<u>PORT HIGHLIGHTS – 2022</u>

- Operating Revenues: $8.342M; an increase of 9.7% ($0.736M) above 2021's $7.606M.
- Net Earnings: $1.549M; an increase of 57.6% above 2021's $0.983M.
- Cash and Investments (2022 year-end): $13.57M.
- Current Debt: Refinanced 2017's borrowings at the end of its 5 year term; payments of $1.178M made in 2022; $1.975M outstanding at year-end.
- Cargo Tonnage: 1,408,449 tonnes; an overall increase of 3% from 2021 – General Cargo (Containers, Trailers, Breakbulk and Auto's) decreased by 4%.
- Vessel Arrivals: 1,106; an increase of 18% over 2021; Offshore vessel arrivals increased by 24% with Other vessel arrivals increasing by 12%.
- Cruise Activity: 30 cruise vessels in 2022 with 23,914 passengers
- Economic Impact of the Port on the province of approximately $397-million per annum; with an associated 3,890 direct and indirect jobs (new Economic Impact Study scheduled for 2024).

Financial statements of

St. John's Port Authority

December 31, 2022

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, 2022, 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, 2022, 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
April 21, 2023

St. John's Port Authority

Statement of earnings and other comprehensive income

Year ended December 31, 2022
(Canadian dollars)

	Notes	2022 $	2021 $
Operating revenue			
Rental revenue		**4,097,717**	3,560,142
Port fees		**4,069,674**	3,940,789
Other		**174,663**	104,949
		8,342,054	7,605,880
Operating expenses			
Wages, salaries, and employee benefits		**2,322,757**	2,368,560
Other operating and administrative		**1,618,195**	1,380,026
Depreciation		**1,386,261**	1,441,125
Maintenance and repair costs		**671,993**	520,282
Professional and consulting fees		**456,581**	458,940
Payments in lieu of municipal taxes		**236,572**	313,616
Gross revenue charge		**166,854**	151,975
		6,859,213	6,634,524
Earnings from operations		**1,482,841**	971,356
Other (income) expense			
Interest expense		**100,379**	110,339
Gain on disposal of property, plant, and equipment		**(1,224)**	(229,703)
Investment		**(165,361)**	(142)
Impairment of property, plant and equipment		**—**	107,752
		(66,206)	(11,754)
Net earnings		**1,549,047**	983,110
Other comprehensive income (loss)			
Actuarial gain on SJPA employee pension benefits	12	**1,061,300**	1,119,800
Actuarial loss on CPA employee pension benefits	12	**(105,000)**	(39,000)
		956,300	1,080,800
		2,505,347	2,063,910

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, 2022
(Canadian dollars)

	Contributed capital $	**Retained earnings** $	**Accumulated other comprehensive income** $	**Total equity** $
Balance, January 1, 2022	**18,422,104**	**24,782,334**	**(1,587,200)**	**41,617,238**
Net earnings	**—**	**1,549,047**	**—**	**1,549,047**
Other comprehensive income net actuarial gain on employee pension benefits (Note 12)	**—**	**—**	**956,300**	**956,300**
Balance, December 31, 2022	**18,422,104**	**26,331,381**	**(630,900)**	**44,122,585**

	Contributed capital $	Retained earnings $	Accumulated other comprehensive loss $	Total equity $
Balance, January 1, 2021	18,422,104	23,799,224	(2,668,000)	39,553,328
Net earnings	—	983,110	—	983,110
Other comprehensive loss net actuarial gain on employee pension benefits (Note 12)	—	—	1,080,800	1,080,800
Balance, December 31, 2021	18,422,104	24,782,334	(1,587,200)	41,617,238

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

St. John's Port Authority

Statement of financial position

As at December 31, 2022
(Canadian dollars)

