PORTS TORONTO

2023 ANNUAL REPORT

PORTS TORONTO

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The Toronto Port Authority, doing business as PortsToronto since January 2015, is a government business enterprise operating pursuant to the *Canada Marine Act* and Letters Patent issued by the federal Minister of Transport. The Toronto Port Authority is hereafter referred to as PortsToronto.

Canada

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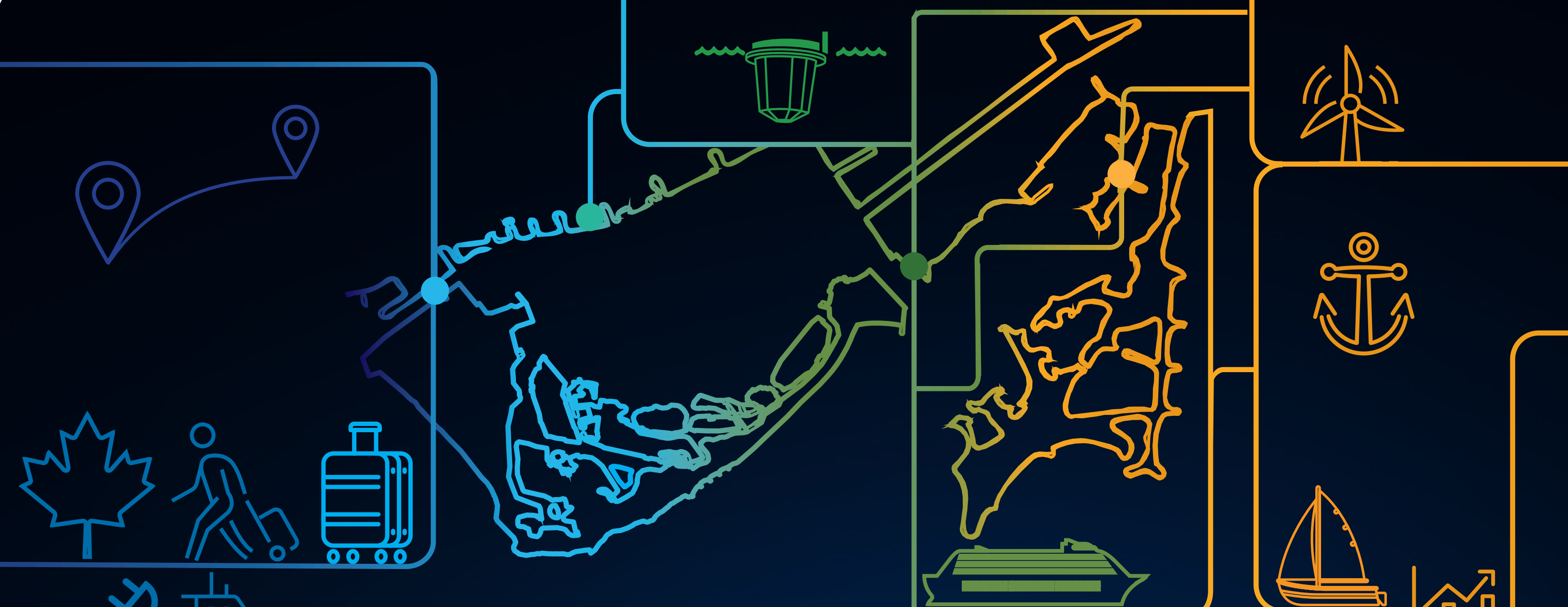

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Maanjidowin: The Gathering
Location: Billy Bishop Toronto City Airport

LAND ACKNOWLEDGEMENT

PortsToronto operates under its mandate on the traditional territory of many nations, including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee and the Wendat peoples, and is now home to many diverse First Nations, Inuit and Métis peoples. PortsToronto respects that the Crown and the Mississaugas of the Credit signed Treaty 13, which covers the lands of the City of Toronto. Today, Toronto is still home to many indigenous people. We are grateful to have the opportunity to operate PortsToronto on their territory.

Port of Toronto

MESSAGE FROM THE CHAIR

Welcome to PortsToronto's 2023 Annual Report. I am proud to be writing this message as the newly elected Chair of the Board of Directors, having succeeded Amanda Walton who retired from the Board after nine years of distinguished service.

I appreciate this organization as an essential component of the local, regional and national transportation network. I trust I can bring a focus on investment, innovation and community partnership to my leadership of the Board. I hope my history as Ontario's Minister of Economic Development and Trade will be an advantage for me as Chair.

In my role as Minister of Economic Development and Trade, I had the privilege of working with companies within Canada and internationally to help build the regional economy and invest in initiatives that would create jobs, drive revenue, and ensure future opportunities for the province and the country. It is through this lens of growth, progress and innovation that I plan to support and guide PortsToronto to ensure that its businesses – specifically Billy Bishop Toronto City Airport, the Port of Toronto and Outer Harbour Marina – continue to drive the economy and make investments in infrastructure, community and sustainability.

PortsToronto is establishing foundational elements for future growth. A significant component of this goal was completed in 2023 with a Vision and Values initiative for the organization. This involved the Board, senior leadership and employees from all areas of the company. Agreeing on a vision entitled *"Transportation Reimagined,"* our team established values that would guide and motivate our individual and organizational performance. These values establish that PortsToronto puts *People First*; is *Sustainable*; is *Collaborative*; works with *Integrity*; and, holds *Safety* and *Security* as paramount.

PortsToronto also undertook a comprehensive strategic plan in 2023 to ensure that we had a clear direction for achieving our business goals. These goals were based on business priorities that will grow our businesses, work collaboratively with stakeholders and members of our community, and continue to enhance and optimize our operations.

For more than 100 years, PortsToronto has had a presence on Toronto's waterfront, owning and operating businesses from the marine Port in the eastern harbour, to Billy Bishop Toronto City Airport to the west, and other properties in between.
The diversification of PortsToronto has made the organization unique among its counterparts in the aviation and marine industries.

Whether it is passengers travelling through Billy Bishop Toronto City Airport, the cruise ship terminal in the port lands welcoming vacationers, boaters cruising through the harbour from the Outer Harbour Marina, or sugar, salt and aggregate coming through the port, PortsToronto is a strong engine that supports and invigorates the City of Toronto and surrounding region.

I would like to commend the talented and dedicated PortsToronto management team and employees for their commitment to this organization and congratulate everyone on a successful 2023. I would also like to thank our stakeholders and community partners, as well as our government partners, especially Transport Canada and the City of Toronto.

I am honoured to chair a talented Board and work with our PortsToronto team to support and serve the City of Toronto and the role it plays in the Province of Ontario, and Canada.

Sandra Pupatello
Chair
PortsToronto

Announcing US CBP Preclearance at Billy Bishop Toronto City Airport, June 2023

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Welcome to PortsToronto's Annual Report, a reflection upon the milestones and achievements that have defined 2023 for PortsToronto. In the pages that follow, we have detailed PortsToronto's 2023 operational performance, audited financial information, and provided an overview of key areas of growth and progress that we experienced in operating Billy Bishop Toronto City Airport, the marine Port of Toronto, and the Outer Harbour Marina. We also report on our fourth business unit – Property and Other –, which includes real estate holdings and investments.

In 2023, PortsToronto embarked on a strategic planning process that will shape the future of our organization and our role in Toronto's transportation ecosystem. Our vision, *Transportation Reimagined*, calls for transformative change, reflective of PortsToronto's determination to lead the future of transportation and deliver solutions for connectivity, economic opportunity and quality of life in Toronto. I am immensely proud of the outcome of this initiative, and want to thank our Board of Directors, Senior Leadership and employees for contributions great and small, as we challenged ourselves to look to the future and set our vision for what this organization will achieve.

This strategic planning included operational metrics and milestones and was informed by the performance of 2023. With the year now complete and the audit closed, we are pleased to report that the year was successful by all measures. PortsToronto reported operating revenue of $76.4 million in 2023, an increase of $11 million over 2022. PortsToronto had a net income from operations in 2023 of 37.2 million, versus 30.4 million in 2022, an improvement of 22.4 per cent year-over-year.

Billy Bishop Toronto City Airport had a strong 2023, with operating income recorded at $30 million, up from $24 million in 2022 and higher than $22.1 million recorded in 2019. Total passengers reached two million, up from 1.7 million in 2022, an increase of 17.6%.

The Port of Toronto also had a successful year reporting operating income from all sources of approximately $4 million in 2023, down from $6.2 million recorded in 2022. This decrease is mainly due in part to a drop in Port rental revenues and in part to a reduction in steel imports compared with 2022. It is also a reflection of the brief labour strike that took place in 2023 that disrupted shipping for a time.

Moving from large marine vessels to those a bit smaller, the Outer Harbour Marina continued to experience strong results in 2023. The Outer Harbour Marina's operating income was $3.1 million in 2023 on revenues of $6.7 million.

Our fourth business unit, Property and Other, including investments, reported operating income of $7.4 million in 2023, up from $4.0 million the year prior. Property and Other includes the rental of various properties along the waterfront as well as investment income earned on PortsToronto's cash reserves, which increased in 2023 versus 2022, due to higher interest rates.

Billy Bishop Toronto City Airport Project T-Dot

Importantly, PortsToronto's financial success represents an investment back into the community and city in which we operate. As such, these strong revenues across all of our business units resulted in substantive payments to various levels of governments including $1.2 million in Payments in Lieu of Taxes (PILTs) to the City of Toronto, as well as $2.3 million in property taxes. The amounts accrued and paid to the federal government and to the City of Toronto together totalled $7.0 million for 2023, and $6.6 million for 2022, representing 9.2% and 10.1% of PortsToronto's Operating Revenue in fiscal years 2023 and 2022, respectively.

Investment in our community and environment are made possible by our strong financial results. This includes support of organizations and not-for-profits along the waterfront and beyond including Waterfront Neighbourhood Community Centre, Toronto Waterfront Festival, The Bentway and Daily Bread Food Bank.

To further amplify our positive impact on the planet and society, we also formalized our Environment, Social and Governance (ESG) strategy in 2023, defining a roadmap for us to serve our stakeholders in the ways deemed most important by them. To support this effort, we will be releasing a comprehensive and re-organized ESG Report this year that follows standardized, world-class frameworks for reporting on ESG performance.

Looking to the year ahead, PortsToronto will continue to work with our community, partners and stakeholders to support our economy and community within a sustainable development framework.

PortsToronto also has many key priorities to support our vision of Transportation Reimagined including ensuring a strong future for Billy Bishop Toronto City Airport by concluding a successful renewal of the Tripartite Agreement which governs the continuing operations of the airport.

The renewed Agreement includes commencing work on Runway End Safety Areas (RESA) for the airport, completing an update on the airport Master Plan, completing the Land Use Plan for the Port and continuing important infrastructure repair and restoration on assets such as owned dock walls and the Ship Channel Bridge.

In addition, we will continue our important sustainability journey, which has featured such important innovations as the conversion of the Marilyn Bell ferry to 100 per cent electric, the Trash Trapping Program and the effort to make Billy Bishop Toronto City Airport cleaner, greener and quieter. We are also looking forward to celebrating Billy Bishop Toronto City Airport's 85th anniversary in 2024, underscoring this airport's long and rich history on the Toronto waterfront.

I would like to close this message by thanking PortsToronto's employees, who are integral to the continued success of our organization. I would also like to recognize our Board of Directors who have provided counsel and guidance to ensure our organization is well positioned to continue to make a positive impact on the City of Toronto.

In particular, I would like to welcome our new Board Chair, Ms. Sandra Pupatello, who will lead our Board at a time of renewal and opportunity for this organization as we continue to serve our city, and work with our partners to enhance economic development opportunities for the Toronto region and beyond.

The Fabric of Our Being
– Nadine Williams Pen Foundation

Ms. Pupatello succeeds Amanda Walton, who was first appointed by the City of Toronto as a Director of the Board in 2015 and became Chair of the Board in April 2021. Ms. Walton's term expired in April 2024 in accordance with the Canada Marine Act. Ms. Walton, together with the Board of Directors, has provided leadership on a number of critical infrastructure developments, community and sustainability projects.

I would also like to acknowledge our stakeholders and business partners including City of Toronto staff and elected officials; the team at Transport Canada; airport partners such as Porter Airlines, Air Canada, Nieuport and Stolport; city builders such as Waterfront Toronto, Toronto and Region Conservation Authority (TRCA), CreateTO, and WBIA. And I also want to thank our First Nation partners Mississaugas of the Credit First Nation for their involvement in our organization.

There are many reasons to be enthusiastic about the year ahead, and I look forward to continuing PortsToronto's journey toward our vision of *Transportation Reimagined.*

RJ Steenstra
President and CEO
PortsToronto

GOVERNANCE

GOVERNANCE

Preceded by the Toronto Harbour Commissioners (THC), the Toronto Port Authority – now PortsToronto – was established in 1999 to operate the port, marina, airport and land holdings under its mandate, as part of the federal government's strategy to modernize the administration of ports.

Established under the Canada Marine Act, PortsToronto is a government business enterprise that is mandated to be financially self-sufficient. PortsToronto operates in accordance with the Canada Marine Act and Letters Patent issued by the federal Minister of Transport, in addition to a series of specific policies and procedures.

The Letters Patent include requirements related to PortsToronto's board of directors and outlines the activities that can be undertaken by the organization.

PortsToronto is accountable to the federal government through Transport Canada and guided by a board of directors composed of individuals appointed by all levels of government – federal, provincial and municipal. The federal Minister of Transport appoints six members to the PortsToronto board, and the City of Toronto and the Province of Ontario have a direct governance relationship with our organization via their respective appointees to the board of directors.

The PortsToronto board, which met 12 times in 2023, is comprised of directors with decades of executive-level experience in several fields. They bring to the table expertise in subjects including, but not limited to, transportation, logistics, public policy, investment portfolio management, business law, communications and community relations.

BOARD

The federal Minister of Transport appoints six members to the PortsToronto board. The City of Toronto and the Province of Ontario via their respective appointees to the board of directors have a direct governance relationship with PortsToronto.

BOARD OF DIRECTORS

Amanda Walton
City of Toronto appointee and Chair of the Board of Directors (Retired in March 2024)

Darin E. Deschamps
Federal Appointee

Hellen Siwanowicz
Federal Appointee

Sandra Pupatello
Federal Appointee (Assumed role of Board Chair in April 2024)

Thomas Ruth
Federal Appointee

Jane McKenna
Provincial Appointee

Robin Pilkey
City of Toronto Appointee (Assumed role in April 2024)

SENIOR MANAGEMENT

RJ Steenstra
President and Chief Executive Officer

Alan J. Paul,
Senior Vice President and Chief Financial Officer

Will Ramjass,
Senior Vice President and General Counsel

Warren Askew,
Vice President, Airport

Deborah Wilson,
Vice President of Communications and Public Affairs

Bojan Drakul,
Vice President of Infrastructure, Planning and Environment

Sylvain Thériault,
Corporate Fire Chief

Kelly McDonald,
Senior Director, Human Resources

PORTSTORONTO

For more than 100 years, PortsToronto has played an essential role in building the waterfront and shaping Toronto into the vibrant city it is today. PortsToronto has added value to the waterfront as a city builder, an innovator, a connector, a protector, a collaborator and an economic driver.

Addressing the challenges and opportunities of the waterfront remains our guiding principle, as we operate Billy Bishop Toronto City Airport, the marine Port of Toronto, the Outer Harbour Marina, and manage our real estate and property holdings on Toronto's waterfront. Formalized in 2023 under the vision statement "Transportation Reimagined', our purpose reflects a multifaceted commitment to the communities in which we live and work.

Our vision calls for transformative change, reflective of our determination to support and enhance the economy, protect the environment and preserve a high quality of life across our region.

OUR VISION
Transportation Reimagined.

