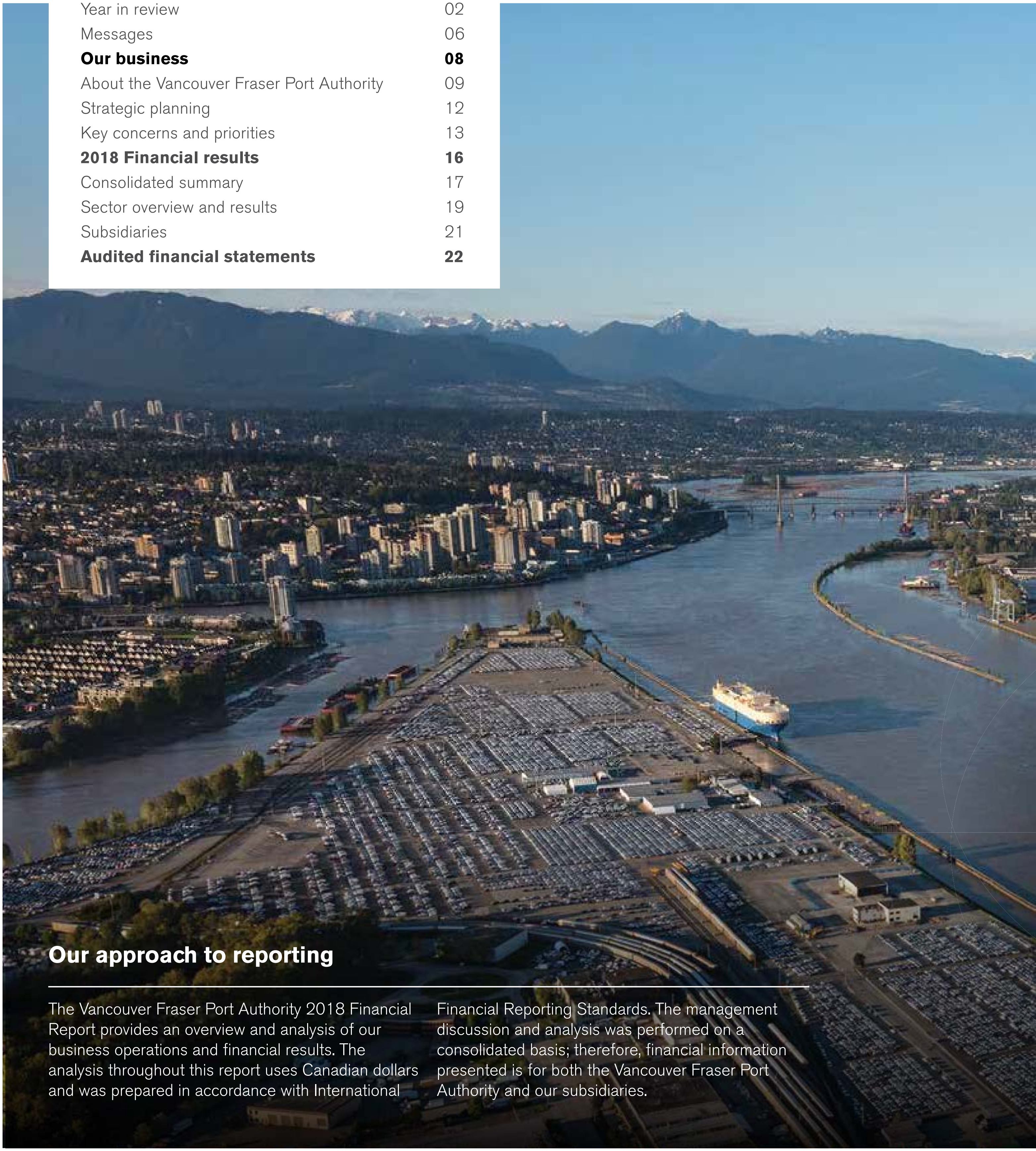
PORT of vancouver

VANCOUVER FRASER PORT AUTHORITY

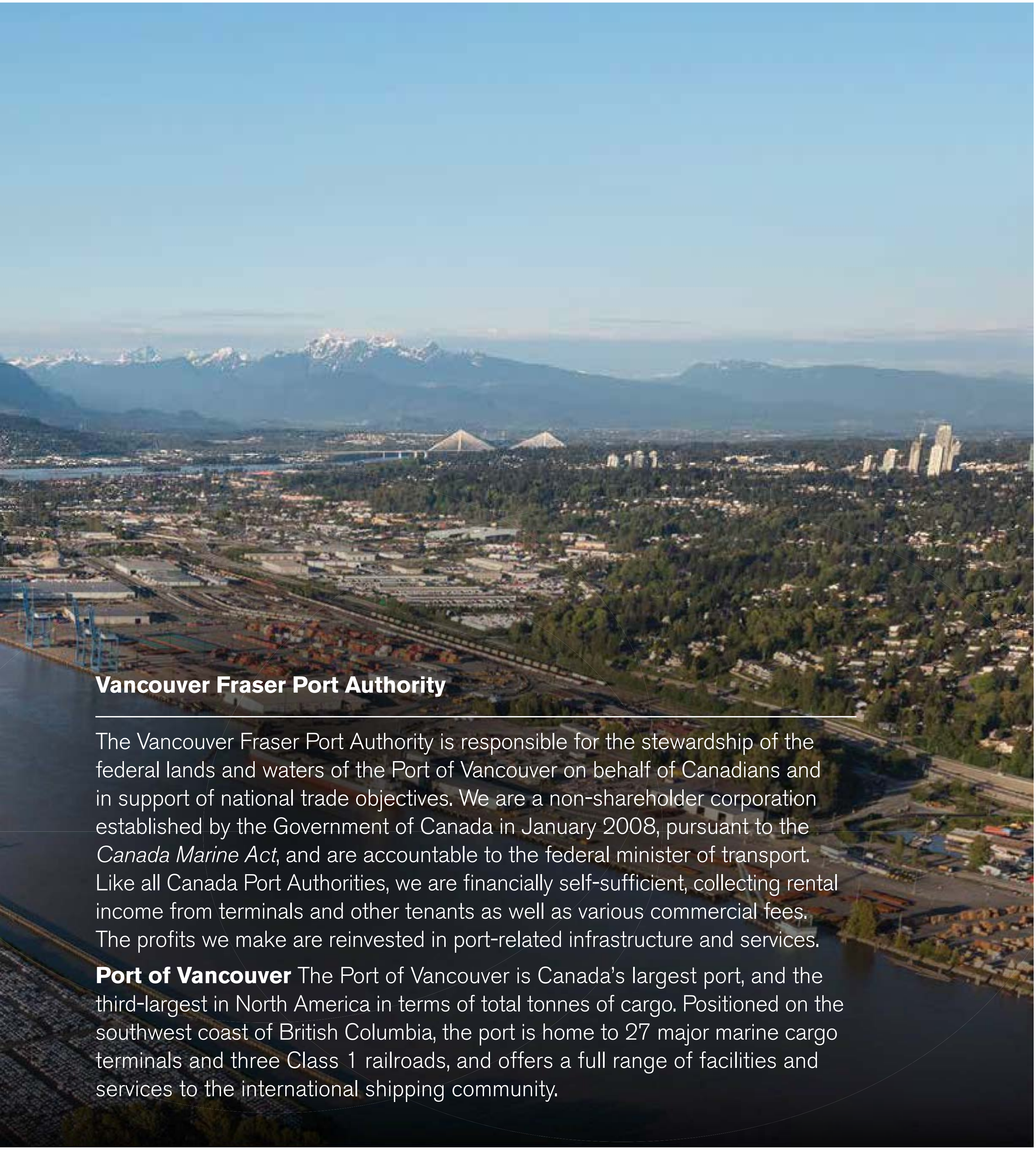
FINANCIAL REPORT 2018

In this report



Our approach to reporting

The Vancouver Fraser Port Authority 2018 Financial Report provides an overview and analysis of our business operations and financial results. The analysis throughout this report uses Canadian dollars and was prepared in accordance with International Financial Reporting Standards. The management discussion and analysis was performed on a consolidated basis; therefore, financial information presented is for both the Vancouver Fraser Port Authority and our subsidiaries.



Vancouver Fraser Port Authority

The Vancouver Fraser Port Authority is responsible for the stewardship of the federal lands and waters of the Port of Vancouver on behalf of Canadians and in support of national trade objectives. We are a non-shareholder corporation established by the Government of Canada in January 2008, pursuant to the *Canada Marine Act*, and are accountable to the federal minister of transport. Like all Canada Port Authorities, we are financially self-sufficient, collecting rental income from terminals and other tenants as well as various commercial fees. The profits we make are reinvested in port-related infrastructure and services.

Port of Vancouver The Port of Vancouver is Canada's largest port, and the third-largest in North America in terms of total tonnes of cargo. Positioned on the southwest coast of British Columbia, the port is home to 27 major marine cargo terminals and three Class 1 railroads, and offers a full range of facilities and services to the international shipping community.

Port of Vancouver cargo volumes

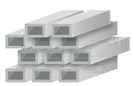
Overall port volume grew to 147 million metric tonnes of cargo in 2018, a 3.5 per cent increase from 2017, setting a new annual cargo throughput record.

AUTOS

↓1.1%

Auto sector volumes declined slightly to 424,985 units, a 1.1% decrease compared to 2017

BREAKBULK



↑9.5%

Breakbulk volumes increased 9.5% to 18.2 million metric tonnes, driven by higher wood pulp exports and domestic breakbulk log volumes

BULK

↑2.8%

Bulk volumes increased 2.8% to 101.8 million metric tonnes

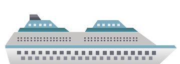
Coal volumes increased 2.1% to 37.6 million metric tonnes

CONTAINER

↑4.4%

Container volumes reached a record 3.4 million 20-foot equivalent units (TEUs), a 4.4% increase over 2017, including a 3.0% increase in laden (filled) container TEUs, driven by strong North American economic growth and strength in the trans-Pacific container market

CRUISE



↑5.5%

Cruise passenger traffic increased 5.5%, with 889,162 passengers on 241 ship calls

Operating highlights (000s)	2014	2015	2016	2017	2018
Auto (units)	351	384	393	430	425
Breakbulk (metric tonnes)	16,967	16,472	16,240	16,627	18,209
Bulk (metric tonnes)	97,654	96,190	93,847	98,992	101,795
Containerized (metric tonnes)	24,666	25,037	25,057	26,019	26,665
Total tonnage (metric tonnes)	**139,638**	**138,084**	**135,537**	**142,068**	**147,093**
Containers (TEUs)	2,913	3,054	2,930	3,252	3,396
Cruise passengers	812	805	827	843	889

Vancouver Fraser Port Authority

REVENUE

↑8%

Consolidated revenues increased eight per cent to $274 million in 2018 compared to 2017.

EBITDA

↑12%

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) increased 12 per cent to $166 million in 2018.

CAPITAL INVESTMENT

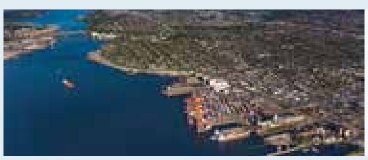
$136 million

Capital investments relating to property and equipment totalled $136 million for 2018, compared to $168 million in 2017.

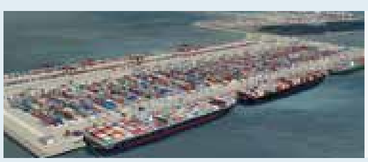
Financial highlights (000s)	2014	2015	2016	2017	2018
Revenue	$ 222,539	$ 239,188	$ 235,163	$ 253,478	$ 274,453
Operating expenses	$ 114,403	$ 118,464	$ 121,309	$ 130,523	$ 136,451
EBITDA	$ 130,654	$ 145,699	$ 139,699	$ 148,916	$ 166,260
Capital investments	$ 149,219	$ 107,609	$ 63,122	$ 168,121	$ 136,238
Cash & cash equivalents	$ 140,827	$ 196,172	$ 272,391	$ 243,234	$ 276,285
Long-term obligations	$ 100,901	$ 100,886	$ 99,675	$ 99,768	$ 99,866

STRATEGIC CAPITAL INVESTMENTS

On average, the port authority reinvests almost 90% of our cash flows from operating activities in capital projects—$136 million in 2018—to address Canada's growing trade and lessen the impacts of trade on local communities and the environment. Key projects for 2018 included:



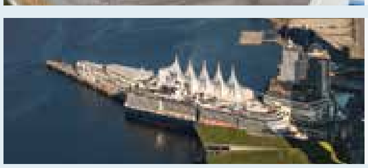
Land acquisitions Land and waterlots were acquired in 2018 to protect scarce trade-enabling land from rezoning, and to provide for growth in trade.



Roberts Bank Terminal 2 Project This project to construct a new marine container terminal is progressing through the federal environmental review process. In 2018, the independent review panel declared it had sufficient information to commence public hearings, scheduled for mid-2019.

Deltaport expansion and road infrastructure This project is ensuring that growing trade at Canada's largest container terminal can be handled by improving roadways in local communities that host a major national trade corridor.

Tsawwassen Container Examination Facility Together with partners, the port authority completed construction of a facility that will allow Canada Border Services Agency to inspect containers more efficiently and effectively, closer to the marine terminal. In addition to greater trade security, the project means far fewer container trucks will travel on busy city roads to the legacy facility.



Canada Place cruise terminal upgrades With the number of cruise passengers through the Port of Vancouver expected to grow over the next few years, critical improvements to the Canada Place terminal are underway to manage passenger flows and processing times.

Vancouver Fraser Port Authority 2018 highlights

At the Vancouver Fraser Port Authority, we work to fulfill our federal mandate and our mission to facilitate Canada's trade while striving to be the world's most sustainable port. To that end, the following is a list of achievements in 2018.

ECONOMIC PROSPERITY THROUGH TRADE

$220 million

Federal funding for infrastructure: In response to our funding applications, the government of Canada announced more than $220 million in funding for infrastructure projects throughout the region that will facilitate growing trade and alleviate the impacts of goods movement on local communities.

25 million cruise passengers: We welcomed the 25 millionth cruise passenger to our award-winning Canada Place cruise terminal.

Increasing container capacity: We finalized work to secure all permits, construction contracts and commercial arrangements necessary to proceed with the expansion of the Centerm container terminal.

Preparing for growing container trade: In order to continue to move the proposed Roberts Bank Terminal 2 Project through the federal environmental assessment process, our project team responded to 385 requests for information from the independent review panel.

15 SUBMISSIONS TO THE FEDERAL GOVERNMENT

Advising government: We completed 15 submissions to the federal government, providing insights and advice for port- and trade-related issues, including an extensive submission to the Ports Modernization Review.

A new container examination facility: We completed construction of the Tsawwassen Container Examination Facility at Roberts Bank, in partnership with Tsawwassen First Nation and Canada Border Services Agency.

