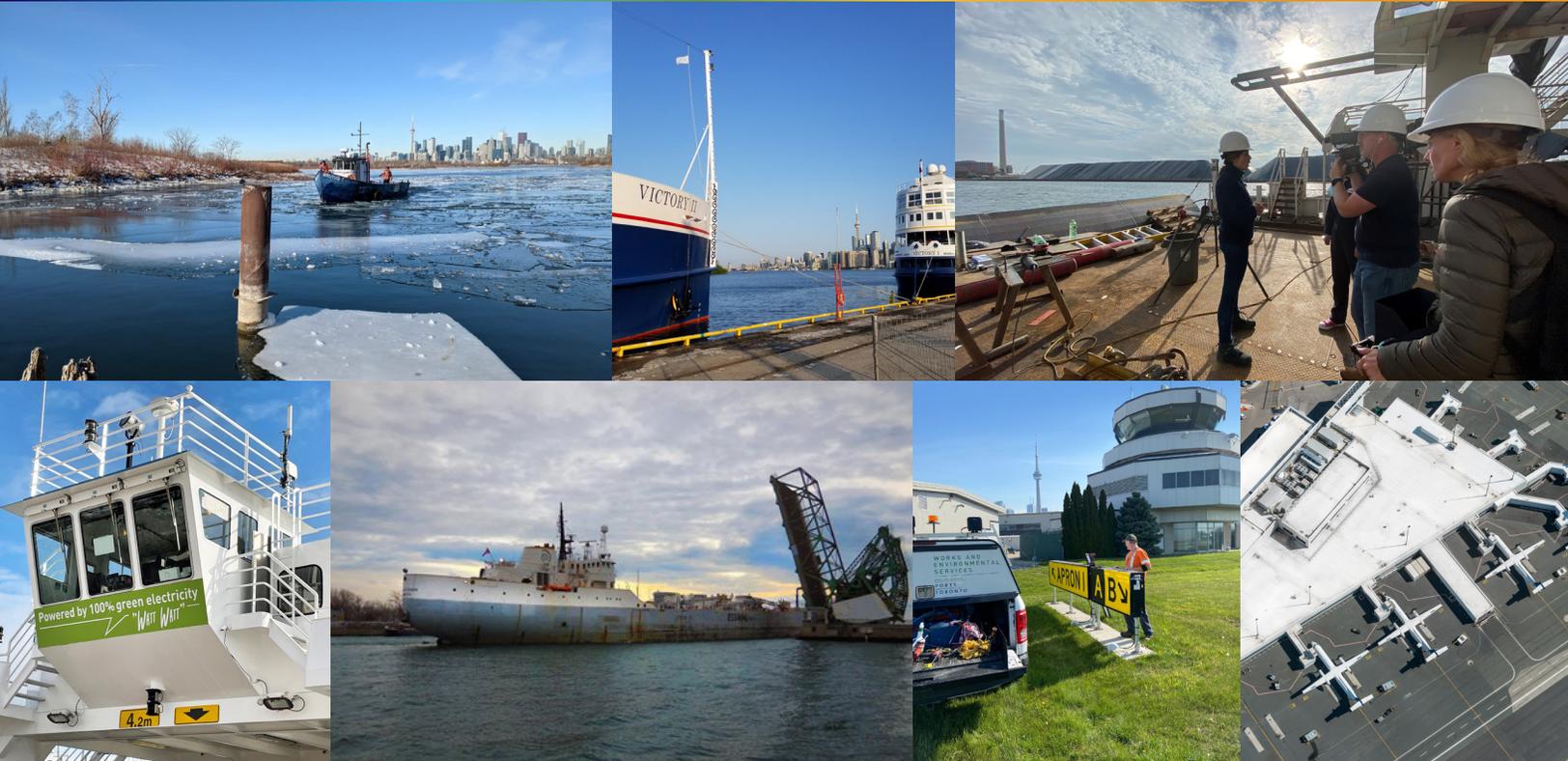


PORTS TORONTO 2021 Annual Report



PORTS TORONTO

Canada

© Toronto Port Authority 2022
All rights reserved.

207 Queens Quay West, Suite 500,
Toronto. ON. M5J 1A7

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.

For more information on this report please contact:

PortsToronto
Communications and Public Affairs Department
207 Queens Quay West, Suite 500,
Toronto. ON. M5J 1A7
Phone: 416 863 2075
E-mail: communications@portstoronto.com



TABLE OF CONTENTS

4	Land Acknowledgement
5	Part One: Introduction
6	Message from the Chair of the Board of Directors
8	Message from the Chief Executive Officer
11	About PortsToronto
12	Corporate Governance
13	Board of Directors
13	Senior Management
14	Billy Bishop Toronto City Airport
16	Port of Toronto
18	Outer Harbour Marina
19	Real Estate and Property Holdings
20	Part Two: Sustainability
21	I. Strategic Approach to Sustainability & Measuring Progress
22	II. Key Achievements in Sustainability in 2021
22	The <i>Marilyn Bell I</i> – Canada’s First Truly Zero-Emission, Lithium-Ion Ferry
24	Choosing Renewable Energy
25	PortsToronto Seabin Program
26	Fostering Native Trees and Shrubs at the Outer Harbour Marina
26	Duckling Docks in the Toronto Harbour
27	Part Three: Community
28	I. Community Investment
29	ALS Canada Virtual Plane Pull
29	Evergreen School Ground Greening Project
30	II. Community Engagement
30	Noise Management at Billy Bishop Airport
30	Ground Noise Study
31	Air Quality Study
31	Public Outreach and Meetings
32	Part Four: Economy
33	I. Facilitating Tourism and Trade
34	Safe Travels Program
35	Restart of Commercial Service at Billy Bishop Airport
36	Investing in Toronto’s Waterfront
37	II. Supply Chain Resiliency at the Port of Toronto
38	III. Job Creation
39	Supporting Toronto’s Film and Technology Industries
40	Part Five: Management’s Discussion & Analysis – 2021
47	Part Six: Financial Statements – 2021



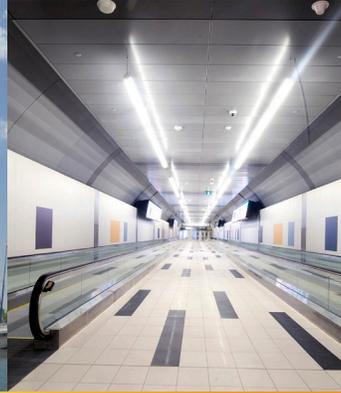


LAND ACKNOWLEDGEMENT

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, and the Williams Treaties signed with multiple Mississaugas and Chippewa bands. Today, Toronto is still home to Indigenous people and we are grateful to have the opportunity to meet and work on this territory.

OUR PROMISE

Express gratitude to Mother Earth and for the resources we are using, and honour all the First Nation, Métis and Inuit people who have been living on the land since time immemorial. PortsToronto consults and engages with the Mississaugas of the Credit First Nation on all proposed projects.



Part One: Introduction





MESSAGE FROM THE CHAIR

Reflecting back on the last two years and the challenges that we have all faced during the pandemic, I am encouraged by signs of recovery ahead, but also evidence of past resilience. With a history that stretches back more than 110 years, PortsToronto has been through world wars, pandemics, economic turmoil and many other challenges, and the organization has always come out stronger because of its ability to adapt and change.

Beginning as the Harbour Commission, PortsToronto was initially tasked with the cleanup of Sunnyside Beach, and a breakwater from the Humber River to Bathurst Street. From 1912 to 1961, PortsToronto was responsible for the lands south of Lake Shore Boulevard and the infill of lands to support the Canadian National Exhibition and, of course, the infill of Hanlan's Point on the Toronto Islands to build the award-winning Billy Bishop Toronto City Airport.

It is the diversification of PortsToronto over the years that has made the organization unique among its counterparts in the aviation and marine industries, and has also set the organization up for success.

PortsToronto is diversified among its primary businesses – the Port of Toronto, Billy Bishop Airport, the Outer Harbour Marina, and our Real Estate holdings – but further diversification exists within these units as well. For example, within the port there is the cargo and shipping business, the cruise ship business, and then the leases held by non-port businesses such as Cinespace which supports our mandate to facilitate trade and ensure full utilization of our holdings. However, while the diversification of our business has been intentional and strategic over the last few years, it has never been more important than in the last two years.

As a result, even though the airport faced continued disruptions in 2021 due to the ongoing impacts of the pandemic, and the temporary suspension of commercial service for the first eight months of the year, the organization was able to weather the storm, buoyed by

the performance of its other business units. Overall, PortsToronto reported operating revenues of \$39.7 million in 2021, an increase of \$3.0 million over 2020 revenue of \$36.7 million. PortsToronto had a net loss in 2021 of \$8.9 million, versus a net loss of \$12.6 million in 2020, an improvement of \$3.7 million year-over-year.

Financially, 2021 was still far from ideal, and it will take time to emerge from this crisis, but PortsToronto as an organization has benefitted from its other businesses that have maintained near-normal business operations throughout the pandemic. This includes the port that brings in the essential cargo like sugar and construction materials that keeps Toronto industry moving; the Outer Harbour Marina that benefits from a surge in recreational pursuits closer to home; and our Infrastructure team that continues to develop projects and secure contracts that are essential to the continuing growth and development of Toronto.

Against this backdrop, we now have statistics and passenger numbers that indicate that recovery in the aviation industry is definitely underway, and pent-up demand for travel has people returning to air travel in high numbers. We have seen this in the U.S. for months and this trend is happening in Canada as well. In fact, in April 2022, passenger volumes reached more than 100,000 passengers at Billy Bishop Airport, which is the highest number in a single month since the pandemic began. Further, this represented almost 45 per cent of April 2019 volumes. Pent-up demand for travel has also led to the introduction of new routes, including Porter Airlines' new direct service to three important Atlantic Canada destinations, which began in spring 2022.

Economic recovery will be top-of-mind for everyone in the months and years ahead and PortsToronto can be a relevant and meaningful partner for the City of Toronto during this time because of its various businesses, and our commitment to contributing to Toronto's position as a world-class city.



This includes the role Billy Bishop Airport can play. As an urban airport located in the heart of one of the world's great cities, Billy Bishop Airport is an essential asset that can drive economic recovery. The airport supports trade by connecting Toronto to global markets such as New York, Ottawa, Montreal, Washington and Boston. It encourages tourism by bringing people to Toronto from destinations throughout eastern North America. It supports the health of Ontarians by providing a base for Ornge Medevac services to facilitate urgent patient care. It generates revenue and provides jobs for the region and invests in the community to build infrastructure and support charitable organizations. Billy Bishop Airport plays an integral role in servicing Toronto and contributing to what makes this city world class.

The year ahead will be challenging for all businesses, particular those in aviation which will be at the centre of an economic recovery that will be about getting people safely moving again. Combine the restart of the airlines and airport with PortsToronto's other Toronto-focused businesses – including the cruise ship business at the Port of Toronto that has returned in 2022 and is expecting a record 40 ships – and we have a strong engine for recovery.

I would like to commend the talented and dedicated PortsToronto management team and employees for their commitment to this organization over the last two years, and congratulate them on a successful 2021 that is detailed further in this report. I would also like to thank my fellow board members for their commitment and insight, our stakeholders and community partners, as well as our government partners, especially the City of Toronto, Transport Canada, and other departments within the federal government.

I am proud to chair a talented Board of Directors and work with the PortsToronto management team to deliver on our vision and mission so that we can continue to support and serve the City of Toronto and the role it plays in the Province of Ontario, and Canada. PortsToronto will indeed recover and rebuild and return to the position of strength and profitability that it has held for many years and I look forward to being part of that effort.

Amanda Walton
Chair
PortsToronto





MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

If the year 2020 was characterized by challenges and resilience, the year 2021 can be characterized as a year of recovery and resurgence, as PortsToronto and its business units began to emerge from the disruptions of 2020, and operations for Billy Bishop Airport restarted and the business began to rebuild.

As I reflect on the year that was, I am immensely proud of our team and our collective ability to maintain our businesses with professionalism and commitment, and to continue to progress in areas of importance for our organization, including sustainable operations, supporting and engaging with our community, and investing in city-building initiatives.

It is this professionalism and commitment that is highlighted in this Annual Report. In the pages that follow, you will find details of PortsToronto's operational performance in the past year, financial information and a snapshot of the areas of progress and challenge we experienced in operating Billy Bishop Toronto City Airport, the Marine Terminal property within the Port of Toronto, the Outer Harbour Marina, and Property and Other – our fourth business unit consisting of real estate holdings and investments.

Overall, PortsToronto reported operating revenues of \$39.7 million in 2021, an increase of \$3.0 million over 2020 revenue of \$36.7 million. PortsToronto had a net loss in 2021 of \$8.9 million, versus a net loss of \$12.6 million in 2020, an improvement of \$3.7 million year-over-year.

However, despite the financial challenges presented and the operational impacts of the pandemic throughout 2021, PortsToronto paid \$3.3 million in Payments in Lieu of Taxes (PILTs) to the City of Toronto in 2021, as well as paying \$2.3 million in property taxes. The amounts accrued and paid to the federal government and to the City of Toronto together totalled \$6.4 million for 2021, and \$6.7 million for 2020, representing 16.2% and 18.2% of PortsToronto's Operating Revenue in fiscal years 2021 and 2020, respectively.

For the last several years, PortsToronto has been working towards business diversification and we have invested in the other areas of our organization to develop greater balance between our business units. It is this diversification that has made the organization unique among its counterparts in the aviation and port industries, and has proved beneficial as we navigate through challenges such as the global pandemic. The marine Port of Toronto is an example of this benefit as this business unit experienced another strong year in 2021 and, for the fifth consecutive year, moved more than two million metric tonnes of bulk and general cargo products. The port and its activities reported operating income from all sources of \$5.5 million, up from the year prior that recorded \$4.4 million, which can be attributed to cargo handling and dues, port berthage, and storage.

There were 190 ship visits in 2021, bringing sugar, salt, cement, aggregate and steel directly to the heart of the city. Twenty-five ships brought in steel imports from around the world, representing an 18-year high. The Port of Toronto also saw the arrival of three bridge spans from Nova Scotia via tug/barge for Waterfront Toronto's Villiers Island project, and was critical in providing berthing for marine equipment in support of the new City of Toronto Ashbridge's Bay Sewer Treatment Plant Outfall Project.

While cargo shipments at the Port continued unabated, there was continued suspension of cruise ship activity in 2021 due to pandemic-related travel restrictions. However, the forecast for cruise ships is back on track for 2022, with forty cruise ships expected to arrive at the Port of Toronto. This promises to be a new record for the Port of Toronto and includes the arrival of the Viking Octantis which is a new 378-passenger luxury cruise ship that made its first call at our port on April 29 of this year.

The Outer Harbour Marina likewise experienced a strong year in 2021 given the nature of the business and people's desire to get outside and enjoy recreational activities close to home.



Operations at the Outer Harbour Marina remained strong as recreational boating was in high demand during the pandemic, with the Marina at a 100% occupancy level. The Outer Harbour Marina's operating income was \$2.4 million in 2021 on revenues of \$5.4 million.

Our fourth business unit, Property and Other, including investments, reported operating income of \$2.9 million in 2021, down from \$4.4 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 dropped in 2021 versus 2020, due to lower interest rates.

While our other business units continued mostly unaffected in 2021, the year was once again challenging for Billy Bishop Toronto City Airport given the nature of its operations and the unprecedented impacts of the COVID-19 global pandemic on the travel and aviation sector. After an 18-month temporary suspension of commercial service, we celebrated the restart of commercial operations at Billy Bishop Airport on September 8, 2021. Operating income for Billy Bishop Airport was \$5.0 million in 2021, up from \$3.0 million in 2020 and down significantly from the \$22.1 million recorded in 2019.

However, with the return of scheduled carrier service, it is anticipated that 2022 will see a dramatic recovery for Billy Bishop Airport. In fact, in late 2021, passenger volumes at Billy Bishop Airport reached almost 40 per cent of December 2019 volumes. Pent-up demand for travel has also led to the introduction of new routes, including Porter Airlines' new direct service to three important Atlantic Canada destinations, which began in spring 2022. We are also watching with interest the progress being made by Connect Airlines on the introduction of their new service offering from/to Billy Bishop Airport and several key U.S. destinations.

Despite the fact that 2021 remained challenging as the pandemic continued, there were also many reasons to be optimistic about 2022. Regardless of reduced revenues due to the pandemic, PortsToronto continued to make

meaningful investments in our sustainability plan that included environmental initiatives.

On December 15, 2021, PortsToronto was proud to welcome the retrofitted Marilyn Bell ferry at Billy Bishop Airport. After years of planning and months of execution, the Marilyn Bell became the first 100 per cent electric ferry in Canada.

Powered entirely by electricity from clean wind and solar sources provided by Bullfrog Power, the retrofitted Marilyn Bell I has eliminated greenhouse gas emissions from the ferry operation, reducing the airport's direct emissions by approximately 530 tonnes per year. In addition to operating more efficiently and eliminating related air emissions, the retrofitted vessel builds on the airport's award-winning Noise Management Program, as it will operate far more quietly, dramatically reducing related noise in the surrounding community.

