Nanaimo Port Authority
Financial Statements
December 31, 2018

Contents

For the year ended December 31, 2018

Independent Auditor's Report

To the Board of Directors of the Nanaimo Port Authority:

Opinion

We have audited the financial statements of the Nanaimo Port Authority (the "Port"), which comprise the statement of financial position as at December 31, 2018, and the statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Port as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Financial Statements section of our report. We are independent of the Port in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Nanaimo Port Authority for the year ended December 31, 2017 were audited by another firm of public accountants who issued an unqualified audit opinion on April 25, 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Port'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 Port or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Port's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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 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 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 Port'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 Port’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Port to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Nanaimo, British Columbia

MNP LLP

April 25, 2019

Chartered Professional Accountants

MNP LLP

Nanaimo Port Authority
Statement of Financial Position
As at December 31, 2018

	2018	2017
Assets		
Current		
Cash and cash equivalents *(Note 7)*	**986,696**	637,309
Investments	**30,738**	30,292
Accounts receivable *(Note 8)*	**3,548,339**	1,186,217
Inventories	**46,127**	10,838
Prepaid expenses	**312,203**	279,587
Deferred pension asset *(Note 9)*	**-**	273,500
Harbour development fund *(Note 11)*	**1,000,000**	2,000,000
	5,924,103	4,417,743
Non-current		
Property and equipment *(Note 10)*	**28,805,617**	27,611,997
Total assets	**34,729,720**	32,029,740
Liabilities		
Current		
Trade and other payables	**4,687,058**	1,152,794
Deferred revenue	**495,253**	365,705
Short-term debt *(Note 12)*	**999,988**	1,499,992
Deferred pension liability *(Note 9)*	**51,200**	-
	6,233,499	3,018,491
Commitments *(Note 19)*		
Equity		
Contributed Capital	**24,991,262**	24,991,262
Retained earnings	**4,061,559**	3,254,087
Reserve for harbour development *(Note 11)*	**1,000,000**	2,000,000
Accumulated other comprehensive income	**(1,556,600)**	(1,234,100)
	28,496,221	29,011,249
	34,729,720	32,029,740

Approved on behalf of the Board

Robbin Sinclaire, Chair of the Audit Committee

Donna Hais, Acting Chair of the Board

The accompanying notes are an integral part of these financial statements

Nanaimo Port Authority
Statement of Loss and Comprehensive Loss
For the year ended December 31, 2018

	2018	*2017*
Revenue		
Port operations	**7,812,770**	6,220,949
Lease	**3,165,349**	3,305,139
	10,978,119	9,526,088
Expenses		
Maintenance	**868,085**	696,529
Marketing and community contributions	**558,907**	672,636
Operating	**3,860,504**	2,721,527
Professional fees	**490,175**	681,019
Salaries, wages and benefits	**3,215,907**	2,988,019
	8,993,578	7,759,730
Profit before other items	**1,984,541**	1,766,358
Other income (expense)		
Investment income	**48,481**	31,675
Gain on disposal of property and equipment	**46,000**	38,000
Gross revenue charge	**(241,064)**	(190,755)
Depreciation	**(2,030,486)**	(2,004,223)
	(2,177,069)	(2,125,303)
Net loss	**(192,528)**	(358,945)
Comprehensive loss		
Net actuarial losses on defined benefit plans	**(322,500)**	(20,300)
Total comprehensive loss	**(515,028)**	(379,245)

The accompanying notes are an integral part of these financial statements

Nanaimo Port Authority
Statement of Changes in Equity
For the year ended December 31, 2018

	Contributed capital	*Reserve for Harbour Development*	*Retained earnings*	*Accumulated other comprehensive income*	*Total equity*
Balance December 31, 2016	**24,991,262**	**2,000,000**	**3,613,032**	**(1,213,800)**	**29,390,494**
Net loss for the year	**-**	**-**	**(358,945)**	**(20,300)**	**(379,245)**
Balance December 31, 2017	**24,991,262**	**2,000,000**	**3,254,087**	**(1,234,100)**	**29,011,249**
Net loss for the year	**-**	**-**	**(192,528)**	**-**	**(192,528)**
Other comprehensive loss for the year	**-**	**-**	**-**	**(322,500)**	**(322,500)**
Transfers	**-**	**(1,000,000)**	**1,000,000**	**-**	**-**
Balance December 31, 2018	**24,991,262**	**1,000,000**	**4,061,559**	**(1,556,600)**	**28,496,221**

