



**INTERIM  
FINANCIAL  
STATEMENTS**

March 31, 2024



Administration de pilotage des Laurentides    Laurentian Pilotage Authority

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Results

In Q1 of 2024, LPA confirmed an upward momentum in Québec's maritime industry, despite the instability observed on world markets. The LPA recorded total revenues of \$115.3 million, compared with \$108.2 million for the same period in 2023. This increase is directly linked to an average 5% increase in the rates of charge, in line with the industry, as well as to the actual traffic composition. Despite sound budgetary control combined with an increase in revenues led to a negative result of \$1.3M for the first quarter, as compared to a negative result of \$410K for the same period in 2023.

## Pilotage Charges

The LPA is mandated to evaluate and set pilotage charges payable by its clients. Such charges must be fair and reasonable while allowing the LPA to remain autonomous while sustaining operations and finance asset replacement.

At the end of 2023, the LPA submitted a pilotage charge review notice for 2024, in accordance with the established methodology. A new charge review schedule was produced in 2021 to ensure that the new rates for the following year can come into effect at the very start of the year, thereby avoiding revenue reporting discrepancies.

## Pilotage Services

Pilotage services for the three districts under the LPA's jurisdiction are provided by non-employee contract pilots. These pilots are represented by two corporations: the Corporation of Mid St. Lawrence Pilots and the Corporation of Lower St. Lawrence Pilots, with which it negotiates separate service contracts.

The *Pilotage Act* does not allow competition. This greatly influences the negotiation dynamic between the LPA and pilot corporations, which hold a monopoly. In the event of a dispute between the parties during negotiations, the Act provides a dispute resolution mechanism that makes it possible for the business relationship to continue without affecting customers' commercial activities.

Each year, the pilotage contracts account for more than 77% of the LPA's total expenses. The outcome of contract negotiations therefore has a crucial impact on the LPA's current and future financial situation and on its capacity to respect the stated aim of the *Pilotage Act* which requires that pilotage authorities set fair and reasonable charges while enabling them to maintain their financial self-sufficiency.

Pilotage services are supported by a pilot boarding service provided by a subcontractor to all ports, with the exception of Les Escoumins. On an annual basis, pilot boarding services provided by pilot boats represents around 11.5% of the LPA's total expenses.

## Marine Traffic

Marine traffic on the St. Lawrence and Saguenay Rivers varies significantly with the seasons. In winter, during the first quarter of the year, traffic is generally at its lowest level. Since the Seaway is closed to navigation during this period, the routes end in the Port of Montreal. Inclement weather and the presence of ice jams sometimes make navigation difficult, to the point of slowing down transits.

In the spring, during the second quarter, traffic gradually resumes its pace. Traffic usually peaks during the fourth quarter in the fall, with the arrival of dozens of international and domestic cruise ships. Before the winter shutdown of the Seaway, bulk carriers leave loaded with cereals, legumes, salt, sugar, ore, aluminum and steel.

Fluctuating marine traffic is an important factor in planning cash inflows to meet the LPA's financial obligations, as are ship size and transit times. Notwithstanding a detailed analysis of the state of the current market and a thorough estimate of generated income, the LPA cannot predict or influence traffic volume in the coming months. Factors that affect traffic volume and over which the LPA has no control include:

- Provincial, federal, North American and global economic conditions
- Weather conditions
- Value of the Canadian dollar on the international market
- Inflation, interest rates, import/export taxes

- Competition with other modes of transportation
- Competition from American ports and other Canadian ports

### Administrative Expenses

On an annual basis, administrative expenses account for approximately 11.5% of the LPA's total expenditure. The largest proportion of these expenses is related to employee salaries and benefits, amortization, and professional and special services.

