HIGHLIGHTS - 2019

Major Indicators

- Operating Revenues: $8.582M; an increase of 9.5% ($0.748M) over 2018's $7.834M.
- Net Earnings: $1.741M; an increase of 35.8% ($0.459M) over 2018's $1.282M.
- Cash and Investments (year-end): $9.3M.
- Long-term debt at year end: $4.088M.
- Cargo Tonnage: 1,734,502 tonnes; an increase of 4.3% over 2018.
- Vessel Arrivals: 1,389; an increase of 4.1% over 2018; Offshore vessel arrivals alone increased by 6.3%.
- 30 cruise vessel arrivals with 29,708 passengers (2018 - 25 vessels with 20,165 passengers).
- SJPA's Community Investment Programme donated 0.5% of its Operating Income, or $39, 170, in year two of its 5-year commitment to charitable giving (in partnership with the United Way).
- SJPA's scholarship programme continued: 5 annual scholarships awarding approximately $102,500 since 1999 (Canada Port Authority status).
- Economic Impact of the Port on the province of $397-million per annum; with an associated 3,890 direct and indirect jobs.

Financial statements of
St. John's Port Authority

December 31, 2019

Deloitte.

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Independent Auditor's Report

To the Directors of
St. John's Port Authority

Opinion

We have audited the financial statements of the St. John's Port Authority (the "Authority"), which comprise the statement of financial position as at December 31, 2019, and the statements of earnings and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 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 Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 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 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 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.

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
March 19, 2020

St. John's Port Authority

Statement of earnings and other comprehensive income

Year ended December 31, 2019

(Canadian dollars)

	Notes	2019 $	2018 $
Operating revenue			
Port fees		**4,630,536**	4,002,715
Rental revenue		**3,864,120**	3,736,271
Other		**87,398**	95,138
		8,582,054	7,834,124
Operating expenses			
Wages, salaries, and employee benefits		**2,396,037**	2,231,047
Other operating and administrative		**1,467,665**	1,379,721
Depreciation		**1,370,156**	1,364,734
Maintenance and repair costs		**712,113**	533,164
Professional and consulting fees		**450,249**	431,193
Payments in lieu of municipal taxes		**259,770**	242,049
Gross revenue charge		**173,906**	158,537
		6,829,896	6,340,445
Earnings from operations		**1,752,158**	1,493,679
Other (income) expense			
Interest expense		**148,771**	84,283
Loss on disposal of property, plant, and equipment		**327**	64,987
Investment		**(137,963)**	(128,185)
Settlement of claims		**—**	190,739
		11,135	211,824
Net earnings		**1,741,023**	1,281,855
Other comprehensive income (loss)			
Actuarial (loss) gain on SJPA employee pension benefits	12	**(656,800)**	47,600
Actuarial gain on CPA employee pension benefits	12	**415,000**	140,000
		(241,800)	187,600
		1,499,223	1,469,455

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, 2019
(Canadian dollars)

	Contributed capital	**Retained earnings**	**Accumulated other comprehensive loss**	**Total equity**
	$	**$**	**$**	**$**
Balance, January 1, 2019	**18,422,104**	**21,077,350**	**(1,972,600)**	**37,526,854**
Net earnings	**—**	**1,741,023**	**—**	**1,741,023**
Other comprehensive income				
Actuarial loss on employee pension benefits	**—**	**—**	**(241,800)**	**(241,800)**
Balance, December 31, 2019	**18,422,104**	**22,818,373**	**(2,214,400)**	**39,026,077**

	Contributed capital	Retained earnings	Accumulated other comprehensive loss	Total equity
	$	$	$	$
Balance, January 1, 2018	18,422,104	19,795,495	(2,160,200)	36,057,399
Net earnings	—	1,281,855	—	1,281,855
Other comprehensive income				
Actuarial gain on employee pension benefits	—	—	187,600	187,600
Balance, December 31, 2018	18,422,104	21,077,350	(1,972,600)	37,526,854

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

St. John's Port Authority

Statement of financial position

As at December 31, 2019

(Canadian dollars)

