Hamilton Port Authority

Consolidated Financial Statements
December 31, 2013
(expressed in Canadian dollars)

February 25, 2014

Independent Auditor's Report

To the Board of Directors of
Hamilton Port Authority

We have audited the accompanying consolidated financial statements of Hamilton Port Authority and its subsidiary, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of operations and comprehensive income, changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hamilton Port Authority and its subsidiary as at December 31, 2013 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton Port Authority

Consolidated Statement of Financial Position

As at December 31, 2013

(expressed in Canadian dollars)

	2013 $	2012 $
Assets		
Current assets		
Cash and cash equivalents	15,944,398	13,939,953
Trade and other receivables (note 5)	699,638	2,144,481
Inventories and other current assets (note 6)	271,754	247,814
Restricted cash (note 7)	483	753
	16,916,273	16,333,001
Non-current assets		
Property and equipment (note 8)	102,136,482	99,841,722
Straight-line rent receivable	4,483,152	3,076,721
	123,535,907	119,251,444
Liabilities		
Current liabilities		
Trade and other payables (note 9)	3,391,719	4,250,862
Provisions and other liabilities (note 10)	63,087	73,357
	3,454,806	4,324,219
Non-current liabilities		
Employee benefits (note 11)	3,262,194	4,977,382
	6,717,000	9,301,601
Equity		
Accumulated other comprehensive loss	(1,712,786)	(3,447,717)
Contributed surplus	18,365,972	18,365,972
Retained earnings	100,165,721	95,031,588
	116,818,907	109,949,843
	123,535,907	119,251,444

Contingencies and commitments (note 14)

Approved by the Board of Directors

_________________ Director _________________ Director

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

Hamilton Port Authority

Consolidated Statement of Operations and Comprehensive Income

For the year ended December 31, 2013

(expressed in Canadian dollars)

	2013 $	2012 $
Revenue from operations		
Port revenue (note 12)	20,564,899	19,728,253
Operating expenses		
Wages and other employee benefit expenses (note 13)	5,581,736	5,695,351
Maintenance and repair expenses	996,330	961,092
Payments in lieu of taxes	759,100	685,491
Professional and consulting fees	400,045	520,329
Depreciation (note 8)	5,597,040	4,714,919
Federal stipend	670,580	597,066
Other operating and administrative expenses	2,620,295	5,156,364
	16,625,126	18,330,612
Earnings from operations before other income and expenses	3,939,773	1,397,641
Other (income) expenses		
Investment income	(206,412)	(272,792)
(Gain) loss on disposal of property and equipment	(987,948)	95,737
	(1,194,360)	(177,055)
Net income for the year	5,134,133	1,574,696
Other comprehensive loss		
Actuarial (gain) loss on post-employment benefit obligation (note 11)	(1,734,931)	876,471
Total comprehensive income for the year	6,869,064	698,225

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

Hamilton Port Authority

Consolidated Statement of Changes in Equity

For the year ended December 31, 2013

(expressed in Canadian dollars)

	Accumulated other comprehensive loss $	Contributed surplus $	Retained earnings $	Total equity $
Balance - January 1, 2012	(2,571,246)	18,365,972	93,456,892	109,251,618
Net income for the year	-	-	1,574,696	1,574,696
Actuarial loss on post-employment benefit obligation	(876,471)	-	-	(876,471)
Balance - December 31, 2012	(3,447,717)	18,365,972	95,031,588	109,949,843
Balance - January 1, 2013	(3,447,717)	18,365,972	95,031,588	109,949,843
Net income for the year	-	-	5,134,133	5,134,133
Actuarial gain on post-employment benefit obligation	1,734,931	-	-	1,734,931
Balance - December 31, 2013	(1,712,786)	18,365,972	100,165,721	116,818,907

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

Hamilton Port Authority

Consolidated Statement of Cash Flows

For the year ended December 31, 2013

(expressed in Canadian dollars)

