Consolidated Financial Statements

Prince Rupert Port Authority

December 31, 2014

Contents

Grant Thornton

Independent Auditor's Report

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To the Board of Directors of the
Prince Rupert Port Authority

We have audited the accompanying consolidated financial statements of the Prince Rupert Port Authority, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of comprehensive income, changes in equity of Canada and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Prince Rupert Port Authority as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The consolidated financial statements of the Prince Rupert Port Authority for the year ended December 31, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on April 24, 2014.

Grant Thornton LLP

Victoria, Canada
April 22, 2015

Chartered accountants

Prince Rupert Port Authority
Consolidated Statement of Financial Position

December 31 (expressed in $000's)		2014		2013
Assets				
Current				
Cash and cash equivalents	**$**	**18,916**	$	28,004
Term deposits		**-**		2,571
Accounts receivable (Note 4)		**13,348**		13,729
Prepaid expenses		**374**		371
		32,638		44,675
Non-current				
Term deposits		**2,002**		-
Property and equipment (Note 5)		**151,407**		88,771
		153,409		88,771
	$	**186,047**	$	133,446
Liabilities and Equity of Canada				
Current				
Accounts payable and accrued liabilities (Note 6)	**$**	**18,386**	$	13,642
Current portion of deferred revenue		**3,366**		3,642
Current portion of deferred contributions		**-**		6,791
Current portion of long-term debt (Note 7)		**2,460**		2,380
		24,212		26,455
Non-current				
Employee benefits (Note 9)		**2,285**		1,070
Deferred revenue		**1,600**		1,634
Deferred contributions		**47,000**		15,232
Long-term debt (Note 7)		**5,168**		7,633
		56,053		25,569
		80,265		52,024
Equity of Canada				
Contributed capital		**36,213**		36,213
Surplus		**69,569**		45,209
		105,782		81,422
	$	**186,047**	$	133,446

Commitments and Contingencies (Notes 12 and 13)

Approved on behalf of the Board:

______________ Director ______________ Director

See accompanying notes to the financial statements.

Prince Rupert Port Authority
Consolidated Statement of Comprehensive Income

Year Ended December 31 (expressed in $000's)	2014	2013
Revenue	**$ 51,902**	$ 39,303
Expenses		
Amortization	**1,727**	1,130
Operating and administrative	**7,767**	8,514
Payments in lieu of municipal taxes	**2,757**	1,999
Professional and consulting fees	**3,686**	4,568
Repairs and maintenance	**1,162**	780
Salaries and benefits	**8,672**	7,793
	25,771	24,784
Income from operations	**26,131**	14,519
Interest income	**260**	534
Interest on long-term debt	**(157)**	(187)
Net finance income (costs)	**103**	347
Gain on sale of property and equipment	**38**	1,619
Net income	**26,272**	16,485
Other comprehensive income (loss)		
Defined benefit plan actuarial (losses) gains	**(1,912)**	1,250
Total comprehensive income for the year	**$ 24,360**	$ 17,735

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, 2012	$	36,213	27,474	63,687
Net income for the year		**-**	16,485	16,485
Other comprehensive income				
Defined benefit plan actuarial gain		**-**	1,250	1,250
		-	17,735	17,735
Balance – December 31, 2013		36,213	45,209	81,422
Net income for the year		**-**	26,272	26,272
Other comprehensive loss				
Defined benefit plan actuarial losses		**-**	(1,912)	(1,912)
		-	24,360	24,360
Balance – December 31, 2014	**$**	**36,213**	**69,569**	**105,782**

See accompanying notes to the financial statements.