In 2021, PortsToronto also expanded its successful Seabin Program by installing two additional devices on the Toronto Islands at the Wards and Hanlan's point ferry terminals on behalf of the Toronto and Region Conservation Authority and the City of Toronto. Further, thanks to a generous partnership with the Waterfront Business Improvement Area, we anticipate the expansion of the program along Toronto's waterfront with six new Seabins being installed this summer in areas of concern for floating litter identified during a Visual Audit undertaken by the University of Toronto Trash Team researchers in 2020.

This is in addition to other community initiatives such as partnering with Bathurst Quay Neighbourhood Association and the City of Toronto on an Air Quality Study, a Ground Noise Study, the planting of 600 trees and shrubs at the Outer Harbour Marina, and partnering with organizations such as ALS, HopeAir and Evergreen on important community and health programs.

Looking to the year ahead, PortsToronto will continue to work with our community, partners and stakeholders to



actively participate in the recovery of our economy within a sustainable development framework. However, this work will continue under new leadership for PortsToronto as in February 2022, I announced my retirement after almost 13 years as Chief Executive Officer.

The decision was a difficult one to make as PortsToronto has been a wonderful place to work, filled with people and projects that made it easy to get out of bed each day and complete meaningful initiatives that had commercial and community benefit. When I look back at some of the projects I have led I am filled with pride. Projects such as the construction of the pedestrian tunnel at Billy Bishop Airport (2015) and other innovative projects such as the Ground Run-up Enclosure (2017) and the modernization of the airfield (2018). Initiatives such as the sale of the 60 Harbour building (2017), the re-envisioning of the Port into an important employment hub for film, the growth in imports at the Port that has set records each year for the last five years, and the development of a sustainability program that has us looking at everything we do in order to operate more sustainably.

Of course, I didn't do this alone and would like to take this opportunity to thank my senior management team: Alan Paul, Gene Cabral, Craig Manuel, Deborah Wilson and Chris Sawicki; and now-retired members Ken Lundy and Angus Armstrong. I have so enjoyed working with this group and am consistently impressed with what can be delivered under their collective leadership. There has been much enjoyment over the last 13 years with this group, and the organization is in an excellent position with these people at the helm.

I would also like to thank our employees who are among the most professional and committed of any team I have ever had the pleasure to work with. This professionalism was most evident over the last two years when we all had to come together, make difficult decisions, and push through against formidable odds to keep the business strong.

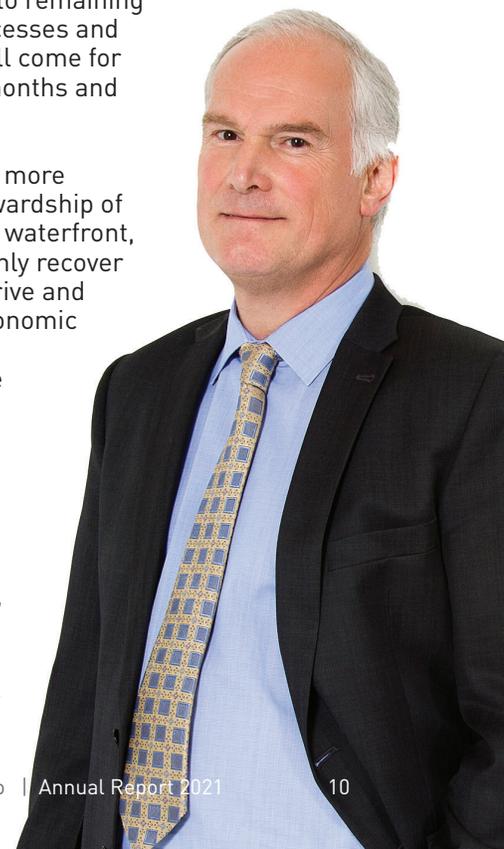
I would also like to recognize our Board of Directors who have provided counsel and guidance over the years to

ensure our organization delivers on its potential. This includes, but is not limited to, Robert Poirier, who was a board member and then Chair throughout my tenure and whose commitment to PortsToronto remains to this day. 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, WBIA, Mississaugas of the Credit First Nation; valued advisors such as Len Griffiths, Mike Barker, Greg Kalil, and the late Michael Tretheway. And the many others who I have met over the years, thank you for your partnership and collaboration.

It is with a heavy heart that I write this message, which is to be my last for this organization, but I do look forward to remaining connected to the successes and achievements that will come for PortsToronto in the months and years ahead.

This organization has more than a century of stewardship of Toronto's remarkable waterfront, and is poised to not only recover and rebuild, but to thrive and be a catalyst to an economic resurgence for the region that will be the envy of the world.

Geoffrey A. Wilson
Chief Executive Officer
PortsToronto





BILLY
BISHOP
TORONTO CITY AIRPORT

PORT OF
TORONTO

OUTER HARBOUR
Marina

PORTS
TORONTO

ABOUT PORTS TORONTO

The Toronto Port Authority, doing business as PortsToronto, is a federal business enterprise that owns and operates Billy Bishop Toronto City Airport, the Marine Terminal property within the Port of Toronto, the Outer Harbour Marina and various properties along Toronto's waterfront. PortsToronto is mandated to provide critical infrastructure and operating expertise on a financially self-sustaining basis.

Responsible for safety and efficiency of marine navigation in Toronto Harbour, PortsToronto also exercises regulatory control and public works services for the area with partner organizations to keep the Toronto Harbour clean, issues permits to recreational boaters, and co-manages the Leslie Street Spit site with partner agency the Toronto and Region Conservation Authority on behalf of the provincial Ministry of Natural Resources and Forestry.

PortsToronto is committed to fostering strong, healthy and sustainable communities and has invested more than \$12 million since 2009 in charitable initiatives and environmental programs that benefit communities and organizations along Toronto's waterfront and beyond.

VISION

As a guardian and steward of Toronto's waterfront resources, PortsToronto works closely with the broader waterfront community to ensure these assets will provide prosperity and enjoyment for future generations.



\$12 million

PortsToronto has invested more than \$12 million since 2009 in charitable initiatives and environmental programs that benefit communities and organizations along Toronto's waterfront and beyond.



CORPORATE GOVERNANCE

PortsToronto is the successor agency of the Toronto Harbour Commissioners (THC), which managed the Toronto Harbour from 1911 to 1999. As part of a broad strategy developed by the federal government to modernize the administration of ports, the Toronto Port Authority, now PortsToronto, was established in 1999 to operate the port, marina, airport and its land holdings.

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 is guided by a board of directors composed of individuals appointed by all levels of government – federal, provincial and municipal. The PortsToronto board met 21 times in 2021.

The PortsToronto board relies on four standing committees to facilitate business and guide its decisions, namely Audit and Finance, Governance and Human Resources, Communications and Outreach, and Pension. During 2021, the committees met 22 times.

The board of directors is appointed as follows:



One appointee nominated by the federal Minister of Transport



One individual appointed by the City of Toronto



One individual appointed by the Province of Ontario



Six individuals appointed by the federal Minister of Transport in consultation with the below industry groups.

- Commercial
- Airport
- Port-related activities/operations
- Recreational business

All individuals nominated by the Minister of Transport are appointed by the Governor in Council.

Board of Directors



ROBERT D. POIRIER
Robert Poirier retired as Chair of the PortsToronto Board in April 2021 after serving the maximum term.



AMANDA WALTON
City of Toronto appointee and Chair of the Board of Directors (April 2021)



DARIN E. DESCHAMPS
Federal Appointee



HELLEN SIWANOWICZ
Federal Appointee



DON MCINTYRE
Federal Appointee



CHRISTOPHER REYNOLDS
Province of Ontario appointee

Senior Management



CRAIG MANUEL
Senior Vice President and General Counsel

ALAN J. PAUL
Senior Vice President and Chief Financial Officer

CHRIS SAWICKI
Vice President of Infrastructure, Planning and Environment

DEBORAH WILSON
Vice President of Communications and Public Affairs

GEOFFREY A. WILSON
Chief Executive Officer

GENE CABRAL
Executive Vice President, PortsToronto and Billy Bishop Airport

BILLY BISHOP

TORONTO CITY AIRPORT

BILLY BISHOP TORONTO CITY AIRPORT

Connecting leisure and business travellers directly into the heart of Canada's largest city, Billy Bishop Toronto City Airport (YTZ) is an important transportation gateway that helps drive the finance, technology and healthcare innovation sectors in the Greater Toronto Area (GTA).

Prior to the pandemic, the airport generated more than \$470 million in Gross Domestic Product (GDP) each year and supported 4,740 jobs, including 2,080 directly associated with airport operations. According to a 2021 study by York Aviation, Billy Bishop Airport has the potential to contribute \$4.8 billion in GDP annually to the City of Toronto and Province of Ontario by 2025.

A travel hub of choice for business and leisure travellers alike and one of the most walkable, bikeable airports in North America, Billy Bishop Airport has been recognized with a number of passenger driven awards and is known throughout the travelling community for its excellent customer service, superb amenities and unbeatable convenience.

Billy Bishop Airport also serves as a base for Ornge air ambulance services, two Fixed Base Operators, FlyGTA and Heli Tours, and is home to a personal/general aviation community that includes approximately 50 private planes and one flight school.



Since 2010, PortsToronto has powered all of its operations with 100 per cent green electricity through Bullfrog Power Canada.



41%

We encourage passengers to use green transportation to get to and from the airport. 41 per cent of travellers walk, bike or take transit from Billy Bishop Airport – one of the highest percentages in North America.



The Billy Bishop Toronto City Airport won the 2017 Airports Council International (ACI-NA) Environmental Achievement Award for its Noise Mitigation Program.



The Billy Bishop Toronto City Airport won the 2019 Airports Council International (ACI-NA) Environmental Achievement Award for Best Innovative Project for the airport's successful implementation of the three-year Airfield Rehabilitation Program.



The Billy Bishop Toronto City Airport Master Plan won the 2020 Airports Council International (ACI-NA) Environmental Achievement Award.



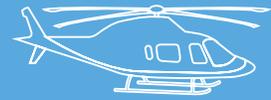
EXCELLENCE

Billy Bishop Airport has been recognized with a series of passenger-driven awards, including being named one of the top airports in North America in both the Airports Council International's (ACI) Airport Service Quality Awards and Skytrax World Airport Awards, the premier international airport awards voted on by 13.8 million passengers worldwide. Billy Bishop Airport was also named one of the top ten best international airports by Condé Nast Traveler.

Airports Council International (ACI) has also recognized Billy Bishop Airport for its efforts to protect and preserve the environment through programs, initiatives and projects. In 2017, Billy Bishop Airport won the top award for its Noise Management Program; in 2019, the airport won Best Innovative Project for the successful completion of its three-year Airfield Rehabilitation Program; and in 2020, the airport won for its Master Plan, which was inclusive of many initiatives to protect the environment.



5,091
medevac flights



We are proud to have Ornge air ambulance services based at Billy Bishop Airport. The YTZ base operated 5,091 medevac flights in 2021.

PUBLIC OPINION

In November 2021, a public opinion survey was commissioned by Nieuport Aviation and conducted by Edelman through the Logit Group among 1,200 Torontonians to determine awareness and gather opinions regarding the airport. Results indicated awareness and support for the airport among many surveyed in areas such as economic impact and the favourable travel experience provided.

Key findings include:

- Two in three Torontonians (66 per cent) have used Billy Bishop Airport predominantly due to convenience and ease of location.
- Strong favourability for Billy Bishop Airport, particularly among those in the Beaches/East York neighbourhoods.
- Overwhelming agreement that Billy Bishop Airport brings economic growth and traveller benefit.



PORT OF TORONTO

PORT OF TORONTO

The Port of Toronto provides a crucial piece of economic infrastructure for the transportation of goods and supports many of Toronto's key sectors, including construction, tourism, and food and beverage. In 2021, more than 2.2 million metric tonnes of cargo transited through the Port of Toronto, providing the sugar for our coffee, the salt for our roads and the raw materials needed for Toronto's booming construction industry, including cement, aggregate and steel.

2,295,815 metric tonnes

Overall, 190 cargo vessels visited the Port of Toronto in 2021, delivering a range of bulk, project and general cargo products totalling 2,295,815 metric tonnes – a four per cent increase from 2020.

HIGHWAY H₂O

In addition to its economic impact, increased imports through the Port of Toronto has a positive impact on the environment given the 2.2 million metric tonnes of cargo delivered by ship last year took approximately 57,000, 40-tonne trucks off Toronto's congested roads and highways.

GREAT LAKES CRUISING

While the Port of Toronto will continue to play an essential role in Canada's supply chain in 2022, it will also play an important role supporting Toronto's tourism sector as its Cruise Ship Terminal anticipates hosting a record 40 cruise ships in 2022, including a number of new cruise ships designed for expedition cruising on the Great Lakes.



11 years



PortsToronto has been certified in the Green Marine environmental certification program for the past 11 years.

One tonne of freight can travel
240 kilometre
on a single litre of fuel by ship...



30 kilometre
whereas it can travel only
30 kilometres by truck.



PORT OF TORONTO



SALT
Cleveland
Windsor
Goderich



AGGREGATE / STONE
Port Colbourne
Bruce Mines
Prescott



SUGAR
Paranagua
Santos
Recife
Maceio
Puerto Quetzal
Henecan
Puerto Cortes
Corinto
Punta Morales
Veracruz
Coatzacoalcos
Acajutla



CEMENT
Picton
Bath



CARGO
Electric Transformers
[Yokohama, Japan]
Steel Plate
[Dangjin, Korea]
Steel Pipe [Gemlik, Turkey]

OUTER HARBOUR Marina

OUTER HARBOUR MARINA

Just outside the Toronto Harbour and a short walk from Tommy Thompson Park and nature preserve, the Outer Harbour Marina (OHM) is located 10 minutes from the downtown core.

With breathtaking scenery and a world-class marina, the OHM offers a unique escape from city life without having to leave Toronto. 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. As well as being the only docking facility of its kind in Toronto, the OHM also boasts heated indoor boat storage.

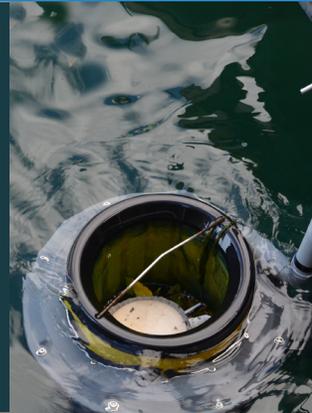
The OHM has a reputation for excellence, including as it relates to environmental stewardship. In 2021, the OHM earned the Green Anchors Gold rating in the Clean Marine Eco-Rating Program from the Ontario Marine Operators Association for the 11th year in a row – one of the highest rankings attainable for marinas that follow environmental best practices. Through improvements such as the PortsToronto Seabin Program, the OHM is working toward achieving the Diamond designation in the Boating Ontario Clean Marine Eco-Rating Program.



230,000

Seabins in the PortsToronto network have the capacity to remove 230,000 pieces of small plastic from the Toronto Harbour per season.

The award-winning PortsToronto Seabin Program launched at the Outer Harbour Marina in summer 2019 aims to help remove floating litter and microplastics from the water, and was the first commercial installation of Seabins in Canada. The program continued in 2021, with University of Toronto Trash Team researchers quantifying and analyzing items of floating waste collected by the Seabins.



REAL ESTATE AND PROPERTY HOLDINGS

REAL ESTATE AND PROPERTY HOLDINGS

Through its mixed-use facilities, the Port of Toronto plays a role in supporting Toronto's \$2 billion film industry by providing a production hub for industry players such as Cinespace and Netflix in Marine Terminal 51 and parts of the Cruise Ship Terminal. This complementary use is facilitated in parallel with traditional port operations and cruise ship tourism, and has proven to be successful in ensuring the full utilization of the property.

0 | zero



Zero incidents of significant health and safety non-compliance in 2021.



PortsToronto also contributes to the success of Toronto's \$2-billion film industry by providing filming locations. In 2021, PortsToronto supported eight productions, including *What We Do in the Shadows*, *The Expanse* and an Arkells music video.





Part Two: Sustainability



I. STRATEGIC APPROACH TO SUSTAINABILITY & MEASURING PROGRESS

PortsToronto was proud to present its seventh annual Sustainability Report on Earth Day, April 22, 2022. The report is a document that captures our continuing efforts to employ environmental best practices and engage in an open and ongoing dialogue on opportunities to maximize sustainability efforts within our business, our operations and our community.

Our sustainability reporting is guided in part by the Global Reporting Initiative (GRI). The GRI has pioneered and developed a comprehensive Sustainability Reporting Framework that is widely used around the world. It includes guidance in four key areas: economic, environmental, social and governance performance.

Our priorities focus on the areas in which PortsToronto can have the greatest impact and influence in building a sustainable and prosperous future. In 2020, PortsToronto aligned its sustainability reporting with the United Nations Sustainable Development Goals (SDGs) – a series of 17 goals that have been adopted by government bodies and agencies around the world, including the Canadian federal government.

Learn more about PortsToronto’s Sustainability achievements and future goals in our 2021 Sustainability Report.

SUSTAINABLE DEVELOPMENT GOALS



SUSTAINABILITY COMMITTEE MISSION

As the organization’s environmental ambassadors, the PortsToronto employee-led Sustainability Committee’s mission is to generate and deliver meaningful environmental programs and initiatives aimed at further integrating social, economic and environmental responsibility into the fabric of PortsToronto’s daily operations, reinforcing PortsToronto’s position as a leader and innovator in environmental protection and sustainability.

