



Consolidated Financial Statements

Prince Rupert Port Authority

December 31, 2022

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Independent Auditor's Report

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To the Board of Directors of the Prince Rupert Port Authority

Opinion

We have audited the consolidated financial statements of the Prince Rupert Port Authority ("the Authority"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of net income and comprehensive income, consolidated statement of changes in equity of Canada and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Prince Rupert Port Authority as at December 31, 2022, and its consolidated financial performance and its consolidated 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. 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 are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Emphasis of Matter – Amended Financial Statements

We draw attention to Note 18 to the financial statements, which describes that the financial statements that were originally reported on April 21, 2022 have been amended and describes the matter that gave rise to the amendment of the financial statements. Our opinion is not modified in respect of this matter.

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 International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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.

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.

Victoria, Canada
April 20, 2023



Chartered Professional Accountants


Prince Rupert Port Authority

Consolidated Statement of Financial Position

December 31 (expressed in \$000's) 2022 2021

| | 2022 | 2021 |
|---|-------------------|-----------------------|
| | | Restated (Note 18) |
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 35,381 | \$ 93,055 |
| Term deposits | 85,325 | 5,127 |
| Accounts receivable (Note 4) | 22,174 | 24,066 |
| Prepaid expenses | 725 | 783 |
| | 143,605 | 123,030 |
| Non-current | | |
| Employee benefits (Note 10) | 4,161 | 3,185 |
| Term deposits | 2,016 | 2,007 |
| Property and equipment (Note 5) | 318,188 | 304,115 |
| Intangible assets (Note 6) | 161 | 227 |
| | 324,526 | 309,534 |
| | \$ 468,131 | \$ 432,564 |
| Liabilities and Equity of Canada | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 7) | \$ 24,955 | \$ 33,783 |
| Current portion of deferred revenue | 1,724 | 427 |
| | 26,679 | 34,211 |
| Non-current | | |
| Deferred revenue | 6,170 | 3,699 |
| Deferred contributions | 89,589 | 80,750 |
| | 95,759 | 84,450 |
| | 122,438 | 118,660 |
| Equity of Canada | | |
| Contributed capital | 36,213 | 36,213 |
| Surplus | 309,480 | 277,691 |
| | 345,693 | 313,904 |
| | \$ 468,131 | \$ 432,564 |

Contingent liability (Note 13)
 Contingent asset (Note 16)
 Commitments (Notes 14)


Director

Director

See accompanying notes to the financial statements.

Prince Rupert Port Authority

Consolidated Statement of Net Income

| Year Ended December 31 (expressed in \$000's) | 2022 | 2021 |
|--|------------------|-----------------------|
| | | Restated (Note 18) |
| Revenue | \$ <u>66,016</u> | \$ <u>61,617</u> |
| Expenses | | |
| Depreciation and amortization | 6,753 | 4,950 |
| Federal stipend | 3,234 | 3,169 |
| Operating and administrative | 4,043 | 5,907 |
| Payments in lieu of municipal taxes | 1,794 | 4,273 |
| Professional and consulting fees | 5,107 | 4,249 |
| Repairs and maintenance | 1,574 | 1,815 |
| Salaries and benefits | 15,481 | 13,790 |
| | <u>37,986</u> | <u>38,153</u> |
| Earnings from operations before other income and expenses | <u>28,030</u> | <u>23,464</u> |
| Other income and expenses | | |
| Interest income | 2,545 | 605 |
| Loss on sale of assets | - | (61) |
| Loss on foreign exchange | 11 | (4) |
| | <u>2,556</u> | <u>540</u> |
| Net income | \$ <u>30,586</u> | \$ <u>24,004</u> |

See accompanying notes to the financial statements.

Prince Rupert Port Authority
Consolidated Statement of Comprehensive Income

| Year Ended December 31 (expressed in \$000's) | 2022 | 2021 |
|--|-------------------------|-------------------------|
| Net income | \$ 30,586 | \$ 24,004 |
| Other comprehensive income | | |
| Defined benefit plan actuarial gain (loss) (Note 10) | <u>1,203</u> | <u>1,998</u> |
| Total comprehensive income for the year | \$ <u>31,789</u> | \$ <u>26,002</u> |

See accompanying notes to the financial statements.

