Saint John Port Authority

Consolidated Financial Statements
December 31, 2020
(all amounts in thousands of Canadian dollars)

Independent auditor's report

To the Board of Directors of Saint John Port Authority

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Saint John Port Authority and its subsidiary (together, the Authority) as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Authority's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is

PricewaterhouseCoopers LLP
14 King Street, Suite 320, Saint John, New Brunswick, Canada E2L 1G2
T: +1 506 632 1810, F: +1 506 632 8997

necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Saint John, New Brunswick
March 31, 2021

Saint John Port Authority
Consolidated Statement of Financial Position
As at December 31, 2020

(all amounts in thousands of Canadian dollars)

	2020 $	2019 $
Assets		
Current assets		
Cash and cash equivalents	5,312	1,639
Investments (note 5)	9,700	23,184
Accounts receivable (note 6)	3,053	3,966
Unbilled dredging revenues (note 15)	936	3,973
Prepaid expenses	359	457
Grants receivable	6,887	-
	26,247	33,219
Non-current assets		
Investments (note 5)	3,430	8,702
Property and equipment (note 7)	102,394	77,089
Post-employment benefit asset (note 9)	2,172	1,902
	107,996	87,693
Total assets	134,243	120,912
Liabilities and equity		
Current liabilities		
Accounts payable and accrued charges (note 8)	11,942	4,022
Deferred rental revenues	545	520
Payment in lieu of municipal taxes	131	30
Deferred grant (note 7)	-	9,268
Demand loan (note 10)	12,498	-
	25,116	13,840
Non-current liabilities		
Post-employment benefit liability (note 9)	481	495
Lease liabilities	63	20
Total liabilities	25,660	14,355
Equity of the Government of Canada		
Contributed capital (notes 1 and 13)	61,659	61,659
Retained earnings	46,924	44,898
	108,583	106,557
Total liabilities and equity	134,243	120,912

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

The financial statements were approved by the Board of Directors on March 29, 2021.

DocuSigned by: Lisa Keenan
B95684AE1A8D436... Chairman

DocuSigned by:
8F040011A4414F1... President and Chief Executive Officer

Saint John Port Authority
Consolidated Statement of Comprehensive Income
For the year ended December 31, 2020

(all amounts in thousands of Canadian dollars)

	2020 $	2019 $
Revenue from port operations		
Rental income	5,587	5,661
Throughput fees	1,802	1,924
Dredging dues (note 15)	2,171	6,888
Harbour dues	1,571	2,115
Passenger fees (note 16)	-	1,840
Wharfage fees	4,093	3,910
Berthage fees	592	1,056
Storage	160	63
Other	556	870
	16,532	24,327
Expenses from port operations		
Dredging costs (note 15)	2,897	7,229
Depreciation of property and equipment (note 7) and right of use assets	3,117	3,295
Grants in lieu of municipal taxes	908	801
Gross revenue charge	488	869
Maintenance and repair costs	715	965
Other operating and administrative	2,480	2,905
Professional and consulting fees	380	548
Salaries, fees, allowances and benefits (note 11)	4,327	4,312
	15,312	20,924
Income from port operations	1,220	3,403
Investment income, net of expenses	657	132
Gain on disposal of property and equipment	-	29
Net income for the year	1,877	3,564
Other comprehensive (loss) gain		
Remeasurements of defined benefit plans (note 9)	239	282
Remeasurements of investments	(90)	654
	149	936
Comprehensive income for the year	2,026	4,500

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

Saint John Port Authority

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

(all amounts in thousands of Canadian dollars)

	Contributed capital $	Retained earnings $	Total equity $
Balance at January 1, 2019	61,659	40,398	102,057
Net income for the year	-	3,564	3,564
Other comprehensive income	-	936	936
Comprehensive income for the year	-	4,500	4,500
Balance at December 31, 2019	61,659	44,898	106,557
Balance at January 1, 2020	61,659	44,898	106,557
Net income for the year	-	1,877	1,877
Other comprehensive income	-	149	149
Comprehensive income for the year	-	2,026	2,026
Balance at December 31, 2020	61,659	46,924	108,583

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

Saint John Port Authority
Consolidated Statement of Cash Flows
For the year ended December 31, 2020

(all amounts in thousands of Canadian dollars)

