Consolidated financial statements

Vancouver Fraser Port Authority

December 31, 2017

Building a better
working world

Independent auditors' report

To the Honourable Marc Garneau, M.P.
Minister of Transport

We have audited the accompanying consolidated financial statements of the **Vancouver Fraser Port Authority**, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the **Vancouver Fraser Port Authority** as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
March 21, 2018

Vancouver Fraser Port Authority

Consolidated statement of financial position

[expressed in thousands of dollars]

As at December 31

	Notes	2017 $	2016 $
Assets			
Current			
Cash and cash equivalents		**243,234**	272,391
Investments in securities	6	**406**	400
Accounts receivable and other assets	7	**40,825**	34,130
Total current assets		**284,465**	306,921
Investments in securities	6	**—**	416
Long-term receivables	8	**33,537**	29,852
Accrued benefit asset	14	**600**	29
Deferred charges		**1,795**	1,477
Intangible assets, net	9	**4,787**	4,662
Property and equipment, net	10	**1,451,524**	1,282,454
		1,776,708	1,625,811
Liabilities and equity of Canada			
Current			
Accounts payable and accrued liabilities	11	**46,660**	44,644
Provisions	12	**3,156**	2,902
Short-term borrowings	13	**1,337**	185
Deferred revenue		**12,638**	12,254
Current portion of other long-term liabilities		**30**	31
Current portion of long-term obligations	13	**—**	1,300
Total current liabilities		**63,821**	61,316
Other employee benefits		**1,078**	1,403
Accrued benefit liability	14	**8,971**	7,497
Deferred revenue		**30,757**	31,692
Provisions	12	**9,310**	7,347
Other long-term liabilities		**3,811**	3,742
Long-term obligations	13	**99,768**	99,675
Total liabilities		**217,516**	212,672
Commitments and contingent liabilities	15, 16		
Equity of Canada			
Contributed capital		**150,259**	150,259
Retained earnings		**1,408,933**	1,262,880
Total equity of Canada		**1,559,192**	1,413,139
		1,776,708	1,625,811

See accompanying notes

Approved on behalf of the Board:

Robin Silvester, Chief Executive Officer

MAR 2 1 2018
Date

Richard Turner, Director

MAR 2 1 2018
Date

Vancouver Fraser Port Authority

Consolidated statement of comprehensive income

[expressed in thousands of dollars]

Year ended December 31

	Notes	2017 $	2016 $
Operating revenue			
Port income		**82,307**	80,613
Rental income		**152,596**	143,899
Other income		**11,549**	10,651
		246,452	235,163
Expenses			
Wages, salaries and benefits	14, 17	**40,637**	38,690
Depreciation and amortization	9, 10	**32,892**	32,556
Other operating and administrative expenses		**22,450**	20,246
Dredging		**9,944**	10,822
Professional fees and consulting services		**8,173**	9,027
Payments in lieu of taxes		**5,871**	6,516
Maintenance and repairs		**3,530**	3,452
		123,497	121,309
Income from operations		**122,955**	113,854
Other expense (income)			
Federal stipend	20	**6,931**	6,711
Finance costs		**5,281**	5,225
(Gain) loss on disposal of assets	10	**(38,371)**	1,165
Investment income		**(107)**	(459)
Other income		**(31)**	(30)
Net income for the year		**149,252**	101,242
Other comprehensive loss			
Actuarial losses in defined pension plans	14	**(3,199)**	(1,261)
Total comprehensive income for the year		**146,053**	99,981

See accompanying notes

Vancouver Fraser Port Authority

Consolidated statement of changes in equity

[expressed in thousands of dollars]

	Contributed capital	Retained earnings	Total
	$	$	$
Balance, January 1, 2016	150,259	1,162,899	1,313,158
Net income for the year	—	101,242	101,242
Other comprehensive loss			
Actuarial losses in defined benefit pension plans	—	(1,261)	(1,261)
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**

See accompanying notes

Vancouver Fraser Port Authority

Consolidated statement of cash flows

[expressed in thousands of dollars]

