Hamilton Port Authority

Consolidated Financial Statements
December 31, 2016
(expressed in Canadian dollars)

March 1, 2017

Independent Auditor's Report

To the Board of Directors of
Hamilton Port Authority

We have audited the accompanying consolidated financial statements of Hamilton Port Authority and its subsidiary, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations and comprehensive income, changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hamilton Port Authority and its subsidiary as at December 31, 2016 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton Port Authority
Consolidated Statement of Financial Position
As at December 31, 2016

(expressed in Canadian dollars)

	2016 $	2015 $
Assets		
Current assets		
Cash and cash equivalents	11,878,190	11,692,630
Trade and other receivables (note 5)	1,483,029	2,915,536
Inventory and other current assets (note 6)	251,735	271,249
	13,612,954	14,879,415
Non-current assets		
Property and equipment (note 7)	123,723,213	111,864,209
Straight-line rent receivable	4,391,880	5,006,419
	141,728,047	131,750,043
Liabilities		
Current liabilities		
Trade and other payables (note 8)	6,822,134	5,399,201
Provisions and other liabilities	32,104	47,604
	6,854,238	5,446,805
Non-current liabilities		
Employee benefits (note 9)	4,204,113	4,194,740
Deferred revenue	112,500	120,000
	11,170,851	9,761,545
Equity		
Accumulated other comprehensive loss	(2,160,183)	(2,348,162)
Contributed surplus	18,365,972	18,365,972
Retained earnings	114,351,407	105,970,688
	130,557,196	121,988,498
	141,728,047	131,750,043

Contingencies and commitments (note 12)

Approved by the Board of Directors

_______________ Director _______________ Director

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

Hamilton Port Authority
Consolidated Statement of Operations and Comprehensive Income
For the year ended December 31, 2016

(expressed in Canadian dollars)

	2016 $	2015 $
Revenue from operations		
Port revenue (note 10)	29,631,427	23,212,656
Operating expenses		
Wages and other employee benefit expenses (note 11)	6,738,444	6,405,992
Repairs and maintenance costs	1,411,473	1,308,605
Payments in lieu of taxes	617,328	898,354
Realty taxes	565,880	217,162
Professional and consulting fees	484,818	585,672
Depreciation (note 7)	7,532,754	6,885,810
Federal stipend	1,184,181	801,158
Other operating and administrative expenses	2,400,232	3,189,176
	20,935,110	20,291,929
Earnings from operations before other (income) expenses	8,696,317	2,920,727
Other (income) expenses		
Investment income	(104,926)	(139,970)
Loss on disposal of property and equipment	420,524	244
	315,598	(139,726)
Net income for the year	8,380,719	3,060,453
Other comprehensive income		
Actuarial gain on post-employment benefit obligation (note 9)	(187,979)	(323,214)
Total comprehensive income for the year	8,568,698	3,383,667

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

Hamilton Port Authority

Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

(expressed in Canadian dollars)

	Accumulated other comprehensive loss $	Contributed surplus $	Retained earnings $	Total equity $
Balance - December 31, 2014	(2,671,376)	18,365,972	102,910,235	118,604,831
Net income for the year	-	-	3,060,453	3,060,453
Actuarial gain on post-employment benefit obligation	323,214	-	-	323,214
Balance - December 31, 2015	(2,348,162)	18,365,972	105,970,688	121,988,498
Net income for the year	-	-	8,380,719	8,380,719
Actuarial gain on post-employment benefit obligation	187,979	-	-	187,979
Balance - December 31, 2016	(2,160,183)	18,365,972	114,351,407	130,557,196

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

Hamilton Port Authority

Consolidated Statement of Cash Flows

For the year ended December 31, 2016

(expressed in Canadian dollars)