	Notes	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents		**13,568,161**	11,333,013
Accounts receivable		**689,301**	733,529
Current portion of other receivables		**10,285**	9,102
Prepaids		**85,074**	75,375
		14,352,821	12,151,019
Other receivables		**77,992**	64,361
Property, plant and equipment	6	**33,585,373**	34,932,019
		48,016,186	47,147,399
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**1,131,656**	936,998
Deferred revenue		**260,137**	48,639
Current portion of long-term debt	9	**353,551**	3,153,124
		1,745,344	4,138,761
Long-term debt	9	**1,621,457**	—
Employee pension benefits	12	**526,800**	1,391,400
		3,893,601	5,530,161
Contingencies	10		
Equity			
Contributed capital		**18,422,104**	18,422,104
Retained earnings		**26,331,381**	24,782,334
Accumulated other comprehensive loss		**(630,900)**	(1,587,200)
		44,122,585	41,617,238
		48,016,186	47,147,399

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, 2022

(Canadian dollars)

	Notes	2022 $	2021 $
Operating activities			
Net earnings		**1,549,047**	983,110
Adjustments for:			
Depreciation		**1,386,261**	1,441,126
Change in accrued employee benefits		**—**	(63,520)
Gain on disposal of property, plant, and equipment		**(1,224)**	(229,703)
Impairment of property, plant, and equipment		**—**	107,752
Change in employee pension benefits		**91,700**	119,206
Changes in non-cash operating working capital	13	**425,871**	(907,649)
		3,451,655	1,450,322
Investing activities			
Additions to property, plant, and equipment, net of government grant		**(60,891)**	(447,282)
Proceeds on disposal of property, plant, and equipment		**22,500**	308,000
		(38,391)	(139,282)
Financing activity			
Proceeds from long-term debt		**2,003,634**	—
Repayment of long-term debt		**(3,181,750)**	(475,352)
		(1,178,116)	(475,352)
Net increase in cash and cash equivalents		**2,235,148**	835,958
Cash and cash equivalents, beginning of year		**11,333,013**	10,497,055
Cash and cash equivalents, end of year		**13,568,161**	11,333,013
Cash and cash equivalents are comprised of:			
Cash		**766,971**	10,334,021
Short-term investments	5	**12,801,190**	998,992
		13,568,161	11,333,013

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. 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 April 6, 2023.

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 and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks as well as highly liquid investments.

2. Significant accounting policies (continued)

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 judgment. 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.

(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 operations. Finance income and expenses include investment income 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 His 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.

2. Significant accounting policies (continued)

Property, plant, and equipment (continued)

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 projects under construction within property, plant, and equipment.

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

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

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

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

Government grants

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

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.

2. Significant accounting policies (continued)

Payments in lieu of taxes

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

Provisions

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

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

Financial instruments

Financial assets and 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 and cash equivalents	Amortized cost
Accounts receivable and accruals	Amortized cost
Other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

2. Significant accounting policies (continued)

Financial instruments (continued)

Classification of financial instruments

(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").

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.

Cash and cash equivalents

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 interest (income) expense.

Receivables

Trade receivables 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.

2. Significant accounting policies (continued)

Financial instruments (continued)

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.

Derecognition

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 6 to the financial statements.

Employee pension benefits

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

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.

2. Significant accounting policies (continued)

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 annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

3. New and revised IFRS standards issued but not yet effective

The following are a list of standards/interpretations that have been issued but are not yet effective:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

The Authority does not expect that the adoption of the Standards listed above will have a material impact on the financial statements in future periods.

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.

4. Significant accounting judgments and estimates (continued)

(iii) Employee future benefits (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

5. Cash equivalents

	2022		2021	
	Amortized Cost	**Face Value**	Amortized Cost	Face Value
	$	**$**	$	$
Cash equivalents	**12,801,190**	**12,999,000**	998,992	1,002,000

Cash equivalents consist of short-term investments in the form of Government of Canada treasury bills maturing between January and November 2023, at yields between 96.2484% and 99.9549%.

