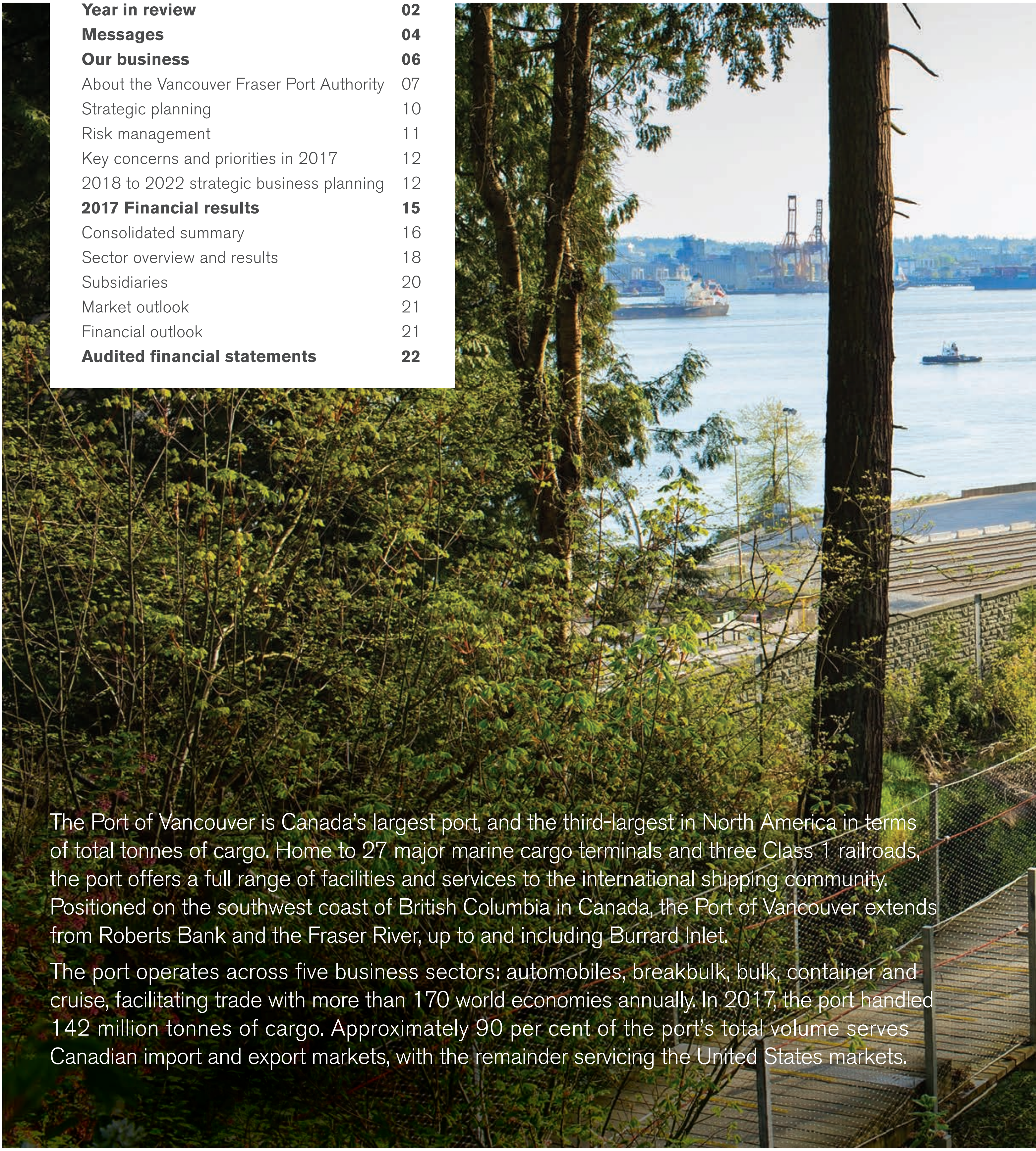
PORT of vancouver

FINANCIAL REPORT 2017

In this report



The Port of Vancouver is Canada's largest port, and the third-largest in North America in terms of total tonnes of cargo. Home to 27 major marine cargo terminals and three Class 1 railroads, the port offers a full range of facilities and services to the international shipping community. Positioned on the southwest coast of British Columbia in Canada, the Port of Vancouver extends from Roberts Bank and the Fraser River, up to and including Burrard Inlet.

The port operates across five business sectors: automobiles, breakbulk, bulk, container and cruise, facilitating trade with more than 170 world economies annually. In 2017, the port handled 142 million tonnes of cargo. Approximately 90 per cent of the port's total volume serves Canadian import and export markets, with the remainder servicing the United States markets.

Our approach to reporting

The 2017 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.