The accompanying notes are an integral part of these financial statements

Nanaimo Port Authority
Statement of Cash Flows
For the year ended December 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Loss for the year	**(192,528)**	(358,945)
Depreciation	**2,030,486**	2,004,223
Gain on the disposal of property and equipment	**(46,000)**	(38,000)
Comprehensive loss	**(322,500)**	(20,300)
(Increase) decrease in deferred pension benefit	**324,700**	(20,500)
	1,794,158	1,566,478
Changes in working capital accounts		
Accounts receivable	**(2,362,122)**	(428,848)
Inventories	**(35,292)**	6,013
Prepaid expenses	**(32,616)**	65,364
Trade and other payables	**3,534,264**	260,776
Deferred revenue	**129,548**	(119,452)
	3,027,940	1,350,331
Financing activities		
Repayments of debt	**(500,004)**	(500,004)
Investing activities		
Increase in investments	**(443)**	-
Decrease in investments	**-**	102,503
Purchases of property and equipment	**(3,224,106)**	(1,060,487)
Proceeds from disposal of property and equipment	**46,000**	38,000
	(3,178,549)	(919,984)
Decrease in cash resources	**(650,613)**	(69,657)
Cash resources, beginning of year	**2,637,309**	2,706,966
Cash resources, end of year	**1,986,696**	2,637,309
Cash resources are composed of:		
Cash	**986,696**	637,309
Harbour development fund	**1,000,000**	2,000,000
	1,986,696	2,637,309

1. Reporting entity

The Nanaimo Port Authority (the “Port”) was incorporated in accordance with Section 10 of the Canada Marine Act and by the Letters Patent of Continuance issued by the Minister of Transport on July 1, 1999.

The Port has the mandate to administer, control and manage the harbour, waters and foreshore of the Georgia Strait in an area adjacent to Nanaimo, British Columbia, Canada.

The Port generates revenue through a variety of operations including a deep-sea shipping port, property leases and general harbour administration.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

The financial statements were approved by the Board of Directors and authorized for issue on April 25, 2019.

3. Basis of preparation

Basis of measurement

The financial statements have been prepared in the historical basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out in Note 4.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Port’s functional currency.

Significant accounting judgments, estimates and assumptions

The preparation of the Port’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

Pension and other post employment benefits

Significant measurement judgment is required to determine the cost of defined benefit pension plans and other post employment benefits. The actuarial valuations involve making assumptions about discount rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

4. Summary of significant accounting policies

The accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

4. Summary of significant accounting policies *(Continued from previous page)*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the first in, first out (FIFO) method. Cost comprises all costs of purchases, costs of conversion and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Unbilled handling charges

Unbilled handling charges estimates the amount for services rendered on goods in transit at the Port's facilities. The estimate includes wages, operating and other overhead costs.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

The original cost and related accumulated depreciation of existing assets were transferred from the Nanaimo Harbour Commission.

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date the asset was put into use.

The methods of depreciation and depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Method	*Rate*
Terminal Facilities	straight-line	5 - 40 years
Commercial Inlet Facility	straight-line	5 - 40 years
Harbour Operations	straight-line	10 - 15 years
Harbour Properties	straight-line	3 - 50 years
Administrative Facilities	straight-line	4 - 50 years

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Government grants

Government grants related to property and equipment are deducted in calculating the cost of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense. Government grants are recognized when there is reasonable assurance that the Port will comply with the terms and conditions associated with the grants and the grants will be received.

Gross revenue charge

The Port pays a gross revenue charge as required per the Letters Patent under the authority of the Canada Marine Act.

Employee benefits

The Port’s post employment benefit programs consist of a defined benefit plan for both union and non-union employees as well as other post-employment benefits.