	2016 $	2015 $
Cash provided by (used in)		
Operating activities		
Net income for the year	8,380,719	3,060,453
Adjustments for		
Depreciation	7,532,754	6,885,810
Employee benefits expense	896,960	966,785
Loss on disposal of property and equipment	420,524	244
Deferred revenue	(7,500)	(7,500)
Changes in non-cash working capital		
Decrease (increase) in trade and other receivables	1,432,507	(1,392,212)
Decrease (increase) in straight-line rent receivable	614,539	(125,150)
Decrease (increase) in inventory and other current assets	19,514	(13,080)
Increase in trade and other payables	1,422,933	870,113
Decrease in provisions and other liabilities	(15,500)	(10,000)
Amounts funded related to employee benefits	(699,608)	(693,028)
	19,997,842	9,542,435
Investing activities		
Purchase of property and equipment (note 7)	(19,919,264)	(9,384,529)
Proceeds on disposal of property and equipment	106,982	-
	(19,812,282)	(9,384,529)
Increase in cash and cash equivalents during the year	185,560	157,906
Cash and cash equivalents - Beginning of year	11,692,630	11,534,724
Cash and cash equivalents - End of year	11,878,190	11,692,630
Cash and cash equivalents - End of year comprise the following		
Cash	1,022,119	421,516
Short-term investments	10,856,071	11,271,114
	11,878,190	11,692,630

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

(expressed in Canadian dollars)

1 Nature of operations

Hamilton Port Authority (the Authority) was established effective May 1, 2001 pursuant to the Canada Marine Act and is a continuation of the former Hamilton Harbour Commissioners. The Authority, managed by a seven-member Board of Directors, operates on a commercial basis and is mandated to be financially self-sufficient. It is engaged to develop the Port of Hamilton's commercial operations including harbour operations, port security, land use planning and maintenance. The Authority also supports the recreational use of the harbour through its marine operations and launch ramp facility.

The Authority is a non-share capital corporation established under an act of federal parliament. The address of its registered office is 605 James Street North, Hamilton, Ontario, Canada.

2 Basis of presentation

The Authority prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as defined in Part I of the Chartered Professional Accountants of Canada Handbook.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the accounts of the Authority and its wholly owned subsidiary, Sea 3 Inc. as of its incorporation on May 29, 2009. Sea 3 Inc. is fully consolidated and all significant intercompany accounts and transactions have been eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and short-term investments that are immediately callable held by major financial institutions. Cash and cash equivalents are classified as current assets and are measured at fair value.

(expressed in Canadian dollars)

Trade receivables

Trade receivables are amounts due from customers in the ordinary course of business where collection is expected in one year or less. Accounts receivable are classified as current assets and are measured at amortized cost.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Inventories include supplies used in the Authority's operations.

Property and equipment

Property and equipment include land, berthing structures, buildings, utilities, equipment, office furniture and equipment and roads and surfaces. Property and equipment are stated at acquisition cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. 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 can be measured reliably. Repairs and maintenance costs are charged to the consolidated statement of operations and comprehensive income during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, commencing in the year the asset becomes operational, to allocate the cost over their useful lives. The major classes of property and equipment are depreciated as follows:

Berthing structures	2 - 10%
Buildings	4 - 10%
Utilities	5 - 10%
Roads and surfaces	5 - 10%
Equipment	5 - 20%
Office furniture and equipment	10 - 33.3%

The Authority allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

The assets' useful lives are reviewed annually and adjusted if appropriate. Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statement of operations and comprehensive income in the period of disposal.

Impairment of non-financial assets

Property and equipment are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest

(expressed in Canadian dollars)

levels for which there are separately identifiable cash flows (cash-generating units). Cash-generating units that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Authority evaluates impairment losses for potential reversals whenever events or circumstances warrant such consideration.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. Trade and other payables are recognized initially at fair value.

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 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 consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation, and are discounted where the effect is material.

Revenue recognition

The Authority recognizes revenue when the amount of revenue can be reliably measured, collection is probable and it is likely that future economic benefits associated with the transaction will flow to the Authority for each of the various revenue streams. Amounts recognized and classified as revenue arise in the course of activities of the Authority including but not limited to leases, vessel and marina activities.