Cautionary note regarding forward-looking statements

The Management Discussion and Analysis contains certain statements about the Vancouver Fraser Port Authority's future expectations. These statements are generally identified by terms such as "anticipate", "believe", "expect", "estimate", "intend" and so forth. Forward-looking statements are based on information available at the time and/or on management's good-faith belief with respect to future events. As forward-looking statements involve future risks and uncertainties, actual results may be different from those expressed or implied in these statements. These risks and uncertainties include, but are not limited to, those described under the "risks" section of this report. The Vancouver Fraser Port Authority disclaims any intention or obligation to update or review any forward-looking statements, whether as a result of new information, future events or other reasons.

YEAR IN REVIEW

STRATEGIC CAPITAL INVESTMENTS

We continued to lead and execute on several strategic capital projects to advance progress under the three pillars of our definition of a sustainable port: economic prosperity through trade, healthy environment and thriving communities. Highlights from 2017 include:

Tsawwassen Container Examination Facility

Construction of a new container examination facility progressed to address capacity constraints at the existing facility in Burnaby

Roberts Bank Terminal 2 Project (RBT2)

The panel phase of the environmental assessment for a new container terminal progressed

Strategic Land Acquisitions

Acquired three strategic industrial-zoned properties in Richmond and Port Coquitlam, and completed a land exchange in North Vancouver

Habitat Restoration Project

Completed the New Brighton Shoreline Habitat Restoration Project, which is critical for juvenile salmon that migrate along the Burrard Inlet shoreline. The project was developed in collaboration with the Vancouver Board of Parks and Recreation and with the Musqueam, Squamish and Tsleil-Waututh Nations.

FINANCIAL HIGHLIGHTS

CAPITAL INVESTMENT

$168 million

Capital investments relating to property and equipment totalled $168 million for 2017, compared to $63 million in 2016

COMMUNITY INVESTMENT

+$750 thousand

More than $750,000 invested through our community investment and local channel dredging programs, enhancing community connections and culture

REVENUE

↑5%

Consolidated revenues increased five per cent to $246 million in 2017 compared to 2016

EBITDA

↑7%

Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) increased seven per cent to $149 million in 2017

OPERATIONAL HIGHLIGHTS

142 million tonnes

Overall port volume grew to 142 million metric tonnes of cargo in 2017, a 4.8 per cent increase from 2016, setting a new annual cargo throughput record.

AUTOS

↑9.3%

Auto sector volumes improved 9.3 per cent to 429,875 units, driven by strong vessel traffic growth and a modest increase in cars delivered by rail

BREAKBULK

↑2.4%

Breakbulk volumes increased 2.4 per cent to 16.6 million metric tonnes, driven by higher wood pulp exports and domestic consumer goods imports

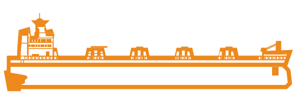
BULK

↑5.5%

Bulk volumes increased 5.5 per cent to 99.0 million metric tonnes

Coal volumes increased 11.6 per cent to 36.8 million metric tonnes

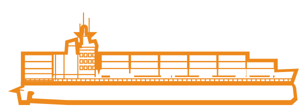
Grain, specialty crops and feed product exports increased 8.2 per cent to 23.6 million metric tonnes, a record year, due to strong demand from Asian markets



CONTAINERS

↑11%

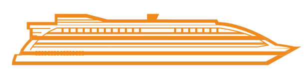
Container volumes reached a record 3.3 million 20-foot equivalent units (TEUs), an 11 per cent increase from the prior year, driven by strong North American economic growth and strength in the trans-Pacific container market



CRUISE

↑1.9%

Cruise passenger traffic increased 1.9 per cent to 842,928 passengers and 236 vessel visits



Financial & operating highlights (000s)	**2013**	**2014**	**2015**	**2016**	**2017**
Revenue	$ 210,901	$ 222,539	$ 239,188	$ 235,163	$ 246,452
Expenses	$ 105,095	$ 114,403	$ 118,464	$ 121,309	$ 123,497
EBITDA	$ 126,269	$ 130,654	$ 145,699	$ 139,699	$ 148,916
Capital investments	$ 215,413	$ 149,219	$ 107,609	$ 63,122	$ 168,121
Cash & cash equivalents	$ 121,783	$ 140,827	$ 196,172	$ 272,391	$ 243,234
Long-term obligations	$ 99,699	$ 100,901	$ 100,886	$ 99,675	$ 99,768
Auto (units)	379	351	384	393	430
Breakbulk (metric tonnes)	17,051	16,967	16,472	16,240	16,627
Bulk (metric tonnes)	92,736	97,654	96,190	93,847	98,992
Containerized (metric tonnes)	24,842	24,666	25,037	25,057	26,030
Total tonnage (metric tonnes)	**135,008**	**139,638**	**138,084**	**135,537**	**142,078**
Containers (TEUs)	2,825	2,913	3,054	2,930	3,252
Cruise passengers	812	812	805	827	843

Message from the Chair, Board of Directors

The Vancouver Fraser Port Authority is proud of the role we play to support Canada's trade goals.

Our mission, which reflects our mandate under the *Canada Marine Act,* is to enable Canada's trade objectives, ensuring safety, environmental protection and consideration for local communities.