	2013 $	2012 $
Cash provided by (used in)		
Operating activities		
Net income for the year	5,134,133	1,574,696
Adjustments for		
Depreciation	5,597,040	4,714,919
Employee benefits expense	934,952	818,706
(Gain) loss on disposal of property and equipment	(987,948)	95,737
Changes in non-cash working capital		
Increase (decrease) in trade and other receivables	1,444,843	(707,380)
Increase in straight-line rent receivable	(1,406,431)	(1,223,390)
Decrease (increase) in inventories and other current assets	(23,940)	12,858
Decrease in restricted cash	270	30,492
Increase (decrease) in trade and other payables	(859,143)	333,135
Decrease in provisions and other liabilities	(10,270)	(317,746)
Amounts funded related to employee benefits	(915,209)	(751,014)
	8,908,297	4,581,013
Investing activities		
Purchase of property and equipment (note 8)	(7,891,800)	(11,961,959)
Proceeds on disposal of property and equipment	987,948	125,000
	(6,903,852)	(11,836,959)
Net increase (decrease) in cash and cash equivalents	2,004,445	(7,255,946)
Cash and cash equivalents - Beginning of year	13,939,953	21,195,899
Cash and cash equivalents - End of year	15,944,398	13,939,953
Cash and cash equivalents - End of year comprise the following		
Cash	203,091	535,870
Short-term investments	15,741,307	13,404,083
	15,944,398	13,939,953

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

(expressed in Canadian dollars)

1 Nature of operations

The Hamilton Port Authority (the Authority) was established effective May 1, 2001 pursuant to the Canada Marine Act and is a continuation of the former Hamilton Harbour Commissioners. The Authority, managed by a seven member Board of Directors, operates on a commercial basis and mandated to be financially self-sufficient. It is engaged to develop the Port of Hamilton's commercial operations including harbour operations, port security, land use planning and maintenance. The Authority also supports the recreational use of the harbour through its marine operations and launch ramp facility.

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.

2 Basis of presentation

The Authority prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as defined in Part I the Handbook of The Canadian Institute of Chartered Accountants (CICA Handbook).

The preparation of 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.

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, Sea 3 Inc. as of its incorporation on May 29, 2009. Sea 3 Inc. is fully consolidated and all significant inter-company accounts and transactions have been eliminated on consolidation.

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 measured at fair value.

(expressed in Canadian dollars)

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 first-in, first-out method. Inventories include supplies used in the Authority's operations.

Property and equipment

Property and equipment includes land, berthing structures, buildings, utilities, equipment, office furniture and equipment and roads and surfaces. These capital assets 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 operations 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 amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

The assets' useful lives are reviewed annually and adjusted if appropriate. Impairment losses, gains and losses on disposals of capital assets are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statement of operations and comprehensive income in the period of disposal.

Impairment of non-financial assets

Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's

(expressed in Canadian dollars)

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 when events or circumstances warrant such consideration.

Government grants

Government grants relating to property and equipment are deducted from the cost therein and depreciation recorded on a net basis. No grants have been received in the year ended December 31, 2013 (2012 - $nil.)

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 that 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 are discounted where the effect is material.

Revenue recognition

The Authority recognizes revenue when the amount of revenue can be reliably measured, collection is probable and it is likely that future economic benefits associated with the transaction will flow to the Authority for each of the various revenue streams. Amounts recognized and classified as revenue arise in the course of activities of the Authority including but not limited to leases, vessel and marina activities.

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.

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

(expressed in Canadian dollars)

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 (reductions of) contributed surplus, respectively.

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 exists 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 is 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 to the terms of the related pension liability. The liability recognized in the consolidated statement of financial position for the registered pension plan also consider the minimum funding requirements as per the limit required per paragraph 64 of International Accounting Standard (IAS) 19, Employee Benefits.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income (OCI) without recycling to the consolidated statement of operations and comprehensive income in subsequent periods. Amounts recognized in other comprehensive income are recognized immediately in retained earnings. 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 operations 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 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.