HEALTHY ENVIRONMENT

World Ports Climate Action Program: We joined the World Ports Climate Action Program, a new initiative bringing together port authorities from around the world to work together on projects that address the issue of global warming.

Recognition for sustainability: The port authority was awarded a 2018 Governance Professionals of Canada Excellence in Governance Award in recognition of our sustainability governance practices.

19 BLUE CIRCLE AWARDS

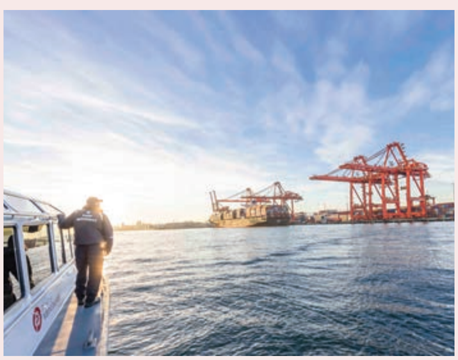
Rewarding environmental efforts: We recognized 19 marine carriers and terminal operators with a Blue Circle Award for their voluntary efforts to conserve energy and reduce air emissions and noise in and beyond the Port of Vancouver.

Understanding the effects of marine shipping on whales: The port authority-led Enhancing Cetacean Habitat and Observation (ECHO) Program coordinated two underwater noise reduction research initiatives with the support of many participants. Large commercial ship operators were asked to slow down or shift away from known whale feeding areas during the summer months when whales return to B.C. waters. The program also received a Lloyd's List environmental award.

Successful fish habitat: The New Brighton Park Shoreline Habitat Restoration Project received a gold rating under the Stewardship Centre for BC's Green Shores® for Coastal Development program. The project, completed in 2017 in partnership with the Vancouver Board of Parks and Recreation and in collaboration with Musqueam, Squamish and Tsleil-Waututh Nations, provides high-value habitat for fish and wildlife at a site that had been infilled in the 1960s.

Consulting to improve marine habitat: We invited the public to provide feedback on our proposed Maplewood Marine Restoration Project. The project will enhance approximately five hectares of lower-value marine habitat into higher-value intertidal, eelgrass and subtidal rock reef habitat.

THRIVING COMMUNITIES



15 KNOT SPEED REDUCTION

Safe boating on Burrard Inlet: We extended a voluntary 15-knot speed restriction that was introduced earlier in the year in an effort to ensure the safety of all boaters around the busy entry to the Vancouver Harbour. Deep-sea ships already follow a speed restriction of 10 knots in the area.

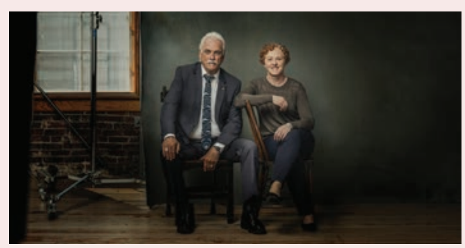
Seeking traditional knowledge: At the request of the Tsleil-Waututh Nation, we hosted a workshop with Aboriginal groups and eelgrass experts to inform the selection of donor eelgrass sites present within Burrard Inlet for the proposed Maplewood Marine Restoration Project.

A safer Fraser River: We made amendments to the navigational procedures outlined in our Port Information Guide, formalizing existing best practices for traffic control and safety on the Fraser River.

Community events: We successfully hosted large-scale community events such as Canada Day at Canada Place and Christmas at Canada Place, and represented the port and the port authority at community events throughout the year.

$1 million

$1 million for our communities: We invested nearly $1 million in surrounding communities through our community investment program and, with port partners, our annual port gala fundraiser.



Increasing awareness: Our Community Awareness Campaign told stories on TV, online and outdoors to raise understanding about how the port connects our world, and how the port authority works to protect the environment.

Message from the Chair, Board of Directors

I am pleased to have joined the Vancouver Fraser Port Authority board of directors, and to be appointed as chair in 2018. The federal mandate of the port authority is to enable Canada's trade through the Port of Vancouver, providing for environmental protection, safety and consideration of local communities. This is a challenging mandate and the board has a great responsibility to Canada to ensure the port is ready and open for business. Board members also have a fiduciary obligation to represent the best interests of the port authority in delivering on our mandate.

The 2018 Vancouver Fraser Port Authority Financial Report provides an overview and analysis of the port authority's financial position, which remains strong and stable. In these pages you will find information on our strategic capital investments—which support port authority-led trade-enabling infrastructure projects and strategic land acquisitions—and details on the performance of our diverse cargo sectors.

This document also outlines our strategy for how we will move forward—including strategic and capital planning—and defines what we consider to be the greatest concerns and priorities for the port authority.

I'm pleased to say the port authority's financial management continues to support our AA credit rating with a stable outlook from Standard & Poor's. This strong rating helps to keep our costs of debt low, enabling us to attract funds for continued investment in the gateway on behalf of Canadians.

I am grateful to all members of our port community for their role in the performance of the port and the gateway. On behalf of the board of directors, I would like to thank everyone at the port authority: Robin Silvester and his executive leadership team, and our dedicated, passionate employees. Together, and with extensive collaboration, we all play a part in leading the Port of Vancouver towards a sustainable future characterized by economic prosperity through trade, a healthy environment and thriving communities.

Judy Rogers
Chair, Board of Directors

Message from the President and Chief Executive Officer

2018 was another record year for the Port of Vancouver.

One of the port's greatest strengths continues to be the ability to accommodate the most diversified range of cargo of any port in North America. Last year, 147 million tonnes of cargo moved through the port, 90 per cent of which serves Canada's import and export markets. Last year we also saw sectors such as containers, potash, canola products and barley hit new records, and nearly every other cargo sector experienced volume increases.

Volumes through the port are projected to keep growing.

Our role at the Vancouver Fraser Port Authority is to ensure the Port of Vancouver is ready to handle the growing volume of trade moving through Canada's Pacific gateway. We do this by carefully planning the use of port lands, by leading and collaborating on building infrastructure, and by reviewing and permitting development projects in the port.

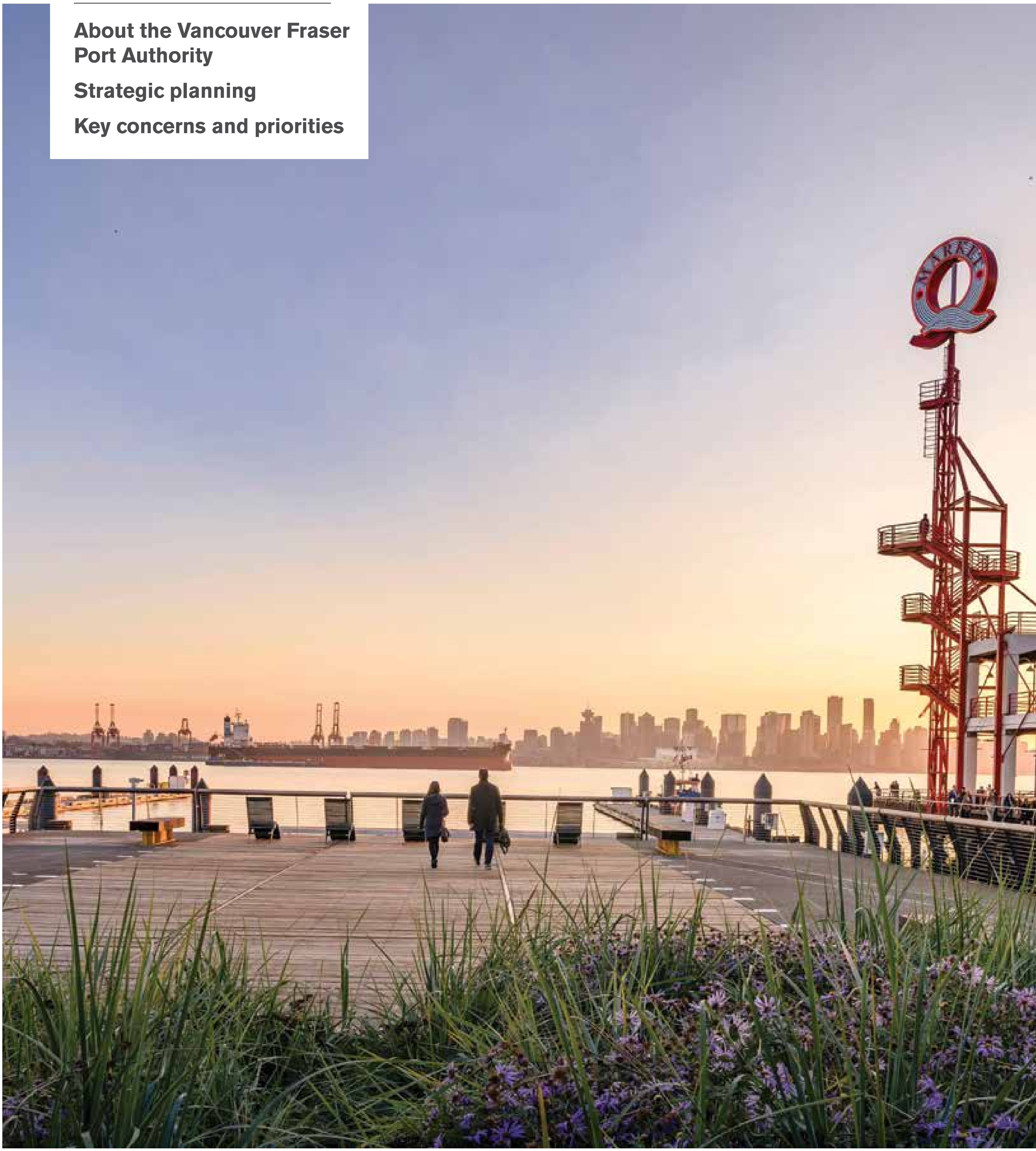
Since 2009, the Vancouver Fraser Port Authority has invested almost 90 per cent of our cash flows from operating activities back into the gateway to increase capacity, improve the flow of cargo, acquire industrial land and protect the environment—all strategically aligned with our mission.

We're pleased to report that our financial position remains strong, which allows us to continue advancing critical infrastructure projects. In 2018, the port authority invested $136 million in capital spending. In support of our vision to be the world's most sustainable port, this investment also helps us to continue to manage our environmental programs, engage with our local communities, and maintain and replace existing assets.

It is vital that we, as the port authority, with the collaboration and support of our terminals, tenants and other partners, continue to do everything we can to ensure the Port of Vancouver is ready and able to support growth and facilitate national trade. With the port authority's solid financial footing, I am confident that we are doing—and will continue to do—exactly that.

Robin Silvester
President and Chief Executive Officer

OUR BUSINESS



About the Vancouver Fraser Port Authority

The Vancouver Fraser Port Authority is a port authority established under the *Canada Marine Act*, which mandates the port authority to:

- Ensure marine policies and infrastructure are in place to meet national, regional and local social and economic objectives for growth and prosperity
- Promote and safeguard Canada's competitiveness and trade objectives
- Satisfy needs of port users at a reasonable cost
- Provide for a high level of safety and environmental protection
- Be autonomous and responsive to local needs and priorities
- Manage marine infrastructure and services in a commercial manner

Read more about the port authority and our mandate at portvancouver.com/about-us

Mission and vision

Our mission is to enable Canada's trade objectives, ensuring safety, environmental protection and consideration for local communities.

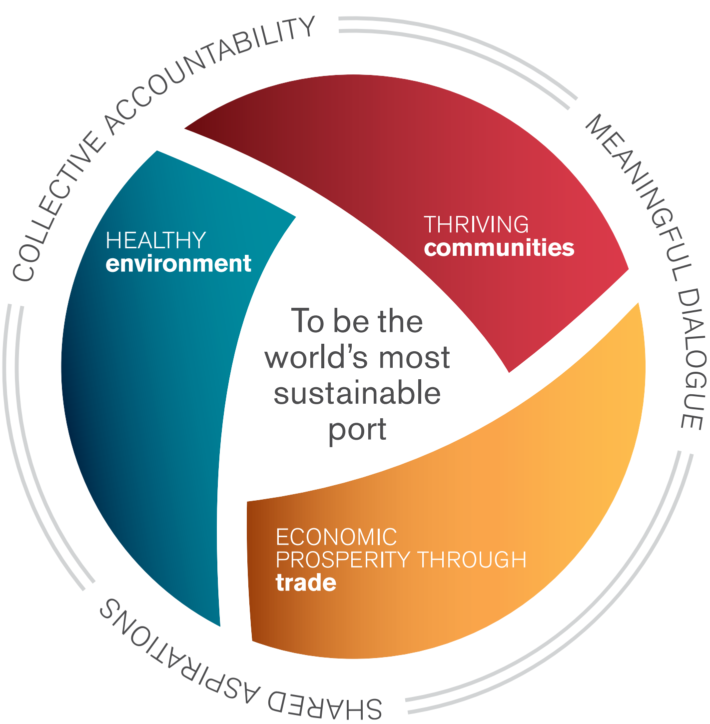
Our vision is to be the world's most sustainable port.

Learn more about our approach to sustainability at portvancouver.com/sustainability

We envision a sustainable port to be one that:

- Delivers economic prosperity through trade
- Maintains a healthy environment
- Enables thriving communities

We believe this can be built through meaningful dialogue, shared aspirations and collective accountability.



Economic prosperity through trade
Competitive business
Effective workforce
Strategic investment and asset management

Healthy environment
Healthy ecosystems
Climate action
Responsible practices

Thriving communities
Good neighbour
Community connections
Aboriginal relationships
Safety and security

The 2018 Vancouver Fraser Port Authority board of directors and executive leadership team: (top row, left to right) Mike Corrigan, Tom Corsie, Victor Pang, Joanne McLeod, Philip Hochstein, Lisa Ethans, Cliff Stewart, Robin Silvester, Carmen Loberg, Craig Munroe; (bottom row, left to right) Duncan Wilson, Penny Priddy, Catherine McLay, Judy Rogers, Sandra Case, and Peter Xotta. Missing: Eugene Kwan

Governance and corporate structure

The *Canada Marine Act* governs the appointment and responsibilities of Canada Port Authority boards of directors. The Vancouver Fraser Port Authority has an 11-member board of directors that provides governance, oversight and approval of strategic direction for the port authority. The board is formed through a robust process that involves four appointing bodies, as follows:

- The Government of Canada appoints eight members, seven of whom are chosen from recommendations by port users
- The Province of British Columbia appoints one member
- The governments of the Prairie provinces of Alberta, Saskatchewan and Manitoba appoint one member
- The municipal governments of the 16 municipalities bordering the port authority's jurisdiction appoint one member

Terms of the directors are three years, and two reappointments are permitted, for a maximum term of nine years. Once appointed, members have a fiduciary obligation to represent the best interests of the port authority.