Prince Rupert Port Authority

Consolidated Statement of Changes in Equity of Canada

| Year Ended December 31 (expressed in \$000's) | Contributed Capital | Surplus | Total |
|--|------------------------|-------------------|-------------------|
| Balance - December 31, 2020 | | | |
| as previously stated | \$ 36,213 | \$ 252,022 | \$ 288,235 |
| Prior period restatement (Note 18) | - | (333) | (333) |
| Balance - December 31, 2020 | | | |
| restated | <u>36,213</u> | <u>251,689</u> | <u>287,902</u> |
| Net income for the year | - | 26,004 | 26,004 |
| Other comprehensive income | | | |
| Defined benefit plan actuarial gain | - | 1,998 | 1,998 |
| | <u>-</u> | <u>28,002</u> | <u>28,002</u> |
| Balance – December 31, 2021 | | | |
| restated | <u>36,213</u> | <u>279,691</u> | <u>315,904</u> |
| Prior period restatement (Note 18) | - | (2,000) | (2,000) |
| Balance - December 31, 2021 | | | |
| restated | <u>36,213</u> | <u>277,691</u> | <u>313,904</u> |
| Net income for the year | - | 30,586 | 30,586 |
| Other comprehensive income | | | |
| Defined benefit plan actuarial gain | - | 1,203 | 1,203 |
| | <u>-</u> | <u>31,789</u> | <u>31,789</u> |
| Balance – December 31, 2022 | \$ 36,213 | \$ 309,480 | \$ 345,693 |

See accompanying notes to the financial statements.

Prince Rupert Port Authority

Consolidated Statement of Cash Flows

| Year Ended December 31 (expressed in \$000's) | 2022 | 2021 |
|---|------------------|-----------------------|
| | | Restated (Note 18) |
| Cash flows from operating activities | | |
| Net income for the year | \$ 30,586 | \$ 24,004 |
| Adjustments for: | | |
| Amortization of deferred contributions | - | (2) |
| Amortization expense | 6,753 | 4,950 |
| Loss (gain) on disposal of property and equipment | - | 61 |
| Net finance income | (2,545) | (605) |
| | <u>34,795</u> | <u>28,408</u> |
| Change in working capital items: | | |
| Accounts receivable | 1,892 | 18,187 |
| Prepaid expenses | 58 | (36) |
| Employee benefits | 227 | (1,086) |
| Accounts payable and accrued liabilities | (8,828) | (8,879) |
| Deferred revenue | 3,768 | 1,950 |
| Deferred contributions | 8,838 | 28,338 |
| | <u>5,955</u> | <u>38,474</u> |
| Net cash from operating activities | <u>40,749</u> | <u>66,881</u> |
| Cash flows from investing activities | | |
| Interest received | 2,562 | 447 |
| Proceeds from sale of property and equipment | - | 10 |
| Acquisition of property and equipment | (22,116) | (42,159) |
| Government contributions | 1,356 | 4,628 |
| Sale of term deposits | 5,100 | 55,355 |
| Purchase of term deposits | (85,325) | (5,100) |
| Promissory note repayments | - | 254 |
| | <u>(98,423)</u> | <u>13,435</u> |
| Net cash used in investing activities | <u>(98,423)</u> | <u>13,435</u> |
| Net decrease in cash and cash equivalents | (57,674) | 80,316 |
| Cash and cash equivalents, beginning of year | 93,055 | 12,740 |
| Cash and cash equivalents, end of year | \$ 35,381 | \$ 93,055 |

See accompanying notes to the financial statements.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

1. Canadian Port Authority

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

The Authority, Prince Rupert Port Development Corporation, and Prince Rupert Terminals Inc., wholly owned subsidiaries, are collectively referred to as the "Group".

The Group's mission is to develop and manage a gateway for trade, providing value and advantage to our customers while creating economic benefit to our community, region, and whole of Canada in a competitive, safe, and sustainable way. The Group is exempt from income taxes.

2. Basis of preparation

Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on April 20, 2023.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgments

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

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

2. Basis of preparation (continued)

Use of estimates and judgments (continued)

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

The most critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Group's consolidated financial statements relate to lease classification (Note 11).

The areas which involve assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are the measurement of defined benefit obligations (Note 10), determination of the useful lives of property and equipment (Note 3), estimation of amounts payable in lieu of taxes (Note 3), provisions (Note 12) and contingencies (Notes 13 and 16).

3. Significant accounting policies

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

Basis of consolidation

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

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

Payments in lieu of municipal taxes

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

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

3. Significant accounting policies (continued)

Foreign currency transactions (continued)

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Revenue

Revenue from wharfage and berthage is recognized when services are rendered, when the control of the promised services are transferred to customers in an amount that reflects consideration the Group expects to be entitled to receive in exchange for those services measured based on the consideration specified in a contract with customers.

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

Property and equipment

(a) Recognition and measurement

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

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

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

3. Significant accounting policies (continued)

Property and equipment (continued)

(b) Subsequent costs

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

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

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

The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in statement of net income as incurred.