(expressed in Canadian dollars)

Payments in lieu of municipal taxes

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

Federal stipend

In order to maintain its Letters Patent in good standing, the Authority is required to annually pay to the Ministry of Transport 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 operations 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

As at December 31, 2013, the Authority's financial instruments comprise cash and cash equivalents, trade and other receivables, restricted cash and trade and other payables. The fair value of trade and other receivables, restricted cash and trade and other payables approximates their carrying value due to their short-term maturity. Cash and cash equivalents, trade and other receivables and restricted cash are classified as loans and receivable and measured at amortized cost. Trade and other payables are classified as other financial liabilities and are measured at amortized cost.

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.

(expressed in Canadian dollars)

At initial recognition, the Authority classifies its financial instruments in the following categories:

i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term.

   Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of operations and comprehensive income. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations and comprehensive income within other gains and losses (net) in the period in which they arise. Non-derivative financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the consolidated statement of financial position date, which are classified as long-term.

ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Authority's loans and receivables comprise cash and cash equivalents, trade and other receivables and restricted cash and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade and other payables. Trade and other payables are initially recognized 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. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are represented as non-current liabilities.

Impairment of financial assets

At each reporting date, the Authority assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine objective evidence of an impairment loss include:

i) significant financial difficulty of the obligor;

ii) delinquencies in interest or principal payments; and

iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

If such evidence exists, the Authority recognizes an impairment loss as follows:

Financial assets carried at cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(expressed in Canadian dollars)

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.

Accounting standards and amendments issued but not yet adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2014 with earlier application permitted. The Authority has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

i) IAS 39, Hedge accounting and novation of derivatives: Amended to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty (CCP) meets specified criteria. Effective for years beginning on or after January 1, 2014.

ii) IFRS 10, IFRS 11, IFRS 12, Exception from consolidation for "investment entities": IFRS 10 is amended to define an "investment entity" and introduce an exception from consolidation for investment entities. IFRS 12 and IAS 27 are amended to introduce disclosures that an investment entity needs to make. Effective for years beginning on or after January 1, 2014.

iii) IAS 32, Financial Instruments: Presentation: Amended to clarify requirements for offsetting of financial assets and financial liabilities. Effective for years beginning on or after January 1, 2014.

iv) IAS 36, Impairment of assets - Disclosures: Limited scope amendments to disclosure requirements in IAS 36, Impairment of Assets. Effective for years beginning on or after January 1, 2014.

v) IFRIC 21, Accounting for levies imposed by governments: Clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. Effective for years beginning on or after January 1, 2014.

vi) IAS 19, Defined benefit plans and employee contributions: Amended to clarify the application of IAS 19 to plans that require employees or third parties to contribute toward the cost of benefits. Effective for years beginning on or after July 1, 2014.

vii) IFRS 9, Financial Instruments: IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. The first part of IFRS 9 was issued in November 2009 and addresses classification and measurement of financial assets. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise, it is at fair value through profit or loss. IFRS 9 was updated in October 2010 to include guidance on financial liabilities and derecognition of financial instruments. IFRS 9 was originally published with an effective date for years beginning on or after January 1, 2013. IFRS 9 was amended in December 2011 to defer the effective date to years beginning on or after January 1, 2015.

(expressed in Canadian dollars)

viii) IFRS 7, Financial Instruments: Disclosure: Amended to require additional disclosures on transition from IAS 39 to IFRS 9. Effective on adoption of IFRS 9, which is effective for years beginning on or after January 1, 2015.

4 Critical accounting estimates and judgments

The preparation of 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 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.

Impairment of property and equipment

The Authority tests whether property and equipment have suffered any impairment as part of the first-time IFRS adoption procedures and in case of triggering events. The recoverable amounts of cash-generating units have been determined using, amongst other instruments, value-in-use calculations. These calculations require the use of estimates. Based on these impairment tests, no impairment losses have been identified. However, should the actual performance of these cash-generating units decline materially compared to the performance based on the estimates, possible impairment losses could arise or could deviate from the detected impairment losses. This impairment loss or deviation could have a material effect on the carrying amounts of the property and equipment.

Provisions and employee benefit obligations

Due to the nature of provisions, 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 provisions. Hence, the differences between actual outcomes and the recorded provisions 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 11. Each sensitivity analysis included in note 11 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 statement of financial position.