	2020 $	2019 $
Cash (used in) provided by		
Operating activities		
Net income for the year	1,877	3,564
Charges to income not involving cash		
Depreciation of property and equipment and right of use assets	3,117	3,295
Gain on disposal of property and equipment	-	(29)
	4,994	6,830
Net change in post-employment benefit assets and liabilities	(45)	(7)
Net change in non-cash working capital balances related to operations		
Increase in unbilled dredging revenues	3,037	(2,618)
Decrease (increase) in accounts receivable	913	(1,002)
Increase in prepaid expenses	98	(176)
Increase (decrease) in accounts payable and accrued charges	(1,656)	(1,383)
Increase in deferred rental revenues	25	137
Increase (decrease) in payment in lieu of municipal taxes	101	-
Cash provided by operating activities	7,467	1,781
Investing activities		
Purchase of property and equipment	(71,936)	(4,448)
Proceeds on sale of property and equipment	-	29
Government grant received towards property and equipment	37,001	12,805
Proceeds from maturity of investments	24,674	15,254
Purchase of investments	(12,700)	(24,750)
Cash used in investing activities	(22,961)	(1,110)
Financing activities		
Borrowings on demand loan	12,498	-
Payment of lease liability	(23)	-
Cash used in financing activities	12,475	-
Net increase in cash during the year	(3,019)	671
Cash and cash equivalents – Beginning of year	8,364	7,693
Cash and cash equivalents – End of year	5,345	8,364
Cash and cash equivalents consist of:		
Cash deposits	5,312	1,639
Cash in investment brokerage account (note 5)	33	6,725
	5,345	8,364
Cash flows from operating activities include:		
Interest received	285	198

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

(all amounts in thousands of Canadian dollars)

1 General information

National Ports Policy

In 1983, the federal government dissolved the National Harbours Board replacing it with the Canada Ports Corporation ("CPC") under the Canada Ports Corporation Act. This Act gave the CPC powers to establish local port corporations at any of the Canada Ports which met the criteria of national and regional significance, local interest and financial viability. The CPC devolved much of its former functions to these local port corporations while maintaining responsibility for ensuring that overall national transportation objectives are met. In 1998, the Canada Marine Act was enacted to make Canadian Ports more competitive, efficient and commercially oriented and provided for the establishment of local port authorities which met the criteria of being financially self-sufficient, having diversified traffic, being of strategic significance to Canada's trade and being linked to a major railway line or highway.

Port authorities are free to operate their ports on a commercial basis and have the authority to set all fees for the use of their ports and are authorized to develop and improve their facilities. They act as agents of the Crown for the purpose of engaging in port activities related to shipping, navigation, transportation of passengers and goods, handling of goods, storage of goods and other activities as specified in their letters patent.

Corporate profile of the Saint John Port Authority

The Saint John Port Authority (the "Authority") was originally incorporated on December 31, 1986 without share capital as the Saint John Port Corporation (the "Corporation") and was continued as the Saint John Port Authority effective May 1, 1999 under the Canada Marine Act.

On incorporation in 1986, in accordance with the Canada Ports Corporation Act, the assets and liabilities were transferred to the Corporation at their carrying values in the accounts of the Canada Ports Corporation – Port of Saint John (offset being to contributed capital).

All federal real property and immovable's (defined as land, buildings, structures, improvements and other fixtures on, above or below the surface of the land) that the Authority administers, or the title it holds on behalf of the Crown (whether or not in its own name) are the property and rights of the Crown and cannot be used as security for any loans. The Authority is responsible for performing necessary maintenance, restoration and replacement of the federal assets it manages as agent for the Crown and is required to discharge all obligations and liabilities arising from the management of the federal assets.

The Authority's board of directors is made up of seven members, one appointed by the Government of Canada, one by the City of Saint John, one by the Province of New Brunswick and four by the federal government in consultation with the classes of users mentioned in its Letters Patent.

The Authority's registered office and principal place of business is located at 111 Water Street, Saint John, New Brunswick, Canada.

(all amounts in thousands of Canadian dollars)

2 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The principal accounting policies applied in the preparation of these financial statements are set out in note 3.

3 Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with IFRS and reflect the following significant accounting policies:

Consolidation

These consolidated financial statements include the accounts of the Saint John Port Authority and a subsidiary company. Subsidiaries are those entities (including special purpose entities) which the Authority controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Authority controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Authority and are deconsolidated from the date that control ceases.

Revenue

The Authority recognizes revenue to depict the transfer of promised services to merchants in an amount that reflects the consideration to which the Authority expects to be entitled in exchange for those services by applying the following steps:

- Identify the contract with a merchant;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price; and
- Recognize revenue when, or as, the Authority satisfies a performance obligation.

Lease rental income is recognized in the period in which the leased item is used. Berthage, throughput, wharfage and passenger fees are recognized on departure of the vessel. Harbour dues and dredging revenue (note 15) are recognized when the vessel enters the harbour. Deferred revenue represents cash received in advance of the due date. Unbilled revenue represents revenue earned but not yet invoiced.

(all amounts in thousands of Canadian dollars)

Dredging cost

The costs of removing dredgeate, which is required for the maintenance of navigable waterways, are expensed as incurred (note 15).

Gross revenue charge

Under the Canada Marine Act, the Authority is obligated to pay annually to the Minister of Transport a charge to maintain its Letters Patent in good standing. The charge is calculated by reference to gross revenue (defined in the Letters Patent as all revenues (revenue from port operations plus investment income plus gains (losses) on disposal of property and equipment) less permitted exclusions) using 2% on the first $10,000, 4% of the amount between $10,000 and $20,000, and 6% of the amount between $20,000 and $60,000. The federal stipend is included in operating expenses and it must be settled within 90 days of the year end.

