



**LAURENTIAN PILOTAGE
AUTHORITY**

(Established under the Pilotage Act)

**ADMINISTRATION DE PILOTAGE
DES LAURENTIDES**

(Constituée en vertu de la Loi sur le pilotage)

STATEMENT OF FINANCIAL POSITION
(unaudited)

| In Canadian Dollars | AS AT JUNE 30 2017 | AS AT DECEMBER 31 2016 |
|--|------------------------------|----------------------------------|
| <u>ASSETS</u> | | |
| Current | | |
| Cash | 8 101 047 \$ | 10 970 651 \$ |
| Receivables | 11 244 223 | 11 534 302 |
| Short-term investments | 5 038 508 | 5 024 126 |
| | <u>24 383 778 \$</u> | <u>27 529 079 \$</u> |
| Non-current | | |
| Property and equipment | 16 082 971 \$ | 14 952 170 \$ |
| Intangible assets | 302 187 | 377 253 |
| Total assets | <u>40 768 936 \$</u> | <u>42 858 502 \$</u> |
| <u>LIABILITIES</u> | | |
| Current | | |
| Accounts payable and accrued liabilities | 12 120 618 \$ | 13 188 272 \$ |
| | <u>12 120 618 \$</u> | <u>13 188 272 \$</u> |
| Non-current | | |
| Employee benefits | 328 438 \$ | 340 032 \$ |
| Lease Inducement | 186 460 | 200 272 |
| Total liabilities | <u>12 635 516 \$</u> | <u>13 728 576 \$</u> |
| <u>EQUITY</u> | | |
| Retained earnings | 28 133 420 \$ | 29 129 926 \$ |
| | <u>28 133 420 \$</u> | <u>29 129 926 \$</u> |
| TOTAL LIABILITIES AND EQUITY | <u>40 768 936 \$</u> | <u>42 858 502 \$</u> |



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STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

| In Canadian Dollars | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|---|---------------------------|----------------------|-------------------------|----------------------|
| | - JUNE 30 | | - JUNE 30 | |
| | 2017 | 2016 | 2017 | 2016 |
| <u>Revenues</u> | | | | |
| Pilotage charges | 23 328 922 \$ | 20 369 284 \$ | 43 244 302 \$ | 40 481 455 \$ |
| Other income | 37 985 | 51 143 | 78 448 | 95 978 |
| | <u>23 366 907 \$</u> | <u>20 420 427 \$</u> | <u>43 322 750 \$</u> | <u>40 577 433 \$</u> |
| <u>Expenses</u> | | | | |
| Pilot fees | 19 102 825 \$ | 16 619 282 \$ | 35 384 807 \$ | 32 577 100 \$ |
| Operating costs of pilot boats | 2 582 127 | 2 196 021 | 5 293 927 | 5 030 949 |
| Employee salaries and benefits | 1 064 235 | 903 308 | 2 033 567 | 1 879 110 |
| Professional and special services | 607 296 | 378 378 | 1 073 810 | 698 867 |
| Rents | 93 662 | 90 658 | 187 772 | 185 351 |
| Utilities, material and supplies | 63 969 | 33 137 | 145 684 | 131 104 |
| Transportation, travel and hospitality | 41 138 | 16 356 | 71 745 | 34 117 |
| Communications | 20 028 | 22 192 | 40 308 | 36 291 |
| Maintenance | (2 569) | 28 013 | 6 879 | 69 630 |
| Finance costs | 2 993 | 3 098 | 5 030 | 6 196 |
| Other expenses | 45 044 | 31 718 | 75 727 | 74 898 |
| | <u>23 620 748 \$</u> | <u>20 322 161 \$</u> | <u>44 319 256 \$</u> | <u>40 723 613 \$</u> |
| <u>Comprehensive income for the period</u> | <u>(253 841) \$</u> | <u>98 266 \$</u> | <u>(996 506) \$</u> | <u>(146 180) \$</u> |



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STATEMENT OF CHANGES IN EQUITY
(unaudited)

| In Canadian Dollars | THREE MONTHS ENDED - JUNE 30 | | SIX MONTHS ENDED - JUNE 30 | |
|--|---------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Retained earnings, beginning of the period | 28 387 261 \$ | 27 345 736 \$ | 29 129 926 \$ | 27 590 182 \$ |
| Comprehensive income for the period | (253 841) \$ | 98 266 \$ | (996 506) \$ | (146 180) \$ |
| <u>Retained earnings, end of the period</u> | <u>28 133 420 \$</u> | <u>27 444 002 \$</u> | <u>28 133 420 \$</u> | <u>27 444 002 \$</u> |



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**ADMINISTRATION DE PILOTAGE
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STATEMENT OF CASH FLOW
(unaudited)

