Financial statements of
St. John's Port Authority

December 31, 2017

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Independent Auditor's Report

To the Board of Directors of
the St. John's Port Authority

We have audited the accompanying financial statements of the St. John's Port Authority (the "Authority") which comprise the statement of financial position as at December 31, 2017, and the statements of earnings and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the St. John's Port Authority as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
March 12, 2018

St. John's Port Authority

Statement of earnings and other comprehensive income

Year ended December 31, 2017
(Canadian dollars)

	Notes	**2017**	2016
		$	$
Operating revenue			
Port fees		**4,243,088**	3,836,791
Rental revenue		**3,567,229**	3,537,425
Other		**107,170**	118,031
		7,917,487	7,492,247
Operating expenses			
Wages, salaries and employee benefits		**2,052,753**	1,957,911
Depreciation		**1,190,831**	1,192,333
Other operating and administrative		**1,151,164**	1,130,141
Maintenance and repair costs		**431,964**	577,270
Professional and consulting fees		**333,748**	355,057
Payments in lieu of municipal taxes		**238,967**	226,387
Gross revenue charge		**159,614**	150,636
		5,559,041	5,589,735
Earnings from operations		**2,358,446**	1,902,512
Other (income) expense			
Interest expense		**56,767**	69,422
Loss on disposal of property, plant, and equipment		**34,397**	817
Investment		**(77,447)**	(77,051)
		13,717	(6,812)
Net earnings		**2,344,729**	1,909,324
Other comprehensive income (loss)			
Actuarial loss on SJPA employee pension benefits	13	**(356,000)**	(73,600)
Actuarial loss on CPA employee pension benefits	13	**(74,000)**	(817,000)
		(430,000)	(890,600)
Total comprehensive income		**1,914,729**	1,018,724

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

St. John's Port Authority

Statement of changes in equity

Year ended December 31, 2017
(Canadian dollars)

	Contributed capital	Retained earnings	Accumulated other comprehensive loss	Total equity
	$	$	$	$
Balance, January 1, 2017	**18,422,104**	**17,450,766**	**(1,730,200)**	**34,142,670**
Net earnings	—	**2,344,729**	—	**2,344,729**
Other comprehensive income (loss)				
Actuarial loss on employee pension benefits	—	—	**(430,000)**	**(430,000)**
Balance, December 31, 2017	**18,422,104**	**19,795,495**	**(2,160,200)**	**36,057,399**

	Contributed capital	Retained earnings	Accumulated other comprehensive loss	Total equity
	$	$	$	$
Balance, January 1, 2016	18,422,104	15,541,442	(839,600)	33,123,946
Net earnings	—	1,909,324	—	1,909,324
Other comprehensive income (loss)				
Actuarial loss on employee pension benefits	—	—	(890,600)	(890,600)
Balance, December 31, 2016	18,422,104	17,450,766	(1,730,200)	34,142,670

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

St. John's Port Authority

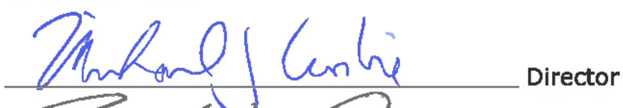
Statement of financial position

As at December 31, 2017
(Canadian dollars)

	Notes	**2017**	2016
		$	$
Assets			
Current assets			
Cash		**744,758**	749,241
Investments	5	**9,461,078**	4,047,159
Accounts receivable		**1,678,024**	757,575
Current portion of other receivables	6	**399,791**	412,482
Prepaids		**53,637**	53,248
		12,337,288	6,019,705
Non-current assets			
Other receivables	6	**588,136**	987,927
Property, plant and equipment	7	**33,346,510**	31,676,502
Total assets		**46,271,934**	38,684,134
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**1,918,221**	921,902
Deferred revenue		**301,517**	320,699
Current portion of long-term debt	10	**1,050,298**	599,359
		3,270,036	1,841,960
Non-current liabilities			
Accrued employee benefits		**315,202**	369,252
Long-term debt	10	**5,174,497**	1,259,552
Employee pension benefits	13	**1,454,800**	1,070,700
Total liabilities		**10,214,535**	4,541,464
Contingencies	11		
Equity			
Contributed capital		**18,422,104**	18,422,104
Retained earnings		**19,795,495**	17,450,766
Accumulated other comprehensive loss		**(2,160,200)**	(1,730,200)
Total equity		**36,057,399**	34,142,670
Total liabilities and equity		**46,271,934**	38,684,134

