Atlantic Pilotage Authority

Administration de Pilotage de l'Atlantique

Atlantic Pilotage Authority

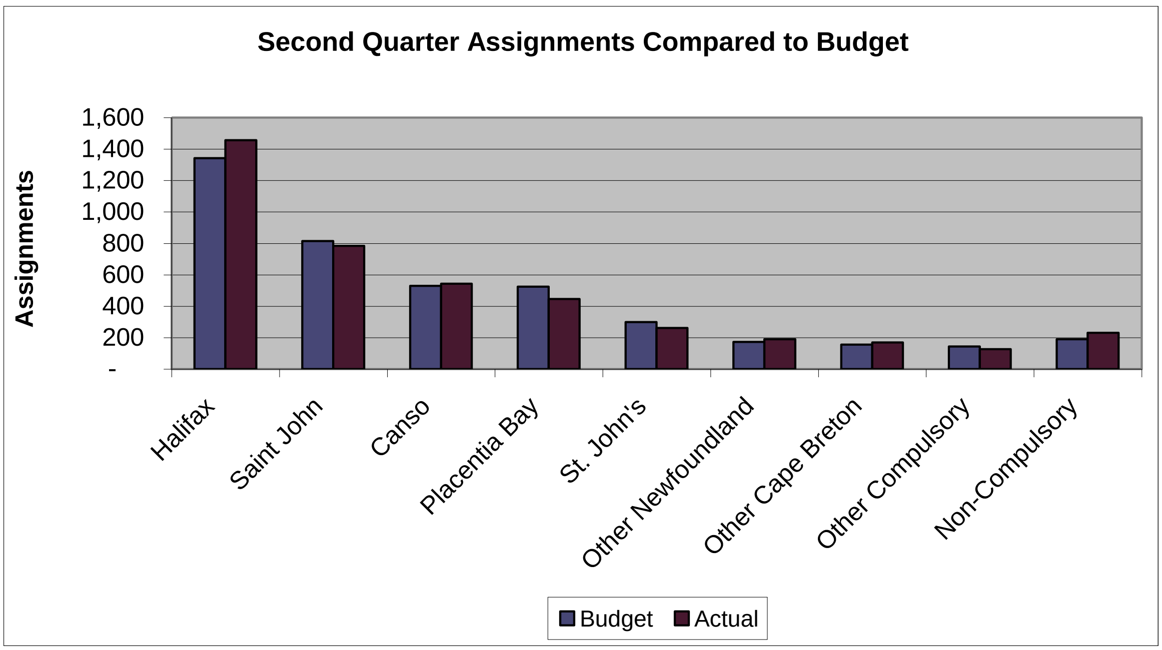
Second Quarter 2011

Management's Discussion and Analysis

August 30, 2011

TRAFFIC REVIEW

Pilotage Area	Actual Traffic through 2nd Qtr 2010	Budget Traffic through 2nd Qtr 2011	Actual Traffic through 2nd Qtr 2011	Variance from 2010	Percentage Variance 2010	Variance from Budget 2011	Percentage Variance from Budget 2011
Halifax	1,502	1,343	1,457	-45	-3%	114	8%
Saint John	825	815	784	-41	-5%	-31	-4%
Canso	513	530	543	30	6%	13	2%
Placentia Bay	402	525	445	43	11%	-80	-15%
St. John's	412	299	261	-151	-37%	-38	-13%
Other Newfoundland	170	173	189	19	11%	16	9%
Other Cape Breton	156	156	169	13	8%	13	8%
Other Compulsory	151	143	126	-25	-17%	-17	-12%
Non-Compulsory	184	189	230	46	25%	41	22%
Total	4,315	4,173	4,204	-111	-3%	31	1%



Overall traffic levels for the Authority are slightly over budget for 2011 through the second quarter. Some areas, such as Halifax, Cape Breton and Western Newfoundland are above budget, while Placentia Bay and St. John's are under budget. The port of Saint John is under budget on assignments, but the average size of vessels has increased from budget allowing revenue to remain on budget.

The traffic level is lower than that experienced in 2010. Last year had temporary traffic increases in Halifax and St. John's that inflated the numbers for those ports. Halifax benefited from foreign navy ships participating in the centenary for the Canadian Navy, while St. John's had a significant increase in offshore supply vessels in 2010. Placentia Bay traffic had rebounded from poor 2010 levels early in the year, but a prolonged maintenance shutdown at the oil refinery has left traffic well below budget. Oil tanker traffic in Canso has been stronger in 2011 than 2010. The four major ports of Halifax, Saint John, Canso, and Placentia Bay accounted for 76.8% of the total assignments for the Authority.