OUR VALUES
- People First
- Collaborative
- Sustainable
- Safety and Security
- Integrity

OUR PURPOSE

Deliver bold solutions for connectivity, economic opportunity and quality of life.

Bold Solutions highlights PortsToronto's determination to go beyond conventional approaches and demonstrates a willingness to innovate and address complex challenges directly.

Connectivity underscores our role as a critical link between Canada's largest city, our waterfront, and the broader transportation network in which PortsToronto has always played a major part.

Economic Opportunity reflects PortsToronto's dedication to driving local, regional, and national prosperity.

Quality of Life speaks to our holistic approach to PortsToronto's impact on the city.

OUR BUSINESSES

BILLY BISHOP TORONTO CITY AIRPORT

With 85 years on Toronto's waterfront, Billy Bishop Toronto City Airport is an important international gateway and a key driver of Toronto's economy, generating more than $2.1 billion in total economic output and supporting 4,450 jobs, including 2,080 directly associated with the airport's operations. It connects leisure and business travellers directly to Toronto's downtown core, just steps from the financial district and urban attractions, and is accessible by foot, bike and public transport.

Billy Bishop Toronto City Airport facilitates healthcare for Ontarians by providing a base for medevac services connected to local hospitals. The airport is also home to two Fixed Base Operators, FlyGTA and Heli Tours, as well as a general aviation community that includes approximately 50 private planes and two flight schools.

PORT OF TORONTO

The Port of Toronto is a powerful economic engine, driving investment, tourism and trade, and is a key piece of infrastructure within the transportation ecosystem servicing the Greater Toronto Area (GTA), generating over $460 million in economic activity in Ontario and unlocking sustainable marine connectivity into the heart of Canada's largest city.

More than two million metric tonnes of cargo transit through the Port of Toronto each year, providing sugar for our coffee, salt for our roads and raw materials needed for Toronto's booming construction industry, including cement, aggregate and steel.

The Port of Toronto is also a gateway for cruise travel and a hub for film and television production that blends seamlessly into Toronto's iconic waterfront.

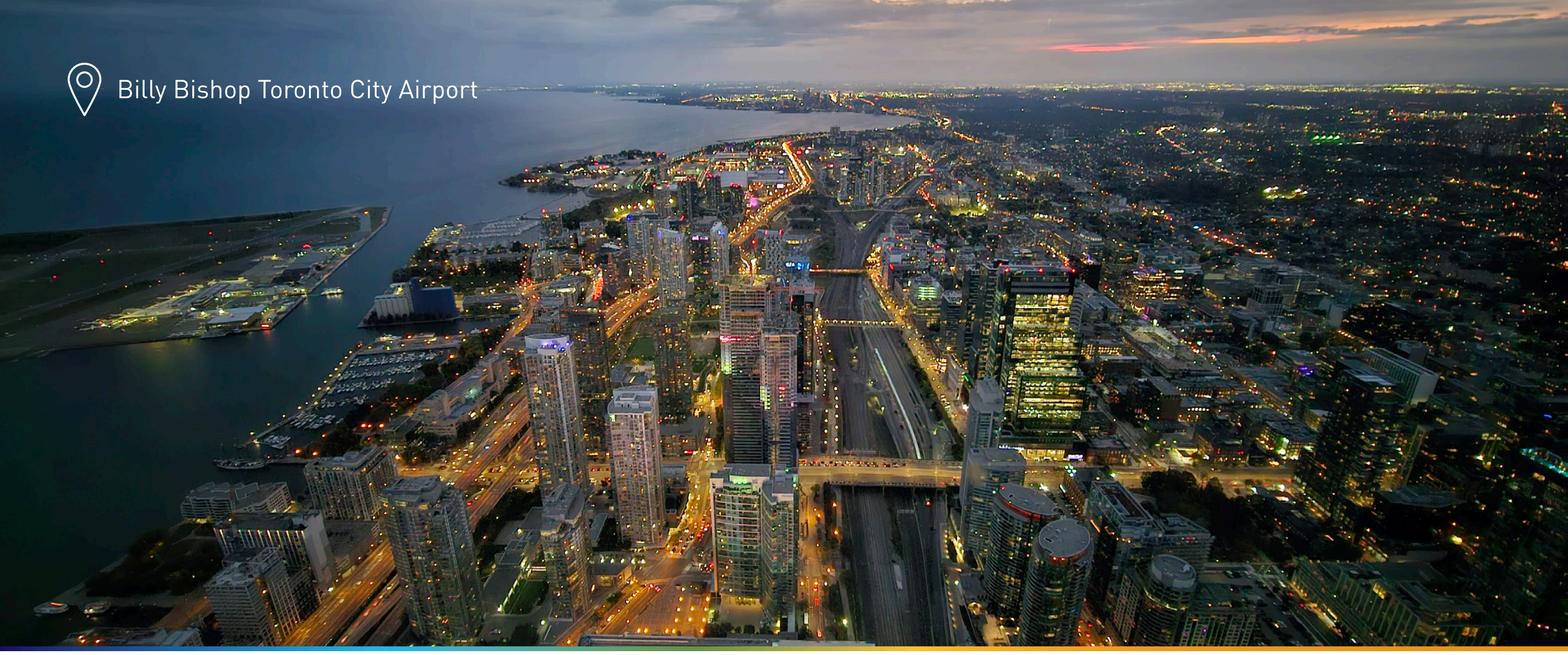
OUTER HARBOUR MARINA

Just outside the Toronto Harbour and a short walk from Tommy Thompson Park and nature preserve, the Outer Harbour Marina (OHM) offers a unique escape from city life right on the doorstep of the bustling downtown area.

As one of the largest freshwater marinas in Ontario, the Outer Harbour Marina has more than 625 extra-wide slips that can accommodate boats up to 100 feet long. The only docking facility of its kind in Toronto, the OHM also boasts heated indoor boat storage.

REAL ESTATE AND PROPERTY HOLDINGS

Our real estate and property holdings include 5 Queens Quay West, Pier 6 and various water and land lots along the waterfront. These properties are leased to other businesses, some of which have the potential for redevelopment.



ENVIRONMENT, SOCIAL AND GOVERNANCE

PortsToronto has been a city-builder and steward of the Toronto waterfront for more than a century. Our businesses, from the Outer Harbour Marina to Billy Bishop Toronto City Airport, operate on the shores of Lake Ontario on the Toronto waterfront. With our mandate to maintain safe navigation and our deep connection to the waters of the Toronto Harbour, PortsToronto has long prioritized a commitment to environmental sustainability. At the core of our operations is a commitment to protect and restore the natural habitat, consume resources responsibly, and encourage the safe and sustainable enjoyment of Toronto's waterfront.

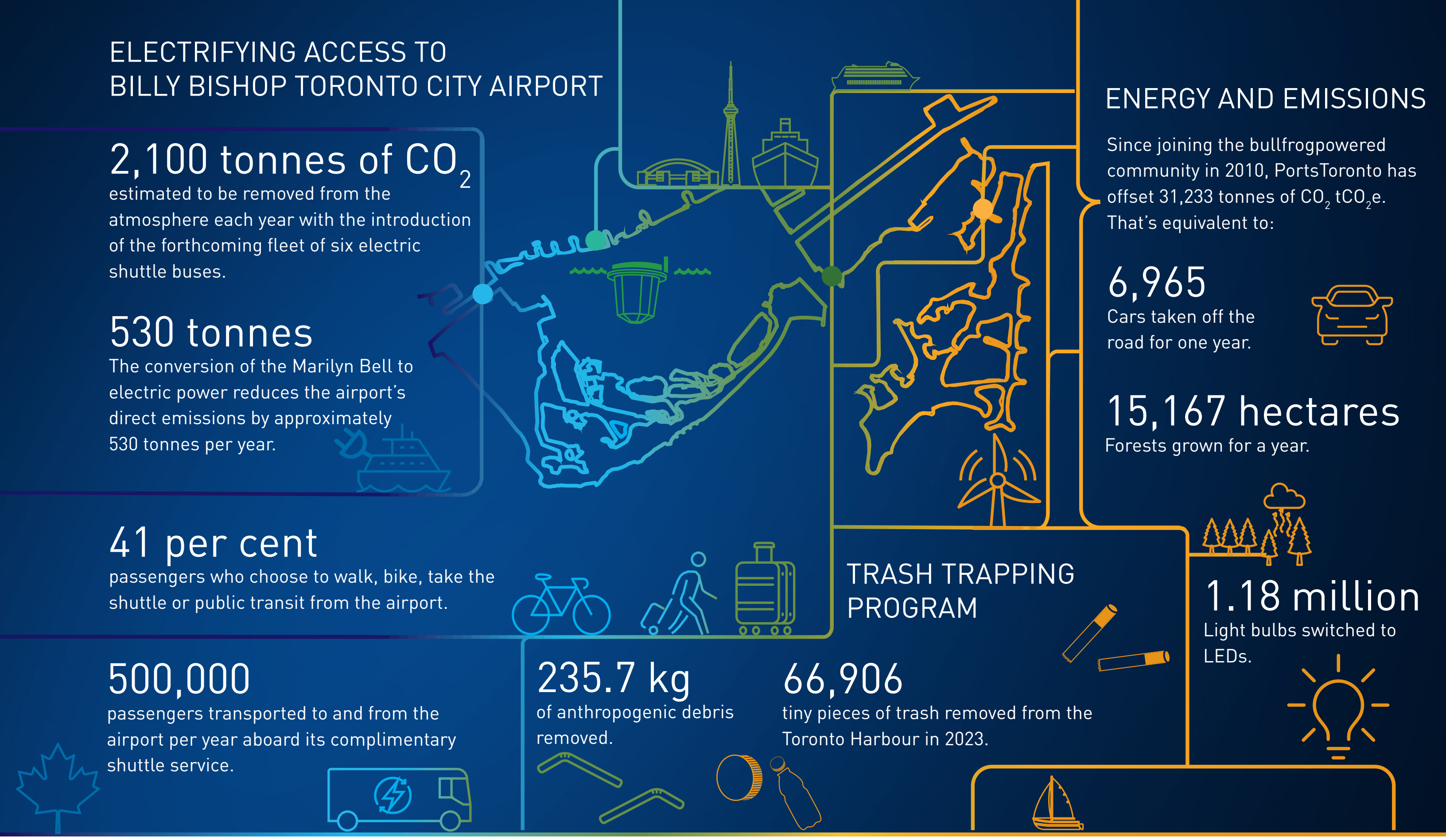
ENVIRONMENT, SOCIAL AND GOVERNANCE STRATEGY

PortsToronto's predecessor, the Toronto Harbour Commission, was formed in 1911 to address the challenges and opportunities of the waterfront, helping shape Toronto into the vibrant city it has become. We are constantly building upon this strong foundation to work towards our vision of "Transportation Reimagined" and delivering bold solutions for connectivity, economic opportunity and quality of life.

To amplify our positive impact on the planet and society, we formalized our Environment, Social and Governance (ESG) strategy in 2023, defining a roadmap for us to serve our stakeholders in the ways deemed most important to them. Our value creation efforts are spread across the six capitals:

PortsToronto remains unwavering in its commitment to environmental stewardship. This includes doing right by our stakeholders and also extends to our employees. This year, work was initiated on a diversity, equity and inclusion strategy and a pay equity plan. On the governance front, meanwhile, there was refresh of the enterprise risk register to ensure the continued relevance of risk management efforts. The register also includes ESG risks, and measures to manage them will be strengthened throughout 2024.

The year 2023 has been critical for ESG efforts, marking the initiation of some new efforts and the formalization of many others. In 2024, PortsToronto will continue to build upon its foundation of environmental and social responsibility in these areas and communicate its performance on topics deemed to be most material on an ongoing basis. Further detail on the initiatives undertaken in the reporting period will be made available in the 2023 ESG Report.



2023 ESG HIGHLIGHTS

ENERGY AND EMISSIONS

Increasing energy efficiency and using renewable energy have helped us offset our location-based Scope 2 emissions since 2010, when we first began working with Bullfrog Power. As part of our agreement, Bullfrog Power supplies clean energy, which comes from a blend of EcoLogo-certified wind and low-impact hydro-power, returning the equivalent to our electricity consumption to the grid on our behalf. This arrangement includes all operations and facilities at Billy Bishop Toronto City Airport, the Port of Toronto, the PortsToronto Works and Environmental Services facility and the Outer Harbour Marina. We also procure Renewable Energy Certificates (RECs) on behalf of some of our tenants.

ELECTRIFYING ACCESS TO BILLY BISHOP TORONTO CITY AIRPORT

We strive to make Billy Bishop Toronto City Airport as accessible, convenient and sustainable as possible. Owing to our location in the heart of Toronto, 41 per cent of passengers choose to walk, bike, take the shuttle or public transit to and from the airport. The resulting reduction in vehicle traffic to the airport has afforded Billy Bishop Toronto City Airport the opportunity to reduce the footprint of vehicle access areas, including the adjacent Bathurst Quay/Canada Malting Silos site, which is being transformed into a vibrant community space and park located right at the airport's doorstep.

Billy Bishop Toronto City Airport provides electrified access through the zero-emission Marilyn Bell ferry, a pedestrian tunnel that is powered by renewable energy, and six Vicinity Lightning electric shuttle buses that are expected to replace the diesel-powered fleet that connects passengers to Union Station in 2024, "greening" every mode of access to Billy Bishop Toronto City Airport under our control.

TRASH TRAPPING PROGRAM

Since 2019, PortsToronto and the University of Toronto Trash Team have led the Trash Trapping Program, which employs trash trapping technology and solutions-based research to tackle floating debris in the Toronto Harbour. This year saw the addition of two WasteShark aquadrones to our trash trapping fleet, marking a Canadian first for these innovative trash traps.

This year, using the same methodology, the research team has begun to see signs of a decrease in the amount of microplastics collected in PortsToronto Seabins, which could suggest the benefits of additional outreach and education efforts toward waste reduction.

Hope Air – Haul for Hope Plane Pull

COMMUNITY

The strength of our relationships with our stakeholders has been a key element of our success. We believe that investments in engagement, collaboration and community welfare not only benefit our stakeholders, but also strengthen our customer base and talent pool. We proactively undertake efforts to address social and environmental issues, support academic and non-profit organizations, and collaborate with waterfront businesses and stakeholders to provide a superior customer experience and build up our communities.

COMMUNITY INVESTMENT

We aspire to create a legacy of giving based on our commitment to fostering strong, healthy and sustainable communities along Toronto's waterfront. In line with this mission, our donations are focused on sport and recreation, arts and culture, and education in ways that support youth, families and a healthy environment. PortsToronto has invested more than $28 million since 2009 in charitable initiatives and environmental programs that benefit stakeholders along Toronto's waterfront and beyond. In 2023, PortsToronto funded and supported community initiatives and organizations including:

- Hope Air – Haul for Hope Plane Pull
- Toronto Waterfront Festival
- Waterfront Neighbourhood Centre – Room 13 Multimedia Studio and Community Connect Garden
- Aloha Toronto
- Sugar Shack TO
- Nuit Blanche Toronto
- The Fabric of Our Being – Nadine Williams Pen Foundation
- The Bentway Conservancy – Winter Season
- Broad Reach Foundation
- Swim Drink Fish – Artists for Water Gala and Swim Guide
- University of Toronto Trash Team – Trash Trapping Program
- CP24 CHUM Christmas Wish
- Daily Bread Food Bank
- Indie88 Socks for the Streets
- Black Aviation Professionals Network – Stargaze Gala
- Ontario Aerospace Council
- #NotInMyCity
- The Concord Adex Survivors Fund

$28 million

PortsToronto has invested more than $28 million since 2009 in charitable initiatives and environmental programs that benefit stakeholders along Toronto's waterfront and beyond.


