PORT of vancouver | Vancouver Fraser Port Authority

Financial Report 2019

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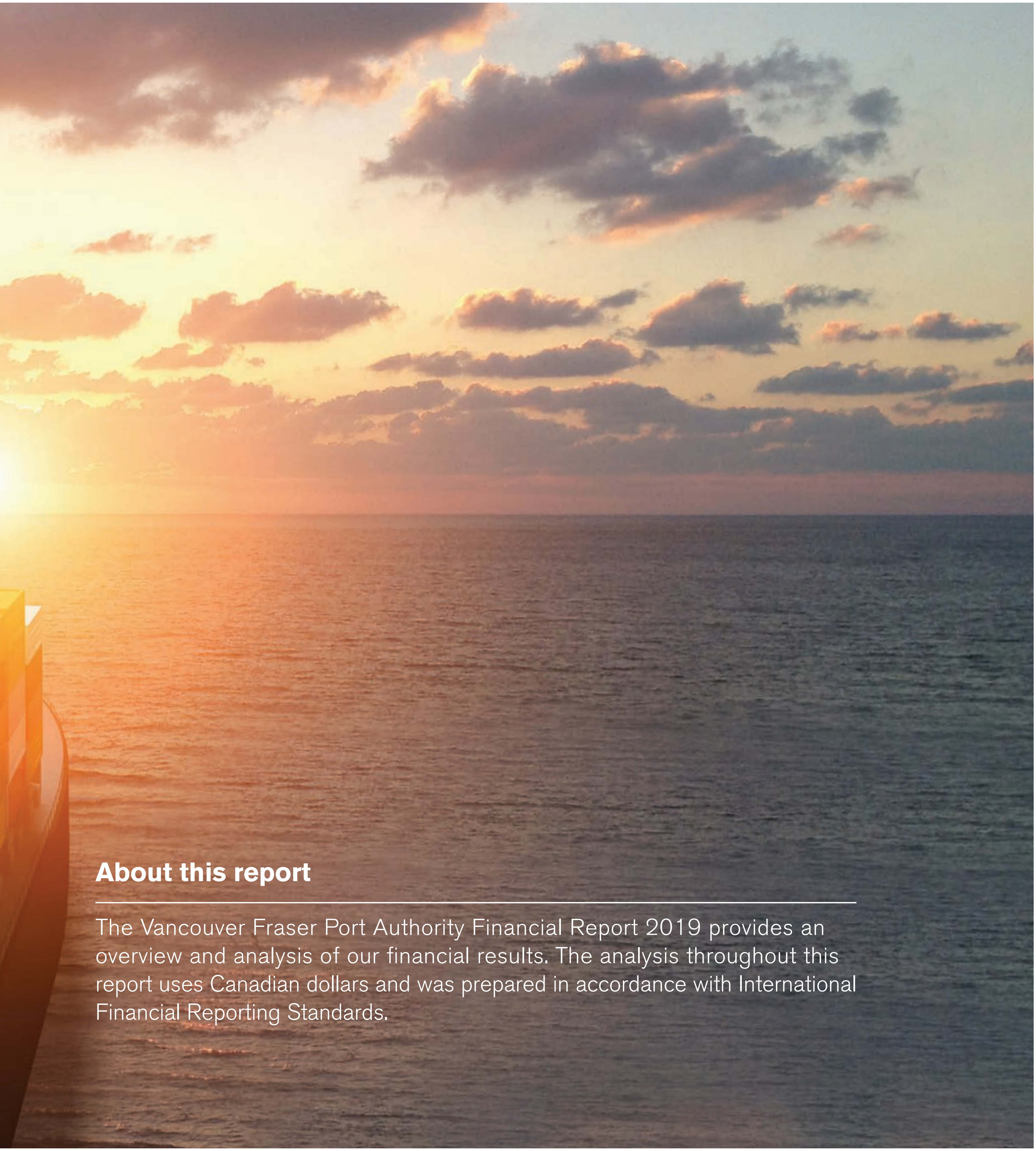


About this report

The Vancouver Fraser Port Authority Financial Report 2019 provides an overview and analysis of our financial results. The analysis throughout this report uses Canadian dollars and was prepared in accordance with International Financial Reporting Standards.

Port of Vancouver cargo volumes

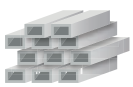
Overall port volume decreased to 144 million metric tonnes of cargo in 2019, which was down 2.0% from the 2018 record of 147 million metric tonnes, but was the second highest in port history.

Autos

↓1.2%

Auto sector volumes decreased slightly to 419,968 units, a 1.2% decrease compared to 2018

Breakbulk



↓5.7%

Breakbulk volumes decreased 5.7% to 17.2 million metric tonnes, driven by lower wood pulp exports and domestic log volumes

Bulk

↓2.1%

Bulk volumes decreased 2.1% to 99.7 million metric tonnes

Petroleum product volumes decreased 34.6% to 5.5 million metric tonnes

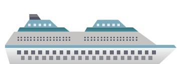
Coal volumes decreased 1.8% to 36.9 million metric tonnes

Container

↑0.1%

Container volumes reached a record 3.4 million 20-foot equivalent units (TEUs), a slight increase of 0.1% over 2018

Cruise



↑20.4%

Cruise passenger traffic increased 20.4%, with 1,070,915 passengers on 288 ship calls

Operating highlights (000s)	2015	2016	2017	2018	2019
Auto (units)	384	393	430	425	420
Breakbulk (metric tonnes)	16,472	16,240	16,627	18,209	17,165
Bulk (metric tonnes)	96,190	93,847	98,992	101,795	99,697
Containerized (metric tonnes)	25,037	25,057	26,019	26,665	26,877
Total tonnage (metric tonnes)	**138,084**	**135,537**	**142,068**	**147,093**	**144,168**
Containers (TEUs)	3,054	2,930	3,252	3,396	3,399
Cruise passengers	805	827	843	889	1,071

Vancouver Fraser Port Authority

Revenue

↑10%

Consolidated revenues increased 10% to $301 million in 2019 compared to 2018.

EBITDA

↑10%

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) increased 10% to $184 million in 2019.

Capital investment

↑32%

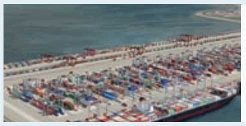
Capital investments relating to property and equipment totalled $180 million for 2019, compared to $136 million in 2018.

Financial highlights (000s)	2015	2016	2017	2018	2019
Revenue	$ 239,188	$ 235,163	$ 253,478	$ 274,453	$ 301,318
Operating expenses	$ 118,464	$ 121,309	$ 130,523	$ 136,451	$ 147,471
EBITDA	$ 145,699	$ 139,699	$ 148,916	$ 166,260	$ 183,668
Capital investments	$ 107,609	$ 63,122	$ 168,121	$ 136,238	$ 179,708
Cash & cash equivalents	$ 196,172	$ 272,391	$ 243,234	$ 276,285	$ 242,422
Long-term obligations	$ 100,886	$ 99,675	$ 99,768	$ 99,866	$ 99,968

Strategic capital investments

Since the amalgamation of the three legacy port authorities to create the Vancouver Fraser Port Authority in 2008, we have reinvested, on-average, approximately 90% of our operating cash flows into capital investments to support the growth of Canada's trade while minimizing the impact of trade on local communities and the environment. In 2019, the port authority spent $180 million towards key projects that included:

Centerm Expansion Project and South Shore Access Project These projects are being built to help meet anticipated near-term demand for containers shipped through the Port of Vancouver, and include a reconfiguration and expansion of the Centerm container terminal, a new overpass to remove road and rail conflicts, and changes to roadways and port lands access.



Roberts Bank Terminal 2 Project This proposed project to construct a new marine container terminal is progressing through the federal environmental review process. In 2019, the independent review panel held a six-week public hearing process.

Land acquisitions Land was acquired to support growth in Canada's trade, and to protect scarce trade-enabling land from conversion to other uses.

Lynnterm site upgrades and realignment This project is being completed to upgrade the property and roadways near the Lynnterm terminal on the north shore of Burrard Inlet.

Canada Place cruise terminal upgrades Investments were made in 2019 to upgrade infrastructure and improve the facilities to improve passenger flows and processing times at the Canada Place cruise terminal at the Port of Vancouver.

Other projects Having received commitments of more than $300 million in federal funding through the National Trade Corridors Fund, we are working together with partners and investing in a number of projects beyond the port to improve the flow of goods to and from the Port of Vancouver, and to minimize the impacts of growing trade on local communities. Our focus is on optimizing the use of existing facilities, building new infrastructure where needed to meet growing demand, and improving rail and trucking corridors.

2019 Highlights

At the Vancouver Fraser Port Authority, we work to fulfill our federal mandate and our mission to facilitate Canada's trade while striving for the Port of Vancouver to be the world's most sustainable port. To that end, the following is a list of achievements in 2019.

