LAURENTIAN PILOTAGE AUTHORITY

(Established under the Pilotage Act)

ADMINISTRATION DE PILOTAGE DES LAURENTIDES

(Constituée en vertu de la Loi sur le pilotage)

BALANCE SHEET
(unaudited)

	AS AT JUNE 30 2011		AS AT DECEMBER 31 2010	
ASSETS				
Current				
Cash	11 134 478	$	9 963 518	$
Accounts receivable	9 223 697		8 395 973	
	20 358 175	$	18 359 491	$
Long term				
Property and equipment	4 586 767	$	4 182 295	$
Intangible asset	189 980		196 642	
Total assets	25 134 922	$	22 738 428	$
LIABILITIES				
Current				
Account payable and accrued liabilities	10 381 307	$	10 051 572	$
	10 381 307	$	10 051 572	$
Long term				
Employee future benefits	460 442	$	432 121	$
Total liabilities	10 841 749	$	10 483 693	$
EQUITY OF CANADA				
Contributed capital	2 479 154	$	2 479 154	$
Retained earnings	11 814 019		9 775 581	
	14 293 173	$	12 254 735	$
TOTAL LIABILITIES AND EQUITY OF CANADA	25 134 922	$	22 738 428	$

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STATEMENT OF OPERATIONS, COMPREHENSIVE INCOME AND RETAINED EARNINGS (unautided)

	THREE MONTHS ENDED - JUNE 30		SIX MONTHS ENDED - JUNE 30	
	2011	2010	2011	2010
Revenue				
Pilotage charges	18 855 145 $	15 253 548 $	36 385 526 $	28 669 152 $
Other revenues	43 429	218 988	80 098	327 419
	18 898 574 $	15 472 536 $	36 465 624 $	28 996 571 $
Expenses				
Pilots' fees, salaries and benefits	14 213 091 $	11 667 386 $	27 823 106 $	22 214 974 $
Operating costs of pilot boats	1 853 653	1 440 155	4 256 587	3 395 445
Staff salaries and benefits	779 843	702 531	1 523 430	1 449 543
Professionnal and special services	244 728	285 353	420 058	509 981
Rentals	70 663	69 127	139 381	137 961
Utilities, material and supplies	23 655	33 668	82 778	58 459
Communications	16 526	16 116	33 582	30 952
Transportation, travel and hospitality	15 912	22 571	42 041	40 704
Maintenance	1 433	2 516	5 537	12 909
Financing costs	1 626	1 952	4 040	3 798
Other	17 523	29 939	96 647	58 590
	17 238 653 $	14 271 314 $	34 427 187 $	27 913 316 $
Net income and comprehensive income for the period	1 659 921 $	1 201 222 $	2 038 437 $	1 083 255 $
Retained earnings beginning of the period	10 154 097 $	4 470 496 $	9 775 581 $	4 588 463 $
Retained earnings end of the period	11 814 018 $	5 671 718 $	11 814 018 $	5 671 718 $

LAUNTIAN PILOTAGE AUTHORITY

(Established under the Pilotage Act)

ADMINISTRATION DE PILOTAGE DES LAURENTIDES

(Constituée en vertu de la Loi sur le pilotage)

STATEMENT OF CASH FLOW
(unaudited)

	THREE MONTHS ENDED - JUNE 30		SIX MONTHS ENDED - JUNE 30	
	2011	2010	2011	2010
OPERATING ACTIVITIES				
Net income for the period	1 659 921 $	1 201 222 $	2 038 437 $	1 083 255 $
Items not affecting cash flows				
Amortization	52 936	89 906	105 869	179 622
Changes in long-term employee future benefits	14 700	5 563	28 321	(611 365)
Loss (gain) on asset disposals	–	(71 353)	–	(71 353)
Changes in non-cash working capital items				
Changes in accounts receivable	(1 625 470)	(1 077 148)	(827 724)	279 266
Changes in accounts payable	1 980 604	157 975	329 735	195 983
Net cash flows provided by operating activites	2 082 691 $	306 165 $	1 674 638 $	1 055 408 $
INVESTING ACTIVITES				
Acquisition of property and equipment	(268 355) $	(50 257) $	(503 678) $	(76 789) $
Disposal of property and equipment	–	80 000	–	104 000
Acquisition of intangible asset	–	–	–	–
	(268 355) $	29 743 $	(503 678) $	27 211 $
CASH				
Variation for the period	1 814 336 $	335 908 $	1 170 960 $	1 082 619 $
Balance, beginning of the period	9 320 142	4 976 823	9 963 518	4 230 112
BALANCE, END OF THE PERIOD	11 134 478 $	5 312 731 $	11 134 478 $	5 312 731 $

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 and IFRS adoption

The Laurentian Pilotage Authority (or the « Authority » or the « LPA ») prepares its financial statements in accordance with generally accepted accounting principles (GAAP). The Canadian Accounting Standards Board has conformed that all publicly-accountable Canadian reporting entities must adopt International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Authority has therefore adopted IFRS as of January 1, 2011. In these financial statements, the term « Canadian GAAP » refers to Canadian GAAP before the adoption of IFRS and the term « GAAP » refers to generally accepted accounting principles in Canada after the adoption of IFRS.