Year ended December 31

	Notes	2017 $	2016 $
Operating activities			
Net income for the year		**149,252**	101,242
Adjustments to reconcile to net cash from operations			
Depreciation and amortization	9, 10	**32,892**	32,556
(Gain) loss on disposal of assets		**(38,371)**	1,165
Long-term lease receivable and lease payable		**(4,045)**	(2,583)
Provisions		**1,828**	(297)
Accrued employee benefits		**(2,621)**	(2,030)
Other		**610**	211
		139,545	130,264
Changes in non-cash working capital balances			
Accounts receivable and other assets		**(8,053)**	(221)
Accounts payable and accrued liabilities		**5,927**	4,020
Deferred revenue		**(551)**	148
Cash provided by operating activities		**136,868**	134,211
Investing activities			
Purchase of property and equipment, and intangible assets		**(178,488)**	(61,169)
Government funding for property and equipment		**5,031**	1,011
Other third-party funding for property and equipment		**2,843**	5,536
Proceeds from sale of investments in securities		**410**	1,206
Long-term receivables		**100**	(4,580)
Principal repayment on lease financing assets		**17**	15
Proceeds from disposal of property and equipment		**4,017**	—
Other		**193**	167
Cash used in investing activities		**(165,877)**	(57,814)
Financing activities			
Proceeds from short-term borrowings		**1,201**	—
Repayments of short-term borrowings		**(49)**	(48)
Repayments of long-term obligations		**(1,300)**	(130)
Cash used in financing activities		**(148)**	(178)
Net increase (decrease) in cash and cash equivalents during the year		**(29,157)**	76,219
Cash and cash equivalents, beginning of year		**272,391**	196,172
Cash and cash equivalents, end of year		**243,234**	272,391
Supplemental cash flow information			
Interest paid		**5,003**	4,989
Interest received		**24**	119

See accompanying notes

Vancouver Fraser Port Authority

Notes to consolidated financial statements

[tabular amounts expressed in thousands of dollars]

December 31, 2017

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 March 21, 2018.

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.

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

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.

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.

Deferred charges

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

Intangible assets

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 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.

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 is 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, 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 are 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.

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

The VFPA recognizes lease revenue on a straight-line basis over the term of the lease where collection is reasonably assured. Revenue from wharfage and berthage are recognized when services are rendered and collection is reasonably assured. 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 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 pronouncements not yet effective

IFRS 9, Financial Instruments [“IFRS 9”]

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The VFPA intends to adopt IFRS 9 when it becomes effective and this standard is not expected to have any material impact on the VFPA’s financial statements.

[a] Classification and measurement

Investments in securities will be classified and measured at fair value through profit or loss. Cash and cash equivalents, accounts receivable and other assets, and certain long-term receivables will be classified as and measured at amortized cost using the effective interest rate method, and accounts payable and accrued liabilities, short-term borrowings, and long-term obligations will be classified and measured at amortized cost using the effective interest rate method. This will not be significantly different from the current practice, and therefore the VFPA does not expect a material impact on applying the classification and measurement when adopting IFRS 9.

[b] Impairment

Expected credit losses will need to be reported on accounts receivable, and long-term receivables. The VFPA has experienced credit losses on trade receivables, so this is where the VFPA expects to apply the simplified approach and record expected lifetime losses. This approach will be similar to current practice, and therefore the VFPA does not expect a material impact on applying impairment when adopting IFRS 9.

[c] Derivatives and hedge accounting

The VFPA currently has no significant derivative contracts or hedging relationships, and therefore the VFPA does not expect a material impact on applying hedge accounting when adopting IFRS 9.

The VFPA has substantially completed the evaluation of the potential impact of this standard on the VFPA's consolidated financial statements and have not identified any material changes.

IFRS 15, Revenue from Contracts with Customers ["IFRS 15"]

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The VFPA intends to adopt IFRS 15 under the modified retrospective method when it becomes effective. As the standard does not apply to rental income, the VFPA's most significant revenue item, and the nature of port income is to provide services, with performance and fees associated with each individual vessel transaction, this standard is not expected to have any material impact on the VFPA's consolidated financial statements.

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 risk 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, accounts payable and accrued liabilities, and investments in securities, 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.

The long-term receivables are recorded at amortized cost, which approximates their fair values.

As at December 31, 2017, the fair value of the Series A Debentures was $105.8 million [2016 – $108.9 million] based on a three-year Government of Canada bond and a market interest rate of 2.43% [2016 – 2.11%]. The fair value was calculated using Level 2 inputs under a discounted cash flow approach.

Other long-term liabilities are also recorded at amortized cost, which approximate their fair value.

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. The funds are available to the VFPA by way of adjusted prime rate-based loans.

The Series A Debentures of $100 million has a fixed interest rate of 4.63%. 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, 2017, 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. 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 credit worthiness 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 largely unsecured. The following table provides a summary of the contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2017. 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.

	2018	2019	2020	2021	2022	2023 and thereafter	Total
	$	$	$	$	$	$	$
Long-term obligations	4,630	4,630	102,315	—	—	—	111,575
Short-term borrowings	1,337	—	—	—	—	—	1,337
Total	5,967	4,630	102,315	—	—	—	112,912
Percentage of total	5.28%	4.10%	90.62%	0.00%	0.00%	0.00%	100%

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 estimates

The VFPA makes 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.

