Great Lakes Pilotage Authority
Administration de pilotage des Grands Lacs

GREAT LAKES PILOTAGE AUTHORITY

202 Pitt Street, 2nd floor

Cornwall, Ontario K6H 5R9

UNAUDITED FINANCIAL STATEMENTS

Quarterly Results

Six months to June 30, 2011

Statement of Management Responsibility:

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 the operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

Robert Lemire
CEO

Réjean Ménard
Secretary/Treasurer

Cornwall, Ontario
August 31, 2011

Basis of Accounting Presentation

The Authority is classified as a government business enterprise (GBE). As a GBE, the Authority was required to adopt International Financial Reporting Standards (IFRS) effective January 1, 2011. These unaudited financial statements were prepared in accordance with IFRS.

Canada

GREAT LAKES PILOTAGE AUTHORITY

Balance Sheet

(in thousands)

Unaudited

	June 30, 2011	December 31, 2010
ASSETS		
Current		
Cash and cash equivalents	$ -	$ 2,006
Accounts receivable	2,791	2,563
	2,791	4,569
Non Current		
Property and equipment	75	119
Intangible asset	23	-
	$2,889	$ 4,688
LIABILITIES		
Current		
Bank indebtedness and bank overdraft	$ 643	$ -
Accrued salaries and benefits	2,182	4,446
Other accounts and benefits accrued charges	117	334
Employee future benefits	40	41
	2,982	4,821
Non-current		
Employee future benefits	3,432	3,249
	6,414	8,070
EQUITY		
Contributed capital	82	82
Accumulated deficit	(3,607)	(3,464)
	(3,525)	(3,382)
	$ 2,889	$ 4,688

GREAT LAKES PILOTAGE AUTHORITY

Statement of Operations, Comprehensive Income and Accumulated Deficit
(in thousands)

Unaudited

	3 months to June 30, 2011	Year to date June 30, 2011	3 months to June 30, 2010	Year to date June 30, 2010
Revenues				
Pilotage charges	$ 6,864	$ 7,125	$ 5,009	$ 5,025
Dispatching and Pilot boat income	16	16	18	18
Interest and other income	-	1	-	4
	6,880	7,142	5,027	5,047
Expenses				
Pilot's salaries and benefits	4,625	5,017	3,367	3,501
Transportation and travel	632	726	444	479
Operation staff salaries and benefits	298	396	287	357
Pilot boat services	317	333	259	259
Administration staff salaries and benefits	195	406	195	366
Professional and special services	20	37	37	46
Utilities, materials and supplies	64	97	43	67
Pilot laptop and navigation software	41	41	29	29
Rentals	27	50	26	49
Interest and other charges	8	14	24	40
Pilot training costs	2	85	-	77
Communications	11	23	12	23
Purchased dispatching services	19	19	12	12
Amortization	14	27	12	24
Repairs and maintenance	6	14	6	14
	6, 279	7,285	4,753	5,343
Net income (loss) and comprehensive income for the year	$ 601	$ (143)	$ 274	$ (296)
Accumulated deficit at beginning of the year	(4,208)	(3,464)	(6,080)	(5,510)
Accumulated deficit at end of the year	$ (3,607)	$ (3,607)	$ (5,806)	$ (5,806)

GREAT LAKES PILOTAGE AUTHORITY

Statement of Cash Flows
(in thousands)