The policies applied in these financial statements are based on IFRS effective August 25, 2011, the date the Board of Directors of the Authority approved these financial statements. Any subsequent changes to IFRS that are given effect to the LPA's annual financial statements for the year ended December 31, 2011 could result in modifications to these financial statements.

In accordance with GAAP, these financial statements do not include all of the financial statements disclosures required for annual financial statements and should be read in conjunction with the audited financial statements for the financial year ended December 31, 2010 which have been prepared and presented according to Canadian GAAP's and which can be found in the Authority's 2010 Annual Report.

3. Transition to IFRS

The Authority prepares its financial statements in accordance with GAAP. In preparing these financial statements , the LPA has started from an opening balance sheet as of January 1, 2010 and has reviewed the potential impacts that the IFRS implementation might have in accordance with IFRS 1, « First-time adoption of international financial reporting standards » for first-time IFRS adopters.

Reconciliation

The following information explains how the transition from Canadian GAAP to GAAP has affected the LPA's accounting methods on the Authority`s balance sheet, more specifically on the required accrual to evaluate *Employee Benefits*. The sickness day portion of employee benefits for certain employees of the Authority must be presented under the *Employee Benefits* denomination within current liabilities, in accordance with the IAS 19 Standard. There are no other differences in the financial statements' other components.

As at June 30, 2010, the new presentation requirement would reduce *Employee Benefits* within the *Long term liabilities* portion of the balance sheet by an amount of $ 607,000 and would increase *Accounts payable and accrued liabilities* within *Current liabilities* by the same amount.

As at December 31, 2010, the new presentation requirement would reduce *Employee Benefits* within the *Long term liabilities* portion of the balance sheet by an amount of $ 329,000 and would increase *Accounts payable and accrued liabilities* within *Current liabilities* by the same amount.

4. Significant accounting policies

The financial statements of the Laurentian Pilotage Authority have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these financial statements are summarized below.

Property and equipment

Property and equipment obtained from Canada when the Authority was established were recorded at the then assigned values. Property and equipment purchased subsequently by the Authority are recorded at cost. The cost of assets constructed by the Authority includes design, project management, various materials and shipyard construction costs. Amounts included in work in progress are transferred to the appropriate property and equipment classification upon completion, and are then amortized.

Property and equipment are amortized using the straight-line method, at rates based on the estimated useful lives of the assets.

The estimated useful lives for the major categories of property and equipment for the purposes of calculating amortization are as follows :

Buildings	10, 20 and 30 years
Pilot boats	10, 15 and 20 years
Furniture and fixtures	10 years
Communications equipment	5 years
Computer equipment	3 and 5 years
Boarding facilities	10 and 20 years
Wharf improvements	15 years

Intangible asset

The intangible asset is recorded at cost and consists in the right to use a boat launching ramp at the Escoumins for its pilot boat operations. Amortization of this intangible asset is calculated using the straight-line method. This asset has an estimated useful life of 15 years.

Contributed capital

The values assigned to the property and equipment obtained from Canada when the Authority was established and the net cost of capital assets financed from parliamentary appropriations are recorded as contributed capital.

Pension plan

Employees participate in the Public Service Pension Plan administered by the Government of Canada. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Authority's contribution to the Plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the financial situation of the Plan. These contributions represent the total pension obligations of the Authority and are expensed during the year in which the services are rendered. The Authority is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan.

Severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as the employees render the services necessary to earn them. Management determines the accrued benefit obligation using a method based upon assumptions and its best estimates. Management assumes that employees will work for the Authority until their normal retirement date. These benefits represent the only obligation of the Authority that entails settlement by future payments.

Revenue recognition

Revenues earned from pilotage charges and pilot boats operations are recorded as the services are rendered. Other revenues are recorded as they are earned.

Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

This pertains chiefly to the useful lives of property and equipment and liabilities related to employee future benefits and contingencies. Actual results could differ from those estimates.

Financial instruments

All financial instruments are recognized initially at fair value. Subsequent measurement and the accounting for changes in fair value depend on their classification. Financial assets must be classified into one of four categories: held for trading, held-to-maturity, available for sale or loans and receivables. Financial assets classified as held for trading or available for sale are measured at fair value. Financial assets classified as held-to-maturity and loans and receivables are measured at amortized cost, using the effective interest method. The Authority classified cash as held for trading and accounts receivable in the loans and receivables category. Financial liabilities are required to be classified into one of two categories: held for trading or other financial liabilities. All financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities that are classified as held for trading which are measured at fair value. The Authority has classified all its financial liabilities as other financial liabilities.

The Authority did not hold any derivatives as at June 30, 2011.