Financial Statements

Halifax Port Authority

December 31, 2011

Halifax Port Authority
PO Box 336, Halifax, Nova Scotia B3J 2P6

Administration portuaire de Halifax
CP 336, Halifax, Nouvelle-Ecosse B3J 2P6

T 902.426.8222

F 902.426.7335

www.portofhalifax.ca

ISO 14001:2004 1040847

Canada

Message from CEO
Halifax Port Authority - Overview 2011

Over 15,000 Nova Scotian families depend on the Port for their livelihood. In an increasingly global world, Nova Scotian and Atlantic Canadian businesses depend on our Port to stay connected.

The Halifax Port Authority has, along with the private sector, invested heavily in all aspects of Port infrastructure. These investments position our Port to compete and win in this global market today and well into the future.

The business of our Port is very diverse and cargo is the core of local activity. Two key projects underway in 2011 were the Gateway Projects at the South End Container Terminal and Richmond Terminals. These two projects are vital for the Port of Halifax to accommodate larger container vessels and expand our breakbulk operations. Indeed, the pier extension at the South End Container Terminal now enables that terminal to berth any two ships end-to-end. The next series of changes at the terminal are geared to increasing the efficient movement of trucks. Both projects are key factors to the competitiveness of the Port.

The breakbulk sector shows strong potential and the expanded facility at Richmond Terminals will accommodate more of this activity.

I wish to thank the Government of Canada for their commitment to the Atlantic Gateway by co-funding these projects. The Port of Halifax is positioned to handle diverse cargo in an increasing 'big ship' economy.

The Halifax Port Authority continues to be in a solid financial position, allowing for ongoing reinvestment in physical infrastructure and our customers. In 2011, we again retained an investment grade credit rating of A, Outlook stable for the fifth consecutive year.

On behalf of the Halifax Port Authority, I want to extend our sincere thanks to all of our Port partners for their collaboration and work to advance the Port of Halifax as a gateway to North America.

Regards,

Karen Oldfield
President and CEO
Halifax Port Authority

Contents

Independent auditor's report

Grant Thornton LLP
Suite 1100
2000 Barrington Street
Halifax, NS
B3J 3K1

T (902) 421-1734
F (902) 420-1068
www.GrantThornton.ca

To the honourable Denis Lebel
Minister of Transport, Infrastructure and Communities, and
Minister of the Economic Agency of Canada for the Regions of Quebec

We have audited the accompanying financial statements of the **Halifax Port Authority** (the "Authority"), which comprise of the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of earnings, and comprehensive income, changes in equity of Canada and cash flow statements for the years 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 financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Halifax Port Authority as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Halifax, Canada
March 7, 2012

Chartered accountants

Halifax Port Authority
Statement of earnings

Year ended December 31 (expressed in CAD $, 000's)		2011		2010
Operating revenues				
Port revenue	$	**29,642**	$	28,840
Expenses				
Salary and benefits		**6,712**		6,331
Maintenance and repairs		**837**		871
Professional and consulting fees		**701**		565
Other operating and administration expenses (note 5)		**6,877**		7,028
		15,127		14,795
Earnings from operations before other income and expenses		**14,515**		14,045
Other income and expenses				
Depreciation (note 8)		**7,119**		7,159
Gross revenue charge (note 6)		**1,178**		1,145
Finance income, net		**(283)**		(45)
Other income		**-**		(80)
		8,014		8,179
Net earnings	$	**6,501**	$	5,866

See accompanying notes to the financial statements.

Halifax Port Authority
Statement of comprehensive income

Year ended December 31 (expressed in CAD $, 000's)		2011		2010
Net earnings	$	**6,501**	$	5,866
Actuarial loss on defined benefit plans (note 14)		**(3,671)**		(1,405)
Total comprehensive income	$	**2,830**	$	4,461

See accompanying notes to the financial statements.