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

On behalf of the Authority:


Director

President & Chief Executive Officer

St. John's Port Authority

Statement of cash flows

Year ended December 31, 2017

(Canadian dollars)

	Notes	**2017**	2016
		$	$
Operating activities			
Net earnings		**2,344,729**	1,909,324
Adjustments for			
Depreciation		**1,190,831**	1,192,333
Change in accrued employee benefits		**(54,050)**	(18,808)
Loss on disposal of property, plant and equipment		**34,397**	817
Change in employee pension benefits		**(45,900)**	(584,000)
Changes in non-cash operating working capital	14	**468,781**	285,837
		3,938,788	2,785,503
Investing activities			
Increase in investments		**(5,413,919)**	(1,896,107)
Additions to property, plant, and equipment, net of government grant		**(2,909,236)**	(460,191)
Proceeds on disposal of property, plant and equipment		**14,000**	—
		(8,309,155)	(2,356,298)
Financing activities			
Proceeds from long-term debt		**5,000,000**	—
Repayment of long-term debt		**(634,116)**	(579,582)
		4,365,884	(579,582)
Net decrease in cash		**(4,483)**	(150,377)
Cash, beginning of year		**749,241**	899,618
Cash, end of year		**744,758**	749,241

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

1. Nature of operations

On May 1, 1999 the St. John's Port Authority (the "Authority") was incorporated under the *Canada Marine Act* by Letters Patent issued by the Minister of Transport. This Act superseded the Canada Ports Corporation Act. In accordance with the *Canada Marine Act*, all assets, liabilities and equity were transferred at their carrying values in the accounts of the St. John's Port Corporation to the Authority. The registered office of the Authority is located at 1 Water Street, St. John's, Newfoundland and Labrador.

2. New and revised accounting standards issued but not yet effective

The Authority has not applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications)
IFRS 16	Leases

IFRS 9 and 15 are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

IFRS 9 Financial instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include:

a) impairment requirements for financial assets, and;

b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' "FVTOCI" measurement category for certain simple debt instruments.

Key requirements of IFRS:

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity instrument (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income with only dividend income generally recognized in profit or loss.

2. New and revised accounting standards issued but not yet effective (continued)

IFRS 9 Financial instruments (continued)

- With regard to the measurement of financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the amount of change in fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Management is assessing the potential impact of this new standard.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue,* IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a five step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Management is assessing the potential impact of this new standard.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

2. New and revised accounting standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all in balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments, as well as the impact of any lease modifications. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

Management is assessing the potential impact of this new standard.

3. Significant accounting policies

Statement of compliance

These financial statements have been prepared 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 financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These financial statements were authorized for issuance by the Board of Directors of the Authority on March 12, 2018.

Basis of presentation

These financial statements are presented in Canadian dollars, which is the functional currency of the Authority.

The financial statements have been prepared on a historical cost basis, with the exception of certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The following significant accounting policies have been applied consistently by the Authority to all periods presented in these financial statements without exception.

Cash

Cash includes cash on hand and balances with banks.

3. Significant accounting policies (continued)

Investments

Investments, which are guaranteed securities of the Government of Canada, are recorded at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Receivables

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

Trade receivables and accruals are recognized initially at fair value. The Authority establishes an allowance for accounts where collection is considered doubtful as required under the Authority's credit and collection policies. Allowances for doubtful receivables are recorded as an expense in the period that the allowance is identified. Accounts that have been previously allowed for are written off when ultimate collection is considered not likely.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and is recognized when the amount of revenue can be reliably measured, collection is probable, and when it is likely that the economic benefits associated with the transaction will flow to the Authority for each of the various revenue streams. Amounts recognized and classified as operating revenue arise in the course of ordinary activities of the Authority and include the following items:

a) Leases

Revenue from operating leases is recognized on a straight-line basis over the term of the lease. The unearned portion of lease revenue collected during the period is classified as deferred revenue. Deferred revenue that will be earned and recognized within the next twelve months is classified as a current liability. Initial direct costs incurred in negotiating and arranging an operating lease are capitalized and recognized in income on a straight-line basis over the lease term.

b) Vessels, cargo and passengers

Revenue earned from vessels, cargo and passengers is recognized when services are substantially rendered.