In October, PortsToronto welcomed Dr. Larissa Vingilis-Jaremko, Founder and President of the Canadian Association for Girls in Science (CAGIS) to interview Project Manager Jelena Ognjanovic and learn more about the *Marilyn Bell I* conversion project. CAGIS is Canada’s largest and longest-running STEM club for girls and gender nonconforming youth aged 7-16, and supports interest in Science, Technology, Trades, Engineering, and Mathematics (STEM).



II. KEY ACHIEVEMENTS IN SUSTAINABILITY IN 2021

CARBON REDUCTION STRATEGY

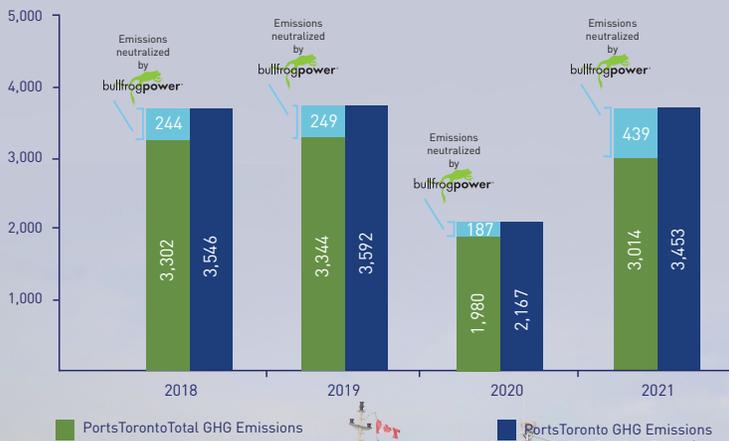
We recognize that reducing GHG emissions is a global necessity and that targeting the source of these emissions is critical. In 2017, under the guidance of Delphi Group, PortsToronto set the target of a 35 per cent carbon reduction below 2015 levels by 2030 and identified a pathway to achieve this goal. At the time, this target was aligned with those set by all three levels of government, however we recognize that it is now outdated and are working on a pathway toward achieving a strengthened target

Since then, PortsToronto has implemented several initiatives aimed at reducing emissions from our direct and indirect emissions (Scopes 1 and 2), and in communicating our carbon reduction strategy PortsToronto aims to lead by example and encourage emissions throughout our value chain (Scope 3).

PortsToronto's carbon reduction strategy focuses on:

- Powering our operations with renewable energy
- Investing in renewable alternatives
- Prioritizing climate resiliency and sustainable site design in future planning
- Supporting emissions reductions in our community

GHG EMISSIONS NEUTRALIZED BY USE OF BULLFROG POWER (t CO₂e)



CANADA'S FIRST TRULY ZERO-EMISSION, LITHIUM-ION FERRY

Launched in December 2021 and powered by 100 per cent clean electricity through Bullfrog Power, the retrofitted *Marilyn Bell I* will eliminate greenhouse gas emissions from the ferry operation, and will reduce the airport's direct emissions by approximately 530 tonnes per year. Converting the ferry to electric power will eliminate the consumption of approximately 177,000 litres of diesel fuel per year.





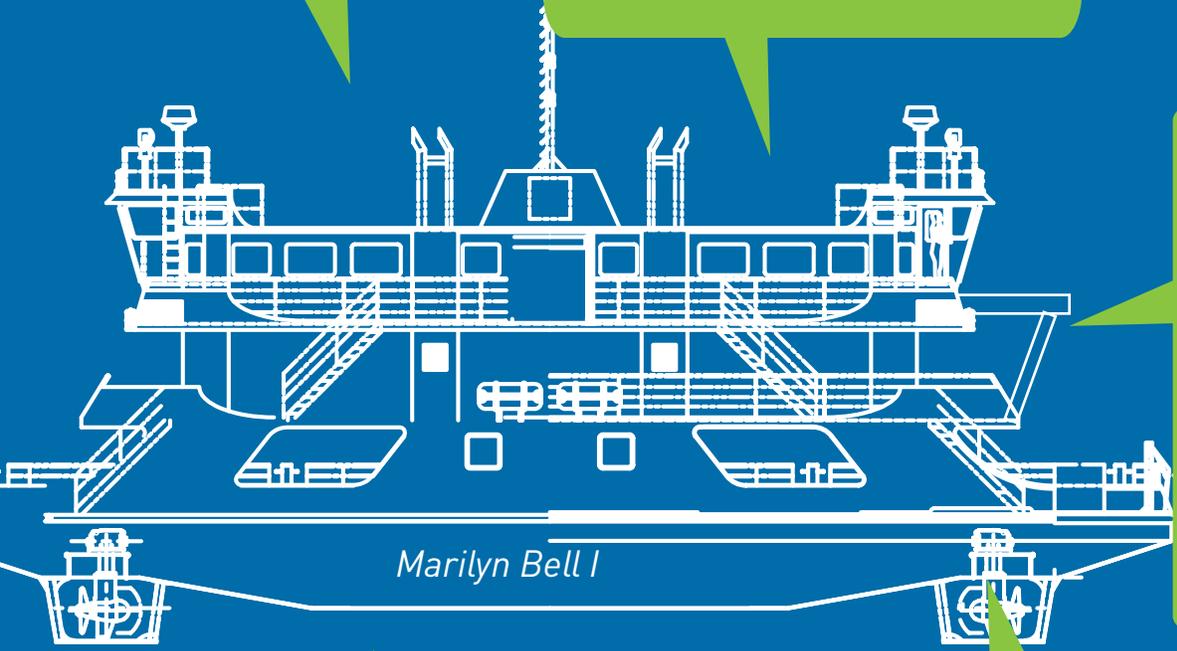
The *Marilyn Bell I* returned to service at Billy Bishop Airport on December 15, 2021, following a 20-week retrofit.



The ferry's diesel components were entirely removed from the vessel to make space for a new electric propulsion system that includes 40 battery modules – each is the size of a shoebox and weighs 60 kilograms.



Converting the ferry to electric power will eliminate the consumption of approximately 177,000 litres of diesel fuel per year.



Marilyn Bell I

A charging tower constructed at the mainland ferry terminal is equipped with a charging arm, like those you see on streetcars, which will land on the vessel's new bowsprit – essentially plugging-in the vessel to charge every time it is docked.

Powered entirely by electricity from clean wind and solar sources provided by Bullfrog Power, the retrofitted *Marilyn Bell I* will eliminate greenhouse gas emissions from the ferry operation, reducing the airport's direct emissions by approximately 530 tonnes per year.



The energy storage system for the ferry provides a total of 226-kilowatt hours. The power that these lithium-ion batteries will produce is comparable to the power of four Tesla Model 3 cars with standard-range battery.



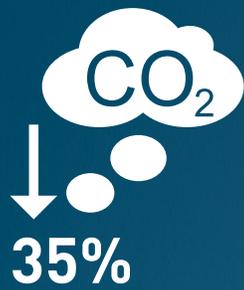
226
kilowatt
hours

CHOOSING RENEWABLE ENERGY

One of the ways PortsToronto reduces its environmental footprint is by choosing 100 per cent green energy from Bullfrog Power. Since 2010, PortsToronto has powered all of its operations with clean, renewable electricity from Bullfrog Power. Through our agreement, Bullfrog Power's generators inject renewable electricity back into the grid on our behalf to match the amount of electricity used by PortsToronto's operations.

In 2021, PortsToronto reduced its Scope 1 and Scope 2 emissions by approximately 23.6 per cent by using Bullfrog Power's clean energy, which comes exclusively from a blend of EcoLogoM-certified wind and low-impact hydro-power. PortsToronto also purchases Bullfrog Power on behalf of some of its tenants.

PortsToronto is one of the top 10 purchasers of Bullfrog Power green electricity in the country. PortsToronto and Billy Bishop Airport are the only port authority and airport in Canada to be powered entirely by renewable electricity across all operations and facilities, including the airport's Marilyn Bell I electric ferry, 853-foot pedestrian tunnel, and connecting buildings.



In 2017, under the guidance of Delphi Group, PortsToronto set the target of a 35 per cent carbon reduction below 2015 levels by 2030 and identified a pathway to achieve this goal.

At the time, this target was aligned with those set by all three levels of government, however we recognize that it is now outdated and are working on a pathway toward achieving a strengthened target.

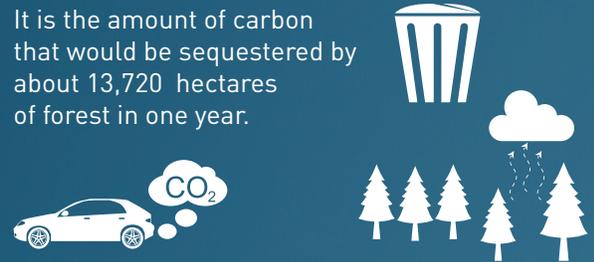
Since 2010, PortsToronto has powered all of its operations with 100 per cent green electricity through Bullfrog Power Canada.

0 | zero

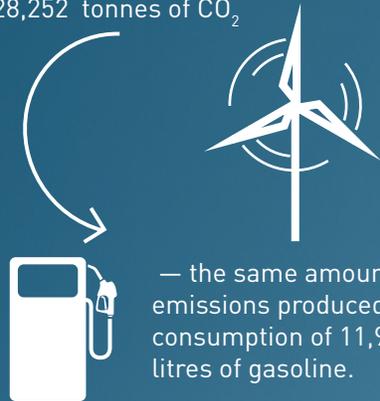
PortsToronto's Scope 2 emissions have been zero since 2010 due to our use of 100 per cent renewable electricity through Bullfrog Power.

Since joining the bullfrogpowered community, PortsToronto has displaced more than 28,252 tonnes of CO₂. This is the equivalent of taking 6,131 cars off the road for one year or diverting more than 9,606 tonnes of waste from the landfill.

It is the amount of carbon that would be sequestered by about 13,720 hectares of forest in one year.



Since joining the bullfrogpowered community, PortsToronto has displaced more than 28,252 tonnes of CO₂



— the same amount of CO₂ emissions produced by the consumption of 11,977,885 litres of gasoline.

23.6% bullfrogpower®

In 2021, PortsToronto reduced its Scope 1 and Scope 2 emissions by approximately 23.6 per cent by using Bullfrog Power's clean energy, which comes exclusively from a blend of EcoLogoM-certified wind and low-impact hydro power.

PORTSTORONTO SEABIN PROGRAM

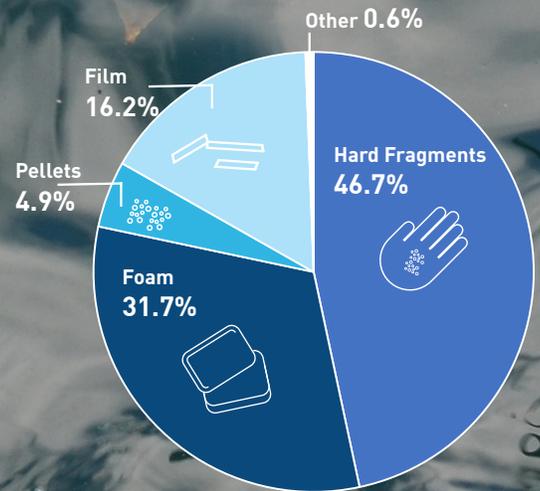
In an effort to combat and study single-use plastics and microplastics in waterways, PortsToronto launched its award-winning Seabin Program in 2019 at the Outer Harbour Marina and at Pier 6 on Toronto's waterfront. Project partners, the University of Toronto Trash Team (Trash Team), count and characterize the materials captured by PortsToronto Seabins in order to further understand the origination of floating plastic and litter in the Toronto Harbour, and to inform technological and behavioural solutions to prevent these materials from entering Lake Ontario in the first place.



TOP 10 LARGE ITEMS COLLECTED FROM THE SEABINS IN 2021

1. Plastic Film
2. Small plastic pieces
3. Bottle caps
4. Foam
5. Plastic Cigar Tips
6. Cigarette butts
7. Food Packaging
8. Plastic Packaging
9. Stir Sticks
10. Balloons

2021 SEABIN RESULTS - SMALL ITEMS COLLECTED



PHASE THREE

The PortsToronto Seabin Program's Phase Three, which commenced in 2021, saw the deployment of four additional Seabins in Toronto's Harbour, in addition to PortsToronto's four existing Seabins located at the Outer Harbour Marina. In 2022, we expect the network to grow to include 14 seabins.

In summer 2021, PortsToronto was engaged to install two Seabins on the Toronto Islands at the Ward and Centre Island Ferry Docks on behalf of TRCA and the City of Toronto. This installation was an important step in TRCA's Toronto Inner Harbour Floatables Strategy, which seeks to work toward a thriving marine ecosystem and harbour with abundant recreational opportunities, free of floating debris.

Further, thanks to a new partnership with the Waterfront Business Improvement Area (Waterfront BIA), the program will be expanded along Toronto's waterfront with the deployment of six new Seabins, expected to be operational in 2022. These will be installed in areas of concern for floating litter identified during a Visual Audit undertaken by Trash Team researchers in 2020, and will be operated in partnership with community partners including Harbour Tours Inc., Toronto Police Services Marine Unit and Harbourfront Centre.



FOSTERING NATIVE TREES AND SHRUBS AT THE OUTER HARBOUR MARINA

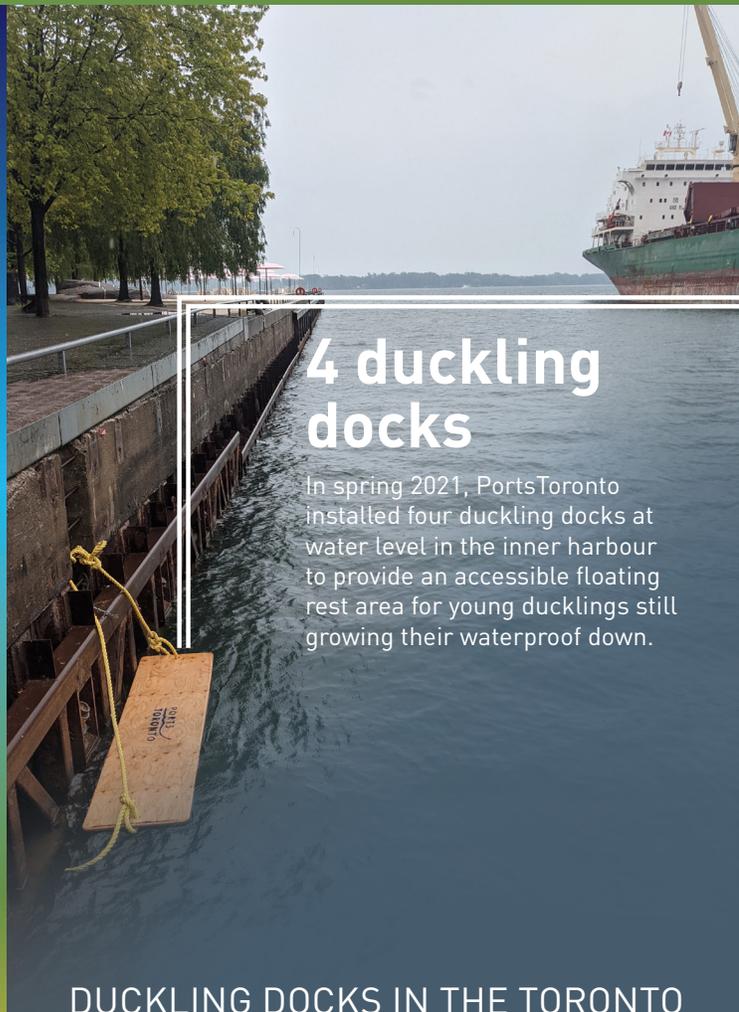
In 2021, 600 native plants, including 15 coniferous trees, 85 deciduous trees and 500 shrubs, were planted at the Outer Harbour Marina as part of a broader effort to ensure Toronto's waterfront assets provide a wildlife refuge and recreational opportunities for generations to come. Trees and shrubs are important components of a healthy environment and can filter air and water, absorb carbon dioxide from the atmosphere to slow the rate of climate change, release oxygen, and even control storm water and prevent flooding. Native trees and shrubs in particular, along with the insects that co-evolved with them, play a vital role in urban biodiversity, providing habitat, food and protection for birds and wildlife.

This initiative was coordinated through a partnership between PortsToronto, TRCA and Grand Trees – an organization founded by grandparents concerned about the effect of previous generations' neglect of the environment on their children and grandchildren.



600 plants

600 native plants, including 15 coniferous trees, 85 deciduous trees and 500 shrubs, were planted at the Outer Harbour Marina in 2021 as part of a broader effort to ensure Toronto's waterfront assets provide a wildlife refuge and recreational opportunities for generations to come.



4 duckling docks

In spring 2021, PortsToronto installed four duckling docks at water level in the inner harbour to provide an accessible floating rest area for young ducklings still growing their waterproof down.

DUCKLING DOCKS IN THE TORONTO HARBOUR

In response to reports about a lack of resting places for ducklings along the waterfront in spring 2021, PortsToronto, in consultation with the Toronto Wildlife Centre, designed a duckling dock that would provide an accessible floating rest area for young ducklings still growing their waterproof down. PortsToronto installed four duckling docks at water level at Portland, York, Yonge and Jarvis slips.