The Fabric of Our Being – Nadine Williams Pen Foundation

COMMUNITY ENGAGEMENT

PortsToronto takes great pride in being part of the Toronto waterfront community and is committed to being a good neighbour by engaging with those who live, work and operate in the area. In doing so, we build and maintain positive relationships and a strong connection with our neighbours and stakeholders through open dialogue, transparency and public participation.

In addition to providing ongoing updates through public notices, email and social media, our formal community engagement initiatives include:

COMMUNITY LIAISON COMMITTEE (CLC)

We conduct quarterly meetings with community residents and stakeholders to understand and respond to the needs of our neighbours.

NOISE MANAGEMENT SUB-COMMITTEE

A Noise Management Sub-Committee of the CLC was formed in late 2017 to further research, understand and address noise impacts from airport operations. It includes representation from the community, City of Toronto, and PortsToronto, and met twice in 2023.

WATERFRONT STAKEHOLDER MEETINGS

Through this platform, we engage with institutional, business and residential neighbours along the waterfront, including the Bathurst Quay Neighbourhood Association and York Quay Neighbourhood Association, the Harbourfront Community Centre, the Toronto District School Board, the Waterfront BIA, and City of Toronto service providers such as Parks, Forestry and Recreation department and the TTC (Toronto Transit Commission).

DOORS OPEN 2023 AT BILLY BISHOP TORONTO CITY AIRPORT

Each May, Doors Open Toronto invites the public to explore the city's most-loved buildings and sites, free of charge, allowing rare access to buildings not usually open to the public and free access to sites that would usually charge an admission fee.

In 2023, we welcomed 15,000 people to Billy Bishop Toronto City Airport as part of the city-wide event. Visitors had the unique opportunity to explore the airport's buildings and facilities, go behind-the-scenes of airport operations and learn more about our rich history and the important role YTZ plays in making connections and creating a gateway for trade and tourism directly in the heart of Canada's largest city.

Activities included, but were not limited to, providing kids of all ages the opportunity to explore the airport's state-of-the-art safety vehicles, a viewing of PortsToronto's tugboat *The Iron Guppy*, displays and showcases by the airport's partners and tenants, musical performances by emerging artists, rides onboard our electric ferry, and historical displays.

Billy Bishop Toronto City Airport Preclearance Rendering

PERFORMANCE

PortsToronto plays a key role in unlocking the connectivity Toronto needs as a global city, driving the circulation of people and ideas, stimulating innovation and economic growth and anchoring our city, which ranks among the best in the world for business climate. Our growth and performance are directly correlated to that of the local economy and the communities within which we operate. Effective management of our operations allows us to reinvest in our communities and the infrastructure and services that allow them to thrive.

Since the beginning of the 20th century, PortsToronto has made strategic investments in Toronto's waterfront and in developing transportation infrastructure for the city. As the owner and operator of the marine Port of Toronto, the Outer Harbour Marina, Billy Bishop Toronto City Airport and various real estate and property holdings along the waterfront, PortsToronto reinvested more than $8 million in infrastructure in 2023.

BILLY BISHOP TORONTO CITY AIRPORT

As a gateway that enables tourism, investment and trade, attracts talent, generates jobs and facilitates healthcare, Billy Bishop Toronto City Airport is an economic engine for the City of Toronto and the Province of Ontario. Located just three kilometres from Canada's centre for business, finance, tech and healthcare innovation, Billy Bishop Toronto City Airport connects the city and province to North American and global markets, a competitive advantage that few cities enjoy.

Passengers

Billy Bishop Toronto City Airport had strong results in 2023, with total passengers reaching more than two million, an increase of 17.6 per cent over 2022. Passenger volumes in 2023 were at their highest level since 2019.

International Recognition

Billy Bishop Toronto City Airport once again ranked among the world's best in the 2023 Skytrax World Airport Awards, a global benchmark of airport excellence voted on by nearly 14 million passengers worldwide.

Ranking eighth in the World's Best Airports (under five million passengers) category and ninth in the Best Regional Airports (North America) category, this represents the eighth year that Billy Bishop Toronto City Airport has won a prestigious Skytrax award.

The airport was also awarded a 2023 Airports Going Green Honorable Mention in recognition of its project to make access to Billy Bishop Toronto City Airport electric, representing outstanding achievement in pursuit of sustainability within the aviation industry.

Preclearance

In 2023, Billy Bishop Toronto City Airport announced that US Customs and Border Protection (US CBP) will be introduced and operational at the airport in 2025. The new facility will offer next-generation travel technology designed to make the process more efficient for travellers and will open up new routes to the US. Billy Bishop Toronto City Airport is already a convenient and valuable connection point between downtown Toronto and regional and hub markets in the US; the addition of preclearance will encourage bilateral trade, facilitate convenient travel for business and leisure passengers, and reinforce national security.

INTERNATIONAL RECOGNITION

ENVIRONMENTAL ACHIEVEMENT AWARD

2023 Airport Going Green Awards Honorable Mention

2022 Most Spectacular Recovery Award

2025

Expected opening of US Preclearance facility.

BILLY BISHOP 85
TORONTO CITY AIRPORT

2 million
Total passengers in 2023, an increase of 17.6 per cent over 2022.

$2.1 billion
Billy Bishop Toronto City Airport's total economic output.

4,450
Jobs supported, 2,080 of which were directly associated with airport's operations.

85 per cent
Torontonians who said it makes sense to have an airport downtown.

82 per cent
Torontonians who agreed that Billy Bishop Toronto City Airport is a good use of land.

78 per cent
Torontonians who agreed that the airport plays a central role in business, health care and job creation for the city.

TORONTO

PERFORMANCE

PORT OF TORONTO

The Port of Toronto is a key piece of infrastructure within the transportation ecosystem servicing the Greater Toronto Area, driving economic activity in many sectors, including trade, tourism and construction. Providing green marine connectivity directly into the heart of Canada's largest city, the Port of Toronto is also a gateway for cruise travel and hub for film and television production that blends seamlessly into Toronto's iconic waterfront.

Commercial Cargo

The number of cargo ships visiting the Port of Toronto remained consistent in 2023, with 189 ships visiting the Port of Toronto and delivering a range of bulk, project and general cargo products totalling 2,311,616 metric tonnes.

An independent report entitled *Economic Impacts of Marine Shipping in the Port of Toronto* – published in September 2023 by Martin Associates - confirms that marine cargo handled at the Port of Toronto generated $463 million in economic activity and approximately 2,000 jobs in Ontario in 2022. This study focuses exclusively on the cargo component of the Port of Toronto's operation and does not reflect the Port's full diversity of uses, which includes its Cruise Ship Terminal and Marine Terminals.

Cruise

The Port of Toronto is a popular Great Lakes cruising Port of call, in 2023 experiencing its second consecutive record year and welcoming 45 cruise ships and nearly 18,000 passengers. The year 2024 will usher in another strong cruise ship season, with 36 ships expected to call between May and October, bringing again 18,000 passengers to Toronto to enjoy all the city has to offer. Cruise the Great Lakes, an initiative led by the Conference of Great Lakes Governors and Premiers, expects cruising in the Great Lakes to generate economic impact of over $200 million USD to the region's Ports and communities in 2024.

Film

PortsToronto leases two of its Marine Terminals to Cinespace, which in turn provides production facilities for film and television companies such as Netflix. This activity supports Toronto's $2 billion film industry, much of which is concentrated in the port lands area. The Port also provides the backdrop for many film productions including *Law & Order Toronto*, *Reacher* and *The Boys.*

$2 billion
film industry thriving in Toronto.

18,000 passengers
welcomed to Toronto on 45 cruise ships in 2023.

USD $200 million
in economic value expected to be generated by cruising in the Great Lakes in 2024[1].

2.3 million metric tonnes
The 2.3 million metric tonnes of cargo delivered to the Port by ship last year took approximately 57,000, 40-tonne trucks off Toronto's congested roads and highways.

673 jobs
directly generated by marine cargo and vessel activity at the Port of Toronto.

1. *Great Lakes Cruise Ship Industry Expected to Have $200M Economic Impact in 2024, Cruise the Great Lakes, March 4, 2024.*

PORT OF TORONTO

189 cargo ships delivered 2,311,616 million metric tonnes of goods to the Port of Toronto in 2023, including:

796,644
metric tonnes of cement
(an 11 per cent increase over 2022).

SUGAR

606,060
metric tonnes of sugar.

685,661
metric tonnes of salt.

97,016
metric tonnes of aggregate.

123,234
metric tonnes of steel products, including coil, pipe, and rebar.

$79.1 million in taxes
generated by cargo and vessel activity at the Port in 2022.

$463.5 million in economic activity
generated by marine cargo at the Port in 2022.

Great Lakes Cruise Ship Industry Expected to Have $200M Economic Impact in 2024, Cruise the Great Lakes, March 4, 2024. Link.

PERFORMANCE

OUTER HARBOUR MARINA

The Outer Harbour Marina experienced another positive and consistent year in 2023, with demand for storage remaining strong in the 2023-2024 winter season, and summer berthing renewals bringing the Marina to a 100 per cent occupancy level. Recreational boating continued to be a favoured activity in Toronto with many new boaters coming from residential buildings in close proximity of the downtown core.

Clients enjoyed new amenities this season including the Marina Café and pizza shop, and in fall 2023, a customer satisfaction survey showed positive results with 85 per cent of respondents either highly satisfied or satisfied with the service at Outer Harbour Marina.

ECONOMIC PERFORMANCE

Strong financial performance is important to every organization and is a key measure of success. As a self-sufficient and self-sustaining entity, we take our economic performance seriously and reinvest our profits towards enhancing economic development, operational efficiency, community prosperity, infrastructure development and environmental sustainability.

Overall, PortsToronto's economic performance remained strong in 2023 with an ongoing recovery of traffic at Billy Bishop Toronto City Airport complemented by the consistent performance of the Port of Toronto and Outer Harbour Marina. A full accounting of the organization's economic performance is available in the pages that follow.

100%
Occupancy levels.

New amenities
Increased food and beverage options for clients.

85%
Client satisfaction rate in 2023 survey

Diamond Rating
In the Boating Ontario Clean Marine Program.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TORONTO PORT AUTHORITY
(Doing Business as PortsToronto)

MANAGEMENT'S DISCUSSION & ANALYSIS – 2023
(In thousands of dollars)

April 15, 2024

Management's discussion and analysis (MD&A) is intended to assist in the understanding and assessment of the trends and significant changes in the results of operations and financial condition of the Toronto Port Authority (the "Port Authority"), doing business as PortsToronto for the years ended December 31, 2023 and 2022 and should be read in conjunction with the 2023 Audited Financial Statements (the "Financial Statements") and accompanying notes. All dollar amounts in this MD&A are in thousands of dollars.

The Port Authority presents its financial statements under International Financial Reporting Standards ("IFRS"). The accounting policies set out in Note 2 of the Financial Statements have been applied in preparing the Financial Statements for the year ended December 31, 2023, and in the comparative information presented in these Financial Statements for the year ended December 31, 2022.

Introduction

The Port Authority is a federal business enterprise continued pursuant to the *Canada Marine Act* as successor to The Toronto Harbour Commissioners.

The Port Authority is responsible for operating the lands and waterlots it owns and/or administers in support of local, regional and national social and economic objectives, and for providing infrastructure and services to the marine and air transport sectors to facilitate these objectives.

The Port Authority is governed by a Board of Directors appointed by three levels of government pursuant to section 14(1) of the *Canada Marine Act*, and section 4.6 of the Port Authority's Letters Patent. At full complement, six directors are appointed by the Governor-in-Council, as nominated by the Minister of Transport in consultation with the user groups; one director is appointed by the Governor-in-Council as nominated by the Minister of Transport; one director is appointed by the Province of Ontario; and one director is appointed by the City of Toronto. There are four (4) Committees of the Board of Directors, namely the Audit & Finance Committee, the Governance & Human Resources Committee, the Communications & Outreach Committee and the Pension Committee. Ms. Sandra Pupatello is the newly appointed Chair of the Board of Directors, effective April 1, 2024, with Ms. Amanda Walton, the former Chair, having timed out on April 1, 2024, pursuant to the Canada Marine Act, which limits the tenure of Board members to nine years.

Business & Operations

The Port Authority's main business units are Port Operations (the "Port"), the Outer Harbour Marina (the "Marina"), the Billy Bishop Toronto City Airport ("Airport") and Property & Other.

The Port Authority owns and operates a 52-acre port facility at 8 Unwin Avenue (the "Port Facility"). This site includes a 126,000 square-foot multi-use building and also houses Marine Terminal 51, which has been repurposed and converted to a film and production studio. Additionally, the Port Facility includes the Cruise Ship Terminal, which services the cruise ship industry and is being used for film production as well as an occasional event space.

The Port Authority continues to promote mixed use at its Port Facility including bulk, general and project cargo handling and storage management, as well as container packing and unpacking services. With its preferred location and proximity to burgeoning construction in Toronto and surrounding areas, the Port Authority will continue to pursue additional opportunities for its Port Facility in 2024 and beyond.

In 2023, 2.312 million metric tonnes ("MT") of cargo moved through the Port of Toronto, which was 1.5% lower than the 2.347 million MT the Port handled in 2022. This ongoing successful performance marked the 7th consecutive year that more than 2.2 million MT moved through the Port. There were 234 ship visits in 2023, bringing sugar, salt, cement, aggregate and steel directly to the heart of the City, reinforcing the Port of Toronto's important role in the national supply chain. Also, 45 of the 234 ship visits were cruise ships, which brought 17,802 passengers to Toronto, both records for the Port; making a positive impact and contributing to the City's economic sustainability.

General cargo totaled 123,476 metric tonnes (MT) in 2023, which consisted of steel imports (123,234 MT) and project cargo (242 MT). Ships brought in steel imports from around the world (including rail, rebar, steel plate and coils). Steel imports were down compared to 2022, due to the concern over the possibility of new steel tariffs on steel coming from certain foreign countries.

Operations at the Marina remained positive and consistent in 2023. Demand for winter storage remained strong in the 2023-2024 winter season, and summer berthing renewals brought the Marina to a 100% occupancy level, with an ongoing waiting list. Recreational boating continued to be a favoured activity in Toronto with many new boaters coming from condominiums within close proximity to the downtown core.

The Airport had a strong 2023, with total passengers hitting 2.036 million, up from 1.732 million in 2022, an increase of 17.6%. Passenger volumes in 2023 were at their highest level since 2019, when passengers totaled 2.774 million.

The Port Authority is an important part of the Southern Ontario Gateway as one of five ports of significance in the province, while the Billy Bishop Airport is one of the key members of the Southern Ontario Airport Network (SOAN) with the capability to provide international and regional service. In this regard, the Port Authority remains an important gateway in supporting the economic health of Southern Ontario.

Financial Considerations

Financial Results in 2023

The financial results of the Port Authority remained strong in 2023 with ongoing recovery at the Airport complemented by the consistent performance of the Port and Marina.

The overall financial performance of all of the Port Authority business units was very good in 2023. This is reflected in the Statement of Operations, as provided in Note 16 of the Audited Financial Statements and the Dashboard on page 4 of this MD&A. The Net Income from Operations and AIF revenues (before certain specific items) was up in 2023 to $37,156 from $30,358 in 2022, a 22.4% increase.