4. Summary of significant accounting policies *(Continued from previous page)*

The cost of providing benefits under the defined benefit plans are actuarially determined using the Projected Unit Credit Method (PUCM) at each reporting date. The PUCM (also known as the benefit/years of service method) recognizes each period of service as an additional unit of benefit entitlement and measures each unit separately to determine the final obligation. The discount rate used is based on market yields at the end of the reporting period of high quality corporate bonds or market yields on government bonds.

The asset or liabilities recognized on the statement of financial position represents the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.The value of any asset resulting from the calculation is restricted to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs consists of the following:

- Service costs comprising current service costs, past-service costs (including unvested amounts) resulting from plan amendments or curtailments, and gains or losses on settlement. Service costs are recognized immediately in profit or loss.
- Net interest expense or income which is recognized in profit or loss and calculated by applying the discount rate to the net defined asset or liability.
- Remeasurements comprising actuarial gains or losses, the change in asset restriction amount excluding amounts included in net interest, and the actual return on plan assets excluding amounts included in net interest, are recognized immediately in other comprehensive income.

The Port recognizes actuarial gains and losses in comprehensive income in the period in which they occur.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Port, and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discounts, volume rebates, and amounts collected on behalf of third parties.

The Port recognizes revenue from Port operations when services are rendered and collection is reasonably assured.

Revenue from leases is recognized on a straight-line basis over the lease term.

Deferred revenue represents cash received in advance of the revenue recognition criteria being met.

Impairment of non-financial assets

The Port performs impairment tests on property and equipment when events or circumstances occur that indicate the asset(s) may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. Non-current assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment loss at the reporting date.

Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliably measured, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly because of the transaction. When the fair value of a non-monetary transaction cannot be accurately measured or the transaction lacks commercial substance, it is recorded at the carrying value of the asset given up adjusted by the fair value of any monetary consideration received or given.

4. Summary of significant accounting policies *(Continued from previous page)*

Financial instruments

Financial assets at fair value through profit or loss:

The Port has classified the following financial assets at fair value through profit or loss: cash and cash equivalents and the Harbour development fund.

The Port's financial assets at fair value through profit or loss are initially recognized at their fair value. Fair value is determined by the instrument's initial cost in a transaction between unrelated parties. Changes in fair value of these instruments are included in current period profit or loss.

Financial assets measured at amortized cost

The Port has classified accounts receivable as financial assets at amortized cost.

The Port's financial assets at amortized cost are initially recognized at their fair value plus transaction costs that are directly attributable to their acquisition. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss.

Financial liabilities measured at amortized cost:

The Port has classified accounts payable and accrued liabilities as financial liabilities at amortized cost. These liabilities are iinitially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

The Port subsequently measures its financial liabilities at amortized cost, including trade and other payables and short-term debt.

Fees and costs incurred on an exchange of financial liabilities or a modification of the terms of financial liabilities that is not accounted for as an extinguishment are included in the carrying amount of the financial liability and amortized over the remaining term of the modified liability.

Financial asset impairment

The Port assesses impairment of all its financial assets, except those classified at fair value through profit or loss. Any impairment which is not considered temporary is included in net income. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments, etc. in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset’s carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year loss.

The Port reverses impairment losses on debt instruments classified as available-for-sale when an increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. In addition, the Port reverses impairment losses on financial assets carried at amortized cost when the decrease in impairment can be objectively related to an event occurring after the impairment loss was recognized.

5. Adoption of IFRS 9

Effective January 1, 2018, the Port adopted IFRS 9 Financial Instruments under IFRS 9, the Port continues to hold cash and cash equivalents at fair value through profit and loss, and all financial assets and liabilities at amortized cost; therefore, no adjustments to the carrying value of these financial instruments are required.

6. Adoption of IFRS 15

The Port has adopted IFRS 15, Revenue from Contracts with Customers with a date of initial application of January 1, 2018. The Port applied IFRS 15 using the modified retrospective approach, which required the Port to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance equity as at January 1, 2018. Therefore, the comparative information has not been restated and continues to report under IAS 18 - Revenue.

The adoption of IFRS 15 in the Port's financial statements for the annual period beginning on January 1, 2018 did not have a material impact on the Port's financial statements and no adjustments were required.