Management structure

Our management structure is organized into six divisions, as shown below:

President and Chief Executive Officer					
Chief Financial Officer	Vice President, Environment, Community and Government Affairs	Vice President, People and Business Performance	Vice President, Infrastructure	Vice President, Planning and Operations	Vice President, Real Estate

Executive compensation

Our compensation philosophy is to provide an executive compensation program that aligns individual executive performance with the port authority's long-term business strategy and supports the achievement of the following objectives:

- Maximize performance in accomplishing the port authority's annual business plan
- Attract, motivate and retain executives with the skills and experience necessary to achieve the goals outlined in the port authority's business plan and longer-term business strategies

Executive compensation for key management personnel in 2018 is disclosed in Note 17 of the Audited Financial Statements found in this report.

Read our compensation philosophy statement at portvancouver.com/reporting

Subsidiaries

The *Canada Marine Act* and the Vancouver Fraser Port Authority's Letters Patent allow the use of subsidiaries to undertake certain activities that are deemed necessary to support port operations and strategic priorities. Our six subsidiaries were formed for different purposes, as outlined below:

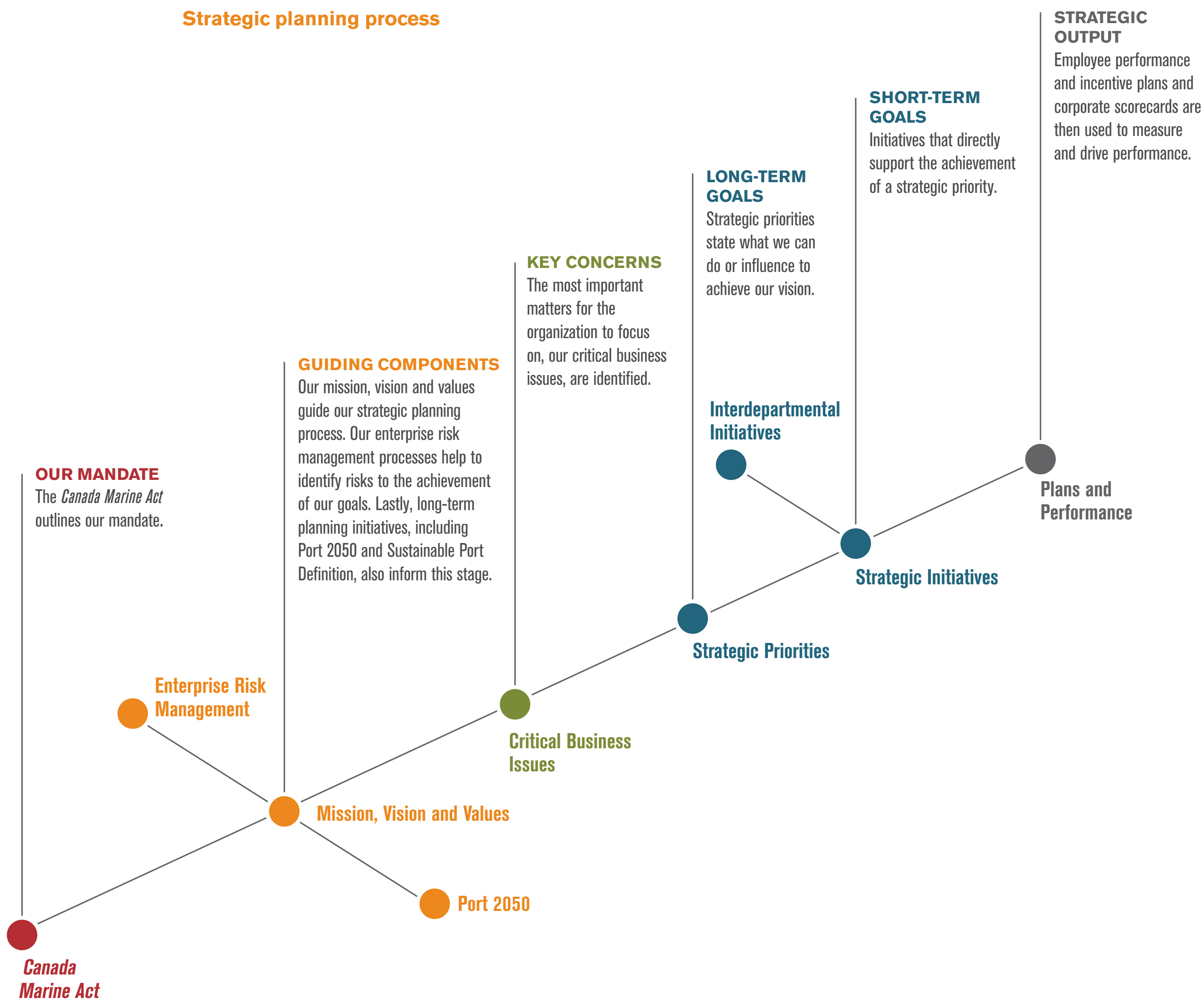
Subsidiary	Overview
Canada Place Corporation	· Owner of Canada Place in Vancouver and responsible for leasing and managing the real property at Canada Place · Produces and hosts celebrations that commemorate Canadian heritage and inspire national pride
Marine Safety Holdings Ltd.	· Incorporated to participate in and facilitate the study of safety and best practices in marine transportation
Port of Vancouver Ventures Ltd.	· Incorporated to provide investment in business ventures necessary to support operations
Port of Vancouver Enterprises Ltd.	· Holding companies that undertake strategic real property acquisitions
Port of Vancouver Holdings Ltd.	
Port of Vancouver Terminals Ltd.	

Strategic planning

We have a strategic business planning process to help identify where management and the board of directors believe the organization should be focusing its attention and resources.

The process is performed annually and is guided by our mandate as established by the *Canada Marine Act* and by other inputs known as our guiding components, which include our long-term planning initiatives and our definition of a sustainable port, along with our mission, vision and values, enterprise risk management and value mapping work. From that, we identify our key concerns and identify long-term and short-term goals. Lastly, we align our people and financial resources and measure our performance through scorecards and through our employee performance and incentive plans. Among other things, this process enables the Vancouver Fraser Port Authority to set strategic direction for our initiatives and efforts, and to ensure sustainability is considered across all activities.

Strategic planning process



Key concerns and priorities

Through our business planning process, we regularly identify and review critical business issues, which are the most important matters for us to focus on. We also identify strategic priorities to address those critical business issues and move us closer to our vision to be the world's most sustainable port. Internal resources are aligned to support the priorities, and corporate scorecards are created to measure our progress.

2019 to 2023 strategic business planning

For the 2019 to 2023 planning period, we have refined the 2019 critical business issues and strategic priorities to provide clarity and enhance focus.

Critical business issue	Strategic priorities
Trust and support from our communities are necessary to grow the gateway	Public trust and support: build strong relationships with communities, Aboriginal peoples and stakeholders
Provision of enabling gateway capacity	Land supply: anticipate, deliver and optimize land supply to support sustainable gateway growth in key sectors
	Infrastructure capacity: anticipate, select and deliver new and repurposed capacity to meet new sector demand
	Supply chain: increase supply chain efficiency and transparency, and optimize operational capacity to deliver enhanced customer and stakeholder value
Climate change and environmental protection	Environmental protection: protect and enhance port environmental health
Ongoing cultural evolution and alignment	Organizational excellence: build a more connected and engaged culture to drive organizational excellence

Capital planning

To support our vision, we reinvest capital to address port capacity constraints, optimize operational efficiency and effectiveness, ease the impacts of growing trade on local communities, and support environmental and community programs. In 2018, capital spending totalled $136 million.

Our 2019 to 2023 capital plan identifies capital spending in the following areas:

- Increase port capacity
- Optimize our land inventory
- Deliver supply chain efficiencies
- Manage environmental programs
- Engage local communities
- Provide capital maintenance and replacement of existing assets

Key projects include:

The proposed Roberts Bank Terminal 2 (RBT2) project in Delta, B.C.

The Centerm Expansion Project on the south shore of the Vancouver harbour

Various gateway projects throughout the Vancouver area to improve road and rail traffic

The Enhancing Cetacean Habitat and Observation (ECHO) Program, to better understand and manage the impact of shipping activities on whales

Borrowing limit and credit rating

The Vancouver Fraser Port Authority's Letters Patent limit our borrowing capability to $510 million of debt outstanding at one time.

In 2010, we obtained an AA credit rating from Standard & Poor's. A strong credit rating keeps our cost of debt low and makes it attractive for lenders to provide us with funds required to invest in the gateway. In 2018, our rating has been reaffirmed at AA with a stable outlook.

Existing credit facilities

Private placement bond: On April 19, 2010, we successfully issued a $100 million private placement bond. The bonds were issued as senior unsecured debentures for a 10-year term at 4.63 per cent, incorporating a 0.85 per cent spread over Government of Canada bonds. This bond is non-amortizing and requires interest to be paid semi-annually, with the principal repaid in full at maturity in April 2020.

Revolving credit facility: A five-year $200 million financing agreement was signed with Toronto-Dominion Bank in December 2017. This facility replaced the expired $150 million credit facility with Royal Bank of Canada. As of December 31, 2018, there are no outstanding amounts owing on this facility.

Letter of credit facility: The port authority holds letter of credit facilities with Toronto-Dominion Bank and Royal Bank of Canada. The facilities support various commitments relating to port projects and the delayed funding of the solvency deficit of our pension plan. As of December 31, 2018, letters of credit in the amount of $6.1 million were outstanding.

Subsidiary credit facilities

Port of Vancouver Terminals Ltd.: The subsidiary has a five-year $1.2 million unsecured demand loan with Toronto-Dominion Bank. The loan has an outstanding balance of $1.1 million as of December 31, 2018.

2018 FINANCIAL RESULTS

Consolidated summary

(000s)	2018	2017	Change	Change
Net Income	$ 125,105	$ 149,252	$ (24,147)	(16%)
Add: Depreciation	35,735	32,892	2,843	9%
Add: Finance costs	5,194	5,281	(87)	(2%)
Add: Non-operating expenses (income)	226	(38,509)	38,735	101%
EBITDA	**166,260**	**148,916**	**17,344**	**12%**

Consolidated EBITDA increased 12 per cent to $166 million in 2018, largely due to an increased rental revenue and higher port income derived from higher cargo volumes.

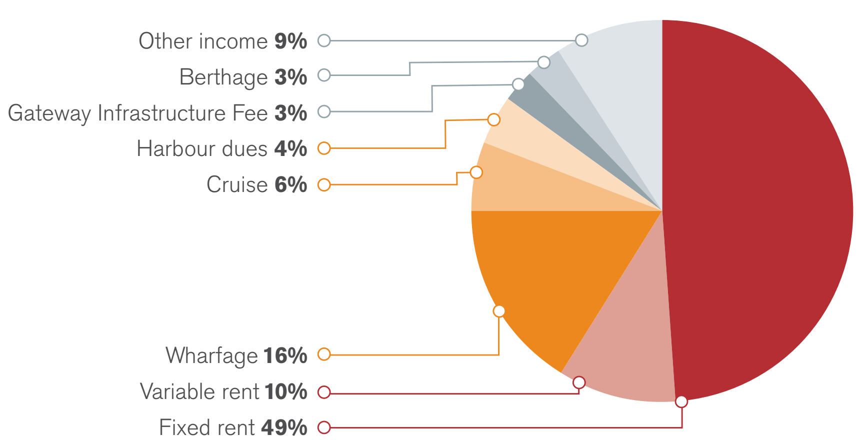
The adoption of International Financial Reporting Standard (IFRS) 15 *Revenue from Contracts with Customers*, resulted in a 2017 adjustment to Canada Place Corporation's statement of comprehensive income, increasing both consolidated revenue and expense by $7 million, as tenant recoveries are now to be reported on a gross basis.

Revenues

The following table supports our Consolidated Statement of Comprehensive Income, which is prepared under International Financial Reporting Standards:

(000s)	2018	2017	Variance	Variance
Fixed rent	$ 135,103	$ 126,082	$ 9,021	7%
Variable rent	27,133	26,514	619	2%
Rental Income	**162,236**	**152,596**	**9,640**	**6%**
Wharfage	44,840	42,446	2,394	6%
Cruise	15,893	13,885	2,008	14%
Harbour dues	10,939	10,752	186	2%
Gateway Infrastructure Fee	9,450	8,988	462	5%
Berthage	6,985	6,181	804	13%
Log revenues	15	53	(39)	(73%)
Port Income	**88,122**	**82,307**	**5,816**	**7%**
Other income	24,095	18,575	5,520	30%
Operating Revenue	**274,453**	**253,478**	**20,976**	**8%**

* Note: Numbers in above table may not add up correctly, due to rounding



Operating revenue increased 8 per cent, largely due to higher rental income and higher cargo volumes.

Rental income increased 6 per cent from the prior year, with fixed rent increasing by 7 per cent and variable rent increasing by 2 per cent in 2018. Overall, fixed rent continues to account for approximately half of our operating revenues, providing protection against fluctuations in trade volumes.

We primarily collect wharfage, cruise fees, harbour dues, Gateway Infrastructure Fee and berthage to recover investments made to support trade activities at the port. The following table summarizes the key drivers, methodology and purpose of each of these fees.

Revenue type	Calculation key driver	Details of calculation	Purpose of fee
Wharfage	Rate x unit	Unit rate applied is per thousand foot board measure (MFBM), tonne or 20-foot equivalent unit (TEU)	To recover investments and costs associated with the provision of port infrastructure and services to handle cargo
Cruise fees	Passenger fee = rate x number of passengers Service & facilities fee = rate x overall ship length x time at berth	Rates vary for days of the week and duration of stay	To recover investments and costs associated with provision of cruise terminal facilities, berths and infrastructure
Harbour dues	Rate x gross registered tonne	Charged on first five calls; discounts for participating in the EcoAction Program	To recover investments and costs associated with harbour operations, as well as harbour safety, security and cleanliness
Gateway Infrastructure Fee	Rate x unit	Unit rate applied is per MFBM, tonne or TEU	To recover investments and costs related to infrastructure improvements in three trade areas
Berthage	Rate x overall ship length x time at berth	Unit rate applied is based on location and duration of stay	To recover investments and costs associated with the wharf apron, berth dredging and maintenance
Truck Licensing System program charges	Licence fee based on number of trucks	Annual fee depends on the number of approved trucks	To recover investments and costs related to the Truck Licensing System program

Overall, port income increased 7 per cent due to higher trade volumes in 2018. Wharfage and berthage rates increased by the consumer price index of 1.6 per cent in 2018. Harbour dues, berthage and wharfage revenues increased by 2 per cent, 13 per cent and 6 per cent, respectively.

Cruise revenue increased by 14 per cent, due to higher passenger volumes and higher service and facility fees to recapture capital investments made by the port authority at the Canada Place cruise terminal.