6. Property, plant, and equipment

	Land $	Dredging $	Berthing structures $	Buildings $	Utilities $	Roads and surfaces $	Machinery and equipment $	Office furniture and equipment $	Projects under construction $	2022 Total $
Cost	**7,790,791**	**189,056**	**33,491,506**	**9,016,883**	**9,958,098**	**5,558,701**	**630,171**	**885,546**	**116,275**	**67,637,027**
Accumulated depreciation	**—**	**(110,232)**	**(16,140,710)**	**(4,597,166)**	**(5,447,842)**	**(5,130,666)**	**(529,619)**	**(748,773)**	**—**	**(32,705,008)**
Net book value	**7,790,791**	**78,824**	**17,350,796**	**4,419,717**	**4,510,256**	**428,035**	**100,552**	**136,773**	**116,275**	**34,932,019**
Year ended December 31, 2022										
Additions, net of grants	**—**	**—**	**—**	**—**	**6,980**	**—**	**42,440**	**10,665**	**61,394**	**121,479**
Disposals	**—**	**—**	**—**	**—**	**(3,023)**	**—**	**(35,578)**	**(23,845)**	**—**	**(62,446)**
Other adjustments	**—**	**—**	**—**	**—**	**3,023**	**—**	**18,875**	**19,272**	**(60,582)**	**(19,412)**
Depreciation expense	**—**	**(4,727)**	**(762,846)**	**(229,357)**	**(267,781)**	**(39,004)**	**(17,127)**	**(65,418)**	**—**	**(1,386,260)**
Cost	**7,790,791**	**189,056**	**33,491,506**	**9,016,883**	**9,962,055**	**5,558,701**	**637,033**	**872,366**	**117,087**	**67,635,478**
Accumulated depreciation	**—**	**(114,960)**	**(16,903,556)**	**(4,826,524)**	**(5,712,601)**	**(5,169,670)**	**(527,871)**	**(794,923)**	**—**	**(34,050,105)**
Closing net book value	**7,790,791**	**74,096**	**16,587,950**	**4,190,359**	**4,249,454**	**389,031**	**109,162**	**77,443**	**117,087**	**33,585,373**

	Land $	Dredging $	Berthing structures $	Buildings $	Utilities $	Roads and surfaces $	Machinery and equipment $	Office furniture and equipment $	Projects under construction $	2021 Total $
Cost	7,847,881	189,056	33,599,258	9,063,248	9,616,976	5,558,701	626,187	868,303	144,398	67,514,008
Accumulated depreciation	—	(105,505)	(15,356,291)	(4,454,786)	(5,174,772)	(5,082,865)	(524,588)	(706,290)	—	(31,405,097)
Net book value	7,847,881	83,551	18,242,967	4,608,462	4,442,204	475,836	101,599	162,013	144,398	36,108,911
Year ended December 31, 2021										
Additions, net of grants	—	—	—	42,181	338,122	—	41,568	53,536	448,484	923,891
Disposals	(57,090)	—	—	(88,546)	—	—	(37,584)	(39,968)	—	(223,188)
Adjustments, capital grants	—	—	—	—	—	—	—	3,675	—	3,675
Impairment	—	—	(107,752)	—	—	—	—	—	—	(107,752)
Other adjustments	—	—	—	87,793	—	—	18,079	35,342	(476,607)	(335,393)
Depreciation expense	—	(4,727)	(784,420)	(230,173)	(273,070)	(47,801)	(23,110)	(77,825)	—	(1,441,126)
Cost	7,790,791	189,056	33,491,506	9,016,883	9,955,098	5,558,701	630,171	885,546	116,275	67,637,027
Accumulated depreciation	—	(110,232)	(16,140,710)	(4,597,166)	(5,447,842)	(5,130,666)	(529,619)	(748,773)	—	(32,705,008)
Closing net book value	7,790,791	78,824	17,350,796	4,419,717	4,507,256	428,035	100,552	136,773	116,275	34,932,019

6. Property, plant and equipment (continued)

Total estimated capital expenditures, authorized or committed at December 31, 2022, which have not been audited, were $9,000,000 ($6,685,000 in 2021).