Grants in lieu of municipal taxes

The expense of grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Any adjustments upon finalization are reflected in the financial statements in the year of settlement.

Government grants

Government grants are recognized when there is reasonable assurance that the Authority has complied with, and will continue to comply with, all conditions necessary to obtain the grants.

Government grants relating to non-capital costs are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property and equipment are deducted from the carrying cost of the related assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and investment brokers, and other short-term highly liquid investments with original maturities of three months or less.

Property and equipment

Federal real and immovable property

Federal real and immovable property includes land, dredging, berthing structures, buildings, utilities, roads, surfaces and construction in progress. While title to these assets remain with the Crown, the Authority has the right to substantially all of the risks and rewards of ownership during the life of the assets and holds them to operate the port. They have been classified as property and equipment in these consolidated financial statements.

(all amounts in thousands of Canadian dollars)

Personal property and moveable assets

Personal property and moveable assets include machinery and equipment and office furniture and equipment and are the property and right of the Authority.

Property and equipment are recorded at cost less accumulated depreciation and impairment. Government grants towards capital projects are deducted from the cost of the related property and equipment.

Cost includes expenditures that are directly attributable to the acquisition of the asset. 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 can be measured reliably. Repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the period in which they are incurred.

Land and construction in progress are not depreciated. Depreciation on other assets is calculated on a straight-line basis for the full year, commencing with the year the asset becomes operational, based on estimated useful lives of the assets as follows:

Dredging	15 – 40 years
Berthing structures, buildings, roads and surfaces	10 – 40 years
Utilities	10 – 30 years
Machinery and equipment	1 – 20 years
Office furniture and equipment	5 – 20 years

The Authority allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately. The carrying amount of a replaced part is derecognized when replaced.

Residual values, methods of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Intangible assets

The water rights granted to the Authority by the Government of Canada to operate the port are classified as intangible assets. As they were acquired free of charge, they are recognized at a nominal amount of $1.

Impairment of non-financial assets

Property and equipment are assessed for impairment when events or circumstances indicate that the carrying amount may not be recoverable at the end of each reporting period. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent from other assets or groups of assets (cash-generating units or "CGUs"). The recoverable amount is the higher of an asset's (or asset group's) fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which an asset's (or asset group's) carrying amount exceeds its recoverable amount. Past impairment losses are evaluated for potential reversals when events or circumstances warrant such consideration.

(all amounts in thousands of Canadian dollars)

Leases

The Authority assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Employee future benefits

Defined benefit plans

Unless otherwise stated, benefit obligations for defined benefit plans are determined by independent actuaries using the projected unit credit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, mortality rates and retirement ages of employees.

The asset or liability recognized in the consolidated statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the period less the fair value of the plan assets, together with adjustments for unrecognized past service costs.

Actuarial valuations for defined benefit plans are carried out at least every three years. The discount rate applied in arriving at the present value of the pension liability represents the yield on high quality corporate bonds 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.

Benefit charge or credit is recorded in salaries, fees, allowances and benefits in the consolidated statement of comprehensive income and consists of:

- The aggregate of the actuarially computed cost of pension benefits provided in respect of the current year's service;
- Imputed interest on the net defined benefit liability (asset);
- Past service costs, which are recognized immediately in income;
- Gains or losses on plan settlements and curtailments; and
- Special termination benefit costs.

Plan assets are valued at fair value for the purpose of calculating the expected return on plan assets.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income without recycling to the consolidated statement of comprehensive income in subsequent periods. Amounts recognized in other comprehensive income are recognized immediately in retained earnings.

Defined contribution plans

For defined contribution plans, the cost of pension benefits is the Authority's required contributions to the plans.

Termination benefits

The Authority recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing benefits as a result of an offer made to encourage voluntary termination.

(all amounts in thousands of Canadian dollars)

Financial instruments

Financial assets and liabilities are recognized when the Authority becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The Authority recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net income or comprehensive income.

Financial assets

Financial assets are measured at amortized cost if both of the following criteria are met: the object of the Authority's business model for these financial assets is to collect their contractual cash flows; and the asset's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. They are initially measured at the amount expected to be received less, when material, a discount to reflect the time value of money. Subsequent to initial measurement, they are carried at amortized cost using the effective interest method less appropriate provisions for impairment.

The Authority applies the simplified method of the expected credit loss model required under IFRS 9. Under this method, the Authority estimates a lifetime expected loss allowance for all receivables. Receivables are written off when there is no reasonable expectation of recovery. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

Financial assets are measured at fair value through other comprehensive income ("FVTOCI") if both of the following criteria are met: the objective of the Authority's business model is achieved by both holding financial assets in order to collect contractual cash flows and selling financial assets; and the contractual terms of the financial asset gave rose on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are initially recognized at fair value and transaction costs are expensed. Subsequent to initial measurement, they are carried at fair value and all gains and losses realized and unrealized are recognized in the consolidated statement of comprehensive income.