Economic prosperity through trade

$100 million

Federal funding for infrastructure: In response to our funding applications, the Government of Canada announced more than $100 million in funding from the National Trade Corridors Fund (NTCF) to support trade-enabling infrastructure projects that help to alleviate the impacts of growing trade on local communities, totalling over $300 million in funding commitments from the NTCF since 2017.

Increasing container capacity: We continued progress on the Centerm Expansion Project and South Shore Access Project, starting with in-water work, including building a dike and infilling to prepare for the terminal expansion. We also started pre-work for the road improvements, which laid the groundwork for beginning construction of a new overpass and road changes in 2020.

Improving bottlenecks and the flow of goods in Pitt Meadows: We signed a Memorandum of Understanding with the City of Pitt Meadows and Canadian Pacific Railway for the Pitt Meadows Road and Rail Improvement Project that will aim to eliminate rail crossings at Harris Road and Kennedy Road.

Preparing for Canada's growing container trade: In order to continue to move the proposed Roberts Bank Terminal 2 Project through the federal environmental assessment process, the project team participated in a six-week public hearing led by an independent review panel.

$6.5 million

Strengthening Canada's supply chains: From the federal governments NTCF commitment, $6.5 million will go to delivering the West Coast Supply Chain Visibility Program, which provides timely data to help us better support the optimization of Canada's supply chains that serve the ports of Vancouver and Prince Rupert.

Healthy environment

Supporting recovery efforts for southern resident killer whales: The Vancouver Fraser Port Authority, along with the Pacific Pilotage Authority and marine transportation industry associations, entered into a first-of-its-kind five-year conservation agreement with the Government of Canada to support ongoing recovery efforts for the southern resident killer whale population that frequents the B.C. coast.

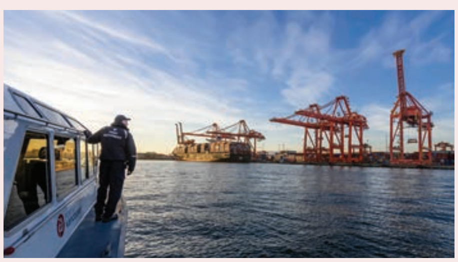
Five-year milestone of world-leading science for at-risk whales: The port authority-led Enhancing Cetacean Habitat and Observation (ECHO) Program celebrated five years of collaboration and research to better understand and help reduce the effects of marine shipping on at-risk whales.

5 hectares of marine habitat

Advancing habitat enhancement:
We started construction of the Maplewood Marine Restoration Project, which will enhance approximately 5 hectares of marine habitat to support fish, birds and other wildlife in Burrard Inlet.

Improving local waterways in the Port of Vancouver:
We completed the Fraser River Improvement Initiative, a five-year program that began in 2013 to clean up derelict boats and structures from municipal waterways and shipping channels along the Fraser River.

Thriving communities



Enhancing navigational safety:
We introduced the English Bay Routing System and established procedures for ships operating within a new navigation channel, in order to increase capacity and further promote safety within the Port of Vancouver.

$2 million

Centerm Community Fund: In coordination with Centerm container terminal operator DP World, we announced $2 million to support community initiatives as part of the Centerm Expansion Project.

$210,000

Raising funds for the community:
We hosted the 20th annual Port Fundraising Gala, donating $210,000 to Harvest Project on the North Shore, Mission Possible in Vancouver's Downtown Eastside, and Reach Child and Youth Development Society south of the Fraser River.

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

First annual World Maritime Day at the Port of Vancouver: We hosted the first annual World Maritime Day event at the Port of Vancouver in recognition of the rich history of Vancouver's maritime culture and the significant role the maritime sector plays in our community.

Increasing awareness: Our community awareness campaign told stories on TV, radio and online to increase understanding about how the port authority brings safety to the waters, protects endangered species and protects the environment.

Message from the chair, board of directors

The Vancouver Fraser Port Authority stewards the lands and waters of the Port of Vancouver. It is federally mandated to enable Canada's trade through the port, while ensuring safety, environmental protection and consideration for local communities.

The port authority's board of directors, in turn, provides oversight and strategic guidance to the port authority to help it deliver on that mandate. Each of us on the board is proud to work with the port authority to help it achieve its important goals for Canada and Canadians.

I am pleased to present the Vancouver Fraser Port Authority 2019 Financial Report. It details the trade volumes across the port's cargo sectors in 2019, the port authority's strong financial position, and, enabled by both of these factors, the capital investments the port authority has been able to make this past year to support Canada's long-term trade growth through this region.

As we assemble this report, in the spring of 2020, governments across Canada are responding to the COVID-19 pandemic and its unfolding economic ramifications. At this pivotal time, the Port of Vancouver remains open and Canada's trade is flowing, supporting Canadians and Canadian businesses across our country. At the port authority, we are working with the broader port community to support Canada's resilience today, and to enable Canada's trade growth through the port in the years to come.

I would like to thank the port community for continuing to drive Canada's trade through the Port of Vancouver. On behalf of the board of directors, I would also like to thank Robin Silvester, his executive leadership team, and our dedicated employees for their hard work in 2019, and in the emerging landscape of 2020, to steward the port for Canada and for Canadians. Together, we are building the long-term success of Canada's largest port.

Judy Rogers

Judy Rogers
Chair, Board of Directors

Message from the president and CEO

In 2019, despite some global trade challenges, cargo volumes through the Port of Vancouver were the second highest in its history.

This reflects two core strengths of the port: the diversity of its cargo sectors and the many economies that trade through the port. The Port of Vancouver has the most diversified cargo-handling capacity of any port in North America, and more than 170 countries trade through it. Because of these strengths, cargo types that faced challenges in 2019 were largely offset by growth in other areas, including record-setting potash, grain and container volumes.

At the Vancouver Fraser Port Authority, our role is to enable Canada's trade objectives. As part of that, we invest in trade infrastructure to prepare the port to handle Canada's growing trade. In 2019, the port's performance and the port authority's strong financial position, which included 10% increases in revenue and EBITDA over 2018, enabled us to make a record $180 million in capital investments. The primary focus of these investments was in infrastructure projects to support national trade goals.

We invested, for example, in gateway projects to address road and rail bottlenecks across the Lower Mainland, and in our Centerm Expansion Project and proposed Roberts Bank Terminal 2 Project to create much-needed container capacity on Canada's west coast.

In the spring of 2020, as we prepare this report, Canada is responding to the COVID-19 pandemic and its connected economic challenges. We, like other Canadian organizations, are waiting to see how the coming months unfold, but we are confident that trade through the Port of Vancouver, enabled by a decade of strong and continuing infrastructure investment, will help power Canada's recovery and its long-term economic resilience.

The port authority, working closely with the broader port community, is proud to serve Canada and Canadians at this critical time, and as we look to the future.

Robin Silvester
President and CEO

About us

About the Vancouver Fraser Port Authority

The Vancouver Fraser Port Authority is the federal agency responsible for the stewardship of the lands and waters that make up the Port of Vancouver, Canada's largest port.

As a Canada Port Authority, our mandate is to enable Canada's trade through the Port of Vancouver while protecting the environment and considering local communities. Accountable to the federal minister of transport, Canada Port Authorities manage federal lands and waters in support of national trade objectives for the benefit of all Canadians. We do this by leasing the federal lands that make up the Port of Vancouver, and by providing marine, road and other infrastructure to support port growth and function.

Mission and vision

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

Our vision is for the Port of Vancouver to be the world's most sustainable port.

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

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

Borrowing limit and credit rating

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

In 2010, we obtained an AA credit rating from Standard & Poor's. A strong credit rating keeps our cost of debt low and makes it attractive for lenders to provide us with funds required to invest in the gateway. In 2019, our rating has been reaffirmed at AA with a stable outlook.

Existing credit facilities

Private placement bond: On April 19, 2010, we successfully issued, through a private placement, $100 million unsecured senior debentures that were fully repaid upon maturity in April 2020. The bonds had a 10-year term bearing interest at 4.63%, incorporating a 0.85% spread over Government of Canada bonds. Interest on the bonds was paid semi-annually.

Revolving credit facility: Early in 2020, the port authority increased its revolving credit facilities from $200 million to $500 million. The port authority renewed its $200 million credit facility with Toronto-Dominion Bank and added two new credit facilities for $150 million each from Royal Bank of Canada and CIBC. All revolving credit facilities have a five-year term expiring in March 2025.

As of December 31, 2019, there was no outstanding amounts owing on these three facilities.

Letter of credit facility: The port authority holds letter of credit facilities with Toronto-Dominion Bank and Royal Bank of Canada. The facilities support various commitments relating to port-related projects and the delayed funding of the solvency deficit of our pension plan. As of December 31, 2019, letters of credit in the amount of $8.6 million were outstanding.

Subsidiary credit facilities

Port of Vancouver Terminals Ltd.: The subsidiary has a five-year $1.2 million unsecured demand loan with Toronto-Dominion Bank. The loan had an outstanding balance of $1.0 million as of December 31, 2019.