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash		**428,346**	438,098
Investments	5	**8,906,547**	6,927,818
Accounts receivable		**875,163**	1,794,335
Current portion of other receivables		**8,250**	384,736
Prepaids		**72,568**	56,187
		10,290,874	9,601,174
Other receivables		**195,150**	203,400
Property, plant and equipment	6	**35,832,473**	36,050,014
		46,318,497	45,854,588
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**1,070,940**	1,391,403
Deferred revenue		**308,767**	305,614
Current portion of long-term debt	9	**460,110**	1,085,308
		1,839,817	2,782,325
Accrued employee benefits		**62,009**	150,807
Long-term debt	9	**3,628,106**	4,088,602
Employee pension benefits	12	**1,762,488**	1,306,000
		7,292,420	8,327,734
Contingencies	10		
Equity			
Contributed capital		**18,422,104**	18,422,104
Retained earnings		**22,818,373**	21,077,350
Accumulated other comprehensive loss		**(2,214,400)**	(1,972,600)
		39,026,077	37,526,854
		46,318,497	45,854,588

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, 2019
(Canadian dollars)

	Notes	2019 $	2018 $
Operating activities			
Net earnings		**1,741,023**	1,281,855
Adjustments for			
Depreciation		**1,370,156**	1,364,734
Change in accrued employee benefits		**(88,798)**	(164,395)
Loss on disposal of property, plant, and equipment		**327**	64,987
Change in employee pension benefits		**214,688**	38,800
Changes in non-cash operating working capital	13	**970,217**	(241,791)
		4,207,613	2,344,190
Investing activities			
(Increase) decrease in investments		**(1,978,729)**	2,533,260
Additions to property, plant, and equipment, net of government grant		**(1,152,942)**	(4,145,225)
Proceeds on disposal of property, plant, and equipment		**—**	12,000
		(3,131,671)	(1,599,965)
Financing activity			
Repayment of long-term debt		**(1,085,694)**	(1,050,885)
Net decrease in cash		**(9,752)**	(306,660)
Cash, beginning of year		**438,098**	744,758
Cash, end of year		**428,346**	438,098

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. Current and future changes in accounting policies

The following is a list of standards/interpretations that have been issued and are effective for accounting periods commencing January 1, 2019 or January 1, 2020, as specified.

- IFRS 16 – Leases
- IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to IAS 1 and IAS 8)

(a) IFRS 16 – Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes the following lease standard and interpretations upon its effective date:

- IAS 17 – Leases;
- IFRIC 4 – Determining Whether an Arrangement contains a Lease;
- SIC-15 – Operating Leases – Incentives; and
- SIC-27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.

The standard introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognize a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

In contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease as either an operating lease or a finance lease.

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019.

A lessee can apply IFRS 16 either by a full retrospective approach or a modified retrospective approach.

Management has determined that this new standard has no impact on its financial reporting as it has no contracts under which it is designated as a lessee.

2. Current and future changes in accounting policies (continued)

(b) IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. This standard had no impact on the Authority on adoption.

(c) IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to IAS 1 and IAS 8)

The International Accounting Standards Board issued amendments to IAS 1 and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition and to include the concept of 'obscuring information'.

The new definition states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments are effective for annual periods beginning on or after January 1, 2020 with earlier application permitted. The amendments are intended to improve the understanding of the existing requirements rather than to significantly impact the Authority's materiality judgments.

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 13, 2020.

3. Significant accounting policies (continued)

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.

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 recognizes lifetime expected credit losses (ECL) for trade receivables and accruals. The expected credit losses on these financial assets are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Credit losses are recorded as an expense in the period that they are identified. Accounts that have been previously allowed for are written off when ultimate collection is considered not likely.

Revenue recognition

Revenue is measured under IFRS 15 based on the consideration specified in the contract with a customer when transfer of control takes place and for an amount that the Authority expects to receive. The Authority recognizes revenue when it transfers control of a product or service to a customer. Determining when control is transferred (i.e., "At a point in time" or "over time") requires judgement. The Authority recognizes the following sources of revenue:

(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 12 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.

3. Significant accounting policies (continued)

Revenue recognition (continued)

(b) Port fees

Port fees include harbour dues, berthage and wharfage. Revenues are earned over time as services are rendered. Tariffs are set by the Authority and are available on the Authority's website. The Authority recognizes revenue in the amount which they have the right to invoice, in accordance with the applicable tariff, as this amount represents the value of the performance obligation received to date by customers. Payment terms are net 30 days from applicable tariff due date.

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.

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.

3. Significant accounting policies (continued)

Property, plant, and equipment (continued)

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%
Building	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.

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.

3. Significant accounting policies (continued)

Provisions (continued)

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 financial liabilities are recognized in the statement of financial position when the Authority becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. All recognized financial assets and financial liabilities are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets and financial liabilities.

Classification of financial instruments

The Authority has classified each of its financial instruments into the following categories: financial assets at amortized cost and financial liabilities at amortized cost.