Halifax Port Authority
Statement of financial position

December 31 (expressed in CAD $, 000's)		2011		2010		January 1, 2010
Assets						
Current						
Cash and cash equivalents	**$**	**343**	$	892	$	19
Receivables (note 7)		**6,656**		7,103		3,546
Prepaid expenses		**819**		592		530
Derivative financial asset		**-**		-		44
		7,818		8,587		4,139
Non-current						
Receivables		**3,598**		3,357		1,676
Other assets		**342**		-		-
Property and equipment (note 8)		**167,242**		154,205		150,019
	$	**179,000**	$	166,149	$	155,834
Liabilities and Equity of Canada						
Current						
Bank indebtedness (note 11)	**$**	**12,068**	$	4,618	$	5,840
Payables and accruals		**11,559**		11,707		6,829
Provisions (note 13)		**2,074**		2,074		2,074
Deferred revenue		**1,065**		1,068		1,063
		26,766		19,467		15,806
Non-current						
Employee benefit obligation (note 14)		**5,551**		2,047		1,014
Deferred revenue		**3,344**		4,126		2,966
		35,661		25,640		19,786
Equity of Canada						
Contributed capital		**50,857**		50,857		50,857
Retained earnings		**92,482**		89,652		85,191
		143,339		140,509		136,048
	$	**179,000**	$	166,149	$	155,834

Approved by the Board of Directors

Signed, L. Anne Galbraith

Signed,

See accompanying notes to the financial statements. The accompanying notes on pages 6 to 27 were authorized by the Board of Directors on March 7, 2012, and were signed on its behalf.

Halifax Port Authority
Statement of changes in equity of Canada
December 31, 2011 (expressed in CAD $, 000's)

	Contributed Capital	Retained Earnings	Total Equity
Balance, January 1, 2011	$ 50,857	$ 89,652	$ 140,509
Net earnings	-	6,501	6,501
Other comprehensive income			
Actuarial loss on defined benefits plan (note 14)	-	(3,671)	(3,671)
Balance, December 31, 2011	$ 50,857	$ 92,482	$ 143,339

	Contributed Capital	Retained Earnings	Total Equity
Balance, January 1, 2010	$ 50,857	$ 85,191	$ 136,048
Net earnings	-	5,866	5,866
Other comprehensive income			
Actuarial loss on defined benefits plan (note 14)	-	(1,405)	(1,405)
Balance, December 31, 2010	$ 50,857	$ 89,652	$ 140,509

See accompanying notes to the financial statements.

Halifax Port Authority
Statement of cash flows

Year ended December 31 (expressed in CAD $, 000's)		**2011**		2010
Operating activities				
Net earnings	**$**	**6,501**	$	5,866
Fair value change of derivative asset		**-**		44
Depreciation and other adjustments		**7,462**		7,681
Employee benefit obligations		**(167)**		(372)
Other assets		**(342)**		-
Net changes in working capital (note 15)		**(358)**		4,962
Cash flows from operating activities		**13,096**		18,181
Financing activities				
Proceeds from infrastructure grants		**12,273**		4,523
Cash flows from financing activities		**12,273**		4,523
Investing activities				
Purchase of property and equipment		**(33,461)**		(18,832)
Loan receivables		**334**		(96)
Non-current receivables		**(241)**		(1,681)
Cash flows used for investing activities		**(33,368)**		(20,609)
Net (decrease) increase in cash and cash equivalents		**(7,999)**		2,095
Bank indebtedness, beginning of year		**(3,726)**		(5,821)
Bank indebtedness, end of year	**$**	**(11,725)**	$	(3,726)

See accompanying notes to the financial statements.

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 8 to the financial statements.

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 financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. These are the Authority's first annual financial statements prepared in accordance with IFRS.

An explanation of how the transition from Canadian generally accepted accounting principles ("CGAAP") to IFRSs as at January 1, 2010 (the date of transition) has affected the reported statement of financial position, earnings and comprehensive income and cash flows of the Authority is provided in note 17.

The financial statements were authorized for issue by the Board of Directors on March 7, 2012.

Basis of presentation

The financial statements are presented in Canadian dollars, rounded to the nearest thousand. The financial statements are presented in accordance with International Accounting Standards ("IAS") 1 "Presentation of Financial Statements".

In accordance with IFRS 1 "First Time Adoption of IFRSs", the Authority presents three statements of financial position in its first IFRS financial statements. In subsequent periods, the Authority will present two comparative periods for the statement of financial position when it: (i) applies an accounting policy retrospectively, (ii) makes a retrospective restatement of items in its financial statements, or (iii) reclassifies items in the 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.

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 lease. 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.

December 31, 2011 (expressed in CAD $, 000's)

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 of the items, 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 $269 (2010 - $100).

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:

Asset	Rate
Federal real property	
Berthing structures	1.3 - 10%
Buildings	2.5 - 10%
Utilities	2.0 - 10%
Roads and surfaces	2.5 - 20%
Machinery and equipment	5 - 100%
Other property and equipment	
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.