Key Financial Ratios:

Financial Liquidity

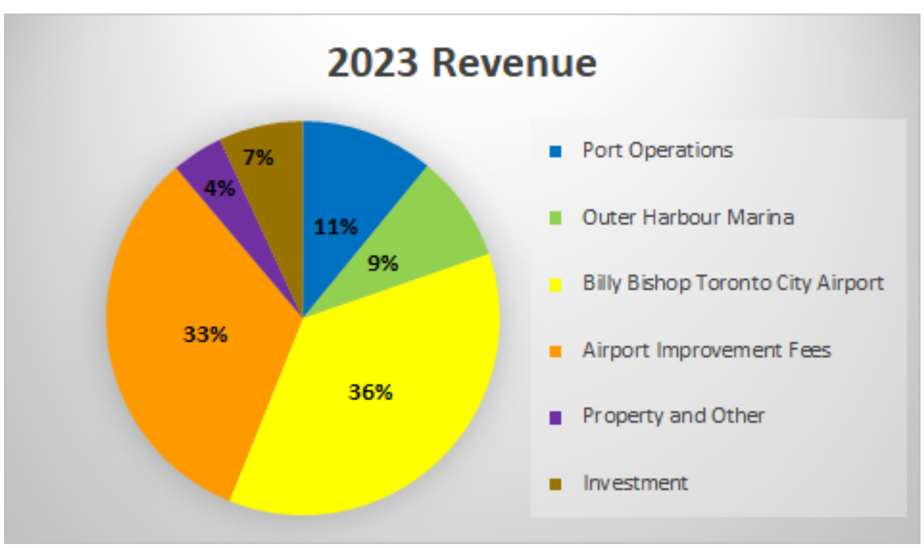
The financial liquidity of the Port Authority remains positive, with a Current Ratio (Current Assets divided by Current Liabilities) of 1.43 as at December 31, 2023. This is lower than the Current Ratio as of December 31, 2022 of 1.91, due primarily to more long-term investments being held as of December 31, 2023, as opposed to December 31, 2022, $51,275 versus $34,299, respectively.

Financial Performance

The financial performance ratio was slightly lower in 2023 with a Margin (Net Income (Loss) divided by Gross Revenue) of 12.2%. The ratio was 14.7% in 2022.

Financial Leverage

As to financial leverage, the Port Authority's debt to equity ratio increased slightly to 53.1% in 2023 as compared to 52.7% in 2022. This reflects the additional accrual of a provision for Leslie Street Spit Hardpoint J, in 2023.

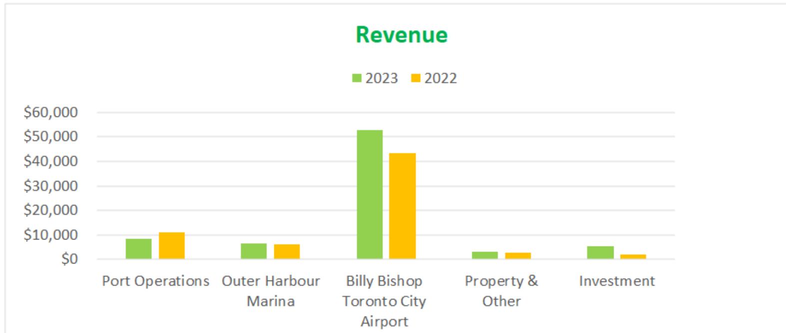


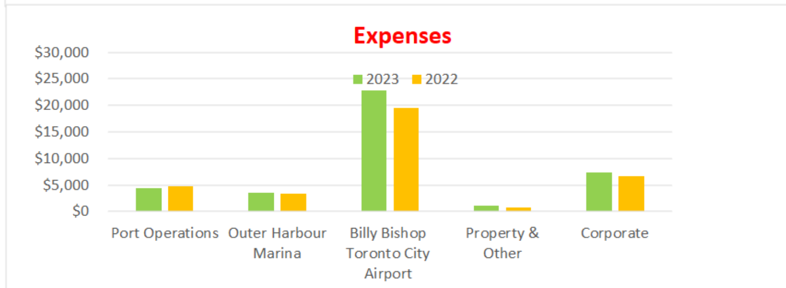
Below are extracts from the Consolidated Statements of Operations, Consolidated Statement of Financial Position and gross increase in Capital assets:

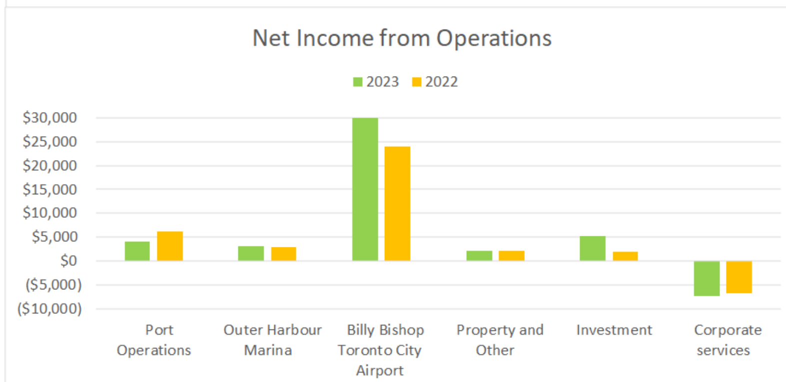
Consolidated statement of operations

(In thousands of Canadian dollars)

	2023	2022
Revenue		
Port Operations	$8,344	$10,952
Outer Harbour Marina	$6,707	$6,097
Billy Bishop Toronto City Airport	$52,788	$43,500
Property & Other	$3,242	$2,906
Investment	$5,290	$1,930
Corporate	$0	$0
Total	**$76,371**	**$65,385**
Expenses		
Port Operations	$4,379	$4,703
Outer Harbour Marina	$3,602	$3,284
Billy Bishop Toronto City Airport	$22,739	$19,507
Property & Other	$1,117	$794
Investment	$0	$0
Corporate	$7,378	$6,739
Total	**$39,215**	**$35,027**
Net Income from operations (before certain specific items)		
Port Operations	$3,965	$6,249
Outer Harbour Marina	$3,105	$2,813
Billy Bishop Toronto City Airport	$30,049	$23,993
Property & Other	$2,125	$2,112
Investment	$5,290	$1,930
Corporate	($7,378)	($6,739)
Total	**$37,156**	**$30,358**







Note: The above does not include Amortization, Payment-in-lieu of taxes, Interest expenses, Gross revenue charge and OCI. Also the above does not include Gain on sale of Parliament Slip (2022), write off of Site Preparations costs (2022) and provision for Leslie Street Spit and Other Obligations (2022 & 2023).

(In thousands of dollars)

Consolidated statement of financial position (Summarized version)

(In thousands of Canadian dollars)

	2023	2022
	$	$
Assets		
Current assets	**80,781**	84,054
Non-current assets	**292,977**	272,800
	373,758	356,854
Liabilities & Equity		
Current liabilities	**56,655**	44,002
Non-current liabilities	**73,006**	79,145
Equity	**244,097**	233,707
	373,758	356,854

Capital Assets - Gross Increase

(In thousands of Canadian dollars)

	2023	2022
	$	$
Port Operations	**3,777**	1,191
Outer Harbour Marina	**2,151**	655
Billy Bishop Toronto City Airport	**6,147**	5,763
Property & Other	**942**	1,596
Total	**13,017**	9,205

ESG Initiatives

The Port Authority has reflected Environmental, Social and Governance ("ESG") parameters in its strategic priorities, in line with the organization's commitment to being a strong and responsible contributor to the City of Toronto and the waterfront community. The reporting year not only saw the development of a new vision and business plan for 2024-2028, but also that of an initial ESG roadmap which covers the pillars of monitoring, performance, policies, processes and reporting, among others.

To ensure the continued relevance of ESG efforts and disclosures that prioritize actions, the Port Authority conducted its inaugural materiality assessment in 2023. Inputs were sought from a range of internal and external stakeholders on the thematic areas of importance and the outcomes of this exercise have been used to prioritize sustainability efforts. Topics pertaining to safety, security, climate action, stakeholder engagement and risk management were among those ranked the highest, and efforts will continue to prioritize these elements in the years to come. These components are also reflected in communications, with the Port Authority's ESG report for 2023 detailing its performance in accordance with GRI Standards, the world's most widely used sustainability reporting standards.

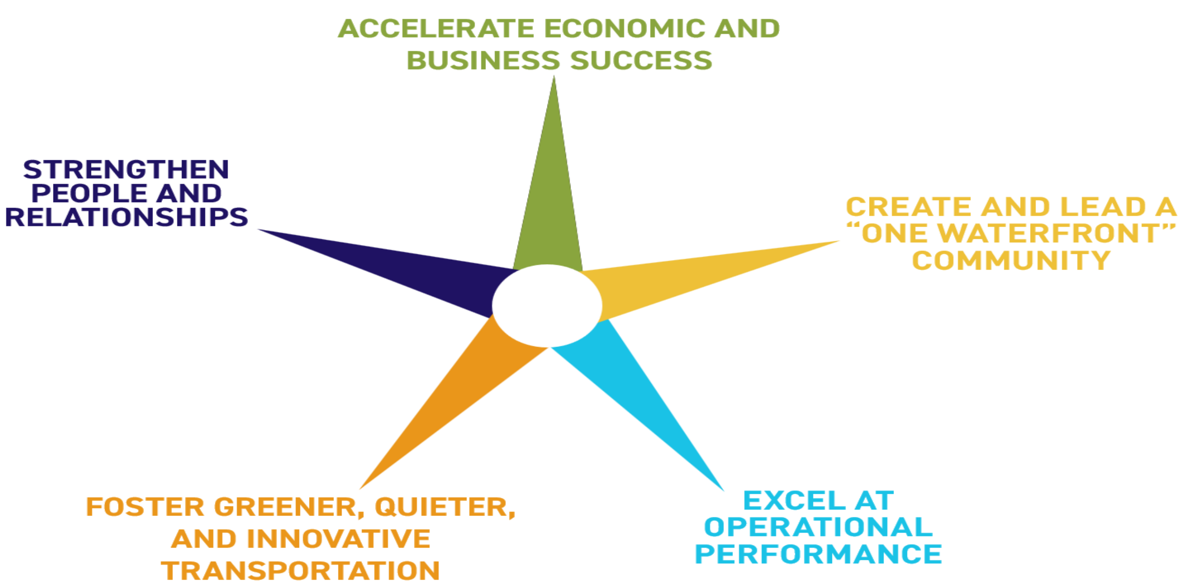
Being cognizant of the location of its operations on the waterfront, the Port Authority remains unwavering in its commitment to environmental stewardship. This includes doing right by our stakeholders and also extends to our employees. This year, work was initiated on a diversity, equity and inclusion strategy and a pay equity plan. On the governance front, meanwhile, there was refresh of the enterprise risk register to ensure the continued relevance of risk management efforts. The register also includes ESG risks and plans to manage them will be strengthened throughout 2024.

2023 has been critical year for ESG efforts, marking the initiation of some new efforts and the formalization of many others. The Port Authority shall continue to build upon its foundation of environmental and social responsibility in these areas and communicate its performance on topics deemed to be most material on an ongoing basis. More details of the initiatives undertaken in the reporting period are available in the ESG report for the year.

Financial Outlook for 2024 – Strategic Priorities: 2024 to 2028

The 2024 Outlook for the Port Authority is forecast to be strong, with Billy Bishop Airport continuing to see steady growth, the Port expected to have another strong year in terms of cargoes and cruise ship visits, and the Outer Harbour Marina being at or near capacity, with the potential of additional customers continuing to come from other marinas in the area. All of the business units are expected to have a solid 2024 and provide healthy returns to the organization. With a new Vision "Transportation Reimagined" and Business Plan for 2024, the Port Authority plans to invest in its five Strategic Priorities. The organization has many valuable assets and will continue to operate to maximize these assets going forward. As a result, the Port Authority is confident that 2024 will be another solid year financially for the organization.

STRATEGIC PRIORITIES: 2024-2028



FINANCIAL STATEMENTS

Consolidated financial statements of
Toronto Port Authority

December 31, 2023

Deloitte.

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Independent Auditor's Report

To the Board of Directors of the
Toronto Port Authority

Opinion

We have audited the consolidated financial statements of Toronto Port Authority (the "Port Authority"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of operations and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Port Authority as at December 31, 2023, and the results of its operations, changes in equity, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Port Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Port Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Port Authority or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Port Authority's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Port Authority’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Port Authority’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Port Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Port Authority to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
April 15, 2024

Toronto Port Authority

Consolidated statement of operations and comprehensive income

Year ended December 31, 2023

(In thousands of Canadian dollars)

	Notes	2023 $	2022 $
Operating revenue	16		
Port, Outer Harbour Marina, Airport, property and other revenue		**51,390**	46,195
Airport improvement fees, net	10	**24,981**	19,190
		76,371	65,385
Operating expenses			
Wages, salaries and employee benefits		**13,662**	13,438
Repairs and maintenance		**8,403**	7,084
Professional and consulting fees		**2,297**	1,168
Property taxes, net		**83**	76
Other operating and administrative expenses		**14,770**	13,261
		39,215	35,027
Income from operations and Airport improvement fees, net before the following		**37,156**	30,358
Payments in lieu of taxes	9	**(1,165)**	(1,076)
Amortization of right-of-use and capital assets		**(10,971)**	(10,212)
Interest expense		**(4,663)**	(4,416)
Charge on gross revenue – Port, Outer Harbour Marina, Airport, property and other revenue	2	**(2,027)**	(2,064)
Charge on gross revenue – Airport improvement fees	2	**(1,499)**	(1,151)
Gain on interest rate swap – ineffective portion	8 (b)	**13**	419
Net income for the year before the following		**16,844**	11,858
Gain on sale of Parliament Street Slip Water Lot, net	18	**—**	18,981
Write off of site preparation costs	6	**—**	(1,944)
Provision for Leslie Street Spit Hardpoint J & Other Obligations	13	**(7,533)**	(19,300)
Net income for the year		**9,311**	9,595
Changes in fair value of interest rate swap due to hedge accounting – loss on interest rate swap – Effective portion	8 (b)	**(122)**	(49)
Remeasurement gain on employee future benefits	7	**1,201**	10,881
Other comprehensive income		**1,079**	10,832
Comprehensive income for the year		**10,390**	20,427

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

Toronto Port Authority

Consolidated statement of changes in equity

Year ended December 31, 2023

(In thousands of Canadian dollars)

	Notes	Net assets over liabilities $	Accumulated other comprehensive income $	Total equity $
Balance, January 1, 2022		194,680	18,600	213,280
Net income		9,595	—	9,595
Remeasurement gain on employee future benefits	7	—	10,881	10,881
Loss on interest rate swap – Effective portion	8 (b)	—	(49)	(49)
Balance, December 31, 2022		204,275	29,432	233,707
Net income		9,311	—	9,311
Remeasurement gain on employee future benefits	7	—	1,201	1,201
Loss on interest rate swap – Effective portion	8 (b)	—	(122)	(122)
Balance, December 31, 2023		**213,586**	**30,511**	**244,097**

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

Toronto Port Authority

Consolidated statement of financial position

As at December 31, 2023

(In thousands of Canadian dollars)

	Notes	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents		**4,801**	13,209
Short-term investments		**53,480**	49,978
Accounts receivable (net)	3	**11,970**	10,223
Fair value of the interest rate swap		**261**	370
Inventories		**27**	64
Prepaid threshold – Tunnel Deposit	15	**8,998**	8,548
Prepaid expenses		**1,244**	1,662
		80,781	84,054
Non-current assets			
Long-term investments	3	**51,275**	34,299
Long-term receivable		**773**	401
Employee future benefits	7	**11,686**	9,537
Right-of-use assets	5	**1,880**	2,235
Capital assets	6	**227,363**	226,328
Total assets		**373,758**	356,854
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	3	**43,099**	31,129
Current portion of bank loans	8	**2,280**	2,280
Current portion of lease liability	5	**388**	371
Current portion of Pedestrian Tunnel concession liability	4 and 15	**3,586**	3,374
Unearned revenue		**7,302**	6,848
		56,655	44,002
Non-current liabilities			
Bank loans	8	**22,203**	24,483
Lease liability	5	**1,715**	2,087
Pedestrian Tunnel concession liability	4 and 15	**47,037**	50,623
Employee future benefits	7	**2,051**	1,952
		73,006	79,145
Total liabilities		**129,661**	123,147
Equity		**244,097**	233,707
		373,758	356,854