## Results Analysis

| in thousands \$              | 3 months ended March 31, 2024 | 3 months ended March 31, 2023 | Favorable (unfavorable) change | %              | Explanation  |
|------------------------------|-------------------------------|-------------------------------|--------------------------------|----------------|--|
| <b>Revenues</b>              |                               |                               |                                |                |  |
| Pilotage charges             | 21 867                        | 20 481                        | 1 386                          | 6,8%           | Increase compared with the same period in 2023 mainly due to the 5% increase of rate charge since February 2024 and an slight increase in the number of missions in District 2 for all vessels except bulk carriers. |
| Pilot boat revenue           | 3 895                         | 3 721                         | 174                            | 4,7%           | Increase compared with the same period in 2023 mainly due to the increase in the number of transhipments.  |
| Other revenues               | 83                            | 88                            | (5)                            | -5,7%          |  |
| <b>Total Revenues</b>        | <b>25 845</b>                 | <b>24 290</b>                 | <b>1 555</b>                   | <b>6,4%</b>    |  |
| <b>Operating costs</b>       |                               |                               |                                |                |  |
| Pilot fees                   | 20 177                        | 18 234                        | (1 943)                        | -10,7%         | Mainly due to the increase in revenues and the components of the new District 2 contract finalised in June 2023 not reflected at 31 March 2023.  |
| Pilot boat service           | 3 558                         | 3 452                         | (106)                          | -3,1%          | Mainly due to the increase in the number of transhipments and related to the increase in revenue.  |
| <b>Total operating costs</b> | <b>23 735</b>                 | <b>21 686</b>                 | <b>(2 049)</b>                 | <b>-9,4%</b>   |  |
| <b>Administratives costs</b> | <b>3 375</b>                  | <b>3 014</b>                  | <b>(361)</b>                   | <b>-12,0%</b>  | Mainly due to the increase in depreciation following the major investments in 2023, the increase in salaries and the costs of Pilotage Act administration fees.  |
| <b>Comprehensive loss</b>    | <b>(1 265)</b>                | <b>(410)</b>                  | <b>855</b>                     | <b>-208,5%</b> |  |

## Risk Management

The LPA believes that risk management is a fundamental component of the overall management of a business. In 2021, management carried out a complete risk identification and assessment exercise, accompanied by an expert consultant. Recently, this fiscal year produced a corporate risk management framework to help target, measure and control risks, which are classified into six distinct categories: occupational health and safety risks, environmental risks, operational risks, information technology-related risks, financial risks, and reputational risks. These risks are evaluated according to their probability of occurrence and potential impact and are accompanied by a variety of concrete mitigation measures. Senior management issues regular reports to the Audit Committee regarding the risks to which the LPA is exposed.



Administration de pilotage des Laurentides  
Laurentian Pilotage Authority

## Statement of Management Responsibility by Senior Officials

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

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M. Marc-Yves Bertin  
Chief Executive Officer  
Montréal, Canada  
May 21st, 2024

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M. Pierre-Luc Beauregard, CPA, M. Sc.  
Director, Finance  
Montréal, Canada  
May 21st, 2024



Administration de pilotage des Laurentides Laurentian Pilotage Authority

**STATEMENT OF FINANCIAL POSITION**  
**(unaudited)**  
**In Canadian Dollars**

|   | <b>March 31,</b><br><b>2024</b>  | <b>December 31,</b><br><b>2023</b> |
|---|----------------------------------|------------------------------------|
| <b><u>ASSETS</u></b>                      |                                  |                                    |
| <b>Current</b>                            |                                  |                                    |
| Casha and cash equivalents                | 4,859,142 \$                     | 5,765,926 \$                       |
| Accounts receivable and other receivables | 11,882,172                       | 14,457,201                         |
| Prepaid expenses                          | 481,639                          | 416,477                            |
|   | <hr/> 17,222,953                 | <hr/> 20,639,604                   |
| <b>Non-current</b>                        |                                  |                                    |
| Property and equipment                    | 20,695,379                       | 21,098,365                         |
| Intangible assets                         | 2,051,393                        | 2,045,123                          |
| Right-of-Use Asset                        | 1,140,908                        | 1,180,184                          |
| <b>Total assets</b>                       | <hr/> <b>41,110,633 \$</b> <hr/> | <hr/> <b>44,963,276 \$</b> <hr/>   |
| <b><u>LIABILITIES</u></b>                 |                                  |                                    |
| <b>Current</b>                            |                                  |                                    |
| Accounts payable and accrued liabilities  | 13,693,123 \$                    | 16,255,707 \$                      |
| Lease Obligation                          | 125,792                          | 186,638                            |
|   | <hr/> 13,818,915                 | <hr/> 16,442,345                   |
| <b>Non-current</b>                        |                                  |                                    |
| Employee benefits                         | 457,582                          | 436,346                            |
| Lease Obligation                          | 1,458,341                        | 1,443,588                          |
| <b>Total liabilities</b>                  | <hr/> 15,734,838 \$ <hr/>        | <hr/> 18,322,279 \$ <hr/>          |
| <b><u>EQUITY</u></b>                      |                                  |                                    |
| Retained earnings                         | 25,375,795 \$                    | 26,640,997 \$                      |
|   | <hr/> 25,375,795 \$ <hr/>        | <hr/> 26,640,997 \$ <hr/>          |
| <b>TOTAL LIABILITIES AND EQUITY</b>       | <hr/> <b>41,110,633 \$</b> <hr/> | <hr/> <b>44,963,276 \$</b> <hr/>   |