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, 2011, 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.

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's classifies financial instruments into various categories as disclosed in note 10 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.

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.

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.

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.

December 31, 2011 (expressed in CAD $, 000's)

3. Future accounting standards (continued)

Financial instruments – disclosures
On October 7, 2010, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures", which increase the disclosure requirements for transactions involving transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The Authority is currently assessing the impact of the amendment on its financial statement disclosures.

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.

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 second exposure draft is expected to be released for comment during the second quarter of 2012. 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. Change in estimate

During the year, the Authority reviewed the estimate for determining the discount rate used in the measurement of its defined benefit plans, based on guidance issued by the Canadian Institute of Actuaries. Previously, the Authority with assistance from their independent actuary, estimated the discount rate using available corporate bonds for maturities in excess of 15 years, extrapolated over the expected time period of benefit payments. Under the new approach, for expected terms to maturity in excess of 10 years, AA – Canadian provincial bonds with an additional credit risk premium will be used to determine an appropriate discount rate. The change in estimate has been accounted for in the current year without restatement of prior periods. The change in estimate reduced other comprehensive income by $2,100.

5. Other operating expenses		**2011**		2010
Security and other services	**$**	**2,835**	$	2,806
Payments in lieu of taxes		**1,072**		1,057
Project development costs		**414**		529
Fuel, oil, and electricity		**667**		731
Contributions and industry memberships		**459**		334
Travel / hospitality		**566**		595
Advertising and promotion		**363**		347
Other expenses		**501**		629
	$	**6,877**	$	7,028

December 31, 2011 (expressed in CAD $, 000's)

6. 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:

Gross Revenue	Charge
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%

7. Receivables

		2011		2010
Infrastructure grants	**$**	**3,365**	$	2,676
Trade receivables and accruals		**3,076**		3,878
Loans receivable		**215**		549
	$	**6,656**	$	7,103

8. Property and equipment

The following table discloses the combined property and equipment for federal real property and other property and equipment of the Authority as at December 31:

		Cost		Accumulated Depreciation		**2011 Net Book Value**		2010 Net Book Value
Land	$	30,646	$	-	**$**	**30,646**	$	30,569
Dredging		18,591		5,606		**12,985**		13,022
Berthing structures		52,023		33,152		**18,871**		13,347
Building		63,735		23,592		**40,143**		39,473
Tenant improvements		2,044		954		**1,090**		717
Utilities		38,020		16,071		**21,949**		22,393
Roads and surfaces		44,305		26,301		**18,004**		17,345
Machinery and equipment		24,463		18,229		**6,234**		6,555
Office furniture and equipment		7,787		6,578		**1,209**		1,519
Projects under construction		16,111		-		**16,111**		9,265
	$	297,725	$	130,483	**$**	**167,242**	$	154,205

The following tables provide a reconciliation of the net book value of property and equipment, including the allocation between federal real property and other property and equipment, for the current and prior year.

December 31, 2011 (expressed in CAD $, 000's)

8. Property and equipment (continued)

Federal real property:

	Land	Dredging	Berthing structures	Buildings	Tenant improve-ments	Utilities	Roads and surface	Machinery & equipment	Projects under construction	Total
Beginning balance January 1, 2011										
Cost	$ 25,598	$ 18,591	$ 46,004	$ 55,612	$ 868	$ 35,314	$ 38,151	$ 500	$ 9,024	$ 229,662
Accumulated depreciation	-	(5,606)	(32,620)	(21,535)	(353)	(14,330)	(23,375)	(50)	-	(97,869)
Net book value	$ 25,598	$ 12,985	$ 13,384	$ 34,077	$ 515	$ 20,984	$ 14,776	$ 450	$ 9,024	$ 131,793
Additions[1]	$ 77	$ -	$ 6,019	$ 1,968	$ 537	$ 1,031	$ 2,253	$ 16	$ 6,866	$ 18,767
Depreciation	-	-	(532)	(1,228)	(120)	(1,396)	(1,339)	(26)	-	(4,641)
Ending balance December 31, 2011										
Cost	$ 25,675	$ 18,591	$ 52,023	$ 57,580	$ 1,405	$ 36,345	$ 40,404	$ 516	$ 15,890	$ 248,429
Accumulated depreciation	-	(5,606)	(33,152)	(22,763)	(473)	(15,726)	(24,714)	(76)	-	(102,510)
Net book value	$ 25,675	$ 12,985	$ 18,871	$ 34,817	$ 932	$ 20,619	$ 15,690	$ 440	$ 15,890	$ 145,919

[1] Additions are presented at cost, net of grants and transfers between groupings for financial statement presentation purposes.