2019 Financial results

Consolidated summary

Subsidiaries

Consolidated summary

(000s)	2019	2018	Increase (decrease) $	Increase (decrease) %
Net Income	$ 250,856	$ 125,105	$ 125,751	101%
Add: Depreciation	37,860	35,735	2,125	6%
Add: Finance costs	5,354	5,194	160	3%
Add: Non-operating expenses (income)	(110,402)	226	(110,628)	N/A
EBITDA	**183,668**	**166,260**	**17,408**	**10%**

Consolidated EBITDA increased 10% to $184 million in 2019, largely due to an increase in rental and cruise revenue.

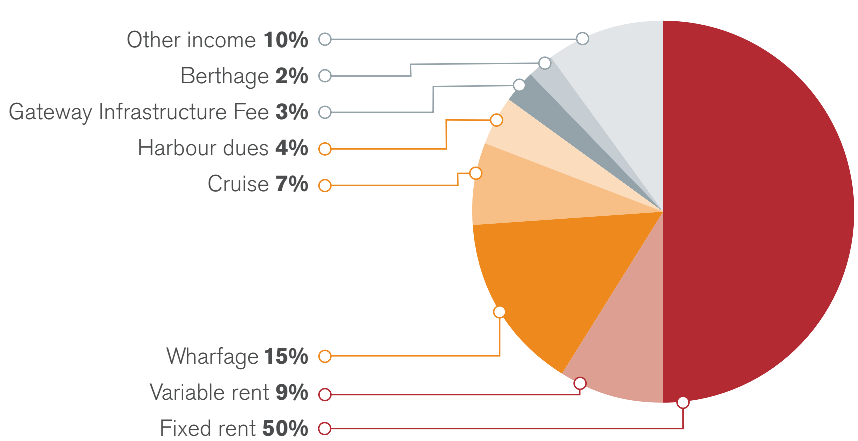
Non-operating income in 2019 has increased mainly from gains recorded on a non-cash asset exchange.

Revenues

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

(000s)	2019	2018	Increase (decrease) $	Increase (decrease) %
Fixed rent	$ 150,928	$ 135,103	$ 15,825	12%
Variable rent	27,710	27,133	577	2%
Rental Income	**178,638**	**162,236**	**16,402**	**10%**
Wharfage	45,644	44,840	804	2%
Cruise	20,999	15,893	5,106	32%
Harbour dues	10,394	10,939	(545)	(5%)
Gateway Infrastructure Fee	8,569	9,450	(881)	(9%)
Berthage	6,776	6,985	(209)	(3%)
Log revenues	14	15	(1)	(7%)
Port Income	**92,396**	**88,122**	**4,274**	**5%**
Other income	30,284	24,095	6,189	26%
Operating Revenue	**301,318**	**274,453**	**26,865**	**10%**

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



Operating revenue increased 10%, largely due to higher cruise volumes and higher rental income.

Rental income increased 10% over the prior year, mainly from fixed rent increasing by 12%. Overall, fixed rent accounts for half of our operating revenues, providing protection against fluctuations in trade volumes.

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

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

Overall, port income increased 5% due to higher cruise volumes in 2019. Wharfage and berthage rates increased by the consumer price index of 1.6% in 2019. Wharfage revenue increased 2% while Gateway Infrastructure Fees, harbour dues, berthage and log revenues decreased by 9%, 5%, 3% and 7%, respectively.

Cruise revenue increased by 32%, due to higher passenger volumes and higher vessel calls. Passenger fees as well as service and facility fees increased 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 9% versus last year. This fee is intended to recoup investments related to infrastructure improvements in three trade areas, all of which have been completed.

Other income increased by 26% in 2019, primarily due to non-cash gain on settlement, and interest income from higher bank interest rates on deposits.

Operating expenses

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

(000s)	2019	2018	Increase (decrease) $	Increase (decrease) %
Salaries and employee benefits	$ 45,492	$ 44,375	$ 1,117	3%
Depreciation	37,860	35,735	2,125	6%
Other operating and administrative expenses	29,165	23,069	6,096	26%
Professional fees and consulting services	11,163	9,983	1,180	12%
Dredging	10,251	9,509	742	8%
Payments in lieu of taxes	6,904	5,944	960	16%
Maintenance and repairs	6,636	7,836	(1,200)	(15%)
Operating Expenses	**147,471**	**136,451**	**11,020**	**8%**

The port authority's overall operating expenses increased by 8% over the previous year. This change was primarily due to increases in other operating and administrative expenses, depreciation, professional fees and consulting services, and salaries and employee benefit expenses. The cost increase was partially offset by lower maintenance and repairs expense.

Salaries and employee benefits increased by 3%, primarily due to salary and wage increases.

Depreciation increased by 6%, reflecting the increasing balance of depreciable assets resulting from the port authority's continuous capital investments.

Other operating and administrative expenses increased by 26% in 2019. This change was mainly due to increases in local channel dredging contributions, tenant-related expenditures, advertising and promotion campaigns, and managed properties' expenses.

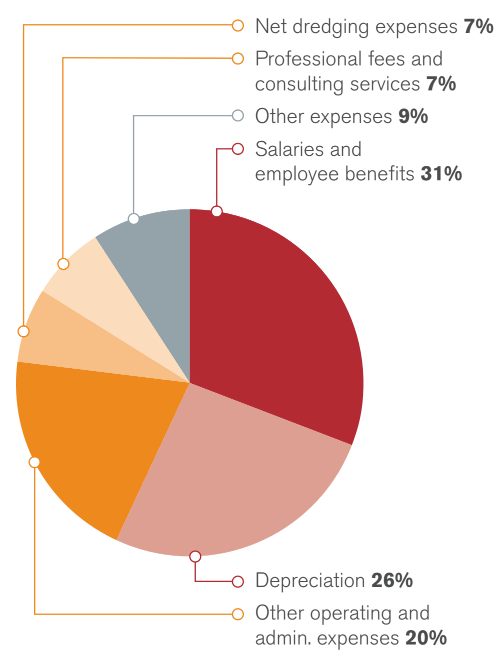
Professional fees and consulting services increased by 12%, primarily due to third-party work to help achieve the port authority's strategic and operational objectives.

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

Compared to 2018, net dredging expenses in 2019 increased 8%, due to higher dredging activity and lower cost recovery from tenants.

Tenants pay property taxes to municipalities on the port authority's leased properties. The port authority makes payments in lieu of taxes (PILT) to local municipalities on unoccupied lands within the port authority's jurisdiction. PILT increased by 16% in 2019 compared to 2018.

Maintenance and repairs decreased by 15%, primarily due to decreased revenue-generating tenant services.



Other expenses (income)

The port authority's significant non-operating items are noted in the following table.

(000s)	2019	2018	Increase (decrease) $	Increase (decrease) %
Federal stipend	$ 8,039	$ 7,477	$ 562	8%
Finance costs	5,354	5,194	160	3%
Loss (gain) on disposal of assets	(109,469)	470	(109,939)	N/A
Investment income	(903)	(215)	(688)	N/A
Other income	(30)	(29)	(1)	(3%)
Other expenses (income)	**(97,009)**	**12,897**	**(109,906)**	**N/A**

The port authority's other expenses decreased year over year, mainly from the gain on the disposal of assets related to a non-cash asset exchange. The port authority is exempt from income taxes, but is obligated to pay an annual federal stipend to the minister of transport under the *Canada Marine Act.* The charge is calculated by reference to gross revenues at rates varying between 2% and 6%, depending on the gross amount determined. Federal stipend payments increased to $8.0 million in 2019 from $7.5 million in 2018.

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.

The following table summarizes the 2019 results for each of our subsidiaries.

