



Consolidated Financial Statements

Prince Rupert Port Authority

December 31, 2015

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## Independent Auditor's Report

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To the Board of Directors of the  
*Prince Rupert Port Authority*

We have audited the accompanying consolidated financial statements of the Prince Rupert Port Authority, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of comprehensive income, changes in equity of Canada 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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Prince Rupert Port Authority as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Victoria, Canada  
April 19, 2016



Chartered Professional Accountants

# Prince Rupert Port Authority

## Consolidated Statement of Financial Position

December 31 (expressed in \$000's) 2015 2014

### Assets

#### Current

Cash and cash equivalents	\$ 11,312	\$ 18,916
Term deposits	9,037	-
Accounts receivable (Note 4)	9,991	13,348
Prepaid expenses	454	374
	<u>30,794</u>	<u>32,638</u>

#### Non-current

Term deposits	17,147	2,002
Property and equipment (Note 5)	157,974	151,407
Intangible assets (Note 6)	771	-
	<u>175,892</u>	<u>153,409</u>
	<u>\$ 206,686</u>	<u>\$ 186,047</u>

### Liabilities and Equity of Canada

#### Current

Accounts payable and accrued liabilities (Note 7)	\$ 12,143	\$ 18,386
Current portion of deferred revenue	7,407	3,366
Current portion of deferred contributions	1,375	-
Current portion of long-term debt (Note 8)	2,630	2,460
	<u>23,555</u>	<u>24,212</u>

#### Non-current

Employee benefits (Note 10)	1,390	2,285
Deferred revenue	3,567	1,600
Deferred contributions	44,340	47,000
Long-term debt (Note 8)	1,910	5,168
	<u>51,207</u>	<u>56,053</u>
	<u>74,762</u>	<u>80,265</u>

#### Equity of Canada

Contributed capital	36,213	36,213
Surplus	95,711	69,569
	<u>131,924</u>	<u>105,782</u>
	<u>\$ 206,686</u>	<u>\$ 186,047</u>

Commitments and Contingencies (Notes 13 and 14)

Approved on behalf of the Board:

 Director
  Director

See accompanying notes to the financial statements.

# Prince Rupert Port Authority

## Consolidated Statement of Comprehensive Income

Year Ended December 31 (expressed in \$000's)	2015	2014
<b>Revenue</b>	\$ <u>53,117</u>	\$ <u>51,902</u>
<b>Expenses</b>		
Amortization	3,024	1,727
Operating and administrative	8,701	7,767
Payments in lieu of municipal taxes	1,891	2,757
Professional and consulting fees	4,206	3,686
Repairs and maintenance	1,344	1,162
Salaries and benefits	9,685	8,672
	<u>28,851</u>	<u>25,771</u>
<b>Income from operations</b>	<u>24,266</u>	<u>26,131</u>
Interest income	329	260
Interest on long-term debt	(88)	(157)
<b>Net finance income</b>	<u>241</u>	<u>103</u>
Amortization of deferred contributions	1,285	-
Gain on sale of property and equipment	4	38
<b>Other income</b>	<u>1,289</u>	<u>38</u>
<b>Net income</b>	<u>25,796</u>	<u>26,272</u>
<b>Other comprehensive income (loss)</b>		
Defined benefit plan actuarial gains (losses) (Note 10)	346	(1,912)
<b>Total comprehensive income for the year</b>	\$ <u>26,142</u>	\$ <u>24,360</u>

See accompanying notes to the financial statements.

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## Prince Rupert Port Authority

### Consolidated Statement of Changes in Equity of Canada

Year Ended December 31 (expressed in \$000's)	Contributed Capital	Surplus	Total
<b>Balance - December 31, 2013</b>	\$ <u>36,213</u>	<u>45,209</u>	<u>81,422</u>
Net income for the year	-	26,272	26,272
Other comprehensive loss			
Defined benefit plan actuarial losses	<u>-</u>	<u>(1,912)</u>	<u>(1,912)</u>
	<u>-</u>	<u>24,360</u>	<u>24,360</u>
<b>Balance – December 31, 2014</b>	<u>36,213</u>	<u>69,569</u>	<u>105,782</u>
Net income for the year	-	25,796	25,796
Other comprehensive income			
Defined benefit plan actuarial gains	<u>-</u>	<u>346</u>	<u>346</u>
	<u>-</u>	<u>26,142</u>	<u>26,142</u>
<b>Balance – December 31, 2015</b>	\$ <u><b>36,213</b></u>	<u><b>95,711</b></u>	<u><b>131,924</b></u>

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See accompanying notes to the financial statements.