Impairment

The VFPA assesses annually whether there are any indicators that items of property and equipment 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.

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.

Notes to consolidated financial statements

[tabular amounts expressed in thousands of dollars]

December 31, 2017

6. Investments in securities

	2017	2016
	$	$
As at January 1	**816**	2,022
Disposals	**(410)**	(1,206)
As at December 31	**406**	816
Less non-current portion	**—**	416
Current portion	**406**	400

These investments are comprised of guaranteed investment certificates [“GICs”], which have been classified as held-to-maturity financial assets, initially invested for terms of 3 to 5 years and earn a weighted average yield of 2.2% [2016 – 2.4%].

7. Accounts receivable and other assets

	2017	2016
	$	$
Trade receivables	**7,200**	8,870
Provision for impairment	**(2,863)**	(4,115)
Property rent related accrued revenue	**11,667**	10,030
Port related accrued revenue	**12,313**	8,197
Restricted funds [1]	**5,021**	4,143
Other project partners accrued recoveries	**666**	2,508
Federal Government accrued grants	**2,090**	959
Other	**4,731**	3,538
	40,825	34,130

[1] As at December 31, 2017, accounts receivable and other assets include $5,020,560 in restricted funds [2016 – $4,143,361]. Restricted funds are project related deposits, and foreshore property owner 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 dykes on such properties will be maintained by the owners. The single largest amount of the restricted funds is $794,692 held for the replacement of a pile wall and a protection system at a terminal [2016 – $786,712].

As at December 31, 2017, trade receivables of $2,330,081 [2016 – $1,865,375] were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The aging analysis of these receivables is as follows:

	2017	**2016**
	$	$
Up to 90 days	**2,072**	1,727
91 to 120 days	**13**	5
Over 120 days	**245**	133
	2,330	1,865

As at December 31, 2017, trade receivables of $3,069,907 [2016 – $4,527,957] were provided for. The amount of the provision was $2,863,201 as at December 31, 2017 [2016 – $4,114,504]. The individually impaired receivables mainly relate to customers disputing lease terms and conditions. The aging of these receivables is as follows:

	2017	**2016**
	$	$
Up to 90 days	**67**	48
91 to 120 days	**10**	40
Over 120 days	**2,993**	4,440
	3,070	4,528

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

	2017	**2016**
	$	$
Balance, January 1	**4,115**	4,106
Provision for impairment	**3**	101
Receivables written off during the year as uncollectable	**(1,255)**	(92)
Balance, December 31	**2,863**	4,115

Notes to consolidated financial statements

[tabular amounts expressed in thousands of dollars]

December 31, 2017

8. Long-term receivables

	2017 $	2016 $
Long-term lease receivable	**28,185**	24,235
Loans and note receivable from tenants	**4,454**	4,738
Restricted funds	**1,298**	1,105
Lease financing	**120**	145
	34,057	30,223
Less current portion	**520**	371
Net long-term receivables	**33,537**	29,852

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 for site development costs that bears interest at 6.25%, maturing in 2021. The note receivable is from a tenant in respect of contributions to building renovations and recoverable costs from capital replacement projects. The note is unsecured and bears interest at 6.25%, maturing in 2022.

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

Intangible assets consist of primarily internally generated software development costs. They are amortized using the straight-line method over their estimated useful life of 5 years.

	2017 $	2016 $
Opening		
Cost	**12,421**	10,853
Accumulated amortization	**(7,759)**	(6,143)
Net book value	**4,662**	4,710
Movements in the year		
Additions	**2,008**	1,761
Disposals		
Cost	**(174)**	(192)
Accumulated amortization	**174**	192
Amortization	**(1,883)**	(1,809)
Closing net book value	**4,787**	4,662

Notes to consolidated financial statements

[tabular amounts expressed in thousands of dollars]

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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, 2016							
Cost	1,117,653	369,157	53,074	134,604	114,766	21,784	1,811,038
Accumulated depreciation and impairment	(273,839)	(158,520)	(40,492)	—	(67,602)	(17,580)	(558,033)
Net book value	843,814	210,637	12,582	134,604	47,164	4,204	1,253,005
Year ended December 31, 2016							
Additions (transfers)	5,834	13,144	1,430	35,150	5,433	2,131	63,122
Transferred to intangible assets	—	—	—	(1,761)	—	—	(1,761)
Disposals							
Cost	(10,203)	(3,231)	(3,801)	—	(308)	(2,401)	(19,944)
Accumulated depreciation	9,057	3,231	3,794	—	297	2,400	18,779
Impairment	—	—	—	—	—	—	—
Depreciation	(11,690)	(11,186)	(1,919)	—	(4,455)	(1,497)	(30,747)
Closing net book value	836,812	212,595	12,086	167,993	48,131	4,837	1,282,454
January 1, 2017							
Cost	1,113,284	379,070	50,703	167,993	119,891	21,514	1,852,455
Accumulated depreciation and impairment	(276,472)	(166,475)	(38,617)	—	(71,760)	(16,677)	(570,001)
Net book value	836,812	212,595	12,086	167,993	48,131	4,837	1,282,454
Year ended December 31, 2017							
Additions (transfers)	151,318	8,037	1,420	41,753	1,519	1,363	205,410
Transferred to intangible assets	—	—	—	(2,008)	—	—	(2,008)
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)	(10,971)	(2,076)	—	(3,952)	(1,195)	(31,009)
Closing net book value	**972,506**	**209,661**	**11,426**	**207,308**	**45,618**	**5,005**	**1,451,524**