Administration de pilotage des Laurentides / Laurentian Pilotage Authority

**STATEMENT OF COMPREHENSIVE INCOME**  
**(unaudited)**  
**In Canadian Dollars**

**In Canadian Dollars**

**3 months ended**  
**March 31,**

**2024**                      **2023**

**Revenues**

|                    |                   |                   |
|--------------------|-------------------|-------------------|
| Pilot charges      | 21,867,233 \$     | 20,480,887 \$     |
| Pilot boat revenue | 3,894,839         | 3,720,644         |
| Other revenues     | 83,022            | 87,822            |
|                    | <u>25,845,094</u> | <u>24,289,353</u> |

**Expenses**

|  |                   |                   |
|--|-------------------|-------------------|
| Pilot fees   | 20,176,607        | 18,234,147        |
| Pilot boat service- Outsourced                         | 2,942,739         | 2,899,280         |
| Employee salaries and benefits - others                | 1,823,505         | 1,546,219         |
| Depreciation and amortization                          | 562,156           | 405,786           |
| Employee salaries and benefits - Boarding services     | 424,065           | 396,106           |
| Professional and special services                      | 388,660           | 578,983           |
| Pilot boat and shuttle maintenance and operating costs | 218,772           | 172,826           |
| Pilotage Act administration fees                       | 187,964           | 115,235           |
| Utilities, material and supplies                       | 126,135           | 124,407           |
| Rental fees  | 94,906            | 96,214            |
| Transportation, travel and hospitality                 | 58,776            | 24,389            |
| Other expenses   | 36,846            | 34,533            |
| Maintenance  | 32,294            | 31,759            |
| Communications   | 20,394            | 21,806            |
| Finance charges  | 16,477            | 17,991            |
|  | <u>27,110,296</u> | <u>24,699,681</u> |

**Comprehensive income for the period**

(1,265,202) \$                      (410,328) \$



Administration de pilotage des Laurentides    Laurentian Pilotage Authority

**STATEMENT OF CHANGES IN EQUITY  
(unaudited)  
In Canadian Dollars**

|  | <b>3 months ended<br/>March 31,</b> |                             |
|--|-------------------------------------|-----------------------------|
|  | <b>2024</b>                         | <b>2023</b>                 |
| Retained earnings, beginning of the period         | 26,640,997 \$                       | 26,148,261 \$               |
| Comprehensive income for the period                | (1,265,202) \$                      | (410,328) \$                |
| <b><u>Retained earnings, end of the period</u></b> | <b><u>25,375,795 \$</u></b>         | <b><u>25,737,933 \$</u></b> |