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 cash equivalents which consists of 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:

	2022	2021
	$	$
Trade and other accounts receivable	**854,038**	740,819
Deferred rent receivable	**88,277**	73,463
Less: allowance for impairment losses of receivables	**(164,737)**	(7,290)
	777,578	806,992

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, 2022, trade receivables of $164,737 ($7,290 in 2021) were impaired and provided for with an allowance for impairment losses. Individually impaired receivables mainly relate to management's estimate of customers that are in dispute or experiencing difficult economic situations.

7. Financial instruments (continued)

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.

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:

	2022	2021
	$	$
Financial assets at amortized cost		
Other receivables (long-term)	**77,992**	64,361
Current portion of other receivables	**10,285**	9,102
Accounts receivable	**689,301**	733,529
Cash and cash equivalents	**13,568,161**	11,333,013
	14,345,739	12,140,005
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**1,131,656**	936,998
Current portion of long-term debt	**353,551**	3,153,124
Long-term debt	**1,621,457**	—
	3,106,664	4,090,119

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.

7. Financial instruments (continued)

Financial assets and liabilities (continued)

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, 2022 and 2021. 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, 2022, the Authority is compliant with all its debt covenants.

9. Long-term debt

	2022	2021
	$	$
Term loan, bearing interest at 3.27%, repayable in monthly blended instalments of $48,912, matured November 2022	—	3,153,124
Term loan, bearing interest at 6.22%, repayable in monthly blended instalments of $38,870 maturing in November 2027, secured by assignment of accounts receivable	**1,975,008**	—
Less: current portion	**(353,551)**	(3,153,124)
	1,621,457	—

Principal repayments required to maturity are as follows:

	$
2023	353,551
2024	376,179
2025	400,257
2026	425,875
2027	419,146

The Authority has available a revolving credit facility with its bank to a maximum of $300,000, which was unused at December 31, 2022 ($Nil in 2021).

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.

In the normal course of business, the Authority is also involved in various claims. Though the outcome of these various pending claims as at December 31, 2022, cannot be determined with certainty, the Authority believes that their outcome will have no significant adverse impact on its financial position, operating results, or cash flows.

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 2022 earnings were $185,384 ($145,429 in 2021). The future minimum lease rentals under non-cancellable operating leases in the aggregate is $79,704,800 ($79,640,569 in 2021).

	$
Not later than 1 year	3,647,863
Later than 1 year and not longer than 5 years	14,531,484
Later than 5 years	61,525,453
	79,704,800

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	2022 Total	2021 Total
	$	$	$	$	$
Change in accrued benefit obligation					
Balance, beginning of year	6,059,000	4,497,100	1,199,000	11,755,100	12,197,100
Current service cost	72,000	240,700	57,000	369,700	432,500
Remeasurement (gain) loss					
Actuarial gain from changes in economic assumptions	(1,551,000)	(1,679,700)	(390,300)	(3,621,000)	(852,700)
Actuarial loss from experience	309,000	99,000	123,300	531,300	151,600
Actuarial gain from changes in demographic assumptions	—	—	—	—	(406,500)
Interest cost on benefit obligation	178,000	138,900	36,600	353,500	320,500
Contributions by plan participants	5,000	112,200	—	117,200	118,600
Benefits paid	(263,000)	—	—	(263,000)	(206,000)
Balance, end of year	4,809,000	3,408,200	1,025,600	9,242,800	11,755,100
Change in fair value of plan assets					
Balance, beginning of year	8,640,000	4,148,700	—	12,788,700	11,008,200
Interest income	255,000	—	—	255,000	199,000
Remeasurement gain					
Actuarial (loss) gain	(1,214,000)	(422,300)	—	(1,636,300)	1,272,200
Return on plan assets	—	132,800	—	132,800	92,900
Employer contributions	17,000	299,700	—	316,700	303,800
Employee contributions	5,000	112,200	—	117,200	118,600
Benefits paid	(263,000)	—	—	(263,000)	(206,000)
Balance, end of year	7,440,000	4,271,100	—	11,711,100	12,788,700
Funded status - plan surplus (deficit)	2,631,000	862,900	(1,025,600)	2,468,300	1,033,600
Remeasurement of unrecognized asset due to limit in IAS 19.64	(2,631,000)	(364,100)	—	(2,995,100)	(2,425,000)
Accrued benefit liability	—	498,800	(1,025,600)	(526,800)	(1,391,400)