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

Approved by the Board

____________________, Director

____________________, Director

Toronto Port Authority

Consolidated statement of cash flows

Year ended December 31, 2023

(In thousands of Canadian dollars)

	Notes	2023 $	2022 $
Operating activities			
Net income for the year		**9,311**	9,595
Adjustments for non-cash items			
Gain on sale of Parliament Street Slip Water Lot, net	18	**—**	(18,981)
Gain on sale of other capital assets		**(24)**	—
Write-off of site preparation costs		**—**	1,944
Amortization of capital assets	6	**10,597**	9,838
Amortization of right-of-use asset	5	**374**	374
Employee future benefits expense	7	**661**	1,500
Employer contribution to employee future benefit plans	7	**(1,510)**	(1,233)
Interest expense		**4,663**	4,416
Gain on interest rate swap – ineffective portion	8 (b)	**(13)**	(419)
Bank interest paid		**(1,375)**	(917)
Interest paid on Pedestrian Tunnel concession liability		**(3,210)**	(3,410)
		19,474	2,707
Net change in non-cash working capital balances related to operations	17	**10,760**	20,036
		30,234	22,743
Investing activities			
Acquisition of short-term investments		**(56,449)**	(53,980)
Disposal of short-term investments		**52,947**	11,573
Acquisition of long-term investments		**(33,149)**	(43,181)
Disposal of long-term investments		**16,173**	10,376
Acquisition of capital assets		**(13,017)**	(9,205)
Capital funding received		**1,366**	1,098
Proceeds from sale of Parliament Street Slip Water Lot	18	**—**	19,512
Proceeds from sale of other capital assets		**43**	—
		(32,086)	(63,807)
Financing activities			
Prepaid threshold – Pedestrian Tunnel deposit		**(450)**	16,350
Lease amount paid		**(452)**	(420)
Pedestrian Tunnel concession liability		**(3,374)**	(3,174)
Bank loan principal payments		**(2,280)**	(2,280)
		(6,556)	10,476
Decrease in cash position		**(8,408)**	(30,588)
Cash and cash equivalents, beginning of year		**13,209**	43,797
Total cash and cash equivalents, end of year		**4,801**	13,209
Cash and cash equivalents consist of			
Cash		**4,758**	5,494
Cash equivalents		**43**	7,715
		4,801	13,209

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

1. General information and Canada Marine Act status

The Toronto Port Authority ("Port Authority") is an entity operating pursuant to Letters Patent issued by the Federal Minister of Transport. The Port Authority is a corporation without share capital. Its head office is located at 207 Queens Quay West, Toronto, Ontario. Effective June 8, 1999, the Port Authority was incorporated under the Canada Marine Act. Formerly, the Port Authority was constituted as the Toronto Harbour Commissioners (Commissioners) and operated under The Toronto Harbour Commissioners Act of 1911. On January 19, 2015, the Toronto Port Authority was rebranded as PortsToronto.

The Port Authority is focused on its mission as a financially self-sustaining business enterprise providing economic, environmental and social benefits to the waterfront community in which it operates. These benefits are delivered under four organizational values or pillars, which are: City Building, Community, Environmental and Financial.

The Port Authority has several businesses, including:

- Port Operations, which include land and facilities providing docking, handling, distribution and storage services for cargo, container shipping related services, cruise ship passenger services, and facilities for film production. This operation supported by the Works Department provides harbour maintenance and aids to navigation, as well as exercising regulatory authority over the harbour by-laws. The Toronto Port Authority has jurisdiction over the navigational waters from Victoria Park Avenue to Humber River.
- The Outer Harbour Marina, a full-service marina located near the foot of Leslie Street.
- Billy Bishop Toronto City Airport ("BBTCA") operations, which include a pedestrian tunnel, ferry service, ferry terminals, runways and tenanted properties to support scheduled commercial passenger flight service, charter services and a flight school.
- Real Estate and Property Administration, which includes development and management of lands under its control.

The financial statements were authorized for issue by the Board of Directors on April 15, 2024 .

2. Material accounting policy information

Statement of compliance

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). 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 years presented. The Port Authority and its Board of Directors have, at the time of approving the financial statements, a reasonable expectation that the Port Authority has adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis of accounting has been adopted in preparing the financial statements.

Basis of consolidation

These consolidated financial statements contain the results of the Port Authority for the year ended December 31, 2023, as well as its wholly owned subsidiary, 2315155 Ontario Inc. 2315155 Ontario Inc. was incorporated on March 8, 2012 to lease a portion of the Canada Malting silos adjacent to the Pedestrian Tunnel Pavilion.

2. Material accounting policy information (continued)

Basis of presentation

The Port Authority's functional currency is Canadian dollars. The consolidated financial statements are also presented in Canadian dollars, rounded to the nearest thousand.

The consolidated financial statements have been prepared on the historical cost basis (except for financial instruments measured at fair value and amortized cost). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with the bank and short-term investments, which are readily convertible to cash and have an original term to maturity of 90 days or less.

Financial instruments

Financial assets and financial liabilities are recognized when the Port Authority becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognized immediately in profit or loss.

The Port Authority's financial assets and financial liabilities are classified and measured as follows:

Asset/liability	Measurement
Cash and cash equivalents	Amortized cost
Short-term investments	Amortized cost
Long-term investments	Amortized cost
Long-term receivable	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Fair value of interest rate swap designated in Cash flow hedge	FVTPL for ineffective portion, and FVTOCI for effective portion
Bank loans	Amortized cost
Pedestrian Tunnel concession liability	Amortized cost

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), amortized cost, or financial assets at fair value through other comprehensive income (FVTOCI). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Under IFRS 9, all financial instruments are initially measured at fair value, with subsequent measurement determined in line with their classification.

2. Material accounting policy information (continued)

Financial instruments (continued)

Amortized cost

Financial assets are measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Fair value through other comprehensive income (FVTOCI)

Financial assets are measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTOCI are stated at fair value at the end of each reporting period with changes in the fair value recognized in other comprehensive income.

Fair value through profit and loss (FVTPL)

Financial assets are measured at FVTPL unless they meet the criteria above to be measured at amortized cost or FVTOCI.

Impairment of financial assets

Under IFRS 9, financial assets under all categories are assessed for impairment based on the expected loss model. The expected loss model requires a loss allowance to be recorded at an amount equal to:

(a) the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

(b) the lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. It is also required for contract assets or trade receivables that are not, according to IFRS 15, considered to contain a significant financing component. As at December 31, 2023, the Port Authority does not hold any financial instruments that exhibit such an increase in risk to warrant a loss allowance for lifetime expected credit losses.

2. Material accounting policy information (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Additionally, entities can elect an accounting policy of recognizing lifetime expected credit losses for all contract assets and/or all trade receivables, including those that contain a significant financing component. The same election is also separately permitted for lease receivables. The Port Authority has not made this election.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses. As at December 31, 2023, the only financial asset for which a loss allowance has been recorded equal to the 12-month expected credit losses is accounts receivable, through the allowance for doubtful accounts.

Measurement of expected credit losses

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The Port Authority also considers reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses.

Derecognition of financial assets

The Port Authority derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Port Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Port Authority recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Port Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Port Authority continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are initially measured at fair value net of transaction costs. Subsequently, they are measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

The Port Authority derecognizes financial liabilities when, and only when, the Port Authority's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

2. Material accounting policy information (continued)

Financial instruments (continued)

Derivative financial instruments including hedge accounting

The Port Authority had entered into derivative financial instruments (interest rate swap) to manage its exposure to interest rate fluctuations as a result of its bank loans.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Transaction costs are expensed as incurred.

The Port Authority has designated its interest rate swap as cash flow hedge and elected to apply the requirements of IAS 39 for hedge accounting, instead of the requirements in Chapter 6 of IFRS 9. At the inception of the hedge relationship, the Port Authority documented the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Port Authority documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the statement of operations and comprehensive income as the recognized hedged item.

Hedge accounting is discontinued when the Port Authority revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. For discontinued hedge accounting under a previous accounting framework, the loss accumulated in other comprehensive income is recognized in profit or loss on a straight-line basis.

Capital assets

Land acquired since 1974 is recorded at cost. Land acquired prior to 1974 was recorded based on historical appraised values.

All other capital assets are recorded at cost less amortization and any impairment losses, net of any applicable government funding.

Historical cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition or construction of the items, including borrowing costs relating to the acquisition or construction.

2. Material accounting policy information (continued)

Capital assets (continued)

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 Port Authority and the cost of the item can be measured reasonably. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that it is necessary to complete and prepare the asset for its intended use. The carrying amounts of replaced capital assets are derecognized as incurred. All repairs and maintenance are charged to earnings during the period in which they are incurred.

Amortization of buildings, structures, plant and equipment is provided on the straight-line basis over the estimated useful lives of the assets.

No amortization is provided on land and capital work-in-progress.

Impairment of capital assets

Capital assets, which have long lives and are non-financial in nature are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows, or cash generating units ("CGU's"). Where the asset does not generate cash flows that are independent from other assets, the Port Authority estimates the recoverable amount of the CGU to which the asset belongs. When the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized. Impairment losses are recognized as an expense immediately in profit or loss. An impairment charge is reversed if the assets' (or CGUs) recoverable amount exceeds its carrying amount.

Government capital funding

Capital payments, received from various governments and their agencies, whose primary condition is that the Port Authority should purchase, construct or otherwise acquire non-current assets are recognized as capital funding, netted as part of the capital assets in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Leases

A lease is an agreement whereby the lessor conveys to the tenant (the lessee) in return for a payment or series of payments the right to use an asset, generally land and buildings, for an agreed period of time.

(a) Port Authority as a lessor

Leases for which the Port Authority is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Operating lease rental revenue is recognized on a straight-line basis over the term of the lease. As at December 31, 2023, the Port Authority did not have any finance lease agreements.

2. Material accounting policy information (continued)

Leases (continued)

(b) Port Authority as a lessee

The Port Authority assesses whether a contract is or contains a lease, at inception of the contract. The Port Authority recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Port Authority recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Port Authority uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Port Authority expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Pedestrian Tunnel concession liability

In 2012, the Port Authority entered into a Public Private Partnership to design, build, finance, operate and maintain the Pedestrian Tunnel to Billy Bishop Toronto City Airport for twenty years. The base contract price cost to construct the Pedestrian Tunnel was $82.5 million and it was substantially complete and accepted by the Port Authority on May 29, 2015. The Pedestrian Tunnel was officially opened to the public and stakeholders on July 30, 2015. Title to the Tunnel will remain with the Port Authority throughout the term of the Agreement.

The Port Authority has capitalized construction costs as well as the present value of future Capital Lifecycle payments to be made over the term of the concession period (Expiry date April 8, 2034). The Port Authority has also recognized a liability for the Tunnel, equal to the construction cost of the asset less payments made. The present value calculations to determine the asset/liability are based on the weighted average cost of capital of 7.25%.

2. Material accounting policy information (continued)

Employee future benefits

The Port Authority maintains a defined benefit pension plan, registered with the Office of the Superintendent of Financial Institutions (OSFI), for the benefit of full-time permanent employees (for non-unionized employees hired before November 25, 2013 and certain unionized employees). The Port Authority also offers a defined contribution pension plan for full-time non-unionized employees hired after November 24, 2013. Certain plan members are also granted supplemental benefits, which mirror the formula of the registered plan and replace defined benefits that have been limited by the Income Tax Act. These supplemental benefits are unfunded. In addition, the Port Authority offers other non-pension post-employment benefits to most employees, including a death benefit, early retirement benefits and self-funded workers' compensation benefits. Beginning in 2018, the Port Authority established other employee future benefits for certain full-time employees provided that they remain employed with the Port Authority for a specified length of time. Obligations under the employee benefit plans are accrued as the employees render the service necessary to earn the pension and other employee future benefits.

The Port Authority has adopted the following policies for its defined benefit pension plan and other retirement benefits:

(i) The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, and retirement ages of employees.

(ii) The fair value of plan assets is used as the basis of calculating the expected return on plan assets.

(iii) The discount rate used to value the defined benefit obligation is based on high quality corporate bonds in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit obligations.

(iv) Actuarial gains and losses due to changes in defined benefit plan assets and obligations are recognized immediately in accumulated other comprehensive income (loss). When a restructuring of a benefit plan gives rise to both curtailment and settlement of obligations, the curtailment is accounted for prior to or in conjunction with the settlement.

(v) When the calculation results in a net benefit asset, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan (the "asset ceiling"). In order to calculate the present value of economic benefits, consideration is given to minimum funding requirements that apply to the plan. Where it is anticipated that the Port Authority will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements for future services, the net defined benefit asset is reduced to the amount of the asset ceiling. The impact of the asset ceiling is recognized in comprehensive income (loss).

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Revenue recognition

Revenue from a contract to provide services is recognized in line with the transfer of promised services to a customer by reference to the stage of completion of the contract, and at an amount that reflects the consideration expected to be received in exchange for transferring such services. The Port Authority's policy for recognition of revenue from operating leases is described above in Note 2 for Leases, in accordance with IFRS 16.

(In thousands of Canadian dollars)

2. Material accounting policy information (continued)

Revenue recognition (continued)

Revenue from vessels, cargo and passengers using the port are recognized when services are substantially rendered. Landing fees and airport operating fees are recognized as the airport facilities are utilized. Airport improvement fees are recognized upon the enplanement of passengers. Seasonal berthing fees and storage fees earned at the Outer Harbour Marina are recognized on a straight-line basis over the term of the agreement and any unearned portion is reflected as unearned revenue.

Gross revenue charge

In order to maintain its Letters Patent in good standing, the Port Authority is required to pay annually to the Transport Canada a charge on gross revenue, which is calculated as follows:

	Charge %
Gross revenue	
up to $10,000	2
on the next $10,000	4
on the next $40,000	6
on the next $10,000	4
over $70,000	2

Adoption of new and revised standards

New and amended IFRS Standards that are effective for the current year

In the current year, the Port Authority has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 17 Insurance Contracts

The Port Authority has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders’ options and guarantees.

The Port Authority does not have any contracts that meet the definition of an insurance contract under IFRS 17.

2. Material accounting policy information (continued)

Adoption of new and revised standards (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The Port Authority has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendments to IAS 8 Accounting Policies Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The Port Authority has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

These amendments had no material impact on the disclosures or on the amounts reported in these financial statements.

2. Material accounting policy information (continued)

Adoption of new and revised standards (continued)

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, the Port Authority has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

The Port Authority does not expect that the adoption of the Standards listed above will have material impact on the financial statements of the Port Authority in future periods, as described below:

Amendments to IAS 1 – Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted.

Amendments to IAS 1 – Presentation of Financial Statements - Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity’s financial position at the reporting date that is assessed for compliance only after the reporting date).

2. Material accounting policy information (continued)

Adoption of new and revised standards (continued)

New and revised IFRS Standards in issue but not yet effective (continued)

Amendments to IAS 1 – Presentation of Financial Statements - Non-current Liabilities with Covenants (continued)

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2024. Earlier application of the amendments is permitted.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures— Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements, including key elements as follows:

- the terms and conditions of the arrangements;
- the carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements;
- the carrying amount, and associated line items for which the suppliers have already received payment from the finance providers;
- ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement; and
- liquidity risk information.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

2. Material accounting policy information (continued)

Adoption of new and revised standards (continued)

New and revised IFRS Standards in issue but not yet effective (continued)

Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15 is a lease liability.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

Use of estimates and key areas of judgement

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from these estimates. Accounts requiring significant estimates and assumptions include fair value of interest rate swap and hedge accounting, useful lives of capital assets, accounts receivable, impairment of capital assets, employee future benefits, legal provisions and pedestrian tunnel concession liability, which are further elaborated below.