“Toronto Wildlife Centre is thrilled that PortsToronto would react to this situation as quickly and as professionally as they have, and we expect many other waterfowl will also benefit from these floating docks. This is a relatively simple solution to a large problem.”

– Andrew Wright, Rescue and Release Manager at Toronto Wildlife Centre



Part Three: Community



Hope Air has provided for more than 162,000 travel arrangements since 1986.



Bridging the Distance Between Home and Hospital for Canadians in Need

hopeair.ca

I. COMMUNITY INVESTMENT

As part of its dedication to being a sustainable organization, PortsToronto is committed to its local community. With a long tradition of working with community members and organizations to foster strong and sustainable communities along Toronto's waterfront, PortsToronto provides donations, sponsorships and in-kind contributions to local initiatives, events and causes each year. These initiatives share a common goal of promoting healthier, greener and empowered communities.

In 2021, PortsToronto funded community initiatives and organizations including:

- Hope Air (medical travel assistance)
- Evergreen School Ground Greening Program
- ALS Canada
- Swim, Drink, Fish
- CP24 CHUM Christmas Wish

COMMUNITY INVESTMENT MISSION

To create a legacy of giving based on our commitment to fostering strong, healthy and sustainable communities along Toronto's waterfront. Our giving is focused on the waterfront, education and youth in ways that support strong communities and a healthier environment.



Sylvio Roy
Volunteer Pilot Program
Hope Air



HOPE AIR

Beautiful views from a Hope Air flight between Billy Bishop Airport and Ottawa International Airport after a patient's medical appointment at Sick Kids Hospital. PortsToronto is proud to support Hope Air, a unique national charity that provides Canadians in financial need with free travel and accommodations for medical care far from home.





Joe Cressy @joc_cressy

Through a partnership with our Parks, Forestry & Rec department and @PortsToronto, a solution was found to keep the Island School open this winter.

Well done, @tdsb. And thanks @PortsToronto and @TorontoPFR for stepping up.

cbc.ca
TDSB to use airport ferry to help shuttle Islan...

TORONTO ISLANDS COMMUNITY

Many households in the Toronto Islands community, including more than 100 residents over the age of 65, needed groceries and/or medications delivered in order to remain safely at home during the pandemic. Throughout the pandemic, PortsToronto did its small part in helping to get food and essential supplies to Toronto Island residents, and ensuring student access to the Toronto Island School, by facilitating crossings aboard the Billy Bishop Airport ferry and providing a safety escort across the airfield.

ALS CANADA VIRTUAL PLANE PULL

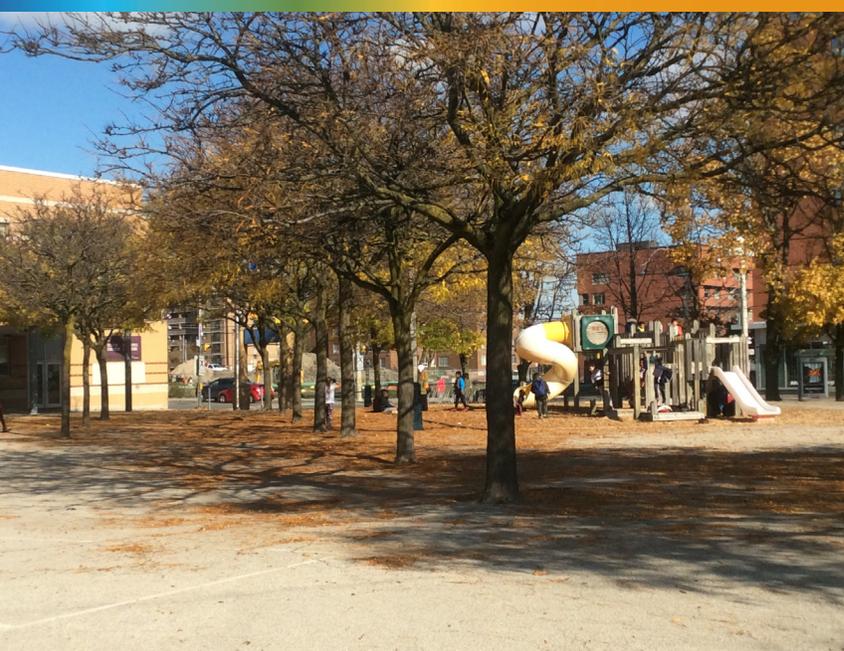
The Plane Pull to End ALS is ALS Canada's signature annual fundraising initiative and brings people together to raise funds for ALS research and advocacy. In past years, the Plane Pull has taken place at Billy Bishop Airport's Ground Run-up Enclosure on the south end of the airfield, an area not typically accessible to the public that offers unmatched views of Toronto's skyline as a backdrop for the pulls.

In 2021, Billy Bishop Airport was proud to continue to support the event by participating in the virtual three-week skills challenge and contributing to the online "Duty Free" silent auction. This year, participants and organizations raised more than \$79,000 to support ALS research and advocacy.



SWIM, DRINK, FISH

In 2021, the Swim Drink Fish art auction and gala took place online with more than 250 supporters generously donating more than \$480,000 to support swimmable, drinkable, fishable water. PortsToronto was proud to have sponsored this initiative and played a small part in this big success.



EVERGREEN SCHOOL GROUND GREENING PROJECT

In 2021, PortsToronto supported the Evergreen school ground greening project at Lord Dufferin Public School. Through this program, Toronto's downtown school grounds are transformed into dynamic, outdoor classrooms where kids can re-connect with and learn about nature and, most importantly, play in the great outdoors.

II. COMMUNITY ENGAGEMENT

NOISE MANAGEMENT AT BILLY BISHOP AIRPORT

Billy Bishop Airport is continuously looking at processes and investments that will mitigate the impact of operations and ensure the airport is remaining in balance with the surrounding community. Many of these advancements are pursued within the context of the airport's Noise Management Program that encompasses all areas of operations and any special projects being undertaken.

Billy Bishop Airport's Noise Management Office, which boasts a state-of-the-art Aircraft Flight Tracking and Noise Monitoring System, is responsible for collecting, analyzing and responding to noise complaints and monitoring daily operations. In addition to producing a detailed, annual Noise Report, the Noise Management Office also produces a monthly noise report that is posted to the Billy Bishop Airport website.

GROUND NOISE STUDY

PortsToronto is currently completing a noise study to identify sources of ground noise at the airport and, through analytical noise modelling techniques, assess opportunities to reduce the impact of ground-sourced noise on the community. As part of the study, PortsToronto is working in close collaboration with the Noise Management Sub-Committee of the Community Liaison Committee.



Billy Bishop Airport is one of the most noise-restricted airports in North America and adheres to a strict curfew that closes the airport to commercial flight activity at 11:00 p.m. and ensures that noise from airport operations remains within a limited and monitored Noise Exposure Forecast.



AIR QUALITY STUDY

The communities in close proximity to the airport have been, and continue to be, concerned with the air quality impacts from airport operations. Billy Bishop Airport continuously seeks out new and innovative measures to complement sustainable practices and infrastructure already in place with the aim of mitigating emissions from all of its operations. Most recently, Billy Bishop Airport has converted the Marilyn Bell I biodiesel airport ferry to electric-power, which has eliminated greenhouse gas emissions associated with the ferry's operation.

PortsToronto has partnered with the Bathurst Quay Neighbourhood Association, the City of Toronto, Toronto Public Health and the University of Toronto to study the air quality exposure in the Bathurst Quay neighbourhood over. The lead scientist with the University of Toronto, Dr. Marianne Hatzopoulou, is the Canada Research Chair in Transportation and Air Quality and leads the Transportation and Air Quality (TRAQ) research group. The expertise of her research team is in modelling road transport emissions and urban air quality as well as evaluating population exposure to air pollution. The partners have received matched funding through the Natural Sciences and Engineering Research Council of Canada to conduct the study and meet regularly to review technical information and develop communication materials to provide updates at key milestones. The study kicked off in early 2021 with a target to be complete in early 2023.

PUBLIC OUTREACH AND MEETINGS

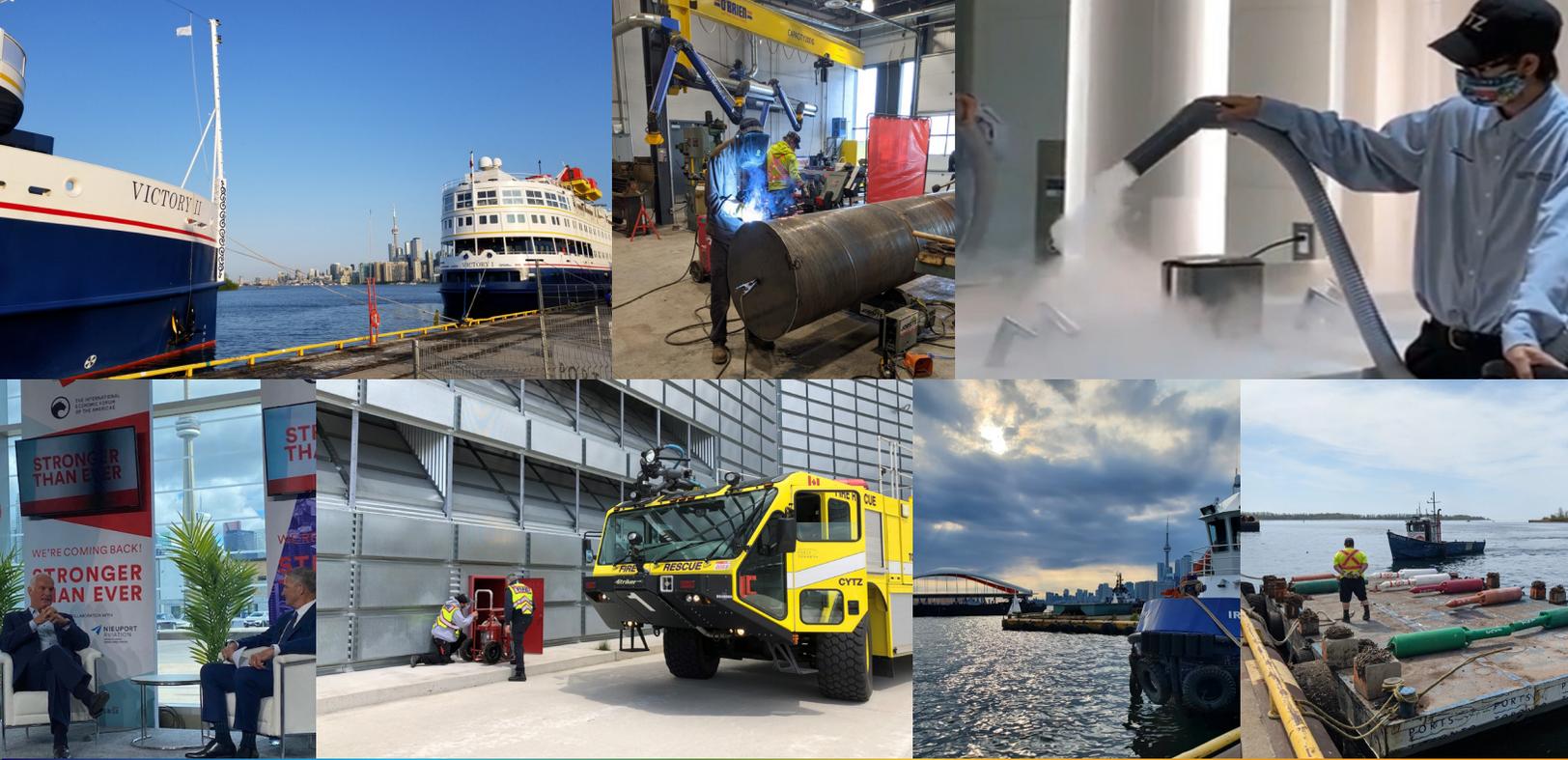
PortsToronto established a Community Liaison Committee (CLC) in 2010 to further expand engagement with the residents and businesses surrounding Billy Bishop Airport. The CLC gives neighbours a forum to discuss issues and concerns related to airport development, activities and operations. The committee also enables airport management to communicate operational activities and information with stakeholders and the broader community.

Key representatives from neighbourhood community groups, local businesses and stakeholders, as well as local city councillors and members of provincial and federal parliaments, make up the membership of the CLC. The committee follows best practices of community engagement, meeting regularly and addressing matters such as airport noise management, air quality and transportation access. The CLC's quarterly meetings are open to the public and minutes taken by third-party consultant Lura Consulting are posted to the PortsToronto website. In 2021, four meetings of the CLC were held through an online platform given the restrictions around gathering specific to the pandemic.

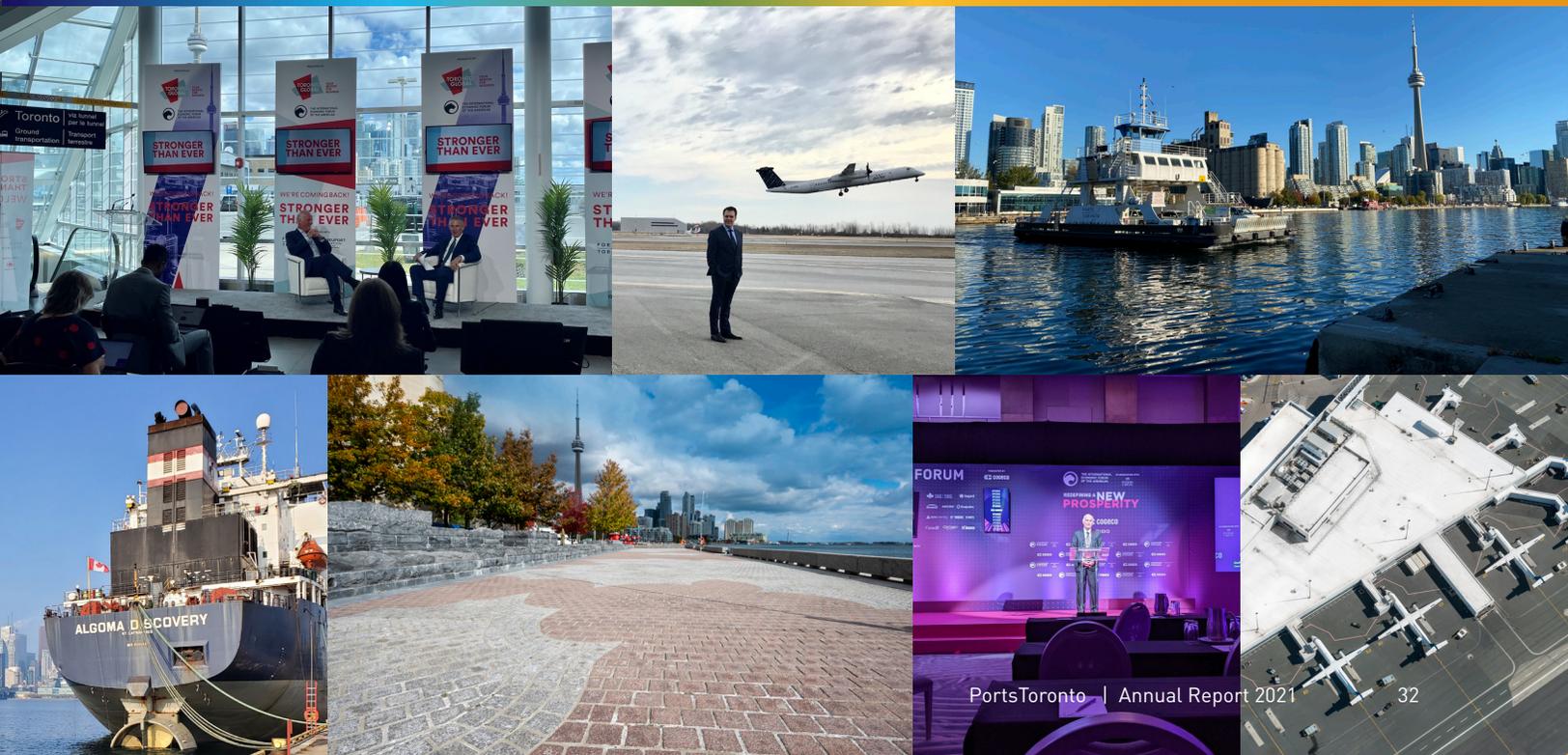
CLC NOISE MANAGEMENT SUB-COMMITTEE

A Noise Management Sub-Committee of the CLC was formed in late 2017 to further research, understand and address noise impacts from airport operations. The Noise Sub-Committee consists of three community members, two staff members from PortsToronto, one staff member from the City of Toronto and a facilitator from Lura Consulting. The committee has two co-chairs, one from the community and one from PortsToronto. The committee met three times in 2021 through an online meeting platform.





Part Four: Economy



I. FACILITATING TOURISM AND TRADE

Since its opening in 1939, Billy Bishop Airport has become an important international gateway and significant economic engine for the GTA. The airport plays an important role in Toronto's billion-dollar tourism industry, with visitors coming through Billy Bishop Airport spending approximately \$150 million a year on accommodation, transportation, retail and food and beverage pre-pandemic. As the tourism sector recovers from the economic impacts of the pandemic, Billy Bishop Airport will continue to support Toronto's key industries including the financial services, life sciences, the food and beverage sector, travel and tourism, and the film and television industry through direct and indirect economic benefits.