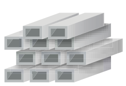
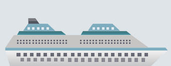
Gateway Infrastructure Fees charged on container and bulk volumes increased 5 per cent versus last year. This fee is intended to recoup investments related to infrastructure improvements in three trade areas, all of which have been completed.

Other revenues increased by 30 per cent in 2018, primarily due to interest income from a higher cash position and increased Canada Place Corporation tenant improvement cost recoveries.

Sector overview and results

The table below outlines the 2018 revenues generated by the port's five business sectors.

The revenue contributions for each of the business sectors highlighted are consistent with the contributions made by each sector in 2017. The container sector continues to generate almost half of our revenues, followed by the bulk, breakbulk, cruise and auto sectors.

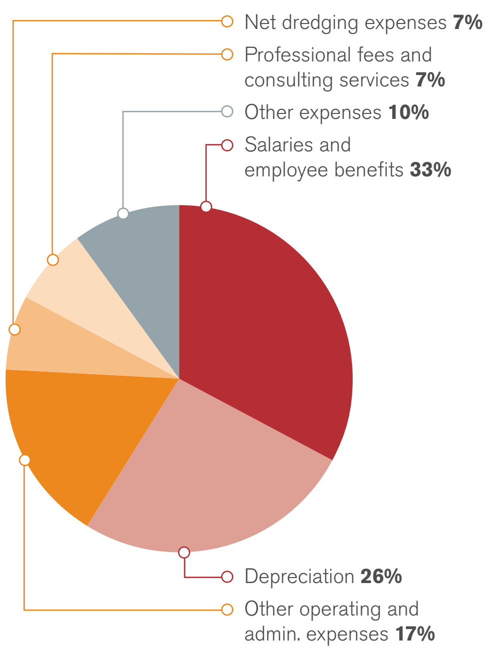
		2018		2017	
Sector	**Description/ commodity type**	**% of Operating revenue**	**Operating revenue ($000s)***	**% of Operating revenue**	**Operating revenue ($000s)***
Auto 	Automobiles, heavy rolling machinery and equipment, including 100% of all Asian cars destined for Canada	4%	$ 10,348	4%	$ 8,921
Breakbulk 	Principal cargo includes steel, pulp and lumber	6%	16,525	6%	15,925
Bulk 	Principal cargo includes coal, grain, sulphur and potash	21%	53,292	18%	43,815
Container 	Cargo includes household goods, produce, machinery, wood pulp, lumber and metals	45%	115,109	47%	117,064
Cruise 	Cruise passengers travelling to/from the homeport for the Vancouver-Alaska cruise	6%	16,489	6%	14,657

* Operating revenue by sector includes rent, harbour dues, berthage, wharfage, Gateway Infrastructure Fee and other fees as contributed by each sector.
In 2018, other revenues accounted for $46 million or 18%, including revenue from supply chain distribution and warehousing, and other properties, Truck Licensing System program charges, interest income and other miscellaneous revenue items. In 2017, other revenue accounted for $47 million or 19%.

Operating expenses

The port authority's significant expense items are noted in the following table.

(000s)	2018	2017	Variance	Variance
Salaries and employee benefits	$ 44,375	$ 43,364	$ (1,011)	(2%)
Depreciation	35,735	32,892	(2,843)	(9%)
Other operating and administrative expenses	23,069	24,604	1,535	6%
Dredging	9,509	9,944	435	4%
Professional fees and consulting services	9,983	8,173	(1,810)	(22%)
Payments in lieu of taxes	5,944	5,871	(73)	(1%)
Maintenance and repairs	7,836	5,675	(2,161)	(38%)
Operating Expenses	**136,451**	**130,523**	**(5,928)**	**(5%)**



The port authority's overall operating expenses increased by 5 per cent over the previous year. This change was mainly due to increases in salaries and employee benefits, depreciation, professional and consulting services, and maintenance and repair expenses. The cost increase was partially offset by lower net dredging expenses and lower operating and administrative expenses.

Salaries and employee benefits increased by 2 per cent, primarily due to salary and wage increases.

Depreciation increased by 9 per cent, reflecting the increasing balance of depreciable assets resulting from the port authority's recent property acquisitions and continuous capital investments.

Professional fees and consulting services increased by 22 per cent, primarily due to third-party work to help achieve the port authority's strategic and operational objectives, including increases to asset demolitions and environmental monitoring.

Maintenance and repairs increased by 38 per cent, primarily due to increased revenue-generating tenant services.

Other operating and administrative expenses decreased by 6 per cent in 2018. Site remediation provisioning was minimal in 2018, as compared to 2017 when a $2 million environmental provision increase was recorded.

To provide safe and unimpeded access to terminals and to allow vessels to navigate through the Fraser River channel, the port authority carries out an annual maintenance dredging program to remove sediments and sand. The recovered sand is then sold and used for preload in local construction projects. The volume of sand removal and sales can vary from year to year. Compared to 2017, net dredging expenses in 2018 declined, due to lower dredging.

Tenants pay property taxes to municipalities on the port authority's leased properties. The port authority makes payments in lieu of taxes (PILT) to local municipalities on unoccupied lands within the port authority's jurisdiction. PILT increased by 1 per cent in 2018 compared to 2017.

The port authority is exempt from income taxes but is obligated to pay an annual federal stipend to the minister of transport under the *Canada Marine Act*. The charge is calculated by reference to gross revenues at rates varying between 2 per cent and 6 per cent, depending on the gross amount determined. Federal stipend payments increased to $7.5 million in 2018 from $6.9 million in 2017.

Interest on the debenture is payable semi-annually at 4.63 per cent for a total annual payment of $4.63 million. The interest payments made in 2018 were consistent with 2017.

Canada Place at the Port of Vancouver

Subsidiaries

The following table summarizes the 2018 results for each of our subsidiaries.

(000s)	Operating revenue	Operating expense	Other expenses	Net income (loss)
Canada Place Corporation	$ 16,774	$ 13,987	$ 244	$ 2,543
Marine Safety Holdings Ltd.	0	0	0	0
Port of Vancouver Terminals Ltd.	333	68	30	235
Port of Vancouver Ventures Ltd.	1,873	678	555	640
Port of Vancouver Enterprises Ltd.	0	2	0	(2)
Port of Vancouver Holdings Ltd.	1,826	1,454	537	(165)

AUDITED FINANCIAL STATEMENTS

To the Directors of Vancouver Fraser Port Authority and the Minister of Transport, Government of Canada

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Vancouver Fraser Port Authority and its subsidiaries (together, the VFPA) 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 (IFRS).

What we have audited

The VFPA's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Comparative information

The financial statements for the year ended December 31, 2017 (prior to the adjustments that were applied to restate certain comparative information explained in Note 2) were audited by another auditor who expressed an unmodified opinion on those financial statements on March 21, 2018.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the VFPA'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 VFPA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the VFPA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the VFPA to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 2, 2019

Consolidated Statement of Financial Position

Vancouver Fraser Port Authority
(expressed in thousands of dollars)

As at December 31, 2018

	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents		**$ 276,285**	$ 243,234
Investments in securities	6	**–**	406
Accounts receivable and other assets	7	**41,214**	40,825
		317,499	284,465
Long-term receivables	8	**37,978**	33,537
Accrued benefit asset	14	**664**	600
Deferred charges		**1,674**	1,795
Intangible assets – net	9	**89,644**	81,155
Property and equipment – net	10	**1,466,697**	1,375,156
		$ 1,914,156	$ 1,776,708
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	11	**$ 56,129**	$ 46,690
Provisions	12	**2,762**	3,156
Short-term borrowings	13	**1,101**	1,337
Deferred revenue		**10,960**	12,638
		70,952	63,821
Other employee benefits		**1,384**	1,078
Accrued benefit liability	14	**4,147**	8,971
Deferred revenue		**34,010**	30,757
Provisions	12	**11,455**	9,310
Other long-term liabilities		**3,902**	3,811
Long-term obligations	13	**99,866**	99,768
		225,716	217,516
Shareholders' Equity			
Contributed capital		**150,259**	150,259
Retained earnings		**1,538,181**	1,408,933
		1,688,440	1,559,192
		$ 1,914,156	$ 1,776,708
Commitments and contingent liabilities	15, 16		

Approved on behalf of the Board of Directors:

Joanne McLeod, Director

Robin Silvester, President and Chief Executive Officer

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

Consolidated Statement of Comprehensive Income

Vancouver Fraser Port Authority
(expressed in thousands of dollars)

For the year ended December 31, 2018

	Notes	2018	2017
			(restated)
REVENUE			
Port income	21	$ 88,122	$ 82,307
Rental income		162,236	152,596
Other income		24,095	18,575
		274,453	253,478
EXPENSES			
Wages, salaries and benefits	14, 17	44,375	43,364
Depreciation and amortization	9, 10	35,735	32,892
Other operating and administrative expenses		23,069	24,604
Professional fees and consulting services		9,983	8,173
Dredging		9,509	9,944
Maintenance and repairs		7,836	5,675
Payments in lieu of taxes		5,944	5,871
		136,451	130,523
Income from operations		138,002	122,955
Other expense (income)			
Federal stipend	20	7,477	6,931
Finance costs		5,194	5,281
Loss (gain) on disposal of assets	10	470	(38,371)
Investment income		(215)	(107)
Other income		(29)	(31)
		12,897	(26,297)
Net income for the year		125,105	149,252
Other comprehensive income (loss)			
Items that will not be reclassified to net income			
Actuarial gains (losses) in defined pension plans	14	4,143	(3,199)
Total comprehensive income for the year		$ 129,248	$ 146,053

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

Consolidated Statement of Changes in Equity

Vancouver Fraser Port Authority
(expressed in thousands of dollars)

For the year ended December 31, 2018	Contributed capital	Retained earnings	Total
Balance, December 31, 2016	$ 150,259	$ 1,262,880	$ 1,413,139
Net income for the year	–	149,252	149,252
Other comprehensive loss			
Actuarial losses in defined benefit pension plans	–	(3,199)	(3,199)
Balance, December 31, 2017	150,259	1,408,933	1,559,192
Net income for the year	–	125,105	125,105
Other comprehensive income			
Actuarial gains in defined benefit pension plans	–	4,143	4,143
Balance, December 31, 2018	**$ 150,259**	**$ 1,538,181**	**$ 1,688,440**

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

Consolidated Statement of Cash Flows

Vancouver Fraser Port Authority
(Expressed in thousands of dollars)

For the year ended December 31, 2018

	Notes	2018	2017
			(restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		**$ 125,105**	$ 149,252
Adjustments to reconcile to net cash from operations			
Depreciation and amortization	9, 10	**35,735**	32,892
Loss (gain) on disposal of assets		**470**	(38,371)
Long-term lease receivable and lease payable		**(3,626)**	(4,045)
Provisions		**(209)**	1,828
Accrued employee benefits		**(439)**	(2,621)
Other		**329**	610
		157,365	139,545
Changes in non-cash working capital balances			
Accounts receivable and other assets		**(1,620)**	(8,053)
Accounts payable and accrued liabilities		**286**	5,927
Deferred revenue		**1,576**	(551)
		157,607	136,868
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(126,291)**	(172,381)
Purchase of intangible assets		**(3,890)**	(6,107)
Government funding for property and equipment, and intangible assets		**4,976**	5,031
Other third-party funding for property and equipment, and intangible assets		**127**	2,843
Proceeds from sale of investments in securities		**406**	410
Net change in long-term receivables		**125**	100
Principal repayment on lease financing assets		**18**	17
Proceeds from disposal of property and equipment		**3**	4,017
Other		**206**	193
		(124,320)	(165,877)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		**–**	1,201
Repayments of short-term borrowings		**(236)**	(49)
Repayments of long-term obligations		**–**	(1,300)
		(236)	(148)
Net increase (decrease) in cash and cash equivalents		**33,051**	(29,157)
Cash and cash equivalents, beginning of year		**243,234**	272,391
Cash and cash equivalents, end of year		**$ 276,285**	$ 243,234
Supplemental cash flow information			
Interest paid		**4,952**	5,003
Investment interest received		**493**	24

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

Notes to Consolidated Financial Statements

Vancouver Fraser Port Authority
(figures in tables are expressed in thousands of dollars)

1. GENERAL INFORMATION

Vancouver Fraser Port Authority (VFPA) is a non-share capital, financially self-sufficient authority established on January 1, 2008 by the Government of Canada pursuant to the *Canada Marine Act* (CMA). The address of the VFPA's registered office is 100 – 999 Canada Place, Vancouver, BC. The VFPA's mission is to enable Canada's trade objectives, ensuring safety, environmental protection and consideration for local communities. The VFPA's jurisdiction and principal place of business covers nearly 600 kilometres of shoreline and extends from Point Roberts at the Canada/US border through Burrard Inlet to Port Moody and Indian Arm, and from the mouth of the Fraser River, eastward to the Fraser Valley, and north along the Pitt River to Pitt Lake, and includes the north and middle arms of the Fraser River.

The VFPA and its wholly owned subsidiaries, Canada Place Corporation (CPC), Port of Vancouver Ventures Ltd. (PoVV), Port of Vancouver Holdings Ltd. (PoVH), Port of Vancouver Enterprises Ltd. (PoVE), Port of Vancouver Terminals Ltd. (PoVT), and Marine Safety Holdings Ltd. (MSH), are exempt from income taxes as the VFPA, on a consolidated basis, pays a gross revenue charge (federal stipend) as required per the Letters Patent under the authority of the CMA.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are presented in Canadian dollars, with all monetary amounts rounded to the nearest thousand ($000) except when otherwise indicated.

The consolidated financial statements have been prepared on a historical cost basis except for those items measured at fair value as explained below. These accounting policies have been consistently applied to all periods presented, unless otherwise stated.

These consolidated financial statements were approved for issue by the VFPA Board of Directors on April 2, 2019.

Consolidation

These consolidated financial statements consolidate the accounts of the VFPA and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are all entities over which the VFPA has control. For accounting purposes, control is defined as (i) the power to govern the financial and operating policies of the subsidiary; (ii) exposure, or rights, to variable returns from involvement with the subsidiary; and (iii) the ability to use its power over the subsidiary to affect its returns.

New standards adopted

The VFPA has applied the following new standards for the first time for its annual reporting period commencing January 1, 2018:

IFRS 15, *Revenue from Contracts with Customers*, has been adopted January 1, 2018, using the full retrospective method without the use of practical expedients.