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 future periods if the revision affects both current and future periods.

(i) Fair value of interest rate swap and hedge accounting

As described in Note 3, the Port Authority uses valuation techniques that include inputs that are based on observable market data to estimate the fair value of its interest rate swap. Note 3 provides information about the key assumptions used in the determination of the fair value of the interest rate swap.

The Port Authority believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of its interest rate swap.

2. Material accounting policy information (continued)

Use of estimates and key areas of judgement (continued)

(i) Fair value of interest rate swap and hedge accounting (continued)

The Port Authority also applied judgement in electing to apply hedge accounting on the changes in the fair value of the interest rate swap.

(ii) Useful lives of capital assets

The Port Authority reviews the estimated useful lives of capital assets at the end of each reporting period. There has been no change in the useful lives estimates for the current year. Below are the amortization rates of the capital assets, which approximate their useful lives:

Land	No amortization
Buildings, structures, runways and taxiways	Straight-line over 5–75 years
Plant and equipment	Straight-line over 3–25 years
Deferred site preparation expenditures	Straight-line over 5–40 years
Capital work-in-progress	No amortization until ready for use

(iii) Accounts receivable

The carrying amount of accounts receivable is reduced by a valuation allowance which is calculated based on the expected credit losses for the accounts. The expected credit losses are measured at an amount equal to the 12-month expected credit losses. Management reviews the adequacy of this allowance at each reporting date.

(iv) Impairment of capital assets

The Port Authority reviews the carrying amount of capital assets and CGUs in comparison to their recoverable amounts. The recoverable amounts are determined based on the value in use or fair value less costs to sell. In the year ended December 31, 2023, there was no impairment identified by management.

(v) Employee future benefits

The determination of funding requirements is made on the basis of annual actuarial valuations. The recording of employee future benefits liability and the related annual expense is made on the basis of annual actuarial valuations or extrapolations for accounting purposes in the years between full valuations.

(vi) Legal provisions

Provisions are recognized when the Port Authority has a present obligation (legal or constructive) because of a past event, it is probable that the Port Authority will be required to settle the obligation, and a reasonable estimate can be made of the amount of the obligation.

The amount recognized as a provision, if any, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

2. Material accounting policy information (continued)

Use of estimates and key areas of judgement (continued)

(vii) Pedestrian Tunnel concession liability

The accounting treatment for the BBTCA Pedestrian Tunnel including the related asset and concession liability was a key area of judgement. The Port Authority reviewed the substance of the Project Agreement and concluded that the present value of the Pedestrian Tunnel's construction costs and related liability should be recognized on the consolidated statement of financial position.

3. Financial instruments: fair value and risk management

Fair value

The fair value of the interest rate swap is calculated using a discounted cash flow analysis using the applicable yield curve and credit spread over the remaining life of the derivative.

The carrying value of cash and cash equivalents, short-term investments, accounts receivable, notes receivable, prepaid threshold – tunnel deposit, accounts payable and accrued liabilities approximate their fair values due to the relatively short-term maturity. The carrying value of long-term investments and bank loans approximate fair value due to the terms and conditions of the arrangements compared to current market conditions for similar items.

Fair value hierarchy

The Port Authority applies a three-tier hierarchy to classify the determination of fair value measurements for disclosure purposes. Inputs refer broadly to the data and assumptions that market participants would use in pricing the investment. Observable inputs are inputs that are based on market data from independent sources. Unobservable inputs are inputs that reflect the Port Authority's own assumptions about the assumptions market participants would use in pricing an investment based on the best information available in the circumstances.
The three-tier hierarchy of inputs is as follows:

Level 1 – Quoted prices in active markets for identical investments

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – Inputs for the investment that are not based on observable market data (unobservable inputs)

The following is a summary of the fair value and classification levels as at December 31, 2023:

	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Financial assets				
Interest rate swap	**—**	**261**	**—**	**261**

The following was a summary of the fair value classification levels as at December 31, 2022:

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Interest rate swap	—	370	—	370

(In thousands of Canadian dollars)

3. Financial instruments: fair value and risk management (continued)

Fair value hierarchy (continued)

There were no transfers of financial instruments between Levels 1, 2, and 3 during 2023 and 2022.

The Port Authority uses observable and market data on the underlying instruments to value its Level 2 financial instruments. The Port Authority does not hold any Level 3 instruments.

Financial risk management

In the normal course of business, the Port Authority is exposed to a variety of financial risks: market risk, credit risk, liquidity risk, cash flow risk and interest rate risk. The Port Authority's primary risk management objective is to preserve capital. Risk management strategies, as discussed below, are designed and implemented to ensure the Port Authority's risks and related exposures are consistent with its objectives and risk tolerances.

Market risk

Market risk is managed by the Port Authority's investment policy, which requires a diversified portfolio of allowable investments pursuant to Section 32 of the Canada Marine Act. The Port Authority does not have any financial instruments which are subject to significant market risk.

Interest rate risk

Interest rate risk describes the Port Authority's exposure to changes in the general level of interest rates. Interest rate risk on financial assets arises when the Port Authority invests in fixed income assets which contain interest-bearing investments and when it incurs financial liabilities at variable interest rates. Interest rate changes directly impact the fair value of fixed income securities and the fair value of the pooled funds. Interest rate changes will also have an indirect impact on the remaining investments held by the Port Authority. At the end of 2023, the Port Authority holds fixed income securities as part of short-term investments totalling $53,480 ($49,978 in 2022) and as part of long-term investments totalling $51,275 ($34,299 in 2022). These fixed income securities consist of bankers' acceptances, guaranteed investment certificates, and bonds.

An analysis of maturity dates for the long-term fixed income securities is set out below.

	Interest rate %	**2023 $**	Interest rate %	2022 $
Maturity				
2024	**—**	**—**	3.67 - 5.30	15,173
2025	**3.84 - 6.20**	**43,986**	3.84 - 5.35	14,126
2027	**4.85**	**5,000**	4.85	5,000
2028	**5.07 - 5.55**	**2,289**	—	—
		51,275		34,299

The cost of the Port Authority's short-term fixed income securities together with accrued interest income approximates fair value given the short-term nature of the investments.

The long-term fixed income securities are valued at amortized cost, and as such fluctuations in interest rates will have no impact on the amount reflected in the Statement of Financial Position or net earnings.

3. Financial instruments: fair value and risk management (continued)

Financial risk management (continued)

Interest rate risk (continued)

The Port Authority's financial liabilities are exposed to fluctuations in interest rates with respect to the unhedged portion of long-term debt and its credit facility. The Port Authority is exposed to the following interest rate risks as at December 31, 2023:

	$
Unhedged portion of long-term debt	20,462

The following table details the Port Authority's sensitivity analysis to an increase of interest rates by 0.5% on net earnings and comprehensive income. The sensitivity includes floating rate financial liabilities and adjusts their effect at year-end for a 0.5% increase in interest rates. A decrease of 0.5% would result in an equal and opposite effect on net earnings and comprehensive income.

	Effect on net earnings and comprehensive income $
Unhedged portion of long-term debt	102

Under an interest rate swap contract, the Port Authority agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Port Authority to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of the interest rate swap at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract.

The interest rate swap settles on a monthly basis. The Port Authority settles the difference between the fixed and floating interest rate on a net basis.

Credit risk

The Port Authority's principal financial assets are cash and cash equivalents, short-term investments, long-term investments, accounts receivable, and notes receivable, which are subject to credit risk. The carrying amounts of financial assets on the consolidated statement of financial position represents the Port Authority's maximum credit exposure at the date of the consolidated statement of financial position.

The Port Authority's credit risk is primarily attributable to its accounts receivable. The amounts disclosed in the consolidated statement of financial position for accounts receivable are net of allowance for doubtful accounts, estimated by the management of the Port Authority based on previous experience and its assessment of the current economic environment to reflect the 12-month expected credit losses. In order to reduce its risk, management has adopted credit policies that include regular reviews of credit limits.

The credit risk on cash and cash equivalents, short-term investments, notes receivable, and long-term investments is limited because the counterparties are chartered banks and public sector entities with high credit-ratings assigned by national credit-rating agencies.

(In thousands of Canadian dollars)

3. Financial instruments: fair value and risk management (continued)

Financial risk management (continued)

Credit risk (continued)

The aging of accounts receivable was:

	2023	2022
	$	$
Trade		
Current	**10,482**	9,526
Aged between 31-90 days	**1,247**	319
Aged greater than 90 days	**495**	640
	12,224	10,485
Others	**31**	31
	12,255	10,516
Allowance for doubtful accounts	**(285)**	(293)
	11,970	10,223

Reconciliation of allowance for doubtful accounts

	2023	2022
	$	$
Balance, beginning of year	**293**	339
Increase during the year	**36**	62
Bad debts written off during the year	**(44)**	(108)
Balance, end of year	**285**	293

Liquidity risk

The Port Authority's objective is to have sufficient liquidity to meet its liabilities when due. The Port Authority monitors its cash balances and cash flows generated from operations to meet its requirements. The Port Authority has the following financial liabilities as at December 31, 2023. The total undiscounted cash repayments required to settle these liabilities, with the exception of the Tunnel concession liability, are set out below:

	Carrying value	2024	2025	2026 and thereafter
	$	$	$	$
Accounts payable and accrued liabilities	43,099	43,099	—	—
Bank loan	24,483	2,280	2,280	19,923
	67,582	45,379	2,280	19,923

(In thousands of Canadian dollars)

3. Financial instruments: fair value and risk management (continued)

Financial risk management (continued)

Liquidity risk (continued)

With respect to the Tunnel concession liability, the Port Authority is responsible for the payment of monthly Capital Payments totalling $6,583 per year until April 8, 2034 in settlement of the liability (Note 15). The discounted cash repayments relating to this liability are as follows:

	Carrying value $	2024 $	2025 $	2026 and thereafter $
Tunnel concession liability	50,623	3,586	3,812	43,225

Cash flow risk

The Port Authority's Investment Policy includes a targeted upper limit of 30% of cash reserves in the investment products of any one particular financial institution, with a hard cap limit of 35% regardless of the type of investment.

4. Capital disclosures

The Port Authority's objective when managing capital is to ensure sufficient liquidity to support its financial obligations and execute the operational and strategic plans to continue to provide benefits for its stakeholders and to remain financially self-sufficient. The Port Authority continually assesses its capital structure and adjusts it with reference to changes in economic conditions and risk characteristics associated with its underlying assets. According to its Letters Patent, the Port Authority's aggregate borrowing cannot exceed $52,100 except for borrowing for the Pedestrian Tunnel. There is $140,000 that is specifically identified for the Pedestrian Tunnel. The Port Authority cannot borrow money as an agent of His Majesty. Currently the Port Authority largely relies on cash flows from operations and investment activities to fund its capital investment program. The Port Authority's capital is comprised of its bank loan, Pedestrian Tunnel concession liability, and equity, net of cash and cash equivalents, and short-term investments.

	2023 **$**	2022 $
Bank loan	**24,483**	26,763
Tunnel concession liability	**50,623**	53,997
Less: cash and cash equivalents	**4,801**	13,209
Less: short-term investments	**53,480**	49,978
Net debt	**16,825**	17,573
Equity	**244,097**	233,707
	260,922	251,280

As of December 31, 2023, there was a shortfall of $3,077 in AIF funds which had been temporarily financed by general non-AIF funds. As AIF revenue is generated by BBTCA, it will be used to replenish the non-AIF funds that were used. Additionally, the Port Authority has certain covenants on its bank loans. As at December 31, 2023, the Port Authority complied with those covenants. In addition, the Port Authority has certain external restrictions on the assets it can purchase with the airport improvement fees. As at December 31, 2023, the Port Authority complied with those restrictions.

(In thousands of Canadian dollars)

5. Right-of-use assets and lease liabilities

The Port Authority's right-of-use assets and lease liabilities relate to a lease for its head office premises, as well as an IT service room and lunch and locker room in the terminal building located at Billy Bishop Toronto City Airport. Both leases were entered into in 2019.

Right-of-use assets

	2023	2022
	$	$
Opening cost, January 1	**3,558**	3,529
Additions (disposals)	**19**	29
Ending cost, December 31	**3,577**	3,558
Opening accumulated amortization, January 1	**(1,323)**	(949)
Amortization	**(374)**	(374)
Ending accumulated amortization, December 31	**(1,697)**	(1,323)
Opening net book value, January 1	**2,235**	2,580
Ending net book value, December 31	**1,880**	2,235

Lease liabilities

	2023	2022
	$	$
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**452**	448
One to five years	**1,381**	1,722
More than five years	**493**	585
Total undiscounted lease liabilities as at December 31, 2023	**2,326**	2,755
Lease liabilities included in the consolidated statement of financial position as at December 31, 2023		
Current	**388**	371
Non-current	**1,715**	2,087
	2,103	2,458

For the year ended December 31, 2023, the expense relating to variable lease payments not included in the measurement of lease obligations was $315 ($315 in 2022). Expenses relating to short-term leases were $110 ($110 in 2022) and expenses relating to leases of low value assets were $19 ($35 in 2022); these have been expensed directly to net income.

(In thousands of Canadian dollars)

6. Capital assets

	Land $	Buildings and structures $	Plant and equipment $	Deferred site preparation expenditures $	Capital work in process $	Total $
Cost						
Balance as at January 1, 2022	15,518	249,114	36,494	2,698	10,859	314,683
Additions	—	—	—	82	9,123	9,205
Transfers	—	660	5,708	—	(6,368)	—
Capital funding	—	—	(1,098)	—	—	(1,098)
Disposals	—	—	(285)	(1,944)	(531)	(2,760)
Balance as at December 31, 2022	15,518	249,774	40,819	836	13,083	320,030
Additions	—	—	—	30	12,987	13,017
Transfers	—	4,545	7,551	—	(12,096)	—
Capital funding	—	—	(1,366)	—	—	(1,366)
Disposals	—	—	(165)	—	—	(165)
Balance as at December 31, 2023	**15,518**	**254,319**	**46,839**	**866**	**13,974**	**331,516**
Accumulated depreciation						
Balance as at January 1, 2022	—	(63,339)	(20,390)	(420)	—	(84,149)
Depreciation for the year	—	(7,681)	(2,044)	(113)	—	(9,838)
Disposals	—	—	285	—	—	285
Balance as at December 31, 2022	—	(71,020)	(22,149)	(533)	—	(93,702)
Depreciation for the year	—	(6,170)	(4,389)	(38)	—	(10,597)
Disposals	—	—	146	—	—	146
Balance as at December 31, 2023	**—**	**(77,190)**	**(26,392)**	**(571)**	**—**	**(104,153)**
Carrying amounts						
Balance as at December 31, 2022	15,518	178,754	18,670	303	13,083	226,328
Balance as at December 31, 2023	**15,518**	**177,129**	**20,447**	**295**	**13,974**	**227,363**

The Port Authority sought government assistance under Regional Air Transportation Initiative and Airport Capital Infrastructure Program and applied for $2,155 in 2023 ($2,547 in 2022), towards Airport Capital Expenditures. On completion of the capital projects, the associated funding is netted against the cost of the assets.

The Port Authority also continues to review the necessity and timing of proceeding with some of its planned capital projects. In particular, the capital program at the BBTCA, which is financed through AIF, was significantly lower during 2020 to 2023 as the AIF fund was depleted; the shortfall in funding required to support the capital program was funded through other internal resources. Please see details under Note 10.

Future capital projects

The following information is provided in accordance with the requirements of section 36(a) of the Port Authorities regulations:

Total estimated future capital expenditures for projects authorized or committed – $26.94 million ($22.67 million in 2022).