(000s)	Operating revenue	Operating expense	Other expense (income)	Net income (loss)
Canada Place Corporation	$ 15,422	$ 12,759	$ 653	$ 2,010
Marine Safety Holdings Ltd.	–	–	–	–
Port of Vancouver Terminals Ltd.	304	70	3	231
Port of Vancouver Ventures Ltd.	921	287	(631)	1,265
Port of Vancouver Enterprises Ltd.	–	2	–	(2)
Port of Vancouver Holdings Ltd.	1,443	899	(1,247)	1,791

Audited financial statements

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

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Vancouver Fraser Port Authority and its subsidiaries (together, the VFPA) as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The VFPA's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the VFPA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the VFPA or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the VFPA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the VFPA's ability to continue as a going concern. If we conclude that

a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the VFPA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the VFPA to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Vancouver, British Columbia
March 31, 2020

Consolidated Statement of Financial Position

Vancouver Fraser Port Authority
(expressed in thousands of dollars)

As at December 31, 2019

	Notes	2019	2018
Assets			
Current assets			
Cash and cash equivalents		**$ 242,422**	$ 276,285
Accounts receivable and other assets	6	**58,253**	41,214
		300,675	317,499
Long-term receivables	7	**56,177**	37,978
Accrued benefit asset	13	**–**	664
Deferred charges		**1,568**	1,674
Intangible assets – net	8	**93,306**	89,644
Property and equipment – net	2, 9	**1,738,440**	1,466,697
		$ 2,190,166	$ 1,914,156
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	**$ 73,118**	$ 56,129
Provisions	11	**4,278**	2,762
Current portion of long-term obligations	12	**99,968**	–
Short-term borrowings	12	**1,001**	1,101
Deferred revenue		**14,870**	10,960
		193,235	70,952
Other employee benefits		**1,347**	1,384
Accrued benefit liability	13	**7,795**	4,147
Deferred revenue		**32,975**	34,010
Provisions	11	**12,539**	11,455
Other long-term liabilities		**7,776**	3,902
Long-term obligations	12	**–**	99,866
		255,667	225,716
Shareholders' equity			
Contributed capital		**150,259**	150,259
Retained earnings		**1,784,240**	1,538,181
		1,934,499	1,688,440
		$ 2,190,166	$ 1,914,156

	Notes
Commitments and contingent liabilities	14, 15
Subsequent events	21

Approved on behalf of the Board of Directors:

Joanne McLeod, Director

Robin Silvester, President and Chief Executive Officer

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

Consolidated Statement of Comprehensive Income

Vancouver Fraser Port Authority
(expressed in thousands of dollars)

For the year ended December 31, 2019

	Notes	2019	2018
Revenue			
Rental income		**$ 178,638**	$ 162,236
Port income	19	**92,396**	88,122
Other income		**30,284**	24,095
		301,318	274,453
Expenses			
Wages, salaries and benefits	13, 16	**45,492**	44,375
Depreciation and amortization	8, 9	**37,860**	35,735
Other operating and administrative expenses	6	**29,165**	23,069
Professional fees and consulting services		**11,163**	9,983
Dredging		**10,251**	9,509
Maintenance and repairs		**6,636**	7,836
Payments in lieu of taxes		**6,904**	5,944
		147,471	136,451
Income from operations		**153,847**	138,002
Other expense (income)			
Federal stipend	10	**8,039**	7,477
Finance costs		**5,354**	5,194
Loss (gain) on disposal of assets	9	**(109,469)**	470
Investment income		**(903)**	(215)
Other income		**(30)**	(29)
		(97,009)	12,897
Net income for the year		**250,856**	125,105
Other comprehensive income (loss)			
Items that will not be reclassified to net income			
Actuarial gains (losses) in defined pension plans	13	**(5,395)**	4,143
Total comprehensive income for the year		**$ 245,461**	$ 129,248

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

Consolidated Statement of Changes in Equity

Vancouver Fraser Port Authority
(expressed in thousands of dollars)

For the year ended December 31, 2019	Contributed capital	Retained earnings	Total
Balance – December 31, 2017	$ 150,259	$ 1,408,933	$ 1,559,192
Net income for the year	–	125,105	125,105
Other comprehensive income			
Actuarial gains in defined benefit pension plans	–	4,143	4,143
Balance – December 31, 2018	150,259	1,538,181	1,688,440
Impact on adoption of IFRS 16 (Note 2)	–	598	598
Balance – January 1, 2019	150,259	1,538,779	1,689,038
Net income for the year	–	250,856	250,856
Other comprehensive loss			
Actuarial losses in defined benefit pension plans	–	(5,395)	(5,395)
Balance – December 31, 2019	**$ 150,259**	**$ 1,784,240**	**$ 1,934,499**

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

Consolidated Statement of Cash Flows

Vancouver Fraser Port Authority
(Expressed in thousands of dollars)

For the year ended December 31, 2019

	Notes	2019	2018
Cash provided by (used in)			
Operating Activities			
Net income for the year		**$ 250,856**	$ 125,105
Adjustments to reconcile to net cash from operations			
Depreciation and amortization	8, 9	**37,860**	35,735
Loss (gain) on disposal of assets	9	**(109,469)**	470
Gain on asset exchange settlement		**(6,050)**	–
Long-term lease receivable and lease payable		**(9,704)**	(3,626)
Provisions		**2,053**	(209)
Accrued employee benefits		**(1,121)**	(439)
Other		**322**	329
		164,747	157,365
Changes in non-cash working capital balances			
Accounts receivable and other assets		**2,221**	(1,620)
Accounts payable and accrued liabilities		**1,094**	286
Deferred revenue		**2,875**	1,576
		170,937	157,607
Investing Activities			
Acquisition of property and equipment		**(186,273)**	(126,291)
Acquisition of intangible assets		**(21,501)**	(3,890)
Government funding for property and equipment, and intangible assets		**9,237**	4,976
Other third-party funding for property and equipment, and intangible assets		**1,183**	127
Proceeds from sale of investments in securities		**–**	406
Net change in long-term receivables		**(7,917)**	125
Principal repayment on lease financing assets		**20**	18
Proceeds from disposal of property and equipment		**496**	3
Other		**226**	206
		(204,529)	(124,320)
Financing Activities			
Repayments of short-term borrowings		**(100)**	(236)
Reduction in lease liabilities		**(171)**	–
		(271)	(236)
Net increase (decrease) in cash and cash equivalents		**(33,863)**	33,051
Cash and cash equivalents, beginning of year		**276,285**	243,234
Cash and cash equivalents, end of year		**$ 242,422**	$ 276,285
Supplemental cash flow information			
Interest paid		**4,996**	4,952
Investment interest		**60**	493

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

Notes to Consolidated Financial Statements

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

1. General Information

Vancouver Fraser Port Authority (VFPA) is a non-share capital, financially self-sufficient authority established on January 1, 2008 by the Government of Canada pursuant to the *Canada Marine Act* (CMA). The address of the VFPA's registered office is 100 – 999 Canada Place, Vancouver, B.C. The VFPA is the federal agency responsible for the stewardship of the Port of Vancouver. Like all Canada Port Authorities, VFPA is accountable to the federal minister of transport, and operates pursuant to the CMA with a mandate to enable Canada's trade through the Port of Vancouver, while protecting the environment and considering local communities. VFPA has control over the use of port land and water, which includes more than 16,000 hectares of water, over 1,000 hectares of land, and approximately 350 kilometres of shoreline. Located 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, bordering 16 municipalities and intersecting the traditional territories and treaty lands of several Coast Salish First Nations.

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 31, 2020.

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.

Leases - New standard adopted

Policy applicable after January 1, 2019

IFRS 16, Leases introduces significant changes to lessee accounting by removing the distinction between operating and finance leases. VFPA adopted IFRS 16 on January 1, 2019 using a modified retrospective approach where the cumulative impact of initial adoption is recognized in retained earnings at January 1, 2019 with no restatement of the comparative information. The comparative information continues to be reported under IAS 17 and IFRIC 4.

At lease inception, VFPA determines if it has the right to control the asset and accordingly recognizes a right of use asset, which is depreciated over the term of the lease and a corresponding lease liability, which is amortized using the effective interest rate method. If the lease is less than 12 months or has a lower dollar value, the lease is expensed on a straight-line basis over the lease term. There were no significant changes to accounting for leases as a lessor except where VFPA is an intermediate lessor as it will account for its interest in the head and sub-lease separately and determine if it has a right of use asset by referencing the head lease.

2. Basis of Presentation and Significant Accounting Policies (Continued)

The financial impact from adoption using the modified retrospective approach on January 1, 2019 is as follows:

	As previously reported	Adjustments	Restated
Assets			
Accounts receivable and other assets	$ 41,414	$ 12	$ 41,426
Long-term receivables	37,978	1,225	39,203
Property and equipment – net	1,466,697	1,492	1,468,189
Liabilities			
Accounts payable and accrued liabilities	56,129	155	56,284
Other long-term liabilities	3,902	1,976	5,878
Retained Earnings			
Opening retained earnings	$ 1,538,181	$ 598	$ 1,538,779

Policy applicable before January 1, 2019

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.

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 instruments

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

(a) Financial assets

(i) Initial recognition and measurement

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

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

2. Basis of Presentation and Significant Accounting Policies (Continued)

(ii) Subsequent measurement

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

· the financial asset is held intending to collect contractual cash flows, and

· the contractual terms of the financial asset have specified dates for cash flows that are solely payments of principal and interest.

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

Impairment of financial assets

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

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

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

(b) Financial liabilities

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

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

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

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

Deferred charges

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

Intangible assets

Gateway infrastructure

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

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

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

2. Basis of Presentation and Significant Accounting Policies (Continued)

Computer software

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

Directly attributable costs capitalized include software development employee costs.

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

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

Property and equipment

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

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

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

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

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

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

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

2. Basis of Presentation and Significant Accounting Policies (Continued)

which the cash-generating unit carrying value exceeds its recoverable amount. Non-financial assets that suffered an impairment are reviewed for possible reversals of the impairment at each reporting date.