# Prince Rupert Port Authority

## Consolidated Statement of Cash Flows

Year Ended December 31 (expressed in \$000's)	2015	2014
<b>Cash flows from operating activities</b>		
Net income for the year	\$ 25,796	\$ 26,272
Adjustments for:		
Amortization expense	3,024	1,727
Amortization of deferred contributions	(1,285)	-
Gain on disposal of property and equipment	(4)	(38)
Net finance income	(241)	(103)
	<u>27,290</u>	<u>27,858</u>
Change in working capital items:		
Accounts receivable	3,357	381
Prepaid expenses	(80)	(3)
Employee benefits	(549)	(697)
Accounts payable and accrued liabilities	(6,243)	4,744
Deferred revenue	6,008	(310)
	<u>2,493</u>	<u>4,115</u>
Net cash from operating activities	<u>29,783</u>	<u>31,973</u>
<b>Cash flows from investing activities</b>		
Interest received	168	239
Proceeds from sale of property and equipment	6	46
Acquisition of property and equipment	(11,500)	(64,371)
Acquisition of intangible assets	(863)	-
Sale of term deposits	2,000	2,055
Purchase of term deposits	(26,022)	(1,465)
Net cash used in investing activities	<u>(36,211)</u>	<u>(63,496)</u>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(3,088)	(2,385)
Contributions received from non-government contributors and government entities	2,000	24,977
Interest paid	(88)	(157)
Net cash (used in) from financing activities	<u>(1,176)</u>	<u>22,435</u>
<b>Net (decrease) in cash and cash equivalents</b>	<u>(7,604)</u>	<u>(9,088)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>18,916</u>	<u>28,004</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 11,312</u>	<u>\$ 18,916</u>

See accompanying notes to the financial statements.



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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 1. Canadian Port Authority

The Prince Rupert Port Authority (the "Authority") is domiciled in Canada. The address of the Authority's registered office is 200-215 Cow Bay Road, Prince Rupert, British Columbia V8J 1A2. The Authority was established effective May 1, 1999 as a port authority pursuant to the Canada Marine Act (the "Act"). At that date, all assets, liabilities, contributed capital and surplus of the predecessor entity, Prince Rupert Port Corporation, were transferred to the Authority at their carrying value. The consolidated financial statements are prepared as though the Authority had operated these facilities since their inception.

The Authority and Prince Rupert Terminals Inc., a wholly owned subsidiary, are collectively referred to as the "Group".

The Group's mission is to develop and grow the Port of Prince Rupert in an aggressive, economical, safe and environmentally sound manner. The Group is exempt from income taxes.

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### 2. Basis of preparation

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorized for issue by the Board of Directors on April 19, 2016.

#### Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments initially measured at fair value.

#### Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Group's functional currency, rounded to the nearest thousand.

#### Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 2. Basis of preparation (continued)

#### Use of estimates and judgments (continued)

The most critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Group's consolidated financial statements relate to lease classification (Note 11) and determination of cash-generating units (Note 5).

The areas which involve assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are the measurement of defined benefit obligations (Note 10), determination of the useful lives of property and equipment (Note 3), estimation of amounts payable in lieu of taxes (Note 3), and provisions and contingencies (Note 14).

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### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

#### Basis of consolidation

These consolidated financial statements include the accounts of the Authority and its 100% owned subsidiary, Prince Rupert Terminals Inc. The fiscal year end of the subsidiary is December 31.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### Payments in lieu of municipal taxes

The amounts to be paid in lieu of taxes are estimated by the Group in accordance with the Payments in Lieu of Taxes Act based on the best available information. If new information gives rise to adjustments, the adjustments are made in the current period.

#### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 3. Significant accounting policies (continued)

#### Revenue

Revenue from wharfage and berthage is recognized when services are substantially rendered and collection is reasonably assured. The Group recognizes lease revenue in the period in which the rent becomes due and collection is reasonably assured. Lease revenue is recognized in profit or loss on a straight-line basis over the term of the lease. Lease revenue includes revenue from ground leases and exclusive rights agreements. Deferred revenues represent unearned lease revenue received from tenants, including payments for exclusive use of land for a limited period of time.

#### Property and equipment

##### (a) Recognition and measurement

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets.

##### (b) Subsequent costs

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in profit or loss.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably.

The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 3. Significant accounting policies (continued)

#### Property and equipment (continued)

##### (c) Amortization

Amortization is calculated on the straight-line basis commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Asset	Rate
Berthing structures	1.67% - 10%
Leasehold improvements	Term of lease
Buildings	2.5% - 10%
Roads and surfaces	1.67% - 10%
Utilities	3.33% - 10%
Machinery and equipment	5% - 100%
Office furniture and equipment	10% - 33.3%

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. When changes are made, adjustments are reflected prospectively.

#### Intangible assets

The Authority's intangible assets consist of purchased computer software. Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is calculated on a straight-line basis with estimated useful lives between 5 & 10 years. Amortization method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. When changes are made, adjustments are reflected prospectively.

#### Employee benefits

The Group has three pension plans. For employees hired before May 1, 1999, a defined benefit plan and a supplemental pension plan and for employees hired after May 1, 1999, a defined contribution plan is available.