Operating lease revenue is recognized on a straight-line basis over the period of the lease. Rent revenue recognized in excess of rent invoices is classified as straight-line rent receivable on the consolidated statement of financial position.

Deferred revenue

Deferred revenue comprises payments received in advance from customers, which are amortized over the life of the relevant lease.

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time. Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

(expressed in Canadian dollars)

Contributed surplus

The Authority was incorporated without share capital. Assets gifted to (or expropriated from) the Authority by the Government of Canada are treated as increases to (reductions of) contributed surplus, respectively.

Employee benefits

The Authority has three pension plans. For employees hired before July 1, 2011, a defined benefit plan and a supplemental executive retirement plan exist and for employees hired after July 1, 2011, a defined contribution plan is available.

The costs of pension and other retirement benefits earned by employees is actuarially determined using the projected benefits method pro-rated on service and using management's best estimate assumptions reflecting salary escalation, retirement ages of members, expected health-care costs and other actuarial factors. The pension payable to an employee is based on length of service and average earnings. Under the defined contribution plan, employees may contribute certain amounts annually with the Authority subject to regulated limitations.

The liability recognized in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of the plan assets, together with the adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefit will be paid and have terms to maturity approximating the terms of the related pension liability. The liability recognized in the consolidated statement of financial position for the registered pension plan also considers the minimum funding requirements as per the limit required per paragraph 64 of International Accounting Standard (IAS) 19, Employee Benefits.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income without recycling to the consolidated statement of operations and comprehensive income in subsequent periods. Amounts recognized in other comprehensive income are recognized immediately in accumulated other comprehensive income. Current service cost, the recognized element of any past-service cost, and the interest expense arising on the pension liability are included in the same line items in the consolidated statement of operations and comprehensive income as the related compensation cost. Past-service costs are recognized immediately into earnings to the extent the benefits are vested, and otherwise are amortized on a straight-line basis over the average period until the benefits become vested.

The cost of the defined contribution pension plan is charged to wages and other employment benefit expenses as the contributions become payable.

(expressed in Canadian dollars)

Payments in lieu of municipal taxes

Payments in lieu of municipal taxes are based on municipal assessments adjusted in accordance with the Payments in Lieu Act. This amount is included in operating expenses in the consolidated statement of operations and comprehensive income.

Federal stipend

In order to maintain its letters patent in good standing, the Authority is required to annually pay to the Ministry of Transportation a charge on gross revenue, which is calculated as follows:

Gross revenue	Charge
Up to $10,000,000	2%
On the next $10,000,000	4%
On the next $40,000,000	6%
On the next $10,000,000	4%
Over $70,000,000	2%

This amount is included in operating expenses in the consolidated statement of operations and comprehensive income.

Income taxes

The Authority is exempt from income taxes under Section 149(1)(d) of the Income Tax Act (Canada).

Financial instruments

As at December 31, 2016, the Authority's financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. The fair value of trade and other receivables and trade and other payables approximates their carrying value due to their short-term maturity. Cash and cash equivalents and trade and other receivables are classified as loans and receivables and measured at amortized cost. Trade and other payables are classified as other financial liabilities and are measured at amortized cost.

Financial assets and liabilities are recognized when the Authority becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

(expressed in Canadian dollars)

At initial recognition, the Authority classifies its financial instruments in the following categories:

a) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term.

   Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of operations and comprehensive income. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations and comprehensive income within other gains and losses (net) in the period in which they arise. Non-derivative financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond 12 months of the consolidated statement of financial position date, which is classified as long-term.

b) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Authority's loans and receivables comprise cash and cash equivalents, trade and other receivables and restricted cash and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

c) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade and other payables. Trade and other payables are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Trade and other payables are classified as current liabilities if payment is due within 12 months. Otherwise, they are represented as non-current liabilities.