In addition, we have set ourselves a vision to be the world's most sustainable port. We define that as delivering economic prosperity through trade, ensuring a healthy environment and enabling thriving communities.

I am pleased to present the Vancouver Fraser Port Authority's financial report for 2017, which demonstrates not only our strong and stable financial position, but also the substantial investments we made this year into port-supporting infrastructure and strategic land acquisitions.

The report combines audited financial statements with a management discussion and analysis of the results. It outlines our strategic planning framework and how we are addressing key concerns and priorities. It also highlights how we are incorporating sustainability goals into all our business decisions and long-term plans, in pursuit of our vision.

We were encouraged to have our financial management validated this year through our reaffirmed Standard and Poor's AA rating and our successful outcome under a special audit, performed every five years.

I would like to thank all port stakeholders for their contributions to facilitating Canada's trade. I would also like to extend my thanks to the members of our board of directors for their collaboration and leadership, and to the executive team, led by Robin Silvester, and the dedicated employees of the port authority. Canada is strengthened by our collective efforts.

Craig Neeser
Chair, Board of Directors

Message from the President and Chief Executive Officer

Canada's trade through the Port of Vancouver continues to grow.

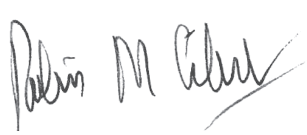
About $615 million in cargo moves through the port every day, a figure forecast to grow, especially given Canada's new trade agreements with the Trans-Pacific region and with Europe; the port already supports more than 115,000 supply chain jobs across the country, generating nearly $12 billion in GDP.

The Vancouver Fraser Port Authority is actively advancing infrastructure and capacity-enhancement programs to ensure the Port of Vancouver is prepared to handle the trade increases ahead.

A strong financial position enables us to make those critical investments. In 2017, the port authority invested $168 million to acquire land and progress projects, including Roberts Bank Terminal 2 and the Tsawwassen Container Examination Facility, and to build habitat to offset the environmental impacts of port development.

These investments were made possible through the success of terminal operators, shipping lines and other businesses operating in the Port of Vancouver. In 2017, these partners achieved record cargo volumes shipped through the port, including new records for containers and bulk grain. We are very proud of that success and we are working side by side with the broader port community to ensure continued responsible growth.

As we look to the future, I am confident that the port authority is on solid financial footing from which our dedicated team can continue stewarding the sustainable development of the Port of Vancouver. Together with my colleagues, I look forward to continuing our work, preparing for Canada's trade growth, and collectively working toward achieving our vision to be the world's most sustainable port.



Robin Silvester
President and Chief Executive Officer

OUR BUSINESS

About the Vancouver Fraser Port Authority

The Vancouver Fraser Port Authority is responsible for managing federal lands and waters at 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 we 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, much of which is reinvested in port-related infrastructure and services.

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.

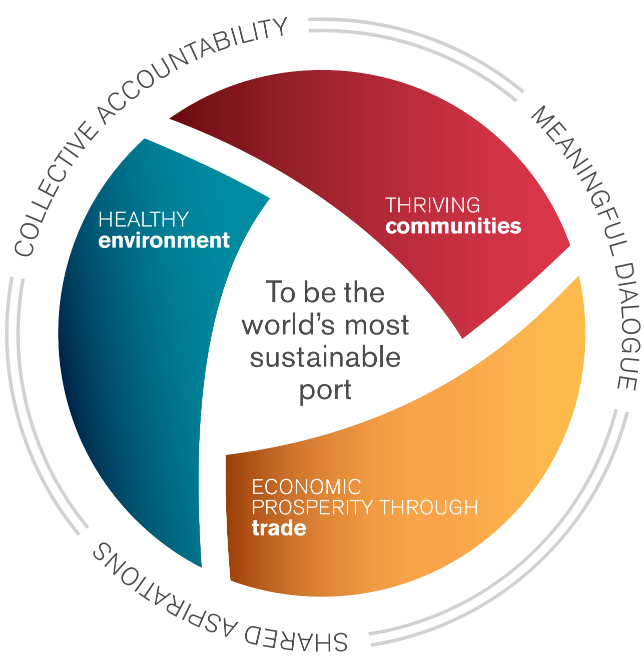
Read more about the port authority and our mandate at portvancouver.com/about-us

We envision a sustainable port to be one that achieves the following:

- 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.

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



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 2017 Vancouver Fraser Port Authority board of directors and executive leadership team.

Governance and corporate structure

The *Canada Marine Act* governs the appointment and responsibilities for 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 which 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 within 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. All members must have generally acknowledged and accepted stature within the transportation industry and the business community. 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**, Corporate Social Responsibility	**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 maintain 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 2017 is disclosed in Note 17 of the Audited Financial Statements found in this report.