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	2022 Total	2021 Total
	$	$	$	$	$
Plan expense					
Current service cost (employer portion)	**72,000**	**240,700**	**57,000**	**369,700**	432,500
Net interest on defined benefit obligation	**(4,000)**	**6,100**	**36,600**	**38,700**	57,600
Pension expense recognized in earnings	**68,000**	**246,800**	**93,600**	**408,400**	490,100
Actuarial gain (loss) in other comprehensive income	**(105,000)**	**794,300**	**267,000**	**956,300**	1,080,800

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:

	2022 CPA Plan	2022 SJPA Plan	2021 CPA Plan	2021 SJPA Plan
	%	%	%	%
Canadian equity securities	**33**	**25**	32	26
Foreign equity securities	**42**	**40**	42	41
Fixed income securities	**25**	**26**	26	25
Real estate	**—**	**8**	—	8
Cash	**—**	**1**	—	—
	100	**100**	100	100

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

	2022 CPA Plan	2022 SJPA Plan	2021 CPA Plan	2021 SJPA Plan
Discount rate at beginning of year	**3.0**	**3.05**	3.1	2.68
Discount rate at end of year	**5.2**	**5.07**	3.0	3.05
Expected long-term rate of return on plan assets	**5.2**	**5.07**	3.0	3.05
Inflation rate	**2.0**	**2.25**	2.0	1.75
Rate of compensation	**2.5**	**1.75 + step increase & 2.25% Mgmt**	2.5	1.75 + step increase & 2.25% Mgmt
Mortality table	**CPM 2014 (scale MI-2017)**	**CPM 2014 (scale CPM-B)**	CPM 2014 (scale MI-2017)	CPM 2014 (scale CPM-B)

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, 2022. The next valuations for funding purposes will be January 1, 2023.

13. Changes in non-cash operating working capital

	2022	2021
	$	$
Accounts receivable	**44,228**	(111,119)
Other receivables	**(14,814)**	(20,338)
Prepaids	**(9,699)**	6,408
Accounts payable and accrued liabilities	**194,658**	(605,616)
Deferred revenue	**211,498**	(176,984)
	425,871	(907,649)
Other information		
Interest received	**36,557**	40,175
Interest paid	**98,786**	111,592

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 $
Morrissey, Roxanne	Chair (to June 7, 2022)	15,703	—	15,703
Veitch, Gerry	Chair (from June 7, 2022)	29,380	—	29,380
McGrath, Beth	Vice Chair (from June 7, 2022)	22,768	—	22,768
Hefferton, Harold	Director	17,972	—	17,972
Howse, Stacey	Director (from April 29, 2022)	11,910	—	11,910
Peddigrew, Christopher	Director (from September 15, 2022)	5,237	—	5,237
Walters, Samuel	Director	24,867	—	24,867
Hanrahan, Sean	President and CEO	284,486	77,891	362,377
McCarthy, Robert	VP Development	188,537	40,379	228,916
Martin, Racquel	VP Finance and Admin	175,910	35,591	211,501

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

14. Remuneration disclosure (continued)

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

	2022	2021
	$	$
Salaries, fees, and short-term benefits	**949,541**	893,066
Post-employment and other long-term benefits	**145,662**	142,411
	1,095,203	1,035,477