Other revenue includes items that are non-recurring and not directly related to the Authority's operations and activities in the course of ordinary activities. Finance income and expenses include investment income, interest income on deferred receivables and interest expense on borrowings not capitalized.

Gross revenue charge

In order to maintain the letters patent in good standing, the Authority is required to annually pay the Minister of Transport a charge calculated on a percentage of gross revenues.

Property, plant and equipment

Property, plant and equipment consists of land, dredging, berthing structures, buildings, utilities, roads and surfaces, machinery and equipment and office furniture and equipment. Federal real property is carried at historical cost less accumulated depreciation and any impairment losses.

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

Federal real property is owned by the federal government and is managed and operated by the Authority as an agent of Her Majesty in right of Canada for certain activities set out in the *Canada Marine Act*, and excluding buildings and structures, cannot be mortgaged or pledged as security by the Authority. The Authority is responsible for performing necessary maintenance, restoration and replacement of federal real property that it manages.

Historical cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition or construction of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset will be capitalized during the period of time that it is necessary to complete and prepare the asset for its intended use. A qualifying asset is defined as such where it takes the Authority a substantial amount of time to complete. Other borrowing costs are expensed in the period in which they are incurred and reported as interest expense in the statement of earnings and other comprehensive income. Capital expenditures for projects that are on-going at year-end are included in work under construction within property, plant and equipment.

The carrying amount of replaced property, plant and equipment is derecognized as incurred. All repairs and maintenance are expensed during the period in which they are incurred.

Land and work under construction that is not yet available for use are not depreciated. Depreciation on other assets is calculated on the straight-line basis, commencing when the asset is available for use, using rates based on the estimated useful lives of the assets. A full year of depreciation is recorded in the year of acquisition and no depreciation is recorded in the year of disposition. Depreciation rates based on the estimated useful lives of the assets are as follows:

Dredging	2.5%
Berthing structures	2.0–6.7%
Buildings	2.5–10%
Utilities	2.5–10%
Roads and surfaces	2.5–10%
Machinery and equipment	5.0–100%
Office furniture and equipment	20%

Residual values and useful lives are reviewed, and adjusted if necessary, at the end of each reporting period. Gains and losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in earnings within other income or other expenses.

Government grants

Grants are recognized at their fair value when it is reasonably assured that the grant will be received and the Authority will comply with all attached conditions. Government grants relating to property, plant and equipment are deducted from the cost therein and depreciation recorded on a net basis.

3. Significant accounting policies (continued)

Impairment of long-lived non-financial assets

Long-lived non-financial assets 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 ("CGUs"). Where the asset does not generate cash flows that are independent from other assets, the 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 asset's (or CGUs) recoverable amount exceeds its carrying amount.

Payments in lieu of taxes

The expense for payments in lieu of taxes is based on estimated municipal assessments adjusted in accordance with the *Payment in Lieu of Taxes Act*. Payments are made based on these assessments. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation for a period ending beyond one year, its carrying amount is the present value of those cash flows, where the time value of money is material. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions reflect the Authority's best estimate at the reporting date. Provisions are not recognized for future operating losses.

Financial instruments

Financial assets and liabilities are recognized when the Authority becomes party to the contractual provisions of the financial instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when obligations under the contract expire and are discharged or cancelled. Management of the Authority classifies financial instruments into various categories as disclosed in Note 8 to the financial statements.

Employee pension benefits

The defined benefit plans sponsored by the Authority determine the amount of pension benefits employees will receive on retirement by reference to length of service and salary levels. Obligations associated with defined benefit plans reside with the Authority, even if plan assets for funding the plan are set aside.