In case of the funded plans, the Authority ensures that 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

(expressed in Canadian dollars)

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 2013 consists of equities and bonds. The Authority believes that 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.

As at January 1, 2012, the aggregate solvency deficit in the Authority's funded pension plans amounted to $1,899,000. The Authority will make special payments for past service of $347,920 to fund the pension plan deficit over five years. Current agreed service contributions is 16% of pensionable salaries, and continue to be made in the normal course. Total expected contributions to post-employment benefit plans for the year ending December 31, 2014 (including the past service contributions) are $872,128.

The next annual valuation for the plans is due to be completed during the first quarter of 2014.

5 Trade and other receivables

	2013 $	2012 $
Trade receivables	733,353	2,173,234
Less: Allowance for doubtful accounts	(33,715)	(28,753)
Trade receivables - net	699,638	2,144,481

6 Inventory and other current assets

	2013 $	2012 $
Inventory	157,236	134,871
Prepaids	114,518	112,943
	271,754	247,814

7 Restricted cash

In 2003, the Authority entered into an agreement with the Federal Department of the Environment and the Ontario Ministry of the Environment in respect of the Randle Reef Sediment Remediation Project (the Project), whereby the parties agreed to work cooperatively in developing a detailed engineering design for a remediation and containment facility for Randle Reef. As its contribution to the Project, the Authority has committed to inject funds of $9,000,000 and to provide in-kind services estimated to be $5,000,000, including the management of the funds held in trust for the design and engineering support. These funds, in the amount of $483 as at December 31, 2013 (2012 - $753) are held in an interest bearing account at a Canadian financial institution and are shown as restricted cash on the consolidated statement of financial position. An offsetting amount is recorded on the consolidated statement of financial position under the caption provisions and other liabilities. All expenses relating to the Project are separately accounted for by the Project and, as a result, no amounts related to the Project are included in these consolidated financial statements, other than the Authority's aggregate contribution of $1,476,211 (2012 - $909,717) under its $9,000,000 commitment, which is

(expressed in Canadian dollars)

included in construction in progress within property and equipment shown on the consolidated statement of financial position.

8 Property and equipment

	Land $	Buildings $	Docks and services $	Equipment $	Construction in progress $	Total $
January 1, 2012						
Cost	39,843,869	49,220,437	67,856,977	10,996,734	1,332,733	169,250,750
Accumulated depreciation	-	(34,449,468)	(34,676,279)	(7,309,584)	-	(76,435,331)
Closing net book value	39,843,869	14,770,969	33,180,698	3,687,150	1,332,733	92,815,419
Year ended December 31, 2012						
Additions	13,510	3,707,079	7,536,891	650,291	54,188	11,961,959
Disposals - cost	-	-	-	(719,296)	-	(719,296)
Disposals - accumulated depreciation	-	-	-	498,559	-	498,559
Depreciation	-	(1,960,174)	(2,247,829)	(506,916)	-	(4,714,919)
	13,510	1,746,905	5,289,062	(77,362)	54,188	7,026,303
Closing net book value	39,857,379	16,517,874	38,469,760	3,609,788	1,386,921	99,841,722

	Land $	Buildings $	Docks and services $	Equipment $	Construction in progress $	Total $
January 1, 2013						
Cost	39,857,379	52,927,515	75,393,868	10,927,731	1,386,921	180,493,413
Accumulated depreciation	-	(36,409,642)	(36,924,107)	(7,317,942)	-	(80,651,691)
Closing net book value	39,857,379	16,517,874	38,469,760	3,609,789	1,386,921	99,841,722
Year ended December 31, 2013						
Additions	24,952	4,261,791	1,864,547	1,174,016	566,494	7,891,800
Disposals - cost	-	(2,068,598)	-	(3,278,198)	-	(5,346,796)
Disposals - accumulated depreciation	-	2,068,598	-	3,278,198	-	5,346,796
Depreciation	-	(2,358,950)	(2,588,779)	(649,311)	-	(5,597,040)
	24,952	1,902,841	(724,232)	524,705	566,494	2,294,760
Closing net book value	39,882,331	18,420,715	37,745,528	4,134,494	1,953,415	102,136,482
December 31, 2013						
Cost	39,882,331	55,120,708	77,325,602	8,823,549	1,886,226	183,038,417
Accumulated depreciation	-	(36,699,994)	(39,512,886)	(4,689,056)	-	(80,901,935)
Net book value	39,882,331	18,420,714	37,812,717	4,134,494	1,886,226	102,136,482

