

# Consolidated Financial Statements

Halifax Port Authority

December 31, 2012



**Halifax Port Authority**  
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**Canada** 



## **Message from CEO**

### **Halifax Port Authority – Overview 2012**

The Port of Halifax plays a vital role in our city, province and country. Our Port connects shippers to worldwide markets and creates over 15,000 indirect and direct jobs.

We have invested in our infrastructure in 2012 to ensure our facilities continue to meet the needs of shippers and Halifax remains a competitive port of call. This past year, we completed the pier extension at the South End Container Terminal. This extension provides us with four berths in total where super-post-Panamax vessels can be docked and worked simultaneously. Ship sizes are increasing and having the ability to accommodate more of these vessels is critical to our long-term success as a 'big ship' port.

We want to thank the Government of Canada for their support of our Gateway projects. The Port of Halifax is a key trade gateway for our country and we appreciate their commitment and support.

We continue to see strong potential in the breakbulk sector. The Gateway expansion project at Richmond Terminals is ongoing. Fourteen cribs have been placed underwater to form an expanded pier which will provide additional breakbulk capacity.

The diversity of our business across all areas including cargo, cruise and real estate has helped the Halifax Port Authority remain in a solid financial position. The management of our finances has allowed us to invest over \$125 million in the last five years while maintaining an investment grade credit rating of 'A' outlook stable for the sixth consecutive year.

Success at the Port of Halifax is a collective effort and we want to acknowledge the work of our partners and especially our terminal operators for all their work in helping to advance the Port of Halifax as a trade gateway.

Sincerely,

A handwritten signature in blue ink, appearing to read "Karen Oldfield".

Karen Oldfield  
President and CEO  
Halifax Port Authority

# Contents

	<b>Page</b>
Independent auditor's report	1
Consolidated statement of earnings	2
Consolidated statement of other comprehensive income	2
Consolidated statement of financial position	3
Consolidated statement of changes in equity of Canada	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6-22

# Independent auditor's report

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**To the Honourable Denis Lebel  
Minister of Transport, Infrastructure and Communities**

We have audited the accompanying consolidated financial statements of Halifax Port Authority, which comprise the statement of financial position as at December 31, 2012 and the statements of earnings and other comprehensive income, changes in equity of Canada and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the 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 Authority'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 Authority'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 the Halifax Port Authority as at December 31, 2012 and its financial performance and its cash flows for the year ended December 31, 2012 in accordance with International Financial Reporting Standards.

Halifax, Canada  
March 28, 2013

*Grant Thornton LLP*  
Chartered Accountants

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## Halifax Port Authority

### Consolidated statement of earnings

Year ended December 31 (expressed in CAD \$, 000's)	2012	2011
<b>Operating revenues</b>		
Port revenue	\$ <u>30,329</u>	\$ <u>29,642</u>
<b>Expenses</b>		
Salary and benefits	7,209	6,712
Maintenance and repairs	930	837
Professional and consulting fees	705	701
Other operating and administration expenses (note 4)	<u>7,290</u>	<u>6,877</u>
	<u>16,134</u>	<u>15,127</u>
<b>Earnings from operations before other income and expenses</b>	<u>14,195</u>	<u>14,515</u>
<b>Other income and expenses</b>		
Depreciation (note 7)	8,057	7,119
Gross revenue charge (note 5)	1,205	1,178
Finance income, net	(109)	(283)
Other income	<u>(222)</u>	<u>-</u>
	<u>8,931</u>	<u>8,014</u>
<b>Net earnings</b>	\$ <u>5,264</u>	\$ <u>6,501</u>

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## Halifax Port Authority

### Consolidated statement of other comprehensive income

Year ended December 31 (expressed in CAD \$, 000's)	2012	2011
<b>Net earnings</b>	\$ 5,264	\$ 6,501
Actuarial loss on defined benefit plans (note 13)	<u>(1,480)</u>	<u>(3,671)</u>
<b>Total comprehensive income</b>	\$ <u>3,784</u>	\$ <u>2,830</u>

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See accompanying notes to the consolidated financial statements.

# Halifax Port Authority

## Consolidated statement of financial position

December 31 (expressed in CAD \$, 000's)

2012

2011

### Assets

#### Current

Cash and cash equivalents	\$ 129	\$ 343
Receivables (note 6)	5,919	6,656
Prepaid expenses	938	819
	<u>6,986</u>	<u>7,818</u>

#### Non-current

Receivables	1,032	3,598
Other assets	627	342
Property and equipment (note 7)	187,690	167,242
	<u>196,335</u>	<u>179,000</u>

### Liabilities and Equity of Canada

#### Current

Bank indebtedness (note 10)	\$ 26,131	\$ 12,068
Payables and accruals	11,786	11,559
Provisions (note 12)	2,074	2,074
Deferred revenue	360	1,065
	<u>40,351</u>	<u>26,766</u>


#### Non-current

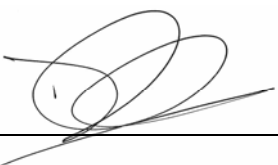
Employee benefit obligation (note 13)	6,873	5,551
Deferred revenue	1,988	3,344
	<u>49,212</u>	<u>35,661</u>

#### Equity of Canada

Contributed capital	50,857	50,857
Retained earnings	96,266	92,482
	<u>147,123</u>	<u>143,339</u>
	<u>\$ 196,335</u>	<u>\$ 179,000</u>

Approved by the Board of Directors

Signed,  \_\_\_\_\_

Signed,  \_\_\_\_\_

See accompanying notes to the consolidated financial statements. The accompanying notes on pages 6 to 22 were authorized by the Board of Directors on March 28, 2013, and were signed on its behalf.