Prior to May 1, 2000, the employees were covered by the Public Service Superannuation Plan administered by the Government of Canada. Under this plan, the Group is not required under legislation to make contributions with respect to actuarial deficiencies or for indexation payments under the Supplementary Retirement Benefits Act

All employees who retire from the Group and who receive a Public Service Superannuation pension are eligible for extended health care coverage. This coverage is provided at no additional cost to the Group.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 3. Significant accounting policies (continued)

#### Employee benefits (continued)

##### (a) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

##### (b) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

##### (c) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Under IAS 19, the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net-defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 3. Significant accounting policies (continued)

#### Employee benefits (continued)

##### (c) Defined benefit plans (continued)

Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any), are recognized immediately in other comprehensive income (OCI).

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

##### (d) Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

#### Financial instruments

##### (a) Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 3. Significant accounting policies (continued)

#### (a) Non-derivative financial assets (continued)

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash, accounts receivable and term deposits are classified as loans and receivable, and are recorded at amortized cost.

The Group's cash and cash equivalents are defined as deposits in banks and investments with original maturities of less than 90 days and are classified as loans and receivables.

#### (b) Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: accounts payable and accrued liabilities and long-term debt.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 3. Significant accounting policies (continued)

#### Impairment

##### (a) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy. The Group considers evidence of impairment for receivables and held-to-maturity investment securities at a specific asset level. All individually significant receivables are assessed for specific impairment. Any such impairment is recorded in profit and loss.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### (b) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.



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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 3. Significant accounting policies (continued)

#### Impairment (continued)

##### (b) Non-financial assets (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### Contributions

Government contributions are presented on a net basis as a reduction of either the cost of the related property and equipment with amortization calculated on the net amount or the related expenditures in profit or loss, as applicable. Contributions received from non-government contributors are recognized as revenue in accordance with IAS 18 Revenue and IFRIC 18 Transfers of Assets from Customers, and the timing of revenue recognition is based on the Group's performance obligations following the receipt of the assets acquired through the contributions. Deferred contributions represent contributions from non-government contributors towards the cost of the Group's property and equipment which will benefit the non-government contributors over time, and contributions from government entities for which the corresponding assets have not yet been acquired or constructed or the corresponding expenses have not yet been incurred.

#### Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

#### Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 3. Significant accounting policies (continued)

#### Lease payments

Leases in which a significant portion of the risks and rewards of ownership are retained by the Authority are classified as operating leases. Payments made or received under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Lease incentives received are recognized as an integral part of the total lease expense or revenue, over the term of the lease.

Minimum lease payments made or received under finance leases are apportioned between the finance expense or income and the reduction of the outstanding liability or receivable. The finance expense or income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability or receivable.

Initial direct costs incurred in negotiating a lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease.

Contingent lease payments or receipts are accounted for in the period in which they are incurred.

#### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

#### Finance income and finance costs

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 3. Significant accounting policies (continued)

#### Future accounting standards

The following is a summary of recent accounting pronouncements which have not yet been adopted by the Group:

#### (a) IFRS 9 *Financial Instruments*

In November 2009 the IASB issued IFRS 9 *Financial Instruments* (IFRS 9 (2009)), and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)). In July 2014, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9 *Financial Instruments* (2014). The new standard is mandatorily effective for periods beginning January 1, 2018 with early adoption permitted.

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. IFRS 9 (2013) introduces new standards for general hedge accounting.

The mandatory effective date is for annual periods beginning on or after January 1, 2018; however, early adoption of the new standard is still permitted. Previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial adoption is before February 1, 2015. The Group does not intend to adopt IFRS 9 (2009), IFRS 9 (2010), IFRS 9 (2013) or IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2016.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 3. Significant accounting policies (continued)

#### Future accounting standards (continued)

#### (b) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

The mandatory effective date is for annual periods beginning on or after January 1, 2018; however, early adoption of the new standard is still permitted. The Group does not intend to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

#### (c) IFRS 10 *Consolidated financial statements*

IFRS 10 *Consolidated financial statements* presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. These amendments are mandatorily effective for periods beginning on or after January 1, 2016. The Group intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2016.

#### (d) IAS 1 *Presentation of financial statements*

In December 2014 the IASB released Disclosure Initiative, a set of amendments to IAS 1. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in preparing their financial reports. These amendments are mandatorily effective for periods beginning January 1, 2016, with earlier application permitted. The Group intends to adopt the Disclosure Initiative in its financial statements for the annual period beginning on January 1, 2016.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 3. Significant accounting policies (continued)

#### Future accounting standards (continued)

##### (e) IAS 16 Property, plant and equipment

In May 2014, the IASB released Clarification of Acceptable Methods of Depreciation and Amortization, an amendment to IAS 16. The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment should be calculated. They are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Group intends to adopt the Clarification of Acceptable Methods of Depreciation and Amortization in its financial statements for the annual period beginning on January 1, 2016.