7. Cash and cash equivalents

The Port's cash and cash equivalents are held with commercial banks and investment members in fixed and guaranteed income securities as required by the Canada Marine Act. Cash and cash equivalents are comprised of:

	2018	*2017*
Petty cash	**2,150**	2,150
Bank balances	**880,914**	531,316
Investments	**103,632**	103,843
	986,696	637,309

8. Accounts receivable

	2018	*2017*
Trade receivables	**705,865**	1,186,217
Goods and services tax receivables	**66,519**	-
Receivables related to Vehicle Processing Centre	**2,775,955**	-
	3,548,339	1,186,217

9. Employee Future Benefits

The Port maintains a defined benefit plan for eligible employees and has a funding policy for the union and non-union defined benefit plans. These plans are contributory and require member contributions. The Port will fund plan benefits measured on a going concern basis and provide adequate funding for future service benefits in accordance with the applicable laws and plan texts. Emerging plan experience, changes in assumptions, and improvements to past service benefits will result in actuarial gains and losses, sometimes giving rise to going concern and/or solvency funding deficits. The Port will apply its discretion in determining how rapidly it will fund deficits in accordance with the applicable laws.

In 2019, the funding obligations for these plans are expected to approximately $381,400 (union - $111,000; non-union $270,400).

The most recent valuation of the non-union and union pension plans for funding purposes was conducted as of December 31, 2018.

The following tables present information on a calendar year basis concerning the employee pension plan.

	Union	Non-Union	**2018 Totals**	2017 Totals
Accrued Benefit Obligation				
Balance - January 1	2,433,400	6,898,500	**9,331,900**	8,330,800
Employer current service cost	78,700	286,200	**364,900**	358,800
Interest cost	85,200	240,600	**325,800**	317,600
Benefits paid	(78,200)	(235,700)	**(313,900)**	(267,500)
Employee contributions	29,800	49,400	**79,200**	101,900
Actuarial gain	(70,200)	(294,500)	**(364,700)**	490,300
Balance - December 31	2,478,700	6,944,500	**9,423,200**	9,331,900
Fair Value of Plan Assets				
Balance - January 1	2,291,100	7,314,300	**9,605,400**	8,583,800
Actual return on plan assets	(82,300)	(260,500)	**(342,800)**	805,600
Employer contributions	93,100	251,000	**344,100**	381,600
Employee contributions	29,800	49,400	**79,200**	101,900
Benefits paid	(78,200)	(235,700)	**(313,900)**	(267,500)
Balance - December 31	2,253,500	7,118,500	**9,372,000**	9,605,400
Net defined benefit asset (liability)	(225,200)	174,000	**(51,200)**	273,500
Pension Expense				
Current service cost	78,700	286,200	**364,900**	358,800
Interest on accrued benefits	85,200	240,600	**325,800**	317,600
Less: expected return on plan assets	(82,600)	(261,800)	**(344,400)**	(335,600)
Total recognized in comprehensive loss	81,300	265,000	**346,300**	340,800
Comprehensive Loss				
Actuarial losses	94,700	227,800	**322,500**	20,300
Accumulated Comprehensive Income				
Balance actuarial loss - January 1	464,300	769,800	**1,234,100**	1,213,800
Actuarial losses recognized in year	94,700	227,800	**322,500**	20,300
Balance - December 31	559,000	997,600	**1,556,600**	1,234,100

9. Employee Future Benefits *(Continued from previous page)*

Plan Assets by Category

The invested assets of the pension plan by asset categories are as follows:

	Union %	Non-Union %	**2018 Total %**	2017 Total %
Equity securities	53	53	**54**	54
Debt securities	43	43	**44**	44
Other	4	4	**2**	2
Total	100	100	**100**	100

The following summarizes the history of the plan obligations, plan assets and experience adjustment for the current annual period and the previous five annual periods.