Prince Rupert Port Authority
Consolidated Statement of Cash Flows

Year Ended December 31 (expressed in $000's)	2014	2013
Cash flows from operating activities		
Net income for the year	**$ 26,272**	$ 16,485
Adjustments for:		
Amortization of property, plant and equipment	**1,727**	1,130
Gain on disposal of property, plant and equipment	**(38)**	(1,619)
Net finance costs	**(103)**	(347)
	27,858	15,649
Change in working capital items:		
Accounts receivable	**381**	(7,382)
Prepaid expenses	**(3)**	(109)
Defined benefit liabilities	**(697)**	(402)
Accounts payable and accrued liabilities	**4,744**	6,304
Deferred revenue	**(310)**	(308)
	4,115	(1,897)
Net cash from operating activities	**31,973**	13,752
Cash flows from investing activities		
Interest received	**239**	491
Proceeds from sale of property, plant and equipment	**46**	1,687
Acquisition of property, plant and equipment	**(64,371)**	(52,908)
Sale of term deposits	**2,055**	5,020
Purchase of term deposits	**(1,465)**	(1,000)
Net cash used in investing activities	**(63,496)**	(46,710)
Cash flows from financing activities		
Repayment of long-term debt	**(2,385)**	(2,297)
Contributions received from customers and government entities	**24,977**	41,666
Interest paid	**(157)**	(187)
Net cash from financing activities	**22,435**	39,182
Net (decrease) increase in cash and cash equivalents	**(9,088)**	6,224
Cash and cash equivalents, beginning of year	**28,004**	21,780
Cash and cash equivalents, end of year	**$ 18,916**	$ 28,004

See accompanying notes to the financial statements.

1. Canadian Port Authority

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

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

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

2. Basis of preparation

Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on April 22, 2015.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgments

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

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

2. Basis of preparation (continued)

Use of estimates and judgments (continued)

The most critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Group's consolidated financial statements relate to lease classification (Note 10) and determination of cash-generating units (Note 5).

The areas which involve assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are the measurement of defined benefit obligations (Note 9), determination of the useful lives of property and equipment (Note 3), estimation of amounts payable in lieu of taxes (Note 3), and provisions and contingencies (Note 13).

3. Significant accounting policies

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

Basis of consolidation

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

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

Payments in lieu of municipal taxes

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

Foreign currency transactions

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

3. Significant accounting policies (continued)

Revenue

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

Property and equipment

(a) Recognition and measurement

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

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

(b) Subsequent costs

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

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

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

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

December 31, 2014 (expressed in $000's)

3. Significant accounting policies (continued)

Property and equipment (continued)

(c) Amortization

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

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

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

Employee benefits

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

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

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

(a) Short-term employee benefits

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

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

3. Significant accounting policies (continued)

Employee benefits (continued)

(b) Defined contribution plans

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

(c) Defined benefit plans

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

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

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

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

3. Significant accounting policies (continued)

Employee benefits (continued)

(d) Termination benefits

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

Financial instruments

(a) Non-derivative financial assets

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

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

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

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

Loans and receivables

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

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

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

3. Significant accounting policies (continued)

(b) Non-derivative financial liabilities

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

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

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

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

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

Impairment

(a) Financial assets (including receivables)

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

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

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

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

3. Significant accounting policies (continued)

Impairment (continued)

(b) Non-financial assets

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

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

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

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 customers or other non-government contributors are recognized as revenue in accordance with IAS 18 Revenue and IFRIC 18 Transfers of Assets from Customers, and the timing of revenue recognition is based on the Group's performance obligations following the receipt of the assets acquired through the contributions. Deferred contributions represent contributions from customers towards the cost of the Group's property and equipment which will benefit the customers 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.

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

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

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

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

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

Determining whether an arrangement contains a lease

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

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

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 at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

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

Future accounting standards

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

(a) IFRS 9 *Financial Instruments*

In November 2009 the IASB issued IFRS 9 *Financial Instruments* (IFRS 9 (2009)), and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)). In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9 Financial Instruments (2013). The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized.

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

The mandatory effective date is for annual periods beginning on or after January 1, 2018; however, early adoption of the new standard is still permitted. The Group does not intend to adopt IFRS 9 (2009), IFRS 9 (2010) or IFRS 9 (2013) in its financial statements for the annual period beginning on January 1, 2015.