FINANCIAL AND STATISTICAL REVIEW

COMPARATIVE REVIEW FINANCIAL AND STATISTICAL DATA		
For the first six months ended June 30		
	2011	**2010**
FINANCIAL (000'S)		
Total Revenue	$ 10,509	$ 9,888
Operating Expenses		
Salaries, Fees and Benefits	5,999	5,519
Pilot Boats	2,230	1,932
Other	1,553	1,534
Total Operating Expenses	9,782	8,985
Net Gain (Loss)	$ 727	$ 903
STATISTICAL		
Pilotage Assignments	4,204	4,315
Incidents*	3	2
% of incident free assignments	99.93%	99.95%
Customer Complaints Filed	21	25
% of complaint free assignments	99.50%	99.42%
* Compilation of all maritime incident reports with or without damage filed by licensed pilots.		

With the increase in traffic in Halifax, Canso, and Placentia Bay revenues have also increased significantly from 2010. The Authority has also benefited from larger vessels visiting the port of Saint John.

Salaries, fees, and benefits for the first half of 2011 have increased from the same period of 2010 due to additional pilots being on strength and other pilots advancing through the training system and earning higher salaries. Pilot boat costs have increased due to the increase in the cost of fuel, as well as increased usage of fuel due to more assignments in Halifax and Placentia Bay. The increase in traffic has also increased the cost of the contracted pilot boat providers who charge on a per trip basis. Finally, some regular annual repair costs for the pilot boats were incurred earlier in 2011 than in 2010.

Even though the Authority is currently tracking well ahead of expectations for net income, a lengthy shutdown at the oil refinery in Placentia Bay will continue to have a negative impact on the third quarter results. A weaker than expected second quarter has offset the strong results that were realized in the first quarter. The Authority is projecting a year-end result consistent with the Corporate Plan for net income.

The Authority developed a structured methodology for handling complaints several years ago in response to the Ministerial Review of Outstanding Pilotage Issues. The mechanism is designed to be as user friendly as possible, and the goal of the Authority is to ensure that timely feedback is provided to the complainant. The most common reason for a complaint to be submitted was due to a delay in an assignment. In some cases, the delay is caused by factors beyond the control of the Authority, such as weather or delays caused by the non-availability of port services such as tugs.

The Authority received a total of 21 complaints out of a total of 4,204 assignments during the first half of 2011. The remaining 99.5% of assignments were performed without receiving a complaint from the customer. For the first half of 2010, there were 25 complaints received out of 4,315 assignments, with the remaining 99.4% of the assignments performed without complaint. All complaints received are included in the above totals, including those submitted that involved delays not caused by the Authority.

Through the first half of 2011 the Authority has had three minor shipping incidents where contact was made with a pier. There were two minor incidents at this point in 2010.

RISK ANALYSIS

One major financial risk faced by the Authority in 2011 has been mitigated by prior action. The increasing cost of fuel, which had a significant negative impact on the cost of operating pilot boats, has been offset by increases in the fuel charge applied to assignments in Halifax, Saint John, and Placentia Bay. The Authority is now facing pressure from contract pilot boat providers who are facing these increasing costs while being locked into contracted per trip rates with the Authority. The Authority will be facing higher rates from these contractors in the future when contracts are negotiated. This may have a negative effect on costs prior to year end in some cases.

Second Quarter 2011

Interim Unaudited

Condensed Financial Statements and Notes

Management's Responsibility for Financial Reporting

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.

R.A. McGuinness	P. MacArthur, CMA
Chief Executive Officer	Chief Financial Officer