Administration de pilotage des Laurentides Laurentian Pilotage Authority

**STATEMENT OF CASH FLOW**  
(unaudited)  
In Canadian Dollars

|  | <b>3 months ended</b> |                     |
|--|-----------------------|---------------------|
|  | <b>March 31,</b>      |                     |
|  | <b>2024</b>           | <b>2023</b>         |
| <b><u>OPERATING ACTIVITIES</u></b>   |                       |                     |
| Comprehensive income for the period  | (1,265,202) \$        | (410,328) \$        |
| <b>Adjustment to determine net cash flows generated by (used for) operating activities :</b> |                       |                     |
| Depreciation and amortization  | 562,156               | 405,786             |
| Interest on lease obligation   | 14,752                | 16,241              |
| Changes in long-term portion of employee benefits  | 21,236                | 28,297              |
| Loss on asset disposals  | 296                   | -                   |
| Interest Income  | (69,808)              | (77,828)            |
| <b>Net change in working capital items :</b>   |                       |                     |
| Change in accounts receivable and other receivables  | 2,575,029             | 2,841,303           |
| Change in prepaid expenses   | (65,162)              | (148,000)           |
| Change in accounts payable and accrued liabilities   | (2,562,584)           | (2,672,266)         |
| <b>Cash flows from operating activities</b>  | <b>(789,287) \$</b>   | <b>(16,795) \$</b>  |
| <b><u>INVESTING ACTIVITIES</u></b>   |                       |                     |
| Acquisition of property and equipment  | (4,336) \$            | (403,448) \$        |
| Acquisition of intangible assets   | (122,124)             | (43,782)            |
| Interest received  | 69,808                | 77,832              |
| <b>Cash flows from investing activities</b>  | <b>(56,652) \$</b>    | <b>(369,398) \$</b> |
| <b><u>FINANCING ACTIVITIES</u></b>   |                       |                     |
| Repayment of lease obligation  | (46,093) \$           | (44,604) \$         |
| Interest paid on lease obligation  | (14,752)              | (16,241)            |
| <b>Cash flows from financing activities</b>  | <b>(60,845) \$</b>    | <b>(60,845) \$</b>  |
| <b><u>CASH AND CASH EQUIVALENTS</u></b>  |                       |                     |
| Change for the period  | (906,784) \$          | (447,038) \$        |
| Balance, beginning of period   | 5,765,926             | 7,633,495           |
| <b><u>BALANCE, END OF PERIOD</u></b>   | <b>4,859,142 \$</b>   | <b>7,186,457 \$</b> |



Administration de pilotage des Laurentides Laurentian Pilotage Authority

**Quarter ended March 31, 2024**

**Notes to the interim financial statements (unaudited)**

## **1. Authority and Objectives**

The Laurentian Pilotage Authority (the “Authority”) was established in 1972 in Canada under the Pilotage Act. Its mission is to establish, operate, maintain and administer, for the safety of navigation, an efficient and effective pilotage service within certain designated Canadian waters in and around the Province of Québec. The Act provides that the pilotage charges must allow the Authority to operate on a self-sustaining financial basis and be fair and reasonable. In accordance with the Canada Marine Act assented on June 11, 1998 that modified the Pilotage Act, the Authority no longer uses parliamentary appropriations.

The Authority is a Crown corporation listed under Part I of Schedule III to the Financial Administration Act. In July 2015, the Authority received a directive (C.P. 2015-1114) pursuant to section 89 of the Financial Administration Act to harmonize its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations and to report on the implementation of this directive in its next Corporate plan. The Authority has been complying with the instruction since 2016.

The Authority is not an agent of the Crown and is exempt from income tax.

The Pilotage Act regulates the approval process for the establishment and revision of pilotage charges. The Authority may, by resolution, determine the charges applicable for the provision of services involving compulsory pilotage. The Act provides that the pilotage charges must be fair and reasonable and allow the Authority to operate on a self-sustaining financial basis. Thus, the required pilotage charges are intended to create a reasonable financial reserve that allows, among other things, the renewal of its capital assets.

Under the Pilotage Act, the Authority must pay the Minister of Transport the amount specified by the Minister to cover the costs associated with the administration of the Act, including the development of regulations and the enforcement of the act.

## **2. Basis of Preparation**

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The current financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the annual audited financial statements of the Authority for the year ended December 31, 2023

The Authority’s Audit Committee has recommended to the Board of Directors the approval of these interim financial statements for issue on May 21, 2024.

The Authority's cost structure is largely composed of variable costs based on its revenues, which reduces potential unfavorable economic impact in the event of reduced revenues.



Administration de pilotage  
des Laurentides Laurentian  
Pilotage  
Authority

**Quarter ended March 31, 2024**

**Notes to the interim financial statements (unaudited)**

### **3. Material Accounting Policy Information**

The March 31, 2024 interim financial statements of the Laurentian Pilotage Authority have been prepared in accordance with accounting policies outlined in Note 3 of its audited annual financial statements as of December 31, 2023.