3. Significant accounting policies (continued)

Employee pension benefits (continued)

The asset/liability recognized in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation at the end of the reporting date, less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income, in the period in which they arise.

Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Other employee benefits

The Authority also maintains other non-funded benefits for eligible employees. The Authority accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. Loans and receivables, including trade and other receivables, bank balances and cash are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

4. Significant accounting judgments and estimates

In the application of the Authority's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ materially from these estimates.

The following are the critical judgments, estimates and assumptions that management has made in the process of applying the Authority's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

(i) *Held-to-maturity financial assets*

Management has reviewed the Authority's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and has confirmed the Authority's positive intention and ability to hold those assets to maturity. Details of these assets are set out in Note 5.

4. Significant accounting judgments and estimates (continued)

(ii) *Useful lives of property, plant and equipment*

The Authority reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. Depreciation rates based on the estimated useful lives of these assets are detailed in the property, plant and equipment accounting policy note. Further details on these assets are set out in Note 7.

(iii) *Employee future benefits*

The Authority uses significant assumptions, which are detailed in Note 13, when measuring its accrued benefit obligation for its defined benefit pension plans.

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 period if the revision affects both current and future periods.

5. Investments

	2017		2016	
	Amortized cost	**Face amount**	Amortized cost	Face amount
	$	**$**	$	$
Short-term investments	**9,461,078**	**9,499,000**	4,047,159	4,052,000

Government of Canada Treasury Bills maturing between January and September, 2018, at varying yields of 0.643% to 1.244%.

6. Other receivables

The Authority has provided a tenant with capital infrastructure financing for a project on Authority property. The financing is interest-bearing at market rates and is repayable over the term specified in the agreement. As of December 31, 2017, the total receivable relating to this transaction is $799,782 ($1,170,721 in 2016) of which $389,917 ($370,939 in 2016) is included in other current receivables and $409,865 ($799,782 in 2016) is included in other long-term receivables.

Principal repayments are as follows:

	$
2018	389,917
2019	409,865
	799,782

St. John's Port Authority
Notes to the financial statements
December 31, 2017

7. Property, plant and equipment

2017

	Land	Dredging	Berthing structures	Buildings	Utilities	Roads and Surfaces	Machinery and equipment	Office furniture and equipment	Work under construction	Total
	$	$	$	$	$	$	$	$	$	$
Cost	7,635,375	189,056	27,787,775	8,621,636	7,863,774	5,214,128	556,146	734,560	71,199	58,673,619
Accumulated depreciation	—	(86,583)	(12,826,460)	(3,841,778)	(4,370,836)	(4,908,269)	(492,974)	(470,217)	—	(26,997,117)
Net book value	7,635,375	102,473	14,961,315	4,779,858	3,492,908	305,859	63,172	264,343	71,199	31,676,502
Year ended December 31, 2017										
Additions, net of grants	—	—	—	3,800	27,999	—	37,584	97,159	2,909,235	3,075,777
Other adjustments	—	—	107,716	1,222	7,856	—	24,074	49,929	(166,540)	24,256
Disposals	—	—	(137,524)	(2,709)	(13,939)	—	(35,093)	(49,929)	—	(239,194)
Depreciation expense	—	(4,728)	(652,579)	(220,743)	(180,693)	(30,695)	(19,091)	(82,302)	—	(1,190,831)
Cost	7,635,375	189,056	27,650,251	8,622,727	7,877,804	5,214,128	558,637	781,790	2,813,894	61,343,662
Accumulated depreciation	—	(91,311)	(13,371,324)	(4,061,299)	(4,543,673)	(4,938,964)	(487,991)	(502,590)	—	(27,997,152)
Closing net book value	7,635,375	97,745	14,278,927	4,561,428	3,334,131	275,164	70,646	279,200	2,813,894	33,346,510