(c) Depreciation

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

| Asset | Rate |
|--------------------------------|---------------|
| Berthing structures | 1.67% - 10% |
| Leasehold improvements | Term of lease |
| Buildings | 2.5% - 10% |
| Roads and surfaces | 1.67% - 20% |
| Utilities | 3.33% - 10% |
| Machinery and equipment | 5% - 30% |
| Office furniture and equipment | 10% - 33.3% |

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. When changes are made, adjustments are reflected prospectively. Depreciation of land relates to a habitat restoration project at Seal Cove and will be carried out over five years.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

3. Significant accounting policies (continued)

Intangible assets

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

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

Employee benefits

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

(a) Short-term employee benefits

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

A liability is recognized for the amount expected to be paid under a short-term variable incentive plan (VIP) if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(b) Defined contribution plans

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

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

3. Significant accounting policies (continued)

(c) Defined benefit plans

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

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

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

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

(d) Termination benefits

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

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

3. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

(a) Non- derivative financial assets

At initial recognition, the Group classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired:

- (i) Amortized cost: a financial asset is measured at amortized cost if both of the following conditions are met, (and the Group has not designated the asset as Fair value through profit or loss "FVTPL"):
 - a. The financial asset is held in order to collect contractual cash flows; and
 - b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

After initial recognition, financial assets measured at amortized cost are measured using the effective interest method. Discounting is omitted where the effect of the discounting is immaterial. The Group's cash and cash equivalents, term deposits, accounts receivable, and long-term receivables fall into this category of financial instruments.

- (ii) Fair value through profit or loss (FVTPL): a financial asset is measured at FVTPL unless it is measured at amortized cost or at fair value through other comprehensive income.

Assets measured at FVTPL are measured at fair value with gains or losses recognized in the statement of net income. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

3. Significant accounting policies (continued)

- (iii) Fair value through other comprehensive income (FVOCI): a financial asset is measured at FVOCI if both of the following conditions are met:
- a. The financial asset is held to collect contractual cash flows and to sell financial assets; and
 - b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset in the statement of net income.

Impairment of Financial Assets

At each reporting date, the Group assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Group recognizes an impairment loss.

The impairment requirements under IFRS 9 use forward-looking information to recognize expected credit losses – the expected credit loss (ECL) model.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument.

Accounts receivable

The Group assesses impairment of trade receivables on an individual basis as they possess varied credit risk characteristics.

At each reporting date, when the Group identifies that the credit risk of an individual financial instrument has increased significantly since initial recognition, the Group prepares a loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses on an individual basis.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

3. Significant accounting policies (continued)

(b) Financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost include accounts payable and accrued liabilities.

Financial liabilities are classified as current liabilities if payments are due within 12 months. Otherwise, they are presented as non-current liabilities in the consolidated statement of financial position.

All interest-related charged and, if applicable, changes in an instrument's fair value that are reported in the statement of net income are included within finance costs or finance income.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

3. Significant accounting policies (continued)

Impairment

Non-financial assets

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

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

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

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

Contributions

Government contributions are presented on a net basis as a reduction of either the cost of the related property and equipment with amortization calculated on the net amount or the related expenditures in profit or loss, as applicable. Contributions received from non-government contributors are recognized as revenue in accordance with IFRS 15 Revenue from Contracts with Customers and the timing of revenue recognition is based on the Group's performance obligations following the receipt of the assets acquired through the contributions. Deferred contributions represent contributions from non-government contributors towards the cost of the Group's property and equipment which will benefit the non-government contributors over time, and contributions from government entities for which the corresponding assets have not yet been acquired or constructed or the corresponding expenses have not yet been incurred.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

3. Significant accounting policies (continued)

Provisions

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

Onerous contracts

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

Lease payments

For any new contracts entered into, the Group considers whether a contract is, or contains a lease. A lease is defined as a “contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration”. To apply this definition the Group assesses whether the contract meets the following criteria:

- (i) The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specific by being identified at the time the asset is made available to the Group.
- (ii) The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- (iii) The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct “how and for what purpose” the asset is used throughout the period in use.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

3. Significant accounting policies (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciated the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the internal interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are any changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in the statement of net income on a straight-line basis over the lease term.

The Group as a lessor

The Group's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

3. Significant accounting policies (continued)

Finance income and finance costs

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

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

Adopted accounting standards

The following is a summary of recent accounting pronouncements which were adopted by the Group during the year:

a) Amendments to IAS 37, Provisions, contingent liabilities and contingent assets

Amendments were made to IAS 37, Provisions, contingent liabilities and contingent assets in order to clarify (i) the meaning of "costs to fulfil a contract", and (ii) that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IAS 37 is required to be applied for annual periods beginning on or after January 1, 2022. The adoption of the amendment to IAS 37 did not result in any adjustments in our treatment of provisions, contingent liabilities and contingent assets.

Accounting standards issued but not yet applied

a) Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements ("IFRS Practice Statement 2")

In February 2021, the International Accounting Standards Board ("the IASB") added an IFRS practice statement to IAS 1 which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies.