Notes to consolidated financial statements

[tabular amounts expressed in thousands of dollars]

December 31, 2017

	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							
Cost	1,261,574	386,633	50,772	207,308	120,592	22,090	2,048,969
Accumulated depreciation and impairment	(289,068)	(176,972)	(39,346)	—	(74,974)	(17,085)	(597,445)
Net book value	**972,506**	**209,661**	**11,426**	**207,308**	**45,618**	**5,005**	**1,451,524**

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, 2016							
Federal property	601,915	160,039	—	136,203	47,901	678	946,736
Other property	234,897	52,556	12,086	31,790	230	4,159	335,718
Net book value	836,812	212,595	12,086	167,993	48,131	4,837	1,282,454
December 31, 2017							
Federal property	643,609	156,188	—	160,432	45,192	634	1,006,055
Other property	328,897	53,473	11,426	46,876	426	4,371	445,469
Net book value	**972,506**	**209,661**	**11,426**	**207,308**	**45,618**	**5,005**	**1,451,524**

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. As security for a demand loan, a subsidiary had pledged assets as collateral. As at December 31, 2017, the net book value of these assets was $930,015 [2016 – $944,850].

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 2017, the VFPA received $5,861,139 in funding [2016 – $2,259,117]. 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 2017 indicated no assets were impaired. Accordingly, nil was recognized as an impairment expense during 2017 [2016 – 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 2017, $430,427 [2016 – nil] relating to potential capital projects were 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:

	2017	**2016**
	$	$
Cost	**1,280,240**	1,166,697
Accumulated depreciation	**(415,807)**	(399,905)
	864,433	766,792

11. Accounts payable and accrued liabilities

	2017	**2016**
	$	$
Trade and accrued trade payables	**22,614**	24,002
Federal stipend payable	**6,931**	6,711
Other accrued liabilities	**9,851**	8,837
Restricted funds	**5,017**	4,135
Holdbacks payable	**2,247**	959
	46,660	44,644

Notes to consolidated financial statements

[tabular amounts expressed in thousands of dollars]

December 31, 2017

12. Provisions

Provisions	Environmental restoration	Onerous contracts	Claims	Local channel and other contributions	Total
	$		$	$	$
Balance, January 1, 2016	9,317	60	150	874	10,401
Provisions made during the year	512	—	202	—	714
Provisions used during the year	(471)	(60)	—	(24)	(555)
Provisions reversed during the year	(334)	—	(50)	—	(384)
Unwinding of discount	73	—	—	—	73
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**
Less current portion	2,061	—	350	745	3,156
	9,310	**—**	**—**	**—**	**9,310**

[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 timing of the expenditures is estimated from 1 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] 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.

[c] 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.

Notes to consolidated financial statements

[tabular amounts expressed in thousands of dollars]

December 31, 2017

13. Borrowings

[a] Long-term obligations

	2017	2016
	$	$
Series A Debentures	**99,768**	99,675
PoVT non-revolving credit facility	**—**	1,300
	99,768	100,975
Less current portion	**—**	1,300
	99,768	99,675

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 5-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, 2017, the VFPA has not borrowed from the facility.

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

	$
2018	—
2019	—
2020	99,768
2021	—
2022	—
2023 and thereafter	—
	99,768

[b] Short-term borrowings

	2017	2016
	$	$
PoVT unsecured demand loan	**1,201**	—
PoVH secured demand loan	**136**	185
	1,337	185

As at December 31, 2017, the VFPA has a total of $7.95 million in letters of credit outstanding [2016 – $5.05 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 has a non-revolving demand loan that bears interest at prime plus 0.125% per annum, payable monthly and amortized over 20 years. The demand loan is secured against specific assets of PoVH.