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## Halifax Port Authority

### Consolidated statement of changes in equity of Canada

December 31, 2012 (expressed in CAD \$, 000's)

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	<u>Contributed Capital</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
<b>Balance, January 1, 2012</b>	\$ 50,857	\$ 92,482	\$ 143,339
Net earnings	-	5,264	5,264
Other comprehensive income			
Actuarial loss on defined benefits plan (note 13)	-	(1,480)	(1,480)
<b>Balance, December 31, 2012</b>	<u>\$ 50,857</u>	<u>\$ 96,266</u>	<u>\$ 147,123</u>
	<u>Contributed Capital</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
<b>Balance, January 1, 2011</b>	\$ 50,857	\$ 89,652	\$ 140,509
Net earnings	-	6,501	6,501
Other comprehensive income			
Actuarial loss on defined benefits plan (note 13)	-	(3,671)	(3,671)
<b>Balance, December 31, 2011</b>	<u>\$ 50,857</u>	<u>\$ 92,482</u>	<u>\$ 143,339</u>

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See accompanying notes to the consolidated financial statements.

# Halifax Port Authority

## Consolidated statement of cash flows

Year ended December 31 (expressed in CAD \$, 000's)	2012	2011
<b>Operating activities</b>		
Net earnings	\$ 5,264	\$ 6,501
Gain on disposal	(222)	-
Depreciation and other adjustments	8,138	7,462
Employee benefit obligations	(158)	(167)
Other assets	(285)	(342)
Net changes in working capital (note 14)	<u>(1,845)</u>	<u>(358)</u>
<b>Cash flows from operating activities</b>	<u>10,892</u>	<u>13,096</u>
<b>Financing activities</b>		
Proceeds from infrastructure grants	<u>19,626</u>	<u>12,273</u>
<b>Cash flows from financing activities</b>	<u>19,626</u>	<u>12,273</u>
<b>Investing activities</b>		
Purchase of property and equipment	(47,359)	(33,461)
Repayments of loans, net of advances	<u>2,564</u>	<u>93</u>
<b>Cash flows used for investing activities</b>	<u>(44,795)</u>	<u>(33,368)</u>
<b>Net decrease in cash and cash equivalents</b>	(14,277)	(7,999)
Bank indebtedness, beginning of year	<u>(11,725)</u>	<u>(3,726)</u>
Bank indebtedness, end of year	<u>\$ (26,002)</u>	<u>\$ (11,725)</u>

See accompanying notes to the consolidated financial statements.



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# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

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### 1. Nature of operations

The Halifax Port Authority (the "Authority") was established effective March 1, 1999 pursuant to the Canada Marine Act and is a continuation of the former Halifax Port Corporation. The address of its registered office is 1215 Marginal Road, Halifax, Nova Scotia, B3J 2P6, Canada.

The Authority is managed by a Board of Directors consisting of not more than seven members. The Authority operates on a commercial basis and is mandated to be financially self-sufficient. The Authority exercises management authority over Halifax harbour and Federal real property under its control and has ownership of other property and equipment as outlined in note 7 to the financial statements.

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### 2. Summary of significant accounting policies

#### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). The principal accounting policies applied in the preparation of these consolidated financial statements ("financial statements") are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The financial statements were authorized for issue by the Board of Directors on March 28, 2013.

#### Basis of presentation

The financial statements are presented in Canadian dollars, rounded to the nearest thousand and are presented on the historical cost basis unless otherwise noted as required by IFRS. The financial statements are presented in accordance with International Accounting Standards ("IAS") 1 "Presentation of Financial Statements".

#### Basis of consolidation

On June 20, 2012, the Authority incorporated POSH Management Inc., a 100% wholly owned subsidiary. Under an operating agreement entered into between Nova Scotia Business Inc. ("NSBI") and the Authority, the subsidiary is responsible to manage the marine facility of Sheet Harbour on behalf of NSBI. Port revenues, less fees charged on gross revenue, and related expenses for the operation of the port accrue to the subsidiary.

The financial statements reflect the consolidated financial position of the Authority and its subsidiary as at December 31, 2012, and consolidated results of operations for the period then ended. All intercompany transactions, balances, income and expenses have been eliminated in preparing the consolidated financial statements.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term investments with maturities of three months or less. Bank borrowings are considered to be financing activities.

#### Receivables

Trade receivables and accruals are amounts due from customers in the ordinary course of business where collection is expected in one year or less. Trade receivables and accruals are classified as current assets. Long term receivables include interest and non-interest bearing amounts that are repayable over the terms of their lease agreements. Amounts due within the next twelve months are classified as current assets.

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# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

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### 2. Summary of significant accounting policies (continued)

#### Receivables (continued)

Trade receivables and accruals, including long term receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less allowances for impairment. Interest income recognized during the period is recorded as finance income on the statement of earnings. The Authority establishes an allowance for accounts where collection is considered doubtful as required under the Authority's credit and collection policies. Allowances for doubtful receivables are recorded as a reduction to earnings in the period the allowance is identified. Accounts that have been previously allowed for, and for which ultimate collection is considered not likely, are written off.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and is recognized when the amount of revenue can be reasonably measured, collection is probable, and when it is likely that the economic benefits associated with the transaction will flow to the Authority for each of the various revenue streams. Amounts recognized and classified as Port Revenue arising in the course of ordinary activities of the Authority include the following items:

a) *Leases*

Lease revenue is recognized on a straight-line basis over the term of the initial lease agreement. The unearned portion of lease revenue collected during the period is classified as deferred revenue. Deferred revenue that will be earned and recognized within the next twelve months is classified as current liabilities.

b) *Vessels, cargo and passengers*

Revenue earned from vessels, cargo and passengers is recognized when services are substantially rendered.

Other income includes items that are non-recurring and not directly related to the Authority's operations and activities in the course of ordinary activities. Finance income and expenses includes interest on loans, investment income, and interest expense on borrowings not capitalized.