The amendments are intended to help preparers determine which accounting policies to disclose in their financial statements. The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. The Group is currently evaluating the impact of this amendment on future periods and does not anticipate a material impact to the Group as a result of the amendments to IAS 1 and IFRS Practice Statement 2.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

3. Significant accounting policies (continued)

Accounting standards issued but not yet applied (continued)

b) IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to IAS 1, "Presentation of Financial Statements", to clarify how to classify debt and other liabilities as either current or non-current. Specifically, the amendments clarify the definition of a right to defer settlement and specify that the conditions that exist at the end of the reporting period are those that are to be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the definition of "settlement" of a liability. In October 2022, revised amendments in respect of non-current liabilities with covenants were issued. The amendments are effective for fiscal years beginning on or after January 1, 2024 and must be applied retrospectively. Early application is permitted. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

c) Amendments to IAS 8 – Definition of accounting estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces the definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors. The amendments are effective January 1, 2023, with early application permitted. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

There are no other relevant standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the consolidated financial statements of the Group.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

4. Accounts receivable

| | <u>2022</u> | <u>2021</u> |
|--|------------------|------------------|
| Accounts receivable due from related parties | \$ 39 | \$ 4,243 |
| Trade receivables | 9,434 | 8,329 |
| Other receivables | <u>12,701</u> | <u>11,494</u> |
| | <u>\$ 22,174</u> | <u>\$ 24,066</u> |

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

The amounts owing from related parties are from the Government of Canada and its related entities.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

5. Property and equipment

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Land | | |
| Cost | \$ 94,636 | \$ 86,977 |
| Accumulated depreciation and impairment losses | (244) | - |
| | <u>94,392</u> | <u>86,977</u> |
| Berthing structures | | |
| Cost | 20,740 | 20,740 |
| Accumulated depreciation and impairment losses | (5,541) | (5,183) |
| | <u>15,199</u> | <u>15,557</u> |
| Leasehold improvements | | |
| Cost | 486 | 486 |
| Accumulated depreciation and impairment losses | (486) | (481) |
| | <u>-</u> | <u>5</u> |
| Buildings | | |
| Cost | 23,913 | 23,699 |
| Accumulated depreciation and impairment losses | (6,608) | (5,982) |
| | <u>17,305</u> | <u>17,717</u> |
| Roads and surfaces | | |
| Cost | 169,988 | 44,865 |
| Accumulated depreciation and impairment losses | (14,246) | (11,270) |
| | <u>155,742</u> | <u>33,595</u> |
| Utilities | | |
| Cost | 39,190 | 33,470 |
| Accumulated depreciation and impairment losses | (11,820) | (10,564) |
| | <u>27,370</u> | <u>22,906</u> |
| Machinery and equipment | | |
| Cost | 8,848 | 8,407 |
| Accumulated depreciation and impairment losses | (4,618) | (3,980) |
| | <u>4,230</u> | <u>4,427</u> |
| Office furniture and equipment | | |
| Cost | 4,703 | 4,668 |
| Accumulated depreciation and impairment losses | (4,069) | (3,483) |
| | <u>634</u> | <u>1,185</u> |
| Construction in progress | | |
| Cost | 3,316 | 121,746 |
| Total property and equipment | <u>\$ 318,188</u> | <u>\$ 304,115</u> |

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

5. Property and equipment (continued)

Reconciliations

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

| | <u>2022</u> | <u>2021</u> |
|---|----------------|----------------|
| Land | | |
| Carrying amount at January 1 | \$ 86,977 | \$ 86,977 |
| Additions | 4,000 | - |
| Transfers from construction in progress | 3,659 | - |
| Depreciation | <u>(244)</u> | <u>-</u> |
| Carrying amount at December 31 | <u>94,392</u> | <u>86,977</u> |
| Berthing structures | | |
| Carrying amount at January 1 | 15,557 | 15,917 |
| Depreciation | <u>(358)</u> | <u>(360)</u> |
| Carrying amount at December 31 | <u>15,199</u> | <u>15,557</u> |
| Leasehold improvements | | |
| Carrying amount at January 1 | 5 | 17 |
| Depreciation | <u>(5)</u> | <u>(12)</u> |
| Carrying amount at December 31 | <u>-</u> | <u>5</u> |
| Buildings | | |
| Carrying amount at January 1 | 17,717 | 18,229 |
| Transfers from construction in progress | 214 | 93 |
| Disposals | - | (2) |
| Depreciation | <u>(626)</u> | <u>(603)</u> |
| Carrying amount at December 31 | <u>17,305</u> | <u>17,717</u> |
| Roads and surfaces | | |
| Carrying amount at January 1 | 33,595 | 34,909 |
| Transfers from construction in progress | 125,124 | 44 |
| Depreciation | <u>(2,977)</u> | <u>(1,358)</u> |
| Carrying amount at December 31 | <u>155,742</u> | <u>33,595</u> |
| Utilities | | |
| Carrying amount at January 1 | 22,906 | 24,186 |
| Transfers from construction in progress | 5,718 | - |
| Disposals | - | (38) |
| Depreciation | <u>(1,254)</u> | <u>(1,242)</u> |
| Carrying amount at December 31 | <u>27,370</u> | <u>22,906</u> |