Provisions

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

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

Payments in lieu of taxes (PILT)

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

Employee future benefits

The VFPA has three benefit plans (Legacy Vancouver Port Authority (LVPA), Legacy Fraser River Port Authority (LFRPA), Legacy North Fraser Port Authority (LNFPA)), where employees from the legacy ports have remained in their respective benefit plans upon amalgamation. Employees hired after January 1, 2008 are eligible for the LVPA plan. The three benefit plans are described in detail in note 13.

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

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

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

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

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

Revenue recognition

Port income

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

Rental income

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

Other income

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

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

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.

2. Basis of Presentation and Significant Accounting Policies (Continued)

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 Standards Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods at December 31, 2019 and have not been early adopted by the VFPA. These standards are not expected to have a material impact on VFPA in the current or future reporting periods and on foreseeable future transactions.

4. Financial Management

Financial risk factors

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

Fair value

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

As at December 31, 2019, the fair value of the Series A Debentures was $101.7 million (2018 – $103.5 million) based on a 3 month Government of Canada Treasury Bill and a market interest rate of 2.01% (2018 – 2.56%). The fair value was calculated using Level 2 inputs under a discounted cash flow approach.

Market risk

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

The VFPA has arranged a $200 million credit facility, which is undrawn as outlined in note 12. The funds are available to the VFPA by way of adjusted prime rate-based loans or by way of Banker's Acceptances.

4. Financial Management (Continued)

The Series A Debentures of $100 million has a fixed interest rate of 4.63% as outlined in note 12. 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, 2019, 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 creditworthiness of customers and debtors. The VFPA believes it has adequately provided for any exposure to potential credit loss.

Liquidity risk

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

As at December 31, 2019, VFPA has unsecured short-term borrowings and debentures totalling $103,316 on an undiscounted cash flow basis that are payable during 2020.

Capital risk management

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

5. Critical Accounting Judgments and Estimates

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

Capitalization of costs and impairment

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

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

Employee future benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include discount rate, inflation rate, salary growth rate, mortality rate and medical cost trend rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The VFPA determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the VFPA considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 13.

5. Critical Accounting Judgments and Estimates (Continued)

Environmental liabilities

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

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

6. Accounts Receivable and Other Assets

	2019	2018
Trade receivables	**$ 6,355**	$ 9,084
Provision for impairment	**(185)**	(2,901)
Accrued rental income	**12,453**	11,314
Accrued port income	**9,889**	11,403
Restricted funds	**5,506**	5,445
Other project partners accrued recoveries	**12,066**	666
Federal Government accrued grants	**5,535**	322
Other	**6,634**	5,881
	$ 58,253	$ 41,214

As at December 31, 2019, accounts receivable and other assets include $5,505,826 in restricted funds (2018 – $5,444,714). Restricted funds are project related deposits, foreshore property owner, truck licence, and tenant security deposits, including accrued interest. Once information has been submitted to the VFPA's satisfaction, project related deposits are refunded in full plus interest. The foreshore property owner deposits are held to guarantee that the dikes on such properties will be maintained by the owners. The single largest amount of the restricted funds is $825,179 held for the replacement of a pile wall and a protection system at a terminal (2018 – $808,279).

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

December 31, 2019 – Days past due

	Current	31 to 60 days	61 to 120 days	121 to 180 days	Over 180 days	Total
Expected loss rate	0.26%	2.54%	8.70%	16.33%	25.88%	
Gross carrying amount	5,330	276	92	147	510	6,355
Loss allowance	14	7	8	24	132	185

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

	2019	2018
Balance, January 1	**$ 2,901**	$ 2,863
Provision for impairment	**37**	53
Receivables written off during the year as uncollectable	**(2,753)**	(15)
Balance, December 31	**$ 185**	$ 2,901

7. Long-Term Receivables

	2019	2018
Long-term lease receivable	**$ 41,429**	$ 31,724
Loans receivable from tenants	**13,080**	5,503
Restricted funds	**1,730**	1,504
Lease financing	**1,346**	89
	57,585	38,820
Less: current portion	**1,408**	842
	$ 56,177	$ 37,978

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 includes an unsecured loan of $11 million plus accrued interest for site development costs. The development completed in 2019 and the loan bears interest at 10%, maturing in 10 years.

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

The lease financing includes a sub-lease receivable from a tenant, with the present value of the lease payments discounted at 4.5%. The lease expires in 2057. The opening balance impact on adoption to IFRS 16 (Note 2) was an increase in lease financing receivable of $1,237,439 ($12,296 current portion and $1,225,143 long-term).

8. Intangible Assets

	Gateway infrastructure	Software	Construction-in-progress	Total
Net Book Value for the year ended December 31, 2018:				
Opening net book value	$ 70,229	$ 4,787	$ 6,139	$ 81,155
Additions	–	2,823	10,860	13,683
Disposals				
Cost	–	–	(373)	(373)
Amortization	(2,650)	(2,171)	–	(4,821)
Closing net book value	$ 67,579	$ 5,439	$ 16,626	$ 89,644
Net Book Value for the year ended December 31, 2019:				
Opening net book value	$ 67,579	$ 5,439	$ 16,626	$ 89,644
Additions	–	–	8,822	8,822
Transfers	(757)	2,695	(1,938)	–
Amortization	(2,621)	(2,539)	–	(5,160)
Closing net book value	$ 64,201	$ 5,595	$ 23,510	$ 93,306
December 31, 2018:				
Cost	$ 78,554	$ 17,078	$ 16,626	$ 112,258
Accumulated amortization	(10,975)	(11,639)	–	(22,614)
Net book value	$ 67,579	$ 5,439	$ 16,626	$ 89,644
December 31, 2019:				
Cost	$ 77,797	$ 19,773	$ 23,510	$ 121,080
Accumulated amortization	(13,596)	(14,178)	–	(27,774)
Net book value	**$ 64,201**	**$ 5,595**	**$ 23,510**	**$ 93,306**

8. Intangible Assets (Continued)

The VFPA receives funding from the Government of Canada, and Transport Canada to be used to reimburse the VFPA for the purchase and development of assets. During 2019, the VFPA received $1,809,801 in funding (2018 – $662,371). The funding is recognized as a reduction to amortization over the expected useful life of the related asset.

It is VFPA's policy to review construction-in-progress annually to assess the potential of the capital expenditures to provide future benefits. In 2019, $nil (2018 – $372,938) relating to potential capital projects was written off.

9. 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
Net Book Value – For the Year ended December 31, 2018:							
Opening net book value	$ 972,506	$ 139,432	$ 11,426	$ 201,169	$ 45,618	$ 5,005	$ 1,375,156
Additions (transfers)	109,498	4,603	4,739	(8,730)	5,380	7,065	122,555
Disposals:							
Cost	(3,117)	(287)	(354)	–	(97)	(400)	(4,255)
Accumulated depreciation	3,101	237	320	–	97	400	4,155
Depreciation	(14,137)	(8,849)	(2,178)	–	(4,179)	(1,571)	(30,914)
Closing net book value	$ 1,067,851	$ 135,136	$ 13,953	$ 192,439	$ 46,819	$ 10,499	$ 1,466,697
Net Book Value – For the Year ended December 31, 2019:							
Opening net book value	$ 1,067,851	$ 135,136	$ 13,953	$ 192,439	$ 46,819	$ 10,499	$ 1,466,697
Additions	151,570	–	–	170,886	–	8,217	330,673
Transfers	35,098	781	2,725	(47,127)	5,679	2,844	–
Disposals:							
Cost	(49,326)	(1,501)	(300)	–	(793)	(10)	(51,930)
Accumulated depreciation	23,671	1,330	93	–	596	10	25,700
Depreciation	(15,307)	(8,872)	(2,229)	–	(4,379)	(1,913)	(32,700)
Closing net book value	**$1,213,557**	**$ 126,874**	**$ 14,242**	**$ 316,198**	**$ 47,922**	**$ 19,647**	**$ 1,738,440**
December 31, 2018							
Cost	$ 1,367,955	$ 312,395	$ 55,157	$ 192,439	$ 125,875	$ 28,755	$ 2,082,576
Accumulated depreciation and impairment	(300,104)	(177,259)	(41,204)	–	(79,056)	(18,256)	(615,879)
Net book value	$ 1,067,851	$ 135,136	$ 13,953	$ 192,439	$ 46,819	$ 10,499	$ 1,466,697
December 31, 2019							
Cost	$1,505,297	$ 311,675	$ 57,582	$ 316,198	$ 130,761	$ 39,806	$ 2,361,319
Accumulated depreciation and impairment	(291,740)	(184,801)	(43,340)	–	(82,839)	(20,159)	(622,879)
Net book value	**$1,213,557**	**$ 126,874**	**$ 14,242**	**$ 316,198**	**$ 47,922**	**$ 19,647**	**$ 1,738,440**

9. Property and Equipment (Continued)

Net book value of federal property and other property:

	Land, buildings and berthing structures	Dredging, roads and surfaces	Machinery and equipment	Construction-in-progress	Utilities	Office furniture, equipment and leasehold improvements	Total
December 31, 2018:							
Federal property	$ 641,215	$ 115,577	$ –	$ 182,112	$ 45,391	$ 596	$ 984,891
Other property	426,636	19,559	13,953	10,327	1,428	9,903	481,806
Net book value	$ 1,067,851	$ 135,136	$ 13,953	$ 192,439	$ 46,819	$ 10,499	$ 1,466,697
December 31, 2019:							
Federal property	$ 718,782	$ 108,698	$ –	$ 287,148	$ 45,246	$ 490	$ 1,160,364
Other property	494,775	18,176	14,242	29,050	2,676	19,157	578,076
Net book value	**$ 1,213,557**	**$ 126,874**	**$ 14,242**	**$ 316,198**	**$ 47,922**	**$ 19,647**	**$ 1,738,440**

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

The VFPA receives funding from the Government of Canada, Transport Canada and the Province of BC to be used to reimburse the VFPA for the purchase and construction of assets. During 2019, the VFPA received $14,981,422 in funding (2018 – $2,907,732). The funding is recognized as a reduction to depreciation over the expected useful life of the related asset.