Financial instrument	Category
Cash	Amortized cost
Accounts receivable	Amortized cost
Other receivables	Amortized cost
Investments	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

(i) Effective interest method

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

Income or expense is recognized on an effective interest basis for debt instruments other than those financial assets and liabilities classified as at fair value through profit and loss ("FVTPL").

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

(i) Financial assets at amortized cost

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognized in profit or loss and is included in Net Finance (Income) Expense.

Impairment of financial assets

The Authority recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost.

The Authority has decided to adopt the simplified approach for impairment, which means that it recognizes the lifetime expected credit losses in respect of financial assets measured at amortized cost. Their scope reaches expected credit losses that result from all possible default events over the life of a financial instrument. The expected credit losses are estimated using the Authority's historical credit loss experience, readjusted on factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, if necessary. The Authority considers a financial asset to be in default when it appears unlikely that the customer will be able to pay the liability in full.

Financial liabilities

(i) Financial liabilities at amortized cost

Financial liabilities that do not meet the criteria of FVTPL or are not designated as such, are subsequently measured at amortized cost using the effective interest method.

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 7 to the financial statements.

3. Significant accounting policies (continued)

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.

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 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.

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) 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 6.

(ii) Employee future benefits

The Authority uses significant assumptions, which are detailed in Note 12, 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

	2019			2018
	Amortized cost	**Face amount**	Amortized cost	Face amount
	$	**$**	$	$
Short-term investments	**8,906,547**	**8,952,000**	6,927,818	6,962,000

Government of Canada Treasury Bills mature between January and August 2020 and have varying yields ranging from 98.918 to 99.964.

6. Property, plant, and equipment

	Land	Dredging	Berthing structures	Buildings	Utilities	Roads and Surfaces	Machinery and equipment	Office furniture and equipment	Projects under construction	2019 Total
	$	$	$	$	$	$	$	$	$	$
Cost	7,760,262	189,056	32,839,186	8,760,600	8,845,085	5,558,701	562,931	827,463	4,000	65,347,284
Accumulated depreciation	—	(96,038)	(14,131,119)	(4,281,928)	(4,742,685)	(4,986,887)	(483,045)	(575,568)	—	(29,297,270)
Net book value	7,760,262	93,018	18,708,067	4,478,672	4,102,400	571,814	79,886	251,895	4,000	36,050,014
Year ended										
December 31, 2019										
Additions, net of grants	—	—	973,809	—	15,005	—	30,021	61,103	1,152,941	2,232,880
Disposals	—	—	(217,210)	—	(1,090)	—	—	(23,832)	—	(242,132)
Adjustments, capital grants	—	—	—	—	—	—	25,422	—	—	25,422
Other adjustments	—	—	217,210	—	764	—	—	23,832	(1,079,939)	(838,133)
Depreciation expense	—	(4,727)	(780,434)	(202,525)	(222,314)	(47,923)	(19,084)	(93,149)	—	(1,370,156)
Cost	7,760,262	189,056	33,595,785	8,760,600	8,859,000	5,558,701	592,952	864,734	77,002	66,258,093
Accumulated depreciation	—	(100,765)	(14,694,343)	(4,484,453)	(4,964,235)	(5,034,810)	(502,129)	(644,885)	—	(30,425,620)
Closing net book value	7,760,262	88,291	18,901,442	4,276,147	3,894,765	523,891	90,823	219,849	77,002	35,832,473

	Land	Dredging	Berthing structures	Buildings	Utilities	Roads and Surfaces	Machinery and equipment	Office furniture and equipment	Projects under construction	2018 Total
	$	$	$	$	$	$	$	$	$	$
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)
Net book value	7,635,375	97,745	14,278,927	4,561,428	3,492,908	275,164	70,646	279,200	2,813,894	33,346,510
Year ended										
December 31, 2018										
Additions, net of grants	136,348	—	5,196,207	152,837	1,026,837	344,573	35,578	62,740	4,145,230	11,100,350
Disposals	(11,461)	—	(7,272)	(43,800)	(59,556)	—	(31,284)	(17,067)	—	(170,440)
Adjustments, capital grants	133,763	—	5,097,707	149,939	462,919	338,039	—	—	—	6,182,367
Other adjustments	—	—	1,163	3,234	22,124	—	21,027	17,067	(6,955,124)	(6,890,509)
Depreciation expense	—	(4,727)	(760,958)	(223,863)	(221,136)	(47,923)	(16,081)	(90,045)	—	(1,364,734)
Cost	7,760,262	189,056	32,839,186	8,760,600	8,845,085	5,558,701	562,931	827,463	4,000	65,347,284
Accumulated depreciation	—	(96,038)	(14,131,119)	(4,281,928)	(4,742,685)	(4,986,887)	(483,045)	(575,568)	—	(29,297,270)
Closing net book value	7,760,262	93,018	18,708,067	4,478,672	4,102,400	571,814	79,886	251,895	4,000	36,050,014

6. Property, plant and equipment (continued)

Total estimated capital expenditures, authorized or committed at December 31, 2019, which have not been audited, were $2,659,801 ($2,682,843 in 2018).