[c] Changes in liabilities arising from financing activities

	January 1, 2017	Cash flows	Other	December 31, 2017
	$	$		$
Short-term borrowings	185	1,152	—	1,337
Current portion of long-term obligations	1,300	(1,300)	—	—
Long-term obligations	99,675	—	93	99,768
Total liabilities from financing activities	**101,160**	**(148)**	**93**	**101,105**

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' year 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.

The funding obligations for these plans are expected to be approximately $4,240,600 in 2018.

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.

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[tabular amounts expressed in thousands of dollars]

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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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$	$	$	$	$	$
Change in fair value of plan assets						
Balance, beginning of year	**71,026**	66,425	**10,303**	9,808	—	—
Employee contributions	**204**	219	**29**	27	**—**	—
Employer contributions	**2,942**	3,077	**769**	606	**39**	36
Return on plan assets	**2,724**	2,622	**400**	388	**—**	—
Non-investment expenses	**(139)**	(130)	**(29)**	(37)	**—**	—
Benefits paid	**(1,816)**	(1,709)	**(350)**	(329)	**(39)**	(36)
Actuarial gain (loss)	**2,578**	522	**(46)**	(160)	**—**	—
Balance, end of year	**77,519**	71,026	**11,076**	10,303	—	—
Change in accrued benefit obligation						
Balance, beginning of year	**68,664**	65,754	**10,274**	10,033	**2,299**	2,218
Current service cost						
Employer	**1,125**	1,164	**121**	141	**6**	6
Employee	**204**	219	**29**	27	—	—
Interest cost on benefit obligation	**2,579**	2,585	**384**	391	**87**	86
Benefits paid	**(1,816)**	(1,709)	**(350)**	(329)	**(39)**	(36)
Actuarial loss (gain) – plan experience	**(987)**	(168)	**(564)**	27	**—**	(3)
Actuarial loss – demographic assumptions	**—**	16	**—**	16	**—**	—
Actuarial loss (gain) – financial assumptions	**4,295**	803	**582**	(32)	**(389)**	28
Balance, end of year	**74,064**	68,664	**10,476**	10,274	**1,964**	2,299

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[tabular amounts expressed in thousands of dollars]

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The actual return on plan assets was $5,656,200 [2016 – $3,371,900].

	Registered Pension Plan		Supplemental Pension Plan		Other Plans	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$	$	$	$	$	$
Reconciliation to the (asset) liability recognized in the statement of financial position						
Accrued benefit obligation	**74,064**	68,664	**10,476**	10,274	**1,964**	2,299
Fair value of assets	**(77,519)**	(71,026)	**(11,076)**	(10,303)	**—**	—
Funded (surplus) deficit	**(3,455)**	(2,362)	**(600)**	(29)	**1,964**	2,299
Impact of asset ceiling	**3,455**	2,304	**—**	—	**—**	—
Impact of IFRIC 14	**4,260**	2,639	**—**	—	**—**	—
Net accrued benefit liability (asset)	**4,260**	2,581	**(600)**	(29)	**1,964**	2,299

	Registered Pension Plan		Supplemental Pension Plan		Other Plans	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$	$	$	$	$	$
Current pension expense for the year						
Current service cost	**1,125**	1,164	**121**	141	**6**	6
Non-investment expenses	**139**	130	**29**	37	**—**	—
Total service cost	**1,264**	1,294	**150**	178	**6**	6
Interest on benefit obligation	**2,579**	2,585	**384**	391	**87**	86
Return on plan assets	**(2,724)**	(2,622)	**(400)**	(388)	**—**	—
Interest on asset ceiling impact	**88**	26	**—**	—	**—**	—
Interest on IFRIC 14 impact	**100**	120	**—**	—	**—**	—
Net interest cost	**43**	109	**(16)**	3	**87**	86
Total current pension expense	**1,307**	1,403	**134**	181	**93**	92

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	Registered Pension Plan		Supplemental Pension Plan		Other Plans	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$	$	$	$	$	$
Recognition through Other Comprehensive Income (OCI)						
Actuarial (gains) losses on obligation	**3,308**	651	**18**	11	**(389)**	25
Actuarial (gains) losses on assets	**(2,578)**	(522)	**46**	160	**—**	—
Effect of impact due to asset ceiling	**1,062**	1,608	**—**	—	**—**	—
Effect of impact due to IFRIC 14	**1,522**	(551)	**—**	—	**—**	—
Total amount recognized in OCI	**3,314**	1,186	**64**	171	**(389)**	25

Change in other comprehensive income [“OCI”] gain (loss) balances:

	Registered Pension Plan		Supplemental Pension Plan		Other Plans	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$	$	$	$	$	$
Balance, beginning of year	**(12,313)**	(11,127)	**(2,662)**	(2,491)	**(1,032)**	(1,007)
Gains (losses) recognized in the year	**(3,314)**	(1,186)	**(64)**	(171)	**389**	(25)
Balance, end of year	**(15,627)**	(12,313)	**(2,726)**	(2,662)	**(643)**	(1,032)