	Land	Dredging	Berthing structures	Buildings	Tenant improve-ments	Utilities	Roads and surface	Machinery & equipment	Projects under construction	Total
Beginning balance January 1, 2010										
Cost	$ 25,598	$ 18,430	$ 45,971	$ 53,790	$ 844	$ 34,294	$ 36,859	$ 500	$ 2,736	$ 219,022
Accumulated depreciation	-	(5,606)	(32,154)	(20,419)	(262)	(12,971)	(22,114)	(25)	-	(93,551)
Net book value	$ 25,598	$ 12,824	$ 13,817	$ 33,371	$ 582	$ 21,323	$ 14,745	$ 475	$ 2,736	$ 125,471
Additions[1]	$ -	$ 161	$ 33	$ 1,822	$ 24	$ 1,020	$ 1,292	$ -	$ 6,288	$ 10,640
Depreciation	-	-	(466)	(1,116)	(91)	(1,359)	(1,261)	(25)	-	(4,318)
Ending balance December 31, 2010										
Cost	$ 25,598	$ 18,591	$ 46,004	$ 55,612	$ 868	$ 35,314	$ 38,151	$ 500	$ 9,024	$ 229,662
Accumulated depreciation	-	(5,606)	(32,620)	(21,535)	(353)	(14,330)	(23,375)	(50)	-	97,869
Net book value	$ 25,598	$ 12,985	$ 13,384	$ 34,077	$ 515	$ 20,984	$ 14,776	$ 450	$ 9,024	$ 131,793

[1] Additions are presented at cost, net of grants and transfers between groupings for financial statement presentation purposes.

December 31, 2011 (expressed in CAD $, 000's)

8. Property and equipment (continued)

Other property and equipment:

	Land	Buildings	Tenant improvements	Utilities	Roads and surfaces	Machinery & equipment	Office furniture and equipment	Projects under construction	Total
Beginning balance January 1, 2011									
Cost	**$ 4,971**	**$ 6,066**	**$ 639**	**$ 1,675**	**$ 3,903**	**$ 23,122**	**$ 7,291**	**$ 242**	**$ 47,909**
Accumulated depreciation	**-**	**(670)**	**(437)**	**(266)**	**1,334**	**(17,018)**	**(5,772)**	**-**	**(25,497)**
Net book value	**$ 4,971**	**$ 5,396**	**$ 202**	**$ 1,409**	**$ 2,569**	**$ 6,104**	**$ 1,519**	**$ 242**	**$ 22,412**
Additions[1]	**$ -**	**$ 89**	**$ -**	**$ -**	**$ -**	**$ 825**	**$ 496**	**$ 322**	**$ 1,732**
Adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(343)**	**(343)**
Depreciation	**-**	**(159)**	**(44)**	**(79)**	**(255)**	**(1,135)**	**(806)**	**-**	**(2,478)**
Ending balance December 31, 2011									
Cost	**$ 4,971**	**$ 6,155**	**$ 639**	**$ 1,675**	**$ 3,903**	**$ 23,947**	**$ 7,787**	**$ 221**	**$ 49,296**
Accumulated depreciation	**-**	**(829)**	**(481)**	**(345)**	**(1,589)**	**(18,153)**	**(6,578)**	**-**	**27,975**
Net book value	**$ 4,971**	**$ 5,326**	**$ 158**	**$ 1,330**	**$ 2,314**	**$ 5,794**	**$ 1,209**	**$ 221**	**$ 21,323**

[1] Additions are presented at cost, net of grants and transfers between groupings for financial statement presentation purposes.