(b) Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

In November 2013, the IASB issued amendments to pension accounting under IAS 19, *Employee Benefits*.

The amendments apply retrospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

The amendments introduce a relief (practical expedient) that will reduce the complexity and burden of accounting for certain contributions from employees or third parties.

3. Significant accounting policies (continued)

Future accounting standards (continued)

(b) Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (continued)

When employee contributions are eligible for the practical expedient, an entity is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered.

For companies that cannot (or decide not to) apply the practical expedient, the amendments clarify how service-linked contributions from employees or third parties should be included in determining net current service cost and the defined benefit obligation.

The Group intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of the amendments has not yet been determined.

(c) IFRS 15 *Revenue from Contracts with Customers*

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

The mandatory effective date is for annual periods beginning on or after January 1, 2017; however, early adoption of the new standard is still permitted. The Group does not intend to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of the amendments has not yet been determined.

Accounting standards and policies adopted during fiscal 2014

(a) Financial assets and liabilities

The IASB amended IAS 32, "Financial Instruments: Presentation", to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. This standard became effective during fiscal 2014 and did not have any impact on the Group's financial statements.

December 31, 2014 (expressed in $000's)

3. Significant accounting policies (continued)

Accounting standards and policies adopted during fiscal 2014 (continued)

(b) Impairment of non-financial assets

The IASB amended IAS 36, "Impairment of Assets", to address the disclosure of information around the recoverable amount of impaired assets for which an impairment loss has been recognized or reversed during the period. This standard became effective during fiscal 2014 and did not have a significant impact on the Group's financial statements.

(c) Levies

The IASB issued IFRIC 21, "Levies", which is an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and establishes criteria for the recognition of a liability to pay levies imposed by governments, other than income taxes. The standard clarifies that the obligating event which gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This standard became effective during fiscal 2014 and did not have a significant impact on the Group's financial statements.

4. Accounts receivable

	2014	2013
Accounts receivables due from related parties	**$ 6,063**	$ 2,168
Trade receivables	**4,307**	3,662
Other receivables	**2,978**	7,899
	$ 13,348	$ **13,729**

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, is disclosed in Note 10.

During the year, the Group earned lease revenue of $8,373 (2013: $8,520) from the Government of Canada and its related entities. The amounts owing from related parties are from the Government of Canada and its related entities.

Other receivables represent funding amounts receivable from third parties relating to the construction of the Ridley Road and Rail Utility Corridor (RRUC).

December 31, 2014 (expressed in $000's)

5. Property and equipment

	2014	2013
Land		
Cost	**$ 18,970**	$ 17,874
Berthing structures		
Cost	**20,501**	16,042
Accumulated amortization and impairment losses	**(2,654)**	(5,497)
	17,847	10,545
Leasehold improvements		
Cost	**292**	184
Accumulated amortization and impairment losses	**(71)**	(28)
	221	156
Buildings		
Cost	**9,183**	8,885
Accumulated amortization and impairment losses	**(2,965)**	(4,225)
	6,218	4,660
Roads and surfaces		
Cost	**14,447**	9,097
Less accumulated amortization	**(2,327)**	(2,104)
	12,120	6,993
Utilities		
Cost	**15,583**	10,626
Accumulated amortization and impairment losses	**(2,940)**	(2,402)
	12,643	8,224
Machinery and equipment		
Cost	**2,230**	3,656
Accumulated amortization and impairment losses	**(797)**	(2,473)
	1,433	1,183
Office furniture and equipment		
Cost	**1,230**	1,495
Accumulated amortization and impairment losses	**(492)**	(874)
	738	621
Construction in progress		
Cost	**81,217**	38,515
Total property, plant and equipment	**$ 151,407**	$ 88,771

December 31, 2014 (expressed in $000's)

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

Reconciliations

Reconciliations of the carrying amounts for each class of property and equipment are set out below:

	2014	2013
Land		
Carrying amount at January 1	**$ 17,874**	$ 17,874
Additions	**1,096**	-
Carrying amount at December 31	**18,970**	17,874
Berthing structures		
Carrying amount at January 1	**10,545**	10,828
Additions	**7,640**	-
Disposals	**-**	(68)
Amortization	**(338)**	(215)
Carrying amount at December 31	**17,847**	10,545
Leasehold Improvements		
Carrying amount at January 1	**156**	-
Transfers from construction in progress	**108**	183
Amortization	**(43)**	(27)
Carrying amount at December 31	**221**	156
Buildings		
Carrying amount at January 1	**4,660**	4,801
Additions	**1,777**	29
Amortization	**(219)**	(170)
Carrying amount at December 31	**6,218**	4,660
Roads and Surfaces		
Carrying amount at January 1	**6,993**	7,125
Additions	**5,351**	-
Amortization	**(224)**	(132)
Carrying amount at December 31	**12,120**	6,993
Utilities		
Carrying amount at January 1	**8,224**	8,561
Additions and transfers from construction in progress	**4,973**	6
Disposals	**(2)**	-
Amortization	**(552)**	(343)
Carrying amount at December 31	**12,643**	8,224

December 31, 2014 (expressed in $000's)

5. Property and equipment (continued)

	2014	2013
Machinery and equipment		
Carrying amount at January 1	**1,183**	1,117
Transfers from construction in progress	**473**	225
Disposals	**(6)**	-
Amortization	**(217)**	(159)
Carrying amount at December 31	**1,433**	1,183
Office furniture and equipment		
Carrying amount at January 1	**621**	164
Transfers from construction in progress	**251**	541
Amortization	**(134)**	(84)
Carrying amount at December 31	**738**	621
Construction in progress		
Carrying amount at January 1	**38,515**	6,522
Additions	**64,371**	32,977
Transfers to other classes of property, plant and equipment	**(21,669)**	(984)
Carrying amount at December 31	**81,217**	38,515
Total property, plant and equipment	**$ 151,407**	$ 88,771

During the year, the Group paid $21,480,362 to a third party to terminate various agreements with the third party and one of the Group's lessees. The payment is considered to be a repurchase of property and equipment originally constructed by the Group and leased to the third party under a finance lease. The payment has been allocated as additions to each class of property and equipment repurchased.

Impairment testing for cash-generating units

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

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

As at December 31, 2014 and 2013, there are no indicators of impairment for the Container, Dry Bulk, Ferries or Inner Harbour CGUs. The property and equipment in the Cruise CGU were previously fully impaired, and there have been no changes in circumstances to suggest any recovery of the impairment of Cruise assets in 2014 or 2013.

December 31, 2014 (expressed in $000's)

6. Accounts payable and accrued liabilities

		2014		2013
Trade payables	$	**5,413**	$	3,905
Payables to related parties		**2,509**		1,781
Accrued liabilities		**10,464**		7,956
	$	**18,386**	$	**13,642**

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 various environmental liabilities and habitat compensation arrangements.

7. Long-term debt

The Group’s debt is unsecured and is subject to customary terms and conditions, including leverage and interest coverage ratios. As at December 31, 2014, the debt bore interest at a floating three month bankers' acceptance rate of 1.37% (2013: 1.38%), which is renewed on a quarterly basis. The Group is in compliance with its covenants as at December 31, 2014 and 2013.

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

		2014		2013
Current portion	$	**2,460**	$	2,380
Non-current portion		**5,168**		7,633
	$	**7,628**	$	10,013

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, 2014, the Group has not drawn on the operating line (2013: nil).

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

2015	$	2,460
2016		2,540
2017		2,628

The Group’s exposure to interest rate risk and liquidity risk is discussed in Note 8.