For further details on our executive compensation philosophy disclosure statement, please visit our website at portvancouver.com/reporting

Subsidiaries

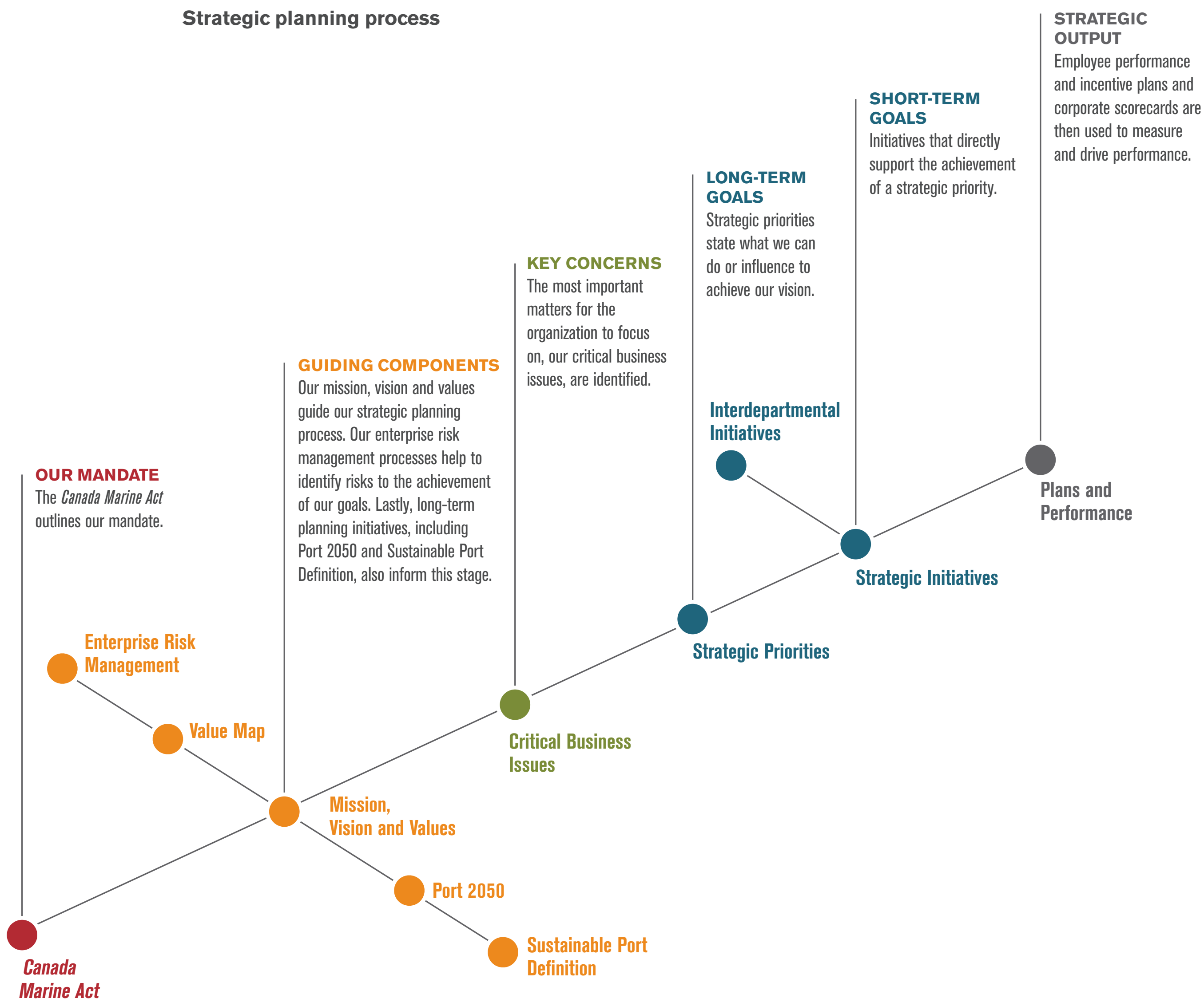
The *Canada Marine Act* and the Vancouver Fraser Port Authority's Letters Patent allow the use of subsidiaries to undertake certain activities that are deemed necessary to support port operations and strategic priorities. Our six subsidiaries were formed for different purposes, as outlined below:

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

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 are referenced in the graphic below. 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.

Strategic planning process



Risk management

We assess enterprise risks and associated risk controls regularly to ensure achievement of our strategic priorities. Approximately 100 risks are documented and monitored in a corporate risk register by the Enterprise Risk Management Committee.

As set out in our Risk Management Policy, risks are assessed and ranked on an inherent basis, prior to any mitigation strategies. Risks are also evaluated on their residual (after mitigation) basis to ensure effective controls are in place. The likelihood and consequences of risks are assessed based on their potential impact in the following three categories:

- **Economic:** the estimated dollar impact if the risk occurs
- **Public or employee safety:** the estimated number of injuries or fatalities to employees or the public if the risk occurs
- **Reputation and public support:** the resulting damage, if any, to port stakeholder support, and the resulting media coverage, if the risk occurs

Top enterprise risks for Vancouver Fraser Port Authority

The table below describes the current top risks faced by the port authority, and the post-mitigation risk ratings. They are the most important risks to our mission and vision on an inherent basis. Controls are in place to mitigate the risks to an acceptable level.

