lease	6,734,469	–
Depreciation	(1,335,790)	(1,444,825)
Net carrying amount at December 31	$ 9,711,263	$ 5,658,899

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

	2024	2023
No later than 1 year	$ 1,711,768	$ 1,112,500
Later than 1 year and not later than 5 years	7,341,176	7,151,167
Later than 5 years	5,774,464	–
Total undiscounted lease liability at December 31	$ 14,827,408	$ 8,263,667

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

	2024	2023
Current	$ 957,651	$ 664,094
Non-current	10,325,099	6,484,304
Carrying value of lease liability at December 31	$ 11,282,750	$ 7,148,398

14. Right-of-use asset and lease liability (continued):

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. Through the lease modification during the year, the incremental borrowing rate increased to 6.95%. The adjustment to the right-of-use asset due to the modification of the lease was $5,388,154, including the change in scope of lease.

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

	2024	2023
Interest expense on lease liability	$ 629,979	$ 468,475
Expenses relating to leases of low-value assets	8,760	8,760
Gain on modification of lease	529,250	–
	$ 1,167,989	$ 477,235

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

	2024	2023
Balance at January 1	$ 7,148,398	$ 7,221,590
Principal payments on lease liability	(724,552)	(73,192)
Adjustment for change in scope of lease	(1,875,565)	–
Adjustment for modification of lease	6,734,469	–
Balance at December 31	$ 11,282,750	$ 7,148,398

14. Right-of-use asset and lease liability (continued):

Operating leases - lessor

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

	2024	2023
No later than 1 year	$ 27,331,018	$ 24,015,867
Year 2	24,594,817	22,788,182
Year 3	22,286,377	19,120,264
Year 4	19,513,866	16,744,361
Year 5	17,198,845	13,908,631
Later than 5 years	67,296,411	64,190,196
	$ 178,221,334	$ 160,767,501

15. Commitments and contingencies:

(a) 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.

(b) The Authority has an aggregate borrowing limit of $100 million (2023 - $45.5 million). 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, 2024.

(c) The Authority has letters of credit with the City of Hamilton of $128,752 and $1,584,424 as at December 31, 2024.

16. Financial instruments:

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

(a) Fair values, including valuation methods and assumptions:

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

	2024	2023
Assets:		
Cash and cash equivalents	$ 5,670,707	$ 10,248,314
Trade and other receivables	5,663,886	5,941,994
Note receivables	21,562,384	–
Liabilities		
Trade and other payables	17,604,711	14,457,966
Long-term debt	20,298,094	–

(b) Market risk:

(i) Foreign exchange risk:

The Authority is not exposed to foreign exchange risk fluctuations.

(ii) Price risk:

The Authority is not exposed to price risk.

(iii) Interest risk:

The Authority's exposure to general levels of interest and interest rate risk is limited to outstanding drawings on the demand credit facility, its long-term debt and the issuance of note receivables. The exposure to interest rate risk depends on the size and direction of interest rate changes, and on the size and maturity of the impact.

16. Financial instruments (continued):

(c) Credit risk:

The Authority's exposure to concentration of credit risk is limited. The Authority places its cash and cash equivalents 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 trade and other receivables. The fair value of trade and other receivables and trade and other payables approximates their carrying value due to their short-term maturity. Credit risk associated with note receivables is minimized, as the Authority monitors the payments and requires progress draws in order to advance additional funds.

No financial assets are past due except for certain trade and other receivables. As at December 31, 2024, trade and other receivables of $2,462,527 (2023 - $3,718,409) were current, $3,201,359 (2023 - $2,184,971) were past due but not impaired and $108,289 (2023 - $93,960) were impaired. The aging analysis of the two categories of receivables is as follows:

	2024	2023
Trade and other receivables:		
Current (less than 30 days)	$ 2,462,527	$ 3,718,409
Past due but not impaired (over 30 days)	3,201,359	2,184,971
Impaired	108,289	93,960
Past due but not impaired:		
Up to 3 months	737,283	1,925,495
3 to 6 months	2,464,076	259,476
Impaired:		
More than 6 months	108,289	93,960

The following table summarizes the changes in the allowance for impairment for trade and other receivables:

	2024	2023
Allowance for impairment:		
Balance at January 1	$ 93,960	$ 88,408
Net remeasurement of loss allowance	32,030	9,052
Trade and other receivables written off during the year	(17,701)	(3,500)
Balance at December 31	$ 108,289	$ 93,960

16. Financial instruments (continued):

(c) Credit risk (continued):

In the current geopolitical environment, heightened uncertainties, including the potential imposition of new tariffs or changes to existing trade agreements and supply chain disruptions, may impact the financial condition of our customers, particularly those in industries reliant on international trade. These factors could lead to delays in payments, increased credit losses, or reduced demand for services.

(d) 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.

The Authority's financial liabilities consist of trade and other payables in the amount of $6,244,750 (2023 - $4,441,679), which have a contractual maturity of three months or less. Long-term debt in the amount of $20,298,094 (2023 - $nil) is also included in the Authority’s financial liabilities, which has an amortization period of up to 20 years.

17. 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.