According to a study by Destination Toronto, the Toronto region is home to 38 per cent of Canadian business headquarters and accounts for 18.5 per cent of Canada's GDP¹. With an estimated 135 million people living within a 90-minute flight of Toronto², Billy Bishop Airport is well positioned to support pandemic recovery in our region as it continues to serve as an essential transportation gateway to Canada's largest city – supporting jobs, tourism and trade in the Greater Toronto Area.

The Port of Toronto can also generate revenue for Toronto's travel and tourism sectors. A gateway to Canada's largest city, the Port of Toronto is a turnaround port, allowing Toronto to host arriving and departing cruise ship passengers for several days as they enjoy the many accommodations, restaurants and attractions the city has to offer.

As a response to the COVID-19 pandemic, the Government of Canada suspended the 2020 and 2021 cruise ship seasons. With the return of cruise ships to Canadian waters in 2022, PortsToronto expects to break its current record and welcome up to 40 cruise ships this season, including a number of new cruise ships designed for expedition cruising on the Great Lakes.



SAFE TRAVELS PROGRAM

The Safe Travels Program, a comprehensive initiative developed in response to the COVID-19 pandemic, includes operational measures and safety protocols implemented to ensure a safe and healthy environment for passengers, staff and partners at Billy Bishop Airport.

In August 2021, Billy Bishop Airport achieved accreditation under the Airports Council International (ACI) Airport Health Accreditation program (AHA). The global health certification confirmed that Safe Travels addresses the needs and requirements of travel in today's world and served to reassure passengers and staff that the airport would provide a safe and healthy environment.



Toronto Global Forum's Stronger Than Ever Summit.



In 2021, Billy Bishop Airport participated in Destination Toronto's Never Have I Ever campaign, a tourism recovery campaign supporting some of the hardest hit businesses within Toronto's tourism and hospitality community. Toronto welcomed more than 9.7 million visitors in 2019. In 2021, only 1.8 million visitors.

TORONTO GLOBAL STRONGER THAN EVER SUMMIT

In September 2021, Billy Bishop Airport hosted Toronto Global Forum's Stronger Than Ever Summit. Among speakers including Mayor John Tory, PortsToronto CEO Geoffrey Wilson joined Toronto Global's CEO Stephen Lund to chat about the role Billy Bishop Airport will play in bringing back business and tourism travel as the GTA emerges from the pandemic.



Elevators to Toronto
Ascenseurs vers Toronto



Never have I ever...

Walked under the lake to take an elevator to Toronto.

Never have I ever...

Walked under the lake to take an elevator to Toronto.



AÉROPORT DE TORONTO BILLY BISHOP TORONTO CITY AIRPORT
Never Have I Ever **TO**

**Never have I ever...
Walked under the lake to get to my flight.**

Never Have I Ever **TO**

RESTART OF COMMERCIAL SERVICE AT BILLY BISHOP AIRPORT

On September 8, 2021, Billy Bishop Airport staff, stakeholders and government partners marked the restart of commercial service and recognized the conclusion of a difficult period for the aviation industry by welcoming back passengers and getting back to the business of making connections and supporting Toronto's economy.

His Worship John Tory, Mayor of Toronto, joined Geoffrey Wilson, CEO of PortsToronto, in offering remarks to celebrate the occasion.

"This is a day that we have all been looking forward to and planning for since March 2020, when the pandemic emerged and our world changed overnight. Today we mark a return to commercial service at Billy Bishop Airport and a return to the business, passengers and experiences that make our airport truly unique and inspire our love of travel. The restart of Billy Bishop Toronto City Airport is also an important component of the City of Toronto's recovery strategy as our restart means a return of jobs, a return of trade and tourism, and a return of a valuable gateway to one of the best cities in the world."

– Geoffrey Wilson, PortsToronto CEO

"The restart of commercial service at Billy Bishop Toronto City Airport is an important sign of the progress we have made combatting the pandemic and getting residents vaccinated. We are safely reopening our city and I'm so confident that our economic recovery will be a success. Toronto will come back stronger than ever thanks to all of our collective efforts across the city. I want to thank everyone who has worked on the airport restart effort. Today we are welcoming back commercial service and all that it brings with it – more jobs, more business, and more tourism."

– John Tory, Mayor of Toronto



In October 2021, Air Canada launched commercial service between Billy Bishop Airport and Ottawa International Airport. This addition to the carrier's successful Montreal offering provides passengers loyal to Air Canada with the ability to travel to and from the national capital from the convenience of Billy Bishop Airport.



INVESTING IN TORONTO'S WATERFRONT

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 Airport and various real estate and property holdings along the waterfront, PortsToronto reinvested nearly \$5 million in infrastructure in 2021.

BATHURST QUAY REVITALIZATION PROJECT

In November 2021, PortsToronto joined the City of Toronto and the Ireland Park Foundation in celebrating the successful completion of the first phase of the Bathurst Quay Waterfront Revitalization project. The first phase of this project included PortsToronto investments to reduce Billy Bishop Airport's footprint, improve traffic flow in the area and provide new parking and pick-up, drop-off zone for the Waterfront School. The project's second phase will build on these contributions to provide practical and valuable outdoor space for the community and a welcoming entry point for visitors to Toronto.



II. SUPPLY CHAIN RESILIENCY AT THE PORT OF TORONTO

Shipping has a major role to play in ensuring the sustained resiliency of our national supply chain. In 2021, the Port of Toronto continued to provide a reliable trade gateway for the transportation of goods to the Greater Toronto Area, connecting Toronto to marine ports around the world while much of our transportation sector experienced delays. Further to the economic benefits to the region, shipping is a more efficient way to move goods and produces far less carbon emissions per tonne kilometre than other industries in Canada's transportation system.

Bypassing trade gateways disrupted by the pandemic, Great Lakes – St. Lawrence Seaway shipping routes remained reliable and congestion free, reinforcing the Port of Toronto's important role in the national supply chain. Overall, 190 cargo vessels visited the Port of Toronto in 2021, delivering a range of bulk, project and general cargo products totalling 2,295,815 metric tonnes – a four per cent increase from 2020.

The Port had another strong year moving construction materials including steel coils and rebar, cement and aggregate. In 2021, the port recorded cement cargo and steel imports reaching 19 and 18-year highs respectively, with more than 734,000 metric tonnes of cement and 185,000 metric tonnes of steel transiting through the port to construction sites throughout the Greater Toronto Area. Aggregate tonnage more than doubled year-over-year, with 215,232 metric tonnes moving through the port to supply various land erosion projects led by the Toronto and Region Conservation Authority. In addition to importing 572,683 metric tonnes of sugar from Central and South America to support Toronto's food and beverage industry, the port moved 583,425 metric tonnes of salt and saw 4,365 metric tonnes of container services tonnage – a 15 per cent increase over 2020 for container services.

GREAT LAKES – ST. LAWRENCE SEAWAY

Supply chain resiliency kept commodities flowing through the St. Lawrence Seaway in 2021, with more than 24.1 million metric tonnes of cargo transiting to Canadian Great Lakes ports, including the Port of Toronto, between March and September, up 2.6 per cent from the same period in 2020³.



583,425
metric tonnes of salt



4,365
metric tonnes of container
services tonnage

↑ 15 per cent
increase over 2020
for container services.



III. JOB CREATION

As key international transportation hubs, Billy Bishop Airport and the Port of Toronto serve as economic engines that contribute to their local market profitability and support job creation in the communities they serve. Efficiently moving both cargo and people, these transportation networks create links between communities and regions that foster economic growth across multiple industries.

As a key transportation hub connecting travellers directly into the heart of Canada's largest city, Billy Bishop Airport helps to drive the finance, technology and healthcare innovation sectors in the GTA. According to a 2021 study by Nieuport Aviation and commissioned by Nieuport Aviation, Billy Bishop Airport could contribute \$4.8 billion in GDP annually to the City of Toronto and Province of Ontario by 2025⁴.

The Port of Toronto continues to be a vital connection to the world, not only boosting tourism and trade, but also providing sustainable employment for terminal workers and other jobs related directly to the shipping industry. Marine cargo arriving and managed at the Port of Toronto generated \$377.7 million in economic activity and 1,566 jobs in Ontario in 2017⁵.

Additionally, the Port of Toronto supports indirect job creation by providing businesses with a convenient, environmentally responsible and cost-effective way to get goods and people into the heart of downtown Toronto. Marine cargo and vessel activity from the Port of Toronto's marine terminals created 482 direct jobs and generated \$24.5 million in wages and salaries in 2017⁶.

Global brands and technology giants such as Amazon and Uber choose the Greater Toronto Area to base their operations. With international borders now open and travel ramping up, Billy Bishop Airport will play a more vital role than ever before in connecting businesses in Toronto to key technology markets in the U.S. such as New York and Boston, providing fast, efficient and daily connections between technology hubs.



⁴ Nieuport Aviation news release.

⁵ Economic Impacts of Maritime Shipping in the Great Lakes (2018) was carried out by economic consultants Martin Associates of Lancaster, Pennsylvania, retained to conduct this analysis by a coalition of Canadian and American Great Lakes and St. Lawrence marine industry stakeholders. The methodology for this study is based on analysis of a core group of 40 Canadian and U.S. Great Lakes-St. Lawrence River ports. The study team conducted detailed interviews with marine terminal operators, service providers, railroads, port tenants and other stakeholders at each port.

⁶ See footnote 3.

SUPPORTING TORONTO'S FILM AND TECHNOLOGY INDUSTRIES

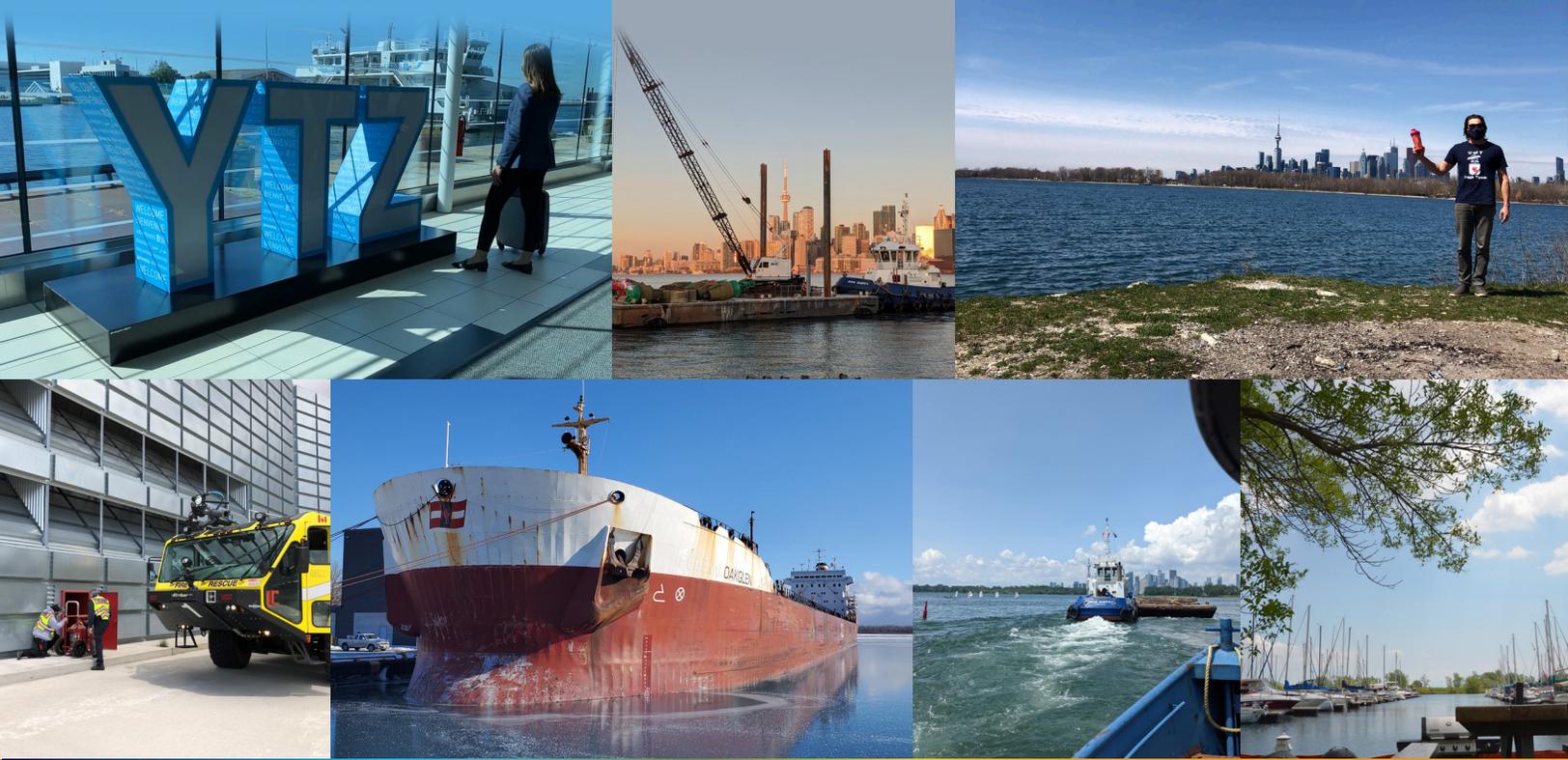
PortsToronto also contributes to the success of Toronto's \$2-billion film industry by providing filming locations. In 2021, PortsToronto supported eight productions, including *What We Do in the Shadows*, *The Expanse* and an Arkells music video. This is in addition to the films and digital content that is produced from Cinespace production studios that occupy the PortsToronto-owned Marine Terminal 51 and portions of the Cruise Ship Terminal. This production activity contributes to Toronto's film and television sector, which saw remarkable growth even during the pandemic. In 2021, Toronto reached historical investments with more than \$2.5 billion in direct spend in productions - compared to 2019 (pre-pandemic) that is roughly 13.9% growth⁷.



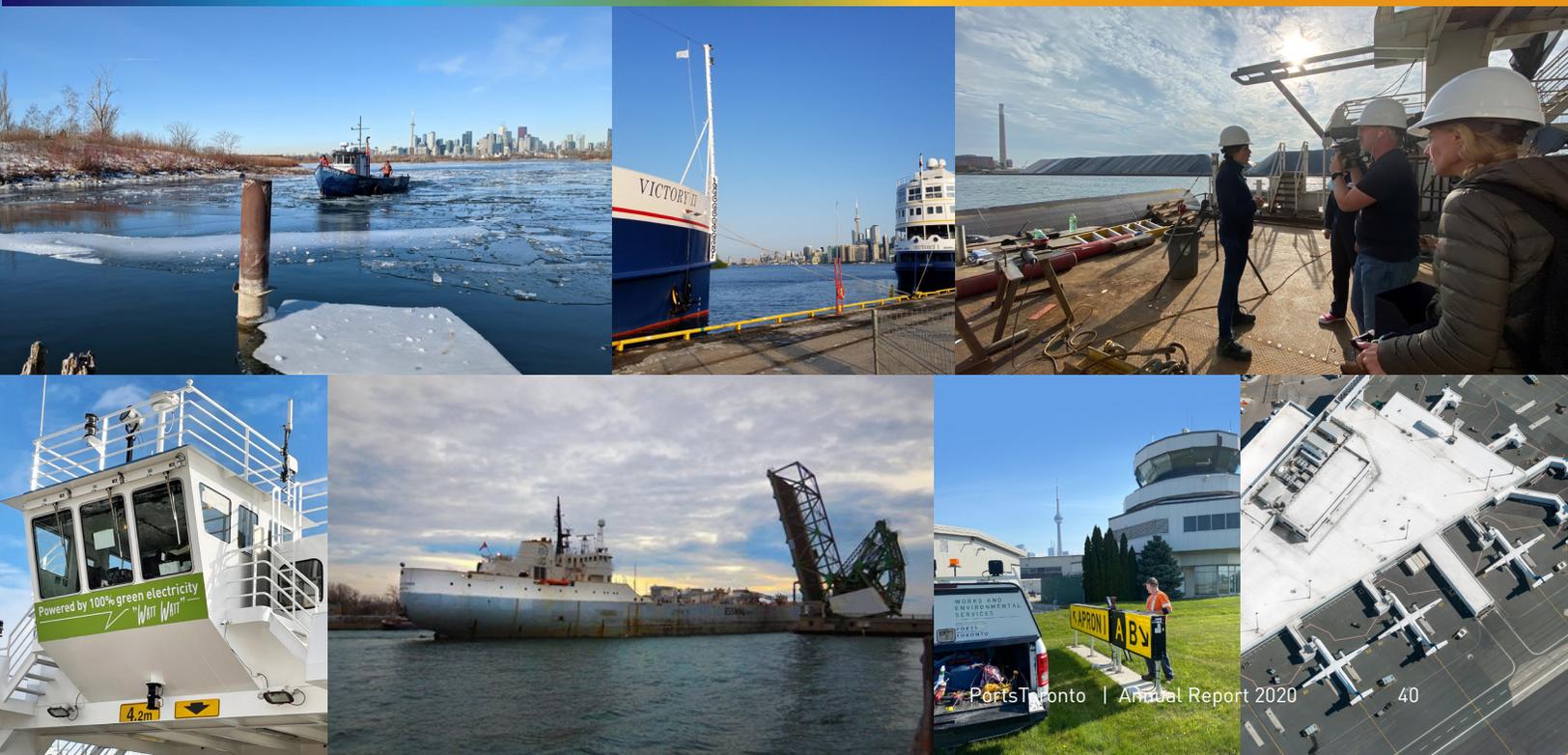
Cinespace's Toronto studio facilities, which occupy PortsToronto's Marine Terminal 51 and portions of the Cruise Ship Terminal, are known for housing award-winning productions such as TV series *The Handmaid's Tale*, and Oscar Best Picture winner *The Shape of Water*. In 2021 *Nightmare Alley* was filmed at the Cinespace studios.