Halifax, Canada
August 30, 2011

ATLANTIC PILOTAGE AUTHORITY

Balance Sheet

As at June 30, 2011

Unaudited

in thousands	June 30, 2011	December 31, 2010	January 1, 2010
Assets			
Current			
Cash	$ 3,341	$ 3,678	$ 771
Accounts receivable, net	2,823	2,649	2,355
Prepaid expenses	151	61	67
	6,315	6,388	3,193
Long-term			
Intangible assets, net	240	213	192
Property and equipment, net	7,003	6,655	7,107
	7,243	6,868	7,299
	$ 13,558	$ 13,256	$ 10,492
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 1,372	$ 1,753	$ 1,119
Current portion of bank loans	245	239	227
Employee severance benefits	-	-	35
	1,617	1,992	1,381
Long-term			
Bank loans	3,466	3,589	3,829
Employee severance benefits	1,395	1,322	1,016
	4,861	4,911	4,845
	6,478	6,903	6,226
Equity of Canada			
Contributed capital	2,305	2,305	2,305
Retained earnings	4,775	4,048	1,961
	7,080	6,353	4,266
	$ 13,558	$ 13,256	$ 10,492

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

ATLANTIC PILOTAGE AUTHORITY
Statement of Income, Comprehensive Income and Retained Earnings

Unaudited

in thousands	Three Months Ended June 30 2011	Three Months Ended June 30 2010	Six Months Ended June 30 2011	Six Months Ended June 30 2010
Revenues				
Pilotage charges (Note 4)	$ 5,352	$ 5,541	$ 10,476	$ 9,795
Investment and other income	21	83	33	93
	5,373	5,624	10,509	9,888
Expenses				
Pilots' fees, salaries and benefits	2,338	2,216	4,602	4,188
Pilot boats, operating costs	1,473	1,386	2,832	2,512
Staff salaries and benefits	438	372	795	751
Amortization	220	224	439	448
Transportation and travel	170	164	311	288
Professional and special services	107	78	221	161
Utilities, materials and supplies	108	62	197	149
Rentals	69	69	137	134
Interest expense	47	50	95	101
Communications	29	33	59	73
Training	90	152	94	180
	5,089	4,806	9,782	8,985
Net income and comprehensive income	284	818	727	903
Retained earnings, beginning of the period	4,491	2,046	4,048	1,961
Retained earnings, end of the period	$ 4,775	$ 2,864	$ 4,775	$ 2,864

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

ATLANTIC PILOTAGE AUTHORITY

Statement of Cash Flows

Unaudited

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Operating Activities				
Cash receipts from customers	**$ 5,388**	$ 4,717	**$ 10,300**	$ 9,418
Cash paid to employees	**(2,851)**	(2,640)	**(5,945)**	(5,389)
Cash paid to suppliers	**(2,885)**	(1,970)	**(3,764)**	(3,129)
Other income received	**21**	81	**33**	93
Employee severance payments	**(18)**	-	**(18)**	(31)
Cash flows provided by operating activities	**(345)**	188	**606**	962
Investing Activities				
Purchases of property and equipment	**(256)**	(196)	**(826)**	(221)
Cash flows used in investing activities	**(256)**	(196)	**(826)**	(221)
Financing Activities				
Repayment of bank loan	**(59)**	(57)	**(117)**	(114)
Cash flows used in financing activities	**(59)**	(57)	**(117)**	(114)
(Decrease) increase in cash	**(660)**	(65)	**(337)**	627
Cash, beginning of the period	**4,001**	1,463	**3,678**	771
Cash, end of the period	**$ 3,341**	$ 1,398	**$ 3,341**	$ 1,398
Supplementary Disclosure				
Interest paid	**$ 47**	$ 50	**$ 95**	$ 101

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

1. BASIS OF PRESENTATION AND ADOPTION OF IFRS

The Atlantic Pilotage Authority is classified as a Government Businesses Enterprise (GBE). As a GBE, the Authority was required to adopt International Financial Reporting Standards (IFRS) effective January 1, 2011. Accordingly, the Authority has commenced reporting on this basis in these financial statements.

In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. These financial statements have been prepared in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and IFRS 1 "First-time Adoption of International Financial Reporting Standards". Subject to certain transition elections disclosed in Note 5, the Authority has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Authority's reported balance sheet, statement income, comprehensive income and retained earnings, and statement of cash flows, including the nature and effects of significant changes in accounting policies from those used in the Authority's financial statements as at January 1, 2010, for the three and six months ended June 30, 2010 and for the year ended December 31, 2010.

In accordance with the Treasury Board of Canada Standard, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Authority's Canadian GAAP annual consolidated financial statements for the year ended December 31, 2010. In management's opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

The Authority has historically experienced greater demand for its services in the second and third quarters of the calendar year and lower demand in the first and fourth quarters. This demand pattern is principally a result of the high number of cruise vessels visiting area during the summer and autumn months. The Authority substantial fixed costs in its cost structure that do not meaningfully fluctuate with pilotage demand in the short term.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are as follows:

(a) Financial instruments

Cash equivalents represent short-term, highly liquid investments that will mature within 90 days of the reporting date. Cash equivalents are designated as held for trading and are recorded at fair value.