Impairment of financial assets

At each reporting date, the Authority assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine objective evidence of an impairment loss include:

- significant financial difficulty of the obligor;
- delinquencies in interest or principal payments; and
- it becomes probable the borrower will enter bankruptcy or other financial reorganization.

If such evidence exists, the Authority recognizes an impairment loss as follows:

Financial assets carried at cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective

(expressed in Canadian dollars)

interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Newly adopted accounting standard and amendments

IAS 1, Presentation of Financial Statements: During December 2014, the International Accounting Standards Board issued amendments to IAS 1, Presentation of Financial Statements, which clarifies the concept of materiality as it applies to information disclosed in the financial statements. The amendments also provide guidance on the presentation of subtotals, the structure of the notes to the financial statements, and the disclosure of significant accounting policies. The adoption of this standard did not have a material effect on the company's consolidated statement of operations and comprehensive income, financial position or its related disclosures.

Accounting standards and amendments issued but not yet adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2018 or later, with earlier application permitted. The Authority has not yet determined whether it will early adopt them; however, these standards and amendments are not expected to have a material effect on the Authority.

- IFRS 9, Financial Instruments: IFRS 9 was issued in July 2014. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting treatment. Additional disclosures will also be required under the new standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- IFRS 15, Revenue from Contracts with Customers: IFRS 15 is a new standard on revenue recognition, which will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations. The revenue standard will be required to be applied for reporting periods beginning on or after January 1, 2018.

- IFRS 16, Leases: The standard includes the requirement for lessees to recognize assets and liabilities for the rights and obligations created by leases. The standard is effective for reporting periods beginning on or after January 1, 2019.

(expressed in Canadian dollars)

4 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. The actual outcome may differ from these judgments, estimates and assumptions. Estimates and other judgments are continually evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Authority has made in the preparation of the consolidated financial statements.

Provisions and employee benefit obligations

Due to the nature of employee benefit obligations, a considerable part of their determination is based on estimates and/or judgments, including assumptions concerning the future. The actual outcome of these uncertain factors may be materially different from the estimates, causing differences with the estimated obligations. Hence, the differences between actual outcomes and the recorded obligations can impact results over the periods involved. The timing of outflow of resources to settle these obligations is subject to the same uncertain factors. For the sensitivity of employee benefit obligations, refer to note 9. Each sensitivity analysis included in note 9 is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the consolidated statement of financial position.

In the case of the funded plans, the Authority ensures the investment positions are managed within an asset liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension plans. Within this framework, the Authority's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Authority actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Authority has not changed the processes used to manage its risks from previous periods. The Authority does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2016 consists of equities and bonds. The Authority believes equities offer the best returns over the long term with an acceptable level of risk. The plans are not exposed to significant foreign currency risk.

(expressed in Canadian dollars)

5 Trade and other receivables

	2016 $	2015 $
Trade receivables	1,591,181	1,613,539
Less: Allowance for doubtful accounts	(108,152)	(92,246)
Net trade receivables	1,483,029	1,521,293
Other receivable	-	1,394,243
Trade and other receivables - net	1,483,029	2,915,536

Other receivable relates to amounts owing from Environment Canada for costs incurred and reimbursable for the Randle Reef Sediment Remediation Project.

6 Inventory and other current assets

	2016 $	2015 $
Inventory	107,210	118,088
Prepaid expenses	144,525	153,161
	251,735	271,249