	2018	2017	2016	2015	2014
Present value of plan obligations	**9,423,200**	9,331,900	8,330,800	7,539,700	7,038,500
Fair value of plan assets	**9,372,000**	9,605,400	8,583,800	7,956,100	7,494,400
Surplus	**(51,200)**	273,500	253,000	416,400	455,900
Experience losses on plan obligations	**(103,000)**	(72,300)	(146,700)	(213,000)	(5,600)
Experience gains on plan assets	**687,200**	470,000	198,600	40,200	304,000

10. Property, plant and equipment

	2018	2017
Cost	85,577,758	82,353,652
Depreciation	56,772,141	54,741,655
	28,805,617	27,611,997

Terminal facilities	15,107,903	13,401,334
Commercial Inlet Facilities	2,980,317	3,042,924
Harbour Operations	2,382,772	2,612,325
Harbour Properties	8,021,284	8,279,583
Administrative Facilities	313,341	275,831
	28,805,617	27,611,997

	Terminal Facilities	*Commercial Inlet Facilities*	*Harbour Operations*	*Harbour Properties*	*Admin. Facilities*	*Total*
Cost						
2017						
Balance, beginning of year	45,992,314	11,030,761	3,776,172	18,809,695	1,684,223	81,293,165
Additions	735,027	23,749	98,959	82,561	120,191	1,060,487
Balance, end of prior year	46,727,341	11,054,510	3,875,131	18,892,256	1,804,414	82,353,652
2018						
Balance, beginning of year	46,727,341	11,054,510	3,875,131	18,892,256	1,804,414	82,353,652
Additions	2,714,861	230,156	40,676	145,515	92,898	3,224,106
Balance, end of year	49,442,202	11,284,666	3,915,807	19,037,771	1,897,312	85,577,758

	Terminal Facilities	*Commercial Inlet Facilities*	*Harbour Operations*	*Harbour Properties*	*Admin. Facilities*	*Total*
Depreciation						
2017						
Balance, beginning of year	32,332,908	7,715,426	999,181	10,202,803	1,487,114	52,737,432
Depreciation	993,099	296,160	263,625	409,870	41,469	2,004,223
Balance, end of prior year	33,326,007	8,011,586	1,262,806	10,612,673	1,528,583	54,741,655
2018						
Balance, beginning of year	33,326,007	8,011,586	1,262,806	10,612,673	1,528,583	54,741,655
Depreciation	1,008,292	292,763	270,229	403,814	55,388	2,030,486
Balance, end of year	34,334,299	8,304,349	1,533,035	11,016,487	1,583,971	56,772,141

11. Harbour development fund

The Harbour Development Fund was established by the Board of Directors to finance capital restoration and development of the Port's assets. The Board of Directors approves transfers to and from the reserve. The Port strives to maintain sufficient working capital and funded reserve balances to meet operating and capital requirements and to finance unforeseen difficulties or emergencies.

The fund was adequately funded by cash of $1,000,000 (2017 - cash of $2,000,000) at the end of the year.

12. Short-term debt

	2018	*2017*
Short-term debt bearing interest at RBC prime (3.95%)+ 0.50%, payable in monthly instalments of $41,667 plus interest, maturing December 31, 2019	**999,988**	1,499,992

The loan is secured by a first ranking and specific security interest in the floating cruise ship dock located at Nanaimo Assembly Wharves with a carrying value of $5,993,762 (2017 - $5,936,228). As well as a first ranking security interest in all accounts receivable with a carrying value of $3,548,339 (2017 - $1,186,217).

In addition to the short-term debt noted above, the Port has the following credit facilities available:

Non-revolving term facility in the amount of $1,600,000 by way of:
RBC prime loan with an interest rate of RBC prime (3.95%) plus 0.25%
Fixed rate term loan with an interest rate to be determined at time of borrowing

RBC prime loan in the amount of $3,000,000 with an interest rate of RBC prime (3.95%) plus 0.25%

The aggregate borrowings outstanding under the credit facilities noted above may not exceed $3,000,000 at any time.

As at December 31, 2018 the Port had not drawn on these credit facilities.

13. Contingent liabilities

The Port may have contingent liabilities for environmental restoration requirements at a number of its properties. The nature, extent, timing and cost of clean up at these properties is not determinable or has not been determined as the obligation for remediation is normally activated by a change in use or sale of the property. The Port accrues the costs associated with environmental remediation obligations when such costs are likely and reasonable estimate of costs can be determined.

14. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.