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

5. Property and equipment (continued)

Reconciliations (continued)

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Machinery and equipment | | |
| Carrying amount at January 1 | 4,427 | 4,934 |
| Transfers from construction in progress | 440 | 208 |
| Disposals | - | (23) |
| Depreciation | <u>(637)</u> | <u>(692)</u> |
| Carrying amount at December 31 | <u>4,230</u> | <u>4,427</u> |
| Office furniture and equipment | | |
| Carrying amount at January 1 | 1,185 | 1,608 |
| Additions | 20 | - |
| Transfers from construction in progress | 15 | 203 |
| Disposals | - | (9) |
| Depreciation | <u>(586)</u> | <u>(617)</u> |
| Carrying amount at December 31 | <u>634</u> | <u>1,185</u> |
| Construction in progress | | |
| Carrying amount at January 1 | 121,746 | 84,763 |
| Additions | 16,740 | 37,531 |
| Transfers to other classes of property and equipment and intangible assets | <u>(135,170)</u> | <u>(548)</u> |
| Carrying amount at December 31 | <u>3,316</u> | <u>121,746</u> |
| Total property and equipment | <u>\$ 318,188</u> | <u>\$ 304,115</u> |

The Group reviews construction-in-progress annually to assess whether the capital expenditures continue to provide a future economic benefit. In 2022, no costs (2021: \$Nil) relating to foregone capital projects were written off.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

6. Intangible assets

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|---------------|---------------|
| Computer software | | |
| Cost | \$ 936 | \$ 936 |
| Accumulated amortization | <u>(775)</u> | <u>(709)</u> |
| Total intangible assets | <u>\$ 161</u> | <u>\$ 227</u> |
| Computer software | | |
| Carrying amount at January 1 | \$ 227 | \$ 293 |
| Amortization | <u>(66)</u> | <u>(66)</u> |
| Carrying amount at December 31 | <u>\$ 161</u> | <u>\$ 227</u> |

7. Accounts payable and accrued liabilities

| | <u>2022</u> | <u>2021</u> |
|-----------------------------|------------------|------------------|
| Trade payables | \$ 3,728 | \$ 6,088 |
| Payables to related parties | 3,234 | 3,169 |
| Accrued liabilities | <u>17,993</u> | <u>24,527</u> |
| | <u>\$ 24,955</u> | <u>\$ 33,783</u> |

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

8. Line of credit

The Group has available a \$30,000 operating line of credit from a Canadian financial institution. The operating line bears interest on amounts drawn at a Canadian dollar bankers' acceptance rate plus 0.5%. The operating line is unsecured and does not require compliance with any financial covenants. As at December 31, 2022, the Group has not drawn on the operating line (2021: \$Nil).

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

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

9. Financial instruments and financial risk management

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

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

Fair values

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

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

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

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

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

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

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

9. Financial instruments and financial risk management (continued)

Fair values (continued)

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

| | 2022 | |
|--|------------------------|-------------------|
| | Carrying amount | Fair value |
| Assets carried at amortized cost | | |
| Cash and cash equivalents | \$ 35,381 | \$ 35,381 |
| Term deposits | 87,341 | 87,341 |
| Accounts receivable | 22,174 | 22,174 |
| | <u>\$ 144,896</u> | <u>\$ 144,896</u> |
| Liabilities carried at amortized cost | | |
| Accounts payable and accrued liabilities | \$ 24,955 | \$ 24,955 |
| | <u>\$ 24,955</u> | <u>\$ 24,955</u> |
| | 2021 | |
| | Carrying amount | Fair value |
| Assets carried at amortized cost | | |
| Cash and cash equivalents | \$ 93,055 | \$ 93,055 |
| Term deposits | 7,134 | 7,134 |
| Accounts receivable | 24,066 | 24,066 |
| Note receivable | - | - |
| | <u>\$ 124,255</u> | <u>\$ 124,255</u> |
| Liabilities carried at amortized cost | | |
| Accounts payable and accrued liabilities | \$ 33,783 | \$ 33,783 |
| | <u>\$ 33,783</u> | <u>\$ 33,783</u> |

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

9. Financial instruments and financial risk management (continued)

Currency risk

Currency risk is the risk to the Group's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Group's foreign exchange risk arises with respect to the US dollar. On an ongoing basis, management monitors changes in foreign currency exchange rates.

The amount of transactions and balances in US dollars is minimal, and as such the risk is not considered to be material.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Group manages exposure through its normal operating and financing activities. The Group is exposed to interest rate risk primarily through its long-term debt.