8. 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 of a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

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

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

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

December 31, 2014 (expressed in $000's)

8. 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:

	2014	
	Carrying amount	Fair value
Assets carried at amortized cost		
Cash and cash equivalents	$ 18,916	$ 18,916
Term deposits	2,002	2,002
Accounts receivable	13,348	13,348
	$ 34,266	$ 34,266
Liabilities carried at amortized cost		
Accounts payable and accrued liabilities	$ 18,386	$ 18,386
Long-term debt	7,628	7,628
	$ 26,014	$ 26,014

	2013	
	Carrying amount	Fair value
Assets carried at amortized cost		
Cash and cash equivalents	$ 28,004	$ 28,004
Term deposits	2,571	2,571
Accounts receivable	13,729	13,729
	$ 44,304	$ 44,304
Liabilities carried at amortized cost		
Accounts payable and accrued liabilities	$ 13,642	$ 13,642
Long-term debt	10,013	10,013
	$ 23,655	$ 23,655

All of the Group’s financial assets and liabilities are classified as Level I. There were no transfers between classes of the fair value hierarchy during the year.

December 31, 2014 (expressed in $000's)

8. 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; however, the amount of transactions and balances in US. dollars is minimal, and as such the risk is not considered material.

On an ongoing basis, management monitors changes in foreign currency exchange rates. The Group does not actively manage foreign exchange exposures at this time.

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	
	2014	2013
Fixed rate instruments		
Financial assets	**$ 20,918**	$ 30,575

	Carrying amount	
	2014	2013
Variable rate instruments		
Financial liabilities	**$ 7,628**	$ 10,013

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.

Cash flow sensitivity for variable rate instruments

A reasonably possible decrease (increase) of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by $88 (2013: $113).

December 31, 2014 (expressed in $000's)

8. Financial instruments and financial risk management (continued)

Credit risk

Credit risk arises from the potential that a counterpart will fail to perform its obligations. The Group is exposed to credit risk from customers. In order to reduce its credit risk, the Group reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. As at December 31, 2014 management assessed these factors and recorded $ nil (2013: $ nil) as an allowance for doubtful accounts.

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

	2014	2013
Accounts receivable	**$ 13,348**	$ 13,729
Term deposits	**2,002**	2,571
Cash and cash equivalents	**18,916**	28,004
	$ 34,266	$ 44,304

The aging of accounts receivables at the reporting date was:

	2014	2013
Assets carried at amortized cost		
Not past due	**$ 12,996**	$ 12,135
Past due 0-30 days	**48**	1,520
Past due 31-360 days	**4**	35
Past due more than 1 year	**300**	39
	$ 13,348	$ 13,729

Liquidity risk

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

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

December 31, 2014 (expressed in $000's)

8. Financial instruments and financial risk management (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities:

December 31, 2014

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

December 31, 2013

	Carrying Amount	0-12 months	1-5 years	More than 5 years
Financial Liabilities				
Accounts payable and accrued liabilities	$ 13,642	$ 13,438	$ -	$ 204
Long-term debt	10,695	2,674	8,021	-
	$ 24,337	$ 16,112	$ 8,021	$ 204

Capital management

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

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

There were no changes in the Group's approach to capital management during the year. Statutory restrictions prevent the Group from external borrowing in excess of $75,000 (2013: $75,000). As at December 31, 2014 and 2013, the Group was in compliance with this restriction.

December 31, 2014 (expressed in $000's)

9. Employee benefits

Defined benefit plans

	Pension Plan		Supplemental Pension		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Net defined benefit liability	**$ 961**	$ 438	**$ 1,324**	$ 632	**$ 2,285**	$ 1,070

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

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

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

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

Funding

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

The Group expects to pay $848 in contributions to its defined benefit plans in 2015.