Top risks	Post-mitigation risk ratings
Land not available: A shortage of industrial land increases real estate prices and limits port expansion opportunities.	High
Supply chain capacity imbalances: The coordination of capital spending between different supply chain partners helps to ensure a balance between the port and the Lower Mainland's distribution and logistics system. Capacity imbalances can lead to lost business opportunities and underperforming capital investments, diminishing our reputation with the shipping industry and potentially raising community opposition to freight operations and improvement programs.	High
Inadequate project cost estimates: Inadequate project cost estimates and budgets may lead to unexpected expenditures or underutilized financial capacity, resulting in a decreased return on investment.	High
Ineffective business planning: Resource misalignment due to inadequate prioritization of projects may have an overall negative impact on the achievement of business goals.	Moderate
Cybersecurity: Theft, deletion or modification of our data or intellectual property by external parties may lead to a material impact on financial position for us or third parties. Cyberincidents have the potential to disrupt business processes and damage our reputation.	Moderate
Social media: Third parties may use social media to relay false facts, disclose confidential information, or misrepresent or misuse Port of Vancouver and its brand, which may result in diminished public support, a damaged reputation and negative financial consequences for the organization.	High
Loss of community acceptance: The loss of community acceptance and opposition to a port authority project has the potential to cause increased expenses or lost revenue opportunities.	High
Public liability – death or injury to members of the public: An incident occurs at a public event sponsored by the organization causing death or serious injury to an individual or significant property damage, resulting in financial loss, reputational loss, and reduced morale and productivity.	High
Environmental spill in harbour or river: A vessel, fuel barge or pipeline located within a port authority waterlot lease may release oil/chemicals and harm the environment, which may cause diminished reputation, increased expenses and loss of public support.	High
Environmental impact on neighbours: Port operations and development projects may have environmental impacts that are inconsistent with the port authority's vision.	High

Risk Rating Severe High Moderate Low

Key concerns and priorities in 2017

We identify critical business issues, which are the most important matters for us to focus on, and 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. Our 2017 critical business issues and their strategic priorities are presented as follows:

Critical business issue	Strategic priorities
The need for strong relationships with our communities and stakeholders	Achieve broad public trust and support
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 infrastructure capacity to meet key 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	Protect and enhance port environmental health
Ongoing cultural evolution and alignment	Organizational excellence: build a more connected and engaged culture to drive organizational excellence

2018 to 2022 strategic business planning

For the 2018 to 2022 planning period, we have reaffirmed the 2017 critical business issues and strategic priorities.

Capital planning

To support our vision, we reinvest capital to address port capacity constraints, optimize operational efficiency and effectiveness, and support environmental and community programs. In 2017, capital spending totalled $168 million.

Our 2018 to 2022 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

Capital projects

Per our 2018 to 2022 capital plan, below are descriptions of the more significant capital projects based on total spending:

Centerm Expansion Project:

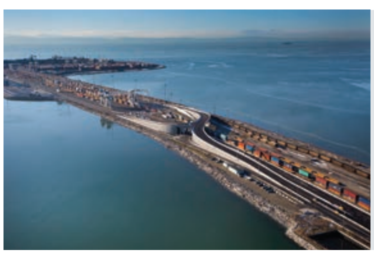
The closure of Ballantyne Pier to cruise operations in 2014 provided an opportunity to expand container handling capacity at Centerm container terminal. Its operator, DP World, and the port authority have established a commercial agreement to increase Centerm's capacity from the current 900,000 TEUs per year to 1.5 million TEUs.

Roberts Bank Terminal 2:

The proposed Roberts Bank Terminal 2 (RBT2) project involves the construction of a new three-berth container terminal near the Westshore and Deltaport terminals. The terminal is expected to have an annual capacity of 2.4 million TEUs.

Habitat Enhancement Program:

The Habitat Enhancement Program proactively creates and enhances fish and wildlife habitat that could be used to offset the impacts of future port development.



Deltaport Terminal, Road and Rail Improvement Program (DTRRIP):

The key objective of DTRRIP is to alleviate rail and road constraints and to aid in the delivery of an additional 600,000 TEUs of container handling capacity at the Deltaport container terminal. A truck staging project is being developed as an additional element of the DTRRIP road improvements to improve the safety, security and efficiency of port operations, as well as to address concerns regarding the impacts of increased container truck traffic on the regional highway network and the local community around Deltaport.

Off-port infrastructure projects:

In 2016, the Government of Canada announced plans to increase investment in the nation's infrastructure. We are working with the Gateway Transportation Collaboration Forum (GTCF), a multi-stakeholder group that includes all levels of governments, to advance funding applications for priority transportation infrastructure projects that ease the impact of trade on local communities beyond the port. GTCF has launched the Greater Vancouver Gateway 2030 (Gateway 2030) strategy, which includes 38 key infrastructure projects. In 2017, the port authority advanced nine funding applications.