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:

	2017		2016	
	Registered Pension Plan	**Supplemental Pension Plan**	**Registered Pension Plan**	**Supplemental Pension Plan**
	$	$	$	$
Equity funds	**28,533**	**2,019**	24,875	1,833
Cash and fixed income funds	**41,928**	**3,042**	39,470	2,867
Real estate funds	**7,019**	**507**	6,640	485
Other	**39**	**—**	41	—
Refundable tax account	**—**	**5,508**	—	5,118
	77,519	**11,076**	71,026	10,303

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[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		SPASE	
	2017	**2016**	**2017**	**2016**
	$	$	$	$
Change in fair value of plan assets				
Balance, beginning of year	**—**	—	**—**	—
Employer contributions	**60**	59	**78**	77
Benefits paid	**(60)**	(59)	**(78)**	(77)
Balance, end of year	**—**	—	**—**	—

	EISPB		SPASE	
	2017	**2016**	**2017**	**2016**
	$	$	$	$
Change in accrued benefit obligation				
Balance, beginning of year	**858**	876	**1,489**	1,620
Interest cost	**32**	33	**55**	61
Benefits paid	**(60)**	(59)	**(78)**	(77)
Actuarial liability experiences (gain) loss	**7**	(1)	**(45)**	(136)
Actuarial liability financial assumptions loss	**26**	9	**83**	21
Balance, end of year	**(863)**	(858)	**(1,504)**	(1,489)

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	EISPB		SPASE	
	2017	**2016**	**2017**	**2016**
	$	$	$	$
Reconciliation to the (asset)/liability recognized in the statement				
Accrued benefit obligation	**863**	858	**1,504**	1,489
Funded deficit	**863**	858	**1,504**	1,489
Net accrued benefit liability	**863**	858	**1,504**	1,489
Interest on benefit obligation	**32**	33	**55**	61
Total current pension expense	**32**	33	**55**	61
Recognition through Other Comprehensive Income (OCI)				
Actuarial (gains) losses on obligation	**33**	8	**38**	(115)
Total amount recognized in OCI	**33**	8	**38**	(115)

Change in OCI gain (loss) balances:

	EISPB		SPASE	
	2017	**2016**	**2017**	**2016**
	$	$	$	$
Balance, beginning of year	**(184)**	(176)	**(654)**	(769)
Gains (losses) recognized in the year	**(33)**	(8)	**(38)**	115
Balance, end of year	**(217)**	(184)	**(692)**	(654)

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[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:

	2017	2016
	$	$
Change in fair value of plan assets		
Balance, beginning of year	**1,224**	1,093
Expected return on plan assets	**48**	45
Employer contributions	**114**	115
Employee contributions	**8**	21
Non-investment expenses	**(32)**	(36)
Benefits paid	**(53)**	(23)
Actuarial loss	**45**	9
Balance, end of year	**1,354**	1,224
Change in accrued benefit obligations		
Balance, beginning of year	**1,494**	1,371
Current service cost	**45**	73
Interest cost	**56**	57
Employee contributions	**8**	21
Benefits paid	**(53)**	(23)
Actuarial gain – plan experience	**—**	(33)
Actuarial loss – financial assumptions	**127**	28
Balance, end of year	**1,677**	1,494
Reconciliation to the (asset) liability recognized in the statement of financial position		
Accrued benefit obligation	**1,677**	1,494
Fair value of assets	**(1,354)**	(1,224)
Funded deficit	**323**	270
Impact of IFRIC 14	**57**	—
Net accrued benefit liability	**380**	270

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	LNFPA	
	2017	**2016**
	$	$
Current pension expense for the year		
Current service cost	**45**	73
Non-investment expenses	**32**	36
Total service cost	**77**	109
Interest on benefit obligation	**56**	57
Return on plan assets	**(48)**	(45)
Net interest cost	**8**	12
Total current pension expense	**85**	121
Recognition through Other Comprehensive Income (OCI)		
Actuarial (gains) losses on obligation	**127**	(5)
Actuarial gains on plan assets	**(45)**	(9)
Effect of impact due to IFRIC 14	**57**	—
Total amount recognized in OCI	**139**	(14)

Change in OCI loss balances:

	LNFPA	
	2017	**2016**
	$	$
Balance, beginning of year	**(245)**	(259)
Gains (losses) recognized in the year	**(139)**	14
Balance, end of year	**(384)**	(245)

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

Distribution of Plan Assets:

	LNFPA	
	2017	**2016**
	$	$
Equity	**503**	430
Cash and fixed income securities	**730**	681
Real estate funds	**121**	113
Total assets	**1,354**	1,224

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[d] Accrued benefit assets (liabilities)

	2017 $	2016 $
Accrued benefit asset		
LVPA Supplemental Pension Plan	**600**	29
Accrued benefit liabilities		
LVPA Pension Plan	**(4,260)**	(2,581)
LVPA Other Plans	**(1,964)**	(2,299)
LFRPA Plan – EISPB	**(863)**	(858)
LFRPA Plan – SPASE	**(1,504)**	(1,489)
LNFPA Pension Plan	**(380)**	(270)
Total accrued benefit liabilities	**(8,971)**	(7,497)

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

	2017 $	2016 $
Gains (losses) recognized in the year		
LVPA Pension Plan	**(3,314)**	(1,186)
LVPA Supplementary Plan	**(64)**	(171)
LVPA Other Plans	**389**	(25)
LFRPA Plan – EISPB	**(33)**	(8)
LFRPA Plan – SPACE	**(38)**	115
LNFPA Pension Plan	**(139)**	14
	(3,199)	(1,261)

[e] Actuarial assumptions

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

	Pension	
	2017 %	2016 %
Assumptions		
Discount rate at beginning of year	**3.80**	3.90
Discount rate at end of year	**3.40**	3.80
Expected long-term rate of return of plan assets	**3.40**	3.80
Inflation rate [future salary increases]	**1.75**	1.75

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

Assumptions	2017	2016
Annual rate of inflation for MSP	4%	4%
Annual rate of extended health care inflation	7.25% per annum, grading down annually by 0.25% per annum to 4.5% per annum and remaining at that level thereafter.	7.25% per annum, grading down annually by 0.25% per annum to 4.5% per annum and remaining at that level thereafter.

[f] Sensitivity analysis

The sensitivity of the overall benefit liability to changes in the key assumptions is as follows:

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 1%	Decrease/increase by (14.0)%/17.7%
Inflation rate	Increase/decrease by 1%	Increase/decrease by 15.1%/(12.3)%
Salary growth rate	Increase/decrease by 1%	Increase/decrease by 0.5%/(0.5)%
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 21.0%/(16.5)%

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

	Current	1% Increase	1% Decrease
	$	$	$
Accrued benefit obligation	1,760,900	1,479,600	2,119,200
Current service cost	5,000	3,900	6,400
Interest cost	59,600	50,000	71,800

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]

	2017	2016
	$	$
Employer contributions	**1,956**	1,780

15. Commitments

Capital projects, which are authorized or committed, and where the expenditures are estimated to exceed $1 million, as at December 31, 2017 are as follows:

	Spending to date	Commitments at year-end	Total authorized cost
	$	$	$
Container expansion	362,118	17,331	828,295
Land acquisition and development	23,108	2,551	204,481
Infrastructure improvement	136,186	19,564	311,056
Other terminal redevelopment and improvements	4,376	1,294	26,038
	525,788	40,740	1,369,870

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

In November 2004, VFPA entered into agreements with the Tsawwassen First Nation [“TFN”] and other parties. These agreements are referred to in these consolidated financial statements as the Expansion Agreements.

Under the terms of the Expansion Agreements, the VFPA is obligated to advance the TFN up to $5,000,000 on an interest free basis, for its 50% participation in a joint venture with the VFPA. The VFPA will contribute an additional, matching amount of up to $5,000,000 on its own account. The joint venture is to be controlled by both venturers. The objective is to invest in port related activities that will generate profits in accordance with industry standards with a minimum target rate of return of 10% a year. If all or part of the monies are not invested, interest is to be paid by the VFPA to the TFN at prescribed rates. In 2017, the VFPA and TFN continued working towards establishing the joint venture.

Starting in November 2008, the VFPA is obligated to pay interest at a rate equivalent to the yield earned on a 10-year Government of Canada bond effective on the first anniversary of the settlement date [November 1, 2004] plus 1.5% per annum on the portion of the funds not yet advanced to the joint venture on behalf of TFN. In 2017, $263,000 interest expense was incurred.

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.