##### (f) IAS 38 Intangible assets

In May 2014, The IASB released Clarification of Acceptable Methods of Depreciation and Amortization, an amendment to IAS 38. The amendments provide additional guidance on how the depreciation or amortization of intangible assets should be calculated. They are effective for periods beginning on or after January 1, 2016, with earlier application permitted. The Group intends to adopt the Clarification of Acceptable Methods of Depreciation and Amortization in its financial statements for the annual period beginning on January 1, 2016.

##### (g) IFRS 16 Leases

In January 2016, The IASB released IFRS 16 Leases, completing its long-running project on lease accounting. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (the lessee and the lessor). They are effective for periods beginning on or after January 1, 2019, with earlier application permitted. The Group does not intend to adopt the standard in its financial statements for the annual period beginning on January 1, 2016.

#### Accounting standards and policies adopted during fiscal 2015

##### (a) Employee Benefits

In November 2013, the IASB issued amendments to pension accounting under IAS 19, *Employee Benefits*. The amendments introduce a relief (practical expedient) that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When employee contributions are eligible for the practical expedient, an entity is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered. For companies that cannot (or decide not to) apply the practical expedient, the amendments clarify how service-linked contributions from employees or third parties should be included in determining net current service cost and the defined benefit obligation. This standard became effective during fiscal 2015 and did not have a significant impact on the Group's financial statements.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 4. Accounts receivable

	<u>2015</u>		<u>2014</u>
Accounts receivables due from related parties	\$ 6,954	\$	6,063
Trade receivables	3,037		4,307
Other receivables	-		2,978
	<u>\$ 9,991</u>	<u>\$</u>	<u>13,348</u>

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, is disclosed in Note 9.

During the year, the Group earned lease revenue of \$10,687 (2014: \$8,025) from the Government of Canada and its related entities. The amounts owing from related parties are from the Government of Canada and its related entities.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

### 5. Property and equipment

	<u>2015</u>	<u>2014</u>
Land		
Cost	\$ <u>60,761</u>	\$ <u>18,970</u>
Berthing structures		
Cost	<u>20,569</u>	20,501
Accumulated amortization and impairment losses	<u>(3,003)</u>	<u>(2,654)</u>
	<u>17,566</u>	<u>17,847</u>
Leasehold improvements		
Cost	<u>325</u>	292
Accumulated amortization and impairment losses	<u>(140)</u>	<u>(71)</u>
	<u>185</u>	<u>221</u>
Buildings		
Cost	<u>9,183</u>	9,183
Accumulated amortization and impairment losses	<u>(3,187)</u>	<u>(2,965)</u>
	<u>5,996</u>	<u>6,218</u>
Roads and surfaces		
Cost	<u>40,799</u>	14,447
Accumulated amortization	<u>(3,465)</u>	<u>(2,327)</u>
	<u>37,334</u>	<u>12,120</u>
Utilities		
Cost	<u>22,884</u>	15,583
Accumulated amortization and impairment losses	<u>(3,683)</u>	<u>(2,940)</u>
	<u>19,201</u>	<u>12,643</u>
Machinery and equipment		
Cost	<u>2,475</u>	2,230
Accumulated amortization and impairment losses	<u>(1,031)</u>	<u>(797)</u>
	<u>1,444</u>	<u>1,433</u>
Office furniture and equipment		
Cost	<u>1,456</u>	1,230
Accumulated amortization	<u>(651)</u>	<u>(492)</u>
	<u>805</u>	<u>738</u>
Construction in progress		
Cost	<u>14,682</u>	<u>81,217</u>
Total property and equipment	\$ <u>157,974</u>	\$ <u>151,407</u>

# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

### 5. Property and equipment (continued)

#### Reconciliations

Reconciliations of the carrying amounts for each class of property and equipment are as follows:

	<u>2015</u>	<u>2014</u>
Land		
Carrying amount at January 1	\$ 18,970	\$ 17,874
Transfers from construction in progress	41,791	1,096
Carrying amount at December 31	<u>60,761</u>	<u>18,970</u>
Berthing structures		
Carrying amount at January 1	17,847	10,545
Transfers from construction in progress	68	7,640
Disposals	-	-
Amortization	(349)	(338)
Carrying amount at December 31	<u>17,566</u>	<u>17,847</u>
Leasehold improvements		
Carrying amount at January 1	221	156
Transfers from construction in progress	33	108
Amortization	(69)	(43)
Carrying amount at December 31	<u>185</u>	<u>221</u>
Buildings		
Carrying amount at January 1	6,218	4,660
Transfers from construction in progress	-	1,777
Amortization	(222)	(219)
Carrying amount at December 31	<u>5,996</u>	<u>6,218</u>
Roads and surfaces		
Carrying amount at January 1	12,120	6,993
Transfers from construction in progress	26,352	5,351
Amortization	(1,138)	(224)
Carrying amount at December 31	<u>37,334</u>	<u>12,120</u>
Utilities		
Carrying amount at January 1	12,643	8,224
Transfers from construction in progress	7,302	4,973
Disposals	-	(2)
Amortization	(744)	(552)
Carrying amount at December 31	<u>19,201</u>	<u>12,643</u>