	Land	Buildings	Tenant improvements	Utilities	Roads and surfaces	Machinery & equipment	Office furniture and equipment	Projects under construction	Total
Beginning balance January 1, 2010									
Cost	$ 4,971	$ 6,031	$ 639	$ 1,354	$ 3,903	$ 22,623	$ 6,880	$ 752	$ 47,153
Accumulated depreciation	-	(511)	(347)	(187)	(854)	(15,888)	(4,863)	-	(22,650)
Net book value	$ 4,971	$ 5,520	$ 292	$ 1,167	$ 3,049	$ 6,735	$ 2,017	$ 752	$ 24,503
Additions[1]	$ -	$ 35	$ -	$ 321	$ -	$ 499	$ 411	$ 11	$ 1,277
Adjustments	-	-	-	-	-	-	-	(521)	(521)
Depreciation	-	(159)	(90)	(79)	(480)	(1,130)	(909)	-	(2,847)
Ending balance December 31, 2010									
Cost	$ 4,971	$ 6,066	$ 639	$ 1,675	$ 3,903	$ 23,122	$ 7,291	$ 242	$ 47,909
Accumulated depreciation	-	(670)	(437)	(266)	(1,334)	(17,018)	(5,772)	-	(25,497)
Net book value	$ 4,971	$ 5,396	$ 202	$ 1,409	$ 2,569	$ 6,104	$ 1,519	$ 242	$ 22,412

[1] Additions are presented at cost, net of grants and transfers between groupings for financial statement presentation purposes.

December 31, 2011 (expressed in CAD $, 000's)

8. 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 $83,956 (2010 - $84,000) and $15,144 (2010 - $15,178) respectively.

Leases for land and buildings under non-cancellable operating lease agreements have varying terms, break-clauses and renewal rights. The future minimum lease rentals under non-cancellable operating leases in the aggregate is $174,183 (2010 - $187,569).

9. Commitments

During the year, additions to property and equipment totalled $33,461 (2010 - $18,832). At December 31, 2011, contractual obligations for capital projects are estimated at $6,369 (2010 - $23,781) 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:

Project description		Spending to date		Commitments at year end		Total authorized cost
Richmond Terminals Multipurpose Gateway	$	17,903	$	2,609	$	74,511
South End Terminal Enhancement		24,014		2,664		37,414
Terminals Electrical Upgrades		1,584		669		3,665
	$	43,501	$	5,942	$	115,590

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, 2011, the Authority had received a total $12,273 (2010 - $4,523) in funding under the Agreement and $3,365 (2010 - $2,676) in accounts receivable.

10. 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.

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.

December 31, 2011 (expressed in CAD $, 000's)

10. Financial instruments and risk management (continued)

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:

Receivables		**2011**		2010
Trade receivables and accruals	**$**	**3,347**	$	4,143
Infrastructure grants		**3,365**		2,676
Loans receivable		**3,813**		3,906
Less: allowance for doubtful receivables		**(271)**		(265)
	$	**10,254**	$	10,460

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 $271 (2010 - $265), 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 $686 (2010 - $15). Loans past due with no allowance recorded at year end, including accrued interest, amounted to $1,800. 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 11 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.

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 $1,083 (2010 - $707).

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 11 to the financial statements.

December 31, 2011 (expressed in CAD $, 000's)

10. Financial instruments and risk management (continued)

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:

		2011		2010
Loans and receivables				
Receivables and accruals	**$**	**6,656**	$	7,103
Non-current receivables		**3,598**		3,357
	$	**10,254**	$	10,460
Other liabilities				
Payables and accruals	**$**	**11,559**	$	11,707
Bank indebtedness		**12,068**		4,618
	$	**23,627**	$	16,310
Fair value through profit and loss				
Cash and cash equivalents	**$**	**343**	$	892

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, 2011.

December 31, 2011 (expressed in CAD $, 000's)

11. 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, 2011, the amount drawn down under the revolving facility was $12,068 (2010 - $4,618) and $22,932 (2010 - $30,382) was available. The Authority is required to maintain certain financial covenants as prescribed under the banking agreement (note 12).

12. 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 can not 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.

Capital management		**2011**		2010
Total debt	**$**	**12,068**	$	4,618
Less: cash and cash equivalents		**343**		892
Net debt		**11,725**		3,726
Equity of Canada		**143,339**		140,509
Capital under management	**$**	**155,064**	$	144,235

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.

13. Provisions

The carrying amount of provisions related to claims brought against the Authority at year end were $2,074 (2010 - $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, 2011. In management's view, the outcome of these claims does not give rise to any significant loss beyond the amount recognized at December 31, 2011.