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|--|---------------------------|---------------------|-------------------------|---------------------|
| | - JUNE 30 | | - JUNE 30 | |
| In Canadian Dollars | 2017 | 2016 | 2017 | 2016 |
| <u>OPERATING ACTIVITIES</u> | | | | |
| Comprehensive income for the period | (253 841) \$ | 98 266 \$ | (996 506) \$ | (146 180) \$ |
| Adjustment to determine net cash flows generated by (used for) operating activities : | | | | |
| Depreciation and amortization | 192 053 | 259 518 | 402 917 | 516 183 |
| Changes in long-term portion of employee benefits | (7 534) | 6 175 | (11 594) | 22 140 |
| Changes in long-term portion of the lease inducement | (6 906) | (6 906) | (13 812) | (13 812) |
| Loss (gain) on asset disposals | - | - | - | (250) |
| Changes in non-cash working capital items : | | | | |
| Changes in receivables | (2 946 719) | (243 586) | 290 079 | 350 163 |
| Changes in accounts payable and accrued liabilities | 2 175 313 | 919 775 | (1 067 654) | (64 935) |
| Cash flows from operating activities | (847 634) \$ | 1 033 242 \$ | (1 396 570) \$ | 663 309 \$ |
| <u>INVESTING ACTIVITIES</u> | | | | |
| Net purchase of investments | (2 091) \$ | - \$ | (14 382) \$ | - \$ |
| Acquisition of property and equipment | (35 052) | - | (1 458 652) | (18 786) |
| Acquisition of intangible assets | - | - | - | - |
| Proceeds on property and equipment disposal | - | - | - | 250 |
| Cash flows from investing activities | (37 143) \$ | - \$ | (1 473 034) \$ | (18 536) \$ |
| <u>CASH</u> | | | | |
| Change for the period | (884 777) \$ | 1 033 242 \$ | (2 869 604) \$ | 644 773 \$ |
| Balance, beginning of period | 8 985 824 | 7 276 582 | 10 970 651 | 7 665 051 |
| <u>BALANCE, END OF PERIOD</u> | 8 101 047 \$ | 8 309 824 \$ | 8 101 047 \$ | 8 309 824 \$ |

Notes to the interim financial statements (unaudited)
(in Canadian dollars)

1. Status and activities

The Laurentian Pilotage Authority was established in 1972 under the *Pilotage Act*. Its objectives are to establish, operate, maintain and administer, in the interest of safety, an efficient pilotage service within certain designated Canadian waters in and around the Province of Québec. The Act provides that pilotage tariffs shall permit the Authority to operate on a self-sustaining financial basis and shall be fair and reasonable. The Authority does not have access to Parliamentary appropriations.

The Authority is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Authority is not an agent of Her Majesty and is exempt from income taxes.

2. Basis of preparation

The Laurentian Pilotage Authority (or the « Authority » or the « LPA ») prepares its financial statements in accordance with generally accepted accounting principles (GAAP), which incorporates International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 « Interim Financial Reporting ». The current financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the annual audited financial statements of the Authority for the year ended December 31, 2016.

The Authority's Audit Committee has approved for issue these interim financial statements on August 22, 2017.

The Authority's second operating quarter usually is usually representative in terms of assignment volume of the full year (more than 23% of total 2016 assignments were performed during the second quarter of 2016). This period coincides with the reopening of the St-Lawrence Seaway which closes between the end of December until the end of March of the following year. The Authority's cost structure includes an important proportion of variable costs which reduces potential unfavorable economic impact in the event of reduced revenues.

LAURENTIAN PILOTAGE AUTHORITY
Unaudited financial statements
QUARTER ENDED JUNE 30, 2017

Notes to the interim financial statements (unaudited)
(in Canadian dollars)

3. Significant accounting policies

The interim financial statements of the Laurentian Pilotage Authority have been prepared in accordance with accounting policies outlined in Note 4 of its audited annual financial statements as at December 31, 2016. Note 3 of these audited annual financial statements can also be reviewed to consult current and future accounting standards.

4. Commitments

The Authority rents office space and equipment. Non-cancellable operating lease rentals as at June 30, 2017 are as follows:

| | | |
|------------------|----|------------------|
| Less than 1 year | \$ | 447 132 |
| 1 to 5 years | | 1 811 408 |
| Over 5 years | | 1 579 257 |
| | \$ | <u>3 837 797</u> |

Furthermore, the Authority has entered into agreements covering legal services, computer services and ancillary costs related to pilotage services. As at June 30, 2017, estimated amounts payable are:

| | | |
|------------------|----|------------------|
| Less than 1 year | \$ | 1 128 508 |
| 1 to 5 years | | 2 319 678 |
| Over 5 years | | - |
| | \$ | <u>3 448 186</u> |

5. Contingencies

The Authority is subject to various claims or lawsuits within the normal course of business. Two notices of litigation totalling \$ 1 244 284 and relating to a contractual agreement have been sent to the Authority. To date, these claim's have been referred to an arbitrator in compliance with the contractual agreement between the parties.