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## Prince Rupert Port Authority

### Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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#### 5. Property and equipment (continued)

	<u>2015</u>	<u>2014</u>
Machinery and equipment		
Carrying amount at January 1	1,433	1,183
Transfers from construction in progress	263	473
Disposals	(1)	(6)
Amortization	<u>(251)</u>	<u>(217)</u>
Carrying amount at December 31	<u>1,444</u>	<u>1,433</u>
Office furniture and equipment		
Carrying amount at January 1	738	621
Transfers from construction in progress	226	251
Amortization	<u>(159)</u>	<u>(134)</u>
Carrying amount at December 31	<u>805</u>	<u>738</u>
Construction in progress		
Carrying amount at January 1	81,217	38,515
Additions	10,363	64,371
Transfers to other classes of property and equipment and intangible assets	<u>(76,898)</u>	<u>(21,669)</u>
Carrying amount at December 31	<u>14,682</u>	<u>81,217</u>
Total property and equipment	<u>\$ 157,974</u>	<u>\$ 151,407</u>

During the prior year, the Group paid \$21,480 to a third party to terminate various agreements with the third party and one of the Group's lessees. The payment was considered to be a repurchase of property and equipment originally constructed by the Group and leased to the third party under a finance lease. The payment was allocated as additions to each class of property and equipment repurchased.

#### *Impairment testing for cash-generating units*

For the purpose of impairment testing, the Group's property and equipment are allocated to the following CGUs:

- Container
- Cruise
- Dry Bulk
- Ferries
- Inner Harbour

As at December 31, 2015 and 2014, there are no indicators of impairment for the Container, Dry Bulk, Ferries or Inner Harbour CGUs. The property and equipment in the Cruise CGU were previously fully impaired, and there have been no changes in circumstances to suggest any recovery of the impairment of Cruise assets in 2015 or 2014.

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## Prince Rupert Port Authority

### Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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#### 6. Intangible assets

	<u>2015</u>	<u>2014</u>
Computer software		
Cost	\$ 863	\$ -
Accumulated amortization	<u>(92)</u>	<u>-</u>
Total intangible assets	<u>\$ 771</u>	<u>\$ -</u>
Computer software		
Carrying amount at January 1	\$ -	\$ -
Transfers from construction in progress	863	-
Amortization	<u>(92)</u>	<u>-</u>
Carrying amount at December 31	<u>\$ 771</u>	<u>\$ -</u>

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#### 7. Accounts payable and accrued liabilities

	<u>2015</u>	<u>2014</u>
Trade payables	\$ 1,646	\$ 5,413
Payables to related parties	2,606	2,509
Accrued liabilities	<u>7,891</u>	<u>10,464</u>
	<u>\$ 12,143</u>	<u>\$ 18,386</u>

The amounts owed to related parties is a gross revenue charge (federal stipend) that the group remits to the Government of Canada in accordance with the Act. The same amount is included in operating and administrative expenses. Included in accrued liabilities are amounts incurred for habitat compensation arrangements.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 8. Long-term debt

The Group's debt is unsecured and is subject to customary terms and conditions, including leverage and interest coverage ratios. As at December 31, 2015, the debt bore interest at a floating three month bankers' acceptance rate of 1.25% (2014: 1.37%), which is renewed on a quarterly basis. The Group is in compliance with its covenants as at December 31, 2015 and 2014.

The principal balance of long-term debt has been separated into its current and non-current components. These amounts are shown in the table below:

	<u>2015</u>	<u>2014</u>
Current portion	\$ 2,630	\$ 2,460
Non-current portion	<u>1,910</u>	<u>5,168</u>
	<u>\$ 4,540</u>	<u>\$ 7,628</u>

The Group has available a \$30,000 operating line of credit from a Canadian financial institution. The operating line bears interest on amounts drawn at a Canadian dollar bankers' acceptance rate plus 0.5%. The operating line is unsecured and does not require compliance with any financial covenants. As at December 31, 2015, the Group has not drawn on the operating line (2014: nil).

Principal repayments due in the next three years are as follows:

2016	\$ 2,630
2017	1,910

The Group's exposure to interest rate risk and liquidity risk is discussed in Note 9.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 9. Financial instruments and financial risk management

The Group's use of financial instruments exposes it to a variety of financial risks including market risk (currency risk and interest rate risk), credit risk and liquidity risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

#### Fair values

A number of the Group's accounting policies require the measurement of fair values. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair values of cash and cash equivalents, term deposits, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair value of the Group's long-term debt approximates its carrying amount as the interest rate is based on a three-month bankers' acceptance rate which is renewed each quarter and as there has been no significant change to the Group's own credit risk since the last renewal prior to the reporting date.

# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

### 9. Financial instruments and financial risk management (continued)

#### Fair values (continued)

The Group does not have any financial assets or liabilities that are carried at fair value. The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	<b>2015</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
<b>Assets carried at amortized cost</b>		
Cash and cash equivalents	\$ 11,312	\$ 11,312
Term deposits	26,184	26,184
Accounts receivable	9,991	9,991
	<u>\$ 47,487</u>	<u>\$ 47,487</u>
<b>Liabilities carried at amortized cost</b>		
Accounts payable and accrued liabilities	\$ 12,143	\$ 12,143
Long-term debt	4,540	4,540
	<u>\$ 16,683</u>	<u>\$ 16,683</u>
	<b>2014</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
<b>Assets carried at amortized cost</b>		
Cash and cash equivalents	\$ 18,916	\$ 18,916
Term deposits	2,002	2,002
Accounts receivable	13,348	13,348
	<u>\$ 34,266</u>	<u>\$ 34,266</u>
<b>Liabilities carried at amortized cost</b>		
Accounts payable and accrued liabilities	\$ 18,386	\$ 18,386
Long-term debt	7,628	7,628
	<u>\$ 26,014</u>	<u>\$ 26,014</u>



# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

### 9. Financial instruments and financial risk management (continued)

#### Credit risk

Credit risk arises from the potential that a counterpart will fail to perform its obligations. The Group is exposed to credit risk from customers. In order to reduce its credit risk, the Group reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. As at December 31, 2015 management assessed these factors and recorded \$ nil (2014: \$ nil) as an allowance for doubtful accounts.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>2015</u>	<u>2014</u>
Accounts receivable	\$ 9,991	\$ 13,348
Term deposits	26,184	2,002
Cash and cash equivalents	<u>11,312</u>	<u>18,916</u>
	<u>\$ 47,487</u>	<u>\$ 34,266</u>

The aging of accounts receivables at the reporting date was:

	<u>2015</u>	<u>2014</u>
<b>Assets carried at amortized cost</b>		
Not past due	\$ 9,334	\$ 12,996
Past due 0-30 days	591	48
Past due 31-360 days	66	4
Past due more than 1 year	<u>-</u>	<u>300</u>
	<u>\$ 9,991</u>	<u>\$ 13,348</u>

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses a variety of tools, techniques and past experience to assist in monitoring cash flow requirements. Typically the Group ensures that it has sufficient cash on demand and has an operating line of credit available in order to meet expected operational expenses for a period of 60 to 180 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 9. Financial instruments and financial risk management (continued)

#### Liquidity risk (continued)

The following are the contractual maturities of financial liabilities:

#### December 31, 2015

	<b>Carrying Amount</b>	<b>0-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities	\$ 12,143	\$ 7,269	\$ 4,614	\$ 260
Long-term debt	<u>4,540</u>	<u>2,630</u>	<u>1,910</u>	<u>-</u>
	<u>\$ 16,683</u>	<u>\$ 9,899</u>	<u>\$ 6,524</u>	<u>\$ 260</u>

#### December 31, 2014

	<b>Carrying Amount</b>	<b>0-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities	\$ 18,386	\$ 15,609	\$ 2,517	\$ 260
Long-term debt	<u>7,628</u>	<u>2,460</u>	<u>5,168</u>	<u>-</u>
	<u>\$ 26,014</u>	<u>\$ 18,069</u>	<u>\$ 7,685</u>	<u>\$ 260</u>

#### Capital management

The Group manages its cash and long-term debt as capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue operating the Port and to further expand its operations. The Group strives to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying operations. To maintain or adjust the capital structure, the Group may attempt to obtain government grants, or issue additional debt.

There were no changes in the Group's approach to capital management during the year. Statutory restrictions prevent the Group from external borrowing in excess of \$75,000 (2014: \$75,000). As at December 31, 2015 and 2014, the Group was in compliance with this restriction.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

### 10. Employee benefits

#### Defined benefit plans

	Pension Plan		Supplemental Pension		Total	
	2015	2014	2015	2014	2015	2014
Net defined benefit liability	\$ 641	\$ 961	\$ 749	\$ 1,324	\$ 1,390	\$ 2,285

The Group contributes to the following post-employment defined benefit plans.

- Registered Pension Plan ("Pension Plan") entitles certain employees to receive an annual pension payment during retirement.
- Supplemental Executive Retirement Plan ("Supplemental Pension") entitles certain executive officers to an annual supplemental pension payment during retirement.

The defined benefit plans are administered by a single pension fund that is legally separated from the Group. The board of the pension fund is required by law to act in the best interests of the plan participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the fund.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

#### *Funding*

The Pension Plan and Supplemental Pension are fully funded by the Group. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plans. The funding of the plans are based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. Employees are required to contribute to the Pension Plan but not to the Supplemental Pension.

The Group expects to pay \$966 in contributions to its defined benefit plans in 2016.

# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

### 10. Employee benefits (continued)

#### Defined benefit plans (continued)

##### *Movement in net defined benefit liability*

The following tables show the reconciliations from the opening balances to the closing balances for the net defined benefit liabilities and their components.