December 31, 2011 (expressed in CAD $, 000's)

14. 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, 2011 are as follows:

	Pension Benefit Plans		Other Benefit Plans		Total	
	2011	2010	**2011**	2010	**2011**	2010
Change in accrued benefit obligation						
Balance, beginning of year	**$ 9,595**	$ 7,333	**$ 2,030**	$ 1,740	**$ 11,625**	$ 9,073
Current service cost						
Employer	**424**	311	**203**	95	**627**	406
Interest cost on benefit obigation	**579**	516	**56**	102	**635**	618
Contributions by plan participants	**134**	126	**-**	-	**134**	126
Benefits paid	**(158)**	(236)	**(133)**	(149)	**(291)**	(385)
Actuarial loss	**2,544**	1,545	**102**	242	**2,646**	1,787
Balance, end of year	**13,118**	9,595	**2,258**	2,030	**15,376**	11,625
Change in fair value of plan assets						
Balance, beginning of year	**9,578**	8,059	**-**	-	**9,578**	8,059
Employer contributions	**688**	846	**133**	-	**821**	846
Employee contributions	**134**	126	**-**	-	**134**	126
Actual return on plan assets	**(417)**	783	**-**	-	**(417)**	783
Benefits paid	**(158)**	(236)	**(133)**	-	**(291)**	(236)
Balance, end of year	**9,825**	9,578	**-**	-	**9,825**	9,578
Accrued benefit liability at						
December 31	**$ (3,293)**	$ (17)	**$ (2,258)**	$ (2,030)	**$ (5,551)**	$ (2,047)

December 31, 2011 (expressed in CAD $, 000's)

14. 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	
	2011	2010	**2011**	2010	**2011**	2010
Plan expense						
Curent services cost (employer portion)	**$ 424**	$ 311	**$ 234**	$ 278	**$ 658**	$ 589
Interest cost on benefit obligation	**579**	516	**56**	(46)	**635**	470
Expected return on plan assets	**(639)**	(585)	**-**	-	**(639)**	(585)
Pension expense Recognized in earnings	**$ 364**	$ 242	**$ 290**	**$** 232	**$ 654**	$ 474
Actuarial loss immediately recognized in comprehensive income	**$ 3,600**	$ 1,347	**$ 71**	58	**$ 3,671**	$ 1,405

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 acheivable 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	
	2011	2010	**2011**	2010
Fixed income	**33%**	33%	**14%**	14%
Canadian equity	**35%**	39%	**13%**	17%
Foreign equity	**25%**	25%	**5%**	6%
Cash and cash equivalents	**7%**	3%	**68%**	63%
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	
	2011	2010	**2011**	2010
Discount rate	**4.60%**	5.75%	**4.20-4.40%**	5.10-5.25%
Expected long-term rate of return of plan assets				
Pension	**6.50%**	6.94%	**N/A**	N/A
Supplemental pension plan	**3.25%**	3.50%	**N/A**	N/A
Inflation rate	**2.50%**	2.70%	**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

December 31, 2011 (expressed in CAD $, 000's)

14. 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 $700 (2011 - $672).

The measurement date used to determine the Plan assets and the accrued benefit obligation was December 31, 2011. The most recent and the next required actuarial valuation for funding purposes are as follows:

	Most Recent Actuarial Valuation	Next Required Actuarial Valuation
Defined benefit pension plan	December 31, 2010	December 31, 2011
Supplementary pension arrangement	December 31, 2010	December 31, 2011

Defined contribution plan
The net expense for the Authority's defined contribution included in salaries and benefits is $160 (2010 - $145).

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.

15. Supplemental cash flow information

		2011		2010
Change in non-cash operating working capital				
Trade receivables	**$**	**802**	$	(1,019)
Prepaid expenses		**(227)**		(62)
Payables and accruals		**(148)**		4,878
Deferred revenue		**(785)**		1,165
	$	**(358)**	$	4,962
Bank indebtedness, net of cash and cash equivalents				
Cash and cash equivalents	**$**	**343**	$	892
Bank indebtedness		**(12,068)**		(4,618)
	$	**(11,725)**	$	(3,726)
Interest paid	**$**	**269**	$	220

December 31, 2011 (expressed in CAD $, 000's)

16. 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(1)	Directors Fees	Allowance	**2011**	2010
Mark MacDonald	Chair	$ 35	$ 33	$ -	**$ 68**	$ 63
D.Geoffrey Machum	Vice-Chair	18	26	-	**44**	37
Trevor Johnson (2)	Director	12	20	-	**32**	25
David Henderson (3)	Director	12	18	-	**30**	27
Thomas McInnis (4)	Director	12	20	-	**32**	30
L. Anne Galbraith (5)	Director	12	20	-	**32**	29
David Fox	Director	9	21	-	**30**	25
Karen Oldfield	President, Chief Executive Officer	318	-	11	**329**	302
Paul MacIsaac	Senior Vice-President	214	-	7	**221**	209
George Malec	Vice-President, Business Develop. & Operations	211	-	7	**218**	206
Krista Dempsey	Vice-President, Real Estate	156	-	7	**163**	154

In addition, other short-term and post-employment benefits provided during the year was $155 (2010 - $143).