2016

	Land	Dredging	Berthing structures	Buildings	Utilities	Roads and Surfaces	Machinery and equipment	Office furniture and equipment	Work under construction	Total
	$	$	$	$	$	$	$	$	$	$
Cost	7,635,375	189,056	27,776,865	8,621,636	7,547,500	5,214,128	556,146	706,923	—	58,247,629
Accumulated depreciation	—	(81,843)	(12,167,103)	(3,619,894)	(4,214,085)	(4,877,490)	(472,291)	(405,462)	—	(25,838,168)
Net book value	7,635,375	107,213	15,609,762	5,001,742	3,333,415	336,638	83,855	301,461	—	32,409,461
Year ended December 31, 2016										
Additions, net of grants	—	—	10,910	—	341,185	—	—	36,897	460,191	849,183
Other adjustments	—	—	—	—	24,123	—	—	9,260	(388,992)	(355,609)
Disposals	—	—	—	—	(24,941)	—	—	(9,260)	—	(34,201)
Depreciation expense	—	(4,740)	(659,357)	(221,884)	(180,874)	(30,779)	(20,683)	(74,015)	—	(1,192,333)
Cost	7,635,375	189,056	27,787,775	8,621,636	7,863,744	5,214,128	556,146	734,560	71,199	58,673,619
Accumulated depreciation	—	(86,583)	(12,826,460)	(3,841,778)	(4,370,836)	(4,908,269)	(492,974)	(470,217)	—	(26,997,117)
Closing net book value	7,635,375	102,473	14,961,315	4,779,858	3,492,908	305,859	63,172	264,343	71,199	31,676,502

7. Property, plant and equipment (continued)

Total estimated capital expenditures, authorized or committed at December 31, 2017, which have not been audited, were $14,478,000 ($13,173,000 in 2016).

Capital projects for which the combined capital expenditures are estimated to exceed $1.0 million as at December 31, 2017, are as follows:

	2016	**2017**	2018	Estimated cost
	$	**$**	$	$
Finger Pier, Pier 17 West	120,000	**5,446,689**	7,233,311	12,800,000

During 2017, the Authority received $1,943,943 ($Nil in 2016) in Government of Canada funding for the Finger Pier project.

8. Financial instruments

Financial risk factors

The Authority has exposure to credit risk, liquidity risk and market rate risk. The Authority's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Authority's policies on an ongoing basis to ensure that these risks are appropriately managed. The sources of risk exposure and how each is managed are outlined below:

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Authority. The Authority has some credit risk with its investments, but this is mitigated as the investments only consist of low risk Government of Canada Treasury Bills. The Authority provides credit to its customers in the normal course of its operations. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses. The Authority mitigates credit risk by actively monitoring the aging of accounts receivable and regularly follows up on overdue accounts. The Authority's maximum exposure to credit risk corresponds to the carrying value of accounts receivable and other receivables.

An analysis of the Authority's receivables, including long-term receivables, and continuity of the Authority's provisions for impairment losses on receivables is as follows:

	2017	2016
	$	$
Trade and other accounts receivable	**848,483**	735,079
Government of Canada infrastructure grant	**843,753**	60,000
Deferred rent receivable	**219,900**	228,150
Other receivables	**768,027**	1,172,259
Less: allowance for impairment losses of receivables	**(14,212)**	(37,504)
	2,665,951	2,157,984

The credit quality of financial assets that are neither past due nor impaired is assessed with reference to historical information and includes the following considerations; new customers/tenants and existing customers/tenants (i.e. greater than 6 months) with no history of defaults or those that have some history of defaults but were eventually fully recovered.

8. Financial instruments (continued)

Credit risk (continued)

As of December 31, 2017, trade receivables of $14,212 ($37,504 in 2016) were impaired and provided for with an allowance for impairment losses. Individually impaired receivables mainly relate to management's estimate of customers that are experiencing difficult economic situations.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. The Authority manages this risk by establishing detailed cash forecasts, as well as long- term operating and strategic plans. The Authority believes its liquidity risk is not significant. Maturity of long-term debt is disclosed in Note 10 and all accounts payable and accrued liabilities are due within 120 days.

Market risk

Market risk is the risk of loss that may arise from change in market factors such as interest rates and foreign exchange rates. The Authority is exposed to this market risk primarily in its investing activities. As the Authority operates only in Canada it has minimal foreign exchange risk.