Cinespace is a significant employer that has brought thousands of new jobs to the Toronto area, and a contributor to the vibrant film and television industry in Canada.





Part Five: Management's Discussion & Analysis – 2021



**TORONTO PORT AUTHORITY
(Doing Business as PortsToronto)**

**MANAGEMENT'S DISCUSSION & ANALYSIS – 2021
(In thousands of dollars)**

April 26, 2022

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, doing business as PortsToronto (the "Port Authority") for the years ended December 31, 2021 and 2020 and should be read in conjunction with the 2021 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, 2021, and in the comparative information presented in these Financial Statements for the year ended December 31, 2020.

The Port Authority continued to face serious economic challenges in 2021 due to the COVID-19 pandemic. The impact of the pandemic, as well as other issues that affected financial performance will be discussed in this MD&A.

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 the 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 operates based on the following four pillars of sustainability:

- Environmental
- People and Culture
- Community
- Economic Performance

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. Amanda Walton is Chair of the Board as of the date of this Report.

(In thousands of dollars)

Operations

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

The Port Authority owns and operates a 52-acre port facility at 8 Unwin Avenue (the "Port Facility"), which includes a 126,000 square-foot warehouse (Warehouse 52). This site 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 has been used as a filming location for film production and event space.

The Port Authority continues to promote mixed use at its Port Facility including bulk, general and project cargo handling and storage, as well as container packing and unpacking services. With its preferred location and a growing population in Toronto and surrounding areas, the Port Authority will continue to pursue additional opportunities for its Port Facility in 2022 and beyond.

In 2021, 2.296 million metric tonnes ("MT") of cargo moved through the Port of Toronto, tracking a solid 4% higher than the 2.208 million MT the Port handled in 2020, a year which was record-breaking for the Port. The year 2021 marked the 5th consecutive year that more than 2.2 million MT moved through the Port. There were 190 ship visits in 2021, bringing sugar, salt, cement, aggregate and steel directly to the heart of the City, bypassing many trade gateways disrupted by COVID-19, and reinforcing the Port of Toronto's important role in the national supply chain. In 2021, general cargo into the port totaled 185,573 metric tonnes (MT) which consisted of steel imports (183,493 MT) and project cargo (2,080 MT). Twenty-five ships brought in steel imports from around the world (including rail, rebar, steel plate and coils), representing an 18-year high. In 2021, the Port of Toronto also saw the arrival of three bridge spans from Nova Scotia via tug/barge for Waterfront Toronto's Port Lands Flood Protection project, and was critical in providing berthing for marine equipment in support of the new City of Toronto Ashbridge's Bay Sewer Treatment Plant Outfall Project.

Operations at the Marina remains positive and consistent. Demand for winter storage (which includes two heated indoor storage facilities) remained strong in the 2021-2022 winter season, and summer berthing renewals brought the Marina to a 100% occupancy level, with a long waiting list. Increases in outdoor activity due to the COVID-19 pandemic as well as lower interest rate financing opportunities continue to stimulate the recreational boating, with forecasts predicting increased consumer demand for larger boats. Further, new technology in both the power and sail categories is making it much easier for novice and intermediate boaters to operate larger boats. This is important as the Port Authority has an inventory of larger boat slips likely to be in even higher demand in the future.

Billy Bishop Airport had another difficult year in 2021 with the temporary cessation of scheduled carriers continuing up to the restart date for service of September 8, 2021. In 2021, the Airport saw 0.282 million business and leisure travelers, down from 0.389 million in 2020, and down significantly from 2019 when passenger numbers totaled 2.774 million.

The effects of COVID-19 on the local, national and global economies, as well as restrictions and advisories for domestic and international travel resulted in very low passenger numbers at the Airport in 2021. It is anticipated that with the increase in vaccination rates and easing of travel restrictions, the

(In thousands of dollars)

Port Authority will see a significant improvement in passenger volumes at Billy Bishop Airport in 2022.

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 Toronto City 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 will remain an important gateway in the economic health of Southern Ontario.

Financial Considerations

Financial Results in 2021

The financial performance of the Port Authority has been severely impacted by the COVID-19 pandemic. In light of this, the Port Authority continued to take steps in 2021 necessary to preserve cash and protect resources. This was accomplished through general cost cutting, the deferral of capital projects and the management of human resources. Management continues to closely monitor cash reserves and forecasts in order to protect liquidity.

The material change in passenger levels and the resulting material adverse change in the Port Authority's financial condition, business and operations resulted in the Port Authority entering into amendments to its existing bank loan agreement in both 2020 and 2021. (Please see Note 8 in the accompanying Financial Statements).

Payments to Government Stakeholders

The Port Authority pays an annual charge on its gross revenue to the federal government based on the calculated gross revenue in each previous fiscal year. As part of its COVID-19 Economic Response Plan, the Government of Canada waived such portion of the Port Authority's gross revenue charge applicable to the operation of Billy Bishop Airport for the period of March to December 2020 and for the entirety of fiscal year 2021. This was in alignment with the relief provided by the federal government to National Airport System airport authorities. This relief was formalized in Supplementary Letters Patent issued to the Port Authority by the Minister of Transport on December 17, 2021. For 2021, the amount payable to the federal government was \$833 (\$1,036 in 2020).

In addition, the Port Authority pays payments-in-lieu of taxes ("PILTs") and realty taxes to the City of Toronto. The PILTs paid by the Port Authority in 2021 was \$3,293 (\$3,166 in 2020) whereas realty taxes collected and paid was \$2,301 (\$2,463 in 2020). The amounts accrued and paid/payable to the federal government and to the City of Toronto together total \$6,427 for 2021, and \$6,665 for 2020, representing 16.2% and 18.2% of the Port Authority's Operating Revenue in fiscal years 2021 and 2020, respectively.

(In thousands of dollars)

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 4.52 as at December 31, 2021. This is slightly lower than the Current Ratio as at December 31, 2020 of 4.79, a reflection of the impact of COVID-19.

Financial Performance

The financial performance ratio, although negative, improved in 2021 with a Loss/Margin (Net Loss divided by Gross Revenue) of -22.4%. The ratio was -34.5% in 2020.

Financial Leverage

As to financial leverage, the Port Authority's debt to equity ratio improved to 49.1% in 2021 as compared to 59.3% in 2020. This reflects the paying down of debt and the improvement in the Port Authority's equity, due to Other Comprehensive Income.

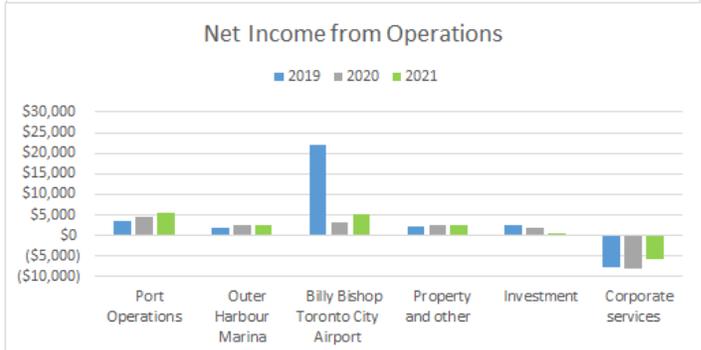
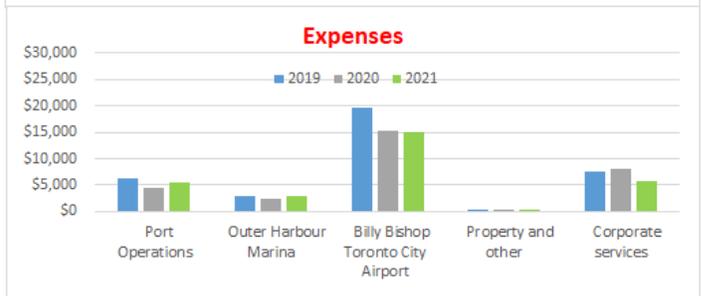
(In thousands of dollars)

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

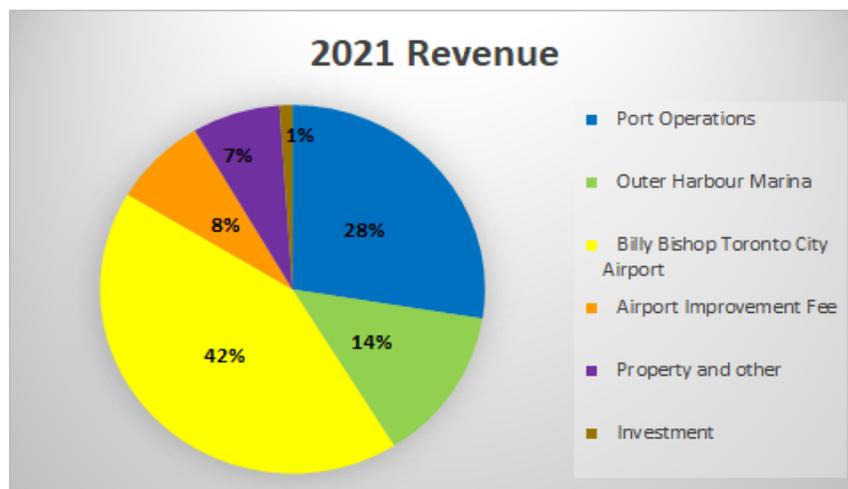
Consolidated statement of operations

(In thousands of Canadian dollars)

	2019	2020	2021
Revenue			
Port	\$9,574	\$8,798	\$10,925
Marina	\$4,730	\$4,789	\$5,395
Airport	\$41,676	\$18,197	\$19,997
Property & Other	\$2,568	\$2,956	\$2,929
Investment	\$2,465	\$1,869	\$429
Corporate	\$0	\$0	\$0
Total	\$61,013	\$36,609	\$39,675
Expenses			
Port	\$6,209	\$4,439	\$5,470
Marina	\$2,912	\$2,340	\$2,995
Airport	\$19,553	\$15,172	\$15,006
Property & Other	\$440	\$449	\$463
Investment	\$0	\$0	\$0
Corporate	\$7,626	\$8,071	\$5,753
Total	\$36,740	\$30,471	\$29,687
Net Income from operations			
Port	\$3,365	\$4,359	\$5,455
Marina	\$1,818	\$2,449	\$2,400
Airport	\$22,123	\$3,025	\$4,991
Property & Other	\$2,128	\$2,507	\$2,466
Investment	\$2,465	\$1,869	\$429
Corporate	(\$7,626)	(\$8,071)	(\$5,753)
Total	\$24,273	\$6,138	\$9,988



Note: The above does not include Amortization, Payment-in-lieu of taxes, Interest expenses, Gross revenue charge and OCI



(In thousands of dollars)

Consolidated statement of financial position (Summarized version)

(In thousands of Canadian dollars)

	2021	2020
	\$	\$
Assets		
Current assets	83,343	92,590
Non-current assets	234,608	238,754
	317,951	331,344
Liabilities & Equity		
Current liabilities	18,451	19,339
Non-current liabilities	86,220	104,068
Equity	213,280	207,937
	317,951	331,344

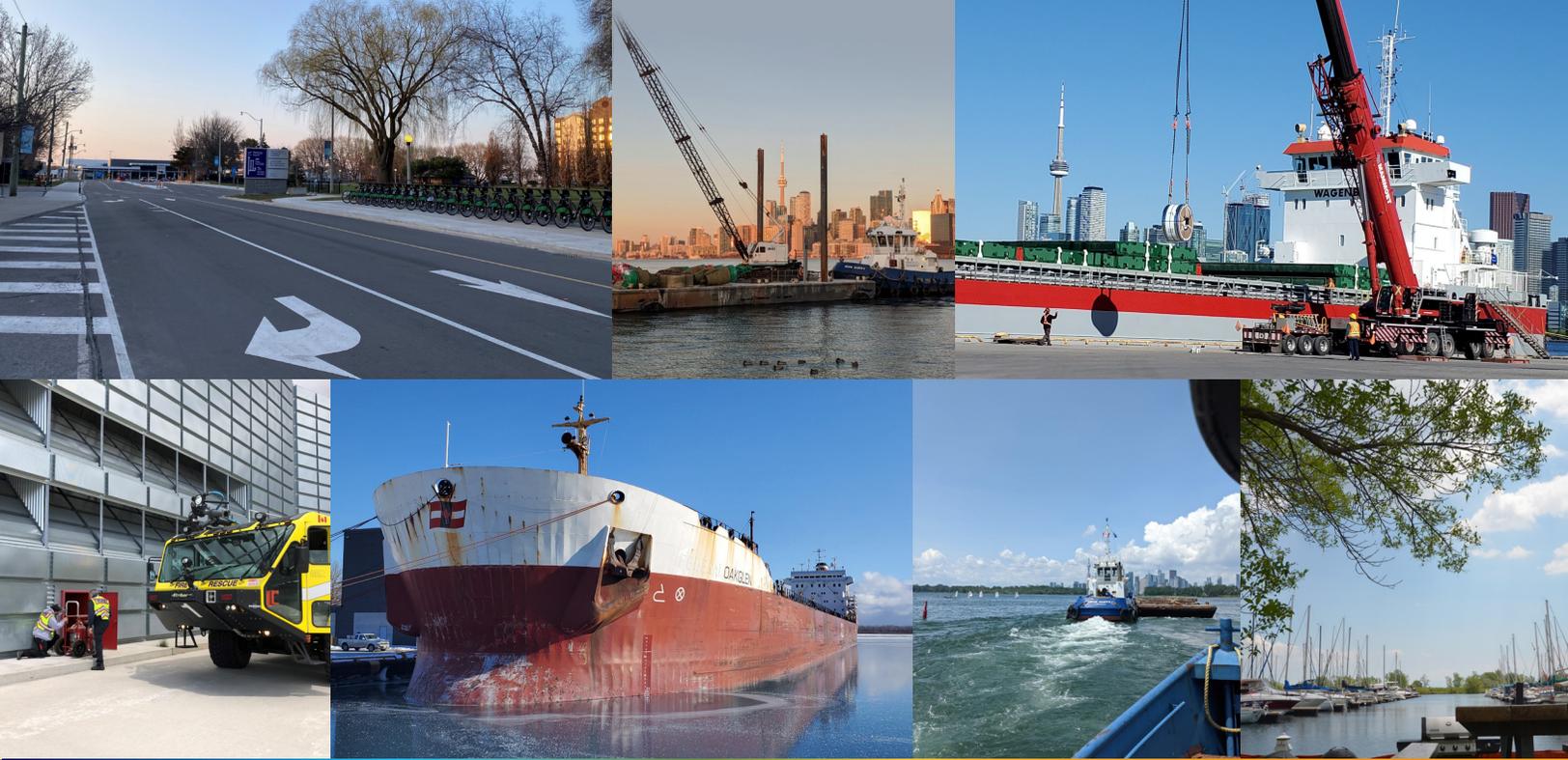
Capital Assets - Gross Increase

(In thousands of Canadian dollars)