The Authority assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty and where observable data indicate that there is a measurable decrease in the estimated future cash flows.
Financial assets are derecognized when their rights to receive cash flows have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership.

(all amounts in thousands of Canadian dollars)

Financial liabilities

Financial liabilities measured at amortized cost are initially recognized at fair value less directly attributable transaction costs and subsequent to initial measurement are recognized at amortized cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the consolidated statement of comprehensive income over the contractual term using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

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 can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation, and are discounted when the effect is material.

Contributed capital

The Authority was incorporated without share capital. Assets gifted to or expropriated from the Authority by the Government of Canada are treated as increases to (reductions of) contributed capital respectively.

Foreign currency

Monetary items denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the consolidated statement of financial position date. Revenues and expenses are translated at the average exchange rates in effect in the month of the respective transactions. Foreign exchange gains and losses are included in income.

Accounting standards adopted during the year

Definition of Material (amendments to IAS 1 and IAS 8)

These amendments clarify the definition of material in IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments were effective for the Authority beginning January 1, 2020. The intent of the amendment is to help entities make better materiality judgements. The amendments had no effect on the Authority.

(all amounts in thousands of Canadian dollars)

Definition of a Business (amendments to IFRS 3, Business Combinations)

These amendments clarify the definition of a business in identifying a business combination. The amendments were effective for the Authority on January 1, 2020 and will apply to consideration of business combinations on or after this date. The amendments had no effect on the Authority.

Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7)

These amendments are designed to give relief for certain conditions of hedge accounting when interest rate benchmarks such as interbank offered rates are reformed. The amendments are effective for annual periods beginning after January 1, 2020 with early application permitted. The Authority currently has no hedges and the new standard does not have a material impact on its consolidated financial statements.

Accounting standards and amendments issued but not yet adopted

IFRS 17, *Insurance Contracts*

IFRS 17, Insurance Contracts ("IFRS 17") was issued in May 2017 and is effective for years beginning on or after January 1, 2022, to be applied retrospectively. IFRS 17 will replace IFRS 4, Insurance Contracts, and will change the measurement and presentation principles used to account for insurance contracts. The Authority does not expect that the new standard will have a material impact on its consolidated financial statements.

4 Critical accounting estimates, assumptions and judgements in applying accounting policies

The preparation of consolidated financial statements requires management to use judgement in applying its accounting policies and estimates and assumptions about the future. The actual outcome may differ from these judgements, estimates and assumptions. Estimates and other judgements are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgements and estimates that the Authority has made in the preparation of the consolidated financial statements.

Impairment of property and equipment

The amounts recorded for depreciation and impairment of property and equipment depend on assessments of cash-generating units, economic lives, and estimates of future cash flows from related assets, future growth rates and fair values, less costs to sell. For the purpose of impairment tests, the port as a whole is treated as a single cash-generating unit, as in management's opinion, the cash inflows of each terminal are not considered to be largely independent of each other, as the terminals cannot be operated without the federal real property port infrastructure, and as the Authority is mandated to use these assets to run a diversified port operation as an agent for the Crown. Based on these assumptions, no impairment losses have been recorded. If the determination of cash-generating units changes, the impact on the consolidated financial statements could be material.

(all amounts in thousands of Canadian dollars)

Employee benefit obligations

The cost of defined benefit pension plans as well as the present value of the pension obligations, is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date.

5 Investments

	2020 $	2019 $
Cash in investment brokerage accounts	33	6,725
Government of Canada and provincial and municipal bonds	2,523	8,326
Corporate bonds	10,574	16,835
	13,130	31,886
Less: Current portion	9,700	23,184
	3,430	8,702

All bonds have been classified as FVTOCI. Cash in investment brokerage accounts has been classified as amortized cost.

6 Accounts receivable

	2020 $	2019 $
Accounts receivable	3,053	4,072
Less: Provision for expected credit loss	-	(106)
	3,053	3,966

(all amounts in thousands of Canadian dollars)

As at December 31, 2020, accounts receivable of $nil (December 31, 2019 – $106) were determined to be impaired as there is objective evidence that the amounts will not be collectible in full. The amount of the provision for expected credit loss reduced the carrying value of these receivables to their estimated recoverable amount. The aging of receivables not considered to be impaired is as follows:

	2020 $	2019 $
Not past due	2,614	3,524
Past due 0 to 30 days	418	413
Past due 31 to 60 days	14	45
Past due more than 60 days	7	90
	3,053	4,072

The accounts receivable past due, but not considered to be impaired, relate to a number of independent customers for whom there is no recent history of default.