The objective of the Authority's long-term investment policy is to maximize the investment rate of return in a government guaranteed bond portfolio. The Authority designates all investments as held for trading. Consequently, investments are recorded at fair value. The fair value is based on the quoted market price of the investments at year end. Purchases and sales of investments are recognized using settlement-date accounting.

Realized gains and losses from the sale of investments are recognized in investment and other income in the period earned. Unrealized gains and losses from fluctuations in fair value are recognized in investment and other income in the period in which they occur. Investment income from interest is recognized in the period earned. Investment income is presented net of investment expenses.

Accounts receivable, classified as loans and receivables, and accounts payable and accrued liabilities, classified as other financial liabilities, are initially measured at fair value and subsequently measured at amortized cost. Due to their short-term nature, the amortised cost of these financial instruments approximates their fair value.

Bank loans are classified as other financial liabilities and are initially measured at fair value. After initial recognition, bank loans are measured at amortized cost using the effective interest method.

The Authority is not party to any derivative financial instruments or hedges.

(b) Intangible assets

The Authority's intangible assets are comprised of purchased and internally developed software. Intangibles are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over the estimated useful lives of the intangible assets. Estimated useful lives and amortization methods are reviewed at the end of each year.

The useful lives used in the calculation of amortization for purchased and internally developed software is 5 to 10 years.

Intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Any impairment is recognized in net income and comprehensive income and is measured as the amount by which the carrying amount exceeds its fair value.

(c) Property and equipment

Property and equipment are recorded at cost. The cost of pilot boats under construction includes design, project management, legal, material, direct labour, and interest on construction loans. Amounts included in pilot boats under construction are transferred to the pilot boat classification upon completion, and are then amortized. Amortization of property and equipment is calculated on a straight-line basis and is based on the estimated useful life of the assets as follows:

Pilot boats	25 years
Pilot boat equipment	10 years
Pilot boat generators	5 years
Pilot boat engines	5 years
Furniture and equipment	4 to 10 years
Leasehold improvements	10 years

(d) Employee severance benefits

Employees are entitled to specified severance benefits as provided for under collective agreements or employment contracts, based on their years of service and final salary. The liability for these payments is estimated and recorded in the accounts as the benefits accrue to the employees.

The costs and the benefit obligation are actuarially determined using the projected unit credit method prorated on service that incorporates management's best estimate of the rate of employee turnover, retirement age, future salary and benefit levels, and other actuarial factors.

Actuarial gains and losses are recognized in the period in which they occur and are included in other comprehensive income.

(e) Pension plan

Substantially all of the employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

(f) Contributed capital

Contributed capital consists of the estimated historical cost of capital assets obtained from Canada when the Authority was established and the capital assets financed from parliamentary appropriations.

(g) Revenue recognition

Revenues from pilotage charges are recognized when pilotage services are provided.

(h) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. The estimated useful lives of equipment, intangibles, and the accrued benefit obligation for employee severance benefits are the most significant estimates subject to measurement uncertainty. Actual results could differ significantly from those estimates.

(i) Capital

The Authority's capital is its equity, which is comprised of contributed capital and retained earnings. Equity is represented by net assets. The Authority's objectives when managing capital are:

- to safeguard the Authority's ability to continue as a going concern by having enough capital in reserve to offset possible operating losses, so that it can continue to provide a safe and efficient pilotage service;
- to build an allowance for the cost of constructing or purchasing new pilot boats; and
- to build an allowance for an unfunded liability pertaining mainly to employee severance benefits.

The Authority conducts its business in a manner intended to maintain capital to meet these three requirements. Adjustments to the capital structure are made based on changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Authority may change its targeted return on pilotage services and tariff structure for a given period, delay possible construction projects, or sell assets to reduce debt. There has been no change to what the Authority defines as capital or its objectives, policies and processes for managing capital from the prior year.

3. <u>CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS</u>

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal year are discussed as follows.

(a) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next year. Management has not made any critical accounting estimates or assumptions in preparation of these financial statements.

Employee severance payments

The Authority engaged a third party actuary to assess the fair value of its employee severance benefits. The Authority assesses this obligation at December 31 each year.