7 Property and equipment

	Land $	Buildings $	Docks and services $	Equipment $	Construction-in-progress $	Total $
January 1, 2015						
Cost	44,027,831	62,238,781	79,051,897	9,235,075	2,149,813	196,703,397
Accumulated depreciation	-	(39,691,201)	(42,249,931)	(5,396,531)	-	(87,337,663)
Net book value	44,027,831	22,547,580	36,801,966	3,838,544	2,149,813	109,365,734
Year ended December 31, 2015						
Additions	531,352	3,444,739	2,654,682	1,997,877	755,879	9,384,529
Disposals - cost	-	(569,982)	-	(33,704)	-	(603,686)
Disposals - accumulated depreciation	-	569,982	-	33,460	-	603,442
Depreciation	-	(3,348,600)	(2,639,110)	(898,100)	-	(6,885,810)
	531,352	96,139	15,572	1,099,533	755,879	2,498,475
Closing net book value	44,559,183	22,643,719	36,817,538	4,938,077	2,905,692	111,864,209
January 1, 2016						
Cost	44,559,183	65,113,538	81,706,579	11,199,248	2,905,692	205,484,240
Accumulated depreciation	-	(42,469,819)	(44,889,041)	(6,261,171)	-	(93,620,031)
Net book value	44,559,183	22,643,719	36,817,538	4,938,077	2,905,692	111,864,209

(expressed in Canadian dollars)

	Land $	Buildings $	Docks and services $	Equipment $	Construction-in-progress $	Total $
Year ended December 31, 2016						
Additions	311,229	8,880,939	9,815,669	581,530	329,897	19,919,264
Disposals - cost	-	(2,120,483)	(712,730)	(367,447)	-	(3,200,660)
Disposals - accumulated depreciation	-	2,111,974	335,538	225,642	-	2,673,154
Depreciation	-	(3,696,898)	(2,805,773)	(1,030,083)	-	(7,532,754)
	311,229	5,175,532	6,632,704	(590,358)	329,897	11,859,004
Closing net book value	44,870,412	27,819,251	43,450,242	4,347,719	3,235,589	123,723,213
December 31, 2016						
Cost	44,870,412	71,873,994	90,809,516	11,413,332	3,235,589	222,202,843
Accumulated depreciation	-	(44,054,743)	(47,359,274)	(7,065,613)	-	(98,479,630)
Net book value	44,870,412	27,819,251	43,450,242	4,347,719	3,235,589	123,723,213

The Government of Canada, the Province of Ontario and the City of Hamilton contributed certain property and equipment to the Hamilton Harbour Commissioners prior to the Hamilton Port Authority being established in May 2001. The amount of land and property and equipment was included in land or property and equipment at the transfer amount with the offset included in contributed surplus.

The Authority continues to advance the Randle Reef Sediment Remediation Project (the Project) in partnership with Environment Canada, the Ontario Ministry of the Environment, the City of Hamilton, the City of Burlington and US Steel Canada. In September 2013, an important milestone was reached with the partners announcing that all legal agreements to fund and implement the Project had been executed. A project contractor commenced in 2015 to enable the construction of the contain-and-cap facility. To date, $4 million has been contributed by the Authority and is reflected in construction-in-progress within property and equipment and a further cash commitment of approximately $3 million is expected to occur between 2017 and 2020.

Included within purchases of property and equipment during the fiscal year is approximately $1 million (2015 - $0.1 million) of additions that have not yet been paid for.

8 Trade and other payables

	2016 $	2015 $
Trade payables	2,031,025	1,383,047
Accrued expenses	3,200,630	2,569,345
Security deposits	1,590,479	1,446,809
	6,822,134	5,399,201

(expressed in Canadian dollars)

9 Employee benefits

The Authority has a defined benefit pension plan (pension benefit plan), a supplemental executive retirement plan (SERP), a non-pension post-retirement benefit plan (other benefit plan) and a defined contribution plan. Certain information with respect to these plans is provided below.

The Authority operates defined benefit pension plans in Canada based on employee pensionable earnings and length of service. The pension benefit plan was closed to new members effective June 30, 2011.

The majority of benefit payments are from trustee administered funds; however, there is also an unfunded plan where the Authority meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practice. Responsibility for governance of the plans, overseeing all aspects of the plans, including investment decisions and contribution schedules, lies with the Authority. The Authority has set up a Pension Committee to assist in the management of the plans and has also appointed experienced, independent professional experts, such as investment managers, actuaries, custodians and trustees.