The movement in the provision for expected credit loss is as follows:

	2020 $	2019 $
At January 1	106	78
Receivables written off against the allowance as uncollectible	(106)	28
At December 31	-	106

Based on historic trends and expected performance of the customers, the Authority believes that the provision for expected credit loss sufficiently covers the risk of default.

(all amounts in thousands of Canadian dollars)

7 Property and equipment

	Federal real property and federal immovable assets							Other property			
	Land $	Dredging $	Berthing structures $	Buildings $	Utilities $	Roads and surfaces $	Construc-tion in progress $	Machinery and equipment $	Office furniture and equipment $	Right of use assets $	Total $
At December 31, 2018											
Cost	31,866	1,892	70,411	40,251	10,163	13,466	4,800	9,406	1,794	-	184,049
Accumulated depreciation	-	(1,701)	(59,772)	(16,643)	(8,989)	(11,898)	-	(6,430)	(1,286)	-	(106,719)
Net book value	31,866	191	10,639	23,608	1,174	1,568	4,800	2,976	508	-	77,330
Year ended December 31, 2019											
Opening net book value	31,866	191	10,639	23,608	1,174	1,568	4,800	2,976	508	-	77,330
Additions	-	-	1,486	12	15	147	3,287	273	24	-	5,244
Government grants	-	-	-	-	-	-	(2,210)	-	-	-	(2,210)
IFRS 16 transitional adjustment	-	-	-	-	-	-	-	-	-	45	45
Depreciation	-	(8)	(1,450)	(896)	(176)	(118)	-	(457)	(190)	(25)	(3,320)
Transfers	-	-	143	-	-	-	(143)	-	-	-	-
Closing net book value	31,866	183	10,818	22,724	1,013	1,597	5,734	2,792	342	20	77,089
At December 31, 2019											
Cost	31,866	1,892	72,040	40,263	10,178	13,613	5,734	9,585	1,818	45	187,034
Accumulated depreciation	-	(1,709)	(61,222)	(17,539)	(9,165)	(12,016)	-	(6,793)	(1,476)	(25)	(109,945)
Net book value	31,866	183	10,818	22,724	1,013	1,597	5,734	2,792	342	20	77,089
Year ended December 31, 2019	31,866	183	10,818	22,724	1,013	1,597	5,734	2,792	342	20	77,089
Opening net book value											
Additions	-	-	419	34	38	47	80,856	69	49	66	81,578
Government grants	-	-	-	-	-	-	(53,156)	-	-	-	(53,156)
Depreciation	-	(8)	(1,354)	(901)	(181)	(119)	-	(430)	(101)	(23)	(3,117)
Transfers	-	-	167	4	-	-	(171)	-	-	-	-
Net book value	31,866	175	10,050	21,861	870	1,525	33,263	2,431	290	63	102,394
At December 31, 2020											
Cost	31,866	1,892	72,626	40,301	10,216	13,660	33,263	9,654	1,867	111	215,456
Accumulated depreciation	-	(1,717)	(62,576)	(18,440)	(9,346)	(12,135)	-	(7,223)	(1,577)	(48)	(113,062)
Net book value	31,866	175	10,050	21,861	870	1,525	33,263	2,431	290	63	102,394

* Additions of $10,372 (2019 – $796) are included in accounts payable and accrued charges as at December 31, 2020.

(all amounts in thousands of Canadian dollars)

Included in property and equipment are assets with a gross cost as at December 31, 2020 of $70,127 (2019 – $67,884) that are now fully depreciated but still in use.

Capital commitments as at December 31, 2020 are $12,987 (2019 – $116).

The Authority has received $nil (2019 – $9,268) in grants relating to property and equipment which have not yet been earned, and therefore not applied against the property and equipment balance.

The following property and equipment is leased to third parties under various operating lease agreements:

	2020 $	2019 $
Net book value at January 1	36,370	37,286
Additions	578	713
Depreciation	(1,577)	(1,629)
Net book value at December 31	35,371	36,370

The future minimum lease income receivable under these non-cancellable operating leases is as follows:

	2020 $	2019 $
Not later than one year	8,158	8,319
Later than one year and not later than five years	37,734	38,982
Later than five years	169,376	210,585
	215,268	257,886

The leases expiring in more than five years relate to long-term lease agreements with terminal operations for the DP World multipurpose terminal, No. 12 terminals and Potash Terminal that expire in 2051, 2031 and 2025, respectively.

The Terminal 12 lease has options for the leasee to renew for five further terms of 10 years each.

The Potash Terminal lease has options for the lessee to renew for 3 consecutive terms of 5 years each.

None of these assets leased to users of the port are classified as investment properties as they are held to provide access to the port for terminal operators or other users of the port rather than being held to earn rental income.