(b) Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

Amortization rates

Refer to Note 2 (b) and 2 (c) for the estimated maximum useful lives of property and equipment and intangible assets.

4. PILOTAGE CHARGES

During 2011, the Authority continued with the pilot boat replacement surcharge for the ports of Halifax, Nova Scotia and Saint John, New Brunswick. The surcharge is used to defray the initial design and construction costs of new pilot boats to be built for each port. This surcharge came into force on July 28, 2008, and is in effect until the end of 2011.

	Three months ended June 30		Six months ended June 30	
	2011	**2010**	**2011**	**2010**
Pilotage charges	**$ 5,264**	$ 5,447	**$ 10,304**	$ 9,621
Pilot boat replacement surcharge				
Halifax ($67 per assignment)	**47**	50	**94**	94
Saint John ($100 per assignment)	**41**	44	**78**	80
Total pilotage charges	**$ 5,352**	$ 5,541	**$ 10,476**	$ 9,795
Balance of funds available from surcharge, beginning of the period	**$ 49**	$ 269	**$ 462**	$ 269
Replacement surcharge for the period	**88**	174	**172**	174
Project costs during the period	**(55)**	(42)	**(552)**	(42)
Balance of funds available from surcharge, end of the period	**$ 82**	$ 401	**$ 82**	$ 401

5. FIRST TIME ADOPTION OF IFRS

The Authority adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. IFRS 1, "First-time adoption of International Financial Reporting Standards", provides guidance for the initial adoption of IFRS. IFRS 1 requires retrospective application of the standards in the transition statement of financial position, with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied.

The Authority has applied the following exemptions to its opening statement of financial position:

Employee future benefits (IAS 19)

The Authority has elected to apply the IFRS 1 exemption related to certain disclosures of employee future benefits. This exemption allows the authority to disclose the history of its defined benefit obligations and experience adjustments from the date of transition to IFRS rather than for a five year history as required by IAS 19.

Borrowing costs (IAS 23)

In accordance with IFRS 1, the Authority has elected to prospectively apply IAS 23 effective January 1, 2010. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets will be capitalized as part of the initial cost of that asset.

IFRS 1 also outlines specific guidelines that must be adhered to by a first-time adopter under certain circumstances. The Authority has applied the following guidelines to its opening statement of financial position dated January 1, 2010:

Derecognition requirements of IAS 39

In accordance with IFRS, the Authority has applied the derecognition requirements of IAS 39 on a prospective basis from the date of transition.

Estimates

IFRS 1 requires that an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the entity's previous GAAP, unless there is objective evidence that those estimates were in error. The Authority's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

IFRS employs a conceptual framework that is similar to Canadian GAAP; however, significant differences exist in certain areas of recognition, measurement and disclosure. While the adoption of IFRS has not changed the actual cash flows of the Authority, the adoption has resulted in changes to the Authority's reported financial position and results of operations. In order to allow financial statement users to better understand these changes, the Authority's Canadian GAAP opening statement of financial position at January 1, 2010, the statement of income and comprehensive income for the three and six months ended June 30, 2010, and the statements of income and comprehensive income, financial position and cash flows for the year ended December 31, 2010 have been reconciled to IFRS.

The January 1, 2010 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

	January 1, 2010		
in thousands	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current			
Cash	**$ 771**	**$ -**	$ 771
Accounts receivable, net	**2,355**	**-**	2,355
Prepaid expenses	**67**	**-**	67
	3,193	**-**	3,193
Long-term			
Intangible assets, net	**192**	**-**	192
Property and equipment, net	**7,891**	**(784)**	7,107
	8,083	**(784)**	7,299
	$ 11,276	**$ (784)**	$ 10,492
Liabilities			
Current			
Accounts payable and accrued liabilities	**$ 1,119**	**$ -**	$ 1,119
Current portion of bank loans	**227**	**-**	227
Employee severance benefits	**35**	**-**	35
	1,381	**-**	1,381
Long-term			
Bank loans	**3,829**	**-**	3,829
Employee severance benefits	**1,225**	**(209)**	1,016
	5,054	**(209)**	4,845
	6,435	**(209)**	6,226
Equity of Canada			
Contributed capital	**2,305**	**-**	2,305
Retained earnings	**2,536**	**(575)**	1,961
	4,841	**(575)**	4,266
	$ 11,276	**$ (784)**	$ 10,492