The amounts recognized in the consolidated statement of financial position are as follows:

	Pension benefit plan and SERP	
	2016 $	2015 $
Present value of funded obligations	15,475,752	14,675,885
Fair value of plan assets	13,573,605	12,669,510
Deficit of funded plans	1,902,147	2,006,375
Present value of unfunded obligations	1,923,366	1,823,265
	3,825,513	3,829,640

	Other benefit plan	
	2016 $	2015 $
Present value of funded obligations	-	-
Fair value of plan asset	-	-
Deficit of funded plan	-	-
Present value of unfunded obligations	378,600	365,100
Deficit of the plan	378,600	365,100

(expressed in Canadian dollars)

The movement in the defined benefit obligation is as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
As at January 1	16,499,150	15,901,779	365,100	358,100
Current service cost	703,382	768,883	11,200	10,800
Interest cost on obligations	675,917	653,804	14,800	14,400
Actuarial loss (gain)	129,868	(174,205)	-	-
Benefits paid	(609,199)	(651,111)	(12,500)	(18,200)
As at December 31	17,399,118	16,499,150	378,600	365,100

The movement in the fair value of plan assets is as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
As at January 1	12,669,510	12,015,682	-	-
Interest cost on plan assets	508,339	481,102	-	-
Actual return on plan assets less interest cost	317,847	149,009	-	-
Employer contributions	687,108	674,828	12,500	18,200
Benefits paid	(609,199)	(651,111)	(12,500)	(18,200)
As at December 31	13,573,605	12,669,510	-	-

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

	Pension benefit plan and SERP		Other benefit plan	
	2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
Current service costs	703,382	768,883	11,200	10,800
Interest cost of obligations	675,917	653,804	14,800	14,400
Interest cost on plan assets	(508,339)	(481,102)	-	-
Total included in wages and other employee benefits expense	870,960	941,585	26,000	25,200

(expressed in Canadian dollars)

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

	Pension benefit plan and SERP		Other benefit plan	
	2016 $	2015 $	2016 $	2015 $
Actual return on plan assets less interest cost	317,847	149,009	-	-
Actuarial (loss) gain on benefit obligations	(129,868)	174,205	-	-
Loss from change in demographic assumptions	-	-	-	-
Loss from change in financial assumptions	-	-	-	-
Total	187,979	323,214	-	-

The principal actuarial assumptions are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2016 %	2015 %	2016 %	2015 %
Defined benefit obligation as at December 31				
Discount rate	4.00	4.00	4.00	4.00
Future salary increases	3.75	3.75	n/a	n/a
Benefit costs for years ended December 31				
Discount rate	4.00	4.00	4.00	4.00
Future salary increases	3.75	3.75	n/a	n/a

The sensitivity of the defined benefit obligation to changes in assumptions is set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

Plan assets, the majority of which are funding the Authority's defined pension plans, comprise:

	2016		2015	
	Unquoted $	%	Unquoted $	%
Equity instruments				
Canadian equity funds	3,104,993	23	3,927,548	31
Foreign equity funds	2,422,585	18	3,167,378	25
	5,527,578	41	7,094,926	56

(expressed in Canadian dollars)

	2016		2015	
	Unquoted $	%	Unquoted $	%
Fixed income instruments				
Bond funds	3,538,323	26	2,787,293	22
Long-term bonds	3,561,157	26	2,407,207	19
	7,099,480	52	5,194,500	41
Money market	946,547	7	380,084	3
	13,573,605	100	12,669,510	100

A sensitivity analysis of the Authority's defined benefit pension plans is as follows:

	Impact on pension benefit plan and SERP		Impact on other benefit plan	
	Increase in assumption %	Decrease in assumption %	Increase in assumption %	Decrease in assumption %
0.5% change in discount rate	7.3	8.3	(6.6)	7.4
0.5% change in salary growth rate	7.7	(7.3)	n/a	n/a
0.5% change in life expectancy	(0.9)	1.0	(0.9)	0.9

Expected contributions to pension benefit plans for the year ending December 31, 2017 are $624,100. As at December 31, 2016, the accumulated actuarial losses recognized in accumulated other comprehensive income were $2,160,183 (2015 - $2,348,162).