(all amounts in thousands of Canadian dollars)

8 Accounts payable and accrued charges

	2020 $	2019 $
Trade payables	8,450	2,594
Social security and other payroll taxes	35	41
Accrued expenses	3,457	1,387
	11,942	4,022

9 Employee future benefits

The Authority has the following plans providing pension and the other post-employment benefits to its employees:

Description of plans

a) The Authority entered into a multiple-employer pension plan, the Canadian Port Authorities Pension Plan (the "Plan"), on May 1, 2001 to provide retirement benefits to employees. The Plan has two components: a Defined Benefit Plan and a Defined Contribution Plan. Both plans are contributory and vest after two years of service.

b) Employees who participated under the Public Service Superannuation Act ("PSSA") became members of the Defined Benefit Plan. These employees may elect to switch to the Defined Contribution Plan in lieu of the Defined Benefit Plan at any time. All other employees of the Authority became members of the Defined Contribution Plan.

c) The defined benefit pension plan provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. Employees under the defined benefit plan retiring at the normal retirement date will receive 2% of final average earnings multiplied by pensionable service with a reduction at age 65 of 0.7% of average Canada Pension Plan earnings multiplied by pensionable service. Pensions paid are indexed to inflation (CPI) to a maximum of 8% per year. The benefit payments are from trustee-administered funds. Plan assets held in trusts are governed by local regulations and practice. Responsibility for governance of the plans overseeing all aspects of the plans including investment decisions and contribution schedules lies with the Port. The Port participates in the committee that oversees management of the plan, which includes two other ports.

d) The Authority has an unfunded retirement allowance program for employees with one or more years of continuous employment. This is available on retirement or death where each employee is entitled to receive one week of pay for each year of service up to a maximum of 28 weeks. Employees who joined the Authority before July 1, 1982 are also eligible to receive a lump sum payment equal to one-half week of pay for each year of service to a maximum of 14 weeks if they voluntarily resign before retirement.

(all amounts in thousands of Canadian dollars)

Defined benefit plans

The Authority measures its accrued benefit obligations and the fair value of its pension plan assets for accounting purposes as at December 31 each year. The pension plans are generally valued for funding purposes no less frequently than every three years. The last required actuarial valuation for funding purposes was January 1, 2020 and the next required actuarial valuation for funding purposes is January 1, 2021.

The retirement allowance is not currently accounted for using an actuarial method. The obligation is calculated for those employees with one or more years of service, based on their current rate of pay and number of years of service. Future salary increases, forfeitures, estimated retirement dates and the impact of discounting have not been factored into this calculation. In the opinion of management, the liability approximates that which would be derived using an actuarial valuation method.

The Authority's net benefit cost for its defined benefit plans is as follows:

	Pension plan		Retirement allowance plan	
	2020 **$**	**2019** **$**	**2020** **$**	**2019** **$**
Current service cost	42	40	73	44
Interest income	(59)	(58)	-	-
Impact on net income (note 11)	(17)	(18)	73	44
Impact of remeasurement on other comprehensive income	239	282	-	-

Defined benefit plan assets consist of:

	2020 **%**	**2019** **%**
Canada equity funds	30	30
United States equity funds	8	9
International equity funds	22	25
Canadian bond funds	40	36
	100	100

The plan holds various mutual funds which are managed by third parties. The plan invests in diversified funds with a goal of long-term appreciation while minimizing risk.

(all amounts in thousands of Canadian dollars)

The following table sets forth the status of the Authority's principal defined benefit plans as of December 31, 2020 and 2019:

	Pension plans		Retirement allowance plan	
	2020 $	**2019 $**	**2020 $**	**2019 $**
Change in benefit obligation				
Accrued benefit obligation – beginning of year	4,655	4,267	495	451
Benefits paid	(197)	(177)	(87)	-
Current service cost (note 11)	42	40	73	44
Employee contributions	1	5	-	-
Interest cost	142	155	-	-
Remeasurements	294	365	-	-
Accrued benefit obligation – end of year	4,937	4,655	481	495
Change in plan assets				
Fair value of plan assets – beginning of year	6,557	5,836	-	-
Actual return on plan assets	734	860	-	-
Employer contributions	14	33	-	-
Employee contributions	1	5	-	-
Benefits paid	(197)	(177)	-	-
Fair value of plan assets – end of year	7,109	6,557	-	-
Funded status – plan surplus (deficit)	2,172	1,902	(481)	(495)
Recognized on the consolidated statement of financial position				
Accrued benefit asset (liability)	2,172	1,902	(481)	(495)

There are no pension plans with an accrued benefit obligation in excess of plan assets.

The significant actuarial assumptions used are as follows:

	Pension benefit plans	
	2020 %	**2019 %**
Accrued benefit obligation as at December 31		
Discount rate	2.6	3.1
Rate of compensation increase	2.5	2.5
Benefit costs for year ending December 31		
Discount rate	3.1	3.7
Rate of compensation increase	2.5	2.5

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

(all amounts in thousands of Canadian dollars)

The sensitivity of the defined benefit obligation to changes in assumptions is set out below:

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption $**	**Decrease in assumption $**
Discount rate	1.00%	Decrease of 591	Increase of 723
Salary growth rate	1.00%	-	-
Life expectancy	1 year	Decrease of 159	Increase of 158

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied for calculating the liability recognized in the consolidated statement of financial position.

