

Hamilton Port Authority

Consolidated Statement of Financial Position

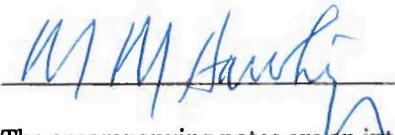
As at December 31, 2013

(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
	<u>16,916,273</u>	<u>16,333,001</u>
Non-current assets		
Property and equipment (note 8)	102,136,482	99,841,722
Straight-line rent receivable	4,483,152	3,076,721
	<u>123,535,907</u>	<u>119,251,444</u>
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
	<u>3,454,806</u>	<u>4,324,219</u>
Non-current liabilities		
Employee benefits (note 11)	3,262,194	4,977,382
	<u>6,717,000</u>	<u>9,301,601</u>
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
	<u>116,818,907</u>	<u>109,949,843</u>
	<u>123,535,907</u>	<u>119,251,444</u>

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)	<u>20,564,899</u>	<u>19,728,253</u>
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
	<u>16,625,126</u>	<u>18,330,612</u>
Earnings from operations before other income and expenses	<u>3,939,773</u>	<u>1,397,641</u>
Other (income) expenses		
Investment income	(206,412)	(272,792)
(Gain) loss on disposal of property and equipment	(987,948)	95,737
	<u>(1,194,360)</u>	<u>(177,055)</u>
Net income for the year	<u>5,134,133</u>	<u>1,574,696</u>
Other comprehensive loss		
Actuarial (gain) loss on post-employment benefit obligation (note 11)	<u>(1,734,931)</u>	<u>876,471</u>
Total comprehensive income for the year	<u>6,869,064</u>	<u>698,225</u>

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	<u>(915,209)</u>	<u>(751,014)</u>
	<u>8,908,297</u>	<u>4,581,013</u>
Investing activities		
Purchase of property and equipment (note 8)	(7,891,800)	(11,961,959)
Proceeds on disposal of property and equipment	<u>987,948</u>	<u>125,000</u>
	<u>(6,903,852)</u>	<u>(11,836,959)</u>
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	<u>15,944,398</u>	<u>13,939,953</u>
Cash and cash equivalents - End of year comprise the following		
Cash	203,091	535,870
Short-term investments	<u>15,741,307</u>	<u>13,404,083</u>
	<u>15,944,398</u>	<u>13,939,953</u>

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

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December 31, 2013

(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	<u>(33,715)</u>	<u>(28,753)</u>
Trade receivables - net	<u>699,638</u>	<u>2,144,481</u>

6 Inventory and other current assets

	2013 \$	2012 \$
Inventory	157,236	134,871
Prepays	<u>114,518</u>	<u>112,943</u>
	<u>271,754</u>	<u>247,814</u>

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

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(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	<u>39,843,869</u>	<u>14,770,969</u>	<u>33,180,698</u>	<u>3,687,150</u>	<u>1,332,733</u>	<u>92,815,419</u>
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)
	<u>13,510</u>	<u>1,746,905</u>	<u>5,289,062</u>	<u>(77,362)</u>	<u>54,188</u>	<u>7,026,303</u>
Closing net book value	<u>39,857,379</u>	<u>16,517,874</u>	<u>38,469,760</u>	<u>3,609,788</u>	<u>1,386,921</u>	<u>99,841,722</u>
	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	<u>39,857,379</u>	<u>16,517,874</u>	<u>38,469,760</u>	<u>3,609,789</u>	<u>1,386,921</u>	<u>99,841,722</u>
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)
	<u>24,952</u>	<u>1,902,841</u>	<u>(724,232)</u>	<u>524,705</u>	<u>566,494</u>	<u>2,294,760</u>
Closing net book value	<u>39,882,331</u>	<u>18,420,715</u>	<u>37,745,528</u>	<u>4,134,494</u>	<u>1,953,415</u>	<u>102,136,482</u>
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	<u>39,882,331</u>	<u>18,420,714</u>	<u>37,812,717</u>	<u>4,134,494</u>	<u>1,886,226</u>	<u>102,136,482</u>

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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	<u>1,031,993</u>	<u>967,288</u>
	<u>3,391,719</u>	<u>4,250,862</u>

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	<u>(3,600,576)</u>	<u>(30,492)</u>	<u>(10,000)</u>	<u>(3,641,068)</u>
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	<u>-</u>	<u>(270)</u>	<u>(10,000)</u>	<u>(10,270)</u>
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.

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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	<u>10,058,726</u>	<u>9,333,407</u>
Deficit of funded plans	2,012,473	3,175,270
Present value of unfunded obligations	<u>1,457,121</u>	<u>1,473,912</u>
	<u>3,469,594</u>	<u>4,649,182</u>
Other benefit plan		
	2013	2012
	\$	\$
Present value of funded obligations	-	-
Fair value of plan asset	<u>-</u>	<u>-</u>
Deficit of funded plan	-	-
Present value of unfunded obligations	<u>318,600</u>	<u>328,200</u>
Deficit for the plan	<u>318,600</u>	<u>328,200</u>

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(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

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Notes to Consolidated Financial Statements

December 31, 2013

(expressed in Canadian dollars)

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

	<u>Pension benefit plan and SERP</u>		<u>Other benefit plan</u>	
	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:

	<u>Pension benefit plan and SERP</u>		<u>Other benefit plan</u>	
	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.

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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
	<hr/>	<hr/>	<hr/>	<hr/>
	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
	<hr/>	<hr/>	<hr/>	<hr/>
	4,630,114	44	4,143,658	44
	<hr/>	<hr/>	<hr/>	<hr/>
	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.

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Employer contributions to the defined contribution plan were as follows:

	2013 \$	2012 \$
Employer contributions	<u>22,156</u>	<u>13,133</u>

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
	<u>20,564,899</u>	<u>19,728,253</u>

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
	<u>5,581,736</u>	<u>5,695,351</u>

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(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.

Name	Title	Salaries \$	Taxable benefits \$	2013		2012	
				Total \$	Total \$	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	
		<u>1,414,058</u>	<u>8,481</u>	<u>1,422,539</u>		<u>1,474,552</u>	

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
	<u>77,413,385</u>	<u>61,600,671</u>

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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	<u>52,420</u>	<u>59,764</u>
	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.

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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	<u>(48,304)</u>	<u>(37,450)</u>
End of year	<u>33,715</u>	<u>28,753</u>