The Authority's current policy is to invest excess cash in short-term treasury bills issued by the Government of Canada. Additionally, the Authority has long-term debt bearing interest at a fixed rate, and does not believe that interest rate risk is significant.

Financial assets and liabilities

The Authority classifies financial assets and financial liabilities according to their characteristics and management's choices and intentions. Classification of financial assets include: (a) fair value through profit and loss (measured at fair value with changes in fair value recorded in earnings), (b) held-to-maturity (measured at amortized cost with gains and losses recognized in earnings in the period the asset becomes derecognized or impaired), (c) available-for-sale (measurement at fair value with changes in fair value recognized in other comprehensive income for the current period until realized through disposal or impairment), and (d) loans and receivables (measured at amortized cost with gains and losses recognized in earning in the period that the asset is no longer recognized or impaired). Classification of financial liabilities include: (a) fair value through profit or loss (as previously noted), and (b) other liabilities (measured at amortized cost with gains and losses recognized in earnings in the period the liability is no longer recognized).

8. Financial instruments (continued)

Financial assets and liabilities (continued)

As of December 31, the Authority's financial assets and liabilities were categorized as follows:

	2017	2016
	$	$
Loans and receivables		
Other receivables (long-term)	**588,136**	987,927
Current portion of other receivables	**399,791**	412,482
Accounts receivable	**1,678,024**	757,575
Cash	**744,758**	749,241
	3,410,709	2,907,225
Other liabilities		
Accounts payable and accrued liabilities	**1,918,221**	921,902
Current portion of long-term debt	**1,050,298**	599,359
Long-term debt	**5,174,497**	1,259,552
	8,143,016	2,780,813
Held-to-maturity investments	**9,461,078**	4,047,159

In the event that the Authority has financial instruments required to be recorded at fair value on the statement of financial position, the Authority would apply a three-tier hierarchy framework for disclosing fair value of financial instruments, based on whether the inputs into the various valuation techniques are observable or unobservable. Observable techniques reflect market data obtained from independent sources, while unobservable inputs reflect management's assumptions. Changes in valuation techniques of financial instruments may result in transfers of assigned levels. The hierarchy of input is as follows:

- Level I – Quoted prices in active markets for identical assets or liabilities;
- Level II – Inputs other than quoted prices included in Level I, that are observable, either directly or indirectly; and
- Level III – Inputs that are not based on observable market data.

The carrying values of current assets and current liabilities approximate their fair value due to the relatively short period to maturity of these financial instruments. Loans and receivables, other liabilities and held to maturity investments are carried at amortized cost. There were no transfers of amounts between Level 1, Level 2 and Level 3 financial instruments for the years ended December 31, 2017 and December 31, 2016. Additionally, there are no financial instruments classified in Level 3.

9. Capital management

The Authority is incorporated without share capital. Capital requirements are funded through internally generated funds and debt. The Authority's primary objective when managing capital is to keep the amount of debt at a level whereby the Authority's financial strength and credit quality is maintained.

Pursuant to its Letters Patent, the aggregate debt of the Authority shall not exceed $8 million. The Authority's capital consists of contributed capital and retained earnings. As at December 31, 2017, the Authority is compliant with all its debt covenants.

10. Long-term debt

	2017	2016
	$	$
Term loan, bearing interest at 3.28%, repayable in quarterly blended installments of $163,260, maturing in October 2019 and secured by a general assignment of accounts receivable	**1,259,373**	1,858,911
Term loan, bearing interest at 3.27%, repayable in monthly blended installments of $48,912, maturing in November 2022, secured by a general assignment of account receivable	**4,965,422**	—
Less: current portion	**1,050,298**	599,359
	5,174,497	1,259,552

Principal repayments required to maturity are as follows:

	$
2018	1,050,298
2019	1,085,422
2020	460,110
2021	475,383
2022	491,163
Thereafter	1,612,121
	5,174,497

The Authority has available a revolving credit facility with its bank to a maximum of $300,000, which was unused at December 31, 2017 ($Nil in 2016).