VFPA adopted the new leasing standard IFRS 16 (Note 2) on January 1, 2019 with an impact of $1,492,045 to record right-of-use assets. As at December 31, 2019, VFPA had right-of-use asset additions of $8,289,501 with a net book value of $8,012,299 that is included in Office, furniture, equipment and leasehold improvements and other. Included in depreciation expense is $277,202 related to right-of-use assets.

Annually, VFPA assesses impairment of its assets including construction-in-progress assets to determine if there are any indicators of impairment that would require a write-down of the asset. As no indicators of impairment were identified and construction-in-progress assets continue to have a future benefit, no write-offs were recognized.

During the year, VFPA entered into a non-monetary asset exchange with an arms-length party and incurred a gain on the disposal of assets.

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:

	2019	2018
Cost	**$ 1,333,450**	$ 1,314,048
Accumulated depreciation	**(424,577)**	(429,874)
	$ 908,873	$ 884,174

10. Accounts Payable and Accrued Liabilities

	2019	2018
Trade and accrued trade payables	**$ 26,413**	$ 30,617
Federal stipend payable	**8,039**	7,477
Restricted funds	**5,506**	5,445
Holdbacks payable	**4,624**	1,262
Other accrued liabilities	**28,536**	11,328
	$ 73,118	$ 56,129

11. Provisions

	Environmental restoration	Leased site restoration	Claims	Local channel and other contributions	Total
Balance, December 31, 2017	$ 11,371	$ –	$ 350	$ 745	$ 12,466
Provisions made during the year	428	2,476	50	–	2,954
Provisions used during the year	(1,171)	–	–	(73)	(1,244)
Provisions reversed during the year	(10)	–	(100)	–	(110)
Unwinding of discount	151	–	–	–	151
Balance, December 31, 2018	$ 10,769	$ 2,476	$ 300	$ 672	$ 14,217
Provisions made during the year	233	780	125	1,943	3,081
Provisions used during the year	(524)	–	–	–	(524)
Provisions reversed during the year	(56)	–	(100)	–	(156)
Unwinding of discount	145	54	–	–	199
Balance, December 31, 2019	**$ 10,567**	**$ 3,310**	**$ 325**	**$ 2,615**	**$ 16,817**
Less current portion	1,338	–	325	2,615	4,278
Long-term portion	**$ 9,229**	**$ 3,310**	**$** –	**$** –	**$ 12,539**

(a) Environmental restoration

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

(b) Leased site restoration

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

(c) Claims

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

(d) Local channel and other contributions

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

12. Borrowings

(a) Long-term obligations

	2019	2018
Series A Debentures	**$ 99,968**	$ 99,866
Less: current portion	**99,968**	–
	$ –	$ 99,866

12. Borrowings (Continued)

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.

The VFPA has available a five-year, $200 million revolving loan facility with Toronto Dominion Bank. The facility is unsecured and bears interest at the Canadian prime rate of the bank less 0.85% per annum. The VFPA pays a fee of 0.27% per annum on bankers' acceptances and letters of credit issued and standby fees at an annual rate of 0.025% calculated on the unused, authorized portion of the facility. Amounts outstanding may be repaid at any time without penalty and must be repaid by December 12, 2022. As at December 31, 2019, the VFPA has not borrowed from the facility.

On April 20, 2020, VFPA will be required to repay principle amounts of $99,968.

(b) Short-term borrowings

	2019	2018
PoVT unsecured demand loan	**$ 1,001**	$ 1,101

As at December 31, 2019, the VFPA has a total of $8.55 million in letters of credit outstanding (2018 – $6.15 million).

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

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

(c) Changes in liabilities arising from financing activities

	January 1, 2019	Impact on adoption of IFRS 16	Cash flows	Other	December 31, 2019
Short-term borrowings	$ 1,101	$ –	$ (100)	$ –	$ 1,001
Long-term obligations	99,866	–	–	102	99,968
Lease liabilities	–	1,498	(171)	2,048	3,375
	$ 100,967	**$ 1,498**	**$ (271)**	**$ 2,150**	**$ 104,344**

13. Employee Future Benefits

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

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

The VFPA has a funding policy for the LVPA and LNFPA defined benefit plans. These plans are contributory and require member contributions until the members attain 35 years of credited service. The VFPA will fund plan benefits measured on a going concern basis and provide adequate funding for future service benefits in accordance with the applicable laws and plan texts. Emerging plan experience, changes in assumptions, and improvements to past service benefits will result in actuarial gains and losses, sometimes giving rise to going concern and/or solvency funding deficits. The VFPA will apply its discretion in determining how rapidly it will fund deficits in accordance with the applicable laws. The VFPA reserves the right to use other funding mechanisms permitted by the applicable laws such as use of letters of credits (note 12).

The funding obligations for these plans are expected to be approximately $2,777,400 in 2020.

13. Employee Future Benefits (Continued)

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	
	2019	2018	**2019**	2018	**2019**	2018
Change in fair value of plan assets						
Balance – beginning of year	**$ 75,951**	$ 77,519	**$ 11,437**	$ 11,076	**$ –**	$ –
Employee contributions	**170**	191	**31**	30	**–**	–
Employer contributions	**1,478**	1,552	**779**	713	**37**	33
Return on plan assets	**2,798**	2,631	**431**	383	**–**	–
Non-investment expenses	**(130)**	(153)	**(17)**	(22)	**–**	–
Benefits paid	**(2,287)**	(2,033)	**(389)**	(373)	**(37)**	(33)
Actuarial (loss) gain	**5,405**	(3,756)	**(1,403)**	(370)	**–**	–
Balance – end of year	**$ 83,385**	$ 75,951	**$ 10,869**	$ 11,437	**$ –**	$ –
Change in accrued benefit obligation						
Balance – beginning of year	**$ 75,645**	$ 74,064	**$ 10,902**	$ 10,476	**$ 1,559**	$ 1,964
Current service cost						
Employer	**1,040**	1,165	**145**	150	**–**	5
Employee	**170**	191	**31**	30	**–**	–
Interest cost on benefit obligation	**2,760**	2,487	**396**	350	**57**	66
Benefits paid	**(2,287)**	(2,033)	**(389)**	(373)	**(37)**	(33)
Actuarial (gain) loss – plan experience	**513**	(417)	**402**	293	**–**	(469)
Actuarial loss – demographic assumptions	**–**	762	**–**	110	**–**	112
Actuarial (gain) loss – financial assumptions	**7,219**	(574)	**1,023**	(134)	**175**	(86)
Balance – end of year	**$ 85,060**	$ 75,645	**$ 12,510**	$ 10,902	**$ 1,754**	$ 1,559

The actual return on plan assets was $7,373,100 (2018 – ($1,132,300)).

