



**INTERIM
FINANCIAL
STATEMENTS**

September 30, 2024



Administration de pilotage des Laurentides Laurentian Pilotage Authority

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

In the third quarter of 2024, the Authority recorded total revenues of \$84.9 million, compared with \$82.6 million in 2023, and expenses of \$84.6 million, compared with \$83.5 million in 2023.

The increase in revenues of \$2.3 million or 2.8% is directly linked to an average 5% increase in service charge rates, in line with the industry, as well as to lower traffic levels.

The increase in expenses of \$1.1 million or 1.3% is directly linked to the higher cost of pilot contracts, offset by the fall in traffic.

The Authority ended the 9-month period with a comprehensive income of \$ 365 K, compared with a comprehensive loss of \$ 833 K 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 \$	9 months ended September 30, 2024	9 months ended September 30, 2023	Favorable (unfavorable) change	%	Explanation
Revenues					
Pilotage charges	74,101	71,516	2,585	3.6%	Increase compared with the same period in 2023 mainly due to the 5% increase of rate charge since February 2024 and a decrease in traffic in District 1 and 1.1.
Pilot boat revenue	10,335	10,836	(501)	-4.6%	Decrease compared with the same period in 2023 mainly due to the decrease in the number of transhipments in District 1 and 1.1.
Other revenues	511	284	227	79.9%	Increase related to the rental income of the pilot boat Grands Eaux
Total Revenues	84,947	82,636	2,311	2.8%	
Operating costs					
Pilot fees	65,770	63,676	(2,094)	-3.3%	Mainly due to higher pilot contract rates and lower traffic volumes
Pilot boat service	8,706	10,438	1,732	16.6%	Mainly due to the decrease in the number of transhipments and no pilot boat inspection in 2024
Total operating costs	74,476	74,114	(362)	-0.5%	
Administratives costs	10,106	9,355	(751)	-8.0%	Mainly due to the increase in depreciation following the major investments in 2023 and the costs of Pilotage Act administration fees.
Comprehensive income (loss)	365	(833)	1,198	143.8%	

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.

Mr. Marc-Yves Bertin
Chief Executive Officer
Montreal, Canada
November 27, 2024

Mr. Pierre-Luc Beauregard, CPA
Director, finance
Montreal, Canada
November 27, 2024



Administration de pilotage
des Laurentides Laurentian
Pilotage Authority

STATEMENT OF FINANCIAL POSITION
(unaudited)
In Canadian Dollars

September 30,
2024

December 31,
2023

ASSETS

Current

Cash and cash equivalents	7,129,360 \$	5,765,926 \$
Accounts receivable and other receivables	15,635,975	14,457,201
Prepaid expenses	271,738	416,477
	<u>23,037,073</u>	<u>20,639,604</u>

Non-current

Property and equipment	19,684,733	21,098,365
Intangible assets	1,759,813	2,045,123
Right-of-Use Asset	1,708,612	1,180,184
	<u>19,153,158</u>	<u>14,323,672</u>

Total assets

46,190,231 \$ 44,963,276 \$

LIABILITIES

Current

Accounts payable and accrued liabilities	17,105,700 \$	16,255,707 \$
Lease Obligation	4,113	186,638
	<u>17,109,813</u>	<u>16,442,345</u>

Non-current

Employee benefits	587,468	436,346
Lease Obligation	1,486,714	1,443,588
	<u>2,074,182</u>	<u>1,880,934</u>

Total liabilities

19,183,995 \$ 18,322,279 \$

EQUITY

Retained earnings	27,006,236 \$	26,640,997 \$
	<u>27,006,236 \$</u>	<u>26,640,997 \$</u>