Unaudited

	3 months to June 30, 2011	Year to date June 30, 2011	3 months to June 30, 2010	Year to date June 30, 2010
Operating activities				
Net income (loss) for the year	$ 601	$ (143)	$ 274	$ (296)
Items not affecting cash:				
Employee future benefits	91	182	80	60
Amortization	14	27	12	24
Changes in non-cash working capital items:				
(Increase) decrease in accounts receivables	(2,495)	(228)	(1,880)	(384)
Increase (decrease) in accrued salaries and benefits	2,017	(2,263)	792	(2,263)
Increase (decrease) in other accounts payable and accrued charges	82	(217)	182	(120)
Cash flows provided by (used in) operating activities	310	(2,642)	(540)	(2,979)
Investing activities				
Disposal of investments	-	1,201	-	-
Acquisition of property and equipment	(1)	(7)	-	-
Cash flows provided by (used in) operating activities	(1)	1,194	-	-
Financing activities				
Proceeds from bank indebtedness	-	-	-	-
Re-payment of bank indebtedness	-	-	-	-
Net cash flows by (used in) providing financing activities	-	-	-	-
Cash and cash equivalents:				
Increase (decrease) during the year	$ 309	$ (1,448)	(540)	$ (2,979)
Balancing beginning of year	(951)	806	(3,313)	(874)
Balancing end of year	$ (642)	$ (642)	$ (3,853)	$ (3,853)
Represented by:				
Cash (bank overdraft)	$ (642)	$ (642)	$ (3,853)	$ (3,853)
Cash equivalents	-	-	-	-

Commentary on unaudited quarterly financial results to June 30, 2011

Traffic

The improved financial results were mainly driven by strong traffic levels in the 2nd quarter. The Authority has exceeded the 2011 budget and 2010 traffic levels for the first six months of 2011.

Traffic Analysis for the 6 months to June 30, 2011 (Pilotage assignments)

District	Actual 2011	Budget 2011	Variance	Actual 2010	Variance
Cornwall District	877	565	+55%	617	+42%
District #1/Lake Ontario	569	296	+92%	407	+40%
District #2/District #3	887	502	+77%	572	+55%
*Port of Churchill	-	-	-	-	-
Total	2,333	1,363	+71%	1,596	+46%

* The Port operates from mid-July to late-October every year.

Note: The Authority operates in the St. Lawrence Seaway which closes in late December due to winter and re-opens in late March of each year. There is no activity from January to late-March.

The Authority serviced ships transiting the St. Lawrence Seaway with the core industrial customers and has in 2011 also served as a critical safety valve by enabling cargoes from other jurisdictions to be quickly and efficiently rerouted during the flooding of the Mississippi, causing grains destined for the Gulf of Mexico to be rerouted through the Great Lakes-Seaway. Ships also carried imported petroleum supplies to the Sarnia/Windsor region over the first few months of 2011 to ease the supply gap caused by scheduled plant maintenance by refineries. Other bulk materials used in construction like stone and salt have shown an increase from 2010 due in large part to the economic recovery experienced in the U.S. and Canadian Great Lakes regions.

Financial Statistics

(000's)	Year to date June 30, 2011	Year to date June 30, 2010	Variance
Revenues	$ 7,142	$ 5,047	$ 2,095
Operating costs	6,657	4,771	1,886
Administration costs	628	572	56
Surplus (deficit)	$ (143)	$ (296)	$ 153
Pilotage assignments	2,333	1,596	737

For the 2nd quarter, the Authority has recorded a net income of $601,000 due to increased traffic from 2010.

On a YTD basis, the Authority has recorded a net loss of $143,000. The Authority did not operate from January to late March as the St. Lawrence Seaway is closed for scheduled maintenance.

2011 Outlook and Strategic Issues

The Authority has endorsed and follows an Enterprise Risk Management (ERM) program. The program has been introduced in 2011 at the Authority's Strategic Planning meetings in June 2011. ERM is being incorporated as part of the Authority's strategy with the intention of establishing a culture of risk awareness and identification throughout the organization.

All areas have been identified in this program including operations, financial and Board functions. The Board of Directors meets 5 times a year and will review the risk and mitigation strategies and will make appropriate amendments as time and situation progresses.

The three major risk areas for the Authority remain its inability to accurately forecast traffic in the long term, and management and pilot succession planning in this changing environment. Mitigation policies are in place to address the effects of these risks although their likelihood remains very high.

Appropriations

The Authority is prohibited from receiving Parliamentary appropriations as per section 36.01 of the Pilotage Act. The Authority has been financially self-sufficient since inception in 1972 and regularly endorses strategy that will ensure this strategic goal remains among the highest priority.