#### Property and equipment

Federal real property consists of land, dredging, berthing structures, buildings, tenant improvements, utilities, roads and surfaces, machinery and equipment, and projects under construction. Federal real property is carried at historical cost less depreciation and any impairment losses. Federal real property is owned by the federal government and is managed and operated by the Authority as an agent of Her Majesty in right of Canada for certain activities set out in the Canada Marine Act. Federal land, excluding buildings and structures, cannot be mortgaged or pledged as security by the Authority. The Authority is responsible for performing necessary maintenance, restoration and replacement of Federal real property that it manages.

Other property and equipment of the Authority consists of land, buildings, tenant improvements, utilities, roads and surfaces, machinery and equipment, office furniture and equipment, and projects under construction. Other property and equipment are carried at historical cost less depreciation and any impairment losses.

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# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

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### 2. Summary of significant accounting policies (continued)

#### Property and equipment (continued)

Historical cost of Federal real property and other property and equipment includes expenditures that are directly attributable to the acquisition or construction, including borrowing costs relating to the acquisition or construction. 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 of the item can be measured reliably. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that it is necessary to complete and prepare the asset for its intended use. A qualifying asset is defined as such where it takes the Authority at least six months to complete. Other borrowing costs are expensed in the period in which they are incurred and reported as finance costs in the statement of earnings. The amount of interest capitalized to property and equipment during the year was \$266 (2011 - \$269).

The carrying amount of replaced capital assets are derecognized as incurred. All repairs and maintenance are charged to earnings during the period in which they are incurred.

Land and dredging are not depreciated. Depreciation on other assets is calculated on the straight-line basis, commencing when the asset is available for use, using rates based on the estimated useful lives of the assets. Depreciation for tenant improvements is based on the terms of the related lease agreements. No depreciation is recorded in the year of disposition. Depreciation rates based on the estimated useful lives of the assets are as follows:

<u>Asset</u>	<u>Rate</u>
<i>Federal real property</i>	
Berthing structures	1.3 - 10%
Buildings	2.5 - 10%
Utilities	2.0 - 10%
Roads and surfaces	2.5 - 20%
Machinery and equipment	5 - 100%
<i>Other property and equipment</i>	
Building	2.5 - 10%
Utilities	2.0 - 10%
Roads and surfaces	2.5 - 20%
Machinery and equipment	5 - 100%
Office furniture and equipment	20 - 100%

Property and equipment residual values and useful lives are reviewed, and adjusted if necessary, at the end of each reporting period. Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets, and are recognized in earnings within other income or other expenses.

#### Infrastructure grants

Grants are recognized at their fair value when it is reasonably assured that the grant will be received and the Authority will comply with all attached conditions. Infrastructure grants relating to property and equipment are deducted from the cost therein and depreciation recorded on a net basis.

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# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

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### 2. Summary of significant accounting policies (continued)

#### Impairment of long-lived non-financial assets

Long-lived non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of 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 largely independent cash inflows, or cash generating units ("CGU's"). Where the asset does not generate cash flows that are independent from other assets, the Authority estimates the recoverable amount of the CGU to which the asset belongs. When the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized. Impairment losses are recognized as an expense immediately in earnings. An impairment charge is reversed if the asset (or CGU's) recoverable amount exceeds its carrying amount.

#### Foreign currency

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign currency exchange rate in effect at each reporting date. Exchange gains or losses arising from the translation of these balances denominated in foreign currencies are recognized in profit for the period. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average foreign currency exchange rate for the period.

#### Leases

A lease is an agreement whereby the Authority, the lessor, conveys to the tenant, the lessee, in return for a payment, or series of payments, for the right to use an asset, generally land and buildings, for an agreed period of time. Leases in which a significant portion of the risks and rewards of ownership are retained by the Authority are classified as operating leases. Operating lease rentals are recognized on a straight-line basis over the period of the lease. Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. As at December 31, 2012, the Authority did not have any finance lease agreements.

Initial direct costs incurred in negotiating a lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease.

#### Payments in lieu of taxes

Payments are estimated by the Authority in accordance with the Payments in Lieu of Taxes Act. Accruals are re-evaluated each year and charges, if any, are made in the current period's financial statements based on the best available information.

#### 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation for a period ending beyond one year, its carrying amount is the present value of those cash flows, where the time value of money is material. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions reflect the Authority's best estimate at the reporting date. Provisions are not recognized for future operating losses.

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# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

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### 2. Summary of significant accounting policies (continued)

#### Provisions (continued)

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Authority has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received.

#### Financial instruments

Financial assets and liabilities are recognized when the Authority becomes party to the contractual provisions of the financial instrument. Financial assets are derecognized when control over the contractual rights to receive cash flows and benefits related from the financial asset are transferred and/or substantially all the risks and rewards of ownership have been given to another party. Financial liabilities are derecognized when obligations under the contract expire and are discharged or cancelled. Management of the Authority classifies financial instruments into various categories as disclosed in note 9 to the financial statements.

#### Employee benefits

The Authority accrues in its accounts, annually, the estimated liabilities for pensions and other employee benefits, including lump sum severance entitlements (or retiring allowances) and self-insured workers' compensation benefits, payable to employees in subsequent years under collective agreements, or in accordance with the Authority's policies.

##### *Pension benefits*

The Authority provides post employment benefits through defined benefit plans and defined contribution plans.

The cost of pension benefits for defined contribution pension plans are expensed at the time active employees are compensated.

The defined benefit plans sponsored by the Authority determine the amount of pension benefits employees will receive on retirement by reference to length of service and salary levels. Obligations associated with defined benefit plans reside with the Authority, even if plan assets for funding the plan are set aside.

The liability recognized in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation at the end of the reporting date, less the fair value of plan assets, together with adjustments for unrecognized past-service costs.

Management estimates the defined benefit obligation annually with assistance from an independent actuary using the projected unit credit method. The defined benefit obligation uses estimates for inflation, medical cost trends, mortality, and anticipated salary levels. The discount factor used to present value estimated future cash flows is determined with reference to high quality corporate bonds denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to other comprehensive income in the period in which they arise. Past service costs are recognized immediately into earnings, unless the changes in the pension are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Interest expenses related to pension obligations and returns on plan assets are included in salary and benefits on the statement of earnings.