The Group's objective in managing interest rate risk is to monitor expected volatility in interest rates while also minimizing the Group's financing expense levels. Interest rate risk mainly arises from fluctuations of interest rates.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

| | Carrying amount | |
|-------------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| Fixed rate instruments | | |
| Financial assets | \$ <u>122,722</u> | \$ <u>100,189</u> |

Fair value sensitivity for fixed-rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

9. Financial instruments and financial risk management (continued)

Credit risk

Credit risk arises from the potential that a counterpart will fail to perform its obligations. The Group is exposed to credit risk from customers. To reduce its credit risk, the Group reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for expected credit losses is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. As at December 31, 2022 management assessed these factors and recorded no allowance for doubtful accounts (2021: \$Nil).

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

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 35,381 | \$ 93,055 |
| Term deposits | 87,341 | 7,134 |
| Accounts receivable | <u>22,174</u> | <u>24,066</u> |
| | <u>\$ 144,896</u> | <u>\$ 124,255</u> |
| | <u>2022</u> | <u>2021</u> |
| Assets carried at amortized cost | | |
| Not past due | \$ 17,941 | \$ 15,738 |
| Past due 0-30 days | 2,842 | 5,318 |
| Past due 31-360 days | <u>1,391</u> | <u>3,010</u> |
| | <u>\$ 22,174</u> | <u>\$ 24,066</u> |

Liquidity risk

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

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

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

9. Financial instruments and financial risk management (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities:

December 31, 2022

| | Carrying Amount | 0-12 months | 1-5 years | More than 5 years |
|---|----------------------------|--------------------|------------------|------------------------------|
| Financial Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 24,955 | \$ 20,862 | \$ 4,069 | \$ 24 |

December 31, 2021

| | Carrying Amount | 0-12 months | 1-5 years | More than 5 years |
|---|----------------------------|--------------------|------------------|------------------------------|
| Financial Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 33,783 | \$ 29,154 | \$ 4,560 | \$ 69 |

Capital management

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

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

There were no changes in the Group's approach to capital management during the year. Statutory restrictions prevent the Group from external borrowing more than \$139,000 (2021: \$139,000). As at December 31, 2022 and 2021, the Group was in compliance with this restriction.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

10. Employee benefits

Defined benefit plans

| | Pension Plan | | Supplemental Pension | | Total | |
|---------------------------------------|--------------|------------|----------------------|------|------------|------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Net defined benefit liability (asset) | \$ (4,161) | \$ (3,185) | \$ - | \$ - | \$ (4,161) | \$ (3,185) |
| Total employee benefit liabilities | \$ (4,161) | \$ (3,185) | \$ - | \$ - | \$ (4,161) | \$ (3,185) |

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

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

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

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

Funding

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

The Group expects to pay \$1,914 in contributions to its defined benefit plans in 2023.

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

10. Employee benefits (continued)

Defined benefit plans (continued)

Movement in net defined benefit liability

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

Pension Plan

| | Defined benefit obligation | | Fair value of plan assets | | Net defined benefit liability | |
|-------------------------------------|----------------------------|----------|---------------------------|-------------|-------------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Balance, beginning of year | \$ 9,167 | \$ 9,540 | \$ (12,352) | \$ (11,163) | \$ (3,185) | \$ (1,623) |
| Included in profit or loss | | | | | | |
| Current service cost | 152 | 153 | - | - | 152 | 153 |
| Interest cost (income) | 272 | 245 | (370) | (289) | (98) | (44) |
| | 424 | 398 | (370) | (289) | 54 | 109 |
| Included in OCI | | | | | | |
| Remeasurements loss (gain): | | | | | | |
| Actuarial loss (gain) | | | | | | |
| arising from: | | | | | | |
| experience adjustment | (2,673) | (558) | - | - | (2,673) | (558) |
| Return on plan assets | | | | | | |
| excluding interest income | | - | 1,732 | (970) | 1,732 | (970) |
| | (2,673) | (558) | 1,732 | (970) | (941) | (1,528) |
| Other | | | | | | |
| Contributions paid by the employer | | - | (89) | (143) | (89) | (143) |
| Contributions paid by the employees | 38 | 42 | (38) | (42) | - | - |
| Benefits paid | (219) | (255) | 219 | 255 | - | - |
| | (181) | (213) | 92 | 70 | (89) | (143) |
| Balance, end of year | \$ 6,737 | \$ 9,167 | \$ (10,898) | \$ (12,352) | \$ (4,161) | \$ (3,185) |

Prince Rupert Port Authority

Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

10. Employee benefits (continued)

Defined benefit plans (continued)

Movement in net defined benefit liability (continued)