Real estate acquisitions:

Due to an industrial land shortage in Metro Vancouver, strategic land acquisitions are being considered to meet demand for future growth in key sectors.

Borrowing limit and credit rating

The Vancouver Fraser Port Authority's Letters Patent restrict our ability to have more than $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 2017, 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 new five-year $200 million financing agreement was signed with TD Canada Trust in December 2017. This facility replaced the expired $150 million credit facility with Royal Bank of Canada. As of December 31, 2017, there are no outstanding amounts owing on this facility.

Letter of credit facility: The port authority also holds letter of credit facilities with HSBC Bank Canada 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, 2017, letters of credit in the amount of $8 million were outstanding.

Subsidiary credit facilities

Port of Vancouver Terminals Ltd.: The subsidiary has a five-year $1.2 million uncommitted demand non-revolving loan with TD Canada Trust. The loan has an outstanding balance of $1.2 million as of December 31, 2017.

Port of Vancouver Holdings Ltd.: A 16-year $4 million demand loan was signed with HSBC Bank Canada in November 2004. The loan has an outstanding balance of $0.1 million as of December 31, 2017, and expires in August 2020.

New financing requirements

We will need new credit facilities to fund future capital requirements. Our current financing strategy is to raise funds using a combination of rated private placement bond issues and floating rate bank debt. This approach will reduce future refinancing risk, minimize interest rate and renewal risk, and diversify funding sources.

Based on our 2018 to 2022 capital plan, corporate debt is expected to peak at $397 million in 2021, which is below our borrowing limit of $510 million. The port authority's interest coverage ratio would remain above 12 times during the forecast period. This level is well above the minimum ratio of 1.25:1 specified in the port authority's bond trust indenture. Debt/EBITDA would not exceed 2.4 times over the planning period. Given the port authority's strong cash flow position, 70 per cent of total capital spending over the planning period is expected to be funded with operating surpluses and cash on hand, and 30 per cent with corporate debt.

2017 FINANCIAL RESULTS

Consolidated summary

Sector overview and results

Subsidiaries

Market outlook

Financial outlook

Consolidated summary

Consolidated EBITDA increased seven per cent to $149 million in 2017 largely due to an increased rental revenue and higher port income derived from higher cargo volumes.

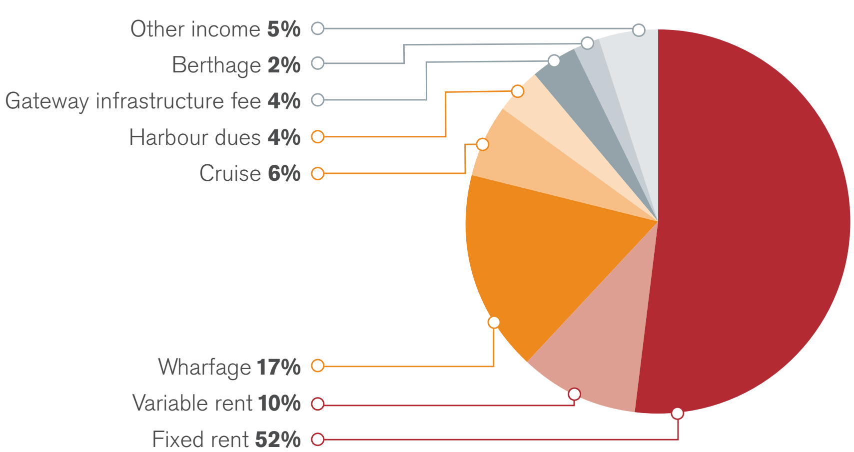
(000s)	2017	2016	Change	Change
Net Income	$ 149,252	$ 101,242	$ 48,010	47%
Add: Depreciation	32,892	32,556	336	1%
Add: Finance costs	5,281	5,225	56	1%
Less: Non-operating income (expenses)	38,509	(676)	39,185	5,797%
EBITDA	**148,916**	**139,699**	**9,217**	**7%**

Revenues

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

(000s)	2017	2016	Variance	Variance
Fixed rent	$ 127,159	$ 119,559	$ 7,600	6%
Variable rent	25,437	24,340	1,097	5%
Rental Income	**152,596**	**143,899**	**8,697**	**6%**
Wharfage	42,446	40,630	1,816	4%
Cruise	13,885	13,425	460	3%
Harbour dues	10,752	10,261	491	5%
Gateway Infrastructure Fee	8,988	9,288	(300)	(3%)
Berthage	6,181	6,880	(699)	(10%)
Log revenues	55	129	(74)	(58%)
Port Income	**82,307**	**80,613**	**1,694**	**2%**
Other income	11,549	10,651	898	8%
Operating Revenue	**246,452**	**235,163**	**11,289**	**5%**

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



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

Rental income increased six per cent from the prior year, with fixed rent increasing by six per cent and variable rent increasing by five per cent in 2017. Variable rent increased primarily due to higher participation rent earned on thermal coal volumes. 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, a 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 twenty-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 time of stay	To recover investments and costs associated with provision of cruise terminal facilities, berths and infrastructure
Harbour dues	Rate x gross registered tonne (GRT)	Charged on first five calls; discounts by 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 help 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 authority operating income increased five per cent due to higher trade volumes from a year ago. Wharfage and berthage rates increased by the consumer price index of 1.1 per cent in 2017. Harbour dues and wharfage revenues increased by five per cent and four per cent respectively, while berthage revenues declined 10 per cent. The increases were driven by a combination of higher cargo volumes. Berthage declined due to strategic changes in commercial arrangements to rebalance our exposure to variable revenue in favour of fixed revenue.