##### *Other long-term employee benefits*

Other long-term employee benefits include lump-sum severance entitlements (or retiring allowances) available to employees upon retirement with the Authority, as well as self-insured obligations related to providing workers' compensation benefits.

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# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

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### 2. Summary of significant accounting policies (continued)

#### *Other long-term employee benefits (continued)*

Lump-sum severance entitlements are recognized on a consistent manner as the Authority's defined benefit plans noted above, however are not actuarially determined. Self-insured workers' compensation and other benefits are recognized when the event triggering the obligation occurs since the level of benefits provided does not vary with years of service, and are determined by management with assistance from an independent actuary. The liability recognized in the statement of financial position for other long-term employee benefits is the present value of the defined benefit obligation at the end of the reporting period. Other long-term employee benefits are unfunded. Actuarial gains and losses, and past service costs, are recognized immediately into earnings.

#### **Use of estimates and critical accounting judgments**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. The Authority's significant estimates and judgements are continually evaluated and are based on historical experience, knowledge of current events and conditions, and other factors that are believed to be reasonable under the circumstances, including expectations of future events. The resulting accounting estimates will, by definition, seldom equal the related actual results, and actual results may ultimately differ from these estimates.

Significant estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities include estimates of useful lives for amortization of property and equipment, measurement of pension and employee benefits, estimates of provisions that are uncertain in measurements and timing of settlement, and evaluation of financial assets (e.g. receivables) for impairments.

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### 3. Future accounting standards

#### *Fair value measurement*

On May 12, 2011, the IASB issued IFRS 13, "Fair Value Measurement", which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Authority is currently assessing the impact of the new standard on its financial statements.

#### *Employee benefits*

On June 16, 2011, the IASB revised IAS 19, "Employee Benefits". The revisions include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and instruction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013.

The Authority is currently assessing the impact of the amendments on its financial statements. Under current IAS 19, the Authority immediately recognizes gains and losses for its defined benefit pension plans and other long-term employment benefits so there is not expected to be an impact to the statement of financial position, however, the charge to operations will change related to the defined benefit plan as a result of the replacement of the expected rate of return on assets with the discount rate under the net interest cost and a change in treatment of plan expenses.

# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

### 3. Future accounting standards (continued)

#### *Presentation of financial statements*

On June 16, 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". The amendments enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendments are effective for annual periods beginning on or after July 1, 2012. The Authority is currently assessing the impact of the amendments on its financial statements.

#### *Financial instruments*

The IASB has issued a new standard, IFRS 9, "Financial Instruments", which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement". The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 in November 2009 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities. This standard becomes effective on January 1, 2013. The Authority is currently assessing the impact of the new standard on its financial statements.

#### *Consolidated financial statements*

In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements", intended to replace IAS 27, "Consolidated and Separate Financial Statements" and SIC-12, "Consolidated – Special Purpose Entities". IFRS 10 defines the concept of control as the determining factor in whether an entity should be included in the basis of consolidation in another entity's consolidated financial statements. IFRS 10 will apply to annual periods beginning on or after January 1, 2013, and earlier application is permitted. Adoption of the new standard is not expected to have a significant impact on the Authority's financial statements.

#### *Lease exposure draft*

In August 2010, the IASB and the Financial Accounting Standards Board of the United States (FASB) jointly published an Exposure Draft on accounting for lease contracts. A new draft is expected to be released during early 2013. The new lease accounting standards propose an approach to lease accounting based on the principle that all leases give rise to liabilities for future rental payments and assets that should be recognized in an entity's statement of financial position. The proposed approach seeks to ensure that leases are accounted for consistently across countries, sectors and industries. The Authority continues to monitor and evaluate the potential impact of the new standards, however believe adoption of the proposed guidance would have a significant impact on the statement of financial position.

4. Other operating and administration expenses	<u>2012</u>	<u>2011</u>
Security and other services	\$ 2,851	\$ 2,835
Payments in lieu of taxes	1,145	1,072
Project development costs	117	414
Fuel, oil, and electricity	652	667
Contributions and industry memberships	512	459
Travel / hospitality	594	566
Advertising and promotion	584	363
Other expenses	<u>835</u>	<u>501</u>
	<u>\$ 7,290</u>	<u>\$ 6,877</u>

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# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

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### 5. Gross revenue charge

In order to maintain its Letters Patent in good standing, the Authority is required to annually pay to the Minister of Transport a charge on gross revenues which is calculated as follows:

<u>Gross revenue</u>	<u>Charge</u>
up to \$10,000	2%
on the next \$10,000	4%
on the next \$40,000	6%
on the next \$10,000	4%
over \$70,000	2%

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### 6. Receivables

	<u>2012</u>	<u>2011</u>
Infrastructure grants	\$ 2,734	\$ 3,365
Trade receivables and accruals	2,968	3,076
Loans receivable	<u>217</u>	<u>215</u>
	<u>\$ 5,919</u>	<u>\$ 6,656</u>



# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

### 7. Property and equipment

#### Federal real property:

	Land	Dredging	Berthing structures	Buildings	Tenant improvements	Utilities	Roads and surface	Machinery	Office furniture & equipment	WUC	Total
<b>Beginning balance</b>											
<b>January 1, 2012</b>											
Cost, net of grants	\$ 25,676	\$ 12,983	\$ 51,510	\$ 57,388	\$ 1,405	\$ 36,232	\$ 39,913	\$ 516	\$ -	\$ 15,889	\$ 241,512
Accumulated depreciation	-	-	(32,639)	(22,562)	(473)	(15,620)	(24,223)	(76)	-	-	(95,593)
<b>Net book value</b>	<b>\$ 25,676</b>	<b>\$ 12,983</b>	<b>\$ 18,871</b>	<b>\$ 34,826</b>	<b>\$ 932</b>	<b>\$ 20,612</b>	<b>\$ 15,690</b>	<b>\$ 440</b>	<b>\$ -</b>	<b>\$ 15,889</b>	<b>\$ 145,919</b>
Additions, net of grants	\$ 320	\$ 359	\$ 13,487	\$ 3,248	\$ 74	\$ 3,617	\$ 3,551	\$ 237	\$ -	\$ 45,086	\$ 69,979
Adjustments	-	-	-	-	-	-	-	-	-	(42,701)	(42,701)
Disposals	(1)	-	-	-	-	-	-	-	-	-	(1)
Depreciation	-	-	(806)	(1,461)	(23)	(1,543)	(1,624)	(50)	-	-	(5,507)
<b>Ending balance</b>											
<b>December 31, 2012</b>											
Cost, net of grants	\$ 25,995	\$ 13,342	\$ 64,997	\$ 60,636	\$ 1,479	\$ 39,849	\$ 43,464	\$ 753	\$ -	\$ 18,274	\$ 268,789
Accumulated depreciation	-	-	(33,445)	(24,023)	(496)	(17,163)	(25,847)	(126)	-	-	(101,100)
<b>Net book value</b>	<b>\$ 25,995</b>	<b>\$ 13,342</b>	<b>\$ 31,552</b>	<b>\$ 36,613</b>	<b>\$ 983</b>	<b>\$ 22,686</b>	<b>\$ 17,617</b>	<b>\$ 627</b>	<b>\$ -</b>	<b>\$ 18,274</b>	<b>\$ 167,689</b>
<b>Other property and equipment:</b>											
<b>Beginning balance</b>											
<b>January 1, 2012</b>											
Cost, net of grants	\$ 4,972	\$ -	\$ -	\$ 6,155	\$ 639	\$ 1,675	\$ 3,903	\$ 23,699	\$ 7,151	\$ 222	\$ 48,416
Accumulated depreciation	-	-	-	(830)	(482)	(344)	(1,590)	(17,904)	(5,943)	-	(27,093)
<b>Net book value</b>	<b>\$ 4,972</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,325</b>	<b>\$ 157</b>	<b>\$ 1,331</b>	<b>\$ 2,313</b>	<b>\$ 5,795</b>	<b>\$ 1,208</b>	<b>\$ 222</b>	<b>\$ 21,323</b>
Additions, net of grants	\$ 283	\$ -	\$ -	\$ 18	\$ 107	\$ 2	\$ -	\$ 367	\$ 604	\$ 1,110	\$ 2,491
Adjustments	-	-	-	-	-	-	-	-	-	(1,245)	(1,245)
Disposals	(18)	-	-	-	-	-	-	-	-	-	(18)
Depreciation	-	-	-	(54)	(160)	(79)	(255)	(1,087)	(915)	-	(2,550)
<b>Ending balance</b>											
<b>December 31, 2012</b>											
Cost, net of grants	\$ 5,237	\$ -	\$ -	\$ 6,173	\$ 746	\$ 1,677	\$ 3,903	\$ 24,066	\$ 7,755	\$ 87	\$ 49,644
Accumulated depreciation	-	-	-	(884)	(642)	(423)	(1,845)	(18,991)	(6,858)	-	(29,643)
<b>Net book value</b>	<b>\$ 5,237</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,289</b>	<b>\$ 104</b>	<b>\$ 1,254</b>	<b>\$ 2,058</b>	<b>\$ 5,075</b>	<b>\$ 897</b>	<b>\$ 87</b>	<b>\$ 20,001</b>
<b>Ending cost, net of grants</b>	<b>\$ 31,232</b>	<b>\$ 13,342</b>	<b>\$ 64,997</b>	<b>\$ 66,809</b>	<b>\$ 2,225</b>	<b>\$ 41,526</b>	<b>\$ 47,367</b>	<b>\$ 24,819</b>	<b>\$ 7,755</b>	<b>\$ 18,361</b>	<b>\$ 318,433</b>
<b>Accumulated depreciation</b>	<b>-</b>	<b>-</b>	<b>(33,445)</b>	<b>(24,907)</b>	<b>(1,138)</b>	<b>(17,586)</b>	<b>(27,692)</b>	<b>(19,117)</b>	<b>(6,858)</b>	<b>-</b>	<b>(130,743)</b>
<b>Net book value</b>	<b>\$ 31,232</b>	<b>\$ 13,342</b>	<b>\$ 31,552</b>	<b>\$ 41,902</b>	<b>\$ 1,087</b>	<b>\$ 23,940</b>	<b>\$ 19,675</b>	<b>\$ 5,702</b>	<b>\$ 897</b>	<b>\$ 18,361</b>	<b>\$ 187,690</b>

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# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

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### 7. Property and equipment (continued)

#### *Leased property*

Assets of the Authority included in federal real property and other property and equipment includes property leased to third parties under operating leases with carrying amounts of \$103,019 (2011 - \$83,956) and \$14,407 (2011 - \$15,144) respectively.

Leases for land and buildings under non-cancellable operating lease agreements have varying terms, break-clauses and renewal rights.

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### 8. Commitments

#### *Capital projects*

During the year, additions to property and equipment totalled \$47,359 (2011 - \$33,461). At December 31, 2012, contractual obligations for capital projects are estimated at \$1,692 (2011 - \$6,369) for the construction and purchase of property and equipment.

Included in the foregoing amounts are the following projects which individually are estimated to exceed \$1,000, and other projects that in aggregate exceed \$1,000:

<u>Project description</u>	<u>Spending to date</u>	<u>Commitments at year end</u>	<u>Total authorized cost</u>
Richmond Terminals Multipurpose Gateway	\$ 46,667	\$ 269	\$ 74,511
South End Terminal Enhancement	34,606	576	37,414
Terminal Electrical Upgrades	<u>1,737</u>	<u>29</u>	<u>2,100</u>
	<u>\$ 83,010</u>	<u>\$ 874</u>	<u>\$ 114,025</u>

The Authority and Federal Government jointly entered into the Gateways and Border Crossings Fund Agreement for Terminal Improvements (the Agreement) for the expansion and improvements of its terminals. Subject to the terms and conditions of the Agreement, the Authority is eligible to receive contribution funding from the Federal Government for an amount of up to 50% of the total eligible expenditures, or \$36,500 and \$17,500, for the Richmond and South End Projects respectively. As at December 31, 2012, the Authority had received a total \$19,440 (2011 - \$12,273) in funding under the Agreement and \$2,734 (2011 - \$3,365) was recorded as accounts receivable.