Supplemental Plan

| | Defined benefit obligation | | Fair value of plan assets | | Net defined benefit liability | |
|---|----------------------------|--------------|---------------------------|----------------|-------------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Balance, beginning of year | \$ 9,717 | \$ 10,007 | \$ (9,717) | \$ (8,485) | \$ - | \$ 1,522 |
| Included in profit or loss | | | | | | |
| Current service cost | 262 | 271 | - | - | 262 | 271 |
| Interest cost (income) | 289 | 258 | (301) | (236) | (12) | 22 |
| | <u>551</u> | <u>529</u> | <u>(301)</u> | <u>(236)</u> | <u>250</u> | <u>293</u> |
| Included in OCI | | | | | | |
| Remeasurements loss (gain): | | | | | | |
| Actuarial loss (gain) arising from: | | | | | | |
| experience adjustment | (3,102) | (679) | - | - | (3,102) | (679) |
| Return on plan assets excluding interest income | - | - | 2,852 | 209 | 2,852 | 209 |
| | <u>(3,102)</u> | <u>(679)</u> | <u>2,852</u> | <u>209</u> | <u>(250)</u> | <u>(470)</u> |
| Other | | | | | | |
| Contributions paid by the employer | - | - | - | (1,345) | - | (1,345) |
| Benefits paid | (178) | (140) | 178 | 140 | - | - |
| | <u>(178)</u> | <u>(140)</u> | <u>178</u> | <u>(1,205)</u> | <u>-</u> | <u>(1,345)</u> |
| Balance, end of year | \$ 6,988 | \$ 9,717 | \$ (6,988) | \$ (9,717) | \$ - | \$ - |

Plan assets

Plan assets comprise:

| | Pension Plan | | Supplemental Pension | |
|------------------------------|--------------|-------------|----------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Equity securities | 62% | 62% | 27% | 32% |
| Fixed income debt securities | 38% | 38% | 17% | 17% |
| Other securities | - | - | 56% | 51% |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

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

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Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

10. Employee benefits (continued)

Defined benefit plans (continued)

Actuarial assumptions

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

| | Pension Plan | | Supplemental Pension | |
|-----------------------------------|--------------|------|----------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Discount rate at end of year | 5.2% | 3.0% | 5.2% | 3.0% |
| Increases in pensionable earnings | 2.5% | 2.5% | 2.5% | 2.5% |
| Inflation rate | 2.0% | 2.0% | 2.0% | 2.0% |
| Future salary growth | 2.5% | 2.5% | 2.5% | 2.5% |

Sensitivity analysis

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

| | Pension Plan | | Supplemental Pension | |
|------------------------------|--------------|----------|----------------------|----------|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | (836) | 1,035 | (945) | 1,189 |
| Salary scale (1% movement) | 2 | - | 173 | (165) |
| Year age (1 year difference) | 130 | (133) | 135 | (120) |

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

The Group's actuary prepares annual valuations of the accrued benefit obligations using January 1 as a measurement date and extrapolated to December 31. The most recent valuations of the pension plan and supplemental pension plan for funding purposes were conducted as of January 1, 2020 and extrapolated to December 31, 2020. The plan assets are valued as at December 31 of each year, and the latest valuation of plan assets is as at December 31, 2020.

Defined contribution plan

Defined contribution plan employer contributions:

| | 2022 | 2021 |
|------------------------|--------|--------|
| Employer contributions | \$ 676 | \$ 663 |

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11. Leases

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

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

| | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| No later than one year | \$ 24,287 | \$ 21,612 |
| Later than one year and not more than five years | 95,737 | 88,965 |
| Later than five years | 371,582 | 372,269 |

Contingent-based revenue recognized in profit or loss in 2022 was \$24,464 (2021: \$37,884).

12. Provisions

Community investment fund

In 2010, the Group established a Community Investment Fund (the "Fund") that will be used to support broad community-based projects, initiatives and events that are deemed to have a meaningful and wide-reaching impact in Prince Rupert, the regional community, and the Skeena River Watershed. In years where the Group reports positive net earnings, a percentage of these earnings will be set aside to grow the Fund. The Group has recorded a provision based on 2022 net income, and this amount is included in accounts payable and accrued liabilities and in operating and administrative expense for the year.

| | <u>Community Investment Fund</u> | <u>Decommission Costs</u> | <u>Total</u> |
|-------------------------------------|--------------------------------------|-------------------------------|--------------|
| Balance - December 31, 2020 | \$ 7,975 | \$ 3,415 | \$ 11,390 |
| Provisions made during the year | 1,539 | - | 1,539 |
| Provisions used during the year | (886) | (352) | (1,238) |
| Provisions reversed during the year | - | - | - |
| Balance – December 31, 2021 | 8,628 | 3,063 | 11,691 |
| Provisions made during the year | 1,774 | - | 1,774 |
| Provisions used during the year | (1,189) | - | (1,189) |
| Provisions reversed during the year | (116) | (3,063) | (3,179) |
| Balance – December 31, 2022 | \$ 9,097 | \$ - | \$ 9,097 |

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December 31, 2022 (expressed in \$000's)

13. Contingent liability

In fiscal 2022, the Group has contingent liabilities for claims based on estimated settlement costs but has made no specific provision for those where the outcome is presently indeterminable.