15. Capital management

The Port's objectives when managing capital are to safeguard the Port's ability to continue as a going concern and maintain sufficient capital capacity and flexibility to meet its strategic direction. The Port is not subject to any externally imposed capital requirements.

The Port manages the following as capital:

	2018	*2017*
Cash and cash equivalents	**1,986,696**	2,637,309
Investments	**30,738**	30,292
Accounts receivable	**3,548,339**	1,186,217
Accounts payable and accrued liabilities	**(4,687,058)**	(1,152,794)
	878,715	2,701,024

The Port monitors capital on the basis of changes in economic conditions and the risk characteristics of the underlying assets. During the year, the Port's strategy, which was unchanged from the prior year, was to manage capital in order to fund capital projects and operations.

16. Remuneration

Compensation in respect of key management personnel is disclosed below. In addition, the total remuneration is disclosed for all Board of Directors, the Chief Executive Officer and the top earning officers or employees in terms of the Port Authority Management Regulations.

Name	**Title**	**Salary/Fee**	**Benefits & Allowances**	**Total**
M. Corfield	Chair	21,000	2,400	**23,400**
D. Hais	Vice-Chair	14,000	2,400	**16,400**
B. Coe	Director	1,167	200	**1,367**
A. Cope	Director	7,000	1,200	**8,200**
F. Denning	Director	1,167	200	**1,367**
J. Manhas	Director	14,000	2,400	**16,400**
R. Ringma	Director	12,833	2,200	**15,033**
R. Sinclaire	Director	6,417	1,100	**7,517**
E. Moir	President & CEO	295,647	3,280	**298,927**
		373,231	15,380	**388,611**

17. Interests in joint arrangements

The Port has a 50% interest in a joint arrangement with Western Stevedoring Company Limited ("Western Stevedoring").

The Joint Works Agreement between the Port and Western Stevedoring is classified as a joint operation in accordance with IFRS 11 Joint Arrangements . The joint operators are working together to develop a 60,000 square-foot vehicle processing centre and to improve berthing facilities at the Port. The joint arrangement is a strategic partnership in order to accommodate the offloading and preparation of new automobiles entering Canada.

In accordance with IFRS 11 Joint Arrangements, the Port has recorded $2,097,921 in Property and Equipment, representing its interest in the vehicle processing facility.

18. Financial instruments

The Port as part of its operations carries a number of financial instruments. It is management's opinion that the Port is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Foreign currency risk

The Port's exposure to foreign exchange risk is not significant as it has nominal foreign currency transactions.

Credit risk

Credit risk is the risk assumed by the creditor that the borrower will fail to fully honour its financial obligations. Credit risk exists because the accounts receivable are unsecured. The maximum credit risk exposure is $3,548,339 (2017 - $1,186,217. Management believes that the credit risk is low for accounts receivable as management performs regular credit assessments of its customers and provides allowance for potentially uncollectible accounts receivable.

Interest rate risk

Interest rate risk is the risk that the value of the financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, know as cash flow risk, and on the fair value of other financial assets and liabilities, known as price risk.

The interest rate risk is low due to the short-term nature of the variable interest debt.

Liquidity risk

Liquidity risk is the risk that the Port will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Port enters into transactions to purchase goods and services on credit and must fund its pension obligations for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Port’s future net cash flows for the possibility of negative net cash flow.

The Port manages the liquidity risk resulting from its accounts payable and pension obligations by maintaining significant cash resources and maintaining liquid assets.

The current liabilities of the Port are expected to be settled and mature within one year of the period end date.

19. Commitments

The Port is committed to construction costs related to completion of the Vehicle Processing Centre (VPC) in the amount of $3,253,170. Per various funding agreements the net cost to the Port will be 1/3 of this amount.

20. New accounting standards not yet adopted

IFRS Leases
In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases and related interpretations. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lease recognizes a right-of-use asset representing its right to use the underlying asset and lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard and lessors continue to classify leases as finance or operating leases.

IFRS 16 has a mandatory effective date for annual periods beginning on or after January 1, 2019. The standard may be adopted retrospectively by applying the new lease definition to all contracts, or as of the application date by adjusting the retained earnings at the date and applying the new definition only to new contracts. The Port is not able to determine the impact of IFRS 16 on its financial statements at this time.