The timing of the recognition of revenue has not changed as a result of adopting the new guidance. The adoption of this standard has changed the reporting of certain cost recoveries received from tenants. These cost recoveries were previously reported on a net basis in the consolidated statement of comprehensive income. Under the new standard, cost recoveries from tenants are reported on a gross basis, as the VFPA identifies the services to be provided and also controls the services before those services are transferred to the customer.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cumulative effect of the changes made to the consolidated statement of comprehensive income for the year ended December 31, 2017 related to the adoption of IFRS 15 was as follows:

	As previously reported	Adjustment	Restated
Revenue			
Other income	$ 11,549	$ 7,026	$ 18,575
Expenses			
Wages, salaries and benefits	40,637	2,727	43,364
Other operating and administrative expenses	22,450	2,154	24,604
Maintenance and repairs	3,530	2,145	5,675

IFRS 9, *Financial Instruments*, has been adopted effective January 1, 2018, retrospectively without restatement of comparatives. The new standard replaces International Accounting Standards (IAS) 39 *Financial Instruments: Recognition and Measurement*. Under IFRS 9, the VFPA assesses on a forward-looking basis the expected credit losses associated with financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the VFPA applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The adoption of this standard had no impact on the consolidated financial statements and no adjustments to opening retained earnings as at January 1, 2018 were necessary.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit with banks and short-term deposits with maturities of 90 days or less when acquired.

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Financial assets and liabilities (until December 31, 2017)

Classification

The VFPA's classification of financial assets and liabilities depends on the purpose for which they were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

(a) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity. The VFPA's investments in securities are classified as held-to-maturity investments.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months from the reporting date, which are classified as non-current assets.

The VFPA's accounts receivable and other assets, and certain long-term receivables are classified as loans and receivables. Loans and receivables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method.

The VFPA assesses as at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(c) Other financial liabilities at amortized cost

Other financial liabilities at amortized cost are non-derivative financial liabilities with fixed or determinable payments. They are included in current liabilities if payment is due within one year or less from the reporting date. If not, they are presented as non-current liabilities.

Accounts payable and accrued liabilities, and other long-term liabilities are classified as other financial liabilities at amortized cost. They are recognized initially at fair value and subsequently measured at amortized costs using the effective interest method.

Short-term borrowings and long-term obligations are classified as financial liabilities at amortized cost. They are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest rate method.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets at amortized cost

The VFPA assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

Financial instruments (adopted January 1, 2018)

A financial instrument is any contract that gives rise to a financial asset, or a financial liability.

(a) Financial assets

Initial recognition and measurement

When first recognized, financial assets are classified as either amortized cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. The classification when first recognized depends on the financial asset's contractual cash flow characteristics and the VFPA's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the VFPA initially measures a financial asset at its fair value.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)". This assessment is referred to as the SPPI test and is performed at an instrument level. The VFPA's business model refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

The VFPA's financial assets are subsequently measured at amortized cost as both of the following conditions are met:

- The financial asset is held intending to collect contractual cash flows, and
- The contractual terms of the financial asset have specified dates for cash flows that are solely payments of principal and interest.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized or impaired. The VFPA's financial assets at amortized cost include cash and cash equivalents, accounts receivable and other assets, and long-term receivables. The VFPA does not have any financial assets classified as fair value through OCI or fair value through profit or loss.

Impairment of financial assets

The VFPA assesses at year-end whether a financial asset or a group of financial assets is impaired. The VFPA recognizes an allowance for expected credit losses (ECLs) for all financial assets held at amortized cost. ECLs are based on the difference between the contractual cash flows due according to the contract and cash flows that the VFPA expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. Where there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). Where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining period of exposure (a lifetime ECL).

For trade receivables, the VFPA applies a simplified approach in calculating ECLs. Therefore, the VFPA does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The VFPA has established a provision based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value, net of directly attributable transaction costs.

Subsequent measurement

The VFPA's financial liabilities are subsequently measured as follows:

Accounts payable and accrued liabilities, other long-term liabilities and provisions at amortized cost using the effective interest method.

Short-term borrowings and long-term obligations at amortized cost. Differences between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Other financial liabilities at amortized cost. They are non-derivative financial liabilities with fixed or determinable payments. They are included in current liabilities if payment is due within one year or less from the reporting date. If not, they are presented as non-current liabilities.

Deferred charges

Deferred charges relate to lease transaction costs, which are amortized over the lease term.

Intangible assets

Gateway infrastructure

The VFPA incurs costs associated with the development of gateway infrastructure assets that it does not control. Costs include construction, engineering, project management, and other direct project costs less any third-party contributions.

While infrastructure assets are subsequently controlled and maintained by other entities, the VFPA will recover its costs incurred through gateway infrastructure fees. As the fee is controlled by VFPA, the gateway investment costs are recognized as intangible assets when capitalization criteria are met.

The gateway infrastructure investment costs recognized as intangible assets are amortized over the term of the gateway infrastructure fee.

Computer software

Costs associated with maintaining computer software programs are recognized as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the VFPA are recognized as intangible assets when the capitalization criteria are met.

Directly attributable costs capitalized include software development employee costs.

Other development expenditures that do not meet the capitalization criteria are recognized as an expense when incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as intangible assets are amortized over their estimated useful lives, not exceeding five years.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of property and equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes land survey costs, materials and internal labour costs as well as contractor expenses, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Costs are capitalized until such time as the asset is ready for use in the manner intended by management.

Borrowing costs directly attributable to financing the construction of qualifying assets are capitalized to all major capital projects. A qualifying asset is one that necessarily takes at least one year to construct.

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.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the VFPA and the cost of the item can be reliably measured. The carrying amount of a replaced part is derecognized. All other maintenance and repair expenses are charged to the consolidated statement of comprehensive income when incurred.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is recognized in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the VFPA will obtain ownership by the end of the lease term. Land and habitat bank assets are not depreciated.

The useful lives for each class of property and equipment are as follows:

Dredging	4–40 years
Berthing structures, buildings, roads and surfaces	10–75 years
Utilities	10–50 years
Machinery and equipment	3–25 years
Office furniture and equipment	3–10 years
Leasehold improvements	Term of lease

Depreciation commences as and when the asset is available for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income.

Impairment of non-financial assets

The VFPA performs impairment tests on property and equipment when events or circumstances occur that indicate the asset(s) may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

When impairment indicators are identified, the recoverable amount of the cash-generating unit is determined. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the cash-generating unit carrying value exceeds its recoverable amount. Non-financial assets that suffered an impairment are reviewed for possible reversals of the impairment at each reporting date.

Provisions

Provisions for environmental restoration, leased site restoration, local channel dredging contributions and legal claims are recognized when the VFPA has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money. The increase in the provision due to the passage of time is recognized as finance costs.

Payments in lieu of taxes (PILT)

Payments are estimated by the VFPA in accordance with the *Payments in Lieu of Taxes Act*. Accruals are re-evaluated each year and changes, if any, are made in the current period's consolidated financial statements based on the best available information, including the results, if any, of appraisals by an independent consulting firm. PILT is paid on all unoccupied (dry) land and all submerged lands in the Burrard Inlet, Fraser River, and Roberts Bank except for Indian Arm and the navigation channels.

Employee future benefits

The VFPA has three benefit plans [Legacy Vancouver Port Authority (LVPA), Legacy Fraser River Port Authority (LFRPA), Legacy North Fraser Port Authority (LNFPA)], where employees from the legacy ports have remained in their respective benefit plans upon amalgamation. Employees hired after January 1, 2008 are eligible for the LVPA plan. The three benefit plans are described in detail in note 14.

The asset or liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The measurement date for the defined benefit plans is December 31.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income (loss) in the period in which they arise.

Past service costs are recognized immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are charged to accumulated other comprehensive income and amortized to the consolidated statement of comprehensive income on a straight-line basis over the vesting period.

The VFPA also maintains other non-funded benefits for eligible employees. The VFPA accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

Revenue recognition

Port income

The VFPA provides port services to customers, primarily access to the harbour, and shipping terminals. Revenue for services is recognized either at a single point in time, based on a vessel's arrival or departure, or over the duration of time a vessel is at a shipping terminal.

Rental income

The VFPA leases property to customers, primarily for shipping terminals or other supply chain support services. Fixed lease revenue is recognized on a straight-line basis over the term of the lease. Contingent based lease revenue is recognized periodically, based on lessee cargo volumes, or other revenues as stipulated in the respective agreements.

Other income

The VFPA provides various other customer services, and earns interest on cash held in banks. These revenues are recognized in the period the services are provided, or period in which interest is earned.

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

Leases

A lease is an arrangement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time. Leases in which a significant portion of the risks and rewards of ownership are retained by the VFPA are classified as operating leases.

The VFPA leases certain property and equipment. Leases of property and equipment are classified as operating leases where the VFPA does not have substantially all the risks and rewards of ownership. Operating lease rentals are recognized on a straight-line basis over the period of the lease.

Payments made under operating leases (net of any incentives received from the lessor) are recognized as an expense on a straight-line basis over the lease term in the consolidated statement of comprehensive income.

River dredgeate and dredging

Costs of removing river dredgeate that is in the nature of maintenance of navigable waterways to a standard of depth are expensed. However, costs of river dredgeate removed from the waterway for maintenance, placed on the VFPA property, and which betters that property, are capitalized.

Dredging costs that deepen navigable waterways to establish a new standard of depth for future economic benefit are capitalized. Proceeds from the sale of river dredgeate derived from maintenance are recorded as a reduction of the expense. If proceeds are derived from dredgeate originally placed on the VFPA property as a betterment, the proceeds are recorded as a reduction of property and equipment.

Federal stipend

Under the CMA, the VFPA is obligated to pay annually to the Minister of Transport a charge to maintain its Letters Patent in good standing. The charge is calculated by reference to gross revenue at rates on a sliding scale varying between 2% and 6% depending on the gross amount.

Government grants and non-government contributions

Government grants and non-government contributions, including non-monetary grants at fair value, are not recognized until there is reasonable assurance that the VFPA will comply with the conditions attaching to them and the grants will be received. Government grants

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and non-government contributions related to assets are presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and lower depreciation in the consolidated statement of comprehensive income.

Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever can be 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.

3. ACCOUNTING STANDARDS NOT YET ADOPTED

IFRS 16, *Leases* (IFRS 16)

In January 2016, the IASB issued IFRS 16 which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17, *Leases*. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted, provided the new revenue standard, IFRS 15, *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as IFRS 16. The VFPA is currently assessing the impact of IFRS 16 on its financial statements and plans to adopt the standard on the effective date. As the VFPA is primarily a lessor, and currently has few agreements as lessee, this standard is not expected to have a material impact on the VFPA's consolidated financial statements.

4. FINANCIAL MANAGEMENT

Financial risk factors

The VFPA utilizes financial instruments in the normal course of business and takes action to mitigate the associated risks. The use of financial instruments exposes the VFPA to market risk, credit risk and liquidity risk. Management reviews these risks on an ongoing basis to ensure that the risks are appropriately managed. Other than as described below, management does not consider any other risks to be significant to the VFPA.

Fair value

The carrying values of accounts receivable and other assets, and accounts payable and accrued liabilities, approximate their fair values due to the short term to maturity of these instruments. The carrying values of drawings on available credit facilities approximate their fair values, as they bear floating interest rates that approximate market rates and have short-term maturity.

As at December 31, 2018, the fair value of the Series A Debentures was $103.5 million (2017 – $105.8 million) based on a two-year Government of Canada bond and a market interest rate of 2.56% (2017 – 2.43%) as outlined in note 13. The fair value was calculated using Level 2 inputs under a discounted cash flow approach.

Market risk

The VFPA's interest-bearing financial assets consist of loans, note and lease financing receivables, which bear interest at fixed rates. The VFPA's debt portfolio comprises both fixed (Series A Debentures) and variable rate (demand loan) debt instruments. The VFPA minimizes its interest rate risk by monitoring the movements of the interest rate and cash flows.

The VFPA has arranged a $200 million credit facility, which is undrawn as outlined in note 13. The funds are available to the VFPA by way of adjusted prime rate-based loans or by way of Banker's Acceptances.

The Series A Debentures of $100 million has a fixed interest rate of 4.63% as outlined in note 13. These interest payments are known with certainty for the 10-year bond period and are incorporated into the VFPA's monthly cash flow forecasts.

For the year ended December 31, 2018, with other variables unchanged, there is no material effect on the net cash flows for an interest rate change of 1% per annum related to credit facilities.

Credit risk

Credit risk is the risk of financial loss to the VFPA if a customer or counterparty defaults on their contractual obligations. Credit risk is managed by the VFPA through counterparty financial statement analysis and obtaining guarantees or financial security when appropriate.

4. FINANCIAL MANAGEMENT (CONTINUED)

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. The VFPA limits its exposure to credit loss by regularly monitoring the creditworthiness of customers and debtors. The VFPA believes it has adequately provided for any exposure to potential credit loss.

Liquidity risk

Liquidity risk is the risk that the VFPA will not be able to meet its financial obligations as they fall due. The VFPA's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flow to fund its operations and to meet its liabilities when due. The VFPA also maintains certain credit facilities that can be drawn upon as needed. As per its liquidity policy, the VFPA will maintain an operating liquidity level equivalent to the greater of at least 10% of its debt level or the past six months of expenses.

The VFPA has short-term borrowings and long-term obligations that are unsecured. The following table provides a summary of the contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2018. This table details payments due in each of the next five years and thereafter for the VFPA's long-term obligations and short-term borrowings.

	2019	2020	2021	2022	2023	2024 and thereafter	Total
Long-term obligations	$ 4,630	$ 102,315	$ –	$ –	$ –	$ –	$ 106,945
Short-term borrowings	1,101	–	–	–	–	–	1,101
Total	$ 5,731	$ 102,315	$ –	$ –	$ –	$ –	$ 108,046
Percentage of total	5.3%	94.7%	0.0%	0.0%	0.0%	0.0%	100.0%

Capital risk management

The VFPA has the objective of ensuring the safety of its cash and cash equivalents and maintaining the liquidity necessary to pay obligations as they become due. In order to do so, the VFPA holds its cash balances in conservative, highly liquid facilities. The cash portfolio is diversified to minimize the risk of loss resulting from overconcentration of holdings in any one specific financial institution. Cash balances are only invested in top tier financial institutions in Canada and the VFPA's cash position is monitored on a daily basis and rebalanced as necessary. The VFPA's cash management and investment activities are constrained by the CMA and the Categories of Investments Schedule of the Port Authorities Management Regulations, which stipulates the types of investments permitted and minimum rating requirements.

5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The VFPA makes judgments, estimates and assumptions concerning the future. The resulting accounting estimates, by definition, will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Capitalization of costs and impairment

The VFPA makes judgments as to whether certain costs are directly attributable to property and equipment to warrant capitalization. The VFPA also makes judgments in terms of assessing the likelihood and probability that capital projects will proceed.

The VFPA assesses annually whether there are any indicators that items of property and equipment and intangible assets may be impaired. If indicators of impairment exist, the recoverable amounts of cash-generating units is determined to be the higher of the fair value less costs to sell and value in use. These recoverable amount calculations require the use of estimates including, but not limited to, discount rates and future cash flows.