Cruise revenue increased by three per cent, due to higher passenger, 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 decreased three per cent versus last year. This fee is intended to recoup investments related to infrastructure improvements in the three trade areas, all of which have been completed.

Other revenues increased by eight per cent in 2017, primarily due to interest income from a higher cash position.

Sector overview and results

The table below outlines the 2017 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 2016. The container sector continues to generate almost half of our revenues, followed by bulk, breakbulk, cruise and autos.

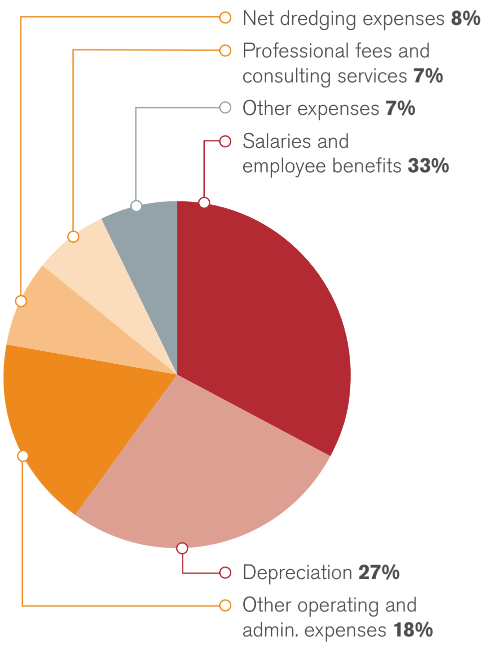
		2017		2016	
Sector	**Description / commodity type**	**% of Operating revenue**	**Operating revenue ($000s)***	**% of Operating revenue**	**Operating revenue ($000s)***
Auto	Automobiles, heavy rolling machinery and equipment, including 100 per cent of all Asian cars destined for Canada	4%	$ 8,921	3%	$ 7,530
Breakbulk	Principal cargo includes steel, pulp and lumber	6%	15,925	9%	19,784
Bulk	Principal cargo includes coal, grain, sulphur and potash	18%	43,815	18%	41,896
Container	Cargo includes household goods, produce, machinery, wood pulp, lumber and metals	47%	117,064	47%	109,090
Cruise	Cruise passengers travelling to/from the homeport for the Vancouver-Alaska cruise	6%	14,657	6%	14,050

* Operating revenue by sector includes rent, harbour dues, berthage, wharfage, Gateway Infrastructure Fee and other fees as contributed by each sector. In 2017, other revenues accounted for $46 million or 19 per cent, including revenue from supply chain distribution and warehousing, and other properties, Truck Licensing System program charge, interest income and other miscellaneous revenue items. In 2016, other revenue accounted for $43 million or 17 per cent.

Expenses

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

(000s)	2017	2016	Variance	Variance
Salaries and employee benefits	$ 40,637	$ 38,690	$ (1,947)	(5%)
Depreciation	32,892	32,556	(336)	(1%)
Other operating and administrative expenses	22,450	20,246	(2,204)	(11%)
Dredging	9,944	10,822	878	8%
Professional fees and consulting services	8,173	9,027	854	9%
Payments in lieu of taxes	5,871	6,516	645	10%
Maintenance and repairs	3,530	3,452	(78)	(2%)
Operating Expenses	**123,497**	**121,309**	**(2,188)**	**(2%)**



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

Salaries and employee benefits, depreciation, professional fees and consulting services, which accounted for more than 60 per cent of operating expenses, increased by five per cent in 2017.

Other operating and administrative expenses increased 11 per cent in 2017 primarily due to a $2 million environmental provision for required site remediation.

To provide safe and unimpeded access to terminals for 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 2016, net dredging expenses in 2017 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 decreased by 10 per cent in 2017 compared to 2016.

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 two per cent and six per cent, depending on the gross amount determined. Federal stipend payments increased to $6.9 million in 2017 from $6.7 million in 2016.

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 2017 were consistent with 2016.

More than 1.5 million people attended two days of activities for Canada Day at Canada Place, coming together as a community to celebrate Canada's 150th birthday.

Subsidiaries

The following table summarizes the 2017 results for each of our subsidiaries.