TOTAL LIABILITIES AND EQUITY

46,190,231 \$ 44,963,276 \$



Administration de pilotage des Laurentides
Laurentian Pilotage Authority

STATEMENT OF COMPREHENSIVE INCOME
(unaudited)
In Canadian Dollars

In Canadian Dollars

	3 months ended		9 months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Revenues				
Pilot charges	27,276,095 \$	26,325,711 \$	74,100,738 \$	71,516,285 \$
Pilot boat revenue	3,309,024	3,273,185	10,335,098	10,836,401
Other revenues	260,386	84,455	511,422	283,837
	<u>30,845,505</u>	<u>29,683,351</u>	<u>84,947,258</u>	<u>82,636,523</u>
Expenses				
Pilot fees	24,071,965	23,903,828	65,770,421	63,676,360
Pilot boat service- Outsourced	1,884,739	1,898,667	6,658,033	7,419,740
Employee salaries and benefits - others	1,776,572	1,573,372	5,466,761	4,713,452
Depreciation and amortization	612,022	621,822	2,004,691	1,555,574
Employee salaries and benefits - Boarding services	533,103	479,454	1,463,928	1,385,698
Professional and special services	204,745	329,483	780,373	1,545,671
Pilot boat and shuttle maintenance and operating costs	180,716	1,224,430	584,063	1,632,691
Pilotage Act administration fees	244,014	221,769	675,992	558,774
Utilities, material and supplies	111,853	65,393	360,469	296,987
Rental fees	118,949	94,969	312,285	289,815
Transportation, travel and hospitality	26,843	30,665	152,451	89,163
Other expenses	33,828	24,919	142,741	90,260
Maintenance	38,517	30,546	102,120	95,027
Communications	17,534	24,489	59,260	65,444
Finance charges	15,815	19,125	48,431	54,763
	<u>29,871,215</u>	<u>30,542,931</u>	<u>84,582,019</u>	<u>83,469,419</u>
Comprehensive income (loss) for the period	<u>974,290 \$</u>	<u>(859,580) \$</u>	<u>365,239 \$</u>	<u>(832,896) \$</u>



Administration de pilotage
des Laurentides

Laurentian
Pilotage
Authority

STATEMENT OF CHANGES IN EQUITY
(unaudited)
In Canadian Dollars

	3 months ended September 30,		9 months ended September 30,	
	2024	2023	2024	2023
Retained earnings, beginning of the period	26,031,946 \$	26,174,945 \$	26,640,997 \$	26,148,261 \$
Comprehensive income (loss) for the period	974,290 \$	(859,580) \$	365,239 \$	(832,896) \$
<u>Retained earnings, end of the period</u>	<u>27,006,236 \$</u>	<u>25,315,365 \$</u>	<u>27,006,236 \$</u>	<u>25,315,365 \$</u>



Administration
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STATEMENT OF CASH FLOW
(unaudited)
In Canadian Dollars

	3 months ended September 30,		9 months ended September 30,	
	2024	2023	2024	2023
<u>OPERATING ACTIVITIES</u>				
Comprehensive income (loss) for the period	974,290 \$	(859,580) \$	365,239 \$	(832,896) \$
Adjustment to determine net cash flows generated by (used for) operating activities :				
Depreciation and amortization	612,022	621,822	2,004,691	1,555,574
Interest on lease obligation	14,049	15,768	43,126	48,018
Changes in long-term portion of employee benefits	118,586	2,199	151,122	49,271
Loss on asset disposals	41,084	(4,464)	41,086	(4,806)
Interest Income	(75,545)	(74,377)	(211,900)	(226,958)
Net change in working capital items :				
Change in accounts receivable and other receivables	(2,771,276)	(1,518,585)	(1,178,774)	(750,877)
Change in prepaid expenses	102,732	(15,553)	144,739	1,739,390
Change in accounts payable and accrued liabilities	2,728,152	3,420,603	849,993	709,458
Cash flows from operating activities	1,744,094 \$	1,587,833 \$	2,209,322 \$	2,286,174 \$
<u>INVESTING ACTIVITIES</u>				
Acquisition of property and equipment	-	(155,737) \$	(4,336)	(2,616,849)
Acquisition of intangible assets	(121,699)	(45,801)	(870,927)	(909,611)
Interest received	75,545	74,377	211,900	226,962
Cash flows from investing activities	(46,154) \$	(127,161) \$	(663,363) \$	(3,299,498) \$
<u>FINANCING ACTIVITIES</u>				
Repayment of lease obligation	(46,789) \$	(45,074) \$	(139,399) \$	(134,511) \$
Interest paid on lease obligation	(14,049)	(15,768)	(43,126) \$	(48,018) \$
Cash flows from financing activities	(60,838) \$	(60,842) \$	(182,525) \$	(182,529) \$
<u>CASH AND CASH EQUIVALENTS</u>				
Change for the period	1,637,102 \$	1,399,830 \$	1,363,434 \$	(1,195,853) \$
Balance, beginning of period	5,492,258	5,037,812	5,765,926	7,633,495
<u>BALANCE, END OF PERIOD</u>	7,129,360 \$	6,437,642 \$	7,129,360 \$	6,437,642 \$



Administration
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Quarter ended September 30, 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 November 27, 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 September 30, 2024

Notes to the interim financial statements (unaudited)

3. Material Accounting Policy Information

The September 30, 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.