13. Employee Future Benefits (Continued)

	Registered pension plan 2019	Registered pension plan 2018	Supplemental pension plan 2019	Supplemental pension plan 2018	Other plans 2019	Other plans 2018
Reconciliation to the (asset) liability recognized in the statement of financial position						
Accrued benefit obligation	**$ 85,060**	$ 75,645	**$ 12,510**	$ 10,902	**$ 1,754**	$ 1,559
Fair value of assets	**(83,385)**	(75,951)	**(10,869)**	(11,437)	**–**	–
Funded (surplus) deficit	**1,675**	(306)	**1,641**	(535)	**1,754**	1,559
Impact of asset ceiling	**–**	177	**–**	–	**–**	–
Impact of IFRIC 14	**–**	–	**–**	–	**–**	–
Net accrued benefit liability (asset)	**$ 1,675**	$ (129)	**$ 1,641**	$ (535)	**$ 1,754**	$ 1,559
Current pension expense for the year						
Current service cost	**$ 1,040**	$ 1,165	**$ 145**	$ 150	**$ –**	$ 5
Non-investment expenses	**130**	153	**17**	22	**–**	–
Total service cost	**$ 1,170**	$ 1,318	**$ 162**	$ 172	**$ –**	$ 5
Interest on benefit obligation	**2,760**	2,487	**396**	350	**57**	66
Return on plan assets	**(2,798)**	(2,631)	**(431)**	(383)	**–**	–
Interest on asset ceiling impact	**6**	118	**–**	–	**–**	–
Interest on IFRIC 14 impact	**–**	145	**–**	–	**–**	–
Net interest cost (income)	**(32)**	119	**(35)**	(33)	**57**	66
Total current pension expense	**$ 1,138**	$ 1,437	**$ 127**	$ 139	**$ 57**	$ 71
Recognition through other comprehensive income (OCI)						
Actuarial losses (gains) on obligation	**$ 7,732**	$ (229)	**$ 1,425**	$ 269	**$ 175**	$ (443)
Actuarial losses (gains) on assets	**(5,405)**	3,756	**1,403**	370	**–**	–
Effect of impact due to asset ceiling	**(184)**	(3,395)	**–**	–	**–**	–
Effect of impact due to IFRIC 14	**–**	(4,405)	**–**	–	**–**	–
Total amount recognized in OCI	**$ 2,143**	$ (4,273)	**$ 2,828**	$ 639	**$ 175**	**$** (443)

Change in OCI gain (loss) balances:

	Registered pension plan 2019	Registered pension plan 2018	Supplemental pension plan 2019	Supplemental pension plan 2018	Other plans 2019	Other plans 2018
Balance – beginning of year	**$ (11,354)**	$ (15,627)	**$ (3,365)**	$ (2,726)	**$ (200)**	$ (643)
Gains (losses) recognized in the year	**(2,143)**	4,273	**(2,828)**	(639)	**(175)**	443
Balance – end of year	**$ (13,497)**	$ (11,354)	**$ (6,193)**	$ (3,365)	**$ (375)**	$ (200)

13. Employee Future Benefits (Continued)

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

	2019 Registered pension plan	**2019** Supplemental pension plan	2018 Registered pension plan	2018 Supplemental pension plan
Equity funds	**$ 22,924**	**$ 1,880**	$ 22,671	$ 1,709
Cash and fixed income funds	**52,144**	**3,751**	45,410	3,342
Real estate funds	**8,239**	**603**	7,758	563
Other	**78**	**10**	112	10
Refundable tax account	**–**	**4,625**	–	5,813
	$ 83,385	**$ 10,869**	$ 75,951	$ 11,437

(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).

13. Employee Future Benefits (Continued)

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

	EISPB		SPASE	
	2019	2018	**2019**	2018
Change in fair value of plan assets				
Balance — beginning of year	**$ –**	$ –	**$ –**	$ –
Employer contributions	**62**	61	**96**	80
Benefits paid	**(62)**	(61)	**(96)**	(80)
Balance – end of year	**$ –**	$ –	**$ –**	$ –
Change in accrued benefit obligation				
Balance — beginning of year	**$ 826**	$ 863	**$ 1,432**	$ 1,504
Interest cost on benefit obligation	**30**	28	**51**	52
Benefits paid	**(62)**	(61)	**(96)**	(80)
Actuarial loss (gain) on liability – plan experiences	**6**	4	**6**	(33)
Actuarial loss on liabilities – demographic assumptions	**–**	(4)	**–**	(4)
Actuarial (gain) loss on liabilities – economic assumptions	**35**	(4)	**67**	(7)
Balance – end of year	**$ 835**	$ 826	**$ 1,460**	$ 1,432
Reconciliation to the liability recognized in the statement of financial position				
Defined benefit obligation (DBO) — closing	**$ 835**	$ 826	**$ 1,460**	$ 1,432
Funded surplus	**835**	826	**1,460**	1,432
Net defined benefit liability	**$ 835**	$ 826	**$ 1,460**	$ 1,432
Interest on benefit obligation	**30**	28	**51**	52
Total current pension expense	**$ 30**	$ 28	**$ 51**	$ 52
Recognition through OCI				
Actuarial (gains) losses on obligation	**41**	(4)	**73**	(44)
Total amount recognized in OCI	**$ 41**	$ (4)	**$ 73**	$ (44)

Change in OCI gain (loss) balances:

	EISPB		SPASE	
	2019	2018	**2019**	2018
Balance – beginning of year	**$ (213)**	$ (217)	**$ (648)**	$ (692)
Gains (losses) recognized in the year	**(41)**	4	**(73)**	44
Balance – end of year	**$ (254)**	$ (213)	**$ (721)**	$ (648)

13. Employee Future Benefits (Continued)

(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:

		2019		2018
Change in fair value of plan assets				
Balance – beginning of year	**$**	**1,377**	$	1,355
Return on plan assets		**52**		47
Employer contributions		**115**		120
Employee contributions		**9**		9
Non-investment expenses		**(25)**		(34)
Benefits paid		**(53)**		(53)
Actuarial gain (loss)		**99**		(67)
Balance – end of year	**$**	**1,574**	$	1,377
Change in accrued benefit obligations				
Balance – beginning of year	**$**	**1,707**	$	1,677
Current service cost		**45**		44
Interest cost		**62**		56
Employee contributions		**9**		9
Benefits paid		**(53)**		(53)
Actuarial gain — plan experience		**–**		28
Actuarial liability demographic assumptions plan		**–**		23
Actuarial loss (gain) — financial assumptions		**234**		(77)
Balance – end of year	**$**	**2,004**	$	1,707
Reconciliation to the liability (asset) recognized in the statement of financial position				
Accrued benefit obligation	**$**	**2,004**	$	1,707
Fair value of assets		**(1,574)**		(1,377)
Unfunded deficit		**430**		330
Impact of IFRIC 14		**–**		–
Net accrued benefit liability	**$**	**430**	$	330

13. Employee Future Benefits (Continued)

		LNFPA 2019		2018
Current pension expense for the year				
Current service cost	**$**	**45**	$	44
Non-investment expenses		**25**		34
Total service cost	**$**	**70**	$	78
Interest on benefit obligation		**62**		56
Return on plan assets		**(52)**		(47)
Net interest cost		**10**		9
Total current pension expense	**$**	**80**	$	87
Recognition through OCI				
Actuarial losses (gains) on obligation		**234**		(26)
Actuarial losses (gains) on plan assets		**(99)**		67
Change in impact of additional liability due to IFRIC 14		**–**		(59)
Total amount recognized in OCI	**$**	**135**	$	(18)

Change in OCI loss balances:

		LNFPA 2019		2018
Balance – Beginning of year	**$**	**(366)**	$	(384)
Gains (losses) recognized in the year		**(135)**		18
Balance – End of year	**$**	**(501)**	$	(366)

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

		LNFPA 2019		2018
Distribution of Plan Assets				
Equity	**$**	**458**	$	413
Cash and fixed income securities		**958**		820
Real estate funds		**154**		140
Other		**4**		4
Total assets	**$**	**1,574**	$	1,377

13. Employee Future Benefits (Continued)

(d) Accrued benefit assets

	2019	2018
Accrued benefit asset		
LVPA Supplemental Pension Plan	**$ –**	$ 535
LVPA Pension Plan	**–**	129
Total accrued benefit assets	**$ –**	$ 664
Accrued benefit liabilities		
LVPA Pension Plan	**$ (1,641)**	$ –
LVPA Supplementary Plan	**(1,675)**	–
LVPA Other Plans	**(1,754)**	(1,559)
LFRPA Plan – EISPB	**(835)**	(826)
LFRPA Plan – SPASE	**(1,460)**	(1,432)
LNFPA Pension Plan	**(430)**	(330)
Total accrued benefit liabilities	**$ (7,795)**	$ (4,147)

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

	2019	2018
Gains (losses) recognized in the year		
LVPA Pension Plan	**$ (2,143)**	$ 4,273
LVPA Supplementary Plan	**(2,828)**	(639)
LVPA Other Plans	**(175)**	443
LFRPA Plan – EISPB	**(41)**	4
LFRPA Plan – SPASE	**(73)**	44
LNFPA Pension Plan	**(135)**	18
	$ (5,395)	$ 4,143

(e) Actuarial assumptions

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

	Pensions	
	2019	2018
Economic assumptions		
Discount rate at beginning of year	**3.70%**	3.40%
Discount rate at end of year	**3.10%**	3.70%
Expected long-term rate of return of plan assets	**3.10%**	3.70%
Inflation rate (future salary increases)	**2.00%**	2.00%

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

	2019	2018
Economic assumptions		
Annual rate of inflation for MSP	**0%**	4%
Annual rate of extended health care inflation	**7.00% per annum, grading down annually by 0.25% per annum to 4.5% per annum and remaining at that level thereafter**	7.00% per annum, grading down annually by 0.25% per annum to 4.5% per annum and remaining at that level thereafter

13. Employee Future Benefits (Continued)

(f) Sensitivity analysis

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

	Change in assumption	Impact on overall liability
Discount rate	Decrease by 1%	Increase of 17.1%
Inflation rate	Increase by 1%	Increase of 16.1%
Salary growth rate	Increase by 1%	Increase of 0.2%
Rate of mortality	Decrease by 10%	Increase of 2.4%
Medical cost trend rate	Increase by 1%	Increase of 19.9%

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

	Current	1% increase
Accrued benefit obligation	$ 1,627	$ 1,950
Current service cost	$ –	$ –
Interest cost	$ 50	$ 60

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)

	2019	2018
Employer contributions	**$ 2,332**	$ 2,047

14. Commitments

Capital projects, which are authorized or committed, and where the expenditures are estimated to exceed $1 million, as at December 31, 2019 are as follows:

	Spending to date	Commitments at year-end	Total authorized cost
Container expansion	$ 549,006	$ 308,866	$ 1,110,221
Land acquisition and development	30,814	523	57,299
Infrastructure improvement	196,978	134,348	458,709
Other terminal redevelopment and improvements	17,140	4,942	25,615
Total commitment	$ 793,938	$ 448,679	$ 1,651,844

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.