(expressed in Canadian dollars)

The Government of Canada, the Province of Ontario and the City of Hamilton contributed certain property and equipment to the Hamilton Harbour Commissioners prior to the Hamilton Port Authority being established in May 2001. The amount of land and property and equipment was included in land or property and equipment at the transfer amount with the offset included in contributed surplus.

9 Trade and other payables

	2013 $	2012 $
Trade payables	987,969	1,379,945
Accrued expenses	1,371,757	1,903,629
Security deposits	1,031,993	967,288
	3,391,719	4,250,862

10 Provisions and other liabilities

	Legal claims $	Randle Reef $	Other liability $	Total $
As at January 1, 2012	277,254	31,245	82,604	391,103
Provision made during the year	3,323,322	-	-	3,323,322
Payments made during the year	(3,600,576)	(30,492)	(10,000)	(3,641,068)
As at December 31, 2012	-	753	72,604	73,357
As at January 1, 2013	-	753	72,604	73,357
Provision made during the year	-	-	-	-
Payments made during the year	-	(270)	(10,000)	(10,270)
As at December 31, 2013	-	483	62,604	63,087

Other liability

Through the Environmental Trust (the Trust), projects identified by the Authority and external stakeholders which focus on the maintenance of the ecological system within the Hamilton Harbour area are funded. The total amount of funds allocated into the Trust is calculated by averaging the prior three years' net income and multiplying the total by 1.5%. The steering committee members can recommend an allocation of all the funds or part of the funds to various organizations on a yearly basis or choose not to donate on a particular year should they feel that a larger sum of money will be required for a much bigger project.

(expressed in Canadian dollars)

11 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 defined benefit pension 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, overseeing all aspects of the plans including investment decisions and contribution schedules, lies with the Authority. The Authority has set up 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	
	2013	**2012**
	$	**$**
Present value of funded obligations	12,071,199	12,508,677
Fair value of plan assets	10,058,726	9,333,407
Deficit of funded plans	2,012,473	3,175,270
Present value of unfunded obligations	1,457,121	1,473,912
	3,469,594	4,649,182

	Other benefit plan	
	2013	**2012**
	$	**$**
Present value of funded obligations	-	-
Fair value of plan asset	-	-
Deficit of funded plan	-	-
Present value of unfunded obligations	318,600	328,200
Deficit for the plan	318,600	328,200

(expressed in Canadian dollars)

The movement in the defined benefit obligation is as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2013 **$**	**2012** **$**	**2013** **$**	**2012** **$**
As at January 1	13,982,589	12,483,667	328,200	297,900
Current service cost	715,443	617,735	9,700	8,200
Interest cost on obligations	573,877	572,624	13,300	13,500
Actuarial (gain) loss	(1,041,372)	1,061,437	(21,200)	21,100
Benefits paid	(702,217)	(752,874)	(11,400)	(12,500)
As at December 31	13,528,320	13,982,589	318,600	328,200

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

	Pension benefit plan and SERP		Other benefit plan	
	2013 **$**	**2012** **$**	**2013** **$**	**2012** **$**
As at January 1	9,333,407	8,748,348	-	-
Interest cost on plan assets	377,368	393,353	-	-
Actual return on plan assets less interest cost	672,359	206,066	-	-
Employer contributions	903,809	738,514	11,400	12,500
Benefits paid	(702,217)	(752,874)	(11,400)	(12,500)
As at December 31	10,584,726	9,333,407	-	-