Employee future benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include discount rate, inflation rate, salary growth rate, mortality rate and medical cost trend rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The VFPA determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the VFPA considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 14.

5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Environmental liabilities

The VFPA has contingent liabilities and provisions for environmental restoration requirements at a number of its properties. The nature, extent, timing and cost of cleanup of these properties are based on management's best estimates, with input from third-party specialists, where applicable. Provisions recognized in the VFPA's consolidated statement of financial position are discounted using an appropriate risk-free rate.

VFPA's environmental staff keeps track of contaminated or possibly contaminated properties during the year, and are part of the team conducting due diligence on all property acquisitions. At year-end, each property is assessed for possible environmental provisions in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The provision does not include restoration costs on leased properties where tenants are obligated to incur the costs and have sufficient financial capacity to fulfill their lease obligations. Uncertainty exists over actual environmental restoration costs to be incurred due to the estimates involved in performing the assessment.

6. INVESTMENTS IN SECURITIES

		2018		2017
As at January 1	**$**	**406**	$	816
Disposals		**(406)**		(410)
As at December 31		**–**		406
Less: non-current portion		**–**		–
Current portion	**$**	**–**	$	406

7. ACCOUNTS RECEIVABLE AND OTHER ASSETS

		2018		2017
Trade receivables	**$**	**9,084**	$	7,200
Provision for impairment		**(2,901)**		(2,863)
Accrued rental income		**11,314**		11,667
Acrued port income		**11,403**		12,313
Restricted funds[1]		**5,445**		5,021
Other project partners accrued recoveries		**666**		666
Federal Government accrued grants		**322**		2,090
Other		**5,881**		4,731
	$	**41,214**	$	40,825

[1] As at December 31, 2018, accounts receivable and other assets include $5,444,714 in restricted funds (2017 – $5,020,560). Restricted funds are project-related deposits, foreshore property owner, truck licence, and tenant security deposits, including accrued interest. Once information has been submitted to the VFPA's satisfaction, project-related deposits are refunded in full plus interest. The foreshore property owner deposits are held to guarantee that the dikes on such properties will be maintained by the owners. The single largest amount of the restricted funds is $808,279 held for the replacement of a pile wall and a protection system at a terminal (2017– $794,692).

7. ACCOUNTS RECEIVABLE AND OTHER ASSETS (CONTINUED)

The VFPA applies the simplified approach to providing for expected credit losses which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision is determined as follows:

December 31, 2018 – Days past due

	Current	31 to 60 days	61 to 120 days	121 to 180 days	Over 180 days	Total
Expected loss rate	0.22%	2.66%	9.26%	5.88%	94.32%	
Gross carrying amount	4,946	996	111	6	3,025	9,084
Loss allowance	11	27	10	–	2,853	2,901

Movements on the provision for impairment of accounts receivable are as follows:

	2018	2017
Balance, January 1	**$ 2,863**	$ 4,115
Provision for impairment	**53**	3
Receivables written off during the year as uncollectable	**(15)**	(1,255)
Balance, December 31	**$ 2,901**	$ 2,863

8. LONG-TERM RECEIVABLES

	2018	2017
Long-term lease receivable	**$ 31,724**	$ 28,185
Loans receivable from tenants	**5,503**	4,454
Restricted funds	**1,504**	1,298
Lease financing	**89**	120
	38,820	34,057
Less: current portion	**842**	520
	$ 37,978	$ 33,537

The long-term lease receivable is the difference between rental revenue recorded on a straight-line basis and payments received to date.

The loans receivable from tenants include a deferred rent agreement to be paid by 2021, and an unsecured loan up to $11 million for site development costs that bears interest at 10% on progress draws. Once development work is complete, the loan will bear interest at 10%, maturing in 10 years.

The restricted funds are reserves that tenants contribute to in order to finance long-term capital replacement and repair to certain equipment.

9. INTANGIBLE ASSETS

	Gateway infrastructure	Software	Construction-in-progress	Total
January 1, 2017				
Cost	$ 76,562	$ 12,421	$ 5,332	$ 94,315
Accumulated depreciation	(5,874)	(7,759)	–	(13,633)
Net book value	$ 70,688	$ 4,662	$ 5,332	$ 80,682
Year ended December 31, 2017				
Opening net book value	70,688	4,662	5,332	80,682
Additions	1,992	2,008	807	4,807
Disposals				
Cost	–	(174)		(174)
Accumulated amortization	–	174	–	174
Amortization	(2,451)	(1,883)	–	(4,334)
Closing net book value	$ 70,229	$ 4,787	$ 6,139	$ 81,155
December 31, 2017				
Cost	$ 78,554	$ 14,255	$ 6,139	$ 98,948
Accumulated amortization	(8,325)	(9,468)	–	(17,793)
Net book value	$ 70,229	$ 4,787	$ 6,139	$ 81,155
Year ended December 31, 2018				
Opening net book value	70,229	4,787	6,139	81,155
Additions	–	2,823	10,860	13,683
Disposals				
Cost	–	–	(373)	(373)
Accumulated amortization	–	–	–	–
Amortization	(2,650)	(2,171)	–	(4,821)
Closing net book value	$ 67,579	$ 5,439	$ 16,626	$ 89,644
December 31, 2018				
Cost	$ 78,554	$ 17,078	$ 16,626	$ 112,258
Accumulated amortization	(10,975)	(11,639)	–	(22,614)
Net book value	**$ 67,579**	**$ 5,439**	**$ 16,626**	**$ 89,644**

The VFPA receives funding from the Government of Canada, and Transport Canada to be used to reimburse the VFPA for the purchase and development of information technology assets. During 2018, the VFPA received $662,371 in funding (2017 – $nil). The funding is recognized as a reduction to amortization over the expected useful life of the related asset.

It is VFPA's policy to review construction-in-progress annually to assess the potential of the capital expenditures to provide future benefits. In 2018, $372,938 (2017 – $nil) relating to potential capital projects was written off.

10. PROPERTY AND EQUIPMENT

	Land, buildings and berthing structures	Dredging, roads and surfaces	Machinery and equipment	Construction-in-progress	Utilities	Office furniture, equipment and leasehold improvements	Total
January 1, 2017							
Cost	$1,113,284	$ 302,508	$ 50,703	$ 162,661	$ 119,891	$ 21,514	$ 1,770,561
Accumulated depreciation and impairment	(276,472)	(160,601)	(38,617)	–	(71,760)	(16,677)	(564,127)
Net book value	$ 836,812	$ 141,907	$ 12,086	$ 162,661	$ 48,131	$ 4,837	$ 1,206,434
Year ended December 31, 2017							
Opening net book value	836,812	141,907	12,086	162,661	48,131	4,837	1,206,434
Additions	151,318	6,045	1,420	38,938	1,519	1,363	200,603
Disposals							
Cost	(3,028)	(474)	(1,351)	–	(818)	(787)	(6,458)
Accumulated depreciation	219	474	1,347	–	738	787	3,565
Impairment	–	–	–	(430)	–	–	(430)
Depreciation	(12,815)	(8,520)	(2,076)	–	(3,952)	(1,195)	(28,558)
Closing net book value	$ 972,506	$ 139,432	$ 11,426	$ 201,169	$ 45,618	$ 5,005	$ 1,375,156
December 31, 2017							
Cost	$ 1,261,574	$ 308,079	$ 50,772	$ 201,169	$ 120,592	$ 22,090	$ 1,964,276
Accumulated depreciation and impairment	(289,068)	(168,647)	(39,346)	–	(74,974)	(17,085)	(589,120)
Net book value	$ 972,506	$ 139,432	$ 11,426	$ 201,169	$ 45,618	$ 5,005	$ 1,375,156
Year ended December 31, 2018							
Opening net book value	972,506	139,432	11,426	201,169	45,618	5,005	1,375,156
Additions (transfers)	109,498	4,603	4,739	(8,730)	5,380	7,065	122,555
Disposals							
Cost	(3,117)	(287)	(354)	–	(97)	(400)	(4,255)
Accumulated depreciation	3,101	237	320	–	97	400	4,155
Impairment	–	–	–	–	–	–	–
Depreciation	(14,137)	(8,849)	(2,178)	–	(4,179)	(1,571)	(30,914)
Closing net book value	**$1,067,851**	**$ 135,136**	**$ 13,953**	**$192,439**	**$ 46,819**	**$ 10,499**	**$ 1,466,697**
December 31, 2018							
Cost	$ 1,367,955	$ 312,395	$ 55,157	$ 192,439	$ 125,875	$ 28,755	$ 2,082,576
Accumulated depreciation and impairment	(300,104)	(177,259)	(41,204)	–	(79,056)	(18,256)	(615,879)
Net book value	**$1,067,851**	**$ 135,136**	**$ 13,953**	**$192,439**	**$ 46,819**	**$ 10,499**	**$ 1,466,697**

10. PROPERTY AND EQUIPMENT (CONTINUED)

Net book value of federal property and other property:

	Land, buildings and berthing structures	Dredging, roads and surfaces	Machinery and equipment	Construction-in-progress	Utilities	Office furniture, equipment and leasehold improvements	Total
December 31, 2017							
Federal property	$ 643,609	$ 121,759	$ –	$ 160,432	$ 45,192	$ 634	$ 971,626
Other property	328,897	17,673	11,426	40,737	426	4,371	403,530
Net book value	$ 972,506	$ 139,432	$ 11,426	$ 201,169	$ 45,618	$ 5,005	$ 1,375,156
December 31, 2018							
Federal property	$ 641,215	$ 115,577	$ –	$ 182,112	$ 45,391	$ 596	$ 984,891
Other property	426,636	19,559	13,953	10,327	1,428	9,903	481,806
Net book value	**$1,067,851**	**$ 135,136**	**$ 13,953**	**$192,439**	**$ 46,819**	**$ 10,499**	**$ 1,466,697**

Federal property and other property belong to Canada. Federal property is registered to Her Majesty the Queen while other property is registered to the VFPA. The properties are managed by the VFPA as an agent of the Crown. The VFPA is responsible for performing necessary maintenance, restoration and replacement of federal property it manages. Federal property cannot be pledged as collateral, while other property can be pledged as collateral.

The VFPA receives funding from the Government of Canada, Transport Canada and the Province of BC to be used to reimburse the VFPA for the purchase and construction of infrastructure, shore power and information technology assets. During 2018, the VFPA received $2,907,732 in funding (2017 – $5,861,139). The funding is recognized as a reduction to depreciation over the expected useful life of the related asset.

Completion of an asset impairment analysis performed in 2018 indicated no assets were impaired. Accordingly, nil was recognized as an impairment expense during 2018 (2017 – $nil).

It is VFPA's policy to review construction-in-progress annually to assess the potential of the capital expenditures to provide future benefits. In 2018, $nil (2017 – $430,427) relating to potential capital projects was written off.

Leased property and equipment

The category of land, buildings, and berthing structures includes property leased by the VFPA to third parties under operating leases with the following carrying amounts:

	2018	2017
Cost	**$ 1,314,048**	$ 1,280,240
Accumulated depreciation	**(429,874)**	(415,807)
	$ 884,174	$ 864,433

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade and accrued trade payables	**$ 30,617**	$ 22,614
Federal stipend payable	**7,477**	6,931
Other accrued liabilities	**11,328**	9,881
Restricted funds	**5,445**	5,017
Holdbacks payable	**1,262**	2,247
	$ 56,129	$ 46,690

12. PROVISIONS

	Environmental restoration	Leased site restoration	Claims	Local channel and other contributions	Total
Balance, December 31, 2016	$ 9,097	$ –	$ 302	$ 850	$ 10,249
Provisions made during the year	2,802	–	50	–	2,852
Provisions used during the year	(553)	–	(2)	(105)	(660)
Provisions reversed during the year	(85)	–	–	–	(85)
Unwinding of discount	110	–	–	–	110
Balance, December 31, 2017	$ 11,371	$ –	$ 350	$ 745	$ 12,466
Provisions made during the year	428	2,476	50	–	2,954
Provisions used during the year	(1,171)	–	–	(73)	(1,244)
Provisions reversed during the year	(10)	–	(100)	–	(110)
Unwinding of discount	151	–	–	–	151
Balance, December 31, 2018	**$ 10,769**	**$ 2,476**	**$ 300**	**$ 672**	**$ 14,217**
Less current portion	1,790	–	300	672	2,762
	$ 8,979	**$ 2,476**	**$ –**	**$ –**	**$ 11,455**

(a) Environmental restoration

The VFPA incurs various environmental liabilities relating to its activities. A provision is recognized for the present value of costs expected to be incurred for the restoration thereof. The provision charge is recognized in the consolidated statement of comprehensive income within other operating and administrative expenses. The unwinding of the discount is recognized in the consolidated statement of comprehensive income as a finance cost. The timing of the expenditures is estimated from one to 15 years. Uncertainties on the timing for use of this provision includes changes in the future that could impact the time at which the VFPA is required to incur these restoration costs, such as the timing of property development.

(b) Leased site restoration

The VFPA leases properties from others which, at the end of the lease, may require structures to be demolished and the site restored. A provision is recognized for the present value of costs expected to be incurred for the restoration. The provision is recognized in the consolidated statement of financial position, and is amortized over the term of the lease. The unwinding of the discount is recognized in the consolidated statement of comprehensive income as a finance cost. Estimated future costs are reviewed periodically and adjusted as required. Changes in the estimated future costs, or in the discount rate are added or deducted from the cost of the asset.

(c) Claims

The amount represents a provision for certain claims brought against the VFPA. The provision charge is recognized in the consolidated statement of comprehensive income within other operating and administrative expenses. The outcome of these claims is not expected to give rise to any significant loss beyond the amounts provided for.

(d) Local channel and other contributions

The amount represents a provision where the VFPA has publicly committed to contribute to a number of community projects, including local channel dredging contribution. The provision charge is recognized in the consolidated statement of comprehensive income within other operating and administrative expenses.

13. BORROWINGS

(a) Long-term obligations

		2018		2017
Series A Debentures	**$**	**99,866**	$	99,768
Less current portion		**–**		–
	$	**99,866**	$	99,768

Series A Debentures are unsecured and bear interest at 4.63% payable semi-annually, and will become due on April 20, 2020. Interest is payable in arrears on April 20 and October 20 of each year.

PoVT had a non-revolving credit facility with Royal Bank of Canada. The facility was unsecured, bearing interest at the Canadian prime rate or Canadian Dollar Offered Rate plus 1% per annum, with 15 years amortization and repayable in full on December 12, 2017. Principal and interest payments were made on a quarterly and monthly basis, respectively. The facility was repaid in full as at December 31, 2017.