#### Pension Plan

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
Balance, beginning of year	\$ 6,706	\$ 5,266	\$ (5,745)	\$ (4,828)	\$ 961	\$ 438
<b>Included in profit or loss</b>						
Current service cost	153	151	-	-	153	151
Interest cost (income)	276	259	(239)	(243)	37	16
	<u>429</u>	<u>410</u>	<u>(239)</u>	<u>(243)</u>	<u>190</u>	<u>167</u>
<b>Included in OCI</b>						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
experience adjustment	(12)	1,074	-	-	(12)	1,074
Return on plan assets excluding interest income	-	-	(91)	(303)	(91)	(303)
	<u>(12)</u>	<u>1,074</u>	<u>(91)</u>	<u>(303)</u>	<u>(103)</u>	<u>771</u>
<b>Other</b>						
Administrative cost	-	-	6	18	6	18
Contributions paid by the employer	-	-	(413)	(387)	(413)	(387)
Contributions paid by the employees	52	-	(52)	(46)	-	(46)
Benefits paid	(45)	(44)	45	44	-	-
	<u>7</u>	<u>(44)</u>	<u>(414)</u>	<u>(371)</u>	<u>(407)</u>	<u>(415)</u>
Balance, end of year	\$ 7,130	\$ 6,706	\$ (6,489)	\$ (5,745)	\$ 641	\$ 961

# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

### 10. Employee benefits (continued)

#### Defined benefit plans (continued)

*Movement in net defined benefit liability (continued)*

#### Supplemental Plan

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
Balance, beginning of year	\$ 3,404	\$ 2,039	\$ (2,080)	\$ (1,407)	\$ 1,324	\$ 632
Included in profit or loss						
Current service cost	180	112	-	-	180	112
Interest cost (income)	143	103	(90)	(76)	53	27
	<u>323</u>	<u>215</u>	<u>(90)</u>	<u>(76)</u>	<u>233</u>	<u>139</u>
Included in OCI						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
experience adjustment	(277)	1,150	-	-	(277)	1,150
Return on plan assets excluding interest income	-	-	34	(9)	34	(9)
	<u>(277)</u>	<u>1,150</u>	<u>34</u>	<u>(9)</u>	<u>(243)</u>	<u>1,141</u>
Other						
Contributions paid by the employer	-	-	(565)	(588)	(565)	(588)
	<u>-</u>	<u>-</u>	<u>(565)</u>	<u>(588)</u>	<u>(565)</u>	<u>(588)</u>
Balance, end of year	\$ 3,450	\$ 3,404	\$ (2,701)	\$ (2,080)	\$ 749	\$ 1,324

#### Plan assets

Plan assets comprise:

	Pension Plan		Supplemental Pension	
	2015	2014	2015	2014
Equity securities	60.9%	60.0%	31.7%	33.3%
Fixed income debt securities	39.1%	40.0%	14.5%	15.6%
Other securities	-	-	4.1%	2.9%
Insurance contracts	-	-	49.7%	48.2%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The invested assets of the pension plan and the supplemental pension plan are held in pooled funds.

# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

### 10. Employee benefits (continued)

#### Defined benefit plans (continued)

##### Actuarial assumptions

The following were the principal actuarial assumptions as at the reporting date:

	Pension Plan		Supplemental Pension	
	2015	2014	2015	2014
Discount rate at end of year	3.9%	4.0%	3.9%	4.0%
Increases in pensionable earnings	3.0%	3.0%	3.0%	3.0%
Inflation rate	2.5%	2.5%	2.5%	2.5%
Future salary growth	3.0%	4.0%	3.0%	4.0%

##### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have increased (decreased) the defined benefit obligation by the amounts shown below.

	Pension Plan		Supplemental Pension	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(1,205)	1,576	(576)	749
Salary scale (1% movement)	23	(23)	368	(338)
Year age (1 year difference)	(162)	93	(79)	39

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

The Group's actuary prepares annual valuations of the accrued benefit obligations using January 1 as a measurement date and extrapolated to December 31. The most recent valuations of the pension plan and supplemental pension plan for funding purposes were conducted as of January 1, 2015 and extrapolated to December 31, 2015. The plan assets are valued as at December 31 of each year, and the latest valuation of plan assets is as at December 31, 2015.

#### Defined contribution plan

Defined contribution plan employer contributions:

	2015	2014
Employer contributions	\$ 410	\$ 362

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 11. Leases

PRPA currently leases its land, berthing structures and buildings to terminal operators under non-cancellable operating lease agreements. The leases have varying terms, break-clauses and renewal rights. All of the Group's leases are operating leases.

The future minimum lease rentals under non-cancellable operating leases in the aggregate and for each of the following periods are as follows:

	<u>2015</u>	<u>2014</u>
No later than one year	\$ 20,198	\$ 18,700
Later than one year and not less than five years	72,194	69,409
Later than five years	408,337	427,636

Contingent-based revenue recognized in profit or loss in 2015 was \$29,657 (2014: \$25,312).