15. Contingent Liabilities

Roberts Bank expansion

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

16. Key Management Personnel

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

		Fees	Benefits	Total
Board of Directors				
Chan, Bruce	Director, VFPA (from May 14, 2019)	$ 28	$ 3	$ 31
Corrigan, Michael	Director, VFPA	56	–	56
Ethans, Lisa	Director, VFPA	53	–	53
Georgetti, Kenneth	Director, VFPA (from May 18, 2019)	26	3	29
Gustafson, Mark	Director, CPC	–	–	–
Hochstein, Philip	Director, VFPA (to May 18, 2019)	21	–	21
Kwan, Eugene	Director, VFPA, Vice Chair (to May 13, 2019)	32	–	32
Loberg, Carmen	Director, VFPA	99	–	99
Louie, Clarence	Director, VFPA (from March 25, 2019)	32	3	35
McLay, Catherine	Director, VFPA	59	–	59
McLeod, Joanne	Director, VFPA	62	–	62
Munroe, Craig	Director, VFPA	56	–	56
Priddy, Penny	Director, VFPA	52	–	52
Rogers, Judy	Director, VFPA, Chair	143	–	143
		$ 719	$ 9	$ 728

For the year ended December 31, 2019, total salaries and fees for the Board of Directors was $728,325 (2018 – $765,276).

16. Key Management Personnel (Continued)

		Salaries and remuneration	Other benefits	Post-employment benefits	Total
Key management personnel					
Case, Sandra	Officer & VP, People & Business Performance, VFPA	$ 320	$ 36	$ 21	$ 377
Corsie, Tom	Officer & VP, Real Estate, VFPA; President & Officer, CPC; Director, MSH	323	33	22	378
Pang, Victor	Officer, Chief Financial Officer, VFPA; Director & Officer, PoVV, PoVH, PoVE, PoVT; Director, Officer & Vice-President, CPC	400	42	25	467
Silvester, Robin	Officer, President & CEO, VFPA; President & CEO and Director & Officer of PoVV, PoVH, PoVE and PoVT	1,046	39	82	1,167
Stewart, Cliff	Officer & VP, Infrastructure, VFPA	400	33	25	458
Wilson, Duncan	Officer & VP, Corporate Social Responsibility, VFPA; Chair, CPC	329	31	21	381
Xotta, Peter	Officer & VP, Planning & Operations, VFPA	402	36	228	666
		$ 3,220	$ 250	$ 424	$ 3,894

Included in accounts payable and accrued liabilities was $1,258,343 of wages, salaries and benefits due and payable to the key management personnel group as at December 31, 2019.

For the year ended December 31, 2019, total remuneration and benefits for key management personnel was $3,894,208 (2018 – $3,530,618).

17. Gateway Infrastructure Program

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

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

17. Gateway Infrastructure Program (Continued)

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 2019 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)	$ 2,535	$ 4,049	$ 1,985	$ 8,569	$ 22,430	$ 26,584	$ 19,323	$ 68,337
Gateway Infrastructure Program (expenditures)	(291)	(514)	–	(805)	36,654	55,601	40,535	132,790
Less: Industry-funded portion (90%)	262	463	–	725	(32,989)	(50,041)	(36,482)	(119,512)
VFPA portion (10%)	$ (29)	$ (51)	$ –	$ (80)	$ 3,665	$ 5,560	$ 4,053	$ 13,278

18. Related Party

VFPA receives funding for various projects from the Federal Government and its agencies, who are considered to be related parties. Below is a summary of related party transactions (claims submitted) to the Federal Government in 2019 and amounts of related party claims receivable as at December 31, 2019.

	Claims submitted		Claims accrued — as at December 31,	
	2019	Total to date	2019	2018
Shore Power Technology	**$ 337**	$ 6,496	**$ –**	$ 30
Underwater Technology Study	**209**	1,506	**–**	–
APGCTIF	**202**	1,445	**2,235**	106
Supply Chain Visibility	**394**	500	**–**	144
Underwater Vessel Noise – Ph II	**864**	1,466	**211**	602
Underwater Vessel Noise – Ph III	**420**	420	**420**	–
NTCF-Burrard Inlet Road & Rail Improvements	**5,384**	5,384	**1,740**	–
NTCF-Westwood St & Kingsway Ave Grade Separation	**–**	–	**156**	–
NTCF-Pitt River Rd & Colony Farm Rd Rail Overpass	**–**	–	**473**	–
NTCF-Burnaby-North Shore Rail Corridor Improvement	**–**	–	**480**	–
NTCF-Harris Rd Underpass & Kennedy Rd Overpass	**–**	–	**450**	–
Canada Day at Canada Place	**470**	470	**24**	42
	$ 8,280	$ 17,687	**$ 6,189**	$ 924

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, 2019 was $8.0 million. As at December 31, 2019, this amount was included in accounts payable and accrued liabilities.

The VFPA leases property to the Federal Government. The total rental income recognized for the year ended December 31, 2019 was $1.1 million. As at December 31, 2019, $nil was included in accounts receivable and other assets.

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

18. Related Party (Continued)

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

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

In 2017, the VFPA and the Federal Government reached an agreement for a contribution of up to $0.3 million by the Federal Government toward the Supply Chain Visibility project. In 2018, the VFPA and the Federal Government signed an amendment to the contribution agreement to increase the funding to up to $0.5 million.

In 2018, the VFPA and the Federal Government reached an agreement for a contribution of up to $1.6 million toward the Measuring and Mitigation of Underwater Vessel Noise project – Phase II. In 2019, the VFPA and the Federal Government reached another agreement for a contribution of up to $5.4 million toward the Measuring and Mitigation of Underwater Vessel Noise project – Phase III.

In 2019, the VFPA and the Federal Government reached five agreements for contributions by the Federal Government under National Trade Corridors Fund (NTCF). The first was for a contribution of up to $67.6 million by the Federal Government toward the Burrard Inlet Road and Rail Improvement Project. The second was for a contribution of up to $1.1 million by the Federal Government toward the Westwood Street and Kingsway Avenue Grade Separation Project. The third was for a contribution of up to $2.1 million by the Federal Government toward the Pitt River Road and Colony Farm Road Rail Overpass Project. The fourth was for a contribution of up to $76.9 million by the Federal Government toward the Burnaby-North Shore Rail Corridor Improvement Project. The fifth was for a contribution of up to $48.8 million by the Federal Government toward the Harris Road Underpass and Kennedy Road Overpass Project.

In 2019, CPC and the Federal Government reached an agreement for a contribution of up to $0.5 million by the Federal Government toward the Canada Day at Canada Place.

19. Port Income

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

At a point in time	**2019**	2018
Wharfage	**$ 45,644**	$ 44,840
Cruise	**20,999**	15,893
Harbour dues	**10,394**	10,939
Gateway infrastructure fee	**8,569**	9,450
Berthage	**6,776**	6,985
Log revenues	**14**	15
	$ 92,396	$ 88,122

20. Leases

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

	2019	2018
Within one year	**$ 147,676**	$ 133,260
After one year but not more than five years	**551,348**	482,354
More than five years	**2,900,919**	2,464,260
	$ 3,599,943	$ 3,079,874

Contingent-based rent revenue recognized in the consolidated statement of comprehensive income was $21,425,325 (2018 – $20,827,520).

21. COVID-19 Pandemic and Impact on VFPA's Operations

The outbreak of COVID-19 could have a future material adverse effect on global economic conditions which may adversely impact VFPA's operations and results. The extent to which COVID-19 impacts VFPA's operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of COVID-19 and the actions taken to contain COVID-19 or treat its impact, among others.

Our mission

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

Our vision

For the Port of Vancouver to be the world's most sustainable port.

Our definition of a sustainable port

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

Our values

Accountability

Continuous improvement

Collaboration

Customer responsiveness

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