14. Commitments

Capital commitments

Planned capital projects commitments as at December 31, 2022 are as follows:

| | Gross spending to date | Remaining commitments at year-end |
|-------------------------------|------------------------------|---|
| Ridley Import/Export Platform | \$ <u>7,398</u> | \$ <u>128</u> |

15. Government and non-government contributions

\$1,356 in government contributions were recognized during the year ended December 31, 2022 (2021: \$4,628) and applied to reduce the cost of the related property and equipment during the year.

\$Nil in government contributions were recognized during the year ended December 31, 2022 (2021: \$136) and applied to reduce the cost of the related professional and consulting fees during the year.

\$383 in non-government contributions were recognized during the year ended December 31, 2022 (2021: \$2) and applied to profit and loss during the year.

\$Nil in government contributions were received during the year ended December 31, 2022 (2021: \$25,000) and has been deferred to be applied against the future project expenditures not yet incurred.

16. Contingent asset

In fiscal 2022, the Group has a contingent asset and is in process of seeking a refund of overpayments made pursuant to various regulations. The parties have applied for the review process and the outcome is yet to be determined.

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Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

17. Remuneration disclosures

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

Board of Directors

| Name | Title | Fees | Allowances | 2022 Total | 2021 Total |
|----------------------|------------|---------------|---------------|---------------|---------------|
| Tjallingii, F. | Chair | \$ 50 | 58 | \$ 108 | 94 |
| Andreone, R. | Director | 17 | 53 | 70 | 53 |
| Clarke, J. | Director | - | - | - | 11 |
| Clayton, K. | Director | 17 | 53 | 70 | 50 |
| Clifton Percival, B. | Director | 12 | 51 | 63 | 46 |
| Farrell, J. | Vice Chair | 19 | 46 | 65 | 54 |
| Lantin, P. | Director | 22 | 54 | 76 | 57 |
| | | <u>\$ 137</u> | <u>\$ 315</u> | <u>\$ 452</u> | <u>\$ 365</u> |

Included in operating and administrative expenses are director travel, education and hospitality expenses in the amount of \$37 (2021: \$11).

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Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

17. Remuneration disclosures (continued)

Key Management Personnel

| Name | Title | Salaries and fees | Allowances | 2022 Total | 2021 Total |
|---------------|---|----------------------|--------------|-----------------|-----------------|
| Stevenson, S. | President & CEO | \$ 564 | \$ 10 | \$ 574 | \$ 554 |
| Slocombe, K. | VP, Gateway Operations & Planning | 322 | 6 | 328 | 317 |
| Friesen, B. | VP, Trade Development & Communications | 301 | 6 | 307 | 297 |
| Veldman, K. | VP, Public Affairs & Sustainability | 299 | 6 | 305 | 295 |
| O'Brien, S. | VP Commercial and Regulatory Affairs | 297 | 6 | 303 | 293 |
| Rektor, J. | VP, Finance & Corporate Services | 294 | 4 | 298 | 353 |
| Smith, J. | Director, Environmental Planning & Compliance | 238 | - | 238 | 240 |
| Dressel, T. | Director, Information Technology & Digital Business | 181 | - | 181 | 237 |
| Jackson, M. | Director, Finance | - | - | - | 140 |
| Keller, L. | VP, Infrastructure Planning & Delivery | - | - | - | 30 |
| | | <u>\$ 2,496</u> | <u>\$ 38</u> | <u>\$ 2,534</u> | <u>\$ 2,756</u> |

Total remuneration and benefits for directors and key management personnel during the year was \$2,633 (2021: \$3,121) along with post-employment benefits of \$231 (2021: \$296).

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Notes to the Consolidated Financial Statements

December 31, 2022 (expressed in \$000's)

18. Prior period restatement

During the period, the Group identified that deferred revenue was understated in 2021 and 2020, and revenue was overstated for 2021 and 2020. As a result of the adjustment, the following financial statements items as at December 31, 2021 have been adjusted by the following amounts:

Consolidated statement of financial position as at December 31, 2021

| | |
|-----------------------------|------------|
| Deferred revenue - increase | \$ 2,333 |
| Surplus - decrease | \$ (2,333) |

Consolidated statement of comprehensive income for the year ended December 31, 2021

| | |
|-----------------------|------------|
| Revenue - decrease | \$ (2,000) |
| Net income - decrease | \$ (2,000) |

Consolidated statement of changes in equity of Canada for the year ended December 31, 2021

| | |
|--|------------|
| Surplus balance December 31, 2020 - decrease | \$ (333) |
| Surplus balance December 31, 2021 - decrease | \$ (2,333) |

Consolidated statement of cash flows for the year ended December 31, 2021

| | |
|-------------------------|------------|
| Net income for the year | \$ (2,000) |
| Deferred revenue | \$ 2,000 |