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

	Pension benefit plan and SERP		Other benefit plan	
	2013 **$**	**2012** **$**	**2013** **$**	**2012** **$**
Current service costs	715,443	617,735	9,700	8,200
Interest cost of obligations	573,877	572,624	13,300	13,500
Interest cost on plan assets	(377,368)	(393,353)	-	-
Total, included in wages and other employee benefits expense	911,952	797,006	23,000	21,700

(expressed in Canadian dollars)

The amounts recognized in the consolidated statement of other comprehensive income are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2013 $	2012 $	2013 $	2012 $
Actual return on plan assets less interest cost	672,359	206,066	-	-
Actuarial gain (loss) on benefit obligations	338,935	(253,834)	-	-
Loss from change in demographic assumptions	(784,174)	-	(10,300)	-
Gain (loss) from change in financial assumptions	1,486,611	(1,315,271)	31,500	(21,100)
Total	1,713,731	(855,371)	21,200	(21,100)

The principal actuarial assumptions are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2013	2012	2013	2012
Defined benefit obligation as of December 31				
Discount rate	4.75%	4.00%	4.75%	4.00%
Future salary increases	3.75%	3.75%	n/a	n/a
Benefit costs for years ended December 31				
Discount rate	4.00%	4.50%	4.00%	4.50%
Future salary increases	3.75%	3.75%	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)

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

	2013		2012	
	Unquoted $	%	Unquoted $	%
Equity instruments				
Canadian equity funds	3,422,057	32	3,146,498	34
Foreign equity funds	2,532,554	24	2,043,251	22
	5,954,611	56	5,189,749	56
Fixed income instruments				
Bond funds	2,313,853	22	2,068,152	22
Long-term bonds	2,316,262	22	2,075,507	22
	4,630,114	44	4,143,658	44
	10,584,726	100	9,333,407	100

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	(6.9)	7.8	(6.2)	6.9
0.5% change in salary growth rate	9.1	(6.4)	-	-
0.5% change in life expectancy	(0.9)	0.9	(0.7)	(0.7)

Expected contributions to pension benefit plans for the year ending December 31, 2014 are $872,128. As at December 31, 2013, the accumulated actuarial losses recognized in accumulated other comprehensive loss were $1,712,786 (2012 - $3,447,717).

The Authority's actuary prepares annual valuations of the plans' assets and accrued benefit obligations using January 1 as a measurement date and extrapolated to December 31. The most recent valuations of the pension plan and supplementary plan for funding purposes were conducted as of December 31, 2012. The next valuations of these plans for funding purposes will be December 31, 2013.

(expressed in Canadian dollars)

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 this yield, this will create a deficit. 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.

Inflation risk

The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's 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 - 2 years $	Between 2 - 5 years $	Over 5 years $	Total $
Pension benefit plan and SERP	623,900	603,000	1,917,900	61,365,500	64,510,300
Other benefit plan	16,200	15,900	48,900	826,300	907,300
At December 31, 2013	640,100	618,900	1,966,800	62,191,800	65,417,600

(expressed in Canadian dollars)

Employer contributions to the defined contribution plan were as follows:

	2013 $	2012 $
Employer contributions	22,156	13,133

12 Port revenue

	2013 $	2012 $
Harbour	2,345,340	2,089,440
Equipment	21,881	146,030
Piers and property	15,271,182	14,705,258
Straight-line rent revenue - piers and property	1,406,432	1,223,390
Marina	1,520,064	1,564,135
	20,564,899	19,728,253

13 Wages and other employee benefit expense

	2013 $	2012 $
Salaries and wages (including termination benefits)	3,968,804	4,265,310
Employee benefit costs - defined contribution plan	22,156	13,133
Employee benefit costs - defined benefit and SERP plans	912,452	757,025
Other benefit costs	678,324	659,883
	5,581,736	5,695,351

(expressed in Canadian dollars)

Compensation of key management

The following disclosure is required pursuant to the Authority's management regulations. The total remuneration includes all board of directors, the Chief Executive Officer and employees exceeding $129,500 per year.