The Authority's actuary prepares annual valuations of the plans' assets and accrued benefit obligations using January 1 as a measurement date and extrapolated to December 31. The most recent valuations of the pension benefit plan and supplementary plan for funding purposes were conducted as at December 31, 2015. The next valuations of these plans for funding purposes will be as at December 31, 2016.

Through its defined benefit plans, the Authority is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform, a deficit will be created. The plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while contributing volatility and risk in the short term.

As the plans mature, the Authority intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

(expressed in Canadian dollars)

However, the Authority believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Authority's long-term strategy to manage the plans efficiently.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

The majority of the plans' benefit obligations are linked to inflation; higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plans against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The expected maturity analysis of the undiscounted pension plans is presented below:

	Less than a year $	Between 1 - 2 years $	Between 2 - 5 years $	Over 5 years $	Total $
Pension benefit plan and SERP	674,500	652,000	2,020,100	58,735,600	62,082,200
Other benefit plan	16,500	16,100	47,500	770,900	851,000
As at December 31, 2016	691,000	668,100	2,067,600	59,506,500	62,933,200

Employer contributions to the defined contribution plan were as follows:

	2016 $	2015 $
Employer contributions	58,332	44,957

(expressed in Canadian dollars)

10 Port revenue

	2016 $	2015 $
Harbour	2,307,031	2,764,289
Equipment	-	16,800
Piers and property	26,210,088	18,704,730
Straight-line rent revenue	(614,538)	125,150
Marina	1,728,846	1,601,687
	29,631,427	23,212,656

11 Wages and other employee benefit expenses

	2016 $	2015 $
Salaries and wages (including termination benefits)	4,986,403	4,623,980
Employee benefit costs		
Defined contribution plan	58,332	44,957
Defined benefit and SERP plans	870,960	941,585
Other benefit costs	822,749	795,470
	6,738,444	6,405,992

Compensation of key management

The following disclosure is required pursuant to the Authority's management regulations. The total remuneration includes all Board of Directors, members, the Chief Executive Officer and employees exceeding $138,820 per year (2015 - $136,500).

		2016			2015
Name	Title	Salaries $	Taxable benefits $	Total $	Total $
Minich, Edward	Chair	53,525	-	53,525	32,500
Moccio, Matthew	Vice Chair	30,000	-	30,000	29,500
Watts, Kathleen	Director	31,500	-	31,500	14,200
Shaw, Sandra	Director	32,550	-	32,550	20,217
Savage, Robert	Director	27,300	-	27,300	12,800
Keyes, Stan	Director	28,500	-	28,500	1,083
Hawkrigg, Melvin	Director	27,200	-	27,200	30,550
McKinnon, Daniel	Director	-	-	-	14,450
Cimba, James	Director	-	-	-	8,150
Root, Allen	Director	-	-	-	14,450
Wood, Bruce	Chief Executive Officer	391,345	6,760	398,105	387,412
Hamilton, Ian	VP Business Development & Real Estate	245,674	1,656	247,330	237,623
Hart, Robert	CAO & Corporate Secretary	234,348	1,973	236,321	225,971
Knight, Janet	CFO, VP Marina Services	235,125	1,981	237,106	225,970
Fitzgerald, William	VP Operations	204,731	1,742	206,473	198,663
		1,541,798	14,112	1,555,910	1,453,539

(expressed in Canadian dollars)

Termination benefits paid in the year ended December 31, 2016 were $nil (2015 - $5,316).

12 Contingencies and commitments

The Authority has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for.