The Authority's Canadian GAAP statement of income, comprehensive income and retained earnings for the three months and six months ended June 30, 2010 has been reconciled to IFRS as follows:

	Three months ended June 30, 2010			Six months ended June 30, 2010		
in thousands	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenues						
Pilotage charges	$ 5,541	$ -	$ 5,541	$ 9,795	$ -	$ 9,795
Investment and other income	83	-	83	93	-	93
	5,624	-	5,624	9,888	-	9,888
Expenses						
Pilots' fees, salaries and benefits	2,216	-	2,216	4,188	-	4,188
Pilot boats, operating costs	1,411	(25)	1,386	2,534	(22)	2,512
Staff salaries and benefits	372	-	372	751	-	751
Transportation and travel	164	-	164	288	-	288
Amortization	156	68	224	312	136	448
Professional and special services	78	-	78	161	-	161
Utilities, materials and supplies	62	-	62	149	-	149
Rentals	69	-	69	134	-	134
Training	152	-	152	180	-	180
Interest expense	50	-	50	101	-	101
Communications	33	-	33	73	-	73
	4,763	43	4,806	8,871	114	8,985
Net income and comprehensive income	861	(43)	818	1,017	(114)	903
Retained earnings, beginning of the period	2,692	(646)	2,046	2,536	(575)	1,961
Retained earnings, end of the period	$ 3,553	$ (689)	$ 2,864	$ 3,553	$ (689)	$ 2,864

The Authority's Canadian GAAP statement of income, comprehensive income and retained earnings for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	December 31, 2010		
in thousands	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenues			
Pilotage charges	$ 21,435	$ -	$ 21,435
Investment and other income	149	-	149
	21,584	-	21,584
Expenses			
Pilots' fees, salaries and benefits	9,298	32	9,330
Pilot boats, operating costs	5,512	(33)	5,479
Staff salaries and benefits	1,503	2	1,505
Transportation and travel	642	-	642
Amortization	593	288	881
Professional and special services	449	-	449
Utilities, materials and supplies	383	-	383
Rentals	266	-	266
Training	237	-	237
Interest expense	199	-	199
Communications	126	-	126
	19,208	289	19,497
Net income and comprehensive income	2,376	(289)	2,087
Retained earnings, beginning of the year	2,536	(575)	1,961
Retained earnings, end of the year	$ 4,912	$ (864)	$ 4,048

The Authority's Canadian GAAP balance sheet at December 31, 2010 has been reconciled to IFRS as follows:

in thousands	December 31, 2010 Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current			
Cash	$ 3,678	$ -	$ 3,678
Accounts receivable, net	2,649	-	2,649
Prepaid expenses	61	-	61
	6,388	-	6,388
Long-term			
Intangible assets, net	213	-	213
Property and equipment, net	7,693	(1,038)	6,655
	7,906	(1,038)	6,868
	$ 14,294	$ (1,038)	$ 13,256
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 1,753	$ -	$ 1,753
Current portion of bank loans	239	-	239
	1,992	-	1,992
Long-term			
Bank loans	3,589	-	3,589
Employee severance benefits	1,496	(174)	1,322
	5,085	(174)	4,911
	7,077	(174)	6,903
Equity of Canada			
Contributed capital	2,305	-	2,305
Retained earnings	4,912	(864)	4,048
	7,217	(864)	6,353
	$ 14,294	$ (1,038)	$ 13,256

The Authority's Canadian GAAP statement of cash flows for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	December 31, 2010		
in thousands	Canadian GAAP	Effect of transition to IFRS	IFRS
Operating Activities			
Cash receipts from customers	$ 21,141	$ -	$ 21,141
Cash paid to employees	(11,671)	-	(11,671)
Cash paid to suppliers	(5,994)	-	(5,994)
Other income received	149	-	149
Employee severance payments	(35)	-	(35)
Cash flows provided by operating activities	3,590	-	3,590
Investing Activities			
Proceeds from sale of other assets	-	-	-
Purchases of property and equipment	(455)	-	(455)
Cash flows used in investing activities	(455)	-	(455)
Financing Activities			
Repayment of bank loan	(228)	-	(228)
Cash flows used in financing activities	(228)	-	(228)
Increase in cash	2,907	-	2,907
Cash, beginning of the year	771	-	771
Cash, end of the year	$ 3,678	$ -	$ 3,678