(In thousands of Canadian dollars)

6. Capital assets (continued)

Projects with estimated costs in excess of $1 million per project included in the total above are as follows:

	Total authorized or committed As at December 31, 2023 $	Total spent As at December 31, 2023 $	Estimated future expenditure As at December 31, 2023 $
Ship Channel Bridge - Mechanical and Electrical Restoration	**11,980**	**1,358**	**10,622**
Island East Wall Rehabilitation Design & Construction	**7,100**	**190**	**6,910**
Airport Security Fence and Gates Replacement	**2,680**	**262**	**2,418**
Airport Electrical Infrastructure Improvements	**2,290**	**107**	**2,183**
Airfield Pavements Condition Maintenance	**1,990**	**1,381**	**609**
	26,040	**3,298**	**22,742**

As of December 31, 2023, the Airport reached the regulatory threshold in passenger volumes which requires the installation of Runway End Safety Areas (“RESA”) to comply with Canadian Aviation Regulations (Parts I, II, and VI – RESA): SOR/2021-269.

Subsequent to year end, the Port Authority approved work towards a preliminary design and impact assessment for RESA. The estimated amount of the capital expenditure for RESA will be determined as part of the design. RESA is required to be completed by Q2 2027.

7. Employee future benefits

The Port Authority maintains a defined benefit pension plan (“DB Plan”), registered with the Office of the Superintendent of Financial Institutions (OSFI), for the benefit of full-time permanent employees (for non-unionized employees hired before November 25, 2013 and certain unionized employees). The Port Authority provides a defined contribution pension plan for full-time non-unionized employees hired after November 24, 2013. Certain Plan members are also granted supplemental benefits, which mirror the formula of the registered plan and replace defined benefits that have been limited by the Income Tax Act. These supplemental benefits are unfunded. The Port Authority also provides other non-pension employment benefits to most of its employees as detailed in Note 2 under “Employee future benefits”. The Other Post Employment Benefits (OPEB) and Workplace Safety and Insurance Board (WSIB) benefits are unfunded. Beginning in 2018, the Port Authority established other employee future benefits for certain full-time employees provided that they remain employed with the Port Authority for a specified length of time. In 2022 and 2023, certain employee departures resulted in the forfeiture of employee future benefits. The effect of this has been reflected in these financial statements.

An actuarial valuation of the DB Plan was performed as of January 1, 2023 by the Plan’s actuary, Aon. That actuarial review determined that the DB Plan was in an excess surplus position under both a going concern and solvency basis. As a result, the Authority was required to take a contribution holiday, commencing in April 2023, pursuant to the Income Tax Act.

(In thousands of Canadian dollars)

7. Employee future benefits (continued)

In August 2023, a new collective agreement was concluded with CUPE 416 (2023 to 2027), which includes DB Plan benefit improvements for union members, capped at $1 million for the period from January 1, 2023 to December 31, 2025. The specific benefit improvements have not been finalized with CUPE 416 and hence have not been reflected in the pension obligation as of the end of 2023. Instead, the $1 million amount has been included as an accrued liability.

Information about the Port Authority's employee future benefits in the aggregate is as follows:

	Pension benefit plan	**Other benefits**	**2023 Total**	Pension benefit plan	Other benefits	2022 Total
	$	**$**	**$**	$	$	$
Accrued benefit obligation						
Balance, beginning of year	**52,109**	**1,952**	**54,061**	68,678	2,762	71,440
Employer current service cost	**892**	**163**	**1,055**	1,917	(165)	1,752
Employees' contributions	**442**	**—**	**442**	418	—	418
Interest expense	**2,484**	**75**	**2,559**	1,996	55	2,051
Benefits paid	**(3,827)**	**(81)**	**(3,908)**	(3,735)	(89)	(3,824)
Actuarial (gains) losses	**1,875**	**64**	**1,939**	(16,870)	(414)	(17,284)
Effect of forfeitures	**—**	**(122)**	**(122)**	(295)	(197)	(492)
Balance, end of year	**53,975**	**2,051**	**56,026**	52,109	1,952	54,061
Plan assets						
Fair value, beginning of year	**61,646**	**—**	**61,646**	68,411	—	68,411
Employer contributions	**1,429**	**81**	**1,510**	1,144	89	1,233
Employees' contributions	**442**	**—**	**442**	418	—	418
Non-investment expenses	**(280)**	**—**	**(280)**	(207)	—	(207)
Benefits paid	**(3,827)**	**(81)**	**(3,908)**	(3,735)	(89)	(3,824)
Interest income	**3,147**	**—**	**3,147**	2,018	—	2,018
Return on plan assets excluding amounts included in interest income	**3,104**	**—**	**3,104**	(6,403)	—	(6,403)
Fair value, end of year	**65,661**	**—**	**65,661**	61,646	—	61,646
Funded status – plan surplus (deficit)	**11,686**	**(2,051)**	**9,635**	9,537	(1,952)	7,585
Accrued benefit asset (liability)	**11,686**	**(2,051)**	**9,635**	9,537	(1,952)	7,585

The Port Authority's net benefit plan expense is as follows:

	Pension benefit plan	**Other benefits**	**2023 Total**	Pension benefit plan	Other benefits	2022 Total
	$	**$**	**$**	$	$	$
Components of net benefit costs recognized during the year						
Current service costs	**892**	**163**	**1,055**	1,917	(165)	1,752
Administration costs	**280**	**—**	**280**	207	—	207
Interest expense	**2,484**	**75**	**2,559**	1,996	55	2,051
Interest income	**(3,147)**	**—**	**(3,147)**	(2,018)	—	(2,018)
Actuarial gains/(loss)	**—**	**36**	**36**	—	—	—
Effect of forfeitures	**—**	**(122)**	**(122)**	(295)	(197)	(492)
Employee future benefit cost recognized	**509**	**152**	**661**	1,807	(307)	1,500

(In thousands of Canadian dollars)

7. Employee future benefits (continued)

The amounts recognized in OCI are as follows:

	Pension benefit plan $	**Other benefits $**	**2023 Total $**	Pension benefit plan $	Other benefits $	2022 Total $
Remeasurement of the net defined benefit liability in OCI						
Actuarial (gains) losses on assets	**(3,104)**	**—**	**(3,104)**	6,403	—	6,403
Actuarial (gains) losses on obligations	**1,875**	**28**	**1,903**	(16,870)	(414)	(17,284)
Remeasurement (gain) loss recognized	**(1,229)**	**28**	**(1,201)**	(10,467)	(414)	(10,881)

The date used to measure assets and liabilities for accounting purposes was as at December 31, 2023. The most recent actuarial valuation for funding purposes for the Pension Plan for Employees of the Toronto Port Authority was January 1, 2023. The next actuarial valuation for funding purposes will be done no later than January 1, 2026.

The Port Authority's funding policy for the Pension Plan is in accordance with the requirements of the federal Pension Benefits Standards Act. The determination of the funding requirements is made based on annual actuarial valuations.

The Port Authority has reflected Ruling 14 of the International Financial Reporting Interpretations ("IFRIC 14") which clarifies how the asset ceiling defined under IAS 19 should be applied, particularly how it interacts with minimum funding rules. Under IAS19, any variation in the asset ceiling will be recognized in other comprehensive income (as opposed to profit and loss). The impact of the asset limit on the funded plans has been applied based on management's interpretation of IAS 19, as clarified by IFRIC 14. This interpretation is summarized as follows:

- The Port Authority assumed that it does not have an unconditional right to a refund of surplus.
- The Port Authority may take funding contribution holidays based on past practice and/or plan rules.
- Minimum Funding Requirements ("MFR") have been set based on the requirements of the most recently filed actuarial valuation report for funding purposes. Based on the MFR, the going concern and solvency funded status is projected into the future. In any year where the plan is projected to be in a surplus on both a going concern and solvency basis and the threshold set by the governing pension legislation for taking a contribution holiday is met, then this projected surplus is used to reduce or eliminate the minimum funding contribution in that year. The economic benefit available from a reduction in future contributions is therefore equal to the difference between the present value of employer IAS 19 current service cost and the present value of the employer minimum funding current service requirements. The present values are determined using the IAS 19 discount rate and have been calculated assuming that the plan is maintained indefinitely.
- Any required deficit contributions that, once made, are not available to the Port Authority as an economic benefit may form an additional liability which is netted against the consolidated statement of financial position, or if there is already a liability, the adjusted liability on the consolidated statement of financial position is equal to the present value of the remaining required deficit contributions. Required deficit contributions are determined based on the most recently filed actuarial valuation report for funding purposes.

(In thousands of Canadian dollars)

7. Employee future benefits (continued)

The main risks affecting the Pension Plan, OPEB and WSIB Benefits are:

Longevity	The risk that retirees will collect a pension for a longer period of time, on average, than expected according to the mortality assumptions used.
Investment	The risk that the invested assets of the Pension Plan do not yield the assumed rate of return, resulting in insufficient assets to provide for the benefits promised and/or requiring the Port Authority to make additional contributions to fund the deficit.
Discount rate	The risk from changing market interest rates. A decrease in corporate bond yields will increase plan obligations. This risk is greater to the extent that there is a mismatch between the characteristics of the assets and obligations.
Regulatory/legal	The risk of regulatory/jurisprudence changes that can alter the benefit promise.
Health inflation risk	The risk that the cost of health benefits increases is higher than the assumptions used.

*Pension Plan Asset Allocation as of December 31, 2023**

	Percentage of defined benefit assets			
		2023		2022
	Quoted %	**Unquoted %**	Quoted %	Unquoted %
Asset category				
Equities	**51.30**	**—**	51.50	—
Fixed income	**15.20**	**—**	15.40	—
Alternative investments	**32.90**	**—**	32.50	—
Other	**0.60**	**—**	0.60	—
	100.00	**—**	100.00	—

* OPEB benefits and WSIB benefits are unfunded.

The significant actuarial assumptions adopted in measuring the Port Authority's accrued benefit obligations are as follows (weighted-average assumptions as of December 31):

	2023 %	2022 %
Key assumptions		
Accrued benefit obligation at end of year		
Discount rate	**4.60**	5.20
Compensation increase	**2.00**	2.00
Benefit cost during the year		
Discount rate	**4.60**	5.20
Health care trend rates at end of year		
Initial rate	**4.35**	4.35
Ultimate rate	**4.05**	4.05

(In thousands of Canadian dollars)

7. Employee future benefits (continued)

	2023 Pension plan $	2023 Other benefits $
Sensitivity analysis on defined benefit obligation		
Impact of 1% increase in discount rate	**(6,671)**	**(174)**
Impact of 1% decrease in discount rate	**7,930**	**176**
Impact of 1% increase in salary scale	**(568)**	**—**
Impact of 1% decrease in salary scale	**640**	**—**
Impact of 1 year increase in longevity	**1,378**	**39**
Impact of 1 year decrease in longevity	**(1,403)**	**(39)**
Impact of 1% increase in trend rate	**N/A**	**162**
Impact of 1% decrease in trend rate	**N/A**	**(139)**

The weighted average duration of the plan is approximately 13.0 years in 2023, (12.7 years in 2022).

8. Bank loans and derivative instruments

(a) *Bank loans*

Due to the COVID-19 pandemic, the Port Authority's two commercial carriers announced a temporary cessation of their operations at Billy Bishop Airport in March 2020 and as a result, there was a material change in passenger levels. In accordance with the terms of the Port Authority's loan agreement with the Bank, the Port Authority provided notice of a material change in passenger levels and the resulting material adverse change in its financial condition, business and operations, which were determined to be temporary Events of Default. The Port Authority and the Bank entered into amending agreements in 2020 and 2021 that included revisions to the terms of an agreement. Effective April 30, 2022, The Port Authority and the Bank entered into an amended and restated agreement which consolidates all the previous amendments and restatements. The Port Authority has sufficient cash and short-term investments available to repay any borrowing of funds under the Bank loan agreement. In August 2022, the Bank waived the Subject Events of Default that had occurred prior to June 30, 2022, on a permanent basis effective June 30, 2022.

The following are the main terms of the credit facility:

	Amount $	Interest rate	Amortization	Maturity date
Term Facility (Revolving)			15 years ending	May 31, 2025
To finance capital expenditures	50,000	BA rate plus 0.85% BMO Prime less 0.15%	May 31, 2034	
	50,000			

(In thousands of Canadian dollars)

8. Bank loans and derivative instruments (continued)

(a) Bank loans (continued)

Capital expenditures financed and refinanced in the term credit facility includes:

- Repairs and improvements related to access to BBTCA, including a Ferry, Dockwalls, new Ferry Passenger Transfer Facilities
- Various projects at the Marine Terminals, Outer Harbour Marina, Airport and Tunnel Advertising Equipment
- Runway Airfield Rehabilitation Program at Billy Bishop Toronto City Airport
- Any other capital expenditures in any of the Port Authority businesses

As of December 31, 2023, $24,483 ($26,763 in 2022) has been drawn from the term facility in the form of a Bankers Acceptance ("BA"), with the next BA maturity date of January 10, 2024 and interest rate of 5.43% (January 11, 2023 and interest rate of 4.60%). Under the provision of the Loan Agreement, the facility is revolving, the BA automatically renews every 30 days upon maturity, and is repayable over 180 months. As such, the loan has been classified as long-term (with a short-term portion reflecting principal repayments due in the next 12 months).

Principal payments for the above facility for the next five years are as follows:

	Total $
2024	2,280
2025	2,280
2026	2,280
2027	2,280
2028	2,280
Thereafter	13,083
	24,483
Less: current portion	2,280
Long-term	22,203

The table above is based on the amortization of payments of the facility described above. The loan agreements have a fixed repayment time frame that is shorter than the amortization period. The Port Authority anticipates that the loan will be renegotiated at the specific maturity dates to extend to the full amortization period and thereby the chart above reflects the commitment that these amounts will need to be repaid at the above noted dates.

If the repayments upon maturity were required, the above table would be adjusted to the following: $2,280 in 2024 and $22,203 in 2025.

The Airport's capital program, which includes Debt Service for borrowings, is funded through Airport Improvement fees. As at December 31, 2023, the principal amounts payable by the Port Authority (non-AIF) and the restricted Airport Improvement Fees are $4,642 and $19,841, respectively. Please see details on Airport Improvement fees under Note 10.

(In thousands of Canadian dollars)

8. Bank loans and derivative instruments (continued)

(a) Bank loans (continued)

The Port Authority had one interest rate swap:

	Start	**Maturity**	**Starting Notional $**	**Interest rate $**	**Notional at December 31, 2023 $**	Notional at December 31, 2022 $
Swap	**Jul 2016**	**Jul 2031**	**7,998**	**1.67%**	**4,021**	4,557

(b) Derivative instrument and hedge accounting

In July 2016, the Port Authority designated an interest rate swap in a hedging relationship with an original credit facility of $7,998. Prospective and retrospective hedge effectiveness is assessed on these hedges using a hypothetical derivative method. The hypothetical derivative assessment involves comparing the effect of changes in interest rates each period on the changes in fair value of both the actual and hypothetical derivative. The effective portion of the interest rate swap is recorded in other comprehensive income until the forecasted transaction occurs. Where applicable, the fair value of the derivative has been adjusted to account for the Port Authority's credit risk.

The hedge was designated as a cash flow hedge, with the hedge designations continuing in effect for subsequent refinancing. Based on an evaluation of the new credit agreement entered into in May 2019, the Port Authority determined that this instrument continued to qualify for hedge designation as the original cash flows under hedge (the "hedge items") continued to be in place under the new credit agreement.