		2017		
		Fees	**Benefits**	**Total**
Board of Directors		$	$	$
Bancroft-Jones, Anne	Director, VFPA [to June 17, 2017]	28	—	28
Chapman, Tim	Director, VFPA [to June 21,2017]	26	—	26
Ethans, Lisa	Director, VFPA [from June 21,2017]	18	3	21
Hochstein, Philip	Director, VFPA	46	—	46
Kerfoot, Carol	Director, VFPA [to June 21, 2017]	28	—	28
Kwan, Eugene	Director, VFPA, Vice Chair	61	3	64
Landry, Paul	Director, VFPA [to December 20, 2017]	58	—	58
Loberg, Carmen	Director, VFPA	71	—	71
Longworth, Tom	Director, VFPA [to December 20, 2017]	54	—	54
McLay, Catherine	Director, VFPA [from June 21,2017]	17	3	20
McLeod, Joanne	Director, VFPA [from December 20, 2017]	—	—	—
Munroe, Craig	Director, VFPA [from November 15, 2017]	1	3	4
Neeser, Craig	Director, VFPA, Chair	116	—	116
Priddy, Penny	Director, VFPA	46	3	49
Readman, Dean	Director, CPC	—	—	—
Rogers, Judy	Director, VFPA [from December 14, 2017]	—	—	—
Turner, Richard	Director, VFPA	48	3	51
		618	18	636

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For the year ended December 31, 2017, total salaries and fees for the Board of Directors was $636,493 [2016 – $654,683].

		2017			
		Salaries and remuneration	Other benefits	Post-employment benefits	Total
Key management personnel		$	$	$	$
Case, Sandra	Officer & VP, People & Business Performance, VFPA	293	34	20	347
Corsie, Tom	Officer & VP, Real Estate, VFPA; President & Officer, CPC; Director, MSH	295	35	21	351
Pang, Victor	Officer, Chief Financial Officer, VFPA; Director & Officer, PoVV, PoVH, PoVE, PoVT; Director, Officer & Vice-President, CPC	350	36	17	403
Silvester, Robin	Officer, President & CEO, VFPA; President & CEO and Director & Officer of PoVV, PoVH, PoVE and PoVT	822	40	74	936
Stewart, Cliff	Officer & VP, Infrastructure, VFPA	355	36	24	415
Wilson, Duncan	Officer & VP, Corporate Social Responsibility, VFPA; Chair, CPC	277	32	19	328
Xotta, Peter	Officer & VP, Planning & Operations, VFPA	370	33	243	646
		2,762	246	418	3,426

Included in accounts payable and accrued liabilities was $942,255 of wages, salaries and benefits due and payable to the key management personnel group as at December 31, 2017.

For the year ended December 31, 2017, total remuneration and benefits for key management personnel was $3,426,320 [2016 – $3,282,689].

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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 typically run for one to ten years.

Recognized in the consolidated statement of comprehensive income during the year was $1,009,094 for lease expenses paid net of sublease expense recoveries [2016 – $845,171].

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

	2017	**2016**
	$	$
Within one year	**300**	573
After one year but not more than five years	**264**	637
More than five years	**186**	209
	750	1,419

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 rentals under non-cancellable operating leases are as follows:

	2017	**2016**
	$	$
Within one year	**132,790**	119,111
After one year but not more than five years	**476,991**	448,587
More than five years	**2,508,978**	2,238,883
	3,118,759	2,806,581

Contingent-based rent revenue recognized in the consolidated statement of comprehensive income was $20,056,169 [2016 – $18,289,141].

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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 industry-funded portion of the GIP is $167 million, under a series of improvements in three locations:

	Total industry contribution	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 2017 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]	2,751	4,160	2,077	8,988	17,123	18,480	14,715	50,318
Gateway infrastructure program [expenditures]	93	1,243	—	1,336	36,944	56,113	40,535	133,592
Less: Industry funded portion [90%]	(84)	(1,119)	—	(1,203)	(33,250)	(50,502)	(36,482)	(120,234)
VFPA portion [10%]	9	124	—	133	3,694	5,611	4,053	13,358

20. Related party transactions

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, 2017 was $6.9 million. As at December 31, 2017, this amount was included in accounts payable and accrued liabilities.

In 2014, the VFPA and the Federal Government reached two agreements under the Clean Transportation Initiative on 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 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 another two amendments to the contribution agreement to increase the funding to up to $1.3 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.

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 another 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, CPC and the Federal Government reached an agreement for a contribution of up to $1.3 million by the Federal Government toward the Canada 150 event at Canada Place.

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Claims submitted to the Federal Government in 2017 and amounts receivable as at December 31, 2017 were as follows:

	Claims submitted		Claims receivable as at December 31, 2017	Claims receivable as at December 31, 2016
	2017	Total to date		
	$	$	$	$
Clean Transportation Initiative	—	2,214	—	—
Shore Power Technology	4,165	5,833	1,071	727
Underwater Technology Study	683	1,187	405	240
APGCTIF	132	375	293	333
Enhanced Cetacean Habitat and Observation	288	288	288	—
Underwater Listening Station	141	141	141	—
Canada 150 at Canada Place	1,280	1,280	60	—
	6,689	11,318	2,258	1,300