7. 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:

	2019	2018
	$	$
Trade and other accounts receivable	**887,333**	1,059,337
Government of Canada infrastructure grant	**12,546**	770,458
Deferred rent receivable	**203,400**	211,650
Other receivables	**—**	376,486
Less: allowance for impairment losses of receivables	**(24,716)**	(35,460)
	1,078,563	2,382,471

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 six months) with no history of defaults or those that have some history of defaults but were eventually fully recovered.

As of December 31, 2019, trade receivables of $24,716 ($35,460 in 2018) 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 9 and all accounts payable and accrued liabilities are due within 120 days.

7. Financial instruments (continued)

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

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

	2019	2018
	$	$
Financial assets at amortized cost		
Other receivables (long term)	**195,150**	203,400
Current portion of other receivables	**8,250**	384,736
Accounts receivable	**875,163**	1,794,335
Investments	**8,906,547**	6,927,818
Cash	**428,346**	438,098
	10,413,456	9,748,387
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**1,070,940**	1,391,403
Current portion of long-term debt	**460,110**	1,085,308
Long-term debt	**3,628,106**	4,088,602
	5,159,156	6,565,313

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 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level I, that are observable, either directly or indirectly; and
- Level 3 – 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. Financial assets and financial liabilities 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, 2019 and December 31, 2018. Additionally, there are no financial instruments classified in Level 3.

8. 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, 2019, the Authority is compliant with all its debt covenants.

9. Long-term debt

	2019	2018
	$	$
Term loan, bearing interest at 3.27%, repayable in monthly blended instalments of $48,912, maturing in November 2022 and secured by a general assignment of accounts receivable	**4,088,216**	4,533,929
Term loan, bearing interest at 3.28%, repaid in 2019.	**—**	639,981
	4,088,216	5,173,910
Less: current portion	**460,110**	1,085,308
	3,628,106	4,088,602

Principal repayments required to maturity are as follows:

	$
2020	460,110
2021	475,383
2022	3,152,723
	4,088,216

The Authority has available a revolving credit facility with its bank to a maximum of $300,000, which was unused at December 31, 2019 (nil in 2018).

10. Contingencies

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.

11. 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 2019 earnings were $257,532 ($191,757 in 2018). The future minimum lease rentals under non-cancellable operating leases in the aggregate is $80,058,283 ($80,820,850 in 2018).

	$
Not later than 1 year	3,508,116
Later than 1 year and not longer than 5 years	14,139,118
Later than 5 years	62,411,049
	80,058,283

12. 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.

12. Employee pension benefits (continued)

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

	CPA Plan	RPP Plans SJPA Plan	SPP Plan SJPA Plan	2019 Total	2018 Total
	$	$	$	$	$
Change in accrued benefit obligation					
Balance, beginning of year	5,512,000	2,311,400	827,700	8,651,100	8,459,700
Current service cost	117,000	146,900	46,100	310,000	327,800
Remeasurement (gain) loss					
Actuarial (gain) loss from changes in economic assumptions	486,000	613,200	145,500	1,244,700	(566,400)
Actuarial (gain) loss from experience	(308,000)	92,400	22,500	(193,100)	231,100
Actuarial loss from changes in demographic assumptions	53,000	—	—	53,000	—
Interest cost on benefit obligation	202,000	94,500	33,200	329,700	288,800
Contributions by plan participants	20,000	92,800	—	112,800	101,100
Benefits paid	(176,000)	—	—	(176,000)	(191,000)
Balance, end of year	5,906,000	3,351,200	1,075,000	10,332,200	8,651,100
Change in fair value of plan assets					
Balance, beginning of year	6,209,000	2,153,100	—	8,362,100	8,277,900
Interest income	231,000	—	—	231,000	214,000
Remeasurement gain (loss)					
Actuarial gain (loss)	775,000	216,800	—	991,800	(446,700)
Return on plan assets	—	91,400	—	91,400	74,600
Employer contributions	115,000	158,800	—	273,800	332,200
Employee contributions	20,000	92,800	—	112,800	101,100
Benefits paid	(176,000)	—	—	(176,000)	(191,000)
Balance, end of year	7,174,000	2,712,900	—	9,886,900	8,362,100
Funded status - plan surplus (deficit)	1,268,000	(638,300)	(1,075,000)	(445,300)	(289,000)
Remeasurement due to minimum funding requirements in IFRIC 14	(149,000)	—	—	(149,000)	(390,000)
Remeasurement of unrecognized asset due to limit in IAS 19.64	(1,034,000)	—	—	(1,034,000)	(627,000)
Additional liabilities relating to past services for supplemental executive retirement plan	(134,188)	—	—	(134,188)	—
Accrued benefit liability	(49,188)	(638,300)	(1,075,000)	(1,762,488)	(1,306,000)