The VFPA has available a five-year, $200 million revolving loan facility with Toronto Dominion Bank. The facility is unsecured and bears interest at the Canadian prime rate of the bank less 0.85% per annum. The VFPA pays a fee of 0.27% per annum on bankers' acceptances and letters of credit issued and standby fees at an annual rate of 0.025% calculated on the unused, authorized portion of the facility. Amounts outstanding may be repaid at any time without penalty and must be repaid by December 12, 2022. As at December 31, 2018, the VFPA has not borrowed from the facility.

Principal repayment requirements on VFPA's long-term obligations are as follows:

2019	$	–
2020		99,866
2021		–
2022		–
2023		–
2024 and thereafter		–
	$	99,866

(b) Short-term borrowings

		2018		2017
PoVT unsecured demand loan	**$**	**1,101**	$	1,201
PoVH secured demand loan		–		136
	$	**1,101**	$	1,337

As at December 31, 2018, the VFPA has a total of $6.15 million in letters of credit outstanding (2017 – $7.95 million).

PoVT has a demand loan outstanding through its loan arrangement with Toronto Dominion Bank. The demand loan is unsecured and bears interest at the Canadian prime rate less 0.85% per annum. Minimum quarterly principal repayments of $25,000 are required, and amounts outstanding may be repaid at any time without penalty and must be repaid by December 12, 2022.

PoVH had a non-revolving demand loan bearing interest at prime plus 0.125% per annum. The loan was fully repaid at December 31, 2018.

13. BORROWINGS (CONTINUED)

(c) Changes in liabilities arising from financing activities

	January 1, 2018	Cash flows	Other	December 31, 2018
Short-term borrowings	$ 1,337	$ (236)	$ –	$ 1,101
Long-term obligations	99,768	–	98	99,866
	$ 101,105	**$ (236)**	**$ 98**	**$ 100,967**

14. EMPLOYEE FUTURE BENEFITS

The VFPA has a defined contribution pension plan (RRSP) for all employees hired after March 1, 1999. Under the defined contribution plan, employees may contribute certain amounts annually, with the VFPA providing matching contributions.

The VFPA also has three benefit plans (LVPA, LFRPA, and LNFPA), where employees from the legacy ports have remained in their respective benefit plans upon amalgamation, and a supplemental pension plan and other post-employment benefit plans for eligible employees. A defined benefit plan is a pension plan where retirement benefits are based on the employees' years of credited service and remuneration.

The VFPA has a funding policy for the LVPA and LNFPA defined benefit plans. These plans are contributory and require member contributions until the members attain 35 years of credited service. The VFPA 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 VFPA will apply its discretion in determining how rapidly it will fund deficits in accordance with the applicable laws. The VFPA reserves the right to use other funding mechanisms permitted by the applicable laws such as use of letters of credits (note 13).

The funding obligations for these plans are expected to be approximately $2,787,000 in 2019.

The legacy benefit plans are described as follows:

(a) LVPA Plans

The VFPA maintains defined benefit pension plans for eligible employees. Employees hired before March 1, 1999 had the option of remaining with the Government of Canada Public Service Superannuation Plan or transferring their past service credits into the new defined benefit plan of the VFPA. By the end of 2004, all transfers of service credits and assets were made for employees who elected to transfer their Superannuation Pension into the LVPA pension plan.

The VFPA also maintains other non-funded benefits for eligible employees. All employees who retire from the VFPA and who receive a defined benefit pension are eligible for an extended health care plan. Coverage is optional and is partly paid by the VFPA. In addition, a very limited number of senior management employees who retire from the VFPA are eligible for a grandfathered post-retirement life insurance plan. This benefit is fully paid by the VFPA.

14. EMPLOYEE FUTURE BENEFITS (CONTINUED)

The following tables present, in aggregate, information on a calendar year basis concerning the LVPA employee future benefit plans:

	Registered pension plan		Supplemental pension plan		Other plans	
	2018	2017	**2018**	2017	**2018**	2017
Change in fair value of plan assets						
Balance, beginning of year	**$ 77,519**	$ 71,026	**$ 11,076**	$ 10,303	**$ –**	$ –
Employee contributions	**191**	204	**30**	29	**–**	–
Employer contributions	**1,552**	2,942	**713**	769	**33**	39
Return on plan assets	**2,631**	2,724	**383**	400	**–**	–
Non-investment expenses	**(153)**	(139)	**(22)**	(29)	**–**	–
Benefits paid	**(2,033)**	(1,816)	**(373)**	(350)	**(33)**	(39)
Actuarial (loss) gain	**(3,756)**	2,578	**(370)**	(46)	**–**	–
Balance, end of year	**$ 75,951**	$ 77,519	**$ 11,437**	$ 11,076	**$ –**	**$ –**
Change in accrued benefit obligation						
Balance – beginning of year	**$ 74,064**	$ 68,664	**$ 10,476**	$ 10,274	**$ 1,964**	$ 2,299
Current service cost						
Employer	**1,165**	1,125	**150**	121	**5**	6
Employee	**191**	204	**30**	29	**–**	–
Interest cost on benefit obligation	**2,487**	2,579	**350**	384	**66**	87
Benefits paid	**(2,033)**	(1,816)	**(373)**	(350)	**(33)**	(39)
Actuarial (gain) loss – plan experience	**(417)**	(987)	**293**	(564)	**(469)**	–
Actuarial loss – demographic assumptions	**762**	–	**110**	–	**113**	–
Actuarial (gain) loss – financial assumptions	**(574)**	4,295	**(134)**	582	**(86)**	(389)
Balance, end of year	**$ 75,645**	$ 74,064	**$ 10,902**	$ 10,476	**$ 1,560**	$ 1,964

The actual return (loss) on plan assets was ($1,132,300) (2017 – $5,749,200).

14. EMPLOYEE FUTURE BENEFITS (CONTINUED)

	Registered pension plan 2018	Registered pension plan 2017	Supplemental pension plan 2018	Supplemental pension plan 2017	Other plans 2018	Other plans 2017
Reconciliation to the (asset) liability recognized in the statement of financial position						
Accrued benefit obligation	**$ 75,645**	$ 74,064	**$ 10,901**	$ 10,476	**$ 1,560**	$ 1,964
Fair value of assets	**(75,950)**	(77,519)	**(11,437)**	(11,076)	**–**	–
Funded (surplus) deficit	**(305)**	(3,455)	**(536)**	(600)	**1,560**	1,964
Impact of asset ceiling	**177**	3,455	**–**	–	**–**	–
Impact of IFRIC 14	**–**	4,260	**–**	–	**–**	–
Net accrued benefit liability (asset)	**$ (128)**	$ 4,260	**$ (536)**	$ (600)	**$ 1,560**	$ 1,964
Current pension expense for the year						
Current service cost	**$ 1,165**	$ 1,125	**$ 150**	$ 121	**$ 5**	$ 6
Non-investment expenses	**153**	139	**22**	29	**–**	–
Total service cost	**$ 1,318**	$ 1,264	**$ 172**	$ 150	**$ 5**	$ 6
Interest on benefit obligation	**2,487**	2,579	**350**	384	**66**	87
Return on plan assets	**(2,631)**	(2,724)	**(383)**	(400)	**–**	–
Interest on asset ceiling impact	**118**	88	**–**	–	**–**	–
Interest on IFRIC 14 impact	**145**	100	**–**	–	**–**	–
Net interest cost	**119**	43	**(33)**	(16)	**66**	87
Total current pension expense	**$ 1,437**	$ 1,307	**$ 139**	$ 134	**$ 71**	$ 93
Recognition through other comprehensive income (OCI)						
Actuarial (gains) losses on obligation	**$ (229)**	$ 3,308	**$ 269**	$ 18	**$ (442)**	$ (389)
Actuarial losses (gains) on assets	**3,756**	(2,578)	**370**	46	**–**	–
Effect of impact due to asset ceiling	**(3,395)**	1,062	**–**	–	**–**	–
Effect of impact due to IFRIC 14	**(4,405)**	1,522	**–**	–	**–**	–
Total amount recognized in OCI	**$ (4,273)**	$ 3,314	**$ 639**	$ 64	**$ (442)**	$ (389)

Change in OCI gain (loss) balances:

	Registered pension plan 2018	Registered pension plan 2017	Supplemental pension plan 2018	Supplemental pension plan 2017	Other plans 2018	Other plans 2017
Balance, beginning of year	**$ (15,627)**	$ (12,313)	$ (2,726)	$ (2,662)	$ (643)	$ (1,032)
Gains (losses) recognized in the year	**4,272**	(3,314)	(638)	(64)	442	389
Balance, end of year	**$ (11,355)**	**$ (15,627)**	**$ (3,364)**	**$ (2,726)**	**$ (201)**	**$ (643)**

14. EMPLOYEE FUTURE BENEFITS (CONTINUED)

The invested assets of the pension plan and the supplemental pension plan are held in pooled funds. The following is a distribution of the invested assets by fund type:

	2018 Registered pension plan	**2018** Supplemental pension plan	2017 Registered pension plan	2017 Supplemental pension plan
Equity funds	**$ 22,671**	**$ 1,709**	$ 28,533	$ 2,019
Cash and fixed income funds	**45,409**	**3,343**	41,928	3,042
Real estate funds	**7,758**	**563**	7,019	507
Other	**112**	**10**	39	–
Refundable tax account	**–**	**5,813**	–	5,508
	$ 75,950	**$ 11,438**	$ 77,519	$ 11,076

(b) LFRPA Plans

The VFPA has a defined contribution registered pension plan for the LFRPA employees where employees contribute certain amounts annually and the VFPA providing matching contributions, with the exception of three employees where the VFPA's match is higher than the employees' contribution up to a maximum percentage. There are also two unfunded supplemental defined benefit pension plans for designated employees that are in addition to the retirement income provided for under the registered defined contribution plan. The two supplemental plans are the Executive Individual Supplemental Pension Benefit (EISPB) and the Supplemental Pension Arrangement for Selected Employees (SPASE).

The following tables present, in aggregate, information on a calendar year basis concerning the LFRPA employee future benefit plans:

	EISPB **2018**	EISPB 2017	SPASE **2018**	SPASE 2017
Change in fair value of plan assets				
Balance — beginning of year	**$ –**	$ –	**$ –**	$ –
Employer contributions	**61**	60	**–**	78
Benefits paid	**(61)**	(60)	**–**	(78)
Balance, end of year	**$ –**	$ –	**$ –**	$ –
Change in accrued benefit obligation				
Balance — beginning of year	**$ 863**	$ 858	**$ 1,504**	$ 1,489
Interest cost on benefit obligation	**28**	32	**50**	55
Benefits paid	**(61)**	(60)	**(80)**	(78)
Actuarial loss (gain) liability – plan experiences	**3**	7	**(33)**	(45)
Actuarial (gain) loss on liabilities – demographic assumptions	**(4)**	–	**(4)**	–
Actuarial (gain) loss on liabilities – economic assumptions	**(4)**	26	**(7)**	83
Balance, end of year	**$ 825**	$ 863	**$ 1,430**	$ 1,504
Reconciliation to the liability recognized in the statement				
Defined benefit obligation (DBO) — closing	**$ 827**	$ 863	**$ 1,430**	$ 1,504
Funded surplus	**827**	863	**1,430**	1,504
Net defined benefit liability	**$ 827**	$ 863	**$ 1,430**	$ 1,504
Interest on benefit obligation	**28**	32	**50**	55
Total current pension expense	**$ 28**	$ 32	**$ 50**	$ 55
Recognition through OCI				
Actuarial (gains) losses on obligation	**(4)**	33	**(44)**	38
Total amount recognized in OCI	**$ (4)**	$ 33	**$ (44)**	$ 38

14. EMPLOYEE FUTURE BENEFITS (CONTINUED)

Change in OCI gain (loss) balances:

	EISPB		SPASE	
	2018	2017	**2018**	2017
Balance – beginning of year	**$ (217)**	$ (184)	**$ (692)**	$ (654)
Gains (losses) recognized in the year	**4**	(33)	**44**	(38)
Balance, end of year	**$ (213)**	$ (217)	**$ (648)**	$ (692)

(c) LNFPA Plans

The VFPA has a defined benefit plan for the LNFPA employees. The Plan provides pension benefits based on 2% of the final average earnings for each year of pensionable service to a maximum of 35 years.

The following tables present, in aggregate, information on a calendar year basis concerning the LNFPA employee future benefit plans:

	2018	2017
Change in fair value of plan assets		
Balance – beginning of year	**$ 1,355**	$ 1,224
Return on plan assets	**47**	48
Employer contributions	**120**	115
Employee contributions	**9**	8
Non-investment expenses	**(34)**	(32)
Benefits paid	**(53)**	(53)
Actuarial loss	**(67)**	45
Balance, end of year	**$ 1,377**	$ 1,355
Change in accrued benefit obligations		
Balance – beginning of year	**$ 1,677**	$ 1,494
Current service cost	**44**	45
Interest cost	**56**	56
Employee contributions	**9**	8
Benefits paid	**(53)**	(53)
Actuarial gain — plan experience	**28**	–
Actuarial liability demographic assumptions plan	**23**	–
Actuarial loss — financial assumptions	**(77)**	127
Balance, end of year	**$ 1,707**	$ 1,677

14. EMPLOYEE FUTURE BENEFITS (CONTINUED)

		LNFPA		
		2018		2017
Reconciliation to the liability (asset) recognized in the statement of financial position				
Accrued benefit obligation	**$**	**1,706**	$	1,677
Fair value of assets		**(1,376)**		(1,354)
Unfunded deficit		**330**		323
Impact of IFRIC 14		**–**		57
Net accrued benefit liability	**$**	**330**	$	380
Current pension expense for the year				
Current service cost	**$**	**44**	$	45
Non-investment expenses		**34**		32
Total service cost	**$**	**78**	$	77
Interest on benefit obligation		**56**		56
Return on plan assets		**(47)**		(48)
Net interest cost		**9**		8
Total current pension expense	**$**	**87**	$	85
Recognition through OCI				
Actuarial (gains) losses on obligation		**(27)**		127
Actuarial gains on plan assets		**67**		(45)
Change in impact of addiitonal liability due to IFRIC 14		**(59)**		57
Total amount recognized in OCI	**$**	**(19)**	$	139

Change in OCI loss balances:

		LNFPA		
		2018		2017
Balance – beginning of year	**$**	**(384)**	$	(245)
Gains (losses) recognized in the year		**19**		(139)
Balance, end of year	**$**	**(365)**	$	(384)

The asset category of the LNFPA's defined benefit pension plan is as follows:

		LNFPA		
		2018		2017
Distribution of Plan Assets				
Equity	**$**	**413**	$	503
Cash and fixed income securities		**820**		730
Real estate funds		**140**		121
Other		**4**		–
Total assets	**$**	**1,377**	$	1,354