Operating leases - accounting by lessor

The future minimum lease payments to be received under non-cancellable operating leases are as follows:

	2016 $	2015 $
No later than 1 year	11,820,103	12,129,944
Later than 1 year and not later than 5 years	35,849,408	39,278,969
Later than 5 years	49,964,054	31,839,786
	97,633,565	83,248,699

Operating leases - accounting by lessee

The Authority leases five photocopiers and a postage meter under non-cancellable operating lease agreements. The future minimum lease payments under non-cancellable operating leases for each of the following years are as follows:

	2016 $	2015 $
No later than 1 year	17,148	18,228
Later than 1 year and not later than 5 years	61,144	15,963
	78,292	34,191

The Authority can borrow an amount up to $45,000,000 (2015 - $45,000,000).

13 Financial instruments

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables are recorded at carrying amounts, which approximate fair value.

(expressed in Canadian dollars)

Fair values, including valuation methods and assumptions

The following table summarizes the fair value of financial assets and liabilities as at December 31, 2016 and December 31, 2015:

	2016 $	2015 $
Assets		
Cash and cash equivalents	11,878,190	11,692,630
Trade and other receivables	1,483,029	2,915,536
Liabilities		
Trade and other payables	6,822,134	5,399,201

Market risk

- Foreign exchange risk

  The Authority is not exposed to foreign exchange risk fluctuations.

- Price risk

  The Authority is not exposed to price risk.

- Interest rate risk

  The Authority is not exposed to interest rate risk, as there are currently no significant borrowings drawn by the Authority.

Credit risk

The Authority's exposure to concentration of credit risk is limited. The Authority places its cash and cash equivalents and restricted cash with major Canadian financial institutions of high creditworthiness. Credit risk associated with trade and other receivables is minimized, as the Authority performs credit assessments for new customers, monitors the aging of trade and other receivables and contacts debtors regarding payment history. The maximum exposure to credit risk as at the reporting date is the carrying value of accounts receivable.

(expressed in Canadian dollars)

No financial assets are past due except for trade and current receivables. As at December 31, 2016, trade and other receivables of $969,910 (2015 - $2,406,000) were current, $513,119 (2015 - $509,536) were past due but not impaired and $108,152 (2015 - $92,246) were impaired. The aging analysis of the latter two categories of receivables is as follows:

	2016 $	2015 $
Trade and other receivables		
Current (less than 30 days)	971,183	2,406,000
Past due but not impaired (over 30 days)	511,846	509,536
Impaired	108,152	92,246
Past due but not impaired		
Up to 3 months	457,257	432,985
3 to 6 months	54,589	76,551
Impaired		
3 to 6 months	573	16,746
Over 6 months	107,579	75,500

The following table summarizes the changes in the allowance for doubtful accounts for trade receivables:

	2016 $	2015 $
Allowance for doubtful accounts		
Beginning of year	92,246	51,433
Provision	36,734	70,163
Accounts receivable written off during the year	(20,828)	(29,350)
End of year	108,152	92,246

Liquidity risk

Cash flow forecasting is performed to monitor the Authority's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times.

Surplus cash held by the Authority over and above balances required for working capital management is invested in callable interest bearing short-term deposits with a maturity within 12 months, which are selected with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

As at the reporting date, the Authority held callable short-term deposits of $10,856,071 (2015 - $11,271,114) that are expected to readily generate cash inflows for managing liquidity risk.

The Authority's financial liabilities consist of trade and other payables in the amount of $2,031,025 (2015 - $1,383,047), which have a contractual activity of three months or less.

(expressed in Canadian dollars)

14 Capital management

The Authority manages its capital and credit facility availability to ensure the Authority has adequate financial structure and borrowing capacity to allow for financial flexibility and sufficient liquidity. This may require the Authority to establish new credit facilities. The Authority monitors its generation of cash from operations and available credit as part of its overall assessment.

15 Comparative financial statements

Certain comparative figures have been reclassified to conform to the current year's consolidated financial statement presentation.