#### *Other*

During the year, the Authority entered into an agreement with a third party to provide capital infrastructure financing. Financing is interest-bearing at market rates and is repayable over the terms specified in the agreement. The loan will be secured by letters of credit and the related equipment. As at December 31, 2012, no funds had been advanced.

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### 9. Financial instruments and risk management

The Authority is exposed to a number of risks as a result of holding financial instruments. Management considers and evaluates those risks on an on-going basis to ensure that the risks are appropriately managed. These potential risks include credit risk, liquidity risk and market risk.

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# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

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### 9. Financial instruments and risk management (continued)

#### Credit risk

Credit risk is the risk that the entities to which the Authority provides services may experience financial difficulty and be unable to fulfil their obligations. The Authority reviews outstanding receivables on an ongoing basis and records a provision for accounts where collection is doubtful, or writes off receivables that are considered uncollectible after all collection efforts are followed. The Authority mitigates credit risk by actively monitoring the aging of accounts receivable and regularly follows up on overdue accounts.

An analysis of the Authority's receivables, including long term receivables, and continuity of the Authority's provision for impairment losses on receivables is as follows:

<u>Receivables</u>	<u>2012</u>	<u>2011</u>
Trade receivables and accruals	\$ 3,389	\$ 3,347
Infrastructure grants	2,734	3,365
Loans receivable	1,249	3,813
Less: allowance for doubtful receivables	<u>(421)</u>	<u>(271)</u>
	<u>\$ 6,951</u>	<u>\$ 10,254</u>

The credit quality of financial assets that are neither past due nor impaired are assessed with reference to historical information and includes the following considerations; new customers / tenants, existing customers / tenants (i.e. greater than six months) with no history of defaults or those that have some history of defaults but were eventually fully recovered.

An allowance for doubtful receivables was recorded at year end against trade, other receivables and loans in the amount of \$421 (2011 - \$271), for accounts where there is uncertainty regarding ultimate collection. Allowances on loans are measured as the difference between the carrying value of the loan and the estimated fair value of security pledged against the loan. Receivables written off during the year amounted to \$452 (2011 - \$686).

During the year, the Authority entered into a lease surrender agreement with a tenant and settled past due rent and loans receivable in exchange for leasehold improvements. The transaction was accounted for as an asset acquisition, by exchanging monetary assets for non-monetary assets.

It is the opinion of management that the Authority is not exposed to significant credit risks as substantially all trade receivables, including infrastructure grants, are aged under 60 days. Similarly, loans are secured by assets pledged to the Authority from third parties.

#### Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet financial obligations as they become due. The Authority manages the risk through management of its capital structure in conjunction with cash flow forecasting. To facilitate the Authority's capital expenditure program, the Authority has a credit facility, as outlined in note 10 to the financial statements. The facility is reviewed quarterly to assess compliance with financial covenants and available financing to meet financial obligations. The Authority's bank indebtedness (including interest repayments) and trade payables and accruals are contractually due within the next twelve months.

# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

### 9. Financial instruments and risk management (continued)

#### Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates and interest rates will affect the Authority's net earnings or the value of its financial instruments.

a) *Foreign currency exchange risk*

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. All of the Authority's revenues are in Canadian dollars. Expenses incurred in foreign currency are approximately \$1,259 (2011 - \$1,083).

b) *Interest rate risk*

Interest rate risk is the risk that future cash flows associated with the Authority's debt and interest payments will fluctuate as a result of changes in market interest rates. The Authority is exposed to interest rate fluctuations on its credit facility as outlined in note 10 to the financial statements.

#### Financial assets and liabilities

The Authority classifies financial assets and financial liabilities according to their characteristics and management's choices and intentions. Classification of financial assets include: (a) fair value through profit and loss (measured at fair value with changes in fair value recorded in earnings), (b) held-to-maturity (measured at amortized cost with gains and losses recognized in earnings in the period the asset becomes derecognized or impaired), (c) available-for-sale (measurement at fair value with changes in fair value recognized in other comprehensive income for the current period until realized through disposal or impairment), and (d) loans and receivable (measured at amortized cost with gains and losses recognized in earnings in the period that the asset is no longer recognized or impaired). Classification of financial liabilities include: (a) fair value through profit and loss (as previously noted), and (b) other liabilities (measured at amortized cost with gains and losses recognized in earnings in the period the liability is no longer recognized).

As at December 31, the Authority's financial assets and liabilities were categorized as follows:

	<u>2012</u>	<u>2011</u>
Loans and receivables		
Receivables and accruals	\$ 5,919	\$ 6,656
Non-current receivables	<u>1,032</u>	<u>3,598</u>
	<u>\$ 6,951</u>	<u>\$ 10,254</u>
Other liabilities		
Payables and accruals	\$ 11,786	\$ 11,559
Bank indebtedness	<u>26,131</u>	<u>12,068</u>
	<u>\$ 37,917</u>	<u>\$ 23,627</u>
Fair value through profit and loss		
Cash and cash equivalents	<u>\$ 129</u>	<u>\$ 343</u>

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# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

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### 9. Financial instruments and risk management (continued)

The Authority applies a three-tier hierarchy framework for disclosing fair value of financial instruments, based on whether the inputs into the various valuation techniques are observable or unobservable. Observable techniques reflect market data obtained from independent sources, while unobservable inputs reflect management's assumptions. Changes in valuation techniques of financial instruments may result in transfers of assigned levels. The hierarchy of input is as follows:

- Level I - Quoted prices in active markets for identical assets or liabilities;
- Level II - Inputs other than quoted prices included in Level I that are observable, either directly or indirectly; and
- Level III - Inputs that are not based on observable market data.