Subsidiaries ($000s)	Operating revenue	Operating expense	Other expenses	Net income (loss)
Canada Place Corporation	$ 4,405	$ 2,306	$ (44)	$ 2,055
Marine Safety Holdings Ltd.	0	0	0	0
Port of Vancouver Terminals Ltd.	294	47	(32)	215
Port of Vancouver Ventures Ltd.	676	155	(148)	373
Port of Vancouver Enterprises Ltd.	0	1	0	(1)
Port of Vancouver Holdings Ltd.	908	1,148	(728)	(968)

Outlook

Market outlook

In the 2018 to 2022 period, we anticipate cargo to increase an average of 3.7 per cent per annum, from 142 to 171 million tonnes, fueled by a positive economic outlook in Canada, in Asia and globally.

Container: In 2017, the Port of Vancouver saw a record year for container volume, driven by a global upswing in economic activity. In the coming five years, growth in consumer spending is expected to continue to drive import traffic levels. Container export traffic increases are expected to continue, supported by growth in overseas demand for Canadian commodities.

Bulk: Strong global demand for Canadian grain is expected to continue, driven by increasing crop yields in Canada and rising overseas demand. Proximity to primary markets, along with investments being made in grain terminal infrastructure, will enable increased export market share.

Coal export volumes made a strong recovery in 2017 from a decline in 2016. Coal volumes are expected to remain stable through the next five years.

Cruise: Alaska as a cruise destination has benefited from a stable North American consumer base, and from growth in the number of cruise consumers from Europe and Asia. Cruise passenger volumes are expected to see strong growth in 2018 and remain strong throughout the plan period.

Breakbulk: B.C.'s wood supply remains a challenge, particularly for wood damaged by the mountain pine beetle in the Interior. A weak Canadian dollar and commodity prices could reduce capital spending in western Canada and reduce imports of metal and project cargo going forward. We expect breakbulk volumes to remain flat during the plan period.

Auto: After a strong year in auto volumes, we expect this vessel volume to stabilize and remain modest during the plan period. This is due to the sustained rise of rail and truck traffic, driven by strong North American auto manufacturing activities.

Financial outlook

Revenues

Due to robust volume through the gateway and recent land acquisitions, operating revenues are expected to increase modestly from 2018 to 2022.

The port authority income will be supported by steady trade volume growth and higher wharfage, berthage and cruise passenger rates.

Fixed rent will continue to make up approximately 80 per cent of rental revenues in 2018. Rental income is expected to grow at a consistent rate based on rent reviews and the restructure of existing leases.

Expenses

Salary-related expenses are expected to increase in line with the labour agreement, modest head count increases and general inflation over the next five years.

Depreciation will increase as the port authority executes its capital programs.

Net dredging expense is expected to remain flat during the planning period. Channel maintenance volume is anticipated to decrease, while inflationary increases in dredging costs are expected to be partially offset by dredging recoveries.

Professional fees, outside services, repairs and maintenance, and other operating and administrative expenses are expected to increase at the rate of inflation throughout the planning horizon.

In summary, the expense growth rate is expected to be consistent with revenue growth over the planning period, which would allow the organization to maintain our strong financial position.

AUDITED FINANCIAL STATEMENTS

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

Consolidated Statement of Financial Position

Vancouver Fraser Port Authority
(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 M Silvester

Robin Silvester, Chief Executive Officer
March 21, 2018

Richard Turner, Director
March 21, 2018

Consolidated Statement of Comprehensive Income

Vancouver Fraser Port Authority
(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

Consolidated Statement of Changes in Equity

Vancouver Fraser Port Authority
(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

Consolidated Statement of Cash Flows

Vancouver Fraser Port Authority
(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

Notes to Consolidated Financial Statements

Vancouver Fraser Port Authority
(Tabular amounts 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 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.

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 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 has 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.

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

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

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**
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**

10. PROPERTY AND EQUIPMENT (CONTINUED)

	Land, buildings and berthing structures	Dredging roads and surfaces	Machinery and equipment	Construction-in-progress	Utilities	Office furniture, equipment and leasehold improvements	Total
Net book value of federal property and other property:							
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

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.

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.

13. BORROWINGS (CONTINUED)

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 credit.

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.

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

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

14. EMPLOYEE FUTURE BENEFITS (CONTINUED)

	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
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
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 Registered Pension Plan	**2017** Supplemental Pension Plan	2016 Registered Pension Plan	2016 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

(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 provides 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 **2017**	EISPB 2016	SPASE **2017**	SPASE 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	**$ –**	**$ –**	**$ –**	**$ –**
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

14. EMPLOYEE FUTURE BENEFITS (CONTINUED)

	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)

(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

	LNFPA 2017	2016
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
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:

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

14. EMPLOYEE FUTURE BENEFITS (CONTINUED)

(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 – SPASE	**(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%

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

	2017	2016
Assumptions		
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% decrease	1% increase
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

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).

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.

18. LEASES (CONTINUED)

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).

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.

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,	Claims receivable as at December 31,
	2017	Total to date	2017	2016
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
Enhancing 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

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.

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