Expected contributions to pension benefit plans for the year ended December 31, 2021 are $nil.

Through its defined benefit pension plan, the Authority is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while contributing volatility and risk in the short-term.

The pension asset management strategy consists of ensuring that assets are sufficient to meet the defined benefit pension plan obligations while maximizing the long-term real rate of return subject to acceptable levels of risk and volatility. This is achieved through a diversified portfolio with a specified target asset mix of Canadian, U.S. International, Global Equities and Fixed Income funds. To ensure that the Fund operates within minimum and maximum acceptable ranges, the asset mix is calculated quarterly. If necessary, the portfolio is rebalanced by redirecting net cash flows or transferring cash and securities between portfolios.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

(all amounts in thousands of Canadian dollars)

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Defined contribution plan

The Authority's net benefits plan expense for its defined contribution pension plan was $173 (2019 – $144).

10 Demand loan

During the year, the Authority received a demand loan, bearing interest at the Bank of Montreal prime rate minus 0.50% with interest only payments required until November 4, 2023 and maturing on November 4, 2035 secured by a first ranking charge on all of the Authority's present and after-acquired personal and movable property.

11 Salaries, fees, allowances and benefits

	2020 $	2019 $
Salaries, wages and fees	3,520	3,454
Social security, other benefits and other payroll taxes	578	688
Retirement allowances (note 9)	73	44
Defined benefit pension plans (note 9)	(17)	(18)
Defined contribution pension plans (note 9)	173	144
	4,327	4,312

12 Key management compensation

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Authority, directly or indirectly, including any director (executive or otherwise) of the Authority. The compensation paid or payable to key management for employee services is shown below:

	2020 $	2019 $
Salaries and other short-term employee benefits	918	925
Post-employment benefits	50	49
	968	974

Port Authority Management Regulations Disclosures

In accordance with the Port Authority's Management Regulations, the Authority is required to disclose the total remuneration paid, including any fee, allowance or other benefit, to each Director, the Chief Executive Officer and employees whose remuneration exceeds a prescribed threshold.

(all amounts in thousands of Canadian dollars)

Salaries, fees and other benefits paid during the year which are required to be disclosed are as follows:

				2020
Name	**Title**	**Salaries fees and other short-term employee benefits $**	**Post-employment benefits $**	**Total $**
Jim Quinn	President & CEO	302	20	322
Andrew Dixon	Senior VP, Trade and Business Development	217	16	233
Christopher Hall	VP Operations and Harbour Master	206	14	220
Lisa Keenan	Chair	51	-	51
Donna Redmond Gates	Vice Chair	38	-	38
Thomas O'Neil	Director	18	-	18
David Emerson	Director	20	-	20
Shelley Rinehart	Director	21	-	21
John Keir	Director	21	-	21
Peter McGuire	Director	24	-	24
		918	50	968

				2019
Name	**Title**	**Salaries fees and other short-term employee benefits $**	**Post-employment benefits $**	**Total $**
Jim Quinn	President & CEO	297	20	317
Andrew Dixon	Senior VP, Trade and Business Development	215	15	230
Christopher Hall	VP Operations and Harbour Master	203	14	217
Lisa Keenan	Chair	50	-	50
Donna Redmond Gates	Vice Chair	43	-	43
Thomas O'Neil	Director	20	-	20
David Emerson	Director	33	-	33
Shelley Rinehart	Director	20	-	20
John Keir	Director	7	-	7
Peter McGuire	Director	14	-	14
Philip Brewer	Former Director	8	-	8
Allen Bodechon	Former Director	15	-	15
		925	49	974

(all amounts in thousands of Canadian dollars)

13 Financial risk management

The Authority's activities expose it to a variety of financial risks. These include market risk (foreign exchange risk, interest rate risk and equity price risks), credit risk and liquidity risk.

Market risk

Foreign exchange risk

The Authority was not exposed to any significant foreign exchange risk since its operations are in Canada. From time to time, it pays some suppliers in foreign currencies.

Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority is exposed to interest rate cash flow risk through its demand loans and cash which are at floating interest rates. At the end of the reporting period, if interest rates on cash deposits had been 1% higher/lower with all other variables held constant, net income for the year would have been $28 higher/lower (2019 – $25 higher/lower). If interest rates on the demand loan had been 1% higher/lower with all other variables held constant, net income for the year would have been $20 lower/higher (2019 – $0 lower/higher).

Investments in fixed rate bonds are subject to interest rate fair value risk as future changes in interest rates affect the fair value of these investments. As these investments are recorded at fair value, changes due to fluctuating interest rates are recorded in the consolidated statement of comprehensive income.