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### 12. Community investment fund

In 2010, the Group established a Community Investment Fund (the "Fund") that will be used to support broad community based projects, initiatives and events that are deemed to have a meaningful and wide reaching impact in Prince Rupert and its regional community. In years where the Authority reports positive net earnings, a percentage of these earnings will be set aside to grow the Fund. The Group has recorded a provision based on 2015 net income, and this amount is included in accounts payable and accrued liabilities and in operating and administrative expense for the year.

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### 13. Commitments

#### Operating commitments

In prior periods, the Group signed agreements with various First Nations groups concerning the Fairview Container Terminal. These agreements are referred to in these financial statements as the Expansion Agreements.

Under the terms of the Expansion Agreements the Group has guaranteed that a specified number of person years of employment will be provided to the First Nations groups, from operations jobs created within the Port of Prince Rupert. These guarantees are required to be satisfied over an estimated 10 year period. Should the Group fail to meet this obligation, liquidated damages will be required to be paid, which are capped at an aggregate of \$3,435.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

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### 13. Commitments (continued)

#### Capital commitments

Planned capital projects as at December 31, 2015 for which the combined capital expenditures are estimated to exceed \$1,000 are as follows:

	Gross spending to date	Remaining commitments at year-end
Utility line associated with Road, Rail, & Utility Corridor	\$ 2,041	\$ 103
Shore Radar	2,499	2,501
	<u>\$ 4,540</u>	<u>\$ 2,604</u>

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### 14. Contingencies

The Payment in Lieu of Tax (PILT) Act prescribes how the federal government and its agents should determine what PILT to pay, based on the value of federal lands, if the federal entity decides to pay PILT. One municipality believes it is entitled to additional PILT payments and the Group has disputed the amounts claimed by this municipality. The maximum exposure to the Group at December 31, 2015 (net of any amounts accrued or paid) is approximately \$2,540. As there are many uncertainties involving this dispute the outcome of this dispute is uncertain as at December 31, 2015.

The Group has been named as a defendant in a civil land title claim. The possible outcome and whether loss will ultimately result from the claim is not determinable at this time.

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### 15. Federal and Provincial investment

The Group is eligible to receive contributions from the Government of Canada and the Province of British Columbia related to the Ridley Island road and rail utility corridor project ("RRUC") and from the Government of Canada related to the Shore Radar project.

The amount of contributions recognized during the year ended December 31, 2015 amounted to \$2,000 (2014: \$2,815), and \$2,000 (2014: \$9,606) has been applied to reduce the cost of the related property and equipment (construction in progress) during the year.

To date, the Group has received contributions from the Federal and Provincial governments of \$30,000 (2014: \$27,185) along with \$ nil (2015: \$2,815) accrued in accounts receivable as at December 31, 2015 in relation to the RRUC project. Government contributions recognized have been used to offset RRUC expenditures by \$30,000 (2014: \$30,000) and \$ nil (2014: \$ nil) has been deferred to be applied against the future project expenditures not yet incurred.

To date, the Group has received contributions from the Federal government of \$2,000 (2014: \$ nil) in relation to the Shore Radar project which have been used to offset Shore Radar expenditures.

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# Prince Rupert Port Authority

## Notes to the Consolidated Financial Statements

December 31, 2015 (expressed in \$000's)

### 16. Remuneration disclosures

Key management personnel includes directors (executive and non-executive), members of the Executive committee, and persons who had the authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, during the financial year. In addition, subsection 37(3) of the Act requires disclosure of remuneration and allowances paid to directors and certain employees. A summary of compensation as at December 31 is as follows:

Name	Title	Salaries and fees	Allowances	2015 Total	2014 Total
Clarke, J.	Director	\$ 36	\$ -	\$ 36	\$ 34
Clayton, K.	Director	39	-	39	20
Derrick, E.	Director	36	-	36	60
Ferrell, J.	Director	18	-	18	-
Hallsor, B.	Director	52	-	52	56
Keller, L.	VP Project Development	247	6	253	259
Krusel, D.	President & CEO	401	8	409	426
Macarenko, M.	Director	14	-	14	44
Mayer, A.	VP Commercial & Regulatory Affairs	273	6	279	260
Paulson, G.	VP Operations & Harbour Master	256	6	262	238
Rektor, J.	VP Finance	261	6	267	271
Smith, B.	Director	70	-	70	82
Stevenson, S.	VP Trade Development & Public Affairs	247	6	253	257
		<u>\$ 1,950</u>	<u>\$ 38</u>	<u>\$ 1,988</u>	<u>\$ 2,007</u>

Total remuneration and benefits for key management personnel during the year was \$1,988 along with (2014: \$2,007) post-employment benefits of \$376 (2014: \$367).

Included in operating and administrative expenses are director travel, education and hospitality expenses in the amount of \$78 (2014: \$98).