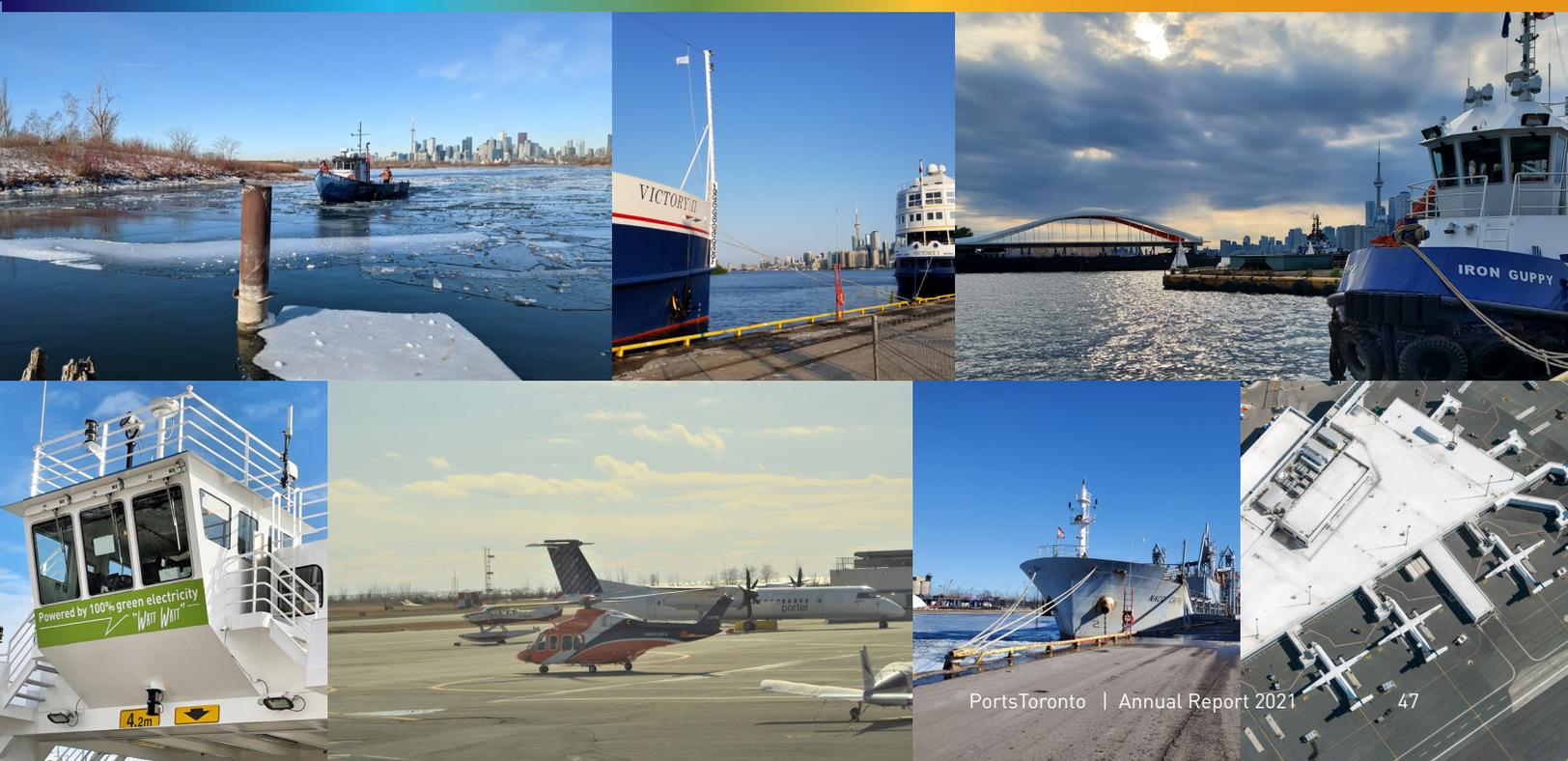
	2021	2020
	\$	\$
Port Operations	520	5,187
Outer Harbour Marina	116	512
Billy Bishop Toronto City Airport	3,567	7,032
Property & Other	527	1,163
Total	4,730	13,894

Financial Outlook for 2022

The COVID-19 pandemic has had a severe impact on the financial performance of the Port Authority over the last two years. This has been most evident at Billy Bishop Airport where an eighteen-month cessation of scheduled commercial carrier service dramatically reduced both aeronautical and non-aeronautical revenues. With scheduled carrier service restarting in September 2021, the Port Authority is confident there will be a significant improvement in financial performance in 2022. The Port, Marina and Property business units are also expected to have a strong 2022 and provide healthy returns to the organization. This is combined with an ongoing focus on cost control and efficiencies. Port Authority management will continue to gauge the level of success in 2022 and make the appropriate adjustments necessary in order to preserve cash resources and protect liquidity. The organization has many valuable assets and continues to operate to maximize these assets going forward. As a result, the Port Authority is optimistic that 2022 will be a solid year financially for the organization.



Part Six: Financial Statements – 2021



Consolidated financial statements of Toronto Port Authority

December 31, 2021

Independent Auditor's Report	1-2
Consolidated statement of operations and comprehensive income	3
Consolidated statement of changes in equity	4
Consolidated statement of financial position	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7-38

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, 2021, 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 significant accounting policies (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, 2021, 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 judgment 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 26, 2022

Toronto Port Authority

Consolidated statement of operations and comprehensive income

Year ended December 31, 2021

(In thousands of Canadian dollars)

	Notes	2021 \$	2020 \$
Operating revenue			
Port, Outer Harbour Marina, Airport, property and other revenue	16	36,530	34,375
Airport improvement fees, net	10	3,145	2,234
		39,675	36,609
Operating expenses			
Wages, salaries and employee benefits		10,903	10,688
Repairs and maintenance		5,789	5,965
Professional and consulting fees		1,364	1,287
Property taxes, net		50	53
Other operating and administrative expenses		11,581	12,478
		29,687	30,471
Income from operations and Airport improvement fees, net before the following		9,988	6,138
Payments in lieu of taxes	9	(3,293)	(3,166)
Amortization of right-of-use and capital assets		(10,356)	(9,959)
Interest expense		(4,429)	(4,594)
Charge on gross revenue – Port, Outer Harbour Marina, Airport, property and other revenue	2	(833)	(930)
Charge on gross revenue – Airport improvement fees	2	—	(106)
Gain (loss) on interest rate swap – ineffective portion	8 (b)	43	(17)
Net loss for the year		(8,880)	(12,634)
Changes in fair value of interest rate swaps due to hedge accounting – gain (loss) on interest rate swaps – Effective portion	8 (b)	301	(336)
Remeasurement gain (loss) on employee future benefits	7	13,831	(6,577)
Other comprehensive income (loss)		14,132	(6,913)
Comprehensive income (loss) for the year		5,252	(19,547)

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, 2021

(In thousands of Canadian dollars)

	Notes	Net assets over liabilities \$	Accumulated other comprehensive income \$	Total equity \$
Balance, January 1, 2020		216,194	11,199	227,393
Net loss		(12,634)		(12,634)
Remeasurement (loss) on employee future benefits	7	—	(6,577)	(6,577)
Amortization of accumulated loss on derivative interest rate swaps	8 (b)	—	91	91
(Loss) on interest rate swaps – Effective portion	8 (b)	—	(336)	(336)
Balance, December 31, 2020		203,560	4,377	207,937
Net loss		(8,880)		(8,880)
Remeasurement gain on employee future benefits	7	—	13,831	13,831
Amortization of accumulated loss on derivative interest rate swaps	8 (b)	—	91	91
Gain on interest rate swaps – Effective portion	8 (b)	—	301	301
Balance, December 31, 2021		194,680	18,600	213,280

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

Toronto Port Authority
Consolidated statement of financial position

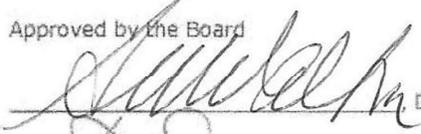
As at December 31, 2021

(In thousands of Canadian dollars)

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents		43,797	18,047
Short-term investments		7,571	42,394
Accounts receivable (net)	3	5,868	6,286
Inventories		68	38
Prepaid threshold – Tunnel Deposit	15	24,898	24,729
Prepaid expenses		1,141	1,096
		83,343	92,590
Non-current assets			
Long-term investments		1,494	—
Right-of-use assets	5	2,580	2,966
Capital assets	6	230,534	235,788
Total assets		317,951	331,344
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	3	7,369	8,892
Fair value of the interest rate swaps		—	434
Current portion of bank loans	8	2,280	2,280
Current portion of lease liability	5	329	309
Current portion of Pedestrian Tunnel concession liability	4 and 15	3,174	2,986
Unearned revenue		5,299	4,438
		18,451	19,339
Non-current liabilities			
Bank loans	8	26,763	29,043
Lease liability	5	2,431	2,774
Pedestrian Tunnel concession liability	4 and 15	53,997	57,171
Employee future benefits	7	3,029	15,080
		86,220	104,068
Total liabilities		104,671	123,407
Equity		213,280	207,937
		317,951	331,344

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, 2021

(In thousands of Canadian dollars)

	Notes	2021	2020
		\$	\$
Operating activities			
Net loss for the year		(8,880)	(12,634)
Adjustments for non-cash items			
Amortization of discount on notes receivable		—	(384)
Amortization of capital assets	6	9,956	9,585
Amortization of right-of-use asset	5	400	374
Employee future benefits expense	7	2,968	2,682
Employer contribution to employee future benefit plans	7	(1,188)	(1,256)
Interest expense		4,429	4,594
(Gain) loss on interest rate swaps – ineffective portion	8 (b)	(43)	17
Bank interest paid		(733)	(710)
Interest paid on Pedestrian Tunnel concession liability		(3,597)	(3,775)
AIF restricted cash		—	1,869
		3,312	362
Net change in non-cash working capital balances related to operations	17	(319)	4,954
		2,993	5,316
Investing activities			
Repayment received on note receivable		—	8,666
Acquisition of short-term investments		(7,573)	(94,453)
Disposal of short-term investments		42,396	112,976
Acquisition/disposal of long-term investments		(1,494)	997
Acquisition of right-of-use assets		(14)	—
Acquisition of capital assets, net of capital funding received		(4,716)	(12,976)
		28,599	15,210
Financing activities			
Prepaid threshold – Pedestrian Tunnel deposit		(169)	(16,438)
Lease amount paid		(407)	(406)
Pedestrian Tunnel concession liability		(2,986)	(2,808)
Bank loan principal payments		(2,280)	(1,710)
		(5,842)	(21,362)
Increase (decrease) in cash position		25,750	(836)
Cash and cash equivalents, beginning of year		18,047	18,883
Total cash and cash equivalents, end of year		43,797	18,047
Cash and cash equivalents consists of			
Cash		13,110	13,040
Cash equivalents		30,687	5,007
		43,797	18,047

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

Toronto Port Authority

Notes to the consolidated financial statements

December 31, 2021

(In thousands of dollars)

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-sufficient 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 26, 2022.

2. Significant accounting policies

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.

Basis of consolidation

These consolidated financial statements contain the results of the Port Authority for the year ended December 31, 2021, 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.

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.

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2021
(In thousands of dollars)

2. Significant accounting policies (continued)

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
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Fair value of interest rate swaps designated in cash flow hedges	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.

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.

2. Significant accounting policies (continued)

Financial instruments (continued)

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, 2021, 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.

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.

2. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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, 2021, 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 de-recognition 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. Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments including hedge accounting

The Port Authority had entered into derivative financial instruments (interest rate swaps) 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 swaps as cash flow hedges 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.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost includes all direct expenditures and other appropriate costs incurred in bringing the inventory to its present location and condition.

2. Significant accounting policies (continued)

Financial instruments (continued)

Capital assets

Land acquired since 1974 is recorded at cost. Land acquired prior to 1974 were 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.

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.

2. Significant accounting policies (continued)

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, 2021, the Port Authority did not have any finance lease agreements.

(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.

2. Significant accounting policies (continued)

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 is based on the weighted average cost of capital of 7.25%.

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.

2. Significant accounting policies (continued)

Employee future benefits (continued)

- (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.

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 %
	<u> </u>
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	<u>2</u>

As part of its COVID-19 Economic Response Plan, the Government of Canada waived the portion of the Port Authority's gross revenue charge for the operation of BBTCA, from March to December 2020 and for the entirety of fiscal 2021, in alignment with the treatment of National Airport System (NAS) airport authorities. This relief approach was formalized by supplementary letters patent issued by the Minister of Transport on December 17, 2021.

2. Significant accounting policies (continued)

Adoption of new and revised standards

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

Interest rate benchmark reform – Phase 2

In August 2020, the IASB issued amendments to various IFRS standards associated with the ongoing interest rate benchmark reform. The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as inter-bank offered rates (“IBOR”) to alternative benchmark interest rates.

There was no impact from this amendment on the Port Authority.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation 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:

IFRS 17	Insurance Contracts
Amendments to IAS 1	Presentation of Financial Statements

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

Amendments to IFRS 17 Insurance Contracts

On May 18, 2017 the IASB issued IFRS 17, a comprehensive standard that provides guidance on the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 requires entities to measure insurance contract liabilities as their current estimate of fulfillment cash flows using one of three approaches and to discount loss reserves. On June 25, 2019, the IASB issued amendments to IFRS 17 that included targeted improvements and the deferral of the effective date to January 1, 2023. The Port Authority does not expect the adoption of the standard to have a material impact to the consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements

On January 23, 2020 the IASB issued an amendment to IAS 1, providing a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. On July 15, 2020, the IASB announced the deferral of the effective date to January 1, 2023. The Port Authority does not expect the adoption of the standard to have a material impact to the consolidated financial statements.

Use of estimates and key areas of judgment

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.

2. Significant accounting policies (continued)

Use of estimates and key areas of judgment (continued)

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 swaps. Note 3 provides information about the key assumptions used in the determination of the fair value of the interest rate swaps.

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

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

(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

(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, 2021, there was no impairment identified by management. In making this assessment, management considered the circumstances due to COVID-19 and determined there was no impact on the capital assets.

(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.

2. Significant accounting policies (continued)

Use of estimates and key areas of judgment (continued)

(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.

(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)

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

Fair value hierarchy (continued)

The following is a summary of the fair value and classification levels as at December 31, 2021:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities				
Interest rate swap	—	—	—	—

The following was a summary of the fair value classification levels as at December 31, 2020:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities				
Interest rate swap	—	434	—	434

There were no transfers of financial instruments between Levels 1, 2, and 3 during 2021 and 2020.

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.

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 receivables. 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 review 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.

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

Financial risk management (continued)

Credit risk (continued)

The aging of accounts receivable was:

	2021	2020
	\$	\$
Trade		
Current	5,326	6,015
Aged between 31-90 days	472	338
Aged greater than 90 days	349	171
	6,147	6,524
Others	60	22
	6,207	6,546
Allowance for doubtful accounts	(339)	(260)
	5,868	6,286

Reconciliation of allowance for doubtful accounts

	2021	2020
	\$	\$
Balance, beginning of year	260	191
Increase during the year	94	548
Bad debts written off during the year	(15)	(479)
Balance, end of year	339	260

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, 2021. The total undiscounted cash repayments required to settle these liabilities, with the exception of the Tunnel concession liability, are set out below:

	Carrying value	2022	2023	2024 and thereafter
	\$	\$	\$	\$
Accounts payable and accrued liabilities	7,369	7,369	—	—
Bank loan	29,043	2,280	2,280	24,483
	36,412	9,649	2,280	24,483

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 \$	2022 \$	2023 \$	2024 and thereafter \$
Tunnel concession liability	57,171	3,174	3,374	50,623

Cash flow risk

The Port Authority's Investment Policy includes a targeted upper limit of 25% of cash reserves in the investment products of any one particular financial institution, with a hard cap limit of 30%, regardless of the type of investment.

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 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 2021, the Port Authority holds fixed income securities as part of short-term investments totalling \$7,571 (\$42,394 in 2020) and as part of long-term investments totalling \$1,494 (nil in 2020). 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 %	2021 \$	Interest rate %	2020 \$
Maturity 2023	1.20	1,494	—	—

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.

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 at December 31, 2021:

	\$
Unhedged portion of long-term debt	19,938

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

Financial risk management (continued)

Interest rate risk (continued)

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	<u>100</u>

Under interest rate swap contracts, 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 interest rate swaps 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 swaps settle on a monthly basis. The Port Authority settles the difference between the fixed and floating interest rate on a net basis.

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 Her 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.

	2021	2020
	\$	\$
Bank loan	29,043	31,323
Tunnel concession liability	57,171	60,157
Less: cash and cash equivalents	43,797	18,047
Less: short-term investments	7,571	42,394
Net debt	34,846	31,039
Equity	213,280	207,937
	248,126	238,976

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2021
(In thousands of dollars)

4. Capital disclosures (continued)

As of December 31, 2021, there was a shortfall of \$19,592 in AIF funds which had been temporarily financed by general non-AIF funds. As and when 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, 2021, 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, 2021, the Port Authority complied with those restrictions.

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 2020.

Right-of-use assets

	2021	2020
	\$	\$
Opening cost, January 1	3,543	3,543
Additions (disposals)	(14)	—
Ending cost, December 31	3,529	3,543
Opening accumulated amortization, January 1	(577)	(203)
Amortization	(372)	(374)
Ending accumulated amortization, December 31	(949)	(577)
Opening net book value, January 1	2,966	3,340
Ending net book value, December 31	2,580	2,966

Lease liabilities

	2021	2020
	\$	\$
Maturity analysis – contractual undiscounted cash flows		
Less than one year	417	408
One to five years	1,792	1,764
More than five years	931	1,393
Total undiscounted lease liabilities as at December 31, 2021	3,140	3,565
Lease liabilities included in the consolidated statement of financial position as at December 31, 2021		
Current	329	309
Non-current	2,431	2,774
	2,760	3,083

For the year ended December 31, 2021, the expense relating to variable lease payments not included in the measurement of lease obligations was \$326 (\$310 in 2020). Expenses relating to short-term leases were \$110 (\$348 in 2020) and expenses relating to leases of low value assets were \$33 (\$32 in 2020).