12. Employee pension benefits (continued)

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

	CPA Plan	RPP Plans SJPA Plan	SPP Plan SJPA Plan	2019 Total	2018 Total
	$	$	$	$	$
Plan expense					
Current service cost (employer portion)	**117,000**	**146,900**	**46,100**	**310,000**	327,800
Past service cost	**196,601**	**—**	**—**	**196,601**	—
Net interest on defined benefit obligation	**8,000**	**3,100**	**33,200**	**44,300**	43,200
Pension expense recognized in earnings	**321,601**	**150,000**	**79,300**	**550,901**	371,000
Actuarial (loss) gain in other comprehensive income	**415,000**	**(488,800)**	**(168,000)**	**(241,800)**	187,600

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:

	2019 CPA Plan	SJPA Plan	2018 CPA Plan	SJPA Plan
	%	%	%	%
Canadian equity securities	**30**	**25**	29	27
Foreign equity securities	**39**	**35**	37	38
Fixed income securities	**31**	**30**	34	26
Real estate	**—**	**10**	—	9
	100	**100**	100	100

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

	2019 CPA Plan	SJPA Plan	2018 CPA Plan	SJPA Plan
Discount rate at beginning of year	**3.7**	**4.01**	3.4	3.49
Discount rate at end of year	**3.1**	**3.18**	3.7	4.01
Expected long-term rate of return on plan assets	**3.1**	**3.18**	3.7	4.01
Inflation rate	**2.0**	**1.75**	2.0	1.75
Rate of compensation	**2.5**	**1.75 + step increase**	2.5	1.75 + step increase

12. Employee pension benefits (continued)

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, 2019. The next valuations for funding purposes will be January 1, 2020.

13. Changes in non-cash operating working capital

	2019	2018
	$	$
Accounts receivable	**858,423**	(189,606)
Government of Canada infrastructure grant	**60,749**	73,295
Other receivables	**384,736**	399,791
Prepaids	**(16,381)**	(2,550)
Accounts payable and accrued liabilities	**(320,463)**	(526,818)
Deferred revenue	**3,153**	4,097
	970,217	(241,791)
Other information		
Interest paid	**154,411**	183,654

14. 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 $
Crosbie, Michael	Chair (to December 13, 2019)	26,679		26,679
Morrissey, Roxanne	Chair (from December 14, 2019)	25,694		25,694
Veitch, Gerry	Vice-Chair (from December 14, 2019)	18,063		18,063
Dale, Jonathan	Director (to September 30, 2019)	13,575		13,575
Hefferton, Harold	Director (from July 1, 2019)	12,778		12,778
Hogan, John	Director (from October 1, 2019)	4,506		4,506
McGrath, Beth	Director	14,432		14,432
Walters, Samuel	Director (from July 1, 2019)	13,167		13,167
Hanrahan, Sean	President and CEO	267,396	55,542	322,938
McCarthy, Robert	VP Development	177,170	26,422	203,592
Scott, Brian	VP Finance and Admin (to June 28, 2019)	85,802	69,551	155,353

(1) Allowances and other benefits may include performance bonuses and other taxable benefits.

14. Remuneration disclosure (continued)

In 2018, in order to reduce its severance liabilities, the Authority eliminated this retirement benefit for non-unionized employees. The VP, Finance & Administration deferred the payout of accumulated severance, in the amount of $92,419, until retirement in 2019.

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

	2019	2018
	$	$
Salaries, fees, and short-term benefits	**806,812**	862,156
Post-employment and other long-term benefits	**334,281**	164,684
	1,141,093	1,026,840