(1) Remuneration includes salary and bonuses
(2) Chair – Human Resources & Compensation Committee
(3) Chair – Security, Environment & Safety Committee
(4) Chair – Gateway Strategy Committee
(5) Chair – Audit Committee

17. Explanation of transition to IFRS

This is the first year that the Authority has presented its financial statements under IFRS. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010, and in the preparation of an opening IFRS statement of financial position as at January 1, 2010, (the Authority's date of transition to IFRS). An explanation of how the transition from Canadian GAAP to IFRS has affected the financial position, equity, financial performance and cash flows is set out in the following tables and the accompanying notes.

December 31, 2011 (expressed in CAD $, 000's)

17. Explanation of transition to IFRS (continued)

First-time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. The Authority has applied the mandatory exemptions, where applicable, and certain optional exemptions. The optional exemptions adopted by the Authority are set out below:

(1) The Authority has elected to recognize all cumulative actuarial gains and losses for its defined benefit plans at the date of transition into retained earnings. In addition, the Authority has elected to use the exemption to not disclose the defined benefit plans surplus or deficit and experience adjustments before the date of transition.

(2) The Authority has elected to not recognize borrowing costs as part of the capital cost for projects prior to the date of transition to IFRS.

Effect on the balance sheet and retained earnings:

		December 31, 2010 (Date of last Canadian GAAP statements)			January 1, 2010 (Date of transition)		
	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
Assets							
Current							
Cash and cash equivalents		$ 892	$ -	**$ 892**	$ 19	$ -	**$ 19**
Receivables		7,103	-	**7,103**	3,546	-	**3,546**
Prepaid expenses		592	-	**592**	530	-	**530**
Derivative financial asset		-	-	**-**	44	-	**44**
		8,587	-	**8,587**	4,139	-	**4,139**
Non-current							
Receivables		3,357	-	**3,357**	1,676	-	**1,676**
Property and equipment		154,205	-	**154,205**	150,019	-	**150,019**
		$166,149	$ -	**$ 166,149**	$155,834	$ -	**$155,834**
Liabilities and Equity of Canada							
Current							
Bank indebtedness		$ 4,618	$ -	**$ 4,618**	$ 5,840	$ -	**$ 5,840**
Payables and accruals	(a)	13,766	(2,059)	**11,707**	8,888	(2,059)	**6,829**
Provisions	(a)	-	2,074	**2,074**	-	2,074	**2,074**
Deferred revenue		1,068	-	**1,068**	1,063	-	**1,063**
		19,452	15	**19,467**	15,791	15	**15,806**
Non-current							
Employee benefit obligation	(b)	516	1,531	**2,047**	843	171	**1,014**
Deferred revenue		4,126	-	**4,126**	2,966	-	**2,966**
		$ 24,094	$ 1,546	**$ 25,640**	$ 19,600	$ 186	**$19,786**
Equity of Canada							
Contributed capital		$ 50,857	$ -	**$ 50,857**	$ 50,857	$ -	**$50,857**
Retained earnings	(a) / (b) / (c)	91,198	(1,546)	**89,652**	85,377	(186)	**85,191**
		142,055	(1,546)	**140,509**	136,234	(186)	**136,048**
		$166,149	$ -	**$ 166,149**	$155,834	$ -	**$155,834**

December 31, 2011 (expressed in CAD $, 000's)

17. Explanation of transition to IFRS (continued)

Effect on the statement of earnings and comprehensive income:

		Year ended December 31, 2010 (Date of last Canadian GAAP statements)		
	Note	**Canadian GAAP**	**Effects of Transition to IFRS**	**IFRS**
Operating revenues				
Port revenue		$ 28,840	$ -	**$ 28,840**
Expenses				
Salary and benefits	(b)	6,376	(45)	**6,331**
Maintenance and repair expenses		871	-	**871**
Professional and consulting fees		565	-	**565**
Other operating and administration expenses		7,028	-	**7,028**
		14,840	(45)	**14,795**
Earnings from operations before other income and expenses		14,000	45	**14,045**
Other income and expenses				
Depreciation		7,159	-	**7,159**
Gross revenue charge		1,145	-	**1,145**
Finance income, net	(d)	(45)	-	**(45)**
Other income	(d)	(80)	-	**(80)**
		8,179	-	**8,179**
Net earnings	(b)	5,821	45	**5,866**
Comprehensive income				
Actuarial loss on defined benefit plans	(b)	-	(1,405)	**(1,405)**
Total comprehensive income		$ 5,821	$ (1,360)	**$ 4,461**

December 31, 2011 (expressed in CAD $, 000's)

17. Explanation of transition to IFRS (continued)

Effect on the statement of cash flows

		Year ended December 31, 2010 (Date of last Canadian GAAP Statements)		
	Note	Canadian GAAP	Effects of Transition to IFRS	IFRS
Operating activities				
Net earnings	(b)	$ 5,821	$ 45	$ 5,866
Fair value change of derivative asset		44	-	44
Depreciation and other adjustments		7,681	-	7,681
Employee benefit obligations	(b)	(327)	(45)	(372)
Net changes in working capital		4,962	-	4,962
Cash flows from operating activities		18,181	-	18,181
Financing activities				
Proceeds from infrastructure grants		4,523	-	4,523
Cash flows from financing activities		4,523	-	4,523
Investing activities				
Purchase of property and equipment		(18,832)	-	(18,832)
Loan receivables		(96)	-	(96)
Non-current receivables		(1,681)	-	(1,681)
Cash flows used for investing activities		(20,609)	-	(20,609)
Net increase in cash and cash equivalents		2,095	-	2,095
Bank indebtedness, beginning of year		(5,821)	-	(5,821)
Bank indebtedness, end of year		$ (3,726)	$ -	$ (3,726)

Notes to the reconciliations

a. *Provisions*

Provisions are defined as obligations of uncertain timing and/or amount. Provisions are required to be separately classified from other liabilities on the balance sheet. Provisions are recognized when the Authority determines it is probable (more likely than not) that an outflow of resources will be required to settle an obligation, which is a lower threshold than under Canadian GAAP. On transition to IFRS, the Authority assessed all existing liabilities of uncertain timing and/or amount and reclassified $2,074 from accounts payable to provisions as at December 31, 2010 and January 1, 2010. In addition, the Authority recorded an adjustment of $15 in accounts payable and retained earnings as at January 1, 2010 related to measurement differences in short-term employee benefits.

17. Explanation of transition to IFRS (continued)

Notes to the reconciliations (continued)

b. *Employee benefit obligation*
Under IFRS, the Authority recognizes actuarial gains and losses for defined benefit post-employment plans in other comprehensive income in the period in which they arise. Under CGAAP, actuarial gains and losses for post-employment defined benefit plans were deferred and were subject to amortization under the 'corridor method', and actuarial gains and losses for other-long term employee benefits were deferred and were amortized over a period that was linked to the type of benefit. At the date of transition, the Authority elected to use the exemption in IFRS 1, and recognized all actuarial gains and losses in the statement of financial position. The effect was an increase of $171 to employee benefit obligations and retained earnings. For the year ended December 31, 2010, the Authority recorded additional expenses of $1,347 and $13 to other comprehensive income and salary and benefits respectively related to its pension benefit plans, and reclassified expenses of $58 previously recorded as salary and benefits to other comprehensive income related to its other benefit plans.

c. *Past service cost for defined benefit plans*
Under IFRS, past service cost arising from benefit improvements is recognized on straight-line basis over the vesting period until the benefits become vested or, if the benefits vest immediately, the expense is recognized immediately in net earnings. Under CGAAP, the Authority amortized past service costs on a straight-line basis over the expected average remaining service period of active employees under the plan, which is a longer period than the vesting period.

d. *Presentation of financial statements*
Under IFRS, certain presentation differences between CGAAP and IFRS were required in regards to the line items in the statement of earnings and comprehensive income that have no impact on reported earnings or equity. Line items affected by IFRS reclassifications include reclassification of lease revenue from port revenue and reclassification of finance income from expenses from investment and other income.