14. EMPLOYEE FUTURE BENEFITS (CONTINUED)

(d) Accrued benefit assets

		2018		2017
Accrued benefit asset				
LVPA Supplemental Pension Plan	**$**	**536**	$	600
LVPA Pension Plan		**128**		–
Total accrued benefit assets	**$**	**664**	$	600
Accrued benefit liabilities				
LVPA Supplementary Plan	**$**	**–**	$	(4,260)
LVPA Other Plans		**(1,560)**		(1,964)
LFRPA Plan – EISPB		**(827)**		(863)
LFRPA Plan – SPASE		**(1,430)**		(1,504)
LNFPA Pension Plan		**(330)**		(380)
Total accrued benefit liabilities	**$**	**(4,147)**	$	(8,971)

Summary of gains (losses) in defined benefit pension and other plans:

		2018		2017
Gains (losses) recognized in the year				
LVPA Pension Plan	**$**	**4,272**	$	(3,314)
LVPA Supplementary Plan		**(638)**		(64)
LVPA Other Plans		**442**		389
LFRPA Plan – EISPB		**4**		(33)
LFRPA Plan – SPASE		**44**		(38)
LNFPA Pension Plan		**19**		(139)
	$	**4,143**	$	(3,199)

(e) Actuarial assumptions

The key actuarial assumptions used for the defined benefit pension plans are summarized below:

	Pensions	
	2018	2017
Economic assumptions		
Discount rate at beginning of year	**3.40%**	3.80%
Discount rate at end of year	**3.70%**	3.40%
Expected long-term rate of return of plan assets	**3.70%**	3.40%
Inflation rate (future salary increases)	**2.00%**	1.75%

The key actuarial assumptions used for the non-pension post-employment benefit plans are summarized below:

	2018	2017
Economic assumptions		
Annual rate of inflation for MSP	**0%**	4%
Annual rate of extended health care inflation	7.00 % per annum, grading down annually by 0.25% per annum to 4.5% per annum and remaining at that level thereafter	7.00% per annum, grading down annually by 0.25% per annum to 4.5% per annum and remaining at that level thereafter

14. EMPLOYEE FUTURE BENEFITS (CONTINUED)

(f) Sensitivity analysis

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is as follows:

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 1%	Decrease/increase by (13.8%)/17.4%
Inflation rate	Increase/decrease by 1%	Increase/decrease by 15.0%/(12.3%)
Salary growth rate	Increase/decrease by 1%	Increase/decrease by 0.3%/(0.3%)
Rate of mortality	Increase/decrease all mortality rates by 10%	Decrease/increase by (2.1%)/2.1%
Medical cost trend rate	Increase/decrease by 1%	Increase/decrease by 12.0%/(10.1%)

The effect of a 1% change in the medical cost trend rate is:

	Current	1% increase	1% decrease
Accrued benefit obligation	$ 1,437	$ 1,618	$ 1,292
Current service cost	$ –	$ –	$ –
Interest cost	$ 53	$ 60	$ 48

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

(g) VFPA Defined Contribution Pension Plan (RRSP)

	2018	2017
Employer contributions	**$ 2,047**	$ 1,956

15. COMMITMENTS

Capital projects, which are authorized or committed, and where the expenditures are estimated to exceed $1 million, as at December 31, 2018 are as follows:

	Spending to date	Commitments at year-end	Total authorized cost
Container expansion	$ 423,240	$ 19,390	$ 947,721
Land acquisition and development	23,499	2,138	124,294
Infrastructure improvement	156,184	11,507	348,713
Other terminal redevelopment and improvements	17,911	2,508	43,677
Total commitment	$ 620,834	$ 35,543	$ 1,464,405

The VFPA is committed under a lease agreement with Fraser Surrey Docks to use reasonable commercial efforts to maintain the main channel of the Fraser River, within its jurisdiction, to a specific navigable depth. The VFPA has entered into a contract with Fraser River Pile & Dredge (GP) Inc. (FRPD) for dredging to maintain the navigation channels of the Fraser River. Under the 11-year contract expiring on December 31, 2022, the VFPA pays FRPD service fees totalling $3,024,684 per annum regardless of the amount of dredging required in any dredging season.

16. CONTINGENT LIABILITIES

Roberts Bank expansion

The Expansion Agreements obligate the VFPA to provide construction contracts, construction employment and operations employment to TFN enterprises and its members in connection with the anticipated Roberts Bank Terminal 2. Should construction of Terminal 2 not proceed, the VFPA will fail to meet this obligation and liquidated damages will be required. The obligation amount is $2,584,582 and if the obligation is not met, liquidated damages up to $956,573 would be required.

17. KEY MANAGEMENT PERSONNEL

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 Regulators.

		Fees	Benefits	Total
Board of Directors				
Corrigan, Michael	Director, VFPA (since June 29, 2018)	$ 20	$ 3	$ 23
Ethans, Lisa	Director, VFPA	53	–	53
Gustafson, Mark	Director, CPC (from June 4, 2018)	–	–	–
Hochstein, Philip	Director, VFPA	54	–	54
Kwan, Eugene	Director, VFPA, Vice Chair	67	–	67
Landry, Paul	Director, VFPA (to December 20, 2017)	11	–	11
Loberg, Carmen	Director, VFPA	107	3	110
Longworth, Tom	Director, VFPA (to December 20, 2017)	5	3	8
McLay, Catherine	Director, VFPA	61	–	61
McLeod, Joanne	Director, VFPA	53	3	56
Munroe, Craig	Director, VFPA	55	–	55
Neeser, Craig	Director, VFPA, Chair (to August 29, 2018)	88	–	88
Priddy, Penny	Director, VFPA	62	–	62
Readman, Dean	Director, CPC (to June 4, 2018)	–	–	–
Rogers, Judy	Director, VFPA, Chair	82	3	85
Turner, Richard	Director, VFPA (to June 18, 2018)	31	–	31
		$ 749	$ 15	$ 764

For the year ended December 31, 2018, total salaries and fees for the Board of Directors was $765,276 (2017 – $636,493).

17. KEY MANAGEMENT PERSONNEL (CONTINUED)

		Salaries and remuneration	Other benefits	Post-employment benefits	Total
Key management personnel					
Case, Sandra	Officer & VP, People & Business Performance, VFPA	$ 302	$ 33	$ 21	$ 356
Corsie, Tom	Officer & VP, Real Estate, VFPA; President & Officer, CPC; Director, MSH	313	31	20	364
Pang, Victor	Officer, Chief Financial Officer, VFPA; Director & Officer, PoVV, PoVH, PoVE, PoVT; Director, Officer & Vice-President, CPC	365	37	25	427
Silvester, Robin	Officer, President & CEO, VFPA; President & CEO and Director & Officer of PoVV, PoVH, PoVE and PoVT	849	37	79	965
Stewart, Cliff	Officer & VP, Infrastructure, VFPA	365	35	25	425
Wilson, Duncan	Officer & VP, Corporate Social Responsibility, VFPA; Chair, CPC	302	27	20	349
Xotta, Peter	Officer & VP, Planning & Operations, VFPA	367	36	242	645
		$ 2,863	$ 236	$ 432	$ 3,531

Included in accounts payable and accrued liabilities was $970,109 of wages, salaries and benefits due and payable to the key management personnel group as at December 31, 2018.

For the year ended December 31, 2018, total remuneration and benefits for key management personnel was $3,530,618 (2017 – $3,426,320).

18. LEASES

The VFPA leases various properties, offices, equipment and vehicles under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The leases run for one to 45 years.

Recognized in the consolidated statement of comprehensive income during the year was $1,093,464 for lease expenses paid (2017 – $1,062,832).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
Within one year	**$ 321**	$ 357
After one year but not more than five years	**596**	409
More than five years	**1,357**	1,398
	$ 2,274	$ 2,164

The VFPA currently leases land, berthing structures and buildings to terminal operators under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease rental revenues under non-cancellable operating leases are as follows:

	2018	2017
Within one year	**$ 133,260**	$ 132,790
After one year but not more than five years	**482,354**	476,991
More than five years	**2,464,260**	2,508,978
	$ 3,079,874	$ 3,118,759

Contingent-based rent revenue recognized in the consolidated statement of comprehensive income was $20,827,520 (2017 – $20,056,169).

19. GATEWAY INFRASTRUCTURE PROGRAM

The VFPA and its partners are leveraging Provincial and Federal Government funding for a generational investment in supply-chain infrastructure improvements. The Gateway Infrastructure Program (GIP) is a $717 million investment in supply chain improvements beyond traditional port activities and lands. The VFPA and industry contributions to the GIP is $167 million, under a series of improvements in three locations:

	Total VFPA and industry contributions	Industry-funded portion (90%)	VFPA portion (10%)
North Shore trade area	$ 59,000	$ 53,100	$ 5,900
South Shore trade area	58,000	52,200	5,800
Roberts Bank rail corridor	50,000	45,000	5,000
	$ 167,000	$ 150,300	$ 16,700

In order to recover the 90% industry-funded portion, the Gateway Infrastructure Fee was instituted effective January 1, 2011. Below are the fees collected and expenditures made in 2018 and to date:

	Current year				Total to date			
	North Shore trade area	South Shore trade area	Roberts Bank rail corridor	Total	North Shore trade area	South Shore trade area	Roberts Bank rail corridor	Total
Gateway Infrastructure Fee (revenue)	$ 2,772	$ 4,055	$ 2,623	$ 9,450	$ 19,895	$ 22,535	$ 17,338	$ 78,668
Gateway Infrastructure Program (expenditures)	–	1	–	1	36,944	56,114	40,535	133,595
Less: Industry-funded portion (90%)	–	(1)	–	(1)	(33,250)	(50,503)	(36,482)	(120,237)
VFPA portion (10%)	$ –	$ –	$ –	$ –	$ 3,694	$ 5,611	$ 4,053	$ 13,358

20. RELATED PARTY

The VFPA remits a gross revenue charge (federal stipend) to the Government of Canada (Federal Government) in accordance with the CMA. The total federal stipend incurred for the year ended December 31, 2018 was $7.5 million. As at December 31, 2018, this amount was included in accounts payable and accrued liabilities.

The VFPA leases property to the Federal Government. The total rental income recognized for the year ended December 31, 2018 was $0.3 million. As at December 31, 2018, $0.2 million was included in accounts receivable and other assets.

In 2014, the VFPA and the Federal Government reached two agreements under the Clean Transportation Initiative on the Port Related Trucking program. The first was for a contribution of up to $0.9 million by the Federal Government toward the Container Drayage Truck Efficiency (GPS) Program, and the second was for a contribution of up to $3.0 million by the Federal Government toward the Common Data Interface System Implementation Project.

In 2015, the VFPA and the Federal Government reached two agreements under the Shore Power Technology for Ports Program. The first was for a contribution of up to $3.5 million by the Federal Government toward the Centerm Container Terminal Shore Power Project, and the second was for a contribution of up to $2.5 million by the Federal Government toward the Deltaport Third Berth Container Shore Power Project. In 2017, the VFPA and the Federal Government signed an amendment to the Deltaport contribution agreement to increase funding to up to $3.6 million.

In 2015, the VFPA and the Federal Government reached an agreement for a contribution of up to $0.5 million by the Federal Government for an Underwater Technology Study. In 2016, the VFPA and the Federal Government signed an amendment to the contribution agreement to increase funding to up to $1.0 million. In 2017, the VFPA and the Federal Government signed two amendments to the contribution agreement to increase the funding to up to $1.3 million. In 2018, the VFPA and the Federal Government signed another amendment to the contribution agreement to increase funding to up to $1.5 million.

In 2016, the VFPA and the Federal Government reached an agreement for a contribution of up to $6.0 million by the Federal Government under the Asia-Pacific Gateway and Corridor Transportation Infrastructure Fund (APGCTIF). This APGCTIF contribution was toward the Deltaport Terminal, Road and Rail Improvement, Truck Staging Project.

20. RELATED PARTY (CONTINUED)

In 2017, the VFPA and the Federal Government reached an agreement for a contribution of up to $0.4 million by the Federal Government toward the Enhancing Cetacean Habitat and Observation (ECHO) Program.

In 2017, the VFPA and the Federal Government reached an agreement for a contribution of up to $0.2 million by the Federal Government toward the Deployment of Strait of Georgia Underwater Listening Station project.

In 2017, the VFPA and the Federal Government reached an agreement for a contribution of up to $0.3 million by the Federal Government toward the Supply Chain Visibility project.

In 2018, the VFPA and the Federal Government reached an agreement for a contribution of up to $1.6 million toward the Measuring and Mitigation of Underwater Vessel Noise project.

In 2018, CPC and the Federal Government reached an agreement for a contribution of up to $0.4 million by the Federal Government toward the Canada Day at Canada Place.

Claims submitted to the Federal Government in 2018 and amounts receivable as at December 31, 2018 were as follows:

	Claims submitted		Claims receivable – as at December 31,	
	2018	Total to date	**2018**	2017
Clean Transportation Initiative	**$ 372**	$ 2,586	**$ –**	$ –
Shore Power Technology	**327**	6,160	**30**	1,071
Underwater Technology Study	**167**	1,297	**–**	405
APGCTIF	**868**	1,243	**106**	293
Enhanced Cetacean Habitat and Observation	**100**	388	**–**	288
Underwater Listening Station	**60**	200	**–**	141
Supply Chain Visibility	**106**	106	**144**	–
Underwater Vessel Noise	**602**	602	**602**	–
Canada Day at Canada Place	**420**	420	**42**	–
	$ 3,022	$ 13,002	**$ 924**	$ 2,198

21. PORT INCOME

Port income disaggregated by revenue source is outlined below. The table also shows the basis on which port income is recognized.

	2018	2017
At a point in time		
Wharfage	**$ 44,840**	$ 42,446
Cruise	**15,893**	13,885
Harbour dues	**10,939**	10,752
Gateway infrastructure fee	**9,450**	8,988
Berthage	**6,985**	6,181
Log revenues	**15**	55
	$ 88,122	$ 82,307

22. RECLASSIFICATION

In 2018, the VFPA reassessed the classification of certain long-term assets related to the Gateway Infrastructure Program and construction-in-progress and determined that these assets would be better reflected as intangible assets, as opposed to property and equipment. This change has resulted in the reclassification on the consolidated statement of financial position of $76.4 million (as at December 31, 2017) from property and equipment to intangible assets. This change does not affect the previously reported consolidated statement of comprehensive income or consolidated statement of cash flows.

Our mission

To enable Canada's trade objectives, ensuring safety, environmental protection and consideration for local communities.

Our vision

To be the world's most sustainable port.

Our definition of a sustainable port

A sustainable port delivers economic prosperity through trade, maintains a healthy environment, and enables thriving communities through collective accountability, meaningful dialogue and shared aspirations.

Our values

Accountability

Continuous improvement

Collaboration

Customer responsiveness

Vancouver Fraser Port Authority
100 The Pointe, 999 Canada Place
Vancouver, B.C. V6C 3T4 Canada
t: 1.604.665.9000
f: 1.866.284.4271
e: info@portvancouver.com

portvancouver.com

Canada

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