Equity price risk

The Authority is also exposed to price risk on their investments classified as fair value through other comprehensive income. A 1% change in the price of the investments would cause a $131 increase/decrease in the value of the investments (2019 – $350 increase/decrease).

Credit risk

The Authority's financial assets that are exposed to credit risk consist of cash, investments and accounts receivable. This risk is minimal since the majority of the Authority's revenue is received when due, its bank account is held with a Canadian financial institution which has a credit rating of AA and its investments are held with entities with a credit rating of AA or higher.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Authority does not hold any collateral as security.

No financial assets are past due except for some accounts receivable. Accounts receivable are subject to credit evaluation, approval limits, and monitoring processes intended to mitigate potential credit risks, and the Authority maintains provisions for expected credit losses that are assessed on an ongoing basis. The Authority's accounts receivable are exposed to concentrations of credit risk as its two largest receivable balances represent 60% of accounts receivable at December 31, 2020 (2019 – 62%). Information about the credit quality of accounts receivable is disclosed in note 6.

(all amounts in thousands of Canadian dollars)

Liquidity risk

Financial liabilities consist of trade and other payables (note 8) and demand loans (note 10). The trade and other payables have contractual maturities of three months or less and are classified as current and presented as such on the consolidated statement of financial position. The demand loan is due on demand and secured by a first charge on the Authority's personal and movable property. The Authority generates enough cash from operating activities to fund its current obligations.

Capital management

The Authority is incorporated without share capital. As a Canadian Port Authority, the Authority is required to be financially self-sufficient. It is bound by specific terms of the Canadian Marine Act, its Letters Patent and the Port Authority Management Regulations, which limits commercial activity, restricts borrowing to $36,000 and investing activities are subject to risk criteria and restrictions. It does not have access to federal funding, by way of an appropriation of Parliament, except for funding related to infrastructure, environmental sustainability and the implementation of security measures up to $36,000. The Authority is unable to pledge federal real and immovable property as security against any liabilities. The Authority has the authority though to set its own rates, tariffs and fees to ensure it is financially self-sufficient.

14 Financial instruments

The fair value of a financial instrument is the amount of which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous market for that instrument to which the Authority has immediate access. If market prices are not available, fair value is based on prevailing market rates for instruments with similar characteristics and risk profiles or internal or external valuation models that require inputs.

The Authority's financial instruments comprise cash and cash equivalents, investments, accounts receivable and accounts payable and accrued charges and demand loans. The investments in bonds are recorded at fair value based on quoted market prices as at December 31, 2020 and 2019.

As at December 31, 2020 and December 31, 2019, all of the Authority's financial assets were included in the "amortized cost" category, except for investments classified as FVTOCI. As at December 31, 2020 and December 31, 2019, all of the Authority's financial liabilities were carried at amortized cost.

(all amounts in thousands of Canadian dollars)

Fair value hierarchy

Financial assets and liabilities that are recognized on the consolidated statement of financial position at fair value are to be classified into a hierarchy of three levels based on the significance of the impacts used in making the measurement:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (i.e. derived from prices)

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

As at December 31, 2020, the investments in bonds are valued using techniques categorized as Level 1.

15 Dredging fees and costs

Dredging account

The Authority charges a dredging fee to recoup the costs of dredging common channel areas within the harbour. As acknowledged by the Canadian Transportation Agency under decision No.293-W-2010, the Authority is within its rights to recover direct dredging and dredging related costs from ships that enter the harbour limits. The Authority has no exposure to gains or losses from dredging activities as all related costs are ultimately passed on to the users of the Port. However, due to the structure of the current dredging tariff, timing differences arise between when dredging costs are incurred and when they are passed on to users of the Port. In the opinion of management, it is misleading to reflect gains and losses in the Authority's own consolidated net income, relating to the mismatch in the timing of these transactions and, as a result, management recognizes dredging revenues equivalent to recoverable dredging expenses incurred in the year, on the basis that any difference will be recovered from/paid to customers through the dredging tariff mechanism. The movements in the dredging account were as follows:

	2020 $	2019 $
Unbilled revenues – January 1	3,973	1,355
Dredging costs incurred	2,171	6,888
Dredging revenues billed	(5,208)	(4,270)
Unbilled revenues – December 31	936	3,973

The dredging costs reflected in the consolidated statement of comprehensive income of $2,897 (2019 – $7,229) include the recoverable direct dredging and related costs in the table above as well as $726 (2019 – $341) of unrecoverable berth dredging.

(all amounts in thousands of Canadian dollars)

16 Global pandemic

Since March 2020, the pandemic has affected communities in many countries. In response to the pandemic, travel between Canada and the United States was limited to essential travel only and Transport Canada restricted cruise vessels from visiting Canadian ports. The effect on the Saint John Port Authority due to this restriction was the temporary cessation in cruise sector revenue for the 2020 fiscal year.