The carrying values of current assets and current liabilities approximate their fair value due to the relatively short period to maturity of these financial instruments. Loans and receivables are carried at amortized cost. All of the Authority's financial assets and liabilities were classified as Level 1 at December 31, 2012.

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### 10. Credit facilities

The Authority has an unsecured, revolving term credit facility to a maximum of \$35,000 with floating interest rates that fluctuate with changes in the Bank's prime lending rate. As at December 31, 2012, the amount drawn down under the revolving facility was \$26,131 (2011 - \$12,068) and \$8,869 (2011 - \$22,932) was available. The Authority is required to maintain certain financial covenants as prescribed under the banking agreement (note 11).

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### 11. Capital risk management

The Authority's objectives when managing capital are to ensure sufficient liquidity to support its financial obligations and execute the operational and strategic plans to continue to provide benefits for its stakeholders and to remain financially self-sufficient. The Authority continually assesses its capital structure and makes adjustments to it with reference to changes in economic conditions and risk characteristics associated with its underlying assets. According to its Letters Patent, the Authority's aggregate borrowing cannot exceed \$75,000 nor can it borrow money as an agent of Her Majesty. Currently, the Authority largely relies on cash flows from operations to fund its capital investment program. The Authority's capital is comprised of bank indebtedness and equity, net of cash and cash equivalents.

<u>Capital management</u>	<u>2012</u>	<u>2011</u>
Total debt	\$ 26,131	\$ 12,068
Less: cash and cash equivalents	<u>129</u>	<u>343</u>
Net debt	26,002	11,725
Equity of Canada	<u>147,123</u>	<u>143,339</u>
Capital under management	<u>\$ 173,125</u>	<u>\$ 155,064</u>

As part of existing debt agreements, required financial covenants are monitored and communicated, as required by the terms of the credit agreement, on a quarterly basis to ensure compliance. The Authority was in compliance with all debt agreements during the reporting period.

# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

### 12. Provisions

The carrying amount of provisions related to claims brought against the Authority at year end were \$2,074 (2011 - \$2,074). Changes in the measurement of provisions, resulting from new or changed information, are recorded in earnings during the period and classified as other operating and administrative expenses. Estimates are evaluated periodically and reflect all known information at year end, including uncertainty associated with the timing and amount of the eventual settlement. Provisions related to claims have been reflected as current liabilities as at December 31, 2012. In management's view, the outcome of these claims does not give rise to any significant loss beyond the amount recognized at December 31, 2012.

### 13. Employee benefit obligation

On March 1, 1999, the Authority was established as described in note 1 to the financial statements. Pursuant to the Canada Marine Act, the Authority was required by March 1, 2000, to establish benefit plans for its employees as of March 1, 1999 comparable to the benefit plans that were in place immediately prior to its becoming a port authority. Prior to March 1, 1999, all employees were included in the Public Service Superannuation Act (PSSA) Plan. The Authority has complied with this requirement and established defined benefit plans which were available only to employees as at March 1, 1999. A defined contribution Plan has been established for employees hired after March 1, 1999. The Authority has established an unfunded supplementary pension arrangement for designated employees.

Information about the financial position of the Authority's defined benefit and other plans as at December 31, 2012 are as follows:

	Pension Benefit Plans		Other Benefit Plans		Total	
	2012	2011	2012	2011	2012	2011
Change in accrued benefit obligation						
Balance, beginning of year	\$ 13,118	\$ 9,595	\$ 2,258	\$ 2,030	\$ 15,376	\$ 11,625
Current service cost (employer)	583	424	99	203	682	627
Interest cost on benefit obligation	632	579	49	56	681	635
Contributions by plan participants	131	134	-	-	131	134
Benefits paid	(169)	(158)	(101)	(133)	(270)	(291)
Amendments	85	-	-	-	85	-
Actuarial loss	1,547	2,544	80	102	1,627	2,646
<b>Balance, end of year</b>	<b>15,927</b>	<b>13,118</b>	<b>2,385</b>	<b>2,258</b>	<b>18,312</b>	<b>15,376</b>
Change in fair value of plan assets						
Balance, beginning of year	9,825	9,578	-	-	9,825	9,578
Employer contributions	871	688	101	133	972	821
Employee contributions	131	134	-	-	131	134
Actual return on plan assets	781	(417)	-	-	781	(417)
Benefits paid	(169)	(158)	(101)	(133)	(270)	(291)
<b>Balance, end of year</b>	<b>11,439</b>	<b>9,825</b>	<b>-</b>	<b>-</b>	<b>11,439</b>	<b>9,825</b>
Accrued benefit liability at						
December 31	\$ (4,488)	\$ (3,293)	\$ (2,385)	\$ (2,258)	\$ (6,873)	\$ (5,551)

# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

### 13. Employee benefit obligation (continued)

Pension and other post-retirement expense included in earnings as salaries and benefits and other comprehensive income are as follows:

	Pension benefit plans		Other benefit plans		Total	
	2012	2011	2012	2011	2012	2011
Plan expense						
Current services cost (employer portion) \$	583	\$ 424	\$ 125	\$ 234	\$ 708	\$ 658
Past services cost	84	-	-	-	84	-
Interest cost on benefit obligation	632	579	49	56	681	635
Expected return on plan assets	(660)	(639)	-	-	(660)	(639)
Pension expense						
Recognized in earnings	\$ 639	\$ 364	\$ 174	\$ 290	\$ 813	\$ 654
Actuarial loss immediately recognized in comprehensive income	\$ 1,425	\$ 3,600	\$ 55	\$ 71	\$ 1,480	\$ 3,671

The expected return on plan assets for the defined benefit pension plans is comprised of estimated returns for each major asset consistent with market conditions on the valuation date and the asset mix of the pooled funds that make up the plan's assets, additional returns assumed to be achievable due to active equity management, and implicit provision for expenses expected to be paid from the pension funds.