11. Contingencies

a) A construction claim was filed against the Authority in June 2007, claiming $775,000 plus interest.

b) In March 2012, an action was commenced against the Authority by a local tour boat operator claiming damages of $2.8-million relating to the plaintiff's vessel berthing arrangement and operations in the Port of St. John's.

Although such matters cannot be predicted with certainty, management does not anticipate that the outcome of these claims will have a material adverse effect on the Authority's financial position, results of operations or its ability to carry on any of its business activities. No provision has been recorded in the Authority's accounts for these contingencies.

In addition to the above, the Authority is exposed, in the normal course of business, to potential environmental issues. As any ultimate financial liability is not presently determinable, no provision has been made in the accompanying financial statements.

12. Leases

The Authority currently leases land and buildings under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. Contingent-based rents recognized in the fiscal 2017 earnings were $99,189 ($79,359 in 2016). The future minimum lease rentals under non-cancellable operating leases in the aggregate is $81,894,626 ($83,808,311 in 2016).

	$
Not later than 1 year	3,202,671
Later than 1 year and not longer than 5 years	12,581,472
Later than 5 years	66,110,483
	81,894,626

13. Employee pension benefits

In 2015, the Authority implemented a new defined benefit plan ("SJPA plan") replacing a defined contribution plan. The SJPA plan has two components, a registered pension plan ("RPP") and a supplemental pension plan ("SPP"). In addition, the Authority has an existing multi-employer Canadian Port Authorities defined benefit plan ("CPA plan"). These plans provide pension benefits to all its employees.

Employees who previously participated in the *Public Service Superannuation Act ("PSSA")* plan had the option to transfer their pension entitlements, earned prior to May 1, 2000, to the Authority's CPA plan or to have those entitlements remain in the PSSA plan. All employees elected to have those entitlements remain in the PSSA.

On August 1, 2015, active employees in the defined contribution plan became members of the new SJPA plan with past service recognized from the most recent date of May 1, 2000, or the commencement of employment with the Authority and assets transferred from employee defined contribution pension plan accounts contributed to this recognition of past service. Employees hired after August 1, 2015 are required to join the SJPA plan.

13. Employee pension benefits (continued)

Information regarding the employee pension plans for the years ended December 31, is as follows:

	2017				2016
	RPP Plans		SPP Plan		
	CPA Plan	SJPA Plan	SJPA Plan	Total	Total
	$	$	$	$	$
Change in accrued benefit obligation					
Balance, beginning of year	4,938,000	2,066,000	439,800	7,443,800	6,973,200
Current service cost	150,000	127,700	27,500	305,200	302,200
Remeasurement (gain) loss					
Actuarial (gain) loss from changes in demographic assumptions	–	–	–	–	(17,700)
Actuarial (gain) loss from changes in economic assumptions	383,000	100,400	(31,900)	451,500	(253,300)
Actuarial (gain) loss from experience	(74,000)	54,800	283,500	264,300	181,600
Interest cost on benefit obligation	192,000	79,700	17,700	289,400	289,500
Contributions by plan participants	25,000	75,200	–	100,200	89,300
Benefits paid	(142,000)	(252,700)	–	(394,700)	(121,000)
Balance, end of year	5,472,000	2,251,100	736,600	8,459,700	7,443,800
Change in fair value of plan assets					
Balance, beginning of year	5,610,000	1,982,100	–	7,592,100	6,209,100
Interest income	222,000	–	–	222,000	201,000
Remeasurement gain					
Actuarial gain	242,000	50,800	–	292,800	239,000
Return on plan assets	–	78,700	–	78,700	66,000
Employer contributions	268,000	118,800	–	386,800	908,700
Employee contributions	25,000	75,200	–	100,200	89,300
Benefits paid	(142,000)	(252,700)	–	(394,700)	(121,000)
Balance, end of year	6,225,000	2,052,900	–	8,277,900	7,592,100
Funded status - plan surplus (deficit)	753,000	(198,200)	(736,600)	(181,800)	148,300
Remeasurement due to minimum funding requirements in IFRIC 14	(654,000)	–	–	(654,000)	(669,000)
Remeasurement of unrecognized asset due to limit in IAS 19.64	(619,000)	–	–	(619,000)	(550,000)
Accrued benefit liability	(520,000)	(198,200)	(736,600)	(1,454,800)	(1,070,700)