December 31, 2014 (expressed in $000's)

9. 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	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Balance, beginning of year	**$ 5,266**	$ 5,428	**$ (4,828)**	$ (3,780)	**$ 438**	$ 1,648
Included in profit or loss						
Current service cost	**151**	234	**-**	-	**151**	234
Interest cost (income)	**259**	225	**(243)**	(161)	**16**	64
	410	459	**(243)**	(161)	**167**	298
Included in OCI						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from: experience adjustment	**1,074**	(595)	**-**	-	**1,074**	(595)
Return on plan assets excluding interest income	**-**	-	**(303)**	(413)	**(303)**	(413)
	1,074	(595)	**(303)**	(413)	**771**	(1,008)
Other						
Administrative cost	**-**	-	**18**	18	**18**	18
Contributions paid by the employer	**-**	-	**(387)**	(459)	**(387)**	(459)
Contributions paid by the employees	**-**	-	**(46)**	(59)	**(46)**	(59)
Benefits paid	**(44)**	(26)	**44**	26	**-**	-
	(44)	(26)	**(371)**	(474)	**(415)**	(500)
Balance, end of year	**$ 6,706**	$ 5,266	**$ (5,745)**	$ (4,828)	**$ 961**	$ 438

December 31, 2014 (expressed in $000's)

9. **Employee benefits** (continued)

Defined benefit plans (continued)

Movement in net defined benefit liability (continued)

Supplemental Plan

	Defined benefit obligation 2014	Defined benefit obligation 2013	Fair value of plan assets 2014	Fair value of plan assets 2013	Net defined benefit liability 2014	Net defined benefit liability 2013
Balance, beginning of year	**$ 2,039**	$ 2,050	**$ (1,407)**	$ (976)	**$ 632**	$ 1,074
Included in profit or loss						
Current service cost	**112**	120	**-**	-	**112**	120
Interest cost (income)	**103**	87	**(76)**	(46)	**27**	41
	215	207	**(76)**	(46)	**139**	161
Included in OCI						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
experience adjustment	**1,150**	(218)	**-**	-	**1,150**	(218)
Return on plan assets excluding interest income	**-**	-	**(9)**	(24)	**(9)**	(24)
	1,150	(218)	**(9)**	(24)	**1,141**	(242)
Other						
Contributions paid by the employer	**-**	-	**(588)**	(361)	**(588)**	(361)
	-	-	**(588)**	(361)	**(588)**	(361)
Balance, end of year	**$ 3,404**	$ 2,039	**$ (2,080)**	$ (1,407)	**$ 1,324**	$ 632

Plan assets

Plan assets comprise:

	Pension Plan 2014	Pension Plan 2013	Supplemental Pension 2014	Supplemental Pension 2013
Equity securities	**60.0%**	61.8%	33.3%	33.0%
Fixed income debt securities	**40.0%**	38.2%	15.6%	15.4%
Other securities			2.9%	2.8%
Insurance contracts			48.2%	48.8%
	100.0%	100.0%	100.0%	100.0%

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

December 31, 2014 (expressed in $000's)

9. 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	
	2014	**2013**	**2014**	**2013**
Discount rate at end of year	4.0%	4.8%	4.0%	4.8%
Future pension growth	3.5%	3.5%	3.5%	3.5%
Inflation rate	2.5%	2.5%	2.5%	2.5%
Future salary growth	4.0%	4.0%	4.0%	4.0%

Sensitivity analysis

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

	Pension Plan		Supplemental Pension	
	Increase	**Decrease**	**Increase**	**Decrease**
Discount rate (1% movement)	1,165	(1,530)	576	(783)
Aggregate of service cost + interest cost (1% movement)	94	(95)	31	(42)

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, 2013 and extrapolated to December 31, 2013. The plan assets are valued as at December 31 of each year, and the latest valuation of plan assets is as at December 31, 2013.

Defined contribution plan

Defined contribution plan employer contributions:

	2014	2013
Employer contributions	**$ 362**	$ 267

December 31, 2014 (expressed in $000's)

10. Leases

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

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

		2014		2013
No later than one year	**$**	**18,700**	$	17,054
Later than one year and not less than five years		**69,409**		66,568
Later than five years		**427,636**		440,752

Contingent-based revenue recognized in profit or loss in 2014 was $25,312 (2013: $21,269).