The invested assets of the defined benefit pension plan and supplemental plan by type are as follows as at December 31:

	Defined benefit pension plans		Supplemental plan	
	2012	2011	2012	2011
Fixed income	33%	33%	14%	14%
Canadian equity	38%	35%	15%	13%
Foreign equity	26%	25%	11%	5%
Cash and cash equivalents	3%	7%	60%	68%
Total	100%	100%	100%	100%

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations are as follows as at December 31:

	Pension plan benefits		Other benefit plans	
	2012	2011	2012	2011
Discount rate	4.05%	4.60%	3.80%	4.20-4.40%
Expected long-term rate of return of plan assets				
Pension	6.50%	6.50%	N/A	N/A
Supplemental pension plan	3.25%	3.25%	N/A	N/A
Inflation rate	2.50%	2.50%	2.50%	2.50%
Medical cost trend plan	N/A	N/A	4.50%	4.50%
Rate of compensation increase				
Pension/supplemental plan/other benefit plans	4.00%	4.00%	4.00%	4.00%
Designated plan	3.00%	3.00%	N/A	N/A

# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

### 13. Employee benefit obligation (continued)

The estimated employer contributions expected to be paid into the defined benefit plan and supplemental plan for the next fiscal year are \$990.

The measurement date used to determine the Plan assets and the accrued benefit obligation was December 31, 2012. The most recent and the next required actuarial valuation for funding purposes are as follows:

	<u>Most Recent Actuarial Valuation</u>	<u>Next Required Actuarial Valuation</u>
Defined benefit pension plan	December 31, 2011	December 31, 2012
Supplementary pension arrangement	December 31, 2011	December 31, 2012

#### *Defined contribution plan*

The net expense for the Authority's defined contribution included in salaries and benefits is \$142 (2011 - \$124).

#### *Other benefit plans*

Other benefit plans consist of lump sum payment entitlements for employees upon their retirement, calculated in accordance with the Authority's policies. These plans are unfunded and measured using the projected benefit method and management's best estimate of salary escalation and retirement of employees. Assumptions used in the determination of the accrued benefit obligation are consistent with those used in determining the accrued benefit obligation of the pension benefit plans, with the exception of the discount rate.

The Authority is subject to the Government Employees Compensation Act and, therefore, is not mandatorily covered under the Nova Scotia Workers' Compensation Act. The Authority is considered a self-insured employer, responsible for worker's compensation benefits incurred prior to, and since incorporation. The Authority's unfunded obligation for workers' compensation benefits is based on known awarded disability and survivor pensions and other potential service awards for accidents that occurred up to the measurement date. Benefits are provided according to the Nova Scotia workers' compensation legislation.

<b>14. Supplemental cash flow information</b>	<u>2012</u>	<u>2011</u>
Change in non-cash operating working capital		
Trade receivables	\$ 108	\$ 802
Prepaid expenses	(119)	(227)
Payables and accruals	227	(148)
Deferred revenue	<u>(2,061)</u>	<u>(785)</u>
	<u>\$ (1,845)</u>	<u>\$ (358)</u>
Bank indebtedness, net of cash and cash equivalents		
Cash and cash equivalents	\$ 129	\$ 343
Bank indebtedness	<u>(26,131)</u>	<u>(12,068)</u>
	<u>\$ (26,002)</u>	<u>\$ (11,725)</u>
Interest paid	<u>\$ 384</u>	<u>\$ 269</u>
Interest received	<u>\$ 84</u>	<u>\$ 106</u>



# Halifax Port Authority

## Notes to the consolidated financial statements

December 31, 2012 (expressed in CAD \$, 000's)

### 15. Related party and other information

Key management includes directors and persons who have the authority and responsibility for planning, directing and controlling the activities of the Authority, directly or indirectly, during the fiscal year. In addition, the Canada Marine Act requires disclosure of remuneration and allowances paid to directors and certain employees. A summary of compensation as at December 31 was as follows:

Name	Title	Remuneration <sup>(1)</sup>	Directors		2012	2011
			Fees	Allowance		
D. Geoffrey Machum <sup>(2)</sup>	Chair	\$ 29	\$ 44	\$ -	\$ 73	\$ 44
Mark MacDonald <sup>(3)</sup>	Former Chair	12	18	-	30	68
David Henderson <sup>(4)</sup>	Vice-Chair	14	27	-	41	30
Trevor Johnson <sup>(5)</sup>	Director	12	21	-	33	32
Thomas McInnis <sup>(6)</sup>	Director	10	16	-	26	32
L. Anne Galbraith <sup>(7)</sup>	Director	12	22	-	34	32
David Fox <sup>(8)</sup>	Director	1	1	-	2	30
Hector Jacques <sup>(9)</sup>	Director	7	12	-	19	-
Edward Larsen <sup>(10)</sup>	Director	6	13	-	19	-
Karen Oldfield	President, Chief Executive Officer	316	-	11	327	329
Paul MacIsaac	Senior Vice-President	218	-	7	225	221
George Malec	Vice-President, Business Development & Operations	215	-	7	222	218
Krista Dempsey	Vice-President, Real Estate	158	-	7	165	163

In addition, other short-term and post-employment benefits provided during the year was \$156 (2011 - \$155).

- (1) Remuneration includes salary and bonuses
- (2) Elected Chair effective May 10, 2012
- (3) Term as Director expired May 9, 2012
- (4) Chair – Security, Environment & Safety Committee
- (5) Chair – Human Resources & Compensation Committee
- (6) Resigned as Director September 5, 2012
- (7) Chair – Audit Committee
- (8) Term as Director expired February 29, 2012
- (9) Appointed Director March 1, 2012
- (10) Appointed Director May 10, 2012