13. Employee pension benefits (continued)

Pension expense included in earnings as salaries and benefits and other comprehensive income is as follows:

	2017				2016
	RPP Plans		SPP Plan		
	CPA Plan	SJPA Plan	SJPA Plan	Total	Total
	$	$	$	$	$
Plan expense					
Current service cost (employer portion)	150,000	127,700	27,500	305,200	302,200
Net interest on defined benefit obligation	17,000	1,000	17,700	35,700	22,500
Pension expense recognized in earnings	167,000	128,700	45,200	340,900	324,700
Actuarial (loss) gain in other comprehensive income	(74,000)	(104,400)	(251,600)	(430,000)	(890,600)

The invested assets of the Authority's Pension Plans are held in pooled funds. The following is a distribution of the invested assets by fund type:

	2017		2016	
	CPA Plan	SJPA Plan	CPA Plan	SJPA Plan
	%	%	%	%
Canadian equity securities	31	27	31	23
Foreign equity securities	36	32	34	30
Fixed income securities	33	31	35	37
Real estate	—	10	—	10
	100	100	100	100

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations are as follows:

	2017		2016	
	CPA Plan	SJPA Plan	CPA Plan	SJPA Plan
Discount rate at beginning of year	3.9	4.03	3.9	4.4
Discount rate at end of year	3.4	3.49	3.9	4.03
Expected long-term rate of return on plan assets	3.4	3.49	3.9	4.0
Inflation rate	2.0	1.50	2.0	1.75
Rate of compensation	2.5	1.5 + step increase	2.5	2.5

The Authority's actuaries prepare annual valuations of the plan's assets and accrued benefit obligations using January 1 as a measurement date and extrapolated to December 31. The most recent valuations of the pension plans for funding purposes were conducted as of January 1, 2017. The next valuations for funding purposes will be January 1, 2018.

14. Changes in non-cash operating working capital

	2017	2016
	$	$
Accounts receivable	**(136,695)**	9,042
Government of Canada infrastructure grant	**(783,753)**	(60,000)
Other receivables	**412,482**	285,804
Prepaids	**(390)**	(3,772)
Accounts payable and accrued liabilities	**996,319**	19,083
Deferred revenue	**(19,182)**	35,680
	468,781	285,837
Other information		
Interest paid	**56,767**	69,422

15. Remuneration disclosure

As required by subsection 37(3) of the *Canada Marine Act*, the remuneration paid in money or in kind to directors, the chief executive officer and certain officers and employees, in actual dollars, is disclosed in the following table:

Name	Title	Salaries and fees	Allowances and Other benefits [1]	Total
		$	$	$
Carrigan, Russ	Chair (to February 17, 2017)	5,127	—	5,127
Crosbie, Michael	Chair (elected February 17, 2017)	27,895	—	27,895
Morrissey, Roxanne	Vice-Chair (elected June 8, 2017)	23,498	—	23,498
Dale, Jonathan	Director	18,074	—	18,074
Hodder, John	Director (to June 5, 2017)	10,178	—	10,178
McGrath, Beth	Director (from June 5, 2017)	10,695	—	10,695
Stapleton, Deanne	Director (to October 9, 2017)	9,342	—	9,342
Veitch, Gerry	Director	20,176	—	20,176
Hanrahan, Sean	President and CEO	253,750	3,137	256,887
McCarthy, Robert	VP Development	158,420	2,195	160,615
Scott, Brian	VP Finance and Admin	164,000	38,168	202,168

[1] Allowances and other benefits may include performance bonuses and other taxable benefits.

The remuneration of key management personnel, including directors, of the Authority during the years ended December 31 were as follows:

	2017	2016
	$	$
Salaries, fees and short-term benefits	**834,434**	861,958
Post-employment and other long-term benefits	**137,676**	133,118
	972,110	995,076