The effect on net income and other comprehensive income is as follows:

(i) Effect on net income – ineffective portion

	2023 $	2022 $
Ineffectiveness of hedge accounting reclassified from other comprehensive income	**13**	122
Interest recovery	**—**	297
	13	419

(ii) Effect on other comprehensive income – effective portion

	2023 $	2022 $
Mark to market gain (loss) on the swap	**(109)**	339
Interest recovery	**—**	(266)
Ineffectiveness reclassified to net income	**(13)**	(122)
Recognized in other comprehensive income	**(122)**	(49)

9. Payments in Lieu of Taxes

Payments in Lieu of Taxes or ("PILTs") are payments that may be made by federal institutions to the municipalities in which they operate. The quantum of PILTs made by a government institution to its host municipality is discretionary and, if made, is determined in accordance with the federal Payments in Lieu of Taxes Act (the "PILTs Act"). The Port Authority properties to which the PILTs Act applies are the Billy Bishop Toronto City Airport ("BBTCA"), the Outer Harbour Marina, 80 Cherry Street, and various water lots. the Port Authority also pays property taxes to the City of Toronto (the "City") for BBTCA and various other properties.

10. Airport Improvement Fees

The Port Authority charged an Airport Improvement Fee ("AIF" or "Fee") of $29.00 in 2023 ($29.00 in 2022) per departing passenger. In addition, net revenues from the Pedestrian Tunnel Advertising Features were included in AIF. These Fees are to be used entirely to finance the Airport's capital program, which includes Debt Service for borrowings (see Note 8).

For the year ended December 31, 2023, the net amount of AIF collected was $24,981 ($19,190 in 2022). These Fees are recorded as Airport improvement fees, net in the consolidated statement of operations and comprehensive income.

The AIF revenue is net of the 3% commission paid to the air carriers for the collection of AIF from enplaned passengers.

The cumulative balance in AIF funds as of December 31, 2023 was in deficit of $3,077 (deficit of $13,500 in 2022).

(In thousands of Canadian dollars)

10. Airport Improvement Fees (continued)

Revenue and expenses relating to Toronto Port Authority non-AIF operations and Airport Improvement Fees

The following is an analysis of the Toronto Port Authority's results from the consolidated statement of operations and comprehensive income in terms of revenue and expenses from the Port Authority's non-AIF operations and those related to the restricted Airport Improvement Fees:

	2023 Total $	2022 Total $	**2023 Non-AIF $**	**2023 AIF $**	2022 Non-AIF $	2022 AIF $
Operating revenue						
Port, Outer Harbour Marina, Airport, property and other revenue	**51,390**	46,195	**51,390**	**—**	46,195	—
Airport improvement fees, net	**24,981**	19,190	**—**	**24,981**	—	19,190
	76,371	65,385	**51,390**	**24,981**	46,195	19,190
Operating expenses						
Wages, salaries and employee benefits	**13,662**	13,438	**13,662**	**—**	13,438	—
Repairs and maintenance	**8,403**	7,084	**8,403**	**—**	7,084	—
Professional and consulting fees	**2,297**	1,168	**1,974**	**323**	1,168	—
Property taxes, net	**83**	76	**83**	**—**	76	—
Other operating and administrative expenses	**14,770**	13,261	**14,743**	**27**	13,261	—
	39,215	35,027	**38,865**	**350**	35,027	—
Income from operations and Airport improvement fees, net before the following	**37,156**	30,358	**12,525**	**24,631**	11,168	19,190
Payments in lieu of taxes	**(1,165)**	(1,076)	**(1,165)**	**—**	(1,076)	
Amortization of right-of-use and capital assets	**(10,971)**	(10,212)	**(2,523)**	**(8,448)**	(2,220)	(7,992)
Interest expense	**(4,663)**	(4,416)	**(192)**	**(4,471)**	(223)	(4,193)
Charge on gross revenue – Port, Outer Harbour Marina, Airport, property and other revenue	**(2,027)**	(2,064)	**(2,027)**	**—**	(2,064)	—
Charge on gross revenue – Airport improvement fees	**(1,499)**	(1,151)	**—**	**(1,499)**	—	(1,151)
Gain on interest rate swap – ineffective portion	**13**	419	**13**	**—**	419	—
Net income for the year before the following before the following item	**16,844**	11,858	**6,631**	**10,213**	6,004	5,854
Gain on sale of Parliament Slip Water Lot, net	**—**	18,981	**—**	**—**	18,981	—
Write off of site preparation costs	**—**	(1,944)	**—**	**—**	(1,944)	—
Provision for Rehabilitation of Leslie Street Spit Hardpoint J & Other Obligations	**(7,533)**	(19,300)	**(7,533)**	**—**	(19,300)	—
Net income (loss) for the year	**9,311**	9,595	**(902)**	**10,213**	3,741	5,854
Changes in fair value of interest rate swap due to hedge accounting – loss on interest rate swap – effective portion	**(122)**	(49)	**(122)**	**—**	(49)	—
Remeasurement gain on employee future benefits	**1,201**	10,881	**1,201**	**—**	10,881	—
Comprehensive income for the year	**10,390**	20,427	**177**	**10,213**	14,573	5,854

(In thousands of Canadian dollars)

11. Contingencies

There are a number of outstanding claims against the Port Authority that have been referred to legal counsel and reported to the Port Authority's insurers, as applicable. With respect to insurable claims, the Port Authority expects that its liability, if any, will be limited to the amount of its insurance deductible.

12. Canada marine act and port authorities' management regulations

Pursuant to subsection 37 (3) of the Canada Marine Act, total remuneration (includes salaries and bonus) was paid to the following:

	2023	2022
	$	$
Director's fees		
Ms. Amanda Walton, Chair	**66**	6 5
Mr. Darin Deschamps	**42**	38
Ms. Hellen Siwanowicz	**34**	35
Ms. Sandra Pupatello (assumed office February 16, 2023)	**15**	—
Mr. Thomas Ruth (assumed office February 16, 2023)	**16**	—
Ms. Jane McKenna (assumed office May 2, 2023)	**11**	—
Mr. Chris Reynolds (ceased to hold office February 2 , 2023)	**11**	31
Mr. Don McIntyre (ceased to hold office March 31, 2022)	**—**	14
	195	118
Chief Executive Officer - Mr. Roelof-Jan (RJ) Steenstra (assumed office September 12, 2022)		
Remuneration	**402**	144
Other benefits	**23**	6
	425	150
Chief Executive Officer - Mr. Geoffrey Wilson (ceased to hold office June 30, 2022)		
Remuneration	**—**	265
Other benefits	**—**	15
	—	280
Executive Vice President, Ports Toronto and Billy Bishop Toronto City Airport - Mr. Gene Cabral (ceased to hold office August 23, 2022)		
Remuneration	**—**	185
Other benefits	**—**	12
	—	197
Senior Vice President & CFO - Mr. Alan Paul		
Remuneration	**294**	253
Other benefits	**21**	20
	315	273

(In thousands of Canadian dollars)

12. Canada marine act and port authorities' management regulations (continued)

	2023	2022
	$	$
Senior Vice President and General Counsel - Mr. Willard Ramjass (assumed office March 27, 2023)		
Remuneration	**188**	—
Other benefits	**16**	—
	204	—
Senior Vice President and General Counsel - Mr. Craig Manuel (ceased to hold office November 18, 2022)		
Remuneration	**—**	286
Other benefits	**—**	19
	—	305
Vice President Aiport - Mr. Warren Askew (assumed office May 29, 2023)		
Remuneration	**115**	—
Other benefits	**10**	—
	125	—
Vice President Communications and Public Affairs - Ms. Deborah Wilson		
Remuneration	**243**	211
Other benefits	**15**	14
	258	225
Vice President Infrastructure, Planning & Environment - Mr. Bojan Drakul (assumed office April 17, 2023)		
Remuneration	**225**	—
Other benefits	**15**	—
	240	—
Vice President Infrastructure, Planning & Environment - Mr. Chris Sawicki (ceased to hold office April 14, 2023)		
Remuneration	**104**	211
Other benefits	**6**	17
	110	228

13. Commitments

The Port Authority currently has a Lease Agreement with the provincial Ministry of Natural Resources and Forestry to construct, operate and maintain a landfill area at the foot of Leslie Street on a portion of the Leslie Street Spit. The Port Authority lease expires on October 31, 2024. The Port Authority is required under its lease to maintain the shoreline and associated hardpoints in a dynamically stable condition.

13. Commitments (continued)

As part of the obligations under the lease, the Port Authority monitors the hardpoints and beaches along the east and south shores of the Leslie Street Spit for shoreline stabilization. Through this monitoring program, the reconstruction of Hardpoint J has been determined to require improvement as a condition of Lease termination. The Port Authority is reviewing options to complete this remediation and has accrued a liability relating to this work reflective of the Port Authority's current best estimate.

In 2023, the final design for Hardpoint J revealed that finding quarry type material in this quantity will be very challenging. In addition, finding rubble material from a demolition site nearby that a contractor wants to dispose of at the project site will still require a significant quantity of quarry type material to create the stability needed for the shoreline. As a result, an additional amount based on the high end of the initial range of the construction cost rather than the low end of the estimated range, has been provisioned in 2023.

The Port Authority currently has a lease for its head office premises located at 207 Queens Quay West. The Lease expires on September 28, 2027. The Port Authority also has a lease for an IT service room and lunch and locker room in the terminal building located at Billy Bishop Toronto City Airport. The lease expires on June 29, 2033. Please see Note 5 for details on the lease liability recorded in respect of these two leases.

The Port Authority has also provisioned for other potential liabilities.

14. Guarantees

In the normal course of business, the Port Authority enters into agreements that meet the definition of a guarantee. The Port Authority's primary guarantees are as follows:

(a) Indemnity has been provided to all directors and or officers of the Port Authority for various items including, but not limited to, all costs to settle suits or actions due to association with the Port Authority, subject to certain restrictions. The Port Authority has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined but is limited to the period over which the indemnified party served as director or officer of the Port Authority. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) In the normal course of business, the Port Authority has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Port Authority to compensate counterparties for losses incurred by the counterparties because of breaches in representation and regulations or because of litigation claims or statutory sanctions that may be suffered by the counterparty because of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated. In addition to the foregoing, in connection with the lease of real property from the City of Toronto by the Port Authority's wholly owned subsidiary, 2315155 Ontario Inc., the Port Authority has guaranteed 2315155 Ontario Inc.'s obligation to the City. The maximum liability of the Port Authority to the City pursuant to this guarantee is $500.

Other than the guarantee to the City described above, the nature of these indemnification agreements prevents the Port Authority from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Port Authority has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the statement of financial position with respect to these agreements.

15. Pedestrian Tunnel Project

On March 8, 2012, the Toronto Port Authority and BBIA LP, an entity controlled by Forum Infrastructure Partners signed a Project Agreement ("the Agreement") to construct a Pedestrian Tunnel (the "Tunnel") to link the Billy Bishop Toronto City Airport ("Airport") to the mainland at the foot of Bathurst Street, under the Western Gap. BBIA LP agreed to design, build, finance, operate and maintain the Tunnel for twenty years. The base contract price for BBIA LP to construct the Tunnel was $82.5 million and it was substantially complete and accepted by the Port Authority on May 29, 2015. The Tunnel was officially opened to the public and stakeholders on July 30, 2015. Title to the Tunnel will remain with the Port Authority throughout the term of the Agreement.

The Port Authority has capitalized construction costs as well as the present value of future Capital Lifecycle payments to be made over the term of the concession period (Expiry Date April 8, 2034). The Port Authority has also recognized a liability for the Tunnel, equal to the asset, less payments made. As at December 31, 2023 an asset of $110,418 ($110,418 in 2022) has been included as part of capital assets, with a related liability of $50,623 ($53,997 in 2022).

On April 8, 2016 BBIA LP sold its interest in the Tunnel to BBPT AF LP, an entity controlled by Fiera Capital Corporation. As part of this transaction the Agreement was assigned by BBIA LP to BBPT AF LP and BBPT AF LP assumed all of BBIA LP's obligations under the Agreement.

The Port Authority pays monthly Capital Payments totaling $6,583 per year until April 8, 2034 to BBPT AF LP using a portion of the airport improvement fee collected for enplaning (departing) passengers at the Airport.

The Port Authority is also responsible for monthly Lifecycle Payments totalling $212 per year and monthly Operating Payments totalling $1,301 per year, until 2034, to be indexed to inflation. As at December 31, 2023, the indexed amounts are $212 ($270 in 2022) and $1,689 ($1,612 in 2022) per year, respectively.

(In thousands of Canadian dollars)

16. Revenue and expenses by business units

The following is an analysis of the Toronto Port Authority's results from the Consolidated Statement of Operations and Comprehensive Income by business units:

	Unit revenue		Unit expenses		Business unit net income	
	2023	2022	**2023**	2022	**2023**	2022
	$	$	**$**	$	**$**	$
Business units						
Port operations	**8,344**	10,952	**4,379**	4,703	**3,965**	6,249
Outer Harbour Marina	**6,707**	6,097	**3,602**	3,284	**3,105**	2,813
Billy Bishop Toronto City Airport and net airport improvement fees	**52,788**	43,500	**22,739**	19,507	**30,049**	23,993
Property and other	**3,242**	2,906	**1,117**	794	**2,125**	2,112
Investment income	**5,290**	1,930	**—**	—	**5,290**	1,930
Corporate services	**—**	—	**7,378**	6,739	**(7,378)**	(6,739)
	76,371	65,385	**39,215**	35,027	**37,156**	30,358
Net income from operations and airport improvement fees, net before the following					**37,156**	30,358
Payments in lieu of taxes					**(1,165)**	(1,076)
Amortization of right-of-use and capital assets					**(10,971)**	(10,212)
Interest expense					**(4,663)**	(4,416)
Charge on gross revenue					**(3,526)**	(3,215)
Gain on interest rate swap - Ineffective portion					**13**	419
Net income for the year before the following item					**16,844**	11,858
Gain on sale of Parliament Slip Water Lot, net					**—**	18,981
Write off of site preparation costs					**—**	(1,944)
Provision for Rehabilitation of Leslie Street Spit Hardpoint J & Other Obligations					**(7,533)**	(19,300)
Net income for the year					**9,311**	9,595
Loss on interest rate swap - Effective portion					**(122)**	(49)
Remeasurement gain on employee future benefits					**1,201**	10,881
Comprehensive income for the year					**10,390**	20,427

17. Net change in non-cash working capital balances related to operations

The changes in non-cash working capital items are as follows:

	2023	2022
	$	$
Accounts receivable (net)	**(1,747)**	(4,355)
Long-term receivable	**(372)**	(401)
Inventories	**37**	4
Prepaid expenses	**418**	(521)
Accounts payable and accrued liabilities	**11,970**	23,760
Unearned revenue	**454**	1,549
	10,760	20,036

18. Sale of Parliament Street Slip Water Lot

In the last few years, the Port Authority was in discussions with Waterfront Toronto ("WT") regarding WT's desire to gain control of all or a portion of the Parliament Street Slip Water Lot ("Slip") in connection with the ongoing development of the East Bayfront Precinct in Toronto. WT is an organization formed by the federal, provincial and municipal governments and is tasked with revitalizing Toronto's waterfront.

18. Sale of Parliament Street Slip Water Lot (continued)

On June 1, 2022, Port Authority sold its approximately 2.95 acres of water and submerged land, together with the grant of a 60-year easement over the areas immediately south of the Slip and approximately 1.21 acres for finger piers and other activations of the Slip. The transaction price was agreed at $19,512. Certain development costs relating to the Slip and closing adjustments were netted against the proceeds to arrive at the net gain from the sale.

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The Toronto Port Authority, doing business as PortsToronto since January 2015, is a government business enterprise operating pursuant to the Canada Marine Act and Letters Patent issued by the federal Minister of Transport. The Toronto Port Authority is hereafter referred to as PortsToronto.

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