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2021
(In thousands of dollars)

6. Capital assets

	Land \$	Buildings and structures \$	Plant and equipment \$	Deferred site preparation expenditures \$	Capital work in process \$	2021 Total \$
Opening, January 1, 2021						
Cost	15,518	272,483	46,348	2,533	8,535	345,417
Capital funding	—	(23,682)	(11,782)	—	—	(35,464)
Accumulated amortization	—	(55,569)	(18,212)	(384)	—	(74,165)
Opening, January 1, 2021 Net book value	15,518	193,232	16,354	2,149	8,535	235,788
Additions/Disposals	—	313	1,928	165	2,324	4,730
Amortization	—	(7,770)	(2,178)	(36)	—	(9,984)
Capital funding received	—	—	—	—	—	—
	—	(7,457)	(250)	129	2,324	(5,254)
Closing, December 31, 2021 Net book value	15,518	185,775	16,104	2,278	10,859	230,534

	Land \$	Buildings and structures \$	Plant and equipment \$	Deferred site preparation expenditures \$	Capital work in process \$	2020 Total \$
Opening, January 1, 2020						
Cost	15,518	259,013	40,777	2,395	13,820	331,523
Capital funding	—	(23,682)	(10,864)	—	—	(34,546)
Accumulated amortization	—	(48,215)	(16,017)	(348)	—	(64,580)
Opening, January 1, 2020 Net book value	15,518	187,116	13,896	2,047	13,820	232,397
Additions/Disposals	—	13,470	5,571	138	(5,285)	13,894
Amortization	—	(7,354)	(2,195)	(36)	—	(9,585)
Capital funding received	—	—	(918)	—	—	(918)
	—	6,116	2,458	102	(5,285)	3,391
Closing, December 31, 2020 Net book value	15,518	193,232	16,354	2,149	8,535	235,788

Deferred site preparation expenditures

Deferred site preparation expenditures were incurred to prepare lands in the port-lands area for sub-tenants under a ground lease. These expenditures are being amortized over the initial term of the sub-tenant leases.

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 - \$16.4 million (\$3.8 million in 2020).

6. Capital assets (continued)

Future capital projects (continued)

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

Description	Total authorized or committed As at December 31, 2021 \$	Total spent As at December 31, 2021 \$	Estimated future expenditure As at December 31, 2021 \$
(in thousands dollars)			
Marilyn Bell Electrification	4,460	3,961	499
Ship Channel Bridge - Mechanical and Electrical Restoration	11,980	—	11,980

7. 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 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 OPEB and 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.

Toronto Port Authority
Notes to the consolidated financial statements
December 31, 2021
(In thousands of dollars)

7. Employee future benefits (continued)

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

	Pension benefit plan	Other benefits	2021 Total	Pension benefit plan	Other benefits	2020 Total
	\$	\$	\$	\$	\$	\$
Accrued benefit obligation						
Balance, beginning of year	72,176	2,765	74,941	65,426	2,364	67,790
Employer current service cost	2,022	353	2,375	1,922	347	2,269
Employees' contributions	401	—	401	451	—	451
Interest expense	1,841	55	1,896	1,992	61	2,053
Benefits paid	(3,132)	(84)	(3,216)	(2,761)	(89)	(2,850)
Actuarial (gains) losses	(4,630)	(327)	(4,957)	5,140	82	5,222
Balance, end of year	68,678	2,762	71,440	72,170	2,765	74,935
Plan assets						
Fair value, beginning of year	59,861	—	59,861	60,713	—	60,713
Employer contributions	1,104	84	1,188	1,167	89	1,256
Employees' contributions	401	—	401	451	—	451
Non-investment expenses	(229)	—	(229)	(223)	—	(223)
Benefits paid	(3,132)	(84)	(3,216)	(2,761)	(89)	(2,850)
Interest income	1,532	—	1,532	1,863	—	1,863
Return on plan assets excluding amounts included in interest income	8,874	—	8,874	(1,355)	—	(1,355)
Fair value, end of year	68,411	—	68,411	59,855	—	59,855
Funded status – plan deficit	(267)	(2,762)	(3,029)	(12,315)	(2,765)	(15,080)
Accrued benefit liability	(267)	(2,762)	(3,029)	(12,315)	(2,765)	(15,080)

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

	Pension benefit plan	Other benefits	2021 Total	Pension benefit plan	Other benefits	2020 Total
	\$	\$	\$	\$	\$	\$
Components of net benefit costs recognized during the year						
Current service costs	2,022	353	2,375	1,922	347	2,269
Administration costs	229	—	229	223	—	223
Interest expense	1,841	55	1,896	1,992	61	2,053
Interest income	(1,532)	—	(1,532)	(1,863)	—	(1,863)
Employee future benefit cost recognized	2,560	408	2,968	2,274	408	2,682

The amounts recognized in OCI are as follows:

	Pension benefit plan	Other benefits	2021 Total	Pension benefit plan	Other benefits	2020 Total
	\$	\$	\$	\$	\$	\$
Remeasurement of the net defined benefit liability in OCI						
Actuarial (gains) losses on assets	(8,874)	—	(8,874)	1,355	—	1,355
Actuarial (gains) losses on obligations	(4,630)	(327)	(4,957)	5,140	82	5,222
Remeasurement (gain) loss recognized	(13,504)	(327)	(13,831)	6,495	82	6,577

The date used to measure assets and liabilities for accounting purposes was as at December 31, 2021. The most recent actuarial valuation for funding purposes for the Pension Plan for Employees of the Toronto Port Authority was January 1, 2021. The next actuarial valuation for funding purposes will be done as at January 1, 2022.

7. Employee future benefits (continued)

The Port Authority expects to make contributions of \$1,238 in 2022 to the defined benefit pension plan of employees of the Toronto Port Authority. The Port Authority has secured additional contributions totalling \$3,707 through a consolidated letter of credit for the years 2011-2015, inclusive, which remains outstanding as of December 31, 2021.

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.

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, 2021**

Asset category	Percentage of defined benefit assets			
	Quoted %	2021 Unquoted %	Quoted %	2020 Unquoted %
Equities	53.10	—	52.20	—
Fixed income	15.40	—	17.70	—
Alternative investments	30.90	—	29.80	—
Other	0.60	—	0.30	—
	100.00	—	100.00	—

* OPEB benefits and WSIB benefits are unfunded.

8. Bank loans and derivative instruments (continued)

(a) Bank loans (continued)

As a result of the amending agreement, the following are the main terms of the credit facility:

Description	Amount \$	Interest rate	Amortization	Maturity date
Term Facility (Revolving) To finance capital expenditures	50,000	BA rate plus 0.85% BA rate plus 1.10% during temporary waiver period or BMO Prime less 0.15% BMO Prime plus 0.10% during temporary waiver period	15 years ending May 31, 2034	May 31, 2025
	<u>50,000</u>			

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, 2021, \$29,043 (\$31,323 in 2020) has been drawn from the term facility in the form of a Bankers Acceptance ("BA"), with the next maturity date of January 12, 2022 and interest rate of 0.45% (January 11, 2021 and 0.48% in 2020). 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 \$
Year	
2022	2,280
2023	2,280
2024	2,280
2025	2,280
2026	2,280
Thereafter	<u>17,643</u>
	29,043
Less: current portion	<u>2,280</u>
Long-term	<u>26,763</u>

8. Bank loans and derivative instruments (continued)

(a) *Bank loans (continued)*

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 2022; \$2,280 in 2023; \$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, 2021, the principal amounts payable by the Port Authority (non-AIF) and the restricted Airport Improvement Fees are \$5,506 and \$23,537, respectively. Please see details on Airport Improvement fees under Note 10.

The Port Authority had two interest rate swaps:

	Start	Maturity	Starting Notional \$	Interest rate \$	Notional at December 31, 2021 \$	Notional at December 31, 2020 \$
1st Swap	Jan 2007	Jan 2022	11,250	5.085%	4,012	4,687
2nd Swap	Jul 2016	Jul 2031	7,998	1.670%	5,093	5,629

The first swap matured on January 4, 2022 and was replaced by utilizing a variable interest rate strategy.

(b) *Derivative instrument and hedge accounting*

On January 31, 2012, the Port Authority designated the 1st interest rate swap in a hedging relationship with an original credit facility of \$11,250. 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.

In July 2016, the Port Authority designated the 2nd 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 hedges were designated as cash flow hedges, 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 these instruments continue to qualify for hedge designation as the original cash flows under hedge (the "hedge items") continue to be in place under the new credit agreement. The amending agreements negotiated in 2020 and 2021, as described in Note 8(a) do not have any impact on this assessment, except that the 1st swap matured on January 4, 2022 and not extended.

8. Bank loans and derivative instruments (continued)

(b) Derivative instrument and hedge accounting (continued)

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

(i) Effect on net income – ineffective portion

	2021	2020
	\$	\$
Amortization of accumulated loss of interest rate swap	(91)	(91)
Ineffectiveness of hedge accounting reclassified from Other Comprehensive Income	80	(1)
Interest recovery	54	75
	43	(17)

(ii) Effect on other comprehensive income – effective portion

	2021	2020
	\$	\$
Mark to market gain (loss) on the swap	435	(262)
Interest recovery	(54)	(75)
Ineffectiveness reclassified to net income	(80)	1
Recognized in other comprehensive income	301	(336)

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 waterlots. 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 2021 (\$15.00 in 2020) per departing passenger. 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, 2021, the net amount of AIF collected was \$3,145 (\$2,234 in 2020). 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, 2021 was in deficit of \$19,592 (deficit of \$9,628 in 2020).

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2021
(In thousands of 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:

	2021 Total \$	2020 Total \$	2021 Non-AIF \$	2021 AIF \$	2020 Non-AIF \$	2020 AIF \$
Operating revenue						
Port, Outer Harbour Marina, Airport, property and other revenue	36,530	34,375	36,530	—	34,375	—
Airport improvement fees, net	3,145	2,234	—	3,145	—	2,234
	39,675	36,609	36,530	3,145	34,375	2,234
Operating expenses						
Wages, salaries and employee benefits	10,903	10,688	10,903	—	10,688	—
Repairs and maintenance	5,789	5,965	5,789	—	5,965	—
Professional and consulting fees	1,364	1,287	1,364	—	1,287	—
Property taxes, net	50	53	50	—	53	—
Other operating and administrative expenses	11,581	12,478	11,581	—	12,478	—
	29,687	30,471	29,687	—	30,471	—
Income from operations and Airport improvement fees, net before the following	9,988	6,138	6,843	3,145	3,904	2,234
Payments in lieu of taxes	(3,293)	(3,166)	(3,293)	—	(3,166)	—
Amortization of right-of-use and capital assets	(10,356)	(9,959)	(1,999)	(8,357)	(1,777)	(8,182)
Interest expense	(4,429)	(4,594)	(223)	(4,206)	(203)	(4,391)
Charge on gross revenue – Port, Outer Harbour Marina, Airport, property and other revenue	(833)	(930)	(833)	—	(930)	—
Charge on gross revenue – Airport improvement fees	—	(106)	—	—	—	(106)
Gain (loss) on interest rate swaps – ineffective portion	43	(17)	43	—	(17)	—
Net (loss) income for the year	(8,880)	(12,634)	538	(9,418)	(2,189)	(10,445)
Changes in fair value of interest rate swaps due to hedge accounting – gain (loss) on interest rate swaps – effective portion	301	(336)	301	—	(336)	—
Unamortized gain (loss) and past service costs	13,831	(6,577)	13,831	—	(6,577)	—
Comprehensive income (loss) for the year	5,252	(19,547)	14,670	(9,418)	(9,102)	(10,445)

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:

	2021	2020
	\$	\$
Director's fees		
Ms. Amanda Walton, Chair (elected as Chair April 15, 2021)	41	36
Mr. Darin Deschamps	33	38
Mr. Don McIntyre	28	31
Ms. Hellen Siwanowicz	27	29
Mr. Chris Reynolds (appointment as Director, April 8, 2020)	23	12
Mr. Robert Poirer (ceased to hold office April 15, 2021)	32	65
	184	211
Chief Executive Officer – Mr. Geoffrey Wilson		
Remuneration	350	465
Other benefits	24	24
	374	489
Executive Vice President, Ports Toronto and Billy Bishop Toronto City Airport – Mr. Gene Cabral		
Remuneration	224	260
Other benefits	20	19
	244	279
Senior Vice President & CFO – Mr. Alan Paul		
Remuneration	219	260
Other benefits	21	20
	240	280
Senior Vice President and General Counsel – Mr. Craig Manuel		
Remuneration	219	229
Other benefits	13	13
	232	242
Vice President Communications and Public Affairs – Ms. Deborah Wilson		
Remuneration	188	222
Other benefits	13	13
	201	235
Vice President Infrastructure, Planning & Environment – Mr. Chris Sawicki		
Remuneration	188	223
Other benefits	18	18
	206	241

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2021
(In thousands of dollars)

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 is in the process of extending the lease until October 31, 2024.

Meanwhile, the Port Authority continues to provide monitoring of hard points and beaches along the east and south shores of the Leslie Street Spit for shoreline stabilization.

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.

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.

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2021
(In thousands of dollars)

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, 2021 an asset of \$110,418 (\$110,418 in 2020) has been included as part of capital assets, with a related liability of \$57,171 (\$60,157 in 2020).

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. These payments are indexed to inflation.

Pursuant to the Agreement, the Port Authority was required to provide a refundable deposit to BBIA as security for future monthly capital, life cycle and operating payments. The deposit amount is equivalent to 1, 2 or 3 times the total monthly payments for the next twelve months, determined based on the AIF revenues for the previous twelve months. During 2020, due to COVID-19 and the resulting reduction in passenger levels, the Port Authority was required to provide a deposit of 3 times the total monthly payments for the next twelve months and this deposit level increased to the end of 2021. The amount on deposit as at December 31, 2021 remained at 3 times and was \$24,898 (\$24,729 in 2020).

Toronto Port Authority
Notes to the consolidated financial statements
December 31, 2021
(In thousands of 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	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Business units						
Port operations	10,925	8,798	5,470	4,439	5,455	4,359
Outer Harbour Marina	5,395	4,789	2,995	2,340	2,400	2,449
Billy Bishop Toronto City Airport and net airport improvement fees	19,997	18,197	15,006	15,172	4,991	3,025
Property and other	2,929	2,956	463	449	2,466	2,507
Investment income	429	1,869	—	—	429	1,869
Corporate services	—	—	5,753	8,071	(5,753)	(8,071)
	39,675	36,609	29,687	30,471	9,988	6,138
Net income from operations and airport improvement fees, net before the following					9,988	6,138
Payments in lieu of taxes					(3,293)	(3,166)
Amortization of capital assets					(10,356)	(9,959)
Interest expense					(4,429)	(4,594)
Charge on gross revenue					(833)	(1,036)
Gain on interest rate swaps - Ineffective portion					43	(17)
Net loss for the year					(8,880)	(12,634)
Gain (loss) on interest rate swaps - Effective portion					301	(336)
Remeasurement gain (loss) on employee future benefits					13,831	(6,577)
Comprehensive income (loss) for the year					5,252	(19,547)

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

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

	2021	2020
	\$	\$
Accounts receivable (net)	418	3,437
Inventories	(30)	(12)
Prepaid expenses	(45)	183
Accounts payable and accrued liabilities	(1,523)	(1,498)
Unearned revenue	861	2,844
	(319)	4,954

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2021
(In thousands of dollars)

18. COVID-19

Due to the COVID-19 pandemic crisis, the Port Authority went through a very difficult and challenging 2020 and 2021 in terms of financial performance. A number of unprecedented and unforeseen events and activities required prompt and decisive measures to ensure the Port Authority's ongoing safety, security and stability. While there were some effects on other operations at the Port Authority, the largest impact of COVID-19 continued to be on the operations of BBTCA. In March 2020, the Port Authority's two commercial carriers announced a temporary cessation of their scheduled service which extended throughout 2020 and into 2021. The two commercial carriers restarted scheduled service on September 8, 2021 and progress continues to be monitored. As a result of the cessation of service, there was a material change in passenger levels at BBTCA. 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/or operations. The Port Authority signed Amending Agreements dated December 31, 2020 and December 29, 2021 with the Bank to address this situation. At all times, the Port Authority had liquidity to repay the credit facility. Please see details on Bank Loans under Note 8.

Also in March 2020, as part of its COVID-19 Economic Response Plan, the Government of Canada announced that, from March through to December 2021, it would waive the portion of the Port Authority's gross revenue charge for revenue generated from operations at the BBTCA, in alignment with the treatment of National Airport System ("NAS") airport authorities. Please see details under Note 2.

The Port Authority applied for government assistance under the Canada Emergency Wage Subsidy and recognized \$1,865 in 2021 and \$3,949 in 2020.

The Port Authority applied for government assistance under Airport Relief Fund and recognized \$3,167 in 2021 (nil in 2020), to be applied towards Airport Capital Expenditures.

In response to COVID-19, the Port Authority also reviewed 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 in 2020 and 2021 and 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.

Pursuant to the Pedestrian Tunnel Project Agreement, the Port Authority is required to provide a refundable deposit to BBIA as security for future monthly capital, life cycle and operating payments. Due to the significant drop in AIF revenues in 2020, the deposit was increased to three times annual coverage in 2020, pursuant to the terms of the Agreement. This deposit level remained to the end of 2021. Please see details under Note 15.

The Port Authority has evaluated its financial statements and financial position as at December 31, 2021. As a result of the spread of COVID-19, economic uncertainties still remain. The duration and impact of COVID-19 are unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these ongoing developments will have on the financial results and condition of the Port Authority in future periods.



© Toronto Port Authority 2021. All rights reserved.

207 Queens Quay West, Suite 500, Toronto,
Ontario, M5J 1A7 Canada

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.

To obtain additional copies of this report
please contact:

PortsToronto
Communications and Public Affairs Department
207 Queens Quay West, Suite 500
Toronto, Ontario, M5J 1A7
Canada
Phone: 416 863 2075
E-mail: communications@portstoronto.com