11. Community investment fund

In 2010, the Group established a Community Investment Fund (the "Fund") that will be used to support broad community based projects, initiatives and events that are deemed to have a meaningful and wide reaching impact in Prince Rupert and its regional community. In years where the Authority reports positive net earnings, a percentage of these earnings will be set aside to grow the Fund. The Group has recorded a provision based on 2014 net income, and this amount is included in accounts payable and accrued liabilities and in operating and administrative expense for the year.

12. Commitments

Operating commitments

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

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

12. Commitments (continued)

Capital commitments

Planned capital projects as at December 31, 2014 for which the combined capital expenditures are estimated to exceed $1,000 include solely the road and rail utility corridor on Ridley Island where gross spending to date as at December 31, 2014 is $89,967 (2013: $49,720). The remaining expected cost of the project, which represents the Group's capital commitments, as at December 31, 2014 is $1,062 (2013: $62,026).

13. Contingencies

The Payment in Lieu of Tax (PILT) Act prescribes how the federal government and its agents should determine what PILT to pay, based on the value of federal lands, if the federal entity decides to pay PILT. One municipality believes it is entitled to additional PILT payments and the Group has disputed the amounts claimed by this municipality. The maximum exposure to the Group at December 31, 2014 (net of any amounts accrued or paid) is approximately $1,974. As there are many uncertainties involving this dispute the outcome of this dispute is uncertain as at December 31, 2014.

14. Federal and Provincial investment

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

The amount of contributions recognized during the year ended December 31, 2014 amounted to $2,815 (2013: $26,720), and $9,606 (2013: $19,929) has been applied to reduce the cost of the related property and equipment (construction in progress) during the year.

To date, the Group has received contributions from the Federal and Provincial governments of $27,185 (2013: $25,765) along with $2,815 (2013: $1,420) accrued in accounts receivable as at December 31, 2014. Government contributions recognized have been used to offset RRUC expenditures by $30,000 (2013: $27,185) and $ nil (2013: $6,791) has been deferred to be applied against the future project expenditures not yet incurred.

December 31, 2014 (expressed in $000's)

15. Remuneration disclosures

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

Name	Title	Salaries and fees	Allowances	2014 Total	2013 Total
Clarke, J.	Director	$ 34	$ -	**$ 34**	$ 59
Clayton, K.	Director	20	-	**20**	-
Derrick, E.	Director	60	-	**60**	47
Hallsor, B.	Director	56	-	**56**	40
Hamilton, A.	Director, Business Development	174	-	**174**	162
Jackson, M.	Director, Finance and Technology	163	-	**163**	141
Keller, L.	VP Project Development	253	6	**259**	251
Krusel, D.	President & CEO	418	8	**426**	416
Macarenko, M.	Director	44	-	**44**	24
Mayer, A.	VP Commercial & Regulatory Affairs	254	6	**260**	251
Paszkowski, W.	Director	-	-	**-**	15
Paulson, G.	VP Operations & Harbour Master	232	6	**238**	228
Rektor, J.	VP Finance	265	6	**271**	264
Smith, B.	Director	82	-	**82**	69
Stevenson, S.	VP Trade Development & Public Affairs	251	6	**257**	251
Tomescu, E.	Director, Engineering & Asset Maintenance	174	-	**174**	130
Veldman, K.	Director, Public Affairs	184	-	**184**	178
Yew, P.	Director, Human Resources	182	-	**182**	170
		$ 2,846	$ 38	**$ 2,884**	$ 2,696

Total remuneration and benefits for key management personnel during the year was $2,007 along with (2013: $1,915) post-employment benefits of $367 (2013: $315).

Included in operating and administrative expenses are director travel, education and hospitality expenses in the amount of $98 (2013: $63).