		2013			2012
Name	**Title**	**Salaries $**	**Taxable benefits $**	**Total $**	**Total $**
Hawkrigg, Melvin	Chair	35,000	-	35,000	35,000
Minich, Edward	Vice-Chair	30,000	-	30,000	30,000
Cimba, James	Director	28,500	-	28,500	29,450
Cunningham, Eric	Director	23,500	-	23,500	24,450
McKinnon, Daniel	Director	27,700	-	27,700	28,300
Moccio, Matthew	Director	26,500	-	26,500	27,450
Root, Allen	Director	26,750	-	26,750	29,250
Wood, Bruce	Chief Executive Officer	370,326	2,336	372,662	352,455
Hart, Robert	CAO & Corporate Secretary	214,631	1,672	216,303	208,429
Hamilton, Ian	VP Business Development & Real Estate	208,175	1,519	209,694	199,619
Balfour, Janet	VP Human Resources & Corporate Services	48,031	-	48,031	160,921
Fitzgerald, William	VP Operations	177,612	1,399	179,011	170,945
Knight, Janet	Chief Financial Officer	197,333	1,555	198,888	178,283
		1,414,058	8,481	1,422,539	1,474,552

The termination benefits paid in the year ended December 31, 2013 were $132,896 (2012 - $29,210).

14 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 (note 10).

Operating leases: accounting by lessor

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

	2013 $	2012 $
No later than 1 year	10,279,132	8,222,841
Later than 1 year and not later than 5 years	33,459,017	25,393,688
Later than 5 years	33,675,236	27,984,142
	77,413,385	61,600,671

(expressed in Canadian dollars)

Operating leases: accounting by lessee

The Authority leases four photocopiers and a postage meter under non-cancellable operating lease agreements. The future minimum lease payments under non-cancellable operating leases for each of the following years are as follows:

	2013 $	2012 $
No later than 1 year	18,228	16,379
Later than 1 year and not later than 5 years	52,420	59,764
	70,648	76,143

The Authority can borrow an amount up to $45,000,000 (2012 - $45,000,000).

15 Financial instruments

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

Fair values, including valuation methods and assumptions

The following table summarizes the fair value of financial assets and liabilities as at December 31, 2013 and December 31, 2012:

	2013 $	2012 $
Assets		
Cash and cash equivalents	15,944,398	13,939,953
Trade and other receivables	699,638	2,144,481
Restricted cash	483	753
Liabilities		
Trade and other payables	3,391,719	4,250,862

a) Market risk

i) Foreign exchange risk

The Authority is not exposed to foreign exchange fluctuations.

ii) Price risk

The Authority is not exposed to price risk.

(expressed in Canadian dollars)

iii) Interest rate risk

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

b) 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 credit worthiness. 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.

Credit risk

No financial assets are past due except for trade and current receivables. As at December 31, 2013, trade and other receivables of $426,363 (2012 - $1,573,023) were current, $273,275 (2012 - $571,458) were past due but not impaired and $33,715 (2012 - $28,753) were impaired. The aging analysis of the latter two categories of receivables is as follows:

	2013 $	2012 $
Trade and other receivables		
Current (less than 30 days)	426,363	1,573,023
Past due but not impaired (over 30 days)	273,275	571,458
Impaired	33,715	28,753
Past due but not impaired		
Up to 3 months	257,443	399,363
3 to 6 months	15,833	172,095
Impaired		
3 to 6 months	7,222	9,223
Over 6 months	26,493	19,530

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

	2013 $	2012 $
Allowance for doubtful accounts		
Beginning of year	28,753	35,834
Provision	53,266	30,369
Accounts receivable written off during the year	(48,304)	(37,450)
End of year	33,715	28,753

(expressed in Canadian dollars)

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 are 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 $15,741,307 (2012 - $13,404,083) that are expected to readily generate cash inflows for managing liquidity risk.

The Authority's financial liabilities consist of trade and other payables in the amount of $987,900 (2012 - $1,379,945), which have contractual activity of three months or less.

16 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. The Authority monitors its generation of cash from operations and available credit as part of its overall assessment.